

SUBMISSION to

The Gambling Inquiry,
Productivity Commission,
PO Box 80,
BELCONNEN, A.C.T. 2616

The enclosed newspaper clippings mention "political realities" and "commercial realities". Not surprising, for they were culled from the Business Section of the *Courier-Mail*, 23/10/98. They illustrate clearly that once a nation has climbed aboard the "gambling tiger" the process which follows is well-nigh irreversible. However, what follows is not in the best interests of that nation's citizens, and there are other "realities" which your group needs to consider.

Serious and growing problems with addiction to gaming certainly has to head the list. The side-effects of this condition are much the same as for other forms of addiction: criminal activity to feed the habit, diversion of resources from legitimate and necessary forms of spending (e.g. payment of bills, provision of food, clothing, shelter, medical treatment, etc. for self and dependents), social pressures leading to marital and relationship breakdowns, depression, bankruptcy and suicide in some cases. There are costs associated with these side effects, both financial and social, so your group cannot afford to ignore them in your deliberations.

Crown Casino, in the attached newspaper article, is reported to have argued, that "changes were necessary if it was to compete with other large world casinos. . ." Globalism in the economic and commercial sphere comes at a price. The price already has been attrition of the middle class, accompanied by a rise in the numbers of poorer people, with oppression of the poor rising to new heights (the taxpayers are the losers if Crown Casino wins its political campaign), and enormous growth in the disparity between rich and poor. The political impact of such changes has only just begun to surface, with the much-maligned One Nation Party being the third highest polling party at the recent Federal elections. No-one can predict the future course of events, but the discontent in certain sectors of the community which gave rise to One Nation is not going to go away unless some means can be found of spreading the "benefits" (financial returns) of globally minded enterprises more equitably throughout the community. This I see as your most pressing and difficult task. Somehow the insatiable demands of Lloyd Williams, Kerry Packer and likeminded high-flyers have to be effectively contained.

Yours faithfully,

V. A. Wigzell

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Packer hands Govt

Cut Crown taxes ultimatum — or it's no dice

By CHRISTOPHER LINES

CROWN Casino and Kerry Packer have effectively handed a ransom note to Victoria, warning a proposed rescue of the struggling gaming business is dependent on a series of government favours, including tax cuts.

Mr Packer's Consolidated Press Holdings said yesterday it wanted to proceed with a plan to pump \$425 million into embattled Crown in return for half its future cash flows.

But it made no commitment to do so ahead of an approach by Crown to the Kennett Government's Casino and Gaming Authority for a series of major concessions.

In its startling requests, Crown has asked for tax on its turnover from high-roller gamblers to be cut to 8 percent, from a current effective rate of about 12 percent.

And it wants tax on domestic gaming turnover to be reduced to 15 percent from 22.25 percent.

Crown also has applied for its casino licence exclusivity to be extended beyond the current 12 years and for permission to add another 1000 poker machines to its 350 gaming tables and 2500 gaming machines.

And ConsPress said it wanted the obligation on Crown to build a second hotel tower and a theatre at its massive Melbourne complex — a promise which was a key part of its bid for the casino licence — to be removed.

Crown argued the changes were necessary if it was to compete with other large world casinos, particularly those in Las Vegas which were taxed at 6 to 8 percent on high-roller turnover.

ConsPress's decision not to proceed on the rescue deal announced in September was not an attempt to pressure the Victorian Government into granting the casino's requests, Crown chairman Lloyd Williams said yesterday.

But he warned Crown could end up as a small domestic operation like Adelaide's casino unless regulatory arrangements were overhauled and the tax rates lowered, lifting the pressure on the Government, and



COMMENT

Terry McCrann

THE simple unarguable truth is that Lloyd Williams got a licence to print money — arguably, two licences. Then he blew it/them in an orgy of over-spending.

And his own numbers yesterday spelt this out with brutal clarity.

In 1993, Williams won Victoria's monopoly casino licence with an investment proposal that would cost around \$800 million, including the \$260 million upfront licence fee.

When the dust finally settled on Melbourne's Taj Mahal on the Yarra, the spend had passed \$2 billion.

Even accepting the argument that he aimed for something special to lure foreign high-rolling tourists, he could have got a Taj Mahal for closer to \$1.5 billion all-up.

After all, that would still have involved spending more than double the original amount on the building itself. And Sydney managed its casino for around \$1.2 billion, including its bigger licence fee.

Is anyone seriously suggesting that Lloyd could not have got a "world-class casino and entertainment centre" by spending around \$300 million more than was spent on Parliament House in Canberra?

Spend \$500 million less, and Crown's profit numbers are transformed.

It would be generating closer to \$80-90 million in profit a year rather than the \$36 million plus indicated by yesterday's September quarter numbers.

Continued Page 31
nett. Mr Williams said it was "flip of the coin odds" that the deal with ConsPress would proceed — but agreed that without the government concessions the Packer company could well walk away.

Continued Page 31

No need to invite Kerry in anyway

From Page 27

And of course, if he had stuck to the original proposal which won the tender, he would not need Kerry Packer or a Victorian government rescue.

The major institutional shareholders in Crown think that Packer was already getting too good a deal, and that good deal or not, there was no need to invite him in anyway.

They would certainly see the first quarter numbers as supporting that view.

Bottom-line profit was running at \$36 million a year, and gross cash flow after all cash expenses at more than \$120 million a year.

Further, this is arguably at the bottom of Crown's "cycle". The Asian high-roller business is at its lowest, and new chief executive Robert Riley has got to work on both the revenue and cost sides of the business.

The gross cash flow certainly demonstrates that Crown and the casino do not need to be "rescued". And arguably, that to pay \$425 million for half the

cash flow would be a bargain.

This commentator believes it's more complicated than that, and that on balance the Packer proposal was a win-win for both Packer and existing shareholders.

That aside, were Lloyd to find Jeff Kennett playing Father Christmas — and the mother of all Father Christmases at that — the current Packer deal would be absurd.

The portfolio of gifts that Lloyd is seeking from the Victorian taxpayer add up to a potential \$150 million a year.

With very little additional cost — the biggest would be the annual interest bill on buying the extra 1000 pokies — most of that would drop to cash flow.

This would have Packer paying \$22 million for the right to \$250 million plus cash flow. A point which Lloyd admitted at his press conference yesterday.

But with that sort of cash flow, and consequent bottom-line profit, why would you want a new partner anyway?

Packer hands Government ultimatum

From Page 27

"I don't think he (Mr Packer) necessarily wants to get out of the deal. I think Mr Packer senior and Mr Packer junior both like this industry," he said.

Mr Williams, a good friend of Mr Packer and Victorian Premier Jeff Kennett, expressed no confidence that the Government would grant Crown's en-

tire wish list but said the casino had to be helped.

"I understand political realities, but what I am talking about is commercial realities. We're not just saying this as Crown, we're saying this as far as the Australian casino business is concerned," he said.

If the VCGA granted the requests and ConsPress agreed to

proceed with the joint venture, the deal would require approval from Crown's shareholders.

The paradox was that approval from the VCGA would significantly improve Crown's financial position and therefore make a proposal to deliver half of the casino's cashflows to ConsPress in return for \$425 million even more unpalatable.