

FINAL REPORT

Australian Casinos Economic Report 2004/05

Prepared for

Australian Casino Association

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431 87154

URS

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Executive Summary

1.1 Headline Results – Executive Summary

The Australian Casino Association's (ACA) *Australian Casino Economic Report* is a comprehensive study of all casino operators across Australia. The current report marks the third year that the study has been undertaken by URS. The key findings of the *2004/05 Economic Report* are set out below:

About the Australian Casino Industry:	In 2004/05 the Australian casino industry was estimated to:
Consists of 13 casinos located across all States and Territories of Australia...	Generates \$9.4 billion in industry output in the Australian economy...
Supports Australian goods and services, with 85-100% of all COGS expenditure purchased from national sources...	Contributes \$6.9 billion to the Gross Domestic Product of Australian economy...
Attracts 46 million Australian and international visitors who spend over \$3.3 billion per annum...	Produces Gross Domestic Product contribution that is approximately 2% of total Australian economy...
Attracts 2.5 million international visitors per year, which is 48% of all overseas visitors...	Provides \$853 million in revenue to Federal, State and Local Governments ...
Provides 13,180 gaming machines and tables, 3,517 hotel rooms and a range of recreational, entertainment and sporting facilities...	Creates more than 45,000 full and part time jobs in Australia....
Contributes to a range of community funds, activities, charities, events and sponsorships to the value of over \$36 million...	Provide \$2.3 billion of salaries and wages to Australian households....
And provides facilities for over 3,200 conferences with 390,000 conference delegates.	And pays above average wages and salaries to employees.

The economic impact of the Australian casino industry was estimated to be....

Equivalent to holding four and a half Commonwealth Games in Australia each year...

Similar in size to that of the national Horse Racing Industry...

Generates GDP contribution \$1.5 billion larger than Melbourne Port does annually...

Creates GDP around 40% the size of the entire Accommodation, Cafes and Restaurants Industry...

And is more than 13 times the size of Melbourne Airport.

1.2 Section by Section Executive Summary

Section 2: Introduction

The Australian Casino Association's (ACA) *2004/05 Australian Casino Economic Report* is a comprehensive study of all casino operators located in Australia. The current report marks the third year that the study has been undertaken by URS for the ACA, and it is the only regular source of information on the industry.

Section 3: About Australian Casinos

The Australian casino industry in 2004/05 was characterised by offering more facilities and a broader range of activities and services, to a visitor base that is larger than any prior survey years. The industry offers a wide choice of gaming activities as well as a range of other recreational opportunities to visitors whether local, interstate or international, including theatre productions, sporting activities and shopping. Table ES-1 provides profile information on the entertainment and recreational infrastructure provided by Australian casinos.

ES-1

Summary of Key Australian Casino Facilities

Casino Facility	2004/05
Gaming Tables	1,115
Gaming Machines	12,065
Restaurants	85
Bars	83
Hotel Rooms	3,517

Source: ACA Survey data

The focus for the casino industry in recent years has been on providing a range of non – gaming facilities. As such, growth rates for gaming facilities have not been as high as the growth in non – gaming facilities within the Australian casinos.

In addition to gaming, hotel and restaurant facilities, the casino industry provides other non-gaming facilities, which include:

-) 36 entertainment facilities – 15 movie theatres, 5 live theatres, 4 night clubs and 3 amusement arcades and other facilities such as wildlife exhibits;
-) 33 sporting facilities – 13 gyms/ health clubs, 2 golf courses, 1 driving range, 10 swimming pools and 5 tennis courts and others such as horse riding facilities;

Executive Summary

-) 67 retail shops; and
-) 63 convention/ conference facilities.

In 2004/05 the combined visitor numbers through Australian casinos was approximately 46 million. This represents an increase of 3 million or 7% on 2003/04 visitor numbers. Of the 46 million visitors 80%, of visitors are local, 13% are from interstate, while 7% are international. It is of particular interest to note that there has been a 29% Compound Annual Growth Rate (CAGR)¹ in the number of international visitors to Australian casinos between 2002/03 and 2004/05, indicating that significant growth is occurring in the industry. Table ES-2 summarises the visitor data collected.

ES-2

Summary of Australian Casino Visitors (millions)

Visitor Type	2004/05	% Change (CAGR)
Local	37.7	3.5%
Interstate	5.6	14.5%
International	2.5	28.8%
Total	45.8	5.7%

Source: ACA Survey data

Section 4: Casino Industry Financials

The key results for the casino industry financials for 2004/05 are shown in the Table ES-3. Benchmarking analysis with other industries has indicated that the Australian casino industry has the highest earnings (in terms of EBITDA²) as a proportion of revenue to the average of all Australian industries, indicating the strong performance of the industry.

In terms of the various elements of casino financials, there was a steady rise in gaming revenue between 2003/04 and 2004/05, with a 2.9% CAGR from 2002/03. This is equal to an Average Annual Growth Rate (AAGR)³ of 1.5% from 2002/03 to 2004/05. This is slightly lower than the 3.3% AAGR of the industry over an eight year time period from 1997/98. Expenses remained fairly constant over the period

¹ Note: CAGR is Compound Annual Growth Rate, a description of which can be found in Section 2.2 of the report – CAGR calculations have been made from 2002/03 to 2004/05.

² Note: EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation

³ Note: AAGR is a method of determining the average increase in the value of an indicator over the period of a year – AAGR calculations have been made from 2002/03 to 2004/05.

Executive Summary

of review, increasing by 4.2% CAGR from 2002/03, and with wages and salaries comprising the major share of all operating expenditure. The outcomes are summarised in Table ES-3.

Table ES-3

Summary of Casino Industry Financials (\$ billions)

Financial Item	2004/05	% Change (CAGR)
Revenue	3.328	2.9%
Wages and Salaries	0.767	3.8%
Other Operating Expenses	0.840	4.6%
Government Taxes	0.863	12.5%

Source: ACA Survey data

Section 5: Government Revenue

The Australian casino industry makes a considerable contribution to Government revenue at the local, state and federal levels. The casino industry contributes 25% of earnings (EBITDA) to Federal government taxes. Total taxes and levies paid by the casino industry in 2004/05 amounted to \$863 million. The major taxes paid by the casino industry are gaming taxes, goods and services tax, company tax and payroll tax.

ES-4

Summary of Industry Tax Contributions (\$ billions)

Level of Government	2004/05	% Change (CAGR)
State and Local	0.4331	3.5%
Federal	0.4296	24.4%
Total	0.8627	12.5%

Source: ACA Survey data

Section 6: Socio Economic Contribution

The casino industry employs 19,130 employees in a range of occupations. A high proportion of staff (78%) are skilled or semi skilled, indicating a skilled workforce that also receives salaries above the national average. Wages and salaries comprise 23% of casino industry revenue, which is a slightly higher proportion than the average of all Australian industries. The employment numbers, split by employment type for 2004/05, are shown in Table ES-5.

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ES-5

Summary of Industry Employment

Employment Type	2004/05
Full Time Staff	11,007
Part Time Staff	3,809
Casual Staff	4,314
Total Staff	19,130

Source: ACA Survey data

Section 7: Economic Impact of the industry

The activities of the Australian casino industry make a significant contribution to the Australian economy. URS has undertaken an economic impact analysis to estimate the size of this contribution using input-output multiplier methods. The findings of economic impact analysis indicate a total economic impact of the casino industry as detailed in Table ES-6 below.

ES-6

Economic Impact Summaries

Economic Impact Indicator	2004/05	% Change (CAGR)
Output (\$ billions)	9.4	4.4%
Value Added (\$ billions)	6.9	8.0%
Household Income (\$ billions)	2.3	3.8%
Employment	45,281	-0.8%

Source: ACA Survey data

The casino industry ranks second in terms of GDP based on a comparison with other industries and events in Australia, and is:

-) around 40% the size of the entire Accommodation, Cafes and Restaurants Industry;
-) similar in size of the national Horse Racing Industry;
-) equivalent to having four and a half Commonwealth Games held in Australia each year;
-) \$1.5 billion larger than Melbourne Port's annual contribution; and

Executive Summary

) more than 13 times the size of Melbourne Airport⁴.

⁴ Sources of GDP contribution comparisons: ACA Survey data, Port of Melbourne Website 2006, Invest Victoria Website 2005, Racing Bureau Website 2001, SKM Consulting Website 2006, ABS 2006b

2.1 About the Report

The Australian Casino Association (ACA) *2004/05 Australian Casino Economic Report* is a comprehensive study of all casino operators located in Australia. The current report marks the third year that the study has been undertaken by URS for ACA, with the 2002/03 and 2003/04 editions providing key benchmark data that has been consolidated in this years report where applicable.

The annual casino industry report provides the industry with a means of promoting the contribution and economic importance of the industry to the Australian economy. It is the only regular source of information on the industry, as the Australian Bureau of Statistics (ABS) has not produced a report on the casino industry since 1998/99.

For the 2004/05 edition of the report, URS has undertaken a detailed economic impact analysis of the industry as has been specified by the ACA to occur on a two yearly basis. The report contains industry survey responses from each of the casinos operating in Australia at the aggregated level.

2.2 Report Process and Survey Data Collected

Two key tasks were involved in the preparation of the Australia Casino Industry Economic Report:

-) **Industry Survey** – designed to gather information on the physical, financial and socio-economic aspects of the casino industry; and
-) **Results Analysis** – producing a summary of results for use by the industry, measuring the contribution that the casino industry makes to the wealth and prosperity of Australia.

The industry survey was designed by URS in consultation with the ACA. It was distributed to all Australian casinos in order to obtain the economic data that was then analysed and reproduced in this report. Casinos were requested to provide the following information:

-) ***casino physical factor data:***
 - number of entertainment and recreational facilities;
 - number of accommodation facilities;
 - number of commercial facilities; and
 - number of visitors and their origin.
-) ***financial and economic data:***
 - revenue, operating and expenditure; and
 - government revenue and taxation.

) *social and community data:*

- number of employees and associated characteristics;
- contribution to community groups; and
- number of conventions.

The data provided by each casino in the survey was collated and aggregated at a casino industry level. Once aggregated, data gaps and omissions were identified by URS and follow up procedures were undertaken with appropriate casinos to clarify and ensure accuracy of data allowing report finalisation. All outcomes shown in the following report are sourced from the survey material unless otherwise stated. A copy of the survey sent to the Australian casinos can be found in Appendix A.

Where comparisons have been made with current casino data to the previous two years of information, there are two growth measures used throughout the report to explain changes in the economic indicators:

-) compound annual growth rate (CAGR) is a method of assessing the average growth of a value over time, and serves to describe the rate of growth if the indicator grew at a steady rate; and
-) average annual growth rate (AAGR) is a method of determining the average increase in the value of an indicator over the period of a year.

Unless stated, the CAGR and the AAGR rates are calculated on 2002/03 to 2004/05 changes, using data collected for the previous three reports. The results of the industry survey and results analysis phases of the study are contained in the remainder of the report.

2.3 Outline of the Report

The report is outlined as follows:

-) Section 3: About Australian Casinos;
-) Section 4: Casino Industry Financials;
-) Section 5: Industry Contribution to Government;
-) Section 6: Socio – Economic Contribution;
-) Section 7: Economic Impact Analysis; and
-) Section 8: Summary of Key Findings.

3.1 ACA and Australian Casinos

The ACA is the industry association that represents Australia’s thirteen licensed casinos. The central role of the ACA is to promote the casino industry as one that is a leader in regulatory compliance and in promoting responsible gaming practices that reflect community expectations of the highest standards of probity and integrity.

The Australian members of the ACA are outlined below.

Table 1

ACA Australian Casino Members

ACA Australian Casino Members
Burswood Entertainment Complex, Perth, WA
Canberra Casino, Canberra, ACT
Conrad Jupiters, Gold Coast, QLD
Conrad Treasury Casino, Brisbane, QLD
Crown Casino, Melbourne, VIC
Country Club, Launceston, TAS
Jupiters, Townsville, QLD
Lasseters, Alice Springs, NT
Reef Casino, Cairns, QLD
SkyCity Adelaide, Adelaide, SA
SkyCity Darwin, Darwin, NT
Star City, Sydney, NSW
Wrest Point Casino, Hobart, TAS

Source: ACA Survey data

These thirteen casinos have all been included in the *2004/05 Australian Casino Economic Report*.

3.2 Casino Physical Factors

More facilities to offer a broader range of activities and services to an even larger visitor base

3.2.1 Casino Facilities

The Australian casino industry has increased the number of all key facilities offered to visitors over the past three years. There is a broad range of facilities on offer that are not just gaming oriented but also include a range of other recreational activities such as theatre productions, sporting activities and shopping. Bars, restaurants and hotel facilities are also offered by casinos, with casinos increasingly being considered destination locations.

Table 2

Number of Key Australian Casino Facilities

Facility	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Gaming Tables	1,098	1,092	1,115	0.8%	0.8%
Poker Machines / EGMS	11,560	11,698	12,065	2.2%	2.2%
Restaurants	76	85	85	5.8%	5.9%
Bars	80	82	83	1.9%	1.9%
Hotel Rooms	3,050	3,515	3,517	7.4%	7.7%

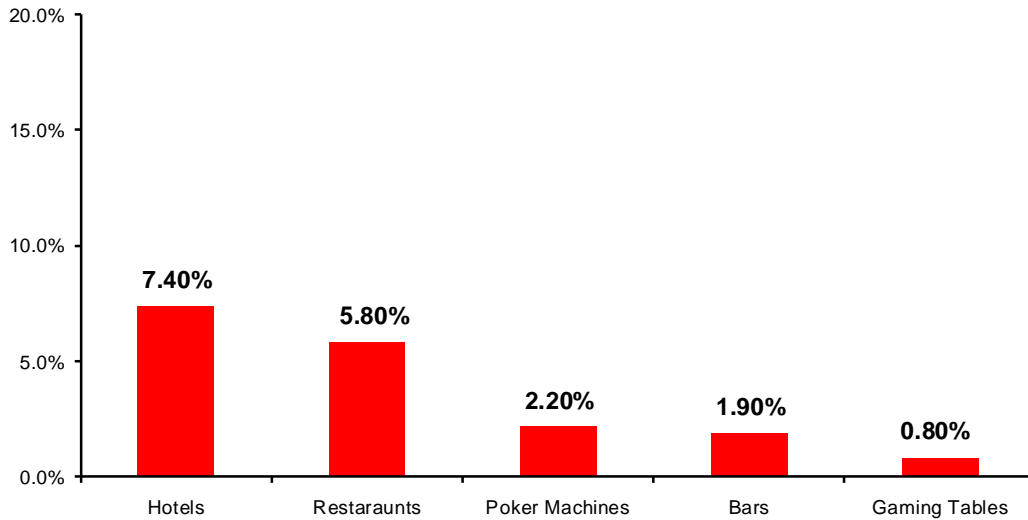
Source: ACA Survey data

As shown in Table 2, there has been an increase in the number of all key facilities over the last three years. Hotel rooms and restaurants experienced the greatest increases, respectively 7.4% and 1.9% compound annual growth from 2002/03 to 2004/05. The growth in non-gaming facilities, compared with gaming facility growth indicates the importance that casinos place on developing as more than just gaming locations.

Diagrammatically these facility numbers are presented in Figure 1.

Figure 1

Growth Rates in Casino Key Facilities



Source: ACA Survey Data

The casinos across Australia also offer a varied range of recreation and convention facilities from swimming pools, to golf courses, to retail shopping outlets. Table 3 outlines the facilities available for recreational and convention purposes.

Table 3

Number of Recreation and Convention Facilities

Facility	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Entertainment	36	36	36	0.0%	0.0%
Sporting	32	35	33	1.6%	1.8%
Retail Shops	62	65	67	4.0%	4.0%
Conference / Convention	52	62	63	10.1%	10.4%

Source: ACA Survey data

All recreation and convention facilities have increased (or remained the same) in number over the three years of the survey, indicating the on - going contribution to facility provision of the casino industry in Australia. Entertainment facilities (consisting of cinemas, theatres, arcades, etc) have remained at consistent levels, however there has been a significant increase in both sporting facilities (swimming

pools, golf course etc) and conference and convention rooms. Conference and convention facilities have increased at the largest growth rate since 2002/03, rising by a CAGR of 10.1% from 52 to 63 facilities in three years.

Based on the data collected in the 2004/05 survey, the recreational facilities included:

-) 36 entertainment facilities – 15 movie theatres, 5 live theatres, 4 night clubs, 3 amusement arcades, and other facilities such as wildlife exhibits⁵;
-) 33 sporting facilities – 13 gyms/ health clubs, 2 golf courses, 1 driving range, 10 swimming pools and 5 tennis courts and others such as horse riding facilities;
-) 67 retail shops; and
-) 63 convention / conference facilities in which 3,200 conferences/conventions were held in 2004/05, with over 39,000 attendees.

3.2.2 Casino Visitors

The number of visitors to Australian casinos has increased significantly each year that the URS survey has been conducted. In 2004/05 the combined visitor numbers in Australian casinos was approximately 46 million: an increase of 3 million from the previous year. This is shown in Table 4 below.

Table 4

Australian Casino Visitors (millions)

Visitor Type	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Local / State	35.2	35.3	37.7	3.5%	3.5%
Interstate	4.3	5.2	5.6	14.5%	14.7%
International	1.5	2.4	2.5	28.8%	31.9%
Total	41.0	42.9	45.8	5.7%	5.7%

Source: ACA Survey data

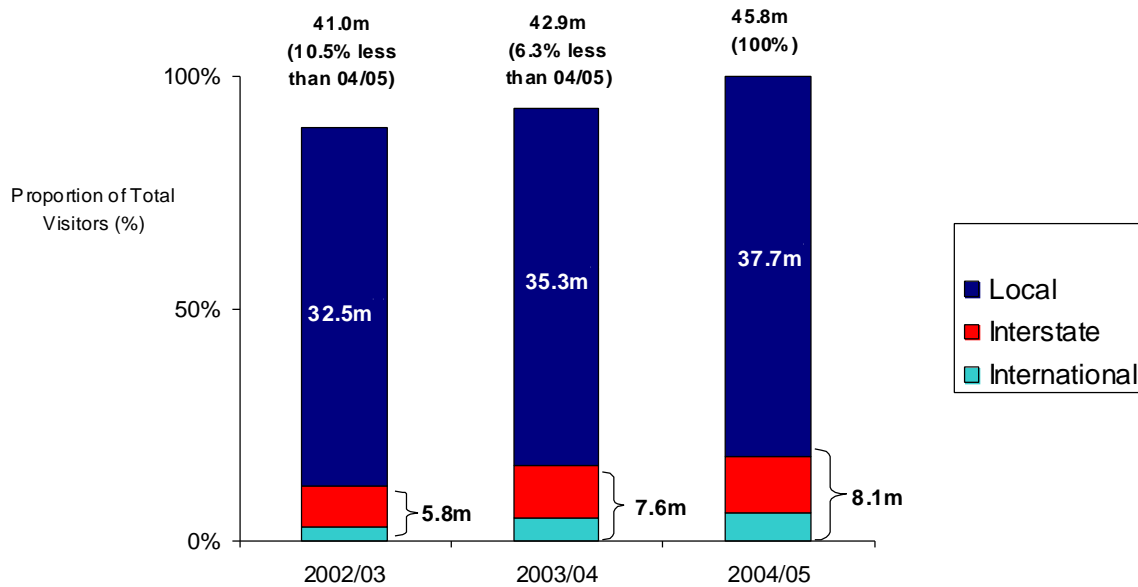
Of particular interest was the number of international visitors to Australian casinos, which has risen by a considerable 29% CAGR from 2002/03 to 2004/05. International visitors are important as they generate additional sources of revenue and a flow through of international funds into the Australian economy. The interstate visitor numbers increased 15% CAGR from 4.3 to 5.6 million from 2004/05. Local visitors are the largest users of the casinos facilities with 38 million visitors in 2004/05.

⁵ Cairns Reef Casino has the 'Cairns Rainforest Dome' – a wildlife exhibit with 100 species of Australian animals encased by a 20 metre high glass dome on the rooftop of the casino

Diagrammatically the visitor numbers are presented in Figure 2. This figure indicates the higher number of visitors this year as opposed to the previous two years. Interstate and international visitors were 8.1 million in 2004/05, in comparison to 5.8 million 2002/03.

Figure 2

Casino Visitor Numbers – Annual Comparison



Source: ACA Survey data

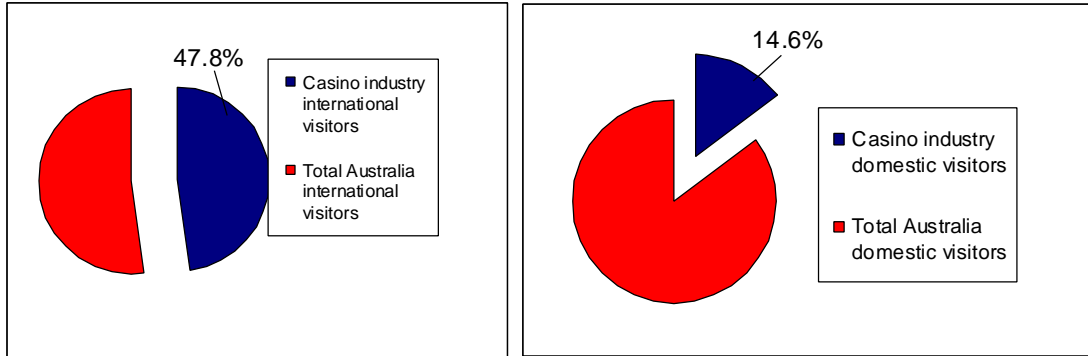
Casinos are a crucial part of the burgeoning Australian tourism industry. In 2004 there were 5.2 million inbound international visitors into Australia (Tourism Australia 2005), indicating that 47.8% of these visitors visited a casino⁶. In addition there were 296.9 million domestic/interstate visitors in Australia in 2004 (Tourism Australia 2005), which means that 14.6% of local and interstate travellers visit a casino⁷. These proportions are shown in Figure 3 below.

⁶ Note: statistic assumes each international visitor visits the casinos only once

⁷ Note: statistic assumes each domestic visitor visits the casinos only once

Figure 3

Casino Visitor Numbers – Tourist Comparison



Source: ACA Survey data, Tourism Australia 2005

4.1 Casino Revenue

**Focus on providing non-gaming services and facilities to customers.
Non-gaming revenues have experienced greater growth rates
than gaming revenues**

Total revenue for the casino industry has increased by \$50 million in 2004/05 from revenues in the previous year. The revenue for the current survey year reached \$3.33 billion, which represents a compound annual growth rate over the three study years of positive 2.9%.

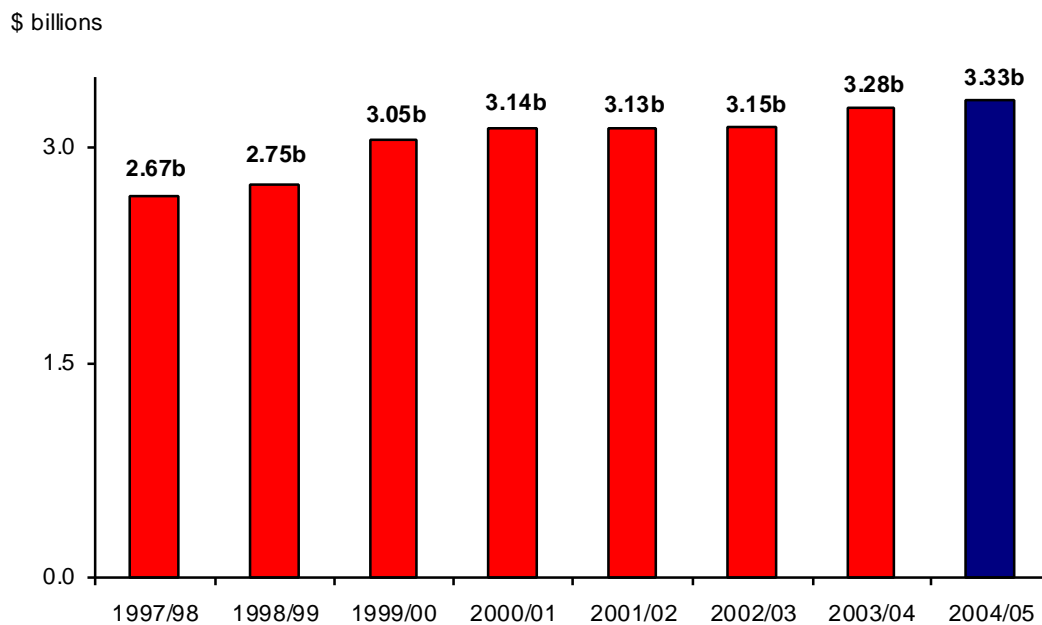
Further detail will be provided on this revenue growth and the key elements of this growth, in the following section.

4.1.1 Casino Revenue Growth

There has been a \$660 million increase in revenues received by the casino industry between 1997/98 and 2003/04, as is shown in Figure 4 below. This equates to an average increase in revenue of \$95 million per annum.

Figure 4

Casino Revenue Growth 1997/98 to 2004/05 (\$ billions)



Source: ACA Economic Report 02/03 and Survey Data 2004/05

The average annual growth rate of casino industry revenues has been 3.3% over the eight-year timeframe shown in Figure 4. The individual annual growth rates over these years has been quite varied, with the highest level of growth reaching 10.9% in one year, and the lowest a negative growth of -0.3%. The annual growth rate for 2004/05 was 1.5% from the previous year, which was the third lowest growth rate recorded over the eight years and indicates a slowing of revenue growth.

Comparing industry revenue growth to Australia's Gross Domestic Product (GDP) rate of change in the same time period, indicates that the casino industry was growing at a slightly lower rate than national GDP. The average annual growth rate for casino industry revenue is 3.3%, which is 0.2% below the Australian GDP average annual growth rate of 3.5% (ABS 2005a).

The Australian Business Indicators Survey is conducted every quarter, and provides a comparison point for Australian industries in terms of a number of performance measures such as revenue (referred to as sales of goods and services). Given the nature of casino operations, the casino industry is included in the 'Other Selected Industries' category of the survey. An analysis of the total 'Other Selected Industries' and the casino industry's revenues over the past three years is shown in Table 5 below.

Table 5

Casino Industry Revenue Vs Other Australian Industry Revenue (\$ millions)

Revenue	2002/03	2003/04	2004/05
Casinos	3,145.2	3,277.1	3,327.6
Other Selected Industries ⁸	123,724.0	133,186.0	133,428.0
Casino % of Other Industries	2.54%	2.46%	2.49%

Source: ABS 2005a

Table 5 indicates that the casino industry contributes a significant 2.5% of revenue to this cluster of industries per year. In 2004/05 the casino industry made up 2.49% of the total other industries, a slight increase on last year, indicating that the revenue earnings are maintaining their share in this broader group of other industries. In terms of the average annual growth rate however, the casino industry has experienced a slightly lower growth rate of 2.9% AAGR, in comparison to the 3.9% AAGR of all industries included in the Other Selected Industries category.

⁸ Note: Other selected industries comprises Electricity, gas and water; Accommodation, cafes and restaurants; Communication services; Other financiers; Financial asset investors; Services to finance and insurance; Cultural and recreational services; and Personal services.

4.1.2 Revenue Sources

Gaming revenue was the major source of revenue for the casino industry, making up 79% of the \$3.3 billion total casino industry revenue for 2004/05. The other significant revenue earners for the casino industry are food and beverage (12%) and accommodation (5%). The remainder of casino revenue consists of entertainment, rents and leasings. The revenue breakdown of the industry is outlined in Table 6 below.

Table 6
Casino Industry Revenue by Item (\$ millions)

Revenue Item	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Gaming Revenue	2,530.6	2,637.5	2,631.0	2.0%	2.0%
Food & Beverage	357.2	355.2	387.9	4.2%	4.3%
Accommodation	131.3	161.2	181.7	17.6%	17.7%
Rent & Leasing	29.9	22.8	22.9	-12.6%	-11.7%
Entertainment	30.9	36.9	35.7	7.5%	8.1%
Other - Parking, Retail, etc	65.3	63.5	68.4	2.3%	2.5%
Total	3,145.2	3,277.1	3,327.6	2.9%	2.9%

Source: ACA Survey data

Total casino revenue has increased by a compound annual growth rate of 2.9% from 2002/03 to 2004/05, while the average annual casino revenue growth rate was 2.9%. Total revenue has increased by \$183 million over the period of industry analysis.

Gaming revenue, the largest component of casino revenue, has experienced a 2% cumulative annual growth and average annual growth rate over the three years of industry survey and analysis. Gaming revenue has increased by \$100 million in the 3 year period.

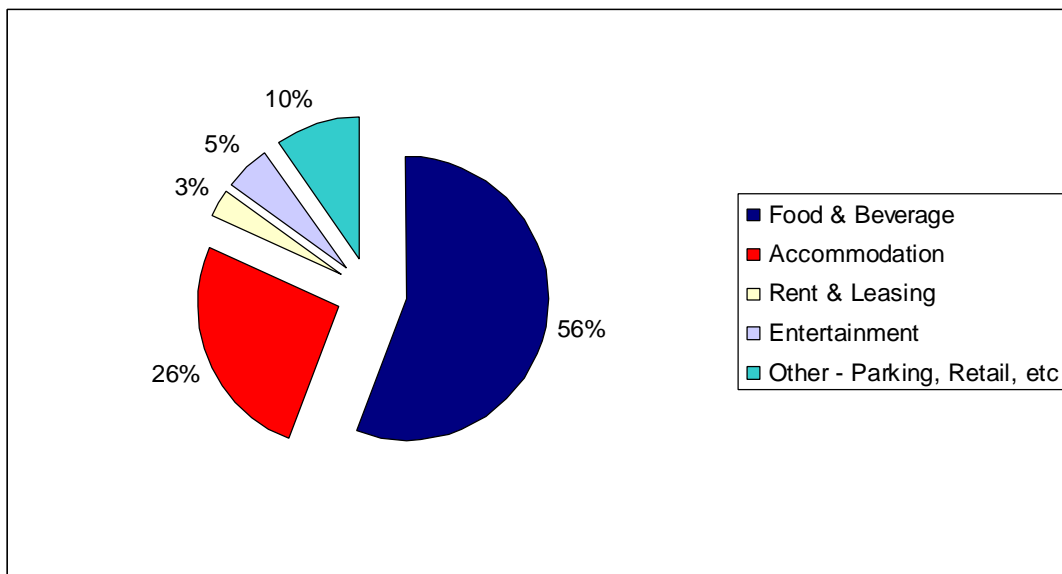
Total non-gaming revenue has shown a compound annual growth rate of 6.5% from 2002/03 to 2004/05. Non-Gaming revenue has been the major growth area for the casino industry over at least the past three years as a greater emphasis is placed on the casino as a total entertainment experience. Accommodation revenue increased by 17.6% CAGR from 2002/03 to 2004/05, which was attributable to the increase in hotel facilities from 3,050 to 3,517 hotel rooms over the three years, as is set out in Table 2. Food and beverage revenue, entertainment and other revenue (e.g. parking and retail) have all undergone positive compound annual growth 4.2%, 7.5% and 2.3% respectively over the survey years. This rate over the three years does however conceal that 2004/05 entertainment revenue has decreased by \$1.2 million from

2003/04, which was based on 4 casinos experiencing decreased entertainment revenue this year. Rent and leasing revenue has fallen 12.6% across the industry.

Figure 5 below diagrammatically presents the breakdown of non-gaming revenue into the different revenue streams. Food and beverage, which has experienced increased total revenue over the period of the three survey years, makes up the largest proportion of non-gaming revenue.

Figure 5

Percentage Breakdown of Non-Gaming Revenue



Source: ACA Survey data

4.2 Casino Expenditure

While casino industry revenue has increased by 1.5% from 2002/03 to 2004/05, operating expenditure has increased at an even greater rate of 6.2% in this same time period

Expenditure within the casino industry has been examined in terms of both operating expenditure and capital expenditure. Total casino operating expenditure for the industry totalled \$1.61 billion in the 2004/05, an increase of 6.2% from the previous year. The industry spending on capital items has decreased by 9.8% compound annual growth rate from 2002/03 indicating that expansions, redevelopments and refurbishments have decreased over the three years of the survey. Further analysis of the operating and capital expenditure from the 2004/05 survey is shown in the following sections.

4.2.1 Operating Expenditure

Casino industry operating costs have risen by 6.2% from 2003/04 to 2004/05, and by a compound annual growth rate of 4.2% over the three survey years. The largest component of cost for the casino industry was labour, which is made up of wages and salaries and labour on costs. In total, labour accounts for 57% of the overall costs within the industry. Food and beverage costs and marketing and promotions are the next greatest cost items with a combined total of 17% of the operating cost percentage. Table 7 sets out the expenditure items and the cost comparisons between 2002/03 and 2003/04.

Table 7
Casino Industry Operating Expenditure by Item (\$ millions)

Expenditure Item	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Wages & Salaries	711.7	752.2	766.9	3.8%	3.8%
Labour On Costs	124.3	158.2	156.3	12.1%	13.0%
Utilities	45.2	45.1	46.1	1.0%	1.0%
Repairs & Maintenance	60.8	43.7	54.1	-5.6%	-2.1%
Marketing & Promotion	95.6	119.5	131.4	17.3%	17.5%
COGS - Food & Beverage	111.0	129.3	134.3	10.0%	10.2%
Other Costs	331.0	265.1	317.5	-2.1%	-0.1%
Total ⁹	1,479.6	1,513.1	1,606.8	4.2%	4.2%

Source: ACA Survey data

⁹ Note: Expenses relating to Gaming Commission & Complementarities were provided in 2004/05 and 2003/04 surveys, however this item was not included in the 2002/03 survey so this expense has not been included in the comparative analysis (Commission & Complementarities: \$206 million in 2004/05; \$225.3 million in 2003/04)

While overall industry operating expenditure increased by \$93.7 million from 2002/03 to 2004/05, it is of interest to note that the survey results indicate 4 of the 13 casinos experienced decreases in their expenditure from the previous year amounts. Salaries and wages, as well as marketing and promotion were the main items that these casinos experienced decreasing expenses in, although the increases in operating expenses for the remaining casinos outweighs any of the decreases in the industry total.

Repairs and maintenance and other costs represent the only items with overall operating expense decreases from 2002/03 to 2004/05, with CAGR of -5.6% and -2.1% respectively, however these items both increased from 2003/04 levels. Marketing and promotion expenditure was the largest growing expense item, increasing by a compound annual growth rate of 10% over the three years surveyed.

4.2.2 Capital Expenditure

Capital expenditure can tend to oscillate from year to year depending on the number and cost of capital projects undertaken by the casinos. It is therefore less indicative of the annual change in performance of the casino industry in comparison to operating expenditure, and is instead more indicative of capital investments and improvements made in a specific time period. In 2002/03 the casino industry expended \$179.5 million on capital investment while in 2003/04 the capital expenditure was \$162.3, a 9.6% decrease. The most recent survey indicated that the industry capital expenditure in 2004/05 comprised a further decrease of 9.9% from the previous year, to a total of \$146.2 million. The decline in capital expenditure levels over the past 3 years is attributable to the work being undertaken by Crown Casino on Crown Promenade which set the capital numbers at a high level in 2002/03, but which have slowly declined as these works have been completed. It is likely that the capital expenditure levels will remain steady at the current level over the next few years. The broad capital expenditure items are shown in Table 8 below.

Table 8

Casino Industry Capital Investment (\$ millions)

Capital Expenditure Item	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Expansion of Facilities	88.7	72.8	32.8	-39.2%	-36.4%
Redevelopments & Refurbishments	54.0	29.7	32.8	-22.1%	-17.4%
Other Capital Expenditure	36.8	59.8	80.6	48.0%	48.6%
Total	179.5	162.3	146.2	-9.8%	-9.8%

Source: ACA Survey data

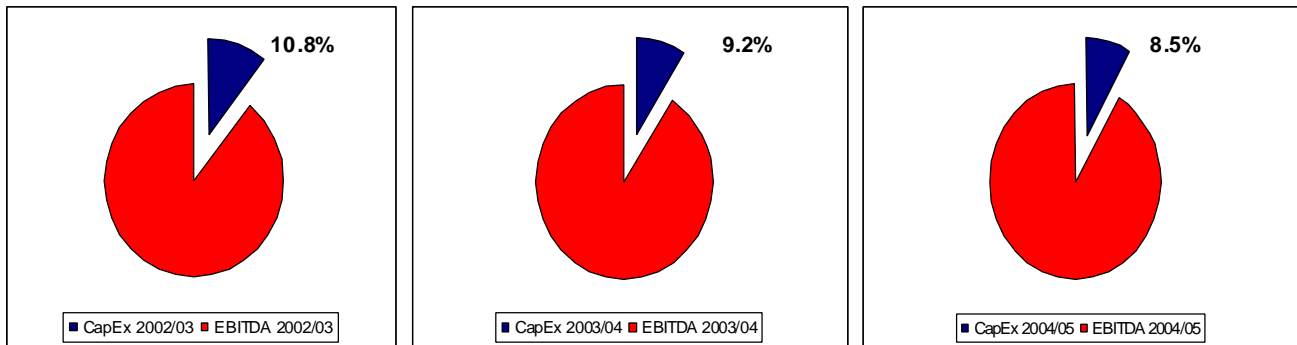
All casinos apart from one invested in some form of capital investment over the financial year 2004/05. ‘Other capital’ received the greatest level of expenditure in 2004/05, with \$80.6 million (55% of total capital expenditure) on investments such as replacements and upgrades (including gaming, computer, systems and hotel equipment and facilities). Whilst the facilities expansion category was the highest

proportion of total capital expenditure for the two previous years, this expenditure item has reduced significantly in 2004/05 to the same proportion as for refurbishments and redevelopments (22.4% of total capital expenditure).

Approximately 4.3% of total industry revenue was spent on capital expenditure in 2004/03, which was slightly lower in comparison to a 5.7% capital investment on revenue ratio for 2002/03 and 5.0% in 2003/04. In terms of the proportion of EBITDA (Earnings Before Interest, Depreciation and Amortisation), capital expenditure comprised 8.5% of casino industry 2004/05 EBITDA. In comparison, the capital expenditure proportion was 9.2% of EBITDA in 2003/04, and 10.8% of EBITDA in 2002/03. This is shown diagrammatically in Figure 6 below.

Figure 6

Capital Expenditure as a Proportion of EBITDA



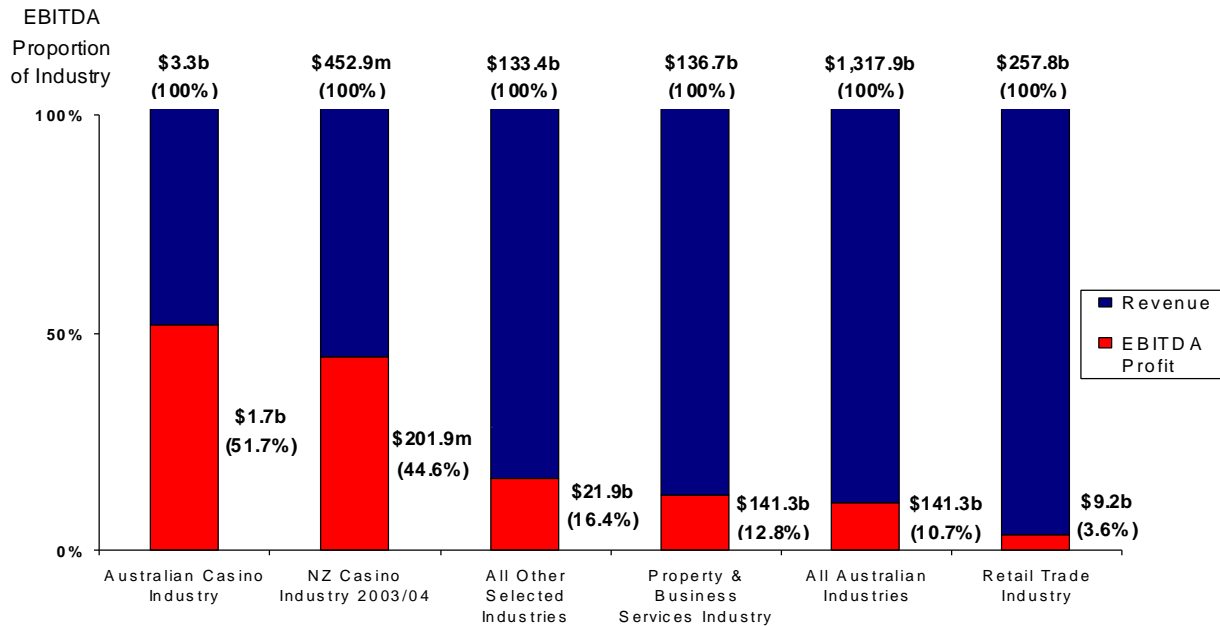
Source: ACA Survey data

4.2.3 Revenue and Expenditure Industry Benchmarking

The Australian Casino industry shows strength when compared with other Australian industries in terms of the proportion of annual revenue that was retained as industry EBITDA profit (Earnings Before Interest, Tax, Depreciation and Amortisation). For the casino industry, 51.7% of the \$3.3 billion in revenue for 2004/05 became profit after operating expenditure. Benchmarking against the New Zealand casino industry as well as four other Australian industries is shown below in Figure 7.

Figure 7

2004/05 Industry Benchmarking – EBITDA as a Proportion of Revenue



Note 1: NZ casino industry data based on 2003/04 NZ survey data, & expressed in AUD (2003/04 ex rate 1AUD = 1.139NZD)

Note 2: Australian Casino industry is considered to be part of 'Other Selected Industries'

Source: ACA 2004/05 Survey data, NZ Casinos 2003/04 Survey Data, ABS 2005a¹⁰

The proportion of EBITDA to revenue for the 'Other Selected Industries' category from the ABS Business Indicators Survey (the majority of casino industry operations would fall under this category) was considerably lower at 16.4% of revenue. The total of all Australian Industries' revenue and gross operating profits is also significantly lower at 10.7% (41% below the Australian casino industry proportion of 51.7%). This analysis indicates the strong performance of the Australian casino industry in comparison to other Australian businesses.

¹⁰ Note: Other selected industries comprises Electricity, gas and water; Accommodation, cafes and restaurants; Communication services; Other financiers; Financial asset investors; Services to finance and insurance; Cultural and recreational services; and Personal services (ABS 2005a)

4.3 Commission and International Revenue

Commission and international players make a major contribution to industry revenue

Commission and international rated or junket players accounted for \$309.7 million in revenues for the Australian casino industry in 2004/05. This equates to a significant 9.2% of total industry revenue for the year. Table 9 below indicates the trend for commission and international player revenue over the three surveyed years, showing that the 2004/05 total amount has decreased by an 18% CAGR (or \$151.8 million) since 2002/03. In addition, the 9.2% proportion of 2004/05 total industry revenue was significantly lower than the 14.7% proportion total revenue that was generated by commission and international players in 2003/04. While analysing the outputs presented, it must be recognised that the commission and internationally sourced revenue will fluctuate on an annual basis due to win ratios through the casino industry. The visitation and turnover of these players actually rose in 2004/05, however, due to win ratios at a number of casinos the revenue numbers have reduced for the survey year.

Table 9

Commissioned and Internationally Sourced Revenue (\$ millions)

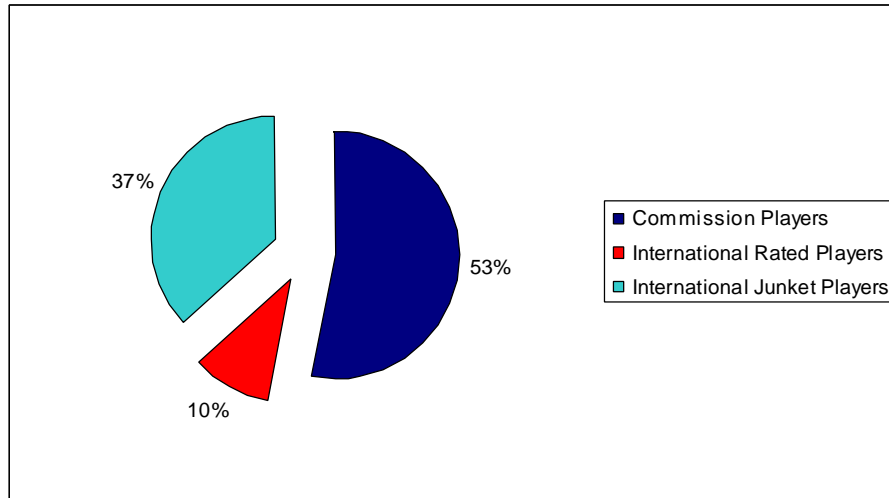
Type of International Player	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Commission Players	225.0	225.2	163.2	-14.8%	-13.7%
International Rated Players	49.0	71.1	31.6	-19.7%	-5.2%
International Junket Players	187.4	184.4	114.8	-21.7%	-19.7%
Total	461.5	480.7	309.7	-18.1%	-15.7%

Source: ACA Survey data

Figure 8 below indicates a breakdown of revenues from commissioned and internationally sourced players, into different player types. International Junket player accounted for 37%, international rated players contributed 10% and commission players accounted for 53% of the commission and international player revenue.

Figure 8

Breakdown of Commissioned and Internationally Sourced Revenue

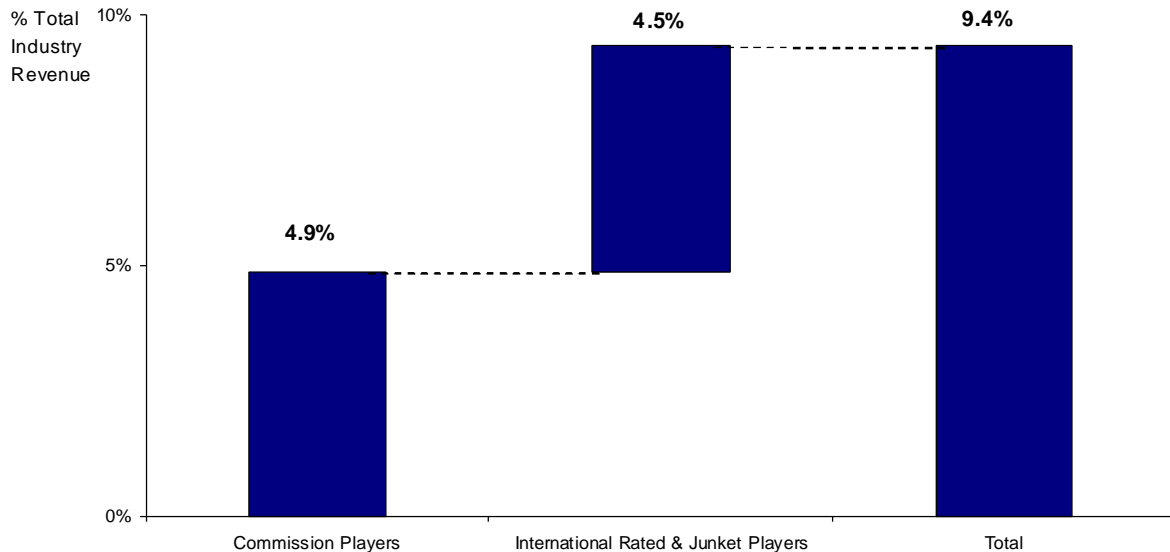


Source: ACA Survey data

In Section 3.2 of this report, it was documented that 5.5% of all visitors to Australian casinos in 2004/05 were international visitors. The figure below shows that approximately 4.5% of the total casino revenue (\$3.3 billion) was sourced from international rated and junket players. This figure does not include the non rated and non junket international visitor revenue, which suggests that the overall contribution of international visitors to revenue exceeds that category's proportion of visitation.

Figure 9

Commission and International Player Revenue Proportion of Total Casino Industry Revenue



Source: ACA Survey data

The process of gathering information on the impact of international visitors on Australian casinos is a difficult one given that most of the casinos surveyed undertook market surveys for short periods within the year to determine the origin of their customers. An additional question was included in the most recent 2004/05 survey, asking casinos the proportion of revenue contribution for each type of visitor (international, interstate and local). Seven of the thirteen casinos surveyed were unable to provide responses to this question. Without the majority of casinos responding to this question, this meant that results of the survey question could not be used as it is not indicative of the entire industry. Thus, as a result of the difficulty for casinos to gather accurate data on spend based on visitor origin, the total levels of international expenditure cannot be determined with current information.

5.1 Government Revenue

**The Australian casino industry contributes
25% of all revenue to government taxes all levels, which
equates to 50% of earnings**

Australian casinos make a considerable contribution to Government revenue at the local, state and federal levels. Total taxes and levies paid by the casino industry in 2004/05 amounted to \$863.4 million. This represents a compound annual growth rate of 12.5% over the three survey years, and a 11.3% increase in taxes paid in 2003/04. As will be discussed further in Section 5.1.3, the industry contributed 25.0% of earnings to government taxes in 2004/05, which was significantly greater than the average for all Australian industries in 1999/2000.

5.1.1 State and Local Government Revenue

The state and local government tax payment made by the casino industry reached \$433 million in 2004/05. This represents a 3.5% CAGR increase from the levels paid in 2002/03. The outcomes of the state and local government tax analysis shown in Table 10 below.

Table 10

Casino Contributions to Government – Local and State (\$ millions)

Type of Tax	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Gaming Taxes	316.2	324.4	359.7	6.7%	6.7%
Payroll Tax	40.8	42.5	42.9	2.5%	2.6%
Rates & Land Tax	19.8	19.0	21.2	3.5%	3.8%
Other Taxes & Charges	27.7	29.5	9.3	-42.0%	-31.0%
Total	404.5	415.4	433.1	3.5%	3.5%

Source: ACA Survey data

Gaming taxes underwent the greatest increase in government revenue generated, rising by 6.7% CAGR over three years to reach \$359.7 million in 2004/05, an increase of 10.9% from the previous year. It is of note to mention that 42% of the total \$43.5 million increase in gaming tax was attributed to one casino that had experienced a growth in both gaming revenue and total revenue that was above the industry average for the period 2003/04 to 2004/05. Rates and land tax have increased by 3.5% CAGR over three years, and payroll taxes have increased by 2.5%. Other taxes and charges, which include charges such as

JTO withholding tax, as well as emergency services, parking and gaming machine levies, have decreased considerably from 2003/04.

5.1.2 Commonwealth Government

The casino industry contributed \$429.6 million in Commonwealth taxes in 2004/05. This figure is made up of three main Commonwealth government taxes: company tax, goods and services tax (GST) and fringe benefits tax. The total payment into the Commonwealth tax system by the casino industry has increased by a 24.4% compound annual growth rate from 2002/03 to 2004/05, which equals an increase of 19.3% from 2003/04 to 2004/05.

Table 11 below shows the increases in federal taxes paid between 2002/03 and 2004/05.

Table 11
Casino Contributions to Government – Commonwealth (\$ millions)

Type of Tax	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
GST	215.1	233.0	259.4	9.8%	9.8%
Company Tax	59.7	124.6	167.5	67.5%	71.6%
Fringe Benefits Tax	2.8	2.4	2.7	-2.0%	-1.1%
Total	277.6	360.0	429.6	24.4%	24.5%

Source: ACA Survey data

From the table it can be seen that GST was the largest proportion of casino federal taxes paid, and has increased by 9.8% CAGR from 2002/03 to 2004/05. Company tax has undergone the greatest increase, rising by 67.5% CAGR over the three years from 2002/03. Year to year comparisons of tax, or analysis of changes of other financial indicators in comparison to tax changes is difficult as taxes are subject not only to the accounting procedures of each casino, but also to the profitability of the individual casinos and the derivation of their taxable income, the outcomes of which can be diminished for a number of reasons including interest repayment, charitable donations and depreciation. In this sense it is not possible to look at revenue and operating expenditure increases/decreases to determine which direction company tax should move.

5.2 Direct Contribution to Australian GDP or Value Added

**68 cents out of every one dollar spent at Australian casinos
contributes directly to Australian GDP**

Value added, or direct contribution GDP, predominantly consists of wages and salaries and earnings before interest, tax, depreciation and amortisation (EBITDA). In terms of total direct value added or contribution to Australian GDP, the casino industry contributed \$2.3 billion in 2004/05. This was based on a contribution to wages and salaries of \$0.767 billion, taxation of \$0.863 billion and other value added worth \$0.639 billion to GDP. These values are outlined and compared to the previous two years in Table 12 below.

Table 12

Casino Industry Direct Contribution to GDP (\$ billions)

Value Added or GDP Component	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Wages & Salaries	0.712	0.752	0.767	3.8%	3.8%
Taxation Contribution	0.682	0.775	0.863	12.5%	12.5%
Other Value Added	0.569	0.603	0.639	6.0%	6.0%
Total	1.963	2.130	2.269	7.5%	7.5%

Source: ACA Survey data

The casino industry direct contribution to GDP of \$2.269 billion for 2004/05, equates to a significant proportion of 68% per cent of total sales of the casino industry (\$3.328 billion). This indicates that 68 cents out of every dollar spent at Australian casinos contributes directly to Australian GDP.

6.1 Socio Economic Analysis

The casino industry makes socio economic contributions by providing employment and income, and through providing financial contributions to charities and community organisations. The high level of industry socio economic contributions indicates the significance of the casinos in these areas: the industry directly provided 19,130 jobs, financed \$767 million in wages and salaries, and funded \$7 million in community contributions in 2004/05. These areas of contribution are discussed in more detail below.

6.2 Employment

**Casino industry average annual salaries are on average 2% higher,
and pay an additional \$710 per year than
the Australian national average salary for 2004/05**

Total casino employment for 2004/05 was surveyed to be 19,130, inclusive of full-time, part-time and casual staff, and all job types. This figure has decreased by 0.8% compound annual growth rate from 2002/03, or a decrease of 387 staff from 2003/04 to 2004/05. The following sections outline the survey results relating to the type of occupations, average income levels and employment characteristics.

6.2.1 Occupations and Incomes

The casino industry employs staff across a wide range of occupations, due to the broad range of services offered by casinos including management, hospitality, gaming and security. Table 13 below outlines the number of employees in the Australian casino industry based on the types of jobs they perform.

Table 13

Casino Industry Employment by Occupation

Type of Occupation	2002/03 Employee Number	2003/04 Employee Number	2004/05 Employee Number	% Change (CAGR)	% Change (AAGR)
Licensed Gaming Staff	7,701	7,172	6,845	-5.7%	-5.7%
Chefs, Bar, Attendants / Waiters, Kitchen Staff	5,652	5,678	5,360	-2.6%	-2.6%
Managers & Administration Staff	3,185	3,742	3,811	9.4%	9.7%
Security Staff	1,089	1,028	1,057	-1.5%	-1.4%
Housing & Cleaning Staff	1,434	1,508	1,469	1.2%	1.3%
Other Staff	378	389	588	24.7%	27.0%
Total	19,439	19,517	19,130	-0.8%	-0.8%

Source: ACA Survey data

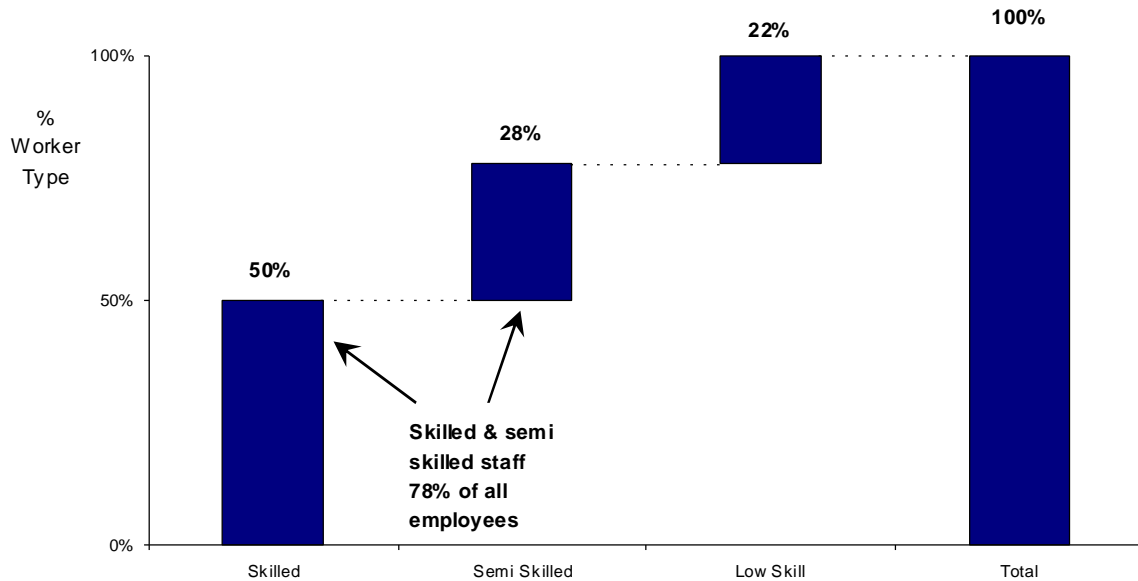
Not surprisingly as the core business of casinos is gaming, the largest number of staff are employed in gaming tasks (36%), however the growing importance of entertainment and accommodation means that a increasing proportion of employees are involved as chefs, attendants and kitchen staff (28%).

Management and administration employees total 20% of all casino employees. Security staff make up 6% of employees, while the housekeeping and cleaning staff account for 8% of workers.

Table 14 shows that there were decreases in employment from 2003/04 for licensed gaming staff, chefs, attendants and kitchen staff. Comparing with 2002/03 survey data indicates that these occupation categories, along with security staff, have undergone negative compound annual growth rates over the three years. Gaming staff have decreased by the greatest amount, of 5.7% from 2002/03. It is interesting to note that 2003/04 survey results similarly showed a decrease in employment numbers for gaming staff, indicating that this trend has continued for at least two years now. Other types of casino employment including managers, administrative, housing, cleaning and other staff all experienced compound annual growth of between 1.2% and 24.7%, between 2002/03 and 2004/05.

The casino industry employs a high level of skilled workers, with 50% of casino workers classified as skilled workers, 28% are classified as semi skilled, and 22% low skilled workers. These proportions are based on employment definitions and job numbers from Table 13, and are displayed graphically in Figure 10 below.

Figure 10
Skill Definition of Casino Industry Workers



Source: 2004/05 ACA Survey data

The total wages bill for the casino industry was \$766.9 million for 2004/05 as set out in the financial outcomes section of this report (Section 3), with an additional \$156.3 million in labour on costs. As the casino industry employs 19,130 workers, this equates to an average annual salary per employee of \$40,090 per annum. In comparison, the average national salary for Australia was lower at \$39,380 per annum (determined using the Australian Bureau of Statistics (ABS) average national income statistics for 2004/05). This indicates that casino industry salaries are on average 2% higher, or pay an additional \$710 per year. The outcomes of yearly comparisons are shown in Table 14 below.

Table 14

Casino Industry Average Income

	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Australian Economy	35,890	37,469	39,380	4.7%	4.7%
Australian Casino Industry	36,612	38,539	40,090	4.6%	4.6%

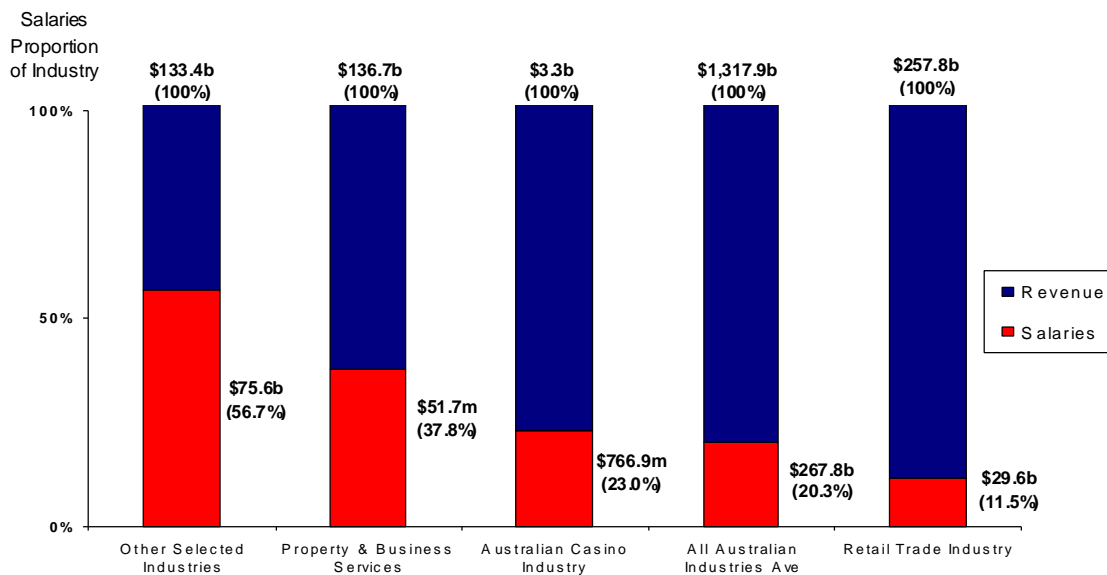
Source: ACA Survey data/ ABS 2006a

The casino industry also provides for education and training of its staff which ultimately adds to the value of these employees to the economy. The amount spent on employee training during 2004/05 totalled \$9.9 million across the industry. Averaged across all 19,130 employees, \$518 was spent on each employee’s training for the year, which has increased by 3% from 2003/04.

Salaries and wages comprise 57% of all operating expenditure, and are 23% of all revenue turnover for 2004/05, indicating the significant labour cost of the casino industry. Figure 11 below shows a comparison of the wages-to-revenue ratio with other Australian industries. This figure indicates that the casino industry contributes a greater proportion of wages to revenue than the average of all Australian industries (by approximately 3%), however it was lower than the property and business services industry, and was also below the average of Other Selected industries.

Figure 11

2004/05 Industry Benchmarking – Salaries as a Proportion of Revenue



Note 1: Australian Casino industry is considered to be part of 'Other Selected Industries'

Source: ACA 2004/05 Survey data, ABS 2005a¹¹

The Property and Business Services Industry, as well as the inclusion of industries such as Communication services, Other financiers, Financial asset investors, and Services to finance and insurance Industries in the 'Other Selected Industries' category are more likely to employ a higher proportion of skilled staff than the casino or retail industry and may explain the higher wages-to-revenue ratio.

6.2.2 Age of Employees and Employment Type

The casino industry is an employer of young people. The results of the 2004/05 economic survey show that the majority (56%) of all casino industry employees are below the age of thirty four, while 82% of

¹¹ Note: Other selected industries comprises Electricity, gas and water; Accommodation, cafes and restaurants; Communication services; Other financiers; Financial asset investors; Services to finance and insurance; Cultural and recreational services; and Personal services (ABS 2005a)

the casino employees are under forty five. A break down of the age of employees within the casino industry is shown in Table 15, and a comparison of staff ages from the 2003/04 survey results is shown in Table 16.

Table 15

2004/05 Casino Industry Employees by Age

Age Group	Staff Number	Proportion of Total
18 to 24	4,212	22%
25 to 34	6,572	34%
35 to 45	5,011	26%
45 +	3,336	17%
Total	19,130	100%

Source: ACA Survey data

Table 16 indicates the changes in the number of staff employed from each age group from 2003/04 to 2004/05. This reveals that in 2004/05, the number of younger staff (18-35) has diminished from the previous year, while older staff (35-45+) have increased in numbers.

Table 16

Trend of Casino Industry Employee Age (number of staff)

Age Group	2003/04	2004/05	% Change (AAGR)
18 to 24	4,453	4,212	-5.4%
25 to 34	7,142	6,572	-8.0%
35 to 45	4,895	5,011	2.4%
45 +	3,027	3,336	10.2%
Total	19,517	19,130	-2.0%

Source: ACA Survey data

Of the 19,130 employees in the casino industry in 2004/05, 58% are full time workers, 20% are part time workers, and the remainder are casual staff (23%). These results are very similar to the findings of the 2003/04 economic report, with 57% full time, 19% part time and 24% casual staff.

The distribution of employment type within the casino industry is displayed in Table 17.

Table 17
Casino Industry Employment Full and Part Time

Employment Type	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Full Time Staff	11,235	11,130	11,007	-1.0%	-1.0%
Part Time Staff	3,450	3,643	3,809	5.1%	5.1%
Casual Staff	4,641	4,744	4,314	-3.6%	-3.4%
Total Staff	19,326	19,517	19,130	-0.5%	-0.5%

Source: ACA Survey data

This table indicates that there has been a slight decrease of 1% CAGR of full time staff, as well as a decrease of 3.6% CAGR of casual staff over the three years surveyed. There was a more significant increase in the number of part time staff, with the compound annual growth rate from 2002/03 at 5.1%.

6.3 Contribution to the Community

Community Benefit funds increased by a greater rate (3.3% CAGR) than industry revenue (2.9% CAGR) from 2002/03 to 2004/05

The casino industry contributes financially to the community not just in terms of taxes paid, but also through programs and organisations which the industry funds and supports. In 2004/05, the Australian casino industry provided \$6.7 million to the community through individual casino contributions to specific community groups and events.

6.3.1 Community Benefit Fund

Community benefit funds were established, and are regulated, by state governments in New South Wales, Queensland, Victoria and Western Australia. The key objective of these funds was to support local community and social projects such as hospital foundations, sporting clubs, gaming treatment services and youth organisations, or as grants to non-profit community organisations that provide facilities or services to the community at large.

In 2004/05 the community benefit contributions of the casino industry were \$29.548 million. This corresponds to an increase of \$1.9 million from 2002/03, and a compound annual growth rate of 3.3% from 2002/03 to 2004/05. The increasing community benefit contributions indicate that the funds have increased at a slightly higher growth rate than total industry revenue has over the same time period (a CAGR of 2.9%). The changes in amounts allocated to the fund over the three survey years are shown in Table 18 below.

Table 18

Community Benefit Fund (\$ millions)

	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Community Benefit Levy	27.669	29.546	29.548	3.3%	3.4%

Source: ACA Survey data

6.3.2 Other Community Contributions

The Australian casino industry makes additional community contributions above and beyond what is contributed via the state-based community contribution schemes. In 2004/05, these contributions totalled \$6.7 million. Industry contributions include donations to charities, specific community groups, sports clubs and special events. A breakdown is provided below in Table 19.

Table 19

Casino Industry Community Other Contributions (\$ millions)

Contribution Type	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Community Groups	6.4	5.9	0.6	-70.7%	-49.2%
Sponsorship of Cultural & Sporting Events	2.9	2.7	3.4	7.6%	8.8%
Problem Gambling	1.5	1.5	1.7	7.5%	7.8%
Charity	0.9	0.6	0.8	-6.6%	-1.3%
Special Events	0.1	0.1	0.3	142.2%	146.6%
Total	11.8	10.8	6.7	-24.4%	-22.9%

Source: ACA Survey data

The sponsorship of cultural and sporting events comprises approximately 50% of all community contributions in 2004/05, and has undergone significant compound annual growth of 7.6% since 2002/03. Special events contributions have shown the highest growth rate (142.2% CAGR) over the three years of the survey. Problem gambling has also increased in amount since 2002/03, reaching \$1.7 million in 2004/05. Community group contributions as well as charity contributions outside of the community benefit fund have decreased since 2002/03, by 70.7% and 6.6% respectively. Total community spending has decreased overall by 24.4% CAGR, mainly due to the reduction in community group funding which in past years had been the largest proportion of total community contributions.

Overall, the industry community contribution for 2004/05 was \$29.5 million in community benefit levy and \$6.7 million in other community spending, a total of \$36.2 million for the year.

7.1 Economic Impact Analysis

The Australian casino Industry annual GDP was equivalent to having four and a half Commonwealth Games held in Australia each year

Economic impact analysis measures the total economic contribution of an industry, business operation or project. In this report, an economic impact assessment has been undertaken on the casino industry. Economic impact analysis can be undertaken at the national, regional or local level. The casino industry is a national industry in Australia, and for this reason the impact assessment for this report has been conducted at the national level. The outcomes of the analysis serve to estimate the economic contribution of the casino industry to the Australian national economy.

In the 2004/05 study a detailed economic impact analysis of the casino industry on the Australian economy has been completed, using input-output analysis techniques and data collected from a casino industry survey. A similar detailed analysis was also undertaken in 2002/03, and in 2003/04, URS was not tasked with developing a detailed economic impact study, but undertook a brief analysis using the same parameters used in 2002/03.

7.1.1 Types of Economic Impacts and Indicators

There are two basic components of economic impact analysis – a *direct* component and a *flow on* (indirect) component. While direct employment and economic activity impacts of a casino or the industry are usually obvious, eg the number of staff employed by casino, flow on impacts are not so obvious, referring to the “multiplier effect” of the direct activity.

URS provides four key economic indicators when undertaking an economic impact analysis. These include:

-) output: a measure of the turnover or gross revenue of an industry;
-) value added: a measure of net economic activity and is consistent with standard measures such as Gross Domestic Product (GDP). It provides an estimate of the net contribution of the casino industry to Australia’s economy¹²;
-) household income: a measure of the wages and salaries paid to employees; and
-) employment: a measure of the number of managers, directors and other employees, in terms of the total number of jobs.

¹² Note: Value Added, as a measure of economic impact, avoids the problem of double counting that arises from using business turnover for this purpose (EconSearch Pty Ltd 2004)

7.1.2 Economic Impact Approach

URS utilised an input-output modelling approach to assess the economic impact of the Australian casino industry. Input output models or tables are matrices of data that disaggregate the inputs used, and the outputs produced, by the various activities that comprise an economy. Input output tables outline the structure of an economy and were developed so that the transactions between industries could be analysed. Flow on effects are generated through industry expenditure on locally provided intermediate inputs and labour. The composition of the inputs used and the capacity of the defined economy to supply those inputs determine the size and industry composition of the flow on effects.

7.1.3 Economic Impact Results

The economic impacts of the casino industry for 2004/05 are detailed below in terms of the four measures described above. The results of this study illustrate clearly the significance the casino industry in Australia in terms of business activity, household income and contribution to the country's growth and employment levels.

The total economic impacts of Australian casinos for 2004/05 are:

-) a generation of \$9.4 billion in total output;
-) a contributed \$6.9 billion in total value added, which represents 0.86% of Australian Gross Domestic Product for the year;
-) a provision \$2.3 billion in household income; and
-) the creation of employment for 45,281 people (full and part time).

A comparison with the economic impact results from 2004/05 is made in Table 25, showing the increasing economic impact of the casino industry on the Australian economy.

Table 25
Economic Impact Summaries

Economic Impact Indicator	2002/03	2003/04	2004/05	% Change (CAGR)	% Change (AAGR)
Output (\$'b)	8.6	9.2	9.4	4.4%	4.4%
Value Added(\$'b)	5.9	6.5	6.9	8.0%	8.0%
Household Income (\$'b)	2.1	2.2	2.3	3.8%	3.8%
Employment	46,021	46,197	45,281	-0.8%	-0.8%

Source: ACA Survey data

7.1.4 Output

Total direct output (or sales) generated by the Australian casino industry was estimated at \$3.3 billion. Taking into account the estimated value of imported material and resources of \$323.2 million derived from survey data and flow on impacts the total economic impact of the industry was estimated at \$9.4 billion.

7.1.5 Value Added or GDP

Total direct value added was estimated at approximately \$2.3 billion consisting gross operating surplus and the value of salaries and wages. Taking into account flow on effects the total value added or contribution to Australia's GDP was estimated at \$6.9 billion.

7.1.6 Household Income

Direct household income (casino wages and salaries) was estimated at \$0.8 billion providing an average salary per employee of approximately \$ 40,090 per annum. Taking into account flow on effects of employees spending their income within the economy, total household incomes generated by the casino industry was estimated at \$2.3 billion.

7.1.7 Employment

Total direct employment including full time, part time and casual employees was estimated at 19,130. Taking into account the effect of flow on effects total employment created by the casino industry was estimated at 45,281 full time, part time and casual jobs¹³.

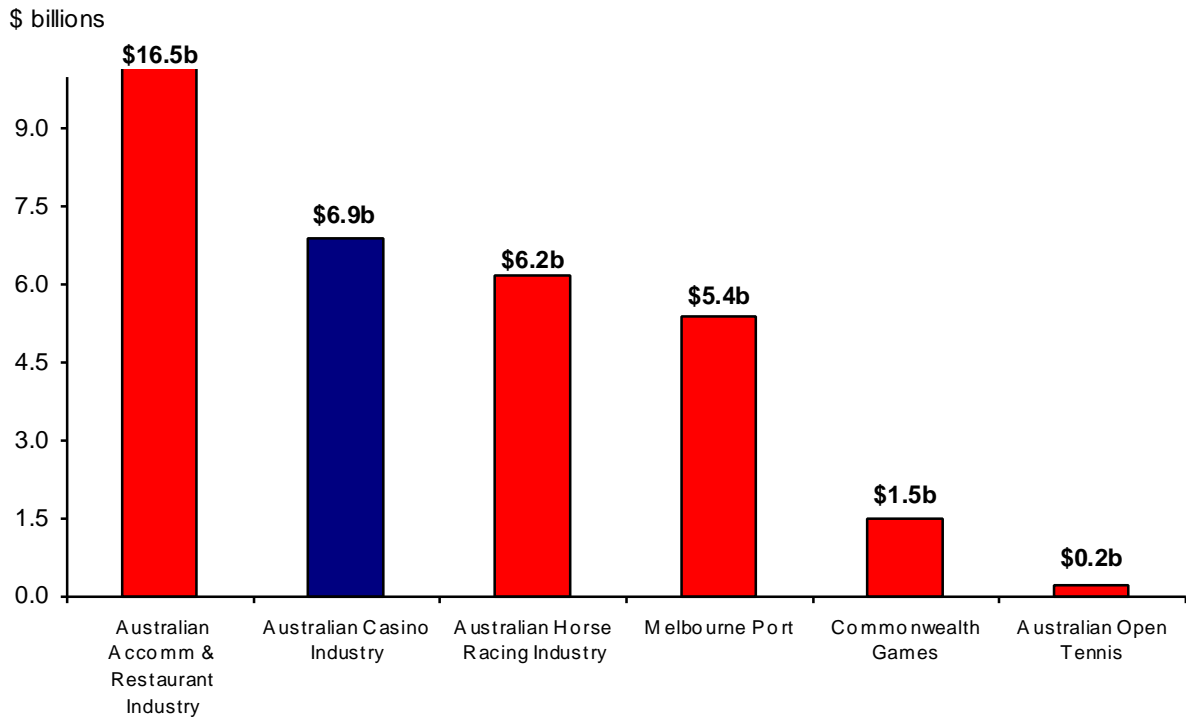
7.2 Economic Impact Comparisons

To provide an indication of the size of the economic impact of the Australian casino industry, URS has compared the estimated economic impact to a number of other economic impact studies covering a range of operations and events to provide a perspective of the size of the casino industry.

In terms of an economic impact indicator comparison, URS utilised the value added or contribution to GDP to provide a perspective of the size and contribution of the casino industry. Through a literature search, URS obtained economic impacts studies on the effects of the Accommodation and Restaurant Industry, the Horse Racing Industry, the Commonwealth Games, Melbourne Port and the Australian Open Tennis.

¹³ Note: It should be noted that of all the measures of economic impact, the employment results are increasingly complicated by the growing flexibility in employment arrangements. However, where possible URS was cautious in estimating flow on effects and it should be highlight that it includes full and part time jobs

Figure 12
Economic Impact Summaries (\$ billions)



Note 1: Years of GDP contribution data are: Accommodation & Restaurant Industry 2003/04; Australian Horse Racing Industry 2001, Melbourne Port 2003/04, Commonwealth Games 2006 forecast, and Melbourne Airport 2002

Note 2: Melbourne Port, the Commonwealth Games and Melbourne Airport data are based on Gross State Product

Sources: ACA Survey data, Port of Melbourne Website 2006, Invest Victoria Website 2005, Racing Bureau Website 2001, SKM Consulting Website 2006, ABS 2006b, Victorian Department of Premier and Cabinet.

Based on the comparison above, the national Accommodation, Cafés and Restaurants Industry contributes the largest amount of GDP at \$16.5 billion per year. The Australian Casino industry was the next highest in terms of gross value added with a \$6.9 billion contribution. This was followed by the Australian Horse Racing Industry (\$6.2 billion), Melbourne Port (\$5.4 billion), 2006 Commonwealth Games (\$1.5 billion) and the Australian Open Tennis (\$0.2 billion).

The casino industry ranks second in terms of GDP based on the above comparison and is:

-) around 40% the size of the entire Accommodation, Cafes and Restaurants Industry;
-) marginally larger in size to the contribution of the national Horse Racing Industry;
-) equivalent to having four and a half Commonwealth Games held in Australia each year;

-
-) \$1.5 billion larger than Melbourne Port's annual contribution; and
 -) more than 30 times the size of the Australian Open Tennis.

It should also be noted that caution should be used in examining the comparisons as each of the economic impact results presented in the figure above may have used different economic impact approaches, models and some were calculated for different geographic regions and time frames. However, in URS' view it provides an indicative guide as to the size of the casino industry.

Industry Diversity

The industry has a gaming focus, but it is about much more than gaming, with hotels, restaurants, bar and entertainment operations. Each visitor to a casino spends on average \$73, of which \$15 was spent on non-gaming activities.

High Visitation Rates

The casino industry attracted approximately 45.8 million visitors in 2004/05, of which 8.1 million were from overseas or interstate. This indicates the high proportion of non-local visitors contributing to the national and local economies. Of the 5.2 million visitors to Australia from international origins in 2004/05 (Tourism Australia *Forecast Report 2005*), a high proportion are estimated to have visited a casino¹⁴. Based on survey data 2.5 million of these visitors attended a casino, indicating that 48% of international travellers visit an Australian casino during their trip to Australia.

Healthy and Vibrant Industry

The casino industry has an operation yield (EBITDA to revenue) of around 52%, which was comparatively high in 2004/05. In comparison with other Australian industries such as Property and Business Services, and Retail Trade industries, the casino industry was ranked as number one in this performance category. While high yields are expected (and even necessary) for a high fixed cost businesses such as the casino industry, the industry appears to be a successful component of the Australian economy.

Large Tax and Community Contribution

The Australian casino industry contributed \$863 million to the various level of government in Australia in 2004/05. The tax payments represent 25% of all revenues received by casinos and equates to 50% of earnings. In addition to the taxation contribution, the casino industry provides a community benefit payment as well as supporting various charity and sports organisations, to the value of \$36.2 million in 2004/05.

Positive Impact on Australian Economy

Based on the analysis undertaken in this report, the Australian casino industry provides an economic impact of \$9.4 billion in terms of output, \$6.9 billion in value added benefit, \$2.3 billion of household income and employment for 45,281 people directly and indirectly.

¹⁴ Note: Assumes each international visitor visits the casino only once

Key Export Industry for Australia

Around 5.5% of visitors to casinos are international tourists and it is likely that their contribution to casino revenue was disproportionately high. It is clear that casinos are a key attraction for international tourists and key part of the Australian visitor experience, with estimates that 48% of international travellers visit an Australian casino.

Employment Opportunities

The Australian casino industry currently provides 19,130 direct jobs. These jobs are in a wide range of occupations and with various skill levels. The average industry wage for casinos was higher than the national average by approximately \$710 per staff member per year. The casino industry supports employment for young workers with 56 per cent of the industry's workers being within the 18 to 24 age group.

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URS Australia Pty Ltd (URS) has prepared this report in accordance with the usual care and thoroughness of the consulting profession for the use of the Australian Casino Association and only those third parties who have been authorised in writing by URS to rely on the report. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the Proposal dated 21 July 2005.

The methodology adopted and sources of information used by URS are outlined in this report. URS has made no independent verification of this information beyond the agreed scope of works and URS assumes no responsibility for any inaccuracies or omissions. No indications were found during our investigations that information contained in this report as provided to URS was false.

This report was prepared between 21 July 2005 and 27 March 2006 and is based on the conditions encountered and information reviewed at the time of preparation. URS disclaims responsibility for any changes that may have occurred after this time.

This report should be read in full. No responsibility is accepted for use of any part of this report in any other context or for any other purpose or by third parties. This report does not purport to give legal advice. Legal advice can only be given by qualified legal practitioners.

Appendix A
2004/05 Casino Industry Survey

Australian Casino Association
Economic Conditions Survey

SECTION 1: YOUR CONTACT DETAILS

Please insert your contact details in the event we need to contact you regarding the data provided.

Name: _____

Position: _____

Casino: _____

Business Address: _____

Phone: _____

Email: _____

SECTION 2: ABOUT YOUR CASINO

The information requested in this section seeks to determine the scale and diversity of casino operations along with the identification of the types of casino visitors.

(i) Please insert the number of entertainment and accommodation facilities in the Table below along with the amount of floor space allocated to each of the facilities:

Entertainment / Accommodation Facility	Number	Floor Space (sqm)
Gaming Tables		
Poker Machines / EGMS		
Restaurants Operated by the Casino		
Restaurants Operated by Tenants		
Bars		
Hotel Rooms 4 star rooms 5 star rooms 6 star rooms Serviced Apartments		
Total		
Other (please specify)		

Appendix A

2004/05 Casino Industry Survey

(ii) Please insert the number of commercial or recreational facilities in the Table below along with the amount of floor space allocated to each of the facilities:

Commercial and Recreational Facility	Number	Floor Space (sqm)
Conference Facilities		
Entertainment Facilities Live Theatres Movie Theatres Amusement Arcades Other (please specify) Total		
Sporting and Recreational Facilities Gymnasiums Swimming Pools Other (please specify) Total		
Retail Shops		
Other (please specify)		

(iii) Please insert the number of visitors by category in the Table below:

Type of Visitors	Number of Visitors	% of revenue contribution*
Number of Local / State Visitors		
Number of Interstate Visitors		
Number of International Visitors		
Total Number of Visitors		

*What percentage of revenue do each of the visitor types contribute.

Appendix A

2004/05 Casino Industry Survey

SECTION 3: ECONOMIC IMPACT DATA

The information requested in this section seeks to determine the types of revenue and cost (including capital expenditure) generated by casinos allowing URS to measure the industries direct impact on the economy. This information also enables URS to identify and measure economic flow on impacts based on expenditure items purchased by the industry to ascertain the total economic impact of the industry on the economy.

(i) Please provide your total revenue for the last financial year along with a break down of typical revenue sources in the Table below:

Revenue Item	\$
Total Gaming Revenue	
Accommodation	
Food and Beverage	
Rent, Leasing and Hiring	
Entertainment	
Parking	
Retail	
Other (please specify)*	
Total Revenue	

*Please insert additional rows if your casino has additional revenue streams.

In addition, please provide a gaming revenue split for the past financial year and, for purposes of trend analysis, the last two prior corresponding periods.

Gaming Revenue Distribution	2002/03 (\$)	2003/04 (\$)	2004/05 (\$)
Electronic Gaming			
Table Gaming*			
International and Commission Revenue			
Total			

* Please separate International and Commission Revenue from Table Gaming Revenue

Appendix A

2004/05 Casino Industry Survey

(ii) In terms of internationally sourced gaming revenue, please provide an estimate according to the categories outlined in the Table below:

Type of International Players	International Gaming Revenue
Commission Players	
International Rated Players	
International Junket Players	
Total	

Note: only commission players and international rated players.

(iii) Please provide your total operating expenditure along with a break down of major operating expenditure items excluding depreciation, interest and taxation in the Table below:

Expenditure Item	\$
Wages and Salaries	
Utilities	
Repairs and Maintenance	
Marketing and Promotion	
COGS – Food and Beverage	
Other COGS (please specify)	
Other Expenses*	
Total Expenditure	

Please insert additional rows if your casino has additional expense items.

(iv) In terms of capital expenditure, please provide amounts incurred during the year for the expansion of facilities, redevelopments or other purposes:

Capital Expenditure Item	\$
Expansion of Facilities	
Redevelopments or Refurbishments	
Other (please specify)	
Total Capital Expenditure	

Appendix A

2004/05 Casino Industry Survey

(v) Please estimate by percentage the sources of your expenditure items, i.e. please provide a management estimate of the value of purchases based on geographical source:

Expenditure Item	% Locally Sourced	% State Sourced	% Australian Sourced	% Overseas Sourced
COGS				
Other Operating Expenditure				
Capital Expenditure				

Note: The purpose of the above data request is to ascertain the source of expenditure items (business inputs) to assist in the economic impact analysis. For example, if business inputs such as food and beverages were purchased from overseas the economic impact would be minimal, as all factors of production utilised to produce these goods would have been employed from outside of Australia, resulting in little economic activity being generated in the Australian economy. It may be difficult to judge the exact source of business inputs, however, your estimate is likely to be better than a non-casino industry view.

SECTION 4: GOVERNMENT REVENUE DATA

The information requested in this section is seeking to determine the amount and types of taxes paid to various levels of Government including the Community Benefit Levy. This information is critical in calculating GDP and along with assisting URS in the economic impact modelling.

(i) Please provide the total amount of tax paid and charges to all levels of government in the Table below:

Type of Tax and Level of Government	\$ Tax Revenue
Commonwealth	
Company Tax	
GST	
Fringe Benefits Tax	
Other (please specify)	
State	
Gaming Tax	
Payroll Tax	
Land Tax	
Other (please specify)	
Local	
Government Rates	
Other Charges	
Casino Community Benefit Levy (if applicable)	

Appendix A

2004/05 Casino Industry Survey

(ii) In terms of total gaming tax revenue, please provide an estimate according to the categories outlined in the Table below:

Type of Gaming Tax	\$ Tax Revenue
Individual Commission Taxes	
Group Commission Taxes	
Rated Player Taxes	
Other Taxes	
Total	

SECTION 5: SOCIAL AND COMMUNITY DATA

The information requested in this section is seeking to determine socio-economic characteristics in terms of people employed, their skills, training and casino involvement in the community. This type of information will allow URS to outline the skills of staff involved in the industry compared to the whole of Australia, the investment in people and the financial contribution to the community.

(i) Please provide the total amount of salaries / wages paid to staff along with an estimate of the number and value of training supplied to staff over the year in the Table below:

Type of Employees	Staff Numbers	(\$) Salaries
Full Time Staff		
Part Time Staff		
Casual Staff		
Total Staff		
Investment in Staff Training*		

*Note: Please insert staff numbers involved in training and the value of training

(ii) Please provide a break down of the total number of staff by the categories outlined below:

Category	Staff Numbers
Managers and Administrators	
Other Clerical and Administrative Staff	
Licensed Gaming Staff	
Chefs	
Bar Managers and Attendants	

Appendix A

2004/05 Casino Industry Survey

Category	Staff Numbers
Waiters and Waitresses	
Kitchen Hands	
Security Officers and Surveillance Staff	
Maintenance Staff	
Cleaning Staff	
Housekeeping Staff	
Total	

(iii) Please provide a break down of the total number of staff by the following age categories outlined in the Table below:

Age Group	Staff Number
18 to 24	
25 to 34	
35 to 45	
45 +	
Total	

(iv) Please provide amounts of funding provided to community and sporting groups **excluding the Community Benefit Levy** in the Table below:

Community Groups	Community Group Funding (\$)	Please Specify Community Groups Funded (e.g. G-Line)	Marketing Based Funding (\$)	Please Specify Marketing Groups Funded (e.g. Professional Sports)
Charity				
Community or Cultural Events*				
Marketing / Branding via Sporting and Event Sponsorships*				

Appendix A

2004/05 Casino Industry Survey

Community Groups	Community Group Funding (\$)	Please Specify Community Groups Funded (e.g. G-Line)	Marketing Based Funding (\$)	Please Specify Marketing Groups Funded (e.g. Professional Sports)
Special Events or Causes				
Problem Gambling Services				
Other (please specify)				
Total				

*Note: We wish to make the distinction between funds provided purely for marketing / branding purposes and those made as a part of the contribution to the community, eg assisting in hosting or facilitating community or cultural activities for the benefit of the community.

(v) Please provide information on conventions or conferences held at the casino during 2004/05 by the categories outlined in the Table below:

Item	Number
Number of International Conventions or Conferences	
Number of National Conventions or Conferences	
Number of Local Conventions or Conferences	
Total Number of Conventions or Conferences	
Total Number of People Attending Conventions or Conferences	