

10 February 2010

Mr. Gary Banks AO
Chairman
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

FURTHER SUBMISSION IN RESPONSE TO PRODUCTIVITY COMMISSION DRAFT REPORT

Dear Mr. Banks,

Further to my discussion with Ralph Lattimore on Friday 22 January 2010, the Australasian Casino Association (ACA) wishes to provide additional information that may assist the Productivity Commission (PC) in the finalisation of its report. As you are no doubt aware one of the major concerns that the ACA has with the draft report is that the PC has not conducted a full analysis of the economic impact of its draft recommendations on casino industry revenues, state and territory government taxation revenues, employment, capital investment and tourism.

BACKGROUND

Given the limited time available, the ACA conducted a brief survey of its members to ascertain the implications for the casino industry of the PC's key draft recommendations. The primary area of concern was the PC's proposal to introduce a \$1 maximum bet limit on gaming machines.

The ACA sought the following information from its members:

1. The number of EGMs with an average bet of more than \$1 in the calendar year 2009, in both VIP and non-VIP areas; and
2. The percentage of EGM revenue in calendar year 2009 that was generated by EGMs with an average bet of more than \$1, in both VIP and non-VIP areas.

RESULTS

The information collected can be summarised as follows:

- In total 43% of all casino EGMs across Australia had an average bet of more than \$1. In non VIP areas, 38% of all machines had an average bet of more than \$1 and in VIP areas the corresponding percentage was 91%.
- In revenue terms, EGMs with an average bet of more than \$1 generated 60% of total EGM revenue in Australian casinos. Machines with an average bet of more than \$1 generated 49% of EGM revenue earned in non-VIP areas and 97% of EGM revenue earned in VIP areas.

IMPLICATIONS

The ACA is extremely concerned with regard to the potential impact of the draft recommendation to introduce a \$1 maximum bet for machines in non-VIP areas of casinos:

- Almost 50% of the \$1.0 billion revenue that is generated by casino EGMs in non-VIP areas will be significantly impacted;
- Limiting maximum bets to \$1 will have a major impact on casino industry employment and investment. The casino industry is a major source of investment for Australia's tourism, hotel and conference infrastructure; and

- The introduction of a \$1 maximum bet will have the same proportionate impact on State and Territory Government taxation revenue collected from casino EGMs as the reduction in casino EGM revenue.

To assess the total impact on State Government taxation revenue of the PC's draft recommendation, the impact on hotel and club EGM revenue will need to be separately assessed but potentially could be of a similar magnitude i.e. a 40% - 50% impact. If this proves to be the case, the impact on State Government taxation revenue could exceed one billion dollars per annum in aggregate.

CONCLUSION

Casino industry revenue, employment and investment will be severely impacted if the PC's draft recommendation introducing a \$1 maximum bet were to be adopted.

Yours sincerely,

Chris Downy
Executive Director