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FOR ECONOMIC STUDIES



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Responsible Gambling and Casinos

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This is a complex and large study, where in Australia there has been relatively little analysis of casinos and certainly little analysis relative to the impact of community gambling in hotels and clubs. The study included all 13 casinos but with fieldwork confined to Sydney, Melbourne and Adelaide. We have attempted to cover the key issues, including fast moving international developments in the casino industry that have implications for Australian casino operators, state governments and regulators.

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Mr Xavier Walsh, Chief Operating Officer

The Star, Sydney

Mr Ronald Wagemans, Patron Liaisons Manager
Mr Graeme Stevens, Regulatory Affairs Manager

Adelaide Casino

Mr Aaron Morrison, General Manager
Mr Tony Morgan, Host Responsibility Manager

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Glossary of Terms

AML/CTF	Anti-Money Laundering and Counter Terrorism Financing Act (2006)
AUSTRAC	Australian Transaction Reports and Analysis Centre
CMS	Content Management System
COAG	Council of Australian Governments
CRA	Casino and Resorts Australasia (formerly known as Australasian Casino Association)
DCSI	Department for Communities and Social Inclusion (South Australia)
EGMs	Electronic Gaming Machines/Electronic Gambling Machines
EOI	Expression of Interest
FATG	Fully Automated Table Games
FIU	Financial Intelligence Unit
FTR	Financial Transaction Reports
GFC	Global Financial Crisis
GRA	Gambling Research Australia
GST	Goods and Services Tax
IFTI	International Funds Transfer Instructions
IGA	Independent Gambling Authority, South Australia
ILGA	Independent Liquor and Gaming Authority
IT	Information Technology
MOU	Memorandum of Understanding
MTGM	Multi-Terminal Gaming Machines
NGR	Net Gaming Revenue (player losses)
OESR	Office of Economic and Statistical Research, Queensland Treasury
PGR	Private Gaming Rooms
PGSI	Problem Gambling Severity Index
PC	Productivity Commission
RAV	Responsible Alcohol Victoria
RGAC	Responsible Gambling Advisory Committee
SACES	South Australian Centre for Economic Studies
VCGLR	Victorian Commission for Gambling and Liquor Regulation
VCGR	Victorian Commission Gambling Regulation (replaced by VCGLR)
VIP	Very Important Person

1. Background to this Study: Responsible Gambling and Casinos

Gambling Research Australia (GRA) is a partnership between the Commonwealth, State and Territory Governments to initiate and manage a national gambling research agenda established by the COAG Select Council on Gambling Reform. The research agenda is structured around the following five research priority areas:

- helping individuals set their limits including access to cash and pre-commitment;
- responsible gambling environments;
- gaming machine standards-developing better consumer protection;
- a preventative and early intervention strategy targeted at those at risk of problem gambling; and
- development of harm minimisation measures for interactive gambling.

The GRA commissioned the South Australian Centre for Economic Studies (SACES) to lead the research project titled *Responsible Gambling and Casinos*.

The GRA provided background notes to the study, indicating that casinos have a unique place within the Australian gambling industry. They are destination venues which attract interstate and overseas visitors yet whose majority of customers are local residents. Although the number of casinos has not increased in recent years, casinos themselves have expanded and diversified in the gambling products they offer.

Gambling research conducted at a venue level has tended to focus on hotels and clubs. Prevalence studies in various jurisdictions highlight the relationship between electronic gaming machines (EGMs) and problem gambling (all but one casino has gaming machines), however, some wagerers and table game players are high-risk players.

In order for the economic benefits of casino development to be realised, GRA noted governments provide a range of concessions to casinos in the interest of assisting them with their competitiveness. More broadly, there are separate legislative provisions that, *inter alia*, confer favourable tax rates for casinos, different tax rates for segments of gamblers, concessions and product exclusivity as an aid to competitiveness (both international and domestic competitiveness). Economic benefits of casino development are also promoted through exclusivity arrangements. Exclusivity arrangements are often set out in the condition of the licence and may include, *inter alia*, monopoly provisions for a specified period of time, by a spatial variable (e.g. kilometre radius exclusivity), and favourable tax rates for different sections of the casino operation. Each of these factors influences marketing strategies and target populations.

Casinos are also local gambling providers that offer a unique range of products in a destination entertainment environment. The GRA stated that there has been very little or no research on if, how and the extent to which concessions for competitiveness may affect local gamblers. Nor have there been studies on the promotional activities of casinos, their influence on local gamblers or an analysis of responsible gambling measures. These form the essence of this study.

The research team were advised this is a national study but for practical reasons the scope of the study is limited to New South Wales, Victoria and South Australia with a requirement that the researchers complete the study within 18 months from commencement (effectively April 2014 to August 2015). With respect to the three states referred to above they were the nominated sites for any specific field work, surveying, focus groups and interviews with relevant stakeholders. The Australian casino industry as whole (N=13) was included in the study such as for data collection, determination of the size, scale and

activity of this sector of the gambling industry. The research report also includes reference to developments in the international casino industry as they impact on the Australian industry and influence the domestic market including concessional arrangements and the attractiveness of the Australian casino industry for “VIP players or high rollers”.

1.1 Project aims and objectives

The background to the study provides a context and issues for research including, *inter alia*, the following questions:

- what are the dynamic factors influencing the casino gambling market in Australia?
- what proportion of customers are local and what is the risk profile of the local customers?
- how do the current changes in products and their presentation at Australian casinos affect local gamblers?
- are the profiles of local gamblers who go to casinos different from those whose primary venue of choice is a hotel or club?
- what is the marketing and type of promotions (including advertising) that casinos undertake and how do they affect local gamblers?
- do casinos target local ethnic groups via promotions/advertising? If so, describe the promotions and their effect.
- what are the responsible gambling measures being taken by casinos? Who is their target? What is their impact on local gamblers?

In summary, the purpose or key objectives of this national research project are to “explore the relationship between casinos and local gamblers, the regulatory environment and the effect of promotional and responsible gambling initiatives.” The research is intended to identify how the broader gambling market is changing and how casinos strategically are responding to this (e.g. for example, wider adoption of technology, growth in other forms of gaming, wagering, sports betting), consider the changing nature of products, the impact of non-tax concessional factors on local players (e.g. inducements, rewards, entertainment), the risk level of local players, and promotional and harm minimisation strategies of casinos (including intervention, exclusion strategies and technology platforms that enhance responsible gambling measures).

There is reference to ‘local gamblers’ in the conduct of this study. For the purposes of this study GRA stated that ‘local’ refers to “casino patrons who are not from overseas or interstate, as regulatory regimes have traditionally allowed casinos greater freedom in dealing with overseas resident customers or “export business”. This is underlined by the stated intentions of a number of licensees to compete for Asian business and their observed marketing activities towards interstate and international customers. Recently, one Government has created a class of local premium customers (by reference to activity level) and it should be expected that other jurisdictions would follow suit. Local players therefore, are defined as those patrons who reside in the State in which the casinos are located”.

Local players are generally split into the Premium Mass market (high net worth individuals, a small segment), table game players, general floor players on electronic gaming machines and public tables, accommodation visitors from interstate and the occasional player attending from other functions hosted in a casino. Non locals include international VIPs, interstate VIP individuals/groups and international customers who mostly stay at casino accommodation. Revenue from the last group – general international customers – is usually added into international revenue generated by international VIP Program Play patrons.

1.2 Framing the research questions

The research team considered the indicative questions provided by the GRA to guide the study, reviewed the gambling literature, including the literature specifically relating to casinos and reviewed prevalence studies on 'who gambles and where' to help frame the key research fields and questions. We adopted key research fields and then specific questions to logically and sequentially examine particular arguments and/ or theoretical perspectives as they relate to the operation of casinos.

Key research fields included responsible gambling, the role of casinos as destination venues, their contribution to tourism, to economic development and casino gambling and community impacts. The final key research field was broadly labelled as the 'casino industry' to include, *inter alia*, a brief historical overview and context to the casino industry, international developments, the Australian market and regulatory environment, relationship of casinos to other forms of gambling and descriptive statistics. The key research fields are considered below with specific research questions.

Responsible Gambling

The broad question is whether economies of scale play a role in allowing more resources to be devoted to responsible gambling. In line with other research¹ on the relationship between venue size and the ability to comply with responsible gambling policies, we would anticipate that the larger casino groups would have the most developed responsible gambling policies. They would also have the capacity to deliver more sophisticated technology-based systems.

Specific Research Questions

- How do responsible gambling practices of casinos compare to hotels/clubs, and do such differences reflect differences in risks, technologies, and effectiveness of different policy approaches?
- What are the effects of responsible gambling provisions on consumers both in terms of their enjoyment of the activity and likelihood of developing harm?
- Does the size or nature of the casino make a difference?
- Potential impacts of changes in casino games/operation on the effectiveness of responsible gambling measures?

Destination Venues/Tourism Role

There is regulatory/policy interest in whether large destination venues are better placed with respect to consumer protection, than more numerous and highly accessible venues that allow impulsive or convenience gambling. It is suggested that casinos are an example of destination venues. The casino industry actively promotes their status as 'tourism hubs' and destination venues. What evidence is there of this? What do we look for as researchers?

Specific Research Questions

- What distinguishes casino gamblers from gamblers who participate in other high intensity forms of gambling such as EGMs in hotels/clubs and wagering, and from the general public. Does this have any implications for the potential effectiveness of various responsible gambling measures?
- Do people come to the casino to gamble or to engage in other activities? Do the reasons for visits vary by demographics or the status of gamblers (local, state, national or international)?
- What are the market segments? What type of gambler provides the principal source of revenue/ influence profitability? What proportion of customers are local, from other parts of

¹ Hing, Nerilee multiple studies on responsible gambling, venue size, management, and responsible gambling.

the State, national or international? The extent to which casinos derive their income from local vs. interstate or international visitors influences the distribution of impacts. If gamblers are visitors, income flows in and the negative impacts occur elsewhere; if they are local, then there may be a redistribution of income in the local economy and the negative impacts will be local.

Casinos and their Economic Role

Are casinos a viable business model? Are they making a meaningful contribution to the Australian economy as tourism hubs, employers, a focal point for other businesses? How are they faring in relation to international competition? How is international competition impacting on the casino market segment?

Specific Research Questions

- Have there been any impacts from responsible gambling requirements on the competitive position of Australian casinos re. VIP players (Australian and International)?
- Have there been any impacts of increased international competition on the client mix of Australian casinos?

Casino Gambling and Community Impacts

Is casino gambling higher or lower risk as compared with other forms of gambling available through community venues? For example, do problem gamblers who experience harm associated with electronic gaming machines develop these problems more/less from EGMs located in casinos? Does the product mix (table games and EGMs) increase opportunities for greater expenditure? In casinos, there is a mix of both skill and chance-based activities that often attracts higher risk groups (younger males).

Specific Research Questions

- Casino gambling and problem gambling and harm: is problem gambling associated with casino gambling and to what extent?
- How does the ethnic mix of casino patrons in Australia compare with the broader population, and with other high intensity forms of gambling such as EGMs in hotels/clubs and wagering? Is there any evidence that differences in the ethnic mix has resulted in differences in the harms arising from gambling, or differences in the effectiveness of responsible gambling measures?

Casino Industry (in context)

One of the purposes of the study was examine the casino gambling market, how it is changing including the relationship between casinos and local gamblers. It was necessary for the researchers to provide a descriptive statistical overview of the casino industry and to consider other forms of gambling and access to gambling (e.g. EGMs, online betting).

Specific Research Questions

- Review and locate the casino industry in the Australian context, other forms of gambling and include discussion of those dynamic factors influencing the casino market. How is the market changing? How are casinos adapting?
- Examine the performance of the casino industry, summarise (briefly) regulatory arrangements and consider tax and non-tax concessional factors and their impact on local players.
- Consider in a wide ranging environmental scan changes in products, marketing and promotion and the impact on responsible gambling activities.

1.2.1 Approach taken in this study

The approach to this study involved a sequence of research activities in order to document and locate the casino industry within the broader Australian gambling industry. The approach taken to this study is reflected in the final report structure:

Part A reports on the evolution of the gambling industry and the “waves” of casino development. It includes an examination of publicly available data² on casinos in Australia and how gambling patterns have changed over time. We examine the legislative and regulatory framework to establish and supervise casinos, consider reviews of casinos and operator licences and taxation arrangements.

In summary, we outline the competitive environment in which casinos operate and the legal and regulatory framework in each jurisdiction.

Part B consists of four chapters that essentially focus on the nature of casino gambling, who are casino gamblers, what do we know from national and international literature reviews, the impacts of casinos and responsible gambling practices.

The research team reviewed data from international, national and individual state prevalence studies to inform the conduct of our primary research. We hoped to obtain the cooperation of the three casinos to undertake a short ‘exit survey’ and we were willing to provide the results of our patron survey back to each casino. Unfortunately, the casinos would not permit the researchers to conduct the exit survey. Our research methodology was subsequently altered to incorporate focus groups in Sydney, Melbourne and Adelaide (see Chapter 7).

Part C considers the external environment that impacts on domestic casinos with particular reference to developments in the Asia Pacific. The competitiveness of Australian casinos in an important consideration in their ability to attract VIP/high rollers. Competitiveness is influenced by, *inter alia*, the relationship between government and casino operators, investment in the “new wave” of casinos, taxation arrangements, casino management and trends in tourism.

We report on our interviews with three casinos in Melbourne, Sydney and Adelaide. We covered a wide range of issues, while maintaining a focus on responsible gambling, who are the main customers, reward programs and loyalty cards, pre-commitment, staff and host responsibility.

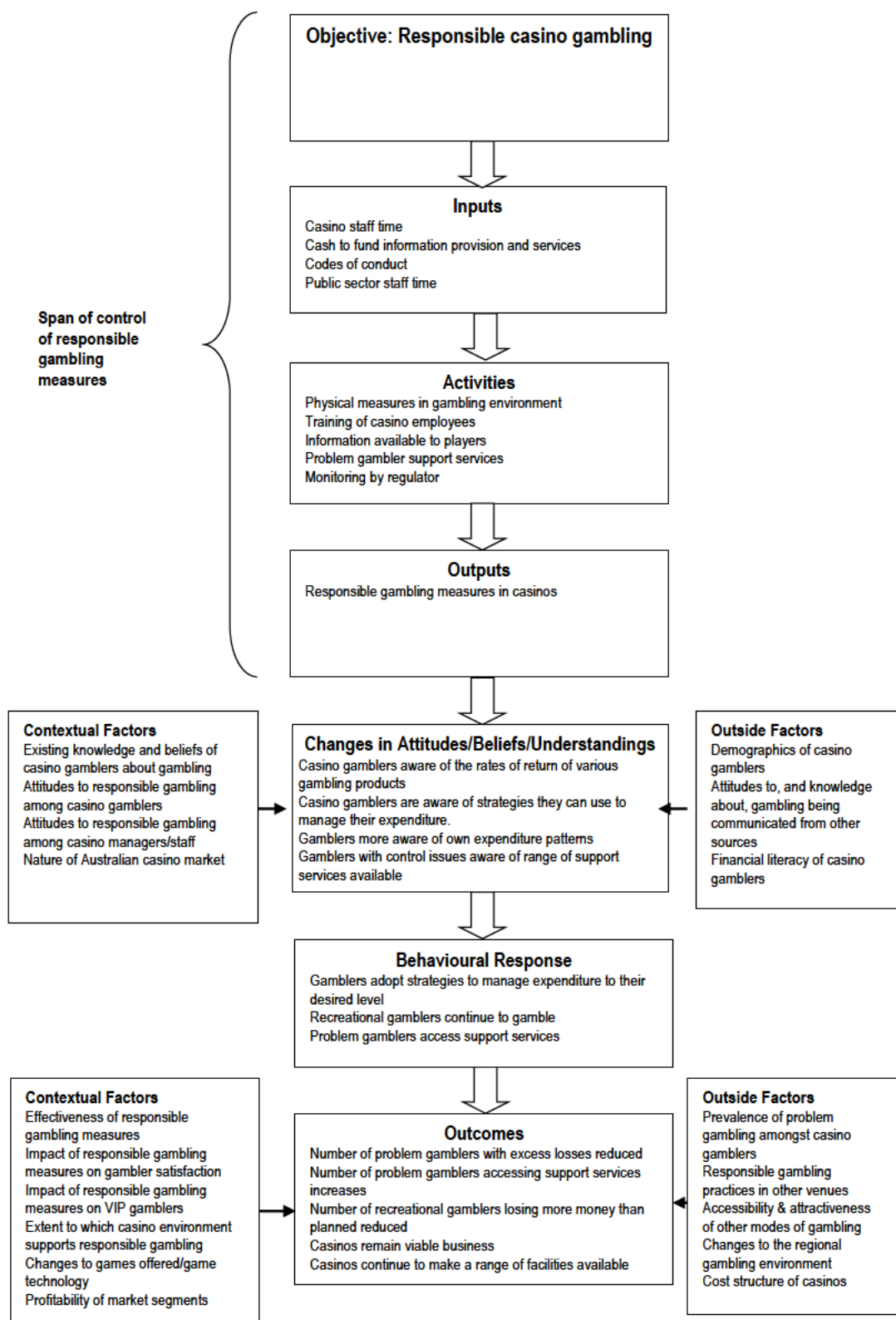
A series of one-on-one interviews were conducted with casino managers, casino staff, those with a regulatory responsibility with respect to aspects of casino activities, industry stakeholders and researchers in the field of gambling studies.

Part D concludes and draws together a summary of our findings that place the casino industry in the much broader Australian gambling market (and indeed, the international gambling market) and report on the research questions.

Each of the 10 chapters commences with a ‘boxed’ summary of findings and insights from the data where that is relevant. Section 10.2 provides an overview of different perspectives on responsible gambling. With respect to the terms of reference, the summary of findings are provided in Chapter 10 Section 10.3 with the terms of reference, research method and summary as the three sub-headings.

² Includes national gambling dataset, industry association data, annual reports, and specialised industry reports on financial performance.

Figure 1.1: Program Logic for Responsible Gambling Activities in Casinos



Our approach to the study has followed the program logic for responsible gambling activities in casinos set out in Figure 1.1 with research, data analysis, interviews, focus groups and related activities intended to address the key research questions. The study employed a mixed-methodology that involved the compilation and analysis of objective statistical information; re-analysis of secondary data from prevalence surveys; key informant interviews; focus groups; and a comprehensive literature review.

The logical sequence of research activities we followed in order to address the key research fields and specific research questions was:

- a presentation to Casino and Resorts Australasia (CRA) to explain the study, the terms of reference, to seek cooperation and assistance from all 13 casinos;
- conduct the first review of literature on casinos specifically including international conference papers;
- desktop analysis of gambling in Australia, by activity, by state, trends and growth rates;
- review of prevalence studies to inform researchers of 'casino gamblers', their characteristics, demographics;
- second literature review and data analysis of datasets relevant to the casino industry, including *inter alia*, international and domestic tourism, economic impact assessments, financial advisory reports, annual reports of casinos and review of casino operator licence;
- primary research with casino staff, conduct of focus groups in three cities, one-on-one interviews; and
- written requests to all state/territory regulators covering information on the relevant Casino Control Act, junket arrangements, responsible gambling measures and other issues.

During the course of the study we have consistently checked back with those we interviewed, checked our interpretation and accuracy (of understanding) of various matters to do with the relationship between a casino and the regulator and verified our analysis of responsible gambling measures with industry stakeholders.

PART A: THE AUSTRALIAN CASINO INDUSTRY, LEGISLATIVE AND REGULATORY FRAMEWORK

Summary of Findings

- There are currently 13 casinos in Australia; one in each capital city of the States/Territories (N=8); five regional casinos.
- We identify five “waves” or stages of development.
- The “take-off” phase in casino gambling expenditure occurred at “wave three” – 1994/95 to 1998/99.
- There are new “integrated development proposals” with casino licences approved in New South Wales and Queensland.
- The Productivity Commission (2010) noted “significant changes in the operating environment of the casino industry” (since 1999).

Insights from the data:

- Sources of all casino gaming revenue are (approximately) 42 per cent table games; 40 per cent EGMs; 18 per cent VIP Program Play.
- Real gambling expenditure (2011/12) was \$20.5 billion: casino sector \$4.1b (20 per cent); hotels/clubs EGMs \$10.91b (53.2 per cent); racing and sports betting \$3.22b (15.7 per cent).
- Real gambling expenditure in Victoria accounts for 26.6 per cent of the national total but real casino gambling expenditure is 37 per cent of all casino gambling expenditure.
- In New South Wales it is the reverse. Real gambling expenditure is 37 per cent of the national total but real casino gambling expenditure is 23 per cent of all casino gambling expenditure.
- This reflects the much larger and successful international market performance in attracting VIP high rollers of Crown Melbourne and the more significant club environment that is in competition with The Star, Sydney.
- Casinos hold 6.6 per cent of all EGMs; hotels/clubs 93.4 per cent. Tasmanian casinos hold 35.4 of all machines in that state, Northern Territory casinos 46.8 per cent with the lowest held by The Star 1.6 per cent.
- EGMs at casinos generate 13.3 per cent of all EGM revenue at an average revenue of \$128,612 per machines; hotels and clubs 86.7 per cent revenue at average \$59,402 per machine.
- The decline in casino revenue from EGMs was quite dramatic following the introduction of EGMs into hotels and clubs in several states/territories (South Australia, Queensland, Tasmania and Northern Territory). There is strong competition across these two sectors for the “domestic gambling dollar”.
- Average household disposable income (HDI) spent at casinos is 0.45 per cent; at hotels/clubs 0.97 per cent. There are however differences between the States in terms of HDI expenditure.

2. Evolution of the Gambling Industry

The evolution of the Australian gambling industry has a long history although the “legal aspect of the industry” was confined to various forms of wagering on racing and state run lotteries, with New South Wales (1956) the only State to permit gaming machines. It is only in recent times that the gambling industry we know today has rapidly evolved principally enabled by both supportive legislation and technology.

2.1 Casinos in Australia

There are currently 13 casinos in Australia with the first casino opening in Hobart, Tasmania in 1973. The most recent history has seen a consolidation in the casino industry, with no new facilities opened since 1997 (Table 2.1). Crown acquired the Western Australian Burswood Casino in 2004 and the company group Aquis was negotiating to acquire the Reef Casino in Queensland after recently acquiring Casino Canberra (ACT) although at the time of writing the takeover bid has lapsed. There is one casino in each capital city of the six states/two territories and five regional casinos.

Table 2.1: Year of commencement, original owner/operator

Year opened	State/Territory	Casino name	Operator
1973	Tasmania	Wrest Point Casino	Federal Group
1979	Northern Territory	SkyCity Darwin	SkyCity Entertainment Ltd
1981	Northern Territory	Lasseters Hotel Casino	Lasseters Holdings Pty Ltd
1982	Tasmania	Country Club Casino	Federal Group
1985	Queensland	Jupiters Hotel and Casino Gold Coast	Echo Entertainment Group Ltd
1985	South Australia	Adelaide Casino	Aitoc Pty Ltd ^(a)
1985	Western Australia	Burswood Island Casino	Genting Berhard, Malaysia
1986	Queensland	Jupiters Townsville	Echo Entertainment Group Ltd
1992	Australian Capital Territory	Casino Canberra	Casinos Austria International
1995	Queensland	Treasury Casino and Hotel Brisbane	Echo Entertainment Group Ltd
1996	Queensland	Reef Casino	Casinos Austria International
1997 ^(b)	Victoria	Crown Melbourne	Crown Ltd.
1997 ^(b)	New South Wales	The Star	Echo Entertainment Group Ltd

Note: (a) SA Lottery Commission held the licence, Aitoc Pty Ltd appointed operator.

(b) Temporary casinos were opened at Crown Melbourne (1994) and Star City (1995), with permanent facilities for both casinos opening in 1997.

Source: Australian Institute for Gambling Research (1999); Productivity Commission (2010); casino websites.

Box 2.1 identifies some of the major legislative and public policy decisions in Australia since 1900 to effectively liberalise gambling that also reflect changes in social values, awareness of the revenue that was being derived from more limited forms of legal gambling, attempts to control the illegal gambling market, responses to economic recession and developments in technology.

We identify what we consider to be five waves or periods of development that explain and provide useful insights into the development and gradual expansion of the casino industry.

In Figure 2.1 the “take off” phase in casino gambling expenditure is clearly shown in the third wave commencing in the early 1990s but accelerating with temporary casinos in Melbourne in 1994 and Sydney in 1995 and the official opening of both in 1997. Then followed the fourth wave to the end of 2008 where real casino gambling expenditure declined but has more recently increased (see data in Table 2.2). Further information on trends in real per capita expenditure and gambling as a percentage of household disposable income are discussed in Sections 2.3.2 and 2.3.3.

First Wave

A series of economic recessions brought on by two oil shocks in the 1970s led to stagflation (i.e. rising inflation and high unemployment) and led to further tightening of State/Territory government fiscal positions particularly given the narrow tax base available in each State/Territory. Governments were seeking new ways to raise revenue and facilitate economic growth. Given the successes of earlier liberalisation during the 1960s, ‘expanding economic opportunities’ was the rationale behind the legalisation and opening of casinos through the 1970s to 1980s. The two jurisdictions that were most vulnerable to the economic recessions experienced in the 1970s were Tasmania and Northern Territory, and they were the first jurisdictions to legalise casinos for the purposes of regional development. This marked the first wave of casino developments, with the opening of the Wrest Point Casino in Hobart, Tasmania in 1972/73 and SkyCity in Darwin, Northern Territory in 1979/80.

Box 2.1: Events shaping Australia's casino industry

Pre-opening of Casinos (influential events)

1910s - 1940s:

- 1916: Successful non-profit state-run lottery in Queensland to raise revenue for war programs;
- 1920s: Poker Machines in NSW Hotels but declared illegal in 1921;
- 1930s: Lotteries and Minor Gaming legalised throughout Australia for the purpose of revenue raising for welfare programs;
- 1940s: Emerging problems in illegal market – government deprived of revenue.

1950s - 1960s:

- *The Gaming and Betting (Poker Machines) Act 1956* in New South Wales gave clubs exclusive right to operate machines so that funds can be used for community benefit;
- Thriving gambling industry, further liberalisation in government ownership (lotteries, TAB); tight regulation of private operators (bookmakers, gaming clubs).

Opening of Casinos

1970s – early 1980s **First Wave – Casino confined to Tasmania and Northern Territory**

- 1973: First Casino opened in Tasmania (Wrest Point, Hobart);
- 1979: Followed by Northern Territory (SkyCity, Darwin).
- 1981: Northern Territory (Lasseters, Alice Springs);
- 1982: Tasmania (Country Club, Launceston).

Mid 1980s **Second Wave – Casino opening in three States post-recession 1981-2**

- 1985: South Australia (SkyCity, Adelaide); Western Australia (Burswood, Perth); Queensland (Jupiters, Gold Coast);
- 1986: Queensland (Jupiters, Townsville).

1990s: **Third Wave – Casino opening in States and Territories post-recession 1991-92**

Rapid growth as the two most populous States opened casinos, market expansion, competition and privatisation; integrated entertainment complex in New South Wales and Victoria.

- 1992: Australian Capital Territory (Casinos Canberra);
- 1993: Christmas Island Casino (Closed in 1998);
- 1995: Queensland (Treasury, Brisbane); Queensland (Reef, Cairns);
- 1997: Victoria (Crown, Melbourne); New South Wales (Star City, Sydney)^(a)
- 1999: Productivity Commission Inquiry Report.

2000s: **Fourth Wave – domestic market concentration and consolidation, technology**

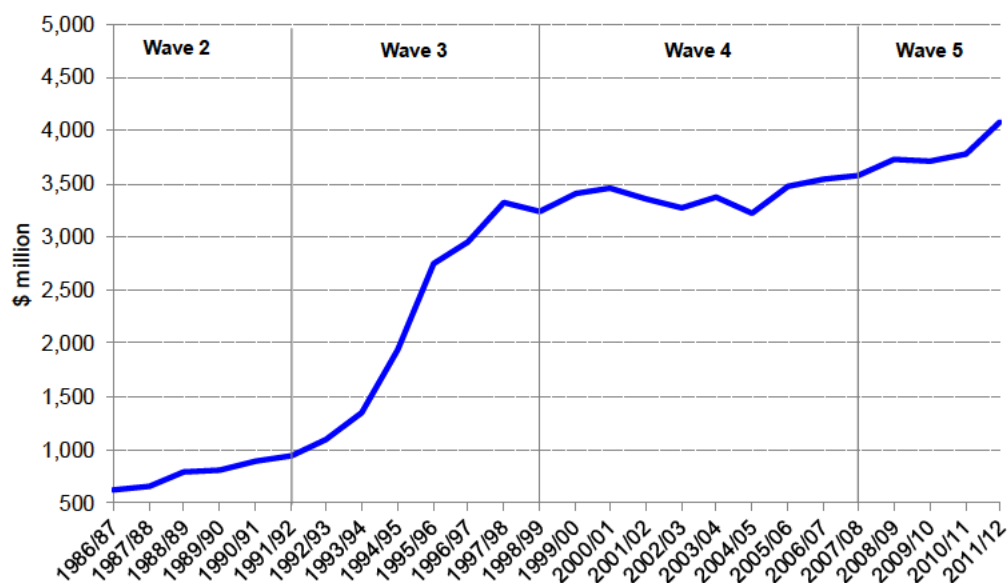
- consolidation of casino operators – more concentrated ownership structure;
- no new casinos – expenditure growth slows, percentage of household income dedicated to gambling reaching maximum;
- technology supports different forms of gambling (EGMs and online gambling);
- regulatory changes following release of Productivity Commission report;
- 2008: Recession, commencing impact of Global Financial Crisis;
- 2009: Crown Resorts Ltd venture overseas.

2010s: **Fifth Wave –Intensifying International Market Competition, Concentration and Consolidation**

- Rapid growth in neighbouring newly emerging markets following recession, changing demand, global competition from Asia, international pressures to attract VIP gamblers (important revenue source);
- 2010: Singapore opens two new Casinos, further expansion in Macau;
- Productivity Commission 2010 Inquiry Report – Focus on harm minimisation and gaming machines;
- Federal Government ongoing review of the *Interactive Gambling Act*; abandon trial of mandatory pre-commitment; Victoria Government to introduce voluntary pre-commitment scheme;
- Barangaroo casino licence for second casino in Sydney to open in 2019 (awarded to Crown Resorts Ltd).

Note: (a) Temporary Casinos were opened at Crown Melbourne 1994 and Star City in 1995, with permanent facilities for both Casinos opening in 1997.

Source: SACES using Productivity Commission (1999), Australian Gaming Council (2014), Allen Consulting (2009).

Figure 2.1: Real casino gambling expenditure in Australia^(a), 1986/87 to 2011/12 (\$million)

Note: (a) Base year is 2011/12.

Source: OESR (2014).

Table 2.2: Australia: real casino gambling expenditure, 1992/93 to 2011/12, \$billion

Year	Total real expenditure \$b ^(a)	Year	Total real expenditure \$b ^(a)
1992/93	1.09	2002/03	3.28
1993/94	1.34	2003/04	3.38
1994/95	1.93	2004/05	3.23
1995/96	2.75	2005/06	3.47
1996/97	2.95	2006/07	3.55
1997/98	3.33	2007/08	3.58
1998/99	3.24	2008/09	3.74
1999/00	3.40	2009/10	3.71
2000/01	3.46	2010/11	3.78
2001/02	3.36	2011/12	4.08

Note: (a) Base year is 2011/12.

Source: OESR (2014), Table 6.

Second Wave

The second wave of casino development – in South Australia (1), Queensland (2) and Western Australia (1) – followed the economic recession of 1981-82 with negotiations to establish casinos in each of these States commencing around that time and casinos being established in 1985 (3) and 1986 (1). The two casinos in Queensland, were located at the Gold Coast and Townsville; in the other States in the capital cities of Adelaide and Perth respectively.

At the time the economic benefits argument was most pronounced with the benefits of tourism, local employment and the diversification of regional economies promoted strongly by state governments.

Third Wave

The third wave was characterised by further market expansion, competition and privatisation. Six casinos were opened in the period 1992 to 1997 with the Christmas Island casino closing in 1998. Canberra (1), Queensland (2), Victoria (1) and New South Wales (1). With the addition of the two most affluent and populous States – New South Wales and Victoria – real casino gambling expenditure increased sharply in 1994/95 when each commenced operations in temporary facilities and again in 1997 with the official opening of Crown Melbourne and The Star. They are currently the two biggest casinos in Australia in terms of expenditure (Crown Melbourne: \$1.528 billion (2011/12); The Star: \$953.7 million (2011/12)).³

Towards the mid-point of the third wave there was very strong growth in attendances at casinos, with sharp increases in real casino turnover and real per capita casino turnover.⁴ The major contributing factor was the official opening of the Crown Melbourne casino followed by The Star and two new casinos in Queensland. Turnover figures show national turnover increased from \$22.4b in 1995/96 to \$35.3b in 1996/97. Turnover at Crown Melbourne went from \$9.7b in 1995/96 to \$19.5b in 1996/97; Queensland casinos \$4.2b to \$6.7b and New South Wales \$3.1b to \$3.9b in these two years.

Fourth Wave

The industry entered a phase of maturity in the decade commencing 2000. By 2001/02 the national turnover figure had declined to \$27.3b. With no further casino openings, the fourth wave of casino development was characterised by consolidation of casino operations resulting in a more concentrated ownership structure through mergers and acquisitions (see Table 2.3). This wave has strongly influenced the casino market structure today, with 13 casinos operating in Australia, owned by 8 operators, with the two largest operators dominating the market (i.e. Echo Entertainment and Crown Resorts Ltd).

Similarly, in the decade commencing in 2000 there has been considerable concentration in the ownership of hotels (and liquor outlets) that provide electronic gaming machine gambling and concentration of management services to manage gaming outlets, including several companies looking to float on the Australian stock exchange.

Exclusivity licences for several casinos have now expired in Queensland and are soon to expire in New South Wales (Star exclusivity until 2019), and it is in these two States where the most recent discussions have been held with a consideration to build up to four more casinos (New South Wales: 1; Queensland: 3).

The recent sales (or proposed sales) activity (in 2014) by Echo Entertainment Group of Jupiters Townsville and Casinos Austria International of the Casino Canberra and purchase by new owners have largely been driven by commercial positioning with respect to potential new casino licences in Queensland. The purchase by Aquis of Casino Canberra is a vehicle (asset) to then list on the Hong Kong Stock Exchange to enable debt and equity capital to fund the development of a new casino in Cairns.

³ 2012/13 data: Crown Melbourne \$1.563b; The Star \$1.06b.

⁴ We use turnover figures here principally to illustrate the growth in activity in casinos around 1996/97.

Table 2.3: Mergers, acquisitions: eight operators, thirteen casinos

Parent company	Location
Aquis (Mr Tony Fung, Hong Kong) Casino Canberra	ACT
Casinos Austria International Reef Casino	Queensland
Federal Group Wrest Point Hotel Casino Country Club Tasmania	Tasmania Tasmania
Lasseters Holdings Pty Ltd Lasseters Hotel Casino	Northern Territory
Crown Resorts Ltd Crown Melbourne Crown Perth	Victoria Western Australia
SkyCity Entertainment Ltd SkyCity Darwin SkyCity Adelaide	Northern Territory South Australia
Echo Entertainment Group Ltd The Star Casino Jupiters Hotel and Casino Gold Coast Treasury Casino and Hotel Brisbane	New South Wales Queensland Queensland
Colonial Leisure Group^(a) Jupiters Townsville	Queensland

Note: (a) Purchased Jupiters Townsville in January 2014, purchased approved October 2014.

Source: Productivity Commission (2010); Echo Entertainment Group (2013); Crown Ltd. (2013); Ludlow and Garner (2014).

Fifth Wave

The fifth wave is characterised by growing international competition in the casino industry, entry of new players, and consolidation and concentration intensifying following the 2008 recession. There have been four important developments shaping the Australian casino industry in recent times:

- the 2008 recession in industrialised countries brought about a shift in global economic power, and hence much greater market based activity and investment in emerging economies. The shift in the balance of global economic power negatively affected the performance of the casino industry in industrialised countries and favoured emerging economies with two regions of focus for the casino industry – Asia and Eastern Europe;
- Australian casinos had significant market power and were able to attract VIP international players across the region. This was challenged in 2010 with the opening of new casinos proximate to Australia – most notably in Singapore (South East Asia Market), and to a lesser extent, further expansion in Macau (East Asia Market). Changing demand by increasingly wealthy Asian tourists and Asian Premium players was evident with the opening of new casinos in Macau and Singapore;
- sophistication of technology – a globalised industry with further concentration of global casino operators and new gambling forms with low cost online casinos defying the rules of geography and locational advantage. There has been substantial growth of online gambling and easy access to online casinos (despite their illegality). Casino owners are diversifying into online sports betting and wagering. Federal Government has sought to limit online gambling

licences in Australia to 20 and to limit access to only overseas residents. It is currently reviewing its online casino legislation; and

- the response of domestic casinos has been to shift from traditional 'gaming facilities' to tourist-centric 'integrated entertainment centres/resorts' offering more than gambling opportunities in order to be more competitive with large international casinos elsewhere.⁵

Some of these trends are evident in other industries or actions by government. The impact of the contraction in consumer spending (e.g. witness the high savings rate in Australia since the GFC 2008/09) and subsequent recession have encouraged all governments to boost existing sources of revenue or look for new sources of revenue. This has given impetus to new casino developments across all Asian markets. The "globalisation" of production including mergers and acquisitions and location into those markets with large populations where demand is rising (e.g. for automobiles, for tourism, for consumption based on rising incomes) is evident in a range of industries. The impact has been felt in Australia with the closure of the automotive industry. So the "globalisation" of the casino industry is not unique but it is evident in new international partnerships and business investment as a key strategy to win a casino licence in emerging economies (e.g. Melco Crown with Mr Laurence Ho, Melco in Macau; USA casino owners with partners in Macau).

Integrated Developments: Barangaroo, Sydney

The New South Wales Government has approved a Barangaroo Restricted Gaming Facility⁶ with the passage of the *Barangaroo Delivery Authority Act 2009* and Casino Control Amendment (Barangaroo Restricted Gaming Facility) Act 2013 to operate from 2019, when The Star casino's exclusivity expires. Owned by Crown Resorts Ltd, the \$1.5 billion venue is marketed to focus on attracting international VIP players to its 'integrated entertainment' facility, with a "planned 10 VIP gaming saloons, 120 tables, 350 six star hotel rooms, 80 luxury apartments and an unlimited number of multi-terminal gaming machines". It may be that local players must be approved to play and be required to join a Crown membership club.

Integrated Developments: Queensland Bids for 3 Mega Casino Developments

The (then) Queensland Deputy Premier and the Minister for State Development, Infrastructure and Planning released a joint media statement on 14 October 2013⁷ seeking expressions of interest to establish three 'integrated development proposals' with casino licences at Queen Wharf Brisbane and two in regional Queensland.⁸

Expression of interest (EOI) closed on the 31st March 2014 and companies bidding for these developments include domestic and international consortia. Twelve applicants paid a \$100,000 application fee to submit an expression of interest for one of the state's three new casino licences – 6 vying for the Queens Wharf site in Brisbane⁹, another 6 concentrating their efforts on regional venues.¹⁰

Integrated Developments: Adelaide Casino

There are plans to upgrade the current historic old railway station site and expand the casino to include a six-star, twelve storey, 100 room hotel where previously the casino could not offer accommodation. The intent of the casino operator is to attract "high rollers" to the Adelaide Casino complex and to retain

⁵ "Echo's winning bid told to play down glitzy gambling and reflect Brisbane", *Australian Financial Review*, 21 July 2015.

⁶ Casino Control Amendment (Barangaroo Restricted Gaming Facility) Act 2013

⁷ Media Release: <http://statements.qld.gov.au/statement/2013/10/14/integrated-development-for-government-precinct>

⁸ Casino licences are only available for the development of Casinos with 'integrated facilities'. The *Casino Control Act 1982 (Qld) (Act)* falls within the purview of the Department of Justice and the Attorney-General. The Attorney-General is the Minister responsible for making a recommendation to the Governor-in-Counsel to grant a future casino licence in Queensland. <http://www.dsdip.qld.gov.au/infrastructure-delivery/queens-wharf-brisbane.html>

⁹ Echo Entertainment Group was the successful bidder.

¹⁰ <http://www.brisbanetimes.com.au/queensland/twelve-casino-players-vie-for-queenslands-three-new-licences-20140401-35vfp.html>

in the State, local VIP customers who currently tend to go interstate. The expansion will also offer new restaurants, bars and other entertainment facilities.

2.2 Productivity Commission overview

In their report on *Australia's Gambling Industries* the Productivity Commission (1999) outlined some of the key features of the expansion of the gambling industries:

- “a proliferation of gambling forms, which commenced with the spread of casinos and then of electronic poker machines, with lottery products also becoming more diverse and sports betting expanding (including through the internet);
- increasing accessibility and ‘convenience’ of gambling, which in most jurisdictions is now part of the suburban scene;
- a more rapid ‘tempo’ of gambling, through electronic machines with much higher spending rates than the old ‘one arm bandits’, as well as more frequent race meetings and lottery draws;
- privatisation of the traditional government-run gambling forms — TABs and lotteries — with involvement of large corporations, and increasing concentration of ownership in some areas; and
- more pervasive advertising and promotion of gambling (including the use of gambling as a marketing tool for other products).” (PC 1999, p. 8)

In the Productivity Commission’s 1999 report there was no specific analysis of the casino industry as a sub-sector of the gambling industry. In fact it would be fair to say (without any criticism) that a key focus of the Commission’s report derived from government and community concern about the liberalisation of gambling, accessibility to gambling and the rise in ‘problem gambling’. Confirming community concern with the liberalisation and expansion of gambling, it is notable that the (then) Treasurer, the Hon. Peter Costello MP, concluded the terms of reference provided to the Productivity Commission with the words “little is known about the social impacts of the rapid growth in gambling.” (PC 1999, p. 1)

In their three volume report on *Australia's Gambling Industries* the Productivity Commission devoted approximately ten pages to ‘casino gaming’¹¹ as a separate and discrete sub-sector of the gambling industry. The analysis was largely confined to regulation of casinos, exclusivity rights, probity arrangements and protection against and detection of money laundering. The Commission did provide and analyse national data (including that available on casinos) on, *inter alia* all forms of gambling, by activity, by state, by revenue and taxation and commented more generally on the role of the casino industry (e.g. in tourism, etc.).

In 2010 the Productivity Commission released their two volume report *Gambling* which was essentially an update of the 1999 report with two additional terms of reference requiring an assessment of harm minimisation measures introduced since 1999. In that report they considered in a little more detail the performance of the casino industry.

The Commission noted the ascendancy of gaming machines with electronic gaming machines (EGMs) in pubs and clubs accounting for 55 per cent of spending in 2008/09 (up from 29 per cent in 1986/87) and the share of spending at casinos at 18.2 per cent (up from 9 per cent) over the same period. The figure of 18.2 per cent which equated to \$3.5 billion in 2008/09 was further disaggregated to record that 7.2 per cent came for EGMs (\$1.4 billion), 7.6 per cent from table games (\$1.4 billion) and 3.4 per cent (\$0.6 billion) from premium players or VIPs (PC 2010, p. 25).

¹¹ Productivity Commission, Volume 2, pp. 13 20-13.30.

The Commission further noted that the Australian gambling industry as a whole was a 'maturing industry' with a growth rate similar to other industries but that the casino industry increasingly faced "strong competition in attracting globally footloose 'high-rollers' as Asian competitors develop new and expensive facilities." (*ibid*, p. 8). In the decade since the first report, the Commission noted there had been significant changes in the operating environment of the casino industry, including "reduced expenditure growth, ownership concentration, regulatory changes and changes in the overseas markets" (*ibid*, p. 2.29).

The Commission briefly examined the casino industry performance (based on 2008/09 data) and included a breakdown by share of total revenue by activity. SACES has used the 2008/09 share of revenue to provide a breakdown by source of revenue for actual casino gaming revenues 2011/12 (see last column in Table 2.4).¹²

Table 2.4: Sources of gaming revenue

	2007/08 (\$m)	2007/08 Share (per cent)	Estimated 2011/12 (\$m)
Electronic Gaming Machines (EGMs)	1,299	41.0	1,673
Table Games	1,271	40.1	1,637
VIP Program	598	18.9	770
Total Gaming Revenue	3,167	100.0	4,081

Source: SACES calculations based on Allen Consulting 2009.

While the number of casinos (N=13) was the same as at the Commission's 1999 study the number of EGMs held by the casinos had increased by 14 per cent (from 10,788 to 12,306: Table 2.5). The share of EGMs held by each casino is shown in the last column of Table 2.5 with the highest concentrations in Tasmania and the Northern Territory with Western Australia a special case. The number of table games had increased by 39 per cent (from 1,098 to 1,525) with an average annual revenue per EGM of \$128,612 in casinos¹³ "compared to \$59,402 for those in clubs and hotels and an average annual revenue of just over \$900,000 for each table game". (PC 2010 p. 2.32)

More than three quarters of casino revenue (78 per cent on average) is estimated to derive from all forms of gaming as shown at Table 2.6. However, casinos differ to the extent they provide accommodation, entertainment and other non-gaming experiences. As a general rule the direction of industry investment is to provide a much greater range of entertainment, accommodation offerings, non-gaming services and facilities.

The contribution of gaming to total casino revenue indicates overall growth in gaming revenue but the share of gaming revenue has declined slightly over the period 1999 to 2009, while that of food and beverage and accommodation has increased overall (Table 2.7).

That is to say, casino complexes are increasingly larger and offer a more comprehensive "total entertainment experience" than has been the case previously to attract greater numbers of domestic and international visitations. The Productivity Commission relied on industry estimates to conclude that "the vast majority of visits to Australian casinos were from Australian residents ... with around 5 per cent from international tourists ... with 18 per cent of casino gaming revenue attributed to international VIP ('high roller') programs." (PC 2010, p. 2.35)

¹² One international estimate is that 70 per cent of all gaming revenue by casinos in the USA (2005) derived from slot and video poker machines. Cooper (2005), 'Sit and Spin', *The Atlantic*.

¹³ The revenue per machine is calculated for the main gaming floor and does not include revenue from VIP play in private gaming rooms.

Table 2.5: Electronic gaming machine (EGM) distribution: casinos and total (2012/13)^(a)

State	Casino	Total EGMs (per State)	EGMs (per Casino)	Percentage of EGMs in casinos (per State)
New South Wales	The Star	95,318	1,500	1.6
Victoria	Crown Melbourne	28,772	2,500	8.7
South Australia	Adelaide Casino	13,847	995	7.2
Queensland	Jupiters Townsville	46,882	352	0.8
	Jupiters Hotel and Casino Gold Coast		1,486	3.2
	Treasury Hotel and Casino Brisbane		1,385	3.0
	Reef Casino		499	1.1
Western Australia	Crown Perth	2,000	2,000	100
Tasmania	Country Club Casino	3,572	523	14.6
	Wrest Point Casino		650	18.2
Australian Capital Territory	Casino Canberra	4,974	0	0
Northern Territory	SkyCity Darwin	2,269	788	34.7
	Lasseters Hotel Casino		300	13.2

Note: a Multi terminal and fully automated table games are included in table games. Totals vary from time to time.

Source: Australasian Gaming Council (2014).

Table 2.6: Australian casino revenue by source: selected years (\$ million)

	1999/2000	2002/03	2005/06	2007/08	2009/10
Gaming	2,397	2,531	2,859	3,168	3,419
Food and beverage	368	357	428	466	569
Accommodation	119	131	202	224	240
Rent and leasing	33	30	28	22	39
Entertainment	15	31	23	52	45
Other, including parking and retail	106	65	78	117	91
Total	3,038	3,145	3,618	4,049	4,403

Source: Productivity Commission (2010), Table 2.15, p. 2 34, drawn from Allen Consulting Group (2009) and (2011) Table 1.1, p. 4; ACIL (2001), SACES update for 2009/10.

Table 2.7: Australian casino all revenue by share (per cent)

	1999/ 2000	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10
Gaming	78.9	80.5	80.5	79.1	79.0	76.4	78.2	78.2	77.7
Food and beverage	12.1	11.4	10.8	12.0	11.8	14.4	11.5	12.7	12.9
Accommodation	3.9	4.2	4.9	5.5	5.6	5.5	5.5	5.4	5.5
Rent and leasing	1.1	1.0	0.7	0.7	0.8	0.7	0.5	0.7	0.9
Entertainment	0.5	1.0	1.1	0.7	0.6	1.1	1.3	1.1	1.0
Other, including parking and retail	3.5	2.1	2.0	2.0	2.2	1.9	2.9	1.8	2.1

Source: Productivity Commission (2010), Table 2.15, p. 2.34, drawn from Allen Consulting Group (2009) and (2011) Table 1.1, p. 4; ACIL (2001); and SACES calculations.

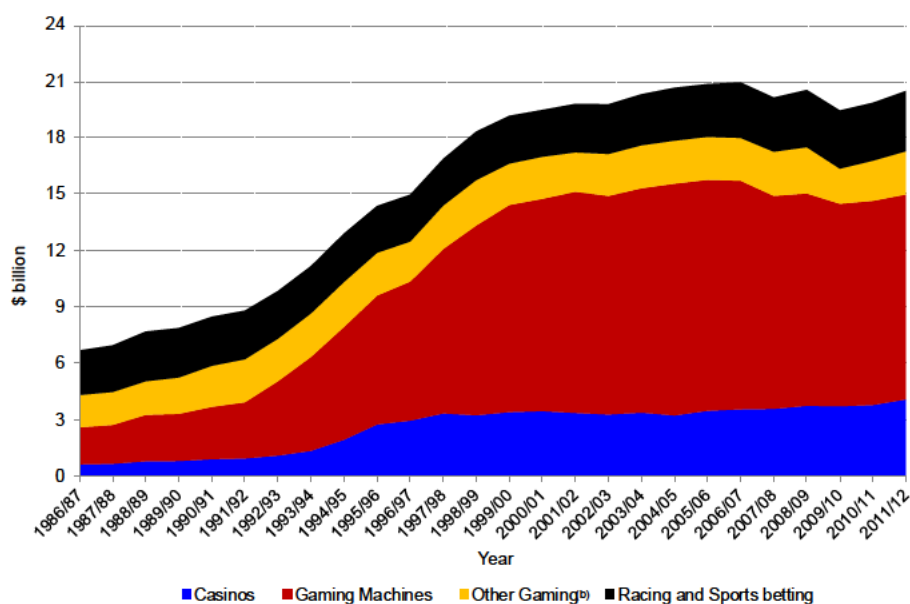
We consider international developments later in this report but suffice to note that tourism and international competition in the gambling market is becoming more intense and competitive. Near to Australia is Macau which in 2013 had 35 casinos (table games: 5,746; slot machines: 15,310) and Singapore has recently entered the casino industry after many years of a ban on casino gaming. Other countries across the Asia Pacific are entering the casino market and/or expanding the number of casinos so that greater competition is coming from an increase in supply. A further source of competition is the expansion in on-line wagering, betting and gaming services where participants are able to play table games and simulated electronic games including poker machines or EGMs.

2.3 Gambling patterns over time

2.3.1 Casino gambling expenditure

Figure 2.2 illustrates that electronic gaming machines are the most significant contributor to real gambling expenditures (or losses) in Australia. All casinos in Australia (except Casino Canberra in the ACT) offer gaming machines and selected properties offer Multi-Terminal Gaming Machines (MTGMs) and Fully Automated Table Games (FATG).

Figure 2.2: Real Australian gambling expenditure 1986/87 to 2011/12^(a), \$ billion



Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

In 2011/12 Australians lost \$10.9 billion (real dollar terms) on electronic gaming machines situated in hotels and clubs significantly greater (2.5 times) than the total figure of \$4.1 billion in real gambling expenditure from all forms of gambling at casinos, a figure which includes international VIP patrons and other international visitors (Table 2.8).

Further illustrating the significance of EGM gambling (or consumer preferences), if we transfer (to derive an Australian EGM total) the estimated revenue from electronic gaming machines in casinos and add it to the total for electronic gaming machines situated in hotels and clubs then all EGM revenue rises to \$12.5b and casino gambling expenditure falls to \$2.5b. That is to say, all EGM revenue is 5 times

adjusted casino revenue. Following this calculation through then all electronic gaming machine revenue would account for 61 per cent of real gambling expenditure in 2011/12.

Real gambling expenditure by all gambling/wagering/betting type is shown in Table 2.8 from 1986/87 (roughly the period of casino expansion and EGM expansion in hotels and clubs) with the national total at \$20.5 billion 2011/12. The casino sector represents about \$4.1 billion or approximately 20 per cent of real gambling expenditure; gaming machines account for 53 per cent, racing and sports betting 15.7 per cent and all other forms of gaming at 11.2 per cent of gaming expenditure.

Table 2.8: Real gambling expenditure by type, 1986/87 to 2011/12, \$ billion^(a)

	Casinos	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	0.62	1.97	1.72	2.38	0.0
1987/88	0.65	2.07	1.75	2.49	0.0
1988/89	0.79	2.47	1.79	2.65	0.0
1989/90	0.80	2.51	1.93	2.64	0.0
1990/91	0.90	2.79	2.18	2.62	0.0
1991/92	0.94	2.99	2.29	2.60	0.0
1992/93	1.09	3.96	2.26	2.54	0.0
1993/94	1.34	5.00	2.32	2.52	0.0
1994/95	1.93	6.01	2.39	2.56	0.02
1995/96	2.75	6.86	2.28	2.48	0.02
1996/97	2.95	7.41	2.13	2.48	0.02
1997/98	3.33	8.76	2.31	2.45	0.04
1998/99	3.24	10.11	2.42	2.55	0.03
1999/00	3.40	11.03	2.20	2.48	0.06
2000/01	3.46	11.30	2.24	2.44	0.06
2001/02	3.36	11.78	2.09	2.49	0.10
2002/03	3.28	11.64	2.23	2.55	0.10
2003/04	3.38	11.95	2.29	2.54	0.19
2004/05	3.23	12.34	2.29	2.68	0.14
2005/06	3.47	12.30	2.29	2.64	0.17
2006/07	3.55	12.17	2.28	2.76	0.20
2007/08	3.58	11.34	2.35	2.66	0.22
2008/09	3.74	11.30	2.46	2.81	0.24
2009/10	3.71	10.78	1.87	2.78	0.32
2010/11	3.78	10.87	2.13	2.76	0.33
2011/12	4.08	10.91	2.30	2.82	0.40

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Real gambling expenditure by State/Territory is shown in Table 2.9 and real casino gambling expenditure in Figure 2.3 (2011/12). Victoria and New South Wales “reverse their position” in this sense: real gambling expenditure in Victoria accounts for 26.6 per cent of the national total but real casino gambling expenditure is 37 per cent of all casino gambling expenditure; New South Wales is the “reverse” it accounts for 37.9 per cent of total real gambling expenditure but only 23 per cent of real casino gambling expenditure.

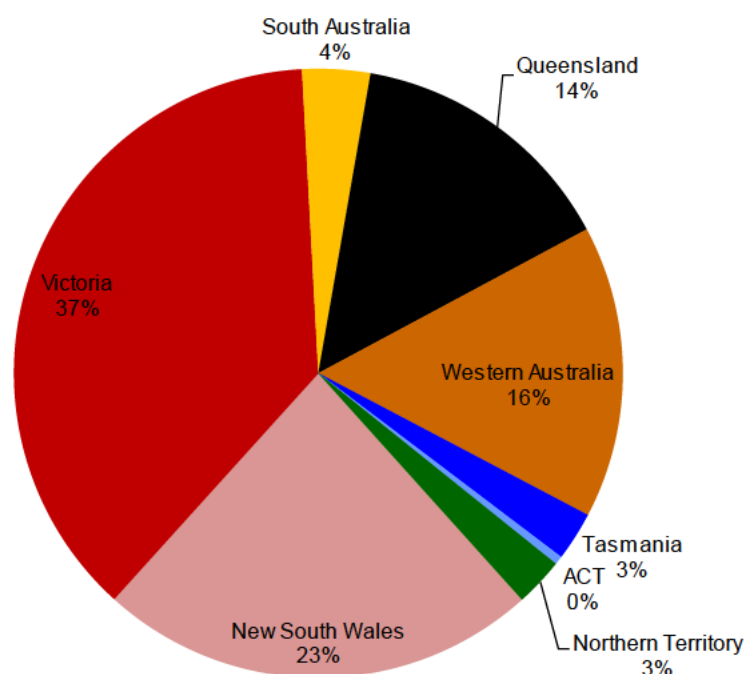
Crown Melbourne’s success in attracting VIP ‘high rollers’ and other premium, high net worth individuals most likely explains these performance statistics including that Crown Melbourne has substantial links back into Macau and other international markets and has continued to invest and expand its accommodation options (e.g. 3 hotels, 1,604 rooms).

Table 2.9: Real gambling expenditure by state and product, 2011/12, \$ million

	New South Wales	Victoria	South Australia	Queensland	Western Australia	Tasmania	Australian Capital Territory	Northern Territory
Sports betting	109	128	9	20	17	1	-	112
Racing	889	638	130	356	303	98	25	380
Other Gaming	635	487	135	565	359	64	22	33
EGM Gaming	5,179	2,681	743	1,948	-	115	182	63
Casino Gaming	954	1,528	147	588	634	106	18	105
Total Gambling Expenditure	7,766	5,462	1,164	3,477	1,313	384	247	693

Source: OESR (2014).

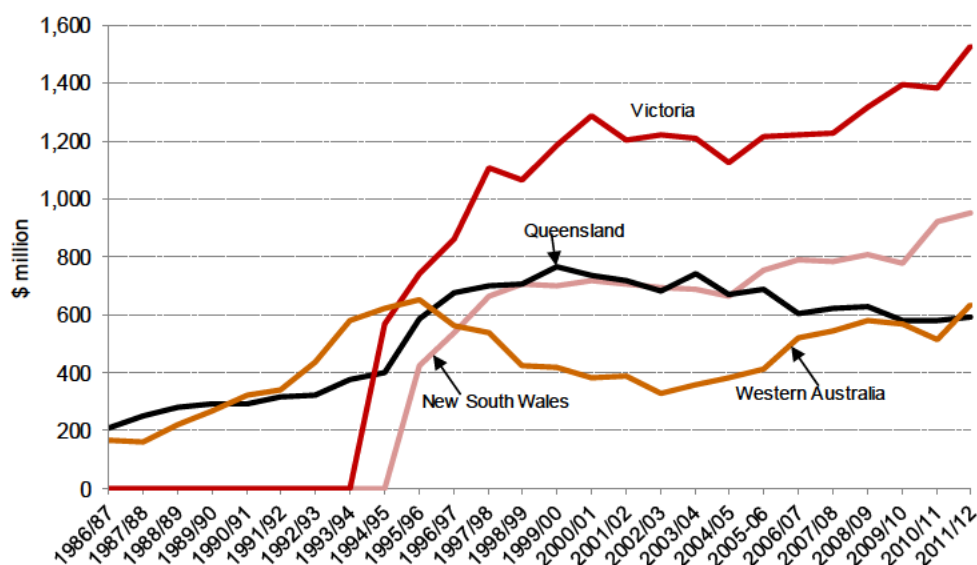
Figure 2.3: Real casino gambling expenditure by States, 2011/12 (per cent)



Source: OESR (2014).

The other relevant comparison between New South Wales and Victoria is that The Star Casino in New South Wales entered into a market where electronic machine gambling had a long history, that in this sector it competes with community and sporting clubs, many of which have multiple hundreds of EGMs (e.g. they are in effect “mini casinos” at least with respect to the number of gaming machines) and are well established within their community. The relative comparison on EGMs is that The Star holds 1,500 out of 95,600 and Crown Melbourne holds 2,628 out of 30,000 (see State summaries: Appendix A). This history is shown in Figure 2.4 where New South Wales gaming revenue from the casino rose sharply (but not as sharply as the Crown Casino in Victoria) and flattened out relatively soon after opening of the permanent facility in 1997.

Figure 2.4 Real casino gambling expenditure by four States, 1986/87 to 2011/12, \$ million

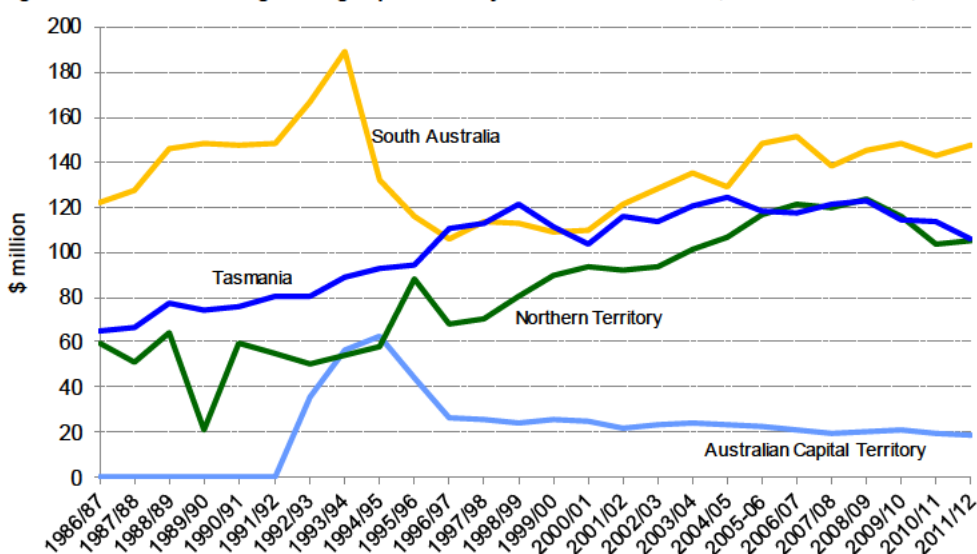


Source: OESR (2014).

Western Australia is a “special case” in that it accounts for 16 per cent of real casino gambling with one casino (more than Queensland at 14 per cent with four casinos!) but only 6.4 per cent of real gambling expenditure due to the fact it does not have gaming machines in hotels and clubs. The other point of interest is the share of sports betting and racing that is allocated to the Northern Territory as it is home to many of the online private racing and sports betting agencies.

Figure 2.5 shows, in the case of South Australia, the rapid growth in casino expenditure up to 1993/94, and then a very marked fall following the introduction of electronic gaming machines into hotels and clubs. This well illustrates competition in the domestic market for the “EGM dollar” where the local casino competes with hotels and clubs.

Figure 2.5 Real casino gambling expenditure by two States/Territories, 1986/87 to 2011/12, \$ million



Source: OESR (2014).

2.3.2 Casinos, EGMs, hotels and clubs

In this section we consider electronic gaming machines in casinos and, comparatively, in hotels and clubs. At end financial year 2011/12 all Australian casinos held 6.6 per cent of all electronic gaming machines, hotels and clubs 93.4 per cent.

The actual number of gaming machines in operation in casinos and hotels/clubs will vary at any point in time, including, *inter alia*, as machines are replaced/sold/auctioned, where States have a policy to reduce machine numbers (e.g. in South Australia), where casinos are granted access to more machines to complement planned expansion/investment, where multi-terminal and fully automated table games are classified to the EGM count and as a result of depreciation and changeover of machines incorporating new features.

The distribution of electronic gaming machines as shown in Table 2.10 and Figure 2.6 varies across jurisdictions and between casinos, hotels and clubs.

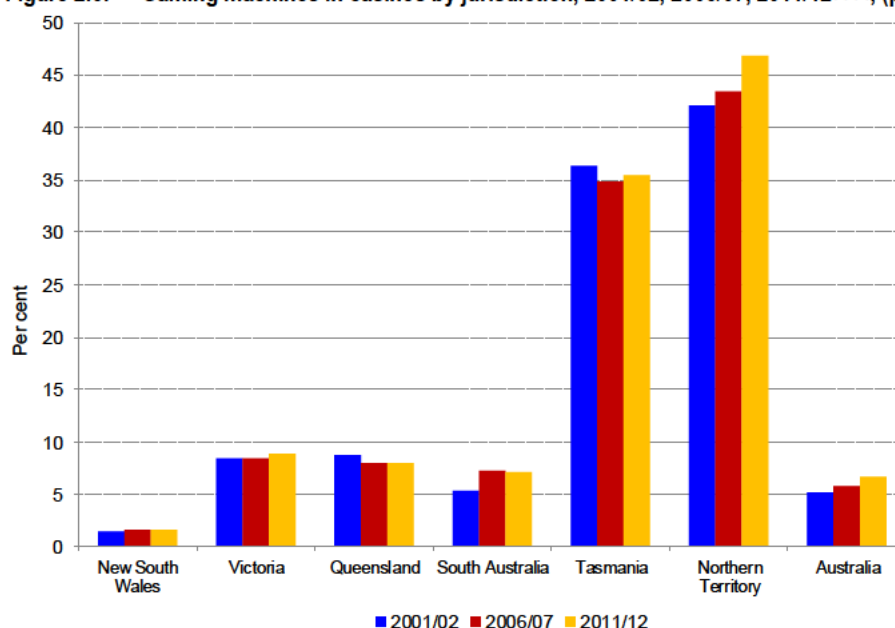
Table 2.10: Electronic gaming machines in Australia (operating at 30 June by year shown)

	Casinos		Clubs		Hotels	
	Number	Percentage	Number	Percentage	Number	Percentage
New South Wales						
2001/02	1,500	1.5	76,830	74.6	24,628	23.9
2011/12	1,500	1.6	70,746	74.0	23,364	24.4
Victoria						
2001/02	2,500	8.4	13,671	45.7	13,729	45.9
2011/12 ^(a)	2,500	8.8	12,689	44.7	13,187	46.5
South Australia						
2001/02	828	5.4	1,684	10.9	12,918	83.7
2011/12	970	7.1	1,944	14.2	10,744	78.7
Queensland						
2001/02	3,468	8.7	19,280	48.5	17,013	42.8
2011/12	3,692	8.0	23,479	50.9	18,981	41.1
Western Australia						
2001/02	1,283	100	0	0	0	0
2011/12	2,000	100	0	0	0	0
Tasmania						
2001/02	1,159	36.3	193	6.0	1,842	57.7
2011/12	1,307	35.4	173	4.7	2,210	59.9
Australian Capital Territory						
2001/02	0	0	4,910	98.8	60	1.2
2011/12	0	0	4,918	98.6	68	1.4
Northern Territory						
2001/02	635	42.2	633	42.0	238	15.8
2011/12	1,041	46.8	753	33.9	428	19.3
Australia						
2001/02	11,373	5.7	117,201	58.9	70,428	35.4
2011/12	13,010	6.6	114,702	58.3	68,982	35.1

Note: (a) Regulator advises Crown in 2014 holds 2,628 machines.

Source: OESR (2014).

Figure 2.6: Gaming machines in casinos by jurisdiction, 2001/02, 2006/07, 2011/12^(a), (per cent)



Note: (a) All gaming machines in Western Australia are located in Burswood Entertainment Complex, Western Australia not shown.
(b) Casino Canberra does not have electronic gaming machines.

Source: OESR (2014).

The New South Wales distribution reflects the historical legacy of an early introduction of the mechanical “one arm bandits” into New South Wales clubs and relatively recent decision to allow the machines into hotels. We are advised that the Victorian distribution reflects equal treatment of clubs and hotels when allocating machines so that collectively they hold 27,372 machines with 2,628 allocated to the Crown Casino. Queensland is similar to Victoria, South Australia has heavily favoured machine allocation to hotels more strongly than any other jurisdiction; the Northern Territory and Tasmania have the greatest share allocated to the two casinos in each jurisdiction; the ACT prohibits machines in the single casino site whereas Western Australia has 100 per cent allocated to the single casino site. The EGM distribution reported in Table 2.10 is the result of a number of historical decisions, changes in policy and lobbying. States/Territories have changing objectives and preferences including a desire to treat clubs and hotels equally, to primarily support clubs through revenue from machines, to increase or reduce accessibility and the introduction of state-wide and regional caps amongst other possible considerations.

The performance of machines and contribution to revenue/gaming expenditure/net gaming revenue (or losses) is summarised in Table 2.11.

Table 2.11: Share of machines, numbers and annual revenue (2011/12)

	Machine numbers	Per cent of machines	Revenue per machine ^(a)	Per cent of revenue	Total revenue (\$'000)
Casino	13,010	6.6	128,612	13.3	1,673,248
Hotels/Clubs	183,684	93.4	59,402	86.7	10,911,186
Total	196,694	100.0	63,980	100.0	12,584,433

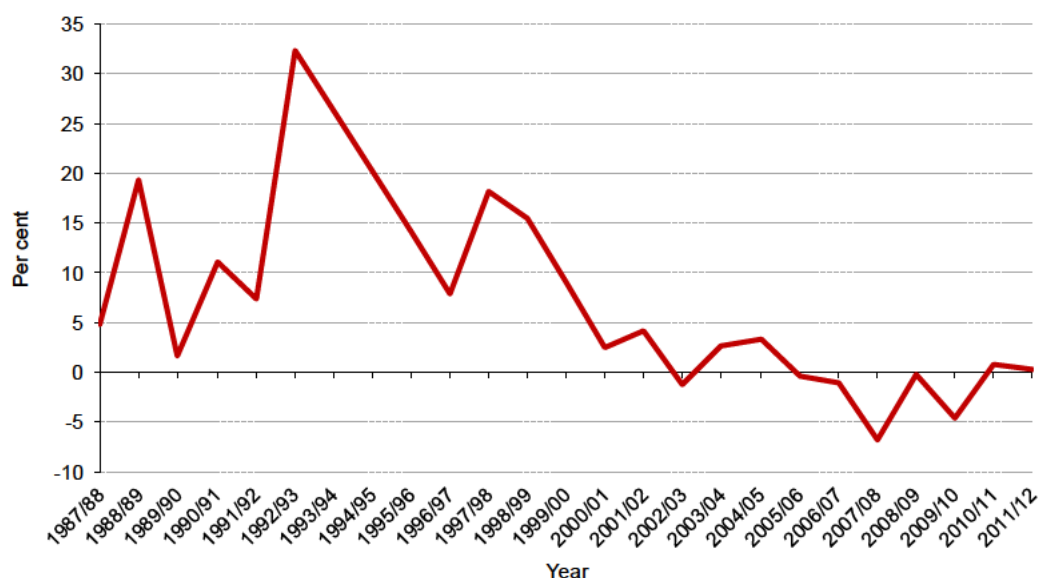
Note: (a) Data from Productivity Commission 2010, from National Gambling dataset, Allen Consulting 2009.

Source: SACES calculation.

The revenue per EGM in casinos is more than twice the average of hotels and clubs. Contributing factors include the ability to play machines in an unrestricted mode, the extended hours of opening by casinos relative to competitors, although the principal factor is the sheer number of visitations and accommodation stays at casinos. The casinos 6.6 per cent of all machines account for 13.3 per cent of the total revenue from all machines in all jurisdictions combined. Some hotels/clubs in each state/territory have an annual average revenue per machine well above the all casino average of \$128,612 per machine.

The slowdown in the growth of gaming expenditure on EGMs outside of casinos is shown in Figure 2.7 with spikes in the growth following (a) the period of introduction of machines into hotels and clubs, (b) the opening of temporary and then permanent casino facilities through the mid-1990s and then (c) a decade from 2000 of small peaks and troughs following policy changes including the introduction of smoking bans, changes in opening hours, machine reductions, the Global Financial Crisis, increases in government transfer payments and bonuses/tax handouts at various times. The last decade is often described as a “maturing of the industry”.

Figure 2.7: Gaming machine expenditure growth (machines outside of casinos only), (per cent)



Source: OESR (2014).

If we exclude wagering and betting then real casino gaming expenditure accounted for an average of 23.6 per cent of total gaming expenditure in 2011/12 but there are clear differences between jurisdictions.¹⁴ The share of all gaming expenditure held by casinos rapidly declined in several jurisdictions concurrent with the introduction of electronic gaming machines in hotels and clubs. Table 2.12 confirms these observations with Western Australia “the outlier”. The decline in casino market share, relative to electronic gaming machines, was quite dramatic in South Australia (Casino: 51.6 per cent 1986/87; 14.4 per cent 2011/12), Queensland (Casino: 47.1 per cent 1986/87; 19.0 per cent 2011/12), and also in Tasmania and the Northern Territory which in itself is a challenge to the claim that “casinos are destination venues” particularly with regard to local participants. That is to say, there was considerable switching of expenditure to other destinations – hotels and clubs – with respect to gambling on electronic gaming machines.

¹⁴ See note under Table 6.5. Excludes wagering/betting.

Table 2.12: Casino, gaming machine and other gaming expenditure as a proportion of total gaming expenditure^{(a),(b)}, selected years (per cent)

	New South Wales	Victoria	South Australia	Queensland	Western Australia	Tasmania	ACT	Northern Territory	Australia
Casinos									
1986/87	0.0	0.0	51.6	47.1	56.4	52.2	0.0	80.4	14.3
1991/92	0.0	0.0	48.0	34.5	59.6	56.9	0.0	71.8	15.0
1996/97	11.0	24.8	13.6	34.4	66.9	58.3	11.7	61.0	23.6
2001/02	10.1	23.9	11.4	26.4	58.2	37.8	7.8	51.6	19.5
2006/07	10.6	26.4	12.7	19.7	61.3	38.4	8.2	54.9	19.7
2011/12	14.1	32.5	14.4	19.0	63.9	37.2	8.3	52.2	23.6
Gaming Machines									
1986/87	79.4	0.0	0.0	0.0	0.0	0.0	77.1	0.0	45.8
1991/92	85.4	6.5	0.0	5.2	0.0	0.0	85.2	6.9	48.1
1996/97	75.6	62.5	70.2	39.6	0.0	4.3	78.5	20.4	59.3
2001/02	81.2	67.2	75.6	55.1	0.0	42.5	83.4	27.3	68.3
2006/07	80.1	63.3	76.5	62.8	0.0	42.3	83.0	33.2	67.6
2011/12	76.5	57.1	72.5	62.8	0.0	40.4	81.7	31.2	63.1
Other Gaming^(a)									
1986/87	20.6	100.0	48.4	52.9	43.6	47.8	22.9	19.6	39.9
1991/92	14.6	93.5	52.0	60.3	40.4	43.1	14.8	21.2	36.8
1996/97	13.4	12.7	16.2	26.1	33.1	37.3	9.8	18.6	17.0
2001/02	8.7	8.9	12.9	18.5	41.8	19.6	8.8	21.1	12.2
2006/07	9.3	10.3	10.8	17.5	38.7	19.3	8.8	11.9	12.7
2011/12	9.4	10.4	13.1	18.2	36.1	22.4	10.0	16.6	13.3

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

(b) We have excluded in this table data on wagering on racing and betting as our interest here is the impact on casino revenue following the introduction of EGMs into hotels and clubs.

Source: OESR (2014).

There are three important observations to be taken from Table 2.12. The first is, the marked decline in casino revenue following the introduction of EGMs into hotels and clubs informs us that those casinos that essentially service the domestic or local market were most vulnerable to EGMs being available in local communities. In short, people switched; this also suggests that consumer protection with respect to EGMs in casinos and hotels and clubs should be very similar as the consumer group is potentially the same group.

The second observation is the Crown Melbourne casino continued to grow its share of total gaming expenditure illustrating the much greater diversification of casino patrons – VIP patrons, premium/high net worth patrons and visitations from the accommodation facilities (both international, interstate and domestic).

The third observation is the marked decline commencing in the early 1990s of expenditure on “other gaming” including lotteries, lotto, keno, etc. as consumer preferences changed. Again, the explanation for this is the introduction of EGMs into hotels and clubs. The introduction of electronic gaming machines into hotels and clubs is set out by year in Table 2.13.

Table 2.13: Electronic gaming machines State and Territory: year of introduction

Jurisdiction	Electronic Gaming Machines first legalised in	
	Clubs	Hotels
New South Wales	1956	1997
Victoria	1992	1992
South Australia	1994	1994
Queensland	1992	1992
Western Australia	N/A	N/A
Tasmania	1997	1997
Australian Capital Territory	1976	1988
Northern Territory	1996	1996

Source: Australasian Gaming Council (2014), and New South Wales Government (2009).

Notwithstanding the expenditure switching behaviour that impacted the market share of revenue to casinos, real per capita casino expenditure (which is calculated by including expenditure of foreign visitors against the domestic population) continued to grow following the introduction of electronic gaming machines into hotels and clubs (see Table 2.14). South Australia where per capita expenditure fell from \$171.43 to \$118.82 (a 30 per cent decline) and the Northern Territory where per capita expenditure fell from \$719.37 to \$541.29 (a 25 per cent decline) appear to be the two jurisdictions where casinos were most impacted by the availability of EGMs in hotels and clubs. The ACT appears to be somewhat of a special case; it does not have electronic gaming machines in the casino and thus the “clubs network” has a virtual monopoly on this form of gambling. Real per capita casino expenditure in the ACT has consistently declined each year since 1994/95 from a peak \$282.37 per person to \$63.52 per person or some 77 per cent in 2011/12. Trends in real per capita casino expenditure are shown in Table 2.14 for each jurisdiction and relative to the Australian average.

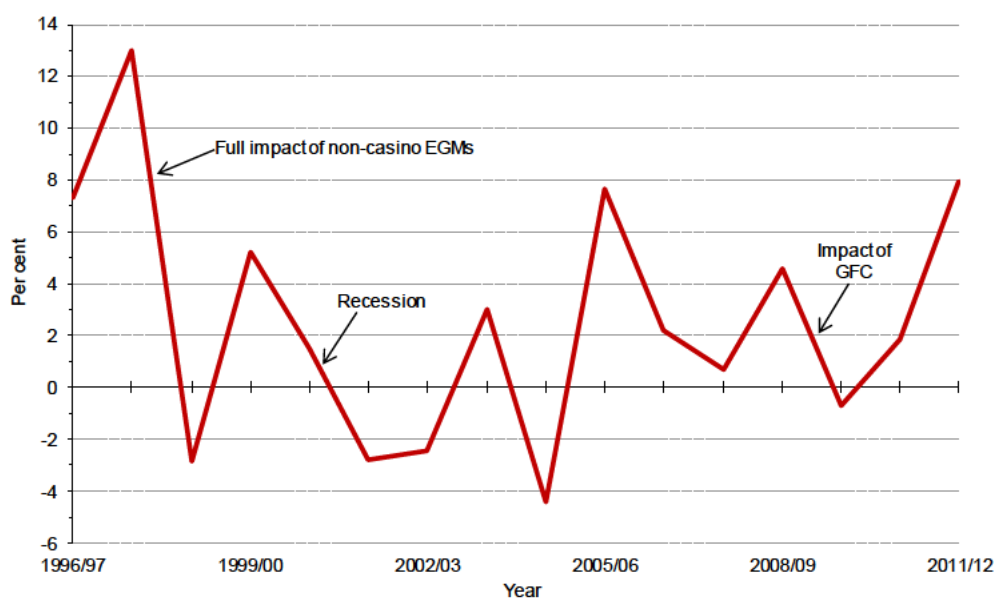
Following the Global Financial Crisis – impacts felt in 2009 – there is generally observed a slowdown in the rate of growth of per capita expenditure or in some jurisdictions an absolute fall in per capita expenditure (Figure 2.8). The explanations for this are mixed – in some jurisdictions the introduction of smoking bans impacted casinos; Queensland was likely to have seen a decline in international tourism as was Tasmania; Melbourne’s Crown Casino and The Star casino in Sydney appear to have been less affected.

Table 2.14: Real per capita casino expenditure, 1986/87 – 2011/12^(a), (dollars)

	Average Australia	New South Wales	Victoria	South Australia	Queensland	Western Australia	Tasmania	ACT	Northern Territory
1986/87	234.36	-	-	120.15	111.45	155.81	204.30	-	580.11
1987/88	219.21	-	-	123.27	128.04	148.38	207.23	-	489.15
1988/89	264.17	-	-	139.35	139.53	197.23	238.45	-	606.30
1989/90	186.92	-	-	139.71	141.36	231.13	225.40	-	197.01
1990/91	263.03	-	-	137.14	137.84	274.65	225.93	-	539.60
1991/92	257.77	-	-	136.14	143.62	284.48	237.69	-	486.91
1992/93	249.06	-	-	151.64	144.02	358.58	234.81	164.93	440.38
1993/94	298.07	-	-	171.43	162.61	468.55	258.98	258.59	468.25
1994/95	284.21	-	167.43	118.82	169.08	496.30	268.50	282.37	486.94
1995/96	293.93	91.79	218.07	103.97	242.14	506.88	271.97	197.28	719.37
1996/97	267.03	115.54	250.89	94.23	270.88	428.02	318.39	116.99	541.29
1997/98	277.58	140.84	318.23	100.56	276.64	401.56	323.97	112.73	546.14
1998/99	273.87	147.76	302.25	99.46	273.52	310.54	347.29	103.96	606.18
1999/00	282.48	144.41	332.64	95.42	292.04	301.36	317.31	109.00	667.66
2000/01	278.85	145.97	354.85	95.10	276.16	272.20	294.98	105.11	686.43
2001/02	273.06	141.36	327.46	104.23	261.30	269.91	328.56	88.62	663.03
2002/03	265.20	137.54	327.07	109.39	241.61	223.19	317.41	96.14	669.20
2003/04	276.52	135.56	318.57	113.96	256.24	241.26	332.87	96.36	717.38
2004/05	272.49	129.59	293.07	107.90	226.21	250.83	339.83	92.58	739.92
2005/06	283.42	145.92	311.25	122.52	225.02	265.20	318.78	87.71	790.97
2006/07	287.21	150.85	307.15	123.60	193.96	329.03	313.18	80.21	799.66
2007/08	281.06	147.40	302.34	111.82	195.43	331.21	321.16	73.99	765.18
2008/09	284.67	149.29	317.48	115.80	191.48	341.80	320.26	74.77	766.44
2009/10	269.06	141.28	329.63	116.59	174.03	325.14	294.28	75.01	696.54
2010/11	254.06	166.39	322.18	111.24	172.05	288.53	288.15	68.85	615.11
2011/12	262.05	169.93	350.99	113.83	171.01	344.51	268.13	63.52	614.45

Note: (a) Base year is 2011/12.

Source: OESR (2014).

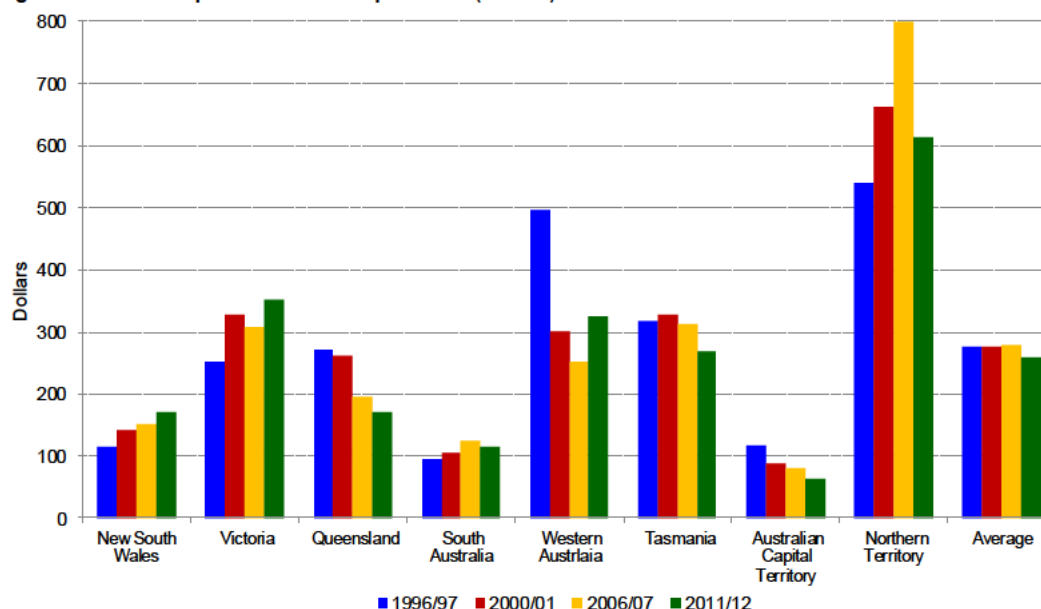
Figure 2.8: Growth in real Australian casino expenditure (1996/97 – 2011/12)^(a), (per cent)

Note: (a) Base year is 2011/12.

Source: OESR (2014).

Figure 2.9 illustrated, by five year intervals, shows the changes in real per capita casino expenditure relative to the Australian average. Real per capita casino expenditure exceeds the national average in Victoria, Western Australia, Tasmania and is 2.3 times the average in the Northern Territory.

Figure 2.9: Per capita real casino expenditure (dollars)



Source: OESR (2014).

Real per capita casino expenditure in the Northern Territory is explained by the number of EGMs located in the two casinos (48 per cent) and the number of gaming machines relative to table games which is 17.6:1 in Lasseters Hotel Casino and 21.9:1 in SkyCity Darwin. It is expenditure on EGMs that is the dominant experience of patrons at the two Northern Territory casinos.

2.3.3 Gaming and Household Disposable Income (HDI)

There was a spike in the mid-1990s in expenditure on gaming machines as a proportion of household disposable income following the introduction of gaming machines into hotels and clubs in a number of States. Gaming machines take a larger share of household disposable income than casino gaming and other forms of gaming (see Table 2.15 and Figure 2.10).

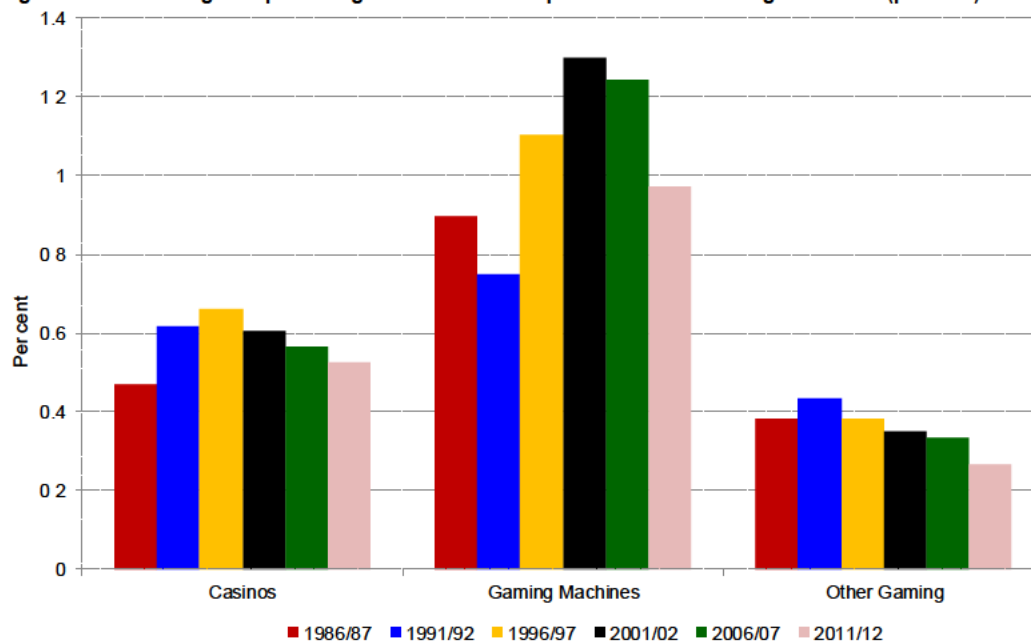
Table 2.15: Gaming as a percentage of Household Disposable Income (HDI) 2011/12

	New South Wales	Victoria	South Australia	Queensland	Western Australia	Tasmania	ACT	Northern Territory
Gaming expenditure as a percentage of HDI	2.17	2.11	1.52	1.62	0.87	1.47	0.84	1.75
Casino expenditure as a percentage of HDI	0.31	0.69	0.22	0.31	0.56	0.55	0.07	0.91
Gaming machine expenditure as a percentage of HDI	1.66	1.21	1.10	1.02	-	0.60	0.69	0.55
Other gaming ^(a) expenditure as a percentage of HDI	0.20	0.22	0.20	0.29	0.32	0.33	0.08	0.29

Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Figure 2.10: Gaming as a percentage of household disposable income average Australia (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

On average Australians spent 0.97 per cent of household disposable income on gaming machines outside of casinos and spent 0.45 per cent of household disposable income at casinos (2011/12).

The other significant points to note from the data on household disposable income are:

- the much higher expenditure on EGMs in hotels/clubs in New South Wales compared to all other jurisdictions and the relatively lower spend at the casino; and
- the highest spend is at the single site at Crown Melbourne with one of the lowest spends in Queensland with four casinos.

The New South Wales data illustrates the long history and accessibility of gambling in community and sporting clubs and the small number of EGMs in the casino relative to clubs/hotels; the ACT illustrates the impact of no EGMs in the casino; the roughly equal spend in Tasmania where the two casinos have large numbers of EGMs; and South Australia where the casino is small, it competes with hotels/clubs and is a long way from the State's regional population centres. The Northern Territory is the jurisdiction in which casino gaming constitutes the highest proportion of household disposable income (0.91 per cent). The single most important contributing factor in the Northern Territory is that the two casinos operate large numbers of gaming machines (48.0 per cent are located in casinos).

3. Legislative and Regulatory Framework, Taxation Arrangements

Summary of Findings

- The operation of casinos is governed through specific legislation such as a Casino and Control Act.
- Regulatory functions are most often separate from policy development.
- Probity and integrity checks of casino operations are essential as the casino environment presents opportunities for money laundering and illegal activity.
- A key motivator of fraudulent behaviour is a gambling addiction including poker machine gambling.
- In general, regulatory reviews of casino operations recommend casinos take action to improve problem gambler detection and interventions, to improve data analysis as a key trigger for intervention; improve information to players and better identify excluded persons.
- Tax arrangements vary across jurisdictions, they are structured to support competitiveness of casinos with concessional tax rates for commissioned-based players.
- The effective tax rate on casino gaming is 14.2 per cent (although it varies by gambling product), 29.3 per cent on EGMs in hotels/clubs and 69 per cent on lotteries and pools.

3.1 Regulatory arrangements

Gambling in Australia operates in a tight regulatory environment, largely governed by state and territory legislation. In general gambling is only legal where it is explicitly authorised under legislation (either directly, or by an authorised body such as a regulator established under the legislation).

The regulatory structure for Australian casinos is summarised in Table 3.1. The rationale behind the distinctive treatment of the casino industry includes:

- concerns about potential for links between casinos and organised crime. Licence conditions are designed to ensure operators are fit and proper persons, and limitations on the number of casinos can ensure that the costs of probity arrangement are manageable;
- a belief that casinos may facilitate economic development and act as 'tourist attractions', but that in order to facilitate the investments necessary to achieve these benefits casinos may need to be underwritten through the granting of a (usually time limited) regional monopoly;
- the potential for revenue from limiting casino numbers (e.g. special licences, fees and taxes); and
- general concerns about adverse social impacts of gambling. (PC, 1999, p. 13.20-13.30)

In most States/Territories the operation of casinos is governed through specific legislation, although the regulatory functions are typically delegated to the general gambling regulator.

Following the Productivity Commission's proposal on a gambling 'regulatory blueprint' (PC, 1999), most jurisdictions have established some form of independent gambling regulatory body responsible for monitoring and implementing gambling regulations, keeping its regulatory functions separate from policy making functions (PC, 2010). Western Australia, the Australian Capital Territory and the Northern Territory are the exceptions, with regulatory and policy making functions undertaken within the same body. Even when 'independent' regulatory bodies exist, there is considerable divergence in operations and the breadth of responsibility and independence across gambling regulators varies significantly. According to McMillen (quoted in PC 2010, p. 17.7), "no state or territory government has truly embraced an independent model with the possible exception of South Australia".

Table 3.1: Legislative Acts and Regulatory Bodies by State and Territory

State/ Territory	Regulatory and Policy Agencies ^(a)	Casino Acts
New South Wales	Office of Liquor, Gaming and Racing The Independent Liquor and Gaming Authority	<i>Casino Control Act 1992</i>
Victoria	The Office of Liquor, Gaming and Racing (Department of Justice) Victorian Commission for Gambling and Liquor Regulation	<i>Casino Control Act 1991</i> <i>Casino (Management Agreement) Act 1993</i> <i>Gambling Regulation Act 2003</i>
South Australia	Consumer and Business Services (Liquor and Gambling Commissioner) SA Independent Gambling Authority	<i>Casino Act 1997</i>
Queensland	Office of Liquor and Gaming Regulation (OLGR) Commissioner for Liquor and Gaming in Queensland	<i>Casino Control Act 1982</i> <i>Jupiters Casino Agreement Act 1983</i> <i>Brisbane Casino Agreement Act 1992</i> <i>Casino Control Agreement Act 1993</i> <i>Cairns Casino Agreement Act 1993</i>
Western Australia	Department of Racing, Gaming and Liquor Gaming and Wagering Commission Racing and Wagering Western Australia	<i>Casino Control Act 1984</i> <i>Casino (Burswood Island) Agreement Act 1985</i> <i>Gaming and Betting (Contracts and Securities) Act 1985</i>
Tasmania	Liquor and Gaming Branch (Department of Treasury and Finance) The Tasmanian Gaming Commission (3 person body)	<i>Gaming Control Act 1993</i>
Australian Capital Territory	ACT Gambling and Racing Commission	<i>Casino Control Act 2006</i> <i>Gambling and Racing Control Act 1999</i>
Northern Territory	Licensing, Regulation and Alcohol Strategy (Department of Justice) NT Licensing Commission (Department of Justice)	<i>Gaming Control Act 2012</i>

Note: (a) Includes all agencies involved in all facets of policy, regulation and review pertaining to Casinos.

Source: Australasian Gaming Council (2013), PC (2010), SACES updates from contact with regulators (2015)

While the specific details of what is covered in each Act vary by jurisdiction and gambling products, in general the Acts governing casino operations cover the following broad issues:

- identification of the body responsible for licencing casinos and monitoring their on-going operations;
- limits on competition between providers such as exclusivity arrangements;
- taxation of gaming products, and licence fees;
- regulation of casino operations through probity checking as part of the licencing arrangements, and ongoing monitoring by the regulator to ensure integrity of gaming and taxation;
- restrictions on the number and type of gambling services permitted, the rates of return/house take of each potential form of gambling, and the technology permitted;
- design and layout of the casino venue including placement of 'consumer information' within venues, access to natural light, visibility of clocks etc;
- administrative and compliance probity checks on operations (e.g. surveillance arrangements with operators for auditing and revenue verification, approval of licensees etc.);
- measures aimed at supporting responsible gambling, including information requirements to support consumer choice, and the provision of support services to gamblers experiencing distress. (PC1999, Chapter 13)

Box 3.1: Good Regulatory Practice: Productivity Commission 2010

The Productivity Commission found that most States/Territories have now established independent gambling regulatory bodies, in line with 'good regulatory practice'.

Statutory independence requires a clear delineation between the regulatory responsibilities and policy development.

In absence of an independent regulatory body, "ministers and governments can come under pressure to influence regulatory activities in ways that may not be in the public interest, nor transparent and open to public scrutiny... Full independence requires that gambling regulators do not have responsibilities that also extend to the development of the regulations... An advantage of such a separation between regulating and policymaking is that regulators can closely interact with the industry but cannot directly change policies, thus reducing the potential for the regulator to be 'captured' by industry and/or other stakeholder groups. (PC 2010, pp. 17.5-7)

3.2 Licences and exclusivity

Most Australian casinos were granted some form of exclusivity on establishment, usually within a specified geographical boundary giving them 'regional monopoly status'. In most cases this 'monopoly status' extended throughout the jurisdiction, but in Queensland and the Northern Territory the exclusion was for a portion of the state. Table 3.2 summarises details of each casino's exclusivity licence. Tasmania is a special case with exclusivity being granted to Federal Hotels Ltd, rather than to a specific casino.¹⁵

With the exception of Queensland and the ACT where exclusivity periods have lapsed, most other casinos retain their regional monopoly. The remaining terms vary widely. The Star Sydney casino's exclusivity will end in 2019; SkyCity Adelaide has exclusive right until 2035. Crown Perth is again a special case, with an indefinite exclusive right to operate a casino within 100km radius of Perth.

Crown Melbourne did have exclusivity arrangements for the whole of Victoria until 1999 and within 150km radius of the casino site until 2005. They have now expired. Crown's licence has been extended to 2050 but there is no exclusivity arrangements.

3.3 Probity arrangements

Concerns about the probity of casino operations (and gambling in general) have long been central to the regulatory environment in which gambling operates. There are three broad areas of focus for regulation of probity in gambling:

- ensuring the owners of gambling establishments, and their employees, are of good character (in essence to prevent infiltration by organised crime);
- ensuring that games offered are fair (e.g. games are not rigged and that the actual chance of winning (or the payout ratio) meets the requirements of regulations, or matches the advertised rate); and
- reducing the scope for money laundering by gamblers.

Each of these concerns is reflected to some degree in the legislation governing casinos in Australia, with greater focus generally given to measures aimed at ensuring the suitability of operators and regulating the games on offer.

¹⁵ The Deed of Arrangement gives the Federal Group exclusive rights to manage casinos, table gaming, gaming machines and Keno throughout Tasmania until June 2018. The 15 year exclusivity licence thereafter converts to a rolling 5 year licence renewable annually. <http://www.parliament.tas.gov.au/Ctee/REPORTS/FederalHotelsAgreement.pdf>

Table 3.2: Licencing and exclusivity arrangements by casino

Casino and parent company	Location	Licensing and exclusivity
The Star Casino (Echo Entertainment Group Ltd)	New South Wales	Established in 1994 The casino licence was originally awarded to Sydney Harbour Casino Pty Ltd for 99 years from 1994, with 12-year exclusivity in NSW. In late 2007, the exclusivity arrangement was extended for another 12 years until 2019.
Crown Melbourne (Crown Ltd)	Victoria	Established in 1994 No exclusivity, licence extended to 2050.
Jupiters Hotel and Casino Gold Coast (Echo Entertainment Group Ltd)	Queensland	Established in 1985 Licence awarded in perpetuity. A 10-year regional casino gaming exclusivity agreement expired in 1996.
Treasury Casino and Hotel Brisbane (Colonial Leisure Group)	Queensland	Established in 1995 A 75-year licence was awarded in 1995. A ten-year regional casino gaming exclusivity agreement (within a 60 kilometre radius of the location) expired in 2005.
Jupiters Townsville (Echo Entertainment Group Ltd)	Queensland	Established in 1986 A 15-year exclusivity agreement for a 400 km radius (with the exception of the Cairns region for which the exclusivity only applied for 5 years) expired in 2001.
Reef Casino, Cairns (Casinos Austria International, currently being sold to Aquis) ^(a)	Queensland	Established in 1996 A ten-year exclusivity period for a 120 kilometre radius of the location expired in 2006
Crown Perth (Crown Ltd)	Western Australia	Established in 1985 The current Act provides Crown Perth with and indefinite exclusive right, with the State prohibited from granting another licence to a casino and hotel of similar size and standard as within a 100 km radius of Burswood.
SkyCity Adelaide (SkyCity Entertainment Ltd.)	South Australia	Established in 1986 The current licence term is until 2085. In 2013, the exclusivity period was extended from 2015 until 2035 as part of negotiations around a proposed expansion of the casino.
Wrest Point Hotel Casino (Federal Group)	Tasmania	Established in 1973 (Wrest Point) and 1982 (Country Club Tasmania) The Deed of Agreement between the Crown and Federal Hotels Pty Ltd provides exclusive rights for the Federal Group to operate table gaming, gaming machines and Keno throughout the state until 30 June 2018 (there is no geographical exclusivity for specific casinos). The 15 year exclusivity licence thereafter converts to a rolling 5 year licence renewable annually.
Country Club Tasmania (Federal Group)	Tasmania	
Casino Canberra (Aquis Group)	Australian Capital Territory	Established in 1992 A 99-year lease on licence. The exclusivity period expired in 2012.
SkyCity Darwin (SkyCity Entertainment Ltd.)	Northern Territory	Established in 1979 Northern NT division exclusivity licence set in 2006 for a 20 year period until 2026 subject to extension for a further 5 years till 2031.
Lasseters Hotel Casino (Lasseters Holdings Pty. Ltd)	Northern Territory	Established in 1982 Southern NT division exclusivity until 2018.

Source: Ludlow, M. and J. Gamer (2014); PC (2010, 1999); and Australian Gaming Council (2014).

Measures to ensure the suitability of casino operators generally involve extensive scrutiny during the application licensing process (for example when a new casino is established or when it changes ownership/control), and periodic checks thereafter. The scope of these assessments is typically broad, for example the *Victorian Casino Control Act 1991* sets out the following standard for casino operators (see Box 3.2).

Box 3.2: Matters to be considered in determining applications

- (1) The Commission must not grant an application for a casino licence unless satisfied that the applicant, and each associate of the applicant (as defined in section 4), is a suitable person to be concerned in or associated with the management and operation of a casino.
- (2) In particular, the Commission must consider whether—
 - (a) each such person is of good repute, having regard to character, honesty and integrity;
 - (b) each such person is of sound and stable financial background;
 - (c) in the case of an applicant that is not a natural person, the applicant has, or has arranged, a satisfactory ownership, trust or corporate structure;
 - (d) the applicant has or is able to obtain financial resources that are adequate to ensure the financial viability of the proposed casino and the services of persons who have sufficient experience in the management and operation of a casino;
 - (e) the applicant has sufficient business ability to establish and maintain a successful casino;
 - (f) any of those persons has any business association with any person, body or association who or which, in the opinion of the Commission, is not of good repute having regard to character, honesty and integrity or has undesirable or unsatisfactory financial resources;
 - (g) each director, partner, trustee, executive officer and secretary and any other officer or person determined by the Commission to be associated or connected with the ownership, administration or management of the operations or business of the applicant is a suitable person to act in that capacity.

Source: Victorian Casino Control Act 1991, Section 9, pp. 16-17.

Gaming staff must also be licensed in all jurisdictions, with this licencing requirement being built around probity checks. For example, under Victorian legislation any casino employee who is employed in any of the following capacities is required to hold an appropriate licence:

- managerial or supervisory roles;
- conducting gaming betting competitions;
- moving money or chips about the casino;
- exchanging money or chips for patrons in the casino;
- counting of money or chips in the casino;
- security and surveillance; and
- operating, maintaining or repairing gaming equipment or totalisators.

All jurisdictions have measures in place to ensure that casino games are not rigged, such as requiring gaming machines to be approved, regulating payout rates for gaming machines, monitoring the operation of gaming machines, and approving the rules of table games.

Measures related to ensuring the games offered are fair are also included in many of the codes of practice of Australian casinos (see Section 5.3 and Table 5.1).

3.4 Regulation, theory, practice, adequacy

The casino industry maintains it is 'highly, if not over-regulated' whereas many who might broadly be classified as 'the concerned sector' question the effectiveness of government regulation and industry self-regulation particularly in regard to problem gambling, harm minimisation and consumer protection. The same dualism in perspective might reasonably be said to exist with respect to the entire gaming industry, including electronic gaming machines in clubs and hotels, wagering and sports betting, whose proponents lament the scope and intrusiveness of regulation while the 'concerned sector' laments the lack of regulation (and/or its effectiveness) and oversight of the industry.

Government regulation no matter how carefully designed will, rarely if ever, be the perfect solution for minimising harm and maximising consumer protection and neither will the urging by industry for the individual to 'self-regulate' (i.e. "gamble responsibly").

The justification for regulation with respect to casinos is indisputable for the simple fact that it is government legislation which established casinos in each jurisdiction, government controls the rate of entry of competing businesses (e.g. conveys a monopoly licence for a specified time period), and government confers special privileges on casinos and then may apply different tax rates with respect to the privileges thus granted. Regulations are imposed on the industry to assist government with respect to a broad range of obligations such as disclosure regulation (e.g. monitor money laundering, large financial transactions) and ensure venues are free from criminal elements (e.g. review of probity, integrity and performance standards). Tax arrangements are designed (they are often negotiated) to facilitate international competitiveness (e.g. to attract VIP gamblers) as well as to address the negative externalities arising from the industry, such as the development of problem gambling, the cost of government provided gambling help services and traditional services such as policing, correctional services, health services and impact on third parties (families, businesses, etc.).

It is acknowledged by government, by the industry and by the community that harms arise from virtually all forms of excess consumption. Government regulation prohibits certain behaviours such as the service of alcohol to persons while gambling; industry regulation provides for exclusion from venues and provides for Codes of Practice; individual self-regulation is fundamentally adherence to one's own standards of behaviour but we are all, at some time or in some way, guilty of 'self-regulation failure'. Individual self-regulation is not fool proof.

Excess consumption of alcohol leading to impaired control is a 'self-regulation failure' just as is excess time and money spent gambling which results in harms to the individual and harms to others (negative externalities). Recognition that excess consumption of alcohol, gambling and other products leads to harm to the individual, to those related to the individual (e.g. immediate family, work and social connections) and the broader community has resulted in a wide range of public policy initiatives to minimise individual harms and costs to the wider community. They include, for example, severe penalties imposed on the individual for driving under the influence of alcohol, for violent acts committed under the influence of alcohol, for exclusion from premises if deemed to be under the influence of drugs or alcohol and restrictions on types and times of advertising.

The providers of goods and services are also required to exercise a duty of care and in many instances there are guidelines, sanctions and penalties that prohibit certain actions. There are fines and sanctions where alcohol is continued to be sold to a person known to be intoxicated; there are now lock-out or closure times to restrict individuals moving from one entertainment venue to another in an effort to moderate the consumption of alcohol and reduce acts of aggression that often follow from the excess consumption of alcohol.

In part, because of the failure of individuals to self-regulate their own behaviour, and a legal obligation of duty of care, then providers of goods and services are required to act in a manner that does not harm the individual or could foreseeably harm others. All employers and staff have a 'duty of care' that, with respect to the hospitality and gaming industry, leads directly to training courses and certification in the Responsible Service of Alcohol and certification in Responsible Gambling. Staff employed in such activities, are required by legislation, to have undertaken and completed training courses related to alcohol and gaming.

Including and because of, the unique position of casinos, contractual obligations that exist between government and casino operators, the need to ensure probity and integrity of all forms of legalised gambling and the dynamic nature of the industry and technology in support of the industry then, it is appropriate that an independent regulatory body has the responsibility to ensure compliance with relevant statutory obligations.

Regulation: Australian Transaction Reports and Analysis Centre (AUSTRAC)

Australian Transaction Reports and Analysis Centre (AUSTRAC) is the national anti-money laundering and counter-terrorism financing regulator and Australia's financial intelligence unit (FIU). Their key role of AUSTRAC is to protect the integrity of Australia's financial system through expertise in countering money laundering and terrorism financing.

"The crime of money laundering involves diverse and often sophisticated methodologies. It corrupts and intermingles with legitimate transactions in areas such as banking and finance, casinos and gaming, high-value assets like real estate and luxury vehicles, international trade, and international remittance and foreign exchange services" (AUSTRAC p. 2).

The *Financial Transaction Reports Act 1988* (FTR Act) requires that financial institutions, gambling service providers (these include casinos, TAB agencies, hotels and clubs with electronic gaming machines, corporate bookmakers, small bookmakers, racing and sport betting facilities), bullion dealers and remittance dealers are required to verify the identity of account holders and report cash transactions of A\$10,000 or more. An obvious reason for this is that these venues offer money launderers opportunities to "camouflage illegitimate transactions among legitimate gambling activity"¹⁶ while providing access to activities that have high cash turnover. Perhaps less well known and much less appreciated is that "many casinos and gaming facilities offer services similar to financial institutions. They include 'bank deposit' accounts, foreign exchange transactions, money changing, electronic funds transfers, cheque issuing, and safety deposit boxes. These additional services are also vulnerable to abuse for money laundering purposes." (AUSTRAC p. 12)

AUSTRAC refers to various methods by which laundering money at a casino can take place including the exchange of cash for gaming chips and then cash-in the chips as if they are winnings, the recruitment of 'mules or cleanskins' to gamble illicit cash proceeds and retain winnings or to purchase and cash-in casino chips. Illicit cash can be 'washed through' electronic gaming machines in a number of ways. AUSTRAC provide two examples with respect to casinos where the environment facilitates the use of large volumes of cash and may present opportunities for money laundering and or illegal activity (see Box 3.3 and 3.4).

Box 3.3: Casino VIP rooms and high-stakes gambling

Casino VIP rooms offer exclusive access to high-stakes gaming tables to Australian and overseas players. VIP members can place high-value bets in these rooms. In compliance with their AML regulatory obligations, casinos closely monitor and track VIP and high-stakes gaming activity. High-stakes gaming is vulnerable to abuse because it is common for players to gamble with large volumes of cash, the source and ultimate ownership of which may not be readily discernible.

¹⁶ For example, cash proceeds from drug trafficking and fraud committed by domestic and international organised crime groups.

Box 3.4: Casino-based tourism and junkets

Casino-based tourism is recognised nationally and internationally as being potentially susceptible to money laundering. Junket operators organise gambling holidays to casinos. Common risks include people carrying large amounts of cash into or out of countries, junket operators moving large sums electronically between casinos or to other jurisdictions, and layers of obscurity around the source and ownership of money on junket tours — players may elect to have junket representatives purchase and cash-in casino chips on their behalf. Junket representatives are often the main contact between the casino and the playing group, which can limit the face-to-face contact between gaming venues and players. This can restrict the venue's ability to conduct effective customer due diligence on individual junket players.

Box 3.5 illustrates how the financial services offered by casinos for legitimate purposes can be exploited for illegal purposes through international fund transfers to accounts held by casinos.

Box 3.5: Casino 'high roller' stole \$78 million from Asian banks

AUSTRAC contributed to a joint international investigation into a multi-million dollar global fraud committed by an Asian finance manager. Authorities in Asia suspected that the suspect had defrauded a number of international banks and sought AUSTRAC's assistance investigating the target's financial activity in Australia.

AUSTRAC data identified the suspect had conducted significant international funds transfers to Australian casinos, had visited Australia to gamble at the casinos, and had left Australia with substantial amounts of money, presumed to be the proceeds of his gambling.

The suspect was arrested and subsequently admitted to Asian authorities that he had embezzled approximately AUD78 million from four international banks by forging signatures of executives of his company and opening accounts in the name of his employer.

Over a four-year period the suspect transferred approximately AUD190 million into an Australian casino account via international funds transfer instructions (IFTIs). In conjunction with AUSTRAC, Australian law enforcement discovered an additional AUD30 million in accounts with various Australian casinos, held in the name of the suspect. The suspect pleaded guilty in Asia to six counts of forgery and eight counts of cheating and was subsequently sentenced to 42 years imprisonment.

Source: AUSTRAC (2014), p. 101.

Domestic cases involving fraudulent activity and money laundering and global fraud involving the use of electronic fund transfers highlight the importance of probity and integrity checks of casino operations by an independent regulatory body.

It is without question that financial oversight to counter opportunities for money laundering and regulatory review of operational procedures at casinos is necessary to minimise all forms of criminal activity.

Regulation: gambling and crime

Warfield & Associates specialises in governance and the prevention, detection and investigation of unethical behaviour, including fraud and corruption and how to mitigate the risk and protect brand, reputation and bottom line. They have produced a number of publications on fraud the most recent publication being *Employee Fraud in Australian Financial Institutions* (2013) covering the period 1 January 2000 to 30 September 2013 in which 120 cases were included in the research involving the theft of \$217,266,481.

Our interest in this report (and earlier reports by the same author) centred on the relationship between gambling and fraud. The most recent report cites evidence to the effect that gambling addiction was the main motivating factor in more than half the cases in the research. In one instance direct referral from Star City to AUSTRAC concerning bets made by a gambler resulted in the uncovering of fraudulent

activity. It was also reported that 'one perpetrator had three prior convictions for gambling related fraud and yet no detailed background check was undertaken on him'.

Gambling addiction was identified as a key motivator of fraudulent behaviours, a 'critical and early warning sign' or 'red flag' while "lifestyle improvement and gambling were by far the most prevalent reasons the frauds were committed" (p. 17). Of 120 cases some 62 cases totalling \$90.8 million or on average \$1.5 million per case were reported as due to gambling as the motivating behaviour.

"More than half of the frauds in this research were motivated by a gambling addiction. Previous research studies have highlighted gambling addiction as a significant motivator in employee fraud. In order to understand what forms of gambling were most attractive to the perpetrators, an analysis was undertaken of the modes of gambling. In 44 cases out of 62, the modes of gambling were identified.

In the majority of cases, there was evidence that one main preferred gambling mode was used. On occasions, multiple gambling modes were identified to the courts. Although it is recognised that the entire proceeds of the frauds would not have been spent gambling in every case, the overwhelming evidence in the cases that were reviewed was that the addiction resulted in not only most of the fraudulent proceeds being gambled, but also other income and family assets, resulting in little evidence of lavish lifestyle or asset accumulation. In cases where gambling was a factor but the court judged the gambling not to be the main source of the problem and/or the use of the funds, these cases were not included as having a gambling motivation". (Warfield, p. 18)

The report estimated that poker machine gambling accounted for 25 of the 62 cases at \$26.8 million (an average of \$1.1 million per person) and there were 6 cases involving a casino at \$14.4 million (an average \$2.4 million per person). Figures for both forms of gambling are likely to be understated because there were 18 cases involving some \$8.9 million where the main type of gambling was unknown, while reference to poker machines played at a casino are included in the poker machine figures.

The report concludes with evidence provided in court to illustrate gambling behaviours, amounts gambled and the frequency of gambling (we refer to separate cases involving casinos and poker machines only here):

- an individual lost about \$800,000 at Melbourne's Crown Casino and more than \$200,000 on horse racing and internet gambling;
- person gambled \$8.5 million at Star City. Was on Star City's top 100 turnover list and number three on list of top losers;
- person said to be in contact with many other gamblers, including Asian students and loans sharks at the casino;
- individual lost \$160,000 on pokies;
- in the evening person would spend between \$5,000 and \$10,000 on the poker machines, playing two or three machines at a time;
- a hard working mother with pathological addiction to pokies;
- person lost \$30,000 of own savings on pokies and tried to recoup losses;
- person played the pokies five days per week; and
- individual with an internet gambling debt of \$17 million; lost \$11 million in 6 months, punted \$48 million.

Box 3.6 provides one example of criminal activity (i.e. fraud) for the sole purposes of gambling.

Box 3.6: Example of Fraud and Casino Gambling

In a case that was recently settled out of court, a woman accused of defrauding millions of dollars from the Bendigo Bank admitted spending up to \$20,000 a visit, betting on the \$1 poker machines. It is reported that in 2001 she lost \$19,000 at an average of \$291 per hour; in 2003 she lost \$857,956 at an average of \$2,014 per hour and in 2004 approximately \$2,645 per hour. The casino invited her to be a member of the VIP slots club and conveyed other privileges on the basis that a 'certain level of turnover' was recorded on her membership card. In a brief by the legal counsel to the court, the casino reported "losses of just over \$1.5 million were recorded on cards registered to her".

Source: Dowling, J. (2014) and Lowe, A. (2012).

It would seem reasonable (referring to the individual in Box 3.6) that a casino would undertake much more detailed analysis of this player to ascertain the legitimacy of her gambling behaviour. "Red flags" might include (relative to an average), *inter alia*, the frequency of visitation and any pattern of visitation, amounts gambled and amounts lost based on turnover, the rate of losses and trends in gambling behaviour. Analysis was undertaken by the casino to convey certain privileges, but there is no report of any analysis to alert the casino to being assured of the source of funds, to verify the capability of the individual to sustain such losses and/or the possibility of criminal behaviour.

What would a simple matching (confidential) of the person's occupation and residence against the pattern of gambling and losses sustained have suggested to any reasonable person?¹⁷ Is this type of gambling participation and losses per hour "normal"? The UK Gaming Commission pointed to what it considered a "regulatory failing" where operators were reluctant to interact with commercially valuable customers as clearly this woman was.

Regulators: responding to crime statistics

Anecdotal evidence, newspaper reports, researchers (Lynch 1999, Barthe and Stitt 2009) who have examined the links between a casino and its immediate locale generally conclude that casino operators have managed activities related to criminal activity with vigilance and within the regulatory structure. Regulatory agencies (i.e. VCGLR and ILGA) have concluded that their respective casinos remain 'suitable to hold a casino licence' and that both have suitable policies and procedures in place to ensure there is no criminal influence or corruption.

Investigation by regulators and other authorities of criminal activity usually satisfies obligations of casinos with respect to high-order criminal surveillance and monitoring such as for the Australian Crime Commission, AUSTRAC and anti-money laundering and Australian Customs and Border Protection. That is to say, casinos are assessed as monitoring and having in place safeguards and operating procedures that are capable of detecting organised criminal activity, money laundering and the like and reporting this to the relevant authority.

A second level of investigation and actions taken by Police include the exclusion of bikie gangs or other criminal gangs from casinos, where it is known they attempt to launder money, deal drugs and intimidate patrons.

Notwithstanding, it is generally lower-order criminal behaviour that occurs in or proximate to casinos that is most often reported in the media – the activities of loan sharks, the extent of theft, assault, theft from motor vehicles, drunkenness, intimidation of patrons who incur gambling debts and the like. *The Age* recently headlined "Casino crime figures paint disturbing picture" (May 17, 2015)¹⁸ that Crown Casino complex is reported to be the scene of a crime every 10 hours and a violent crime every third day. *The*

¹⁷ This common sense approach is what essentially the VCGLR recommended (Recommendation 5) in their Fifth Review and the UK Gaming Commission has recommended as well.

¹⁸ Vedelago, C., Houston, C. (2015) "Casino crime figures paint disturbing picture", *The Age*, May 17.

Sydney Morning Herald (April 2015)¹⁹ reported a similar story that The Star Casino has an average of 6.3 assaults per month, many classified as alcohol related assaults but that do not incur a three strikes penalty whereby a venue faces the loss of their liquor licence.

Senior management of casinos and others quite appropriately (in our view) note that casinos attract large numbers of visitors each day – which they do – Crown 52,000 (ave.) and The Star 30,000 (ave.). They are open 24/7 and are not subject to lock-out laws so they became the default “place to go”. In this context prohibiting intoxicated persons from entering a casino is important as is much greater vigilance around the responsible service of alcohol.

However, the critical point we raise here is not about penalties, fines or censure. It is that the regulators who most often are responsible for both gaming and liquor regulation need to accurately analyse and report police statistics and casino report data and more appropriately respond to crime statistics. It might, for example, give cause to bar certain persons from being in the vicinity of a casino. It might highlight the association of alcohol consumption, gambling and certain crimes. Confidence in the regulator – that it is not light handed because government is both a regulator and a beneficiary of gambling revenue is paramount. For example, the Crime Statistics Agency (CSA) and the VCGLR use the same crime data which is recorded by Victorian Police yet VCGLR made few reference to serious crimes and potential under reporting of crimes in their last review. The most recent VCGLR review did not provide a complete and informative analysis of the crime statistics nor their implications (e.g. need for increased video surveillance, need for increased police presence, alcohol-related crimes impact of venue lock-outs, potential to bar persons from the vicinity of a casino).

Research into the economic and social cost of casinos should provide more detailed analysis of Police statistics to estimate the cost of violent crime including assaults, sexual assaults, robberies, abductions, non-violent crimes such as theft, drug trafficking, public disturbance and financial scams including fraud, forgery, counterfeiting and deception.

3.5 Regulatory reviews, issues, international perspective

Following the requirement of this national study that “for practical reasons the scope of the study is limited to New South Wales, Victoria and South Australia”, we briefly review the role of each state regulator and include reference to their most recent investigation of the relevant casino.

In addition we make reference to the recommendations of the UK Gaming Commission (2014) consultation document on “proposed amendments to the social responsibility provisions in the licence conditions and codes of practice for all operators”, specifically because it addresses the question of responsible gambling and casinos (the principal subject of this report) and because Australian and UK regulators operate in relatively similar policy environment with similar community attitudes.

3.5.1 The Victorian Commission for Gambling and Liquor Regulation (VCGLR)

The Victorian Parliament passed legislation on 27 October 2011 to create an independent gambling and liquor regulator in Victoria – the Victorian Commission for Gambling and Liquor Regulation (VCGLR).²⁰

In Victoria, from February 2012, the VCGLR is responsible for regulating the gambling and liquor industries.

¹⁹ Nichols, S. (2015), “Star Casino may be the most violent venue but exempt from restrictions”, *The Sydney Morning Herald*, April 21.

²⁰ The VCGLR assumed the roles and functions of the Victorian Commission for Gambling Regulation (VCGR) and the Director of Liquor Licensing and Responsible Alcohol Victoria (RAV).

With respect to *gambling*, all forms of legalised gambling in Victoria are regulated in accordance with three Acts: the *Gambling Regulation Act 2003*, the *Casino Control Act 1991* and the *Casino (Management Agreement) Act 1993*. These Acts aim to ensure the probity and integrity of gambling activities in Victoria by providing community-wide benefits while minimising harm. In assuming the functions of the VCGR the VCGLR is responsible for regulating electronic gaming machines, wagering, Club Keno, interactive gaming, community and charitable gaming, bookmakers, public lotteries, trade promotion lotteries, bingo and gambling at Crown Melbourne.

The *liquor* industry is regulated in accordance with the *Liquor Control Reform Act 1998*, which is focused on minimising harm, developing a diversity of licensed facilities to reflect community expectation and assisting in the responsible development of the liquor and hospitality industries. In assuming the functions of the RAV the VCGLR is responsible for coordinating alcohol policy, administering the liquor licensing system, regulating the alcohol industry through risk-based compliance activities and providing leadership across the Victorian Government on alcohol policy reform.

Review of Casino Operator and Licence

Pursuant to section 25 of the *Casino Control Act* which requires investigation of four specific matters concerning the casino operator and its licence, the VCGLR is required at least once every five years, to investigate and form an opinion about 1) the casino operator's suitability to hold a casino licence, 2) its compliance with relevant statutory obligations, 3) its compliance with relevant contractual obligations and 4) the public interest in the continuation of the Melbourne Casino licence.

The Fifth Casino Review was the most recent review of the casino operator and licence conducted under section 25 of the *Casino Control Act*. The review focused on the period 1 July 2008 to 30 June 2013 and was conducted just before the halfway point of the Crown Melbourne Limited licence period.

Key Opinions from the Fifth Casino Review

Following the VCGLR's investigations and for the reasons set out in the Fifth Review, the VCGLR formed the opinion that:

- 1) the casino operator, Crown Melbourne Limited remains a suitable person to hold a casino licence;
- 2) the casino operator, Crown Melbourne Limited is complying with the *Casino Control Act 1991*, the *Casino (Management Agreement) Act 1993*, the *Gambling Regulation Act 2003* and the regulations made under any of those Acts;
- 3) the casino operator, Crown Melbourne Limited is complying with the transaction documents and any other agreements between the Melbourne casino operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming; and
- 4) it is in the public interest that the casino licence should continue in force.

Notwithstanding the conclusion that "overall, Crown Melbourne Limited has a high level of compliance with its statutory and contractual obligations, that Crown Melbourne Limited has generally been compliant with its obligations in relation to responsible gambling and that it treats its obligations in relation to people who breach their exclusion orders seriously "the VCGLR noted that "several opportunities for improvement have been identified". (Fifth Review p. 13)

The VCGLR noted that just as the casino environment continues to evolve and become more sophisticated so the 'processes and tools for assisting patrons to gamble responsibly should develop accordingly'. Specifically the VCGLR recommended complementing subjective but observable signs of

distress in its Responsible Gambling Code of Conduct with analysis of player data to identify if a person may have a gambling problem.

The VCGLR also stated that Crown Melbourne Limited may not be effectively preventing excluded persons from entering VIP gaming areas in the Melbourne Casino notwithstanding the difficulties in doing so. The VCGLR made recommendations about implementing a management plan for detecting persons subject to an exclusion order attempting to enter VIP gaming rooms; providing additional support for people who have had their self-exclusion orders revoked; further trials of facial recognition technology to improve the detection of persons subject to an exclusion order; and requesting prospective Signature Club²¹ members to disclose whether they have ever been excluded from other gambling premises.

Recommendations of the VCGLR that are relevant to this research study and the written response of Crown Melbourne are set out below:

Recommendation 5

Crown Melbourne, to assess the effectiveness of the use of player data in relation to intensity, duration and frequency of play as a tool to assist in identifying potential problem gamblers, trial as an initial indicator the use of player data analysis to identify patrons who may be having problems with their gambling.

This recommendation is consistent with the observation of the UK Gaming Commission that information available to casino operators for commercial purposes "has not been routinely made available to help guide decisions about customer interaction" (5.14) and they therefore proposed to require specific provision for making use of all information about customers, whatever the source, to guide customer interaction (Rec 5.15). It seems obvious that information on the frequency of play, the time and duration of play should be monitored as is the case for many casinos in Europe.

Response: *Crown noted they do use player data in conjunction with observable signs of problem gambling but that they would commence a trial using player data (focussed on duration and frequency of play) as an initial trigger for intervention.*

Australian casinos are generally much larger with multiple entry points when compared to most casinos in Europe that most often have single entry points and (often) requirements to show identity which is recorded. It is difficult (if not impossible) in the Australian context to record frequency of visit to a casino even if a patron was a loyalty cardholder. It is only through a system of mandatory customer/user loyalty card that an estimate of frequency of visitation could be assessed and more reliable player data gathered for analysis.

Recommendation 6

Crown Melbourne develops and implements a management plan for detecting excluded people attempting to gain entry into the VIP gaming areas.

Response: *Crown agreed to develop and report back on a management plan to improve processes and procedures. The first step was to amend the application form for the loyalty program to require whether the person had ever been subject to an exclusion order. A number of other reforms with respect to VIP gaming areas have been implemented (e.g. swiping of members cards by the staff), details required for club guests and recording of personal details of international VIPs.*

International guests staying at the hotel who request entry to the VIP Gaming area will be provided with access. Guests need to show their room key card to the staff on duty and they will be given access.

²¹ Signature Club is Crown's is player reward program and customer loyalty scheme. It is a marketing and analytical tool used by Crown to confer benefits to players based on purchases of food and beverage, retail, hotel and gambling history. It enables voluntary pre-commitment of time and money and once exceeded loyalty points cannot be accumulated. There are five primary tier levels of membership

From time to time Crown also invites celebrities to attend VIP gaming rooms. These celebrities will be accompanied by a Crown Staff member who will allow them access to the VIP Gaming room.

Recommendation 7

Consider the appropriateness of Signature Club membership for individuals who have been the subject of exclusion orders from other venues and in other jurisdictions.

Response: *Crown agreed to amend its loyalty program application form.*

Recommendation 8

Crown Melbourne trial facial recognition technology to identify excluded persons.

Response: *Crown agreed to conduct a trial noting that it was already 'voluntarily conducting a trial of facial recognition'. SACES notes that there are limitations with respect to the capability of the technology.*

Recommendation 9

Crown Melbourne ensures no advertising or other promotional material is sent to a person who has previously been the subject of a self-exclusion order for an appropriate period and formalise the self-exclusion revocation follow-up process.

Response: *Crown accepted this recommendation.*

Recommendation 10

Increase availability of game rules and improve communication of important variations to casino games.

Response: *Crown accepted this recommendation.*

The recommendations and responses provide an insight into the relationship of the regulator and the casino operator. The regulator receives daily reports on various matters, it conducts its own audits and currently maintains an on-site presence at the Melbourne Casino.

In summary, the recommendations (on balance) essentially deal with player data and much greater analysis of player data to identify problem gamblers, player recognition, exclusion and communication and initiatives to improve detection.

The other side of the coin, is the Responsible Service of Alcohol and the response by a casino to intoxicated persons. Intoxicated persons are a breach of licence conditions; intoxication poses the risk of excess gambling, alcohol-related assault, violence within the vicinity of a casino if evicted and a direct threat to the safety of all patrons. The VCGLR Fifth Report noted that in 2011 some 4,295 intoxicated persons were detected around gaming tables which is equal to the number of self-excluded patrons (approximately 4,000). The point to be made here, is that because casinos, *inter alia*, have special privileges, are open 24/7, are not subject to "lock-outs" then Responsible Service of Alcohol should be as equally and strongly promoted as the message "Gamble Responsibly".

3.5.2 New South Wales Independent Liquor and Gaming Authority (ILGA)

The Independent Liquor and Gaming Authority (ILGA) in New South Wales is the sole body with the responsibility of regulating liquor and gaming at The Star Casino, Sydney. Similar to the role and responsibilities of the VCGLR, the ILGA has responsibilities relating to the broader liquor and gaming industry in New South Wales. The ILGA is required to conduct a review of the operations of The Star Casino every five years.

Under Section 31 of the *Casino Control Act (1992)*, the ILGA is required to investigate and form a view as to whether the casino operator is fit to hold a casino licence and whether the continuation of the casino licence is still in the public interest. The last such review was conducted in 2011. The review contained a number of recommendations regarding the conduct and regulation of the casino. Recommendations that relate to the responsible service of gambling are listed here with a summary of subsequent actions taken by the ILGA and The Star Casino.

Recommendation 5

An investigation to be conducted by The Star Casino before December 2016 should consider the usefulness of facial recognition technology in detecting excluded persons entering the casino.

The ILGA did note the potential benefits of such technology given the number and nature of re-entries and the volume of patrons entering the casino. While the casino had experimented with technology in 2009 the technology had continued to advance since that time.

Response: *(ILGA Update) The Star is continuing to monitor the developing technology and product availability in this area. They have been conducting a trial of NEC Facial Recognition software in which they say has been very positive and best so far in terms of accuracy and speed compared to all other software tested. The Authority continues to monitor The Star's developments in this area.*

Recommendation 6

That The Star and the Authority agree on trialling a process whereby those wishing to self-exclude can do so externally, preferably by use of technology and with satisfactorily identifying the patron.

The UK Gambling Commission (2014) also referred to the importance of any arrangement "... to establish a self-exclusion arrangement without visiting premises." (p. 53)

Response: *(ILGA Update) The Star has introduced processes for its Responsible Gambling Manager to meet with patrons' offsite to discuss any concerns with regards to their gambling at the casino.*

There are 2 options for this:

1. *Meet with the RG Manager offsite who can talk them through the process and take their photo for the exclusion database.*
2. *Attend one of the gambling help providers that have signed an MOU with The Star. The counsellors with these organisations will walk the client through the process and provide the ILGA with their photo for our database.*

Recommendation 7

That the Authority conducts audits on private gaming room access periodically and consider disciplinary action against the casino operator in the event that excluded persons enter the private gaming rooms.

While the concern of the UK Gambling Commission was wider than just 'excluded persons' they reported "we have found across a range of operators that staff involved in managing 'VIP' or 'high value' customers have tended to be somewhat insulated from the social responsibility obligations applying elsewhere in the business. This has led in some circumstances to regulatory failings where operators have been reluctant to interact with commercially valuable customers on social responsibility or prevention of crime grounds for fear of losing them to competitors." (2014, p. 31) They proposed to update the UK social responsibility code provisions to require specific provision for managing potential conflicts of interest when managing customers of particular commercial value (Rec 5.15).

Response: (ILGA Update) The Authority's Manager Compliance conducts quarterly audits of Private Gaming Rooms (PGR) access which are provided to the Manager Casino Review. The Star's surveillance branch also continues to conduct private gaming room access audits.

Recommendation 15

The Star should revisit its list of indicators of problem gambling as research lists many more activities or behaviours that indicate problems. The Authority may, in due course wish to inquire of The Star, the action it has taken in this regard.

Response: (ILGA Update) The Star engaged Associate Professor Paul Delfabbro who advised that possible problem gambling risk indicators should be broken down into three categories – Observable Signs, Reported Signs and Observed and/or Reported Signs. The list of indicators has been provided to the Authority and has been rolled out to staff of The Star.

3.5.3 South Australia: Independent Gambling Authority (IGA)

There does not appear to be any statement directing the Authority to conduct any review in any specified time period. The researchers were informed that there is provision in the *Casino Act 1997* for the Authority to conduct reviews of the suitability of the licensee from time to time. Although the provision is worded differently to those in Victoria and New South Wales, the scope of the investigation is their equivalent. The *Act* provides for the Authority to recover the cost of the investigation from the licensee. There is, at present, no investigation planned in relation to SkyCity, Adelaide.

3.5.4 UK Gambling Commission

In their foreword to the consultation document²² on improving social responsibility measures with respect to gambling, the UK Gambling Commission acknowledged that debates on gambling are "characterised by often polarised and deeply-held views," but that two fundamental concepts needed to be accepted in order to have an informed debate and as an objective basis for the formulation of gambling policy and regulation:

- (1) first, while most people who gamble do so safely most of the time, gambling causes harm, sometimes serious harm. One does not have to be a gambling addict to experience harm. Harm can arise from excessive 'binge gambling'. It is important to remember that harm can and does impact on friends, families, employers and communities;
- (2) second – and this is a point that is often lost – gambling is fun. People who gamble do so generally because they enjoy it. They make an informed adult choice to gamble because they want to. In an open and free society like ours, that is a decision they are perfectly entitled to make, provided that in doing so they do not impose unacceptable costs on society through harming themselves or others.

The Productivity Commission in their two national studies have consistently referred to the two concepts stated above and the need to balance the benefits and costs of measures to minimise harm relative to informed adult choice.

The UK Commission noted the rapid introduction of new products and new forms of gambling, the equally rapid developments in technology enabling growth in on-line gambling and changes in consumer preferences, but voiced concern in regard to the "corruption of sporting events," expansion of gambling advertising and harms from gambling. The policy environment needed to keep pace with these and other developments. Industry also had a role to play in minimising harm from gambling and this required continual improvements in player protection strategies.

²² UK Gambling Commission (2014).

The Commission concluded, in inviting responses to the consultation paper that:

“There is a growing understanding that a sustainable and successful future for the gambling sector depends on public confidence in its efforts to minimise the harm that its products can and do cause. Ultimately, society is much more likely to accept a gambling industry that is unequivocally pursuing means of limiting harm arising from its products.” (See foreword)

Initiatives to minimise harm recommended by the UK Gambling Commission most of which have also been recommended by the Victorian VCGLR and the New South Wales ILGA include, *inter alia*:

Play Information

- “Play information has the potential to help individuals in this regard (i.e. minimise harm) by providing, for example, a message relating to the length of time an individual has spent gambling or the amount of money they have spent, won or lost in a session, i.e. quantitative information about the player’s personal gambling activity.” (*ibid*, p. 25)

The provision of information in real time is a fundamental element in the design of pre-commitment programs as recommended by the Productivity Commission.

Access to Sessional Data

- “As a minimum we would expect all gamblers to be provided, or be able to access, their sessional net win or loss”. (*ibid*, p. 26)

Better Use of Information Available to Operators

- “One of the greatest areas of challenge, and perhaps one of the most difficult that operators face, is deciding when to initiate a customer interaction with an individual player.” (*ibid*, p. 30)

Exclusion from Particular Products

- “Licensees should offer the facility for customers to exclude themselves from particular product types”. (*ibid*, p. 41)

Improved Self-Exclusion Options and Monitoring

- “It should be possible to establish a self-exclusion arrangement without visiting premises”. (*ibid*, p. 53)

3.6 Casino taxation and government revenue

Since the 1960s, gambling taxes on those forms of gambling that have been legalised have formed an important source of revenue for state governments “raising funds for community services” (PC, 1999, p. 2.4 and Chapter 2.2). In some cases the taxation revenue was hypothecated for particular purposes, for example all taxation revenue, and any distributed surpluses, from Lotteries SA must be paid into the “SA Hospitals Fund”, except for revenues from sports related betting such as the pools, the revenue for which is hypothecated for sports related grants and programs.

The nature of current Commonwealth-State fiscal relations creates pressures for state and territory governments to maximise their gambling tax revenues as these are one of a limited range of ‘own source’ revenues available to the states. The Commonwealth Grants Commission uses the revenue raising *per capita capacity* of state/territory governments as one of the factors in determining the

distribution of grant funds, so states are effectively penalised if they do not raise revenue at a typical rate to other jurisdictions.²³

As well as facing the standard range of corporate taxes, gambling operators are taxed on their gambling operations (hereafter referred to as gambling taxes). These gambling taxes are usually based on gambling revenue (either gross turnover or net revenue) but can include flat licence fees. The rates of taxes applied vary not only between jurisdictions, but also by gambling product (e.g. EGMs, wagering, racing, table games), venue type, by the type of gambler (e.g. casinos are often taxed at a different rate for gambling by 'VIP' gamblers) and by the scale of the venue (e.g. a number of jurisdictions impose 'super taxes' when either total venue revenue from EGMs or revenue per machine exceeds a certain level).

Taxes are a significant part of the casino industry's cost structure, typically second only to labour costs (Australasian Casino Association²⁴, 2011). In 2013/14, Australian casinos paid taxes of AU\$1.36b to various levels of government; about 30 per cent of the revenues they generate. Table 3.3 sets out the taxes paid by casinos to the various levels of government. 'Gambling taxes' paid to State and Territory governments account for just under 60 per cent of the total tax revenue from casinos in each year shown, with the remaining 40 per cent coming from general business taxes.

Table 3.3: Taxation paid by Casinos, Australia^(a) 2008/09, 2009/10 and 2013/14

Tax	2008/09		2009/10		2013/14	
	\$m	Per cent of total	\$m	Per cent of total	\$m	Per cent of Total
Fringe benefits	3	0.3	4	0.3	4.0	0.3
Rates and land	19	1.7	19	1.6	21.5	1.6
Payroll	51	4.5	54	4.7	63.1	4.7
Gambling ^(b)	644	57.3	685	59.3	795.9	59.3
Income	256	22.8	236	20.4	273.8	20.4
GST	100	8.9	112	9.7	130.2	9.7
Other Taxes	50	4.5	45	3.9	52.3	3.9
Total	1,123	100.0	1,155	100.0	1,342.2	100.0

Note: (a) Excludes SkyCity Darwin Casino, the percentages and totals have small rounding component.
(b) For definitional consistency, community benefit levy is included within this report's 'gambling taxes' paid to State and Territory governments.

Source: Allen Consulting Group (2011), SACES calculations.

Table 3.4 sets out gambling taxation for each gambling product. Casinos account for 10.5 per cent of total gambling taxation revenues well below taxation revenue from lotteries and pools and electronic gaming machines in clubs and hotels, the latter which provide 58 per cent of gambling tax revenue.

It is also notable that effective tax rates on casino gambling are low. At 14.2 per cent of net gaming revenue (NGR) they are half the average rate of electronic gaming machines (although more highly taxed than racing or sports betting). However, effective tax rates on EGMs in casinos are much higher than tax rates on table games; some casinos are required to pay a community benefit levy whereas others do not; tax rates for VIP gamblers are structured to support the competitiveness of each casino in this sector of the gambling market and rebates may be offered for expenses incurred in attracting VIP patrons (e.g. rebates, GST credits).

²³ As states/territories are assessed by the Commission as having the same per capita capacity to raise funds from gambling, then gambling revenue has no impact in the calculation and distribution of GST revenue.

²⁴ Australasian Casino Association now known as Casino and Resorts Australasia.

Table 3.4: Gambling expenditure and tax by gambling product in 2011/12, Australia

Activity	Net gambling revenue ^(a)		Gambling tax ^(a)		Effective tax rate ^(b)
	\$m	Per cent	\$m	Per cent	Per cent
All Gaming	17,292	84.3	5,131	93.2	29.7
Casino Gaming	4,081	19.9	580	10.5	14.2
Gaming Machines	10,911	53.2	3,195 ^(c)	58.0 ^(c)	29.3
Keno	307	1.5	n.a. ^(d)	n.a. ^(d)	n.a. ^(d)
Lotteries and Pools	1,968	9.6	1,355 ^(e)	24.6 ^(e)	68.8
Minor gaming	24	0.1	1	0.0	2.9
Racing	2,819	13.7	344	6.2	12.2
Sports Betting	397	1.9	31	0.6	7.8
All Gambling	20,507	100.0	5,506	100.0	26.8

Note:

- (a) Gambling expenditure is the net amount wagered by players less winnings, equivalent to the amount of revenue earned by gambling operators. Tax revenues include taxes on gambling operators' revenues, licence fees and mandatory contributions. Values are nominal values.
- (b) Ratio of total tax to expenditure for each gambling product. Effective tax rates for gaming machines and lotteries will be slightly overstated as taxation revenue for these products includes taxation of keno in selected jurisdictions, but keno revenue is recorded separately.
- (c) Includes keno in New South Wales, Victoria, Queensland, Tasmania and the NT
- (d) Tax revenue from Keno is included as part of revenue from Lotteries and Pools, or Gaming Machines as specified
- (e) Includes Keno in South Australia and the Australian Capital Territory
- (f) Total net gambling revenue is incomplete due to Minor Gaming data being unavailable for most states, No tax is received from minor gaming activities, only income is from application fees.

Source: Australasian Gaming Council (2014).

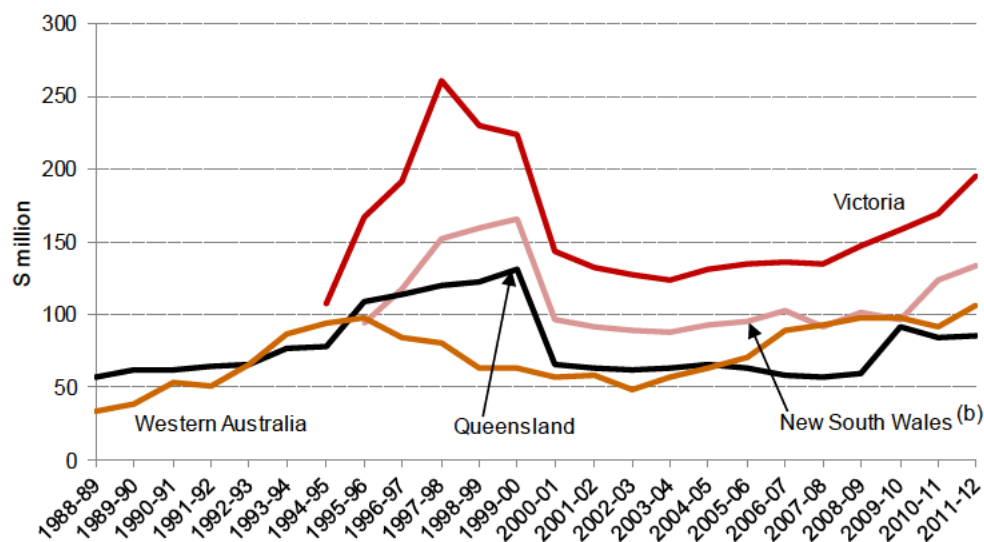
In real terms, total State and Territory tax revenues from casino gaming grew 3.5 times over the past two decades, from \$165 million in 1991/92 to \$580 million in 2011/12 (see Figures 3.1a and 3.1b). Most of the growth occurred in the 1990s following the establishment of casinos in Melbourne and Sydney, which more than doubled Australian gambling taxes generated from casinos.²⁵

The sharp drop in revenue from 1999/00 to 2000/01 was due to the introduction of the GST with casino tax rates adjusted downwards to keep total effective tax rates constant.²⁶ Growth throughout the decade to 2011/12 was less aggressive than the previous decade, growing only 1.5 times from the GST adjusted base to \$580 million in 2011/12.

The extent to which taxation and levies from casinos make a contribution to state budgets is best illustrated by real per capita government revenue from casino gaming. From Figures 3.2a and 3.2b it can be seen that Victoria and Western Australia (Figure 3.2a) and Tasmania and the Northern Territory (Figure 3.2b) collected the highest per capita government revenue from casino gaming with the ACT the least. Western Australia is a special case in that real per capita government revenue from casino gaming derived almost exclusively from the casino relative to other gambling taxes.

²⁵ Temporary casinos were opened at Crown Melbourne in 1994 and Star City Sydney in 1995, with permanent facilities for both Casinos opening in 1997.

²⁶ Due to the adjustment of gambling tax rates following the introduction of the GST, revenue data from before July 2000 is not comparable with that after July 2000.

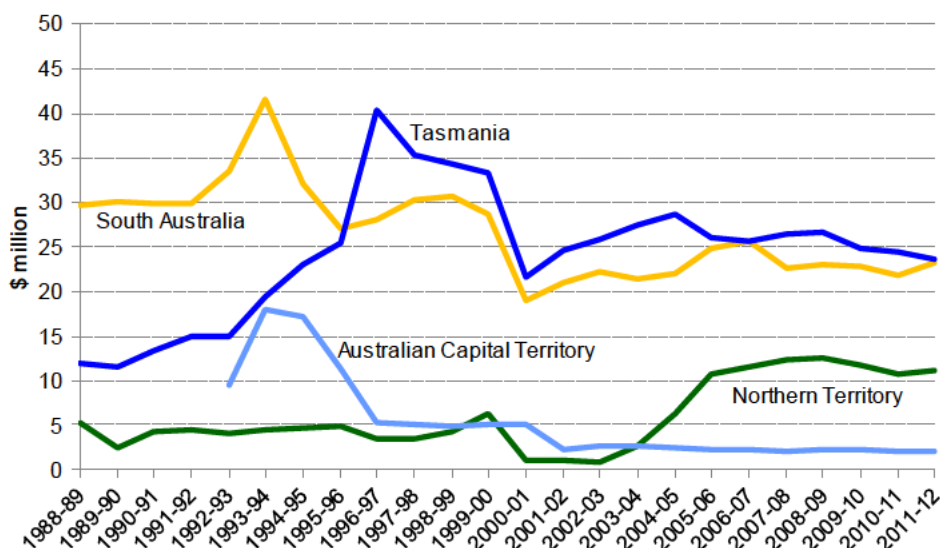
Figure 3.1a: Real government revenue from casino gaming^(a) (four States), 1988/89 to 2011/12 (\$m)

Note: Base year = 2011/12.

(a) Revenue received by State governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the charges brought about by the introduction of the GST.

(b) New South Wales real casino revenues do not include the \$13.13 million levy in 2010/11 and the \$13.95 million levy in 2011/12 to the Responsible Gambling Fund. As specified in OESR (2014), the data is 'not provided, estimated or require clarification'.

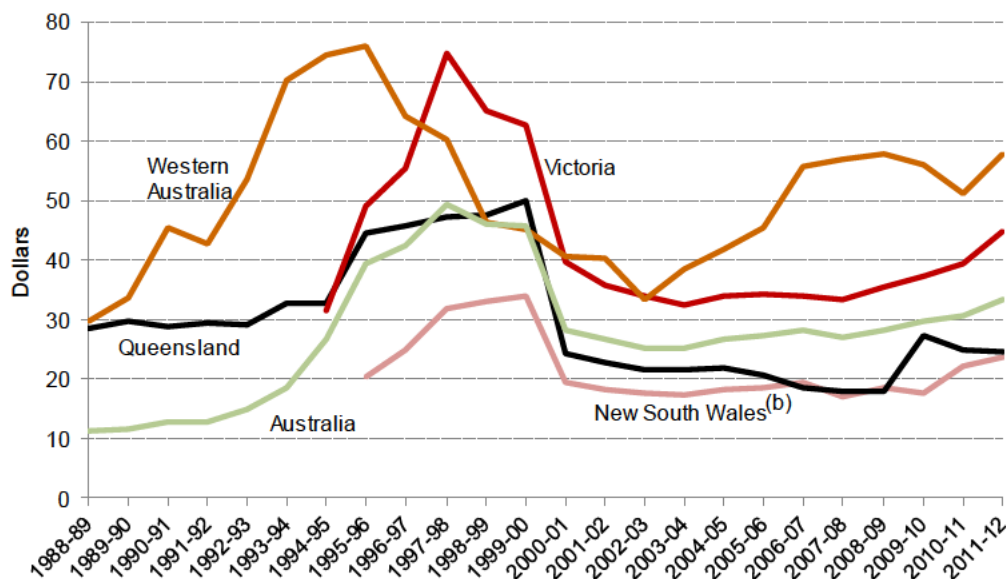
Source: OESR (2014).

Figure 3.1b: Real government revenue from casino gaming^(a) (two States/Territories) 1988/89 to 2011/12 (\$m)

Note: Base year = 2011/12.

(a) Revenue received by State governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the charges brought about by the introduction of the GST.

Source: OESR (2014).

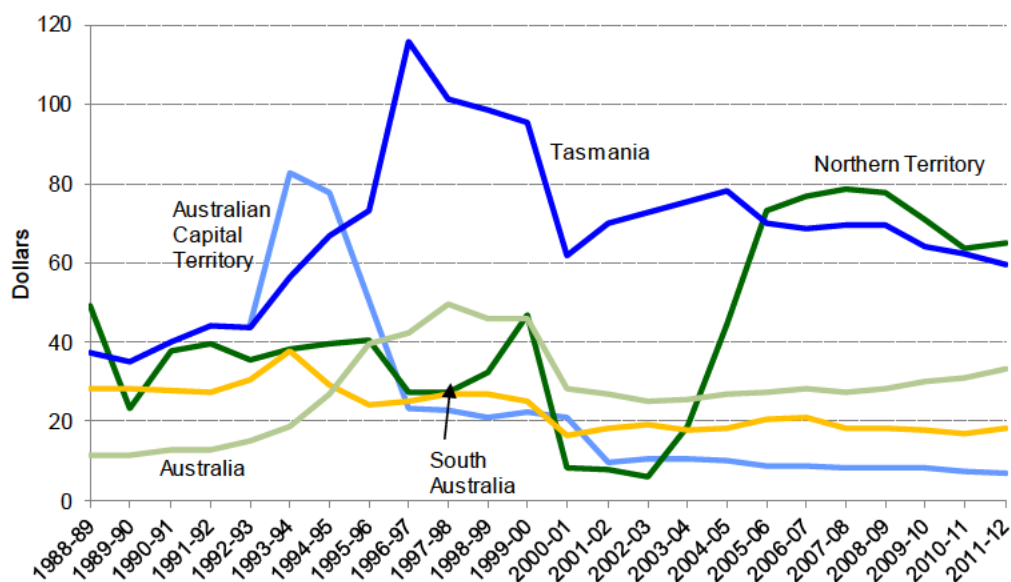
Figure 3.2a: Per capita government revenue from casino gaming^(a) (four States) 1988/89 to 2011/12

Note: Base year = 2011/12.

(a) Revenue received by State governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the charges brought about by the introduction of the GST.

(b) New South Wales real casino revenues do not include the \$13.13 million levy in 2010/11 and the \$13.95 million levy in 2011/12 to the Responsible Gambling Fund. As specified in OESR (2014), the data is 'not provided, estimated or require clarification'.

Source: OESR (2014).

Figure 3.2b: Per capita government revenue from casino gaming^(a) (two States/Territories) 1988/89 to 2011/12

Note: Base year = 2011/12.

(a) Revenue received by State governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the charges brought about by the introduction of the GST.

Source: OESR (2014).

Casino tax arrangements in each State and Territory are detailed in Table 3.5, but as a broad outline:

- *most casinos, except for those in the Northern Territory, pay licence fees.* In New South Wales, Victoria and Western Australia the licence fees were upfront payments paid on opening. In Queensland and the Australian Capital Territory a regular fee is applied periodically (annually or quarterly). It is applied monthly in Tasmania. South Australia's recent upfront payments are part of an agreement in which the casino will expand its operation in exchange for being granted the rights to additional EGMs and gaming tables;
- *the base on which taxes are imposed varies between the States.* In New South Wales, Victoria, Queensland, Western Australia and the ACT taxes are collected based on **gross** gaming revenue whilst in South Australia, Tasmania and the Northern Territory, taxation is calculated on **net** gaming revenues (that is, revenue after deducting payment to player winnings);
- *revenue from EGMs and FATGs are usually taxed at a higher rate.* New South Wales and the Northern Territory are the only jurisdictions in which the same tax rates are applied to EGMs, FATGs and table games;
- *there are special concessional tax rates for commission-based players and 'VIP' gamblers.* All states and territories except for Tasmania apply lower tax rates to gambling revenue from VIP/high roller and commission based players;
- *some jurisdictions apply different tax rates for different casinos.* Queensland and the Northern Territory each apply different tax rates across the casinos in their jurisdiction, with regional casinos having lower rates than those in major cities;
- *New South Wales, Victoria, Western Australia and the Northern Territory impose a mandatory community benefit levy earmarked for social and community programs in addition to gambling taxation;*
- *the complexity of tax arrangements are varied.* Victoria had the most complex tax arrangements among the States prior to a recent agreement between the casino and the Victorian government. A super tax was recently abolished (it was payable if revenues exceeded a specific threshold) on VIP Program Play and the tax on gaming machines has increased as part of an agreement in 2010. The ACT has the simplest tax arrangements among the States, imposing a flat rate of 10.9 per cent of gross gaming revenue (although as EGMs are not permitted in the Canberra casino it is not surprising that tax arrangements are more simple).

The amount of government revenue from casino gaming collected by each State and Territory government is principally driven by the size of casino gambling expenditures. However, Figures 3.3a and 3.3b show that real casino government revenues, as a proportion of casino gambling expenditures vary between States and over time which is largely the result of different compositions of taxes and levies on different gambling activities in each casino. Western Australia is slightly above the all Australian average (Figure 3.3a) but it needs to be remembered that Crown Perth has monopoly status in gambling (i.e. with respect to EGMs, although it has lotteries, racing etc.) and as a source of gambling revenue to government.

Table 3.5: Overview of casino gambling taxes – interstate comparison, 2014/15

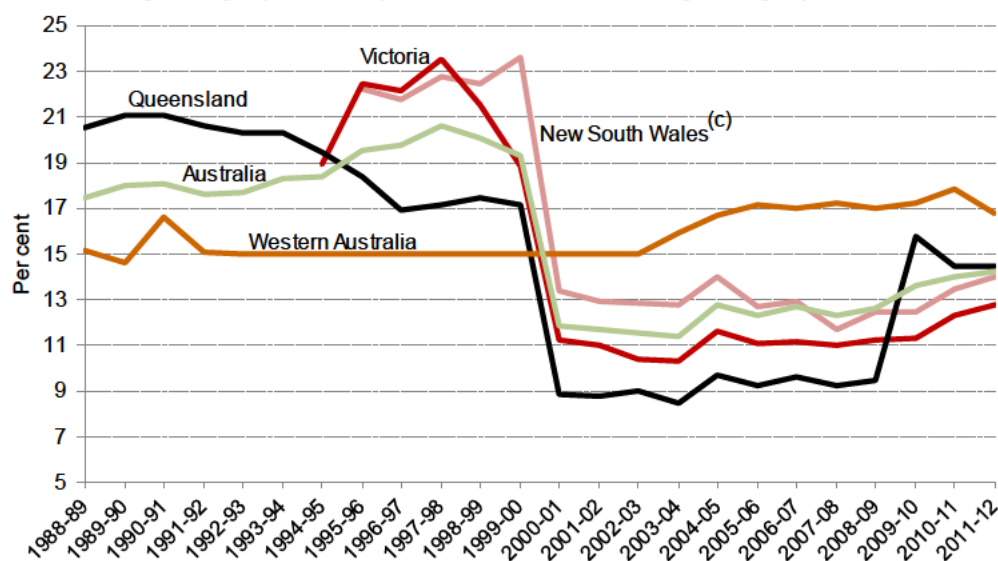
	New South Wales	Victoria	Queensland	Western Australia	South Australia ^(a)	Tasmania	Northern Territory	Australian Capital Territory
Licence Fees	Exclusivity agreement extended for 12 years from November 2007 for a fee of \$100m.	Licence extended for 17 years to 2050 for \$500m. \$250m was paid on 7 November 2014. \$250m is payable on 1 July 2013.	\$220,000 per quarter. Amount is indexed annually each year on 1 July.	\$273m (indeed annually according to CPI).	Nil.	For 2014/15, \$148,900 per month (amount is indexed annually).	Not imposed.	The amount of \$4,459,385 payable on or before 7 February 2015. The sum of \$891,877 adjusted by CPI for the preceding five year period ending 31 December 2019 payable on or before 7 February 2020. The amount for each subsequent year is indexed annually according to CPI.
Tax Rate	For 2014/15, a base rate of 16.41% applies to gross revenue (i.e. player loss) from table games and electronic gaming machines up to \$701.7m. For gross revenue between \$701.7m and \$824.5m, the tax rate increase progressively by one percentage point of 21 revenue bands. A top rate of 38.91% applies to revenue above \$824.5m. The revenue bands, which were set at \$5m intervals in 2008/09 starting at \$600m, are indexed annually using the Sydney (All Groups) CPI and rounded up to the nearest \$100,000.	From 1 July 2012 <u>Regular Players</u> 31.57% of gross gaming revenue (player loss) from gaming machines, plus a 1% Community Benefit Levy, plus super tax. 21.25% of gross gaming revenue from table games, plus a 1% Community Benefit Levy, plus super tax. <u>Super tax</u> A tax on gross gaming revenue (gaming machines plus table games) above the base amount. The 2012/13 base is \$878m (equal to \$500m CPI-adjusted from 1994, plus an additional \$5m in 2009/10 and 2010/11; \$30m in 2011/12 and 2012/13; and \$5m in 2013/14). Tax rate is 1% for revenue up to \$20m over the base amount, rising in 1% increments for each \$20m bracket to a maximum of 20% on gross gaming revenue over \$380m above the base amount.	From 1 July 2009 20% of monthly gross revenue on table games, FATGs and keno for Gold Coast and Brisbane casinos and 10% of gross revenue on table games and keno for Townsville and Cairns casinos. 30% of monthly gross revenue on gaming machines for Gold Coast and Brisbane casinos and 20% of gross revenue on gaming machines for Townsville and Cairns casinos.	<u>Gaming Machines:</u> From 24 December 2013 to 23 December 2014: 20.956%. From 24 December 2014* net o GST: 12.27%. <u>Full Automated Gaming Machines (FATG):</u> * net of GST: 12.92%. <u>Table Games & Keno</u> Domestic: *net of GST 9.37% International Business: * net of GST: 1.75%.	<u>Automated table games</u> At 10.91% of net gambling revenue. <u>Table games</u> (incl. automated) at 3.41% of net gambling revenue. <u>Gaming machines</u> at (maximum of) 41.0% of net gambling revenue.	The Federal Group has exclusive rights to conduct casino operations and operate gaming machines in Tasmania for a 15 year period starting from 1 July 2003. At the conclusion of this period, the licence converts to a rolling five year licence renewable annually. The tax is based on gross profit earned in a financial year. Table games at 0.88% of annual gross profit. Keno at 5.88% of annual gross profit. EGM's at 25.88% of annual gross profit.	<u>Table Games</u> Both casinos 9.09% less GST <u>EGMs</u> SkyCity: 15% less GST Lasseters: 11% less GST Ken: 10% less GST ^A Keno Community Venues: 10% less GST Both Casinos: Community Benefit Fund 10%	<u>General Gaming Operations</u> 10.90% of gross revenue. <u>Commission-based Operations</u> 0.90% of gross revenue.

Table 3.5 (continued): Overview of casino gambling taxes – interstate comparison, 2014/15

Casino 'High-roller'/ Premium Gaming:	This agreed tax rate is 10% with a minimum of \$6m paid in two non-refundable instalments of \$3m in January and July each year. The NSW Government is required to pay the casino a rebate on the gross amount of GST paid on the program.	Commission-based Players (CBP) 9% of CBP gaming revenue from dedicated gaming tables, plus a 1% Community Benefit. Super tax on Commission Based Play was removed in 2014/15.	Junkets (Premium Players) 10% of monthly gross gaming revenue. (Gross gaming revenue equates to amount bet less amount won by players.) GST credit provided	International Commission Business (ICB): *net of GST: 1.75% subject to minimum ICB tax payment of \$45.25m over 5 years. * On 28 July 2015 the State Agreement with Crown Perth was amended to remove the GST reimbursement scheme and apply a gaming tax rate that is net of GST as shown in above figures.	Premium table games (incl. automated) at 0.91% of net gambling revenue. Premium gaming machines at 10.91% of net gambling revenue (less approved deductions for costs to attract premium customers).	Keno & Table Gaming The tax rate applying to keno is 5.88% of gross profit. The gaming tax rate applying to casino table games is 0.88% of gross profit. From 1 July 2013, a single flat tax rate of 25.88% applies to all annual gross profit from EGMs.	Commission 9.09% less GST.	
Reference Period	Payment of taxation is weekly.	Payment of taxation is required monthly within 7 days of the end of the month. Super tax is calculated annually and payment is required by 7 July of the following financial year.	Taxes are collected monthly in arrears.		Payments are due on or before the 7 th day of the month for the period month's activity.	Payments are due on or before the 7 th day of the month for the previous month's activity.	Payments are made monthly within 10 days of end of the month relating to previous month's activity.	Payments are due on or before the 10 th day of the month for the previous month's activity.
Other State Charges:	Responsible Gambling Levy of 2% of gross gaming revenue (excluding <i>Rebate Player</i> revenue)	Community Benefit Levy of 1% of gross gaming revenue of both regular and commission-based players. GST credit A credit towards state taxation is provide for GST paid by the casino.		Burswood Park Levy: 1% of gross gaming revenue from Table Games, ICB and FATG taxable revenue; plus 2% of gross revenue from Electronic Gaming Machines.				

Source: NSW Treasury (2014), *Interstate Comparison of Taxes 2014/15*.

Figure 3.3a: Real government revenue from casino gaming^(a) (four States) as a proportion of real casino gambling expenditure^(b) per cent of own state's casino gambling expenditure, 1988/89 to 2011/12



Note:

Base year = 2011/12

(a) Revenue received by state governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community-based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the changes brought about by the introduction of the GST.

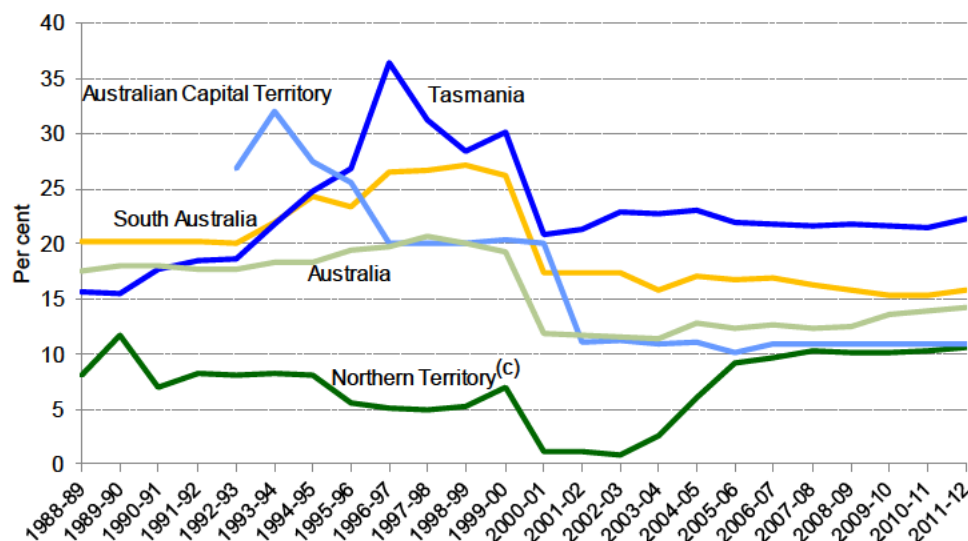
(b) Casino expenditure is the amount wagered less the amount won at casinos including wagers on table games, gaming machines and keno systems. It is equivalent to the gross profit of casino operators. It does not include community-based keno.

(c) New South Wales real government revenue from casino gaming does not include the \$13.13 million levy in 2010/11 and the \$13.95 million levy in 2011/12 to the Responsible Gambling Fund. As specified in OESR (2014), the data is 'not provided, estimated or require clarification'.

Source:

OESR (2014).

Figure 3.3b: Real government revenue from casino gaming^(a) (two States/Territories), as a proportion of real casino gambling expenditure^(b) per cent of own state's casino gambling expenditure, 1988/89 to 2011/12



Note:

Base year = 2011/12

(a) Revenue received by state governments from casino gaming activities that is subjected to taxes and levies. Casino government revenues include community-based keno. Revenue data from 1 July 2000 onwards are not comparable to the preceding years because of the impact of the changes brought about by the introduction of the GST.

(b) Casino expenditure is the amount wagered less the amount won at casinos including wagers on table games, gaming machines and keno systems. It is equivalent to the gross profit of casino operators. It does not include community-based keno.

(c) Northern Territory real casino gaming expenditure in 2007/08 excludes Community Casino. Northern Territory real government revenue from casino gaming includes community Keno from 2008/09 to 2011/12.

Source:

OESR (2014).

The Tasmanian government has had the highest real government revenue from casino gaming as a proportion of real casino gambling expenditures since 1995/96, which at its peak in 1996/97 collected casino tax revenues worth 37 per cent of casino gambling expenditures. On the other hand, the Northern Territory government has collected real government casino revenue as a proportion of casino gambling expenditure that is the lowest among States/Territories. At its lowest in 2002/03, it collected casino government revenues of just 0.9 per cent of casinos' gambling expenditures. As noted previously rates for all casinos were adjusted (or rebates provided) in 2000 to offset the impact of the GST, and so tax rates are not strictly comparable between the period before and after the introduction of the GST.

PART B: AUSTRALIAN CASINO GAMBLERS

In this Section, Part B: Australian Casino Gamblers we consider who are casino gamblers, the characteristics of EGM and table game players, responsible gambling measures and impacts on local populations including costs and benefits such as tourism. The final chapter in this Section reports the views of casino patrons from 12 focus groups conducted in Sydney, Melbourne and Adelaide.

4. Casino Gamblers

Summary of Findings

- Casinos offer a diversity of gambling activities, some of which are entirely chance-based (e.g., EGMs) and those which involve greater elements of skill (e.g., blackjack or poker);
- Casino-based table games are played annually by less than 10 per cent of the adult population;
- EGMs are least likely to be played in casinos as compared with hotels and clubs;
- Casino table games attract players who are more likely to be male; younger (< age 35 years in both Australia and New Zealand); more highly educated and with higher incomes;
- People from rural areas are less likely to gamble on casino games;
- Similar demographic profiles have been observed internationally, e.g., in the UK and US;
- EGM players at casinos are more likely to be older and female vs. those who choose table games;
- Those who report gambling on casino table games are more likely than all gamblers to be located in higher risk gambler segments;
- In Australia, the association between problem gambling and casino game playing is likely to be confounded by demographics. Those who are younger and male and who gamble on a wider range of activities are more likely than all gamblers to (a) gamble at a casino and (b) report problems associated with gambling.
- New Zealand evidence suggests that the proximity of people to non-casino based EGMs is more likely to influence the development of harm as opposed to their proximity to casinos.

4.1 The nature of casino gambling

Casinos are generally the location for a variety of gambling activities which often have quite different structural characteristics. As a result, the social, economic and psychological factors associated with different activities may vary. Some of these important structural characteristics include:

- (1) the amount of skill or chance involved;
- (2) the entry cost; and
- (3) the continuity or speed of the gambling (interval between bets and outcomes).

Some, such as blackjack and poker, involve genuine elements of skill so that it is possible for players to improve their performance over time by being able to keep track of the cards out of the deck or monitor behaviour of other gamblers. Table games such as roulette, craps and baccarat are all games of chance, but involve complex rules or enable complex decisions to make about where to place bets. These choices can influence the extent to which people believe that the outcomes can be influenced by different playing strategies. Other activities such as electronic gaming machines (EGMs), chocolate wheels, or keno involve pure chance and are probably less likely to be considered games involving skill by the majority of players.

There are also significant differences in entry cost. Some table games may require a minimum bet of \$5 or more and a float of several hundred dollars to maintain a longer period of play, whereas some slot machines may activate for only \$1 and require only a fraction of a cent for each spin.

Games also differ in their continuity. Some, such as electronic gaming machines, may be very 'continuous' so that players can make multiple bets per minute, whereas table games may require much longer periods between placing bets and observing the outcome.

All of these factors may play a role in influencing the attractiveness of the activities to different people and their likelihood of causing harm. Those who gamble because they enjoy a challenge, or to test their skills, may be attracted to table games, whereas those who only want to escape or relax may be content to play gaming machines.

Evidence in support of this view emerged in a study conducted by Stevens and Young (2010) who conducted a secondary analysis of data collected as part of the 2005 Northern Territory prevalence survey. Participation scores were analysed using factor analysis. The results showed that activities clustered on two main factors that aligned with the skill-chance dimension. The first Factor 1 included racing, table games and sports-betting, whereas Factor 2 included EGMs, scratch tickets and keno.

Such differences appear to be clearly evident to players. In another study, Delfabbro (1998) asked 120 casino gamblers to rate the degree of skill involved in variety of activities. On a scale of 1–7, where 1 = no skill and 7 = very high skill, blackjack (with a score of 4.4), racing (with a score of 4.3), and table poker (with a score of 4.2) were rated the highest, and sports was rated fourth overall (with a score of 3.8). All other activities scored towards the low end of the skill-scale, with the lowest scores being recorded for lotteries and Keno. In other words, for these activities, people did not believe that any strategy or system could increase their chances of winning.

Those who like to play chance games and who have a smaller budget may be more attracted to gaming machines because of the relatively low entry price. On the other hand, because gaming machines afford a much more rapid form of gambling, they may be more likely to lead to impulsive gambling that leads to harm. Current evidence suggests that more continuous forms of gambling are much more likely to generate gambling-related problems than other forms (Delfabbro, 2011; Productivity Commission, 2010)

4.2 Who are casino gamblers?

Similar to their overseas counterparts, Australian casinos provide access to range of gambling products. All casinos, with the exception of Canberra Casino, provide gaming machines; most provide access to keno; and all have a varying range of table games including blackjack, roulette, baccarat, dice games (e.g. craps) and other similar activities. Since not all of these activities are confined to casinos, it is not always easy to ascertain what proportion of the population gambles on each of these products in casinos unless questions are specifically worded to indicate the location of the gambling. For example, reports of gambling on EGMs can include a combination of hotel, club or casino gambling. Keno can be played almost anywhere, including locations such as newsagents. Card games can be played at home, in private tournaments, or on the Internet. Even when questions are worded so as to capture specific casino games, categories are often grouped together so that it is not possible to discern which specific table games are most popular (e.g. blackjack vs. roulette).

According to the most recent estimates, gambling at casinos is less frequently undertaken than at other venues. For example, in the most recent South Australian prevalence study (Social Research Centre, 2013), it was found that 27 per cent of the population reported gambling on EGMs at least once per

year. When these people were asked where they *mainly* gambled, 72.4 per cent reported hotels, 16 per cent mentioned clubs and only 10.5 per cent reported that they mainly played EGMs at a casino (p. 63). Data on all venues of gambling (as opposed to the most frequent venue) are collected less often, but in the Productivity Commission's 1999 national survey in which 39 per cent of respondents indicated that they played EGMs at any venue; 30 per cent of adults reported having played EGMs at a club in the past year, 18 per cent at a hotel and 17 per cent at a casino. (PC, 1999, Vol. 3, p. B.2)

Table games such as roulette and blackjack were played by 6.1 per cent of the adult population at least once per year. Of these gamblers 35 per cent played only once per year and 56 per cent played less than monthly (but more than annually). Only 8 per cent of table game players reported gambling more than monthly and less than 0.8 per cent gambled weekly or more often (p. 100). Similar figures were found in Victoria's 2009 prevalence study which found that only 4.6 per cent of the adult population reported having gambled on casino tables at least once in the past year.

Characteristics of those playing EGMs

There is little evidence that those who choose to play EGMs at a casino as opposed to hotel or club have any distinctive demographic characteristics. Accordingly, the following outlines the characteristics of those playing EGMs in general. In the most recent South Australian study (Social Research Centre, 2013), with a population prevalence of 26.5 per cent, the following demographic variations were found to be significant. Participation was:

- higher amongst younger people: 41.1 per cent amongst 18-24 year olds and 32.2 per cent in 25-34 year olds compared to 21 per cent for those aged 45-54 years and over 75 years;
- less common in outer Adelaide (22.6 per cent) than amongst metropolitan residents (26.8 per cent) and country South Australia (27.6 per cent);
- higher amongst people who have never married (37.2 per cent);
- higher amongst those with less formal education: 31 per cent for those with secondary or below compared to 17 per cent for those with a university degree or higher;
- higher amongst Australian-born people (28.7 per cent) than in those born in the UK/Ireland (22.9 per cent) or other nationalities (14.5 per cent); and
- lower for those whose work status was 'home duties' (19.3 per cent).

Characteristics of those playing table games in casinos

Prevalence research is generally very consistent with respect to the demographic factors that predict involvement in casino table games. In the most recent South Australian study (Social Research Centre, 2013), with an overall population prevalence of 6.1 per cent for table game play, the substantial differences in participation were that it was:

- higher in males (9.7 per cent) than in females (2.7 per cent);
- higher amongst younger people: 16.1 per cent in the 18-24 year olds; 12.9 per cent in 25-34 year olds compared to only 1 per cent for people aged 55 years+;
- more common amongst metropolitan residents (6.9 per cent) than those living in outer Adelaide (3.8 per cent) or country SA (4.2 per cent);
- higher amongst people who have never married (12.4 per cent);
- higher amongst those with a trade qualification/diploma (8.1 per cent) compared to those with secondary or below (5.3 per cent) or a university degree or higher (5.7 per cent);
- higher amongst Australian-born people (6.8 per cent) compared to those born in the UK/Ireland (3.3 per cent) or other nationalities (3.6 per cent);
- higher in those with full time work, 10.2 per cent compared to only 0.3 per cent in retired people;

- higher in those earning \$130k+ per year (10.7 per cent) than in those earning under \$15k (0.5 per cent).

Similar figures emerged in the 2009 Victorian survey (Schottler Consulting, 2009) with even larger differences observed for the comparison between men and women (7.43 per cent vs. 1.87 per cent). Both surveys show that the typical Australian casino table game player is likely to be a younger educated male who lives in the city and who has a higher income. Relatively few older people or women gamble on these activities.

International evidence suggests that the demographic correlates of casino gambling in general are likely to vary considerably depending upon the country or the nature of the casino itself. A major study in New Zealand (Rossen, 2015) found that males and people aged 25-34 years were more likely to gamble on casino table games. People living in rural locations were less likely to gamble at casinos. In a survey of 1,105 patrons visiting smaller British casinos, Fisher (2000) found that the average regular (or weekly) casino visitor was more likely to be aged over 40 years, to be of a non-European background, and to have no partner. Hong and Jang (2004) conducted a community survey in Korea and tried to differentiate between those who had visited a casino, intended to do so, or were not interested. Consistent with Australian findings, casino gamblers were more likely to be younger, male, single, well-educated and have higher income than the other groups. However, as shown in another study by Chen et al. (2012) in the US, it is likely that the demographic factors that are associated with gambling on slot machines at casinos probably differ from those that predict involvement in table games. In their survey of 1,018 subscribers to Slots Magazine, it was found that the typical slot-machine gambler was more likely to be female and aged in her 50s or older.²⁷ In other words, not all casino activities are necessarily the same. The demographic factors that predict EGM gambling at casinos may be more similar to those that predict involvement in other venues. This is certainly very consistent with what is found in Australia. Statistically, people are more likely to gamble on any form of gambling (including gaming machines) if they are younger, but casino EGM gambling (in contrast to table games) is much more likely to be observed across a broader range of demographic groups and may, in the case of older people, be the principal form of gambling undertaken.

4.3 Casino gamblers in New South Wales

In the following discussion we review, from prevalence studies conducted in New South Wales, South Australia and Tasmania, the participation in casino gambling by respondents to the prevalence studies.

Overview

Analyses similar to those undertaken in South Australia and Victoria were also applied to data collected as part of the 2012 New South Wales prevalence study. Originally reported by Ogilvy Illuminations, this study involved a telephone survey of 10,000 New South Wales adults. As in the other surveys, respondents were interviewed about their gambling habits, personal characteristics (demographics) their general health and well-being and whether they had experienced any problems associated with gambling. The prevalence of problem gambling was estimated by administering the Problem Gambling Severity Index (Ferris and Wynne, 2001) to all respondents who had gambled at least once in the previous 12 months.

²⁷ It should be noted that magazine subscribers in the USA are older than the population as a whole, a median age of 49 years compared to 45 years, and wealthier, with a median household income of US\$80,000 compared to US\$60,000 (Pew Research Center's Project for Excellence in Journalism, 2012), and so it may not necessarily be the case that the demographics of subscribers to magazines about slot gaming machines matches the demographics of regular slot gaming machine players, it could instead be driven by the demographics of magazine subscribers.

In this section, we summarise differences in the characteristics of people who visit casinos to gamble as opposed to other venues where high intensity gambling is available. This section examines: demographic differences; differences in gambling habits and preferences and the prevalence of problem gambling in casino gamblers vs. other gamblers. Given that the results for comparing casino gamblers with the rest of the sample are likely to be very similar (see South Australian results) the analysis was confined only to comparisons involving gambler groups.

Methodology

The New South Wales survey included several questions that made it possible to identify people who gamble at the casino. The first question asked whether people had gambled on table games (roulette, blackjack, poker) at a casino in the previous 12 months. Another question asked respondents who played EGMs to indicate whether they primarily gambled at a casino. These questions are arguably not as precise as in the other two surveys because there was no question which asked about keno gambling and the venue question did not allow one to identify people who gambled at a casino on some occasions. As with the South Australian analyses, it is important to note that the questions did not allow one to identify people who ONLY gambled at a casino (if such people did exist). Thus, when this report refers to 'casino gamblers' it is referring to people who may also have gambled outside a casino or on other gambling forms (e.g. lotteries, on the Internet). Analysis of the New South Wales data also differs from the other States in that unweighted data are presented due to the use of weights that did not enable analyses to be conducted using the original sample size (weights gave the equivalent population numbers for each characteristic or combination of characteristics). Use of weighted data in this context would have artificially inflated the level of statistical power.

Using these selection criteria, it was possible to identify 380 people who gambled at a casino either on table games, EGMs or keno. This group comprised 3.8 per cent of the total sample. Of this 380, there were 356 people who reported playing casino table games and 24 who predominantly played EGMs at a casino. The 380 were described as 'casino gamblers' and these were compared with the 6,911 non-casino gamblers.

Results

Demographic differences

Casino and other gamblers were compared on a variety of demographic characteristics. As indicated in Table 4.1, casino gamblers are more likely to be male, more highly educated, are less likely to have lower incomes and they are more likely to be in full-time employment.

Table 4.1: Demographic differences between casino and non-casino gamblers

	Casino gamblers (n = 380) N (per cent)	Other gamblers (n = 6911) N (per cent)	Significance
Male	276 (72.6)	104 (27.4)	p < .001
Aboriginal	4 (1.0)	82 (1.2)	ns
Bachelor's Degree+	102 (26.8)	1279 (18.5)	p < .01
Paid employment	152 (40.0)	1576 (22.8)	p < .001
Personal Income < \$50k*	80 (31.2)	1727 (41.0)	p < .01
	M (SD)	M (SD)	

Note: The n's vary across comparisons due to missing data and weighting effects; * based on smaller n.

Gambling activities

Table 4.2 summarises the gambling habits of those who do or do not visit casinos to gamble. The results show that casino gamblers are significantly more likely to gamble on wagering activities such as race and sports betting, poker machines and other gaming activities and also keno. Lottery gambling was the only category that was more common in the 'other gambler' group. Casino gamblers were also more likely to play private card games for money and to participate in poker tournaments.

Table 4.2: Gambling participation by gambler type

	Casino gamblers (n = 380) N (per cent)	Other gamblers (n = 6911) N (per cent)	Significance
Poker machines	250 (65.8)	2136 (30.9)	p < .001
Horse/dog racing	220 (57.9)	1992 (28.8)	p < .001
Scratchies	170 (44.7)	2552 (36.9)	p < .05
Lotteries	217 (57.1)	4304 (62.3)	p < .05
Keno	138 (36.3)	1138 (16.5)	p < .001
Table games*	359 (94.5)	0 (0.0)	p < .001
Sports	131 (34.4)	419 (6.1)	p < .001
Other event	8 (2.1)	30 (0.4)	p < .001

Note: Internet gambling is not a category of gambling. The figures here are, therefore, only indicative of differences; * validation of groups.

Problem gambling in casino gamblers

In general, regular casino gamblers were found to be more likely to be problem gamblers than other gamblers as based on the PGSI classifications (Table 4.3). These differences were more strongly observed in the New South Wales than in the other two surveys. The results show that over 10 per cent of casino gamblers in the general population are likely to be moderate risk to problem gamblers.

Table 4.3: PGSI classifications in regular gamblers: casino vs. other gamblers

	Casino gamblers (n = 380) N (per cent)	Other gamblers (n = 6911) N (per cent)	Significance
Problem and moderate risk gambling	36 (9.5)	188 (2.72)	
Low and no risk	344 (90.5)	6723 (97.3)	p < .05

Summary

The results of these analyses showed that casino gamblers in New South Wales differ in many ways as those in South Australia. Those who visit the casino to gamble are more likely to be younger and to be in paid employment, but there were no gender differences. Casino gamblers tend to gamble on a wider range of activities and this includes on both strategic activities such as racing and sports betting as well as EGMs, keno and scratch tickets. Casino gamblers were again more likely to be in the higher risk segments as classified by the PGSI.

4.4 Casino gamblers in South Australia

Overview

To gain more detailed insights into the characteristics of people who visit casinos to gamble as compared to other venues, a secondary analysis of recent South Australian prevalence data was undertaken. These data were drawn from the 2012 Statewide prevalence survey undertaken under the guidance of the South Australian Department for Communities and Social Inclusion. This survey

involved a telephone survey (both landline and mobile phone) of 9402 South Australian adults between October and December 2012. The survey interviewed people about their gambling habits, personal characteristics (demographics) their general health and well-being and whether they had experienced any problems associated with gambling. The prevalence of problem gambling was estimated by administering the Problem Gambling Severity Index (Ferris and Wynne, 2001) to all respondents who had gambled in the previous 12 months. Details of the full prevalence report are available on the DCSI website (www.dcsi.sa.gov.au).

In this section, we examine one of the principal research questions in this project: namely, whether there are any differences in the characteristics of people who visit casinos to gamble as opposed to other venues where high intensity gambling is available. This section examines: demographic differences; differences in gambling habits and preferences; the prevalence of problem gambling in casino gamblers vs. other gamblers; and, other health-related indicators.

Methodology

The South Australian survey included two questions that made it possible to identify people who gamble at the casino. The first question asked whether people had gambled on table games (roulette, blackjack, poker) at a casino in the previous 12 months. A second question asked whether people had played gaming machines predominantly at a casino. By combining these two groups, it was therefore possible to identify people who gambled on higher intensity/ more continuous forms of gambling at a casino and to differentiate this group from others who reported no casino gambling. It is important, however, to note that the questions did not allow one to identify people who ONLY gambled at a casino (if such people did exist). Thus, when this report refers to 'casino gamblers' it is referring to people who may also have gambled outside a casino or on other gambling forms (e.g. lotteries, on the Internet).

Using these selection criteria, it was possible to identify 722 people who gambled at the casino either on table games or EGMs. This group comprised 7.7 per cent of the total sample. Of this 722, there were 464 people who reported playing casino table games, 157 who gambled on EGMs predominantly at the casino and 101 who engaged in both activities at a casino. The 722 were described as 'casino gamblers' and the remaining sample as 'other'. It was also then possible to distinguish between people who gambled at casinos and those who never did (non-casino gamblers).

Results

Demographic differences

The first set of analyses examined how casino gamblers differ from the rest of the general population. Casino gamblers and others in the sample were compared on a variety of demographic characteristics (see Table 4.4) with the remainder of the sample. As indicated in Table 4.4, casino gamblers are much more likely to be male, younger by 14 years, to be working for a wage or salary, to be employed and to have higher incomes as compared with the general population. There was, however, little evidence to suggest any social or cultural differences (i.e. in the likelihood of casino groups being more likely to be of an Aboriginal background or speak a language other than English at home).

When these analyses were repeated for a comparison between casino gamblers and other gamblers, the results were very similar, except that there was no longer any significant difference in the percentage of respondents who reported higher levels of educational attainment (Table 4.5).

Table 4.4: Demographic differences between casino and the remainder of the sample

	Casino gamblers (n = 722) N (per cent)	Other in sample (n = 8680) N (per cent)	Significance
Male	504 (69.8)	4137 (47.1)	p < .001
Aboriginal	8 (1.1)	714 (7.6)	ns
Bachelor's Degree+	110 (15.3)	1387 (15.8)	p < .001
Working for salary	609 (84.3)	5453 (62.1)	p < .001
Paid employment	524 (72.7)	4406 (50.1)	p < .001
H. Hold Income < \$52k	72 (10.0)	1840 (20.1)	p < .001
Other language spoken	66 (9.2)	859 (9.8)	ns
	M (SD)	M (SD)	
Mean age	34.5 (14.15)	48.1 (18.66)	p < .001

Note: The n's vary across comparisons due to missing data and weighting effects.

Table 4.5: Demographic differences between casino and non-casino gamblers

	Casino gamblers (n = 722) N (per cent)	Non-casino gamblers (n = 5688) N (per cent)	Significance
Male	504 (69.8)	2744 (48.1)	p < .001
Aboriginal	8 (1.1)	60 (1.1)	ns
Bachelor's Degree+	110 (15.3)	809 (14.2)	ns
Working for salary	609 (84.3)	3745 (65.8)	p < .001
Paid employment	524 (72.7)	3093 (54.4)	p < .001
H. Hold Income < \$52k	72 (10.0)	1163 (20.4)	p < .001
Other language spoken	66 (9.2)	419 (7.4)	ns
	M (SD)	M (SD)	
Mean age	34.5 (14.15)	48.66 (17.06)	p < .001

Note: The n's vary across comparisons due to missing data and weighting effects.

Gambling activities

Table 4.6 summarises the gambling habits of those who do or do not visit casinos to gamble. The results clearly show that the typical casino gambler tends to gamble much more frequently and on a wider range of activities. For example, casino gamblers are over three times more likely to gamble on gaming machines, almost three times more likely to gamble on racing, 7 times time more likely to gamble on sports and 10 times more likely to gamble on the internet or on private games. This is generally consistent with the observation that those who most often visit casinos (younger males) tend to be the most frequent gamblers of any group in the general population. In other words, casinos appear to attract very committed gamblers who gamble a lot more than the rest of the general population.

When analyses were repeated for the comparison between casino gamblers and other gamblers, a very similar pattern of results emerged (Table 4.7). Casino gamblers reported over twice the rate of poker machine gambling; almost double the rate for horse and dog racing; and were almost 5 times more likely to engage in sports betting and private card games. They were also more likely to gamble on the internet or engage in day trading. They were, however, significantly less likely to report having gambled on lotteries than other gamblers. This effect once again very likely reflects the age profile of casino gamblers and the fact that lottery participation in younger people is often lower than in older samples.

Table 4.6: Gambling participation: casino gamblers vs. rest of the sample

	Casino gamblers (n =722) N (per cent)	Others (n = 8680) N (per cent)	Significance
Poker machines	534 (74.0)	1925 (21.9)	p < .001
Horse/dog racing	363 (50.3)	1541 (17.5)	p < .001
Scratchies	256 (35.5)	1673 (19.0)	p < .001
Lotteries	505 (70.0)	4635 (52.8)	p < .001
Keno	161 (22.3)	547 (6.2)	p < .001
Table games*	565 (78.3)	0 (0.0)	p < .001
Sports	216 (30.0)	359 (4.1)	p < .001
Private cards	92 (12.7)	159 (1.8)	p < .001
Internet gambling	46 (6.4)	49 (0.6)	p < .001
Day trading	23 (3.2)	38 (0.4)	p < .001

Note: Internet gambling is not a category of gambling. The figures here are, therefore, only indicative of differences; * validation of groups.

Table 4.7: Gambling participation by gambler type

	Casino gamblers (n =722) N (per cent)	Others (n = 8680) N (per cent)	Significance
Poker machines	534 (74.0)	1925 (33.8)	p < .001
Horse/dog racing	363 (50.3)	1541 (27.1)	p < .001
Scratchies	256 (35.5)	1673 (29.4)	p < .001
Lotteries	505 (70.0)	4635 (81.5)	p < .001
Keno	161 (22.3)	547 (9.6)	p < .001
Table games*	565 (78.3)	-	p < .001
Sports	216 (30.0)	359 (6.3)	p < .001
Private cards	92 (12.7)	159 (2.8)	p < .001
Internet gambling	46 (6.4)	49 (0.9)	p < .001
Day trading	23 (3.2)	38 (0.7)	p < .001

Note: Internet gambling is not a category of gambling. The figures here are, therefore, only indicative of differences; * validation of groups.

Problem gambling in casino gamblers

Analysis of the overall PGSI scores showed that casino gamblers scored significantly (three times) higher on the PGSI than other gamblers in the sample ($M = 0.9$, $SD = 2.17$ vs. $M = .32$, $SD = 1.33$), $t(9400) = 7.02$, $p < .001$. This difference was borne out in comparisons of PGSI classifications (Table 3.8). Casino gamblers were over three times more likely to be problem gamblers and moderate risk gamblers and were significantly less likely to be in the no risk category.

Table 4.8: PGSI classifications: casino gamblers vs. other gamblers

	Casino gamblers (n =722) N (per cent)	Other gamblers (n = 8680) N (per cent)	Significance
Problem gambling	17 (2.4)	41 (0.7)	p < .001
Moderate risk	65 (9.0)	164 (2.9)	p < .001
Low risk	149 (20.7)	55 (0.9)	p < .001
No risk	490 (68.0)	4932 (87.7)	p < .001

Other characteristics of gambling

Other analyses showed that casino gamblers were significantly more likely to be loyalty card holders than other gamblers (15.9 per cent vs. 10.6 per cent), $p < .001$. They were, however, no more likely to report problem gambling in their immediate family (14.3 per cent vs. 10.1 per cent for the rest of the sample and 11.6 per cent for other gamblers) or to have sought help for gambling related problems (6.1 per cent vs. 8.1 per cent for other gamblers).

Gamblers were also asked how much they typically gambled in a given session. A comparison of casino and other gamblers is shown in Table 4.9. As indicated, casino gamblers typically spend a lot more money. Whereas only 0.7 per cent of non-casino gamblers reported spending more than \$200 per session, 5.2 per cent of casino gamblers reported doing this (although one cannot assume that this is necessarily at a casino). The results confirm that casino gamblers tend to be people who are prepared to spend larger amounts on gambling in general.

Table 4.9: Expenditure per session: casino gamblers vs. other gamblers

	Casino gamblers (n = 722) N (per cent)	Other gamblers (n = 5688) N (per cent)	Significance
< \$50	465 (64.5)	5243 (92.1)	
50-200	217 (30.1)	385 (6.8)	
201-500	27 (3.7)	21 (0.4)	
501-2000	9 (1.2)	10 (0.2)	
> 2000	2 (0.3)	6 (0.1)	$P < .001$

Respondents were asked to indicate the social context in which they gambled more than they could afford. The results indicated that casino gamblers were less likely to report doing this alone, but were more likely to do this when gambling with friends. In other words, the impression was that casino gambling is a more social activity than other forms of gambling. Their results are shown in Table 4.10.

Gamblers were also asked whether they engage in binge gambling on occasions. This was reported by 142 (19.7 per cent) of casino gamblers as opposed to only 7.5 per cent ($n = 424$) non-casino gamblers, $p < .001$.

Table 4.10: Social context of excessive expenditure: casino gamblers vs. other gamblers

	Casino gamblers (n = 722) N (per cent)	Other gamblers (n = 5688) N (per cent)	Significance
Alone	75 (10.4)	2083 (36.6)	$p < .001$
With friends	373 (51.8)	1269 (22.3)	$p < .001$
With partner	153 (21.2)	1295 (22.8)	ns
With relatives	60 (8.3)	483 (7.7)	ns

Casino gamblers were no more likely to have sought exclusion from venues (1.6 per cent vs. 0.4 per cent of non-casino gamblers) or to have sought professional assistance to control their gambling (0.6 per cent vs. 0.9 per cent).

Health status of casino gamblers

Casino gamblers were significantly more likely to report that they used alcohol when they gambled (75.6 per cent, $n = 545$ vs. 28.5 per cent or $n = 1621$ of the non-casino gamblers), $p < .001$. There were no significant differences in smoking status (15.8 per cent of the casino gamblers were smokers vs. 17.6

per cent of the non-casino gamblers). Casino gamblers were more likely to report better overall health with 89.2 per cent of casino gamblers reporting 'good' to 'excellent' health compared with 84.9 per cent of non-casino gamblers, $p < .01$. This is perhaps to be expected given that the casino gamblers were significantly younger than the other group.

Summary

The results of these analyses showed that casino gamblers represent an identifiable and distinct segment of the gambling market. Those who visit the casino to gamble are more likely to be younger males with higher incomes and who are in paid employment. They are more likely to experience problems associated with gambling and to spend larger amounts when they gamble. They are not, however, any more likely than other gamblers to seek help because of their problems. This population of gamblers is also more likely to drink alcohol when they gamble. Thus, from a host responsibility perspective greater attention may need to be directed towards this population than in other venue contexts.

4.5 Casino gamblers in Tasmania

Overview

To gain further insights into the characteristics of people who visit casinos to gamble as compared to other venues, a secondary analysis of Tasmanian prevalence data was undertaken. These data were drawn from the 2007 Statewide prevalence survey undertaken by the researchers under the imprimatur of the Tasmanian Treasury. This survey involved a telephone survey of 4051 Tasmanian adults in 2007. The survey interviewed people about their gambling habits, personal characteristics (demographics) their general health and well-being and whether they had experienced any problems associated with gambling. The prevalence of problem gambling was estimated by administering the Problem Gambling Severity Index (Ferris and Wynne, 2001) to all respondents who had gambled on continuous forms of gambling on at least a fortnightly basis.

This section summarises that the differences in the characteristics of people who visit casinos to gamble as opposed to other venues where high intensity gambling is available. This section examines: demographic differences; differences in gambling habits and preferences; the prevalence of problem gambling in casino gamblers vs. other gamblers; gambling-related harm; and, other health-related indicators. Given that the results for comparing casino gamblers with the rest of the sample are likely to be very similar (see South Australian results) the analysis was confined only to comparisons involving gambler groups.

Methodology

The Tasmanian survey included several questions that made it possible to identify people who gamble at the casino. The first question asked whether people had gambled on table gambles (roulette, blackjack, poker) at a casino in the previous 12 months. Two other questions asked whether people had gambled on gaming machines or played keno at a casino. By combining these two groups, it was therefore possible to identify people who gambled on higher intensity/more continuous forms of gambling at a casino and to differentiate this group from others who reported no casino gambling. As with the South Australian analyses, it is important, however, to note that the questions did not allow one to identify people who ONLY gambled at a casino (if such people did exist). Thus, when this report refers to 'casino gamblers' it is referring to people who may also have gambled outside a casino or on other gambling forms (e.g. lotteries, on the Internet).

Using these selection criteria, it was possible to identify 979 people who gambled at a casino either on table games, EGMs or keno. This group comprised 24.2 per cent of the total sample. Of this 979, there were 283 people who reported playing casino table games, 869 who gambled on EGMs and 356 who gambled on keno at a casino. The 979 were described as 'casino gamblers' and these were compared with the 1926 non-casino gamblers. It is noteworthy that a significantly higher proportion of the sample reported having gambled at a casino in Tasmania (where there are two casinos) than in Adelaide which is more geographically dispersed and has only one central casino.

Results

Demographic differences

Casino and other gamblers were compared on a variety of demographic characteristics. As indicated in Table 4.11, casino gamblers tended to be significantly younger than other gamblers. However, in contrast to the South Australian sample, there were few other demographic differences between those who had gambled at a casino as compared with those who had gambled at other locations. Those who had not gambled at a casino were slightly less likely to have been in full-time paid employment.

Table 4.11: Demographic differences between casino and non-casino gamblers

	Casino gamblers (n = 979) N (per cent)	Other in sample (n = 1926) N (per cent)	Significance
Male	465 (47.5)	924 (48.9)	ns
Aboriginal	30 (3.1)	61 (3.2)	ns
Bachelor's Degree+	122 (12.5)	336 (17.4)	ns
Paid employment	365 (37.3)	520 (27.0)	p < .05
Personal Income < \$50k	632 (65.5)	1206 (62.6)	ns
	M (SD)	M (SD)	
Mean age	43.5 (18.1)	48.5 (27.0)	p < .05

Note: The n's vary across comparisons due to missing data and weighting effects.

Gambling activities

Table 4.12 summarises the gambling habits of those who do or do not visit casinos to gamble. The results show that casino gamblers are significantly more likely to gamble on wagering activities such as race and sports betting, poker machines and other gaming activities and also keno. Lottery gambling was the only category that was more common in the 'other gambler' group. Casino gamblers were also more likely to play private card games for money and to participate in poker tournaments. Internet gambling participation did not differ in this sample very likely because 2007 preceded the rapid growth of this medium for participating activities.

Problem gambling in casino gamblers

Analysis of the overall PGSI scores showed that there was no significant difference between casino gamblers ($M = 2.0$, $SD = 4.63$) and the 'other gambler' group ($M = 1.2$, $SD = 3.64$) on overall PGSI scores, $t(302) = 1.69$, $p > .05$. However, there was a marginally significant effect in the direction of regular casino gamblers being more likely to be classified as moderate-risk or problem gamblers (as based on the PGSI classification) as compared with other gamblers (21.5 per cent vs 12.9). Importantly, the results show that over 20 per cent of regular casino gamblers in the general population are likely to be moderate risk to problem gamblers (Table 4.13).

Table 4.12: Gambling participation by gambler type

	Casino gamblers (n = 979) N (per cent)	Others (n = 1926) N (per cent)	Significance
Poker machines	884 (90.3)	272 (14.1)	p < .001
Horse/dog racing	255 (26.0)	427 (22.2)	p < .05
Scratchies	494 (50.5)	776 (40.5)	p < .001
Lotteries	646 (66.0)	1430 (74.2)	p < .001
Keno	577 (58.9)	472 (24.5)	p < .001
Table games*	199 (20.3)	84 (4.4)	p < .001
Sports	70 (7.2)	88 (4.6)	p < .01
Private cards	110 (11.2)	103 (5.3)	p < .001
Internet gambling	20 (2.0)	36 (1.9)	ns
Poker tournament	25 (2.6)	25 (1.3)	p < .001

Note: Internet gambling is a description applied to gambling undertaken online and should not be treated as a category of gambling in its own right. The figures here are, therefore, only indicative of differences; * validation of groups.

Table 4.13: PGSI classifications in regular gamblers: casino gamblers vs. other gamblers

	Casino gamblers (n = 181) N (per cent)	Other gamblers (n = 124) N (per cent)	Significance
Problem and moderate risk gambling	39 (21.5)	16 (12.9)	
Low and no risk	142 (78.4)	108 (87.1)	p = .05

Other characteristics of gambling

An important insight provided by the Tasmanian study related to how far people were willing to travel to play poker machines. It was possible to compare these estimates for people who reported having gambled at a casino vs. only a club or hotel. These differences are shown in Table 4.14. The results show that casino gamblers typically travel for longer distances to gamble as compared with those who exclusively gamble at clubs and hotels.

Table 4.14: Distance travelled to play EGMs at particular venues

	Casino gamblers (n = 870) N (per cent)	Other gamblers (n = 257) N (per cent)
Within 1km	102 (11.7)	55 (21.4)
2-5km	242 (27.8)	84 (32.7)
6-10km	159 (18.2)	39 (15.2)
> 10km	329 (37.8)	63 (24.5)

Note: * Only a subset of 'other gamblers' went to a pub or hotel to play EGMs.

Health status of casino gamblers

Comparisons of health-related behaviours showed that casino and other gamblers did not differ in the extent to which they reported smoking (20.1 per cent for the other group) and 223 for the casino gambler group. The groups also did not differ in the extent to which they reported drinking more alcohol when they gambled.

Summary

The results of these analyses showed that casino gamblers in Tasmania are generally less differentiated from other gamblers as compared with South Australia. Those who visit the casino to gamble are more likely to be younger and to be in paid employment, but there were no gender differences. Casino gamblers were again more likely to be in the higher risk segments as classified by the PGSI. Other comparisons showed that casino gamblers typically travel longer distances to play EGMs as compared with those who confine their activities to hotels and clubs. The differences between Tasmania and South Australia are likely to relate to the differing accessibility of casino gambling in the two States. In South Australia, there are a large number of people who are unlikely to have access to casino gambling because they live too far from Adelaide, whereas both casinos in Tasmania are likely to be accessible to a larger proportion of the population. Tasmania, as a smaller State, may also offer less competition for recreational activities. Thus, in a smaller city such as Launceston, it is statistically likely that the Country Club Casino will be a common venue for functions that might otherwise be distributed across a wider range of venues in larger cities.

4.6 Casino activities and problem gambling

Once again, it is not often possible to ascertain what proportion of problem gambling is attributable to casino gambling because questions do not always specify the location of gambling. Another problem is that activity preferences and demographic risk factors can be confounded. For example, if younger males are statistically more likely to be problem gamblers (a fact in most prevalence surveys), and also more likely to play casino table games, it is hard to differentiate between the 'selection' and 'exposure' effect. Is it the nature of the activity or range of activities undertaken (exposure) or the characteristics of those who choose to gamble on table games (selection) that is important? The only indicative figures available in most surveys are the activity preferences reported by gamblers at different levels of risk and the extent to which problem gamblers are more or less likely to report engaging in casino specific activities.

Evidence from the most recent South Australian prevalence survey (Social Research Centre, 2013) suggests that table games were played by 8.9 per cent of past year gamblers vs. 25.6 per cent of moderate risk and problem gamblers (29.2 per cent in PGs alone) (a ratio of $25.6 / 8.9 = 2.88$). This compares with 79.6 per cent vs. 38.5 per cent for EGM gambling, a ratio of $79.6 / 38.5 = 2.06$. In other words, casino table games were disproportionately more likely to be reported by moderate risk and problem gamblers. This is very likely due to the demographic characteristics of higher risk gamblers. Males (who are more likely to gamble on casino table games) were also more likely to be classified as moderate risk or problem gamblers (4.5 per cent) than women (1.8 per cent). However, there is other evidence to suggest that those who gamble on a wider range of activities are more susceptible to developing gambling problems (Delfabbro, 2013). Other analysis of the South Australian data showed that problem gamblers were no more likely to report gambling on EGMs at a casino (11.6 per cent) than EGM gamblers in general (10.5 per cent).

Similar results emerged in analysis of the 2009 Victorian prevalence data. Casino table gambling was disproportionately more prevalent in problem gamblers (25 per cent) vs. the total sample (4.6 per cent), a ratio of 5.1. This ratio was higher than observed for comparisons of the percentages for EGMs ($91 / 21 = 4.3$), racing ($33.6 / 16.4 = 2.1$) and sports ($15.7 / 4.0 = 4.0$). Another Victorian study by Moore et al. (2013) examined the gambling habits of 764 students at three universities. Comparisons were conducted between domestic and international students. It was found that international students were more likely to report gambling on most activities, including casino activities. The strongest predictors of problem gambling were involvement in sports, table games, EGMs at casinos and internet casino games. It is not clear from this study, however, whether these differences were due to demographics,

i.e. higher risk groups, including males and international students may have been more likely to gamble at casinos.

In a similar vein, a review of international literature suggests that the relationship between casino gambling and problem gambling is likely to be complex.

In **New Zealand**, Clarke et al. (2012) conducted a study to investigate the link between the location of EGMs (casino based or other locations) and problem gambling. A sample of 138 problem gamblers from services and 73 non-help-seekers from the community were surveyed. The results showed that playing non-casino based EGMs was associated with a 6 fold increase in the likelihood of being a problem gambler compared with a 2.9 fold increase for casino EGM playing (and this latter increase was not statistically significant). In other words, people were much more likely to report problems if they gambled on EGMs outside casinos. Other findings reported by Rossen (2015) based on the New Zealand Health Survey 2011-2012, showed that participation rates for casino-based EGMS were: 9.1 per cent in non-problem players; 27.3 per cent in low risk gamblers and 32.5 per cent in moderate and problem gamblers. Moderate and problem gamblers had a 3.3 greater odds of having played casino table games than non-problem gamblers.

A US study by Fong et al. (2011) interviewed 178 patrons at a **Southern California** casino and found, using the lifetime NORC Diagnostic Screen for Gambling Problems, that 10.7 per cent were problem gamblers and 29.8 per cent pathological gamblers. Males and people of Asian Pacific Islander descent were more likely to be pathological gamblers. A limitation of this paper, however, is that it included no measure of the frequency of attendance at the casino so there was no capacity to weight for likely probability of selection biases. If regular gamblers were more likely to be sampled than occasional gamblers, then the study is likely to have yielded a substantial over-estimation of the prevalence of problem gambling in casino patrons.

A major study by Fisher (2000) in the **United Kingdom** interviewed 1,105 casino patrons at 40 small casinos. The results showed that 61 per cent of the patrons were male as opposed to 48 per cent in the general population. Just over 7 per cent (7.3 per cent) of patrons were classified as problem gamblers and 14 per cent of regular gamblers fell into this category. Some differences were found between the characteristics of typical patrons and problem gamblers. Whereas the typical casino visitor tended to be aged over 40 and to be non-white and to have no partner, problem gamblers were more likely to be males (90 per cent); 65 per cent were aged 30 years and younger vs. 39 per cent of the population; 20 per cent were non-white vs. 13 per cent in population; 56 per cent were single vs. 31 per cent in population; and 23 per cent were unemployed vs. 4 per cent in the population. Although UK casinos are not easily generalisable to Australia because of the smaller size of British casinos and their differing entry requirements, Fisher's study is useful in that it is more methodologically sound than many others. In particular, it highlights the importance of weighting to account for the fact that regular players are more likely to be sampled. Data were weighted based on the probability of selection. For example, her logic indicated a weekly player is 52 times more likely to be sampled than someone who comes only once per year.

Versini et al. (2011) conducted a **French** study of 355 slot-machine gamblers at a Paris casino and detected 96 pathological gamblers who scored 5+ on the SOGS. Pathological gamblers were found to score higher on depression and smoking and also gambled more regularly. Demographically, they were more likely to be North African and divorced/ separated compared with the general population. As with the Fong et al. study in the US, no weighting procedures were undertaken to control for the fact that the study would have obtained relatively more regular gamblers (and therefore PGs) just by chance.

In the **United States**, Welte et al. (2009) conducted a study using data from the National Survey of Youth and Gambling in the US, a telephone survey of 2,274 young people aged 14-21 years. The study included standardised measures of gambling activity and a problem gambling measure. The results showed that card-playing had the highest association with problem gambling and that casino gambling was second. Those who had a greater involvement with casino gambling were more likely to be problem gamblers. The study could not, however, rule out the possibility that young people who visited casinos were gambling on slot-machines as opposed to table games. It is also possible that the association between problem gambling and casino gambling is related to a common underlying factor; namely, the gender and age of participants.

5. Responsible Gambling and Casinos

Summary of Findings

- Responsible gambling measures are in place in all Australian jurisdictions through a combination of Acts of Parliament, associated regulations, licence conditions and codes of conduct (whether mandatory or voluntary).
- Casinos operate Host Responsibility Systems including guidelines and procedures to identify problem gamblers, they stipulated who is responsible to intervene and maintain record systems.
- Casinos are potentially better resourced than smaller venues to implement larger-scale responsible gambling programmes.
- The most common responsible gambling practices include: venue exclusions; policies for identifying problem gambling; voluntary pre-commitment based on loyalty card systems; and, limitations on cash withdrawals and credit facilities.
- There is very little evidence available to indicate how effective these provisions are in casino environments.
- Some researchers (particularly in North America) have attempted to examine variations in the design of casinos. It has been argued, for example, that more 'playground' style casinos might be more attractive to players, but such venues may also be more psychologically calming than more 'gaming oriented' designs. Such evidence has not been developed in the Australian context to allow comparisons between larger and smaller casinos.
- Exclusion programmes appear difficult to implement in practice because of the large number of patrons and challenges associated with identifying individual patrons.
- Identifying problem gamblers in venues is also similarly difficult, but some major casinos in the region (and most notably in New Zealand) have indicator lists which are used to help staff identify which people should be subject to greater scrutiny.
- The extent to which loyalty data can be used to track player behaviour and predict harmful patterns of play has not been fully investigated. Such technology is available, but independent evaluations have not been conducted.

5.1 Responsible gambling measures in casinos

Most modern casinos implement some form of responsible gambling policies or practices. These can range from the provision of information concerning counselling services to extensive and proactive systems involving the identification of problem gamblers on the gaming floor or so-called 'smart systems' that track player behaviour to identify people who might be displaying problematic patterns of play. The extent of these provisions is very much influenced by the country and legislation in place. In general, the regulations applying to casino operations tend to be strictest in Europe and in some parts of Canada, well developed in Australia and New Zealand, but less developed in other parts of the world, including the United States. Nearly all Australian casinos operate under codes of practice established by relevant legislation in the jurisdiction in which they are based.²⁸ Some of the most important responsible gambling services are summarised below.

Casino Self-exclusion programs

Self-exclusion programs allow problem gamblers to have themselves excluded from the venue (Błaszczynski, Ladouceur, and Nower, 2004, 2007). To put this arrangement in place, gamblers usually sign agreements with relevant staff at the relevant casino and/or seek an exclusion from a relevant regulatory body. Self-exclusion can be for varying periods and may, or may not, include a cooling-off period in which gamblers can decide not to proceed with the exclusion. Once these agreements are in place, the gambler is not allowed to re-enter the premises and can be subject to prosecution. For the policy to work effectively, venues have to be aware that the gambler is attempting to re-enter and this

²⁸ See Chapter 3 for an overview of Australian legislation, and section 5.3 for details on the codes of conduct under which Australian casinos operate.

can be difficult if gamblers choose to disguise themselves, are not noticed by the staff, or do nothing to draw attention to themselves. Staff may also be faced with a very large number of excluded individuals who are only identifiable by photographs that are not always kept up to date. To counteract this type of problem, some major casino groups in Australia (e.g. Echo Entertainment in QLD) have developed stronger communication protocols between their different casinos to facilitate the sharing of information and to achieve greater effectiveness in being able to identify and exclude people across multiple sites.

Evaluations of casino self-exclusions have been conducted in a number of places. For example, in Australia, SACES (2003) examined data provided by Crown Casino in Melbourne (1996-2002). A total of 933 people had been excluded and, of these, 15 per cent had been found to have breached their exclusion deeds with a mean of 3.2 breaches per person. The results further showed that one-fifth (21 per cent) of those who had breached their deeds had done so on more than one occasion. The VCGLR reported that there are "more than 3,500 people who have self-excluded from the Melbourne Casino and that in two and a half years to January 2013 the proportion of detected recidivist breaches (i.e. more than once in a month) accounted for 65 per cent of total detected breaches, with recidivists breaching an average of 3.22 times per month". (VCGLR 2013, p. 107)

A Canadian study by Ladouceur *et al.* (2000) surveyed 220 problem gamblers who had excluded themselves from the Montreal Casino. Of this total, 66 per cent had maintained the exclusion for 6 months, and 25 per cent for 5 years (the maximum possible period). At the same time, a quarter of the total reported having failed to maintain their first exclusion and had to seek exclusion for a second time, and 30 per cent claimed that they had been able to stop gambling altogether as a result of the exclusion. Another study by Nelson *et al.* (2010) surveyed 110 self-excluders in the US State of Missouri ten years after they had enrolled. Most spoke favourably of the process and said that it had reduced their gambling at the casino, but 50 per cent indicated that, at some point, they had been able to enter the casino without being detected.

Consistent with the conclusions drawn by the Productivity Commission (2010) and Delfabbro (2011) in recent reviews, the principal benefit of these schemes appears to be at a psychological or motivational level. Although people can easily circumvent exclusion arrangements if they so choose, the simple act of excluding oneself combined with the slight possibility of being detected appears to be therapeutically useful. Problem gamblers report that exclusion motivates them to change their gambling and is therefore beneficial. In effect, it works not so much because of the success of enforcement, but because of the act of enrolment.

Identifying Problem Gamblers

In a number of countries, casinos are required to take reasonable steps to identify people who might be experiencing gambling-problems (or who are at risk of harm) while they are present on the gaming floor. Some of the more detailed of these are observed in New Zealand, in Holland casinos and in Switzerland. Staff are usually required to undertake training so that they are better able to identify patrons with problems and then take appropriate action. In New Zealand, under the Gambling Act 2003, the industry is required to establish policies and procedures to assist in the early identification of patrons who are either experiencing gambling-related harm or who are 'at risk' of developing harm. The exact nature of this training and identification policy is determined by the industry, but training must be approved by the Government (e.g. the New Zealand Gambling Commission reviews the appropriateness of intervention policies). Similar provisions exist in many jurisdictions in Australia, although they are usually not as extensive.

Details of these Australasian programs are summarised by Delfabbro *et al.* (2007). As they point out, casinos in both Christchurch and SkyCity Auckland have detailed lists of indicators which they use to enable staff to identify problem gamblers. SkyCity Auckland has an extensive Host Responsibility

program that sets out high risk indicators and general indicators and has a complex set of procedures for monitoring and recording incidents and taking action (e.g. opening a 'gambler of interest' file) when at-risk behaviours are observed. In Australia, there have been some similar developments. For example Jupiters Casino (Queensland) has developed a short list of key problem gambling indicators which are used as the basis for assisting staff to identify people who might be experiencing harm and The Star (NSW) has developed DVDs and training materials relating to problem gambling indicators.

In a review of the Code of Conduct (Hancock, 2011) in research based on "225 anonymous employees at Crown Melbourne" reported that staff had received training in regard to Responsible Gambling and Responsible Service of Alcohol, that two-thirds of staff reported they found "it easy to identify who the problem gamblers are" but action taken to advise patrons to "take a break in play", to approach people or otherwise intervene was much more problematic.²⁹ It also appears that "gambling for an extended period" is subjective, difficult to define and operationalise although regulatory inspectors and staff have clearly reported (and witnessed) gamblers playing for very long periods of time.

In Europe, Swiss Casinos have developed their own list of indicators which they use as the basis for identifying patrons who might be experiencing problems as required by Swiss law (Hafeli and Schneider, 2006). Some indicators are placed into an A-list so that if even one indicator is observed then the Casino takes immediate steps to speak to the person and make a formal record of the interaction. Others are included in a B list which comprises a range of 'lower' risk indicators. This information is logged on a file specific to that person so that it can be used to orient staff towards this person on future visits (see Delfabbro et al. 2007 for a more detailed review). Similarly, in Holland casinos, patrons can either exclude themselves from the venue or the casino can do this unilaterally. Typically, this takes the form of a restriction placed on the number of times that a person is allowed to visit within a specified period of time (e.g. number of visits per month or week). In Holland, such policies can be more easily enforced than in Australia because patrons are required to show identification each time they enter the casinos.

Smart-Systems

The term 'smart systems' refers to electronic methods for monitoring and/or reducing the harms associated with gambling at casinos. These systems (most often developed as commercial products) usually operate in conjunction with loyalty card systems and provide the capacity for players to set limits on their play (pre-commitment capability), but can also track periods of gambling to detect patterns that might be indicative of problem gambling. Some of the most extensive of these systems have been developed in Canada. For example, the research company Focal Research in Nova Scotia has complex algorithms with hundreds of player tracking variables which can be used to profile the gambling patterns of people with different classifications on the PGSI. Earlier systems include those developed by Svenska Spel (Sweden) and the Saskatchewan Gaming Corporation (Canada), with a similar system now being trialled in the SkyCity Auckland casino.

According to Schellinck and Schrans (2011), the principal architects of the Nova Scotia research, such models appear very promising. The model development requires substantial databases of gamblers (Focal Research use at least 1,000) whose data from the loyalty card system is analysed jointly with estimates of their risk of problem gambling obtained by administering the CPGI to them. Any model is likely to be context specific and so will require updating over time or when applied to a new jurisdiction.

According to the designers, the models developed in Canada by Focal Research are reported to achieve a high degree of accuracy, although it is recognised that different models have to be developed for each jurisdiction or venue to make them effective. Although these tools or models are commercial

²⁹ Some 81.2 per cent said they did not approach people who appeared to be having problems with their gambling and operational complexities of casino environment mean that it is sometimes difficult to intervene.

products with proprietary interests that prevent them from being made available for independent assessment or peer review in the academic literature, these developments have important implications for the nature of responsible gambling and harm minimisation in the future.

Staff-Training

Most major casinos require staff to undergo appropriate training in responsible gambling (Delfabbro, 2011; Delfabbro et al. 2007; Giroux et al. 2008; LaPlante et al. 2012). Some casinos, e.g. SkyCity in Adelaide and Auckland have extensive Host Responsibility programs that take a proactive role in identifying problem gamblers and liaising with support services. Some casinos (e.g. Crown) also have on-site staff who can provide counselling. Responsible gambling training is generally influenced by the relevant code of practice operating in the particular jurisdiction concerned. Thus, in Australia, staff will typically receive training in: staff responsibilities under the legislation; the nature of problem gambling; the operation of exclusion programmes; how to contact counselling agencies; the warning signs of problem gambling; and, how to intervene when problem gamblers experience problems. Evaluations of staff training appear to suggest that staff find it to be useful (e.g. Giroux et al. 2008), but there is evidence to suggest that the quality of responsible gambling services provided to patrons in venues may not always live up to the stated standards. For example, in an extensive qualitative study of employees from Crown Casino in Melbourne (Hancock, 2011) staff reported that it was often difficult to implement some responsible gambling policies because of the operational complexities of casino environments. Patrons displaying signs of problem behaviour often move from one area to another and it is not always clear who must make take action when a potential problem gambler is identified. Those working on gaming tables are not necessarily in a position to leave their tables to take action when a person displays problems. Action usually has to be taken by someone more senior, so that if there is no easy line of communication from staff on the gaming floor to management, then actions will not usually be taken.

In Australasia, the most effective training procedures appear to be those which are carefully documented in manuals, accredited, and audited periodically. The Host Responsibility system operating in Auckland Casino operates under a system of this nature. It has extensive guidelines concerning procedures for identifying problem gamblers, how action should be taken, who is responsible, and includes a requirement that files be opened for 'gamblers of interest'. The rigour of this system very likely arises from the operation of the New Zealand Act and its emphasis on proactive behaviours by gambling providers and the oversight of the New Zealand Gambling Commission.

5.2 Impact of the casino environment on gambling behaviour

Environmental and design characteristics

Much of the success of casinos as destination venues arises from their ability to offer a diversified and compelling experience that sets them apart from other parts of the gambling industry. According to Finlay et al. (2006), the physical design of a venue can have a significant influence on the emotions and behaviour of patrons. Although there is specific research that has examined the role of colour, music, and the social environment in relation to gambling, studies of casino environments tend to focus on broader factors. Finlay et al.'s work draws strongly upon the typology of emotional response developed by Mehrabian and Russell (1974). According to this view, people's responses to settings can be differentiated along several dimensions:

- pleasure (how enjoyable they find the experience);
- arousal (excitement generated by the experience); and
- dominance (people's perceptions of control).

Environments can also differ in terms of their complexity, novelty and variability. Some may be aesthetically simple or complex; predictable or unusual or homogenous or varied.

Finlay et al. (2006) argue that an effective environment is one that yields 'restoration' or recovery from stress. Such environments tend to be coherent, legible, not too complex and have some element of 'mystery'. The term coherence means that the environment is comprehensible or meaningful. For example, people would understand what the activities are about and what to do. 'Legible' means that the environment can be effectively navigated; the person knows how to get around and find the things that are desired. 'Mystery' refers to the surprise or novelty element or the extent to which it yields interesting features upon additional exploration.

Finlay et al. discuss the importance of these features in relation to two well-known and competing macro views of casino design: the Kranes (1995) perspective and the Friedman (2000) view. According to the Kranes view, an effective casino is one that achieves restoration by providing spaces that are well ordered (high in coherence) and which contain comforting, pleasing or natural elements. In such environments, the gambling products are placed in the context of familiar environments. Rooms are often larger, have high ceilings, architectural features, and other elements that allow players to escape from the world outside. Such environments, termed 'playground designs', typically aim to reduce complexity to allow a calm appraisal of the surroundings. By contrast, a Friedman design focuses more specifically on the gambling itself. Ceilings are low; gambling stimuli fill the space; and, the environment is replete with sounds, lights and activity. The aim is to focus the players attention on gambling to the exclusion of other potential distractions. Such a casino termed a 'Gaming design' would be 'divided into small, compact gambling areas with short pathways that frequently twist and turn' (p. 573). Designs of this nature are exemplified by imagery of brightly lit environments with banks of EGMs lined up on both sides, with low ceilings and lightings and players gambling close together. By contrast, the 'playground' design is typified by environments filled with vegetation, running water or large-scale themes (e.g. Caesar's Palace or the Venetian in Las Vegas).

Finlay's prediction was that the 'playground' design would lead to a greater perception of restoration amongst players. To investigate this hypothesis, 48 casino patrons were asked to visit several casinos that represented examples of the two competing designs. Participants then completed an extensive survey that captured the different environmental elements. As predicted, playground casinos were described as more pleasurable, as less cognitively demanding, more restorative, easier to understand (coherent), easier to navigate (legible), but did not differ on the characteristics of dominance, mystery or arousal. The authors concluded that "Gambling environments that contain elements that encourage restoration and reduce stress may elicit positive emotions, restrict negative thoughts, and return physiological arousal to moderate levels" (p. 579) The implication of these findings is that playground casinos may be more beneficial for players. The study did not, however, investigate how design influences expenditure or problem gambling, or whether the common desire to 'escape problems' observed in many problem gamblers would lead to greater expenditure in the more soothing playground designs. Other studies (e.g. Marmurek et al. 2007) have shown that introducing soothing musical soundtracks to casino designs leads to a greater willingness to play in general, and to play for longer periods.

In another study, Finlay et al. (2010) exposed 468 gamblers to two visualisations of the two playground designs. Their three principal outcome measures were people's at-risk gambling intentions, pleasure and restoration. The results showed that playground designs lead to higher scores on all three measures than for the gaming design. This effect was stronger for women than for men. For women, an intention to gamble beyond planned levels was associated with gambling in a sparsely populated casino, whereas crowd size was not related to the responses obtained for males. Women may be more self-conscious about gambling excessively when other people are present. The risk of excessive

gambling in gaming designs was also lowered in designs with static lighting, a varied colour scheme or symmetrical layout of machines. The researchers suggest that micro-design features such as these may influence people's emotions and therefore their likelihood of being able to think carefully and keep control of their emotion when they gamble. Restorative images and static lighting are both factors that may help maintain people in a psychological state to make decisions that are more likely to avoid harm.

5.3 Codes of conduct and voluntary responsible gambling measures in Australia

Responsible gambling measures are in place in all Australian jurisdictions through a combination of Acts of Parliament (and associated regulations), licence conditions and codes of conduct (whether mandatory or voluntary). In most cases the range of responsible gambling measures varies between forms of gambling, and between types of venue.

The environments in which racing, wagering and lotteries are sold and played are sufficiently different that they have been excluded from these comparisons.

Table 5.1 summarises the range of responsible gambling measures in operation in each jurisdiction and the general issues they cover. The responsible gambling measures are broadly similar, generally addressing the common harm minimisation strategies associated with problem gambling and broad consumer protection functions such as provision of information to players of odds/rates of return; and mandating minimum returns on EGMs. Responsible gambling measures broadly fit into the categories of:

- limitations on financial transactions;
- limits on the operation of electronic gaming machines;
- requirements for the physical environment of gaming areas;
- the location of ATMs;
- provision of information and availability of pre-commitment;
- staff training, skills and responsibilities;
- prohibition of minors; and
- limits on advertising and promotions.

In general, casinos tend to have a wider range of conditions imposed on them in terms of the physical environment of the gaming area and the training and responsibilities of staff, than clubs or hotels with electronic gaming machines, but have more freedom in the payment of winnings, size of bets and size of prizes, and fewer restrictions on the service of alcohol and smoking.

A number of jurisdictions also waive responsible gambling requirements for the VIP gambler/International areas of casinos.

In all jurisdictions casinos' behaviours around responsible gambling and consumer protection are at least partially governed by codes of conduct/practice. In most jurisdictions these codes of conduct are mandatory and are either specified by the regulator or must be approved by the regulator. In Queensland, New South Wales and Western Australia the codes of practice are voluntary measures by industry, although a number of responsible gaming measures are included in legislation, or form part of licencing conditions, in these three states.

Table 5.1: Responsible gambling measures required of casinos, hotels and clubs by jurisdiction

		NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Is there a code of conduct	Casino	v	✓	v	✓	v	✓	✓	✓
	Hotel/club		✓	v		n/a	✓	✓	
Caps on number of EGMs	Casino	✓	✓		✓	✓	h	n/a	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Restrictions on access to credit	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
ATMs banned from venue	Casino							✓	
	Hotel/club		✓			n/a	✓		
ATMs banned from gaming area	Casino	✓	✓	✓	✓	✓	✓	n/a	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Limits on withdrawals from ATMs and EFTPOS	Casino		✓		✓	✓	✓	n/a	✓
	Hotel/club		✓		✓	n/a	✓	✓ ^j	✓
Ban on note acceptors	Casino				✓			n/a	
	Hotel/club				✓	n/a	✓	e	✓
Winnings above specified amount to be paid by cheque	Casino		✓ ^b				✓ ^b	✓	
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Bet limits on EGMs	Casino	✓ ^a	✓ ^a		✓	✓	✓	n/a	
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Win limits	Casino							n/a	
	Hotel/club	✓		✓	✓	n/a			
Mandatory minimum return to players on EGMs	Casino	85%	87%	85%	87.5%	90%	85%	n/a	88%
	Hotel/club	85%	85%	85%-92%	87.5%	n/a	85%	87%	85%
Display of clock	Casino	✓	✓	v	✓	v	✓	✓	✓
	Hotel/club	✓	✓	v	✓	n/a	✓	✓	✓
Lighting Requirements	Casino		✓	v		✓	✓	✓	✓
	Hotel/club		✓	v		n/a	✓	✓	✓
Restrictions on the service of alcohol to persons using EGM	Casino	✓		v	✓		✓	n/a	
	Hotel/club	✓		v	✓	n/a	✓	✓	
Ban on smoking in gaming areas	Casino	✓ ^k	✓ ^k	✓ ^k	✓	✓ ^k	✓	✓	✓ ^k
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Ban on 24 hour a day gambling	Casino						✓	✓	
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Prohibition of minors in gaming area	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Pre-commitment system (voluntary for consumer)	Casino	✓	✓	✓		v			
	Hotel/club	vc	d	vc	vc	n/a			
Self-Exclusion Program	Casino	✓	✓	✓	✓		✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Third party/venue exclusion	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Provide referral to gambling treatment services	Casino	✓	✓ ⁱ	✓	✓		g	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	g	✓	✓
Maintain record of problem gambling incidents	Casino	v	✓	v	✓		✓	✓	✓
	Hotel/club			v		n/a	✓	✓	✓
Display of odds and return to player	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Display of game rules/player information	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	f	✓	✓	✓	n/a	✓	✓	✓
Warnings displayed on EGMs	Casino	✓	✓	✓	✓		✓	n/a	
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	
Staff training in responsible gambling	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Restrictions on advertising and promotion	Casino	✓	✓	✓	✓	✓	✓	✓	✓
	Hotel/club	✓	✓	✓	✓	n/a	✓	✓	✓
Restrictions on player loyalty schemes	Casino	✓	✓	v	✓		✓	✓	
	Hotel/club	✓	✓	v	✓	n/a	✓	✓	

Key: ✓ = required by legislation or mandatory code of conduct; v = included in or offered as part of a voluntary code of practice.

Notes:

a Excluding up to a maximum 250 machines in VIP/private gaming areas in New South Wales, and 1,000 EGMs in unrestricted mode at Crown.

b Applies to EGM winnings only, applies to keno winnings in Tasmania.

c Pre-commitment available through some venue based loyalty card systems, but not available as a linked system across venues in the state.

d State-wide voluntary pre-commitment is to be introduced in all hotels and clubs in December 2015.

e In Queensland, note acceptors can now accept all denominations.

f Player information must be displayed in casino.

g Only required to display contact information in venue.

h Cap on the total number of machines, and specific cap for total in hotels/clubs, but no numerical restriction on casinos.

i Problem gambling services also offered on-site.

j Withdrawal limits only on ATMs for class C gaming machine licensees with more than 20 machines.

k Generally excludes VIP/private gaming areas; casino, hotels and clubs have outdoor gaming areas which accommodate smokers.

Source: Australian Legal Information Institute (2014), SACES update with information for all regulators as at August 2015.

There is significant common ground across jurisdictions in terms of the responsible gambling measures, although the specific way in which they are implemented can vary considerably. For example, while some jurisdictions specify 'displaying clocks' as part of the code, other jurisdictions just require that players are made aware of the 'passage of time'.

There are a few measures that have yet to be adopted widely:

- ATMs are only completely banned from venues in hotels/clubs in Victoria and Tasmania, and in the ACT casino;
- limits on the size of wins from EGMs are only enforced in hotels/clubs in Queensland, New South Wales and South Australia;
- no jurisdiction currently has a state-wide pre-commitment system, although one will be introduced in Victoria in December 2015. The Crown Casino in Melbourne offers a voluntary pre-commitment system for loyalty card members as does the Star, Crown Perth and casinos in Queensland, as do some hotels/clubs in Queensland, New South Wales and South Australia; and
- whilst casinos can exclude problem gamblers in most jurisdictions, third party exclusion from EGM gambling in hotels and clubs is only available in Tasmania, the ACT and South Australia (South Australia, Section 59-61, Gaming Machine Act 1992).

In each State/Territory casinos are established and regulated by a Casino Control or Casino Agreement Act. Some have mandated codes of practice and other have voluntary codes including that licencing conditions incorporate obligations on casinos that are then capable of being used to support consumer protection and harm minimisation (e.g. electronic data collections, video surveillance systems that enable real time monitoring).

The following, listed under each state/territory, is a summary of the relevant Act under which mandated responsible gambling conditions are specified and then under the heading Responsible Gambling Initiatives are those activities each casino volunteered to Casino and Resorts Australasia (CRA) to summarise their activities with respect to responsible gambling measures. Appendix E provides a comparative list of harm minimisation strategies for each state and within each state, strategies that apply to clubs, hotels and casinos.

The major points of difference between clubs/hotels and casinos are the following:

- no limitations on 24/7 gambling in casino, enforced breaks in clubs/hotels;
- while all have bans on smoking, VIP gaming areas in most casinos are exempt;³⁰
- casinos have (most often) on-site assistance (or referral) for those seeking self-exclusion or are determined as having gambling problems;
- high value note acceptors are permitted in VIP gaming areas and on unrestricted machines;
- several casinos offer pre-commitment functionality (voluntary for the consumer) which is linked to loyalty card and allows for unrestricted play;
- no mandated jackpot limits in casinos; and
- casinos are able to introduce automated games.

³⁰ It is generally the case that casinos, hotels and clubs do provide outdoor gaming areas which accommodate smokers. The casino V P area is smoke free in Tasmania.

Both sectors of the gaming industry have similar restrictions, obligations or provision regarding:

- locations of ATMs not in gaming areas or not permitted in the entrance (of a casino);
- ban on credit gambling (Crown Melbourne has flexibility with respect to VIP international players);
- all have self-exclusion provisions;
- all have obligations for staff training;
- restrictions on payout of winnings by cheque apply to some casinos, most hotels/clubs;
- restrictions on entry;
- all have some form of restriction on advertising;
- all have various forms of loyalty schemes; and
- all have limits on the number of EGMs.

New South Wales

The Star

- The Star casino is licensed under the *Casino Control Act 1992*;
- while there is no de jure 'Code of Practice' by Authorities, the Act specifies minimum mandatory requirement on 'Responsible Gambling' as part of their licence conditions; and
- The Star casino has its own Responsible Gambling 'Code of Conduct' public document following the 'Queensland Responsible Gambling Code of Practice'³¹ for 'best practice'. The Star is part of Echo Entertainment Group, which also owns two casinos in Queensland.

Responsible gambling initiatives (2008-):

- on-site patron liaison manager;
- employs responsible gaming liaison officers;
- provides a remote self-exclusion program;
- voluntary pre-commitment as part of the loyalty program;
- list of problem gambling indicators based on Delfabbro (2007) research conducted for Gambling Research Australia titled 'Identifying Problem Gamblers in Gambling Venues';
- updates to Responsible Gambling Code of Conduct; and
- responsible gambling refresher for all staff.

Participation in:

- biannual Responsible Gambling Team Awareness Week which runs in late October and in February.

Victoria

Crown Melbourne

- the Crown is licensed under the *Casino Control Act 1991*;
- the *Gambling Regulation Act 2003* requires gambling licence holders (*including Casinos* - to have a Responsible Code of Conduct. Prior to December 2008, responsible gambling codes were voluntary; and
- the codes must be approved by the VCGLR³² and the 'Ministerial Direction'³³ specifies the minimum standards and requirements.

³¹ <http://www.echoentertainment.com.au/OurCommunity/ResponsibleGambling/Pages/default.aspx>

³² <http://www.vcglr.vic.gov.au/home/laws+and+regulations/codes+of+conduct+and+standards/codes+of+conduct/responsible+gambling+code+of+conduct>

³³ http://assets.justice.vic.gov.au/vcglr/resources/198fb5bc-7192-4e8d-9ae4-6d670321918f/ministerial_direction

Responsible gambling initiatives (January 2009 – June 2014):

- Crown on-site Responsible Gaming Support Centre (2002);
- Responsible Gambling Code of conduct introduced in 2009;
- Responsible Gambling Management Committee established in 2009;
- developed an advanced Responsible Service of Gambling module for staff;
- provision of responsible gambling information for all employees at induction;
- various responsible gambling media distributed to patrons including hotel guests;
- in 2010 established a Responsible Gaming Board Committee;
- voluntary pre-commitment option for loyalty card members;
- operates a self-exclusion program and follow-up with self-excluded patrons three months after exclusion;
- various updates of the Responsible Gambling Code of Conduct; and
- additional information now sought on prior exclusion when applying for Signature Club membership.

Participation in:

- the National Association for Gambling Studies conferences;
- the annual Responsible Gambling Awareness Week;
- the Responsible Gambling Ministerial Advisory Council working groups and steering committees;
- the Auckland University of Technology Think Tank on Gambling Research, Policy and Practice annual think tanks.

Queensland**Conrad Jupiters, Conrad Treasury and Jupiters Townsville**

- all casinos in Queensland, except the Reef Casino in Cairns, are licensed under the *Casino Agreement Act 1993*. The Reef is licensed under the *Cairns Casino Agreement Act 1993*; and
- voluntary 'Queensland Responsible Gambling Code of Practice'³⁴ developed by 'Whole of industry approach' and 'Responsible Gambling Advisory Committee (RGAC)'. While 'Code of Practice' is voluntary, some items are mandatory, part of licencing requirements.

Responsible gambling initiatives (2008-):

- responsible gambling liaison officers and services are available to patrons 24 hours 7 days a week;
- responsible gambling training for all staff at induction;
- voluntary pre-commitment;
- multisite exclusions;
- register of excluded persons;
- various gambling help media;
- list of problem gambling indicators based on Delfabbro (2007) research conducted for Gambling Research Australia titled 'Identifying Problem Gamblers in Gambling Venues'.

Participation in:

- various responsible gambling meetings and forums;
- a biannual responsible gambling team awareness week.

³⁴ http://www.echoentertainment.com.au/OurCommunity/ResponsibleGambling/Documents/Responsible_Gambling_Code_Of_Practice_V2.pdf

South Australia

Adelaide Casino

- Adelaide Casino (formerly SkyCity) is licensed by the *Casino Act 1997*;
- there are mandated 'Code of Practice'. Separate 'Responsible Gambling' and 'Advertising and Promotion'. Codes vary by gambling form and providers³⁵; and
- advertising by the Casino is regulated by the *Adelaide Casino Advertising Code of Practice 2011(version 3)*, *Adelaide Casino Advertising Code of Practice 2008*.

Responsible gambling initiatives (2008-):

- Responsible gambling liaison officer 24/7;
- various responsible gambling media in various languages;
- Introduction of Exclusion Agreements;
- responsible gambling training for staff;
- a central barring registry referred to the IGA; and
- on-going association with gambling counsellors.

Participation in:

- Gambling Awareness Week and Consumer Voice forum (hosted by Relationships Australia).

Western Australia

Crown Perth

- The Crown Perth (formerly Burswood Casino) is licensed under two Acts:
 - *Casino Control Act 1986*;
 - *Casino (Burswood Island) Agreement Act 1985*, originally enacted to ratify and authorise the building of the Resort Complex including Burswood Casino. There are still a number of on-going obligations that remain relevant with the change of ownership;³⁶
- a number of voluntary codes in operation. The Crown Casino has its own 'code of practice'.³⁷

Responsible gambling initiatives (2008-):

- Opened Responsible Gambling Information Centre in 2009;
- Crown Responsible Gambling Committee (CRGC);
- Various responsible gambling help media is provided for gamblers, their partners and families in various languages;
- Staff undergo responsible service of gambling training and refreshers;
- Pre-commitment is offered to patrons; and
- In 2011, ran a problem gambling awareness campaign on the theme of "Where does the fun stop for you?".

Participation in:

- Responsible Gambling Awareness Week;
- the National Association for Gambling Studies conferences;
- annual responsible gambling forum.

³⁵ <http://www.iga.sa.gov.au/reginstruments.aspx>

³⁶ <http://www.rgl.wa.gov.au/Default.aspx?NodId=141>

³⁷ https://www.crownperth.com.au/getmedia/0b5021d4-2a81-4217-8d84-b6d6efc0b579/1301-09-RSG-Code-of-Practice_WEB-version.pdf

Tasmania

Wrest Point and Country Club Tasmania

- Wrest Point (Hobart) and Country Club (Launceston) Casinos are licensed under the *Gaming Control Act 1993*; and
- Regulated through mandatory codes developed by the Tasmanian Gaming Commission.³⁸

Responsible gambling initiatives (2008-):

- Responsible gambling manager (at both sites);
- Responsible gambling incident register;
- Information sessions on responsible gambling for staff and patrons; and
- Tracking of players in the premium player loyalty program, strict controls and access, no marketing of the program.

Australian Capital Territory

Casino Canberra

- The Casino Canberra is licensed under the *Casino Control Act 2006*;
- developed by the ACT Gambling and Racing Commission³⁹, the *Gambling and Racing Control (Code of Practice) Regulation 2002* is the mandatory code made under the *Gambling and Racing Control Act 1999*.

No additional information was provided by Casino Canberra.

Northern Territory

SkyCity Darwin and Lasseter Casino

- all gambling providers, including Northern Territory's two casinos (Sky City Darwin and Lasseters Casino Alice Springs) are licensed under the *Gaming Control Act 2012* of which the *NT Code of Practice for Responsible Gambling*⁴⁰ is mandatory.

Responsible gambling initiatives (SkyCity Darwin) (2008-):

- biannual responsible gambling refresher training for staff;
- maintains a log of staff observations and interventions;
- introduce initiative to ban self-exclusion patrons who breach their agreement; and
- Responsible gambling literature is provided in various languages.

Responsible gambling initiatives (Lasseters):

- Responsible gambling liaison officers; and
- various responsible gambling literature is provided in a variety of languages.

Participation (by Lasseters) in:

- National Association of Gambling Studies conference (compliance manager attended); and
- gambling awareness week.

³⁸ [http://www.treasury.tas.gov.au/domino/df/df.nsf/lookupFiles/MandatoryCodePractice1.1.pdf/\\$file/MandatoryCodePractice1.1.pdf](http://www.treasury.tas.gov.au/domino/df/df.nsf/lookupFiles/MandatoryCodePractice1.1.pdf/$file/MandatoryCodePractice1.1.pdf)

³⁹ <http://www.legislation.act.gov.au/sl/2002-28/current/pdf/2002-28.pdf>

⁴⁰ file:///U:/SACES/2014/Casino%20Gambling/Code%20of%20Practice/NT/responsible_gambling_code_of_practice.pdf

5.4 Responsible gambling: casinos vs hotels and clubs

Where State/Territories have both a casino and EGMs in hotels and clubs across the community it is invariably the case that aggregate expenditure on community based EGMs is significantly larger than total casino expenditure except in one case – that of the Northern Territory. In Victoria 49.1 per cent of total expenditure comes from EGMs; in South Australia and New South Wales some two-thirds; the Australian average is 53.2 per cent.⁴¹

However, in Tasmania, the share of total gaming expenditure is approximately equal for the two casinos relative to community based EGMs, and in the Northern Territory the casinos share of gaming expenditure is 15.1 per cent and community based EGMs 9.0 per cent.⁴² The explanation for the difference between all casinos and the situation in Tasmania and the Northern Territory is that they host a far greater number of EGMs in their casinos – Tasmania 33 per cent; Northern Territory 48 per cent. Markham et al (2013) maintain that size does matter – “that bigger venues such as large clubs and casinos – are more dangerous than their smaller counterparts” (p. 1) based on a study of venues in the Northern Territory.

The diversified gambling offerings of casinos including operating conditions such as unrestricted play, 24/7, linked and large jackpots, other incentives and the much larger number of visitations, all contribute to the generally higher average revenue per EGM, but do not of themselves confirm any relationship between venue size and gambling harm. A much more detailed study would be required including an assessment of how effective are responsible gaming measures of casinos relative to hotels/clubs.

It is also important not to treat “large venues” or casinos as a single, homogeneous entity.

Arguably, those casinos that have much more limited offerings, have a high number of EGMs and a high absolute number relative to table games in their premises and that are almost exclusively focussed on the local market (remembering casinos on aggregate say 80 per cent of patrons are local but some would be closer to 100 per cent) pose a greater community risk than several of Australia’s larger casinos that have high VIP participation, large international participation and more sophisticated patron identification and exclusion systems. “Evidence” that gamblers spend more on each pokie in larger venues” (p. 3) is not evidence that large venues are more dangerous than local clubs/hotels. It may simply be that machines operate for a greater number of hours and casinos have a much greater number of patrons. However, it may also be that casinos are permitted to host ‘unrestricted machines’ that do have the capacity to increase player losses in a given period of time (i.e. faster spin rates, no bet limits).

Most research in fact points to the importance of accessibility to the opportunity to gamble as a significant factor in problem gambling, which is one reason why the industry promotes casinos as “destination venues” relative to convenience venues even though this terminology was used to identify single site destinations such as Las Vegas when it had a monopoly on casino gambling. When each capital city has a casino, up to 5 regional casinos and with supply growing world-wide, the term “destination venue” has lost a good deal of its descriptive intent.

⁴¹ SACES calculations from National dataset.

⁴² Sports betting and wagering on horse racing dominate Northern Territory expenditure due to the presence of a dozen licensed betting agencies.

6. Regional Impacts of Casinos

Summary of Findings

Local Economic Impacts

- Australian casinos are not homogenous. Those that are successful in targeting the tourist market are more likely to increase local benefits than casinos that predominantly rely on the local population.
- Casinos can only unambiguously increase economic activity in their region through inducing expenditure from tourists.
- The more casino expenditure is derived from tourists the larger the positive net economic impact to the local economy. Net economic impacts will be larger because of additionality rather than substitution.
- International VIP program play is estimated to have contributed AU\$1.2 billion in casino gaming revenue.
- From an economic perspective taxation revenue does not represent a benefit of an economic activity but a transfer from those who choose to gamble to government.
- EGMs and casinos have contributed to an increase in the real value of gambling expenditure and they have displaced other gaming expenditure.

Motivations for Casino Gambling

- Studies show people's reasons for gambling at casinos are influenced by the range of activities available and varies according to people's demographic, notably age and gender.
- Venues with gaming tables tend to attract males while women are more likely to gamble on EGMs. Males generally are attracted to skilled play on table games.
- Frequent patrons, often middle aged and older tend to have less social supports and whose gambling behaviour is influenced by life-cycle situational factors. Social stimulation and entertainment are reasons to visit a casino. Nevertheless, they represent a potential sub-group of problem gamblers.
- Cross cultural studies confirm that table games with a skill orientation (and luck associated with baccarat) are very popular in Asia communities.

6.1 Casinos and their local population

Social and personal impacts of casinos on the community

A number of studies have been conducted to examine whether opening a casino has a significant impact on the frequency of reported gambling as well as the prevalence of problem gambling and related harms. Some of these are based largely on aggregate data (e.g. changes in bankruptcy rates or crime rates), whereas others have conducted longitudinal investigations that examine the situation before and after the establishment of the casino.

A study by Govoni et al. (1998) compared the results of two n=2,500 surveys conducted before and after the opening of the very lucrative Windsor casino in Canada. The results showed no self-reported increase in gambling expenditure and no significant change in the prevalence of problem gambling. Another study by Jacques and Ladouceur (2006) and Jacques et al. (2000), examined the effects of opening a new casino in the Canadian City of Hull and compared the changes in Hull with Quebec City, a place where no such change had occurred. In a first paper, the authors compared the results obtained by surveying residents before and one year after the casino had opened. The results showed that Hull residents had increased their reported visits to casinos and slot-machine frequency from pre to post evaluation. Hull residents reported losing more money after the casino had been established, but there was a decline in lottery participation. Although there were no significant differences in problem gambling rates between the two surveys, more people in the second survey reported knowing someone who had been negatively affected by gambling. In a subsequent paper in 2006, the authors hypothesised that the original one year follow-up might have been insufficient to discern the possible

impacts of the new casino and so additional waves of data were collected. This new paper compared pre-opening data with those obtained at 2 and 4 year follow up points for 200 residents in both locations. At pre-test 1.36 per cent of Hull residents were classified as problem gamblers vs. 0.50 in Quebec City); at 1 year the comparison was 1.66 vs. 0.48; at 2 years 1.46 vs. 0.00 and 0.99 vs. 0.44 at the four year point. In other words, there was no evidence of any systematic increase in problem gambling in Hull over time since the opening of the new casino. The authors argued that their findings were consistent with the observations of Schaffer et al. (2004), who suggest that the relationship between gambling accessibility and problem gambling does not necessarily increase over time because: (a) people learn to adapt to gambling activities and (b) products lose their novelty. These hypotheses were further supported by a third study conducted by Sevigny et al. (2008) which examined trends in gambling in Quebec 10 years after the opening of casinos in several cities. The study showed that those who lived closer to casinos gambled more, but that PG rates were not related to proximity. Longitudinal data showed no trend towards an increase in PG over time, consistent with adaptation theory.

Another Canadian study by Room et al. (1999) examined the effects of the opening of a casino in Niagara Falls in 1996. A survey of just over 1,000 residents was conducted by phone prior or around the time of the opening and then over 600 were interviewed again. The authors also examined the results from two provincial cross-sectional studies conducted around the same time period (one from Ontario- a control comparison vs. Niagara). They found that the amount spent on non-charity casino gambling increased in both places between two measurement points, but significantly more in Niagara Falls. By contrast, expenditure on lotteries, VLTs outside casinos, racing and instant lotteries all declined. People were also more likely to report having gone to a casino in 1997 vs. 1995 (43 per cent vs. 11 per cent). For low income people, the increase was 6 to 34 per cent and for high income, 20 to 49 per cent. Overall scores on the SOGS increased significantly from 1995 to 1997 in Niagara Falls, but not in the province as a whole, although there was no evidence that the proportion of pathological gamblers (5+ on the SOGS) had increased. The authors argued that the benefits of the casino were probably outweighed by the costs because, as they pointed out: "Neighbouring cities tend to build counter-attractions to win the commerce, revenue and employment back to their side of the river (pp. 1463-1464). They suggested that much of the revenue is likely to have come from local residents and to have been diverted from other entertainment expenditure.

These themes were also examined by Mohsin and Lockyer (2008). As they pointed out: a major issue in the casino area is the extent to which a casino brings in money from outside as opposed to attracting people from the local community and thereby diverting wealth from other local activities. In this paper, 950 residents were surveyed about 5 years after the opening of the Hamilton casino in New Zealand. The authors compared the demographics of those who had or had not visited the casino and the attitudes which people held towards the casino. The results showed that women were generally more concerned about the negative effects than men. Most of those who reported visiting the casino indicated that it was not just for the gambling, although it was not clear whether much advantage had been taken of the amenities given that most visits were only 2 hours. Those who had *not* visited a casino were much more likely to say that casinos caused problems to the community. Benefits were also more likely to be endorsed by those who visited the casino. It was concluded that casinos would, from a marketing perspective, be best served to maintain their existing customers and to promote the non-casino elements of their operation to those who do not otherwise gamble or visit the casino for that reason.

Arguments concerning the distribution of harms or benefits arising from casino gambling, including the degree to which they are borne by local communities is also explored in an Australian paper by Markham et al. (2014). This paper examined the spatial distribution of casino markets in Australia and used data drawn from the National Visitation Survey to work out which casino attracts the most visitors

(although with many caveats). Based on these analyses, the authors argued that casinos in Australia very likely fall into three main clusters. There are those which have impacts in small localised markets: Canberra, Alice Springs and Hobart; those which attract patrons from different parts of the State such as SkyCity Adelaide, Queensland casinos, and Crown Perth; and then the large casinos (Crown in Melbourne and Star City in Sydney) which attract visitors from both national and international markets. The authors argue that the distribution of casino impacts, whether “positive or negative, are spatially patterned.” Those casinos “that target tourist markets may experience increased local benefits and diminished local harms compared with those that rely predominantly on a local market.” As a consequence, it is argued that “Policy makers may wish to treat gambling venues that cater to local markets quite differently to those serving international tourists”. It is noted that policy makers need to consider the role of cross-border effects. If people come from other States to gamble, tax revenue is lost from that other state and harms are incurred by residents of the other States. A common outcome of this, as in North America, is that each jurisdiction tries to stem the flow of people and revenue out of their local area by building their own casinos. According to McMillen (1996), this strategy is probably not a long-term viable business model because of the limited scale of the market in Australia and the ability to compete with growing international competition.

Impacts on gambling related harm

A number of studies have examined aggregate data to examine whether the introduction of casinos leads to detectable increases in community harm. For example, Nichols et al. (2004) examined suicide and divorce rates in US communities that had casinos and compared these with economically and socially matched comparison areas. The study found no evidence of any increase pre and post rates in areas that had established casinos and no differences between the casino areas and controls.

Similar results emerged in a study by Grote and Matheson (2014) who reviewed literature and did their own research into the relationship between casino operations and bankruptcy filings in the US. Once again, no significant relationship was found. Another US study by Daraban and Thies (2011) examined the relationship between lottery gambling and casino gambling per capita and bankruptcy rates in 90 US communities. They found that casino gambling elevated the risk, but not much more than lottery gambling, suggesting that other factors probably accounted for the slight increase in bankruptcies. By contrast, Goss et al. (2009) found an association between bankruptcy rates and casino opening using a panel of US county-level data from 1990 to 2005. They found a variable impact over time: an increase after the casino had opened, followed by a fall, and then another increase. They attributed this pattern to some of the inherent characteristics of problem gambling; namely, the fact that problem gamblers often lose the ability to finance their gambling after initially experiencing problems, but then return gambling once they have sufficient funds.

Barthe and Stitt (2009) examined crime rates, crime types and hour of the day in areas proximal or not proximal to casinos in Reno, Nevada. Consistent with several previous studies, they found no evidence that casino areas have a higher prevalence of crime. Finally, in a study by Giacomassi and Stitt (1994), a comparison was conducted between the documented crime rates in Mississippi before and after the opening of a casino in Biloxi. There was some increase in larceny or property theft, but few changes in other categories, although it is unclear whether this represents a genuine increase in crime, a gravitation of higher risk populations into casino areas or more vigilant policing in casino areas.

Theoretical accounts of the potential impact of gambling have been developed and most of these propose the community impacts proceed through a series of stages (Kang et al. 2008; Lee et al. 2003, 2010). Some theories propose that there is initial scepticism that mollifies into acceptance over time, whereas others argue that community becomes more aware of the problems/ harms over time.

Kang et al. argue these inconsistencies are probably best reconciled by analysing the effects in terms of 'social exchange theory' (Hormans, 1958). This approach suggests that 'all human relationships are formed by the use of a subjective cost-benefit analysis' (p. 683) and that a person will reject an activity "when the person perceives the costs of a relationship are outweighing the perceived benefits". The prediction is that people will tend to support casino gambling when there are perceived personal benefits resulting from it and when they are not personally affected by the negative consequences. In support of this view, the authors surveyed 379 residents in Colorado and showed how the perceived negative social impacts diminish over time and that the relationship between this perception and variables relating to gambling (e.g. its scale or the proximity of gambling opportunities) grow weaker.

In summary, the majority of studies that have examined casino operations suggest that there is little evidence that casinos lead to significant increases in community harm. Although the introduction of a casino can displace revenue from other forms of gambling and encourage more people to gamble, such operations do not appear to lead to sustained increases in problem gambling or related harm.

6.2 Why do consumers visit casinos

Motivations for casino gambling

Numerous studies have been conducted to understand people's motivations for gambling at casinos. Some of these have focused on design features of casinos (Finlay et al. 2006,2010; Noseworthy and Finlay, 2009); other more marketing-focused studies have examined the reasons for visits in general (e.g. Perfetto and Woodside, 2009; Walker and Hinch, 2006; Walker et al. 2005), whereas psychological studies have attempted to examine why people gamble in general or on specific activities. Studies have also attempted to find association between certain demographic characteristics and gambling motivations of choice of activities.

Studies of broader gambling motivation show both similarities and differences. Some are based on psychological or sociological theory, whereas others are more marketing orientated and are based on the development of common-sense categories or typologies. Some ask about casino activities in general, whereas others focus on one category of activity. For example, a study by Chen et al. (2013) in the United States invited 1,018 casino gamblers (subscribers to the magazine *Strictly Slots*)⁴³ to complete an Internet-based survey. The authors identified 5 main clusters of gamblers. There were those who gambled for 'utilitarian' reasons (e.g. socialising). This group was generally older and married, often on a pension. Another group, typically younger people, gambled for excitement. Another group gambled for 'relaxation'. A fifth group gambled for a variety of reasons (the 'multi-purpose group'). Typical slot-machine gamblers at American casinos tend to be female and aged 55-60 years with some college education, a modest income and usually home owners. Most (78 per cent) of these people were medium and light gamblers who played at most twice per month. Their main motivation to play slot-machines was hedonistic, utilitarianism (to socialise) as opposed to realistically trying to win money. These findings are mirrored by results in Canada. Walker et al. (2005) reported that many local males tend to be attracted to gambling because of the skilled games whereas a lot of the tourists tended to be women on tour buses who came to play the slot-machines.

⁴³ It should be noted that magazine subscribers in the USA are older than the population as a whole, a median age of 49 years compared to 45 years, and wealthier, with a median household income of US\$80,000 compared to US\$60,000 (Pew Research Center's Project for Excellence in Journalism, 2013), and so it may not necessarily be the case that the demographics of subscribers to magazines about slot gaming machines matches the demographics of regular slot gaming machine players.

Another Canadian study by Walker et al. (2007) drew upon an early typology developed by Cotte (1997) and investigated four main motivational categories. Cotte's work suggested that motivations would fall into four principal categories:

1. economic (to win money);
2. symbolic (about identity and belonging);
3. hedonic (enjoyment and escape); and
4. experiential consumption motives.

A sample of 900 residents were surveyed in Western Canada and administered a number of items relating to motivation. The study revealed five main factors:

- a. risk-taking or rush;
- b. learning/ cognitive (to be considered skilful);
- c. escaping problems;
- d. communing (social); and
- e. motivational (to be in control, to be yourself).

Male gambling was found to be more strongly related to risk-taking/ rush and learning/cognitive factors, whereas women did not, however, score higher on the emotional or communing factors. In other words, people gambled to win money, because of the excitement or enjoyment, to escape from problems, to be with friends or because it was somewhere where they could experience freedom of action away from the constraints of their everyday lives. Another study in Macau conducted by Zhou et al. (2012) surveyed 306 residents to determine what factors influenced people's preference for games. A skill orientation was slightly associated with poker and negatively associated with slot machines. By contrast, a belief in luck was associated with baccarat, lotteries and slots.

More specific studies suggest that these motivations very likely vary according to people's demographic characteristics, most notably their gender and age. Much of the Australian literature on this topic is reviewed by Delfabbro (2000, 2011). Evidence from almost every prevalence study (see above) suggests that, if women visit casinos, they are statistically more likely to gamble on EGMs than other forms of gambling, most notably table games (Brown and Coventry, 1997; Delfabbro, 2000; Di Dio and Ong, 1997; Quirke, 1996; Scannell, Quirk, Smith, Maddern and Dickerson, 2000; Walker, 1992). Several explanations are advanced to explain these differences. One view advocated by Walker (1992) is that traditional casino games (and also activities such as sports and racing) have a long-term association with male culture which makes them less appealing to female gamblers. Venues or locations (e.g. gaming tables) where such activities are undertaken tend to be highly populated by males. Women may, therefore, avoid these locations because of the possibility of attracting unwanted attention from males; because there are few other women present; and also because they do not find the environments very aesthetically pleasing or physically comfortable. Such impediments would not apply to the gaming machine areas of casinos. There may, in some cultural groups, be a stigma associated with being seen to gamble in a very publicly visible area such as a gaming table. In support of this view, Delfabbro (1998), based on a survey of over 100 casino patrons at the Adelaide Casino, found that women reported avoiding casino table games because of the lack of other female players and the 'unhealthy' nature of the environment- although it was clear that this was not the only reason.

Another important factor, as Delfabbro (2000) has argued, is that their choice of gambling game very likely reflects broader differences in activity preferences. According to this view, males and females, even from an early age, prefer different sorts of games as a result of early socialisation experiences with parents and peers. Research into school-yard games has consistently demonstrated that boys tend to prefer more aggressive competitive activities, usually involving some test of physical mettle, and/or an

element of risk, whereas girls (although only at a group level) tend to prefer more co-operative activities involving precision and skill (Griffiths, 1995). If these early gender differences in activity preferences are replicated in adolescence and adulthood, it will explain why more males gravitate towards competitive, often skill-based, gambling tasks such as card games, race and sports betting. Through early socialisation from other male family members, they will come to have greater knowledge about how to participate in these activities (e.g. the rules of blackjack, how to fill out a betting form, or read a form-guide). As a result, these activities will be more familiar and accessible by the time these boys become adults. In support of this, Delfabbro (1998) found that male casino visitors rated 'to test their skills' significantly more highly as a reason for gambling. Women were significantly more likely to identify that 'they did not know how to play' as a reason for avoiding card games. Similar findings emerged in a Victorian study conducted by Pierce, Sagris and Loughnan (1997) that sampled problem gamblers at a treatment agency. Using a multidimensional rating instrument called the G-Map, they reported that male gamblers were significantly more likely than females to rate a desire for control and prediction as a significant motivation for gambling.

Another explanation discussed by Delfabbro (2000, 2011), Brown and Coventry (1997) and Brown et al. (1999), and which is supported by the work of Pierce et al. (1997), is that women may have different motivations for gambling. Men appear to be more strongly motivated by extrinsic factors such as 'to win money', 'to beat the machine or table', to test their skills or to outperform their rivals, whereas women appear to have more intrinsic motivations; namely, to use gambling as a form of escape from stress, boredom or anxiety, or to relax (Hallebone, 1999). In recent years, a number of studies have provided evidence for gender-based motivational differences. A study by Pierce et al. (1997) found that women scored significantly higher on a G-Map factor called 'Oasis', indicating that female problem gamblers were significantly more likely to report using gambling as an avoidant coping strategy, that is, as a way to deal with anxiety. Such anxiety reduction has been consistently associated with a preference for gaming machines as opposed to activities such as casino table games which typically involve more skill, knowledge or concentration.

Some studies have also examined factors associated with age-differences in casino gambling. Why do older people attend and gamble at casinos and do they gamble on the same activities as younger people? As Nower and Blaszczynski (2008) have pointed out, casino gambling (and gambling in general) amongst older people is likely to have both benefits and risks. Although gambling can increase the risk of problem gambling and often create concerns about the accessibility of mainstream counselling services for older people (if they do experience problems), the risks of problem gambling appear to be lower in older people than in younger people. In some contexts, gambling may indicate engagement, mobility or social/community engagement. Consistent with the perspective advocated by 'activity theory', gambling may therefore be associated with better health (Franco et al. 2011). Evidence in support of this argument is, however quite sparse. In one study of 1,410 older people (60+) and gambling (Zarnek and Chapleski, 2005), it was found that it was the 61-74 group who were most likely to visit casinos. This group were more likely to be widowed, to have less education, to have no transportation and earned less than \$20k per year. Frequent patrons also tend to have less social support. Those who frequented casinos actually tended to have poorer wellbeing than those who do not and this was possibly because generally more disadvantaged groups are more likely to gamble and go on casino tours. Nower and Blaszczynski conducted a survey of 1,601 individuals applying for exclusion at Missouri casinos (10 per cent of these were older adults). The older sample was more likely to be female and to have started gambling at an older age. The authors concluded that: "older gamblers represent a distinct subgroup of problem gamblers whose gambling behaviour is likely tied to situational factors in middle age that prompt initiation and rapid escalation of gambling activity, particularly among women" (p. 582). They found that most (93 per cent) had gravitated towards non-strategic forms of gambling such as EGMs.

Another study by Martin et al. (2011) surveyed 247 older Americans (60 years and older). The principal focus of the study was to investigate the elements of 'self-determination theory' which differentiates motivations based on the extent to which they satisfy internal or intrinsic needs as opposed to extrinsic ones. The 247 were sampled from a Detroit assessment of older adults; around 50 per cent reported visits to casinos; socialisation was rated important by 50 per cent; 80 per cent for entertainment and 63 per cent to win money; coping with loss was important for 22 per cent and dealing with boredom or loneliness was reported by 38 per cent. Most went to casinos to play slot machines. Another study by McNeilly and Burke (2000) found that older patrons at casinos in Nebraska were more likely to gamble to relax and to have fun (intrinsic motivation) rather than for monetary reasons. A study conducted by Hope and Havir (2002) found that older people rated social stimulation (35 per cent) and trying something new (24 per cent) as more important than winning money (6 per cent). Another study by Wiebe and Cox (2005) using a Canadian telephone survey showed that stimulation and rewards were the most important motivations for older Canadians.

Some studies have also examined the role of cross-cultural differences in casinos. Studies have shown that casino gambling is the most popular form of gambling in the Chinese community, as evidenced by McMillen et al. (2004) in Sydney which found that over 50 per cent of gambling expenditure by the Chinese community was spent at the casino. It is known that dice and card games are popular in Chinese culture and in many European countries and that Chinese people will often gamble to celebrate important cultural days (Oei and Raylu, 2009). Some studies have also looked at the characteristics of gamblers in casinos. Kim et al. (2002), for example, conducted a study of Korean casinos, a country which has only recently allowed local residents to gamble on Korean soil. This study surveyed 230 casino workers to obtain perceptions concerning differences between tourists drawn from different nations. The results showed quite significant differences in perceptions of Japanese vs. Chinese visitors. "Chinese customers were perceived to exhibit the most disruptive behaviour in the casino and generally moved from table to table as a group." (p. 516). Japanese were the least disruptive. Japanese and Korean guests were very polite and tipped, whereas the Chinese did not. Chinese purchased from the bars to avoid tipping. Japanese purchased their own drinks, often had soft drinks as well, were very organised and complied with rules. Chinese were the least likely to follow rules and were more likely to leave tables in an untidy state. Westerners tended to engage in many of the same behaviours as the Chinese patrons.

In summary, studies of gambling motivations show that people's reasons for gambling at casinos is likely to vary considerably, very likely due to the range of activities which are available. In very general terms, it can be concluded that younger males are generally attracted to casinos because of the desire to win money through the application of skilled play on table games, whereas women appear to prefer EGMs and activities which allow greater escape. Older patrons also appear to have similar motivations. Cross-cultural studies show that table games are often very popular in the Asian community and that there may be some subtle differences in their habits and behaviours of people drawn from different parts of the continent.

6.3 Local economic impact of casinos

In the following section we consider the economic impact of casinos. A holistic approach is taken with both the benefits and costs of casinos being considered. We first look at the various economic benefits of casinos before turning to the potential costs.

The following discussion draws on various sources including Eadington (1999), Mallach (2010), Walker (2013) and SACES (2008). There appears to be limited literature that formally considers the economic impacts of casinos in an Australian context, with much of the literature instead focusing on economic impacts in the United States of America (USA). There are some major differences in the casino

environment between Australia and the USA which may significantly affect how economic impacts manifest in the two settings. These differences should be borne in mind when considering the following discussion and are highlighted where pertinent. Nonetheless, the broad framework for considering the economic impact of casinos remains the same for both regions.

Economic benefits

As Chapter 2 summarised, there was a large expansion of the casino industry and associated gambling expenditure in Australia during the early to mid-1990s as casinos were introduced to those remaining states and territories without casino gambling (i.e. Victoria, New South Wales and the ACT) and additional casinos were established in Queensland. This significant expansion reflected increasing recognition of the potential benefits that may be derived from casinos. Several types of benefits were generally identified in support of casino gambling, including:

- economic development benefits to the local region (job creation, investment, tourism attraction, urban redevelopment, etc);
- a source of taxation revenue for governments; and
- utility for consumers who derive enjoyment from the consumption of casino gambling.

We discuss these various benefits in turn.

Economic development benefits

Proponents of casinos often identify the additional local economic benefits that casino developments will provide in terms of additional investment, jobs and incomes. Establishment of a casino in the first instance will typically involve significant capital costs as the casino is constructed, leading to increased demand for construction workers and purchases from local suppliers. While these impacts may be relatively significant they are ultimately short term and quickly fade away. In the longer term the operation of a casino has an impact on the local economy through its direct employment, purchases of goods and services and potential reinvestment of profits (e.g. by improving facilities, services offered). These direct impacts have flow on or multiplier effects as casino employees themselves purchase goods and services, likewise with local suppliers of the casino and so on.

In considering the potential economic development benefits one must be careful to distinguish between gross and net economic impacts. Since resources and incomes are limited, establishment of a new activity will typically displace other similar forms of economic activity. That is, in order to finance expenditure on a new activity consumers will generally reduce expenditure on other existing activities. While consumers can increase their overall consumption in the short term by taking on higher debt levels or by reducing their savings, this ultimately reflects a shift in the timing of consumption from the future to the present rather than an increase in the overall level of consumption.

In the case of casinos, their introduction will typically lead to a reduction in spending on other forms of gambling. For instance, modelling by Elliott and Navin (2002) found that in the US each additional dollar of expenditure on riverboat gambling reduces gross state lottery expenditure by \$1.38. Other studies (SACES 2008) indicate substitution effects that are evident in aggregate trends in gambling expenditure.

The introduction of EGMs into hotels and clubs has provided strong competition for casinos, especially the smaller and regional casinos that do not attract international VIPs or domestic premium, high net worth players. In the Australian context it is generally accurate to conclude that a degree of expenditure switching away from lotteries, racing and other forms of gaming has followed the introduction of gaming machines and casinos. Three points in summary can be made:

- overall, the introduction of EGMs and casinos has led to an increase in the real value of gaming expenditure;
- EGMs and casinos combined have displaced other gaming expenditure and continue to be the growth sectors of gaming; and
- generally, the growth in expenditure on EGMs has displaced expenditure in casinos in the smaller states.

Analysis of casinos and the gambling industry, by state and territory is included Appendix A.

Substitution effects are not limited to gambling expenditure; since many casinos also provide non-gambling services such as meals, drinks, lodging etc., local competitors providing similar services may also receive less income than they otherwise would have in the absence of the casino.

Given the potential for substitution, a major influence on whether a casino has a positive net impact on the local economy is the extent to which casino expenditure – including non-gambling related expenditure made within the casino – is derived from persons located outside the region i.e. by tourists. Spending by tourists essentially reflects a transfer of economic activity from their region of origin to the region in which the casino is located. Thus the greater the degree to which casino expenditure is derived from tourists then the larger the positive net economic impact to the local economy (see Section 6.4).

In addition to increasing tourism exports, the introduction of casinos in Australian states and territories was driven in part by a desire to discourage local residents from visiting interstate casinos, or in other words to facilitate import substitution. With casinos now established in each state and territory the scope for increasing interstate gambling exports would be greatly diminished although not entirely eliminated. In fact, from a national perspective, casino expenditure by Australian residents simply reflects shifts in economic activity between regions rather than an increase in overall economic activity.⁴⁴ In this sense the net economic impact of casinos in Australia is a direct function of the level of spending by overseas visitors or international tourists. Of these, Very Important Persons (VIPs) or high rollers represent a key demographic, comprising wealthy individuals who favour high stakes gambling and are willing to travel globally to do so. The VIP market has grown in response to rapid economic growth and increasing wealth in Asia, and is likely to continue to do so in the immediate future. Data from the Allen Consulting Group (2011) indicate that while international visitors accounted for only 5.1 per cent of total casino patrons in Australian casinos in 2009/10, international VIP program players alone accounted for about one-fifth of casino gaming revenue.

States and/or casinos appear to be increasingly competing for and targeting tourist and VIP dollars, including potentially domestic VIPs, by looking to establish 'destination' style casino venues. Such venues offer various additional resort style facilities and services including accommodation and entertainment in order to attract tourists, effectively providing a destination in-themselves. Examples of resort style casinos currently at the planning stage include the Aquis Resort casino near Cairns and the Broadwater Marine Project on the Gold Coast. To date Australian casinos have arguably fallen short of major overseas destinations such as Las Vegas and Macau where the agglomeration of casinos and provision of various entertainment services provide a strong tourism draw. Given the international mobility of VIPs international competition for this segment remains significant such that provision of higher quality facilities, services and other inducements are routinely being offered and developed to

⁴⁴ This point highlights the fact that the estimated economic impact of casino gambling will in part reflect arbitrary factors in terms of how the local region is defined. The smaller the study region in geographic terms or population coverage then the relatively larger would be the net economic impact. For instance, if the local area is defined as being the capital city in which the casino is located then the estimated net economic impact will be relatively larger than had the whole state or territory been considered given that in the former case some of the economic impact would simply reflect a transfer of economic activity from non-capital city areas of the state to the capital city.

target VIPs. For example, state governments often provide lower tax rates for revenue earned from high rollers than other gamblers in recognition of the significant domestic and international competition for this customer segment (PC 1999). Such taxes are consequently regressive in the sense that more wealthy individuals are taxed at a relatively lower rate compared to other 'average' gamblers. Governments consequently face a difficult balancing act in setting taxation arrangements in order to maximise net economic benefits.

In a response to this study Casino and Resorts Australasia (CRA) re-commissioned Acil Allen Consulting to update an earlier economic impact assessment of casinos in the Australian economy. The methodology was the application of input-output tables that report the economic footprint of an activity or industry sector. One of the benefits of I-O analysis is it highlights the economic linkages between sectors of the economy such as construction, purchases of food and beverages by casinos.

Table 6.1 summarises the economic contribution of casinos at 2009 and 2015.

Table 6.1: Economic contribution of casinos: 2009 and 2015^(a)

	2009	2013/14
Direct employment	19,737	19,657 (FTE)
Capital expenditure (million)	\$321.4	\$551.6
International VIP gaming revenues (million)	\$552.9	\$1,178
Casino operations (million)	\$2,118.4	\$3,598

Note: (a) 2009 results based on data for 2007/08.

Source: Allen Consulting Group (2009), "Casinos and the Australian economy.", and AC L Allen Consulting (2015), "Economic Contribution of Casinos to the Australian Economy".

In 2013/14 the casino industry directly generated \$3.6 billion (0.23 per cent of Australian GDP) with direct employment of 19,657 FTE positions (0.20 per cent of FTEs employed) resulting in consumption and production flow-on impacts of between 34,700 to 49,600 employment positions (lower bound-upper bound estimates) and additional economic output of between \$5.6 billion and \$8.3 billion (lower and upper bound estimates). In 2013/14 international VIP program play is estimated to have contributed AU\$1.2 billion in casino gaming revenues with an annual average growth of 12.4 per cent since 2009.⁴⁵ Capital expenditure was \$552 million in 2013/14.

Another factor that determines whether casino gambling has a positive net impact on the local economy is the extent to which casino expenditures are distributed locally relative to outside the region. More specifically, the net effect will depend on the extent to which casinos hire local residents and purchase from local suppliers compared to persons and suppliers located outside the region. The relative significance of these impacts will depend in part on arbitrary decisions regarding how large the study area is defined. Given that legislative and regulatory responsibilities for casinos is a state matter, the natural study area for casinos would be considered to be the state or territory level. However, with the introduction of multiple casinos in some states sub-state or sub-territory regional impacts may be becoming more relevant.

The propensity for casino related income to be distributed locally will also depend on the ownership structure of the casino. Where casino owners are locally based then casino profits are more likely to be spent locally. Hence, state owned casinos or casinos with a high degree of domestic ownership will be more likely to have a positive net local economic impact compared to casinos with a high degree of foreign ownership.

⁴⁵ Acil Allen (2015), p. 4.

In conclusion, the net economic development impacts of casinos depends on a range of factors including substitution effects, interstate and international competition for gambling activity and arbitrary decisions regarding how regional areas are drawn. The potential for substitution of gambling for other existing economic activities suggests that the economic development benefits of casinos would be significantly lower than intuition would at first suggest. In fact, the Productivity Commission (1999) actually excluded economic development benefits from its quantitative estimate of the benefits of gambling industries in Australia given the high potential for substitution effects. It noted that 'the net gain in employment and activity from the (policy-induced) expansion of the gambling industries are small at the aggregate level when account is taken of the impact on other industries that lose the consumers' dollar to gambling' (Productivity Commission, 1999 p. 5.36).

Taxation Revenue

For some decision makers it appears that the desire to introduce casinos (as well as other forms of gambling) is driven primarily by their potential to generate taxation revenues. For states, gambling taxes are an attractive option given their limited tax base in the absence of access to income taxes. In fact, states have been willing to adopt monopoly or oligopoly structures for casinos in order to capture a proportion of excess profits for the community.

As identified earlier, casino gaming is taxed at a relatively lower rate compared to most other major forms of gambling. The effective tax rate for casino gaming in Australia in 2011/12 was 14 per cent compared to an average rate of approximately 27 per cent for all types of gambling. The average tax rate for a casino will vary depending on the relative mix of table games and gaming machines since the latter tends to be taxed at a relatively higher rate compared to the former.

Approximately \$580 million in taxation revenue was derived directly from casino gaming in Australia in 2011/12. This estimate does not capture the total contribution of casinos to taxation revenue in Australia since it only reflects state taxes and levies and excludes other direct and indirect taxes paid to other levels of government (e.g. corporate income tax). On the other hand it reflects a gross rather than net estimate of the contribution to taxation revenue since the introduction of casino gambling would displace other forms of spending and therefore taxation revenue. Assessing the net impact of casinos on state taxation revenue is a difficult task given the complicated relationship between gambling and non-gambling expenditures, the different tax rates that apply across these expenditures and the hypothetical nature of assessing net impacts (Walker 2013). Interestingly, in detailed modelling conducted in respect of the relationship between legalised gambling and state government revenues in the United States for the period from 1985 to 2000, Walker and Jackson (2011) found that casinos (as well as greyhound racing) have a negative impact on net state revenues. In contrast, lotteries and horse racing were found to have a positive impact.

More significantly, from an economic perspective taxation revenue does not actually represent a benefit of an economic activity. Taxes simply reflect a transfer from taxpayers to government, with the loss from taxpayers being offset by the gain to government. In other words, they represent a financial transaction that does not directly involve the use of resources or a change in output. For policymakers, the more appealing aspect of casino taxation, and gambling taxes more generally, is that they are viewed as being voluntary and therefore more politically palatable, given they are only paid by those who choose to gamble (a possible exception here would be those individuals with a compulsive gambling problem).

Utility for Consumers

Arguably the most overlooked but possibly most significant benefit of casinos is the utility or enjoyment that people derive from participating in gambling activities or other services provided by casinos. There is a tendency for some opponents of gambling to dismiss such benefits given the perception that a person's sole interest in participating in gambling is purely economic (i.e. to receive a monetary award) and in the absence of receiving any monetary benefit, which is effectively guaranteed in the long run, must consequently derive no benefit from the activity. However, as we saw earlier in section 5.2, people participate in gambling activities for a variety of reasons in addition to economic reasons including socialisation, relaxation and excitement. Thus "within the context of the modern casino, one can argue that the customer is purchasing a package of entertainment amenities centred on casino gaming activities" (Eadington, 1999). In this sense, participating in gambling is equivalent to consumption of other services that do not involve the consumption of tangible activities, such as watching a movie, sporting event or some other artistic performance.

The utility derived by a consumer from the consumption of a good or service is measured by the economic concept of 'consumer surplus'. Consumer surplus represents the difference between what a person is willing to pay to consume a good or service and what they actually pay for that particular good or service. The concept of consumer surplus is discussed further in Appendix C.

The consumer surplus approach has been adopted by the Productivity Commission (1999, 2010) in its quantitative assessments of the net benefits provided by Australia's gambling industries. In its seminal 1999 study the Productivity Commission estimated that the consumer surplus for recreational gamblers in respect of casino games in 1997-98 ranged from \$305 million to \$495 million (1997/98 dollars), which is equivalent to \$478 million to \$777 million in 2013/14 dollars. Unfortunately the Productivity Commission's latest estimates of consumer surplus benefits for gambling published in respect of 2008/09 do not provide a breakdown of the benefits by type of gambling activity beyond EGM gambling.

6.3.1 Costs

Problem gambling

Casinos impose social costs in terms of contributing to an increase in problem gambling and crime and associated legal costs. The impact of problem gambling has become particularly prominent in Australia over the last two decades with the liberalisation and significant expansion in gambling activities, including casinos but particularly EGMs in non-casino venues such as clubs and hotels. Problem gambling has been defined as being "... characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community". (SACES and Department of Psychology 2005)

A variety of costs have been identified in respect of problem gambling, e.g. depression, bankruptcy, reduced productivity, theft, breakdown of relationships etc. However, defining which costs constitute 'social costs' remains a complex issue that has not been fully resolved by researchers. Generally speaking, to the extent that costs are only borne by the consumer of the gambling product and is the consequence of rational and free decision making, then the costs may be considered private or internal costs. The existence of internal costs generally does not provide grounds for government intervention since they reflect private decisions that presumably maximise an individual's welfare. On the other hand, costs imposed on individuals or groups that were not associated with the original decision to undertake the gambling activity may be considered social costs that provides justification for possible government intervention (assuming the costs of the intervention are less than the potential benefits achieved). Within the field of economics such impacts are referred to as negative "externalities".

Even where negative externalities in relation to gambling can be identified complex valuation issues remain. For example, theft of property may be considered a transfer between the victim and thief that does not necessarily lead to a change in aggregate social welfare if both entities value the property equally. The actual social costs in such cases are considered to be the psychic costs incurred by the victims of theft and any preventative costs that are incurred by society in preventing theft. This is the viewpoint adopted by Walker (2013). However, as Grinols (2014) notes such transfers can give rise to social costs to the extent that it reduces distributive efficiency, i.e. that goods and services are received by those who derive the greatest utility from them.

Although the presence of internal costs are generally not considered justification for any government intervention, some researchers have argued that some internal costs should be treated as social costs since they reflect non-rational behaviour of problem gamblers that is facilitated by government policy. For instance, the Productivity Commission (1999, p. 4.7) argued that problem gamblers:

“...exhibit psychological traits and behaviours that do not appear to accord with conventional notions of rational decision-making. To the extent that there [sic] decisions are irrational, it would be appropriate to classify the costs these gamblers suffer from as 'social' rather than 'private' costs, and thus matters about which governments ought to concern themselves.”

In other words, to the extent that government permits an activity (e.g. gambling) that gives rise to irrational decision making and significant internal costs for individuals that can only be addressed by external intervention (e.g. restriction on availability, counselling), then it seems reasonable to treat these costs as social. On this basis the Productivity Commission included some internal costs of problem gambling as part of its estimates of the social costs of gambling in Australia.

The various social costs identified by the Productivity Commission include, in broad terms:

- financial impacts associated with bankruptcy;
- reductions in productivity and employment, including job search and staff replacement costs;
- crime and associated legal costs, including costs of police incidents, court cases and jail;
- personal and family impacts, including emotional distress related to depression, attempted suicide and family breakup, domestic violence and loss of life due to suicide; and
- problem gambling treatment costs such as counselling services.

A further complication with estimating the social costs of problem gambling is assessing the extent to which problem gambling is the underlying cause of a person's difficulties. Problem gambling may co-occur with some other disorder or state (e.g. psychiatric disorder such as depression) that may in fact be the primary disorder or exacerbates a person's gambling dependency. Thus an individual's gambling problem may have been less severe in the absence of such co-morbidities or have manifested in some other form in the absence of legal gambling activities. In terms of the latter, some problem gamblers may have actually continued to experience problem gambling in relation to illegal gambling activities.

In its 1999 study the Productivity Commission estimated that the social costs of casino gambling in 1997/98 were between \$48 million to \$150 million, which is equivalent to \$75 million to \$235 million in 2013/14 dollars. The social costs of casino gambling were significantly lower compared to the estimated social costs of gaming machines (\$1,369m to \$4,250m in 1997/98 dollars) and wagering (\$267m to \$830m). Relatively lower social costs for casino gambling in part reflects that the accessibility of casino gambling is relatively low given the limited spatial distribution of casinos (i.e. only one or two venues in most states and territories, notwithstanding they also offer EGM gaming and betting facilities). Compared to other forms of gambling such as EGMs, casino table games are also relatively less accessible in terms of having a slower rate of play and reduced ease of use (i.e. greater knowledge and/or skill required to participate).

While the Productivity Commission's quantitative estimates of social costs include some costs that could be considered by some researchers to be internal costs, it is important to note they are conservative to the extent they do not include other certain social costs such as the loss of life associated with suicides; impacts on physical health and medical costs associated with conditions such as depression, emotional distress for families of *moderate* problem gamblers; the intergenerational transmission of harm, etc.

Crime

In addition to problem gambling related crime, casinos have been implicated in increasing crime more generally, including having links to organised crime. For example, in the sentencing of two individuals who were recruited to traffic drugs at Crown Casino after losing money there, Judge Tim Wood stated "it is a matter of grave concern that authorities do not appear to recognise the considerable social cost that the casino imposes on the community" (Lowe, 2009). Lynch (1999) summarises high profile criminal incidents identified in relation to the first two years of operation of the temporary casino in Sydney, but noted that by the end of this period the situation was "one of relative order without any significant increases in crime in the casino precinct". More generally, there have been no links identified between organised crime and the operation of casinos in Australia, which would reflect the significant regulatory mechanisms that have been put in place and the corporate owned and/or managed nature of casino operations in Australia.

Whether or not casinos increase crime in general remains a topic of uncertainty with mixed results being reported in the literature. Falls and Thompson (2014) provide a summary of recent international research. One of the more prominent studies has been Grinols and Mustard (2006) who found that casinos have a positive impact on crime based on an analysis of county-level data for the United States between 1977 and 1996. They found that approximately 8 per cent of crime in casino counties was attributable to casinos. The study has been the source of considerable debate, in particular from Walker (see summary in Falls and Thompson 2014 and associated references). A particular issue is how to define the population in order to measure crime rates. While Grinols and Mustard use the resident population to estimate crime rates, Walker (2008) argues that the population estimate should include visitors or tourists since one can expect the number of incidents to be larger the greater the number of persons present. In the absence of allowing for the tourism attracting nature of casinos, estimated crime rates will tend to be overstated. However, as Falls and Thompson (2014) observe, any allowance for inbound tourism should also take account of outbound tourism in order to identify net tourism and thus avoid double counting, while only tourism that is directly related to casinos should be taken into account. Unfortunately, making these adjustments is typically difficult given limitations associated with existing tourism data. In any event, Falls and Thompson's analysis of the relationship between casinos and crime in Michigan counties found that property crime rates were not affected by the presence or size of a casino in a nearby county.

The studies mentioned above may ultimately not be highly relevant to the Australian context. Unfortunately we are not aware of any comparable statistical studies that have been conducted to examine the relationship between crime and the introduction of casinos in an Australian setting. Wheeler et al. (2007) did find a positive relationship between electronic gaming machine expenditures and property (income-generating) crime rates reported to police in local areas in South Australia in 2002/03. However, the analysis was in respect of EGMs in hotels and clubs and specifically excluded the central business district due to its 'outlier' status as the entertainment and business hub and location of the state's only casino.

Notwithstanding the lack of studies into the relationship between crime and the introduction of casinos in an Australian context, there is evidence (before the courts: see discussion Section 3.4) of criminal activity at a syndicate or sophisticated level with respect to casinos, of criminal behaviour in order to feed a 'gambling habit' and casinos themselves incurring bad debts from persons who claimed to be

'high rollers' but would appear to not have the financial assets they claimed to have and/or there is some doubt as to the relationship of junket operators and criminal gangs.

Box 6.1 records selected newspaper headlines referring to actual court cases, instances of money laundering, concerns of government with respect to criminal activity and casinos and questions raised as to internal practices of casinos.

Social costs are incurred where the resources of courts, police, the correctional system and regulatory authorities/commissions are devoted to the detection and management of all forms of criminal activity and casinos (and the gambling industry more generally).

Box 6.1: Casino crime figures paint disturbing picture organised crime linked to high roller gamblers

Casino admits to using secret bank account to disguise transactions by high rollers to mask their gambling activity.
 Casino writes off nearly \$30 million in high roller bad debts.
 Targeting Chinese high rollers leaves us open to organised crime.
 Vietnamese refugee, high rolling gambler and crime syndicate money launderer who gambled under four different names.
 Australian Crime Commission estimates at least \$10 billion a year is laundered in and through Australia.
 Armed security guard stole from Westpac ATMs to gamble at casino.
 Former boss of casino staff club jailed for stealing to gamble on the pokies.
 Man recruited by drug ring while gambling at casino, laundered more than \$A4 million
 Taiwanese authorities investigating fund transfers and potential money laundering.
 Banker admits to defrauding more than \$A7 million to support casino gambling.
 Secret agreement to manage the risk of organised crime infiltrating proposed VIP casino.
 Report reveals criminal underbelly at Star Casino.

Other Costs

While social costs related to problem gambling are the most prominent costs typically identified in respect of gambling activities, there are other costs imposed by casinos.

Some costs of casinos arise from the typical market structure adopted for casinos. In most states the approach to date has been the adoption of a monopoly casino in the state capital. In Queensland, Tasmania and the Northern Territory oligopoly structures have been implemented with two or more casinos being established in major cities or regions, typically major tourism destinations (e.g. Alice Springs, Gold Coast, Cairns). The adoption of such restrictive market structures has been justified by a need to control social costs and/or concentrate economic development benefits (Eadington 1999). However, these market restrictions themselves give rise to other economic costs. Restrictions on supply prevent the casino market from reaching a competitive equilibrium, giving rise to economic rents for casino operators (i.e. excess profits beyond what a competitive market would have allowed). Since firms naturally have a financial incentive to obtain economic rents or monopoly rights, competition for casino monopoly rights subsequently ensues, which leads to the use of resources to acquire these rights. In situations where introduction of new casinos are being considered, competition for monopoly rights may lead to lobbying and other efforts to influence the political decision making process. Use of resources for such purposes is known as rent-seeking and represents a directly unproductive activity since it involves efforts to divert income from elsewhere rather than create new income.

The highly restricted nature of casino markets also has economic costs in terms of reducing allocative efficiency. Since adoption of monopoly and oligopoly market structures reduces the availability of casino gambling relative to a laissez-faire scenario, the price of casino gambling will generally be higher while the amount of casino gambling consumed will be lower relative to what would otherwise have

been the case. That is, the number of mutually beneficial transactions between consumers and producers will be lower in a market with artificially restricted economic competition. The cost of these restrictions is measured by the net loss of consumer and producer surplus, otherwise known as the deadweight loss. These concepts are discussed in more detail in Appendix C.

Given the potential for social costs related to problem gambling and crime and the adoption of highly restricted market structures, casinos tend to be highly regulated. As a consequence the public sector must devote resources in terms of labour and to a lesser degree capital towards the regulation and oversight of these activities which could have otherwise been used for some other productive purpose.

6.4 Casinos and tourism

Casinos can only unambiguously increase economic activity in their region through inducing expenditure from tourists. As Grinols and Omerov (1996) put it “providing gambling to residents transfers money from one local pocket to another and from one local sector to another, but does not lead to a net increase in regional demand (quoted in Walker 2007, p. 23).

The classic case for this effect is ‘destination’ casinos, for example Las Vegas and, more recently, Macau. However this is a model that has proven extremely difficult to replicate in other cities, for example, it was intended that casinos located in Montreal and Halifax, Canada would attract tourists but they have primarily been patronised by locals (Eadington, 1999b).

Eadington (1999b) cites five factors as having been necessary for Las Vegas to have achieved its position of dominance in casino gambling:

- gambling is a part of a wider range of entertainment offerings;
- Las Vegas has a large number of destination resort casino complexes;
- for a long time Las Vegas had a monopoly on legal casino gaming in America;
- infrastructure – in particular the airport and freeway linkages; and
- its geographic position – Las Vegas is in the western United States near Los Angeles and Southern California.

Given this range of factors Eadington (1999b) asserted that it was unlikely that any location would be able to approach Las Vegas in terms of size, diversity or the proportion of customers who are truly tourists, and indeed Macau is the only other city to have done so to date.

Casino expenditure by tourists is most obviously a net benefit (as opposed to a reallocation of entertainment spending) in the case of visitors whose **primary** reason for visiting Australia was to engage in gambling at one or more casinos. This is most likely in the case of international VIP customers, although even there a proportion would have been visiting Australia for some other purpose (business, visit friends and family (including children attending Australian universities) or to visit other Australian tourist attractions).

There is also the potential for net economic benefits from tourist spending in casinos if international visitors spend more than they otherwise would have.

Tourism in Australia

In 2013/14 the Australian Bureau of Statistics put the number of international visitors at 6.85 million.⁴⁶

The most common purpose of a visit for international visitors to Australia was for a holiday with 45 per cent indicating this as their primary reason for visiting. A further, 28 per cent came to Australia to visit friends or relatives – refer Table 6.2.

In 2007/08 it was estimated that 85 per cent of casino patron visitations were from local residents who resided in the same state as the casino which they visited (42.3 million visitations), 10 per cent of patron visitations were from interstate patrons (4.9 million visitations) and 5 per cent were from overseas visitors (2.4 million visitations) and these relative percentages had not much changed from six years earlier at 2002/03 (Allen Consulting, 2009, p. 9).

Table 6.2: Primary reason for visit by international visitors 2013/14

Main Purpose	Number ('000)	Per cent
Holiday	2,841	45.4
Visiting friends/relatives	1,739	27.8
Business	835	13.3
Education	367	5.9
Employment	150	2.4
In transit	106	1.7
Other	224	3.6
Total	6,263	100.0

Source: Tourism Research Australia (2014). May not add to 100 due to rounding.

Table 6.3 shows the trend data since 2002/03 and for the latest year, 2013/14 where the latest survey evidence (SACES 2014) suggests 80 per cent of casino patron visitations were from local residents (44.2 million), 13 per cent were interstate patrons (7.1 million) and 7 per cent were international (3.9 million).

Table 6.3: Casino visitors by origin (number)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2013/14
City/State	35.2	35.3	37.7	38.7	41.6	42.3	44.2
Interstate	4.3	5.2	5.6	5.7	4.2	4.9	7.1
International	1.5	1.8	2.0	2.2	2.3	2.4	3.9
Total	41.0	42.3	45.3	46.6	48.1	49.6	55.2

Note: 2013/14 figures do not include Jupiters Townsville and Casino Canberra.

Source: Allen Consulting Group (2009), "Casinos and the Australian Economy" and SACES research.

Table 6.4 compares the total population share with the concentration of the population in each capital city and then the share of tourism. The share of tourism is roughly in relation to the share of population except for South Australia where the tourism share is well below that of the population share while the reverse is the case for Tasmania.

⁴⁶ Australian Bureau of Statistics (2014c).

Table 6.4: Population and visitor numbers (per cent)

Jurisdiction	Share of Total Population	Share of Tourism
New South Wales	32.0	37.9
Victoria	24.8	21.7
South Australia	7.2	3.2
Queensland	20.1	23.1
Western Australia	10.9	11.0
Tasmania	2.2	11.0
Australian Capital Territory	1.6	1.0
Northern Territory	1.0	1.1
	100.0	100.0

Source: Australian Bureau of Statistics (2014c).

Compare this to Macau as a destination for gambling, where the resident local population is only 607,500 but the number of international visitors in 2013 was approximately 4 million persons. In addition to the number of international visitors there were some 18.6 million visitors from Mainland China and 6.8 million visitors from Hong Kong; a further 25.5 million visitors. The number of international visitors only includes those 'registered' visitations and not those who are 'unregistered' which is relatively common as engaging in 'the gambling business' is not permitted in the People's Republic of China (PRC).

Table 6.5 provides a comparison of the compound average growth rates for casino expenditure in each state with the compound average growth rates for international visitors based on the state or territory in which they spent most of their time. Rates are calculated from 1995/96 (when permanent casino facilities were operating) to 2011/12. In every jurisdiction excluding New South Wales, the international visitor growth rate exceeded that of casino expenditure, i.e. it does not appear that casinos were the reason behind these increases in tourism numbers. Take the example of South Australia where although the international tourist numbers had a growth rate of 5.2 per cent, casino expenditures only had a growth rate of 1.5 per cent and it is the case that the local casino does not tend to attract international VIP high rollers and does not possess casino linked accommodation.

Table 6.5: CAGR's International visitor numbers and casinos expenditure

	International Visitor Numbers 2011/12	International Visitor Growth Rate (1995/96 – 2011/12)	Casino(s) Expenditure Growth Rate (1995/96 – 2011/12)
New South Wales	2,256,800	1.6	5.2
Victoria	1,269,400	6.2	4.6
South Australia	185,000	5.2	1.5
Queensland	1,508,000	1.9	0.0
Western Australia	643,800	3.6	-0.2
Tasmania	53,300	4.8	0.7
Australian Capital Territory	58,600	4.2	-5.3
Northern Territory	67,600	3.0	1.1
Australia: Total	6,045,600	2.8	2.5

Source: SACES calculations. Australian Bureau of Statistics (2014a).

Further, the situation of South Australia illustrates that it is the attraction of international VIP 'high rollers' rather than general international tourists that is the principal target market of casinos. That South Australia attracts relatively few 'high rollers' or commissioned base players is reflected in both sets of data.

Table 6.6 sets out average total expenditure over their trip by international visitors to Australia by broad expenditure categories. Not surprisingly the most significant categories of expenditure are food, drink and accommodation and international air fares.

Table 6.6: Average total expenditure by visitor by main source countries and major categories of expenditure

Expenditure (\$m)	China	UK	USA	New Zealand	Japan	Other	All countries
Package tour	1,282	521	859	143	1,275	396	547
Pre-paid international airfares	706	1,914	1,965	568	766	1,129	1,108
Organised tours	105	147	161	29	164	101	101
International airfares bought in Australia	140	102	70	27	83	99	88
Domestic airfares	53	93	70	13	36	59	54
Other transport fares	113	131	95	55	95	133	112
Self-drive cars, rent-a-cars, campervans	26	87	75	51	28	73	63
Petrol and oil for self-drive cars or other vehicles	51	89	46	37	15	79	64
Shopping - items for use in Australia	190	193	75	91	93	168	148
Shopping - items to take home	823	145	162	221	221	262	299
<i>Total shopping</i>	<i>1,013</i>	<i>338</i>	<i>237</i>	<i>312</i>	<i>314</i>	<i>431</i>	<i>447</i>
Food, drink and accommodation	1,733	1,921	1,328	707	1,154	1,662	1,474
Horse racing and gambling	41	13	10	17	24	20	21
Entertainment	66	103	55	39	38	66	63
Motor vehicles	328	156	np	np	np	106	112
Education fees	1,568	60	170	34	460	640	535
Phone, internet, fax and/or postage	61	49	35	18	33	57	47
Other	76	70	61	48	47	70	65
Total^a	7,362	5,794	5,260	2,131	4,537	5,122	4,899

Notes: (a) Totals may differ from the sum of components due to rounding, and as shopping is included as sub-categories and as a total.

Source: Tourism Research Australia (2014).

Chinese tourists have the highest average spend at \$7,362 per capita with the aggregate Chinese tourist spend at \$4.5 billion in 2013/14. As casino complexes develop hotel/accommodation options and retail facilities that host international luxury brands it is reported that this experience is precisely what inbound tourists are seeking. "Hotels and resorts account for the lion's share of accommodation revenue generating \$6.3 billion in 2014/15"⁴⁷ which is equal to the combined total for all serviced apartments, motels and holiday houses, flats and hostels.

Who visits and who spends at Australian casinos?

The tourism data indicate that visiting casinos is an infrequent primary motivation for visiting Australia; only 3.6 per cent of respondents to the International Visitor Survey gave a response that was not in the main prompted categories, and so gambling would have only been a sub-set of that 3.6 per cent. By way of contrast, 15 per cent of visitors to Las Vegas in 2013 reported that the primary purpose of their

⁴⁷ *The Daily Telegraph*, "The average Chinese tourist spends how much in Australia?", 22 December 2014.

visit was gambling and 71 per cent of total visitors gambled whilst in Las Vegas (GLS Research, 2013)⁴⁸.

This very minor role in visitor attraction does not mean that casinos do not make a contribution to the economy through international tourism expenditure. As discussed previously, casinos could also make a contribution through inducing visitors to spend more money than they otherwise would have done, or by attracting international VIP customers (who are unlikely to be captured in the international visitor survey due to their relatively small numbers).

Data from Tourism Research Australia show that total expenditure on gambling and wagering by international visitors was \$129 million in the year to September 2014 (Table 6.7). Due to their characteristics, it is unlikely that international VIP customers of casinos and other international visitors most likely accommodated at casinos were captured in the IVS and so this expenditure estimate is best regarded as reporting the data on only some international gamblers who were not VIP customers of casinos (see later discussion and Table 6.8).

Table 6.7: Expenditure and participation in 'horse racing and gambling' by country of origin

	China	UK	USA	New Zealand	Japan	Other	Total
Implied number of gamblers	55,176	57,491	31,691	128,910	21,522	215,004	509,792
Share of visitors (per cent)	7.5	9.1	6.2	11.5	7.1	7.3	8.1
Average expenditure per gambler (\$)	544	147	161	147	340	273	252
Total expenditure (\$ million)	30	8	5	19	7	59	129

Source: Tourism Research Australia 2014.

As these expenditures relate to all forms of gambling and wagering casino gambling will only account for a proportion of them. It is also likely that a substantial proportion of the expenditure represents choice within a pre-existing entertainment budget, rather than additional expenditure above what would have been made had casinos not been available in Australia.

Some attempt can be made at establishing the relative importance of casino gambling in overall gambling and wagering expenditures by international visitors using unpublished data from the IVS on the number of tourists who visit Australian casinos and the reason for their visit. Overall 22 per cent of international tourists visited at least one casino. Visitation rates varied substantially between states and territories. Thirty five per cent of international tourists whose trip included at least one night in Victoria visited Crown Melbourne, whereas only 3 per cent of international tourists in the ACT visited Casino Canberra. Due to the wide range of attractions available at casinos, only 41 per cent of international tourists who visited a casino actually gambled. Combining these two estimates suggests that 9 per cent of international tourists gambled.

Whilst some tourists are likely to have both gambled at a casino and also gambled at some other venue such as a hotel or club, or wagered on a horse race during their visit, the similarity of the participation shares for overall gambling and gambling in a casino suggests that gambling in casinos accounts for the majority of the gambling expenditure by international tourists.

This does not mean, however, that this expenditure represents a net benefit for the Australian economy. Excluding those cases where the international tourist has impaired control with gambling, expenditure on gambling is likely to represent an allocation of spending within the budget for the trip, rather than a net increase in expenditure in Australia.

⁴⁸ This includes visitors from other parts of the USA.

Allen Consulting (2009) estimated that in 2007/08 VIPs staked over \$32 billion at Australian casinos and that they lost/spent \$553 million in that time. The Productivity Commission (2010) for 2008/09 attributed \$649 million in net expenditure to international VIP players. Given the increase in total casino gambling revenues since then, if that share has remained stable then international VIPs would have net expenditure of approximately \$767 to \$783 million in 2012/13 (see Table 6.8).

Table 6.8: Distribution of Gambling Revenue

	Allen Consulting 2007/08 (\$)	Productivity Commission 2008/09 (\$)	SA Centre for Economic Studies 2011/12 (\$)	2011/12 (%)
Domestic	2,434,307,442	2,658,849,596	3,136,059,306	77
International	138,123,139	150,863,710	177,940,694	4
VIP International	553,000,000	649,000,000	767,000,000	19
Total	3,167,800,000	3,460,000,000		
Total from national dataset	3,576,000,000	3,740,000,000	4,081,000,000	

Source: SACES calculations (2014), Allen Consulting Group (2009), Productivity Commission (2010).

Based on earlier estimates from both the Productivity Commission and Allen Consulting and with little overall movement in tourism numbers out to 2011/12, and adjusted for 2011/12 prices, SACES estimates that some 77 per cent of casino revenue derived from domestic patrons, some 19 per cent from VIP international commissioned based patrons and high rollers and 4 per cent from international tourists/patrons (Table 6.8). However, from public filings of revenue data and company annual reports, the revenue from both VIP Program Play and international visitors (those accommodated at casinos) in 2014 was estimated at a much higher figure – approximately AU\$1.4 billion.⁴⁹ The two principal contributing factors have been the growth in VIP Program Play which in part, is due to the Chinese Government crackdown on corruption which has seen Australia's share of VIP high rollers increase from 5 to 7 per cent of this group of players and the re-entry of The Star casino into the VIP Program Play market.

In summary, as international VIP customers of casinos would be unlikely to gamble in Australia if casinos were not permitted this represents a net increase in export revenues from the tourism sector.

In summary, the extent to which a casino brings in revenue from outside the local population – through interstate and international tourists and VIP high rollers – is a key determinant of net, local economic benefits.

Gambling motivations appear to be quite different for demographic (and some cultural groups) based on age and gender. Younger males (and males more generally) seem motivated by games of skill such as table games in preference to EGM play. On the other hand women (and generally older women) prefer to play EGMs. They visit casinos for social engagement including in response to situational factors in middle age (e.g., "time on their hands", loss of partner, loneliness/isolation).

The introduction of EGMs into hotels and clubs has provided strong competition for casinos and led to substitution effects away from other forms of gambling.

Leaving aside the VIP/high market segment, analysis of tourism data does not suggest that visiting a casino is a primary motivation for visiting Australia. This is not to say that casinos do not make a contribution to the economy through international tourism expenditure.

⁴⁹ Note this AU\$1.4 billion is higher than the SACES estimate in Table 6.8 and Acil Allen estimate in Table 6.1. It is not central to this study to reconcile these different estimates. Rather, the key point is that this revenue source does contribute to a positive net economic impact.

7. Casino Patrons: Their Perspective

Summary of Findings

In this Chapter we report the views, comments and perceptions of casino patrons from our 12 focus groups. The qualitative study records the experience of patrons visiting their local casino.

- Casino patrons in Sydney and Melbourne tended to view their local casino as a destination venue, combining a range of social opportunities in addition to gambling. Adelaide casino, in contrast, was perceived as a place to start or end an evening out. This was particularly the case for younger patrons.
- The diversity of participants was reflected in the range of gambling activities they undertook. Consistent with the literature, women tended to play Electronic Gaming Machines (EGMs or 'pokies'), whereas men were more likely to gamble on table games, such as Blackjack, Baccarat and roulette, which they perceived to involve more strategy and skill, and better odds, than EGMs.
- Participants articulated a range of beliefs, superstitions and strategies which they believed increased their likelihood of winning. These included 'doubling down', i.e. doubling the amount staked with successive bets, staying on tables where they were experiencing a 'winning streak', and card counting (in Blackjack). Some participants believed that they had higher chances of winning if the cards were shuffled by the dealer in a particular way, and, with roulette, if they encountered a 'lazy spinner'.
- Participants expressed cynicism about the motivations of the House in some operational elements, such as having two zeros on the roulette table, shuffling cards after each hand in Blackjack, and moving EGMs around within the casino and introducing new ones all of which were believed to increase the return for the casino.
- Electronic roulette machines were unpopular with patrons, and believed to detract from interaction and sociability of regular roulette. Patrons believed that the chances of winning were lower with the electronic version of the game, which they believed had been introduced to attract lower spending gamblers away from the tables.
- The characteristic of casinos that provided the most appeal for patrons was the perceived luxury and glamour of the venue, which added an extra dimension compared with gambling on EGMs in alternative locations. In Adelaide, this element of glamour and luxury was believed to have diminished in recent times, with an associated perceived lowering of standards in terms of dress code.
- Inducements to gamble at the local casino ranged from free and low price meals and drinks, cinema tickets, accommodation, free parking (which was particularly valued by patrons) and cash or vouchers. These operated via the loyalty program nowadays whereas previously they had been more generalised.
- Participants felt that these inducements influenced their gambling behaviour, making them more likely to spend money. However, there was consensus across the groups that the level of inducements had decreased markedly in recent times. Participants hypothesised that this was due to casinos increasingly targeting high rollers (with concomitantly higher value inducements).
- VIP rooms were described in each location, involving restricted access based on gambling expenditure. In Adelaide and Melbourne, participants were aware of more than one VIP room, and these were believed to be 'graded' according to level of expenditure. In Sydney, patrons were aware of only one VIP room.
- Some focus group participants had accessed these VIP areas, while others had heard anecdotes about them. They were described as offering a higher degree of inducements, including food and drink; and as requiring higher minimum stakes and offering higher winnings. In Adelaide, one restricted access room included EGMs, whereas the other VIP rooms seemed to focus on table games.
- Participants believed that these exclusive rooms were targeted at non-locals, i.e. interstate visitors and, particularly, at 'high rollers' from overseas. The focus groups relayed anecdotes around high rollers being flown in from Asia and lavished with accommodation and food for the duration of their stay. Participants described these rooms as operating 'outside of the law' in that, for instance, patrons were allowed to smoke.
- Participants felt that casino gambling had become less affordable over time in that the minimum bets on tables and EGMs had increased. On the other hand, some participants pointed out that the amount spent at a casino complex was not necessarily any more than an alternative night out, and that gambling had the added advantage of the opportunity to win money back.

- Casino staff, overall, were felt to be competent and professional if somewhat distant. Unfavourable comparisons were made between the customer service provided in American casinos versus those in Australia. In a similar vein, patrons who had wanted to learn how to play table games described how they had been told to read a manual, rather than being offered any direct help.
- Security staff were described in a different light than the more general service and table game staff representatives. In Melbourne, participants were extremely negative in their description of the security staff, with anecdotes about their extreme use of physicality and associated injuries to patrons. Sydney security staff were, in contrast, described as professional and efficient, whereas Adelaide security staff appeared to have a more conflicting reputation, with one of the four groups expressing more negative views than the other three focus groups.
- Participants were aware of responsible gambling signage at each of the venues, but the over-riding view was that patrons did not pay attention to it. There was relatively low awareness of any responsible gambling measures, apart from signage. The concept was too vague. Some participants felt that responsible gambling messaging and measures by the casino were tokenistic, and in conflict with the business motivations of the industry.
- Self-exclusion was the most commonly reported initiative, with some participants knowing people who had self-excluded. There was a degree of cynicism about how effective this measure could be. Participants reported having seen, or heard about, patrons re-entering the casino after having done so.
- Participants believed that it was not appropriate for staff to intervene if they suspected that a patron had a gambling problem, and they cited the fact that it is hard to identify whether a person has a problem, without knowing their financial situation.

7.1 Introduction and methodology

A qualitative study involving 12 focus groups in three cities (Adelaide, Sydney and Melbourne) was undertaken during February and March 2015. Recruitment for the focus group participants was outsourced to a specialist market research recruitment company. The researchers made a presentation to Casino and Resorts Australasia (CRA) at the commencement of the research project at which we specifically sought the cooperation of the three casinos to assist with an exit survey (see Appendix B). A very important reason for our request was to ensure that in sampling those who entered or exited the three casinos we were able to select those who gambled and those who did not. The research project is titled "Responsible Gaming and Casinos" so it was important that our exit sample included those who gambled, but it was equally important to understand why non-gamblers visited casinos, what for and how often. Unfortunately the CRA would not agree to facilitate exit interviews. Subsequently, recruitment specifically targeted a range of gamblers in terms of age, gender and frequency of casino patronage. Four groups were conducted in each city, comprising the following characteristics:

- two groups with regular (at least monthly) casino gamblers, including one younger (up to around age 35) and one older group;
- all groups included males and females;
- the regular gambler groups included participants with relatively high average expenditure per session, as well as participants who admitted (during the focus groups) to having had problems controlling their gambling in the recent past; and
- the groups also included participants who (it emerged during the focus group) had been affected by the problem gambling of others.

Tables 7.1 and 7.2 summarise group participants by location, gambling frequency, age and gender. Where differences are found between different subgroups, these are highlighted in the report.

Table 7.1: Profile of groups by location, gambling frequency

	Adelaide	Melbourne	Sydney	Total
Regular (at least monthly)	2	2	2	6
A few times a year	1	1	1	3
About once a year	1	1	1	3
Total number of groups	4	4	4	12

Table 7.2: Profile of sample by location and age

	Adelaide					Melbourne					Sydney				
	Total	Grp 1	Grp 2	Grp 3	Grp 4	Total	Grp 1	Grp 2	Grp 3	Grp 4	Total	Grp 1	Grp 2	Grp 3	Grp 4
Aged under 35	17	3	3	3	8	21	2	6	5	8	18	2	5	3	8
Aged 36 or over	15	5	5	5	0	11	6	2	3	0	14	6	3	5	0
Total	32					32					32				
Male	19	6	4	5	4	19	6	4	3	6	20	6	5	3	6
Female	13	2	4	3	4	13	2	4	5	2	12	2	3	5	2
Total	32					32					32				

All groups were facilitated by the Senior Research Director at ORC International and the topic coverage followed a Discussion Guide (see Appendix D). Groups were video recorded and subsequently analysed thematically. The themes that emerged from this analysis form the structure of the remainder of this chapter.

Aims of focus/discussion groups

The aims of the qualitative study were to explore the views of patrons in relation to their experience of visiting their local casino, specifically:

- what do patrons find appealing about the casino environment?
- what activities do people take part in at the casino and the surrounding complex?
- how does the casino market itself to local patrons and what kind of inducements to gamble are on offer?
- do people set limits on their gambling and, if so, in what ways?
- how do the different casinos compare with each other?
- to what extent does the casino promote responsible gambling, and how?

7.2 Reasons for visiting casino

Reasons for visiting

The reasons for visiting the casino complex varied between locations and also by age group. Broadly speaking, older respondents tended to visit the casino as a social event per se, whereas young participants tended to start or end their evening at the casino. The following from the younger groups illustrate this difference:

"I go in with my friend after a night on the town and finish up there, because the taxis are closed, transport's closed, and it's hard to get back home. But usually it's just somewhere to wind up, have a few more drinks and then head home." (Adelaide)

This contrasted with the older groups, where respondents tended to stay at the casino for the entire evening, as exemplified by the following:

"It was basically a combination, I used to go there for the entertainment, drink, and then I will spend some time in the gambling part, but I do gamble a bit on the pokies. The idea of that was because especially being older there was a just a crowd there that was more my age, and I found the surroundings were very pleasant compared to a pub." (Adelaide)

With the 'lock down' on hotels and pubs in the cities, the importance of the casino – for younger people – as a place to continue drinking 'after hours' emerged in all three locations. Similarly, younger patrons felt that it is significantly easier to get into the night clubs in the casino complex than the night clubs 'in town', and this was also a draw at the end of an evening out. Effectively, the casino was the only place "to get a drink".

The drift of young people, who have been drinking in city hotels and bars, to a casino as a result of the policy of 'lock-out' poses a number of risks with respect to the responsible service of alcohol and the association of alcohol and gambling. The casino in effect becomes the 'default place to go' to continue to drink, attend a night club and potentially gamble.

The extent and variety of activities available at the casinos in Melbourne and Sydney was a consistent theme in terms of appeal, irrespective of gender or age.

"we see it more like full on entertainment, you know, meal, walk around, go back, have a rest, have another game. I'm an observer when it comes to the tables but I do like the machines." (Melbourne)

"It's a little bit different every time you go as well, because in a restaurant you get the same food, you can sit at the same table, it's the same thing, but at the casino you can have a different night every time." (Sydney)

As such, the casino complexes at Melbourne and Sydney were perceived to provide a destination venue in themselves for younger people, whereas Adelaide casino seemed to provide more of a venue to meet before going out or to come to at the end of an evening.

Of the three casinos, Melbourne particularly was perceived as a destination venue, with the shopping and restaurants considered to be superior to Sydney.

"you've just got so many different types of restaurants and upstairs you've got the bars and the nightclubs if you want, you've got the movies there, you've got shopping. You can do anything there really." (Melbourne)

The location of the Adelaide casino, and the relatively recently built bridge from the nearby sports stadium, meant that patronage often followed on from watching a football game.

"I don't think we would ever go there as a destination venue, it's simply on the back of either walking past after you've been somewhere else or we've exhausted other options of places to go." (Adelaide)

"now that the bridge is in place it takes you straight across, it's going to be harder for people to resist." (Adelaide)

"To walk up to King William and back was a hassle and now it's nice and easy. It's not just there, the whole area is now doing quite well, a lot of new bars and cafes opening up, there's a lot of things that non-drinkers would quite enjoy, that also non-gamblers would quite enjoy." (Adelaide)

For the more serious gamblers the main purpose of their visit to the casino was to gamble, whereas the less frequent gamblers tended to visit the complex for a variety of reasons, in addition to gambling, such as to see a show or a movie, have a meal, go shopping, or play laser tag.

"I love seeing the stage shows, the theatre shows. I really like the new food court with the casino and the Zumba, like with the desserts and food court, and it's right by the water, so the gambling will always be a secondary thing. I really only play pokies and I don't know what I'm doing half the time. I'm just really talking to my friends and it's having drinks and it's just pushing the buttons really in the background." (Sydney)

A few participants, both male and female, mentioned that they found the casino an easier place to visit on their own, compared with going to a pub or restaurant alone:

"But as I said, for me it's more while I'm out on my own and it gives me something to do. And, I think it's a common thing, I think you can go there and you get good meals, they're not expensive." (Sydney)

A number of people discussed the cost of a night's entertainment at the casino as compared with an alternative night out and felt that the comparison was favourable in terms of the amount spent, and particularly since they perceived an advantage to gambling in the opportunity to win money (back).

"Yeah, \$40 or \$50, and that lasts a long time, I think, on pokies especially if you play the smaller machines, and I don't care if I lose it all, I really don't care. It's fun if you play it and it lasts a long time and then you finish the \$50 by the end of the night and you've had two hours, it's fun. It's the same as going to see a movie and getting popcorn." (Sydney)

A small number of people pointed out that you could go to the casino without gambling, as illustrated by the following quote.

"There's enough variety that anyone could be happy in a group of friends, even if they don't want to gamble." (Sydney)

However, the more dominant theme was that focus group participants and their companions would incorporate at least a degree of gambling into their visit to the casino complex.

People watching

As well as the gambling and dining experiences on offer, another important part of the casino experience for people across the spectrum was the 'people watching' element. Participants talked of being interested in the variety of people who visit the casinos.

"we love--the tables petrify me, I've never played on them but I love watching people on them, I love experiencing it." (Sydney)

"we'll walk around and just look at what everyone's doing. We'll often run into people we know and sit with them for a little while, have a coffee, have a drink. I see it as more of an entertainment complex, and you don't have to go and play and spend all your money. You can still have a good time having a drink and a meal." (Melbourne)

An element of 'schadenfreude' also emerged, with participants enjoying watching high rollers placing large bets.

"It's funny watching other people play. I mean one time we were sitting and watching a guy play roulette and he looked like he was a Russian mobster or something, he had these two minders with him or something and he was playing on the two tables, but if you looked carefully you knew that he was betting more than he could win. So he was just a show pony" (Melbourne)

Convenience of location

There were somewhat conflicting views around the level of convenience of the respective casinos. As previously mentioned, the footbridge in Adelaide was felt to have increased the convenience of the location. Melbourne was generally felt to be very convenient to get to (although parking could be an issue at weekends); whereas there were mixed views in terms of the location of the Star in Sydney.

"It's not really convenient Adelaide casino, like for example in Sydney at Star City they actually have buses queue up, it's free, they take you there. In Adelaide you have to make an effort to go there." (Adelaide)

7.3 Gambling activities/preferences

Motivations for gambling

The previous section discussed the general appeal of casinos for patrons. The current section focuses on casino gambling, and the findings in relation to the attraction of gambling there and the relative appeal of different activities.

Generally speaking, the gambling itself – and the associated possibility of winning – provided excitement in and of itself.

"The thrill. The thrill of being there. Just taking a punt." (Melbourne)

"It can be exciting but it can be devastating as well, especially when you lose your first spin and you're trying to chase it, you know." (Melbourne)

Some participants reminisced about the times when electronic gaming machines were only available in the casino in Adelaide, and the associated sense of occasion and uniqueness that a trip to the casino provided:

"It made it more of an outing, it made it just so much better. To me it was just nice not to have the machines in every pub around the corner. Let's get dressed up and let's go to the casino, you know, it was just something back then that was a lot better and a lot of other people thought that way too." (Adelaide)

Gambling activities

The diversity of participants in the groups was reflected in the range of gambling activities that they undertook. Participants were asked, in detail, about their casino gambling behaviour and about why they preferred particular activities. Broadly speaking, male participants were more likely to play table games at the casino whereas females were more likely to play EGMs though there were exceptions to this. Men described a sense of greater strategy and skill associated with table games, whereas pokies were based on pure chance. The following quotes are all from male participants.

"Blackjack - that's my game of choice because I feel that it contains a level of skill as opposed to just pressing a button and whatever the computer decides you get. So, I like the interaction with the rest of the table too, it's more of a social thing for me." (Sydney)

"Well I like numbers, it's kind of a numbers game. I guess it's not really card counting, but I just have a concept of the numbers, it's easy to understand, it's not complicated." (Sydney)

"I just like the strategy involved, I think there's a bit more strategy involved." (Melbourne)

Similarly, with table games, some felt that the locus of control was more with the gambler:

"I feel I have some control with the blackjack, whereas if I hit or I don't hit I've chosen the path, it may not be good but I've created that path, not a machine telling me what to do." (Melbourne)

Table games like blackjack and poker were seen to provide more stimulation and interaction, and generally to be more sociable, compared with EGMs. Others – particularly females - were drawn to games which they felt were relatively easy to learn and play, and this was particularly the case for Blackjack and Pontoon:

"I don't know, everyone's just involved and try the tactics on it and how the dealer works, and just talking to the dealer and trying to play on my experience. It's good with friends and if you have a good win it's good." (Adelaide)

"It's just easy to play, I get pretty good luck in it, I think. Blackjack and pontoon actually; pontoon I probably play a bit more if it's available. But yeah, I find I win probably about the most in the other games." (Sydney)

"{Blackjack} It's just quick and easy, fast paced, it's easy to understand." (Sydney)

Roulette also appealed because of its simplicity, as evidenced by the following quotes:

"I mainly play roulette because you don't have to think too much, and I've only just started playing blackjack and I'm trying to learn the rules, but I'm finding it's hard. I do find it a bit scary sitting there with people who seem to know what they're doing, I find it quite daunting." (Sydney)

Finally, the appeal of a game called 'Chocolate Wheel' and another called 'Casino Wars' was described in terms of its appealing simplicity:

"I play the chocolate wheel just because it's fun, and I normally go to the casino more than what I would go to a local pub." (Adelaide)

Some participants felt that the odds of winning are higher with table games, compared with EGMs. The table game 'Craps', which was not available in all casinos in Australia, was believed to have the best chance of winning, as well as providing perceived value for money in terms of the opportunity to play for longer:

"I just feel like there's a better chance of winning {with craps}." (Sydney)

"Yeah, you're in for longer so it does draw you in, but you do have a better opportunity to continue to make money. It's not like a blackjack or a pokie where it's one press and that's it, you could potentially be in for five or ten or 15 minutes before you actually knockout.." (Adelaide)

Similarly, Blackjack, because it involves other gamblers, was also seen to have a relatively high chance of winning.

Participants who preferred EGMs explained what they found appealing about them. Females, particularly, were drawn to the themes and the novelty factor:

"I'm drawn to the new fashioned ones, I don't really like the old ones, so there's something about the new ones that makes me think I'll win more, but it's probably not the case." (Adelaide)

"I also like playing the novelty machines, so there's an Elvis poker machine. I think there's a Michael Jackson one, I think I found a Sex in the City one, all that kind of stuff. It's purely--not even for the money, it's just fun to see what happens." (Sydney)

One participant described how he preferred to play EGMs which had a slower pace:

"I think the terrible ones {pokies} are the ones that play faster and you don't have time, you just go into auto mode and you just sit there and just press a button. I think the slower ones--and when I say slower ones I mean the ones that take the time bringing up the display, so you can actually take a breath." (Adelaide)

Strategies and beliefs

Participants discussed different strategies, and/or superstitions and beliefs, that they – or others - employed in order to try to increase their chances of winning. A relatively common one was to 'double down', i.e. to double the amount staked in each successive bet, as described below:

"His idea was you double down basically every time you lose because eventually it's a 50/50 split and eventually you're going to make...Yeah, but you can get to a hole though very quickly; like a big hole." (Adelaide)

"I just follow the patterns, "Oh, it's been black for five times, okay, so it should be red," but then I'll lose and if I lose then I'll double the bet, but I try not to do it too much ." (Sydney)

Others talked of their perception that the sheer volume of their gambling would result in at least some winnings:

"but I think that's what it is, it's that, "Oh, I might be able to do it more, I'll put \$100 in. Surely after 100 spins it's still got to pay something hasn't it?" or, "It's taken \$100 and oh no." (Adelaide)

Others described beliefs around the concept of luck, and/or superstition, including the idea of a 'winning streak':

"everyone has that one friend who's stupid and thinks, "Oh, I've lost \$500, this mystical gambling God owes me this money back. I'll continue to put in money no matter what happens, which is when you've got a problem." (Sydney)

"When I realise I'm losing I just slow down, walk away, watch someone else and watch others play until "It's time to go back now, my luck's going to change." (Melbourne)

Other participants talked about strategies that they thought might improve their chances of winning.

"And the reason I started going to the casino is I have a friend who's a pure maths major and he's done his PhD in pure maths and he thought he had a system to win at roulette. It wasn't real but we gave it a shot. And so it's that side sometimes that interests me, that there's a skill element and just playing that game is interesting." (Adelaide)

Others talked about elements of the system, or the behaviour of dealers/spinners, which they believed increased their odds, such as 'lazy spinners' and particular ways of shuffling the cards.

"it's interesting too to watch the spinners. I mean I don't know, but you get what I call lazy spinners, and they'll spin consistently the same numbers or in the same block and so you can sort of, I don't know. (Melbourne)

Others talked about strategies that they believed were employed by the casinos to improve their return and/or to interrupt patrons' "winning streaks". These strategies included the way in which the cards are shuffled:

"Okay. Yeah, I've come across that sometimes, it's just--well when you shuffle the cards it's supposed to be like a random shuffle of cards, but I've heard that in some casinos there are some shufflers that their shuffling may be done in a way that favours one particular suit above all the others." (Adelaide)

"this is probably why I spend less time in Adelaide Casino, but certainly if you go to the same in Vegas, they have a limited number of decks and you actually can start to get some level of house margin, whereas in Adelaide they shuffle the deck every time so it's just like every time you know your margin's no good, so really it's just a question of playing it for the sake of playing it." (Adelaide)

A few participants highlighted the fact that the roulette table has a double zero, which increases the probability that the house will win as well as more general modifications to games which were perceived to be in order to increase the house margin:

"That was always the American way and then in the Australian casinos it was always one zero, and it was probably about the same time as they started shuffling the decks that they started to put it down to zero." (Adelaide)

"I lived in Brisbane for a couple of years, both of them in Queensland--well actually there's four in Queensland, Sydney and Melbourne, and they've still got the original zero, like they haven't tried to make that extra. It just feels like the casino here wants to take--just start getting mean, like everyone knows they're there to take your money and now they're making it really obvious." (Adelaide)

Some participants believed that casino staff were primed to intervene if people were winning too much, in order to disrupt their game, as discussed in the following conversation between participants:

"But, it's quite funny because you watch them because they had the dealer, they had two security guards and the floor supervisor all go over there, they'd start talking, they'd start a conversation, and I could see what was going on. They were trying to break that cycle and break the winning streak, and it took them 20 minutes to refill this croupier, and it was funny, that table when they started playing again went deathly silent because they were losing. And, all that money that they'd taken out they had to put it all back in, and the casino knew exactly what they were doing." (Adelaide)

Participants generally felt that the casino ethos was primed to identify patrons who might be using strategies to improve their chances of winning:

"a fellow that got turfed out a few years ago, card counting or some such thing or other, it's not illegal but somehow they got onto him and he was gone; I think he tried to take them to court or something and the government backed the casino even though it's not illegal they backed the casino and he was told, "Don't bother coming back." (Adelaide)

One participant described how he had been told to speed up his game on a Blackjack table:

"I remember one occasion about two years ago, I wasn't winning but I wasn't doing too badly, and I was playing a bit slow--I don't know what happened, I can't recall, I was just playing a bit slow, and I don't know whether they thought I was counting cards or being difficult, because the security come and stood next to me, and once they sat next to me, there was people standing behind me watching, they stood in the crowd, "Well what's he doing?" and the supervisor came

along and sat next to me and said, "You have to play faster," and I was like, "Why," "Play faster or please leave the table."

And what did you do?

Well I didn't realise I was playing slow, I was slowing down, and then I was given instruction to either get up and leave the table or play faster." (Melbourne)

Limit setting

Participants were asked about whether they set monetary or time limits on their own gambling and, if so, how this was done and enforced. Monetary limits were far more common than time. The following quotes illustrate the variety of strategies used.

"I take a fixed amount with me, I have it sitting in my pocket and leave the cards and everything else at home..." (Adelaide)

"I generally pay my bills at home first, make sure that everything is paid and my food's bought, and then generally I'll have \$20 for a bit of pocket money." (Adelaide)

Participants were asked about how they enforced these limits throughout the session. Those who visited the casino at the end of an evening out acknowledged that it was harder to set and enforce limits if they had been drinking alcohol and/or their visit to the casino was unplanned. Others talked about not necessarily sticking to their limits and/or setting a 'soft limit'.

"But yeah, a limit, I'll go in with a soft limit of 100 and a hard limit of 300. If I lose my hundred early then I'll just, "Okay, another 100," but if I've made my first 100, that's in my pocket and the rest is money to gamble, if I lose it I lose it, if I win I've got my 100 back and I'm quite happy. I've been to other functions and then come to the casino to kick on and usually with a party of friends, so we're there until the sun rises and wives are ringing us up going, "Where are you?" and we always say, "We're at the casino, come down for breakfast if you want," but they'll always come and pick us up, we're in no fit state to get home." (Sydney)

"Usually the next morning, look in my wallet and here are all these ATM things, but yeah, that's probably about it." (Sydney)

Very few people reported that they did not set a limit, although in some instances the limits set were high (hundreds or even thousands of dollars), and some participants admitted that they had experienced problems controlling their gambling in the past.

"Well to be frank with you, several years ago I used to go there every night. I was unstoppable, I got addicted to it so bad that I didn't know how to stop, and I ended up getting cleaned up one night. I know my limits now, I know where to stop and, yeah, call it a day." (Melbourne)

New products

Participants were asked whether their local casino had recently introduced any new gambling products. The one most commonly cited, across the three locations, was an electronic roulette table:

"I know that they changed the roulette, there's still computer machines but you can actually bet-- because like I said the tables are pretty crowded so it's hard to even get a bet sometimes, so there's computers all lined up and there's guys at the front who actually roll it in, so it's real, because some people might think the computer is rigged. So all these computers are actually connected to a person actually spinning it, so it's like real or whatever. Whereas, some other ones they're just computer stuff." (Sydney)

Participants believed that the electronic versions had been introduced for a variety of reasons including cost saving (i.e. no longer needing to pay the wages of a dealer/croupier), preventing cheating and attracting the lower spenders away from the tables, during busy times, to make more space for the higher rollers:

"I think it's to keep the cheapskates away from the main areas" (Melbourne)

Others felt that the changing nature of the products was increasingly aiming at an Asian market:

"I reckon there's a few--it's pretty obvious that the renovations at the casino are aimed at that Asian market, there's a whole section now that's got like Ming Dynasty look and whatever, and I reckon there's a few new games in there." (Adelaide)

There was a strong expressed resistance to the electronic version of the table games, in that people felt that it detracted from the experience, and also that it was more likely to be in the house's favour.

"It's more relaxed because people aren't in your way or whatever, but I think for the experience to bet on the actual table it's right there and you're socialising rather than it being a computer screen." (Sydney)

"they've got more electronic stuff now, which I don't like electronic games, I just don't trust them." (Melbourne)

In addition to the electronic table games, participants noted that new EGMs had been introduced recently, as illustrated in the following quotes. Again, there was some resistance to this in that the unfamiliarity was felt to put patrons at a disadvantage.

"I was just having a look at all the machines, and literally every machine is a new machine, and they do, they swap them around and stuff, and all these people are playing new machines and they don't know what they're playing..." (Adelaide)

"And they change the buttons and the combinations of how much credits you've betting, so for that first couple of spins sometimes you press what you think it is and you're like, "Shit, I just spent five bucks," and then I quickly change it back. So I think they make a lot of money like that, just based on people not knowing the machines like they used to know the old Dolphin machines or whatever they were." (Adelaide)

Moreover, some patrons felt that the new machines did not 'pay out' to the same extent as the old ones.

"If you look at the machines as well, all the new machines I don't reckon they pay as much as older machines, because the Shoguns are all gone." (Adelaide)

"No, but being a gambler, as I am, and if I talk to anybody that plays regularly at my local venues and then you go to Crown the poker machines definitely do not pay out like they used to." (Melbourne)

As new products were being introduced, participants remarked on the loss of some products and the fact that others are moved around and/or taken out and then re-introduced. Again, participants expressed cynicism about the casino's motivations for these changes, as illustrated below.

"the amount of different machines also, you know, the trains I used to play that, and I used to play spring carnival, but now you cannot play spring carnival, they've taken spring carnival off that selection. And it's like, "Sorry but I used to enjoy it." (Adelaide)

It's interesting, I mean I'm sure they don't do things by accident, it's all probably data driven and analysed who plays what and spends what where, so there's obviously some kind of shift of their thinking about different ways of running their business." (Adelaide)

7.4 Marketing and inducements

In general participants did not have much to say with respect to marketing except that they felt they did not receive as much correspondence as they used to.

Marketing and advertising

Advertising for the casino in each of the three cities was perceived to be relatively widespread by some participants, particularly those in Adelaide:

"and you see it in other social media, you see that on buses, you see that in the paper, you see that on the TV, on the radio, it's just everywhere." (Adelaide)

"They advertise frequently on local radio, they usually have a half page advertisement every week of what's going on that week at the casino, so in the Western Suburbs one." (Adelaide)

In contrast, others (particularly in Melbourne and Sydney) felt that advertising and direct marketing was not so pervasive as it had previously been:

"They've actually cut them back a fair bit, I used to get them regularly." (Melbourne)

"I used to get cards, I used to get a birthday present, I think I still get a Christmas card, but as you said, the newsletter--they've obviously cut back their marketing budgets quite a bit." (Melbourne)

The general perception was that advertising campaigns focused more on the associated activities available in the casino complex, rather than the gambling itself:

"That's how they position themselves. A fun place. They're trying to make it a fun place to be, rather than just purely gambling." (Adelaide)

"It's a brand new ad in the last couple of weeks, and I think it's trying to paint it as more glamorous. There's a lot of images of the new interior and the new restaurants. I think it seems to me it's more about--it's less about the gambling and more about the experience of the thing." (Adelaide)

When asked about the impact of advertising, participants generally felt that it had relatively little effect on their own, other others', behaviour:

"Me personally, it didn't affect me, and it won't affect people who are regular goers. Regular people will go anyway, I would have thought." (Melbourne)

Incentives and inducements

Participants were asked about the range of inducements they had been offered by their local casino to encourage patronage. A variety of promotions were mentioned, with the value and frequency being positively correlated with the amount spent; that is, more regular gamblers/higher spenders received more promotions.

"I get probably a little bit more than some people in this room. I got movie tickets about three weeks ago, I got a diary for the beginning of the year, I got a free night's accommodation..." (Melbourne)

"{My wife} I think she's always getting letters and things in the mail, like a \$50 voucher for her birthday and every fortnight she gets a \$20 voucher." (Adelaide)

Given the location of the casinos in, or near to, the centre of the city, an inducement that seemed to be particularly valued by patrons was the free parking:

"And, I just like the fact too that on my card--you know, city parking has become so prohibitive so we go into the city on a Sunday, park at Crown and just walk, and it's free, but that's one of the benefits of it, it's good." (Melbourne)

Participants were asked the extent to which they felt that the inducements influenced their gambling behaviour. The general feeling was that they did encourage them to gamble, at least to some extent:

"I honestly think that they are all take, but in my weird subconscious I think, "Well I get free parking and I get rewards, and I get invitations, and I got some free movie tickets the other week, and I get stuff. I get a little bit back in return for the obscene amount of money that I spend." (Melbourne)

"It probably makes me think indirectly that I get something back" (Melbourne)

Reduction in inducements

There was general agreement that the level of inducements had reduced in recent times, across the three locations. This was felt to be particularly marked at the lower end of the spectrum; and was associated with more generalised perceived cost savings on the part of casinos.

The reduction in inducements was described in terms of less access to free, or reduced cost, food and drink:

"They used to walk around with carts on the main floor with soft drink and water, but you never see that at all anymore, they've obviously cut that out.

They probably think they're still going to come and gamble regardless. Whether we give them something for free or not, they're still going to come." (Melbourne)

"You used to get free drinks when you were playing tables, I don't know about playing pokies, but when you were playing the tables you used to get drinks." (Sydney)

Participants also believed that the number of vouchers and cash incentives had diminished:

"I used to get sent \$5 vouchers that you could cash in for actual money or put it back into the machines or whatever, but they don't do that anymore." (Adelaide)

"They used to be cash, so they would give you cash vouchers so you would go there and get the money." (Adelaide)

Similarly, the restrictions on recouping any incentives were perceived to have become stricter in some cases, as described below:

"And the fact that they've changed all that, the loyalty card. Like you used to get a whole month – you'd get \$20 and now you've got certain days that you've got to get that loyalty, so you've got to go in. Say they do it for Melbourne Cup or, you know, you've got this date and that date to go in and if you can't get in there, you know, whereas before you used to have the whole month from the beginning to the end, and now they've just changed the loyalty, you just can't be bothered." (Adelaide)

As previously stated, the perceived reduction in inducements appeared to be related to a more widespread sense of cost-saving by the casinos:

"They used to put on a much nicer show near the entrance with all the Christmassy things at one stage, now I've noticed this year, it wasn't as nice, it's like they were somehow budgeting." (Melbourne)

This perception of a reduction in the level of inducements even extended to the VIP Rooms:

"we used to go to the Teak Room and we'd have dinner in the Teak Room, a lovely meal, and then we'd go and sit and play the machines, and you would get asked by the waitress--and I'd have three or four glasses of red, I wasn't driving. Now, you're lucky if you see a waitress come up to you once." (Melbourne)

Focus group participants reflected on the potential reasons behind the perceived cut backs in incentives. A commonly held view was that the casinos were targeting more on the higher rollers, and less on the average patron:

"So, I don't think the casino is offering incentives for us little people, the high rollers are looked after but the little people who just like to go once a month or once every couple of months aren't getting looked after like they used to." (Adelaide)

"Yeah, I would think most of their money is coming from the high rollers. I reckon where we are is just for fun. I don't know, I think we're just so miniscule in the whole scheme of things. I mean if you've got the high rollers doing 600 grand a ...we're small fish.

... I think we're just there for the restaurants, and just to make it look busy, make it look like an entertainment complex." (Melbourne)

Loyalty programs

Whereas previously incentives had been more generalised, participants felt that the casino loyalty program was the way in which inducements were organised and promoted.

"I think for a lot of them also, the incentives revolve around the loyalty cards. So, if you've got the loyalty card you put in your machine or you register somewhere in the casino or at a poker machine and all of a sudden they hand out some coins, it gives you an opportunity to win dinner on us or drinks on us." (Adelaide)

The loyalty card was perceived by some to facilitate the convenience of gambling in terms of collecting winnings:

"And, it makes it so much easier with the card now because if you win over 300 you don't need to call an attendant, you can just put your card in and take it straight out and it's on the card" (Adelaide)

Many people felt that they might as well join the loyalty program, despite the fact that some felt a degree of cynicism against the motives of the casino:

"I'm not silly, if they're offering free points or whatever I know they're tracking my spending habits but, you know, if they're going to be there you might as well take advantage of it." (Adelaide)

"Well it's not worth it, my dear when--if I actually sat down and worked out how much I have spent there I would die." (Melbourne)

Others felt a sense of apathy about the loyalty program, and did not make the effort to enrol, or joined the program but never used the card. Male participants reported being less likely to join loyalty programs than females:

"I'm not a member of the loyalty program, by the way, I think it's just another piece of plastic I've got to carry around and so I just haven't bothered." (Adelaide)

"I don't gamble enough to make it worth my while, and often when you put the card in the poker machine doesn't read it anyway, so I can't be bothered, and I can't remember my pin half the time, and then it's not fun anymore." (Sydney)

There were also several participants, particularly men, who were opposed to the idea of loyalty cards, and deliberately avoiding getting one.

"Just don't want to have a loyalty card for gambling, I don't see that being a good idea." (Adelaide)

One participant described how the loyalty program affected his sense of control over his own gambling behaviour:

"I mean look, it probably is, people do get a benefit out of it, but it just comes down to my old theory that I have to do something that's out of my control to--like, what he's saying, it's 40 minutes on a roulette table, I don't want to stay there for 40 minutes, I want to stay there for 20 minutes and I want to move on. I feel like I'm restricted, I'm like, "Oh damn, I've got to sit another 20 minutes to get my points." I don't want others to have any control over me - you know, I want to be in control of my own destiny" (Melbourne)

Others pointed out that loyalty cards might not provide the extent of benefit that people think they do:

"I'm not a real big fan of loyalty cards, not that they're a scam but I don't think they're as good as people think they are. You've got to spend a lot to get--you spend like \$50 and you get like five points, so if you look at the point ratio to the spend ratio it's not really worth it in that sense, so I'm not a member at the casino." (Adelaide)

Another male participant felt that winning in itself was the reward, and was not interested in loyalty points:

"I don't know how many rewards I've got a year, winning and winning and winning, that's the only reward I get." (Melbourne)

One man expressed his concern that others would find out about his gambling if he were to have a loyalty card:

"Oh years ago I think I was a member of a couple of the loyalty clubs, but I guess my wife hates gambling and they used to send stuff through and she would say, "What's this?" "I don't know how the hell they got that. It must be some spam mail." (Sydney)

There was some discussion about the mechanics of the loyalty system, particularly in terms of how it worked for different gambling activities. The consensus seemed to be that it is straightforward for EGMs – the card is simply inserted into the machine; whereas for table games participants were less clear about how the loyalty program worked:

"Yeah. I went in and asked them, "Why is this so low?" and they said, "Because you don't get poker points, you don't get points for poker," and I said, "Oh okay." (Melbourne)

"well this is on the pokies anyway, I think you have X amount of points or credits left to go before you get your free rewards but you can only get a free meal or something if you after 6am the following morning, yeah." (Melbourne)

Activity statements

Participants were asked whether they received any feedback on their level of gambling activity at the local casino in the form of activity statements. There was only very vague awareness of such statements, and those that did receive them appeared to pay very little attention to them. Some participants felt that activity statements could actually encourage gambling, when linked to a loyalty program, in that they show you how close you are to the next loyalty level:

"I actually did for the first time last week, and that had from the month previous. It didn't make any sense to me actually. It didn't make a lot of sense and it was saying what you'd been spending, what you spent, what you won, and whether you were positive or minus in the end." (Adelaide)

"I don't know, it might have had something on it. These days I hardly look at it because I know it's crap so I shove it in the bin." (Adelaide)

"It's depressing, I think I really don't want to know." (Sydney)

7.5 VIP rooms

The so-called VIP rooms in the casinos inspired a good deal of animated discussion, both from those who had visited them and those who had merely heard about them. The sense of exclusivity, and mystery about what happened inside, was of great interest to the majority of participants.

In Melbourne and Adelaide, there was reported to be more than one VIP room, and participants described how they were 'graded' based on patrons' gambling expenditure. In Sydney, participants were aware of only one VIP room.

In Adelaide, the Barossa and Grange room were described in the following ways:

"There's the Barossa Room which is for people with diamond cards which is only 15% of drinks, and there's a café in there as well, but there's two VIP rooms up the top, one's called Grange and the other one – I can't remember what it's called because I didn't get into that one, that's the gaming machine one; the Grange is the table one. I spent many nights in that Grange Room where the tables are, and everything's laid on, drinks, food, everything, whatever you want, however you want it laid on," (Adelaide)

"You've got to spend at least \$10,000 a month or something to get into the VIP card. A friend he tried and tried to keep it, and I said to him, "You're actually probably better off not spending that money and paying full price for your drinks and your food because you're going to be in front. They'd send him probably twice a month \$100 vouchers, cash vouchers, so he could take the cash and go if he wanted to." (Adelaide)

In Sydney, participants talked of a room called the Sovereign room:

"Mm, because there's like an upstairs room, they call it the Sovereign Room or something like that. I don't know, I've never been up there but I know people that have been up there before and the bets are much more, the minimum bet, like blackjack the minimum bet could be \$1,000 or \$10,000 or whatever. I've never been up there but I've heard stories that the owners of the Star fly in wealthy people from overseas and treat them to free of charge rooms, and they smash the tables so it's like they're getting money back. I've heard stuff like that, so I'm not sure if it's true or not but it sounds realistic." (Sydney)

"The free beers they--it's just mind blowing what they give you for free." (Sydney)

In Melbourne, the rooms were labelled Teak, Mahogany and Oak:

"You've got Teak and then you've got Mahogany, and there's one above Mahogany." (Melbourne)

"And, my old boyfriend he was a Mahogany guy, and so we were in there all the time and he used to get presents and stuff from them very, very regularly, so I think it's very much the more you spend the more they offer." (Melbourne)

Not surprisingly, these rooms were perceived to be targeted at the high rollers with high amounts of money being staked and won.

"My mates they've watched guys lose a couple of million in seconds, less than a minute, yeah." (Melbourne)

Participants believed that the VIP rooms were targeted at non-locals, i.e. people from interstate and, particularly, overseas patrons:

"But they pay for everyone to come in and put them up in the hotel and then skin them, and then send them home, "See you later bye, come back in six months." (Sydney)

"It's big money, yeah And, all those black cars outside are for those people upstairs. So, if they want a certain food the casino will go and get them that certain food."

In all three locations, participants described these rooms as being separated off physically, often upstairs. They were also perceived to be separate in terms of the way in which they operated; for instance, smoking was believed to be allowed in the VIP area in all three locations. One person described the VIP rooms as being "outside the law" and another as "a law unto themselves":

"In the upstairs tables, I don't go there but you can smoke up there, you can do anything you want really." (Sydney)

Whilst participants were fascinated by these rooms, some were also disgruntled about the fact that previously general access areas had been closed off to the public in order to target high rollers:

"Like, if you go into that original part there's all tables to the left and clear glass barricading the escalators and then there's a few poker machines down to the right side, and to me that just makes it feel like, "You've taken something that's always been the privilege of the patron away to say we're not good enough anymore, we don't give you enough money." (Adelaide)

One room in the Adelaide casino – the Barossa Room – had become an area for people from interstate. Participants believed that the EGMs in that room, unlike the rest of the casino, accepted notes and cards (whereas, by law, the EGMs elsewhere accepted coins only).

"There is the Barossa Room and it's a quirk about ridiculous legislation that says that to prevent problem gambling we have to use dollar coins...so, what they've done, the law says that the average Joe Punter can't use cash to put into a machine or can't use a card, they have to put in coins. They've bent the rules so that if you're an interstate visitor and you're not a resident of South Australia you can go into this room which has card facilities and you can put money in so they have the equivalent experience as they would in another state. But, the silly thing is, then they've also said, "Well, if you spend over \$2000 a month we'll upgrade your membership," because that's actually part of the legislation, but the Adelaide Casino sent me a letter detailing all this and I'm looking at it and going, "It's crazy." (Adelaide)

The fact that there were such exclusive areas for EGMs seemed more difficult for people to accept than the idea of specifically high stake tables:

"I guess it's weird though because in my head if they've got a VIP room that only certain people can go into in my head it's table games that people are going into play, but I was very surprised that they're actually blocking out particular rooms of pokies." (Adelaide)

7.6 Characteristics of casinos

Sense of glamour

Participants were asked to provide feedback on a range of characteristics of casinos in terms of the extent to which these features were important to them.

Perhaps the most predominant element of appeal to patrons was the sense of glamour and luxury afforded by the casino experience, which provided a sense of occasion and opulence:

"... the luxury, walk around, just interesting watching people and what they're doing, and look around and watch them gamble on the tables and all that ...yeah, that's all that interests me." (Adelaide)

"It's more the attraction, of the way they're decorated with all the expensive fittings." (Adelaide)

However, there was a pervasive sense that the element of glamour was waning and that this was reflected particularly in the lowering of dress standards. This sense that the casino had downgraded its glamour factor was particularly keenly felt in Adelaide:

"but it was a bit more glamorous in those days, you had to dress up, it was jacket and tie, and it was that sort of movie set sort of thing. I think initially when I was going it was nice, the ladies were all dressed beautifully, the men were all turned out and I enjoyed that and I enjoyed the fact that there were different things to do rather than the standard entertainment." (Adelaide)

When asked why the casino had apparently lowered its standards, participants felt that it was to widen the target audience, as described below:

"It's a simple numbers game, and the more numbers they get through the door the more spend, the more profit they're going to get." (Adelaide)

Participants in Sydney also discussed the fact that the dress code was very casual, but, unlike Adelaide, there did not seem to be the same sense that this was any different than in previous years.

"There's no standard, like you're trying to make something glamorous but you're letting anyone in the door wearing whatever they want." (Sydney)

Sense of excitement

Somewhat related to the sense of glamour, participants described a liveliness and air of excitement that appealed to them in a casino, compared with other gambling and recreational venues. Some patrons talked of how the appeal of the environment meant that they were more likely to stay longer at the casino:

"Because it's a lot more fun, the atmosphere is a lot better than in the pub. Actually a lot of people are friendly at the casino than they are at the local pub." (Adelaide)

"I like the ambience and the atmosphere because it feels warm, fuzzy, nice carpets, also the people, all saying, "Hello Sir, how are you doing?" (Sydney)

"For me it's more encouraging to go there before gambling, hang out and I might have a drink, than after the gambling just to sit down and have another drink or meet people, whereas if it wasn't as appealing and not attractive I would just be going in, gamble, out the door." (Melbourne)

Sense of focus/zoning in

Other studies have found that casino patrons describe a sense of retreat afforded by the casino. Participants in this study did not relate to this concept. They did, however, describe a state of mind that some labelled 'zoning in' which formed an important part of the escapism of their gambling.

"if I'm in a high stress situation I tend to want to gamble a bit more because the disconnect switches my mind off, it's doing something mindless for a while, it's almost like watching mindless TV, you're not actually watching it you're just sitting there in front of it staring at it." (Adelaide)

"Zoning in, well yeah, so I'm sort of focused and if someone is just talking to me I won't listen to what they're saying ... I've gone there before and I've played, when I've had a few drinks and I've played drunk, and it's just not highly recommended because you just keep going and going." (Melbourne)

Some felt that the gambling activities differed in the extent to which patrons were focused and individual, versus sociable and interactive. The EGMs were felt to be particularly introverted and antisocial:

"sort of time when I was going it was a much more sociable experience, now I think it's reflective of what I see in the generation, everyone's focused on their own little world, to me it feels like it's just lost that social element because people are too busy in their own little poker machines." (Adelaide)

Some participants perceived the casino environment to have become louder in recent times, which they felt detracted from their experience:

"I've noticed the last few times, and maybe I'm getting older, it's become really noisy in there, like really noisy." (Melbourne)

"Music, noise, announcements. It just seems to be really loud." (Melbourne)

Losing track of time

A commonly reported theme was the sense of losing track of time altogether whilst gambling in the casino. This was related to the sense of 'zoning in' and emphasised by the fact that there are no clocks, or daylight, on the casino floor:

"There are still no clocks anywhere." (Melbourne)

"It's the lighting, you're in this environment but it could be any time of the day or night and you just don't know it...and I think the same as in a pokie venue, it's that purposeful thing to not let you know how much time is passing, and that's been shown in research." (Adelaide)

"I don't know what your experiences have been but sometimes you win a bit, lose a bit, win a bit, lose a bit, and you end up there playing for several hours and all of a sudden it's one or two in the morning and you might have started at 7 o'clock and you think, "Alright, I've had enough, time to go." (Adelaide)

Affordability

Participants were asked to provide their thoughts on the affordability of gambling in a casino. The initial response to this question was that patrons could control their own expenditure, and that the variety of activities available enabled this:

"We've got machines from one cent, so it's up to you to your own choice as to how much you want to spend." (Melbourne)

However, on further reflection, there was a widespread perception that the minimum bets had increased in recent times, and this was felt to be the case across the board – from EGMs through to table games:

"You used to be able to play roulette for one or \$2 and now it's gone up, the same as table games and yeah, everything's just gone up. Even on the pokie machines you used to be able to bet small credits but now it's like your minimum bet is like 25 or something, and they've changed that." (Adelaide)

"So they're not accommodating the person that's going in there with a low budget." (Adelaide)

7.7 Casino staff

Service staff and dealers

Participants were asked detailed questions about the casino staff's attitude, professionalism and customer service. The responses varied between locations and, within locations, between different types of staff. Generally, the feeling was that the service staff were competent and professional, but not particularly engaged.

"Well they never smile, you know. I don't know when it first opened they used to be all dressed up and we used to be all dressed up and now they're just in normal clothes." (Adelaide)

Customer service was felt to be relatively poor, particularly in comparison with American casinos; although participants felt that this was a product of the cultural differences in relation to tipping.

"Customer service is garbage. Yeah, crap." (Sydney)

"Yeah, the customer service is a bit more like--over there it sounds like it's more of a show, like they're actually entertaining you as opposed to just dealing the cards." (Adelaide)

Participants perceived the croupiers and dealers, on the whole, to be distant and, overall, to not particularly engage with their patrons:

"I think most of them are just professional, they do their job, they don't really give that much of a crap really. They're pretty distant, they're pretty cold a lot of them." (Melbourne)

Security staff

Security staff were perceived to be separate from the other casino staff and, as such, described in different terms. Melbourne security staff had the worst reputation, with Sydney and Adelaide security staff being described in a far more positive light. Across all three locations, participants felt that security staff blended into the background but were alert and quick to respond to the first signs of trouble: Sydney security staff were described as efficient and professional.

"Yeah, they were very professional. And if something happens, there would be a little altercation and all of a sudden they just come out like cockroaches, you see them coming from everywhere in those grey suits." (Sydney)

"Some of the best bouncers that you will find in the city are the ones at the casino. They source them really well." (Sydney)

There was a strong perception that the security staff were constantly watching what was happening on the floor. One man talked about how he was asked to leave because he kept falling asleep at the sports bar.

"Tired, yeah and they've kicked me out for that, falling asleep at the table. Yeah, they were cool, they were like, "Hey man, you've fallen micro asleep like 25 times in the last hour..."

Yeah, they watch you." (Sydney)

Adelaide security staff were similarly perceived in a positive light, with the exception of one of the four groups, where the participants were more negative. The conflicting reputation of Adelaide security staff is illustrated by the quotes, from different participants, below:

"Well the security are always dressed, they're very well mannered. When I was doing training there you see them come in for shifts and none of them are like real rebellious, they target certain people ..." *"They're like high end security or something."* (Adelaide)

"They're not like a normal bouncer. They're like high end security or something." (Adelaide)

In contrast to the other two locations, participants in Melbourne relayed some very negative anecdotes about security staff at Crown. Participants talked of areas in the casino where there were no security cameras, where they had heard that patrons who had caused trouble would be taken to be 'beaten up'.

"They're glorified thugs that's all they are." (Melbourne)

"They are really dangerous people." (Melbourne)

"I think security have a lot of attitude there." (Melbourne)

"Especially like at night time, especially when the nightclubs are going, they walk around with a chip on their shoulder. So they're almost just waiting for a pin to drop, but they're just ready to launch." (Melbourne)

Overall, women were more positive about the security staff than men were, with females being more likely to point out that security staff were there to protect patrons:

"Well they've got to be assertive in a way ... but they cross the line, yeah, they cross the line way too far." (Melbourne)

"but they are there to keep us safe" (Adelaide)

One female patron described, in a positive light, how the security staff had reacted very quickly when she and her friends were being hassled by a group of male patrons:

"we didn't even say anything because they were obviously watching, but they came over and took them out after a bit of a scuffle. So obviously they're looking close enough at people at things that are going on" (Adelaide)

Learning how to gamble on the table games

Participants were asked the extent to which staff would help novice gamblers on the table games, in terms of teaching them the basics of the rules and how to play. The over-riding response was that this did not happen, and that if a patron asked for help or guidance, the staff member would provide them with a manual rather than explaining verbally. Women, particularly, described feeling intimidated by the table games and being interested in trying them but deterred from doing so.

"Yeah, they give you a brochure and say, "There you go..., you have to find out yourself, they just don't want to be bothered. That's just the general attitude you get." (Adelaide)

"I asked about baccarat, I didn't know how to play baccarat and I asked, "How do you play this?" and it was about 2am and there was no one at the table and I thought she could have time to have a chat to me and tell me but instead she said read the book." (Melbourne)

There were anecdotes which pointed to the fact that some staff could be helpful when people were learning how to play a table game, but such occasions appeared to be very rare:

"They'll probably tell you if you make a mistake. I know when I first started I made a few silly errors and they were like, "Don't touch that," or, "Just leave the money there."" (Adelaide)

Participants described sessions at the casino where people could gamble for a limited amount of money in order to learn how to play the table games, a feature that was positively received by patrons:

"There used to be, on a Saturday night, they used to call it the party pit and I know we had a couple of corporate functions there where they would actually have, what's now upstairs where

the sports bar is there used to be a few tables up there that they'd almost have to lessons and all that stuff, but that's long since gone." (Adelaide)

"I think they're going to start opening this new program, where you give them 80 bucks and they give you a whole tonne of chips and essentially it's like battle royale, so, "Everyone that's playing on these couple of tables, you will just finish up your chips on whatever game you want and whoever finishes up with all the chips or who has the most chips wins that jackpot," so I think that's a way that they're really starting to train people up." (Sydney)

7.8 Perceived differences between the casinos

Most of the participants in the focus groups had visited other casinos, in addition to their local venue. They were asked how different casinos within Australia, and overseas, compared. Generally speaking, the Melbourne casino was perceived to be the biggest and the best. The Adelaide casino was described as being significantly smaller, with far fewer activities on offer; and this was seen as a positive by some and negative by others.

Views on the Melbourne casino

Crown Melbourne was the one described by participants in the most superlative terms. It was perceived to be grand, large and impressive, and with the greatest variety in terms of both gambling, and non-gambling, activities.

"The one that impresses me the most is Crown Melbourne, although I must admit probably Jupiter's on the Gold Coast, I was very impressed with that." (Adelaide)

"I prefer the jackpot machines there {Melbourne}, because they're 10 times higher. Some of the machines are like 140 grand, and here the top is 12, and they're advertising it as the biggest jackpot ever. But, here it's nicer because it is nicer people, staff and just the general public, but I think that's obviously just the population in general." (Adelaide)

"But the Crown, I mean it's just got a different vibe, more restaurants, better restaurants as well in my opinion. Yeah, I can't explain the word but it's just a bit more grand. But I do think Sydney will still come up." (Sydney)

Views on the Adelaide casino

The Adelaide casino was perceived as the smallest and least impressive of the three casinos. The range of activities was felt to be much smaller than in Sydney and Melbourne, and, as previously described, it was seen less as a destination venue.

"Someone compared the Adelaide Casino to me when I mentioned I was thinking about going, when I was in Adelaide a couple of months ago, they said it's like a large TAB." (Melbourne)

Participants felt that it needed to be expanded and or improved, and many voiced the opinion that an expansion was imminent:

"The casino here is quite flat ... There's not much happening. It's outdated. It's a bit low." It could really do with a makeover." (Adelaide)

"I personally think maybe give it five years and that casino will be moved, or it will be expanded, it will have to be, it's too small." (Adelaide)

Whilst the over-riding view was that the casino was too small and limited, some patrons expressed positive views about the fact that it was small and relatively intimate.

"I find it {the Adelaide casino} a little bit better because it's smaller, more homely, and a bit more intimate whereas in Melbourne and Sydney it's just so vast, it's huge, you can get lost in that place very, very easily." (Adelaide)

As previously mentioned, the Adelaide casino was the one which participants felt had most diminished in terms of its standards of luxury and glamour.

“and, you can’t go up those beautiful escalators anymore, they’ve kind of taken you away from something that’s been there for decades and so you’re not good enough to go there because you’re not spending enough. So, it’s just—and, they’ve taken machines away. So, at the moment sometimes I prefer to go to Melbourne because at least there they’ve got a greater range.”
(Adelaide)

Views on the Sydney casino

The Star in Sydney fell between the two other casinos in terms of popularity. People described it as being much larger and more entertaining than the Adelaide casino, but not as impressive as the Crown.

“I think it’s alright, but it’s missing something in terms of excitement, I guess, for me.” (Sydney)

Sydney participants talked about the opening of the new casino in Barangaroo, and questioned the impact that this might have on the Star casino. The perception in Sydney was that the new casino would be targeted more at the high rollers.

“I think basically all I feel is that Star City is trying to up its game, it’s just trying to copy the Vegas vibe but I’m not sure how successful they are, it just doesn’t feel big enough, Barangaroo is just going to blow them out of the water, I think.” (Adelaide)

“the word on the street I’ve got, Crown when it opens here, Barangaroo is going to be for high rollers only, and I think that’s a detriment to them, they could have a section off for just the people who are going to spend \$100 or \$50.” (Sydney)

7.9 Responsible gambling

Definition

Participants were asked about the concept of responsible gambling, specifically how they would define the term, if and how it was being promoted by their local casino and where they believed the responsibility lay.

There was no single definition of responsible gambling:

“People will see responsible gambling as so many different ways. Like what is responsible gambling, going to the casino once a year? Going there once a month, or maybe betting \$20 and no more, \$50 and no more, \$60 and no more, 10 per cent of your income, no more?”
(Adelaide)

“Knowing when to stop.” (Melbourne)

“Having your own limits, I think that’s what it is, it’s having your own limit. Mine might be 20, yours might be 50 or something, and that knowing what your limit is and then stopping at that.”
(Adelaide)

Some participants felt that the term responsible gambling was too vague to be effective and that a more action-focused message would have more impact:

“I think about more impact like that other comment “Don’t chase your losses,” has a better impact than gamble responsibly.” (Adelaide)

“And, if you say, “Be responsible” the person just chases their losses. The problem with addiction is it just distorts your brain, so when you’re having a message that can be distorted, like gamble responsibly, it won’t give that same impact.” (Sydney)

Others felt that the term responsible gambling placed the onus on the individual rather than the industry:

“When I see that “gamble responsibly” I sort of feel like they’re putting the responsibility on you, that’s the way it comes across to me.” (Adelaide)

Whilst patrons were aware of signage around responsible gambling in their local casino, they felt that people were not particularly conscious of it:

"There are signs in the toilets and there are signs ... Yeah, there is signage. Yeah, although a lot of people are immune to them now, you don't think about them much." (Melbourne)

"There's all cards around, but no one notices, yeah." (Sydney)

The view was also expressed that the signage is somewhat tokenistic, as illustrated by the following quotes:

"But, the casino does have signs up everywhere, you know, "If you have a problem please read this ... I think that's more them seeming to be doing something rather than actually doing something." (Adelaide)

Others pointed out that signage has limited potential to affect behaviour:

"I don't think people who are into gambling are going to look at a thing that says, "Don't gamble," when it's the one thing they enjoy." (Adelaide)

Responsibility

When asked where the responsibility lay for responsible gambling, the predominant opinion was that it lies with the individual:

"Yours. You've got to be responsible for your own actions, that's the way I see it." (Adelaide)

"... in terms of responsible gambling I think it falls on the individual. I think it is all about knowing your limit." (Adelaide)

Aligned with the emphasis on the individual, there was a strong resistance to the idea of government measures, such as preventative legislation, and the association with a 'nanny state':

"I just think it turns it into a Nanny State, really. I mean people need to have responsibility for their own actions, and I think that the more bans that people put in place—I know that there are people out there that don't have the ability to but at the same time I just don't think that anyone has a right to tell someone what they can and can't do with their time or their money." (Sydney)

Whilst the majority view was that the responsibility lies with the individual, participants pointed out that governments receive revenue from the gambling industry, and that the situation is, therefore, a complex one:

"But the government, when I think about it, it's a bit of a double edged sword because how much revenue do the government make out of the casinos?" (Adelaide)

Participants pointed out that gambling is available via a variety of forms, including online, meaning that measures promoted by the casino could be avoided by patrons gambling elsewhere. Participants also suggested that legislating too far could result in illegal gambling activity:

"And, the thing is too, with gambling, if they don't gamble at the casinos, they don't only gamble on pokies, they can gamble online, they can gamble Sportsbet, you know." (Adelaide)

"... ultimately it's still up to the individual, it's a choice to go in there, it's a choice to drink alcohol, it's a choice to take drugs. Once you're addicted then you've got to get help, but if you say, "Shut the doors," it's only going to shift the problem. I mean the whole reason the TAB was introduced was because of all the illegal bookies in the '30s and '40s who were running all these bets on horse races." (Adelaide)

Participants did remark on the fact that other public health areas, such as drinking or smoking, were perceived to have stronger social marketing messages:

"But I think if you compare the gambling message against the Transport Accident Commission (TAC) messages or smoking messages, the starkness of the TAC and the smoking ads are completely different to the gambling. I mean they don't really show really much at all." (Melbourne)

Participants were aware of very few social marketing campaigns in the problem gambling area, although one participant did mention the following:

"They used to have an ad on television about that woman who pretty much lost everything and then she turned her life around, there was a whole series of them, and they did them for a while, there was a lot of them." (Melbourne)

Staff intervention

Participants were asked their views on the idea of staff intervening in cases where they suspected a patron had a gambling problem. The predominant view was that this did not happen and also that it would not be appropriate:

"I've never seen someone go up to someone and say, "You've spent too much money..."

"No, I don't think it would work." (Sydney)

Because how is someone going to know how long you've been there for, if there's like 2000 people in there." (Adelaide)

Participants reflected on the contrast with alcohol consumption, where bar staff would refuse to serve people who are clearly intoxicated; but pointed out that it is not possible to tell whether someone has a gambling problem from physical signs in the same way:

"But it's not like with alcohol where if you're visibly intoxicated a bar tender will say, "No, I can't serve you" (Sydney)

Participants felt that staff approaching patrons in the casino could be offensive, and could result in an awkward situation:

"Well just think about it, even if you were working there, and part of your training was, "Just keep an eye out for problem gamblers," I mean you're going to sit there and think to yourself, "Who am I to go up to Christy and say, "Christy I think you've spent a bit of money today, go home, you got kids to look after?" I'm not going to do that, she'll probably slap me in the face." (Melbourne)

"Yeah, like you say it's just judgemental, you don't know. And, even if it's coming from a good place you have no idea and you're singling out someone." (Sydney)

Participants highlighted the conflict between the gambling industry as a business and as a promoter of responsible gambling.

"They're not going to tell you not to gamble so let's try and encourage people to gamble within their means, you know, weighing up all your costs and on goings, and ensure that gambling fits within your disposable income." (Adelaide)

Participants felt that staff who took it upon themselves to intervene would not be encouraged to do so by the casino, as illustrated in the following quotes:

"I don't think they would be allowed anyway." (Melbourne)

"I think when they're training they probably mention it, and just be aware, but do they actually do anything about it when they're on the job? No." (Melbourne)

There were references to staff influencing gambling behaviour, but such anecdotes were extremely rare:

"Some will tell you to slow down though. I've seen people distribute bets, and they ask, "Are you sure you want to do this?" stuff like that. I like that because it's not as if--because at the end of the day they're not getting all that money, it's the big bosses, so they're actually being nice and personable." (Sydney)

Responsible gambling measures

Participants were asked whether they believed that their local casino currently implemented any responsible gambling messages (over and above the signage). They were also asked to suggest potential measures that might be effective.

In terms of measures currently in place, the predominant view was that very little was being done:

"No, I don't think they do much at the casino, I think they should sponsor a lot of programs and, you know, through community groups and that stuff " (Sydney)

The responsible gambling measure that patrons were most aware of was the removal of ATM machines from the gaming floor, and the limit on withdrawal at the available machines (usually located near the entrance); although there was a degree of cynicism associated with these measures:

"You can actually take cash out from the teller, so you can take your chips to the teller and say, "I want to cash that in," and then you can say, "Here's my card, I want \$1000, 500 or whatever it is, as well." (Adelaide)

"But, you can keep going back and withdrawing another, so what's the point of that?" (Melbourne)

There was also a high degree of awareness of the smoking ban, which was felt to be effective in promoting responsible gambling:

"One of the things that has had an effect, and this might sound a little silly, but I know my own son, when they introduced no smoking--because, what would happen when you used to smoke, because people would just sit there and smoke and keep playing, but to have to leave a machine, walk outside for 15 minutes to have a cigarette.. So, get them away from the machine, give them time to think, you know." (Sydney)

One participant believed that there was some kind of counselling service available at the casino, but others were not aware of it:

"I think they do what they have to do, and somebody said that they've got--not a chaplain but there's somebody onsite, 24 hours a day if you have a problem and you need to talk to somebody about it." (Melbourne)

Participants were aware of the availability of self-exclusion, which they perceived as being for extreme cases.

You can also sign yourself out too. If you want to sign yourself out you go see a certain "person and they take you away and they take your photograph." (Adelaide)

One participant described how his friend had self-excluded from several gambling venues, including the casino; where they had seen photographs of the self-excluded patrons:

"... you go to the rewards desk down the front now and you can see behind them there's a computer and it's got like a slideshow usually of all the people that have been barred, and I think staff just look at it so that they can kind of recognise trouble makers, and I think obviously security is going to be watching as well." (Adelaide)

Participants felt that self-exclusion puts the onus on the individual rather than the casino, and there was an associated view that self-exclusion is a somewhat limited and fallible measure:

"but it's more a case--it is self-regulated, it is very much a honour system, you have to stop. I tried that with my ex and it was fine, we'd ban him from one place and one of the staff might remember and go, "Oh yeah, no we can't serve him," no photo or anything, but he'd find his way to the next place or the place after." (Adelaide)

"But then I've seen things like guys who have excluded themselves and they still could get back in there and they've never been kicked out." (Sydney)

One participant talked of how he had seen a self-excluded patron gambling at the casino:

"I don't know, he was just kind of keeping his head down and playing, and I was like, "What are you doing?" and then he was like, "Oh, I've excluded myself." (Sydney)

Some participants discussed the concept of pre-commitment, but felt that it should be enforced rather than having the option to over-ride the limit:

"They could enforce it, people should opt in, "Do you want to set yourself a limit and that's it?" Like an option, you don't have to but if you go into a casino and you say, "I only want to spend 100, and that's it," then you can't spend more." (Sydney)

Participants in Adelaide engaged in a whole discussion about the legislation which prevented patrons from using notes in EGMs in South Australia. Adelaide patrons believed that this measure was not effective in limiting gambling expenditure; indeed some felt that it had the opposite effect:

"And actually it gives you a funny feeling having that cup full of coins. Yeah, you feel like you're richer..." (Adelaide)

"if I've got to carry coins I won't take that out, I'll play it." (Adelaide)

In the context of potential responsible gambling measures, participants discussed the idea of a card that enabled pre-commitment to be universal across venues:

"I think it will come to a point where you will not be able to gamble unless you've got--and that's what Nick Xenophon is pushing for, you're a registered unit, you have a card, you can't play a machine without an identity card effectively saying this is you, this is how much you paid. The day will come, and it will be big brother."

"I actually don't mind the idea of having an identity card, that doesn't bother me, especially that idea of--you might just have your name and address, which let's be honest, how many schemes and everything that we've all signed up to that we've given out freely anyway, but you know, the ability to say, "Well unless you have a card you can't gamble. And as I said, it's a bit nanny state, but for people that are problem gamblers that card is universal to all venues." (Adelaide)

Participants also discussed the importance of education in order to minimise gambling harm; with people particularly highlighting the importance of awareness among significant others affected by problem gambling. (Three of the groups included individuals affected by others' problem gambling):

"Maybe you could do it better advertising education for family or friends to get more involved with who they think high risk." (Sydney)

Some groups discussed the fact that the emphasis is on the individual to take action and that this is challenging since many problem gamblers do not acknowledge they have a problem:

"self-reporting, and that's not helpful because it would be good if that person could be identified wherever they go, because it is hard to stop someone and go, "Well you've got a problem," and that person--the self-reporting thing is a problem because, as you said, half the time they don't know they have a problem, they can't see that they have a problem." (Adelaide)

The view was expressed that others should be empowered to intervene and be involved in steps to help the problem gambler. However, one participant pointed out how sensitive the situation can be in regard to intervention by family members:

"I think you've got to be a bit careful, if you take it into a family--because generally people like that are very secretive until such time as it becomes a problem, and family members are very emotionally attached and it's very hard for them to do the right thing, so you could actually make it a lot worse..."(Sydney)

PART C: EXTERNAL ENVIRONMENT AND COMPETITIVENESS

Australian casinos and what they offer, the regulatory environment in which they operate, taxation arrangements and special concessions for VIP/high rollers are influenced by international developments. The liberalisation of gambling in the Asia Pacific the increase in supply of casinos, emerging Asian markets and the rapid pace of new technology in the “gambling and gaming” sector continue to influence investment and developments in the Australian casino industry.

In this Section, Part C: External Environment and Competitiveness we consider international developments and their impact on local casinos, including regulations for harm minimisation and responsible gambling. These and other considerations were the starting point for interviews with the three casinos (see Chapter 9).

8. International Developments

Summary of Findings

- The liberalisation of gambling and the lifting of bans on casinos (with Japan in prospect) is the ultimate driving force behind global operator investment in the Asia-Pacific. Capturing opportunities from tourism and an expected surge in the casino consumer base underpin investment.
- The Asia-Pacific is the centre of global investment in new casino and resort developments.
- New and planned developments are less gaming-centric. Casino complexes are “entertainment and resort complexes”, seeking to attract the mass international tourist market and the smaller, but very lucrative VIP/high roller market.
- Growth in consumer demand is reflected in the growth of casino supply: in the decade to 2009 the number of casinos in Asia increased from 50 to 110. Macau and Singapore are the most prominent competition to the Australian casino industry.
- Macau is the world’s largest casino market (US\$45.2b) in 2013. “Macau gamblers wager in one day what’s bet in Las Vegas in one week”.
- Table games (principally baccarat) account for the majority of revenue in Macau with a very low ratio of slot machines to table games (2.3 machines to 1 table game).
- Australian casinos are estimated to attract 5-6 per cent of the international VIP player market with Crown Melbourne the leading casino.
- Australia generally offers lower VIP tax rates than other jurisdictions but will need to continue to examine other non-gambling initiatives to remain internationally competitive.
- The availability and growth rate of online gaming and wagering (including social gaming) will continue to accelerate assisted by new technology platforms (e.g. mobile phones). Several casino operators are providing online wagering and gaming (e.g. Crownbet).

Developments in the Australian casino industry cannot properly be considered in purely a domestic context. As Australian casinos form consortiums with significant global operators to orientate towards the ‘mass foreign tourist’ market and international VIP ‘footloose’ high rollers (e.g. Barangaroo development), it is important that current trends and future directions in the Australian casino industry be examined in an international context.

Here we consider international developments in the casino industry over the past two decades – ‘Wave 4’ and ‘Wave 5’ – of Australian casino developments. Section 8.1 highlights the intense competition across Australian ‘brick and mortar’ casinos due to the growth of global online gaming and newly developed casinos located in neighbouring regions (i.e. Asia Pacific markets). Globally, the emergence

of online gaming and increasing saturation in the more mature gambling markets (i.e. developed nations) has made locally-based, traditional 'brick and mortar' casinos less competitive, with subsequent implications for local tax revenues. In response, locally-based casinos are focussing on offering differentiated services, including accommodation and resort facilities, to stay competitive.

Regionally, Australia has lost its monopoly within the Asia Pacific as the liberalisation of gaming and casino bans are lifted throughout the Asia-Pacific. Across the region, casinos are now being developed by global operators, with a strong investment focus on large 'tourism and resort developments' to tap into the expected boom of Asia's middle class. With Australia geographically located further away from these booming markets compared to other key notable players in the industry (i.e. Macau and Singapore), Australian casinos are facing strong competitive pressures.

Section 8.2 considers some of the key characteristics of new casinos in Asia and their impact on current and future development of Australian casinos. It is reasonable to assert that the 'traditional' Australian casino was highly focussed on providing gaming facilities following legislative changes and liberalisation of gambling that took place in the 1980s and 1990s.

It is not strictly correct to say that Australian casinos in the initial phase of their development did not offer other entertainment or something for the domestic and international tourist, but essentially Australian casinos were relatively small scale with a strong emphasis on the domestic market. The Barangaroo development is one example of a shift in emphasis towards the international market as is the greater international orientation of Crown Melbourne, Crown Perth, Jupiters (Gold Coast) and The Star.

Casinos in the Asia-Pacific (e.g. Singapore and 8 new integrated resorts in Macau to open between 2015-2020⁵⁰) are generally large scale entertainment complexes underpinned by a strong focus towards international tourism including VIP high rollers. They are less gaming-centric than Australian casinos. As entertainment and resort complexes they have a broader revenue base relative to the 'traditional' Australian casino. In this section we look at casinos for foreigners and provide two case studies – Macau and Singapore. The discussion reinforces the fact that casinos are not homogenous when considered in an international context and also a domestic context, including their target customer market.

Section 8.3 explores in somewhat more detail international VIP high rollers as an important segment of the customer base of (some, not all) Australian casinos and compares this with developing Asia-Pacific regional markets. One important perspective on the international VIP market and international market more generally, is that harms are not concentrated domestically/locally from this segment of the market. What are the risks in cultivating this market? Should consumer protection be any less vigilant? That is to say, as Australian casinos orientate more strongly towards international markets (especially Chinese high rollers), what does this mean for domestic casino regulation in terms of harm minimisation and responsible gambling?

8.1 The casino 'boom' in Asia

Casino developments in the Asia Pacific pose the most immediate competitive challenge to the Australian casino industry because of their proximity to Australia and more importantly, their strategic location relative to Australia, to 'emerging mass-markets' within Asia.

⁵⁰ The older established and locally owned casino in Macau are almost exclusively gambling focussed. CLSA, March 2015.

The majority of countries in the Asia Pacific region have long banned casinos prior to the 2000s. Australia, being one of the few countries in the region with legalised casino gambling facilities enjoyed a unique market position with the region's gaming tourists.

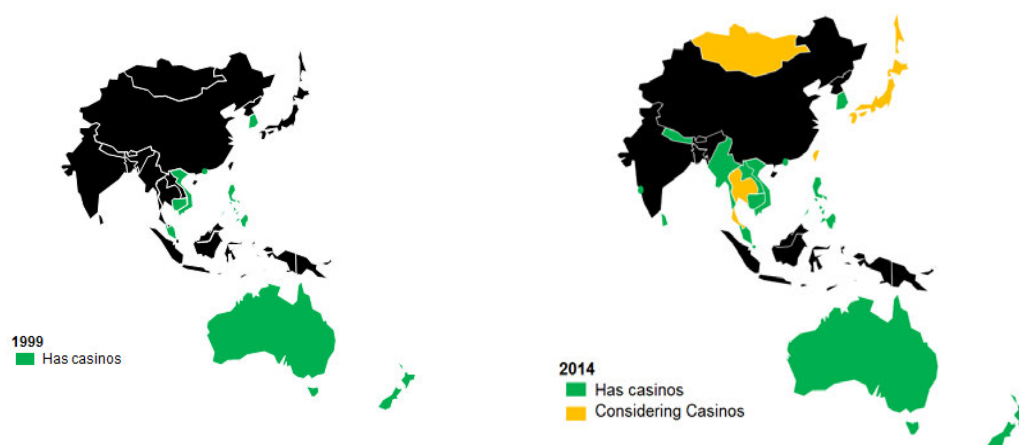
This is however, changing (see Figure 8.1). Over the past decade, more Asia Pacific countries have lifted bans (or are considering lifting bans) on casino gambling with the stated objective or rationale to boost their own tourism industry and capitalise on the expected surge in the Asia Pacific casino consumer base (see Box 8.1).

Box 8.1: Emerging Asian markets –Asia's nouveau riche and emerging middle class

The rise of the emerging Asian markets also means potential growth in casino consumer demand. With an increasingly large 'middle income' population and a rising share of billionaires globally, market prospects for growth in the demand for 'mass market' casino consumers from tourism and 'footloose' VIP high rollers are looking bright.

Asia Pacific casino development are hence becoming more relevant to Australian casinos as they face increasing competition in attracting mass international tourists/visitors, and more importantly, attracting "globally footloose 'high-rollers' as Asian competitors develop new and expensive facilities" (PC2010, p. 8).

Figure 8.1: Legalisation of casinos in Asia



Source: Adapted from Gambling Compliance (2009), SACES updates.

In the decade to 2009, the total number of casinos in the region grew from 50 to 110, with Australia's share of Asia Pacific casinos falling from 26 per cent in 1999 to 12 per cent by 2009 (Gambling Compliance, 2009). Industry analysts continue to monitor the shift in the global casino market, the extent of investment and revenue derived from Macau by US owned casino operators (e.g. Las Vegas Sands, MGM, Wynn Resorts) and they predict a shift from America to Asia as the centre of the global casino market (see Tables 8.1 and 8.2).⁵¹

8.1.1 Notable Asian players – Macau and Singapore

While casinos are "popping up all over Asia", the most immediate and prominent competition to the Australian casino industry is the developments in Macau and Singapore, the two largest casino gaming markets in the region (see Table 8.2). Macau is now the world's largest casino market with US\$45.2 billion in gaming revenue with Singapore and the Las Vegas strip roughly equal at US\$6.1 billion and US\$6.5 billion respectively in 2013. Despite the recent slowdown in gambling revenue in Macau as a

⁵¹ "Trends in the Casino Industry – A Shift from The Las Vegas strip to East Asia", www.forbes.com and PWC (2011)

Table 8.1: Global casino gaming market by region, casino gaming revenue - US \$b

Region	2006	2007	2008	2009	2010	2011 ^(a)	2012 ^(a)	2013 ^(a)	2014 ^(a)	2015 ^(a)	2010 to 2015 Projected CAGR
United States	57	60	59	57	57	60	62	65	69	73	5.0
Asia Pacific	14	18	21	23	34	47	58	67	73	79	18.3
Europe, Middle East, Africa	21	21	20	18	16	16	16	17	17	18	2.4
Latin America	3	3	3	4	4	4	4	5	5	6	8.1
Canada	5	6	6	6	6	6	6	6	6	6	1.8
Total	100	108	110	107	118	132	147	160	171	183	9.2

Notes: (a) PWC projections from 2011 to 2015.

Source: PWC (2011), Global Gaming Outlook.

Table 8.2: Asia Pacific casino gaming market by country, casino gaming revenue - US \$m

Region ^(a)	2006	2007	2008	2009	2010	2011 ^(b)	2012 ^(b)	2013 ^(b)	2014 ^(b)	2015 ^(b)	2010 to 2015 Projected CAGR
Australia	2,801	3,125	3,316	3,388	3,429	3,429	3,439	3,478	3,576	3,698	1.5
Japan	-	-	-	-	-	-	-	-	327	784	-
Macau	7,049	10,335	13,541	14,860	23,447	34,608	44,862	52,553	57,680	62,167	21.5
Malaysia	847	885	933	980	948	940	942	964	1,012	1,059	2.2
New Zealand	383	364	373	373	365	350	353	369	388	408	2.3
Philippines	515	565	602	593	558	618	719	941	1,102	1,217	16.9
Singapore	-	-	-	-	2,827	4,396	5,090	5,784	6,516	7,172	20.5
South Korea	2,044	2,388	2,555	2,639	2,637	2,628	2,641	2,770	2,706	2,620	-0.1
Vietnam	48	52	59	65	69	73	78	102	122	141	15.4
Total Asia Pacific	13,687	17,714	21,379	22,898	34,280	47,042	58,124	66,961	73,429	79,266	18.3

Notes: (a) Estimates for countries with casino operations and known revenues.

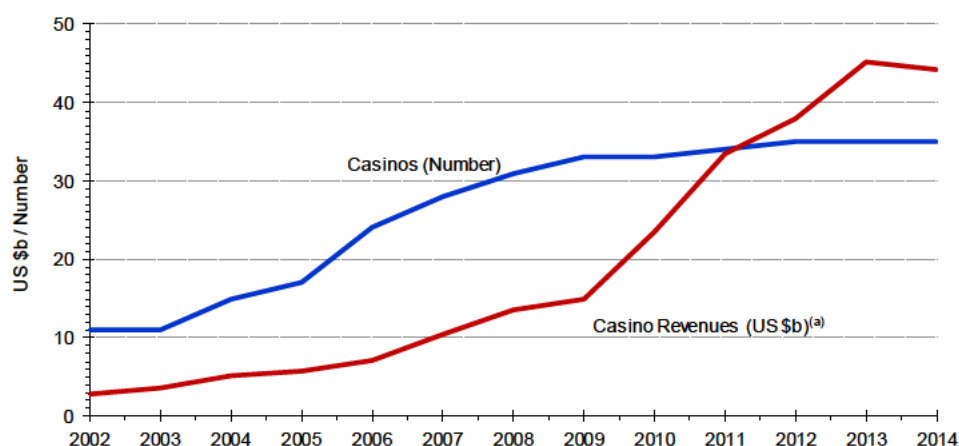
(b) PWC projections from 2011 to 2015. Note that Australia's 13 casinos exceeded the estimates for 2011/12 by some \$700 million, Macau reached US\$45.2b and Singapore S\$6.1b in 2013.

Source: PWC (2011), Global Gaming Outlook.

direct result of the crackdown on corruption by the Chinese Government Macau's gambling revenue continues to grow, up 19 per cent in 2013. "It now takes Macau gamblers just one day to wager what's bet in an entire week at the Las Vegas strip."⁵²

Macau set the regional tone in 2002 when it ended its 40 year monopoly on casino operations by liberalising its markets and opening the industry to foreign operators. In the period 2002 to 2006, Macau more than doubled the number of casinos from 11 to 24. Macau overtook Las Vegas to become the global centre for casino gambling in 2006.⁵³

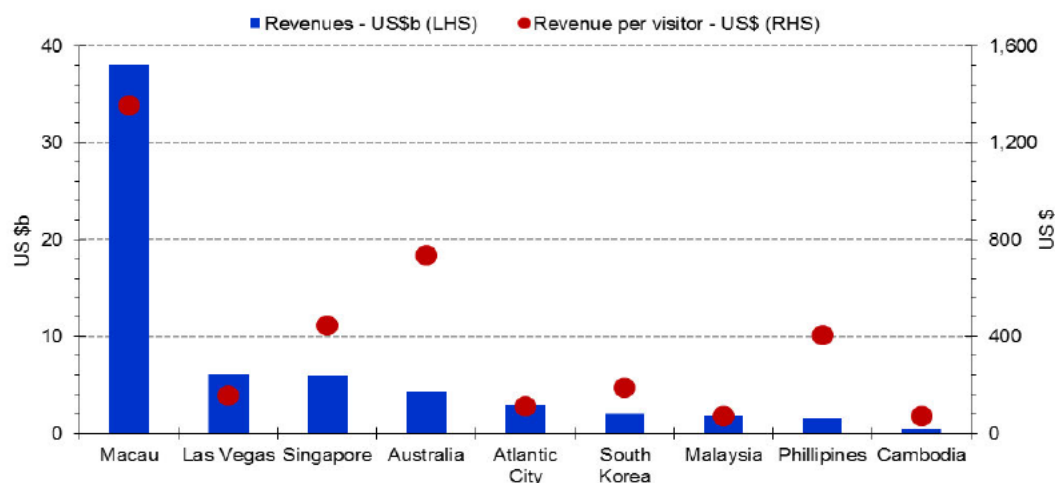
Figure 8.2: Casinos in Macau, number of establishments and gross gaming revenue (US\$b)



Note: (a) Gross Gaming Revenue converted to US\$ using exchange rate of 1 Macau Patacca (MOP) to USD \$0.125.

Source: Macau SAR Gaming Inspection and Coordination Bureau (2014).

Figure 8.3: 2012 Asian Casino Gambling Revenues, total gambling revenues (US\$b) and gambling revenues per visitor (US\$ per visitor)



Source: *The Economist*, 7th September 2013, Casinos in Asia.

⁵² "Macau's 2013 Gambling Revenue Rose 19% to \$45.2 billion", *The Wall Street Journal*, www.wsj.com/articles

⁵³ Bloomberg, 23 January 2007, *Macau overtakes Las Vegas strip in gaming revenue*.

With 33 casinos generating actual revenues of US\$45.2 billion in 2013 (35 casinos at end 2013), Macau boasts the largest casino industry in the region, overshadowing the next largest in the region – Singapore at US\$6.1 billion with 2 casinos. Australia ranks third, at US\$4.2 billion with 13 casinos, followed by South Korea at \$2 billion with 17 casinos (see Figure 8.3).

Singapore, the second major market in the region having ended its 40 year ban on casino gambling in 2004, invested US\$10 billion on two large ‘integrated resort’ entertainment facilities called Marina Bay Sands and Resorts World Sentosa.⁵⁴ Just one year after the opening of the casinos, gaming revenues were worth US\$4.4 billion (2011), easily overtaking Australia at US \$3.4 billion (2011).

Other countries are now following suit adding to their existing casinos, with casino developments planned and under construction in Philippines, Vietnam, Cambodia, South Korea, and Taiwan⁵⁵.

Table 8.3 summarises the major events of casino developments in the region over Wave 4 and Wave 5.

8.1.2 Future developments in the Asia Pacific, implications for the Australian casino industry

The global casino industry continues its “fundamental shift eastward” accounting for 43 per cent of global gaming revenue in 2013 (PWC, 2011, p. 38). Projections based on historical trends to 2010 and out to 2015 (see Table 8.1 and 8.2) show the Asia Pacific to be the fastest growing casino region in the world, growing at an average of 18.3 per cent per annum compared to the global average at 9.2 per cent. Asia will continue to be the focal point for growth in the casino market – there are numerous integrated resorts planned in Northern Asia (Taiwan, South Korea and potentially Japan), in Southern Asia including a further 8 integrated resorts in Macau, expansion in the Philippines and Vietnam and major resorts planned in Russia (Vladivostok).

Japan is likely to be the most significant future development in prospect within the region.⁵⁶ At the time of writing, Japan is considering legislation to permit casino operations after a decade long debate (i.e. Casino Bill).⁵⁷ If the legislation to permit casinos comes to fruition, Japan is likely to become a ‘casino powerhouse’ in the Asia Pacific, particularly in Northeast Asian markets. Its current revenues from the Pachinko industry, Japan’s only legalised form of gaming activity, is already worth US \$192 billion annually.⁵⁸ South Korea, a well-established casino gaming sector for tourists, and Macau, the current global casino powerhouse are set to face heavy competition. In 2010, 1.7 million casinos tourists in South Korea were from Japan.

As the strong emerging economies of China, India and Indonesia, including Borneo region (i.e. Brunei and West Malaysia) continue to prohibit casinos, looking forward, it is likely that two casino hubs in Asia will strengthen their position:

- one in Southeast Asia (most likely Singapore facing competition from the Philippines, Malaysia and Vietnam); and
- one in North East Asia (most likely Macau facing fierce competition from South Korea and Japan).

⁵⁴ *Time Magazine*, 13 February 2010, “With Casinos set to open, Singapore rolls the dice”.

⁵⁵ In 2009, Taiwan lifted its ban on casino developments following a local referendum. *China Daily*, 13 January 2009, “Taiwan lifts casino ban”.

⁵⁶ *Bloomberg BusinessWeek*, 24 February 2014, “Japan, Asia’s net gambling hub. Financial Times, 24th October 2013, Japan edges closer to lifting casino ban”.

⁵⁷ *ibid*, 25 June 2014, “Abe says LDP aiming to pass Japan’s Casino Law in Autumn”.

⁵⁸ *ibid*, 14 November 2013, “Asian gambling leaves Las Vegas far behind”.

Table 8.3: Major Events in the Asia Pacific Casino Industry

Time	Changes in Gambling	Broader Environment
Prior to Wave 4		
Pre 1990s	Casinos in Macau, South Korea, Malaysia, Philippines, Cambodia	
1990s	Resorts World Genting faced opposition from conservatives and diversified its operations (added hotels and theme park). Concept of Integrated Resorts and MICE introduced in Asia. Consolidation in established gaming markets. Companies vie for international ventures. 1997 Crown Entertainment Complex, Melbourne opened.	Asian Financial Crisis Rise of Online Gambling ^(a)
Wave 4 (1998/99 to 2007/08), Rise of Asia		
1999	Macau's casino industry uncertain given Mainland China's ban.	Macau returned to China.
2000	South Korea's first casinos for locals opened Kangwon Land Casino. Rights to expire in 2015.	Developments in South Korea.
2001	Macau's Sociedade de Turismo e Diversões de Macao (STDM) 40 year old monopoly rights ended.	
2002	Macau casino industry reformed and liberalised. International consortiums (particularly from the US) bid for casino operating rights ^(b)	Liberalisation, international investments.
2004	Macau opens 4 Casinos • 2 Sociedade de Jogos de Macau ^(c) (SJM), 1 Galaxy, 1 Venetian Sands	Growth phase accelerates.
2005	Macau opens 2 Casinos • 2 SJM Singapore government ended 40 year ban and legalised casino gambling as a response to the decline in tourism numbers ^(d) Granted two developments to: • Las Vegas Sands • Genting International Japan discusses legalisation in 'Special complex tourist facilities' (SCTF Areas).	
2006	Macau opens 7 Casinos • 2 SJM, 1 Wynn, 4 Galaxy (including the first casino in the Cotai Strip, Grand Waldo Casino by Galaxy Entertainment)	Macau overtook Las Vegas in gaming revenues to become the largest casino market in the world ^(e)
2007	Macau opens 4 Casinos • 1 SJM, 1 Melco, 1 MGM and 1 Venetian Sands, the largest casino in the world (as of mid-2014) Philippines Amusement and Gaming Corporation (PAGCOR) launched hotel and casino complex with partners Australia's Bloomsbury Investments, Malaysia's Genting Group and Japanese Aruze.	
2008	Macau opens 3 Casinos • 1 SJM, 1 Venetian Sands, 1 Melco Vietnam granted Asian Coast Development (Canadian Company) licences to construct five Integrated Resorts	
2009	Macau opens 2 Casinos • 1 SJM and 1 Melco	Global Financial Crisis. Macau Melco Macau SAR's gaming taxes account for 70 per cent of total fiscal revenue (DICJ, 2014)

Table 8.3: Major Events in the Asia Pacific Casino Industry (continued ...)

2010	Singapore opens two mega 'Integrated Resorts' <ul style="list-style-type: none"> • Marina Bay Sands • Resorts World Sentosa Vietnam's modest Da Nang resort casino opened with direct flights from Guangzhou (China) to bring tourists into the region.	US account for half of global market revenue while Asia-Pacific region account for 30 per cent (PWC, 2011)
2011	Macau opens 1 Casino <ul style="list-style-type: none"> • 1 Casino Galaxy Resort in Cotai Cambodia's adds one more casino Titan King Casino Opens (\$100m) in Bavet, bordering Vietnam and Thailand.	
2012	Macau opens 1 Casino <ul style="list-style-type: none"> • 1 Venetian Sands Cotai Central in Cotai Macau gambling revenue grew on average by 29 per cent per annum between 2008 to 2012	
2013	Philippines Belle Corp's complex opening in Manila Bay after number of delays Vietnam's 'resort style' MGM Grand Ho Tram Casino opening on Ho Tram Strip	
2014	Stock Take: <ul style="list-style-type: none"> • Macau 35 Casinos • Singapore 2 'Integrated Resorts' 	Japan pushes Casino gaming Bill in parliament after 10 year discussion ^(f)
2016	Macau-Guangzhou Railway expected to complete Macau-Zhuhai-Hong Kong Bridge expected to complete	

- Note:**
- (a) *The Economist*, 30th September 2004, "Gambling goes global: All best are on".
 - (b) Law no 16/2001 *Legal Framework for the operations of Casino Games of Fortune*.
 - (c) Sociedade de Jogos de Macau (SJM Holdings) is a subsidiary of STJM.
 - (d) *The New York Times*, 19th April 2005, "Singapore Ends Casino Ban".
 - (e) Bloomberg, 23rd January 2007, *Macau Overtakes Las Vegas Strip in Gaming Revenue*.

8.1.3 Global developments – online gaming and saturated markets

In the decade up to 2000, the global casino industry, faced with higher taxes, saturation in mature markets,⁵⁹ continuing industry consolidation and the introduction of online gaming in the early 2000s encouraged casino operators in developed markets to look for overseas opportunities, specifically in emerging Eastern Europe and Asian. Emerging mass tourism markets, the expanding middle class in Asia with growing consumer spending, strong growth in mass-market revenue and VIP revenue have continued to underpin investment in casino complexes. However, they have shifted from “gaming-centric, bricks and mortar” to large scale “experience, resort complexes” to address opportunities arising from the predicted growth in tourism. In addition, many casinos are expanding into online wagering and betting. The Australian casino industry supports the prohibition of online casinos (see Box 8.2).

Box 8.2: Online Gaming

Internet casinos are threatening traditional ‘bricks and mortar’ casinos as they face lower costs and offer more attractive odds on games. In response to the pressure of online gaming, ‘bricks and mortar’ casinos have been focussing their marketing to promote the ‘venue atmosphere and ambience’ to visitors.

Emerging in early 2000s, the online gaming industry is generally less discussed in part, due to its more recent evolution and uncertainties surrounding its nature - open access and pervasive nature of the internet and the ability to cross borders. While the size and scope of the industry is still uncertain, the size of online gaming market in 2015 is estimated at US\$41.4 billion⁶⁰.

Australia’s *Interactive Gambling Act 2001* prohibits the opening of online casinos. However, restricting access to players is challenging given the open-access nature of the internet. Despite the restrictions, Australia’s online gaming market, provided by overseas gaming providers is estimated to have captured 0.7 million online casino gaming accounts with the expenditure of \$541 million in 2008. From 2004 to 2008, online casino gaming accounts had increased by 116 per cent while expenditures had increased by 105 per cent (PC, 2010⁶¹).

Worldwide, regulatory restrictions still apply to online gaming. Despite the challenges involved in regulating the industry, governments are increasingly realising that if heavy prohibitions on the industry are maintained, this would almost certainly translate to tax revenue losses domestically and gains elsewhere.

8.2 Key characteristics of newly developed casinos in Asia

Newer casinos in Asia are different to ‘traditional’ Australia casinos in that there is a strong focus on the development of a ‘mass tourist’ market. Underpinned by a strong tourism agenda, key characteristic of these new Asian casino developments include:

- dedicated ‘foreigner only’ destination venues;
- they often have supportive legislation to exclude domestic residents, to maximise revenue from international tourists and minimise harm to domestic residents; and
- grand, large-scale mass-market ‘Las Vegas style’ ‘integrated entertainment’ developments by global giants. These casinos are also the world’s most profitable casinos given their broad revenue base (e.g. revenue from other entertainment activities such as theme parks, high-end boutiques and malls, 5-star hotels, fine-dining, theatres, etc.)

⁵⁹ People are willing to devote only a proportion of their disposable income to all wagering and gaming activities. This proportion is reaching a maximum in mature markets. Operators are seeking elsewhere for expansion opportunities.

⁶⁰ “Size of the online gaming market 2003-2015”, www.statista.com/statistics/270728/market-volume-of-online-gaming-worldwide/

⁶¹ PC (2010) notes the difficulties of estimating online gambling and is unclear what proportion of the population participates in online gaming, ranging from 0.12 per cent to 4 per cent of the population.

8.2.1 Casinos for foreigners

The strong ‘mass foreign tourist’ market orientation is observed in the different marketing strategies and entry restrictions for local and non-local patrons. Most countries have specially dedicated ‘foreigner only casinos’ which either prohibit locals from entering or impose a heavy entrance fee on locals to discourage entry (e.g. Singapore).

South Korea

There is a clear distinction between casinos for locals and casinos for tourists. The first casino established in 1967 in Incheon was specifically targeted at foreigners. Foreigners can enter without an entry fee while locals are required to pay an entrance fee. In 2000, the newly opened Kangwon Land Casino was specifically dedicated for locals as part of reconstruction efforts to rehabilitate abandoned mine areas.⁶² As at 2014, South Korea has 16 casinos for foreigners and only one for locals whose concession is due to expire in 2015. There are reported to be 10 investment groups with plans for integrated casino resorts – 3 at least in Incheon and 3 in Jeju.

Singapore

As part of a larger tourism strategy,⁶³ Singapore ended its 40 year ban on casino gambling and invested in two large ‘mixed-use’ tourism developments known as ‘integrated resorts’ of which casinos are only one part of the whole development (see 8.2.5 Case Study: Singapore).

Japan

The decade-long debate to legalise casinos has focused on the development of large ‘Special Complex Tourist Facilities’ (SCTFs). At the time of writing the debate has not been resolved. However, it is likely that any future Japanese casinos will be modelled on the ‘Singapore-style Integrated Resorts’. Following his visit to Singapore casinos in May 2014, the Japanese Prime Minister Shinzo Abe stated that “integrated resorts will be a main feature of my economic growth strategy”, hoping that these casino resorts will attract and increase the number of overseas travellers from 10 million in 2013 to 20 million by 2020.⁶⁴

Philippines

There are three integrated casino resorts in the Philippines, some 16 smaller casinos and more than 20 slot machine VIP clubs.⁶⁵ The Philippine Amusement and Gaming Corporation (PAGCOR) is the monopoly provider in the country, the Cagayan Special Economic Zone, a region open only to foreigners, is able to issue its own casino licences to casino providers. There are plans for a further two integrated resorts to be completed by 2017.

Vietnam

Casinos, of which there are 25 in Vietnam are only open to people with foreign visas. A modest Da Nang casino was opened in 2010 principally targeting Chinese tourists through arranging specific flights from Guanzhou, China. The latest MGM Grand Ho Tran resort (Las Vegas style) opened in 2013 on the major tourism Ho Tram Strip. The government is reported to be conducting trials whereby regulations will be eased to allow locals to gamble.

⁶² Special Act on the Assistance to the Development of Abandoned Mine Areas is set to expire in 2015.

⁶³ 18th April 2005, *Parliamentary Statement by Prime Minister Lee Hsien Loong on Integrated Resorts – Proposal to develop Integrated Resort*.

⁶⁴ *The Wall Street Journal*, 17 June 2014, “In Japan, Casino Push Moves Ahead”.

⁶⁵ CLSA Australian Casinos, March 2015, p. 80

Malaysia

During the 1990s, Resorts World Genting diversified its casino operations beyond gaming activities in response to increasing opposition from conservative forces. With a special focus on tourism, it included meetings, exhibitions, conventions and entertainment (MICE) facilities and theme parks within the resort. Today, it has approximately 3 million resort visitors per annum, equivalent to 15 per cent of total international visitors to Malaysia.⁶⁶ While there are no fees for entry of locals the majority of the population as Muslim Malaysians are banned from entering the casino.

Macau

Casinos have long been legalised as the principal tourist attraction in Macau. There are no restrictions on locals. The newer casinos which opened post the 2002 liberalisation reforms are large, tourist entertainment infrastructures located within the Cotai Strip, a newly reclaimed dedicated 'tourist zone' in Taipa adjacent to Macau Peninsula. It is reputed to boast the largest casino and resort facilities worldwide. These facilities are now specifically targeting tourists, particularly the mainland Chinese tourists in the Special Economic Zone of neighbouring Guangdong.

Australia

Australia does not have special tourist-only casinos. However, corporate marketing strategies link the 'casino experience' with international 'mass market' tourism as well as dedicated efforts to grow the share of international high rollers and VIP players. State governments also spruik the importance of international tourism and the casino industry. The Barangaroo casino to be built in Sydney, New South Wales and which is expected to be completed in 2019 is targeting the international, high roller market segment.

8.2.2 Large-scale mass-market 'integrated entertainment' developments

Unlike 'traditional' Australian casinos, those in the Asia Pacific region (post 2002) are usually part of a large scale tourism infrastructure project led or backed by global casino operators. The large scale, 'mixed-use,' family entertainment tourism facility, situates casinos around other significant attractions such as theme parks, high-end boutiques and malls, high-end fine dining, accommodation and hotels, cinemas, theatres, convention centres and recreational facilities. This is commonly referred to as 'Integrated Resorts' (IRs), Special Complex Tourist Facilities (STRCs) and Meetings, Incentives Conventions and Exhibition (MICE) facilities. Macau, Singapore and the Philippines have reclaimed lands to specially dedicate an area for such large tourism entertainment infrastructure.

Box 8.3: Integrated Resorts (IR)⁶⁷, Special Complex Tourist Facilities (SCTF), Meetings, incentives, conventions and exhibitions⁶⁸ (MICE) - A rose by any other name?

Globally, the IR, SCTF and MICE concept is not new. Particularly after the introduction of online gaming, 'bricks and mortar' casinos started to invest heavily in 'venue specific' services and facilities to remain competitive. "An integrated resort is really a euphemism for a very large-scale entertainment development based around a casino. The casino component, while physically small, still acts as a primary economic engine which drives overall returns and facilitates investment in other facilities and amenities. Thus, the casino element must be of such magnitude and importance that it can generate over half of the development's annual cash flow".⁶⁹

⁶⁶ MacDonald, A. and Edington, B. 2008, 'The Case for Integrated Resorts', *Global Gaming Business Magazine*, vol. 7, no.11.

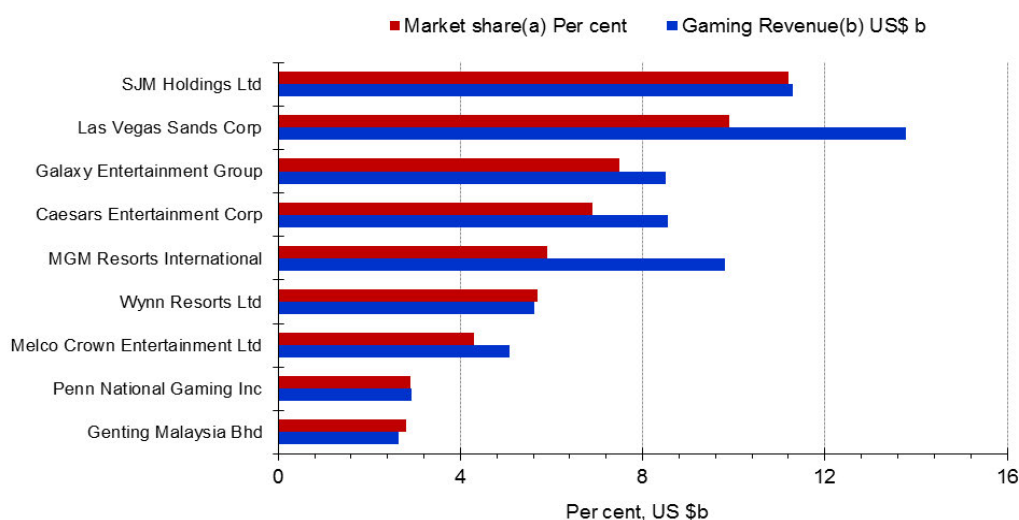
⁶⁷ *Global Gaming Business Magazine*, 11 November 2008, "Everything to everybody"

⁶⁸ *The Economist*, 8 July 2010, "The dragon's gambling den".

⁶⁹ *Global Gaming Business Magazine*, 11 November 2008, "Everything to everybody".

These relatively large and new casinos are being developed by the largest, globally oriented casino operators that also operate and own the most profitable casinos in the world (see Figure 8.4). As at mid-2014, all of Macau's casinos are currently licensed to six operators that are also the top ranking global operators including – SJM holdings (20 casinos), Galaxy Entertainment Group (6 Casinos), Melco Crown Entertainment (3 casinos), Wynn Resorts (1 Casino) and MGM Resorts (1 Casino). In Singapore, the Marina Bay Sands is operated by Las Vegas Sands while Resorts World Sentosa is operated by Genting Malaysia.

Figure 8.4: Gaming Revenue and Market Share of Top Global Casino Operators



Note: Data as at October 2013 - Downloaded 3rd July 2014.

(a) Estimated sales share of total industry sales.

(b) Company revenue from gaming operations.

Source: Bloomberg (2014).

8.2.3 The Australian equivalent to these new Asian casino developments

At the time of writing, Crown Limited is probably the best known Australian operator that fits the key characteristics of these newer Asian casino developments (i.e. large-scale casino developments backed by international global operators with a strong 'foreign visitor' focus, significant accommodation and retail facilities).

Crown Limited operates Australia's Crown Melbourne and Crown Perth casinos, and United Kingdom's Aspinall's Club. Through its joint venture with 'Melco Crown Entertainment Limited' (owning 33.7 per cent of shareholding in Melco Crown), it is ranked in the top 7 global casino operators. It has undertaken expansion throughout the Asia Pacific region first by opening Crown Macau in 2007 (later renamed Altira) and the City of Dreams casino in 2009. In 2012, through its subsidiaries, Melco Crown has entered into an agreement with a consortium to operate a new casino in the Philippines. During the time of writing, Crown Limited was in discussions concerning a possible investment in Colombo, Sri Lanka⁷⁰ and received approval for the \$1.5 billion Barangaroo integrated resort casino project in Sydney.

Recent developments in the casino industry which are strongly supported by state government confirm a movement away from the "gaming-centric" 1990s type development to the much larger resort type development. Three examples currently in the pipeline illustrate the point:

⁷⁰ The new government of Sri Lanka was opposed to the project and cancelled the project upon coming to government.

- the Brisbane Queen's Wharf Casino project is planned as a major 'integrated resort casino precinct' with six star hotels, up-market retail, conventions, exhibition space and entertainment facilities and restaurants ostensibly to rejuvenate the local environment, generate employment and economic growth and "lock-into" the mass tourism market. It is our understanding at the time of writing that three other casino projects are subject to expressions of interest. The success of the Singapore integrated resort is clearly the role model for Australian developers and state governments;
- an upgrade to the Canberra casino by Aquis has been proposed with the specific intention of "attracting higher spending VIP international tourists and domestic VIP gaming clientele". The same group has lodged plans for the Aquis Great Barrier Reef Resort;
- Adelaide's SkyCity has proposed a \$350 million plus development including accommodation (which it currently does not offer), expanded table games, VIP rooms, restaurants and bars, promoting the integrated resort complex.

8.2.4 Case Study: Macau

Casinos in Macau's have always been legal. In 2002, Macau liberalised its casino industry⁷¹ ending its 40-year monopoly of the locally based Sociedade de Turismo e Diversões de Macao (STDM) and offered operating concessions to international global casino companies (or consortium of global casino companies) including STDM's subsidiary Sociedade de Jogos de Macau⁷² (SJM), Galaxy, Wynn, and Venetian⁷³.

The entry of foreign casino companies in 2002 represented an effort to inject new dynamics to the gaming industry and to lay a strong foundation for further future development in gaming, reinforcing the policy direction set by the Macau SAR: "tourism, gaming, conventions and exhibitions as the 'head', and the service industry as the 'body', driving the overall development of other industries". (DICJ, 2014)

Macau now boasts one of the largest casino industries in the world. Macau's casino gaming revenues grew 16 times, from US \$2.8 billion (2002) to US \$45.2 billion (2013). As at mid-2014, Macau has 35 casinos controlled/owned by 6 operators – 23 in Macau Peninsula and 12 in the new hub – Cotai Strip, land reclaimed between Taipa-Coloane Island.

More notable is its contributions to tax revenues. Casinos appear to contribute about 97 per cent to total gambling revenues as shown in Figure 8.5. Fiscal contributions of casinos are significant, accounting for about 80 per cent of total gaming revenues since 2009 as shown in Figure 8.6 (Gaming Inspection and Coordination Bureau, 2014).

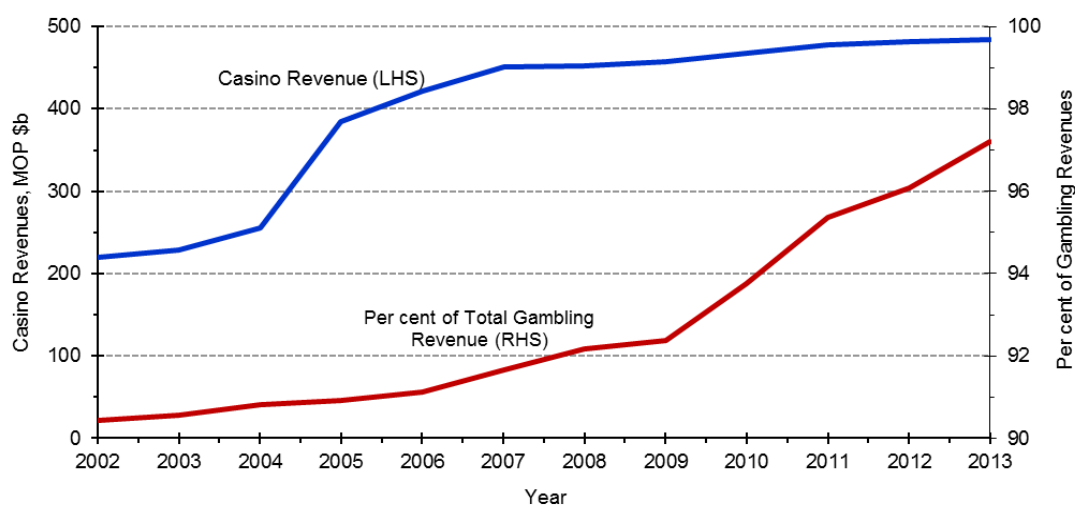
Macau's gambling industry's booming growth (notwithstanding the recent slowdown) over the past decade looks set to continue. In prospect, mainland Chinese VIP high rollers⁷⁴ are expected to grow as Macau continues to invest in improving infrastructure with the mainland to facilitate the flow of people (e.g. electronic visa at border control for mainland Chinese, high speed rail, airport expansion, connecting bridge between Macau and Hong Kong airport, relaxing visa restrictions for mainland tourists).

⁷¹ Part of the gambling industry's reform after Macau was returned to Mainland China from the Portuguese in 1999.

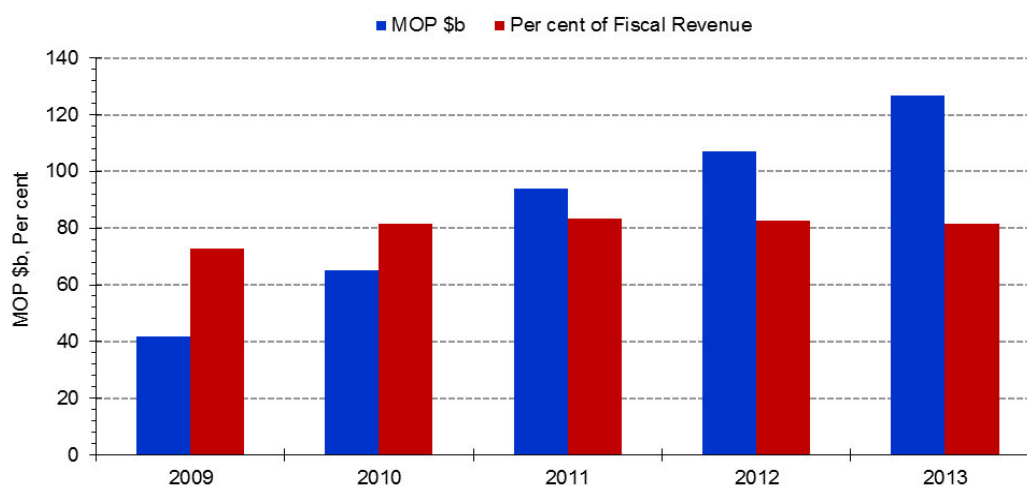
⁷² Sociedade de Jogos de Macau (SJM Holdings) is a subsidiary of STJM.

⁷³ Later MGM and formerly known as Melco PBL Jogos were given sub-concessions in 2005 and 2006.

⁷⁴ *South China Morning Post*, 7 July 2014, "Macau casinos bet on China's rising middle class".

Figure 8.5: Casino Gaming Revenues, Value (MOP \$b) and Share of Total Gambling Revenues (Per cent)

Source: Macau SAR Gaming Inspection and Coordination Bureau (2014).

Figure 8.6: Macau Gaming Tax Revenues, Value (MOP \$b) and Share of Fiscal Revenues (Per cent)

Source: Financial Services Bureau, Government of Macau SAR (2014).

Macau's Junket Operators and VIP Players

One of the successes of Macau is the use of 'junket operators' to attract VIP high roller gamblers especially from mainland China. Following the liberalisation of gaming in Macau the number of licences issued to junket businesses increased from 72 (2005) to 235 (2013) with the largest increase for companies (39 to 202) rather than individuals.⁷⁵ Visitor arrivals associated with junket business operations increased by 18.0 million in 2005 to 29.3 million in 2013 with the country of origin in percentage shares in 2013 being:

- People's Republic of China 63.5 per cent;
- Hong Kong 23.1 per cent;
- Taiwan 3.4 per cent;

⁷⁵ Sui Lam, C (2014).

- Other South East Asia 7.4 per cent; and
- other 2.4 per cent.

Table 8.4: Casinos in Macau, Casino Stock and Casino Openings by Year - Number

Year	Total Casinos	Casino Openings	Companies opening casinos
2002	11	0	
2003	11	0	
2004	15	4	2 SJM, 1 Galaxy, 1 Venetian
2005	17	2	2 SJM
2006	24	7	2 SJM, 4 Galaxy, 1 Wynn
2007	28	4	1 SJM, 1 Venetian, 1 Melco, 1 MGM
2008	31	3	1 SJM, 1 Venetian, 1 Melco
2009	33	2	1 SJM, 1 Melco
2010	33	0	
2011	34	1	1 Galaxy
2012	35	1	1 Venetian
2013	35	0	
2014 ^(a)	35	0	

Notes: (a) 2014 quantity as at end of 1st Quarter.

Source: Macau SAR Gaming Inspection and Coordination Bureau (2014).

Revenue from VIP baccarat rooms in total and as a percentage of total casino gaming revenue is shown in Table 8.5

Table 8.5: Total revenue, share by VIP rooms 2005-2014, US\$b

Year	Total Revenue (\$US billions)	From VIP Baccarat Rooms (\$US billions)	VIP Percentage of Total Revenue
2005	5.8	3.6	62.1
2010	23.5	16.9	72.0
2013	45.1	29.8	66.1
2014	44.0	26.6	60.5

Source: Gaming Inspection and Co-ordination Bureau, DICJ, Quarterly Gaming Statistics, 2001-2013.

High rollers accounted for a conservative 72 per cent of casino gross revenue in 2010 sourced mainly from VIP baccarat a figure that had declined to 60 per cent in 2014 which is associated principally with the Chinese Government's crackdown on corruption,⁷⁶ but also due to increased competition from Singapore casinos and South East Asia more generally. Macau taxes VIP gross revenue at a flat rate of 39 per cent.

Slot machines in the 35 casinos account for less than 5 per cent of total gross revenue; baccarat from non-VIP players in 2014 was 30 per cent of gross revenue. For Chinese and South East Asian players it is games of skill that account for the greater majority of revenue; slot machines are far less popular. This comment is supported when we compare the ratio of slot/gaming machines to table games in casinos in Macau with those in Australia. In Macau, the ratio of slot machines to gaming tables is very low at 2.3 gaming machine to 1 table game; in Australian casinos it ranges from 5:1, through to 13.1 and 16:1 and in Tasmania as high as 29:1.

⁷⁶ Baccarat is most popular with Chinese players. The casino industry acknowledges this can be a small group of players, not the general tourist, but they play with a lot of money.

One component of the success of Macau is its significant investment in attractions for the ‘mass-tourist’ market. Notwithstanding the current and projected growth in the ‘mass-tourism’ market, not only from China but across South East Asia, Macau’s casinos have a long-term history and dependent relationship with junket operators to recruit international VIP players, especially from mainland China arguably the “world’s richest repository of high-rolling gamblers”⁷⁷ (see Box 8.4).

Box 8.4: Macau’s junket operations and casino patron dominance from Mainland China

The junket operation systems in Macau existed prior to pre-liberalisation of the casino industry in 2001/2002. A junket is an arrangement where a player or a group of players are introduced to a casino by a junket promoter, organiser or agents who receive a commission from the casinos. In return for a commission from casinos, junket operators act as intermediaries between players and are also known as VIP promoters or player facilitators for casinos.

Macau’s junket operations are unique in the sense that their ‘institutionalisation’ is based on a social sanction rather than the government or regulatory body. Macau casinos traditionally outsource VIP rooms through informal contracts (via a VIP contractor) to junket operators who directly organise the gaming for its casino patrons. Junket operators tap into complex social networks of localised agents/representatives who then utilise their own social networks to attract players to the casinos.

Macau’s junket operators also offer other ‘value added’ services such as:-

- organising trips for regional VIP players (especially from mainland China where gambling is illegal) including the border-related legal administration thereby reducing the casino’s legal risk;
- credit extensions, provision and collection (back in Mainland) for casino patrons thereby reducing the casino’s financial risk. China limits how much money residents can take out of the mainland and because gambling is illegal, they do not recognise gambling debts, making them unenforceable. Junket operators provide an alternative loan system (i.e. shadow banking) that relies on personal relationships for repayments, thereby getting around the ‘illegalities’. The complex local social network of representatives are also familiar with credit history of clients and are responsible for collecting debts. Because of this, junket operators, and the complex organisation of localised agents are frequently referred to as organised crime syndicates offering a ‘shadow banking system’ susceptible to money laundering⁷⁸.

Macau’s junket operations are now changing as mainland Chinese casino patrons become increasingly more important. We list the changing trends and likely impacts as discussed by Siu (2013, 2014) below.

Changing trends

Macau’s junket operators are becoming more ‘mainland Chinese’

Junket operators are increasingly having a preference towards junket representatives of the same ethnic background. Given the rise and prominence of mainland Chinese casino patrons (60 per cent of visitors), junket representatives are increasingly coming from mainland China. Macau citizens’ are also becoming more reluctant to become junket operators as they are perceived as inferior occupations.

Likely impacts

Likely to reduce local flow-on effects to the local Macau economy through the leakage of junket commissions and local employment. This also raises concerns about the reduced incentives for ‘foreign’ junket operators to pay attention to the local Macau legal and regulatory aspects of their practices.

Source: Siu Lam (2013) and personal correspondence.

Australian casinos will face stronger competition from Asian competitors in efforts to attract VIP high rollers. The mass tourism market will be dominated by Chinese nationals who are often repeat visitors, who may have sons/daughters studying in Australia, who tend to stay for longer periods and are higher yielding in terms of expenditure. Various estimates put the potential number of Chinese tourists travelling overseas at 200 million by 2020. In response to international competition in the tourism market the researchers note that Australia “will offer a three-year multiple entry visa to Chinese travellers in an effort to catch-up with regional rivals”⁷⁹ such as Indonesia, South Korea, Canada and Japan.

⁷⁷ *Inside Asian Gaming*, 19 June 2013, “Profitable Plateau”.

⁷⁸ *The Australian Business Review*, 29 September 2014, “Junkets that fuel Macau casinos are on a losing streak”.

⁷⁹ *Australian Financial Review*, “Chinese Tourists get 3-year visas”, 11-12 April, 2015.

8.2.5 Case Study: Singapore

A proposal for a casino development in Singapore was first discussed in the parliament in 1985 as a response to the impact of a local economic recession but the proposal was defeated. In 2004, the Ministry of Trade and Industry (MTI) proposed an 'Integrated Resort' development as part of a larger strategic plan to reinvent 'unexciting' Singapore into a 'vibrant city destination,' a globally competitive city to work, live and visit.

The 2004 proposal suggested that Singapore would need to invest in large tourist infrastructure projects to provide an environment (the 'city buzz') that would attract and retain local and foreign talent, "turn Singapore into a leading global city of talent, enterprise and innovation" (MTI, 2003), and arrest a declining tourist arrival trend that was evident throughout the 1990s. The proposal that a casino development would help reinforce the status of a vibrant city and promote tourism was approved in 2005.

In 2006, approval was granted for two mega Integrated Resort developments and both were awarded to international casino operators:

- Resorts World Sentosa – Malaysian Consortium Genting International; and
- For Marina Bay Sands – Las Vegas Sands

The *Casino Control Act 2006* limited the physical area of the casino to 10 per cent of the resort according to the Casino Regulatory Authority (CRA) Singapore (CRA: 2014). In fact, during the initial bidding process, Singapore authorities stipulated no more than 50 per cent of gross resort revenues were to come from the casinos, but this stipulation was later discarded in the light of significant casino revenues that could be generated by international VIP visitors⁸⁰.

Table 8.6: Singapore Gaming Revenues, US\$ m

Year	Resorts World Sentosa	Marina Bay Sands	Total
2010	1,737	1,062	2,799
2011	2,144	2,365	4,509
2012	1,898	2,272	4,170
2013	1,748	2,363	4,111

Source: University of Nevada Las Vegas, Centre for Gaming Research (2014).

The Marina Bay Sands is situated on reclaimed land while Resorts World Sentosa is situated on a tourist-dedicated island off Singapore. The Marina Bay Sands development boasts high-end malls, fine-dining and nightclubs. The Resorts World Sentosa has a 'Universal Studio Theme Park' and high-end hotel resort facilities.

While locals (including families and children) are free to enter the two Integrated Resorts, strict casino entry restrictions apply to locals. As part of the policy to minimise harms associated with gambling, locals are required to pay a daily entry fee of approximately S\$100 (AU\$110) or S\$2000 per annum.⁸¹

While significant efforts are concentrated on the mass-tourism market, Singapore's growth in VIP player revenues is notable. Chinese nationals account for half of the VIP gaming volumes at the tables. Singapore currently has three junket operators which are heavily regulated and must renew their licenses annually.⁸²

⁸⁰ MacDonald, A. and Edington, B. 2008, 'The Case for Integrated Resorts', *Global Gaming Business Magazine*, vol. 7, no. 11.

⁸¹ Other harm minimisation measures include prohibiting entry of local bankrupts and third party exclusions for individuals by family members.

⁸² Reuters, 9 April 2013, *High-rollers from China make Singapore casinos see red*.

Singapore has two tax rates:

- 5 per cent of Gross Gaming Revenue (GGR) on premium players; and
- 15 per cent of GGR on all other players.

A premium player must maintain a deposit account with a minimum balance of S\$100,000. There is also a 7 per cent Goods and Services Tax on all gaming revenue. Hence, VIP players pay a total flat rate at 12 per cent (CRA, 2014).

Singapore's Junket Operators and VIP Players

Compared to Macau, VIP revenues in Singapore still constitute a small proportion of gambling revenues due to Singapore's restrictive stance on junkets to lure high rollers⁸³. 'International Market Agents' (IMAs) (i.e. junkets) require an annually renewable licence from the Casino Regulatory Authority Singapore (CRA) to operate in Singapore. Currently only three licences are issued with junkets bringing in overseas 'high rollers' exclusively to Resorts World Sentosa with a commission.

These IMAs are highly regulated and different to the Macau-style junket operations which are barred in Singapore. All authorised junket promoters and representatives, whether individual or a corporation, must hold a junket licence. There are strict probity requirements for an applicant to be licensed. Factors which the CRA considers in deciding whether or not to grant a licence include the applicants background and reputation, financial situation and his/her business association with third parties and their reputation and background (CRA, 2014).

8.3 Australian Casinos: tourism, VIP, high rollers and competitiveness

Casino industry analysts (CLSA (2015), IBIS (2015)) and our interviews with casinos point to the key drivers of casino performance – one short-term, the others longer term. The recent Chinese anti-corruption campaign has diverted some VIP gamblers from Macau into casinos in Australia, the Philippines and South Korea. The benefits are likely to be short-term. In the longer term expected growth in casino revenue is forecast to derive, *inter alia*, from the following key drivers:

- growing Australia's share of the Chinese tourist market;
- maintaining and then growing the share of the VIP market;
- growth in both the 'mass market', higher end premium play and the "mass market" tourism player (the last is sometimes called the 'low-end grind');
- growing the casino domestic market away from the local pub and club.

Planned investments in new integrated resorts are based on Australia achieving sustained growth in VIP Program Play, in international tourism and specifically with respect to casinos, a broad suite of policies and tax arrangements that maintain international competitiveness.

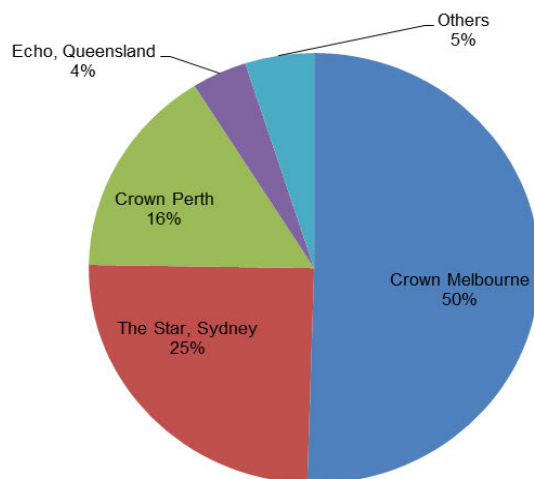
Tourism is a significant source of revenue for Australian casinos. In 2007/08, it is estimated that 1 million tourists made 2.4 million visits to Australian casinos. International tourists who visited casinos are reported to spend a total of \$4.9 billion in 2007/08, equivalent to \$4,940 per person, significantly more than \$2,630 per international visitor who do not visit casinos (Tourism and Transport forum, 2009).

Tourism and its claimed greater contribution to the economy has always been the basis of special concessions to 'tourism destination' casinos. Governments provide a range of concessions to casinos to assist them with their 'competitiveness' in order for the economic benefits of casino developments to be realised.

⁸³ *The Wall Street Journal*, 30 May 2014, "Singapore's casinos face obstacles to growth".

Figure 8.7 shows the Australian VIP market share as at 2012 with Crown Melbourne dominating the market for VIP players. It is estimated that Australian casinos attract approximately 5 to 6 per cent of total VIP players although it may be (temporarily at least) some 7-8 per cent currently as a result of the outflow from Macau following the crackdown on corruption.

Figure 8.7: Australia's VIP Market Share 2012



Source: Australian Financial Review (2013)

“Competitiveness” of Australian casinos with respect to VIP players is not simply related to tax rates. The boost in supply of casinos in the Asia-Pacific is a key challenge, diverting potential tourists to other locations. Industry analysts note that new supply will result in jurisdictions competing for VIP patrons on price by raising VIP commissions which will impact on margins:

“While Australia has lower VIP tax rates than most other gambling jurisdictions in the region, other operating costs are generally higher in Australia resulting in less margin to pay junket operators in VIP commissions as an incentive to bring players to your property.” (CLSA, 2015, p. 9)

We have seen, and are seeing, a very diverse suite of policy and tax reviews to boost the competitiveness of the Australian casinos, including:

- calls to increase the number of flights and passenger capacity in Australia from China;
- changes to visa arrangements such as for Chinese travellers, the provision of three year, multi-entry visas;⁸⁴
- calls for VIP travellers to have dedicated ‘fast lanes’ at customs at international airports;⁸⁵
- cancellation of a “super tax” on VIP players at Crown Melbourne;
- generally lowering of tax rates on VIP players (e.g. Western Australia from 15 per cent (2003) down to 11 per cent (2014) and now 8 per cent) with the objective to increase the number of VIP players and hence expand the taxable base.⁸⁶

⁸⁴ Australian Financial Review (2015) “Chinese tourists get 3 year visas”, 11-12 April.

⁸⁵ The Australian (2014) “Crown wants VIPs to jump airport queues”, 23 December (p. 6).

⁸⁶ The Australian (2014), “Tax break to lure big gamblers”, 28 November.

Table 8.7: VIP gaming tax rates

	Tax Rates (per cent)
Macau	39
Korea	17
Philippines	17
Vietnam (net) ^(a)	15
Singapore	12
Australia (excluding Perth)	10
Australia (Perth)	8
Las Vegas	7

Note: (a) 35 per cent gaming tax rate.

Source: CLSA (p. 9), based on company reports, World Bank own sources.

Table 8.8: VIP commissions rates

	Commission Rates (per cent)
Malaysia	1.20
Macau	1.25
SkyCity	1.30
Cambodia	1.40
Crown	1.45
Philippines	1.50
Korea	1.60
Echo	1.52
Donaco	1.68

Source: CLSA (p. 9), based on company reports, World Bank own sources.

VIP gaming tax rates and VIP commission rates are shown in Tables 8.7 and 8.8.

The profit from VIP gamblers while significant is relatively small as a percentage of high roller bets (or turnover) and after the payment of junket commissions. For example, it was reported that in the six months to the end of December 2014 The Star Sydney lodged high roller bets of \$22.3 billion on gambling tables but retained just \$332 million (1.49 per cent) with a win rate falling to 1.33 per cent after it paid up commissions.⁸⁷

VIP players in Crown Melbourne are taxed a flat fee of 9 per cent of their gross gaming revenue. This is lower than regular players who pay 29.85 per cent on EGMs and 21.25 per cent on table games. The Star Sydney, Australia's second largest VIP player market faces a flat tax rate, an effective rate of 10 per cent of gross gaming revenues, lower than the single tax rate of 16.41 per cent for regular players and exempted from the 'super tax' for regular players (1 per cent for each \$ 6 million increase in gross gaming revenue above \$682 million up to a maximum of 38.81 per cent).

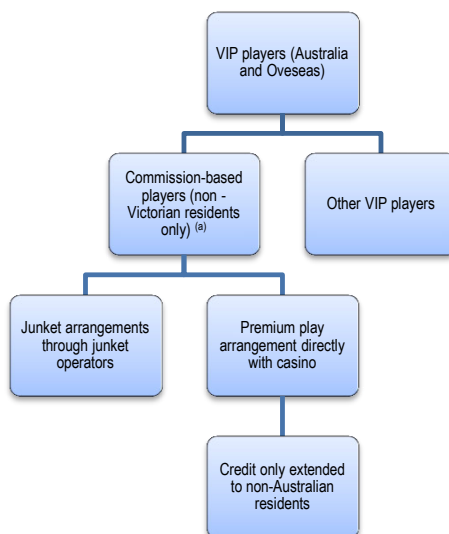
Figure 8.8 depicts the subsets of VIP players classified by Crown Melbourne.

Crown Melbourne defines VIP 'high rollers' as "gamblers from Australia or overseas, including but not limited to commission based players, who gamble large amounts of money with casinos, typically in VIP gaming areas ..." (VCGLR, 2013, p. 33).

Commission-based players, a subset of all VIP players participate either through a junket or premium play. Under Victoria's *Casino Control Act 1991*, only non-Victorian residents (domicile) can participate in commission-based arrangement. Players are normally required to pay specific up-front money to qualify for play. They are exempt from some aspects of the legislation such as different tax rates and smoking bans in VIP gaming areas. Crown can extend credit to these commission players who are not Australian residents (VCGLR, 2013).

Junket operators act as intermediaries between players and casinos. Junket operators recruit patrons through their agents who have their own extensive network of players. Receiving commissions from the casinos based on turnover of play, junket operators also provide other 'value added' services such as arrangements for credit to players, travel, accommodation, entertainment, food beverages, transport and accompanying players to the casinos (VCGLR, 2013).

⁸⁷ *The Australian*, "Echo buys third jet to entice gamblers", 5 February 2015.

Figure 8.8: Crown Melbourne Casino VIP player arrangements

Note: (a) Commission-based players are exempt from some aspects of the legislation including tax arrangements and smoking in VIP rooms
Source: SACES illustrations from VCGLR (2013).

Under a premium play arrangement, casinos deal directly with the player who receives a commission at a value negotiated before their play. Premium play commissions are usually based on their gaming performance and may include either of the following combinations below.

- rebate and complimentary allowance based on turnover;
- complimentary allowance based on turnover; and
- rebate, as a proportion of loss and complimentary allowance as a proportion on turnover.

In summary, the supply of casino gambling in the Asia-Pacific has increased quite rapidly in the decade to 2014 with the prospect that Japan may liberalise its market. “Bricks and mortar” casinos are positioning to take advantage of the predicted growth in the mass tourism market, growing consumer spending and an expanding middle class in Asia.

New casino developments are styled as “entertainment, mixed-use, integrated resorts” which necessitates an effective response from the Australia casino industry. The proposed Brisbane Queen’s Wharf Casino is one example of a large scale, integrated resort precinct that will, *inter alia*, “lock into the mass tourism market”.

Australian casinos (relative to those in Asia) have a much higher ratio of EGMs (poker machines) to table games than is found in Asian casinos. In part this reflect cultural differences where many Asian communities prefer table games of skill (baccarat, poker).

VIP Program Play market segment is relatively high risk, but potentially lucrative with Crown Casino (Melbourne) and The Star (Sydney) the most active in this market. Competitiveness of Australian casinos is assisted by lower VIP tax rates.

9. Casinos: Their Own Perspective

Summary and Comment

In essence the responsible gambling practices of the three casinos are similar, reporting obligations are similar and the obligations in regard to harm minimisation are similar. Pre-commitment is voluntary, it can be by-passed, loyalty cards provide benefits as well as consumer protections if the player chooses to use them, exclusion systems are in place and surveillance systems can help to detect breaches. Loyalty cards provide a potential database to analyse player behaviour but it is unclear what analysis is undertaken by the casinos and how this might assist interventions.

The most recent reviews of casino operators and licence (VCGLA and ILGA) have recommended an assessment of the effectiveness of the use of player data in relation to intensity, duration and frequency of play as a tool to assist in identifying potential problem gamblers. They also recommended trials of facial recognition technology.

Casinos have in place intervention and exclusion strategies and surveillance technology platforms that support other responsible gambling strategies. They adhere to responsible gambling measures as are stipulated in the relevant Casino and Control Act and through either mandatory and voluntary codes of practice. Junket and commissioned based play is highly regulated and compliance with Federal legislation is mostly observed.

Casinos are in competition with local clubs/hotels that host EGMs so that engagement strategies are designed in recognition of this (i.e. free car parking, loyalty schemes, service standards, entertainment, etc). The two largest casinos have successfully diversified into the international VIP/high roller market and regulatory changes by government have generally accommodated this.

One general observation with respect to the casino industry as a whole is that it is silent on reporting of outcomes. That is to say, how effective are consumer protection initiatives? What is the pattern of gambling on EGMs of those who play in unrestricted mode relative to restrictive mode? What predictive information could be developed from automated risk monitoring systems? What is the pattern of breaches of pre-commitment limits?

The researchers conducted face-to-face interviews with management and host responsibility staff of the Crown Melbourne Casino, The Star Sydney and the Adelaide Casino. The researchers have previously noted that Casino and Resorts Australasia (CRA) would not agree to the researchers conducting exit interviews.

This Chapter summarises our interviews with the three casinos, information they provided to us, feedback on the researchers write-up of the interview and a summary section (headed as the respective Casino Control Act) that addresses legislative requirements with respect to Junket and Premium players. This last section summarises the obligations of each casino in regard to international VIP patrons, obligations that do not generally apply to local patrons except in relation to reporting requirements to AUSTRAC.

International competition in the VIP/high roller market is intense with the potential for illegal activity and probity risks. The lucrative nature of this segment of casino patrons and their value to a casino presents a risk that social responsibility obligations and efforts to detect criminal behaviour may be less thorough. More subtle feedback loops of the VIP/high roller market are that legislative and reporting requirements may be reduced where it is argued they 'impact the international competitiveness of domestic casinos'. Taxation obligations are also set to facilitate international competitiveness⁸⁸ but the same pressure is not there to lower tax rates on local players.

We have included information for casinos in states/territories where we did not conduct personal interviews. The relevant authority in each jurisdiction provided and checked the information in this section.

⁸⁸ The terminology often used to describe the international equalisation of tax rates is "a race to the bottom".

9.1 Objectives of interviews

The purpose or key objective was to “explore the relationship between casinos and local gamblers, their regulatory environment and the effect of promotional and responsible gambling initiatives.” Questions at interview followed the reporting format (sub-headings) used in this Chapter.

The research also sought to identify how the broader gambling market is changing and how casinos strategically are responding to this (e.g. for example, wider adoption of technology, growth in other forms of gaming, wagering, sports betting), consider the changing nature of products, the impact of non-tax concessional factors on local players (e.g. inducements, rewards, entertainment), the risk level of local players, and promotional and harm minimisation strategies of casinos including intervention, exclusion strategies and technology platforms that enhance responsible gambling measures.

We commence the write-up with a “snapshot” of each of the three casinos and then report our findings on the changing casino environment, competitiveness, loyalty card systems, high rollers and responsible gambling/host responsibility.

9.2 Crown Melbourne

Snapshot

- national dataset (2011/12):
 - real expenditure \$1.5b, (Australia \$4.1 billion);
 - real per capita expenditure \$350, (Australia \$235);
 - HDI expenditure 0.69 per cent (Australia 0.42 per cent);
 - VIP revenue 26.0 per cent (\$501 million), \$649m in 2014;
 - main gaming floor 52.8 per cent (\$1,020 million);
 - non-gaming 21.2 per cent (\$410 million).
- Victoria’s largest single site private workforce, 9,200 employees (7,200 FTEs);
- largest casino in Australia in terms of revenue from gaming;
- VIP gaming fastest growing revenue stream between 2011-2014;
- VIP Program Play revenue in 2014 was AU\$649 million;
- 2,500 EGMs, 128 multipurpose or fully automated table games;
- most diversified casino complex in terms of hotels/accommodation, entertainment, conferences, retail and ballroom facilities with over 1,700 events hosted in 2013/14;
- invested \$1.7b (completed and planned) in the ten years from 2007;
- 850,000 guest nights in 2013/14, occupancy rate above 90 per cent;
- dedicated staff training Crown College having graduated 1,000 apprentices and trainees in 2014;
- 19 million visitations in 2014.

Competitiveness, international/dynamic factors

Crown Melbourne considered that a key insight into the international competitive environment with respect to casinos is the on-going investment in casino complexes. They are increasingly marketed as integrated resorts that are attractive to all patrons whether they gamble or not. The “integrated resort” is a key driver of competitiveness; it broadens the facilities, the offer and the experience that in-bound tourists are seeking through accommodation, restaurants, shopping, special events, conference facilities, entertainment and opportunities to gamble.

The “resort complex” for the larger casino such as Crown Melbourne and overseas casinos has had implications for management and particularly marketing, most noticeable in the way that all facilities are profit centres. That is to say, the driver of investment is to develop integrated facilities of which gambling is one attraction. Reflecting the direction to rebranding of casinos, Crown Limited changed its name to Crown Resorts in 2013. The change in name is both a marketing decision as well as a desire to be recognised as a diversified tourism operator.

Crown Melbourne has invested approximately \$1.7 billion in accommodation, refurbishments and expansion in the ten years to 2014; The Star (Sydney) approximately \$1.0 billion (2011-2014) and Jupiters Casino \$625 million in recent times. These three casinos are the most active and successful in the international VIP arena.

The tourism market is a key driver of the diversification of the “traditional, stand-alone casino” where the resort complex is designed to appeal to the local domestic market, the mass-tourism market and the specialist VIP market. International and interstate tourist/visitors principally contribute to total revenue from accommodation with an estimated 1.2 million guest nights in 2014 for Crown Melbourne and Crown Perth while conference attendees numbered some 600,000 with more than 1,700 events hosted at Crown Melbourne.

Principal Customers/Competitors

Crown Melbourne is reputed to be the third most visited site in Melbourne with upwards of 19 million visitations in 2014. It is estimated that domestic residents, within the state make up more than 80 per cent of the visits with interstate and international guests making up the remaining visitation. Approximately 37 per cent of Crown Resort’s revenue was estimated to be generated from international visitors.

A key component of patron engagement is obviously the availability of table games with 500+ available at Crown Melbourne and extended trading hours relative to hotels/clubs. Promotion and marketing strategies include private gaming facilities, group gaming, VIP gaming and tournaments with significant prizes.

In 2014 it is estimated that turnover from VIP Program play was approximately A\$38 billion. In Australia, the revenue generated from VIP Program play in 2014 was approximately A\$1.4 billion. This represents a worldwide market share of approximately 4 per cent. Within Australia, Crown Melbourne has the largest VIP Program play operation, followed by the Star Casino in Sydney, Jupiters (Gold Coast) and then Crown Perth.

As casinos diversify, then in terms of the domestic market the principal competitors are the big hotel chains for accommodation and for conferences. The proximity of local clubs/hotels to where people reside means they are a competitor for the EGM mass-market gambling dollar. Competitive strategies recognise this (i.e., “local club/pub knows its clientele”) so casinos actively respond through customer contact such as loyalty card benefits, the offer of “meet and greet” events to attract patrons, free car parking, glamour and ‘the experience’ afforded by the facilities and so on. Attracting sports people and other celebrities is a way to invite patrons to the casino. Similarly, restaurants and world class chefs are a way of advertising; standards of services are designed to be higher and people come to expect that; the personal touch is as significant for marketing off-shore for high rollers as it is for other patrons and loyalty club members.

All this is unsurprising and needs to be seen in the context that Crown Melbourne is not allowed to advertise that “it has pokies”. What it offers is a high standard of service, the experience of visiting the venue, accommodation with over 1,600 hotel rooms, shopping, restaurants (64), entertainment, to

compete within the domestic market and the international VIP market. The “personal touch, the personal contact” will be deeper and richer to attract the VIP patrons than domestic patrons, but this is only a matter of degree, not substance as exemplified in a key marketing tool Crown Melbourne’s player rewards and customer loyalty scheme, the Signature Club.

An important source of differentiation between the casino and pubs and clubs is the fact that the casino is the only venue to operate table games which are particularly attractive to a broad range of ethnicities. There are no limits on the size of EGM jackpots in the casino or in hotels and clubs in Victoria. The Crown Responsible Gambling staff considered that there was no evidence of differences in harms across the ethnic mix of patrons or differences in the effectiveness of responsible gambling messages.

In terms of the domestic market the ethnic mix of patrons is said to mirror the population and the casino is active in ensuring that staff employment reflects the multi-cultural mix of patrons.

Loyalty cards, monitoring, pre-commitment

Crown’s loyalty program is the Crown Signature Club. There is a public document that sets out the conditions of membership, rules, definitions and privileges and membership categories based on loyalty points earned. Points are earned from participation in gaming as well as spending within the complex (restaurants, retail outlets, entertainment). There are five membership categories that entitle the holder to access different levels (tiers) of privileges. All patrons must produce identification to join the loyalty program, they are required to pass through security personnel and to swipe a card to gain access to VIP rooms which they are eligible to enter. In essence, the category of membership depends on total spend.

With respect to consumer protection – and here a patron must use the loyalty card to gain the benefit – the loyalty program allows players to voluntarily set a time or spend limit on a daily or annual basis. If a patron reaches their limit they receive a message to advise which limit has been reached and that they cannot accrue membership points. With respect to playing gaming machines in unrestricted mode, gaming machines will only operate in unrestricted mode if patrons have set a time and spend limit and have a loyalty card. If a player reaches a loss or time limit they can no longer play the gaming machine in the unrestricted mode. Participation in Crown’s Play Safe Limits program has increased from approximately 2,500 patrons (2008) to more than 40,000 (2014). An EGM in unrestricted mode is where the spin rate, bet limit, autoplay and note acceptors are unrestricted and these machines can only be played in that mode by means of a card.⁸⁹ The researchers consider that the ability to play EGMs in an unrestricted mode has the potential to increase player losses and contribute to the onset of problem gambling.

When enrolling in the Signature Club a patron can nominate to “receive news and promotional material relating to Crown and its associated entities (which may be sent by post, email or SMS)”. They can also nominate to have access to Crown Signature Club online.

The loyalty program is not set up for the purposes of detection of problem gamblers; it is not designed as a tool to initiate contact with gamblers. However, player data can be reviewed (such as frequency of visit, gambling behaviour) where a potential problem gambler is otherwise identified and is a loyalty card holder. The researchers were not able to ascertain what specific reviews of player data are undertaken, what that might reveal and what actions or interventions are undertaken as a result of any such review.

⁸⁹ Casino Control Act 1991. Referred to in Section 3.2.3(i)(g) of the Act.

Crown Melbourne does not operate an automated risk monitoring system; however, it does possess live floor surveillance systems. Crown Melbourne indicated that it uses observable signs (seen or reported behaviours) which are potential indicators that a person may be experiencing problems with their gambling. The casino also stated that at various times player data may be used in conjunction with observable signs.

In short, the casino has the capacity to analyse player data for commercial purposes and for intervention if gambling behaviours warrant an intervention. The answers provided to the researchers questions were somewhat circumspect with respect to analysis of player data. Notwithstanding, we surmise that the casino has the capacity to assess player data in relation to intensity, duration and frequency of play for identifiable patrons (those with a loyalty card) and non-identifiable patrons (via analysis of behaviours at a machine). The capacity to analyse such data to assist in identifying problem gamblers was recognised by the VCGLR in their fifth review (specifically, recommendation 5).⁹⁰

VIP High Rollers

Crown Melbourne is the most successful Australian casino in the high roller, high net worth segment of the gambling market. The Star Sydney is the next major competitor. The removal of the “super tax” on VIP program play at Crown Melbourne (commenced July 2014) was one component of a new licence agreement reached between the Victorian Government and Crown Melbourne intended to improve the international competitiveness of the casino.

Services and facilities available to VIP/high net worth players include private jets to courier players, golf course facilities, luxury villa and hotel rooms and continual restructuring of commission incentives, including rebates based on turnover, refund on player losses and other incentives (accommodation, food and beverage, entertainment) to remain competitive particularly with casinos throughout Asia.

Crown Melbourne is (as are all casinos) required to report international funds transfers, bets and winnings of more than \$10,000 to AUSTRAC and fully comply with these obligations.

The VIP/high net worth segment of the gambling market is estimated at approximately 5 per cent of total visitations to Crown Melbourne (and Australian casinos generally) but accounts for upwards of 19 per cent of all casino revenue. In recent times VIP visitations may represent approximately 7 per cent of all visitations with the outflow from Macau. The contribution of VIP/high net worth program players is more significant for Crown Melbourne; the researchers were provided with a percentage allocation for table games, EGMs and VIP program players but consider the information commercial in confidence and is not reported here. Crown Melbourne with links into Macau (City of Dreams in Cotai, Macau) is the most integrated Australian casino into the Asian gambling and tourism market.

While not exclusively focussed on the Chinese tourism market – but the Asian tourism market – our assessment is that marketing, tourism, accommodation, luxury experience and integrated resort offered by Crown Melbourne is extremely well targeted. Our assessment is supported by the length of stay by Chinese tourists, average spend and non-gaming revenue generated by Crown Melbourne (and Crown Perth).

Staff and Responsible Gambling

At Crown Melbourne 9,200 people work on site or approximately 7,200 full-time equivalent. We are advised that Crown Melbourne is the largest private sector, single site employer in Australia. Licensed gaming staff (38 per cent) and chefs, kitchen staff, bar and waiters (27 per cent) account for two-thirds of total employment. Staff training has become more comprehensive in step with the development of

⁹⁰ Previous discussion in this report, p. 42.

the “casino and resort” complex since its establishment in 1994. In this section our principal focus is on staff and responsible gaming but it is important to be aware that staff training encompasses:

- a \$10 million purpose built Crown College (and RTO) with a replica of Crown's gaming floor and training rooms specifically with gaming machines;
- within the Crown College are three specific schools: Hotels, Food and Beverage; School of Gaming and School of Business;
- there is compulsory training in areas including Responsible Service of Gaming, Responsible Service of Alcohol, Casino Awareness Training, OHS, Equal Opportunity;
- significant numbers of apprentices and traineeships have gained qualifications through Crown College since its inception.

In 2014 Crown Resorts Limited provided some 200,000 hours of training and graduated over 1,000 apprentices and trainees with direct training expenditure of \$6 million.

Crown Melbourne established the on-site Responsible Gaming Support Centre (2002). In response to legislative requirements and through its own initiative Crown has implemented:

- voluntary self-exclusion (currently approximately 4,000 on the register) and its own exclusion program;
- pre-commitment (and Play Safe Limits) that allow for time and spend limits for loyalty club members;
- video surveillance throughout the venue;
- a comprehensive Responsible Gambling Code of Conduct;
- its own internal and administration procedures for checks on potential problem gamblers;
- similarly for international VIP patrons where reporting requirements are to the VCGLR and financial reports to AUSTRAC;
- does not permit any staff to gamble at the casino and does not use incentive-based, revenue linked contracts (except in the case of off-shore recruitment);
- reports to the regulator on a daily basis regarding exclusions and breaches of exclusion orders that are detected by floor staff and video security surveillance;
- participates in a wide range of external forums such as Responsible Gambling Awareness Week, the Responsible Gaming Ministerial Advisory Council, and various conferences;
- Crown Melbourne paid \$26.4 million in financial year 2014 under the Community Benefit Levy and is a contributor to the \$200 million National Philanthropic Fund, which will be allocated over a ten year period. This is a joint commitment of Crown Resorts Foundation and the Packer Family Foundation.

Compulsory exclusion orders can be made by Crown Casino itself, the regulator and the Commissioner of Police. It is reported by the VCGLR that there were 155 such orders; the detection of breaches of self-exclusion relies on observations by security, general and surveillance staff as well on-site inspectors from the VCGLR. The VCGLR report that in the three years to 2011 there were 2,772 persons subject to exclusion orders detected in the casino and a core group of recidivists breaching 3.22 times per month. With respect to VIP gaming areas the VCGLR made several recommendations to ensure excluded patrons are not able to enter VIP gaming areas. This is particularly important as these VIP gaming areas permit patrons to bet with large amounts of money potentially contributing to problem gambling. In their fifth review of the casino operator the VCGLR made a number of recommendations with respect to (1) preventing excluded gamblers from entering VIP gaming areas, (2) disclosure of self-exclusion in signing up to the loyalty program, and (3) a trial of facial recognition

technology to improve the detection of excluded persons – which includes not just those that are self-excluded but those that are excluded by reason of potential gaming integrity risk etc.

Victoria: *Casino Control Act 1991*

The legislative requirements associated with Junkets and Premium Players were previously specified in the *Casino Control (Junkets and Premium Players) Regulations 1999* which was revoked in July 1, 2004. Prior to that revocation Crown Melbourne Limited was required to provide the Victorian Commission for Gambling and Liquor Regulation (the regulator) with copies of all junket agreements within 24 hours after the junket players commenced gaming in the casino

The researchers were advised that “following revocation of the Regulations, Crown is no longer subject to the statutory requirement to furnish the Commission with junket agreements”⁹¹ but Crown Melbourne provide an ongoing list of junket operators to the Commission, who can at any time request copies or view copies of any and all such agreements and have the right to veto (require the Casino not to deal with) any junket operator at any time.

The researchers sought clarification, on whether the conditions/obligations conferred on Crown Melbourne Limited under the now revoked *Regulations* have been replicated under junket internal control system within the *Casino Control Act 1991*.

The response to our endeavours was that the *Casino Control Act 1991* (Section 121 (1)) states with respect to casino internal controls that “a casino operator must not conduct operations in the casino unless the Commission has approved in writing a system of internal controls and administrative and accounting procedures for the casino. The content of approved system(s) (Section 122 (w)) covers procedures for the promotion and conduct of junkets or premium player arrangements.” Crown Melbourne Limited is still required to report to the Commission on junket arrangements as “per internal controls and standard operating procedures”, it is still subject to audit by the Commission although the exact information relating to these systems are confidential, they are considered commercial in confidence and are not publicly available.

The VCGLR did advise that Crown’s processes and procedures, as approved by the VCGLR, require it to vet all junket operators, and be compliant with regulatory obligations including obligations to report particular types of transactions to AUSTRAC, the Federal Government body that administers the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). The AML/CTF Act and rules emphasise the importance of Crown knowing its customers. The Compliance Division of the VCGLR conducts audits of Crown’s processes to ensure it is compliant.

In the following, we make reference to “what we know” and in part refer to previous arrangements (under the Regulations) that we assume are basic and fundamental to a comprehensive system of “internal controls, administrative and accounting procedures”. We also note that some rationalisation of reporting arrangements is feasible where existing arrangements for the internationally competitive VIP market potentially duplicate information collected by Australian Immigration systems, Customs, data/information that is required to be reported to the Australian Transactions Reports and Analysis Centre (AUSTRAC) and proof of identity in order to open a bank deposit account. We also acknowledge that it is reasonable to expect that regulatory and reporting arrangements will need to change over time as financial, probity risks and commercial incentives also change in line with the international casino market.

⁹¹ Correspondence to SACES from Victorian Commission for Gambling and Liquor Regulation, 1 April 2015.

Definition

A **junket** means an arrangement whereby a person or a group of people is introduced to a casino operator by a junket organiser or promoter who receives a commission based on the turnover of play in the casino attributable to the persons introduced by the organiser or promoter or otherwise calculated by reference to such play (*Casino Control Act 1991* Section 3).

A **commission** based player means a person who participates in a premium player arrangement or a junket where the person and the casino operator satisfy the requirements of any relevant controls and procedures approved by the Commission under section 121 in respect of a premium player or a junket player as the case may be (*Casino Control Act 1991* section 64, subsection (3)).

Junket promoters and players have to meet all obligations imposed by Federal Immigration laws, including compliance with Visa requirements.

Arrangements Conditions

In summarising current arrangements we refer to arrangements that were previously specified under *Regulations*. While noting this Regulation has been revoked, we were advised that while the *Regulations* are no longer valid what “they once covered is now covered by the Act”.

Section 121 of the *Casino Control Act 1991* applies to the entire casino. It specifies that:

- operations in the casino are only to be conducted if the Commission has approved in writing a system of internal controls and administrative and accounting procedures for the casino;
- any approval may be amended as the Commission sees fit;
- an approval or amendment of approval takes effect when the casino operator is given written notice or at a later date specified in the notice; and
- the casino operator must ensure that the system currently approved is implemented.

Commission based player arrangements are treated differently to normal gaming, principally being exempt from some aspects of the Victorian legislation that protect local players (e.g., exempt from smoking bans). A further example is that a casino operator may provide chips on credit to a person who is not ordinarily resident in Australia. The casino operator and the person must satisfy the requirements of any relevant controls and procedures in section 121 in respect to a premium or junket player (*Casino Control Act 1991* Section 68 (8)).

In order for a junket to be approved as previously specified under the now revoked *Regulations*, the promoter or organiser of a junket and their representative must be of good repute, having regard to character, honesty and integrity. If the junket promoter or organiser is a body corporate, these rules apply to their agent and each person who will manage or operate the junket. In order to make this determination the assessor may consider whether the person has a financial interest in the junket business and the person’s position in the junket business.

Previously it was the case that approval for a junket to operate under the now revoked *Regulations* (regulation 14) was valid for a maximum of three months.

We are uncertain whether the following are in force but given the increasing international competition in the VIP market and the potential for illegal activity, financial and probity risks we see no reason for previous arrangements to have been reduced. Under the now revoked *Regulations* (regulation 16) it was the case that a junket agreement must be written and in a form approved by the Authority. In addition it must contain the name of the junket promoter or organiser, names of the junket players, country of residence (and State of residence within that country, where applicable) of each junket

participant, commission payable to the junket organiser or promoter, the basis on which commission is to be calculated, the proposed date and time of arrival at the casino of the junket players, the amount of front money proposed to be lodged with the casino operator and the name of the agent (if applicable) of the junket organiser or promoter for the purpose of settlement.

It was also specified that the casino must not permit any junket participants in a junket to gamble in the casino before the casino operator and the junket organiser or promoter signs the junket agreement.

Information to the Authority: Junket Arrangements, VIP Players (*Casino Control (Junkets and Premium Players)*)

It was previously specified that the junket promoter or organiser must notify the relevant authority within 14 days if there is a change in their junket operation application, if they discover a conviction or finding of guilt for any offence for either the junket promoter or organiser or any of their representatives.

In addition, if the junket promoter or organiser is not resident in Victoria the promoter or organiser must provide a certificate issued by an appropriate authority in another country or jurisdiction stating whether they or their representatives have been found guilty of or convicted of a criminal offence. Information regarding the approval of the operation of a junket in another jurisdiction must also be provided.

The previous *Regulations* (regulation 17) stated that the casino operator must provide, in writing, notice to the Authority of the time and date of arrival of junket players no less than one hour before the junket players commence gambling at the casino. The casino operator must give a copy of every signed junket agreement to the Authority within 24 hours of junket players commencing gambling at the casino.

The previous *Regulations* (regulation 18) stated that the casino must give the following to the Authority for each premium player:

- name of the player;
- country of residence and State within that country (where applicable) of the player;
- rate of commission payable to the player;
- the basis on which the commission is to be calculated;
- the date and time of arrival at the casino of the premium player;
- initial buy-in;
- total funds deposited with the casino by the player for the purpose of gambling at the casino; and
- where applicable the name of the agent for the player for the purpose of settlement.

The casino operator must give the Authority reasonable advanced notice of the lodgement of front money for a junket and settlement of a junket arrangement.

No later than seven days after the settlement of a junket arrangement, the casino operator must give the Authority a report on the junket stating the amount of front money, the total commission paid by the casino operator to the junket promoter or organiser and the method of calculation of the commission.

Amounts prescribed for special junket agreements

No information was found in the relevant Act. Junket arrangements are “personal arrangements” with individual players putting at risk very large sums of money. Crown Melbourne Limited is the most successful casino in Australia in attracting commissioned based players who are highly mobile within Asia especially. Crown Melbourne Limited competes for this segment with the international casinos of

Las Vegas, Macau and Singapore. The development of Crown Perth and the VIP gaming facility at Barangaroo (Sydney in 2019) will compete with Crown Melbourne in the VIP market.

This background illustrates both the “personal arrangements” that are used to attract and retain VIP players, the desire of casino operators to have as even a level playing field as possible (e.g., equivalent international tax arrangements), and the incentives and benefits for state governments to agree to the same and the importance of confidentiality in the casino-patron relationship.

Surveillance Branch and Reporting to AUSTRAC

All casino operators have to comply with all anti-money laundering and counter-terrorism financing obligations imposed by Federal legislation and monitored by AUSTRAC. The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF) to report any transactions over \$10,000 to AUSTRAC. In addition, under the same Act they are also obliged to report to AUSTRAC any suspicious transaction.

Crown Melbourne Limited is assessed by AUSTRAC as to compliance with the AML/CTF Act and the VCGLR noted guidance to improve compliance, greater vigilance with respect to money laundering, improvements to record keeping, increased customer due diligence (“particularly so for its high spending Signature Club members”)⁹² has been provided to the casino including that it take steps to improve the use of player data to enhance customer due diligence (i.e., local, interstate and international patrons).

9.3 The Star, Sydney

Snapshot

- national dataset (2011/12);
 - real expenditure \$953.7 million (Australia \$4.1 billion);
 - real per capita expenditure \$169.93 (Australia \$235);
 - HDI expenditure 0.30 per cent (Australia 0.42 per cent);
- 1,500 gaming machines, 504 multi-terminal gaming machines and fully automatic table games;
- annual report (2013/14) that 30 per cent of revenue from VIPs or \$388.6 million;
- 647 hotel rooms, host to local and international conferences, capacity for 4,000 people at event/conference;
- in 2013 finalised a \$870 million redevelopment;
- greater than 9 million visitations in 2014.

Competitiveness, dynamic market factors

With respect to electronic gaming machines (EGMs), clubs and pubs in New South Wales (NSW) are the casino’s direct competitor and are a mature and significant market given the long history of EGM gambling in NSW. The type of EGMs permitted in the casino are slightly different to those allowed in clubs and pubs, which provides the casino with a differentiating factor. Another key differentiating factor is that jackpot levels for EGMs in clubs and hotels have a limit (\$10,000) whereas the casino does not.

It was the assessment of those interviewed that there are differences in the clientele for casinos and clubs/hotels. They explained that the introduction of 1.30am ‘lockouts’ and 3.00am ‘last drinks’ for hotels, registered clubs and related venues in the Sydney CBD Entertainment District in 2014 did not lead to as large a transfer of visitation to the casino as expected. This outcome may reflect that

⁹² VCGLR, Fifth Review of the Casino Operator and Licence”, p. 122

individuals at lock out time simply take the opportunity to go home rather than travel to the casino. It could also reflect that casino visitors are attracted by specific forms of gambling (i.e. table games) and other casino entertainment activities (e.g. special events, restaurants etc.) that are not necessarily attractive to club and hotel patrons.

An important technical development over recent years has been the introduction of Ticket In Ticket Out (TITO) gambling in clubs and pubs. After entering cash into a machine and playing for a period, when the player leaves the machine they are able to print out a ticket which contains the credit amount which can then be inserted into another machine or redeemed for cash from a redemption terminal or cashier. This provides for a somewhat more seamless experience and provides efficiency for the venue in terms of reduced need for cash handling. The Star also allows players to purchase TITO tickets at its Private Gaming room cashiers windows for use on gaming machines (each ticket is a maximum of \$2,000).

Beyond EGMs, the fact that the casino is the only venue in the state that is allowed to operate table games provides it with its biggest source of differentiation compared to clubs and hotels. In terms of competition outside New South Wales, The Star competes with other casinos for the international and interstate Very Important Person (VIP) markets. Its main competitor is Crown Melbourne. Other domestic competitors include Jupiters (Gold Coast) (also owned by Echo Entertainment Group) and Crown Perth.

The domestic interstate VIP market is probably in the order of 5,000 people. This market is characterised by small groups of people that travel interstate to gamble, typically over a period of several days.

The international VIP market has evolved with the development of casino gambling in the Asian region. The establishment of casinos in Macau and then Singapore has led to the emergence of high stakes gamblers in Asia who have drifted into Australian casinos. China's recent anti-corruption drive and clampdown on casinos in Macau (e.g. tighter Visa restrictions for mainland Chinese) may also have encouraged some Chinese VIPs to leak to Australia. SACES notes that recent signs from the Chinese Government that it will also crack down on foreign casino activity may potentially unwind some of these recent gains.

Engagement strategies

Apart from general advertising, one of the main methods of engaging with customers is the use of a loyalty program with different levels of rewards and benefits. The Star's loyalty program – Absolute Rewards – is part of a broader loyalty/membership program operated by Echo Entertainment Group in respect of its various casino and entertainment properties. Using information provided by participants, the loyalty program allows the casino to conduct targeted advertising to members via email.

The casino is restricted from advertising gaming machines, with The Star advising that:

“Under the Casino Control Regulations 2009, The Star is prohibited for advertising gaming machines outside of the casino boundary. The only exception to this is in cases where players have elected to receive advertising material from the casino. This is the same type of restrictions that all gaming venues in NSW have around slot machines.”⁹³

The Star also offers rebate programs for domestic and international VIP customers whereby a proportion of losses may be refunded while other benefits may be provided in respect of complimentary services (e.g. accommodation, food and drinks). To qualify for rebates individuals must meet a threshold spend, currently set at \$25,000 for domestic gamblers and \$75,000 for international gamblers. Such rebates are typically recycled back into the casino business by participants.

⁹³ G Stevens (2015), personal communication, 8 April.

Echo Entertainment Group also has marketing teams in select Asian destinations, including Hong Kong and Singapore, that promote Echo's various casino properties (including The Star) to international gamblers and tourists.

Another promotion and marketing strategy for international and domestic customers is the operation of casino table game tournaments whereby set prize amounts are paid to the winner and runner-ups. For instance, a baccarat tournament may comprise 70 players, which is popular game among Asian gamblers.

Main customers

The precise number of visitors was not immediately known although at last count total visitation was probably around 9.0 million.

The market segment for gamblers can be broadly separated into three groups:

- International high stakes gamblers;
- Domestic high stakes gamblers; and
- Casual visitors, mostly domestic residents.

International and to a lesser degree domestic high stakes players are the most lucrative customer segments. In comparison, other local residents are not that profitable.

The proportion of visitors who were local, national and international was not known. However, Echo Entertainment Group's financial statements provide insight into the relative size of particular market segments. Total gross revenue for The Star in 2013/14 was comprised of the following:

- Electronic gaming machines or "slots": 20 per cent of total gross revenue (\$255.6 million);
- Main gaming floor: 28.3 per cent (\$362.1 million);
- Private gaming room: 10.1 per cent (\$129.3 million);
- Non-gaming: 10.8 per cent (\$138.3 million);
- International VIP rebate (gross): 30.4 per cent (\$388.6 million); and
- Other revenue: 0.3 per cent (\$3.3 million).

In this instance private gaming room revenue would probably be a proxy for domestic high stakes or VIP players.

International VIP players are clearly a significant segment, accounting for 30 per cent of the total \$1,277.3 million in gross revenue earned by The Star in 2013/14. The contribution of international residents to total revenue would be higher as regular international tourists would contribute to gambling and non-gambling expenditure in other casino segments such as the main gaming floor and EGMs.

The ethnic mix of casino patrons has not changed significantly over recent years although clientele of high stakes rooms do attract a high proportion of Asian participants relative to the broader Australian population. There was considered to be no evidence that differences in the ethnic mix has resulted in the differences in the harms arising from gambling, or differences in the effectiveness of responsible gambling measures. Given the diverse ethnic mix of patrons self-exclusion letters and other responsible gambling materials are translated into a variety of languages.

Reward programs and gambling facilities

The Star's gambling services and rewards program are tailored in line with the various customer segments outlined above. The Stars rewards program is comprised of three tiers:

- Red: entry level that allows member to earn 'points' and gain access to special offers;
- Red +: entry level with added discounts in respect of food and beverage outlets and hotel stays;
- Pearl: middle tier which provides access to a Private Gaming Room and complimentary room nights and free self-parking;
- Black: upper tier which provides additional complimentary accommodation and a range of other complimentary and personalised services, e.g. host, concierge phone, late/early hotel check in etc.; and
- Diamond: a premium invite only non-publicised tier.

With the exception of the Diamond tier, members progress to each level automatically based on their expenditure and points threshold (e.g. 3,500 points to reach Black level). Points are awarded based on various characteristics including frequency and magnitude of play.

The Star currently has approximately 8,500 Pearl members and 3,200 Black members.

In addition to the main gaming floor that is open to the general public, The Star has the Sovereign Private Gaming Room for Pearl and Black tier members. Within the Sovereign Room the Inner Sanctum provides gambling facilities with even higher bet levels. Meanwhile, the Vermilion Room is an even more exclusive area reserved for Diamond members. It provides higher stakes gambling, greater privacy and more personalised services.

People attracted to the Sovereign and Vermilion rooms are high stakes players who are generally interested in table games and value the status and exclusivity afforded by these facilities, including the more personalised services offered by casino staff, i.e. being waited on. They also have a desire for gambling in a more private setting away from the general public. These individuals would consequently not be attracted by gambling activities offered by clubs and hotels.

In terms of incentives to attract VIPs or high stakes gamblers, the casino operates a rebate scheme where a proportion of losses are returned to the VIP depending on the amount spent. Other incentives include provision of personalised services from a host (e.g. tours, bookings etc.) and free or discounted services including private air travel, food and beverages, and various quality level accommodations. Provision of credit is specifically disallowed by the Casino Control Act and would arguably be a questionable commercial decision in any event.

In comparison to high stakes gamblers, many casual domestic customers may be more attracted by the various entertainment facilities or services offered by the casino, and consume casino gambling as part of a broader evening entertainment experience.

Like other jurisdictions, lower tax rates do apply in respect of high stakes gambling facilities. The tax rates are calculated differently for different forms of gambling (i.e. rebate commission versus cash play). Part of the justification for these lower rates are the greater costs associated with providing more personalised and tailored services for VIP gamblers, including higher staffing levels but also other benefits in terms of tours, complimentary aircraft travel etc.

Loyalty cards, monitoring, pre-commitment

In assessing applications for the loyalty program the vetting process generally involves probity checks to ensure that individuals are “of good character”. The Star has ongoing involvement with the regulator and New South Wales Police to ensure that individuals who have been barred from entering the casino are prevented from doing so. These exclusions include people barred at the direction of the Police Commissioner. Other reasons for being barred include disorderly conduct, theft, fraud, having unattended children etc. The casino also works with the Australian Taxation Office and Australian Transaction Reports and Analysis Centre (AUSTRAC) to assist their regulatory functions in respect of taxation and money laundering respectively.

People that are admitted to the private gaming room (PGR) must be a member of the Absolute Rewards loyalty program. To enter the Sovereign Room guests must produce government issued photo cards, such as a passport or Australian issued drivers licence. This process provides an added means for ensuring that barred persons are excluded from the casino.

As part of the compliance process, The Star is required to provide a list of all new loyalty program members to the regulator every month and a list of all members every 6 months.

Loyalty cards provide some information that can be used to inform potential responsible gambling issues. The Star uses the Konami Casino Management System (KCMS) for its data collection and analysis needs. This system enables the casino to know when someone is gambling at an EGM although it does not provide expenditure data in real time. However, the Patron Liaison Manager can also look at trends in betting behaviour to identify any “spikes” in betting behaviour, which provides another sign of potential responsible gambling issues.

The KCMS does not have an automatic alert system. The casino informed the researchers that “with the assistance of KCMS a twice daily report is run to identify players who have been playing in excess of 24 hours (SACES Note: a length of time that does not seem consistent with responsible gaming.) If it is established that a player has been in the casino in excess of 24 hours the player will be approached by a Gaming Manager or equivalent and asked to take a break. The player will be asked to leave the casino for a minimum of eight hours and access will be suspended for the duration of the break. In essence, it is a report based system that can alert a staff member to a potential problem.

KCMS works across the whole casino but only when a player uses a loyalty card in EGMs or at table games. The identification of a player not using a loyalty card but who might also have been in the casino for 24 hours is dependent on trained staff being able to “spot such a player”.

Every loyalty card has limits by default, at least in terms of how much credit can be loaded onto cards. Loyalty card users do have the ability to set pre-commitment amounts when sitting down at a machine.

Voluntary pre-commitments are rarely taken out by loyalty card members. An estimated 180 out of approximately 250,000 loyalty card members currently use the service. While the take up is extremely low, it is apparently higher compared to Echo Entertainment’s casino business in Queensland. Part of the explanation may be that in NSW the player can automatically set a limit when at the machine whereas in Queensland the person must go to the counter and talk to a person. The added anonymity of the NSW approach may encourage individuals to set self-limits. In any event, the casino’s experience is that after someone uses the pre-commitment service once they stop using it after a while.

The use of loyalty cards for enhancing responsible gambling is not necessarily considered effective in practice. Players can simply not swipe their cards while they could use or borrow someone else’s card. Hence, the current pre-commitment system can only be considered a soft limit. Furthermore, using

loyalty cards for pre-commitment and monitoring is not feasible for casino table games given the manual nature of play.

Staff and responsible gambling

The official title of the Responsible Gambling Manager is Patron Liaisons Manager (PLM). Given the stigma associated with problem gambling, the alternative title is considered much more likely to result in positive interactions with customers.

The role and principal duties of the PLM are very much focused on harm minimisation. Key duties involve managing and working with customer liaison staff, investigating and responding to incidents, and developing responsible gambling materials and services.

As part of their duties the PLM has good interaction with gambling counsellors. They have developed relationships with various counselling groups including Wesley, Hope Street and the Auburn Asian Welfare Centre. As part of these relationships an exclusions policy has been developed that allows problem gamblers to self-exclude from the casino on the spot during counselling sessions.

Staff receive responsible gambling induction training and refreshment training every 2 years. When staff change position (i.e. when they are promoted), the PLM has a face to face conversation with the staff member to clarify their responsibilities.

As part of efforts to help improve staff ability to recognise problem gamblers, the PLM worked with Paul Delfabbro to develop materials that help staff identify potential signs of problem gambling behaviour (e.g. tiredness, aggressive behaviour, long gambling times without breaks etc.).

In terms of acting on potential responsible gambling issues, there are differences between the EGM and casino table games sections of the casino given differences in staff responsibilities and interaction with patrons. For instance, a dealer at a table game will generally be too busy to act on a potential problem gambler issue and will instead notify the supervisor. The supervisor will generally deal with the person directly or call in other staff (e.g. security) when they are too busy to intervene. On the other hand, responsible gambling staff in EGM areas have greater capacity to directly intervene in potential cases of problem gambler identification.

There is no regulatory requirement for staff to write down or record complaints. However, the PLM will make notes about most issues in the casino's incident database. The regulator (Independent Liquor and Gaming Authority) has direct access to the incident database. Casino staff are prohibited from gambling in the casino. They are able to gamble in other Echo Entertainment casinos (e.g. Queensland), but only if they are not dual licensed to work in these casinos.

While the PLM was uncertain of staff contracting arrangements, they did not think any casino staff at The Star were on revenue-linked contract payments.

The patron liaison manager did not think that responsible gambling requirements had any impact on the competitive position of Australian casinos with respect to VIPs. It was also felt that increased international competition had no impact on the client mix of Australian casinos over recent years.

Host responsibility and environmental considerations

In terms of the relationship between the environment and problem gambling, it was felt that individuals with problems related to EGMs would generally be spread throughout the state given the prevalence of EGMs in clubs and hotels. The key differentiating factor for The Star relative to other venues is that it has patrons with problems related to casino table games. The other key differentiating factor is that the

casino is open 24 hours per day 7 days per week. On the other hand the size of the casino was not considered to be a significant determinant of problem gambling and harm.

It was considered that responsible gambling practices at clubs and hotels would be nowhere near the level practised at The Star. The maintenance of around the clock security, surveillance systems, involvement with police and the presence of the regulator on site provided for a higher standard of responsible gambling practice. The regulator also has direct access to The Star's monitoring systems such as the casino's incident database and the surveillance system. In fact, the regulator has the capacity to take over the casino's surveillance system.

Key responsible gambling measures being undertaken by the casino include various harm minimisation measures such as:

- provision of responsible gambling materials for patrons and staff (e.g. brochures, posters), including translation of such materials into other languages;
- provision of contact cards;
- self-exclusion services, including the ability for problem gamblers to self-exclude on the spot when accessing counselling with partnering counselling service providers;
- user defined pre-commitment limits through the loyalty card program;
- reliance on staff who report potential problem gambling and related issues;
- relationships with counselling service providers; and
- provision of information and complying with requirements of the regulator.

In terms of responsible gambling and VIPs, the PLM's experience is that behavioural issues and problem gambling issues are highly correlated, such that acting on behavioural issues can have the effect of acting on problem gambling issues. VIP gamblers sometimes "feel like they are different" given the status they enjoy when gambling in private gaming rooms. One method for dealing with such individuals is temporarily banning them from the private gaming room when an incident occurs, such as an altercation with staff. In some instances banned individuals are required to participate in private counselling organised by the casino that includes an assessment against the Canadian Problem Gambling Index. Only if the individual scores below a certain threshold will they be allowed back into the private gaming room.

Prevention of gambling by minors is handled through screening by security staff at entrances and on the floor. There are probably between 15 and 20 instances of minors being detected per year. Identification of minors is treated seriously given significant penalties for any breaches. For example, in one case where a minor was allowed into the casino, 4 casino staff subsequently had their employment terminated.

The need to maintain and enforce responsible gambling measures, including in relation to VIPs, is effectively encouraged by regulation. Section 31 of the *Casino Control Act 1992* requires the Independent Liquor & Gaming Authority, at intervals not exceeding 5 years, to investigate and form an opinion as to whether or not "the casino operator is a suitable person to continue to give effect to the casino licence" and "it is in the public interest that the casino licence should continue in force".⁹⁴

With respect to marketing and promotions, any new marketing initiatives must go up the management line and are ultimately approved by lawyers to ensure they are consistent with regulations.

⁹⁴ *Casino Control Act 1992*, Section 31(1).

Approximately 3,500 people are currently self-excluded from the casino. Recidivism is somewhat of an issue. The casino identifies approximately 4 to 5 people per day in breach of self-barring or barred orders. Identification of breaches at least indicates that surveillance measures are working but not that they always work.

The casino currently uses security and surveillance cameras to identify people that are barred from the casino. The casino is currently looking at the potential for facial recognition software to assist with identification of barred players. Improving enforcement capacity is considered a particularly important issue with respect to VIP rooms and the need to comply with NSW police in relation to barred individuals.

The Star has a policy of increasing barred periods for 6 months in the event of a breach. This is considered a somewhat effective approach as it increases the penalty with each breach and becomes significant after multiple breaches.

In terms of the broader physical environment, the casino remains central to The Star experience. There has been an obvious movement towards providing a greater range of entertainment services at casinos in Australia and overseas. A greater variety of entertainment services in one location should be more appealing and convenient for people looking to spend a night out. Where individuals are attracted by other services such as special events and restaurants, they are likely to participate in some form of casino gambling. However, not all entertainment services offered by The Star are highly complementary with casino gambling. For instance, night club patrons do not seem to be particularly interested in casino gambling.

New South Wales *Casino Control Act 1992* (Section 76) and *Casino Control Regulation 2009*

Some international VIP gamblers are brought to the casino by companies known as junkets. Business from junkets is considered somewhat volatile.

Definition

In section 76 (3) *junket* is defined as:

- (a) an arrangement involving a person (or a group of people) who is introduced to a casino operator by a promoter who receives a commission based on the turnover of play in the casino attributable to the person or persons introduced by the promoter (or otherwise calculated by reference to such play), or
- (b) an arrangement for the promotion of gaming in a casino by groups of people (usually involving arrangements for the provision of transportation, accommodation, food, drink and entertainment for participants in the arrangements, some or all of which are paid for by the casino operator or are otherwise provided on a complimentary basis).

Arrangements Conditions

Information regarding the conduct of the junket may need to be provided by the casino operator or junket operator or promoter to participants in the junket. (*Casino Control Act 1992* Section 76 (2))

The casino operator cannot act as a representative of a junket promoter but they can be a promoter of a junket. A casino employee must not take part in the promotion, organisation or conduct of a junket unless the casino operator promotes the junket and actions fall within the employee's professional capacity as a casino employee. (*Casino Control Regulation 2009*, Division 1)

A junket operator, their representative or a person providing cash collection delivery and handling to a junket is not a special employee. (*Casino Control Regulation 2009, Part 2*)

A representative of a junket promoter must be authorised by the promoter. (*Casino Control Regulation 2009, Division 1*)

The Authority does not approve junket operators; this is the responsibility of the casino operator. (Furness, G., 2011, *Report of the Section 31 Investigation* p. 27)

Information to the Authority: Junket Arrangements, VIP Players

The casino operator, junket organiser or promoter may be required by regulation to give specified information about the conduct of junket participants in the junket. (*Casino Control Act 1992 Section 76 (2)*)

Regulations may require that any contract or agreement relating to the conduct of a junket or the offer of inducement be in a specified form and contain provisions approved by the Authority. (*Casino Control Act 1992 Section 76 (2)*)

A junket agreement may require approval from the authority. The casino operator, junket organiser or promoter may need to provide advanced notice of the junket to the Authority. (*Casino Control Act 1992 Section 76 (2)*) The casino operator must provide notice of the junket to the Authority no later than 24 hours prior to the commencement of gambling by any junket participant. In addition, the casino operator must provide the Authority a written report on each junket no later than seven days following the completion of the junket. (*Casino Control Regulation 2009, Division 1*)

The minimum information required to be recorded on the form will be as follows:

- junket promoter's name;
- junket origin and number of participants;
- proposed arrival and departure dates; and
- program type (e.g. slots rebate).

After arrival the following information is provided

- junket promoter's name;
- junket arrival date;
- junket proposed departure date;
- front money buy-in amount;
- promoters front money account number;
- number of participants;
- terms and conditions including the type of program (i.e. slots rebate); and
- junket promoter's signature.

The casino is also required to provide a copy of the notice of participant details. The minimum information that must be provided includes:

- junket promoter's name;
- junket arrival date;
- junket proposed departure date;
- participant's name;

- front money contribution, as advised by junket promoter/representative;
- nationality;
- country/state of normal residence;
- date of birth;
- place of birth (if applicable);
- passport/Australian driver's licence number;
- passport/Australian driver's licence place of issue;
- passport/Australian driver's licence date of issue;
- passport/Australian driver's licence expiry date;
- visa number (if applicable);
- visa place of issue (if applicable);
- visa expiry date (if applicable);
- date of entry to Australia (if applicable);
- place of entry (if applicable);
- flight number (if applicable); and
- the casino representative's signature, licence number and date confirming that they have checked the documentation provided and confirm that the participant is not normally a resident of Australia/NSW.

The casino operator must provide the Authority a report on all junket operations in the previous month no later than the tenth day of each month. (*Casino Control Regulation 2009, Division 1*)

The Authority must be notified of the names, arrival and departure dates, front money amount, identification details and date and place of birth of all perspective premium players. In addition, for all junket players the Authority must also be notified of the settlement date, promoter's details, participant's name, stated money buy-in as advised by the promoter or their representative, estimated win or loss, estimated entitlement at settlement and estimated entitlement to commission or rebate based on the player's percentage contribution to the total front money for the group. (Furness, G., 2011, *Report of the Section 31 Investigation*)

The casino must provide details of a VIP player's residence to the Authority. (NSW IGLA, personal communication, 17/12/2014)

The Authority must be notified of the names, arrival and departure dates, front money amount, identification details and date and place of birth of all premium players. (Furness, G., 2011, *Report of the Section 31 Investigation*)

Amounts prescribed for special junket agreements

There is no minimum for a specific player. There is a total minimum for all players who participate in a particular junket. The following is the totals (minimum) for the varying junket types.

- i. International Junket – \$500,000;
- ii. Interstate Junket – \$175,000;
- iii. Slots Junket – \$175,000;
- iv. MTTG Junket – \$175,000;
- v. International Premium Performance Junket Rebate – \$500,000;

- vi. Interstate Premium Performance Junket Rebate – \$175,000.

The main special condition that applies to junkets relates to taxation. For Rebate play (which Junkets are categorised as) the New South Wales tax rate is 10 per cent. There are no special conditions for the provision of credit to rebate play by The Star. Credit is not permitted. Cheques from any player can be accepted as long as they are deposited into a “Front Money” account. Crown Sydney (yet to be built) will be allowed to provide credit to international players.

Surveillance Branch and Reporting to AUSTRAC

Casino operators must comply with all anti-money laundering and counter-terrorism financing obligations imposed by Federal legislation. Additionally, all junket operators and players must meet all obligations imposed by Federal immigration laws. (NSW IGLA, personal communication)

The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to report any transactions over \$10,000 to AUSTRAC. In addition, under the same act they are also obliged to report to AUSTRAC any suspicious transaction. (Furness, G., 2011, *Report of the Section 31 Investigation* pp. 79-80)

Gaming machines are monitored daily and tax is calculated based on this monitoring. Revenue from table games is also monitored on a daily basis through a management system. VIP play is also monitored through a management system. In order, to ensure that the appropriate tax rates are applied zones are applied for different types of play (e.g. International Rebate Play). (NSW IGLA, personal communication, 17/12/2014)

Should the casino operator become aware that a junket promoter or their representative has been convicted of an offence they must notify the Authority of the nature of the offence in writing within seven days. (*Casino Control Regulation 2009*, Division 1)

The casino must provide inspectors a daily list of all patrons who are the subject of a self-exclusion order. (*Casino Control Act 1992* Section 83)

The casino’s surveillance branch has the responsibility of protecting the casino’s assets. In this role, the surveillance branch is required to audit access to the private gaming rooms to ensure that no excluded players are accessing private gaming rooms. (NSW IGLA, personal communication, 17/12/2014) The casino has a number of other methods for detecting excluded persons attempting to access private gaming rooms. These methods include photo ID for members, all entrances manned by security or other staff and gaming systems to aid detection. (NSW IGLA, personal communication)

9.4 Adelaide Casino

Snapshot

- Adelaide casino is the city’s tenth largest private employer with over 1,000 staff;
- national dataset (2011/12);
 - real expenditure \$147.3 million (Australia \$4.1 billion);
 - real per capita expenditure \$113.83 (Australia \$235);
 - HDI expenditure 0.22 per cent (Australia 0.42 per cent);
- 10 EGMs to 1 table game, does not include 40 multi-terminals and fully automated table games; and

- paid \$23.3 million in state taxes representing 5.6 per cent of total gambling taxes paid to the state government.

On 27 July 2013 the South Australian Parliament passed the *Statute Amendment (Gambling Reform) Act* to permit SkyCity to upgrade and expand the Adelaide Casino. SkyCity was granted a 20 year extension to its exclusive licence extending out to 2035. The State Government is seeking a development on the River Torrens (“Riverbank”) to add to previous investment at the Adelaide Oval and significant extensions to the Convention Centre. For its part, SkyCity has indicated it wanted to ‘follow the path’ of other casinos and establish a world-class integrated entertainment complex comprising a six star hotel, high quality restaurants and internationally competitive VIP gaming experiences. It currently attracts relatively few international VIP high rollers.

Competitiveness, International/Dynamic Factors

Currently it is estimated that approximately 100 per cent of customers are local in what is identified as a “mature market”. The ethnic mix of patrons is said to reflect relative population proportions of the State with a broad ethnic mix of patrons preferring table games in preference to EGMs (as is well documented). There is also likely some leakage out of the State of premium patrons to both Melbourne and Sydney. The premium patron/VIP patron is an extremely competitive market.

The Adelaide Casino (with the cooperation of the South Australian government) has planned investments to develop a new casino complex providing hotel and accommodation, parking, restaurant and bars, other entertainment with the intent to improve the competitiveness of the casino. Principally, this is in response to the target overseas market that is growing rapidly – mainland China into Macau, Hong Kong, Singapore, Malaysia and Thailand. Planned investment is in the order of AU\$350 million although it is reported that there are “clear commercial risks that cast doubt” that the casino expansion will go ahead.⁹⁵

SACES concurs with the assessment of the Adelaide Casino in regard to the following:

- that the local market is mature with limited growth prospects;
- the importance of growth through the ability to be internationally competitive and thereby attract the VIP/high roller market; and
- the distributed network of EGMs in hotels and clubs is the main domestic competition.

The data confirm this. Since 1994/95 the annual average growth rate in gambling expenditure at the Adelaide Casino is 0.7 per cent, 5.2 per cent for the Sydney casino and 6.0 per cent for Crown Melbourne. Over the same period EGM expenditure growth rates for hotels and clubs reverses the position – Adelaide 5.6 per cent, Melbourne 3.8 per cent and Sydney 2.3 per cent.

The casino sector is a highly regulated sector – in effect a state-sponsored managed market (most often a geographical monopoly) – so in effect it is the:

- (a) regulatory regime; and
- (b) tax on product structure,

that are the instruments of competitiveness and segmenting the market.

Recent changes in South Australia that came into effect in February 2014 provide for equivalent tax rates on EGMs for pubs, clubs and the casino, improved tax and product concessions; additional premium rooms and the use of cashless technology linked to a loyalty card that enables higher bet limits on electronic machines. Note acceptors are not permitted on machines in South Australia.

⁹⁵ *The Advertiser*, “Bigger casino is still not safe bet”, 4 November 2015.

As part of the *Statute Amendment Act* (2013) to support redevelopment of the casino an agreement between the government and the casino allows for the following increases in:

- gaming machines from 995 to 1,500⁹⁶
- table games from 90 to 200;
- the EGM tax rate from 34.4 per cent to 41 per cent;
- table game tax rate from 0.9 per cent to 3.4 per cent; and
- automatic table game tax rate from 0.9 per cent to 10.9 per cent.

Arrangements for high rollers/VIP patrons are structured so as to provide greater competitiveness with interstate casinos, to reduce interstate leakage of premium players and attract more overseas patrons. A recent change with respect to VIP/premium players as approved by the Independent Gambling Authority, is to allow alcohol to be sold at gaming machines and to permit automated table games in premium gaming areas. The service of alcohol at gaming machines is still restricted for local players on the general gaming floor. Notwithstanding the different treatment of VIP/premium players and the general public the Productivity Commission (2010) encouraged governments to “prohibit venues from offering inducements that are likely to lead to problem gambling, or are likely to exacerbate existing problems, including offering free alcohol to a patron who is gambling”. (Vol. 1, 12:47)

The task is now for the Adelaide Casino to tap into the growing national and international market – using a combination of individually negotiated player incentives such as, *inter alia*, the payment of commissions, rebates on play, discounts, cash-deposit incentives, credit arrangements, travel incentives as well as investment in new accommodation facilities and other amenities.

The SkyCity Entertainment Group currently maintains some 12 offshore recruiters principally in Asia whose job it is to attract VIP patrons to casinos owned by the company.

Principal Customers

Adelaide Casino conducts a manual entry count and estimates that 2.5 million visitors attended the Casino in 2014.

Invitees into VIP/Premium rooms have met two month financial benchmarks and entry into membership rooms requires photo identification and details are recorded at the entry desk. There are several thousand local VIP patrons with this number reported to the independent regulator including those who drop off the register and new members added to the register.⁹⁷

Using a triangle model, the Adelaide premium market is currently almost entirely at the base of the triangle – in the range of \$1 to \$5 million when the tip of the triangle would be high rollers at \$50 million or more.

Rewards, Promotions, Marketing

The researchers reviewed documents mailed or emailed to loyalty program members. The promotional material is personally addressed using the members first name and this personal approach is followed throughout the publication such as “Monthly dates for your diary Michael”, “Michael, receive 1,000 bonus slot points” and “Michael, you’ll receive discounts ...”. Advertising (as for material we have viewed from other casinos) is of a general nature most often referring to:

⁹⁶ Initially to secure the extra 505 machines through the approved trading system. If insufficient machine numbers the government agreed to sell additional entitlements.

⁹⁷ SACES has chosen not to report the actual number as it considers this is market sensitive information.

- size of jackpot winnings and number of people who shared in a jackpot win (“the home of jackpots”);
- special events or seasons such as Father’s Day, Spring season;
- themed events, parties, drinks;
- discounted drinks and meals; and
- reference to new gaming machines or games (“Craps is back”).

There are also inducements⁹⁸ that encourage frequent attendance to obtain bonus points on a loyalty card. They might reasonably be classified as general promotion and marketing of the venue. They are designed to encourage a time of day visitation and frequency of visitation, the last of which is a potential alert for problem gambling. The promotions frequently involve a “once off gift” of thousands of slots points which could be viewed as an inducement or incentive to gamble on electronic gaming machines.

Loyalty cards, monitoring, pre-commitment

Adelaide Casino as part of an automated risk monitoring system and host responsibility, reviews information from holders of loyalty cards (Premier Rewards Programme) to assess:

- the length of a gambling session;
- the amount gambled; and
- frequency of visitation.

On any of these variables, for a single session or successive visitations, the Responsible Gambling Manager is provided with player information that enables the ability to intervene with a customer.

The automatic risk monitoring system according to the casino is “an additional harm minimisation tool to be used as an adjunct to the Host Responsibility Program. The system assists in the identification and management of potential problem gambling behaviour by using live floor view functionality to provide real time alerting by device (i.e. EGM), based on pre-determined system default limits”. The Adelaide Casino was permitted to use a cashless gaming system provided it operated an automatic risk monitoring system and a pre-commitment system (commenced May 2014).

An ‘identifiable player’ through a single player record is one who uses a member loyalty program card, an account based cashless gaming card and/or a card used for pre-commitment. The system monitors the gamblers play data to identify problem gambling behaviours. A ‘non-identifiable’ player does not use a card but time/duration of play can still be monitored. A player with four hours of continuous play registers an alert which will prompt staff observation and intervention (i.e. the alert is based on length of a gambling session although the individual is anonymous).

Some 300 loyalty card holders have signed up for voluntary pre-commitment with the majority setting a spending limit only. Due to gambling regulations it is not possible to set a limit by time alone. All players have independently set their own limit. In the event a customer fails to select an amount, a default limit of \$100 per day is automatically applied.

Adelaide Casino provided the following information to the researchers. An approximate breakdown of those enrolled in pre-commitment is:

- male (87 per cent), female (11 per cent), unknown (2 per cent);
- 83 per cent elect a spending limit;
- 91 per cent set a day limit, 4 per cent a week limit and 5 per cent a monthly limit;

⁹⁸ See Productivity Commission (2010) Venue activities, pp. 12.45-12.47.

- approximately two-thirds have no age stated. Where age is provided 18 per cent are aged between 20 and 49 years, 18 per cent are aged above 50 years.

There are no unrestricted EGMs and pre-commitment is across all machines including for VIP patrons. With respect to pre-commitment statements of participation an account can be sent to players by hard copy or email and the feedback is that many customers are negative about this.

By mid-2015 enhancements to technology will enable personalised messages to be sent to an individual machine when a patron is approaching their limit, the player to customise own messages and to acknowledge that message and prohibition on loyalty points once a limit is reached.

Staff and Responsible Gambling

Respondents detailed the training of staff from the Host Responsibility team, both gaming departments and Security and Surveillance personnel. A General Manager is on the floor at all times as are security staff. The two sets of personnel ensures there are many people monitoring customers for signs of gambling stress. When detected the Host Responsibility Coordinator will interact and engage with that person and document any intervention. The Host Responsibility Manager reviews and actions all information as appropriate on a regular basis. All interventions are required to be manually logged and they are followed up by the Host Manager. Quarterly reports are provided to the independent regulator who maintains a fulltime inspector on the premises.

There is a strict policy of no staff gambling at the casino.

The casino does not use "revenue linked" contract payments for staff that have the potential to conflict with responsible gambling practices. Such contracts are used for international recruiters/sales teams as is the case with other casinos.

The casino estimated it held approximately 450 voluntary self-barrings and after recent legislative changes all have been transferred to the independent regulator. The casino attends to requests for self-barring, negotiates with the patron, takes a photograph and refers to counselling. All barrings are now referred to the IGA who follow up by letter/phone call. It is too early to assess whether what is now government agency follow-up through a central barring register is effective.

What a central barring register does potentially address is identifying patrons who switch between the distributed network of clubs/hotels and the casino.

With self-barring there is a strong element of recidivists with average breaches (recorded at Crown for example) being 3.2 per month that are detected. The Adelaide Casino reported a detected number of breaches at a much lower rate of 1.3 per month in 2014 which may reflect the likelihood of being detected given the much smaller size of the Adelaide Casino.

The respondents also commented that:

"There is a distinct difference to barrings for unruly customers and those that choose to complete a self-barring. The latter are experiencing difficulty managing or controlling their behaviour and any breach is not always met with punishment (or a Police attendance call); that can have a further negative affect on the person concerned. Unruly behaviour is treated and managed by the Security department and relevant penalties apply if the incident requires."

Host responsibility and environmental considerations

It is claimed by the casino that Adelaide Casino's Host Responsibility program is far superior to any of the initiatives in place across South Australian hotels and clubs. The claim by the casino is not without foundation. The casino has large numbers of surveillance staff throughout the premises, they operate a live floor view system and the equivalent of the automatic risk monitoring (ARM) system does not exist in hotels and clubs. The ARM system sets up an objective alert based on pre-determined limits as the basis for player observation and intervention which is not available in hotels and clubs.

There are significant differences in both the extent and effectiveness of Host Responsibility processes and procedures. Government (Productivity Commission 2010) and academic research (Delfabbro, 2011, 2013) concludes that the highest risk of problem gambling exists amongst community venues offering 'convenience' gaming, as opposed to specific purpose 'destination' casino venues whose resources, processes and systems allow for more effective management of potential risks of harm.

Adelaide Casino is a major destination venue vs. hotels and clubs which primarily promote convenience gambling according to the casino. The Adelaide Casino asserts that casinos are:

- clearly identified places for gambling and the natural location for gambling product;
- the most appropriate, safest and most acceptable forum for gambling activity to occur;
- specifically established, maintained and operated to do so in the most responsible and regulated manner possible; and
- have well established processes/systems/technologies and appropriate resources for managing gambling activity responsibly and mitigating potential risks.

It is argued by the casino that casinos are 'destination' venues:

- to go to a casino, a customer has to make a conscious decision to do so. It requires planning;
- access is not easy, security enforces dress standards, intoxication is not tolerated and children are restricted; and
- any decision to go to a casino is therefore not an impulse action – rather a conscious decision.

The reality is that casinos host large banks of EGMs and that the majority of problem gambling issues relate to the excessive consumption/behaviours with respect to EGMs. It is not known what the contribution to excessive gambling/problem gambling can or does eventuate from the combination of an account based cashless gaming card, the amount gambled and the length of a gambling session. Does such a card enabling a player to be identified contribute to greater personal control and/or external control, such as intervention based on frequency of visitation, amount gambled or length of a gambling session? Analysis of player data would provide valuable research insights.

Junket participants/operators *Casino Control Act 1997*

In South Australia, the *Casino Control Act 1997* does not make reference to junket players or commissioned based players. However, in order for a junket to be conducted at the Adelaide Casino certain permissions need to be granted by the Liquor and Gambling Commissioner.⁹⁹

While junket operations are not a large part of the operations of Adelaide Casino, there is special treatment given for commission based play and high roller activity at the casino.

⁹⁹ Personal communication, IGA, 16/12/2014.

Information to the Authority: Junket Arrangements, VIP Players

The regulator has the power to direct the casino operator to provide particular information on gambling at the Adelaide Casino. (SA: IGA, personal communication, 16/12/2014)

The Adelaide Casino indicated that it is required to provide to the Liquor and Gambling Commissioner and the South Australian Police Licensing Enforcement Branch personal details of the junket organisers and participants including a scan of their bio-data page in their passports. Settlement sheets are sent to the Authority at the end of the Junket. The Casino is also required to provide the Authority with any information that they request. We were informed that there are no other special conditions that apply to junkets (e.g., credit provision rules, special tax rates, etc.) at this time.

The minimum amount that junket players are required to commit in order to participate in a junket operation is \$200,000. This minimum amount is different for international VIP junket arrangements relative to domestic (local/Interstate) patrons and is an arrangement between the casino and the international VIP.

We asked for information relating to the number of international and number of interstate junket arrangements for 2014, but were advised to check with the regulator as the casino was not able to provide any information to the researchers. The regulator did not respond to our query on this matter.

Surveillance Branch and Reporting to AUSTRAC

The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to report any transactions over \$10,000 to AUSTRAC. In addition, under the same act they are also obliged to report to AUSTRAC any suspicious transaction.

9.5 All other jurisdictions

In this section we summarise the arrangements and obligations of casinos in all other jurisdictions in relation to junkets and commissioned based play. The information is drawn from the relevant Casino Control Act. There are different requirements in each state/territory that are intended to assist a casino to attract VIP high rollers. In essence the tax on product and rebates offered are the key to competitiveness in relation to VIP/high rollers. The reporting obligations to state regulators and bodies such as AUSTRAC are essentially the same.

Queensland *Casino Control Act 1982, Casino Control Regulations 1999*

Definition

In division 2 section 85A:

group of participants means a group of persons to which a junket agreement applies.

junket agreement means an agreement entered into by a casino operator, with the approval of the Minister under section 84, with another person (the **promoter**) under which—

- (a) the promoter arranges for a group of persons to visit the casino to participate in gaming; and
- (b) the casino operator pays the promoter a commission based on—
 - (i) the amount the persons gamble at the casino; or
 - (ii) the revenue of the casino derived from the persons.

participant means a person who is a member of a group of participants.

promoter see definition *junket agreement*.

sole participant agreement means a junket agreement under which the promoter is the only participant.

The chief executive does not approve junket arrangements, rather any agreement must meet certain requirements as set out in the Casino Control Regulation 1999.

Arrangements Conditions

Maximum commission limits for junket operations are approved by the Minister pursuant to Section 84 (Restrictions on certain agreements, etc) of the *Casino Control Act 1982*. The limits provide flexibility to offer a wide range of junket gaming products and comprise either a percentage of turnover, a percentage of buy-in of non-negotiable chips or a percentage of all losses.

A junket may consist of one person (*Casino Control Act 1982*, 85B). Additionally the promoter and participant may be the one person (*Casino Control Act 1982*, 85C).

A junket agreement (being a junket agreement that is a sole participant agreement) is a special junket agreement if:

- the participant is a non-resident of Queensland; and
- the amount agreed to be committed by the participant is at least the amount prescribed under regulation. (*Casino Control Act 1982*, 85D (1) (b). Amount prescribed is \$10,000.

A junket agreement (consisting of more than one participant) is a special junket agreement if:

- each participant:
 - is a non-resident of Queensland; or
 - is a person whose place of residence has been declared not relevant for the agreement by the chief executive (*Casino Control Act 1982*, 85D (3)); and
- the amount agreed to be committed by the participants is at least the amount prescribed under regulation. (*Casino Control Act 1982*, 85D) (2) (b) Amount prescribed is \$250,000.

In relation to a person whose residence the chief executive has declared not relevant, each other participant in the junket must be a non-resident of Queensland and it must be reasonable to make the declaration given the nature of the participant's association with the other junket participants.

A junket agreement must not be entered into unless the agreement is in writing and contains:

- the name of the promoter;
- a sequential junket number given by the casino operator to the group of participants;
- the name of each participant;
- the period when participants are expected to visit the casino;
- the amount agreed to be committed under the agreement by the participants;
- the complimentary services proposed to be supplied to the participants by the casino operator; and
- the commission to be paid to the junket promoter by the casino operator. (*Casino Control Regulation 1999* Part 6, Division 1 section 31)

A junket agreement must cover only one group of participants. (*Casino Control Regulation 1999* Part 6, Division 1 section 32)

Information to the Authority: Junket Arrangements, VIP Players

A signed copy of the junket agreement must be given to the chief executive. (*Casino Control Regulation 1999* Part 6, Division 1 section 33)

The casino operator must, within eight hours of a participant arriving at the casino provide a copy of relevant parts of a participants passport to the chief executive, if:

- the casino operator enters into a junket agreement;
- a participant is neither an Australian resident nor an Australian citizen; and
- the casino operator has not already provided the required information on a previous visit of the participant. (*Casino Control Regulation 1999 Part 6, Division 1 section 34*)

Relevant parts of a passport to be copied and copies to be provided to the chief executive are the parts showing:

- the country of issue;
- the number of the passport;
- the participant's date of birth; and
- a photograph of the participant. (*Casino Control Regulation 1999 Part 6, Division 1 section 34*)

A notice or report to the chief executive by the casino operator must be given in writing. (*Casino Control Regulation 1999 Part 6, Division 2 section 36*) This notice is in order for the chief executive to commence a probity investigation into the promoter or representative to determine the suitability of a junket promoter or representative for involvement in future junket operations. It is not a mechanism to advise the chief executive of each junket arrangement at the casino. (Personal communication, 10/02/2015)

A notice about the junket promoter must be given to the chief executive by the casino operator if notice about the promoter has not been given previously, the junket is not a sole participant and the promoter is not a key casino employee. This notice must be given before the promoter starts to perform obligations under the junket agreement. The notice must be in a form approved by the chief executive and accompanied by the prescribed fee for assessment. The notice must be given even if the promoter is acting through a representative. (*Casino Control Regulation 1999 Part 6, Division 2 section 37*)

The casino operator must also provide notice to the chief executive about a junket promoter's representative if notice has not previously been given, the junket is not a sole participant and the promoter's representative is not a key casino employee. This notice must be given before the promoter's representative starts to perform obligations under the junket agreement. The notice must be in a form approved by the chief executive and accompanied by the prescribed fee for assessment. (*Casino Control Regulation 1999 Part 6, Division 2 section 38*)

Every month the casino operator must give a report to the chief executive about visits by junket arrangement participants. The report must be provided within 14 days of the end of the month. It must contain particulars decided by the chief executive, these particulars include:

- the amount deposited with the casino operator by each group of participants;
- the total amount wagered by each group of participants;
- the total amount won or lost by each group of participants;
- the amount of commission paid to the promoter; and
- the complimentary services provided to each group of participants. (*Casino Control Regulation 1999 Part 6, Division 2 section 39*)

Amounts prescribed for special junket agreements

For a junket consisting of one person the minimum prescribed commitment is \$10,000. For a group junket, the minimum prescribed commitment is \$250,000. (*Casino Control Regulation 1999 Part 6, Division 1 section 30*)

Surveillance Branch and Reporting to AUSTRAC

The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to report any transactions over \$10,000 to AUSTRAC. In addition, under the same act they are also obliged to report to AUSTRAC any suspicious transaction.

Western Australia Casino Control Act 1984

Definition

Section 25A (3) describes a junket as any arrangement for the promotion of gaming in a licensed casino by groups of persons. A junket usually involves payment by the casino licensee of a commission to the person who conducts the junket and arrangements for the provision of transport, accommodation, food, drink and entertainment for the participants in the junket, some or all of which are paid for by the casino licensee or are otherwise provided on a complimentary basis. (*Casino Control Act 1984 25A (3)*)

Arrangements Conditions

Regulations may regulate or prohibit the conduct of junkets and the offering to persons of inducements to conduct or participate in junkets. The regulations may also impose restrictions on who may conduct junkets or offer inducements and require a person to be approved by the Gaming and Wagering Commission before they conduct a junket. The regulations may require a person to provide information and documents to the Commission, including photographs, fingerprints and palm prints, for the purposes of being approved by the Commission to conduct junkets.

The regulations may require a person who conducts a junket, or a casino licensee, give specified information regarding the conduct of the junket to participants of the junket.

Information to the Authority: Junket Arrangements, VIP Players

Following amendments made to the Casino Control Regulations on 5 June 2010, the requirement for junket operators to notify and receive approval from the Gaming and Wagering Commission was removed. However, the casino operator is still required to meet the requirements of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Surveillance branch and reports to AUSTRAC

The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to report any transactions over \$10,000 to AUSTRAC. In addition, under the same act they are also obliged to report to AUSTRAC any suspicious transaction.

Tasmania's Gaming Control Act 1993 section 104

Definition

Junket includes any arrangement organised by a promoter where a group of persons receive inducements or money or money's worth to participate in gaming at a casino.

Promoter means a person responsible for the organisation or promotion of a junket whose remuneration in whole or in part is based on the total amount wagered by the participants in the junket or on some other basis associated with amounts wagered.

Arrangements Conditions

The Commission may approve arrangements made by a casino operator for the promotion and conduct of junkets involving casinos. Arrangements may impose restrictions on who may organise or promote a junket.

Arrangements may require that the promoter of a junket, or the casino operator, give specified information regarding the conduct of the junket to junket participants.

Information to the Authority: Junket Arrangements, VIP Players

Arrangements may require that the promoter of a junket, or casino operator, give the Commission advanced notice of the junket, to provide the Commission detailed information concerning the conduct of and the arrangements for the conduct of any junket and that any contract or agreement relating to the conduct of a junket be in a form and contain provisions approved by the Commission. The arrangements may also require that the promoter of a junket, or casino operator, provide a list of the names and addresses of junket participants.

Prescribed amounts for special junket agreements

Section 104 of the Gaming Control Act 1993 provides for junkets at the casinos.

The primary source of income for the Tasmanian casinos is EGM play rather than table games. The Federal Group has exclusive rights to operate, among other things, gaming machines in Tasmania. Gaming machine tax is calculated on combined gross profit for both casinos and all hotels and clubs. (Treasury, personal communication, 1st December 2014)

Surveillance branch and reports to AUSTRAC

The casino is obliged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to report any transactions over \$10,000 to AUSTRAC. In addition, under the same act they are also obliged to report to AUSTRAC any suspicious transaction.

Australian Capital Territory Casino Control Act 2006

The *Casino Control Act 2006* (the Act) permits a casino licensee in the ACT to conduct a commission-based player scheme. This is a "high roller" or "junket" scheme where the players enter into special negotiated arrangements with the casino licensee where certain benefits are provided to players based on their level of gaming activity.

Definition

Commission-based player scheme means an arrangement between a promoter and the casino licensee, or between 1 or more prospective players and the licensee-

- (a) the primary purpose of which is to induce 1 or more people, or 1 or more prospective players, to visit the casino to participate in gaming; and
- (b) under which the casino licensee gives (directly or indirectly) an amount greater than the amount prescribed by regulation to a person or player mentioned in subsection (a)-
 - (i) as commission for the visit; or
 - (ii) for food beverages, transport, accommodation or entertainment in relation to the visit; or
 - (iii) for any other purpose associated with the visit; and
- (c) that is completed before the end of the month following the month in which it is started.

In order to qualify as a commission-based player scheme (and therefore attract the lower level commission-based player tax as specified in section 127 of the Act) the casino licensee must provide more than \$1,500 to each patron by way of commission (gambling rebates), food, beverages, transport, accommodation, entertainment or any other purpose in relation to the visit. The amount prescribed by the *Casino Control Regulation 2006* is \$1,500.

Arrangements Conditions

Commission-based play is taxed at the rate of 0.9 per cent of completed commission-based profit. The arrangements entered into by commission-based players are treated separately for tax purposes in the Act as casino tax calculations are normally based on a calendar month. Section 127 of the Act provides that commission-based player tax is payable on the commission-based profit derived from the scheme at a rate of 0.9 per cent and must be paid in the month in which scheme was completed.

The casino licensee can set its own player requirements in terms of buy-in and turnover.

Information to the Authority: Junket Arrangements, VIP Players

Accurate records must be kept of all revenue for each individual player and must satisfy the Commission's audit requirements to qualify for the lower tax rate of 0.9 per cent.

Amounts prescribed for special junket agreements

There is currently no provision for a "special" junket agreement.

Surveillance Branch and Reporting to AUSTRAC

In accordance with the *Financial Transaction Reports Act 1988* the casino licensee must report the following:

- (a) any cash transactions of \$10,000 or more are to be reported to AUSTRAC;
- (b) where a patron is suspected of attempting to avoid the reporting requirements, or is believed to be engaging in other suspect behaviour, a suspect transaction report will be completed and sent to AUSTRAC;
- (c) AUSTRAC also provides for requirements regarding the holding of funds in deposit accounts. Under the law a patrons must provide "100 points" of identification. The point value of each piece of identification is allocated by AUSTRAC and is subject to change.

Northern Territory Gaming Control Act 2012

Definition

There is no specific section in the *Gaming Control Act* in relation to junket/commission play arrangements, therefore there is no definition in the Act. Section 17 of the *Gaming Control Act* allows the Minister to enter into an agreement with a person relating to the conduct by the person of the business of a casino and the manner in which the business may be conducted.

Arrangements Conditions

A casino operator may organise and conduct commission based play in accordance with the *Casino Operators Agreement*.

Further to this Section 31 of the *Gaming Control Act* allows the Director-General to issue Directions to the Casino Operator.

31 Powers of Director-General in respect of casino operations

- (1) The Director-General may approve the manner and form in which the accounts of the business conducted in a casino are to be kept.
- (2) For the purposes of this Act, the Director-General may appoint a person to be a casino controller to carry out such functions as the Director-General may direct relating to the supervision and control of the business conducted in a casino.
- (3) The Director-General may, from time to time, direct a Licensee to provide such information relating to the business conducted in a casino as may be required by the Director-General.
- (4) The Director-General may, from time to time, direct a Licensee to adopt, vary, cease or refrain from a practice in respect of the business conducted in a casino.
- (5) A Licensee shall keep the accounts of the business conducted in a casino in the manner and form approved under subsection (1).
- (6) A Licensee shall not contravene or fail to comply with a direction given under this section.

Directions to the Casino operator state:

Direction 20 requires the operator may establish a Premium Group Commission Play Program by way of written agreement, provided the operator:

- i. makes necessary checks of the person/s involved in the agreement, by ensuring the person:
 - a. is of good repute, having regard to character, honesty and integrity and does not have links to any person, body or association which, in the Director's opinion, is not of good repute having regard to character, honesty and integrity;
 - b. is of sound and stable financial background; and
 - c. has sufficient experience and ability in organising commission play programmes.

Direction 20 requires that the casino operator must have in place suitable processes to deal with any and all probity issues (iv) and furnishes the Director a copy of All Commission Play Agreements (iii).

Direction 21 allows the operator to establish a commission play programme in foreign currency if:

- i. they comply with all directions in Direction 20;
- ii. they ensure that chips in foreign currency are identifiable;
- iii. provides for the approval by the Director of the design of all foreign currency chips;
- iv. complies with Directions 9(c), 9(d) and 9(e) with regards to foreign currency chips held;
- v. has in place measures to prevent the leakage of foreign currency chips into other sections of the casino; and
- vi. if foreign currency chips are used in other sections of the casino, the operator has in place procedures for calculating the use of such tokens for the purpose of calculating tax.

Information to the Authority: Junket Arrangements, VIP Players

The Director-General may direct a casino licensee to provide information relating to the conduct of business in a casino (*Gaming Control Act*, section 31).

Direction 20 requires evidence that the operator undertook checks referred to in direction 20(i).

Direction 20 requires copy of all commission based play agreements.

Amounts prescribed for special junket agreements

There are no prescribed amounts to be paid for a special junket agreement.

Surveillance Branch and Reporting to AUSTRAC

Direction 10 requires that the game does not commence unless at least one surveillance camera is monitoring and recording the game. There are no requirements under the *Gaming Control Act, Agreement or Directions* in relation to AUSTRAC (personal correspondence, March 2015).

PART D: THE CASINO INDUSTRY AND RESPONSIBLE GAMBLING

10. Casinos in the Australian Gambling Market

In this concluding chapter we commence with a brief review of the publicly available data so as to locate the casino industry in the broader Australian gambling market. We follow with a brief overview of perspectives on problem gambling and conclude with our summary of findings in Section 10.3.

10.1 Competitive environment: a statistical overview

Casinos and Visitations

- There are currently 13 casinos in Australia.
- Visitors to casinos in 2013/14 totalled 55.2 million, 80 per cent from the same city/state (44.2m), 13 per cent interstate (7.1m), 7 per cent were international (3.9m).

Venue Size and Revenue

- Measured by gambling expenditure the casino industry was AU\$4.1 billion in 2011/12.
- Casinos range in size from a small AU\$18.4 million venue up to a AU\$1.5 billion venue.
- The EGM hotel/club industry was 2.7 times that figure at \$10.9 billion.

Share of Expenditure

- The share of total gambling expenditure held by casinos in their jurisdiction range from 7.5 per cent in the ACT up to 28 per cent for Crown Melbourne and the two Tasmanian casinos combined.
- The share of real government gambling revenue from casinos in their jurisdiction range from 3.8 per cent in the ACT up to 28.2 per cent in Tasmania. Comparatively, the share of real government gambling revenue from EGMs is approximately two-thirds of gambling revenue.
- The effective tax rate on all gambling is 26.8 per cent; on casino gambling 14.2 per cent; on gaming machines 29.3 per cent and racing 12.2 per cent.

Growth Rates

- Crown Melbourne and The Star Sydney have the strongest year-on-year growth rates (6.0 per cent and 5.2 per cent respectively), including and because, of their much greater exposure to international VIPs.
- Starting from 1995/96 these two casinos have consistently increased their real per capita casino expenditure well above the expenditure growth rates for EGMs in hotels and clubs (3.8 per cent and 2.3 per cent respectively).
- In all other states/territories the expenditure growth rates for EGMs in hotels/clubs exceeded that of their local casino(s).

Casinos and EGMs

- The share of all gambling expenditure at casinos (Australian average) is 14.0 per cent; for EGMs in hotels and clubs it is 53 per cent.
- The ratio of EGMs to table games in Australian casinos is 8.6 EGMs to 1 table game (Tasmania and Northern Territory >20:1).
- Australian casinos held 6.6 per cent of all EGMs, hotels and clubs 93.4 per cent at 2011/12.
- EGMs in casinos account for 13.3 per cent of revenue from all machines in all jurisdictions excluding revenue from VIP patrons.

Domestic Competition

- Casinos are in competition with local hotels and clubs for the 'gambling dollar'.
- Several casinos are almost 100 per cent dependent on the local, domestic market and their respective revenue growth rates reflect this.
- Average annual revenue per EGM in casinos is \$128,612 (in clubs/hotels \$59,402); average annual revenue per table game is \$900,000.

Household Expenditure

- Australians spent on average 0.45 per cent of household disposable income at casinos and 0.97 per cent on gaming machines in hotels and clubs (2011/12).

Appendix A provides further details on the gambling industry in each state/territory specifically to summarise the 'casino sector' within the broader gambling industry. We have stated that the 13 casinos are not homogenous not only with respect to their size, performance, share of VIP high rollers and attendance figures but that the local competitive environment is different as well. The Star Sydney has 1,500 EGMs but this is only 1.6 per cent of EGMs licensed to operate in New South Wales. Comparatively, the two casinos in Tasmania host 650 machines that represent 32.8 per cent of EGMs licensed to operate in that state.

In New South Wales (since 1995/96) the average annual growth rate for the casino was 5.1 per cent and for EGMs in hotels and clubs it was 2.3 per cent. In part, this points to the success of The Star in attracting VIP/high rollers although in the most recent financial year (2014/15) it is reported that VIP revenue declined by 8.1 per cent.¹⁰⁰ Other the other hand, in Tasmania the annual average growth rate of the casino (1997/98) was 1 per cent and for EGMs it was 5.4 per cent. South Australia's relative performance data for the casino sector and the hotel/club EGM sector mirrors that of Tasmania.

Crown Melbourne is the largest casino, it is the most successful in the international VIP/high roller market segment, the most diversified complex in terms of accommodation, conventions, entertainment, shopping and retail facilities. Crown Melbourne has the largest number of gaming tables than any other casino with the second lowest ratio of gaming machines to table games (5.0:1).

Crown Perth has a monopoly on gaming machines as they are not permitted outside of the casino. The casino in Perth accounts for 45.0 per cent of total gambling expenditure whereas the proportion of gambling expenditure attributable to casinos for Australia as a whole is 14 per cent. The most significant change in the gambling industry in Western Australia since the introduction of the casino has been the decrease in the proportion of gambling revenue attributable to racing although it is still much higher in Western Australia (26.5 per cent) compared to the all Australian average (14 per cent).

Differences in the domestic market for the gambling dollar and casino performance are the result of *inter alia*,

- the legacy of history;
- different gambling industry structure;
- availability of EGMs in the community;
- the size of the casino and proximity to population centres;
- extent a casino is focussed on international markets;
- facilities offered by a casino such as accommodation;
- consumer preferences and choices available to the consumer as reflected in HDI spent at casinos and hotels and clubs; and
- the "black box" of management activity and strategy.

¹⁰⁰ Australian Financial Review, "Shining Star's locals make up for slump in high-roller gamblers", 5 November, 2015.

10.2 Perspectives on responsible gambling

The term “responsible gambling” is vigorously debated; there are those who view the failure to be responsible as being located within an individual; there are those who consider industry practices to often be in conflict with responsible gambling; there are those who lament the failure of government to introduce effective measures to protect the individual, families and community where ‘effective measures’ include evidence-based policies that actually impact revenue through limiting money and/or time spent on gambling (which is the national definition of problem gambling (see Neal et al, 2005)).

The Productivity Commission (2010) placed emphasis on a ‘population or public health lens’ to examine policy levers by which to maximise the benefits of gambling and at the same time minimise the harm from gambling to the individual and others. A public health or consumer model generally references three stages of prevention strategy – primary, secondary, tertiary. Specifically with respect to the effectiveness of harm minimisation strategies to prevent problem gambling, Williams et al (2012) adopted this framework when conducting a meta-analysis of measures to prevent problem gambling:

- *primary prevention*: effort to prevent individuals in the general population from becoming problem gamblers;
- *secondary prevention*: effort to prevent the development of problem gambling in individuals with risk factors for the condition;
- *tertiary prevention*: effort to stop and potentially reverse the problems occurring in existing problem gamblers (i.e. treatment). (Williams, 2012, p. 13)

Through the public health lens Williams (2012) then reviewed (a) education initiatives and (b) policy initiatives to assess the evidence as to the effectiveness of harm minimisation strategies.

An alternative framework or lens through which to examine policy levers to evaluate strategies, effectiveness of policies and actions taken to address the impacts of gambling is the “Reno Model”.

The “Reno Model” as developed by Blaszczynski et al (2004) is based on two key premises or principles:

- 1) the ultimate decision to gamble resides with the individual and represents a choice; and
- 2) to properly make this decision, individuals must have the opportunity to be informed.¹⁰¹

While they are not necessarily mutually exclusive perspectives the Reno Model places much greater weight on the individual (“the rational” individual), freedom of choice and the importance of informed decision making than does the public health model. Public health advocates are more likely to consider the responsibility of the individual in tandem with the responsibility of the industry, its product and marketing as important regulatory targets, whereas advocates under the Reno Model stress the importance of information to players and the availability of safety mechanisms such as voluntary pre-commitment or individual self-exclusion.

The significance of the different frameworks or models through which to view ‘responsible gambling practices’ or ‘at risk and problem gambling’ is that different perspectives give rise to different assessments as to the effectiveness of responsible gambling policy and strategy. Advocates of the Reno Model stress personal responsibility while emphasising the role of industry to provide information and tend to downplay environmental and social factors in gambling behaviours. Advocates of a public health model place greater weight on environmental factors, including that gambling products are inherently dangerous goods and hence consumers need much greater protection. Sometimes the

¹⁰¹ Dickerson, M and O'Connor J (2006).

biopsychosocial model is advanced that groups biological and psychological factors with the social environment, with each contributing to problematic gambling behaviours.

Gambling participation and resultant behaviour occurs in a relational context which is the individual player/patron and the machine or table game. Equally then, individual responsibility and corporate social responsibility should be matched and studied. For example, should casinos be required to conduct analysis of player data to enable more active intervention with gamblers? What are the privacy concerns? Is there a conflict between responsible gambling and marketing strategies/inducements that are designed to encourage frequency of visit? Is there a conflict between the promotion of responsible gambling yet rewarding (perhaps targeting) those who gamble regularly and/or lose large sums of money with an upgrade in status? Are “educational messages to ‘stay within your limits’ undermined ... with loyalty programs that escalate rewards (points) as losses mount”? (Williams et al, 2012, p. 89)

Throughout the course of this research we have been mindful of the different frameworks or perspectives that stakeholders hold and promote regarding ‘responsible gambling’. In addressing our terms of reference (Section 10.3 following) the researchers have considered the research and literature on responsible gambling practices and the effectiveness of educational and policy proposals. We consider and provide a comment on educational and policy initiatives as they are relevant to casinos (see Williams et al, 2012).

There are two educational initiatives that are relevant to this project, Responsible Gambling and Casinos.

Information/Awareness Campaigns

Promotion of “gamble responsibly” or 24 hour gambling helplines.

Comment: Substantial public campaigns may help to increase knowledge and help to change attitudes, however, there is no direct evidence on the effectiveness of awareness campaigns as a *primary* prevention tool for problem gambling.” (Williams et al, p. 17) Casino are active in their own promotions and in forums organised by others (e.g. Gambling Awareness Week, attendance at conferences).

Responsible Gambling Information Centres

Crown Melbourne Responsible Gaming Support Centre is an example.

Comment: Research evidence suggests patrons are likely to be aware of such a centre and the majority of staff are aware of the centre.

What is often neglected is the support role such centres offer to staff/employees who are able to direct gaming queries and refer customers, including those who have requested assistance, to a central point for assistance. Support centre staff provide a visible presence on the casino gaming floor, they are responsible for interacting with patrons and other staff in providing assistance and information on programs and services. The centres are able to refer individuals to government funded problem gambling services and welfare support services.

There are 12 policy initiatives that are relevant to this project, Responsible Gambling and Casinos.

Restricting the Number of Gambling Venues

Australian and New Zealand research provides evidence that living close to gambling venues increases the likelihood of gambling and the prevalence rate of problem gambling (New Zealand Ministry of Health 2008; Storer, Abbott and Stubbs 2009).

Comment: Generally casinos are granted an exclusive licence principally to facilitate initial investment and then to encourage high turnover and tax revenue. However, there is a further argument for single or destination venues in that they would reduce EGMs in local communities; single venue sites potentially offer greater opportunities for effective regulation and player surveillance. There is considerable evidence on the correlation between EGM availability and prevalence of problem gambling to support single casino sites or destination type sites that are few in number.

Restricting more Harmful Types of Gambling

The two most significant products are EGMs and continuous table games including automated forms.

Comment: It is invariably the case that casinos are granted additional table games and additional gaming machines when any proposal for new investment is considered by government (e.g. Adelaide SkyCity; Echo Brisbane). Continuous modes of gambling with high frequency of reinforcement are mostly associated with problem gambling. That these modes of gambling are potentially available 24/7 could give rise to a greater incidence of problem gambling.

Limiting Gambling Venue Hours of Operation

All States/Territories require hotels and clubs to close gambling venues for between 4-6 hours in a 24 hour period.

Comment: Casinos are exempt from such a requirement, open 24/7, offering continuous hours and continuous forms of gambling. This is precisely why casino surveillance systems with the capability to detect continuous player behaviour could be an additional and valuable tool for intervention. Automatic monitoring systems provide objective evidence as to possible problem gambling behaviour and are able to supplement more subjective observations by staff on the gaming floor.

Prohibition on Youth Gambling

All venues require persons to be over eighteen years of age.

Comment: This is vigorously policed by all casinos, swift action is taken if a minor is detected and all incidents are recorded.

Casino Self-Exclusion

All Australian casinos offer self-exclusion, it can be completed off-site.

Comment: Self-exclusion is designed to reduce the harm to existing problem gamblers and support individuals who are motivated to reduce their gambling behaviour. Casinos do take steps to enforce self-exclusion and report detection rates. Regulators have encouraged casinos to use analysis of player data as an aid in detecting at risk and/or problem gamblers, including frequency of visit that could provide a casino with a platform to proactively approach patrons with the offer of assistance including self-exclusion.

In most jurisdictions a self-exclusion order is a legal document with penalties that can be applied when a person breaches the 'self-imposed ban'. In South Australia the regulator is informed by the casino of actions to bar an individual; in Victoria on-site inspectors are involved where a person is detected in breach of their self-exclusion. Regulators do have punitive options available to them such as on the spot fines and a summons to attend court. Casino do act to withhold any winnings of those in breach of self-exclusion and are active in monitoring individuals known to be 'serial breachers'. Gaming support centres reinforce to the individual that a breach is a criminal offence. They provide referral information, services and assistance if requested by the patron.

Modifying EGM Parameters

Principally concerned with the ability to play unrestricted machines, mandatory shut-downs.

Comment: Play on unrestricted machines requires a card and as a consequence identified player data is available and can be closely monitored. It provides information that might warrant a proactive intervention. Similarly, some automatic risk monitoring technology provides player information on length of play. A mandatory shut down at a default length of time could be considered.

Pre-Commitment

All casinos offer voluntary pre-commitment.

Comment: Pre-commitment using a card to play is consistent with “responsible gambling”. Card based play enables information back to a player which can be a source of feedback to moderate gambling behaviour; also adhering to money and/or time limit is consistent with controlled gambling.

Loyalty Card

Casinos report that loyalty cards were not designed as a harm minimisation tool. While this is accepted they do not appear to be used to reward card holders “for socially responsible and self-protective behaviour, such as ... completing personal risk assessments, or comparing personal consumption patterns to normative standards”. (Williams, 2012, p. 65) Often used as the basis to upgrade patron based on effectively player losses.

Comment: Currently more used for inducements to attend a venue and gamble more, although most cards do not allow accumulation of points for exceeding pre-commitment for example. They provide a casino with the capacity to analyse data that is then able to be used to inform protective behaviours.

Staff Training, Risk Monitoring, Staff Intervention

Extensive training is provided to staff and supervisory personnel to recognise and respond to signs of problem gambling behaviours.

Comment: Training has contributed to staff recognition of behavioural problems although there is little research evidence as to the frequency of interventions and the effectiveness of intervention. Subjective checklists of behavioural problems are capable of being supported by reference to objective indicators supplied through automated risk monitoring systems that provide an alert to the frequency of visitation (proxy being frequency of use of a card), loyalty club data and observation of length of play. The New Zealand Gambling Commission has mandated analysis of card data to alert the casino to problematic behaviours.

Restrict Access to Money, Restrict Use of Tobacco and Alcohol

Restrict house credit, cashing of cheques, limit ATM withdrawals and location of ATMs and payment of winnings.

Comment: The most compelling evidence on the effectiveness of these measures is from problem gamblers themselves, who generally support efforts to restrict access to cash. Smoking bans apply to the general gaming floor but smoking is permitted in private gaming areas. Free alcoholic drinks are generally not permitted; responsible service of alcohol is a core responsibility and practice of casinos.

Restricting Advertising

Casinos publicise amounts won in jackpots, frequency and amount of prizes, promote inducements to attend the venue (e.g. credit points), advertise special events/functions, refurbishment of facilities, new bars and restaurants and “fun and entertainment” from attendance (e.g. ‘playing’ table games).

Comment: In public advertising there are restrictions on the advertising of poker machines and table games; casinos generally refer to the unique experience of the casino, the entertainment experience and special events such as poker tournaments. Private advertising sent to loyalty card holders

announce special member pricing, discounts on dining and drinks, “millions won on ...”, and activity where you will receive bonus points or “additional \$\$ straight into your account”. The material is essentially an inducement to attend, to activate the offer, to return to the venue, to gamble and be ‘entered into a draw’.

10.3 Terms of reference: summary of findings

We now turn to summarise the findings with respect to the terms of reference and the research questions we posed and have sought in this study to answer.

Terms of Reference: What are the dynamic factors influencing the casino gambling markets in Australia? How is the market changing and casinos are adapting?

Our Research Method: Review legalisation of gambling, introduction and history of casinos, trends in performance (revenue, taxation, visitations), consider regulation, concessions, investment, tourism and international developments.

Summary: The global casino industry will continue its fundamental shift eastwards. The Asia Pacific is the fastest growing casino region in the world. In the decade to 2009 the number of casinos increased from 50 to 110. The most immediate competition to the Australian casino industry is developments in Macau (2002 to 2014 grew from 11 to 35 casinos) and Singapore. Macau is now the world’s largest casino market with table games accounting for the majority of revenue. In only 4 years (2010-2014) gaming revenue in Singapore’s two casinos easily outstripped that of 13 casinos in Australia to equal that of the Las Vegas strip.

The supply of casino services will continue to increase with further liberalisation of gambling, the expanding middle class in Asia, the emerging mass tourism market and growth in casino consumer demand.

Competition will be further strengthened should Japan open its market to casino resorts. Japan would become a ‘casino powerhouse’ based on current revenues from the Pachinko industry (US\$192 billion) and the existing outflow of casino tourists from Japan.

Capturing a greater share of the Chinese tourist market and tourism growth more generally is a key focus of Australia’s internationally oriented casinos. Casinos are continuing to invest in accommodation, entertainment and retail facilities – to become casinos, accommodation and entertainment precincts and integrated resorts – to cater for the growth in the mass tourism market. The diversification of casino complexes will continue. In the six years to 2014 the number of interstate and international visitations to Australian casinos increased to 20 per cent of total visitations up from 15 per cent in 2007/08.

There will be even stronger competition in the VIP/high roller market segment where various estimates indicate Australian casinos capture anywhere between 4 and 7 per cent of this lucrative market. Crown Melbourne is the most significant of Australian casinos in this market; The Star Sydney, Jupiters (Gold Coast) and Crown Perth continue to grow their market share. The proposed Barangaroo casino in Sydney, dedicated to attracting high rollers is a powerful symbol of the importance of this market segment to casino revenues.

Regulatory concessions (e.g. the removal of super tax on VIP players, lower tax rates generally) will be granted to assist the competitive position of Australian casinos. Regulatory concessions follow strategic marketing and performance most often in regard to expanding the number of international VIP patrons.

Investment in the resort complex with accommodation, conventions, entertainment, retail shopping, maintaining the “glamour and excitement” of casinos is a clear diversification strategy and will dominate casino investment. Casinos that have not responded in this way have performed badly. They continue to lose domestic market share and have not been able to enter and grow the market for VIP/high net worth patrons.

Not all Australian casinos are the same. Some have been slow to adapt to the growth in the VIP and mass tourism market. Some have been slow to invest and upgrade accommodation. Some are much more dependent on the domestic gambling market than others.

In the domestic market taking the casino industry as a whole – with 80 per cent of visitations coming from within the state and higher in some states – casinos are competing against hotels and clubs in the EGM market and marketing strategies reinforce this competition. Casinos are not permitted to advertise “EGM/pokie” machines but compete strongly through their loyalty systems, the benefits of loyalty club membership, promoting the “experience and glamour” of the casino environment, food, beverage, accommodation, free parking and advertising to promote special events.

Online gambling, wagering and betting including simulated online electronic table games will continue to expand and pose a challenge to revenue derived from “bricks and mortar” facilities. The casino gambling market is increasingly competing with low cost, online casinos, social gaming and the growth in sports betting and wagering. Casino operators are responding by diversifying into sports betting and wagering (e.g. Crownbet).

Finally – it follows from the fact that 80 per cent of visitations come from within a state and higher in some states – that casino revenues are influenced by local economic conditions, consumer confidence, wages growth, household incomes and spending. The growth rate of expenditure in all casinos except Crown Melbourne and The Star Sydney have been relatively subdued for some time and are generally lower than growth rates for EGM revenues from hotels and clubs.

Terms of Reference: How do the current changes in products and their presentation at Australian casinos affect local gamblers?

Our Research Method: The researchers interviewed the casinos, interviewed casino patrons in focus groups, reviewed the literature and reviewed data from regulators on gaming approvals.

Summary: Australian casinos host on average 8.6 EGMs to every 1 table game although the ratio is much higher in several casinos. These machines are being supplemented by new products including electronic Fully-Automated Table Games (FATG) and Multi-Terminal Gaming Machines (MTGM).

Changes in the product mix at casinos were generally referred to by focus group participants as casinos changing machine types (e.g. loss of a favoured machine or game) and the introduction of electronic versions of table games. Participants expressed a resistance to FATG on the basis that they reduced opportunities for socialisation and encouraged “isolation rather than the social experience and engagement with others” that was part of going to a casino. Patrons suggested they were empty most of the time. The researchers’ observations suggest otherwise. Newer EGMs with larger “TV sized screens’ were also not appealing.

Respondents believed electronic versions had been introduced for reasons of cost saving, preventing cheating and attracting lower spenders away from tables.

In terms of presentation it is a mistake to assume that public marketing and promotion is directed at new gambling products. In fact, public advertising of gambling products (the exceptions are racing and sports betting) is expressly prohibited in most jurisdictions. However, private advertising and casino mail outs (to loyalty club members) do promote rewards for attendance such as special member pricing and bonus points for various activities and attendance while also promoting developments such as the upgrading of facilities, new bars and restaurants, the appointment of a “world renowned chef”. Sports bars are promoted as if celebrities are in attendance. The experience to be had from visiting a casino is the principal promotional theme. Entertainment, bars, restaurant facilities and nightlife are “attractors” for young people and it is to be remembered that those who visit a casino to gamble are more likely to be younger, they tend to gamble much more frequently and on a wider range of activities.

There is one distinctive player group that is attracted to a casino, namely those who wish to play table games that are only available at a casino. Several ethnic communities prefer table games that involve a degree of skill, decision making or a belief that the outcome can be influenced by different playing strategies.

A theme from the focus groups was that some players would like to know or learn how to play table games but opportunities to learn or be shown are not available and they find it daunting. The tendency then is to opt for less skill based activity (e.g. roulette).

A Note: There are developments in the EGM design industry to incorporate an element of skill in EGM play. It is asserted by designers that the younger demographic are not attracted to existing EGMs preferring games that include a degree of decision making and skill.

Terms of Reference: Are the profiles of local gamblers who go to casinos different from those whose primary venue is a hotel or club?

Our Research Method: The researchers undertook an extensive literature review, an analysis of prevalence studies, an analysis of the demographics of who gambles, interviews with casinos and focus groups with casino patrons.

Summary: Research reports refer to estimates that up to 70 per cent of the population visit a hotel or club at least once a year whereas attending a casino is often quoted in the range 6 to 8 per cent, with only 8 per cent reporting they play more than monthly and less than 1 per cent weekly or more.

There is little evidence that those who play EGMs at a casino as opposed to a hotel or club have any distinctive demographic characteristics although older people are more likely to play EGMs at the casino.

Casino gamblers compared to other gamblers have the following characteristics:

- casino gamblers tend to gamble much more frequently;
- casinos attract the more committed gambler;
- casino gamblers are three times more likely to be problem gamblers and moderate risk gamblers;
- more likely to gamble on wagering and other activities;
- tend to be younger, educated males, more likely to be in full-time employment; and

- live in or close to the city, have higher incomes;

Gamblers who specifically desire to play table games are obviously attracted to casinos. The profile of players of table games is:

- participation in table games is highest among young males;
- estimated 4-6 per cent of the adult population reports having gambled on casino tables in the past year;
- tend to be in full-time employment, never married, possess a trade qualification; and
- in some states they report travelling a longer distance to play.

Casino gamblers tend to gamble on a wider range of activities and this includes table games, strategic activities such as racing and sports betting as well as EGMs, Keno and scratch tickets.

There is evidence from the literature that those who report gambling on casino table games are more likely than all gamblers to be located in higher risk gambling segments. The association between problem gambling and casino game playing is likely to be confounded by demographics. Those who are younger and male who gamble on a wider range of activities are more likely than all gamblers to (a) gamble at a casino, and (b) report problems associated with gambling.

Those who state that they attend a casino as a social activity with friends and travel longer distances to attend are more likely to play table games. The average annual revenue per table game is \$900,000; the average annual revenue per EGM in casinos is \$128,612 which illustrates the importance of table games and those who play table games to casino revenue.

Respondents in the focus groups who were "less serious gamblers" indicated they visited a casino for a variety of reasons – for meals, entertainment, socialisation, watching other people – and found a casino an easier place to visit on their own compared to a hotel/club.

Terms of Reference: What are the responsible gambling measures being taken by casinos? Who is their target? What is their impact on local gamblers?

Our Research Method: The researchers conducted a number of activities including, *inter alia*, interviews with Responsible Gambling Managers, compiled a list of harm minimisation strategies (Appendix D), review reports of the regulators, literature review and conducted focus groups with casino gamblers.

Summary: Responsible gambling measures for each jurisdiction, for casinos and hotels/clubs are summarised in Table 5.1 and harm minimisation measures at Appendix E. Mandated responsible gambling conditions are specified under the relevant Casino Control or Casino Agreement Act, they are broadly similar and generally address the common harm minimisation strategies associated with problem gambling. In addition, casinos' behaviour around responsible gambling and consumer protection are also partially governed by codes of conduct/practice.

Responsible gambling measures are also in place to enhance consumer protection such as through the provision of information, mandatory minimum returns on EGMs, bet limits, restrictions on loyalty schemes and access to credit. The target is all gamblers whereas specific initiatives such as self-exclusion/third party exclusion, referral to gambling treatment services, the location of ATMs and other measures are designed to assist problem gamblers.

Responsible gambling measures broadly fit into the categories of:

- limitations on financial transactions;
- limits on the operation of electronic gaming machines;
- requirements for the physical environment of gaming areas;
- limits on the locations of ATM machines;
- provision of customer information, signage, provision for self-exclusion;
- staff training, skills, responsibilities;
- prohibition of minors;
- limits on advertising and promotions.

Major points of difference between clubs/hotels and casinos include no limitations on 24/7 gambling (enforced breaks in clubs/hotels), VIP gaming areas permit smoking, no mandated jackpot limits in casinos (there are limits in some states and not in others), they are able to introduce automated games, and casinos generally have on-site assistance for self-exclusion. Conditions for VIP patrons vary to allow gambling on credit, acceptance of high value note acceptors and to permit smoking.

Casinos (relative to hotels and clubs) generally have access to more extensive surveillance technology, counts of the number of entrants, security personnel at entry to VIP rooms with swipe card technology and more support for training. Because of their size and regulatory obligations they have both a requirement and capacity to develop more sophisticated technology based systems and the capacity to analyse player data (where a player is a loyalty club member) such as intensity, duration and frequency of play as a tool to identify potential problem gamblers. Information is also available on the frequency of visitation where a card is used. However, loyalty club membership is not of itself a responsible gaming measure.

Default time limits, alert messages or other system outputs should be set so as to be consistent with responsible gambling behaviour. Regulators would do well to maintain an active interest in monitoring the capability, default settings and interventions that technology based systems enable.

Both sectors (casinos and hotels/clubs) of the gaming industry have similar restrictions/obligations including location of ATMs not in gaming areas, ban on credit gambling, offer self-exclusion and staff training, restrictions on payout of winnings by cheque, restrictions on entry, on advertising and operate various forms of loyalty schemes. A loyalty card (cards which were not introduced as a player protection measure) is required to use unrestricted EGMs. It is effective in the sense it is mandatory where a player desires to access unrestricted machines. Loyalty cards with respect to pre-commitment are not considered to be effective as a player can simply choose not to swipe their card. It is a voluntary system.

Casinos tend to have a wider range of conditions imposed on them in terms of the physical environment of the gaming area and the training and responsibilities of staff but have greater freedom in the payment of winnings, size of bets and size of prices, and fewer restrictions on the service of alcohol and smoking.

As a response to licence reviews by regulators Crown Melbourne and The Star are trialling facial recognition technology as an aid to the identification of patrons, each has introduced swipe cards and reception staff at VIP gaming rooms and tightened access to loyalty cards where a person was previously a self-excluded gambler. Pre-commitment (voluntary) is available at Crown Melbourne and will be introduced into hotels and clubs throughout Victoria on 1 December 2015. Capacity to self-exclude is available off-site.

Staff training is mandatory for the Responsible Service of Alcohol and Responsible Gambling. Casinos do operate technology based, automatic feed system counts of patrons entering a casino and security officers conduct manual counts of VIP gaming rooms.

The four policy initiatives that appear to have had most impact (as measured by breaks in trend gambling revenue) have been the introduction of smoking bans, the removal of ATMs from venues or gaming areas, withdrawal limits on available ATMs and prohibition on note acceptors as key consumer protection measures. These were also the responsible gambling measures that casino patrons in our focus groups were most aware of.

In regard to messages about 'responsible gambling' focus group participants considered the concept was 'too vague to be effective', and that signage was not hard-hitting as for alcohol and tobacco. Impact is negligible. There was only vague awareness of activity statements and those who did receive them appeared to pay very little attention to them. Notwithstanding, the provision of information to players prior to and post gambling participation is important.

The detection of minors, all excluded patrons and patrons who are intoxicated are clear priorities for all casinos. There is no doubt that some "slip through the net" but casinos are vigilant in targeting these individuals.

Detailed information and reporting on VIP Program Play is required by AUSTRAC, by state regulators and for the purposes of taxation. VIP Program Play does not have restrictions on smoking and limits on financial transactions.

One of the most critical issues for casinos in our view relates to the inter-connection of alcohol consumption and gambling that together can lead to an escalation of problem gambling, while intoxication is often the basis of acts of aggression and violence. As casinos operate 24/7 and jurisdictions operate venue lock-out laws, casino can become the default 'place to go'. This effectively places further responsibility on staff for the Responsible Service of Alcohol.

Little is known about the effectiveness of casino intervention programs as what is most often described is inputs rather than analysis of the effectiveness of programs or interventions – that is to say, outcomes.

Terms of Reference: Do casinos target local ethnic groups via promotions/advertising? If so, describe the promotions and their effect?

Our Research Method: Interviews with casinos, focus groups, observation and discussion in casino, review of advertising, review of relevant research.

Summary: casinos offer a wider range of gambling opportunities, in particular table games and such activities appear to attract a more diverse range of gamblers and appeal to several ethnic communities. McMillen et al (2004) reported that casino gambling in the form of table games is most favoured by the Chinese community. This was confirmed by the researchers' observations who noticed that while women in general tend to avoid table games, women from the Chinese community are more active participants.

New or refurbished facilities may have a cultural or Asian theme designed to appeal to certain ethnic groups. However, the researchers found no evidence of advertising or specific promotions directed towards gambling participation and any ethnic group.

General advertising with respect to certain ethnic groups will refer to important cultural days and to refurbishment of casino premises to reflect a certain cultural feel but do not refer to specific gambling opportunities.

Focus groups informed the researchers that marketing is often direct marketing in the form of emails but was not related to gambling products. Rather, direct marketing promoted new facilities at the casino, meals and special events often in the form of a general newsletter. Direct marketing (some not all) did promote special member pricing and bonus points to gamble as a form of inducement to return to the casino. Casinos also abide by a policy of no advertising/promotions being sent to previously self-excluded patrons.

All casinos have equal employment opportunity policies and do endeavour to maintain a “culturally diverse workforce”.

Contact with International VIP Program Play and junket operators is conducted face-to-face with negotiated individual arrangements and follow-up is usually conducted face-to-face as well.

Terms of Reference: What is the marketing and type of promotions (including advertising) that casinos undertake and how do they affect local gamblers?

Our Research Method: The focus groups were extensively consulted on these questions, their attitudes towards marketing, extent they were aware of promotions, gambling and non-gambling rewards, the benefits of loyalty cards and the awareness of responsible gambling.

Summary: casinos are not permitted to advertise gambling products. Their promotions or inducements to gamble (according to our focus groups) included free and low priced meals and drinks, cinema tickets, accommodation, free parking (which was particularly valued by patrons) and cash or vouchers. These operated via the loyalty program.

Advertising was referred to as “general advertising” – not targeted at the individual gambler but promoting the ‘experience, fun, good night out’ at the restaurants, bars, night clubs in the casino precinct. General advertising on television and radio was said to promote the experience factor – “fun and glamour” – of the casino. Focus group participants considered general advertising was targeted at young people (18-35 age group) promoting ‘excitement’ whereas older patrons received personal correspondence such as a birthday or Christmas card sometimes with a cash voucher for meals/drinks.

Casinos do advertise most often in newspapers the “events for the week”. Crown Melbourne is associated with national events such as the AFL Brownlow Medal Count and for other sporting events that is a form of “brand advertising”. Annual reports of casinos are a marketing tool and not simply a financial statement. Casinos promote their corporate social responsibility and contribution to the local economy through such publications.

High spenders receive more promotions and advertising according to our focus group participants. This observation is supported by problem gamblers and some individuals who have appeared before the courts, stating in part, they were seduced/encouraged by the “glamour and personal attention” they received, offers to upgrade membership and promotion material such as movie tickets, entry to sporting events, free nights’ accommodation, the use of money vouchers.

This is a vexed issue and why a balance needs to be struck by the casino – in short, what obligations must a casino exercise in the decision to target or encourage a high yielding customer to return to the casino. A casino may not know the personal finances of a patron but what due diligence (including analysis of player losses) does it undertake? More attention to the analysis of players data would assist a casino to make an informed, common sense assessment in many cases.

Casino gamblers were ambivalent about the marketing, benefits and use of loyalty cards. They felt casinos had cut back on the use of incentives preferring instead general forms of advertising such as on TV, radio, buses and newspapers. Casinos do use mail out gift or money vouchers to be redeemed through attending the casino (for meals/drinks) or for gambling.

Focus group participants noted benefits that VIP patrons received; they felt casinos had cut-back on the use of incentives/inducements for local gamblers and increased their efforts to attract VIP/high rollers.

Terms of Reference: What proportion of customers are local and what is the risk profile of the local customers? Identify the risk exposure to local patrons of restricted areas; the risk level of local casino gamblers and if and how this differs from that of other local gamblers.

Our Research Method: A combination of interviews with casinos, panel focus groups, review of prevalence data, net gaming revenue, company published data and other research were undertaken. A risk profile analysis was undertaken to consider policies such as 24/7, service of alcohol, lock-outs, surveillance staff, exclusions, etc.

Summary: in aggregate for the 13 casinos the proportion of “local customers” is approximately 80 per cent (44.2 million) interstate visitations 13 per cent (7.1 million) and international 7 per cent (3.9 million) (SACES 2014).

Crown Melbourne, The Star Sydney, Jupiters Gold Coast and Crown Perth are the most active casinos with respect to the international market and VIP/high rollers. A general finding is that those casinos that “target tourist markets may experience increased local benefits and diminished local harms compared with those that rely predominantly on a local market” Markham (2014), Eadington (1999a).

Several casinos reported no involvement in the VIP/international market segment and are effectively 100 per cent ‘local casinos’. People’s reasons for gambling at casinos are influenced by the range of activities available and varies according to age and gender.

Risk Profile

Casino-based table games attract players who are more likely to be male, younger (< age 35 years); more highly educated and with higher incomes; they are more likely to gamble on a wider range of activities (wagering, online sports betting). Those who report gambling on casino table games are more likely than all gamblers to be located in higher risk gambler segments.

While EGMs are less likely to be played in casinos as compared with hotels and clubs, those players at casinos are more likely to be older and female. Those who are frequent patrons (often middle aged and older) tend to have less social supports, gambling participation is influenced by life cycle situational factors and they represent a potential group of problem gamblers.

In general, regular casino gamblers were found (i.e. by prevalence studies) to be more likely compared to other gamblers to be problem gamblers with 10 per cent of casino gamblers in the general population likely to be moderate risk to problem gamblers (New South Wales); casino gamblers were over three times more likely to be problem gamblers and moderate risk gamblers than other gamblers (South Australia). Casino gamblers tend to be people who are prepared to spend larger amounts on gambling in general (i.e. casinos do attract the committed gambler).

There are clear instances where local players are upgraded to a higher level of membership based on analysis undertaken by the casino of player losses/amounts gambled where the legitimacy of gambling behaviours might be in question. Invitations to VIP slots club based on amount wagered, amount lost and frequency of visitation has the obvious potential to increase exposure to risk.

Exposure to risk is increased through the ability to play EGMs in 'unrestricted mode' where player losses can increase more quickly and player pre-commitment can be ignored. Casinos offer continuous forms of gambling that are more likely to lead to impulse gambling that leads to harm.

Casinos have quite good host responsibility due to their economies of scale and the risk level hasn't been shown to be related to venue size. It's more of a selection effect- people who are bigger risk takers tend to be more likely to try casino gambling. Casinos attract the committed gambler through to the very occasional gambler.

That many patrons attend a casino with friends or to socialise while playing table games are risk moderating factors. Focus group participants felt strongly that the individual was responsible for their own behaviour such as setting and exceeding monetary limits, occasionally "zoning out", succumbing to occasional bouts of impulse gambling.

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Appendix A

Summary of the Gambling Industry: Each State/Territory

A.1 New South Wales

Casino background information

New South Wales has the one casino, The Star, opening in temporary premises in 1994 while a permanent location was under construction. The casino moved to its current location in 1997. The Crown Group is currently building a second casino in Sydney at Barangaroo, which would include accommodation. However, exclusivity arrangements between The Star and the Government of New South Wales means that the second casino cannot open until 2019 at the earliest.

Compared to the Australian average of 8.6:1, The Star has a low ratio of gaming machines to tables.¹⁰²

Venue	The Star (Echo Group)
Opened	1994, Permanent premises 1997
Expenditures (2011/12)	\$953.7 million
Government Tax Revenue (2011/12)	\$133.4 million
Gaming machines operating ^(a)	1,500
Gaming tables operating	314
Number of gaming machines per table game	4.8
Percentage of EGMs in casino (per State)	1.6
Other Facilities	Two hotels, Spa, Event Centre, Retail, Restaurants, Bars

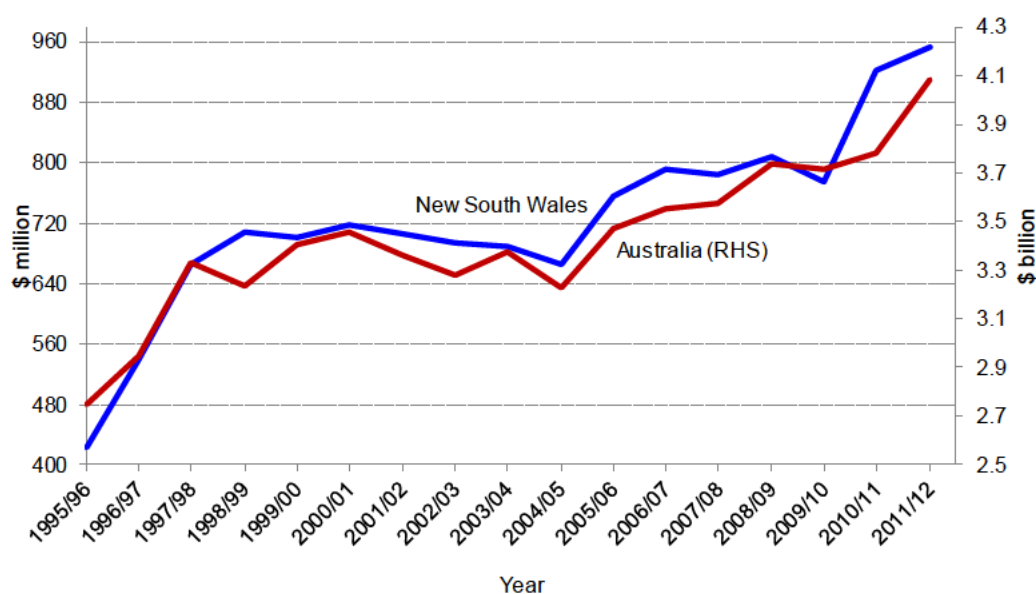
Note: (a) Not included are 504 multi-terminal gaming machines.

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://www.star.com.au/>

Real casino gaming expenditure at The Star was \$953.7 million in 2011/12 (see Figure A.1), making it the second largest casino in Australia in terms of expenditure (behind Crown Melbourne) and more than double the expenditure of \$422.7 million achieved in 1995/96. The path of real casino gaming expenditure and expenditure growth has generally tracked that for all casinos with (as to be expected) significant growth at the time of opening to slower growth in the first half of the last decade and a moderation in expenditure growth post the Global Financial Crisis (2008/09) (Figures A.1).

¹⁰² The calculation of this ratio excludes multi-terminal gaming machines in all 13 casinos. In total there were 707 multi-terminal gaming machines.

Figure A.1: Real casino gaming expenditure, New South Wales and Australia 1995/96-2011/12^(a), New South Wales (\$ million) and Australia (\$ billion)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

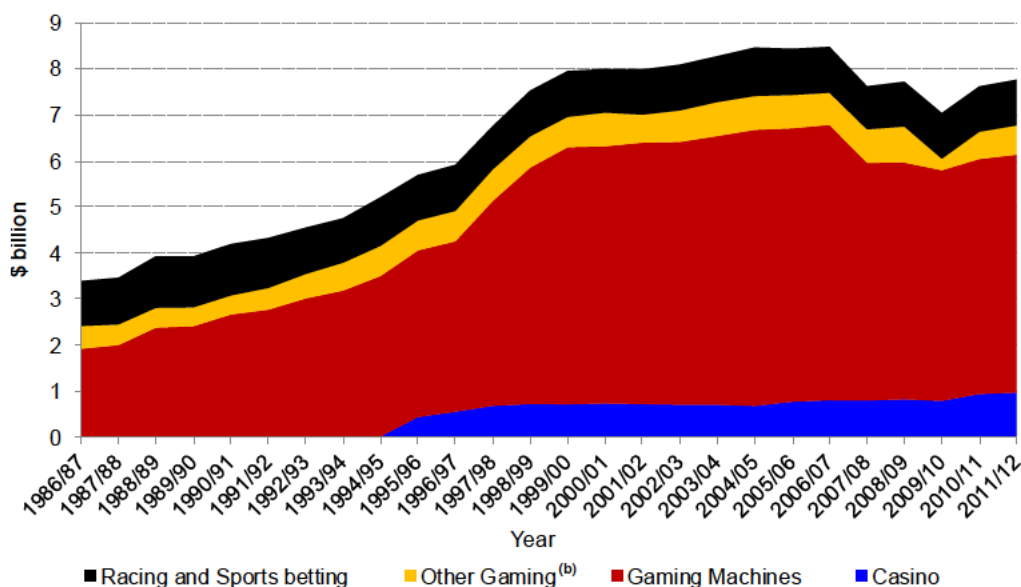
Gambling industry

In 2011/12 real gaming expenditure at The Star casino was just under \$1 billion. This is quite significant as Australian casinos as a collective group had expenditure of \$4.1 billion in 2011/12. The Star casino accounted for nearly a quarter of total casino expenditure in Australia.

The amount lost (expenditure) on gaming machines in New South Wales continues to dwarf that of the casino. In 2011/12, two-thirds of total gambling expenditure in New South Wales was spent on gaming machines; for Australia 53 per cent of gambling expenditure is spent on gaming machines, which means that gaming machines are a more significant part of the gambling industry in New South Wales. The \$5.2 billion expenditure on gaming machines in New South Wales reflects the significant number of gaming machines in sporting and community clubs in New South Wales and their traditional accessibility in clubs.

Figure A.2 illustrates the relative share of real gambling expenditure over time. The year-on-year data is provided in Table A.1.

Real gambling expenditures have continued to grow for the period shown in Table A.1. If we take 1995/96 as the base year (when data is available for the casino), then over this 16 year period casino revenue increased in percentage terms by 126 per cent, EGMs by 43 per cent, other gaming declined by -2.4 per cent, racing declined by -9.5 per cent and sports betting grew by 1,366 per cent (of a low base).

Figure A.2: Gambling expenditure real^(a), New South Wales (\$ billion)

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

The respective compound growth rates were:

- casino: 5.2 per cent;
- electronic gaming machines: 2.3 per cent;
- other gaming: -0.2 per cent;
- racing: -0.6 per cent; and
- sports betting: 18.3 per cent.

In summary, the history of the New South Wales gaming industry suggests that The Star casino entered an already established market where various forms of gambling were more available and perhaps more accepted than in other States/Territories. The electronic gaming machines sector was certainly more established in major sporting and community clubs.

Several of the community and sporting clubs have large numbers of electronic gaming machines including, *inter alia*, the Canterbury Bulldogs Club (584), the Mounties Group across all venues (789), Penrith Panthers (716), Cronulla Leagues Club (192) and Newcastle Community Club (142).

Notwithstanding what could be considered to be a more competitive environment, The Star casino has grown strongly. The Star contributes 12.3 per cent of total gambling expenditure in New South Wales – see Table A.2. This is slightly lower than the proportion for casinos in Australia as a whole. For gaming machines, the contribution to total gambling expenditure is 66.7 per cent which is higher than the average for Australia as a whole.

Table A.1: Gambling expenditure dollar value real^(a), New South Wales (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	-	1,909.8	494.8	981.2	-
1987/88	-	1,989.7	449.2	1,018.3	-
1988/89	-	2,369.8	430.3	1,124.9	-
1989/90	-	2,400.0	410.1	1,108.8	-
1990/91	-	2,654.4	414.0	1,121.3	-
1991/92	-	2,759.8	470.9	1,090.4	-
1992/93	-	3,004.0	532.0	1,010.1	-
1993/94	-	3,176.0	605.8	969.3	-
1994/95	-	3,492.7	655.8	1,050.0	8.9
1995/96	422.7	3,627.0	651.0	983.3	7.4
1996/97	539.5	3,707.9	659.7	1,000.2	6.1
1997/98	666.0	4,461.3	685.4	936.3	8.8
1998/99	707.5	5,143.8	681.0	988.8	8.2
1999/00	700.9	5,593.9	659.5	977.5	22.7
2000/01	718.8	5,597.1	731.6	946.6	4.0
2001/02	705.4	5,689.6	607.8	982.5	3.1
2002/03	693.6	5,717.2	684.0	994.9	3.6
2003/04	689.6	5,849.1	738.3	954.9	46.4
2004/05	664.9	6,008.6	734.5	1,007.9	49.4
2005/06	755.9	5,952.1	723.3	946.2	62.2
2006/07	790.7	5,990.9	697.9	933.2	67.5
2007/08	784.3	5,172.3	728.1	861.8	76.8
2008/09	807.6	5,153.4	782.8	896.5	81.4
2009/10	775.2	5,019.6	250.5	896.0	97.7
2010/11	923.2	5,114.5	592.9	882.6	107.1
2011/12	953.7	5,179.5	635.2	889.5	108.5

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Table A.2: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), New South Wales, select years (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	0.0	56.4	14.6	29.0	0.0
1991/92	0.0	63.9	10.9	25.2	0.0
1996/97	9.1	62.7	11.2	16.9	0.1
2001/02	8.8	71.2	7.6	12.3	0.0
2006/07	9.3	70.6	8.2	11.0	0.8
2011/12	12.3	66.7	8.2	11.5	1.4

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

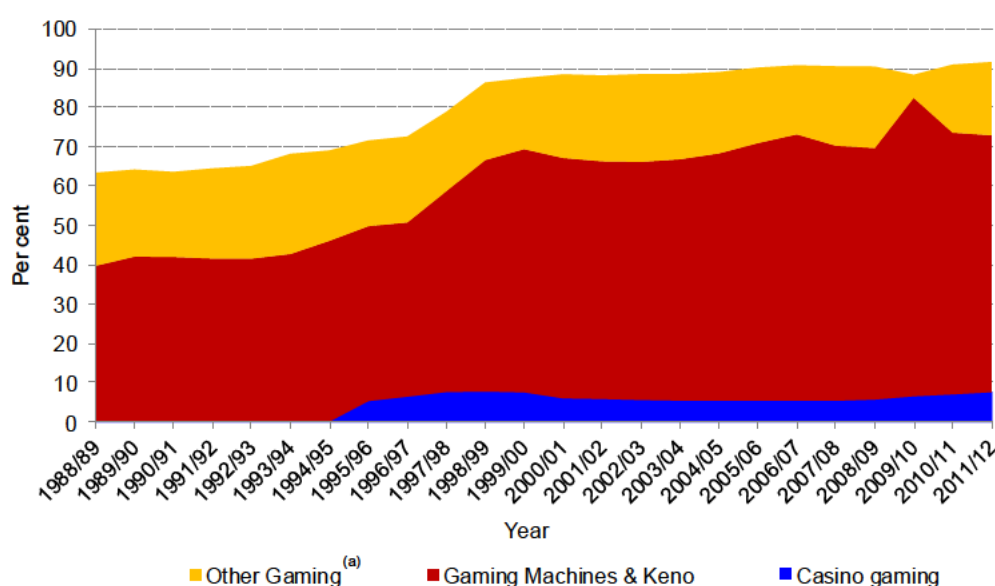
Source: OESR (2014).

Government revenue from gaming¹⁰³

Given the history of the New South Wales gambling industry the revenue to government is quite different to the pattern observed in other states who “were latecomers” to the potential stream of revenue from electronic gaming machines in particular and were more reliant on revenue from lottery, keno and related games (i.e. ‘other gaming’).

As shown in Figure A.3 New South Wales has long had a stream of revenue from gaming machine taxes rising from 40 per cent for gaming revenue through the 1980s to 65.4 per cent in 2011/12. Other gaming such a lottery games contributed 18.6 per cent while the taxation revenue to government from the casino was 7.5 per cent.

Figure A.3: Proportion of New South Wales government gambling revenue from gaming (per cent)



Note: (a) Other gaming in New South Wales includes instant lottery (scratch tickets), interactive gaming, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

The total tax revenue from all gambling activities in New South Wales in 2011/12 was \$1.78 billion. The New South Wales Government received \$133.4 million in tax revenue from The Star casino (7.5 per cent¹⁰⁴), \$1.17 billion from the gaming machine and keno industry (65.4 per cent), \$332.1 million from other gaming (18.6 per cent) and \$150.7 million from racing and sports betting (8.5 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- 3.9 per cent growth rate for government revenue from the casino;
- 2.0 per cent growth rate for government revenue from gaming machines and Keno;
- -0.4 per cent growth rate for government revenue from other gaming¹⁰⁵; and
- -2.2 per cent growth rate for government revenue from racing and sports betting.

¹⁰³ Revenue from betting and wagering not included.

¹⁰⁴ Figures in brackets are the share of total tax revenue contributed by each gambling activity

¹⁰⁵ For New South Wales, Victoria, Queensland and Tasmania other gaming is defined as instant lottery (scratch tickets), interactive gaming, lotteries, lotto, minor gaming and pools. For South Australia, Australian Capital Territory, Northern Territory and Western Australia other gaming is defined as instant lottery (scratch tickets), interactive gaming, lotteries, lotto, minor gaming, keno and pools.

Gaming machines

For the decade shown in Table A.3 there has been a total reduction of 7,348 gaming machines from clubs and hotels with 6,084 (83 per cent) withdrawn from clubs and 1,264 (17 per cent) withdrawn from hotels. Over this same period revenue from EGMs declined by -9.0 per cent and the growth rate by -0.9 per cent from \$5.69 billion to \$5.18 billion.

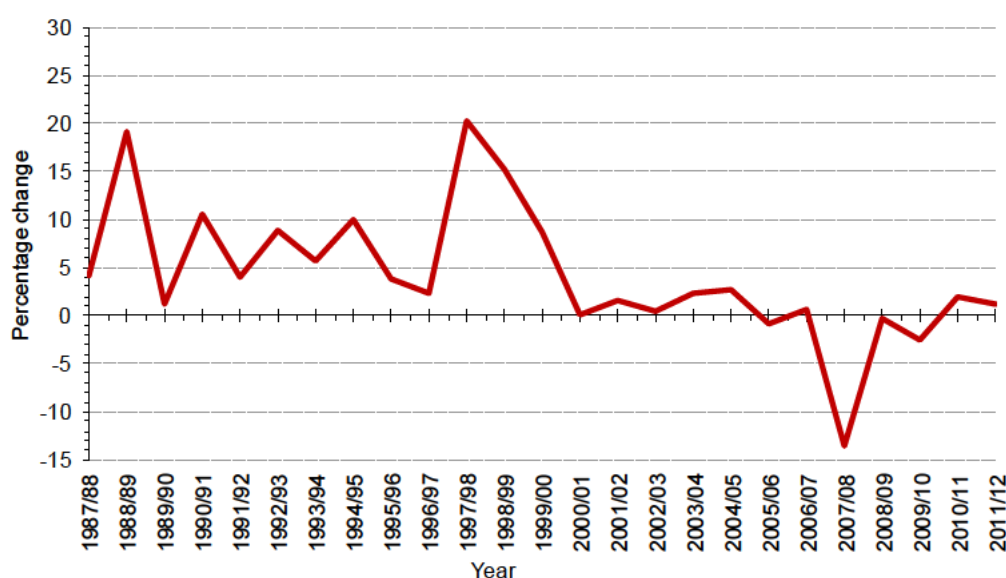
The growth rate in gaming machine revenue outside of the casino for the period shown in Figure A.4 has been 2.3 per cent. The dip in 2007/08 is explained by the introduction of smoking bans in enclosed public areas of licensed venues from July 2007. (*Smoke-free Environment Act 2000*)

Table A.3: Electronic gaming machines in casino, clubs, and hotels – operating at 30 June 2012, New South Wales (number)

	Casino	Clubs	Hotels	Total machines
2001/02	1,500	76,830	24,628	102,958
2002/03	1,500	75,214	24,255	100,969
2003/04	1,500	74,990	24,166	100,656
2004/05	1,500	74,668	24,065	100,233
2005/06	1,500	74,280	24,254	100,034
2006/07	1,500	73,426	23,946	98,872
2007/08	1,500	73,251	24,023	98,774
2008/09	1,500	71,817	23,750	97,067
2009/10	1,500	71,845	23,825	97,170
2010/11	1,500	70,867	23,625	95,992
2011/12	1,500	70,746	23,364	95,610

Source: OESR (2014).

Figure A.4: Change in gaming machine expenditure^(a) New South Wales, machines outside of casino only, (per cent)



Note: (a) Base year is 2011/12.

Source: OESR (2014).

The number of gaming machines in the casino is limited to 1,500 gaming machines.

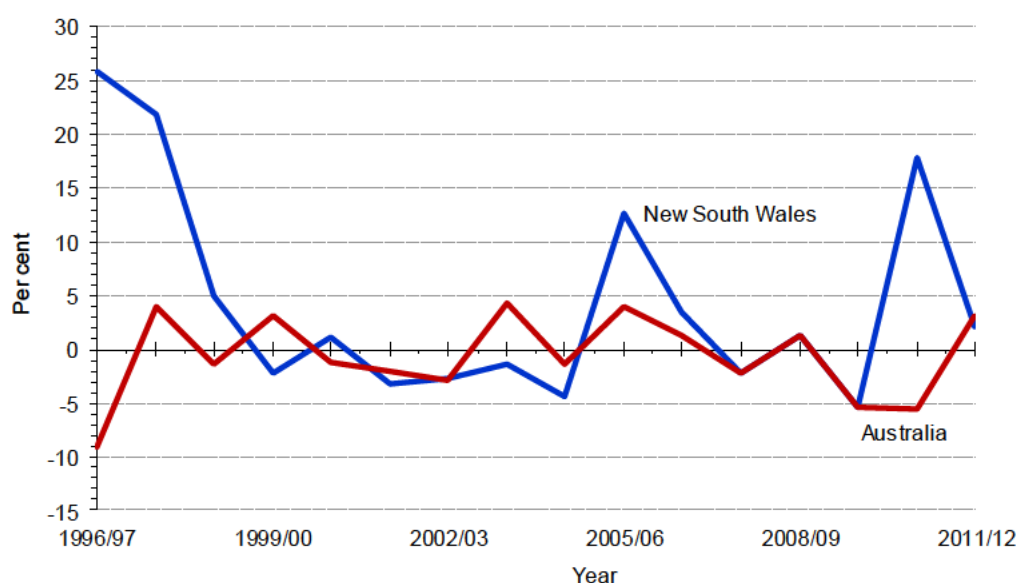
Per capita casino expenditure

Declining from the initial start-up of the casino, there are two short time periods where growth per capita expenditure departs from the Australian average – in 2005/06 and 2011/12. This was not due to an increase in the proportion of household disposable income spent at the casino. Rather it was due to Star City returning to junket play in 2005 after taking a number of large losses in 2002.

It was reported that:

“The Casinos Division achieved EBIT (before non-recurring items) of \$423.3 million, up 9.9%. This reflects good growth in non-rebate table gaming revenue, the first six months of Star City’s re-entry into the International Rebate Business and a turnaround in the win rates experienced in the IRB. The international business recorded revenues of \$57.1 million.”¹⁰⁶

Figure A.5: Change in per capita real casino expenditure^(a), New South Wales and Australian average (per cent)



Note: Base year is 2011/12.

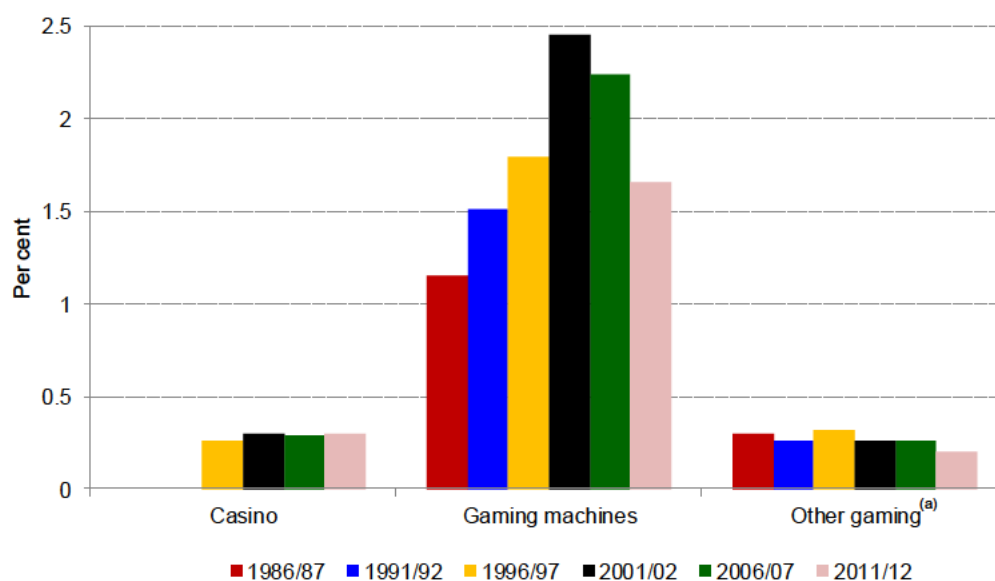
Source: OESR (2014).

New South Wales has the highest gaming expenditure as a proportion of household disposable income at 2.17 per cent and the much longer history of electronic gaming machines in community and sporting clubs provides New South Wales with the highest gaming machine expenditure as a percentage of household disposable income at 1.66 per cent, which is well above the Australian average (0.97 per cent). Expenditure on “other gaming” does not significantly depart from other jurisdictions.

Casino expenditure is 0.31 per cent in New South Wales below the national average of 0.45 per cent which is also likely the result of the availability of gambling at local community and sporting clubs.

¹⁰⁶ Tabcorp Holdings Ltd (2006).

Figure A.6: Gaming expenditure as a proportion of household disposable income, New South Wales (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

A.2 Victoria

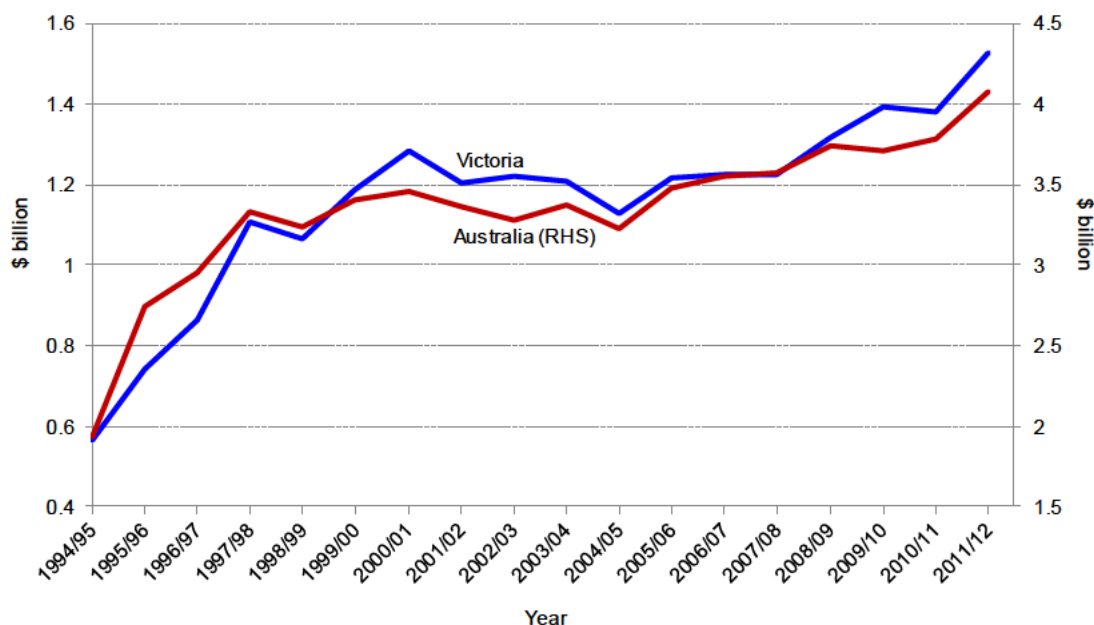
Casino background information

Crown Melbourne opened in 1994 at the World Trade Centre in Melbourne before moving to its permanent facilities at Southbank. Crown Melbourne is the only casino operating in Victoria.

Real casino gaming expenditure at Crown Melbourne has grown from its initial level of \$564.4 million in 1994/95 to \$1.5 billion in 2011/12, making it the largest casino in Australia in terms of revenue from gaming. Real casino expenditure at Crown Melbourne has generally out performed that for Australia since the opening of the casino.

Venue	Crown Melbourne
Opened	1994, permanent premises 1997
Expenditures (2011/12)	\$1.528 billion
Government Tax Revenue (2011/12)	\$195.3 million
Gaming machines operating ^(a)	2,628
Gaming tables operating	500
Number of gaming machines per table game	5.0
Percentage of EGMs in casino (per State)	8.7
Other Facilities	Three hotels (total of 1,604 rooms), Conference Centre, Restaurants, Bars, Retail, Cinema Complex, Bowling Alley, Interactive Entertainment Auditorium, Day Spas

Note: (a) At Crown Melbourne the 500 table games include multi-terminal gaming machines and fully automated table games.
Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Crown Ltd Annual Report 2013, Australian Institute for Gambling Research (1999).

Figure A.7: Real casino gaming expenditure Victoria and Australia 1994/95-2011/12^(a), (\$ billion)

Note: (a) Base year is 2011/12.
Source: OESR (2014).

Crown Melbourne has the largest number of gaming tables (N=500) than any other casino with the second lowest ratio of gaming machines to table games at 5 is to 1 and considerably lower than the Australian average of 8.6 is to 1.

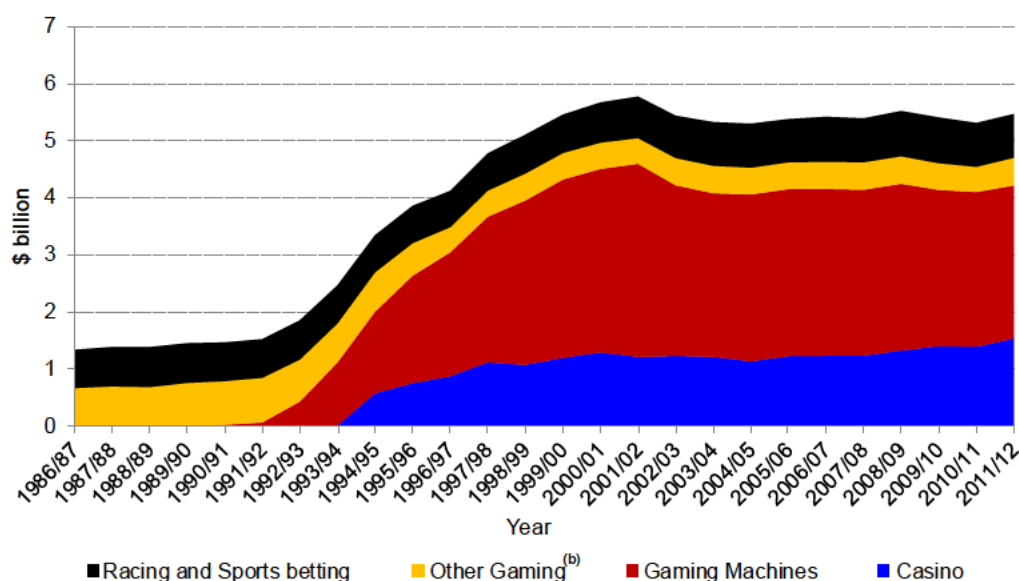
Crown Melbourne is also the most diversified complex with hotels/accommodation, entertainment activities, large conference/ballroom facility and retail facilities.

Gambling industry

Figure A.8 confirms that the introduction of gaming machines and the casino in Victoria has displaced expenditure from other forms of gambling. Notwithstanding, the distribution of gambling expenditures is similar to that of other jurisdictions. The introduction of gaming machines and the casino has increased the real value of expenditure by Victorians on gambling activities.

Taking the 17 years since 1994/95 the percentage change in revenue for the four activities shown in Figure A.8 is:

- casino: 170.7 percent;
- electronic gaming machines: 87.2 per cent;
- other gaming: -29.4 per cent;
- racing: decline of -1.3 per cent; and
- sports betting: increase of over 3,000 per cent (from admittedly a very low base).

Figure A.8: Gambling expenditure real^(a), Victoria (\$ billion)

Note:

(a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source:

OESR (2014).

Gaming expenditure at Crown Melbourne is \$1.5 billion dollars (Table A.4). Casinos in Australia in total recorded \$4.1 billion in expenditure, which means that Crown Melbourne generated more than a third (37 per cent) of total Australia wide casino expenditure.

Gaming machines in hotels and clubs in Victoria also have large expenditure at nearly \$2.7 billion. Other forms of gambling are more subdued in terms of net gambling revenue.

For a slightly longer period – 1986/87 until 2011/12 – Table A.5 shows the effect the introduction of casino gaming and gaming machines has had on other forms of gambling. The proportion of gambling expenditure spent on ‘other gaming’ has declined from 49.4 per cent to 8.9 per cent in 2011/12. In addition, racing once represented 50.6 per cent of gambling expenditure in Victoria but by 2011/12 racing had declined 11.7 per cent.

Gaming machines appear to be the most popular form of gambling in Victoria with 49.1 per cent of total expenditure. This is substantially higher than the next largest share, which is the casino of 28.0 per cent. Compared to Australia, Victorian expenditure on gaming machines as a proportion of total gambling expenditure is slightly less than Australia as a whole.

There has clearly been changes and expenditure switching between the modes of gambling/gaming over this period away from the more irregular or weekly types of wagering, betting and gambling to potentially the more continuous forms of gambling.

Table A.4: Gambling expenditure dollar value real^(a), Victoria (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	-	-	657.4	672.1	-
1987/88	-	-	686.8	690.4	-
1988/89	-	-	675.0	701.3	-
1989/90	-	-	748.0	695.9	-
1990/91	-	15.2	764.5	679.1	-
1991/92	-	54.4	782.8	676.8	-
1992/93	-	423.3	734.4	686.8	-
1993/94	-	1,106.9	683.1	666.3	-
1994/95	564.4	1,432.4	688.9	646.4	3.6
1995/96	742.7	1,885.5	570.2	647.5	5.6
1996/97	864.1	2,172.8	440.5	631.7	5.3
1997/98	1,107.9	2,554.2	456.8	643.8	9.2
1998/99	1,064.7	2,882.3	471.6	670.8	9.2
1999/00	1,187.1	3,127.6	464.0	660.6	11.0
2000/01	1,285.0	3,214.7	460.8	684.1	20.0
2001/02	1,203.7	3,385.6	450.2	696.0	32.5
2002/03	1,220.2	2,992.7	477.6	707.4	33.1
2003/04	1,206.2	2,867.3	480.9	720.7	45.3
2004/05	1,126.6	2,925.5	469.0	741.4	29.4
2005/06	1,217.0	2,929.4	468.8	723.0	34.7
2006/07	1,222.6	2,926.5	474.8	747.1	41.4
2007/08	1,226.5	2,908.1	481.6	725.3	44.3
2008/09	1,315.6	2,923.6	481.9	741.8	51.9
2009/10	1,392.5	2,739.6	466.9	714.7	87.7
2010/11	1,381.2	2,713.8	441.3	673.6	95.6
2011/12	1,528.0	2,681.5	486.6	637.7	128.4

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Table A.5: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Victoria (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	0.0	0.0	49.4	50.6	0.0
1991/92	0.0	3.6	51.7	44.7	0.0
1996/97	14.2	57.3	11.6	16.7	0.1
2001/02	20.9	58.7	7.8	12.1	0.6
2006/07	22.6	54.1	8.8	13.8	0.8
2011/12	28.0	49.1	8.9	11.7	2.4

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

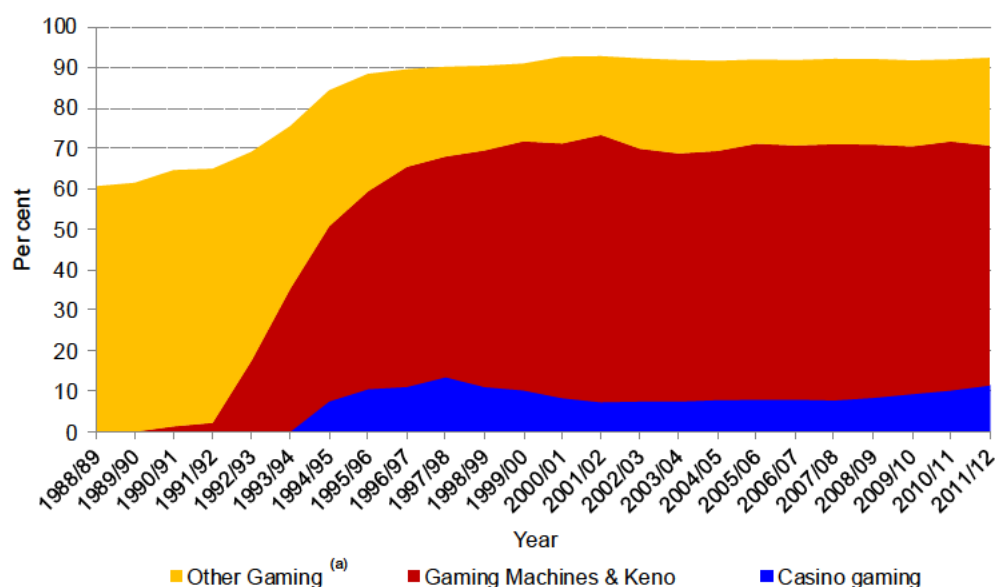
This has been relatively sustained over time and is reflected in the growth rates of each activity with the compound average growth rate since 1994/95 being:

- casino 6.0 per cent;
- electronic gaming machines 3.8 per cent;
- other gaming -2.0 per cent;
- racing -0.1 per cent; and
- sports betting 23.4 per cent.

Government revenue from gambling

Following the introduction of gaming machines and casino gaming the Victorian Government has seen a structural change in gambling tax revenue as is well illustrated in Figure A.9.

Figure A.9: Proportion of state government gambling revenue from gaming, Victoria (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

The total tax revenue from gambling activities in Victorian in 2011/12 was \$1.71 billion.

In 2011/12, the Victorian Government received \$195.3 million in tax revenue from the Crown Melbourne casino (11.4 per cent), \$1.01 billion from the gaming machine industry (59.3 per cent), \$370.4 million from other gaming (21.7 per cent) and \$131.1 million from racing and sports betting (7.7 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- 4.0 per cent growth rate for government revenue from the casino;
- -1.6 per cent growth rate for government revenue from gaming machines and Keno;
- 0.5 per cent growth rate for government revenue from other gaming; and
- 0.0 per cent growth rate for government revenue from racing and sports betting.

From a zero base revenue from electronic gaming machines now represents 59.3 per cent of gambling tax revenue, other gaming has dramatically declined from around 60 per cent to be 21.7 per cent of gambling tax revenue and the casino represents 11.4 per cent of gambling tax revenue.

Gaming machines

The peak in gaming machine expenditure quickly followed their introduction taking several years to return to moderate but consistent growth thereafter. The industry has been subject to a number of policy interventions particularly designed to assist problem gamblers and several more system wide initiatives are planned (e.g. voluntary system of pre-commitment for players). The gaming industry in hotels and clubs has maintained an average growth rate of 3.8 per cent 1994/95 around the time the casino was established.

Figure A.10: Change in gaming machine expenditure real^(a) Victoria, machines outside of casino only (per cent)



Note: (a) Base year is 2011/12.

Source: OESR (2014).

Table A.6: Electronic gaming machines in clubs, hotels and Crown Melbourne, Victoria, operating at 30 June 2012 (number)

	Casino	Clubs	Hotels	Total machines
2001/02	2,500	13,671	13,729	29,900
2002/03	2,500	13,556	13,704	29,760
2003/04	2,500	13,474	13,658	29,632
2004/05	2,500	13,397	13,727	29,624
2005/06	2,500	13,490	13,657	29,647
2006/07	2,500	13,594	13,685	29,779
2007/08	2,500	13,465	13,332	29,297
2008/09	2,500	13,434	13,338	29,272
2009/10	2,489	12,988	13,565	29,042
2010/11	2,500	12,895	13,663	29,058
2011/12	2,500	12,689	13,187	28,376

Source: OESR (2014).

The allocation of machines to the casino and between hotels and clubs has remained at the original allocation and has been the most stable allocation of all States/Territories. There has been some inter-regional re-allocation following the introduction of regional caps but the share across the casino, clubs and hotels has been unchanged.

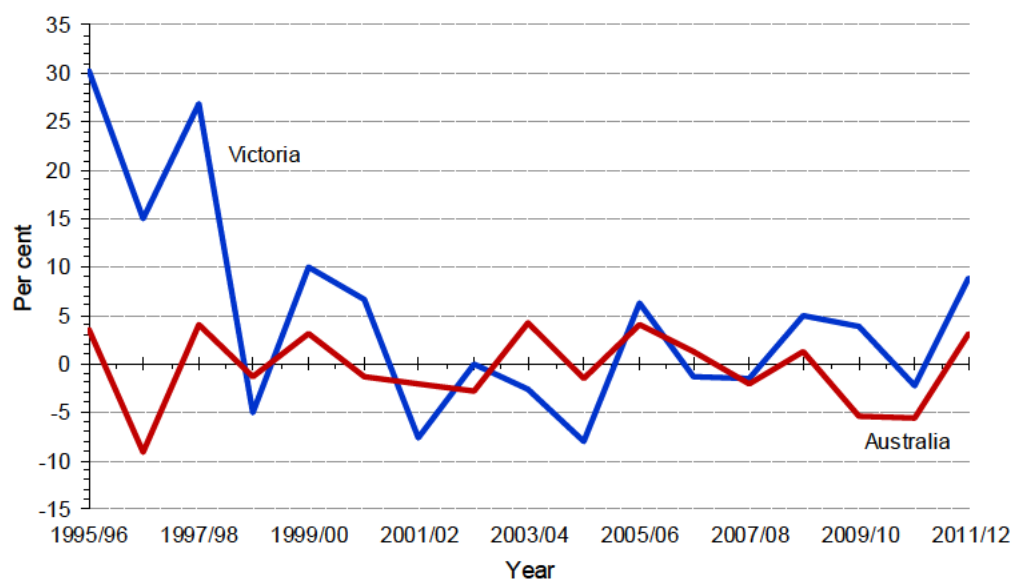
Gaming on an individual level

Following the opening of Crown Melbourne at the temporary site and subsequently the permanent site, growth in per capita expenditure has been relatively subdued. Gaming expenditure as a percentage of household disposable income in Victoria is 2.11 per cent (higher than all but New South Wales at 2.17 per cent) with the breakdown as follows:

- casino 0.69 per cent;
- gaming machines 1.21 per cent; and
- other gaming 0.22 per cent.

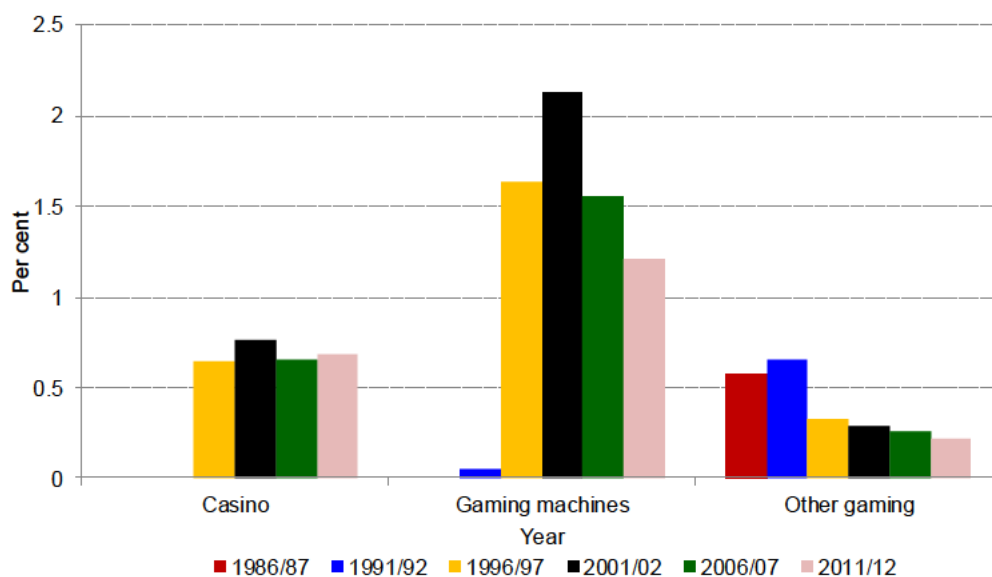
Household disposable income allocated to the casino has been relatively stable as shown in Figure A.12 with a decline over time most pronounced with regard to electronic gaming machines and a consistent but smaller decline in other gaming activities.

Figure A.11: Change in per capita real casino expenditure^(a), Victoria and Australian Average (per cent)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

Figure A.12: Gaming expenditure as a proportion of household disposable income, Victoria (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

A.3 South Australia

Casino background information

The Casino Act (1983) led to the establishment of South Australia's sole casino commencing operations in 1985. In the early 1990s it was authorised to operate conventional electronic gaming machines and currently operates 995 gaming machines and has approval for 95 table games.

Compared to the Australian average of 8.6:1 gaming machines to gaming tables, the Adelaide Casino's gaming machine to table ratio is 10.5:1. Adelaide Casino is one of only two casinos in Australia that does not offer accommodation.

Venue	Adelaide Casino
Opened	1985
Expenditures (2011/12)	\$147.3 million
Government Tax Revenue (2011/12)	\$23.3 million
Gaming machines operating ^(a)	995
Gaming tables operating	95 (permitted to operate 90 tables)
Number of gaming machines per table game	10.5
Percentage of EGMs in casino (per State)	7.2
Other Facilities	Restaurants, Bars, TAB, Sportsbet

Note: (a) Not included are 40 multi-terminal gaming machines.

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://www.adelaidecasino.com.au/>

Real casino gaming expenditure at the Adelaide Casino peaked at \$189.3 million in 1993/94 before declining to \$131.8 million in 1994/95 (see Figure A.13) following the introduction of gaming machines into hotels and clubs in 1994. Prior to this Adelaide Casino had held a monopoly on gaming machines to 1994.

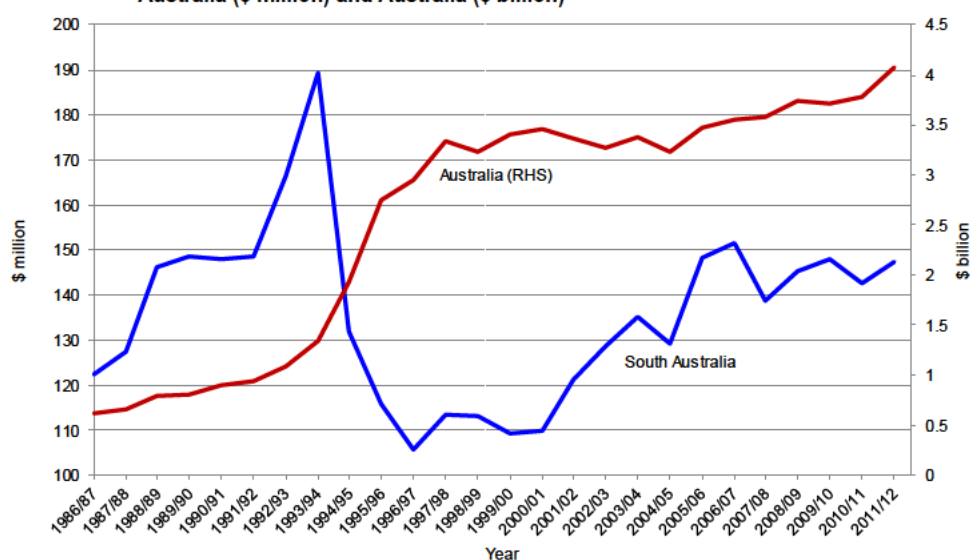
Figure A.13 and Table A.7 confirm the benefit to the casino of a monopoly on gaming machines in this period, some switching from other gaming expenditure and then the impact on gambling expenditure after gaming machines were permitted in hotels and clubs. The Adelaide Casino lost more than one-third of revenue in 1994/95 as expenditure on gaming machines took off and continued to grow strongly.

From the baseline of 1994/95 the percentage change in gaming expenditure has been:

- casino: 11.8 per cent;
- electronic gaming machines: 153.9 per cent;
- other gaming: 0.4 per cent;
- racing: -14.1 per cent; and
- sports betting: 1,025 per cent (of a low starting base).

Figure A.13 shows the substantial decline in real casino expenditure that occurred in 1994/95 following hotels and clubs gaining access to gaming machines, but unlike other States real casino expenditure has not returned to anywhere near its previous peak level.

Figure A.13: Real casino gambling expenditure South Australia and Australia 1995/96-2011/12^(a), South Australia (\$ million) and Australia (\$ billion)

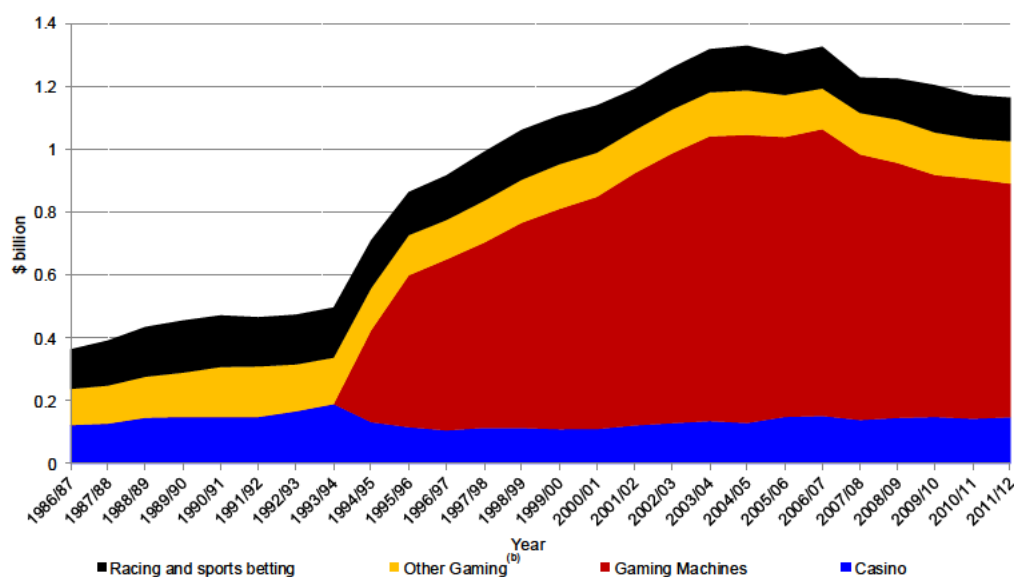


Note: (a) Base year is 2011/12.
Source: OESR (2014).

Gambling industry

From Figure A.14, the impact on gambling expenditure following the introduction of gaming machines into hotels and clubs is clearly discernible. The respective growth rates since 1994/95 have been:

- casino: 0.7 per cent;
- electronic gaming machines: 5.6 per cent;
- other gaming: 0.0 per cent;
- racing: -0.9 per cent; and
- sports betting: 15.3 per cent.

Figure A.14: Gambling expenditure real^(a), South Australia (\$ billion)

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

The contrast between New South Wales, Victoria and South Australia from a comparative baseline of 1994/95 – each with a single casino – in competition with other gambling sectors and in competition for ‘high rollers’ is summarised as:

- growth rate (per cent): The Star (New South Wales) 5.2, Crown Melbourne 6.0, Adelaide Casino 0.7;
- EGM expenditure growth rate (per cent): New South Wales 2.3, Victoria 3.8, South Australia 5.6.

Gaming machines are responsible for approximately two-thirds of total gambling expenditure in South Australia. This figure is higher than for the average for Australia at 53.2 per cent, however, it is not the highest in Australia. Prior to the introduction of gaming machines (see 1991/92), the casino, racing and other forms of gaming shared gambling expenditure almost equally (see Table A.8).

Table A.7: Gambling expenditure dollar value real^(a), South Australia (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	122.4	-	114.7	126.1	-
1987/88	127.3	-	120.9	143.2	-
1988/89	146.0	-	130.3	158.3	-
1989/90	148.6	-	140.7	165.9	-
1990/91	147.8	-	159.4	164.2	-
1991/92	148.4	-	160.5	156.6	-
1992/93	166.5	-	148.8	158.3	-
1993/94	189.3	-	147.6	159.5	-
1994/95	131.8	292.5	134.1	151.4	0.8
1995/96	115.8	482.9	127.7	136.2	0.8
1996/97	105.5	543.7	125.3	141.0	0.8
1997/98	113.4	589.0	133.1	154.5	1.2
1998/99	113.1	652.6	136.9	157.4	1.0
1999/00	109.3	700.3	142.1	153.5	1.1
2000/01	109.7	738.4	140.3	149.5	0.9
2001/02	121.2	801.6	136.9	130.9	0.1
2002/03	128.4	857.8	139.6	130.7	2.0
2003/04	135.1	905.6	139.9	133.9	3.4
2004/05	129.2	916.0	141.6	139.8	2.4
2005/06	148.3	889.8	133.8	125.5	3.5
2006/07	151.4	912.1	129.1	128.5	4.5
2007/08	138.5	844.6	131.8	108.1	4.7
2008/09	145.3	810.6	137.7	124.9	5.9
2009/10	148.1	769.4	135.1	142.8	8.0
2010/11	142.6	763.0	127.4	130.9	8.1
2011/12	147.3	742.8	134.7	130.0	9.0

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Table A.8: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), South Australia, select years (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	33.7	0.0	31.6	34.7	0.0
1991/92	31.9	0.0	34.5	33.6	0.0
1996/97	40.0	40.3	9.3	10.4	0.1
2001/02	10.2	67.3	11.5	11.0	0.0
2006/07	11.4	68.8	9.7	9.7	0.3
2011/12	12.7	63.8	11.6	11.2	0.8

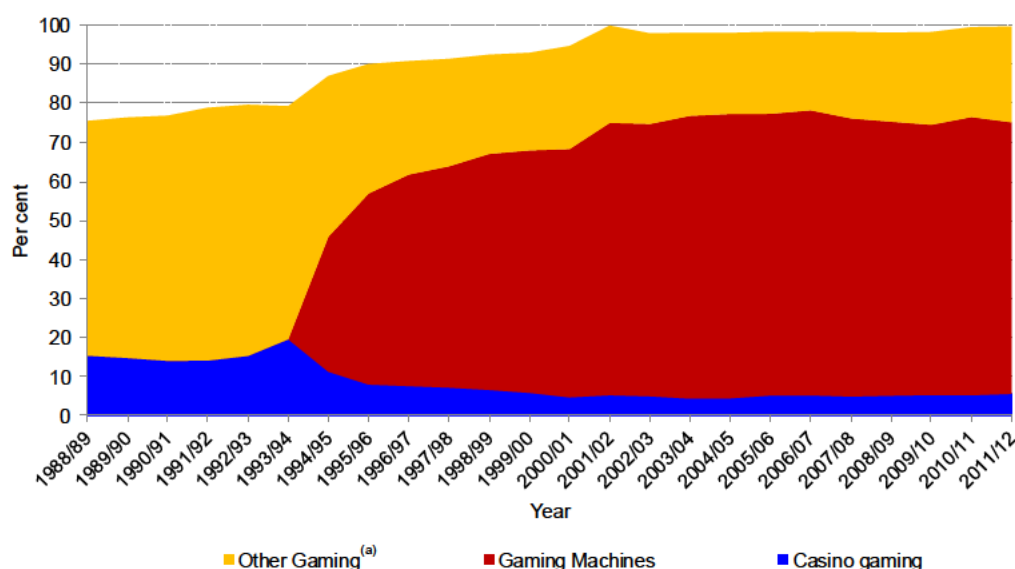
Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Government revenue from gambling

Since 1988/89, the proportion of government gambling revenue received from gaming has increased to the point where it is now close to 100 per cent of gambling revenue see Figure A.15. That is to say, the South Australian government receives very little revenue from racing and sports betting.

Figure A.15: Proportion of state government gambling revenue from gaming, South Australia (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Total tax revenue from gambling activities for the South Australian Government in 2011/12 was \$418.2 million. In 2011/12, the South Australian Government received \$23.3 million in tax revenue from Adelaide Casino (5.6 per cent), \$291.0 million from the gaming machine industry (69.6 per cent), \$102.7 million from other gaming (24.6 per cent) and \$1.3 million from racing and sports betting (0.3 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

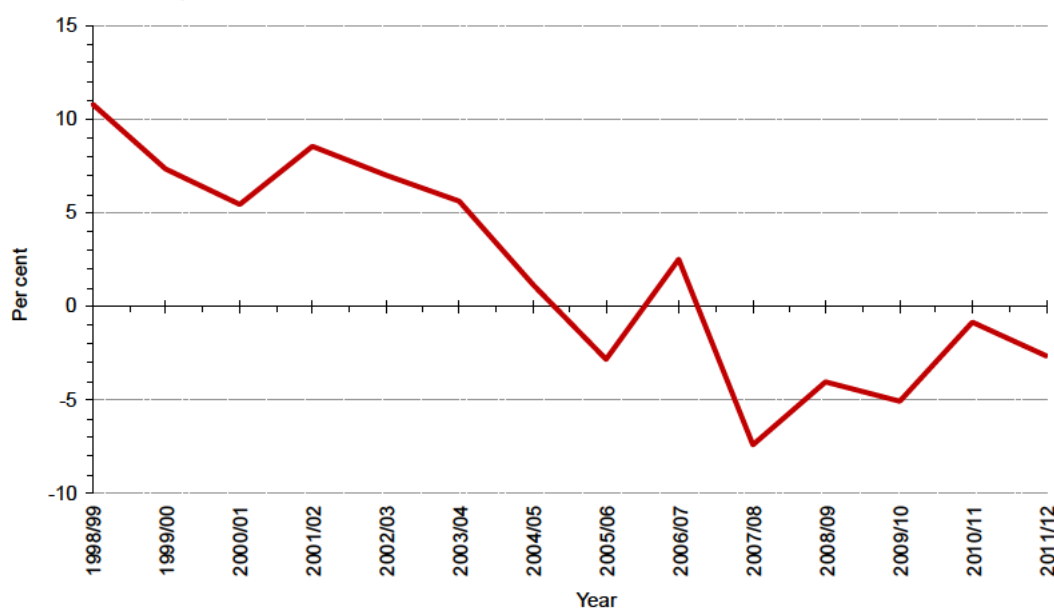
- 1.0 per cent growth rate for government revenue from the casino;
- 0.3 per cent growth rate for government revenue from gaming machines;
- 0.2 per cent growth rate for government revenue from other gaming; and
- 12.2 per cent growth rate for government revenue from racing and sports betting.

Gaming machines

In recent years, gaming machine expenditure has declined in real terms – see Figure A.16. The industry appears to have plateaued in terms of consumer demand¹⁰⁷ rather than, for example, been impacted by the decision to reduce the total number of gaming machines. The reduction in the number of machines through a market auction system is proceeding very slowly.

¹⁰⁷ Prevalence studies confirm the participation rate of gambling by EGM play continues to decrease overall.

Figure A.16: Change in gaming machine expenditure^(a), South Australia, machines outside of casino only (per cent)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

Table A.9: Electronic gaming machines in clubs, hotels and Adelaide Casino, South Australia, operating at 30 June 2012 (number)

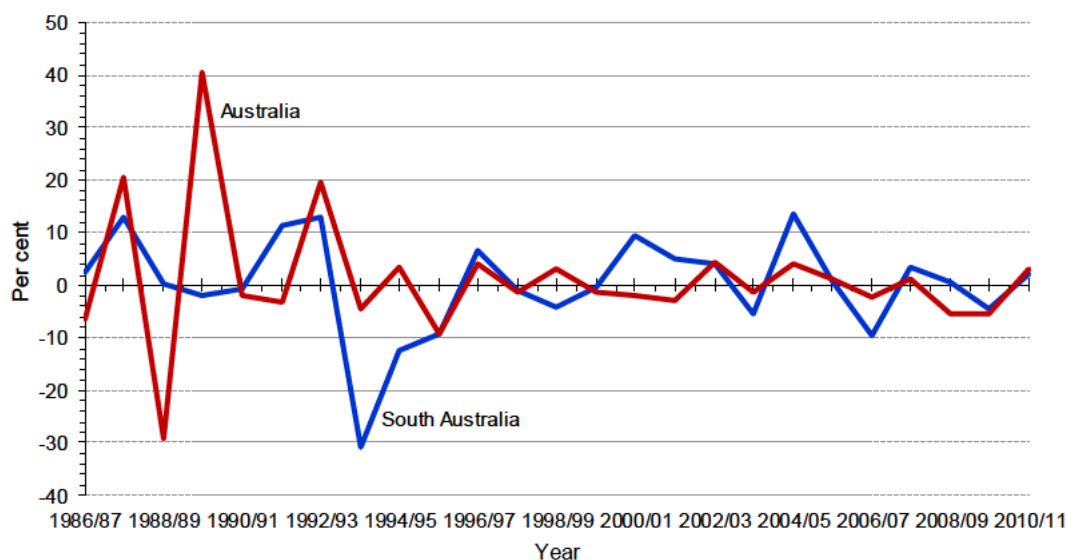
	Casino	Clubs	Hotels	Total machines
2001/02	828	1,684	12,918	15,430
2002/03	899	1,757	13,084	15,740
2003/04	825	1,724	13,075	15,624
2004/05	939	1,699	12,363	15,001
2005/06	983	1,595	11,003	13,581
2006/07	979	1,603	10,978	13,560
2007/08	947	1,574	11,108	13,629
2008/09	983	1,558	11,179	13,720
2009/10	960	1,993	10,751	13,704
2010/11	985	1,962	10,764	13,711
2011/12	970	1,944	10,744	13,658

Source: OESR (2014).

Gambling on an individual level

The growth in per capita casino expenditure has been quite erratic in both Australia and South Australia (Figure A.17). State differences and economic circumstances sometimes “show-up” in the data such as for South Australia in the period 1993-1995 following the State Bank crisis where real capital expenditure significantly declined but then relatively reversed the downward trend as gaming machines were introduced into hotels and clubs.

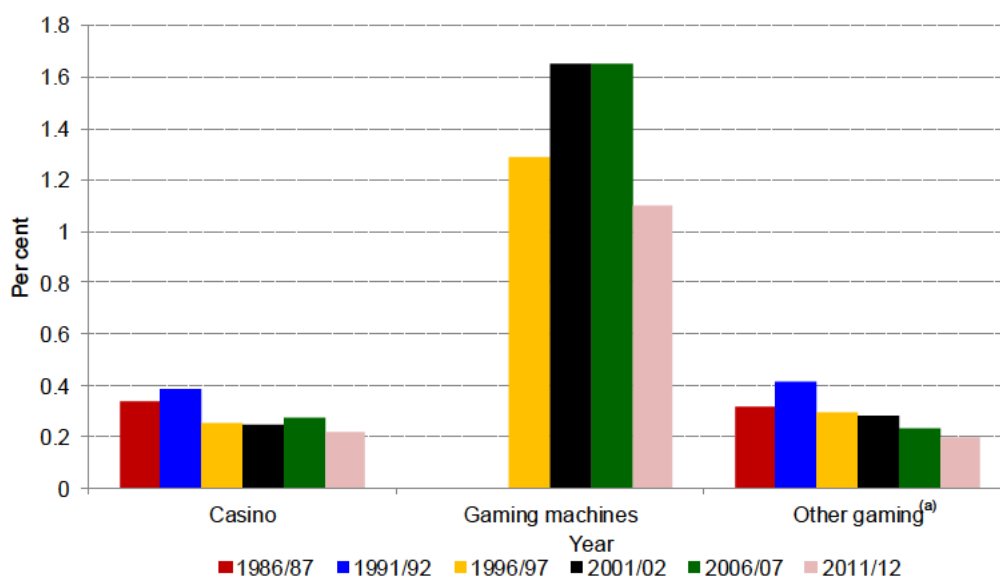
Figure A.17: Change in per capita real casino expenditure^(a), South Australian and Australian average (per cent)



Note: Base year is 2011/12.
Source: OESR (2014).

Expenditure on casino gaming and other forms of gaming in South Australia represent a small proportions of household disposable income in comparison with gaming machines. South Australia's reported gaming expenditure as a proportion of household disposable income was 1.52 per cent with expenditure at the casino 0.22 per cent (the lowest of all State/Territories bar the ACT), 0.20 per cent on other gaming and 1.1 per cent on electronic gaming machines, the last which is only slightly above the national average.

Figure A.18: Gaming expenditure as a proportion of household disposable income, South Australia (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

A.4 Queensland

Casinos background information

There are currently four casinos operating in Queensland, 'Jupiters Hotel and Casino Gold Coast', 'Jupiters Townsville', 'Treasury Casino and Hotel Brisbane' and 'Reef Casino' in Cairns. Two of the casinos (Jupiters Hotel and Casino Gold Coast and Jupiters Townsville) opened in the mid-1980s; the other two casinos opened in the mid-1990s. All four of the casinos in Queensland exceed the Australian average of the number of gaming machines to the number of table games (8.6:1) as shown for each casino below.

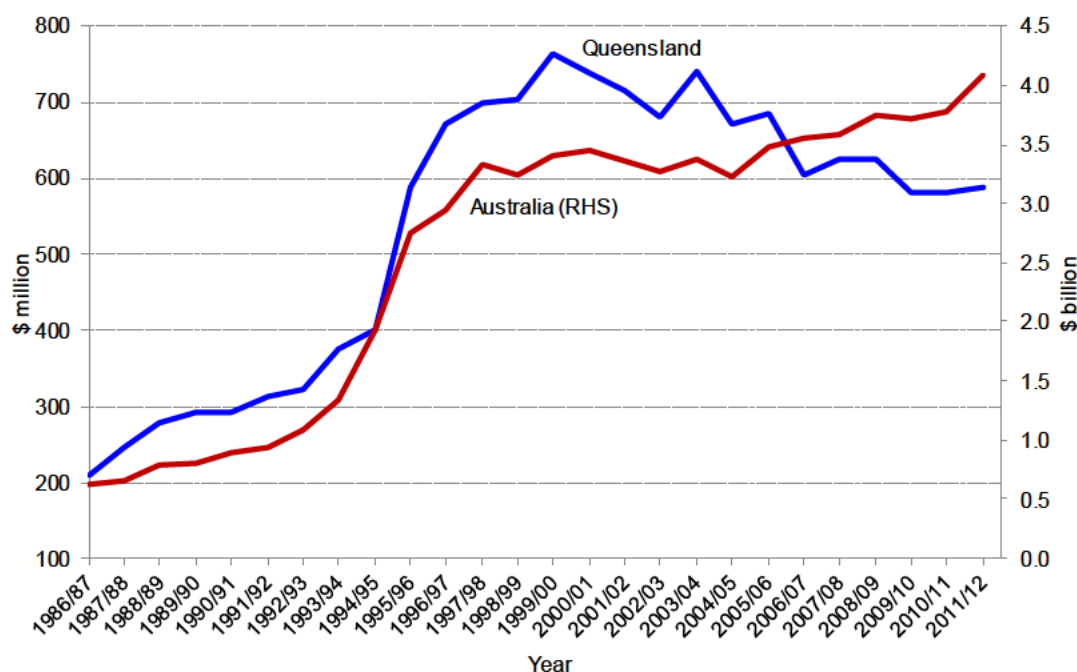
Venue	Jupiters Hotel and Casino Gold Coast	Jupiters Townsville	Treasury Casino and Hotel Brisbane	Reef Casino
Opened	1985	1986	1995	1996
Expenditures (2011/12)	\$588.4 million			
Government Tax Revenue (2011/12)	\$85.1 million			
Gaming machines operating ^(a)	1,486	352	1,385	499
Gaming tables operating	91	26	95	38
Number of gaming machines per table game	16.3	13.5	14.6	13.1
Percentage of EGMs in casinos combined (per State)	7.9	7.9	7.9	7.9
Other Facilities	Hotel (592 rooms), Restaurants, Bars, Theatre	Shows, Restaurants, Bars, Hotel (194 rooms and suites), Function rooms.	Restaurants, Bars, Hotel (128 rooms), Function rooms	Hotel (128 rooms), Conference and event rooms, Restaurants, Bars, Cairns Zoom and Wildlife Zone

Note: (a) Not included are 39, 20, 34 and 20 multi-terminal gaming machines respectively in each casino.
Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://www.treasurybrisbane.com.au/Pages/default.aspx>; <http://www.jupitertownsville.com.au/Pages/default.aspx>; <http://www.jupitersgoldcoast.com.au/Pages/default.aspx>; <http://www.reefcasino.com.au/>.

Real casino gaming expenditure at casinos in Queensland totalled \$588.4 million in 2011/12, which is significantly below the peak of \$764.7 million in 1999/2000 – see Figure A.19.

A potential explanation for this would appear to be a “novelty effect” where casino expenditure increases reasonably quickly post-opening of a new facility, which may include a contribution from international high rollers, but then returns to a more normal pattern. Queensland has had four casino openings boosting gambling expenditure soon thereafter but then returning to a normal growth path. Queensland also has more than 40,000 electronic gaming machines in clubs and hotels increasing over time and exhibiting strong growth in gaming expenditure. In short, Queensland casinos have strong competitors.

Figure A.19: Real casino gambling expenditure Queensland and Australia 1995/96-2011/12^(a), Queensland (\$ million) and Australia (\$ billion)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

While the opening of the Treasury Casino and the Reef Casino explain the sudden jump in real casino expenditure growth in 1996/97 in the 16 years from 1995/96 the percentage change in revenue to casinos has been 0.1 per cent with a compound average growth rate of effectively zero. That is to say, the combined dollar value of casino gambling expenditure in 2011/12 at \$588.4 million was the same dollar figure in 1995/96 (see Table A.10).

Gambling industry

In the previous sixteen years to 2011/12 the performance of sectors of the gambling industry in Queensland is summarised below:

percentage change

- casino: 0.1 per cent;
- electronic gaming machines: 185.8 per cent;
- other gaming: 7.7 per cent;
- racing declined: -10.3 per cent;
- sports betting: 1,754.5 per cent (of a low base).

compound average growth rate

- casinos: zero;
- electronic gaming machines: 6.8 per cent;
- other gaming: 0.5 per cent;
- racing: -0.7 per cent;
- sports betting: 20.0 per cent.

Table A.10: Gambling expenditure dollar value real^(a), Queensland (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	208.7	-	234.9	348.8	-
1987/88	246.4	-	243.7	365.2	-
1988/89	277.9	-	271.3	384.1	-
1989/90	291.4	-	310.0	377.7	-
1990/91	292.1	-	518.5	378.5	-
1991/92	312.5	46.9	546.1	395.2	-
1992/93	322.6	397.0	513.3	399.6	-
1993/94	374.7	551.7	539.6	419.0	-
1994/95	400.3	617.1	543.8	410.6	-
1995/96	588.0	681.6	524.1	396.8	1.1
1996/97	672.2	774.6	509.9	393.6	1.2
1997/98	699.0	898.9	637.7	393.0	0.9
1998/99	703.2	1,117.1	716.7	400.7	1.2
1999/00	764.7	1,255.5	524.3	361.6	3.2
2000/01	737.8	1,377.7	494.8	332.9	3.0
2001/02	714.8	1,491.9	500.6	333.6	4.9
2002/03	679.5	1,638.0	513.1	341.9	5.0
2003/04	741.1	1,876.1	511.5	359.2	8.1
2004/05	671.7	2,050.7	527.2	371.9	8.3
2005/06	685.3	2,103.7	531.6	365.9	11.2
2006/07	605.1	1,929.4	539.1	378.2	14.0
2007/08	624.0	2,006.9	548.2	366.2	15.2
2008/09	626.1	2,009.3	577.6	384.3	14.3
2009/10	580.4	1,872.9	552.8	368.8	16.8
2010/11	582.1	1,912.3	529.7	356.2	19.2
2011/12	588.4	1,948.1	564.7	355.9	20.4

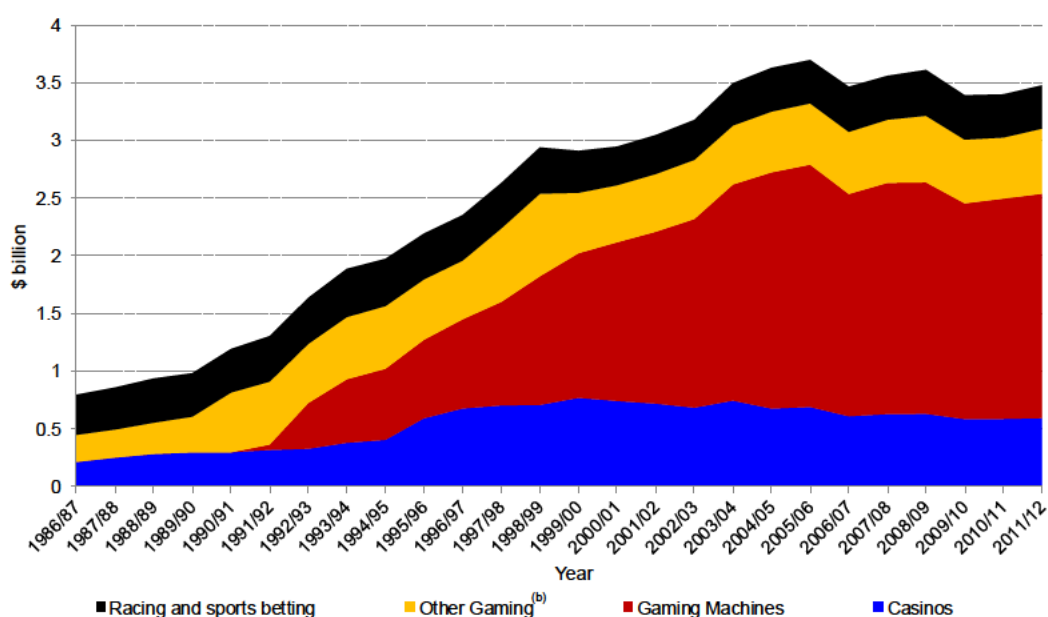
Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Casinos share of gambling expenditure has risen in the two periods when these newly established businesses commenced operation, but overall has declined since 1986/87 from 26.3 per cent to 17.1 per cent of total gambling expenditure.

Following the patterns in other States it is racing and other gaming that have lost market share to both casinos and gaming machines in hotels and clubs.

Figure A.20: Gambling expenditure real^(a), Queensland (\$ billion)

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Table A.11: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Queensland (per cent)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	26.3	0.0	29.6	44.0	0.0
1991/92	24.0	3.6	42.0	30.4	0.0
1996/97	28.6	32.9	21.7	16.7	0.1
2001/02	23.5	49.0	16.4	11.0	0.2
2006/07	17.5	55.7	15.6	10.9	0.4
2011/12	16.9	56.0	16.2	10.2	0.6

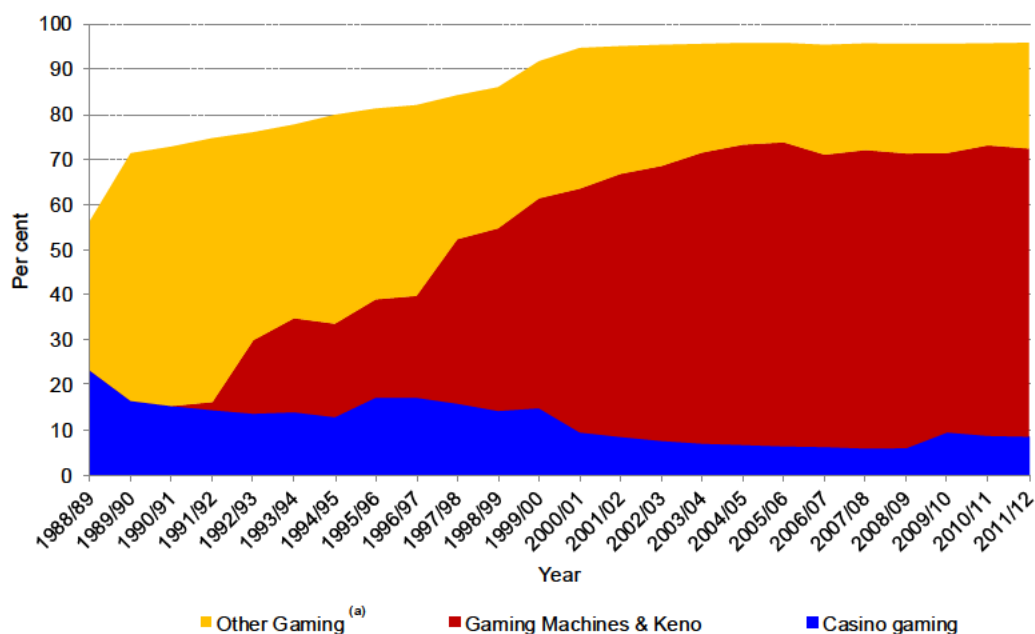
Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Government revenue from gambling

The proportion of Queensland government gambling taxation revenue from casinos has fallen since 2000/01 (see Figure A.21) only partly explained by the continued and gradual introduction of electronic gaming machines.

The casinos contribute 8.5 per cent of gambling taxation revenues, electronic gaming machines 64.0 per cent and other gaming 23.5 per cent. Keno is counted in the total EGM taxation revenue.

Figure A.21: Proportion of state government gambling revenue from gaming, Queensland (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Total tax revenue from gambling activities for the Queensland Government in 2011/12 was \$1.0 billion. In 2011/12, the Queensland Government received \$85.1 million in tax revenue from the four casinos (8.5 per cent), \$642.2 million from the gaming machine and keno industry (64.0 per cent), \$235.7 million from other gaming (23.5 per cent) and \$41.0 million from racing and sports betting (4.1 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- 3.1 per cent growth rate for government revenue from the casino;
- 4.0 per cent growth rate for government revenue from gaming machines and Keno;
- 1.1 per cent growth rate for government revenue from other gaming; and
- 1.3 per cent growth rate for government revenue from racing and sports betting.

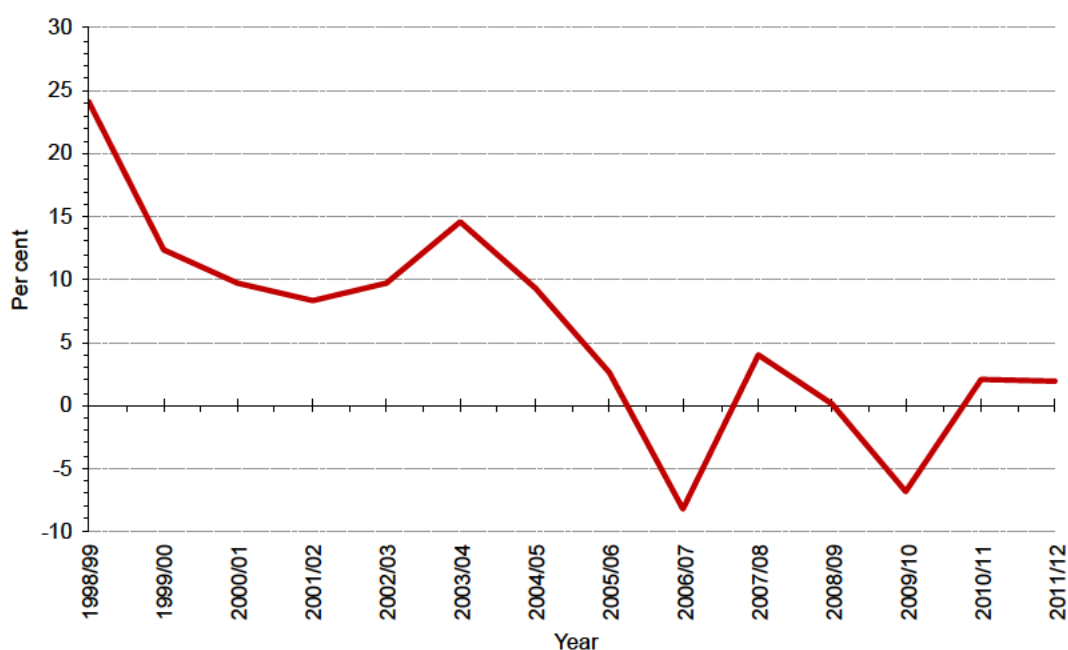
Gaming machines

Over the decade to 2011/12 the number of electronic gaming machines grew by 16.1 per cent from 39,761 to 46,152 with the largest increase for clubs (21.8 per cent), hotels (11 per cent) and the casinos (5.9 per cent). The data for the period is shown in Table A.12.

Table A.12: Electronic gaming machines in clubs, hotels and casinos, operating 30 June 2012 (number)

	Casino	Clubs	Hotels	Total machines
2001/02	3,468	19,280	17,013	39,761
2002/03	3,487	19,911	17,522	40,920
2003/04	3,570	20,441	17,813	41,824
2004/05	3,656	21,102	18,832	43,590
2005/06	3,601	22,024	18,556	44,181
2006/07	3,580	22,788	18,610	44,978
2007/08	3,461	22,901	18,754	45,116
2008/09	3,603	23,061	18,714	45,378
2009/10	3,622	23,332	18,894	45,848
2010/11	3,610	23,399	18,748	45,757
2011/12	3,692	23,479	18,981	46,152

Source: OESR (2014).

Figure A.22: Change in gaming machine expenditure^(a), machines outside of casino only, Queensland (per cent)

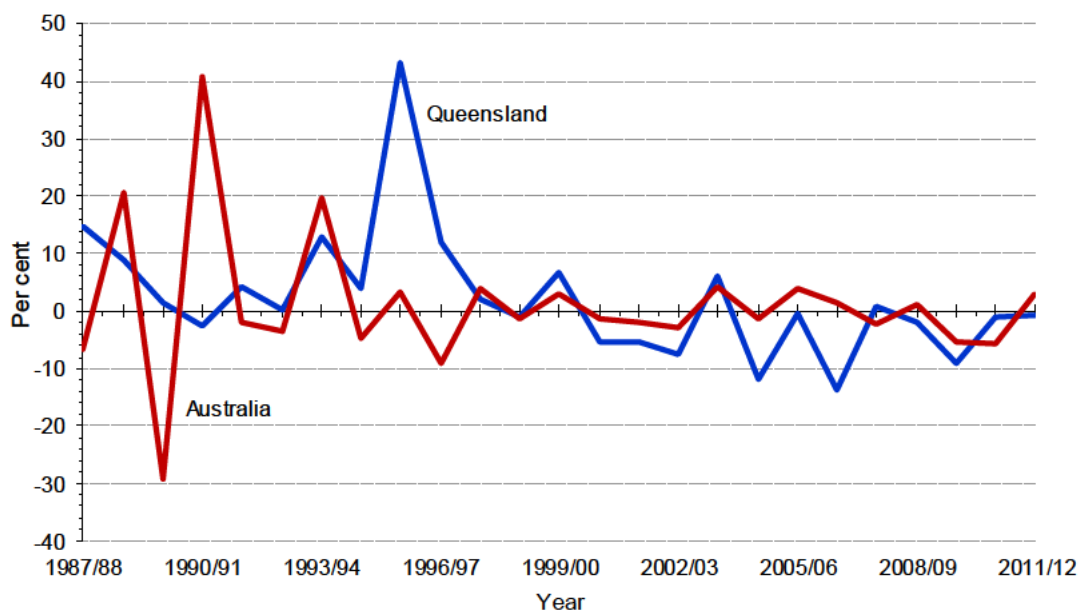
Note: (a) Base year is 2011/12.
Source: OESR (2014).

While total machine numbers increased in this time period by 16.1 per cent, gaming machine expenditure grew at an annual compound growth rate of only 3.5 per cent. In the sixteen years to 2011/12 gaming machine expenditure was almost twice this rate at 6.8 per cent which suggests some slowdown or an industry moving to a state of maturity.

Gaming on an individual level

Consistent with the slower growth rate in recent times in the hotel/clubs sector per capita casino gaming expenditure has also declined in the last decade (Figure A.23).

Figure A.23: Change in per capita real casino expenditure^(a), Queensland and Australian average (per cent)



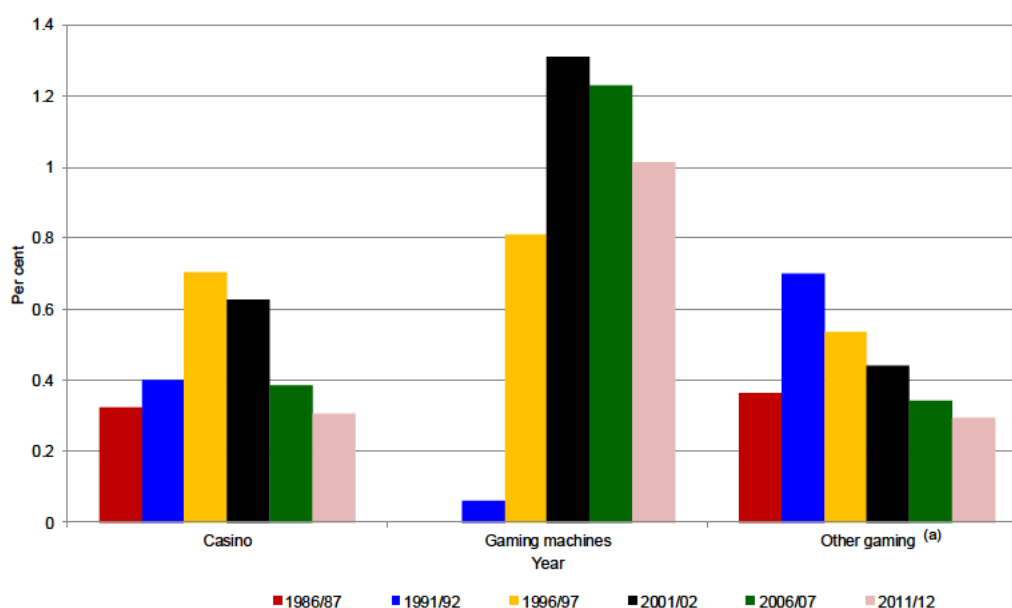
Note: Base year is 2011/12.

Source: OESR (2014).

Gaming expenditure as a percentage of household disposable income in Queensland is 1.62 per cent, slightly above the all States/Territories average of 1.5 per cent, with casino expenditure as a proportion of HDI at 0.31 (national average 0.45 per cent) and expenditure on EGMs at 1.0 per cent.

Overall, the proportion of household disposable income spent on gaming at the casinos in Queensland and gaming machines and other gaming has declined from a high of approximately 2.3 per cent to 1.6 per cent of HDI (see Figure A.24).

Figure A.24: Gaming expenditure as a proportion of household disposable income, Queensland (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

A.5 Western Australia

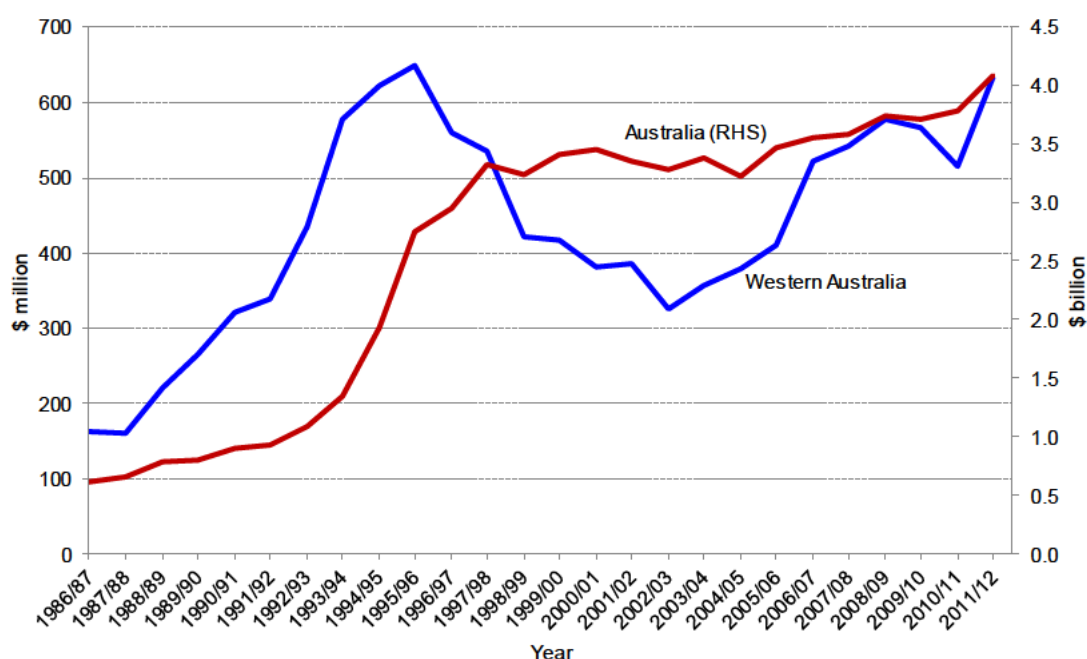
Casino background information

Crown Perth is currently the only casino operating in Western Australia. Gaming machines are not permitted outside of the casino in Western Australia, therefore expenditure on gaming machines is counted in the casino expenditure figures. The number of gaming machines to each gaming table in Crown Perth is 9:1 close to the Australian average of 8.6:1.

Venue	Crown Perth
Opened	1985
Expenditures (2011/12)	\$634.2 million
Government Tax Revenue (2011/12)	\$106.4 million
Gaming machines operating ^(a)	2,000
Gaming tables operating	220
Number of gaming machines per table game	9.1:1
Percentage of EGMs in casino (per State)	100.0
Other Facilities	Hotel, Convention Centre

Note: (a) Not included are 50 multi-terminal gaming machines.
Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999);

Real casino gaming expenditure in Western Australia was \$634.2 million in 2011/12 just below the peak of \$649.9 million in 1995/96 (Figure A.25). Crown Perth was the third highest earning casino in Australia in 2011/12.

Figure A.25: Real casino gaming expenditure Western Australia and Australia 1986/87 – 2011/12^(a) (\$ million)

Note: (a) Base year is 2011/12.
Source: OESR (2014).

Crown Perth real casino expenditure grew at an annual average rate of 5.6 per cent over the twenty five years 1986/87 to 2011/12 second only to Crown Melbourne, which is also owned by James Packer.

Figure A.25 departs from the performance of other casinos (relative to the Australian average) with declining revenue commencing in 1995/96 through the decade to 2005/06. Similarly, the “pathway of expenditure” in Western Australia with respect to racing and other gaming is also different to that in other jurisdictions. Of course, the distinctive difference is that electronic gaming machines are not permitted in clubs and hotels so that the casino could be said to be a “true destination venue”.

With respect to the performance of the casino it is to be noted that PBL – the management and company vehicle of Mr Kerry Packer – purchased the casino in 2004. A purpose built hotel, reconfiguration of the casino to provide for high rollers, new facilities for the general public have combined to turnaround the casinos performance.

The casino and hotel complex – rebranded as Crown Perth and Crown Metropol Perth – has continued strong revenue performance commencing from the time of purchase by the late Kerry Packer in 2004.

It is reported that there are plans to construct a 500 room hotel at Burswood and that Crown Limited and the Western Australian Government are in negotiations to increase the number of gaming machines from 2,000 to 2,500 and table games from 220 to 350.¹⁰⁸

Table A.13 summarises the growth rate for selected periods for the casino, other gaming and racing and Figure A.26 shows the growth in each sector for each year to 2011/12.

¹⁰⁸ http://en.wikipedia.org/wiki/Crown_Perth

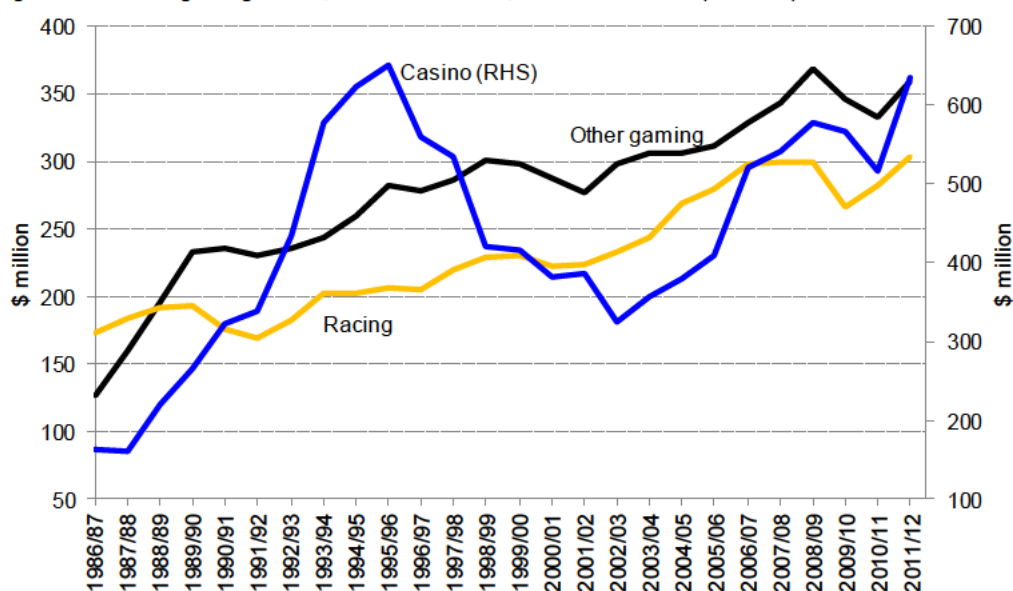
Table A.13: Growth rates for selected years, Western Australia (\$ million)

	Casino	Other Gaming	Racing
1986/87 – 1994/95	18.2	9.5	1.9
1995/96 – 2001/02	-6.6	0.9	1.5
2002/03 – 2008/09	10.1	3.6	4.2
2009/10 – 2011/12	5.9	1.8	6.7

Source: OESR (2014).

The long term 25 year growth rate for casino expenditure is 5.6 per cent (second only to Crown Melbourne) but there have been periods of very strong growth and decline in expenditure. The other distinctive feature in Western Australia is the annual growth rate (over 25 years) of other gaming at 4.3 per cent and racing at 2.3 per cent where in virtually all other jurisdictions there has been no growth or real decline in expenditure in these two sectors.

Figure A.26: Real gaming values, 1986/87 – 2011/12, Western Australia (\$ million)



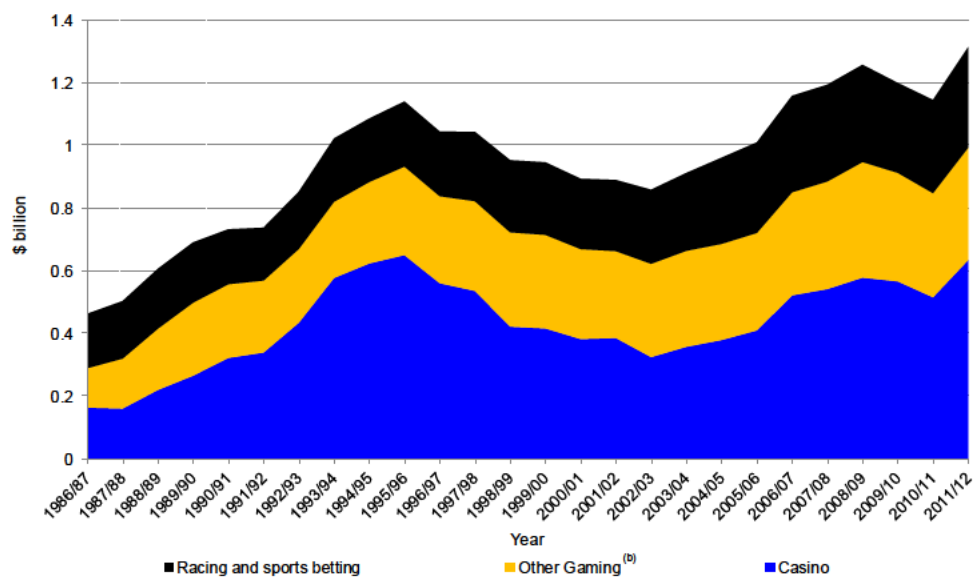
Source: OESR (2014).

Gambling industry

Western Australia has its own distinctive gambling industry including Lotterywest the agency responsible for lottery sales in Western Australia. Lotterywest is government owned with all profits returned to the community of Western Australia through the funding of community agencies.

The other interesting feature of the Western Australian gambling industry – confirmed in Figure A.27 – is that it exhibits a pattern of growth, slowdown, return to growth across the three major activities of casino, other gaming and racing. This suggests that it is domestic influences such as employment and employment prospects, consumer confidence, household incomes, domestic interest rates and related factors that mostly impact on discretionary expenditure on gambling products.

The proportion of gambling expenditure attributable to each form of gambling has remained relatively stable in Western Australia. This is in contrast to the rest of Australia. The main change in the gambling industry in Western Australia has been a decrease in the proportion of gambling revenue attributable to racing although it is still much higher than in other States (Table A.15).

Figure A.27: Gambling expenditure real^(a), Western Australia (\$ billion)

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Table A.14: Gambling expenditure dollar value real^(a), Western Australia (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	163.1	-	126.0	173.7	0.6
1987/88	160.0	-	159.5	183.7	0.7
1988/89	219.5	-	195.6	191.1	0.9
1989/90	265.0	-	233.1	192.4	1.3
1990/91	321.7	-	235.2	175.3	1.5
1991/92	338.9	-	229.6	168.9	1.8
1992/93	434.0	-	235.4	182.6	2.1
1993/94	576.8	-	243.2	202.2	3.2
1994/95	623.1	-	260.0	201.9	3.6
1995/96	649.9	-	282.6	206.9	5.3
1996/97	560.1	-	277.6	205.5	6.0
1997/98	535.6	-	286.3	220.0	8.9
1998/99	421.5	-	300.9	228.8	9.6
1999/00	415.8	-	298.6	229.8	9.7
2000/01	381.9	-	287.1	222.5	11.3
2001/02	385.3	-	277.2	223.9	20.3
2002/03	324.3	-	297.8	233.0	15.5
2003/04	357.2	-	306.4	243.2	17.0
2004/05	378.8	-	306.8	269.1	0.6
2005/06	409.4	-	311.1	280.1	0.7
2006/07	521.3	-	329.0	298.4	0.9
2007/08	541.4	-	343.3	299.0	1.3
2008/09	577.9	-	369.0	299.0	1.5
2009/10	565.9	-	346.5	266.5	1.8
2010/11	515.2	-	332.4	281.9	2.1
2011/12	634.2	-	358.8	303.4	3.2

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Crown Perth constitutes a larger percentage of total gambling expenditure than casinos in other jurisdictions given its monopoly status with respect to electronic gaming machines. For Australia as a whole, the proportion of gambling expenditure attributable to casinos is 14.0 per cent, whereas for Western Australia it is 45.0 per cent.

Table A.15: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Western Australia (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	35.2	0.0	27.2	37.5	0.0
1991/92	46.0	0.0	31.1	22.9	0.0
1996/97	52.7	0.0	27.1	20.1	0.1
2001/02	43.3	0.0	31.2	25.2	0.4
2006/07	45.0	0.0	28.4	25.8	0.8
2011/12	45.0	0.0	29.0	24.6	1.4

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Government revenue

The pattern of tax revenue to the Western Australian government, is again, quite different to other jurisdictions. The different sources of revenue for Western Australia relative to the Australian average are contrasted in Table A.16. Figure A.28 indicates the two principal sources are casino taxes and other gaming taxes.

Table A.16: A comparison of sources of revenue, Western Australia (per cent)

	Casino	EGMs ^(a)	Other Gaming
Western Australia	26.5	0.0	64.2
All Australian Average	14.0	49.2	30.2

Note: (a) Keno is classified with EGM revenue for New South Wales, Victoria, Tasmania and Queensland, otherwise it is included in "other gaming".
Source: SACES calculations.

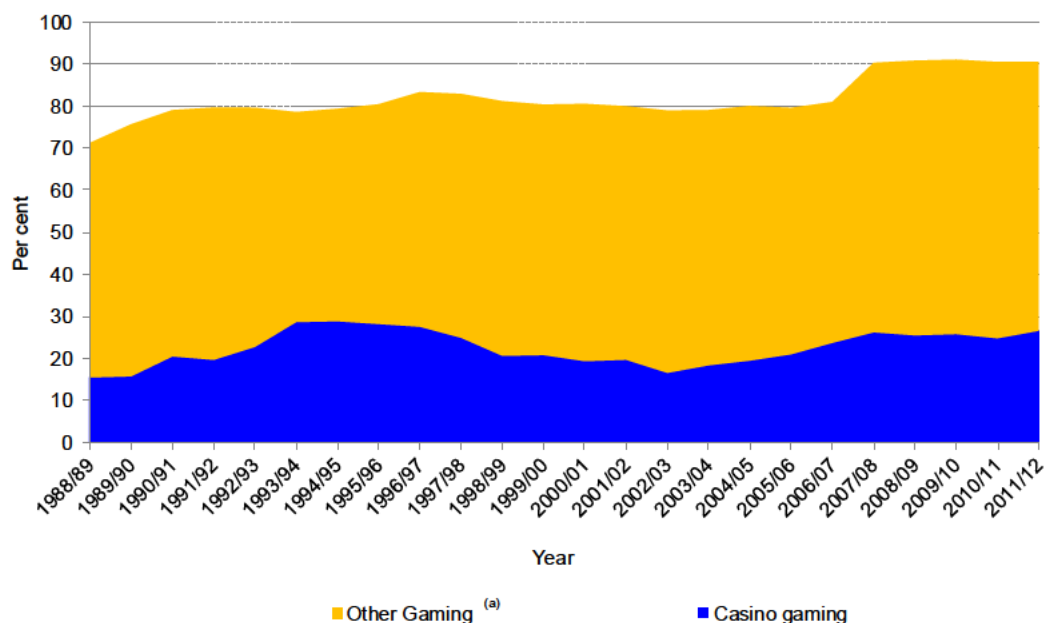
Casino taxes are higher, in part because of taxes imposed on the 2,000 gaming machines within the casino but there is also a greater reliance on tax revenue from lottery products.

Total tax revenue from gambling activities for the Western Australian Government in 2011/12 was \$401.7 million. In 2011/12, the Western Australian Government received \$106.4 million in tax revenue from Crown Perth casino (26.5 per cent), \$257.7 million from other gaming (64.1 per cent) and \$37.6 million from racing and sports betting (9.4 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- 6.3 per cent growth rate for government revenue from the casino;
- 3.7 per cent growth rate for government revenue from other gaming; and
- -4.4 per cent growth rate for government revenue from racing and sports betting.

Figure A.28: Proportion of state government gambling revenue from gaming, Western Australia (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Gaming machines

Gaming machines in Western Australia are only located at the casino. Over the decade to 2011/12 there has been an increase in the number of gaming machines at Crown Perth from 1,283 to 2,000 (see Table A.17).

The ratio of machines to table games is currently 9.1:1 and if as proposed machine numbers are increased (to 2,500) and table games (to 350) the ratio would be 7.1:1 which is well below the national average of 8.6:1.

Table A.17: Gaming machines in Crown Perth, operating 30 June 2012 (number)

Year	Number
2001/02	1,283
2002/03	1,286
2003/04	1,300
2004/05	1,500
2005/06	1,500
2006/07	1,750
2007/08	1,750
2008/09	1,750
2009/10	1,750
2010/11	2,000
2011/12	2,000

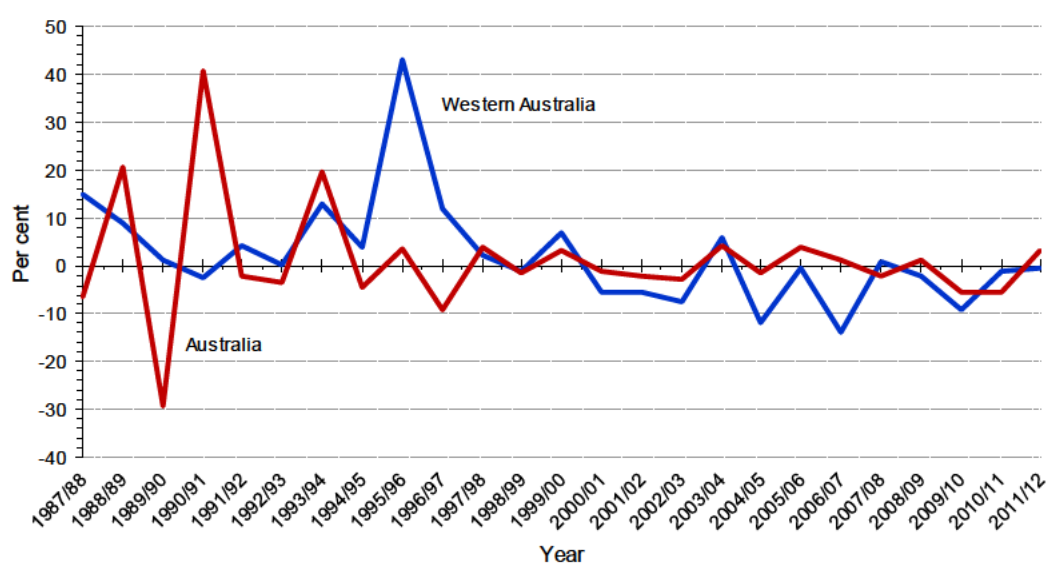
Gambling on an individual level

On a per capita basis expenditure at Crown Perth has been relatively stable in recent years similar to the trend for all casinos (Figure A.29).

Per capita expenditure in Western Australia again departs from that for Australia.

For example, the Australian average for total gaming expenditure as a percentage of household disposable income is 1.54 per cent, whereas in Western Australia it is almost half this figure at 0.87 per cent. The absence of EGMs in accessible community, suburban clubs and hotels is certainly responsible for this difference and the much lower prevalence rate of problem gambling.

Figure A.29: Change in per capita real casino expenditure^(a), Western Australian and Australian average (per cent)



Note: Base year is 2011/12.

Source: OESR (2014).

The Australian average for casino expenditure as a percentage of household disposable income is 0.45 per cent and in Western Australia it is 0.56 per cent (still less than Victoria at 0.69 per cent and Northern Territory at 0.91 per cent).

Expenditure in Western Australia on other gaming at 0.32 per cent of household disposable income is above the national average of 0.24 per cent.

A.6 Tasmania

Casinos background information

There are two casinos operating in Tasmania, 'Wrest Point Casino' in Hobart and 'Country Club Casino' in Launceston with a combined expenditure of \$106.1 million.

Compared to the Australian average of 8.6:1 gaming machines to gaming tables, the Country Club Casino's ratio is 29.1 to one and Wrest Point Casino's ratio is 24.1 to one. Casinos in Tasmania are very heavily reliant on revenue from gaming machines which of itself might be argued to challenge the claim that casinos are "destination venues" and magnets for tourism. International tourists and domestic

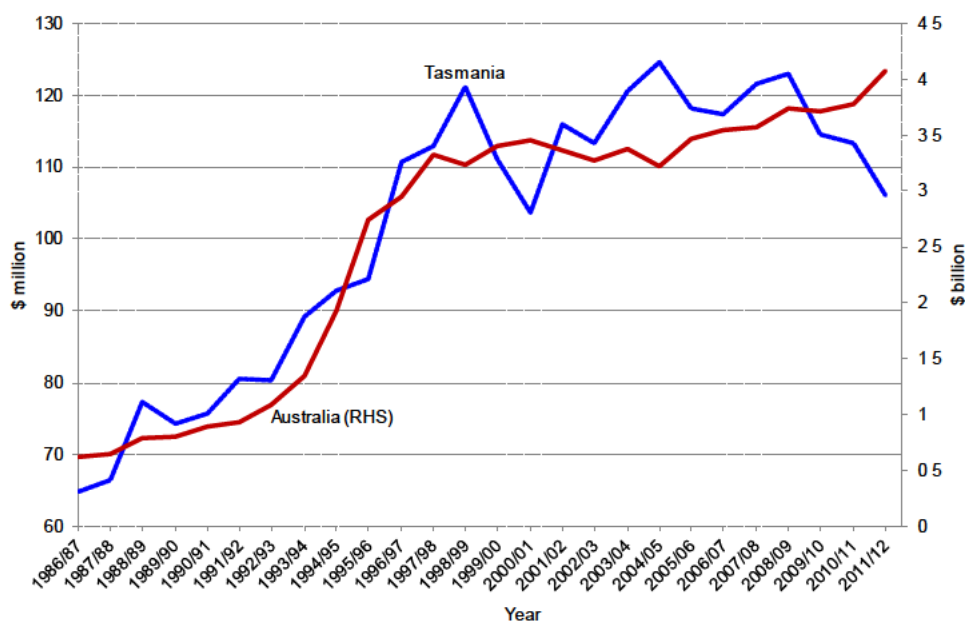
(interstate) tourists do not travel across States to play gaming machines, notwithstanding the obvious point that they may wish to visit a casino to access restaurants, entertainment and accommodation.

Venue	Country Club Casino	Wrest Point Casino
Opened	1982	1973
Expenditures (2011/12)	\$106.1 million	
Government Tax Revenue (2011/12)	\$23.5 million	
Gaming machines operating	523	650
Gaming tables operating	18	27
Number of Gaming machines per table game	29.1:1	24.1:1
Percentage of EGMs in casinos combined (per State) (2013)	32.8	32.8
Other Facilities	Accommodation, Entertainment, Restaurants, Bars, Conference and Event facilities, Golf Course	Accommodation, Entertainment, Restaurants, Bars, Conference and Event Facilities

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://www.countryclubtasmania.com.au/>; <http://www.countryclubtasmania.com.au/>

Real casino gaming expenditure in Tasmania has fallen in concert with the general trend to that of Australia.

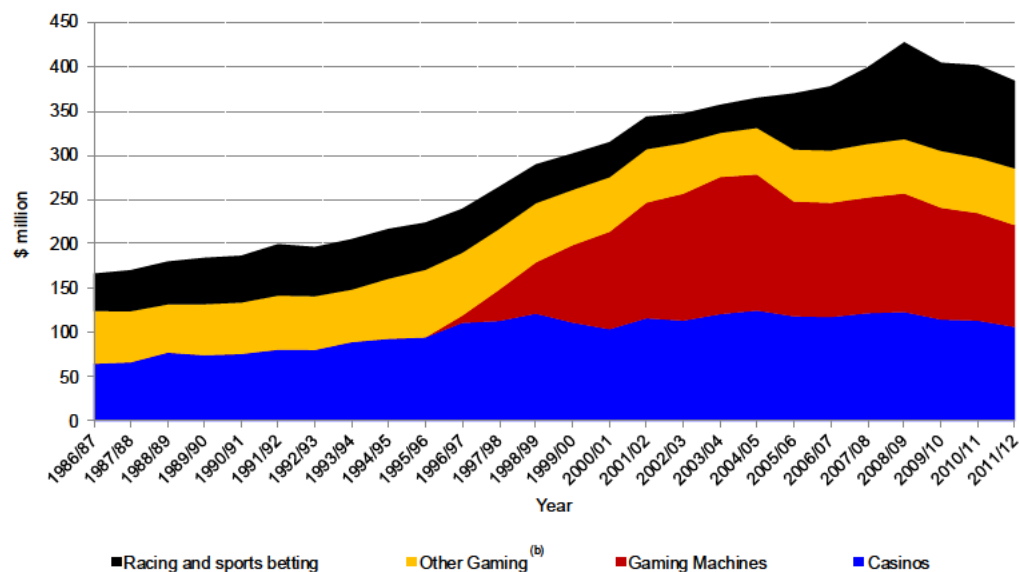
Figure A.30: Real casino gaming expenditure Tasmania and Australia 1986/87-2011/12^(a), Tasmania (\$ million) and Australia (\$ billion)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

Gambling industry

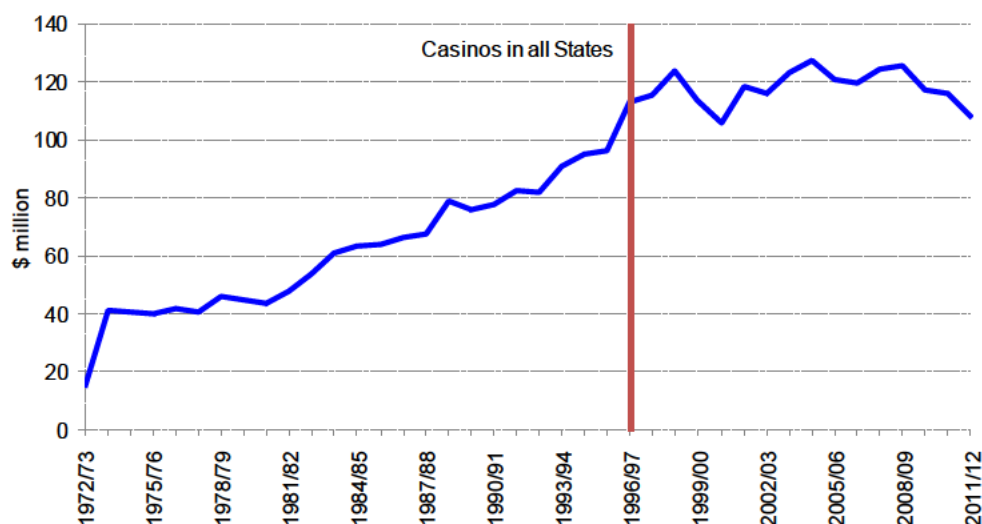
The above average number of electronic gaming machines in both Tasmanian casinos generates a greater share of gambling expenditure within casinos relative to the hotel/club EGM sector (Figure A.31). The second jurisdictional difference relative to other States/Territories is gambling expenditure on racing and sports betting due to the location of the company Betfair in Tasmania.

Figure A.31: Gambling expenditure real^(a), Tasmania (\$ billion)

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Figure A.32 shows real expenditure at casinos in Tasmania since the opening of Wrest Point in 1973, the opening of the Country Club Casino in 1982 and EGMs in hotels and clubs in 1997.

Figure A.32: Real^(a) casino gambling expenditure Tasmania, 1972/73-2011/12 (\$ million)

Note: (a) Base year is 2011/12.

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; OESR, Queensland Treasury, Australian Gambling Statistics 24th Edition; Personal correspondence with Tasmanian Treasury.

The most discernible impact on gambling expenditure at casinos in Tasmania occurs proximate to gaming machines commencing in Tasmanian hotels and clubs in 1997. Since 1996/97 or thereabouts, real casino gambling expenditure has flattened out. That this is the case, combined with the much higher concentration of electronic gaming machines in casinos suggests that the casinos are principally domestic destination in competition with local hotels and clubs.

This would appear to be supported by an examination of gambling expenditure (in Table A.18) where generally an increase or decrease in casino expenditure moves in concert with an increase or decrease with expenditure on electronic gaming machines, and particularly since the Global Financial Crisis in 2008/09.

Table A.18: Gambling expenditure dollar value real^(a), Tasmania (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	64.7	-	59.4	42.4	-
1987/88	66.3	-	57.7	46.3	-
1988/89	77.3	-	54.4	48.4	-
1989/90	74.3	-	57.5	52.4	-
1990/91	75.7	-	58.0	52.9	-
1991/92	80.6	-	61.0	58.0	-
1992/93	80.3	-	60.6	55.6	-
1993/94	89.2	-	59.2	57.0	-
1994/95	92.9	-	67.8	56.2	-
1995/96	94.4	-	76.3	53.3	-
1996/97	110.8	8.3	71.0	49.5	-
1997/98	112.9	35.3	68.6	47.5	-
1998/99	121.2	58.0	66.8	43.8	0.1
1999/00	111.1	87.6	62.4	40.8	0.3
2000/01	103.6	110.0	61.6	39.3	0.3
2001/02	116.0	130.5	60.3	35.9	0.9
2002/03	113.3	143.3	57.1	32.7	0.7
2003/04	120.6	154.8	49.8	31.1	0.6
2004/05	124.7	153.7	52.4	33.2	0.8
2005/06	118.2	129.6	58.7	62.3	1.0
2006/07	117.3	129.1	59.0	71.2	1.4
2007/08	121.7	130.6	60.4	83.9	2.5
2008/09	123.0	133.9	61.3	102.5	6.9
2009/10	114.5	126.2	64.2	98.6	1.0
2010/11	113.3	121.4	62.4	103.5	1.1
2011/12	106.1	115.1	63.9	97.9	1.1

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Since 1997/98 when the five forms of expenditure were available (i.e. sports betting) the percentage change in real expenditure has been:

- casinos: 12.5 per cent;
- electronic gaming machines: 98.4 per cent;
- other gaming: 4.3 per cent; and
- racing: 123.5 per cent (to include online/sports betting).

The respective annual average growth rates have been:

- casinos: 1.0 per cent;
- electronic gaming machines: 5.4 per cent;

- other gaming: -0.3 per cent; and
- racing: 6.4 per cent.

Tasmanian casinos share of gambling expenditure has fallen from 46.2 per cent in 1996/97 to 27.6 per cent in 2011/12 (Table A.19).

Gaming machines in Tasmania account for 30 per cent of total gambling expenditures, which is lower than the figure for Australia as a whole (53.2 per cent) but the difference with other jurisdictions is the higher concentration of EGMs in the casinos so that in fact, it is likely that all EGM revenue – hotels, clubs and casinos – is higher than the Australian average.

Table A.19: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Tasmania (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	38.9	0.0	35.7	25.5	0
1991/92	40.4	0.0	30.6	29.1	0.0
1996/97	46.2	3.4	29.6	20.7	0.0
2001/02	33.8	38.0	17.5	10.5	0.3
2006/07	31.0	34.2	15.6	18.8	0.4
2011/12	27.6	30.0	16.6	25.5	0.3

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

Government revenue from gambling

Government gambling revenue from the two casinos is 28.2 per cent of all revenue, more than twice the national average of 14 per cent which supports the role of electronic gaming machine revenue generated by the two casinos. Conversely revenue from EGMs in hotels and clubs is 36.4 per cent of government taxation revenue, lower than the average of 56.2 per cent in other jurisdictions.

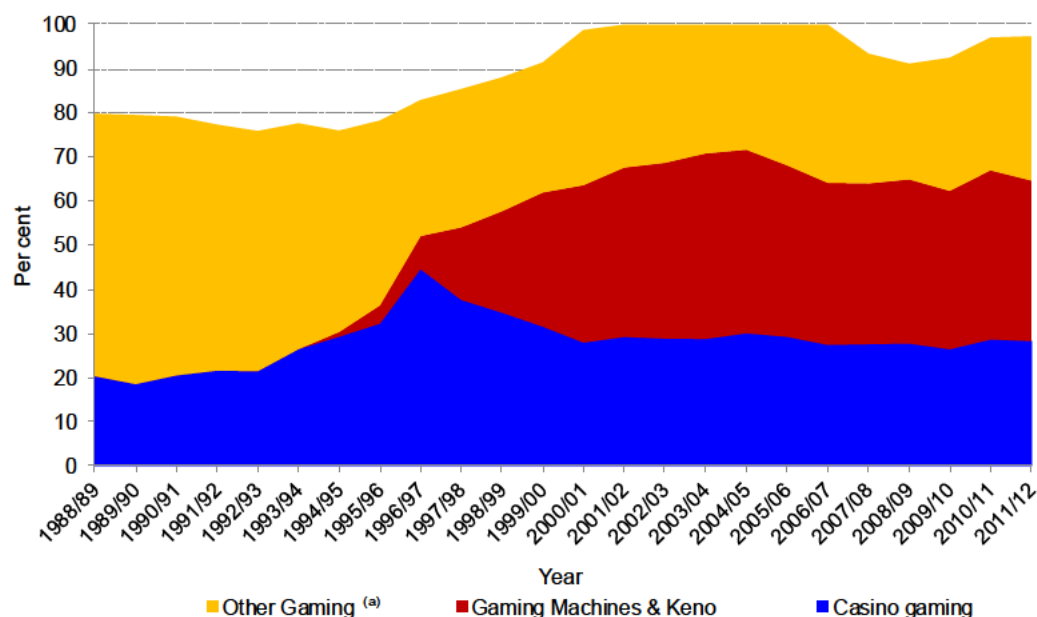
Taxes on “other gaming” contribute 32.7 per cent relative to the Australian average of 25.3 per cent.

Total tax revenue from gambling activities for the Tasmanian Government in 2011/12 was \$83.4 million. In 2011/12, the Tasmanian Government received \$23.5 million in tax revenue from the two casinos (28.2 per cent), \$30.4 million from the gaming machine and keno industry (36.4 per cent), \$27.3 million from other gaming (32.7 per cent) and \$2.2 million from racing and sports betting (2.7 per cent).

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- -0.5 per cent growth rate for government revenue from the casino;
- -0.7 per cent growth rate for government revenue from gaming machines and Keno;
- -0.1 per cent growth rate for government revenue from other gaming; and
- 65.4 per cent growth rate for government revenue from racing and sports betting.

Figure A.33: Proportion of state government gambling revenue from gaming, Tasmania (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
 Source: OESR (2014).

Gaming machines

There are two discernible periods in revenues generated from electronic gaming machines in clubs and hotels. The period of strong growth following their introduction is the normal pattern and following that from year 2000 to 2004/05 the annual average growth rate was 8.7 per cent and there was likely to be a degree of expenditure switching away from the casinos where expenditure grew by only 4.7 per cent in the same period.

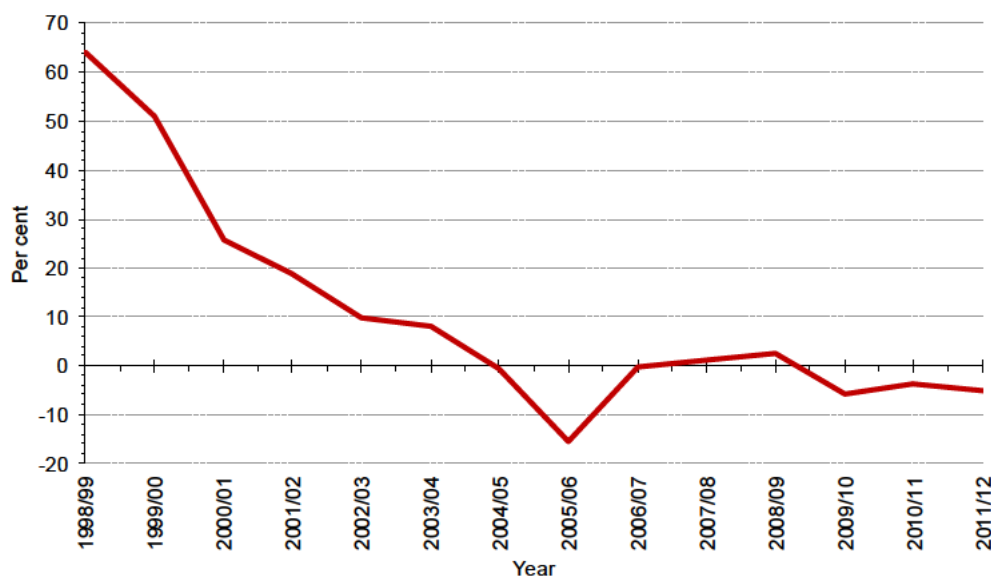
Then from 2005/06 to 2011/12 real gambling expenditure declined at an annual average rate of -2.0 per cent and for the casino at -1.8 per cent.

Tasmania introduced a state-wide cap of 3,680 gaming machines in a 2003 Deed of Agreement between Federal Hotels Pty. Ltd. and the Crown. The maximum number permitted in all hotels and clubs is 2,500, the maximum permitted in any club is 40 and any hotel is 30.¹⁰⁹

There are ten clubs in Tasmania with gaming machines, providing an average of 17.3 gaming machines per club (as at 31 March 2014). There are 88 hotels which offer gaming machines, providing an average of 24.8 gaming machines each (as at 31 March 2014).¹¹⁰ The two casinos have generally maintained an average of 33 to 36 per cent of all electronic gaming machines in the Tasmanian community which far surpasses the all Australian average of 6.6 per cent of machines held by casinos and 93.4 per cent held by hotels and clubs.

¹⁰⁹ <https://www.treasury.tas.gov.au/domino/dft/dft.nsf/v-liq-and-gaming/95134355F55FF5FFCA257346001154A3>

¹¹⁰ <https://www.treasury.tas.gov.au/domino/dft/dft.nsf/617ab9e9ce723e864ca25728a00129307/9f69f1e9a40fe18bca25735a0000e240?OpenDocument>

Figure A.34: Change in gaming machine expenditure^(a), machines outside of casino only, Tasmania (per cent)

Note: (a) Base year is 2011/12.

Source: OESR (2014).

Table A.20: Electronic gaming machines in clubs, hotels and casinos, operating 30 June 2012, Tasmania (number)

	Casino ^(a)	Clubs	Hotels	Total machines
2001/02	1,159	193	1,842	3,194
2002/03	1,161	173	2,075	3,409
2003/04	1,160	173	2,114	3,447
2004/05	1,277	173	2,116	3,566
2005/06	1,280	183	2,217	3,680
2006/07	1,280	183	2,202	3,665
2007/08	1,280	183	2,214	3,677
2008/09	1,280	183	2,189	3,652
2009/10	1,272	173	2,206	3,651
2010/11	1,270	173	2,215	3,658
2011/12	1,261	173	2,210	3,644

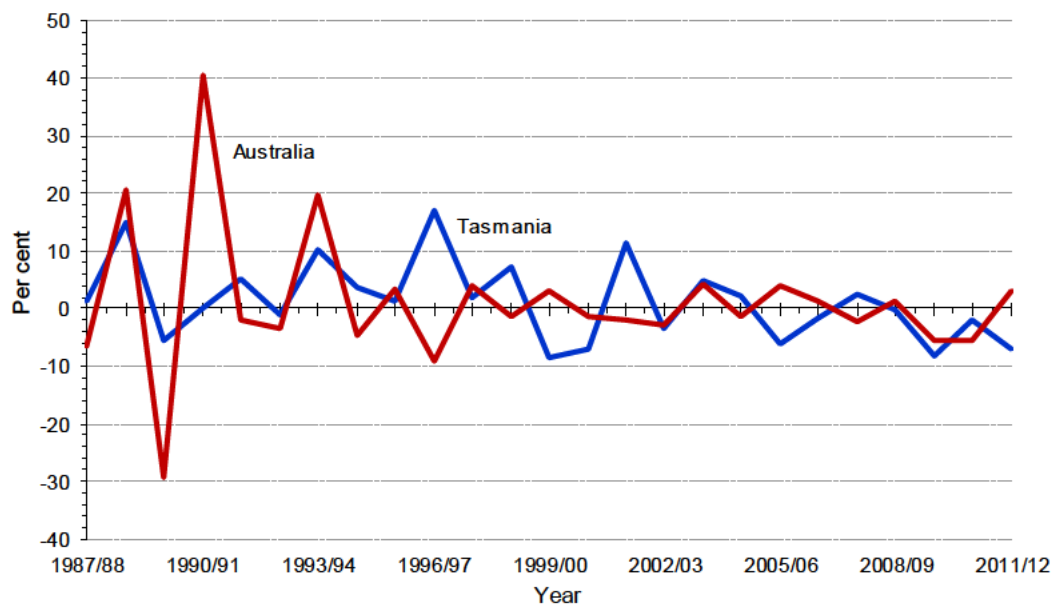
Note: (a) Does not include 46 EGMs on Spirit of Tasmania Ferry.

Source: OESR (2014).

Gaming on an individual level

In recent times real per capita casino expenditure has fallen (Figure A.35).

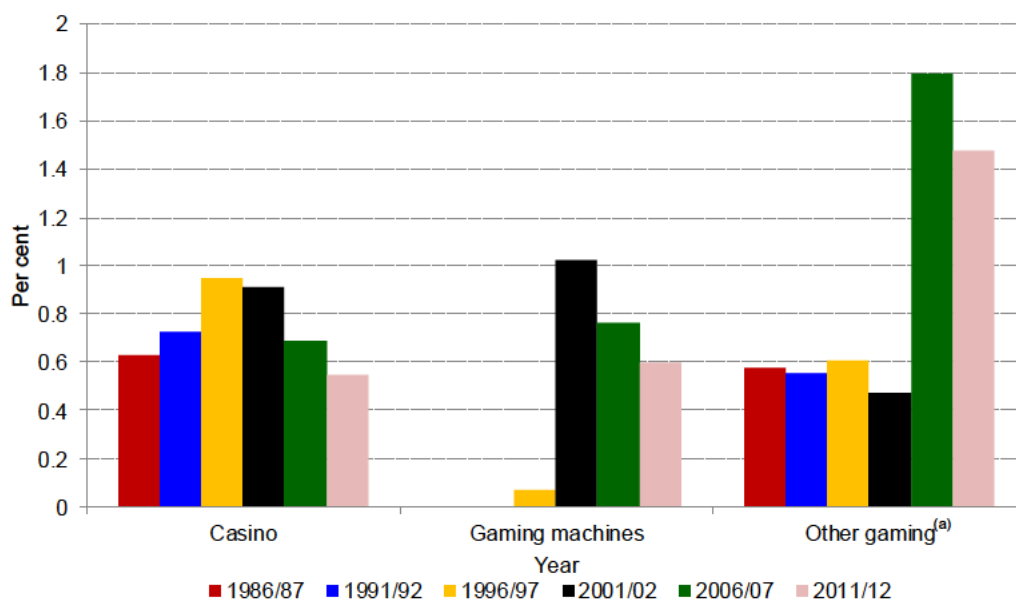
Total gaming expenditure as a proportion of household disposable income (HDI) was 1.47 per cent in Tasmania (all Australian average 1.54 per cent) and has declined over time with respect to the casino and electronic gaming machine. For the casino, HDI was 0.55 per cent (Australian average 0.45 per cent) and for electronic gaming machines it was 0.60 (Australian average 0.97 per cent) in 2011/12. For 'other gaming' HDI was 0.33 per cent, the Australian average of 0.24 per cent.

Figure A.35: Change in per capita real casino expenditure^(a), Tasmania and Australian average (per cent)

Note: Base year is 2011/12.

Source: OESR (2014).

Figure A.36: Gaming expenditure as a proportion of household disposable income, Tasmania (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

A.7 Australian Capital Territory

Casino background information

The Australian Capital Territory only has one casino, 'Casino Canberra'. It opened in temporary premises in 1992 before moving to a permanent location in 1994. Casino Canberra does not operate gaming machines. Additionally, it does not offer accommodation or alternative entertainment venues, such as conference rooms, so the sources of revenue are table games, restaurant and bars. Casino Canberra is one of only two casinos in Australia that do not offer accommodation.

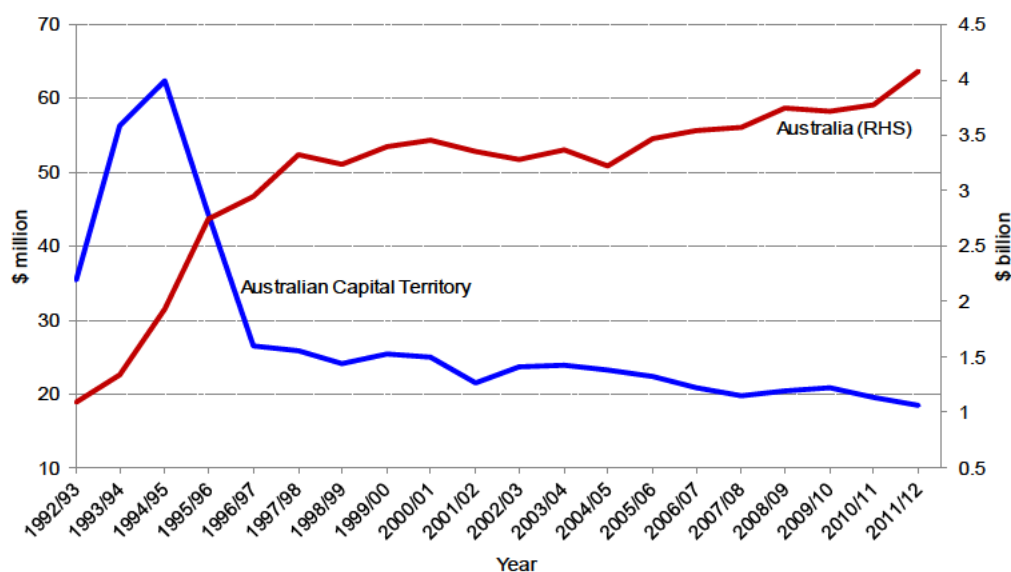
When Casino Canberra opened at its temporary site, it operated 51 tables (Australian Institute for Gambling Research, 1999) but this has since reduced to 39 tables.

Venue	Casino Canberra
Opened	1992
Expenditures (2011/12)	\$18.4 million
Government Tax Revenue (2011/12)	\$2.0 million
Gaming machines operating	0
Gaming tables operating	39
Number of gaming machines per table game	0
Percentage of EGMs in casino (per State)	N/A
Other Facilities	Restaurants, Bars

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://casinocanberra.com.au/>

Real casino gaming expenditure at Casino Canberra was \$18.4 million in 2011/12 and Figure A.37 shows the trend in real casino expenditure since the establishment of the casino. The first two years of operation saw a virtual doubling of revenue to peak at \$62.4 million in 1994/95 the year in which permanent facilities were opened, but since 1994/95 there has been a year on year decline in expenditure. Over the 19 years there has been a 48 per cent reduction in real expenditure declining at an average annual rate of -3.4 per cent per annum.

Figure A.37: Real casino gaming expenditure Australian Capital Territory and Australia 1986/87-2011/12^(a), Australian Capital Territory (\$ million) and Australia (\$ billion)

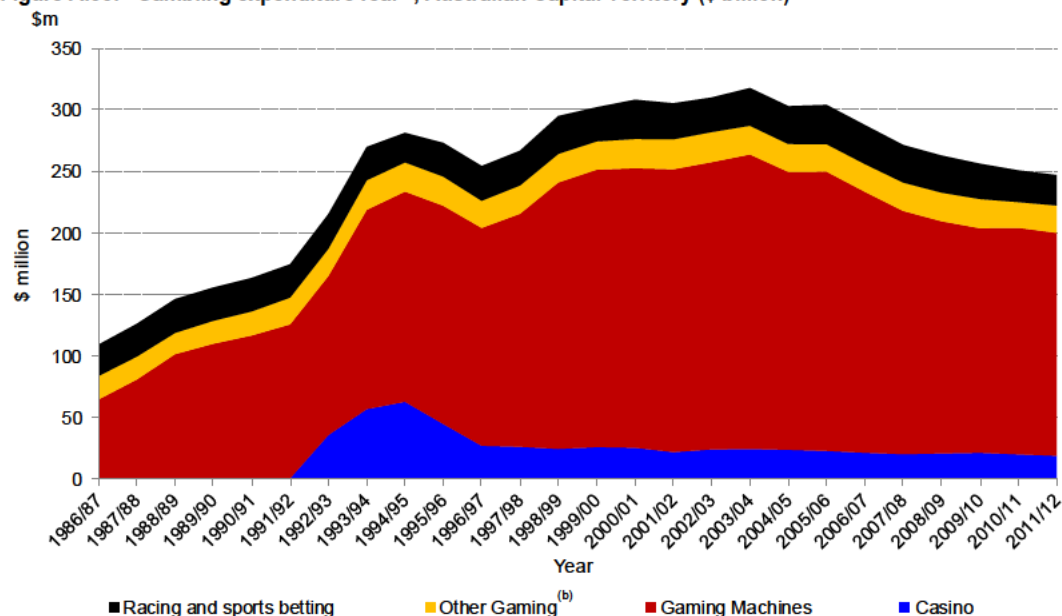


Note: (a) Base year is 2011/12.
Source: OESR (2014).

Gambling industry

In Figure A.38 we observe the initial increase in real expenditure at Casino Canberra followed by declining expenditure over time and note the relative stability of the contribution of gambling revenue of racing and sports betting and other gaming.

Figure A.38: Gambling expenditure real^(a), Australian Capital Territory (\$ billion)



Note: (a) Base year is 2011/12.
(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

The largest contribution to expenditure is from electronic gaming machines in clubs (with revenue at the peak in 2003/04) with an annual average growth rate of 1.8 per cent since 1992/93 at the time the casino was established (see Table A.21).

Table A.21: Gambling expenditure dollar value real^(a), Australian Capital Territory (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	-	64.3	19.1	25.6	-
1987/88	-	80.5	18.7	26.7	-
1988/89	-	101.2	17.3	27.6	-
1989/90	-	109.7	18.7	27.1	-
1990/91	-	116.4	19.6	27.3	-
1991/92	-	125.5	21.8	27.1	-
1992/93	35.4	129.5	22.2	28.1	-
1993/94	56.4	162.4	24.1	27.1	-
1994/95	62.4	171.2	23.8	24.1	-
1995/96	44.3	177.8	23.8	27.4	-
1996/97	26.6	177.5	22.1	28.3	-
1997/98	25.8	189.8	23.1	28.3	-
1998/99	24.0	217.1	23.2	30.8	-
1999/00	25.5	226.0	23.0	27.8	-
2000/01	25.0	227.7	23.8	31.4	-
2001/02	21.4	230.4	24.4	28.8	0.5
2002/03	23.6	234.0	24.5	28.1	0.6
2003/04	24.0	239.9	23.4	30.7	-
2004/05	23.3	226.4	22.7	30.9	-
2005/06	22.4	227.4	22.4	32.0	-
2006/07	20.9	212.6	22.6	31.8	-
2007/08	19.7	198.1	23.1	30.6	-
2008/09	20.3	189.1	23.3	30.2	-
2009/10	20.9	182.9	23.8	28.8	-
2010/11	19.6	184.6	20.9	25.9	-
2011/12	18.4	181.6	22.3	24.8	-

Note: (a) Base year is 2011/12.

(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

The proportion of total gambling expenditure contributed by electronic gaming machines in the Australian Capital Territory is 73.5 per cent which is well above the Australian average of 53.2 per cent (see Table A.22).

While the casino is much smaller establishment than other casinos in other jurisdictions and the ACT has a smaller population, these facts combined with exclusion from hosting electronic gaming machines largely explain the much weaker performance of the ACT casino relative to other casinos.

Table A.22: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Australian Capital Territory (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	0.0	59.0	17.5	23.5	0.0
1991/92	0.0	71.9	12.5	15.5	0.0
1996/97	10.4	69.7	8.7	11.1	0.0
2001/02	7.0	75.4	8.0	9.4	0.2
2006/07	7.3	73.9	7.8	11.0	0.0
2011/12	7.5	73.5	9.0	10.0	0.0

Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

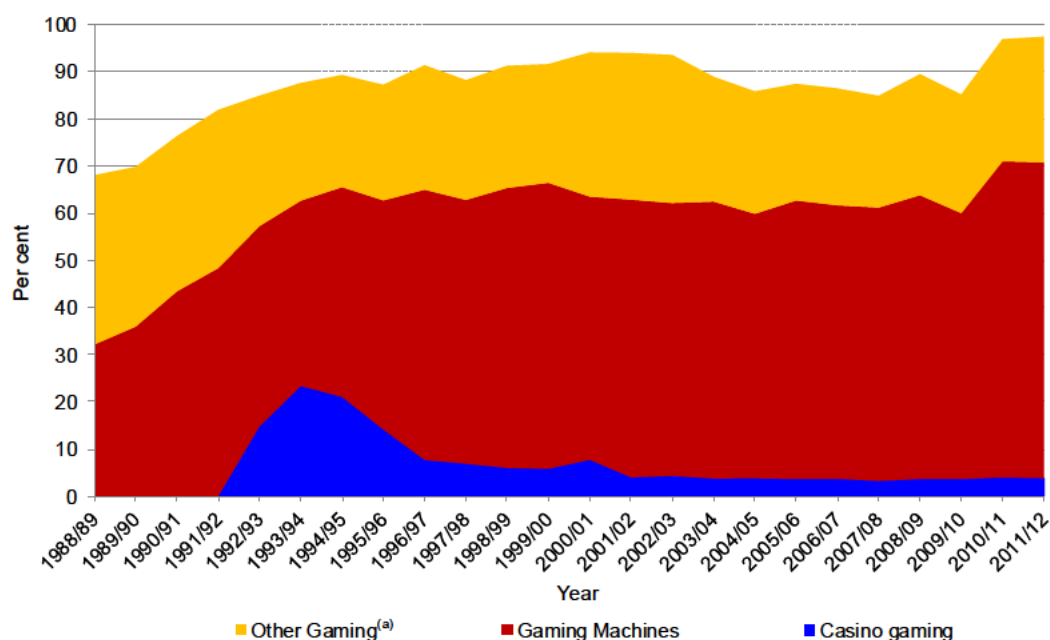
Source: OESR (2014).

Government revenue

Following the introduction of casino gaming, government revenues from casino gaming peaked at 20 per cent of total gambling revenues before declining to 3.8 per cent in 2011/12 (Figure A.39).

Gaming machines contribution to revenue is now 67 per cent well above the Australian average of 56.2 per cent and 'other gaming' represents 26.7 per cent.

Figure A.39: Proportion of government gambling revenue from gaming, Australian Capital Territory (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

In 2011/12, the Australian Capital Territory Government received \$2 million in tax revenue from Canberra Casino (3.8 per cent), \$35.7 million from the gaming machine industry (67.0 per cent), \$14.2 million from other gaming (26.7 per cent) and \$1.3 million from racing and sports betting (2.5 per cent). Therefore, total tax revenue from gambling activities for the Australian Capital Territory Government in 2011/12 was \$53.3 million.

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- -1.5 per cent growth rate for government revenue from the casino;
- 0.2 per cent growth rate for government revenue from gaming machines;
- -2.6 per cent growth rate for government revenue from other gaming; and
- -9.2 per cent growth rate for government revenue from racing and sports betting.

Gaming machines

In other jurisdictions casino expenditure is second to that on electronic gaming machines whereas in the ACT it is fourth after EGMs, racing and other gaming. This is certainly the result of legislation that does not permit electronic gaming machines in the casino.

Table A.23: Electronic gaming machines in clubs, hotels and Casino Canberra, operating at 30 June 2012, Australian Capital Territory (number)

	Casino	Clubs	Hotels	Total machines
2001/02	0	4,910	60	4,970
2002/03	0	4,960	60	5,020
2003/04	0	4,930	70	5,000
2004/05	0	5,056	88	5,144
2005/06	0	5,066	84	5,150
2006/07	0	5,097	82	5,179
2007/08	0	5,087	72	5,159
2008/09	0	5,085	72	5,157
2009/10	0	5,014	70	5,084
2010/11	0	4,954	70	5,024
2011/12	0	4,918	68	4,986

Source: OESR (2014).

The ACT legalised gaming machines in clubs to enable them to compete with clubs across the border in New South Wales and it is only very recently that a limited type and limited number of machines have been permitted to operate in hotels in the ACT.

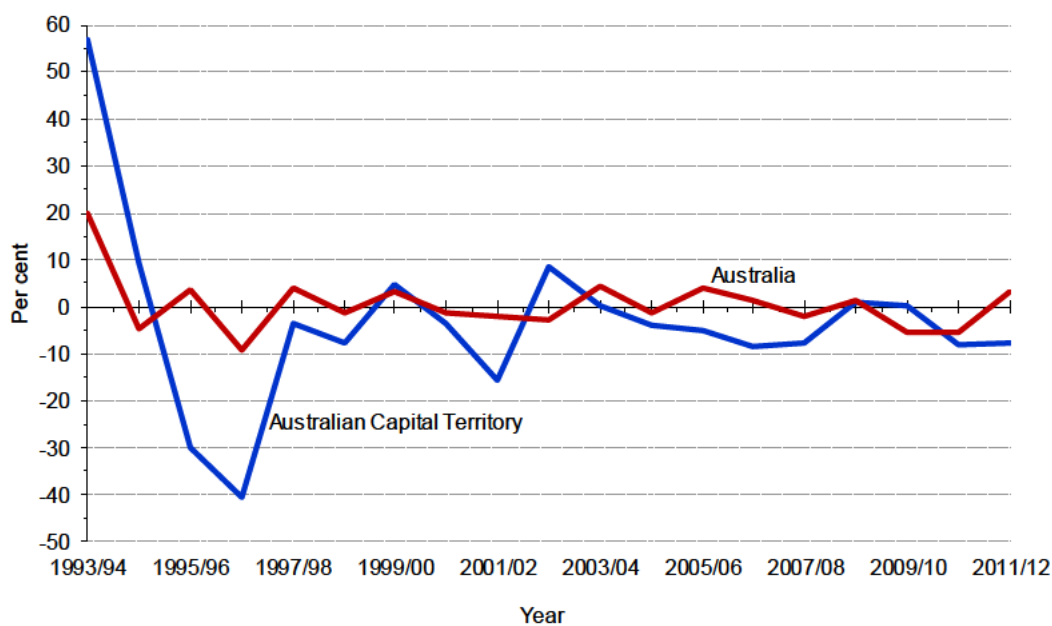
Gaming on an individual level

Per capita casino expenditure in the Australian Capital Territory shows a pattern of consistent decline –1.5 per growth rate over the last ten years.

Casino expenditure as a proportion of household disposable income was 0.07 in the ACT in 2011/12, by far the lowest of all jurisdictions where the all Australian average is 0.45 per cent. In fact, all gaming expenditure as a proportion of HDI is 0.84 per cent (Australian average 1.54 per cent) which again is the lowest of all jurisdictions.

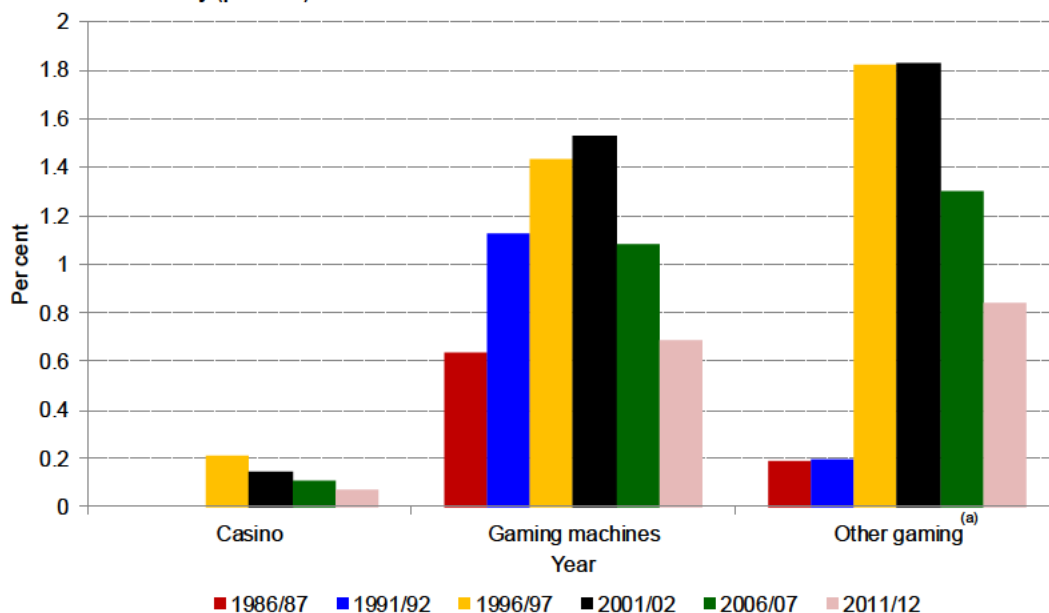
Gaming machine expenditure as a proportion of HDI was estimated at 0.69 per cent, below the all Australian average of 0.97 per cent.

Figure A.40: Change in per capita real casino expenditure^(a), Australian Capital Territory and Australian average (per cent)



Note: Base year is 2011/12.
Source: OESR (2014).

Figure A.41: Gaming expenditure as a proportion of household disposable income, Australian Capital Territory (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.
Source: OESR (2014).

A.8 Northern Territory

Casinos background information

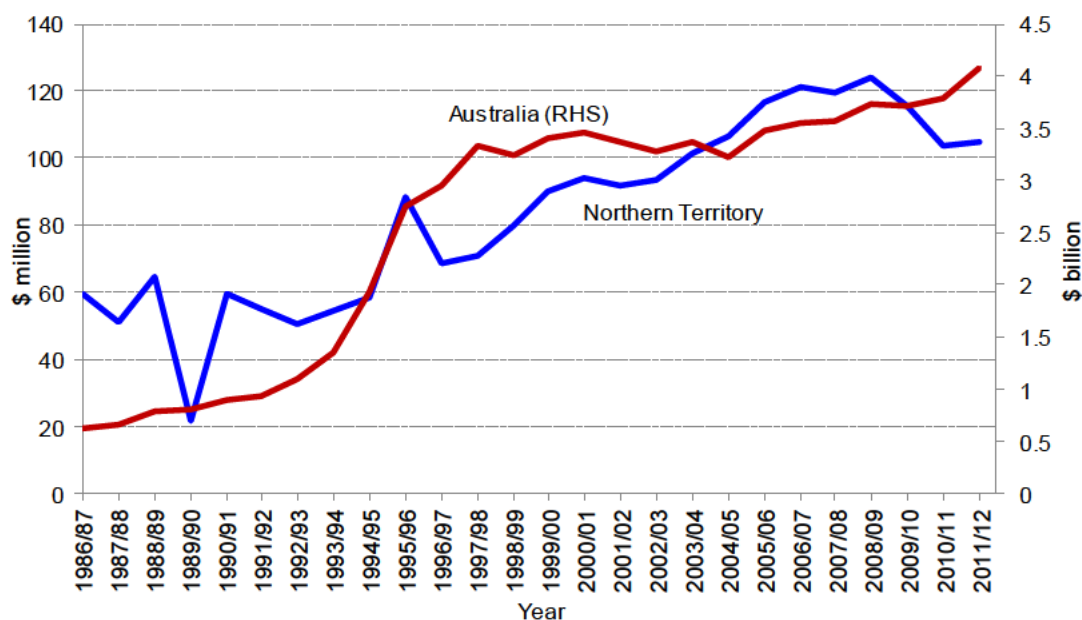
There are currently two casinos in operation in the Northern Territory, SkyCity Darwin and Lasseters Hotel Casino' in Alice Springs. They operate a large number of gaming machines compared to the number of tables as is evidenced by their machine to table ratios, which are 17.6:1 and 21.9:1 respectively as in the table below.

Venue	Lasseters Hotel Casino	SkyCity Darwin
Opened	1981	1979
Expenditures (2011/12)	\$104.9 million	
Government Tax Revenue (2011/12)	\$11.1 million	
Gaming machines operating	300	788
Gaming tables operating	17	36
Number of gaming machines per table game	17.6	21.9
Percentage of EGMs in casinos combined (per State)	48.0	48.0
Other Facilities	Hotel	Hotel, Restaurants, Bars, Day spa, Function facilities

Source: OESR, Queensland Treasury, Australian Gambling Statistics 29th Edition; Australian Institute for Gambling Research (1999); <http://www.skycitydarwin.com.au/>

Real casino gaming expenditure in the Northern Territory has generally tracked that for Australian casinos. For the data shown in Figure A.42 and in Table A.24 the two casinos have continued a more gradual but positive growth path with a 3.5 per cent annual average growth rate since 1994/95 the year when sports betting was introduced (see Table A.24).

Figure A.42: Real casino gaming expenditure Northern Territory and Australia 1986/87-2011/12^(a), Northern Territory (\$ million) and Australia (\$ billion)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

Table A.24: Gambling expenditure dollar value real^(a), Northern Territory (\$ million)

	Casino	Gaming Machines	Other Gaming ^(b)	Racing	Sports betting
1986/87	59.6	-	14.5	11.8	-
1987/88	51.2	-	15.0	14.4	-
1988/89	64.4	-	15.0	15.4	-
1989/90	21.4	-	15.5	17.7	-
1990/91	59.7	0.4	15.7	18.4	-
1991/92	54.8	5.3	16.2	20.8	-
1992/93	50.4	5.9	17.9	20.0	-
1993/94	54.6	5.7	17.2	20.9	-
1994/95	58.1	5.7	18.7	22.6	4.2
1995/96	88.3	9.7	22.1	23.7	4.0
1996/97	68.5	22.9	20.9	27.6	9.9
1997/98	70.8	29.4	22.6	27.5	15.6
1998/99	80.1	35.8	21.8	30.0	12.6
1999/00	89.9	38.1	28.4	32.4	24.0
2000/01	93.9	38.0	39.3	33.7	27.0
2001/02	91.9	48.7	37.6	58.1	50.2
2002/03	93.6	53.9	40.7	81.4	51.4
2003/04	101.2	56.3	34.9	63.6	78.5
2004/05	106.5	61.0	33.9	85.2	46.4
2005/06	116.7	67.3	36.5	108.3	49.4
2006/07	121.1	73.3	26.2	172.0	57.6
2007/08	119.5	80.2	33.7	185.4	75.6
2008/09	123.9	85.0	28.7	235.5	67.4
2009/10	115.7	73.4	28.8	266.4	88.6
2010/11	103.6	64.0	27.3	306.0	82.8
2011/12	104.9	62.7	33.3	379.6	112.4

Note: (a) Base year is 2011/12.

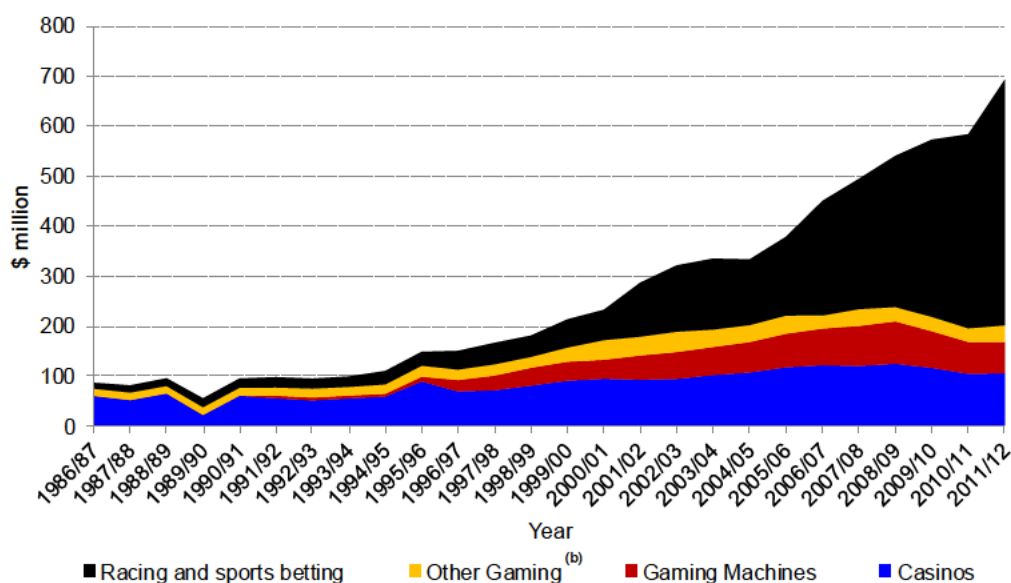
(b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Gambling industry

The casinos share of gaming expenditure at 15.1 per cent is above that for Australia principally due to the high proportion of gaming machines located in casinos in the Northern Territory.

Gaming machines outside the two casinos contribute only 9.0 per cent of gambling expenditure much less than in other jurisdictions with a major reason being that a greater proportion of machines are located within the two casinos. This is also why the Northern Territory is the only jurisdiction that has a higher value of real casino expenditure than the real expenditure on gaming machines.

Figure A.43: Gambling expenditure real^(a), Northern Territory (\$ billion)

Note: (a) Base year is 2011/12.
 (b) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

The most obvious and striking difference between the Northern Territory and all other jurisdictions is the much more prominent role for racing and expenditure on sports betting.

For the 17 years from 1994/95 when racing and sports betting commenced in the Northern Territory the annual growth rates for gaming expenditure have been:

- casino: 3.5 per cent;
- electronic gaming machines: 15.1 per cent;
- other gaming: 3.5 per cent;
- racing: 18.1 per cent; and
- sports betting: 21.3 per cent.

The share of expenditure at the casino, on gaming machines and other gaming continued to decline through to 2011/12 with that of racing and sports betting increasing to now jointly account for 71 per cent of total gambling expenditure (Table A.26). The comparative figure for Australia for racing and sports betting is 15.7 per cent of total gambling expenditure.

The Northern Territory licensed bookmakers are allowed to trade 24/7. The first licence was issued in 1992 to Centrebet located in Alice Springs. There are now more than a dozen licensed operators in the Northern Territory.

Table A.25: Casino, gaming machine, other gaming, racing and sports betting expenditure as a proportion of total gambling expenditure^(a), select years, Northern Territory (per cent)

	Casino	Gaming Machines	Other Gaming ^(a)	Racing	Sports betting
1986/87	69.4	0.0	16.9	13.7	0.0
1991/92	56.5	5.5	16.7	21.4	0.0
1996/97	45.7	15.3	13.9	18.4	6.6
2001/02	32.1	17.0	12.1	20.3	17.5
2006/07	26.9	16.3	5.8	38.2	12.8
2011/12	15.1	9.0	4.8	54.8	16.2

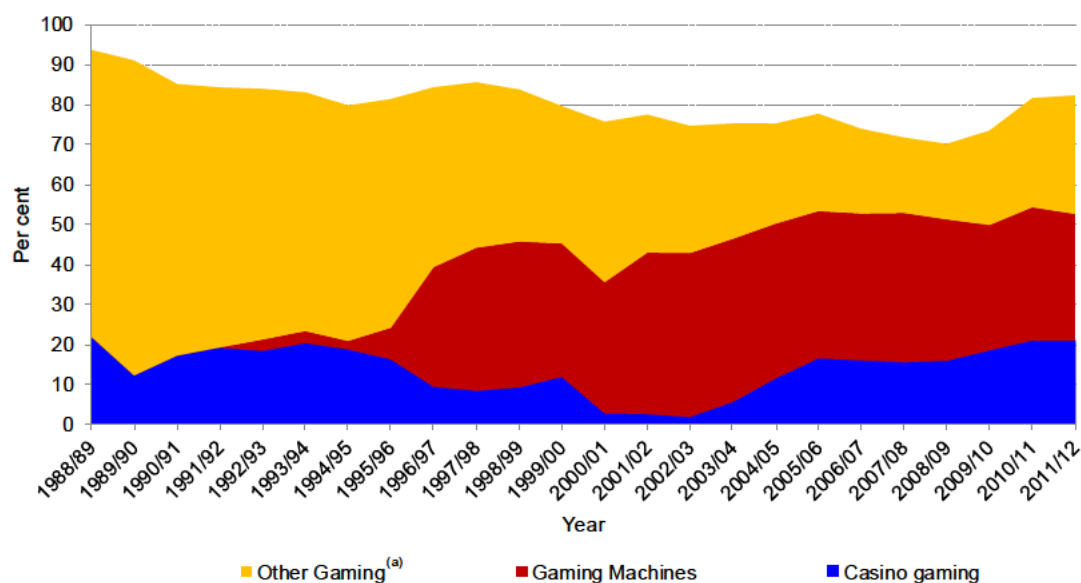
Note: (a) Other gaming defined as instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Government revenues

Casino taxation revenue comprises 20.9 per cent of Northern Territory government revenue, exceeding the Australian average of 14 per cent, electronic gaming machines 31.8 per cent (Australian average 56.2 per cent) and other gaming 29.7 per cent (Australian average 25.3). The higher figure for casino taxation revenue is consistent with the large numbers of gaming machines in the two casinos relative to hotels and clubs and the average for Australia (6.6 per cent). Sports betting and racing accounts for approximately 18 per cent of revenue.

Figure A.44: Proportion of government gambling revenue from gaming, Northern Territory (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

In 2011/12, the Northern Territory Government received \$11.1 million in tax revenue from the two casinos (20.9 per cent), \$16.9 million from the gaming machine industry (31.8 per cent), \$15.8 million from other gaming (29.7 per cent) and \$9.4 million from racing and sports betting (17.7 per cent). Therefore, total tax revenue from gambling activities for the Northern Territory Government in 2011/12 was \$53.1 million.

For the ten year period commencing in 2001/02 and ending in 2011/12 compound average growth rate of revenue from each source was:

- 26.1 per cent growth rate for government revenue from the casino;
- -0.5 per cent growth rate for government revenue from gaming machines;
- -0.4 per cent growth rate for government revenue from other gaming; and
- -0.5 per cent growth rate for government revenue from racing and sports betting.

Gaming machines

The Northern Territory introduced the current form of gaming machines (poker style machines that dispense cash prizes) in 1996. Prior to this, hotels, and clubs had Approved Amusement Devices or AADs. AADs were essentially cashless poker machines; they distributed prizes in the form of goods and services. Clubs had these types of machines installed since the 1970s but hotels were not licensed to install them until 1990.¹¹¹ Hence, expenditure levels reported in the national dataset prior to 1996 are expenditures on these AADs.

Figure A.45: Change in gaming machine expenditure^(a), machines outside of casino only, Northern Territory (per cent)



Note: (a) Base year is 2011/12.
Source: OESR (2014).

Forty-eight per cent (as at June 2013) of gaming machines in the Northern Territory are in casinos. Table A.26 shows that the distribution of gaming machines in the Northern Territory has remained relatively stable.

There have been recent discussions within government to increase machine limits from 45 to 90 in clubs and from 10 to 30 in hotels.¹¹²

¹¹¹ Australia Institute for Gambling Research (1999).

¹¹² <http://www.ntnews.com.au/business/territories>

Table A.26: Electronic gaming machines in clubs, hotels and casinos, operating 30 June 2012, Northern Territory (number)

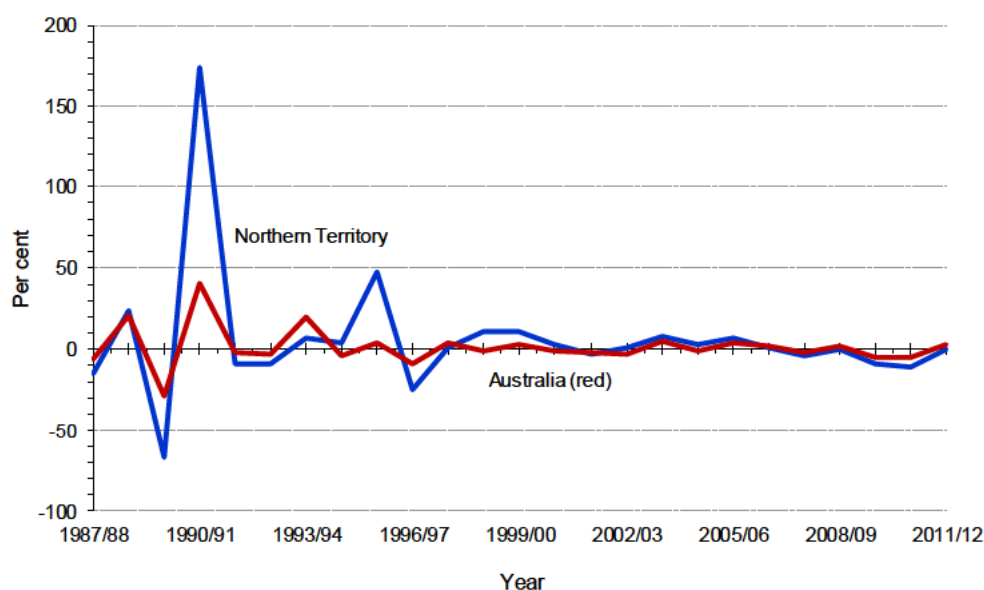
	Casino	Clubs	Hotels	Total machines
2001/02	635	633	238	1,506
2002/03	690	650	278	1,618
2003/04	720	661	291	1,672
2004/05	864	687	298	1,849
2005/06	812	706	344	1,862
2006/07	833	730	352	1,915
2007/08	871	744	422	2,037
2008/09	886	749	424	2,059
2009/10	1,070	758	428	2,256
2010/11	1,047	758	428	2,233
2011/12	1,041	753	428	2,222

Source: OESR (2014).

Gaming on an individual level

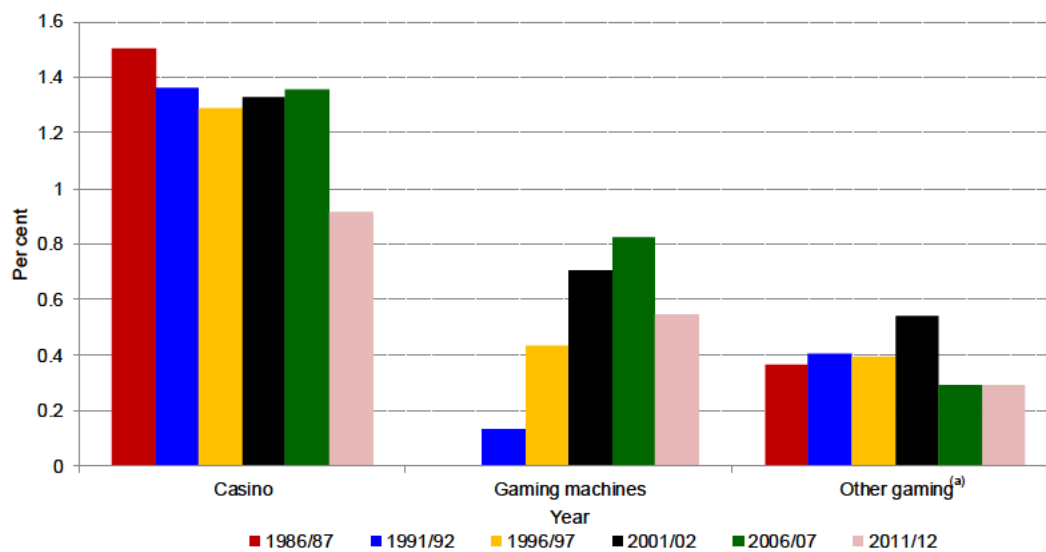
Total gaming expenditure as a proportion of household disposable income (HDI) was 1.75 per cent in the Northern Territory in 2011/12. Growth in real per capita casino expenditure in the Northern Territory has generally followed the trend for all casinos (Figure A.46). Northern Territory has the highest casino expenditure at 0.91 per cent as a proportion of household disposable income relative to Australia at 0.45 per cent, and again, this is principally due to the large number of electronic gaming machines within the two casinos (Figure A.47). The casinos would appear to be destination venues for EGM gambling; gaming machine expenditure in hotels and clubs as a proportion of HDI is 0.55 just above half the Australian average of 0.97 per cent. It is argued by the industry that this result directly follows from the fact that the Northern Territory has one of the lowest rates of gaming machines per person in community venues.

Figure A.46: Change in per capita real casino expenditure^(a), Northern Territory and Australian average, Northern Territory (per cent)



Note: Base year is 2011/12.
Source: OESR (2014).

Figure A.47: Gaming expenditure as a proportion of household disposable income, Northern Territory (per cent)



Note: (a) Other gaming is instant lottery (scratch tickets), interactive gaming, keno, lotteries, lotto, minor gaming and pools.

Source: OESR (2014).

Appendix B

Presentation to Casino and Resorts Australasia (CRA)

- copy of covering letter to be jointly signed and sent to each casino;
- summary of background, research objectives and proposed approach to the study provided to attendees.

Presentation occurred in August 2014 at The Star Sydney attended by representatives of the CRA, the 13 Responsible Gaming Managers, the South Australian Centre for Economic Studies and ORC International.



SOUTH AUSTRALIAN
CENTRE FOR ECONOMIC STUDIES



ADELAIDE AND FLINDERS UNIVERSITIES
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21 August, 2014

«Respondent»
«Position»
«Casino»

Dear Sir,

The South Australian Centre for Economic Studies (SACES) of the Adelaide and Flinders Universities has been commissioned by Gambling Research Australia (GRA) to undertake the study "Responsible Gambling and Casinos". In progressing this study we are working closely with Casinos and Resorts Australasia.

This correspondence is principally to inform you of the study and Attachment A provides background to the research. You will note from the cover to Attachment A that I provided a presentation (and this material) to a meeting of Responsible Gaming Committee at The Star Sydney on 11th August.

Further to this letter, and as arranged through Casinos and Resorts Australasia, I understand that Allen Consulting Group will update an earlier report undertaken for the Association. SACES will be provided with information we are seeking to contribute to our GRA commissioned report.

I am happy to answer any queries or questions you may have on the study; I am happy to receive comments or brief submission on any of the key research questions in the Attachment. If you would like to provide comment or information on any of the research questions I would ask that any response be forwarded to John Lee at Casinos and Resorts Australasia at the same time as they are forwarded to me. Contact details are below.

Yours sincerely,

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Executive Director

Assoc Professor Michael O'Neil
Executive Director
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Encl ...

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SOUTH AUSTRALIAN
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ADELAIDE AND FLINDERS UNIVERSITIES

Attachment A

Responsible Gambling and Casinos

Background/Approach to Study

Meeting of the Casino and Resorts Australasia
1:00 – 2:00pm, 11 August 2014
The Star, Sydney

Report commissioned by:
Gambling Research Australia

Report prepared by:
**South Australian Centre for Economic Studies
ORC International Pty Ltd**

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1. Background to this Study: Responsible Gambling and Casinos

Gambling Research Australia (GRA) is a partnership between the Commonwealth, State and Territory Governments to initiate and manage a national gambling research agenda established by the COAG Select Council on Gambling Reform. The research agenda is structured around the following five research priority areas:

- helping individuals set their limits including access to cash and pre-commitment;
- responsible gambling environments;
- gaming machine standards-developing better consumer protection;
- a preventative and early intervention strategy targeted at those at risk of problem gambling; and
- development of harm minimisation measures for interactive gambling.

The GRA invited the South Australian Centre for Economic Studies (SACES) to undertake a research project titled *Responsible Gambling and Casinos*.

The GRA provided background notes as a guide to questions for exploration. The GRA noted that casinos have a unique place within the Australian gambling industry. They are destination venues which attract interstate and overseas visitors yet whose majority of customers are local residents. Although the number of casinos has not increased in recent years, casinos themselves have expanded and diversified in the gambling products they offer.

Gambling research conducted at a venue level has tended to focus on hotels and clubs. Prevalence studies in various jurisdictions highlight the relationship between electronic gaming machines and problem gambling (all but one casino has gaming machines), however, some wagers and table game players are high-risk players.

In order for the economic benefits of casino development to be realised, GRA noted governments provide a range of concessions to casinos in the interests of assisting them with their competitiveness. More broadly, there are separate legislative provisions that, *inter alia*, confer favourable tax rates for casinos, different tax rates for segments of gamblers, concessions and product exclusivity as an aid to competitiveness (both international and domestic competitiveness). Economic benefits of casino development are also promoted through exclusivity arrangements. Exclusivity arrangements are often set out in the condition of the licence and may include, *inter alia*, monopoly provisions for a specified period of time, by a spatial variable (e.g. kilometre radius exclusivity), and favourable tax rates for different sections of the casino operation. Each of these factors influences marketing strategies and target populations.

Casinos are also local gambling providers that offer a unique range of products in a destination entertainment environment. The GRA stated that there has been very little or no research on if, how and the extent, concessions for competitiveness may affect local gamblers. Nor have there been studies on the promotional activities of casinos, their influence on local gamblers or an analysis of responsible gambling measures. These form the essence of this study.

This background provides a context and issues for research including, *inter alia*, the following questions:

- what are the dynamic factors influencing the casino gambling market in Australia?
- what proportion of customers are local and what is the risk profile of the local customers?
- how do the current changes in products and their presentation at Australian casinos affect local gamblers?

- are the profiles of local gamblers who go to casinos different from those whose primary venue of choice is a hotel or club?
- what is the marketing and type of promotions (including advertising) that casinos undertake and how do they affect local gamblers?
- do casinos target local ethnic groups via promotions/advertising? If so, describe the promotions and their effect.
- how do the current changes in products and their presentation at Australian casinos affect local gamblers?
- what are the responsible gambling measures being taken by casinos? Who is their target? What is their impact on local gamblers?

The research team were advised that while this is a national study for practical reasons the scope of the study is limited to New South Wales, Victoria and South Australia with a requirement that the researchers complete the study within eighteen months from commencement (effectively April 2014 to August 2015). With respect to the three states referred to above they were the nominated sites for any specific field work, surveying, focus groups and interviews with relevant stakeholders. The Australian casino industry as whole (N=13) was included in the study such as for data collection, determination of the size, scale and activity of this sector of the gambling industry. The research report also includes reference to developments in the international casino industry as they are likely to impact on the Australian industry and to influence the domestic market including concessional arrangements and the attractiveness of the Australian casino industry for "VIP players or high rollers".

1.1 Project aims and objectives

The GRA requested that the study identify the following:

- how the market is changing and casinos are adapting;
- the nature of the products being offered;
- the impact of non-tax concessional factors on local players;
- the risk level of local casino gamblers and if and how this differs from that of other local gamblers; and
- the effect of promotional (including advertising) and responsible gambling activities on local residents.

In summary, the purpose or key objectives of this national research project are to "explore the relationship between casinos and local gamblers, their regulatory environment and the effect of promotional and responsible gambling initiatives." The research is intended to identify how the broader gambling market is changing and how casinos strategically are responding to this (e.g. for example, wider adoption of technology, growth in other forms of gaming, wagering, sports betting), consider the changing nature of products, the impact of non-tax concessional factors on local players (e.g. inducements, rewards, entertainment), the risk level of local players, and promotional and harm protection strategies of casinos (including intervention, exclusion strategies and technology platforms that enhance responsible gambling measures).

There is reference to 'local gamblers' in the conduct of this study. For the purposes of this study GRA stated that "local" refers to "casino patrons who are not from overseas or interstate, as regulatory regimes have traditionally allowed casinos greater freedom in dealing with overseas resident customers or "export business". This is underlined by the stated intentions of a number of licensees to compete for Asian business and their observed marketing activities towards interstate and international customers. Recently, one Government has created a class of local premium customers (by reference to activity level) and it should be expected that other jurisdictions would follow suit. Local players therefore, will be defined as those patrons who reside in the State in which the casinos are located".

Local players are generally split into the Premium Mass market (a small segment), table game players, general floor players on electronic gaming machines and public tables, accommodation visitors both interstate and international and the occasional player attending from other functions hosted in a casino.

1.2 Framing the Research Questions

The research team considered the indicative questions provided by the GRA to guide the study, reviewed the gambling literature, including the literature specifically relating to casinos and reviewed prevalence studies on 'who gambles and where' to help frame key research fields and questions to be examined in the course of this study. We adopted key research fields and then specific questions to logically and sequentially examine particular arguments and/ or theoretical perspectives as they relate to the operation of casinos.

Key research fields included responsible gambling, the role of casinos as destination venues, their contribution to tourism, to economic development and casino gambling and community impacts. The final key research field was broadly labelled as the 'casino industry' to include, *inter alia*, a brief historical overview and context to the casino industry, the Australian market and regulatory environment, relationship of casinos to other forms of gambling and descriptive statistics. The key research fields are considered below with specific research questions.

Responsible Gambling

The broad question is whether economies of scale play a role in allowing more resources to be devoted to responsible gambling. In line with other research¹¹³ on the relationship between venue size and the ability to comply with responsible gambling policies, we would anticipate that the larger casino groups would have the most developed responsible gambling policies. They would also have the capacity to deliver more sophisticated technology-based systems.

Specific Research Questions

- How do responsible gambling practices of casinos compare to hotels/clubs, and do such differences reflect differences in risks, technologies, and effectiveness of different policy approaches?
- What are the effects of responsible gambling provisions on consumers both in terms of their enjoyment of the activity and likelihood of developing harm?
- Does the size or nature of the casino make a difference?
- Potential impacts of changes in casino games/operation on the effectiveness of responsible gambling measures?

¹¹³ Hing, Nerilee multiple studies on responsible gambling, venue size, management, and responsible gambling.

Destination Venues/Tourism role

There is regulatory/policy interest in whether large destination venues are better than more numerous and highly accessible venues that allow impulsive or convenience gambling. Casinos are an example of destination venues. The casino industry supports the development of the industry arguing their status as 'tourism hubs' and destination venues. What evidence is there of this? What do we look for as researchers?

Specific Research Questions

- What distinguishes casino gamblers from gamblers who participate in other high intensity forms of gambling such as EGMs in hotels/clubs and wagering, and from the general public, and does this have any implications for the potential effectiveness of various responsible gambling measures?
- Do people come to the casino to gamble or to engage in other activities? Do the reasons for visits vary by demographics or the status of gamblers (local, state, national or international)?
- What are the market segments? What type of gambler provides the principal source of revenue/ influences profitability? What proportion of customers are local, from other parts of the State, national or international? The extent to which casinos derive their income from local vs. interstate or international visitors influences the distribution of impacts. If gamblers are visitors, income flows in and the negative impacts occur elsewhere; if they are local, then there may be a redistribution of income in the local economy and the negative impacts will be local.

Australian Casinos and Economic Role

Are casinos a viable business model?. Are they making a meaningful contribution to the Australian economy as tourism hubs, employers, a focal point for other businesses. How are they faring in relation to international competition? How is international competition impacting on the casino market segment?

Specific Research Questions

- Have there been any impacts from responsible gambling requirements on the competitive position of Australian casinos re. VIP players (Australian and International)?
- Have there been any impacts of increased international competition on the client mix of Australian casinos?

Casino Gambling and Community Impacts

Is casino gambling higher or lower risk as compared with other forms of gambling available through community venues? For example, do problem gamblers who experience harm associated with electronic gaming machines develop these problems more/less from EGMs located in casinos? Does the product mix (table games and EGMs) increase opportunities for greater expenditure? In casinos, there is a mix of both skill and chance-based activities that often attracts higher risk groups (younger males).

Specific Research Questions

- Casino gambling and problem gambling and harm: is problem gambling associated with casino gambling and to what extent?
- How does the ethnic mix of casino patrons in Australia compare with the broader population, and with other high intensity forms of gambling such as EGMs in hotels/clubs and wagering? Is there any evidence that differences in the ethnic mix has resulted in differences in the harms arising from gambling, or differences in the effectiveness of responsible gambling measures?

Casino Industry (in context)

One of the purposes of the study was examine the casino gambling market, how it is changing including the relationship between casinos and local gamblers. It was necessary for the researchers to provide a descriptive statistical overview of the casino industry and to consider other forms of gambling and access to gambling (e.g. EGMs, online betting).

Specific Research Questions

- Review and locate the casino industry in the Australian context, other forms of gambling and include discussion of those dynamic factors influencing the casino market. How is the market changing? How are casinos adapting?
- Examine the performance of the casino industry, summarise (briefly) regulatory arrangements and consider tax and non-tax concessional factors and their impact on local players.
- Consider in a wide ranging environmental scan changes in products, marketing and promotion and the impact on responsible gambling activities.

Appendix C

Consumer Surplus, Producer Surplus and Monopoly Power

The benefits of gambling to consumers may be measured by consumer surplus which represents the difference between what consumers would be willing to pay to purchase a gambling activity and how much they actually do pay. The concept of consumer surplus is illustrated diagrammatically in Figure A below which shows demand and supply curves for casino gambling under the hypothetical scenario where there are no barriers to entry and only a single gambling product is sold at a single market price. The vertical axis represents the price of gambling while the horizontal axis represents the quantity of gambling supplied or consumed. The demand curve represents how much consumers are willing to pay to consume a particular quantity of casino gambling. The downward sloping nature of the demand curve reflects that consumers will be willing to purchase more gambling services the lower the price of gambling. The supply curve represents the quantity of gambling services that casinos would be willing to supply at a given price. The upward sloping nature of the supply curve reflects that higher prices will encourage casinos to supply more gambling services given the potential to make greater profits. It also reflects that the marginal cost of supplying an additional quantity of gambling services will tend to increase as the total quantity of gambling services supplied increases. For instance, a casino may have to lengthen opening times and employ additional staff in order to supply more gambling services.

In a perfectly competitive market with no barriers to entry and exit, market forces will act to reach an equilibrium whereby demand equals supply. This situation is represented by the market price of P_c and total quantity of gambling supplied and consumed of Q_c . At the existing market price P_c there will be a number of consumers who would have been willing to pay a higher price in order to enjoy gambling services (i.e. those consumers purchasing quantities between 0 and Q_c in Figure A). These consumers consequently enjoy a monetary benefit equal to the difference between the market price that they actually pay (P_c) to consume gambling services and the price they would have been willing to pay as indicated by the demand curve (D). In economics this benefit is known as the 'consumer surplus' benefit. For all consumers who purchase gambling services the total consumer surplus benefits are given by the area P^*P_cA in Figure A. Such consumer surplus benefits represent the primary economic benefit associated with the provision of casino gambling services.

Similar to the concept of consumer surplus, suppliers of casino services also derive an economic surplus benefit since they are able to sell at a market price that is higher than the minimum price they would be willing to sell for. This monetary gain or 'producer surplus' is represented by the difference between the market clearing price P_c and the supply curve S for those quantities of gambling services sold to consumers. The total producer surplus benefits are given by the area P_cP_sA in Figure A.

The total economic surplus or economic benefits associated with provision of gambling services is equal to the sum of total consumer surplus and total producer surplus. In terms of Figure A this benefit is represented by the area P^*P_sA .

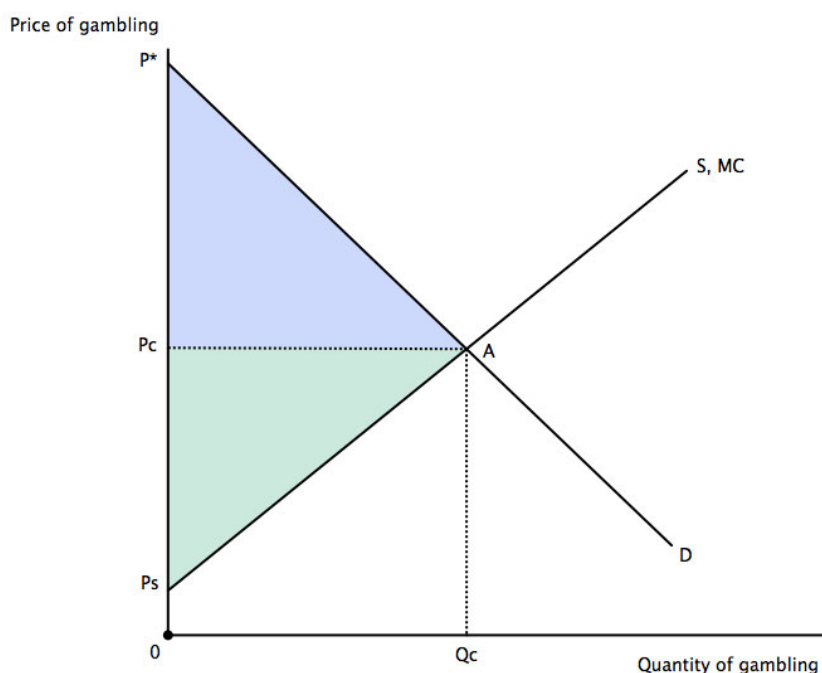
The example considered so far represents a hypothetical idealised scenario in which there is perfect competition and no barriers to entry to the casino market. It represents a theoretical scenario under perfect conditions whereby benefits to market participants (i.e. consumers and producers) are maximised. In reality, gambling industries are typically highly regulated, giving rise to significant or even permanent barriers to entry, thus limiting the supply of gambling services. Such regulation in part reflects historical concerns about the morality of gambling as well as concerns about the potential for gambling to have negative social impacts in terms of increasing crime and problem gambling. Casino gambling tends to be the most highly regulated of the gambling industries with many jurisdictions

adopting a monopoly model whereby only a single casino is permitted to operate in the state or capital city area, often with an exclusivity period covering a number of years or even decades.

A market with imperfect competition or monopolistic competition is generally characterised by reduced supply and higher market prices as a consequence of the market power afforded to the supplier. The consequence is a loss of the total economic surplus (i.e. economic benefits) that is obtained relative to a situation where there are no barriers to entry. We illustrate this situation diagrammatically in Figure B.

Under a situation where there is a monopoly provider of casino services (or any good or service for that matter), the monopoly will generally restrict output in order to maximise the profit obtained. Profit would be maximised by setting output to the point where the additional marginal revenue (MR) earned from providing an additional unit of gambling services is equal to the marginal cost of providing the services. This situation is illustrated by point D in Figure B where the marginal revenue curve crosses the supply or marginal cost (MC) curve. At this point the monopoly supplies Q_m of gambling services at a price of P_m . The resultant quantity of total gambling services provided is lower than what would be supplied under a situation of no barriers to entry (Q_c), while the price charged will be higher relative to a situation of no barriers to entry (P_c).

Figure C.1: Consumer and Producer Surplus under Perfect Competition



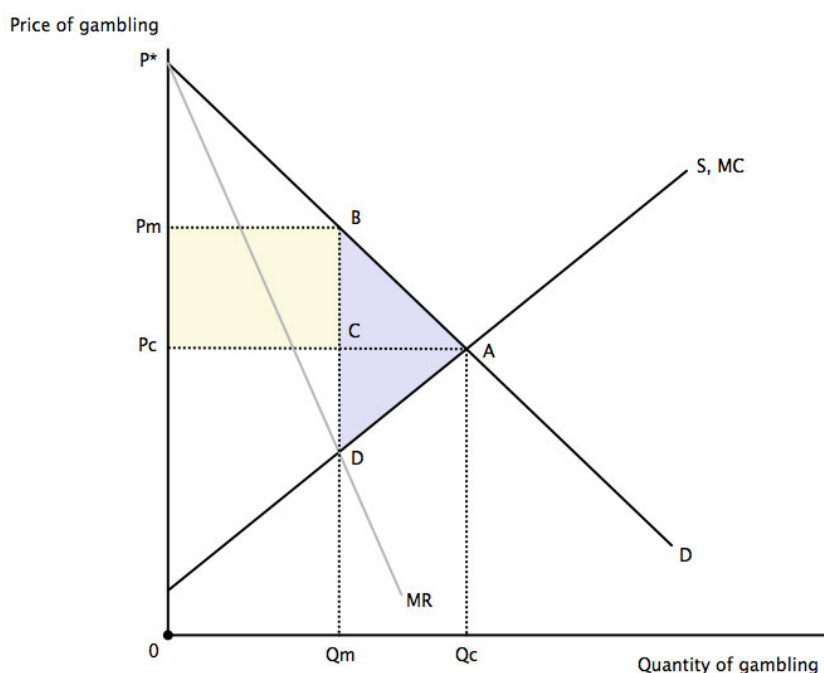
As a consequence of the reduced quantity of casino gambling provided and higher price charged consumers of gambling services experience a loss of consumer surplus equal to the area $P_m P_c A B$ in Figure B. Part of the lost consumer surplus is transferred directly to the monopoly in terms of higher producer surplus, which is equivalent to the area $P_m P_c C B$, while the remaining part of consumer surplus is lost (i.e. the area $A B C$). As a consequence of reducing the quantity of gambling services provided the monopoly experiences a loss of producer surplus equal to the area $A C D$. However, since the monopoly sets the quantity of gambling services supplied at a point where marginal revenue equals marginal cost, the gain in producer surplus obtained by capturing a proportion of consumer surplus

($P_m P_c C B$) outweighs the loss in producer surplus from reduced supply of gambling services (area ACD), leading to a net gain in producer surplus for the monopoly. Given the potential for a regulated casino monopoly to provide such 'excess profits', most governments try to capture a proportion of the net gain in producer surplus through taxation on behalf of the community.

The area ABD in Figure B represents the net loss of total economic surplus as a consequence of the monopoly reducing the quantity and increasing the price of casino services provided. Part of the lost economic surplus is lost consumer surplus while part is lost producer surplus. The total lost economic surplus is referred to as the "deadweight loss". The deadweight loss represents the loss of economic efficiency that arises as a consequence of monopolistic pricing. Such deadweight losses also arise in duopoly and oligopoly market structures which are also commonly used for casinos.¹¹⁴ Such deadweight losses ultimately represent an economic cost associated with existing market regulatory structures for casinos in Australia.

In addition to monopolistic pricing, deadweight losses may arise as a consequence of externalities, taxes or subsidies, price controls and other forms of government regulation that are poorly designed or implemented. As we have discussed in the report, casino gambling may lead to negative externalities in the form of increased problem gambling and crime. The potential for exacerbating these potential costs needs to be weighed against potential reductions in deadweight losses when considering measures to liberalise casino markets.

Figure C.2: Deadweight Loss under Monopoly Conditions



¹¹⁴ A duopoly is a market structure characterised by only two sellers while an oligopoly is a market structure characterised by a small number of dominant sellers.

Appendix D

ORC Discussions Guide

“Responsible gambling and casinos” (GRA project)
Focus Group Discussion Guide (Draft)
Approx 110 minutes

The overarching aim is to look at casino patronage in Australia. Specifically:

- What attracts people to visit, and gamble in, casinos;
- What do people tend to gamble on, and what other activities do they undertake;
- How are casinos being marketed to the local community.

A. Introduction (5 minutes)

- Introduction of self, ORC International, academic collaborators and GRA
- Purpose
 - Conducting research funded by Gambling Research Australia
 - Interested in what attracts people to casinos, why they choose to gamble there, and what kind of marketing they are aware of
 - We'd like to get your feedback on your own experiences of visiting, and gambling in, your local casino, and how it compares to other venues you may have visited.
- Please turn off or put on silent mode mobile phones
- Confidentiality and anonymity
- Reminder that you are being observed as discussed during recruitment (where relevant)
- Housekeeping – up to 2 hours, catering, amenities
- Group rules – different points of view encouraged, no right or wrong answers, moderator and participant roles.

B. Gambling behaviour (15 mins)

- How often do you go to the xxx casino?
 - How many times have you visited in the last year?
 - Probe for typical frequency.
- What kind of things do you do at the casino?
 - Probe for whether typically gamble and on what (e.g. casino table games, EGMs)
 - Probe for other activities (e.g. show, eating, drinking as well as/instead of gambling) etc.
- Who do you tend to gamble with?
 - Probe for gamble alone or with others.
- How much do you tend to spend, in a typical session?
 - Probe for how/when decide how much to spend (beforehand or at the time).
- Do you have a loyalty card?
 - Probe for whether ever been invited to high rollers/VIP room.

- How often do you receive a statement from the casino summarising your gambling activity?
- How often do you receive other correspondence or marketing from your local casino?
- Have you visited/do you visit other casinos in Australia?
 - Probe for which ones/under what circumstances (i.e. whether travel interstate).
- How does your local casino compare with other casinos?
 - Probe for what's better and what's worse, and why.
- What other types of gambling do you do (apart from in casinos)
 - Probe for how, where, how often, how much, etc.
- Why do you bet on these events? What do you like about it?
 - Probe for cognitive and emotional responses, gambling beliefs, experience of a sporting or racing event.

C. Gambling products and preferences (15 mins)

- Which gambling products (in the casino) do you prefer and why
 - Probe for details on type of product and its appeal (table games, EGMs, fully automated table games, etc)
 - Probe for details on how it has been marketed to them and any other inducements (e.g. non-tax concessional factors)
- Are there any new gambling products that have been introduced to the casino in the last year or two?
 - Probe for details on type of product and its appeal
 - Probe for details on how it has been marketed to them and any other inducements (e.g. non-tax concessional factors)
- What is the appeal of these products? What do you like/not like about them?

D. Reasons/motivations for casino gambling - unprompted questioning (15 mins)

- Why do you gamble in the casino? What do you like about it?
- Who do you gamble there, rather than at alternative venues?
- Have you seen any advertising for the casino?
 - Probe for where and when

- Do you receive/or see any marketing for the casino via social media?
- What kind of impact do you think this kind of advertising/marketing has on you/others?
 - Probe for impact on different groups of people.
 - Probe for impact on gambling behaviour.
- Does the casino offer any incentives/inducements such as free food or drink, or free bets?
 - Probe for what kind of inducements.
 - Probe for impact on gambling behaviour.

E. Social accessibility (20 mins)

How important are each of the following characteristics of the casino to you, and why?

- The casino as a social environment – a place to meet friends/like-minded people?
- The attractiveness or glamour of the casino?
 - Probe for what specific physical characteristics they find appealing.
- The affordability of gambling there?
 - Probe for if/how they make comparisons with other casinos/gambling venues.
- The staff – their professionalism/friendliness?
 - Probe for how they perceive this and the impact it has.
- The ease of using the products – particularly the more complicated/esoteric table games?
 - Probe for how confident they are in playing these games.
 - Probe for whether the attitude of the staff affects this.

F. Physical accessibility (15 mins)

Now I'd like to talk about the convenience of going to the casino. How important are each of the following aspects, and why?

- The location of the casino – whether it is local to you.
 - Probe for whether near to work or home.
 - Probe for how this affects the time and duration of gambling
- The ease of getting to the casino
 - Probe for whether take public transport
 - Probe for convenience/cost of parking.

G. Sense of retreat (15 mins)

- When you are gambling at a casino, how important is it for you to feel that you will not be interrupted or distracted?
 - Probe for what distracts them (if they do get distracted)
 - Probe for sense of time/whether time flies/whether clocks are visible
- Do you ever visit the casino for escapism/to get away from the real world?
 - Probe for what it is about the casino that offers a retreat/escapism

H. Responsible gambling (10 mins)

- What do you understand by the term 'responsible gambling'?
- To what extent do you think that the casino promotes responsible gambling?
- Have you seen any information about responsible gambling, produced/publicised by the casino?
 - Probe for both within and out with the casino
 - Probe for what kind of messages and how they are promoted
- Do you know of any responsible gambling initiatives run by the casino?
 - Probe for self-exclusion, pre-commitment etc
- Have you ever taken up pre-commitment or self-exclusion at a casino?
- Have the staff at the casino ever talked to you about controlling your gambling, or responsible gambling more generally?
 - Probe for what was said
 - Probe for whether they believe staff to be qualified/experienced in this element
- Have the staff at the casino ever talked to you about controlling your gambling, or responsible gambling more generally?
 - Probe for what was said/how

What could the casino do better, if anything, to promote responsible gambling in the community?

Appendix E

Harm Minimisation Strategies

ISSUE Date Last Updated	ACT 10-Oct-08	NSW June-2015	NT Oct-2014	QLD June-2015	SA Sept-2014	TAS June-2015	VIC 2-Oct-14	WA 25-Nov-14
Ban on credit gambling	Yes.	Yes.	Yes, credit gambling is prohibited.	Yes. Section 238 of the Gaming Machine Act 1991 states that a licensee or employee must not make a loan or extend credit. Section 66 of the Casino Control Act 1982 provides that a casino operator must not extend credit in any form to any person in connection with any gaming. Under (section 5.3) the Qld Responsible Gambling Code of Practice (voluntary) all gambling providers are not to provide credit or lend money to anyone for the purpose of gambling.	Yes.	Yes.	Yes for all forms of gambling except at the casino. Section 68(8) of the CCA permits the casino operator to provide chips on credit to a person who is not ordinarily resident in Australia for use while participating in a premium player arrangement with the casino operator; or a junket at the casino.	Yes, for casino. No EGMs in hotels and clubs.
Limitations on 24 hour gambling (not for casinos)	Yes, enforced break of 5 hours.	Yes, enforced daily break in gaming machine operations in clubs/hotels of a specified 6 hours per day 4am to 10am. Venues can seek approval to close for only 3 hours on Saturdays, Sundays and public holidays. Legislative amendments allow venues to apply for approval to close for only 3 hours on other days, on grounds of hardship, subject to guidelines.	Yes, for hotels and clubs - limited to trading hours. Gaming is banned under legislation between 4.00am and 10.00am daily and no gaming permitted Christmas Day and Good Friday.	Yes - Under s15 of the Gaming Machine Regulation 2002 gaming must not be conducted for Anzac Day – before 1pm, for Good Friday and Christmas Day – all day. Before 10.00am for any other day, unless approved by the Commissioner for Liquor and Gaming.	Yes, for hotels and clubs - compulsory break in trading times for 6 hours a day with additional responsibilities for late trading venues (must have a staff member trained in advanced problem gambling intervention).	Yes 3.1 Unless otherwise approved by the Commission, gaming facilities can only be operated at a casino for a maximum of 20 hours within any 24-hour period. There must be at least four continuous hours each day when table gaming, gaming machines and keno are not operating. NB: Numbering (such as 3.1) refers to Tasmanian Gaming Commission Casino Licence Rule 3.1.	Yes, section 3.3.9 of the GRA sets out that a venue must close for a 4 hour period every 24 hours.	N/A

ISSUE Date Last Updated	ACT 10-Oct-08	NSW June-2015	NT Oct-2014	QLD June-2015	SA Sept-2014	TAS June-2015	VIC 2-Oct-14	WA 25-Nov-14
Restricted access to ATMs and EFTPOS	Yes, no ATM's in gaming areas.	Yes, not permitted in gaming machine areas of clubs/hotels. ATMs are banned from the casino venue. It is a condition of casino licence that an automatic teller machine or any like device is not to be installed within the boundaries of the casino (Casino Control Act 1992: 74(3))	Yes, for hotels, clubs and casinos. Cannot be sited within gaming area. Limit of amount of cash withdrawals and no access to credit facilities.	Yes, Section 8 of Schedule 2 of the Gaming Machine Regulation 2002 states that no ATM or EFTPOS is to be located in, or in close proximity to a gaming area, and that ATM's must only be available for the use of debit cards. Section 5.1 of the voluntary Qld Responsible Gambling Code of Practice states that ATMs are not to be located in close proximity to designated gambling areas, or in the entry to gambling areas.	Yes, not in gaming areas. Withdrawals from ATM limited to \$250, EFTPOS limited to \$200	Yes, 7.1 ATMs and signage must not be visible from any gaming area or located within 20 metres from the entrance to a gaming area. 7.2 customers not able to withdraw more than \$400 per day from any ATMs located at a casino. 7.3 not allow a person to obtain a cash advance from a credit account. 7.4 EFTPOS terminals must not be located in a coin change or cash desk area. 7.5 No more than one EFTPOS transaction is permitted each patron, each day, for gambling purposes; any transaction that is provided for gambling purposes must not exceed \$200 in value. 7.8 Staff must not provide funds to a patron requesting any EFTPOS transaction for gambling purposes if that patron appears to be experiencing difficulties controlling his or her gambling.	Yes. Section 81AA sets out that (1) A casino operator must not, within 50 metres of any entrance to the casino, provide, or allow another person to provide, cash facilities that allow a person to obtain by means of those facilities, in any one transaction on any one debit or credit card, an amount of cash exceeding \$200. (2) A casino operator must not allow a person to obtain from a cash facility within 50 metres of any entrance to the casino a cash advance from a credit account. Section 81AAA sets out (1) In relation to a casino, a casino operator must not provide, or allow another person to provide on the casino operator's behalf, an automatic teller machine or an alternative cash access facility— (a) in the casino; or (b) in an area that is less than 50 metres walking distance away from an entrance to the casino.	N/A for hotels and clubs. Yes, for casino. The Gaming & Wagering Commission requires that: 1. ATMs are prohibited from being located in the area covered by the casino gaming licence; 2. ATMs are prohibited from being located within 40 metres (walking distance) of any entrance to the gaming floor, unless the ATM has a withdrawal limit of \$400 per customer, per day (24 hours). On a voluntary basis, EFTPOS terminals within the casino (for example, in bars) have had credit access disabled so patrons cannot access funds through any credit account.

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Provisions for exclusion / self exclusion	Yes, mandatory Code of Practice requires gaming machine venues to offer self-exclusion.	Yes, legal waiver provided for clubs/hotels since 2000. From 2 Oct 02, compulsory for clubs/hotels to have a self-exclusion arrangement in place. Casino has exclusion, self-exclusion and third party RG exclusion schemes.	Yes, application forms are to be available at reception, within gambling area, adjacent to gambling products.	Yes. Part 6, Division 10 of the Gaming Machine Act 1991 provides for self-exclusion provisions and provides gaming machine licensees with a power to exclude any person that a licensee believes on reasonable grounds is a problem gambler. Legislative requirement under Part 10, Division 1 of the Casino Control Act 1982 for self-exclusion provisions and provides casino operators and managers with a power to exclude any person that an operator or manager believes on reasonable grounds is a problem gambler. It is an offence under the Gaming Machine Act and the Casino Control Act for a gambling operator to direct promotional material to an excluded person.	Yes, both 3 rd party and voluntarily through the Independent Gambling Authority only IGA have imposed a duty on industry to make barring orders under the IGA Act IGA are now the central barring registry	Yes, self-exclusion possible, as well as exclusion by venue operator, Gaming Commission (through third-party applications) and Commissioner of Police.	Yes. Section 72 of the CCA provides for both exclusion by the casino operator and self-exclusion by the patron. Section 74 of the CCA provides for exclusion orders by the Chief Commissioner of Police. An exclusion order made by an interstate Chief Commissioner of Police in a manner similar to the ones made under section 74 is also enforceable at the casino. In order to provide reciprocal rights in the event another state or territory has a similar provision, section 74(2)(b) of the CCA provides that the Chief Commissioner of Police must notify each interstate Chief Commission of Police of an exclusion order under section 74. Venues run voluntary self-exclusion regimes	N/A for hotels and clubs. Yes, for casino. The <i>Casino Control Act</i> provides that the Casino Licensee or Commissioner of Police can issue a written direction prohibited entry to the casino. The Casino Licensee also maintains a voluntary self exclusion program for those persons who are identified as potentially at risk of harm.

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Clocks to be displayed	Yes, required under the mandatory Code of Practice.	Yes, compulsory for clubs, hotels and casino.	Yes, contained in mandatory Northern Territory Code of Practice for Responsible Gambling.	Section 4.7 of the voluntary Qld Responsible Gambling Code of Practice states that gambling providers are to implement practices to ensure that customers are made aware of the passage of time. Queensland Communication (QCOM) protocol 1.6 requirement that all QCOM 1.6 compliant EGMs must have the ability to display a clock to be located either in the top right hand side of the EGM's primary display or in the bottom left hand corner of EGM's primary display.	Yes.	Yes, 2.1 Any gaming area that contains gaming machines must contain the following number of analogue clocks. 1-20 = 1 21-40 = 2 41-100 = 3 100-200 = 4 200+ = 5 2.2 A clock must be located in any area where a keno terminal or table gaming is operated outside of any gaming area that contains gaming machines. 2.3 Any clock must have a diameter of not less than 30 centimetres, with clearly displayed numbers, in good working order and set to, or within, 10 minutes of the correct time. Any clock located in a gaming area must be clearly visible to patrons.	Yes. The GRR provides that the time of day must be displayed on each EGM in hotels, clubs and casinos. Section 10 of the same Regulations specifically binds the casino, stating that it must not permit play on an EGM if it knows, or could be reasonably expected to know, that the EGM does not display the time.	N/A for hotels and clubs. No requirement for casino although clocks have been installed around the gaming floor areas on voluntary basis. Display of clocks is addressed in the Crown Perth RSG Code of Practice (voluntarily written document).

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Staff training in responsible gambling	Yes, required under the mandatory Code of Practice.	Yes, compulsory for clubs, hotels and casino.	Yes, contained in mandatory Northern Territory Code of Practice for Responsible Gambling.	Yes. The Gaming Machine Act 1991 provides for mandatory training in Responsible Service of Gambling for club and hotel employees directly involved in the delivery of gaming services. Section 72 of Casino Control Act 1982 requires training courses for persons employed as casino key employees and casino employees Section 2.4 of the voluntary Qld Responsible Gambling Code of Practice recommends that appropriate and ongoing responsible gambling training is provided to staff who provide gambling products.	Yes, mandatory Code of Practice; being revised and implemented by end of 2014.	Yes, 6.2 All special employees must have completed the RCG training course within 90 days of being licensed as a special employee. 6.3 All special employees undertake a RCG course at least every five years from the date they received their most recent RCG qualification. 6.4 At least one person who has completed enhanced RCG is on duty in each gaming area where gaming machines operate. 6.5 Maintain a register of all special employees, detailing the most recent RCG training completed, along with a copy of the most recent RCG certificate, and produce these records when requested.	Yes. Section 9A.1.18 of the GRA provides that gaming industry employees who are working in the gaming machine area of an approved venue and the casino must complete a training course approved by the Commission within six months after starting employment and a refresher course at least once every three years thereafter.	N/A for hotels and clubs. Yes, for casino. Although not a regulatory requirement, all staff must complete mandatory RSG training. Staff can then be nominated for further training so that they can respond appropriately to patrons with specific gaming related issues. Training is addressed in the Crown Perth RSG Code of Practice (voluntarily written document).

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Certain winnings to be paid by cheque	Yes, under the mandatory Code of Practice. Maximum cash payout for winnings for gaming machines is \$1,200.	Yes, for clubs and hotels. Compulsory for amounts over \$2,000 (changed from \$1,000 on 19 May 2006). Also applies to that portion of the prize under \$2,000, where requested by club/hotel patron. For casino, operator must notify winner of a prize above \$2,000 of capacity for prize to be paid by cheque and, where requested, pay the prize by cheque.	Yes, over \$500.00 in hotels and clubs or if requested by player.	Yes – for clubs and hotels, amounts over venue's displayed cash limit (up to a maximum of \$5,000 as set by the venue) are to be paid by cheque. Amounts less than venue's displayed cash limit may be paid by cheque (in part or in full) if requested by the player. Yes - available in casinos where requested by the patron.	Yes, under the mandatory Code of Practice cheques can be requested for payouts over \$1,000.	Yes, 8.2 Winnings from any gaming machine or keno payout must not exceed \$1000 cash. Where any payout exceeds \$1000, the amount above \$1000 must be paid by cheque. 8.4 All cheques for the payment of winnings from gaming machine or keno gaming must have the words "Gaming Machine Payout" or "Keno Payout" written on the front of the cheque. 8.5 All cheques for table gaming winnings must have the word "Winnings" written on the front of the cheque. 8.6 The details of any patron requiring a cheque must be checked against the exclusion database prior to being issued. Any patron identified as excluded must be paid their winnings and then required to leave the casino or gaming area immediately. 8.7 Any cheque issued for the payment of winnings must not be cashed on the same day that the cheque was issued	Yes. Section 81AAB of the CCA states that the casino operator must not pay out accumulated winnings in excess of \$2,000 in cash (this does not apply to certain gaming machines in specified areas of the casino). Credits must be paid by cheque if requested by a patron; a cheque for gaming machine winnings cannot be exchanged for cash or gaming tokens.	N/A for hotels and clubs. In the casino, patrons may request winnings in the form of a cheque for any amount. Approved procedures detail the process for the issue of a cheque.

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Ban on smoking, eating and drinking in gaming areas	Not compulsory for hotels and clubs in relation to food and alcoholic drinks. Smoke free areas compulsory.	No, ban for eating and drinking. Smoking is prohibited in all enclosed areas of clubs, hotels and the casino except for the private gaming areas (non –slots) predominantly used by international players high roller room.	Yes, ban Smoking in Gaming areas Ban on Smoking in Eating and drinking areas Equal amenity for smoking and non-smoking to be provided in clubs with more than 25 gaming machines. Casino to provide equal amenity for smoking and non-smoking.	Smoking ban in eating areas of hotels and clubs and main casino floor (table games but premium gaming rooms exempted). Total ban on smoking inside venues under Health Act from 1 July 2006. Casino premium gaming rooms exempt under the Tobacco and Other Smoking Products Act 1998. For casinos, S65C of the Casino Control Act restricts a casino operator from providing liquor in gaming areas unless approved by the Chief Executive. No ban for eating and drinking. Nonetheless, under the voluntary Qld Responsible Gambling Code of Practice, venues are encouraged to manage service of alcohol to encourage customers to take breaks in play. Customers who are unduly intoxicated are not permitted to continue gambling.	No ban for eating and drinking From 1 Nov 2007, complete ban on smoking.	No, for eating and drinking. Legislated ban on smoking in gaming areas from 1 Jan 2005.	No, for eating and drinking. Yes, a Ministerial Direction allows for some smoking exemptions. Banned in all gaming areas of the casino (except in a declared smoking area) and in the gaming machine area of approved venues (clubs and hotels). Total ban in all pubs and clubs.	No, for eating and drinking. Smoking ban in all areas of the casino except for the International Gaming Facility which is currently exempted.
Requirement for proper lighting	Mandatory Code of Practice sets minimum standards for lighting. Compulsory signage must be able to be easily read.	No.	Mandatory Northern Territory Code of Practice for Responsible Gambling requires it where possible.	No. Nonetheless, the voluntary Qld Responsible Gambling Code of Practice encourages the use of natural light in the gaming areas within restraints of the building and providing it does not conflict with licence conditions whereby EGMs must not be visible from public thoroughfares.	No gaming specific requirements.	Yes, 2.4 All gaming areas must have sufficient lighting to enable clocks and signs to be easily read and the faces of people within the area to be easily identified. Where possible, this is to be achieved by maintaining or utilising natural light as a source of lighting.	Yes. Section 13 of the GRR provides for proper lighting.	N/A for hotels and clubs. Recent developments of the casino now provide for natural lighting in some areas of the gaming floor.

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On-site problem gambling assistance or referral	Yes, referral.	Yes, referral.	Yes, referral.	Gaming Machine Act & Casino Control Act requires the licensee or casino operator to give a person seeking to be self-excluded details of at least 1 entity that provides counselling services for problem gamblers. Voluntary Qld Responsible Gambling Code of Practice (section 1) also recommends that information about the risks associated with gambling and where to get help for problem gambling is prominently displayed and that a Customer Liaison Officer is available to provide assistance with gambling related problems.	Yes, under new codes HRC's now required to be available on site when casino is open and are required to have a management relationship with a gambling help service. No requirement for brochures or stickers (with helpline number) on machines	Yes, posters, brochures and referral.	Yes, referral.	N/A for hotels and clubs. Yes, for casino. The Casino Licensee has appropriately trained and qualified RSG officers on site during normal office hours. Brochures, posters and gaming information terminals in the casino also provide referral information.
Service of alcohol in gaming areas	Yes.	Permitted.	Permitted.	Yes, however under voluntary Qld Responsible Gambling Code of Practice: - "Practice 4.3" states that the provision of hospitality services in areas where gambling is provided is managed in such a way as to encourage customers to take breaks in play. -Practice 4.4' states that customers who are unduly intoxicated are not permitted to continue gambling. . For casinos, S65C of the Casino Control Act restricts a casino operator from providing liquor in gaming areas unless approved by the Chief Executive.	Yes – but must take all practicable steps to: prevent a person who appears to be intoxicated from being allowed to gamble or entering a gambling area or remaining there. - ensure that alcohol is not supplied to reward, promote or encourage continued gambling. A person is not to be served alcohol while seated or standing at a gaming machine.	Yes, 2.5 Food or alcohol must not be served to patrons while they are playing on, or sitting at, a gaming machine in a gaming area between the hours of 6pm and the close of business each day. 4.1 Any patron who appears to be intoxicated or has been refused the service of alcohol must not be permitted to participate in keno gaming, gaming machine gaming or table gaming.	Yes. Section 81AAC of the CCA provides that 'A casino operator must not knowingly allow a person who is in a state of intoxication to gamble or bet in the casino.'	Yes Service of alcohol is permitted in gaming areas in compliance with the Liquor Control Act (1988) and the Casino Control Act (1984). As per the voluntarily written Crown Perth Responsible Gambling Code of Practice, all reasonable efforts will be made to prevent intoxicated persons from gambling.

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Restrictions on entry	Yes – minors, intoxicated or excluded persons are not permitted to play EGMs. Clubs are only permitted to allow members and invited guests to play EGMs.	Based on age, dress, intoxication, excluded persons.	Minors not permitted in gaming area. No direct street access to gaming area. Patrons must first enter main licensed area before accessing gaming area.	Based on age, excluded persons, breaches of the rules ancillary to gaming, damage or physical abuse to a gaming machine; behaviour in a way likely to cause offence to other persons; suspicion on reasonable grounds of being on the premises for the purpose of committing an offence or aiding another person to commit an offence against the Gaming Machine Act.	Yes; based on age, dress, intoxication, excluded persons.	Yes.	Based on age, dress, intoxication, excluded persons.	Yes, <i>Casino Control Act and Liquor Control Act</i> . Restrictions based on age, intoxication and exclusions.
Restrictions on minors and penalties: <ul style="list-style-type: none"> • Venue operator • Staff • Adult supervisor 	Minors are not to enter a gaming area (50 penalty units) or play gaming machines (50 penalty units). These penalties apply to licensees. Using a false identification (10 penalty units).	Yes, for all three.	Minors not permitted in gaming areas. Penalties apply to venue operator and minor.	In casinos generally, minors are not permitted within the licensed gaming area of the casino during operating hours. Maximum 25 penalty units for a minor, maximum 100 penalty units for a casino operator who allows a minor within a casino. The casino employee and the casino agent who allows or does not remove a minor from the premises is liable for 40 penalty units. In clubs and hotels, minors are not permitted to operate a gaming machine on licensed premises. Maximum penalty for minor 25 penalty units, maximum penalty for licensee or licensee's nominee 250 penalty units or another person 40 penalty units	Minors must not be employed in gaming operations, maximum penalty \$10,000 or imprisonment for 6 months. Minors are not permitted in casino gaming areas Maximum penalty for minor \$500, maximum penalty for licensee \$10,000, \$2,000 for staff member.	Minors must not enter or remain in a restricted area (10 penalty units). Minors must not participate in gaming (20 penalty units). Venue operator is guilty of an offence if minor enters restricted gaming area (20 penalty units) and must not allow minor to participate in gaming (20 penalty units). Person must not place a wager on behalf of a minor (20 penalty units). 4.2 No minor can take part in the conduct of gaming or enter a gaming area.	Part 7 of the GRA sets out prohibitions on minors gambling or entering premises and the penalties. This includes: <ul style="list-style-type: none"> • Minor must not enter a gaming machine area. • Minor must not play a gaming machine in any area of an approved venue or the casino. • Venue operator must not allow a minor to enter a gaming machine area of an approved venue or the casino. 	Yes, s27(1) of the <i>Casino Control Act 1984</i> prohibits minors from entering or remaining in the casino, except in certain circumstances.

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Staff licensed	Yes, only staff holding Approved Attendant Certificates are entitled to access gaming machines.	<p>Casino Special Employee Licence</p> <p>A special employee is defined in the Casino Control Act 1992 as a person who is:</p> <p>(a) employed or working in a casino in a managerial capacity or who is authorised to make decisions, involving the exercise of his or her discretion, that regulate operations in a casino; or</p> <p>(b) employed or working in a casino in any capacity relating to</p> <ul style="list-style-type: none"> - the conduct of gaming; - the movement, exchange or counting of money or chips in the casino; - the operation, maintenance, construction or repair of gaming equipment; - the supervision of any of the above activities; - casino security; - any other activity relating to operations in the casino that is prescribed by the regulations under the Act; or <p>(c) a person who, in the opinion of the Authority, has a special relationship with a casino and who is directed by the Authority pursuant to section 47 of the Act to apply for a special employee licence.</p>	Yes.	In clubs and hotels, employees carrying out gaming duties are not required to be licensed. However, they must be trained in responsible service of gambling. Casino staff must be licensed if they perform gaming related duties. Casino Legislation specifically identifies the types of duties which are to be licensed. Staff may either be a CE (Casino Employee) or CKE (Casino Key Employee) depending upon position's level of authority.	Yes, all staff licensed.	Yes, all staff licensed.	Yes, those that perform duties of a gaming industry employee as defined in Chapter 9A of the GRA or sections 37 and 38 of the CCA.	Yes, for casino gaming. All persons who work in support of the licensed casino are licensed unless they fall within an exemption category (beverage service, cleaner or entertainer).

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Ban on note acceptors	\$100 and \$50 notes banned.	No.	No.	The Gaming Machine Act 1991 and the Casino Control Act 1982 have been amended to provide that a Regulation <u>may</u> prescribe a maximum denomination that can be accepted by a gaming machine note acceptor in a casinos, hotels and clubs. However, no denomination is currently prescribed in the Regulation, although administratively the maximum denomination is a \$100 note. In clubs and hotels, up to five \$20 notes may be inserted at any one time in a note acceptor or two \$50 notes, or a single \$100 note. In casinos, there is currently no limit to the number of \$20, \$50 and \$100 notes which may be inserted in a note acceptor.	Yes.	Yes, for hotels and clubs. No, for casinos.	Section 3.5.29 of the GRA bans \$100 note acceptors in venues. Section 62AB bans \$100 note acceptors in the casino except for EGMs located in areas specified by the Commission.	N/A for hotels and clubs. Note acceptors to be limited to \$100.

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Cashless / card-based gaming	Ticket-out approved. N/A for casino.	Yes, from 2 April 02, card-based gaming machines allowed in clubs and hotels, subject to conditions. Since 23 Feb 2007 approval for Ticket In Ticket Out (TITO) technology to operate on standalone gaming machines in clubs and hotels. Ticket out operates in the casino.	TITO for Casino No, Card based gaming for hotels, clubs or casino .	Yes. Card based gaming/cashless no longer mandates a pre-commitment functionality. It is now purely used for cashless gaming. The Casino Control Act 1982 provides for cashless gaming technologies in casinos. Since 31 July 2013 approval for Ticket-In/Ticket Out (TITO) technology to operate on gaming machines in specific Queensland casinos. TITO in clubs and hotels are currently in trial since 7 January 2014.	Yes with an approved Loyalty system only	No.	Not available in hotels and clubs. Available in the casino.	N/A for hotels and clubs. Ticket in/Ticket out is available in the Casino. Cashless gaming is available for premium electronic gaming members of the International Gaming Facility.
Pre-commitment - loss limits	No. N/A for casino.	Is possible in regard to card-based gaming, but not otherwise No, for casino. Casino has Absolute Assist in place a voluntary pre-commitment scheme	No.	Pre-commitment is now optional in Queensland. If enabled, it must support the following limits in a cashless system. - transfer amount - maximum account balance - daily net expenditure, and - session time. Otherwise if no cashless system is used, pre-commitment limits that should be supported are: - daily net expenditure, and - session time.	Yes	No	Yes. A casino must provide pre-commitment functionality to players of unrestricted gaming machines. The Government has announced that from 1 December 2015, all gaming machines in the State will be required to provide pre-commitment functionality through a state wide pre-commitment program. While the provision of pre-commitment is mandatory for venues and the casino, it is a voluntary scheme for players. Gaming venues who operate a loyalty scheme where points can be accrued for playing gaming machines must offer pre-commitment functionality and provide player activity statements.	N/A for hotels and clubs. The Gaming & Wagering Commission requires a voluntary pre commitment system to be available to electronic gaming patrons. This is available for Casino loyalty club members only.

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Enforced player breaks	No, for hotels, taverns and clubs. N/A for casino.	No.	No.	No – Sections 4.3 and 4.8 of voluntary Qld Responsible Gambling Code of Practice provide that service of alcohol on gambling provider's premises is managed in such a way as to encourage customers to take breaks in play and gambling providers are to implement practices to ensure that customers are discouraged from participating in extended, intensive and repetitive play.	No.	No.	No.	N/A for hotels and clubs. No, for casino.
Limitations on frequency of games	No.	No.	No, specific NT requirements conform to national standards version 9.	Whilst a previous requirement has been recently removed through the removal of the Queensland Appendix, it is intended that the underlying principle will continue to be upheld and a minimum spin rate of 3 seconds for clubs and hotels will still apply.	New requirements mean we can operate games approved in other jurisdictions without direct approval	Yes, minimum spin rate of games 3 seconds on all games.	Section 3.5.30 of the GRA states that games must not have a spin rate of less than 2.14 seconds. Section 62AC of the CCA provides for the same minimum spin rate except for certain machines located in specified areas of the casino.	N/A for hotels and clubs. Yes, for casino. Max speed of play is stipulated in the WA Appendix to EGM National Standards. Spinning reel machines are prohibited.

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Rate of loss - bet and win limits	Hotels and clubs: - bet limit \$10.00 - no win limit. N/A for casino.	Hotels and Clubs Bet limit of \$10.00 on single terminal machines and \$100 on multi-terminal Win limit of \$10,000 on stand-alone machines. Win limits of \$100,000 on intra-venue linked machines, and \$500,000 on inter-venue linked machines. Casino \$10 bet limits on most machines, no bet limits on 260 machines. No mandated jackpot limits. .	Hotels and clubs: - bet limit \$5.00 - no win limit. Casino: - no limits.	Hotels and clubs: - bet limit \$5 - win limit \$10,000 for machines with no jackpot, \$25,000 where stand alone jackpot, and no limit on linked jackpot arrangements however the highest approved linked jackpot is currently \$110,000 Casino: - no legislative limits for either stand alone jackpot or linked jackpot, however the highest approved linked jackpot is currently \$1m. Casino Inspectors may attend jackpot payments over \$10,000 to verify the win.	Hotels and clubs: - bet limit \$10.00 - win limit \$10,000 per spin. Casino: - bet limit \$10 - no win limit.	Hotels and clubs: - bet limit \$5.00 - no win limit. Casino: - bet limit \$5.00.	No win limits in Victoria. Section 3.2.3 of the GRA provides the Minister with the power to direct the Commission on bet limits for venues. The Minister has directed that there is a bet limit of \$5 for all machines. Section 64(2) of the GRA provides the Minister with the power to direct the casino operator to set bet limits at the casino. The Minister has directed that there is a bet limit of \$10 unless located in a specified area	Hotels and clubs: - N/A Casino: - max bet limits dependent upon location of game \$60 for the main gaming floor, \$100 for premium gaming areas. Although not regulated, these bet limits are supported by the Gaming & Wagering Commission.
Requirements for dealing with jackpots	Linked jackpot arrangements must be approved.	No.	Licensee must obtain approval from Director of Licensing to commission a jackpot system, vary system parameters, connect or disconnect a gaming machine to or from a jackpot system or decommission a system. A gaming machine can only be connected to one jackpot system at any time and machines linked to a jackpot system must be clearly marked and obvious to patrons.	Yes, Jackpots must be approved and comply with latest versions of Qld Jackpot System Minimum Technical Requirements.	N/A for clubs and hotels.	Yes, jackpot rules approved. Additional conditions may also apply to specific game approvals.	Yes. Section 3.5.7 of the GRA and section 62B of the CCA prohibit linked jackpots unless approved by the Commission.	Yes, for casino. Rules are approved by the Gaming and Wagering Commission additional conditions may apply to specific game approvals.
Limits on lines/ways	No.	No. No multi-screen games (quad screen) will be approved	No.	Q3.23 Qld App. 10.0.1 Games that offer more than 25 possible lines, but no more than 50 lines, may be accepted as long as there is sufficient clarity for a player to accurately identify all wins.	No.	Yes, Maximum of 30 lines.	No limits.	Yes, for casino. Whilst spinning reel machines are not permitted the WA Appendix to the EGM National Std provides standards on the operation of EGMs in WA.

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Statutory obligation on the regulator to foster responsible gambling and minimize problem gambling	Yes.	Yes, <i>Gaming Machines Act 2001</i> (for hotels and clubs) and <i>Casino Control Act 1992</i> (for casino).	An object of the Gaming Machine Act is to "reduce any adverse social impact of gaming". Object of the Gaming Control Act: reduce any adverse social impact of gaming	Yes - overarching objective in all gambling legislation which requires, on balance, State and community must benefit. Balance achieved through, amongst other things, minimising potential harm.	Yes, <i>Independent Gambling Authority Act 1995</i> .	Section 125 (ea) gives the Commission these powers: i.e. to foster responsible gambling and minimise the harm from problem gambling.	Yes. Section 1.1(2) of the GRA makes it an objective of the GRA.	N/A for clubs and hotels. Yes, for casino. An objective of Gaming and Wagering Commission to minimize harm to the community caused by gambling.
Return to player	Minimum of 87%.	Minimum 85%.	Minimum 85% for clubs 88% for casinos.	Clubs and hotels 85% - 92%; Casinos minimum 85%.	Minimum 87.5%.	Minimum of 85%.	Section 3.6.1 of the GRA. From May 2014, minimum of 85% per venue, per calendar year.	N/A for clubs and hotels. Minimum of 90% for casino.
Display of odds	Chances of winning major prizes must be available to customers under the mandatory Code of Practice.	Yes, compulsory for clubs, hotels and casino.	Yes, contained in mandatory Northern Territory Code of Practice for Responsible Gambling.	No current requirement currently exists however QCOM Protocol 1.6 allows games to have Player Information Displays to be accessible on screen. Information includes chance of winning maximum prize and possible spend rate Section 1.3 of voluntary Qld Responsible Gambling Code of Practice states that each gambling provider is to provide meaningful and accurate information on the odds of winning major prizes and that this information is prominently displayed in all gambling areas and near cash out facilities which service gambling areas.	Yes, for hotels, clubs and casino. Only in relation to an advertisement or promotion that relies on value of a prize or frequency of winning.	Yes, 11.13 Brochure ORB04 "Gaming Machines – Chances of Winning" must be available to patrons at all times and supplies of the brochure must be located in prominent positions wherever gaming machine gaming occurs. 11.14 Brochure ORB05 "Keno – Chances of Winning" must be available to patrons at all times and supplies of the brochure must be located in prominent positions wherever keno gaming occurs. 11.15 Brochure ORB06 "Casino Table Games – Chances of Winning" must be available to patrons at all times and supplies of the brochure must be located in prominent positions wherever table gaming occurs.	Division 4 of the GRR requires EGMs to display certain information about each game, including the chances or odds of achieving the top 5 and bottom 5 (in value) individual winning combinations and the max and min bet options available.	N/A for clubs and hotels. Direction 15.1 of the <i>Casino Control Act – Directions</i> requires that information concerning gaming rules, mode of payment of winning wagers, and the odds of winning wagers for each wager must be displayed in the Casino.

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Warnings on machines	Yes, mandatory for clubs, hotels and taverns. A variety of warnings can be chosen.	Yes, compulsory for clubs, hotels and casino.	No specific requirements for warnings on machines. PG stickers placed on all EGMs in casino Information about the potential risks and where to get help is to be prominently displayed in all gaming areas and near ATMs and EFTPOS.	No current requirement exists however QCOM Protocol 1.6 can facilitate a framework of warning displays on screen such through messaging etc. All QCOM 1.6 machines currently have the capability to handle configurable messaging.	No, under new codes - the previous requirement to display warning message and helpline number has been removed; and no requirement for brochures. Gambling Helpline business cards are still a requirement	Yes, 11.17 Sticker ORM01 or ORM02 "Minors Warning (Gaming Machines)" must at all times be displayed in a prominent location on the front of every gaming machine.	Yes, regulations require a "Player Information Talker" as per the Minister's specification to be displayed on each gaming machine so that it is clearly visible from the front of the machine.	N/A for clubs and hotels. Helpline stickers are displayed on all electronic gaming terminals, and on all ATMs

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Advertising restrictions	<p>Mandatory Code of Practice applies restrictions to advertising of gambling products:</p> <ul style="list-style-type: none"> - must not be false or misleading - cannot show under 25s gambling - cannot suggest that gambling is a form of financial investment - cannot suggest that skill can influence a game of chance - does not promote the consumption of alcohol while gambling. 	<p>Yes, total ban on all off-premises gaming machine advertising, and gaming machine advertising outside venues.</p> <p>Exemptions for:</p> <ul style="list-style-type: none"> - trade publications and conventions - Government responsible gambling campaigns - accidental or incidental accompaniment to news broadcasts etc. <p>Restrictions apply to casino advertising (ie, advertising other than gaming machine advertising).</p>	<p>Advertising is to be delivered in an honest and responsible manner. No false impressions of financial gain to be advertised.</p> <p>Advertising must comply with the Advertising Code of Ethics as adopted by the Australian Association of National Advertisers or the Advertising Federation of Australia.</p> <p>TV adverts to comply with the Federation of Commercial Television Stations (FACTS) Code of Practice.</p>	<p>Yes. A person who advertises relating to gaming machines must ensure the advert is not indecent or offensive, is based on fact and is not false, deceptive or misleading in a material particular. Machine gaming must not dominate external signage or promotions. In addition, the voluntary Qld Responsible Gambling Code of Practice (section 6 Advertising and promotions) assists the gambling industry to ensure advertising and promotions are delivered in a responsible manner with consideration given to the potential impact on people adversely affected by gambling.</p> <p>It is an offence for promotional material to be distributed to excluded persons.</p>	<p>Yes, new mandatory code of practice for advertising and in-venue messages</p>	<p>Yes, 12.1 advertising of gambling must:</p> <ol style="list-style-type: none"> a) Comply with the „Code of Ethics“ adopted by the AANA b) Be socially responsible c) Not be offensive or indecent in nature d) Not be false, misleading or deceptive f) Not challenge or dare a person to play g) Not suggest that skill can influence games that are games of chance h) Not encourage or target people under 18 years of age to gamble i) Not show the consumption of alcohol while engaged in the activity of gambling k) Not be directed at vulnerable groups l) Not encourage a person to commit an offence n) Not be directed at, or provided to, excluded persons. q) Not occur on television and/or radio between: 6:00am - 8:30am and 4:00pm - 7:00pm weekdays; and 6:00am - 8:30am and 4:00pm - 7:30pm on weekends. r) Sounds associated with gaming machines must not be included in any television or radio advertising. 	<p>Yes. Sections 3.5.34AA through 3.5.35A of the GRA prohibit gaming machine advertising outside a gaming machine area of a venue or the boundary of the casino.</p>	<p>N/A for clubs and hotels. Yes for Casino.</p> <p>Regulation 43, of the <i>Gaming and Wagering Commission Regulations 1988</i> places certain restrictions on offsite advertising.</p> <p>Further, a responsible gaming message must be included.</p> <p>In addition, as per the voluntary Crown Perth Responsible Gambling Code of Practice, Advertising and Promotions Code of Practice, advertising must comply with the Advertising Code of Ethics as adopted by the Australian Association of National Advertisers.</p>

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Restrictions on player loyalty systems / programs	Mandatory Code of Practice allows player loyalty schemes for gaming machines as long as they are only advertised inside the venue or directly to members.	Yes, cash cannot be offered as a prize and maximum value of prizes limited to \$1,000. Player activity statements must also be made available to participants.	No, but since cashless gaming is not allowed, any loyalty programs based on cashless gaming are not allowed.	The voluntary Qld Responsible Gambling Code of Practice (section 6 Advertising and promotions) identifies acceptable and unacceptable practices where Player Loyalty Programs are concerned.	Yes, outlined in Mandatory Code of Practice.	Yes, 10.1 a) Patrons must be provided with information about the PLP at the time of joining, including terms and conditions, points accrual details and rewards b) Patrons must have the ability to opt out of a PLP at any time and must be notified in writing at least once each year of their right to cease c) members must be provided with a player activity statement annually d) player activity statements must identify and differentiate points that have been accrued from gambling and non-gambling activities. Statements must show the amount, in dollars, of any expenditure on gambling e) members must be sent self-exclusion and responsible gambling information at least once each year. f) members must be able to access any information that the operator holds about them. g) All information held about a PLP and its members must be made available to the Commission.	Yes, restrictions include: - prescribed information to be provided to new participants and in compulsory annual player activity statements - distribution of statements and continued participation - ability for participants to limit time play and net loss - excluded persons prohibited from participating.	N/A for clubs and hotels. Certain restrictions apply to the use of extra credits. Loyalty program members can voluntarily limit time play and net loss, and may request player activity statements.

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Ban on inducements	Not a total ban, but inducements to play gaming machines cannot include free or discounted alcohol or discounted gambling unless it is offered to all patrons as part of the venues' regular prize schedule.	Yes, legislation bans gambling-related inducements offered by clubs, hotels and casino.	Yes, bans on gambling related inducements.	No legislated bans. However, certain controls may be exercised as a condition of licence e.g. external signage and promotional materials limits. Section 6.10 of the voluntary Qld Responsible Gambling Code of Practice provides that gambling providers are to develop and implement strategies to ensure advertising and promotions do not involve any irresponsible trading practices by the gambling provider.	Yes, outlined in Mandatory Code of Practice.	Yes 9.1 no incentive based sponsorship arrangement where the level of sponsorship to be provided is linked to the use of gambling products. 9.2 Patrons must not be allowed to use any inducement greater than \$10 for gambling purposes 9.3 Any inducement must be redeemable for services other than just gambling. 9.4 Any inducement must be valid for a minimum of 30 days. 9.5 Patrons must not be offered the supply of free or discounted alcohol for consumption on the premises as an inducement or reward for gambling. 9.6 Patrons must not be required to gamble in excess of \$10 for a specific period of time in order to receive an inducement, obtain a prize or be eligible to enter a specific prize draw. 9.7 Patrons must not be required to be on the premises at the time of a prize draw, in order to be eligible to win any individual prize that is greater than \$1 000 in value.	No.	N/A for clubs and hotels. Certain restrictions apply regarding the use of extra credits to induce play.

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Player information displayed	Signage in gaming areas must inform players about restrictions applying to minors and intoxicated persons, the availability of rules, exclusion programs, Gambling Contact Officer details, counselling services, maximum cash payouts, and return to player information. In addition, a variety of notices warning about problem gambling are to be displayed for the information of players.	Only provided on request.	Yes, on machines. Signage in gaming areas must inform players about restrictions applying to minors and intoxicated persons, the availability of rules, exclusion programs, Regulators Contact details Counselling services, maximum cash payouts, and return to player information. In addition, Notices warning about problem gambling are displayed for the information of players. Player activity Statements available on request	Yes. Information display board required under the voluntary Qld Responsible Code of Practice to be displayed in the gaming area with the following information: *Gambling provider's RG Policy; Odds of Winning; Exclusions Provisions; and financial transactions policy. As well as warnings prohibiting minors from gambling. *Exclusion signage and player information brochures are available. *Gambling Help signage and takeaway cards displayed in gambling areas. EGMS's have second screen displaying player information.	Warning to minors at each entrance. Responsible Gambling Posters (In-venue messages) Helpline business cards on each ACM, Ecash terminal, cashiers, on or near machines (not tables) Complaints process with phone number for CBS (liquor and gambling office) if customers wish to make a complaint	Yes.	Yes. Player Information Standards and responsible gambling sign including posters, talkers and brochures as per GRR Regulations 16, 17, 18 and 43. Also the GRA part 3. Rules of the Games – CCA section 60 and 66.	Yes, casino on-screen rules and help. Additional information is available at Gaming Information Terminals and Voucher Issuance Kiosks located around the gaming floor and in the international gaming facility.
Pre-commitment	No.	Yes, if card based gaming system in place. Must be available so patrons can set weekly limits. Not compulsory.	No.	Yes for Casinos, hotels and clubs. Pre-commitment is now optional in Queensland. If enabled, it must support the following limits in a cashless system. - transfer amount - maximum account balance - daily net expenditure, and - session time. Otherwise if no cashless system is used, pre-commitment limits that should be supported are: - daily net expenditure, and - session time.	Yes	No.	The Government has announced that from 1 December 2015, all gaming machines in the State will be required to provide pre-commitment functionality through a state wide pre-commitment program. While the provision of pre-commitment is mandatory for venues and the casino, it is a voluntary scheme for players.	Yes, if card based gaming system in place. Available so patrons can set financial and time limits per gaming day. Not compulsory.

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Loyalty program	Yes, restrictions on promotions and inducements apply.	Yes, restrictions on promotional prizes.	Permitted.	Yes, permitted. The voluntary Qld Responsible Gambling Code of Practice section 6 Advertising and promotions) identifies acceptable and unacceptable practices where Player Loyalty Programs are concerned.	Yes, permitted but subject to Mandatory Code of Practice.	Yes, but not a reward program.	Yes. Division 5 – Loyalty Schemes of the GRA.	Yes.
Responsible agency	ACT Gambling and Racing Commission	NSW Office of Liquor, Gaming and Racing	Gambling and licensing Services Division NT Department of Business and Northern Territory Licensing Commission	Office of Liquor and, Gaming Regulation and Office of Regulatory Policy.	Office of the Liquor and Gambling Commissioner (Now within CBS – Consumer Business Services) IGA (Independent Gambling Authority)	Tasmanian Gaming Commission and Liquor and Gaming Branch, Department of Treasury and Finance	Victorian Commission for Gambling and Liquor Regulation	Gaming and Wagering Commission of Western Australia
Legislation Administered	<i>Gaming Machine Act 2004 Gaming Machine Regulation 2004 Gambling and Racing Control Act 1999 Gambling and Racing Control (Code of Practice) Regulation 2002</i>	<i>Casino Control Act 1992 Casino Control Regulation 2009 Gaming Machines Act 2001 Gaming and Liquor Administration Act 2007 Gaming and Liquor Administration Regulation 2008 Gaming Machines Regulation 2010 Gaming Machine Tax Act 2001 Liquor Act 2007 Liquor Regulation 2008 Registered Clubs Act 1976 Registered Clubs Regulation 2009</i>	<i>Gaming Control Act Gaming Machine Act</i>	<i>Gaming Machine Act 1991 Gaming Machine Regulation 2002 Casino Control Act 1982 Casino Control Regulation 1999 Casino Gaming Rule 2010. Also a number of Casino Agreement Acts – Breakwater Island Casino Agreement Act 1984, Brisbane Casino Agreement Act 1992 Cairns Casino Agreement Act 1993, Jupiters Casino Agreement Act 1983.</i>	<i>Gaming Machines Act 1992 Casino Act 1997 ALA – Approved Licensing Agreement</i>	<i>Gaming Control Act 1993 TT-Line Gaming Act 1993</i>	<i>Gambling Regulation Act 2003 Gambling Regulation Regulations 2005 Casino Control Act 1991 Casino Management Agreement Act 1993</i>	<i>Gaming and Wagering Commission Act 1987 Casino Control Act 1984 Casino (Burswood Island) Agreement Act 1985</i>
Consultative committees	Gambling Advisory Reference Group	First, of likely ongoing, NSW Problem Gambling Roundtable held in July 2008	Responsible Gambling Advisory committee	Responsible Gambling Advisory Committee	Minister for Gambling has convened a Responsible Gambling Working Party	Tasmanian Gambling Industry Group	Responsible Gambling Ministerial Advisory Council Working Groups, Responsible Gambling Awareness Week Steering Committee.	Problem Gambling Support Services Committee (WA)

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Statistical data by municipality	Controlled release of information for clubs and hotels. N/A for casino.	Yes, grouped for clubs and hotels. N/A for casino.	Yes, by ABS regional classification.	Yes - Grouped for clubs and hotels; No for casinos.	Yes, grouped for clubs and hotels No for casino.	Yes, grouped	Yes, for clubs and hotels (grouped if less than 3 venues). N/A for casino.	N/A for clubs and hotels. No for casino (one location).
Most recent prevalence rate for problem gambling	1.9% Survey of the nature and extent of gambling and problem gambling in the ACT, 2001	0.8% Prevalence of Gambling and Problem Gambling in NSW – A Community Survey, 2006	1.04% NT Gaming Prevalence Study, 2008	Qld Household Gambling Survey conducted in 2011-12. 0.48% of Queensland adults are in the problem gambling group 1.9% are in the moderate risk gambling group 5.2% are in the low risk gambling group.	2012: 0.6% of all SA adults, a further 2.5% as moderate and 7.1% as low risk (PGSI used)	0.7% problem gamblers 1.8% moderate risk 2011 Social and Economic Impact Study	As per the Victorian Government study 'Problem gambling from a public health perspective', September 2009, the rate is 0.7%.	No state based prevalence studies. Refer to national statistics.
Social impact assessment	Yes, for clubs and hotels. N/A for casino.	Yes, for clubs and hotels - for new premises approval and increase in gaming machine numbers. No for casino.	Yes, required for new application and when a venue applies for an increase of five or more machine increase. Contained in any application for alteration of licensed premises	Yes - legislative requirement under the Gaming Machine Act 1991 for clubs and hotels - Community Impact Statement (CIS) No legislative requirement for casinos however, may be imposed on a case by case basis (e.g. where a significant expansion of licensed gaming area is proposed.)	New requirements mean we can operate games approved in other jurisdictions without direct approval	Legislated requirement for independent review into social and economic impact of gambling in Tasmania every three years.	Yes, for clubs and hotels - for new premises approval, any increase in EGM numbers and 24 hour gaming. No for casino or as required by the Victorian commission for Gambling Regulation.	N/A for clubs and hotels. Yes for casino (under <i>Casino Control Act</i>).
Quantity restrictions (Venue specific)	Clubs, no restriction. Hotels, 10 machines. Taverns, 2 machines. Casino, nil (within overall cap).	Yes, from 2 Apr 02. Clubs, no gaming machine limit for clubs. Hotels, maximum 30. Casino, maximum is 1,500.	Clubs, 45 machines. Hotels, 10 machines. Casinos, no limit.	Yes - hotels - maximum 45 EGMs. -clubs - maximum 300 EGMs For casinos - no legislated cap.	Clubs, 40 machines. Hotels, 40 machines. Casino, 995 up to (1500 machines and 200 tables within expansion)	Individual clubs, 40 machines. Individual hotels, 30 machines.	Clubs, 105 machines. Hotels, 105 machines. Casino, 2,500 machines. The Government introduced a bill in September 2014 to permit the casino to operate a maximum of 2,628 gaming machines.	N/A clubs and hotels Casino, 2,200 EGMs (current approved limit) on gaming floor. 215 EGMs not available to the general public as a result of being located within the international gaming facility.

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Quantity restrictions (State specific)	Clubs and hotels, 5,200 machines. Casino, nil.	Statewide limit for clubs and hotels were removed in 2009. Casino, 1,500 machines (since 1997).	Territory-wide cap of 1,190 community gaming machines (i.e. excludes casinos). No restrictions for casinos.	Yes - statewide cap for hotels - set at 19,500. Re-allocation scheme operating for hotel gaming machine operating authorities by public tender within the cap and within three regions, South East, Coastal and Western. There is currently a moratorium in place against the release of existing Government held authorities. A statewide cap on the number of EGMs in clubs has also been announced at 24,705. A re-allocation scheme for club entitlements is also in place.	Restricted to one casino 1500 entitlements Part of the 2004 government decision to reduce gaming machines by 3000. 2168 entitlement compulsory removed from hotels (none from Clubs) The remaining 832 to be reduced through trading system. One in four entitlements sold by hotels removed from system. One in four sold by clubs transferred to Club One.	Yes, a statewide cap of 2,500 for hotels and clubs in total and a cap on total machines in the state of 3,680 including casinos, but excluding the TT-Line ferries.	Yes, 30,000 machines in total: - maximum of 2,628 for the casino Casino is permitted to acquire unallocated gaming machine entitlements from venues in order to reach its maximum. Minimum of 20% of gaming machines to be located outside the Melbourne Statistical Division. Maximum density of capped 10 per 1,000 adults.	N/A for clubs and hotels. Single venue restriction for casino.
Number of EGMs at time of last update: • State-wide • Venue	Clubs: 5,087 Hotels: 60 Taverns: 12 Casino: nil	Clubs: 70,277 Hotels: 23,300 Casino: 1,500 Numbers, 14 December 2014	Clubs and hotels: 1,190 Darwin Casino: 645 Alice Springs Casino: 335	As at 30 June 2015: Operational EGMs: Statewide – 46,738 Clubs – 23,578 Hotels – 19290; Casinos – 3,829.	Cap is now 13081 (casino's 1500 entitlements added to the original 12086 target) there are a further 758 to be removed. The original number was 15086. 2168 compulsory removed. 106 cancelled through trading system. Club One has 56 entitlements	Clubs and hotels: 2,356 Casinos: 1,173	State wide 30,000.	Clubs and hotels: N/A Casino: 1,750
Number of Casinos	One	One	Two	Four	One	Two	One	One
Requirement for public hearings (Clubs and Hotels only)	New licences or additional machines applications require a social impact assessment which includes a 6 week period for public consultation.	Requirement for advertising of new licence and other applications, but no requirement for public hearing unless a club/hotel application is contested.	No.	No	Requirement for advertising of new licence and other applications, but no requirement for public hearing. IGA holds public hearings when conducting inquiries.	No.	Yes.	N/A

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Major licensee owner/operators	Casino Canberra.	Casino: THE Star PTY Limited/ Echo Entertainment Group.	Lasseters and Sky City – Casinos. AHL 4 pubs	Each Club/Hotel venue is licensed separately to an individual / partnership / trust or corporate entity. Casinos: Gold Coast – Licensee: Jupiters Custodian. Operator: Jupiters Limited Brisbane – Licensee: Jupiters Limited Operator: Jupiters Limited Cairns – Licensee: Reef Corporate Services Ltd Operator: Casinos Austria International (Cairns) Pty Ltd Townsville – Licensee: Breakwater Island Limited Operator: Jupiters Limited	Each venue is licensed separately to an individual / partnership / trust or corporate entity.	Federal Group	Venue operator model. Cap of 30% market share for any one operator/group. Casino Operator Crown Melbourne Limited.	Casino Licensee: Burswood Nominees Limited subsidiary of Crown Limited.
Fund allocation (General community services)	A minimum legislatively prescribed level of community contributions must be made by licensed clubs, 7% of Net Gaming Machine Revenue (as defined in the <i>Gaming Machine Act</i>).	Optional for clubs (allocations may qualify for a Government tax rebate). No for hotels.	Hotels contribute 10% of their gross machine profits to a Community Benefit Fund. Clubs are expected to contribute to the community through financial and in kind contribution. N/A for casinos.	Yes. Gambling Community Benefit Fund. See Section 315 of GMA and Section 150 of CCA for further information.	Yes, for clubs and hotels No for casino.	Yes, for clubs and hotels. - 4% of gross profits from gaming machines must be allocated to the Community Support Levy - 25% of the levy is distributed to sport and recreation clubs - 25% is distributed to charitable organisations. No for casinos.	Yes. 8.33% from hotels is paid to the Community Support Fund for community and problem gambling services. Community benefit levy of 1% of taxable revenue (gaming machines and table games) from casino.	N/A for clubs and hotels. No for casino.

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Fund allocation (Problem gambling assistance)	A minimum prescribed level of community contributions must be made by licensed clubs. For every \$3 allocated to problem gambling, a licensee can claim \$4 in eligible contributions.	Responsible gambling levy calculated by reference to 2% of casino gaming revenue and paid to the Responsible Gambling Fund	Yes, for hotels. Clubs must make contribution to satisfy community obligation. N/A for casinos.	Yes, via funding of the Gambling Help Service System.	Yes to the GRF (Gamblers Rehabilitation Fund) hotel and club contribution voluntary-Funding is through IGC \$2,000,000. In addition IGC funds the two intervention agencies \$1,359,000 (Gaming Care & Club Safe) Yes, Casino 300K per year	Yes for clubs and hotels. - 50% of the Community Support Levy is distributed for research and support services. No for casinos.	Yes, 8.33% from hotels is paid to the Community Support Fund for community and problem gambling services. No for casino.	N/A for clubs and hotels. Yes, casino contributes a voluntary amount to the Problem Gambling Support Services Committee.
Gambling hotline	Yes, Clubcare (through Lifeline).	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, Gambler's Help.	Yes.
Gambling awareness week	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, participated since inception in Victoria in 2006.	Yes.
Gambling website	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, responsible gambling information via the www.crownmelbourne.com.au website	Yes.
Face to face counselling	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, provided by Crown Responsible gaming Psychologists, the Crown Chaplaincy Service and referrals to government funded programs including Gambler's Help.	Yes.
Financial counselling	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, via referral.	Yes.
Online counselling	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.	Yes, as part of national initiative.
Media campaign	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, ongoing and during Responsible Gambling Awareness Week (including events).	Yes.
Problem gambling information materials	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, government required and Crown initiated.	Yes.
Information materials provided in various languages	Yes.	Yes.	Yes.	Yes.	Yes.	No.	Yes.	Yes.
School education materials on problem gambling	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes, via the Australasian Gaming Council.	

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Record of problem gambling incidences	Yes.	Yes – part of standard incident reporting system	Yes.	Yes, not mandatory.	Yes.	Yes, not mandatory.	Yes, the Responsible Gambling Register.	Yes
Gambling contact officer in venue	Yes.	Yes	Yes.	Yes, not mandatory.	Yes.	No.	Yes, Responsible Gaming Liaison Officers available 24 hours a day, seven days a week.	Yes (not mandatory)

Appendix F

Loyalty Programs – Crown Melbourne, The Star Sydney, Adelaide Casino

Crown Melbourne Loyalty Program – Signature Club

The Signature Club is used as a marketing and analytical tool which permits members to earn and redeem 'loyalty points' through gaming at selected facilities and venues within the Melbourne Casino Complex. The program also provides various privileges, e.g., free parking, discounted hotel rates, food and beverage offers, access to VIP gaming areas and other ancillary benefits depending upon the category of membership.

Membership categories

Bronze Tier - 0-4 Membership credits required

- Free parking (subject to points or spend threshold);
- Birthday offer;
- Free lockers;
- Member magazine;
- 5 per cent hotel discount;
- Gift shopping from casino redemption catalogue;
- Access to signature partnership offers.

Silver Tier - 5-24 Membership credits required

- Unlimited general parking;
- Birthday offer;
- Free lockers;
- Free cloaking;
- Member magazine;
- 10 per cent hotel discount;
- Access to Riverside room;
- Gift shopping from casino redemption catalogue;
- Access to signature partnership offers;
- Exclusive events for selected members.

Gold Tier - 25-149 Membership credits required

- Unlimited general parking;
- Discounted off-peak valet (Atrium only);
- Birthday offer;
- Free lockers;
- Free cloaking;
- Member magazine;
- 20 per cent hotel discount;
- Access to all main gaming floor VIP rooms (excluding salons);
- Dedicated 1800 Signature service number;
- Gift shopping from casino redemption catalogue;
- Access to signature partnership offers;
- Exclusive events for selected members;
- Priority seating at restaurants.

Platinum Tier - 150+ Membership credits required

- Unlimited general parking;
- Unlimited valet (Atrium only);
- Birthday offer;
- Free lockers;
- Free cloaking;
- Member magazine;

- VIP hotel rates and express registration;
- Access to the Mahogany Room and all main gaming floor VIP rooms (limited salons);
- Dedicated 1800 Signature service number;
- Two complementary nights Crown Hotel;
- Gift shopping from casino redemption catalogue;
- Access to signature partnership offers;
- Exclusive events for selected members;
- Priority seating at restaurants.

Black Tier - By invitation only

Source: <https://www.crownmelbourne.com.au/crown-signature-club-privileges>

How the Signature Club works

- Members accumulate tier points when gaming;
- One membership credit is awarded for each 450 tier points earned in a week;
- The number of membership credits determines each members tier level, i.e., Bronze, Silver, Gold and Platinum;
- As members progress to a higher tier level, members are entitled to increased privileges;
- New members are automatically assigned to the entry tier level unless otherwise determined at the discretion of Crown;
- Memberships commence on the date of joining the program and ends six months after the day of the month immediately following the date the member joined the program;
- Subsequent membership tier periods will be on a six monthly basis;
- Membership tier credits will be set to zero at the end of an applicable six month tier period;
- A member will be eligible to privileges based on the membership tier credits earned in the preceding membership tier period subject to these rules;
- Members will be reallocated to the appropriate tier level if a member does not meet the minimum entry level requirements of their current tier level at the end of the applicable current membership tier period.

Sources: Fifth review of the Casino Operator and Licence, Information Box 5: Signature Club. Crown Signature Club Rules, Section 9: membership tiers and membership credits.

Play safe limits

Signature Club members can voluntarily set limits on time or spend during each session before playing gaming machines or Fully-Automated Table Games (FATGs). Spend limits are available to all members and can be set to any amount of money on a daily and annual basis. Once a patron reaches their time or spend limit, the gaming machine emits an audible tone while displaying a written message on screen notifying Signature Club membership points can no longer be accrued.

Crown Melbourne operates 2,628 gaming machines (includes multi-terminal and FATGs) all of which are restricted, however 1,000 can be operated in an unrestricted mode. To play a gaming machine in the unrestricted mode the player must use their Crown Signature Club card with an active time and net loss/spend "Play Safe" Limit. Unrestricted mode refers to the spin rate, bet limit, autoplay and note accepters that are variable or permitted in this mode.

Crown Melbourne Casino rooms

Public gaming floor

Open access for all persons.

Maple room

Open access for all persons (styled similar to the main gaming but slightly separated; contains small amount of seating, TV and hosts live music).

Riverside Room

Access requires Silver Signature Club membership or above (separated from the main gaming floor with a see through wall; lacks the exclusivity and privacy of the Teak and Mahogany Rooms; is largely an extension of the main gaming floor; offers self-service coffee/hot drinks, complimentary non-alcoholic drinks, e.g., juice, ice-coffee).

Teak Room

Access requires Gold Signature Club membership or above; or be a guest of someone with a Gold membership (Larger, more exclusive and luxurious than the Riverside Room; offers faster service, table games, poker machines, lounge with TV, restaurant, bar with complimentary drinks).

Mahogany Room (most prestigious)

Access requires Platinum or Black Signature Club membership or through being a lower Signature member who qualifies for entrance with a Gold Select or Gold Mahogany Room Card or through being part of an invited group (more exclusive and luxurious than the Teak Room - offers concierge services, cloakroom, charging of electronic devices, valet car parking, lounge, bar, restaurant, outdoor balcony area, complimentary alcoholic beverages and snacks, for Platinum members and above, table games, poker machines).

The Star, Sydney

Loyalty program

- Absolute Rewards is a loyalty program in place across three Echo Entertainment casinos (The Star, Jupiter's Gold Coast and Treasury Casino);
- members earn points for playing table games, purchasing food and beverage and hotel stays;
- members can use their membership card to set limits on Slot Machine and Electronic Table Games using the Absolute Assist feature:
 - the Absolute Assist feature allows patrons to set limits on time and money spent and to set 'Cooldowns' (allows patrons to set temporary time limits);
 - once patrons reach their limits, they can no longer use their Absolute Rewards card to play slot or electronic table games for the rest of the day. They can however, still use it for food and beverage purchases.
- there are three levels of membership:
 - Red;
 - Red +
 - Pearl; and
 - Black.
- we are informed that there is an unpublished fourth tier 'Diamond' membership level;
- members also receive discounts and special offers on food, beverage, parking and accommodation at The Star;
- members have access to pre-sale event tickets;
- members earn Casino Dollars which they can use at restaurants, bars, hotels and selected table games;
- members receive points which determine the level of their membership;
- members also earn Absolute Dollars that can be redeemed in a number of ways;
- dependent on the level of their membership, members can earn free nights at Jupiter's Gold Coast, Treasury Casino and The Star hotels.

Source: The Star (no date), Absolute Rewards, <http://www.star.com.au/sydney-casino/Pages/Absolute-Rewards.aspx>, accessed 18/11/2014; Echo Entertainment Group Limited (No date), Absolute Rewards, <https://www.absoluterewards.com.au/Pages/default.aspx>, accessed 18/11/2014

The Star Absolute Rewards Membership Rewards

Benefits	Red Starting level	Red + 50 + Absolute Points	Pearl 750 + Absolute Points	Black 3500 + Absolute Points
Earn Absolute Points playing compatible table games	Yes	Yes	Yes	Yes
Earn Absolute Points on food and beverage spend	Yes	Yes	Yes	Yes
Earn Absolute Points hotel stays	Yes	Yes	Yes	Yes
Earn Casino Dollars playing compatible table games	Yes	Yes	Yes	Yes
Earn Casino Dollars on food and beverage spend	Yes	Yes	Yes	Yes
Earn Casino Dollars on hotel stays	Yes	Yes	Yes	Yes
Redeem Casino Dollars at The Star, Treasury Casino & Hotel or Jupiters Hotel & Casino (Gold Coast)	Yes	Yes	Yes	Yes
Personal online My Rewards account	Yes	Yes	Yes	Yes
Special offers at selected restaurants	Yes	Yes	Yes	Yes
Exclusive offers and promotions	Yes	Yes	Yes	Yes
Access to pre-sale event ticket sales	Yes	Yes	Yes	Yes
Member price tea, coffee and soft drinks at Main Gaming Floor outlets	Yes	Yes	Yes	Free
Earn free self-parking	Yes	Yes	Free	Free
Discounts at selected food and beverage outlets	-	10 per cent	20 per cent	30 per cent
Discount on hotel stays	-	10 per cent	20 per cent	30 per cent
Access to a Private Gaming Room with one guest	-	-	Yes	Yes
Priority Parking	-	-	-	Yes, Level 2
Complimentary room nights at either Treasury Casino Hotel or Jupiters Hotel & Casino (Gold Coast)	-	-	-	4 Nights
Complimentary room nights at either Astral Tower Residences The Star, Treasury Casino & Hotel or Jupiters Hotel Casino (Gold Coast)	-	-	2 Nights	-
Complimentary room nights at The Star	-	-	-	4 Nights
Additional complimentary room nights at The Star	-	-	-	2 Nights upon earning 10,000 Absolute Points
Additional complimentary room nights at Astral Tower & Residences The Star	-	-	2 Nights upon earning 1,500 Absolute Points	-
Ability to nominate one person to receive partner benefits	-	-	-	Yes upon earning 7,000 Absolute Points
VIP Concierge phone	-	-	-	Yes
Personalised services from a Host	-	-	-	By invitation
Complimentary hotel room upgrade when available	-	-	-	Yes
Late hotel check out when available	-	-	-	Yes
Early hotel check in when available	-	-	-	Yes
Free hotel room internet access	-	-	-	Yes
Free Valet parking	-	-	-	Yes
Priority queuing at selected outlets	-	-	-	Yes

Source: Echo Entertainment Group Limited (No date), Absolute Rewards, <https://www.absoluterewards.com.au/Pages/default.aspx>, accessed 18/11/2014; Echo Entertainment Group (no date), Absolute Rewards brochure.

The Star: Gambling Rooms

Main gaming floor

Gaming machines and tables

Sovereign Room – access by invitation only

To gain access gamblers need to show a \$5,000 buy in

Features of the Sovereign Room

- private area
- salons
- personalised service
- premium tables
- exclusive dining room
- outdoor terrace

Vermillion Room – invited from the Sovereign room

VIP hotel suites with private gaming salons at The Darling.

Suites are free for VIPs betting above a certain amount.

Adelaide Casino

Loyalty program

- The program is called Premier Rewards.
- There are three types of membership benefits:
 - Grange – VIP invitation only table players;
 - Platinum – VIP invitation only gaming machine players; and
 - Premium – VIP invitation only table and gaming machine players.
- There are three types of membership:
 - Ruby;
 - Sapphire; and
 - Pearl.
- Members earn points on gaming machines and table games and at restaurants and bars.
- Members can redeem points for a variety of rewards including gaming machine credits, bonus tables' cashback, dining and beverages.
- In order for patrons to access VIP privileges they have to spend an average of \$1,000 a month over a two month period (\$2,000 over 62 days). Spending is individually tracked
- Premium members are able to bring one guest at a time into the Premium gaming areas.
- Members receive a certain number of free non-alcoholic beverages per day depending on their level of membership (2 for Ruby, 4 for Sapphire and 6 for Pearl).

Source: SkyCity Entertainment Group (no date), Premier Rewards – Adelaide Casino, <http://www.adelaidecasino.com.au/premier-rewards/welcome>, accessed 18/11/2014; Starick, P., (2014), 'Casino has to play by the rules', *The Advertiser*, November 19.

Main gaming floor

Gaming machines and table games

Grange room – VIP invitation only table games

Grange Room members have access to the following exclusive facilities:

- Private balcony and outdoor area
- Comfortable lounge room, with Chesterfield sofas
- Business Centre with PC's, Internet connection and Printer
- Plasma TVs
- Full bar facilities
- Massage chairs
- Exclusive invites to VIP only events and functions
- Facilities for private gaming rooms or tables

Platinum room – VIP invitation only gaming machines. Have to spend \$150 per week to gain access (over what period?)

Platinum members have access to the following benefits:

- Exclusive access to the Platinum Room
- Use of Cashless Gaming Technology
- Newest and most exclusive product
- Higher Bet Limits

- 24 hour personal hosted service
- Complimentary Valet parking
- Premium gaming facilities
- Priority service
- Complimentary food and beverages in the Room
- Exclusive invites to Platinum VIP only events and functions
- Access to a private balcony

Premium – VIP invitation only table and gaming machine players (is this the Pearl room?)

- Exclusive dining and bar facilities

Barossa room - Premium Pearl, Diamond, interstate and overseas customers

- Cafe and bar facilities
- 24 hour personal hosted service
- The latest in gaming facilities
- Priority service

Players must spend an average of \$1,000 per month over a two month period to access these privileges. The \$2000 spend minimum applies only to South Australian players.