

SUBMISSION REGARDING STATE SUBSIDIES TO CROWN CASINO

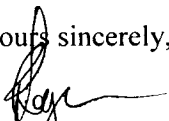
I wish to bring to the attention of the Productivity Commission the fact that Crown Casino is receiving estimated subsidies totalling \$1.3 billion over ten years from the Victorian Government.

The subsidies can be summarised as follows:

- Initial licence fee discount of \$100m. This comprises the difference between the Crown and Star City licence fees.
- Loss of \$174m in licence fee on expansion of Crown Casino. This was identified by the Victorian Auditor General.
- Lower tax rate for poker machines at Crown Casino compared with hotel and club venues within Victoria.
- Increased poker machine numbers for Crown Casino and a subsequent cap on total state numbers. This effectively gives Crown an increased percentage of total machines in the state and this combined with the lower tax rate delivers a profit synergy.
- Reduction in high roller tax from 20% to 9%. This has caused state governments around Australia to cut an important gambling tax to match the Victorian rate. The original moral argument to allow casinos in Australia was based on the tax opportunity for government to use for socially worthwhile expenditure. This precedent created by the Victorian Government not only goes against the reason for state sanctioned gambling, but creates a domino effect where governments now incrementally give away any socially useful benefit that casino gambling can provide.
- The three points above are estimated to lose the Victorian Government more than \$600million in tax revenue over ten years. I recommend that the Productivity Commission hire its own independent analyst to review these figures.
- A fine of \$73m for delays in building the second Crown hotel tower was waived by the Victorian Government. This was a licence condition, no further comment is required.
- An extra \$270m to \$300m cost to the taxpayer has been incurred in conducting the Formula One motor racing Grand Prix on a temporary circuit near Crown Casino. The evidence to support this claim is extensive and is included as an addendum.

In summary, the subsidies already delivered to Crown Casino and to be delivered are out of control. Crown Casino, despite all the evidence that it is overcapitalised, has survived because of these subsidies, and the appointment of its director, Mr Ron Walker to state funded bodies which benefit Crown Casino is a gross conflict of interest. Federal intervention is needed to stop the tax haemorrhage and the Productivity Commission inquiry is welcomed.

Yours sincerely,



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Addendum: Summary of Grand Prix Casino Subsidy

ADDENDUM: SUMMARY OF GRAND PRIX CASINO SUBSIDY

The Victorian Government employed Mr Ron Walker, a director of Crown Casino to negotiate the Grand Prix contract on its behalf, and Mr Walker locked in the site of the Grand Prix at Albert Park, conveniently close to Crown Casino when there were other more cost effective venues available. This was also contrary to advice from the governing body for motor sport in Australia, the Confederation of Australian Motor Sport (CAMS), and former Australian Formula One world champion, Alan Jones.

The extra cost to the State of Victoria as a result of Mr Walker committing the government to this contract can be summarised as follows:

- \$75m in set up cost.
- \$25m in depreciation cost over ten years, chiefly charged to Parks Victoria.
- \$15m annual set up cost for a temporary circuit equals \$150m over ten years.
- The extra cost of using a temporary circuit has placed pressure on the public sector to make contributions by way of sponsorships and purchase of corporate hospitality packages. Tourism Victoria, Business Victoria, Parks Victoria, Public Transport Corporation, VicGrain and the Transport Accident Commission (TAC) appear to be subsidising this event by an estimated \$2m to \$5m per annum, but the figures are unavailable to the public for “commercial confidentiality” reasons. It should be noted that the WA Inc and Fitzgerald enquiries both concluded that secrecy and propaganda are major impediments to accountability.
- **The total extra cost of running a Grand Prix on a temporary circuit near Crown Casino is therefore estimated at \$270m to \$300m over ten years.**

The evidence that this event as set up by Mr Walker is a casino subsidy is overwhelming. Some of the indicators are:

- The Adelaide casino reported that during the period that the Grand Prix was held in Adelaide the best attendance at the casino for the year was on Grand Prix weekend, with a doubling of attendances.
- Crown Casino director, Mr Ron Walker as chairman of Melbourne Major Events and the Australian Grand Prix Corporation secretly outbid Adelaide for the Grand Prix during the casino tendering process which appears to be a major factor in the Crown bid rising considerably at the end of the bidding process. The lack of knowledge of the Grand Prix was one of the main complaints from the losing bidder.
- The Crown Casino business plan was developed in conjunction with the then National Institute for Economic Research and relies on “event-marketing programs”. This was admitted by the Crown Casino director of corporate affairs, Mr Ken Carnie in The Age on 31 Mar 94, and this article reported Mr Carnie as saying “the Grand Prix would lift the profile of the casino”. Mr Carnie was photographed for the article at Albert Park, and the rest of the article indicated that the Grand Prix was an important part of the casino’s business plan.
- The Victorian Premier, Mr Kennett announced the Grand Prix in December 1993 as the “jewel in the crown” in a joint press conference with Mr Walker, but would not elaborate on which crown he meant.
- A 1998 survey of 463 local businesses around the Grand Prix circuit found that 55% reported a loss in business during the Grand Prix period and only 14% reported a gain during that period.
- ABS hotel room occupancy figures for Melbourne over the last three years show no appreciable boost effect from the Grand Prix, but there was a boost in the casino crowd on the Saturday and Sunday nights.
- Free non stop public transport was provided between the Grand Prix gates and a drop off point adjacent to Crown Casino.
- An efficient and competitive local motor racing industry capable of conducting a Grand Prix with minimal set up cost was passed over because Mr Walker had negotiated a contract naming Albert Park as the venue.
- The most cost effective private operator capable of conducting a Grand Prix is Mr Jon Davison of Sandown. He has put it on public record that the state funded Grand Prix is drawing sponsorship funding away from the private sector, in other words the Australian Grand Prix Corporation is an unfair “competitor” imposed on this industry, and the main reason for its existence appears to be to conduct the event with the maximum flow on benefit to Crown Casino.
- The largest shareholder in Crown Casino and soon to be 50% profit taker in that enterprise, Mr Kerry Packer also has the Australian television rights to the Grand Prix and therefore receives a double subsidy from the Victorian Government as a result of its funding of this event.