

Original

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ERNST & YOUNG

Quality In Everything We Do

Casino Canberra

Casino Canberra's Contribution to the ACT Economy

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Executive Summary

Ernst & Young has been commissioned by Casino Canberra (the Casino) to examine the contribution it has made to the Australian Capital Territory (ACT) economy since its opening in 1992.

This report presents the results of our analysis.

Overview of the Casino Canberra's operations

Casino Canberra - Canberra's only licensed casino – commenced operating on 14 November 1992 in temporary premises within the National Convention Centre (NCC), pending the construction of the permanent casino, which is located at 21 Binara Street, Civic, adjacent to the NCC, the Crowne Plaza Hotel and The Royal Theatre.

The licensed operator of the Casino is Casino Canberra Limited (CCL), a company wholly owned by Casinos Austria AG (CAAG) which owns and operates Austria's twelve casinos as well as Casinos Australia International (CAI), which is a major player in the global gaming industry.

Casino Canberra provides a limited range of facilities compared with the average Australian casino. In particular, the Casino:

- **houses 39 gaming tables, in contrast to the Australian casino average of 84 tables.** The Casino's facilities include a Poker Lounge, TAB and Sports Lounge, two bars and a restaurant. It offers the traditional games of Blackjack, Baccarat, Sic Bo, Money Wheel, Pai Gow and American Roulette as well as a number of new card games. The Poker Lounge offers Two and Three Card Manilla, Texas Hold 'Em, Omaha, Five and Seven Card Stud, Faro and Draw Poker;
- **does not incorporate any in-house accommodation, live theatres, cinemas, amusement arcades, gyms, swimming pools, tennis courts, retail outlets or car parking.** However, it is important to note that Casino Canberra is located in a complex in Glebe Park in the city which also contains the NCC, the Crowne Plaza Hotel, and The Royal Theatre, and is also located close to Canberra's central business district; and
- **is the only casino in Australia that is not licensed to operate gaming machines.** By contrast, an average Australian casino usually includes around 900 gaming machines.

Although the Casino has been host to over 7 million visitors since its opening in 1992, Casino Canberra only has a relatively small share of the ACT gaming market (7.5per cent) and the Australian casino market (less than one per cent of total Australian expenditure on casinos).

Impact of Casino Canberra on the ACT economy

Despite the relatively small scale of its operations, since 1992 Casino Canberra has:

- made a major long term net investment in the ACT economy of \$160.4 million;
- supplied over \$332.6 million of services to ACT residents who have visited the Casino;
- purchased over \$26.8 million of goods and services from ACT businesses;

- provided jobs for over 200 full time equivalent employees per year and paid \$165.7 million in wages and salaries; and
- paid over \$234.7 million of licence fees, gaming tax, payroll tax and land tax to the ACT Government.

Net benefits for the ACT

Contrary to what most ACT residents would expect, Casino Canberra has not been making large profits from its operations and repatriating those profits to its foreign parent (CAAG). Rather, the operator and owner of the Casino have had to make many significant net injections of funds into the Casino to finance its establishment and the net operating losses it has incurred since its opening in 1992.

The major net beneficiaries of the Casino's operations since 1992 have been:

- ACT residents who have derived net benefits between \$111.7 million and \$183 million from visiting the Casino. Although interstate and international visitors have also derived significant net benefits from visiting Casino Canberra, those net benefits have been excluded from the analysis since they do not represent a net benefit for the ACT;
- the ACT Government, which has derived \$219.6 million of net benefits from the casino licence fees, gaming tax, payroll tax and land tax paid by Casino Canberra. Although Casino Canberra has also generated significant GST revenue for the Commonwealth Government, that revenue has been excluded from the analysis since it does not benefit the ACT; and
- ACT businesses, which have derived net benefits between zero and \$6.7 million from supplying goods and services to the Casino since its opening. Interstate businesses have also derived significant benefits from the provision of goods and services either directly to Casino Canberra, or indirectly via sales to ACT businesses who supply goods and services directly to the Casino. Once again, however, those net benefits to interstate businesses have been excluded from the analysis since they do not represent a benefit to the ACT.

Many local and national charities have also benefited from the support of Casino Canberra. Given the relatively modest level of that support in relation to the major benefits outlined above, however, those charitable donations were not included in our analysis. Rather, our analysis focuses on the major benefits and costs arising from Casino Canberra's operations.

Offsetting these net benefits to the ACT are the external costs arising from casino gambling. Although the majority of individuals who visit Casino Canberra do not have a problem controlling their gambling, some do. It is important to note, however, that considerable uncertainty surrounds the extent of external social costs arising from problem gambling both in Australia and the ACT. For the purposes of this study, we have used the Productivity Commission's estimates of the external social costs arising from casino table games in 1997-98. Given that Casino Canberra's share of Australia's casino market is less than one per cent, this would suggest that the external social costs of casino gambling in the ACT would be around \$480,000 to \$1.5 million per annum. As a result, we have assumed for the purposes of this study that the annual external social cost of problem casino gambling in the ACT was \$1.5 million per annum from 1992 to 1998 and then increased annually by the prevailing government stock rate.

Overall, this suggests that the ACT has derived net benefits of between \$291 million and \$369 million from the Casino's operations since its opening in 1992.

1. Introduction

Ernst & Young has been commissioned by Casino Canberra (the Casino) to examine the contribution it has made to the Australian Capital Territory (ACT) economy since its opening in 1992.

The purpose of this report is to present the results of our analysis.

In particular, this report:

- **provides an overview of Casino Canberra's operations (section 2)**, which outlines:
 - the ownership and operation of Casino Canberra;
 - the range of in-house facilities provided by the Casino in relation to an average Australian casino;
 - the number of visitors to the Casino since its opening in 1992; and
 - the Casino's share of the ACT gaming market and the Australian casino market;
- **examines the impact that Casino Canberra's operations have had on the ACT economy (section 3)**, including the Casino's:
 - net investment in the ACT;
 - supplies of goods and services to the individuals who have visited to the Casino;
 - purchases of goods and services from ACT businesses;
 - employment of staff; and
 - payments of licence fees and gaming tax revenue to the ACT Government;
- **estimates the net benefits that the ACT has derived from Casino Canberra's operations (section 4)**. In particular, it:
 - identifies the major net beneficiaries of the Casino's operations, which include:
 - ACT residents who have visited the Casino since its opening in 1992;
 - the ACT Government, which has derived licence fees and gaming tax revenue from the Casino; and
 - ACT businesses that have provided goods and services to the Casino;
 - estimates the extent to which these net benefits have been offset by the external social costs arising from problem casino gambling; and
 - estimates the overall net benefit that the ACT has derived from the Casino's operations since its opening in 1992.

2. Overview of Casino Canberra's Operations

2.1 Establishment of Casino Canberra

Opening of the Casino

Casino Canberra - Canberra's only licensed casino – commenced operating on 14 November 1992 in temporary premises within the National Convention Centre (NCC), pending the construction of the permanent casino, which is located at 21 Binara Street, Civic, adjacent to the NCC, the Crowne Plaza Hotel and The Royal Theatre.

Owner and licensed operator of the Casino

The licensed operator of the Casino is Casino Canberra Limited (CCL), a company wholly owned by Casinos Austria AG (CAAG). CAAG owns and operates Austria's twelve casinos and is also owner of Casino's Austria International (CAI), which was selected as the preferred operator of the casino by the ACT Government¹.

CAI is a major player in the global gaming industry which was formed in 1977 by its parent company – CAAG – which operates Austria's 12 casinos. Since its establishment, CAI and its partners:

- have opened 215 casinos in 35 countries and on board 90 cruise ships; and
- currently operate 53 land-based casinos in 16 countries and 9 shipboard casinos².

Development of the interim and permanent casinos

Following its selection as the preferred casino operator, CAI entered into two development agreements with the ACT Government on 31 January 1992 which involved:

- CAI:
 - establishing an interim casino in Canberra's NCC, which was opened on 14 November 1992;
 - constructing a purpose-built casino about 200 metres from the NCC, which was opened on 29 July 1994;
- the ACT Government:
 - issuing a ninety nine year lease to CCL for the ground on which the permanent casino was constructed;
 - issuing a ninety nine year casino licence (which is exclusive for the first 20 years) in return for:
 - an up front payment of \$19 million, which was paid by Casino Canberra to the ACT Government in October 1992; and

¹ Casino Canberra Annual Reports.

² Casinos Austria International website www.casinosaustria.com.

- an annual licence fee payment of \$0.5 million;
- imposing gaming tax on the Casino at the following rates:
 - 1992 and 1993 – the rate of tax was variable between 30 and 35per cent of Gross Gaming Revenue (GGR);
 - 1994 and 1995 – the rate of tax was variable between 27.5 and 32.5per cent of GGR; and
 - 1996 onwards – 20per cent of GGR;
- having the right to approve any change in the majority ownership of CCL.

2.2 Casino Canberra's facilities

As indicated in Table 1, Casino Canberra provides a limited range of facilities compared with the average Australian casino. In particular, Casino Canberra:

- **houses 39 gaming tables, in contrast to the Australian casino average of 84 tables.** The Casino's facilities include a Poker Lounge, TAB and Sports Lounge, two bars and a restaurant. It offers the traditional games of Blackjack, Baccarat, Sic Bo, Money Wheel, Pai Gow and American Roulette as well as a number of new card games. The Poker Lounge offers Two and Three Card Manilla, Texas Hold 'Em, Omaha, Five and Seven Card Stud, Faro and Draw Poker;
- **does not incorporate any in-house accommodation, live theatres, cinemas, amusement arcades, gyms, swimming pools, tennis courts, retail outlets or car parking.** However, it is important to note that Casino Canberra is located in a complex in Glebe Park in the city which also contains the NCC, the Crowne Plaza Hotel, and The Royal Theatre, and is also located close to Canberra's central business district; and
- **is the only casino in Australia that is not licensed to operate gaming machines.** By contrast, an average Australian casino usually includes around 900 gaming machines.

Table 1: Comparison of Casino Canberra's facilities with the facilities offered by an average Australian casino

Facility	Casino Canberra	Average Australian Casino
Gaming Tables	39	84
Gaming Machines	0	900
Restaurants	1	7
Hotel Rooms	0	259
Bars	2	7
Nightclubs	0	1
Conference Facilities	1	5
Live Theatres	0	1
Movie Theatres	0	3
Amusement Arcade	0	1
Gymnasium	0	1
Swimming Pool	0	1
Tennis Court	0	1
Retail Shops	0	5

Source: *Economic Survey Report*, URS Australia Pty Ltd, Final Report prepared for the Australian Casino Association, 1 June 2005.

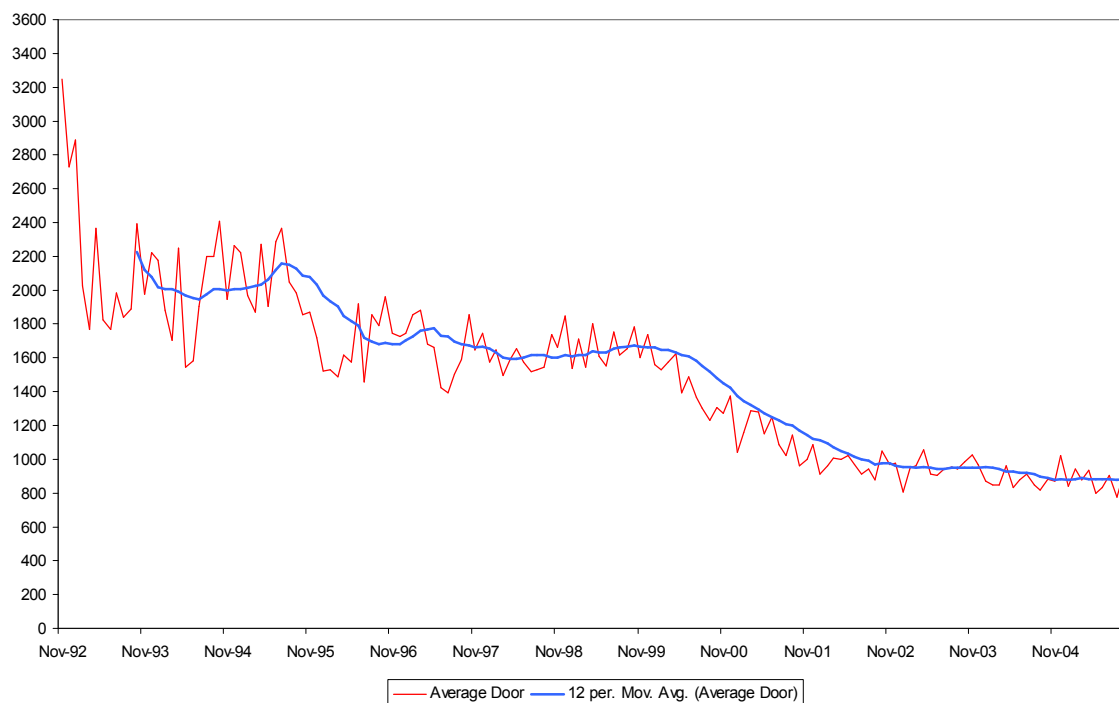
2.3 Number of visitors to Casino Canberra

Since it opened in 1992, Casino Canberra has been host to over 7 million visitors.

As indicated in Figure 1:

- in the first few months of its operations, Casino Canberra was attracting in excess of 3,000 visitors per day;
- as the novelty value of the Casino wore off, visitor numbers declined to around 2,000 visitors per day up to around November 1995;
- between November 1996 and November 2000, visitor numbers averaged about 1,600 per day; and
- since November 2002, visitor numbers have been averaging around 900 per day.

Figure 1: Number of visitors to Casino Canberra each day since its opening in 1992

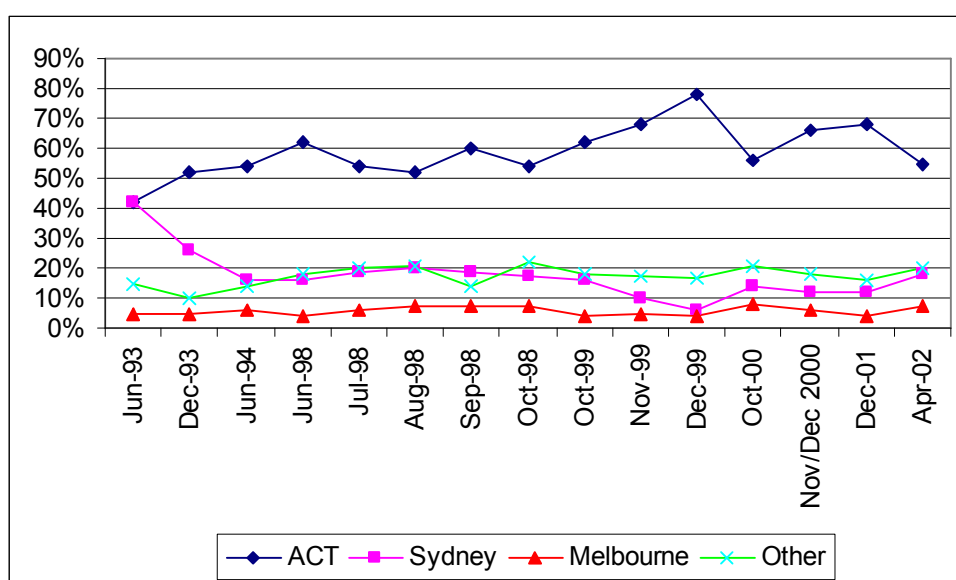


Source: Casino Canberra door entry data.

As indicated in Figure 2, except for 1993, 1994 and up until September 1995, when the Casino attracted a large number of visitors from interstate, surveys conducted by the Casino over the period 1993 to 2002 suggest that:

- ACT residents have accounted for around 55 per cent of the total number of visits to the Casino each year;
- interstate residents have accounted for most of the remaining 45 per cent of visits; and
- international tourists have accounted for between 2 per cent of 6 per cent of visits.

Figure 2: Proportion of visitors from the ACT and interstate

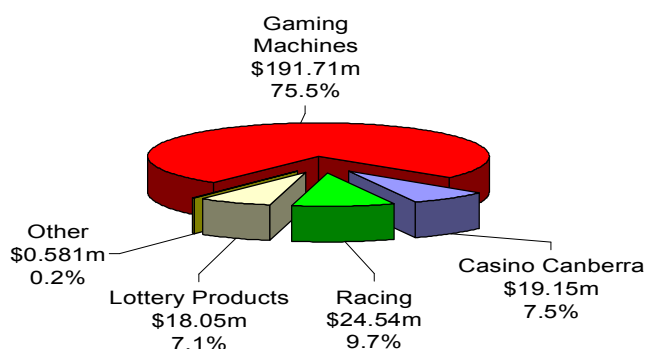


Source: Casino Canberra *Minitrak* customer survey reports.

2.4 Casino Canberra's share of the ACT gaming market and the Australian Casino Market

As indicated in Figure 3, Casino Canberra only has a relatively small share of the gaming market in the ACT. In 2003-04, expenditure on gaming at Casino Canberra was \$19.15 million, or 7.5 per cent of the \$254 million spent in the ACT on gaming.

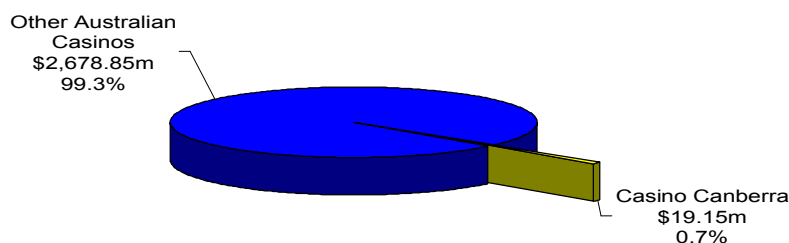
Figure 3: Casino Canberra's share of total gaming expenditure in the ACT



Source: Office of Economic and Statistical Research, Queensland Treasury, *Australian Gambling Statistics 2005: Including data for the period 1978-79 to 2003-04.*

Similarly, as indicated in Figure 4, Casino Canberra also has a very small share of the total Australian casino market. In 2003-04, expenditure at Casino Canberra on gaming was \$19.15 million, which represents less than one per cent of the \$2,698 million of expenditure at Australian casinos that year.

Figure 4: Casino Canberra's share of total Australian expenditure on casinos



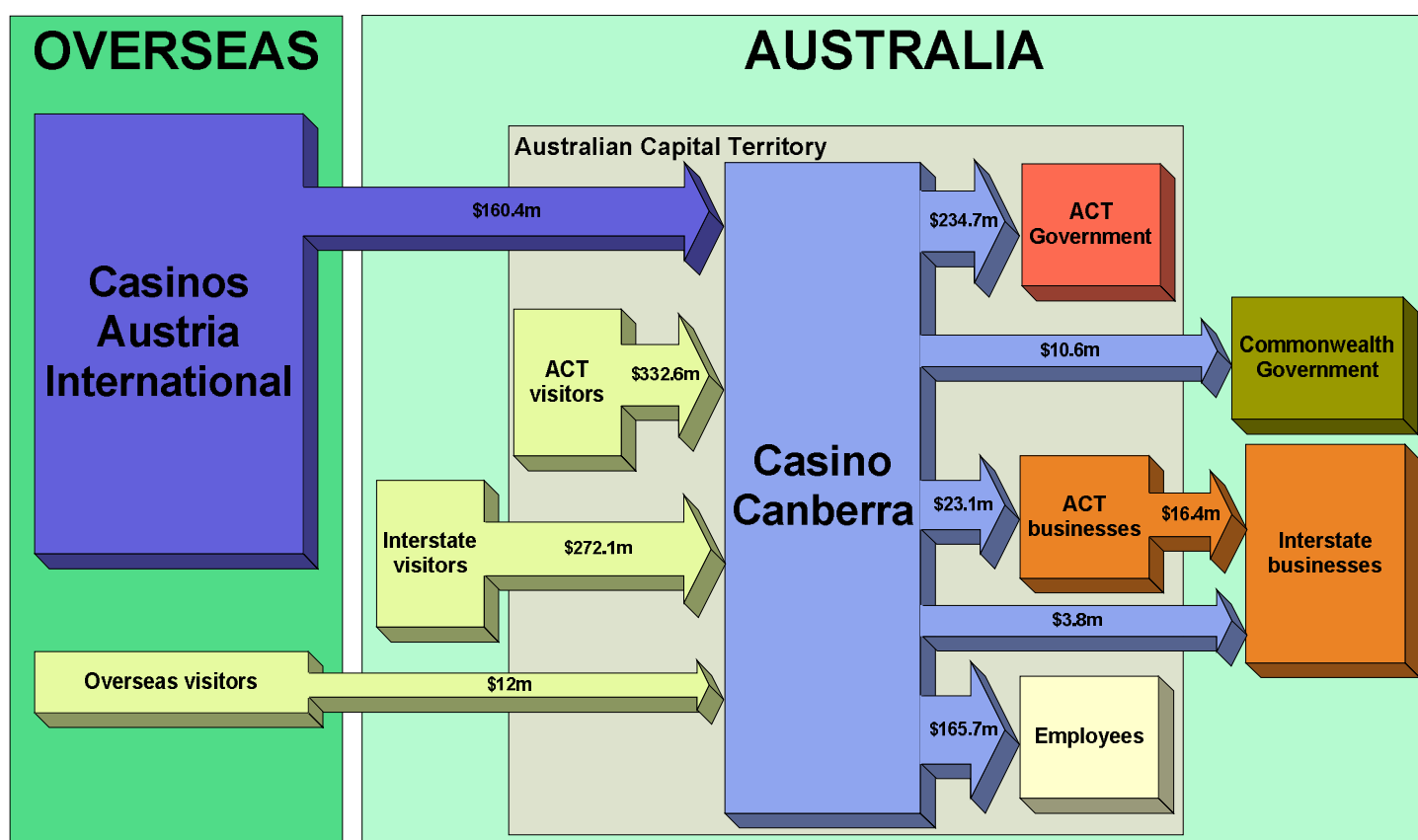
Source: Office of Economic and Statistical Research, Queensland Treasury, *Australian Gambling Statistics 2005: Including data for the period 1978-79 to 2003-04.*

3. Impact of the Casino on the ACT Economy

Despite the relatively small size of its operations in relation to other gaming activities in ACT and Australia, the establishment and operation of Casino Canberra has had a significant financial impact on the ACT economy.

The magnitude of that financial impact is illustrated in Figure 5, which provides a summary of the present value (expressed in 2005 dollars) of the major cash flows into and out of Casino Canberra since its opening in 1992. Information on the magnitude of those cash flows was obtained from Casino Canberra's management and financial accounts for the period 1992 to the end of December 2005³. Cash flows in the years prior to 2005 were converted into 2005 dollars at the rate of return generated by 10 year government bonds issued by the New South Wales Treasury Corporation in each year over the period of analysis.

Figure 5: Present value of major financial flows into and out of Casino Canberra since 1992 (expressed in 2005 dollars)⁴



³ Ernst & Young have not audited these management and financial accounts.

⁴ It is important to not that Figure 5 only shows major cash inflows and outflows. It is not intended to be comprehensive. In particular, it does not illustrate Casino Canberra's costs of borrowing and capital costs such as depreciation. We have also assumed that all Casino Canberra employees are ACT residents.

As discussed in more detail below, Figure 5 outlines the present value of Casino Canberra's:

- major sources of revenue, which include:
 - net injections of equity and debt finance to fund the establishment and operation of the Casino (net of returns to shareholders and debt repayments); and
 - expenditure at the Casino by visitors from the ACT, interstate, and overseas;
- major types of expenditure, which include:
 - the payment of casino license fees and gaming tax to the ACT Government;
 - the purchase of goods and services directly from:
 - ACT businesses, which subsequently purchase goods and services from other suppliers outside the ACT; and
 - interstate businesses;
 - the wages and salaries paid to employees of the Casino.

3.1 Casino Canberra – a major investor in the ACT

As indicated in Figure 5, CCL and its parent company, CAAG, have raised and invested over \$160.4 million of debt and equity finance since 1992 (expressed in 2005 dollars, net of returns to shareholders and debt repayments) in order to finance the establishment and operation of Casino Canberra.

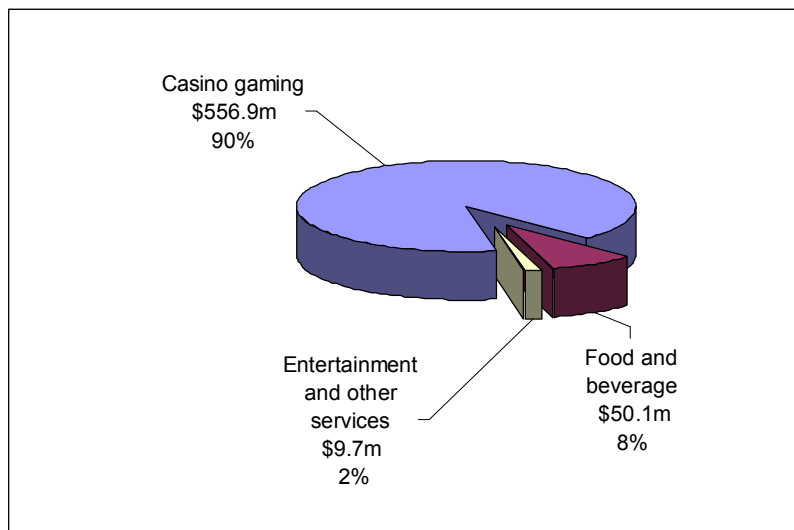
3.2 Casino Canberra – a significant supplier of entertainment services to both ACT residents and tourists

In addition to the net equity and debt finance raised by its owner and operator, Casino Canberra's other major sources of revenue have been from expenditure by the visitors to the Casino since 1992.

As indicated in Figure 6, since its opening in 1992, visitors to Casino Canberra have spent, in present value terms (2005 dollars):

- \$556.9 million on gaming at the Casino;
- \$50.1 million on food and beverages provided by the Casino; and
- \$9.7 million on entertainment and other services provided by the Casino.

Figure 6: Present value of expenditure by visitors to Casino Canberra on key services (2005 dollars)

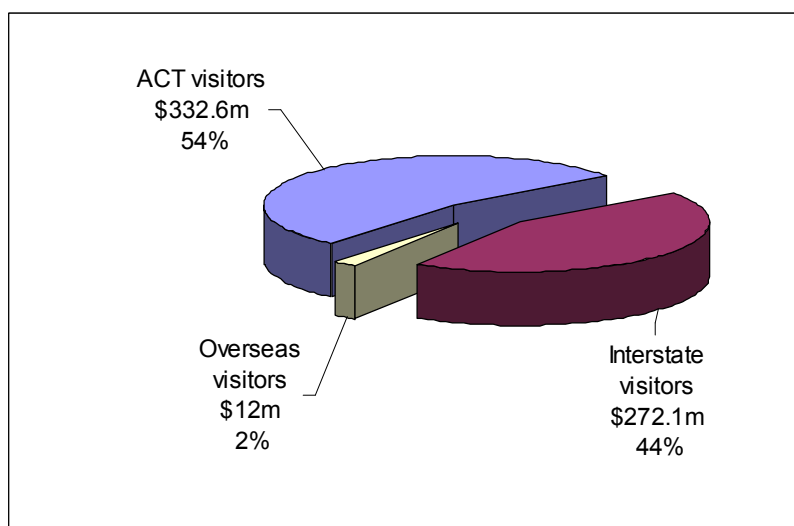


Although accurate information is not available on actual expenditure each year at the Casino by ACT, interstate, and overseas visitors to the Casino, we have estimated an approximate breakdown using Casino Canberra survey data.

As indicated in Figure 7, these estimates suggest that:

- ACT visitors have spent around \$332.6 million at the Casino (expressed in 2005 dollars);
- interstate visitors have spent around \$272.1 million (expressed in 2005 dollars); and
- overseas visitors have spent around \$12 million (expressed in 2005 dollars).

Figure 7: Present value of expenditure at the Casino by ACT, interstate and overseas visitors (2005 dollars)



3.3 Casino Canberra – a major purchaser of goods and services from ACT businesses

Casino Canberra is also a major purchaser of goods and services from ACT businesses.

As indicated in Figure 5, since its opening in 1992, the Casino has purchased goods and services worth more than \$26.8 million, expressed in present value terms (2005 dollars).

Of that total expenditure on goods and services, it is estimated that approximately:

- \$23.1 million (86per cent) has been purchased directly from ACT businesses. Treasury estimates suggest that approximately 71 per cent of that expenditure can be expected to ‘leak’ out of the ACT economy, given the high proportion of goods and services that are imported into the ACT economy; and
- \$3.8 million (14per cent) has been purchased directly from interstate businesses.

3.4 Casino Canberra – a major ACT employer

Casino Canberra is also one of the ACT’s major private sector employers.

Since its opening in 1992, Casino Canberra has:

- provided jobs for over 200 full time equivalent employees each year; and
- paid \$165.7 million in salary and wages to its employees (as indicate in Figure 5). The Casino also incurs significant expenditure providing in-house training courses for its employees. This provides those employees with skills that are internationally recognised, allowing them to work in other casinos both in Australia and internationally.

3.5 Casino Canberra - a major source of revenue for the ACT Government

Casino Canberra is also a major source of revenue for the ACT Government.

Since its opening in 1992, the Casino has paid a total of \$234.7 million in licence fees and taxes to the ACT Government, expressed in net present value terms (2005 dollars) comprising:

- \$75.2 million of licence fees;
- \$144.6 million of gaming tax revenue;
- \$14.6 million of payroll tax; and
- \$0.3 million of land tax.

3.6 Casino Canberra – supports a large number of charities

As set out in Table 2, Casino Canberra has also supported a large number of charitable causes over the last few years, both within and outside the ACT.

This list is by no means complete, as it does not feature merchandise donated for charity auctions, postage paid on behalf of charities or free meals in the Casino's restaurant donated for raffles.

Table 2: List of charitable organisations that have received donations from Casino Canberra since inception

ABC Radio	Care Australia	Northside Community Centre
ACT Academy of Sport	Care Australia - Rwanda	NPC/Telstra Charity Golf Day
ACT Callisthenics	Chinese Cultural Club	NSW Nurses Assoc
ACT Cancer Society	Community Aid Aboard	NSW Ladies Golf Union
ACT Cancer Society/Doug Russell Golf Day	Condobolin Bridge Club	Onward Stroke Club
ACT Cancerians Committee	Council on The Ageing	Open Family
ACT Chinese Assoc	Dental Therapists Association of NSW	Opera Foundation
ACT Combined Services Basketball;	Department of Foreign Affairs and Trade Annual Ball	Oracle
ACT Deafness Council	DFAT Ball	Paediatric Ward – Canberra Hospital
ACT Indoor Netball	Dunroon Charity Golf Day	Parkes Bridge Club
ACT Nissan Under 16 Squad	Ex- Servicemen's and Women's Association	Peter Rogers – cyclists
ACT Racing Club	FATD National Capital Ballroom Championships	Pines Tennis Club
ACT Representative Hockey	Festival of Bands – Canberra Festival	QANTAS Charity Golf Day
ACT Science Festival	Floral Art Guild ACT	Queanbeyan Nursing Home
ACT Society for the Physically Handicapped	Fred Hollows Charity Ball	Queanbeyan Senior Citizens Association
ACT Sport Star of the Year	George Campbell Memorial Fund	Questacon Social Club
ACT State Under 16s Softball	Ginninderra Rats Basketball Team	RAAF Fairburn Rugby Team
ACT Touch Football Assoc	Glebe Rowing Club	Rehabilitation and Aged Care – WVH
ACT Veterans Hockey	Goodwin Retirement Village	Ridgecrest Village
Alfred Deakin High School	Goulburn & District Soldiers Club	Rotary Club Charity Event
ANU Legal Union Workshop	Goulburn Sports & Recreation Club	Rotary Club of Canberra
Ashfield Musical Society	Greek Orthodox Church of Canberra	Royal Canberra Golf Club Toshiba Pro-Am Golf week
Australasian Veterans Tennis Carnival	Holt Masonic Retirement Village	SANDS
Australia Day Buskers Competition	Hong Kong Students Associations	Sanyo Electric World Championship
Australian Kidney Foundation	HSMA Harmon	Save Canberra Cannons
Australian Ladies Variety Assoc.	Hughes Community Centre	Shalom Unit
Australian Masters Games	Hyatt Hotel	Ship for World Youth
Australian Sports Commission	Inaugural National Wine Festival	SIDS
Austrian Ski Team	International Association of Lions Clubs	Smith Family
B Anderson Dragon Boats ACT	Jack Darmody Fund	Smith Family - Wagga Wagga
Barnados	James Ruse Agricultural High School	SNOG
Batlow Rotary Club	Jindalee Nursing Home	Southern Cross Tea & Coffee
Belconnen Club, Soccer Team	June Correction Centre	Southpaw/Community Centre
Brindabella Bushfire Brigade	Kaleen Primary School	Spastic Centre
Brindabella Gardens Nursing Home	Kankinya Nursing Home	Sporting & Cultural Assoc.- Dragon Boats
Broadford Police Station	Koomarri - ACT	Starlight Foundation
Bureau of Transport and Communications Social Club	Law Society of ACT	Sutton Public School
Calvary Hospital	Legacy Club	Taxation Department Charity Day
Camp Quality	Life Education	The Smith Family
Campbell High School	Lifeline	Tuggeranong Soccer Team
Canberra Amateur Swim Club	Luwana Young Womanise Service	Tuggeranong Tennis Club
Canberra Archery Club	Malaysian Night	United Firefighters Union of Aust.
Canberra Hospital	Melbourne Cup Eve Ball	Village Creek Primary School
Canberra Kookaburras Rugby Sponsorship	Melrose Primary School	Warwick Little Theatre
Canberra Lions	Mirinjani Nursing Home	Weetangera Primary School
Canberra Nursing Home	Musical - Guys & Dolls	White Property Management
Canberra Over Thirties Touch Football Team	National Capital Association	Willans Hill School – Wagga Wagga
Canberra Region Medical Research Foundation	National Road Transport Convention	Winners World
Canberra Voluntary Tourism Guides	National Square Dancing Convention	Woden Community Centre
Canberra Youth Choir	National Trust	Woden Senior Citizens Club
Canteen	NCP Charity Golf Day	Woden Youth Centre
Capital Arts Patron Assoc.	Newborn Intensive Care Foundation	Youth Café - Civic

Source: Casino Canberra

4. Net Benefits for the ACT

Who has benefited from the establishment and operation of Casino Canberra? Have all of the net benefits gone to the foreign owner of Casino Canberra (i.e. CAAG), or has the ACT and its residents derived net benefits from the establishment and operation of the Casino?

Contrary to what most ACT residents would expect, Casino Canberra has not been making large profits from its operations and repatriating those profits to its foreign parent (CAAG). Rather, the operator and owner of the Casino have had to make many significant net injections of funds into the Casino to finance its establishment and the net operating losses it has incurred since its opening in 1992.

As a result, most of the net benefits arising from the establishment and operation of Casino Canberra have not gone to the operator and owner of the Casino. Rather, as discussed further below, most of those net benefits have been derived by:

- ACT residents who have visited the Casino since its opening in 1992. Although interstate and international visitors have also derived significant net benefits from visiting Casino Canberra, those net benefits have been excluded from the analysis since they do not represent a net benefit for the ACT;
- the ACT Government, which has derived revenue from the casino licence fees, gaming tax, payroll tax and land tax paid by Casino Canberra. Although Casino Canberra has also generated significant GST revenue for the Commonwealth Government, that revenue has been excluded from the analysis since it does not benefit the ACT; and
- ACT businesses that have supplied goods and services to the Casino since its opening. Interstate businesses have also derived significant benefits from the provision of goods and services either directly to Casino Canberra, or indirectly via sales to ACT businesses who supply goods and services directly to the Casino. Once again, however, those net benefits to interstate businesses have been excluded from the analysis since they do not represent a benefit to the ACT.

As noted in section 3.6, many local and national charities have also benefited from the support of Casino Canberra. Given the relatively modest level of that support in relation to the major benefits outlined above, however, those charitable donations were not included in our analysis. Rather, our analysis focuses on the major benefits and costs arising from Casino Canberra's operations.

Offsetting these net benefits to the ACT are the external costs arising from casino gambling. Although the majority of individuals who visit Casino Canberra do not have a problem controlling their gambling, some do. This not only imposes costs on those problem gamblers, which we have taken into account when estimating the net benefits that visitors to the Casino derive from their gambling activities in section 4.2, but also imposes external costs on their families and the ACT economy. Those external costs arising from 'problem' gambling are discussed further in section 4.5.

Our overall estimates of the net benefit that the ACT has derived from Casino Canberra's establishment and operation since 1992 are presented in section 4.6.

4.1 Net injection of funds by Casino Canberra into the ACT

A popular myth surrounding casino licences is that they are 'licences to print money' and that the large, foreign-owned, multinational companies that own those licences are reporting significant profits that are being stripped out of the countries in which their casinos operate, leaving the regional areas in which their casinos are located to deal with the social costs arising from 'problem' gambling by their residents.

In reality, however, rather than being a 'licence to print money', in order to obtain a casino licence and establish and operate a successful casino, casino owners and operators typically have to:

- make a significant investment in order to construct or lease suitable premises for the casino;
- pay significant up front, as well as annual, licence fees to State Government regulators. For example, Casino Canberra paid an up front licence fee of \$19 million to the Government in 1992, and has been paying a \$0.5 million annual licence fee indexed for inflation since then;
- pay high rates of tax. In addition to being subject to Commonwealth income tax and GST like other ACT businesses, Casino Canberra also has to pay high rates of gaming tax to the ACT Government on the gross revenue it derives from its gaming operations;
- comply with stringent regulations that significantly increase operating costs. For example, Casino Canberra has to pay for 24 hour surveillance of its facilities, even though it is not open for trading 24 hours a day; and
- operate within an increasingly competitive environment. For example, Casino Canberra has to compete with licensed clubs and other Australian casinos which are able to offer a wider range of entertainment services, including gaming machines.

In view of the high costs associated with establishing and operating a casino, as well as the highly competitive economic environment and highly restrictive regulatory environment within which casinos operate, it should be no surprise to find that the operator and owner of Casino Canberra have not been deriving significant profits since its opening in 1992. Rather, as noted in section 3.1, CCL and its owner, CAAG, have had to make a significant net injection of equity and debt finance into the ACT in order to finance the establishment of the Casino and the operating losses it has been making in most years since its opening in 1992.

Had Casino Canberra been generating significant profits since its opening, and repatriating those profits back to its foreign owner (ie CAAG), that money would have been lost to the ACT economy. Since Casino Canberra has been making losses, however, the additional funds that the CCL and its parent, CAAG, have had to inject into Casino Canberra in order to finance those operating losses is an important source of additional net benefits to the ACT that would not have been enjoyed had Casino Canberra generated profits from its operations and repatriated those profits back to its foreign owner (i.e. CAAG) through dividends or additional loan repayments.

These additional funds have produced additional net benefits for the ACT economy that are taken into account in the estimated benefits outlined below.

4.2 Net benefits derived by ACT residents who have visited the Casino

Another common misconception surrounding gambling is that gamblers generate net losses rather than net benefits from their activities.

As noted by the Productivity Commission in its report on *Australia's Gambling Industries*, this misconception arises due to confusion over the nature of gambling. Gambling cannot realistically be viewed as an investment, since gamblers as a whole have to lose money to generate sufficient funds to finance the provision of those gambling services. Rather, gambling is more appropriately viewed as a form of consumption (i.e. entertainment), as opposed to an investment that is expected to yield a positive monetary rate of return. The fact that gamblers lose money from gambling does not mean that they do not generate a net benefit from that gambling. Individuals consume a wide range of goods and services which produce little or no monetary return. This does not mean that those individuals do not derive a net benefit from the consumption of those goods and services. Rather it means that they derive primarily non-monetary benefits from the consumption of those goods and services:

The fact that gamblers lose money does not mean that they derive no benefit, nor does it mean that the industries do not make a contribution to the economy. Many other activities (such as sport, theatres etc) represent consumption rather than investment, which the net cost to the consumer representing a payment for the entertainment provided.

Rather than lose from gambling, the Productivity Commission concluded that gamblers actually derive significant net benefits from their activities. That net benefit is equal to the value of the 'consumer surplus' that those individuals derive from their consumption of gaming services – which is a measure of the amount that those individuals would have been willing to pay to consume those gaming services in excess of what they actually paid to consume those services.

In particular, the Commission estimated that in 1997-98:

- 'recreational' gamblers – that is, the vast majority of individuals who do not have a problem controlling their gambling activity - derived a net benefit between \$305 million and \$495 million per annum from casino gaming in Australia;
- 'problem' gamblers – that is, individuals who do have a problem controlling their gambling activity – derived a net loss between \$3 million and \$4 million per annum from casino gambling;
- casinos generated \$280 million of taxes, licences and community contributions per annum; and
- overall, the consumption of casino gaming generated a net benefit of \$580 to \$769 million per annum (excluding the external social costs arising from 'problem' gambling, which are discussed further in section 4.5).

Consistent with the Productivity Commission's findings, our estimates indicate that ACT residents who have visited Casino Canberra since its opening in 1992 have derived significant net benefits from consuming the various services provided by the Casino, which include gambling services, as well as non-gaming related goods and services such as food, beverages and other forms of entertainment. Although interstate and international visitors to Casino Canberra have also generated significant net benefits from visiting the casino, those net benefits are excluded from the analysis since they do not represent a net benefit to the ACT.

Our approach to estimating the net benefits derived by ACT residents who have visited the Casino since its opening, as well as our estimates of the net benefits they derived, are outlined briefly below.

In brief, our approach, which is consistent with the methodology used by the Productivity Commission in its report on *Australia's Gambling Industries*⁵, involves estimating:

- the net benefit derived by 'recreational' gamblers who reside in the ACT – that is, the vast majority of ACT residents who visit the Casino who do not have problems controlling their gambling (section 4.2.1);
- the net benefit derived by 'problem' gamblers who reside in the ACT – that is, the small number of ACT residents who visit the Casino who have problems controlling their gambling activity (section 4.2.2); and
- the net benefit derived from the consumption of non-gaming goods and services at the Casino by ACT residents – that is, the net benefits that ACT residents derive from consumption of food and beverages, as well as other non-gaming forms of entertainment, provided by the Casino (section 4.2.3).

In addition to estimating the net benefit that ACT residents derive from consuming the services provided by Casino Canberra, we also considered:

- the licence fees, gaming tax, payroll tax and land tax revenue that has been paid by Casino Canberra to the ACT Government, which represents a net benefit to the ACT in addition to the net benefit derived by visitors to the Casino (section 4.3); and
- the net benefits that ACT businesses have derived from supplying goods and services to Casino Canberra (section 4.4). Although interstate businesses also benefit from providing goods and services to the Casino, once again those net benefits have been excluded from the analysis since they do not represent a net benefit for the ACT.

4.2.1 Net benefits derived by 'recreational' ACT gamblers

Consider first the net benefit (i.e. 'consumer surplus'), that 'recreational' ACT gamblers have derived from consuming the gaming services provided by Casino Canberra since its opening in 1992.

In order to estimate that net benefit, the following information is required:

- the total amount of expenditure on gaming at Casino Canberra each year. This information has been obtained from Casino Canberra's management accounts. It is estimated that since 1992, visitors to Casino Canberra have spent around \$556.9 million on gaming services provided by the Casino, expressed in present value terms (2005 dollars);
- the proportion of total casino gaming expenditure that was made by ACT residents as opposed to interstate and international visitors. This has been estimated using Casino Canberra survey data on the proportion of visits to the Casino by ACT, interstate, and overseas residents. This approach implicitly assumes that ACT residents spend, on average, about the same time per visit to the Casino as visitors who reside outside the ACT. Under these assumptions, it is estimated

⁵ A more detailed explanation of the methodology employed can be found in Chapter 5 and Appendix C of the Productivity Commission's report.

that since 1992, ACT visitors to Casino Canberra have spent around \$299.7 million on gaming services provided by the Casino, expressed in present value terms (2005 dollars);

- the proportion of casino gaming expenditure by ACT residents that was made by 'recreational', as opposed to 'problem' ACT gamblers. For the purposes of this study, we have used the Productivity Commission's estimate that 'problem' gamblers are responsible for 10.7 per cent of expenditure on casino gaming. Assuming that the extent of 'problem' casino gambling is much the same in the ACT as it is in other Australian States, this suggests that around 89.3 per cent of total casino gaming expenditure by ACT residents at Casino Canberra was made by 'recreational' gamblers resident in the ACT; and
- the sensitivity of demand for casino gambling services by ACT 'recreational' gamblers to changes in its price. Once again, we have used the Productivity Commission's estimates of the price elasticity of demand for casino gaming, which range from -0.8 to -1.3 per cent for a 1 per cent change in the price of gambling.

As outlined in Table 3, using this information we estimated that 'recreational' ACT gamblers have derived net benefits ranging from \$101.98 million to \$165.7 million from their gaming activities at the Casino since its opening in 1992.

Table 3: Net benefits derived by ACT 'recreational' gamblers

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net benefits derived by ACT 'recreational' gamblers	165,719,435	101,981,191

4.2.2 Net benefits derived by 'problem' ACT gamblers

Although the vast majority of gamblers are able to control their gambling, research indicates that there are some individuals who experience difficulty controlling their gambling, just as some individuals have problems controlling other activities such as consuming alcohol and controlling their credit card spending even though they know that it is having adverse effects on their own finances and health, as well as on their families and the wider community.

Although it is widely accepted that some individuals have problems controlling their gambling, it is much more difficult to define what constitutes a 'problem' gambler and to accurately estimate the number of 'problem' gamblers.

Much of the research done into the extent of 'problem' gambling in Australia has been based on measures that view 'problem gambling' as a mental disorder. For example, most estimates are based on the South Oaks Gambling Screen (SOGS-R measure), which was developed from the diagnostic criteria for pathological gambling as set out by the American Psychiatric Association DSM – 111. This includes both the Productivity Commission's survey of national gambling in 1999 as well as the *Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT* in 2001 that was commissioned by the ACT Gaming and Racing Commission from the Australian Institute for Gambling Research.

The Productivity Commission, the former Australian Institute for Gambling Research, and gaming industry submissions to the Productivity Commission all recognise the inherent problems with the SOGS and DSM 111 methodologies.

In particular the Productivity Commission and the former Australian Institute of Gambling Research have noted that there is strong disagreement between researchers about the validity of different 'problem gambling' definitions commonly in use and have expressed reservations about SOGS given the cultural diversity in Australia. The key issue is whether problem gambling can be adequately assessed using a psychological framework with an emphasis on behavioural responses, or whether criteria that are more sensitive to cultural and environmental factors should be included. The overall opinion of the Productivity Commission was that there is plenty of room in the field for the development of more appropriate measures and methods to recognise problem gambling (e.g. the Productivity Commission noted that the Canadian Problem Gambling Index was 'highly promising').

This means that estimates of the number of 'problem gamblers' in the ACT need to be interpreted with considerable caution. In particular, caution needs to be exercised when interpreting the results of *The Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT* conducted by the Australian Institute of Gambling Research in 2001 which suggests that:

- there were an estimated 5,297 'problem gamblers' in the ACT (i.e. 1.2 per cent of the adult population were estimated to have a SOGS 5+ score) but only 2,844 (57 per cent) of those 'problem gamblers' had experienced harm as measured by the HARM criteria (which omits most of the items in the SOGS scale that could simply indicate problematic behaviour that does not result in harm to the gambler);
- the methods of gambling preferred by 'problem gamblers' were:
 - gaming machines, which were the favourite mode of gambling for 'problem gamblers';
 - racing, which was the gambling mode preferred by the second highest number of problem gamblers; and
 - casino table games, which were reported by the third highest number of 'problem gamblers' as their preferred gambling option.

In order to estimate the net benefits derived by 'problem' gamblers at Casino Canberra, we have adopted the same methodology as used by the Productivity Commission in its inquiry into *Australia's Gambling Industries*.

This requires information on:

- the proportion of casino gaming expenditure by ACT residents that was made by 'problem' ACT gamblers, as opposed to 'recreational' gamblers. For the purposes of this study, we have used the Productivity Commission's estimate that 'problem' gamblers are responsible for 10.7 per cent of expenditure on casino gaming; and
- the sensitivity of demand for casino gambling services by ACT 'problem' gamblers to changes in its price (i.e. changes in the net return to the gambler). Once again, we have used the Productivity Commission's estimates of the price elasticity of demand for casino gaming by 'problem' gamblers, which range from:
 - low elasticity's of -0.6 per cent for moderate problem gamblers and -0.3 for severe problem gamblers; and

- a high elasticity of -1 for moderate and severe problem gamblers.

As outlined in Table 4, using this information we estimated that ‘problem’ ACT gamblers have derived net losses ranging from \$8.2 million to \$15.7 million from their gaming activities at the Casino since its opening in 1992.

Table 4: Net benefits derived by ACT ‘problem’ gamblers

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net loss incurred by ACT 'problem' gamblers'	-8,191,636	-15,739,992

4.2.3 Net benefits ACT visitors derive from the consumption of non-gaming services

In addition to deriving net benefits from their casino gaming activities, ACT residents also derive net benefits (i.e. ‘consumer surplus’) from the consumption of the other non-gaming services provided by Casino Canberra.

In order to estimate the magnitude of those net benefits, information is required on:

- the amount of expenditure by ACT residents on the non-gaming services provided by the Casino. This information has been obtained from Casino Canberra’s management accounts, which indicated that the net present value of non-gaming related services provided by the Casino (i.e. food and beverages, entertainment and other services) since 1992 is \$59.8 million;
- the proportion of that expenditure that is made by ACT residents. For the purposes of this study, it is assumed that ACT residents are responsible for the bulk of expenditure at the Casino on food, beverages and entertainment (i.e. around 85 per cent of that expenditure). Under this assumption, it is estimated that since 1992, ACT visitors to Casino Canberra have spent around \$51 million on non-gaming services provided by the Casino, expressed in present value terms (2005 dollars); and
- the sensitivity of the demand by ACT residents for those non-gaming services to changes in the price of those services. In the absence of detailed information on those price elasticities, we have assumed that the elasticity of demand for these services is -1 (i.e. it is neither elastic, nor inelastic).

As outlined in Table 5, under these assumptions, we have estimated that ACT residents have derived net benefits of around \$25.5 million from their consumption of the non-gaming services provided by Casino Canberra since its opening in 1992 (expressed in 2005 dollars).

Table 5: Net benefits derived by ACT residents from the consumption of non-gaming services

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net benefits derived by ACT residents from non-gaming services	25,506,799	25,506,799

4.3 Net benefit from revenue derived by the ACT Government

The ACT Government has also derived significant benefits from the establishment and operation of Casino Canberra in the form of the casino licence fees and gaming tax paid by the Casino since its opening in 1992.

As noted in section 3.5, since its opening in 1992, Casino Canberra has paid the following amounts of revenue to the ACT Government, in present value terms (2005 dollars):

- \$75.2 million of licence fees;
- \$144.6 million of gaming tax revenue;
- \$14.6 million of payroll tax; and
- \$0.3 million of land tax.

All of the revenue the ACT Government raises from payroll tax and land tax paid by Casino Canberra represents additional net benefit to the ACT, over and above the net benefits that ACT residents derive from visiting the Casino.

As noted by the Productivity Commission in its report on *Australia's Gambling Industries*:

- the gaming tax revenue raised from 'recreational' gamblers each year also represents a net benefit since the consumer receives satisfaction to cover the cost of the tax paid. That is, the tax results in a gain to the Government, and no loss to the consumer, since they have received satisfaction from their 'recreational' gambling;
- but not all of the gaming tax revenue raised from 'problem' gamblers represents a net benefit. This is because 'problem' gamblers not only have to pay tax on the proportion of their gambling expenditure for which they receive satisfaction (i.e. the 'normal' level of expenditure made by 'recreational' gamblers), but they also have to pay tax on the proportion of their consumption from which it is assumed they do not derive satisfaction (i.e. their expenditure in excess of 'normal' recreational levels). That is, the tax revenue raised from excessive gaming by problem gamblers comes at a cost to those gamblers (since it is assumed that they do not derive satisfaction from that excess gambling), which offsets the benefit of the tax revenue raised.

As indicated in Table 6, we have estimated that the ACT has derived:

- \$143.6 million of net benefits from the gaming tax revenue raised from the 'recreational' gamblers who have visited the Casino each year since it opened in 1992. This is equal to the net present value (expressed in 2005 dollars) of the amount of gaming taxes and licence fees (which includes the annual licence fee, plus the amount of the up front \$19 million licence fee that accrues each year) that have been paid by 'recreational' gamblers each year since 1992;
- a \$5.95 million net loss from the amount of gaming tax revenue and licence fees derived from ACT 'problem' gamblers who have visited Casino Canberra each year since 1992. This is equal to the net benefit that the ACT derives from the taxation of the 'normal' level of gambling by 'problem' gamblers (\$1.59 million), less the net loss arising from the taxation of their excess level of gambling (\$7.54 million);
- a \$8.1 million net gain from the amount of gaming tax revenue and licence fees derived from 'problem' gamblers who do not reside in the ACT. Although these 'problem' gamblers incur a net loss as a result of the taxation of their excess gambling, that loss does not represent a net loss

to the ACT. However, it does, of course, represent a net loss to the other States of Australia in which those 'problem' gamblers reside; and

- a \$59 million net gain from requiring Casino Canberra, which is fully owned by its non-resident parent CAAG, to pay an up front licence fee of \$19 million, rather than pay that fee at the rate it is assumed to be passed onto gamblers each year over the term of the 99 year casino licence. This net benefit is estimated by taking the difference between the present value of the \$19 million up front licence payment (i.e. \$63.1 million) and the present value of the proportion of that licence payment that has been assumed to be passed on to gamblers each year since 1992 (i.e. \$4.1 million). This is a net loss incurred by CAAG, which will gradually be recouped (on a 'straight line' basis) from gamblers at the casino over the term of the 99 year casino licence.

Overall, it is estimated that the ACT has derived around \$219.6 million of net benefits from taxing Casino Canberra.

Table 6: Net benefits from tax revenue derived by the ACT Government

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net benefit derived from taxing 'recreational' gamblers	143,590,886	143,590,886
Net loss derived from taxing ACT 'problem' gamblers	-5,950,265	-5,950,265
Net benefit from taxing non-resident 'problem' gamblers	8,084,610	8,084,610
Additional net benefit from up-front licence fee	59,001,599	59,001,599
Net benefit from payroll tax	14,571,615	14,571,615
Net benefit from land tax	315,926	315,926
Total	219,614,372	219,614,372

4.4 Net benefits derived by ACT businesses

As noted in section 3.3, since 1992, Casino Canberra has purchased over \$23.1 million of goods and services directly from ACT businesses.

However, this does not mean that ACT businesses have derived \$23.1 million of net benefits from that expenditure. In order to supply those goods and services, ACT businesses typically have to import a wide range of goods and services from interstate. This results in a leakage of the Casino spending to businesses located outside the ACT to interstate suppliers. The ACT Treasury estimates suggest that approximately 71 per cent of that expenditure can be expected to 'leak' out of the ACT economy, given the high proportion of goods and services that are imported into the ACT economy.

That is, only about \$6.7 million of that revenue actually stays in the ACT economy. This provides an estimate of the potential net benefits to ACT businesses under the assumption that the resources used to produce those goods and services would be otherwise unemployed. As this is unlikely to be the case, this is best viewed as an upper bound estimate of the net benefit to ACT businesses. The actual net benefit to local businesses could be significantly below that estimate and will depend on the extent to which Casino Canberra's expenditure on locally supplied goods and services drives up the price of those goods and services. In view of the considerable uncertainty surrounding the extent to which the prices of goods and services have risen in the ACT as a result of the Casino's purchases,

our estimates of the net benefits derived by ACT businesses range from zero to that upper bound of \$6.7 million (see Table 7).

Table 7: Net benefits derived by ACT businesses

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net benefit to ACT businesses	0 to 6,702,305	0 to 6,702,305

4.5 External costs arising from problem gambling

In addition to the net loss that problem gamblers incur from their excessive gambling, problem gambling also imposes 'external' costs on their families and other sections of the community.

4.5.1 Estimated social costs arising from casino gambling in the ACT

It is important to note that there is significant uncertainty surrounding both the number of problem gamblers in the ACT and the net social costs arising from their gambling activities. This makes it extremely difficult to obtain an accurate estimate the social costs arising from casino gambling in the ACT.

We have sought to use available data on the extent of problem gambling and the social costs of problem gambling to derive an estimate of the potential social costs arising from casino gambling in the ACT. In so doing, however, we stress that our estimates of the social costs of casino gambling in the ACT are incomplete, and potentially highly inaccurate. The social costs of 'problem' casino gambling in the ACT is an issue that requires much more detailed research in order to obtain more accurate estimates of those costs.

There are four main sources of information on the extent of problem gambling in the ACT:

- Casino Canberra's 'self exclusion' data, which suggests that the number of problem gamblers is very small. We note, however, that there is a risk that such data underestimates the extent of casino problem gambling in the ACT to the extent that not all problem gamblers choose to 'self exclude';
- Lifeline Canberra's gambling counselling statistics, which provide information on the number of individuals who have been receiving counselling for their problem gambling each year. As set out in Table 8, the data indicates only a small number of individuals have been seeking counselling for problem casino gambling. As such, it is consistent with Casino Canberra's self exclusion data. The majority of problem gamblers seeking Lifeline counselling have problems with gaming machines (around 80per cent);
- the Australian Institute of Gambling Research *Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT*, which was commissioned by the ACT Gambling and Racing Commission. That survey provides estimates that in 2001, 5,297 adults or 1.9 per cent of the ACT adult population had gambling problems (as measured by SOGS5+); and
- the Productivity Commission's survey of problem gambling in 1999, which suggest that 2.07 per cent of ACT's adult population had a gambling problem (as measured by SOGS5+).

Table 8: Lifeline gambling counselling statistics

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
Number of new clients:						
with a gambling problem	n/a	122	119	181	179	147
family members	n/a	42	32	39	31	21
Total number of new clients	150	164	151	220	210	168
Number of representing clients	36	14	22	33	42	55
Total number of new and representing clients	186	178	173	253	252	223
New clients by mode of gambling:						
Gaming machines only	120	128	140	151	146	124
Casino games only	6	6	4	0	4	7
Horse racing only	12	6	1	0	0	17
TAB betting only	n/a	5	11	16	11	11
Stock market	n/a	n/a	1	0	0	0
Internet betting	n/a	n/a	3	0	1	0
Other - eg cards, keno, lotto	n/a	n/a	n/a	14	1	2
Mixed:						
Including gaming machines	8	10	6	n/a	n/a	n/a
Including casino games	6	5	4	n/a	n/a	n/a
All forms of gambling	0	4	1	n/a	n/a	62

Source: Lifeline Canberra Annual Reports

For the purposes of this report, we have used Productivity Commission estimates of the social costs of casino gambling in Australia in 1997-98 as the basis for determining the annual social costs arising from problem gambling in the ACT.

The Productivity Commission estimated that around \$48 million to \$150 million of the social costs of problem gambling were attributable to casino gaming. Given that Casino Canberra's share of Australia's total casino market is less than one per cent, this would suggest that the annual external social costs of casino gambling in the ACT would be around \$480,000 to \$1.5 million per annum.

For the purposes of this study, it was assumed that the annual external social cost of problem gambling was \$1.5 million per annum from 1992 to 1998 and then increased annually by the prevailing government stock rate.

As indicated in Table 9, under these assumptions, it is estimated that the present value of external social costs incurred by the ACT as a result of 'problem' casino gambling are around \$40.2 million (expressed in 2005 dollars).

Table 9: Net external social costs arising from 'problem' casino gambling in the ACT

	Net present value of benefits derived since 1992 to the ACT (\$2005)	
	Low elasticity	High elasticity
Net external social costs of 'problem' casino gambling	-40,195,320	-40,195,320

4.5.2 Casino Canberra's approach to mitigating problem gambling

Casino Canberra recognises that problem gambling is a serious and widely recognised issue for the individuals concerned, their families, the wider community, and the legalised gaming industry in general.

As a result, Casino Canberra has pioneered the introduction of 'international best practice' techniques into Australia to help individuals to recognise and deal with their gambling problems.

As noted in section 2.1, Casino Canberra is wholly owned subsidiary of CAAG, which has extensive experience with the development and implementation of processes for identifying and assisting problem gamblers overseas. Casino Canberra's parent company has established more casinos in more countries and aboard more cruise vessels than any other operator world-wide. The casino's goal is to promote and support, to the fullest extent possible, responsible gaming behaviour in each of the casinos.

Casino Canberra's policy is to manage their operation and conduct its activities in a manner that recognises the necessity for programs and policies that address this problem in an enlightened and appropriate way.

Casino Canberra's objectives are to:

- promote guidelines and programs for a responsible gaming at Casino Canberra;
- ensure that gaming at Casino Canberra constitutes a socially rewarding leisure and entertainment activity;
- provide those casino guests who experience gaming related difficulties with information and appropriate support services;
- enhance the public image of the casino, the company and the gaming industry; and
- comply with Government and community concerns related to problem gambling issues.

Casino Canberra is committed to management policies that seek to address community concerns about problem gambling. As a result, since its opening, Casino Canberra has been at the forefront of applying international best practices for identifying and assisting problem gamblers.

All Casino Canberra staff receive detailed training on how to identify potential problem gamblers and help them address those problems. That staff training places emphasis on the responsibility of the casino staff to watch for signs of problem gambling and ensure that these elements of management are used effectively to combat emerging problems.

Casino Canberra's preferred position is that there be no problem gamblers and its management policies seek to identify problems and address them before they develop. Indeed, Casino Canberra's procedures for identifying and assisting problem gamblers have been used as a model locally and internationally for the development of best practice guidelines. For example, the ACT Gambling and Racing Commission is now responsible for administering the Voluntary Exclusion Policy' that Casino Canberra developed and implemented to enable individuals with a gambling problem to 'self bar' themselves from entry to the Casino for a specified period.

Casino Canberra considers that it is in a much better position than other gambling outlets in the ACT to identify, monitor and assist 'problem gamblers' due to:

- the requirement that all gamblers at the casino must convert their cash into gambling chips before placing their bets. This provides an opportunity for casino staff to monitor how much gamblers are spending;
- the strict surveillance of casino tables. Camera surveillance through out casinos is a major part of maintaining strict control on the gaming floor. Specially trained Surveillance Officers monitor all areas of the gaming floor and can pick up any change in gambling patterns of regular patrons. This provides casino staff with a much better opportunity to monitor the losses being incurred by potential problem gamblers than other gambling outlets. These surveillance systems and practices were developed jointly with the Casino Surveillance Authority – which used to be located at the casino before it became the ACT Gambling and Racing Commission and was relocated off-site;
- the more 'personal' nature of casino gaming. Patrons sit across the table from a Croupier and each game is overseen by a Pit Boss and an Inspector. The gaming habits of regular patrons are remembered and any consistent change in pattern can generally be picked up. This being the case, the Gaming Shift Manager is alerted and can have a quiet word with the patron to ensure that there isn't a problem;
- the positioning of signs at strategic locations within the casino (e.g. at the ATM machines in the foyer and behind toilet doors) and on gaming tables that warn of the dangers of problem gambling. For example, one sign reads, 'Have you paid your rent?' while another reads 'Have you bought your groceries?';
- the presence of trained security officers at the front door and throughout the casino, rather than just administrative staff. Casino Canberra has a Security Officer on duty for roughly every 143 patrons. During peak periods, this means 7 Security Officers are patrolling the gaming floor; and
- the limitation of casino gaming to individuals over the age of 18 years, unlike other forms of gambling which can be accessed by younger individuals.

4.5.3 Regulations governing Casino Canberra's operations

Casino Canberra is regulated by ACT's *Casino Control Act 1988* and the *Gambling and Racing Control (Code of Practice) Regulation 2002*.

As set out in Table 10, the Code of Practice governing Casino Canberra's operations contains the key features of Queensland's Responsible Gaming Code of Practice, which the Productivity Commission considers to be '... arguably one of the more comprehensive and, unlike most others, is the product of tripartite agreement between industry, government and community groups' (*The Productivity Commission's Gambling Inquiry: 3 Years On*).

Table 10: Code governing Casino Canberra compared with the 'best practice' Queensland Responsible Gaming Code

Queensland Responsible Gambling Code	Code Governing Casino Canberra
1. Provision of information	
1.1 A responsible gambling mission statement is clearly displayed.	✓
1.2 Information about the potential risks of gambling and where to get help for problem gambling is prominently displayed in all gambling areas and ATM and EFTPOS facilities servicing gambling areas.	✓
1.3 Information is displayed to alert customers that the following information is available on request: <ul style="list-style-type: none"> • the gambling provider's Responsible Gambling Policy Document including policies for addressing problem gambling issues relevant to the local community • the nature of game, game rules, odds or returns to players • exclusion provisions • gambling related complaints resolution mechanisms • key elements of the gambling provider's financial transaction practices 	✓ ✓ ✓ ✓ ✓
1.4 Meaningful and accurate information on the odds of winning major prizes is displayed in all gambling areas and in proximity to relevant games.	✓
2. Interaction with customers and community	
2.1 <u>Community Liaison</u> To support early intervention and prevention strategies, gambling providers are to establish effective mechanisms to link with: <ul style="list-style-type: none"> • local gambling-related support services • community networks where responsible gaming related issues could be raised 	✓
2.2 <u>Customer Liaison Role</u> Gambling providers are to nominate a person to perform the customer liaison role and who is trained to: <ul style="list-style-type: none"> • provide appropriate information to assist customers with gambling related problems • support staff in providing assistance to those customers • provide assistance to staff with gambling-related problems 	✓
2.3 <u>Customer Complaints</u> Complaint handling procedures that can deal with gambling issues are established and promoted by gambling providers.	✓
2.4 <u>Training and Skills Development</u> Mechanisms are established to ensure that for providing appropriate and ongoing responsible gambling training is provided to all staff who provide gambling products to customers. In addition, the relevant owners, boards and managers receive appropriate information to guide decision making in relation to responsible gaming.	✓
3. Exclusion provisions	
3.1 Gambling providers to provide self-exclusion procedures and supporting documentation.	✓
3.2 Gambling providers offer customers who seek self-exclusion contact information for gambling-related support services.	✓
3.3 Self-excluded gambling customers are to be given support in seeking self-exclusion from other gambling providers, where practicable.	✓
3.4 Gambling providers are not to send correspondence or promotional material to customers who are excluded or known to have formally requested that this information not be sent.	✓

Table 10: (continued)

Queensland Responsible Gambling Code	Code Governing Casino Canberra
4. Physical environment	
4.1 Minors are prohibited from gambling.	✓
4.2 Minors are prohibited from designated gambling areas.	✓
4.3 Service of alcohol on gambling provider's premises to be managed to encourage customers to take breaks in play.	✓
4.4 Customers who are unduly intoxicated not permitted to continue gambling.	✓
4.5 Where gambling providers offer adjunct child care, the facilities must provide safe and suitable standards of care in accordance with relevant child care legislation.	✓
4.6 Staff working in gambling areas are not to encourage gambling customers to give them gratuities.	✓
4.7 Gambling providers implement practices to ensure that customers are aware of the passage of time.	✓
4.8 Gambling providers implement practices to ensure that customers are discouraged from participating in extended, intensive and repetitive play.	✓
5. Financial transactions	
5.1 ATM facilities ATMs not to be located in close proximity to designated gambling areas, or in the entry to gambling areas, where safe and practicable.	✓*
5.2 Cashing of cheques and payment of winnings Gambling providers or sectors of the industry are to establish a limit above which all winnings are paid by cheque or electronic transfer. <ul style="list-style-type: none"> • Gambling winnings above the set limit are paid by cheque and are not cashed on the gambling provider's premises until the next trading day or within 24 hours of the win • The following cheques can be cashed only by prior arrangement: <ul style="list-style-type: none"> - cheques not made payable to the gambling provider - cheques not made payable to be person presenting the cheque - multiple cheques 	✓ ✓
5.3 Credit betting (lending of money) Gambling providers are not to provide credit or lend money to anyone for the purpose of gambling.	✓
6. Advertising and promotions	
6.1 Complies with the Advertising Code of Ethics as adopted by the Australian Association of National Advertisers.	✓
6.2 Is not false, misleading, or deceptive.	✓
6.3 Does not implicitly or explicitly misrepresent the probability of winning a prize.	✓
6.4 Does not give the impression that gambling is a responsible strategy for financial betterment.	✓
6.5 Does not include misleading statements about the odds, prizes or chances of winning.	✓
6.6 Does not offend prevailing community standards.	✓
6.7 Does not allow gambling to dominate, where there are other activities to promote.	✓
6.8 Is not implicitly, or explicitly, directed at minors or vulnerable or disadvantaged groups.	✓
6.9 Does not involve any external signs advising of winnings paid.	✓
6.10 Does not involve any irresponsible trading practices by the gambling provider.	✓
6.11 Does not depict or promote the consumption of alcohol while engaging in the activity of gambling.	✓
6.12 Has the consent of the person prior to publishing or causing to be published anything which identifies a person who has won a prize.	✓
6.13 Where appropriate, positive responsible gaming messages are incorporated in advertising and promotion.	✓

* Although there is no ATM located in Casino Canberra, there is an ATM located in the public thoroughfare outside the casino.

4.6 Overall net benefit derived by the ACT

Overall, our estimates suggest that the ACT has derived significant net benefits from the establishment and operation of Casino Canberra.

As indicated in Table 11, it is estimated that the ACT has derived net benefits ranging between \$291 million and \$369 million, expressed in net present value terms (2005 dollars) from the establishment and operation of Casino Canberra since its opening in 1992.

Table 11: Overall net benefit derived by the ACT from the establishment and operation of Casino Canberra

	Low elasticity	High elasticity
Net benefit to ACT residents who have visited the Casino		
Net benefits derived by ACT 'recreational' gamblers	165,719,435	101,981,191
Net loss incurred by ACT 'problem' gamblers'	-8,191,636	-15,739,992
Net benefits derived by ACT residents from non-gaming services	25,506,799	25,506,799
Total	183,034,598	111,747,998
Net benefit from revenue derived by the ACT government		
Net benefit derived from taxing 'recreational' gamblers	143,590,886	143,590,886
Net loss derived from taxing ACT 'problem' gamblers	-5,950,265	-5,950,265
Net benefit from taxing non-resident 'problem' gamblers	8,084,610	8,084,610
Additional net benefit from up-front licence fee	59,001,599	59,001,599
Net benefit from payroll tax	14,571,615	14,571,615
Net benefit from land tax	315,926	315,926
Total	219,614,372	219,614,372
Net benefit derived by ACT businesses	0 to 6,702,305	0 to 6,702,305
External social costs to the ACT	-40,195,320	-40,195,320
NET BENEFIT FOR THE ACT	\$362.5m to \$369m	\$291m to \$297.9m