



ABN 14 078 030 752

Level 24, 25 Bligh Street SYDNEY NSW 2000
 PO Box H104 AUSTRALIA SQUARE NSW 1215
 1300 551 132 Ph + 61 2 9232 7500 Fax +61 2 9232 7511

www.impl.com.au

7 July 2021

Submission to the Victorian Casino Inquiry

Investors Mutual is a long established fund manager based in Sydney that manages \$ 7 billion for many hundreds of thousands of retail investors. We write as long time observers and investors in the Australian casino sector for the last 3 decades.

Origins of the domestic casino sector

The casino sector in Australia is a relatively young sector that did not exist in its current form until the 1990's when state governments recognised the need to:

- Legitimise the sector and thereby do away with what were previously mainly small operators and 'underground' casinos
- Set up casinos domestically with the intent that local gamblers would gamble domestically as opposed to going to overseas destinations such as Las Vegas to enjoy a 'casino' experience
- Broaden each state government's tax base with each state and territory in Australia independently taxing and monitoring all gaming activities at casinos at various tax rates depending on the type of gambling – machine, table and high rollers
- Even importantly and more recently in the last 15 years, state governments worked closely with domestic casino operators to entice larger high roller players – mainly from Asia - to frequent and play at Australia casinos to enable local casino operators to be able to attract and compete effectively with overseas based casinos for the benefit of both the State Governments (through more overseas arrivals and a larger tax base) and the casino operators

While initial casino licences were granted to various players after tenders by state governments, the ownership of the Australian casino sector has changed greatly in the last 20 years as more successful players took over others so that today the domestic casino sector can be divided into two categories: ***the larger operators*** and ***other operators***.

The ***larger operators*** came together mainly through the acquisition of various licences by 2 listed companies:

- Crown Resorts – which currently operates licences to operate casinos in Melbourne (previously operated by Hudson Conway), Perth (previously operated by Burswood) and the relatively recent granting of a VIP casino licence at Barrangaroo in Sydney.
- Star Entertainment – which was demerged by Tabcorp (as Echo Entertainment) and which operates the Star Sydney casino in Sydney (previously Sydney Harbour Casino operated by Showboat from the US) and the former Jupiters casinos on the Gold Coast (previously operated by Conrad casinos) and the Treasury Brisbane casino.

It is interesting to note that the larger players have come together over the last 20 odd years mainly through the acquisition and amalgamation of casinos which had been set up after various other operators had been granted the original licence from various state governments namely Hudson Conway in Melbourne, Burswood in WA and Jupiters on the Gold Coast.

- **Other operators** in the sector include New Zealand based Sky City – which operates the Adelaide casino (purchased in 2000 from the South Australian government), Delaware North which operates the Darwin casino (recently purchased from Sky City), Casinos Austria which operates the Cairns casino, Aquis Group which operates the Canberra casino and Federal Group which operates own the Wrest Point Casino in Tasmania.

Victorian Casino Inquiry:

In light of the information that came out of the recent NSW Casino inquiry and which has emerged from the Victorian inquiry into Crown's operations, it has become apparent that the sector is in need of a much clearer framework particularly when it comes to dealings with certain regulations, processes and procedures – particularly in the area of high rollers who come to Australia via junket operators.

In our view part of the reason for the need for more uniform and clear regulations and why some deficiencies have occurred is because regulations vary between different states and as the high roller market grew and international competition grew intensely to attract players – in particular from Macau, Singapore and Las Vegas - it appears that the regulatory framework has not evolved sufficiently to keep pace with the emerging growth and risks in this sector.

It is also very apparent that the Victorian gaming regulator needs to be better resourced to proactively carry out its regulatory and oversight obligations.

Conclusion:

While the recent casino inquiries have attracted multiple negative headlines for many months now, Australia should actually be proud of its domestic operators and their expertise – namely Star Entertainment and Crown. These companies set up an entire industry almost from scratch in the last 25 years that now rival, in terms of expertise, many of the larger and much longer established US and Asian operators.

We believe that given the Australian casino sector is now maturing, now is a very opportune time to fully clarify the legislation and regulations relating to junket operators and their high roller clients, particularly given that the current structures are inconsistent and disparate (different states have their different approaches).

In summary:

- A nationally consistent framework is urgently required to regulate and monitor areas such as the high roller segment through junket operators to ensure that the laws and regulations are uniformly applied across every state and territory. We believe this has already been recommended by the NSW commission following its inquiry
- All state based regulators – who we understand meet fairly regularly - should urgently work towards a set of consistent standards to cover the high roller/junket players moving forward to include issues such as tighter probity standards

- A clearer and consistent national set of regulations would also give investors such as ourselves greater certainty and comfort that all the applicable laws and rules relating to the casino sector are being applied uniformly and consistently across Australia

Confidential



Anton Tagliaferro
Investment Director

Confidential



Bruce Du
Senior Investment Analyst