



goodstone ● group

**FUTURE OF GAMING IN TASMANIA
PUBLIC CONSULTATION PAPER
MARCH 2020**

VERSION 1.0

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1 INTRODUCTION

The Tasmanian gambling landscape is earmarked for regulatory change with recent announcements from the state government, industry stakeholders have been invited to provide submissions addressing the implementation and makeup of the Government's policy through the intended regulatory model.

The recent study from the Social and Economic Impact Study of Gambling in Tasmania has reported a significant decline in the proportion of Tasmanian adults who participated in any gambling activity from 61.2% in 2013, to 58.5% in 2017. The number of adults participating in online gambling has increased however, from 7.0% in the 2013 to 10.8% in 2017. This highlights some of the challenges being faced by venues within Tasmania and the ability to continue to support the local communities through continued investment and support programs. The move to online is problematic with expenditure on such products not being recorded in the state or available for supporting local communities and infrastructure, if venues are to compete there must be changes to the legislative framework to allow land-based venues to compete.

With the impending changes to the legislative framework this presents the industry with the ability to incept new practices to bring the Tasmanian state in line with other jurisdictions.

2 BACKGROUND

The Government announced its policy for the future of the Tasmanian gaming market during the 2018 State election, providing an overview of how the Tasmanian gaming industry will be restructured.

This paper provided details of the Future Gaming Market regulatory model that will be implemented via policy from 1 July 2023. It includes aspects of the policy that will require legislation, as well as those that can be implemented through non-legislative methods to provide a complete picture of the regulatory model.

Gaming in Tasmania is governed by the Gaming Control Act 1993 (the Act). The Act provides the regulatory framework for EGMs, casino table gaming, keno, lotteries, lucky envelopes, totalisators, betting exchanges, sports betting, simulated gaming and race wagering. This reform only relates to gaming in casinos, hotels and clubs.

2.1 SUBMITTED TO

Email: future.gaming@treasury.tas.gov.au

Mail: The Secretary

Department of Treasury and Finance

GPO Box 147

HOBART TAS 7001

Attention: Future Gaming Market Project

2.2 SUBMITTED BY

NEPTUNE GRAND HOTEL – GOODSTONE GROUP

The Neptune Grand Hotel offers comfortable backpacker/dormitory style rooms at unbeatable prices. The venue boasts fantastic bistro, lounge and public bar with TAB as well as gaming room.

Our venue employees 39 staff.

3 POLICY OBJECTIVES

The following items have been highlighted by the Tasmanian Government via the “Future of Gaming in Tasmania” public consultation paper 2020.

3.1 EXCLUSIVITY

The exclusivity arrangements for the conduct of casino operations, operation of electronic gaming machines and the conduct of keno under the Deed of Agreement between the State and the Federal Group will end on 30 June 2023.

The Deed of Agreement commenced in 2003 for a term of 15 years, followed by a five-year ‘rolling term’. The rolling term commenced on 1 July 2018 and automatically renews annually thereafter if the Minister responsible for the Gaming Control Act 1993 does not exercise his or her discretion to cease the rolling term.

Instead of ending the Deed by notification of non-renewal of the rolling term, the Government intends to include provisions within the proposed legislation to terminate Federal Group’s exclusivity arrangements under the Deed.

LEGISLATION / REGULATION CHANGES

Legislation will provide for:

... Ending the Deed of Agreement between the State and Federal Group on 30 June 2023, thereby removing Federal Group’s exclusive right to conduct casino operations., operate EGMs and conduct of keno in Tasmania from that date.

OUR POSITION

The current operators have ultimate control on the gaming industry with key information on all venues within operation in Tasmania, we welcome the change to separate the operations and request that consideration is given to the privacy and segregation of operations and control the industry.

This would allow our venue to operate under the sole banner of our management team and thus creating a business that can provide products in line with the expectations of our customers.

3.2 COMMUNITY SUPPORT LEVY (CLS)

The Community Support Levy (CSL) is established under the Act and paid by venues to the Tasmanian Government from the profits from EGMs. The CSL funds activities aimed at reducing the risk of harm from problem gambling.

The Act allocates expenditure of the CSL: 25 per cent for sport and recreation clubs, 25 per cent for charitable organisations and 50 per cent for problem gambling.

The policy will extend the CSL to casino EGMs, increase the rate paid by hotels and double the amount of funds available. The objective to minimise harm from problem gambling will remain unchanged.

The provisions that control how the CSL funds are spent will be reviewed with the aim of improving outcomes and promoting flexibility. Any new provisions will take into account feedback from stakeholders.

LEGISLATION / REGULATION CHANGES

Legislation will provide for:

- ... New CSL rates on EGM gross profit: hotels (5 per cent), clubs (4 per cent) and casinos (3 per cent).**
- ... Amendments to the distribution of the Community Support Levy, subject to further consultation, to allow for longer term funding arrangements and reassessment of the percentage of the CSL that is required to be allocated to each category of expenditure.**

OUR POSITION

Our venue forms an integral part of the local community and offers a haven for entertainment along with employment and direct expenditure into the local area.

We are supportive of the changes however do request consideration is given to promote the origin of the CSL funds. Gaming venues offer a variety of facilities for the local community and provide many outlets of entertainment but also provide a social experience within a controlled environment that eludes itself to a more aligned approach to controlling behaviour.

We strongly believe that our venues are more likely to control and implement strong measures of support within therefore seek to ensure the process of dissemination funds incorporates more input from venues and peak bodies. We would like to work with the government to better implement measures to minimise and promote responsible practices not only aligned with gaming but also liquor and the wider area of socialisation. We believe this process of working more aligned with operators will enable promotion and effective strategies having worked alongside and with consumers.

3.3 CASINO

Casino gaming in Tasmania's existing casinos will continue in largely the same manner as the current model with one major change - a three per cent Community Support Levy on EGM gaming being introduced.

The Act will also be amended to provide flexibility for future casino gaming arrangements, including providing for the Commission to be able to approve new technology, such as fully automated table games.

A casino licence will continue to be required to operate gaming in a casino. Federal Group will retain casino licences for the two casinos that it currently operates (Wrest Point Hotel Casino in Hobart and Country Club Casino in Launceston).

In addition, two new high roller casino licences will be made available (see next section).

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... Existing casino licence holders (Wrest Point and Country Club casinos) to be the holder of new 20-year casino licences.
- ... The Minister to approve new casino licences.
- ... The ability to operate fully automated table games (subject to Commission rules).
- ... Definition of gaming machine to be amended to provide for future technology changes.
- ... A cap on the number of EGMs to be operated in casinos (total 1 180).
- ... The SDS racing game (Trackside) to no longer be considered a casino game.
- ... The introduction of a Community Support Levy on EGMs of three per cent of gross profit.

OUR POSITION

We are supportive of the three per cent CSL on EGM gaming being introduced and the Trackside no longer being considered a casino game.

With reference to the new casino licence we have reservations on this and request that this be closely evaluated to ensure the impact on existing operators and impact to the community are measured. The operation of fully automated table games whilst in principle is supported again we would request that this implementation and review is fully evaluated, like many casinos in other states this product being exclusive to casinos places the local clubs and pubs in a position of risk in not being able to compete on the same level playing field.

3.4 HIGH ROLLER CASINO

As part of the Policy, the Government announced that it will make available two 'high roller, non-resident' casino licences (one in the south and one in the north of the State). These licences will not permit the operation of EGMs. The casinos will be 'non-resident' as they will only be licensed to operate for non-Tasmanian residents.

High roller casinos operate in a similar manner to regular casinos, but with minimum betting requirements that are usually significantly larger than regular casino bet limits.

In the first instance, the licence for the south will be offered to MONA in line with its 2015 proposal and subject to meeting all necessary probity and financial licence requirements.

The second licence will be offered in the north (including the north-west) of the State subject to:

- ... The outcome of a cost-benefit analysis demonstrating that it is in the State's best interests; and
- ... The successful proponent meeting the necessary licence requirements.

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... The introduction of two new non-resident, non-EGM, 20-year high roller licenses (one north/north-west, one south).
- ... The Minister to approve high roller casino licences.
- ... A definition of 'north' and 'south'.
- ... The existing casino legislative requirements to be applied to high roller casino licences.
- ... A high roller casino licence fee of \$200 000 per annum.
- ... Annual tax liability, payable six monthly, with an ability to carry forward a loss for 12 months.
- ... The requirement for a high roller casino gaming guarantee of not less than \$1 million or one per cent of operator's turnover.
- ... Commission to be given the power to review the licence (undertake audits) as required.
- ... A progressive high roller casino tax rate to be determined.

OUR POSITION

Tasmania is a strong sanctuary for tourism and local operators rely on this direct and indirect expenditure, whilst there are limited details made available to date it is hard to provide direct comment.

It is our opinion that the High Roller Casino should be included in the CSL to assist in the promotion and support of responsible practices and of investment into the local communities.

3.5 KENO

Keno in hotels and clubs will not change, with the Federal Group conducting keno games as the keno operator and hotels and clubs selling tickets in return for a commission.

However, the licence to conduct keno will change from a Gaming Operator licence to a new Keno Operator licence.

Venue commission will continue to be a regulated arrangement between the operator and venue.

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... Existing keno operator deemed to hold new 20-year keno licence.**
- ... Minister to approve new Keno Operator licence.**
- ... Keno licence fee of \$500 000 per annum.**

OUR POSITION

We support the recommended changes, however request that the commission model should be agreed upon by all parties (industry associations) to assist venues to receive adequate commissions.

3.6 HOTELS AND CLUBS

This sector will experience the greatest change under the new regulatory model.

Under the current arrangements a single licensee (the Gaming Operator) is the owner and operator of keno and EGMs in hotels and clubs (venues) and pays each venue a commission for both keno ticket sales and player expenditure on EGMs.

Under the new model the Gaming Operator will no longer exist and the operators of each hotel and club (of which there are currently 93) will be licensed individually to own and operate EGMs. This change will move the responsibility for complying with the regulatory and taxation requirements and prize payments from a single operator to the operators of each individual venue. This has implications for the level of suitability assessment at the time of licensing, as well as ongoing activities to ensure compliance.

There will be no change for venues in relation to the operation of, or responsibilities associated with, keno.

Venue operators will continue to operate under a Licensed Premises Gaming Licence (LPGL) however they will directly receive the profits from EGM gaming (as opposed to the current commissions they receive from the Gaming Operator).

While the day to day operation and player experience of EGMs is not expected to change significantly in hotels and clubs under the new model, the responsibilities and choices for the venue operators will.

Venue operators will take over a number of the functions that the Gaming Operator currently performs, including being responsible for:

- ... the payment of tax, the CSL and prizes in relation to EGM gaming;
- ... the acquisition (including supply), financing, and storage of EGMs;
- ... decisions around EGM game choice (from approved EGMs) and return to player settings (subject to the minimum mandated return levels) for machines in their venues; and
- ... arranging with EGM manufacturers to have new EGM games and types, or any modifications to EGM games, approved by the Commission.

The requirements in relation to these functions are not expected to change (such as the requirement to use those approved on the Roll of Recognized Manufacturers, Suppliers and Testers of gaming equipment and requirements relating to the storage, installation and removal of machines). However, the responsibility for understanding and ensuring that these requirements are met will fall to each individual venue operator.

Venue operators will also become responsible for paying a number of regulated fees such as the Licensed Monitoring Operator monitoring fee, EGM installation/maintenance fees and EGM jackpot monitoring fees. Venues will also be responsible for paying all prizes due on EGMs in their venue and ensuring that adequate funds are available for the payment of prizes, including jackpots, at all times.

A greater assessment of the financial capacity of venue operators will be required during the licensing process to ensure that they are able to meet these financial obligations.

As venue operators will be responsible for their own EGM gaming operations, a right to operate EGMs at a venue is to be created which will be known as an 'EGM authority'. Venue operators will be required to have one EGM authority for each physical EGM that they operate. These authorities will be owned by Government and will not be tradeable.

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... The responsibility for a number of provisions under the Act to move from the Gaming Operator to the venue operator (such as to have authority to purchase, sell and operate EGMs).
- ... The new State-wide EGM cap in hotels and clubs of 2 350 (with current caps of 30 for a hotel and 40 for a club remaining) and a mechanism for any EGMs in venues in excess of the new 1 July 2023 cap to be removed on a 'last in, first out' basis.
- ... An 'EGM authority' system (refer to Fact Sheet #3 - Electronic Gaming Machine Authorities)
- ... Existing LPGL licences to be transitioned to a new licence on 1 July 2023, subject to a suitability assessment.
- ... A new 20 year licence period and new renewal provisions.
- ... The ability for the Commission to review a licence (i.e. undertake a suitability/probity audit) at any time for auditing purposes and to take action if an audit is not passed.
- ... New licence fee arrangements based on the number of EGMs and the ability to suspend a licence for non-payment of fee.
- ... Venue operators being responsible for EGM storage and movement within the State, in accordance with any relevant standards or requirements set by the Commission.
- ... The making of regulations to determine who can undertake certain functions in relation to gaming (such as installation, maintenance and repair of gaming equipment in venues).
- ... Venue operators being responsible for the payment of all taxes, CSL and EGM payouts (including jackpots) and stronger legislative provisions to give greater capacity to take action in the event of non-payment (e.g. suspension of licence).
- ... An EGM tax rate of 33.91 per cent of monthly gross profit for hotels and 32.91 per cent of monthly gross profit for clubs and CSL payments on monthly EGM gross profit at a rate of 4 per cent for club venues and 5 per cent for hotel venues (payments to be made on or before the 14th day of the month).
- ... The requirements for venue operators to pay the Licensed Monitoring Operator core monitoring fee.
- ... Venue operators to be accountable for training special employees and ensuring they are competent to use gaming equipment, and introducing a penalty for non-compliance.

OUR POSITION

There are a number of provisions in the changes that will impact the venue operations and whilst we support the owner / operator changes the following key points are made;

- ... Consideration must be given to the application of charges via monitoring, there are a number of models for monitoring in the Australian landscape and history would suggest that

a monopoly may result in increased application of fees. We cordially request that there are systems in place to monitor and control the allocation of fees to operators.

- ... The term of licences being for 20 years should be perpetuity to allow investment and forward planning.
- ... With the transfer of ownership and control of gaming equipment (EGMs) there will be a high level of investment required for individual venues, we request that the government provide venues with alternatives including dispensation/assistance to transition with the changes.

3.7 LICENSED MONITORING OPERATOR

Under the new model, a Licensed Monitoring Operator (LMO) is to be established and operational from 1 July 2023. The licence to provide a service to monitor the network of EGMs in hotels and clubs is to be put to public tender prior to this date.

The LMO will be responsible for providing and operating a fit-for-purpose monitoring system that, among other things, monitors EGM transactions in hotel and club venues in Tasmania.

The LMO will be required to ensure the integrity of EGM transactions by monitoring EGM activity and providing data and information on EGMs for regulatory and taxation purposes.

The LMO will also be responsible for a number of additional functions in relation to EGM operations in hotels and clubs and these functions will be separated into three different areas.

These are:

- ... 'core monitoring' functions for which venues will be required to pay a fee on per EGM per day basis each month;
- ... 'regulated' functions that only the LMO will be permitted to undertake for which venues will be required to pay the LMO a regulated fee; and
- ... 'other' functions that the LMO or other third party service providers will be permitted to perform under a commercial arrangement with venues, or which a venue could perform itself.

The core monitoring functions include, but are not limited to:

- ... the operation of a core monitoring system in accordance with the Commission's Gaming Machine Monitoring System Technical Standards;
- ... monitoring of EGMs in venues (e.g. EGM verification, logic door openings, large win notification);
- ... EGM help desk services for venues;
- ... Central Monitoring System reporting functions for venues and the regulator;
- ... EGM player expenditure, tax and CSL verification;

- ... investigation of EGM complaints in venues; and
- ... preparation and management of LMO and venue contractual arrangements.

The 'regulated' functions will include:

- ... EGM installation, set-up and technical venue preparation;
- ... EGM jackpot monitoring; and
- ... EGM repair and maintenance for venues.

In addition, a number of 'other' functions under the new model will be permitted to be undertaken by the venue itself, or the LMO, or other third-party service providers under a commercial arrangement. These functions include:

- ... training of venue staff in EGM operations;
- ... the provision of EGM data analysis for venues;
- ... delivery of EGMs to venues; and
- ... storage of EGMs.

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... The rights and control of the Central Monitoring System data to be vested in the Crown and provisions to enable the Minister to authorise access to and/or release of data from time to time.
- ... The LMO as a prescribed licence holder.
- ... Granting of a 20-year licence, eligibility (suitability/probity requirements), terms and conditions, licence review and licence fee.
- ... Step-in provisions to enable Government to take control of the LMO operations under certain circumstances.
- ... Defining core monitoring and regulatory fee services (in the Regulations).
- ... Secrecy provisions relating to the LMO and its use of confidential information.
- ... A penalty to prevent the LMO from inappropriately releasing information to a third party or using that information for unauthorised commercial gain.
- ... The LMO to comply with any technical standard or conditions imposed by the Commission.
- ... LMO controls and procedures to be regulated by the Commission.
- ... Venues to refer (in writing) customer disputed EGM payouts to the LMO for investigation. If either party is dissatisfied with the outcome, a written appeal can be lodged to the Commission for review.
- ... Contracts between the LMO and venues to be regulated by the Commission.

- ... The prevention of anyone other than the LMO (or a contracted party of the LMO) from undertaking installation, set-up and venue preparation and maintenance of EGMs.
- ... LMO to be the only one permitted to destroy EGMs (for a regulated fee).
- ... The transitional introduction of a new LMO, while the existing Gaming Operator licence continues for a period (which could be beyond 1 July 2023).

OUR POSITION

It is important to ensure the venues are protected if there is a monopoly in place for price gouging, many venues will operate in an environment out of their control with the implications of the contracted services. Our concern lies with the ability to transact business in a timely manner and if the LMO like other states will provide services such as connection, disconnection of EGMs there needs to be a framework in place to ensure this process is expedited, history will show that some states were heavily reliant on regular changes to the fleet however due to the archaic systems and government procedures these items resulted in venues waiting for excessive periods costing money and also inhibiting growth.

With the level of technology in today's environment there are many items that can be controlled via internal practices (i.e. repairs and maintenance), we encourage the government to liaise with venues and other jurisdictions to further understand the options for in-house programs.

Unlike the perpetuity licence requested for individual venues we encourage the government to place a time based (i.e. 20 years as established) contract to ensure the operator continues to provide investment into the industry, providing an endless contract period may inhibit the provider in bringing to the venues new technologies that become available.

If there is to be a transitional introduction of the LMO we are gravely concerned about the potential conflict of interest in the existing holder accessing key information pertaining to the operation and revenue of venues, if the current operator continues to operate venues and the Casino there is an ability for performance to be measured and used against individual providers.

3.8 MISCELLANEOUS

In addition to the changes announced as part of the Policy, there are a number of other changes being introduced by Government and miscellaneous amendments being made to the Act.

LEGISLATION / REGULATION CHANGES

Legislation and/or regulations will provide for:

- ... An Authorised person (Liquor and Gaming Branch inspectors) to have the ability to issue infringement notices.

- ... Persons other than Special Employees being permitted to remove coin from an EGM.
- ... A Social and Economic Impact Study (SEIS) to be conducted every five years instead of every three years.
- ... The extension of the Community Interest Test objection period from 14 days to 28 days.
- ... The inclusion of the ability for an infringement notice to be issued for a breach of section 5A of the Act (prohibition on gaming business from being conducted unless authorised under the Act).
- ... Trackside (simulated racing) - removing the restriction of Trackside being considered a casino game.
- ... The modernisation and streamlining of legislation (include regulatory objectives, be principles-based and allow for collaboration) and, where possible, moving machinery and operational provisions to Regulations.

(Note: some of the above changes will occur prior to 1 July 2023)

OUR POSITION

We welcome the ability to permit persons other than Special Employees to remove coin which will assist the venue to utilise other resources however do support the need to control and monitor all involvement.

Whilst we welcome the initiative to extend the Social and Economic Impact Study from 3 years to 5 years we would support the requirement for individual venues to provide regular updates of information to assist in the completion of the report, such items should include the annual investment toward the local community and responsible practice measures. We believe this will assist in monitoring effective changes to the legislative environment and changes to the industry.

We don't support the extension of the Community Interest Test objection from 14 days to 28 days as we strongly believe the current period provides ample opportunity to the community to provide feedback, the completion of surveys and feedback will show a high level of completion within the initial period, the process to complete such applications is already considered time consuming and arduous on the applicant.

In relation to the Trackside (simulated racing) we strongly support the ability of the pubs and clubs to be permitted as soon as possible to allow the consumers to participate in their local venues.

Amongst the aforementioned there are also items within the realm of change to be considered, the recent Social and Economic Impact Study has shown the movement towards online and presents a real concern for land based venues, our venue like many others provide a large

support to the local community and reinvestment into local venues will aide the further enhancement of this. With the review and alteration of legislation there are a number of areas we would welcome to be reviewed which include:

ATMs → there have been many banks remove ATMs from local communities due to the increase in associated costs thus placing constraints on the accessibility. Pubs and Clubs are considered by many to be a safe environment with the ability of venues to provide 24/7 monitoring. There are many patrons and tourists relying on venues to provide cash facilities. Currently the Casinos are permitted to allow installation of ATMs in a controlled environment and we seek to have the same options as we see no difference to the accessibility. The removal of ATMs recently established in Victoria has shown little to no impact in pubs and clubs however there are allowances within the legislation for rural areas to apply for approval due to the restricted access. There are other measures in place across other jurisdictions that could be employed and we would welcome the opportunity to discuss further through the regulated changes.

Mandatory code → the Responsible Gambling Mandatory Code of Practice for Tasmania was introduced in March 2012. It was developed to minimise harm from gambling in the Tasmanian community and sought to make gambling environments safer. We are fully committed to the application of responsible practices and many venues often go over and above the code of practice to ensure the safety and wellbeing of customers, however there are items within the code that are aged and place unnecessary restraints on our business. We would welcome the opportunity to work with the regulators to implement a strong practice of compliance however provide venues the ability to operate efficiently and productively under the new system.

Design of gaming machines → currently venues are restricted by the inability to provide EGMs with more than 30 lines, this restriction severely inhibits the ability to access new machines with manufactures reluctance to alter games which are designed and permitted in other states. There are national standards which outline the requirements of gaming machine design and should be the basis of all approvals.

Banknote acceptors → the South Australian government have recently approved the operation of note acceptors in gaming venues which brings them in line with all other jurisdictions with the exception of Tasmania which how remains the sole jurisdiction restricting the use of bank notes in gaming machines. Northern Territory introduced the note acceptors into pubs and clubs in 2013 with only the casino permitted to allow bank notes prior to this period of change. There are also implications for Occupational Health and Safety aligned with coin only operations which regularly impact our venues.

Cashless options → Ticket in and Ticket Out (TITO) and card-based solutions have been introduced in other jurisdictions to increase the safety of players and also efficiency for gaming operators. While the note and coin are still long from disappearing, consumers are increasingly opting for alternative payment methods. The trend – driven by the rise of contactless cards, Apple Pay and the Oyster card – means cash is becoming less relevant with the expectation of consumers. As a result, many operators have been exploring innovative cashless gaming solutions, with Ticket in Ticket Out (TITO) gaming leading the pack.

Exclusions → the current practices in place to monitor excluded patrons is difficult and requires to be re-assessed to ensure the process and monitoring is improved. The process of highlighting excluded patrons should include an on line process which is easily monitored and accessed by venue staff.

Working group → there are many factors associated with the changes to the legislation and framework, with these changes there will also be a number of areas impacted both within venues and to government agencies. We would strongly welcome the introduction of an industry working group combined with government appointees.