



**National Tourism Alliance**

**Submission  
to the  
Australian Government  
Productivity Commission  
Inquiry into Gambling**

**March 2009**

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30 March 2009

Attn: Ms Roberta Bausch  
Australian Productivity Commission  
Inquiry into Gambling  
Locked Bag 2  
Collins St. East  
MELBOURNE VIC 8003

Sent via email: [gambling@pc.gov.au](mailto:gambling@pc.gov.au)

Dear Ms Bausch,

In relation to the Australian Productivity Commission's ("**the Commission**") inquiry into Australia's gambling industries; the National Tourism Alliance ("**NTA**") welcomes the opportunity to comment on "the contribution of gambling revenue on community development activity and employment"<sup>1</sup> as it specifically relates to tourism.

In addressing this issue, the NTA confines its comments to gambling's positive contribution to tourism through investment in infrastructure and in broadening the range of tourism product<sup>2</sup>.

Tourism is one of Australia's critical and most valuable economic and social assets, with the important attributes:

- A valuable economic sector, with an economic contribution by tourism of \$40 billion to GDP<sup>3</sup>;
- A labour intensive, customer service industry with employment opportunities at all levels of skill, employing 482,800 jobs directly and 810,000 Australians both directly and indirectly<sup>4</sup>;
- Significant regional importance with tourism related jobs and economic activity located in all areas of the country;
- An important export earner with significant current earnings of over \$22 billion<sup>5</sup> and capacity for significant potential earnings;
- Dominated by small business owners who are embedded in local communities, delivering not just economic benefit but making a strong social contribution; and

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<sup>1</sup> Australian Productivity Commission, *Gambling: Productivity Commission Issues Paper*, December 2008 p. 7

<sup>2</sup> It should be noted that the tourism infrastructure use the term 'infrastructure' to describe the mix of core tourist amenities. For instance, tourism infrastructure includes hotels, airports, convention space.

<sup>3</sup> Department of Resources, Energy & Tourism, *Tourism Industry – Facts and Figures*, Australian Government, June 2008

<sup>4</sup> *Ibid.* p1

<sup>5</sup> Department of Resources, Energy and Tourism, *Tourism Industry – Facts and Figures at a Glance*, Australian Government, June 2008, p 22

- Providing an economic benefit/purpose for the protection of natural assets, including our national parks which are so important in the context of climate change and sequestration.

There are no other Australian industries that can claim this combination of assets and features.

With specific regard to the benefit to tourism, NTA is ideally positioned to provide such a holistic perspective of the industry, as it includes the following significant associations as its members:

- Australian Hotels Association
- Australian Tourism Export Council
- Australian Federation of Travel Agents
- Restaurant & Catering Australia
- Hotel, Motel & Accommodation Association
- Caravan, RV & Accommodation Industry of Australia
- Australasian Casino Association
- Board of Airline Representatives
- Queensland Tourism Industry Council
- South Australian Tourism Alliance
- Tourism Council ACT
- Tourism Industry Council Tasmania
- Tourism Council Western Australia
- Tourism Industry Council NSW
- Tourism Alliance Victoria
- Victorian Tourism Industry Council

Not only is the NTA membership comprehensive in its scope, but the leadership of these associations, representing over 45,000 businesses, can bring to the table a great deal of experience, knowledge and determination to address the diverse issues that face the tourism industry as a whole.

### **Australia's gambling industry's contribution to infrastructure**

As noted above, tourism makes an important economic contribution to Australia generating more than 10 per cent of total exports and contributing \$38.9 billion to Australia's GDP in 2006/07. Tourism is also important to Australia's cultural identity, telling Australia's story on the world stage

However, for tourism to meet existing demand, as well as future demand, there needs to be a sufficient focus on supply-side concerns for this demand to be effectively met. One such supply-side issue that has been the subject of considerable industry and Government debate has been that of tourism infrastructure – including hotels and conference and exhibition centres.

This debate stems from market failure in tourism, whereby the private sector fails to invest at a sufficient level in tourism infrastructure given the extended period between making such an investment and realising a benefit from this investment. Policy frameworks concerning planning regulations can also discourage private sector investment in this area. The public sector, as a result of competing priorities, often fails to invest in infrastructure that can allow growth in tourism – which in turn hinders the growth of an important local and national economic contribution.

However, substantially addressing this market failure is Australia's gambling industries – including casinos, hotels and clubs. Through the receipt of gambling revenue, the owners of this industry have additional financial capacity to invest in long-term return capital projects which are highly beneficial to tourism. For example, in 2007-08 Australian casinos spent \$321.5 million on capital works, focusing on redevelopment and refurbishments of facilities.

Australia's casinos have invested not only in the physical space to house their gambling operations, but also in facilities to meet the needs of visitors to both their casino and the community. This includes adding to accommodation stock in a destination, an important contribution given the stagnant growth in this area; entertainment and restaurant facilities encouraging domestic and international visitation; and infrastructure supporting growth in business tourism such as conference and meeting facilities. At a more local area, it is evident that community clubs and hotels also provide important infrastructure to the surrounding community. Their ability to refurbish that amenity is often significantly improved by revenue from gambling services.

In economic terms, the tourism industry's range of product has benefitted from the ability of key sectors to invest in hotel and convention facilities. With regard to hotels, with a shortage of high quality hotel accommodation in many of our capital cities, it is interesting to note that most of the limited number of new developments currently being completed are linked to casinos.

Also in relation to convention centres, there is a strong link between the building of critical convention space as part of casino development and the growth of the meetings industry. For example, dedicated convention space attached to Wrest Point Casino in Hobart and Burswood Casino in Perth, enabled those destinations to attract conferences on a scale previously not achievable in those cities. This is equally true, but on an appropriate scale, of regional tourism benefitting from meeting facilities provided by hotels and clubs.

This connection between capital investment associated with casinos and the development of the business events sector is also apparent overseas. The most obvious example of a location where casino investment led to a boom in the business events market is in Las Vegas - the world's largest convention destination. This correlation is also being noted in Asia, with new casino-led infrastructure and big marketing dollars now competing with Australia for market share. One example of this is Macau.

As investment in casinos and related infrastructure continues across Asia, the Australian business events sector will face increasing competition in attracting international conventions to our shores. Not only will this bring a significant decrease in the export dollar revenue from tourism, but it will also impact international visitation numbers. There is significant international market competition for such conferences, and Australia needs to be able to provide not only the required infrastructure, but also an attractive program of tourist activities for guests to partake in. Casinos assist in providing the infrastructure, and also add to the diverse mix of tourism product available to visitors.

This is especially relevant given that it is widely accepted that conventions and events provide a number of positive tourism outcomes for the destination in which they are held; including:

- increased visitation;
- increased length of stay;
- significant economic impact;
- enhanced branding and reputation of the host city/State as an international and national tourism destination; and
- enhanced quality of experience for visitors.<sup>6</sup>

Current examples of investment in infrastructure of benefit to tourism include the following:

- Crown Ltd is spending an estimated \$300 million on a new hotel in the Crown Entertainment Complex, providing an addition 658 rooms to Melbourne's total accommodation stock, as well as additional conference facilities to meet Melbourne's growing business tourism demand;
- Star City in Sydney is spending an estimated \$475 million on upgrading its facilities, including new conference facilities, hotel rooms, and restaurant and retail facilities;
- SKYCITY Darwin is spending an estimated \$100 million on capital development, including the development of a tropical resort in proximity to the casino.

In addition, upgrades to local hotels and improvements in sporting facilities and food and beverage areas in clubs have significantly added to the tourist amenity across the country, particularly in regional Australia.

Such investment, whilst addressing the market failure in the supply of infrastructure benefiting the broader Australian community generally, and tourism specifically, also benefits local communities through employment and the investment by gambling industries in their local community.

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<sup>6</sup> Tourism Victoria, *Victoria's Racing Tourism Plan 2005-07*, at: <http://www.tourism.vic.gov.au/racing/index.php?page=04>

## **Mix of tourism product**

The attractiveness of a destination to both international and domestic visitors is largely dependent on the availability and attractiveness of a diverse range of tourism product. Gambling broadens the range of product available to tourists, and is not simply limited to gambling facilities themselves. Visitors derive significant additional benefit from ancillary activities such as entertainment shows and performances. Additionally, gambling and entertainment facilities located in hotels and clubs broadens the range of tourism offerings in cities as well as regional locations.

In addition, Australia's racing industry adds great variety to Australia's tourism events calendar, with many domestic and international visitors travelling to take part in events such as Melbourne Cup and the Caulfield Cup. Indeed there are a significant number of tourists who follow the Australian Racing Calendar. For example, the 2004 Spring Racing Carnival attracted 75,000 interstate visitors and 25,000 international visitors to Victoria.

## **Conclusion**

It is therefore important to consider the valuable economic contribution Australia's gambling industries make to local communities and the national economy. Nowhere is this clearer than in the contribution of gambling revenue on community development activity and employment – specifically, in addressing the market failure impacting tourism infrastructure requirements. The NTA respectfully submits that this important contribution should be taken into consideration when the Productivity Commission makes this important public review into gambling.

Yours sincerely,



**Jenny Lambert**  
**Chief Executive Officer**