



Casino Industry Survey 2009 -10

July 2011

Prepared for the Australasian Casino Association

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Chapter 1

1.1 Background and report objective

This chapter will be used by the Australasian Casino Association (ACA) to inform government and stakeholders on the breadth of activities undertaken by Australian casinos with the objective of providing a broad overview of the casino industry.

1.2 Members

In Australia, ACA represents 13 member casinos¹, comprising:

- Adelaide Casino
- Jupiters Townsville Hotel
- Sky City Darwin
- Casino Canberra
- Treasury Casino & Hotel
- Jupiters Hotel & Casino
- Lasseters Hotel Casino
- Country Club Tasmania
- Wrest Point
- The Reef Hotel Casino
- Crown Melbourne
- Burswood Entertainment Complex
- The Star.

1.3 Revenues

In 2009-10, Australia's casinos generated gross revenue of over \$4.4 billion. Over the period 2002-03 to 2009-10, gross revenue grew at an average compounded annual rate of 4.9 per cent from over \$3.1 billion to over \$4.4 billion (see Table 1.1).

Casinos receive the vast majority of their revenue from gaming activities, which accounted for 78 per cent of total gross revenue. The next major contributor of revenue is food and beverage accounting for 13 per cent of the total (refer to Figure 1.2). The three biggest contributors to casino revenue (gaming activities, food and beverage and accommodation) make up 96 per cent of total revenue for the industry. Over the period 2002-03 to 2009-10, the share of total revenue of each income category did not show any significant variation (see Figure 1.1).

¹ Twelve of the 13 member casinos participated in the ACA Economic Survey 2009-10. No return was received from Sky City Darwin, however some data was provided by ACA. In addition, where available, publicly reported data and industry averages derived from the ACA Economic Survey 2009-10 has been used to estimate revenue and expenditure data for Sky City Darwin. Publicly available information used include data from the Casino and the Australian Economy (Allen Consulting Group 2009) report, annual reports and presentations. Eleven of the member casinos participated in the ACA Staff and Training Survey for 2009-10. Data obtained from the surveys have also been validated using publicly reported data (e.g. annual reports and presentations).

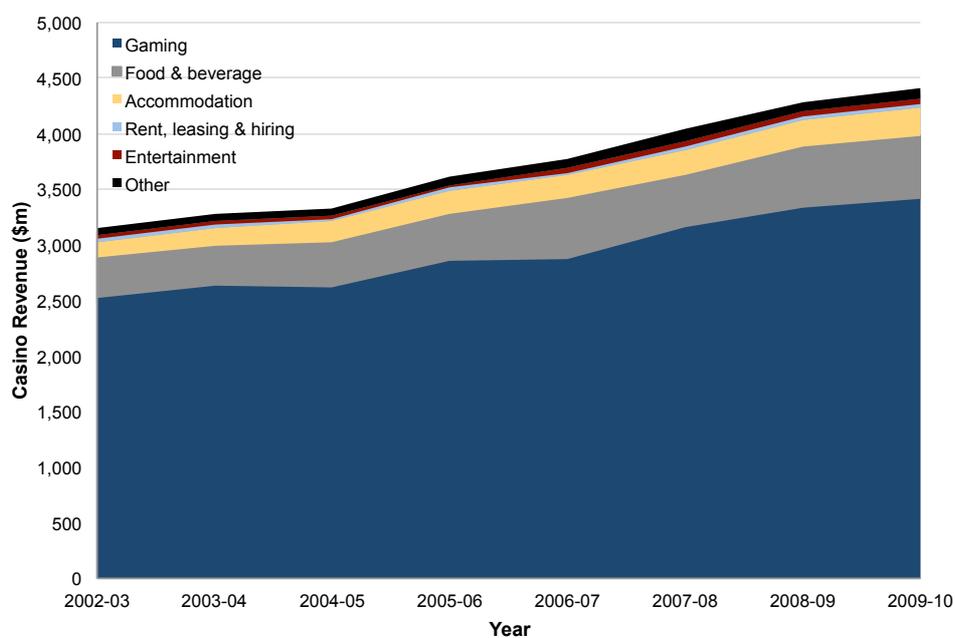
Table 1.1

CASINO REVENUE (\$M)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gaming | 2,531 | 2,638 | 2,631 | 2,859 | 2,879 | 3,168 | 3,346 | 3,419 |
| Food & beverage | 357 | 355 | 400 | 428 | 542 | 466 | 543 | 569 |
| Accommodation | 131 | 161 | 182 | 202 | 207 | 224 | 232 | 240 |
| Rent, leasing & hiring | 30 | 23 | 23 | 28 | 25 | 22 | 30 | 39 |
| Entertainment | 31 | 37 | 24 | 23 | 43 | 52 | 47 | 45 |
| Other | 65 | 64 | 68 | 78 | 72 | 117 | 79 | 91 |
| Total | 3,145 | 3,277 | 3,328 | 3,618 | 3,766 | 4,049 | 4,278 | 4,403 |

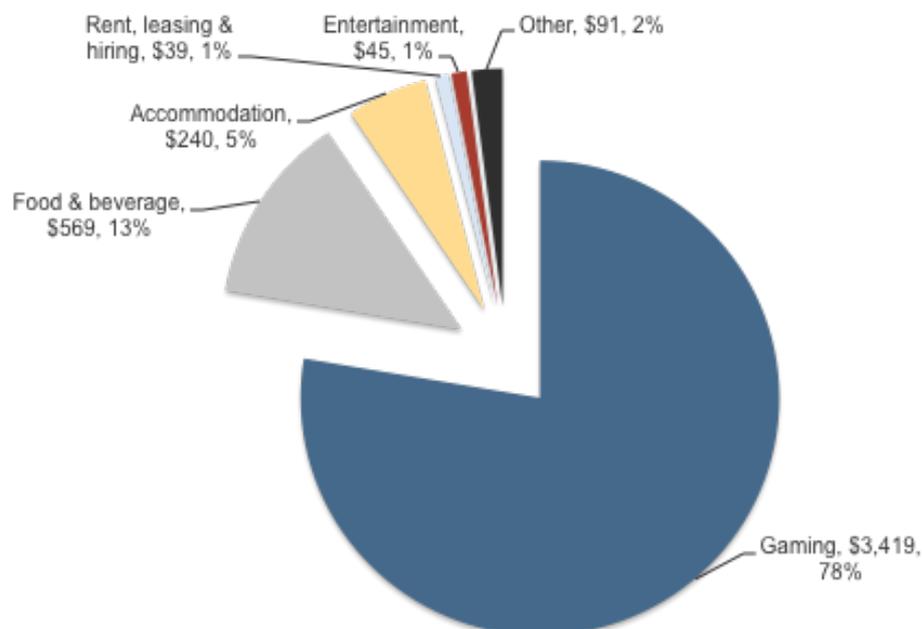
Source: Allen Consulting Group (2009) and ACA Economic Survey 2009-10

Figure 1.1

CASINO REVENUE (\$M), 2002-03 TO 2009-10

Source: Allen Consulting Group (2009) and ACA Economic Survey 2009-10

Figure 1.2

A CLOSER LOOK AT CASINO REVENUE IN 2009-10 (\$M)

Source: ACA Economic Survey 2009-10

In 2009-10, revenue from gaming machines comprised 40 per cent of total casino gaming revenue (\$1,382 million). Table gaming made up 38 per cent (\$1,312 million), with international & commission revenue² making up 21 per cent (\$707 million) (see Table 1.2 and Figure 1.3).

Table 1.2

GAMING REVENUE BY SOURCE (\$M)

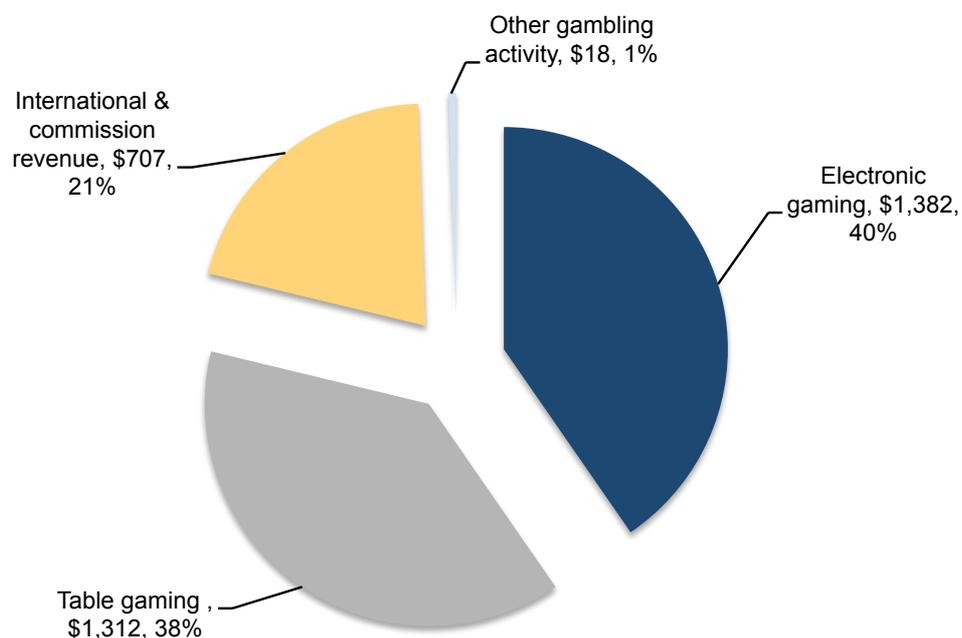
| Gaming type | 2008-09 | 2009-10 |
|------------------------------------|--------------|--------------|
| Electronic gaming | 1,340 | 1,382 |
| Table gaming | 1,326 | 1,312 |
| International & commission revenue | 661 | 707 |
| Other gambling activity | 19 | 18 |
| Total | 3,346 | 3,419 |

Source: ACA Economic Survey 2009-10

²

The majority of international & commission revenue is from table gaming.

Figure 1.3

GAMING REVENUE BY SOURCE (\$M)

Source: ACA Economic Survey 2009-10

International VIP program players contribute a relatively large share of total gaming revenues.³ In 2009-10, international VIP program players accounted for 20.1 per cent of total gaming revenue (see Table 1.3).

Table 1.3

CASINO REVENUES FROM INTERNATIONAL VIP PROGRAM PLAYERS

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue (\$m) | 462 | 461 | 313 | 383 | 476 | 553 | 675 | 688 |
| Per cent of total gaming revenues (%) | 18.3 | 17.5 | 11.9 | 13.4 | 16.5 | 17.5 | 20.2 | 20.1 |

Source: Casinos and the Australian Economy (2009) and ACA Economic Survey 2009-10

³

International VIP program players large play table games.

1.4 Operating expenditure

Operating expenditure for the casino industry grew at an average compounded rate of 7.4 per cent per annum, increasing from \$1.5 billion to nearly \$2.4 billion over the period from 2002-03 to 2009-10 (see Table 1.4).⁴ Wages and salaries represent the largest expense component, comprising 40 per cent of total operating expenditure. Four expenditure categories including wages and salaries, other costs, COGS and labour on-costs made up 94 per cent of total operating expenditure (refer to Figure 1.5). Over the period 2002-03 to 2009-10, the share of total expenditure of each category remained relatively constant except for other costs, which has increased since 2005-06 (see Figure 1.4).

Table 1.4

OPERATING EXPENDITURE (\$M)^a

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Wages and salaries | 712 | 752 | 767 | 830 | 849 | 889 | 946 | 989 |
| Labour on-costs | 124 | 158 | 156 | 159 | 168 | 198 | 213 | 222 |
| Utilities | 45 | 45 | 46 | 54 | 53 | 55 | 60 | 66 |
| Repairs & maintenance | 61 | 44 | 54 | 58 | 62 | 55 | 59 | 62 |
| Cost of goods sold ^b | 111 | 129 | 134 | 153 | 167 | 172 | 211 | 221 |
| Other costs | 427 | 385 | 449 | 458 | 645 | 750 | 825 | 882 |
| Total | 1,480 | 1,513 | 1,607 | 1,711 | 1,944 | 2,118 | 2,314 | 2,442 |

Note: ^a Operating expenditure for Sky City Darwin was estimated using industry average data derived from the ACA Economic Survey 2009-10.

^b Food and beverage, and other goods.

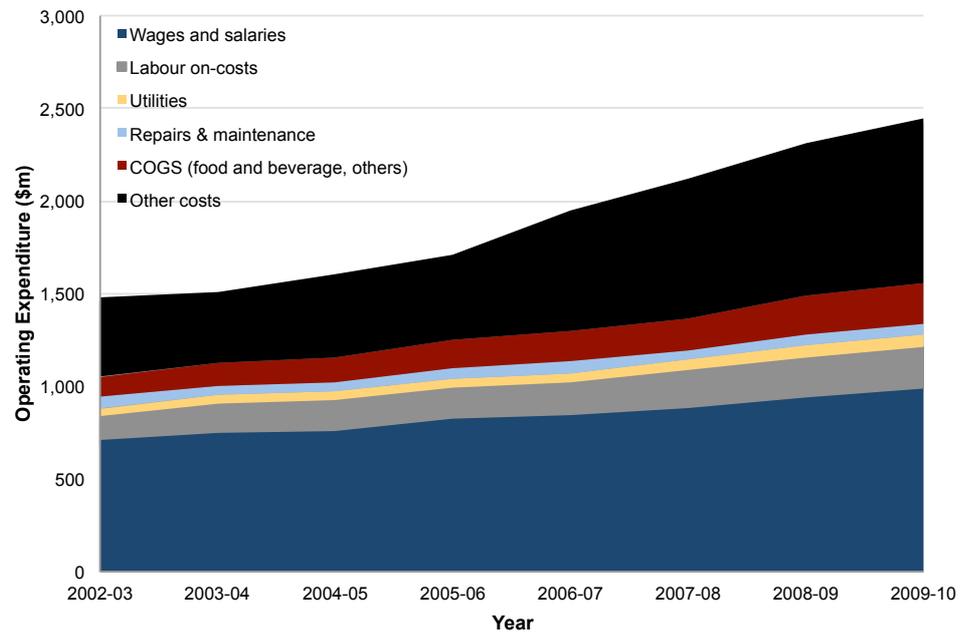
Source: Allen Consulting Group (2009 and ACA Economic Survey 2009-10)

⁴

Operating expenditure excludes depreciation, amortisation, interest and all taxes.

Figure 1.4

OPERATING EXPENDITURE (\$M)

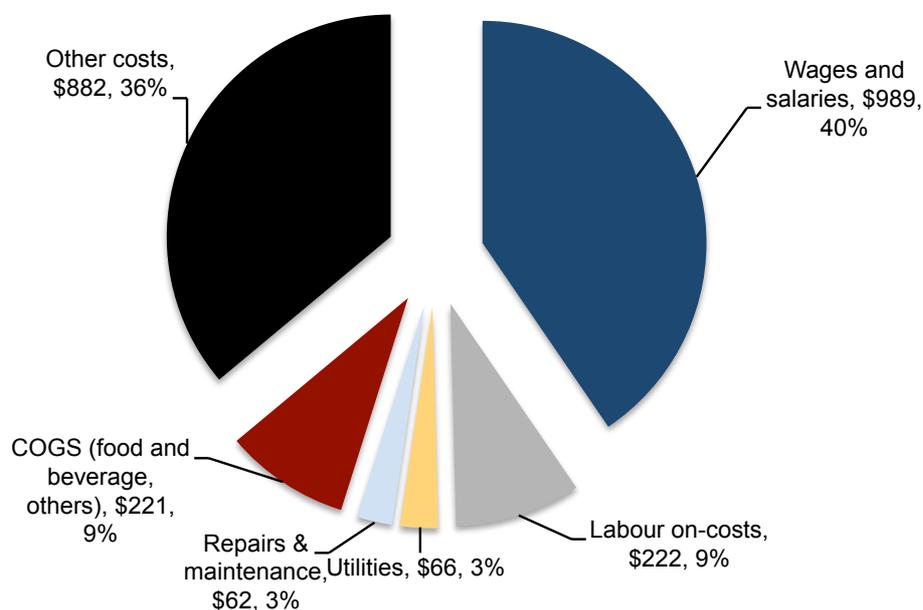


Note: Operating expenditure excludes depreciation, amortisation, interest and all taxes.

Operating expenditure for Sky City Darwin was estimated using industry average data derived from the ACA Economic Survey 2009-10.

Source: Allen Consulting Group (2009) and ACA Economic Survey 2009-10

Figure 1.5

A CLOSER LOOK AT OPERATING EXPENDITURE IN 2009-10 (\$M)

Note: Operating expenditure excludes depreciation, amortisation, interest and all taxes

Operating expenditure for Sky City Darwin was estimated using industry average data derived from the ACA Economic Survey 2009-10.

Source: ACA Economic Survey 2009-10

1.5 Capital expenditure

Casinos spent \$739 million in capital works in 2009-10. Over the period from 2002-03 to 2009-10, capital expenditure has increased from \$180 million to \$739 million, representing an average compounded annual growth rate of 22.4 per cent. In 2009-10, majority of the capital expenditure (\$464 million) was spent on expanding facilities (see Table 1.5). Prominent developments include the expansion of The Star (total cost of \$220 million), development of Crown Casino infrastructure (\$40 million) and hotel (\$135 million) and expansion of facilities at Sky City Darwin (\$100 million).

Table 1.5

TOTAL CAPITAL EXPENDITURE (\$M)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Expansion of facilities | 89 | 73 | 33 | 99 | 71 | 139 | 302 | 464 |
| Refurbishments, redevelopments | 54 | 30 | 33 | 67 | 97 | 121 | 107 | 110 |
| Other capital expenditure | 37 | 60 | 81 | 47 | 123 | 61 | 100 | 165 |
| Total | 180 | 162 | 146 | 213 | 291 | 321 | 510 | 739 |

Source: Allen Consulting Group (2009) and ACA Economic Survey 2009-10

1.6 Taxes and Charges

The casinos paid nearly \$1.16 billion in taxes in 2009-10, rising by 2.8 per cent from \$1.12 billion in the previous year. Gambling taxes (56.9 per cent), income tax (20.4 per cent) and GST payments (9.7 per cent) make up 87 per cent of total taxes paid in 2009-10 (see Table 1.6).

Table 1.6

TAXATION PAID BY CASINOS

| | 2008-09 | | 2009-10 | |
|------------------------|--------------|---------------|--------------|---------------|
| | \$M | % | \$M | % |
| Fringe benefits tax | 3 | 0.3% | 4 | 0.3% |
| Rates & land tax | 19 | 1.7% | 19 | 1.6% |
| Community benefit levy | 30 | 2.7% | 28 | 2.5% |
| Payroll tax | 51 | 4.6% | 54 | 4.6% |
| Gambling taxes | 614 | 54.6% | 657 | 56.9% |
| Income tax | 256 | 22.8% | 236 | 20.4% |
| GST | 100 | 8.9% | 112 | 9.7% |
| Other taxes | 50 | 4.5% | 45 | 3.9% |
| Total | 1,123 | 100.0% | 1,155 | 100.0% |

Source: ACA Economic Survey 2009-10 (excludes Sky City Darwin)

1.7 Community Involvement

In addition to the community benefit levy, casinos also contribute to their communities in other ways, including the donations and sponsorship of charity groups, cultural events, sporting groups and special causes/events. Examples of sponsorship events include:

- Charity – Cerebral Palsy League, Royal Children's Hospital, Association of Surf Safe Appeal and the Salvation Army;
- Cultural events – Townsville Mayors Christmas Appeal, Surf Safe Appeal, Italian Week (Brisbane) and Storm the Stage;
- Sporting groups – Nth QLD Cowboys (NRL), Gold Coast Turf Club; Ipswich Jets Rugby League, Cairns Taipans and Cairns Amateurs; and
- Special causes/events – Police Legacy Bowls Day, Paradise Kids Cricket Challenge, Children's Wards of Gold Coast Hospitals, Paradise Kids Charity Golf day and Movember.

In 2009-10, this contribution amounted to over \$9.6 million.

Table 1.7

COMMUNITY CONTRIBUTIONS IN 2009-10 (\$M)

| Events | \$M |
|------------------------------|------------|
| Charity | 1.8 |
| Community & Cultural Events | 1.3 |
| Sporting & Event sponsorship | 6.4 |
| Special events/causes | 0.1 |
| Total | 9.6 |

Source: ACA Economic Survey 2009-10 (excludes Sky City Darwin)

1.8 Employment

Casinos employed 24,714 people in Australia in 2009-10. The largest employers Crown Melbourne, Burswood Entertainment Complex and The Star employed nearly 66 per cent of staff in the industry, providing jobs for nearly 16,300 people. Nearly 52 per cent of casino staff is employed on a full-time basis, 22.3 per cent on a part-time basis and the remaining 25.9 per cent on a casual basis (see Table 1.8).

Table 1.8

EMPLOYMENT BY WORK TYPE IN 2009-10

| Work type | Number | Percentage (%) |
|--------------|---------------|----------------|
| Full time | 12,807 | 51.8% |
| Part time | 5,508 | 22.3% |
| Casual | 6,399 | 25.9% |
| Total | 24,714 | 100.0% |

Source: ACA Staff and Training Survey 2009-10 and Remuneration Survey 2011 (for Sky City Darwin and Jupiters Hotel & Casino)

The largest occupational grouping in casinos is licensed gaming staff, making up nearly 35 per cent of all casino staff. Waiters and waitresses, other clerical and administrative staff; and managers and administrators are the next three biggest categories, making up another 34.7 per cent of all casino staff (see Table 1.9).

Table 1.9

EMPLOYMENT BY OCCUPATIONAL GROUPING IN 2009-10

| Occupation | Number | Percentage (%) |
|--|---------------------------|----------------|
| Managers and Administrators | 2,135 | 9.7% |
| Other Clerical and Administrative Staff | 2,344 | 10.7% |
| Licensed Gaming Staff | 7,641 | 34.8% |
| Chefs | 1,235 | 5.6% |
| Bar Managers and Attendants | 1,256 | 5.7% |
| Waiters and Waitresses | 3,133 | 14.3% |
| Kitchen Hands | 781 | 3.6% |
| Security Officers and Surveillance Staff | 1,250 | 5.7% |
| Maintenance Staff | 480 | 2.2% |
| Cleaning Staff | 861 | 3.9% |
| Housekeeping Staff | 752 | 3.4% |
| Other | 100 | 0.5% |
| Total staff | 21,968^a | 100.0% |

Note: ^a Total staff number does not add up to total staff employed in Table 1.8 as Sky City Darwin and Jupiters Hotel & Casino did not provide returns for the ACA Staff and Training Survey.

Source: ACA Staff and Training Survey 2009-10 (excludes Sky City Darwin and Jupiters Hotel & Casino)

1.9 Casino visitors

The number of casino patrons increased from 41 million in 2002-03 to a 49.6 million in 2007-08 before decreasing slightly in the last 2 years due to the global financial crisis affecting both international and domestic visitor numbers.

The majority of casino patrons are from either the same city or state as individual casinos, followed by interstate patrons and international visitors. The stability in local and interstate visitor numbers in the last two years reflects an Australia-wide domestic tourism activity, with the value of this activity declining 4 per cent in 2008-09. During the two years 2008-09 and 2009-10, many Australians took advantage of cheap airfares during the global financial crisis to travel overseas, leading to a stagnant domestic tourism market in 2009-10.⁵

The numbers of interstate and international patrons reflect the importance of casinos as part of the tourism industry in attracting and providing sources of entertainment (e.g. gaming activities, wine and dine experiences, shows and conferences) for visitors (see Table 1.10).

⁵ Tourism Australia, Annual Report 2008-09, p. 3 and Annual Report 2009-10, p. 4.

Table 1.10

CASINO PATRONS (MILLIONS)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Local | 35.20 | 35.30 | 37.70 | 38.70 | 41.60 | 42.30 | 40.61 | 40.61 |
| Interstate | 4.30 | 5.20 | 5.60 | 5.70 | 4.20 | 4.90 | 4.70 | 4.70 |
| International | 1.50 | 1.80 | 2.00 | 2.20 | 2.30 | 2.40 | 2.35 | 2.42 |
| Total | 41.00 | 42.30 | 45.30 | 46.60 | 48.10 | 49.60 | 47.66 | 47.73 |

Source: Allen Consulting Group (2009) and ACA Economic Survey 2009-10 (excludes Sky City Darwin)

Casinos held 3,863 conventions, conference, meetings and exhibitions in 2009-10. Of these, 783 were international and national events attracting 68,181 attendees into the respective state, highlighting the link between casinos and the tourism industry. The events held at casinos attracted 292,801 attendees in total in 2009-10 (see Table 1.11).

Table 1.11

EVENTS AND ATTENDEES

| Event type | 2008-09 ^a | | 2009-10 ^b | |
|---------------------------------------|----------------------|------------------|----------------------|------------------|
| | No. of events | No. of attendees | No. of events | No. of attendees |
| International conventions/conferences | 36 | 4,746 | 53 | 5,165 |
| National conventions/conferences | 723 | 60,175 | 730 | 63,016 |
| Local conventions/conferences | 493 | 52,920 | 560 | 66,688 |
| Meetings | 2,455 | 92,141 | 2,421 | 93,776 |
| Exhibitions | 511 | 62,183 | 99 | 64,156 |
| Total | 4,218 | 272,165 | 3,863 | 292,801 |

Note: ^a Adelaide Casino, Jupiters Townsville, Sky City Darwin and Casino Canberra did not provide any data. ^b Adelaide Casino, Sky City Darwin and Casino Canberra did not provide any data.

Source: ACA Economic Survey 2009-10