



DETERMINATION OF AN APPLICATION BY WODONGA HOLDINGS PTY LTD FOR AMENDMENT OF ITS VENUE OPERATOR LICENCE

1. Background

- 1.1. This is an application by Wodonga Holdings Pty Ltd (Applicant) under section 3.4.17(1)(b) of the *Gambling Regulation Act 2003 (Act)* for amendment of its venue operator's licence to increase the number of electronic gaming machines (egms) at the approved premises, the Blazing Stump Hotel (Hotel), 4315 Anzac Parade, Wodonga, from 20 to 40.
- 1.2. The Commission held a public inquiry to consider the application pursuant to section 28(2)(g)(iii) of the *Victorian Commission for Gambling and Liquor Regulation Act 2011 (VCGLR Act)*.

2. The Commissioners

- 2.1. The Commissioners by whom the application was determined, were Miss G.A. Owen, (Chair), Ms K. Hamond and Mr R. Kerr.

3. The Decision

- 3.1. The Commission has determined that the application be granted.

4. The Relevant Authority – the Rural City of Wodonga

- 4.1. Section 3.4.19(1) of the Act gives the relevant authority (Council) the right to make a submission addressing the economic and social impact of the proposed amendment on the well-being of the community of the municipal district in which the venue is located and taking into account the impact of the proposed amendment on surrounding municipal districts.
- 4.2. The Council elected not to make a submission on the proposed amendment.



5. Determination of the Application

- 5.1. Determination of this application is governed by section 3.4.20 of the Act which states that the Commission must not amend a venue operator's licence unless the Commission is satisfied that:
 - 5.1.1. amendment of the licence does not conflict with a Ministerial direction given under section 3.2.3 of the Act;
 - 5.1.2. the regional limit or municipal limit for egms for the region or municipal district in which the venue is located will not be exceeded by the making of the amendment; and
 - 5.1.3. the net economic and social impact of the amendment will not be detrimental to the well being of the community of the municipal district in which the approved venue is located.

6. The Documentary Evidence

- 6.1. The Applicant filed the following documents in support of its application:
 - 6.1.1. Application Form dated 16 December 2011, including a 1:100 scale plan of the premises; an application for modification of the existing gaming machine area; and a copy of an application for a planning permit;
 - 6.1.2. Witness Statement of Stephen John Beaumont, Director of the Applicant company;
 - 6.1.3. Witness Statement of Richard Kenneth Davis, Group Manager of Cook Beaumont and Partners Group (CBP Group) of which the Applicant company is a member;
 - 6.1.4. Social and Economic Impact Assessment by Urbis Pty Ltd dated December 2011 (the Urbis Report);
 - 6.1.5. Expenditure Report prepared by Richard Whitehouse of Progressive Venue Services Australia Pty Ltd (PVS) dated November 2011; and
 - 6.1.6. Document titled "Tourism Trends Wodonga", prepared by the City of Wodonga, dated 2009/2010.
- 6.2. Additionally, a statistical Report prepared by Commission officers, titled Economic and Social Impact Report, dated February 2012 was tabled at the inquiry.
- 6.3. Handed up at the inquiry was a Google earth map showing the location of the premises in relation to the Hume Highway.



7. The Evidence

- 7.1. Expenditure evidence: The Applicant called Mr Whitehouse to give evidence as to the likely egm expenditure which would result from the proposed increase at the venue and in the LGA as a whole. Mr Whitehouse was accepted as an expert by the Commission.
- 7.2. In his written report Mr Whitehouse explained that his expenditure prediction was calculated on a gravity modelling tool known as the Geotech Model, originally developed for Tattersall's Gaming in 2007, which has since undergone a number of refinements, each of which has been the subject of audit by Ernst & Young in terms of the inputs, the assumptions inherent in the model and the validity of the results. It was Mr Whitehouse's evidence that the current model predicts actual venue revenue with a validity level of 87.2% for regional venues.
- 7.3. The report predicted that the net impact of the proposed increase in egms would be \$1,507 per week, representing an annual increase in expenditure of \$78,353 at the venue, as well as in the venue's Trade Area and the Local Network (each being wholly within the City of Wodonga Local Government Area (LGA). After taking into account predicted transferred expenditure from other venues within the municipality, this represents an annual increase in expenditure in the municipality of between \$59,548 and \$122,733, being an increase of between 0.72% and 1.49% on the VCGR Financial Year 2011 figures.
- 7.4. Mr Whitehouse said that for the purposes of his calculations, he had not taken into account the closure of the SS&A Club, so as to ensure that the predicted total impact on the LGA would be conservative.
- 7.5. Social and Economic evidence: Ms Laura Thomas was called to give evidence on the Urbis Report. The Urbis report had been written by Mr Rhys Quick, but Ms Thomas adopted the report as her evidence. She is an associate director of Urbis and her expertise in the field of social and economic assessment has been previously accepted by the Commission.
- 7.6. Ms Thomas described the location of the Hotel, as being on Anzac Parade (which is also the Murray Valley Highway), approximately 3 kilometres from the centre of Wodonga. Anzac Parade links Wodonga with Lake Hume, a major tourist destination. The Hotel is located close to the Bandiana Army Barracks, a factor which is of relevance to the Social and Economic Indicators for Areas (SEIFA)



ranking.

- 7.7. The Hotel is next to a 4½ star motel. The motel does not have a catering service after 5.00 p.m. and therefore motel guests may rely upon the Hotel's dining and entertainment facilities.
- 7.8. The Hotel is located near 2 new and growing residential estates, East Wodonga and White Box Rise estate. Both of these residential developments and the Hotel benefit from the recently opened Bandiana Link Road, which runs to the west of the Hotel and to the north-west links the Murray Valley Highway with the Hume Freeway, providing easy access across the border to Albury.
- 7.9. Ms Thomas said that the Hotel has a long history of providing hotel and entertainment services, dating back to the 1880s, with various components having been added to the building over time. The venue currently has a large, but quite dated bistro, function area, public bar and TAB, as well as a large outdoor deck. The gaming room is virtually within the bistro, partitioned off by way of medium height glazing. The proposed redevelopment would see the gaming room in a dedicated space.
- 7.10. The bistro seats 300 patrons and does a trade of approximately 1,800 meals per week. It is directed at the younger family market, which Ms Thomas estimated, is indicative of the residential growth in the area and a location different from other hotels in Wodonga. A survey of bistro patrons in November 2011 showed that approximately 50% came from the wider draw of Wodonga-Albury and a survey of gaming patrons at the same time indicated that the venue had a 70% capacity in the gaming room on only three occasions in the two-week November period, showing, in Ms Thomas's view, that the application is not driven by egm utilisation, but by the proposal for redevelopment of the Hotel.
- 7.11. The proposed redevelopment is to include a new outdoor deck for alfresco dining, with a 'big table' concept, which would allow for large groups to dine together. The cost is likely to be in the order of \$1 million and the application for a planning permit is presently being considered by the Council.
- 7.12. In terms of socio economic characteristics of Wodonga, it was Ms Thomas' evidence that although population growth had initially been focused on Albury, with its superior entertainment and retail facilities, in recent years the largest population



growth has occurred in Wodonga. The forecast is that by 2020 the twin cities will have similar populations. In recognition of this forecast the Victorian government has invested heavily in Wodonga by relocating the railway line from the centre of town.

- 7.13. Ms Thomas' evidence was that Wodonga is characterised by larger households, younger age profiles, a higher proportion of families and above-average incomes both personal and household. The higher proportion of renters and the lower proportion of homeownership is related to the presence of the army barracks and associated transient population, in Ms Thomas' opinion.
- 7.14. In terms of the SEIFA ranking, the Wodonga Statistical Local Area (SLA) sits at 993 which is in the middle ranking of SLAs in Victoria, suggesting little disadvantage in the area. Ms Thomas drew attention the large number of Census Collection Districts (CCDs) around the Hotel that include the army barracks which is not ascribed a SEIFA value. In her opinion, when the next census data is released, areas such as the White Box residential estate will be split from the army barracks, so that it can be expected that more positive information about the population of the residential community in closer proximity to the Hotel will be published. Ms Thomas acknowledged that one small area, Killara, which in 2006 had a population of only 123 does have a SEIFA score in the lowest decile.
- 7.15. EGM Density and Expenditure: Ms Thomas drew attention to the figures in the Commission's socio economic impact report still including the SS&A as an operating venue resulting in a density figure of 6.67 egms per 1,000 adults. She noted that, if closure of the SS&A venue were to be taken into account, egm density would be 4.3 egms per 1,000 adults, which is below the regional and the state averages. Egm expenditure in Wodonga is \$294 per adult as compared with an average of \$507 across country Victoria, although that figure does not take into account egm expenditure by Wodonga residents across the border in Albury. In Ms Thomas' opinion, the potential for an increase in problem gambling as a result of the proposed increase in egms at the Hotel is very low.
- 7.16. The Applicant's Evidence: Mr Davies, in his evidence drew attention to the increase in tourism over the past two years, due to the drought having lifted and camping and water skiing having revived. He said that this had had the effect of increasing turnover at the Hotel which led to the proposal to add a deck to the



premises to service an additional 150 patrons.

- 7.17. Mr Davis said that the motel trade is very strong, having a four-star rating and superior aesthetics, but it requires catering services from the Hotel, where there is a family style bistro and an old and tired function room, so that the Hotel is limited to big bookings rather than to smarter functions such as weddings, engagement parties and similar. Mr Davis' evidence was that the Hotel premises is run down and the proposal is to give the premises "a lift" to cater for the future when the nearby housing estates have developed to their full potential. He also drew attention to the VicUrban project and the commercial improvements it is predicted to bring to the area nearby Yarrowonga by way of a new supermarket, 70 specialty stores and a new Quest motel with 100 rooms and a tavern.
- 7.18. Mr Davis said that contributions of \$11,500 are currently being made to local football clubs and similar and that an additional \$30,000 a year, indexed by CPI, is proposed. He said that a proposal to provide a barbeque trailer for use by local not-for-profit organisations would assist those organisations in fund raising. He explained that the capital cost of providing the trailer would be incorporated in the \$30,000 yearly community contribution, the ongoing costs of maintaining the trailer would be in addition to the \$30,000 community contribution.
- 7.19. Mr Davis said that the venue currently has a Responsible Service of Gaming program which Mr Andrew Jean, a PVS consultant, had instituted and on which he conducted quarterly checks. He stated that the Hotel also conducted its own audits and Gambler's Help conducted six-monthly training exercises with staff. In response to a question from the Commission, Mr Davis said that the Hotel currently has 22 people self-excluded, 13 of whom are from Wodonga.
- 7.20. Mr Davis said that there are currently 5 full time employees at the Hotel and this would increase by 5 if the additional egms are approved and the proposed renovations take place.
- 7.21. The CBP Group runs 28 venues (including the Hotel), of which only 8 have gaming. Mr Beaumont's evidence was that the Group had received a number of hospitality awards. In Melbourne, an award for the Best Renovated Hotel was received in 2010 by one of its hotels, the Glenferrie Hotel in Hawthorn.
- 7.22. Consistent with the evidence of Mr Davis, Mr Beaumont's evidence was that if the application were granted the Hotel would undergo an expansion of the bistro area,



re-development of the function area, installation of a new kitchen, an extended children's facility and a new gaming room. He said that these renovations would not occur unless the application were granted, given that the redevelopment costs amount to \$1 million. He said the work would be carried out by local people. On being questioned Mr Beaumont estimated that more than 50%, and perhaps as much as 70%, of the capital cost would be directed to local contractors.

- 7.23. Mr Beaumont said that the Group had been attracted to Wodonga as an ideal place for its proposed redevelopment, particularly in light of the Victorian Government's vision for regional development there. A major factor in the Group's vision for the area, had been population growth in the area, tourist attractions and the ideal position in terms of the natural Melbourne – Sydney transportation link. In his opinion, the best way of retaining spending in Wodonga, and curbing leaked expenditure to Albury, was to provide comparable facilities in Wodonga.

8. Finding

The Commission is satisfied that a variation of the venue operator's licence to permit an additional 20 egms to be operated at the Blazing Stump Hotel will not result in a net detriment to the community of the municipal district. The Commission's reasons for reaching this conclusion are:

- 8.1. The venue is an established and apparently popular meeting place for the local population and its renovation is likely to enhance its popularity with both current and new residents and the increasing number of tourists expected in the area;
- 8.2. The re-development project itself will increase capital expenditure in the area, particularly during the construction phase when a large part of the capital cost will be directed to local tradesmen and subcontractors;
- 8.3. A redeveloped, and more attractive venue can be expected to curb expenditure leakage to Albury and allow Wodonga to compete in terms of entertainment and recreational facilities;
- 8.4. The operators of the venue are experienced hoteliers, who have already expended funds in engaging responsible gaming experts to put responsible gaming practices in place;
- 8.5. Gaming machine expenditure and density in the municipality are both relatively low. Although the level of unemployment in Wodonga is high, at 6.56%, the figure



is not inconsistent with the 6.26% level of unemployment across regional Victoria. To the extent that the additional egm expenditure forecast might be thought to be an underestimate, that could be associated with a transfer of expenditure from Albury venues across the border (which is not adequately catered for by the Geotech model), leading to increased economic benefit with little or no additional social impact;

- 8.6. The premises is in an SLA where the SEIFA level of disadvantage is average as compared with other regional areas and only in a very small area (Killara) is the level of disadvantage high;
- 8.7. The Applicant has undertaken to increase community contributions, both monetary and in-kind, if the application is granted;
- 8.8. Taking into account the removal of 60 egms from the SS&A Wodonga premises, there are only 124 egms operating in the Rural City of Wodonga and with approval of an additional 20 egms at the Blazing Stump Hotel, the number of egms within the municipality is well within the municipal limit of 259 egms.
- 8.9. Amendment of the venue operator's licence does not conflict with a direction given under section 3.2.3 of the Act.
- 8.10. The administrative process of amending the licence will take place at a time subsequent to this decision as allowed by section 3.4.20 of the Act.

The preceding document is a true copy of the reasons for the decision of Miss G.A. Owen (Chair), Ms K. Hamond and Mr R. Kerr.

Miss G.A. Owen, Deputy Chairman

Date of Hearing: 21 February 2012

Date of Decision and Reasons for Decision: 2 April 2012

Counsel for the Applicant: Ms Sarah Porritt

Instructing Solicitors: Bazzani Scully Brand

Counsel Assisting the Commission: Ms Lyn Corneliusen.

