Casino Industry Survey 2000-01: Summary of Results

A Report to the Australian Casino Association

by

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Economics • Policy • Strategy

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1. Introduction

This report summarises the results of the 2000-01 industry survey undertaken by ACIL Consulting on behalf of the Australian Casino Association. This is the seventh survey carried out on behalf of the ACA.

The survey complements the ABS survey of the industry. While the ACA survey and the ABS have some broad similarities, the ABS survey contains more financial data than the ACA survey, while the ACA survey contains more detail on international players, taxes and charges and visitors.

In 2000-01 the Australian casino industry:

- Generated gross revenue of $3,138.1 million and value added of $2,150 million;
- Earned gaming revenue of $518 million from international commission players and international rated players;
- Purchased inputs worth nearly $1,000 million;
- Paid $496.5 million in gambling taxes;
- Employed 20,347 people and paid $755 million in wages and salaries; and
- Had nearly 40 million visitors

2. Facilities

In 2000-01 Australia's 13 casinos had:

- 1,095 gaming tables;
- 11,049 EGMs;
- 69 restaurants;
- 86 bars; and
- 3,148 international standard hotel rooms.

3. Income

In 2000-01 Australia's 13 operating casinos generated gross revenue of just over $3,100 million (Table 1), an increase of 3.3% on the previous year. Total industry revenue was at its highest level on record (ie since the first survey in 1993-94) The major source of income was gaming which accounted for 80% of the total. The next major contributor was food and beverage which accounted for just 11% of the total.

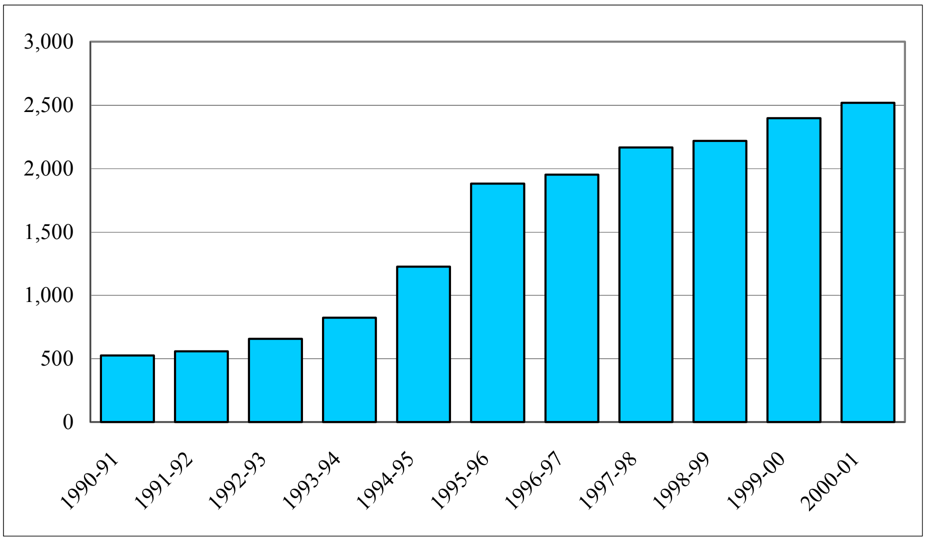
More than 95% of industry revenue was generated by just three sources: gaming, food and beverage and accommodation. Gaming revenue was up 5% on the previous year to $2,517.4 million (also a record level). Gaming revenue has grown relatively strongly in the past few years (Chart 1). In 2000-01, gaming revenue growth was driven by local players rather than international commission players and international rated players. During the year, revenue from international players fell by 3.8% to $518 million. Some additional comments on gaming revenue are presented in Section 6.

During 2000-01 revenue from food and beverage fell by 6.6% and grew by 14% for accommodation.

Table 1: Casino Industry Income

	1999-00		2000-01	
	Income ($m)	% of Total	Income ($m)	% of Total
Gaming	$2,397.4	78.9%	2,517.4	80.2
Food and Beverage	$367.5	12.1%	343.4	10.9
Accommodation	$118.9	3.9%	135.4	4.3
Rent, Leasing & Hiring	$32.8	1.1%	23.2	0.7
Entertainment	$15.3	0.5%	19.2	0.6
Other	$106.0	3.5%	99.5	3.2
Total	**$3,037.9**	**100.0%**	**3,138.1**	**100.0%**

Chart 1: Casino Gaming Revenue ($m)



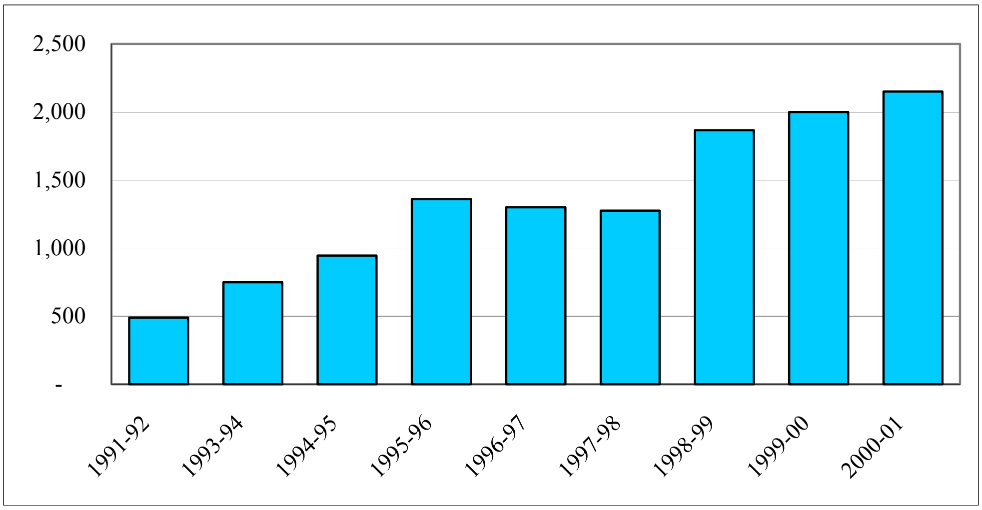
4. Expenses and Value Added

Value added is the contribution made by the industry to the economy after deducting the cost of purchasing outside inputs used to produce gross revenue. Wages and salaries and taxes, while correctly treated as expenses for accounting purposes, are regarded as part of value added because they are generated by the business.

In 2000-01, the casino industry purchased inputs worth nearly $1,000 million. The largest component was the purchase of food and beverage, worth $116 million. This represents a significant change from 1999-00 where marketing, promotion and hospitality (worth $328 million) was the single largest input. In 2000-01, marketing, promotion and hospitality expenses are estimated to have fallen by 70% to $103.2 million.

Value added is estimated to be around $2,150 million. This represents the largest outcome on record, up about 7.5% on the previous year and a significant improvement on earlier years where the trend was slightly down (Chart 2).

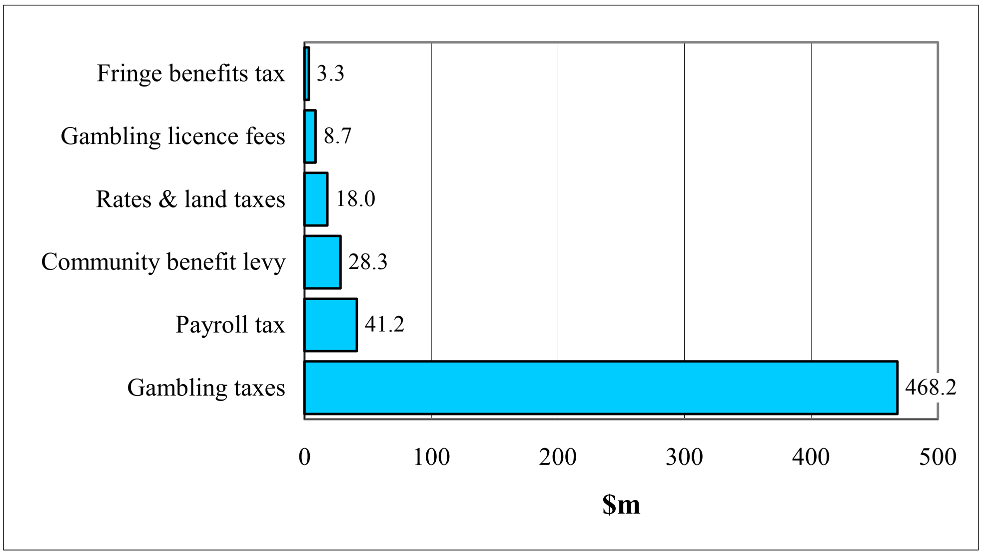
Chart 2: Casino Industry Value Added ($m)



5. Taxes and Charges

Gaming taxes (including the community benefit levy) were $496.5 million in 2000-01, an increase of 3.5% on the previous year. In addition casino licence fees amounted to just under $9 million (Chart 3). In part, the lift in gambling taxes is the result of the increase in gaming revenue. However, a switch in the mix of gambling types and between casinos with different tax rates is likely to have been important also, especially as taxes rose by a smaller amount than gaming revenue.

Chart 3: Casino Industry Taxes and Charges - 2000-01 ($m)



6. International Players

International player revenue and taxation are presented in Tables 2 and 3. Note that 'international player' only includes commission players and international rated players.

In 1993-94 total commission revenue represented 35% of industry gaming revenue and 28% of taxes. By 1998-99 these shares had fallen to 17.5% and 9.5%. In 1999-00 international player revenue recovered strongly, up by 47% to $538 million. In that year the strongest recovery occurred in individual commission revenue, up by 79% on the previous year followed by group commission revenue (up 29%) and rated player revenue (up 16%). Even though commission revenue recovered strongly and was at a high absolute level, it represented only 19.3% of gaming revenue, well down on some earlier years.

In 2000-01, international gaming revenue fell by nearly 4% to $518 million (18% of total gaming revenue). The decline in revenue was primarily due to a significant fall in group commission income (down 25% to $205 million) to the lowest level on record. In contrast, gaming revenue from individual commission players rose by 28% to $244.3 million.

Table 2: Commission Player and International Rated Player Revenue and Taxation ($m)

	1993-94	1995-96	1996-97	1997-98 ABS	1998-99	1999-00	2000-01
Total Casino Revenue	1,148.6	2,230.7	2,308.1	2,709.7	2,781.2	3,037.9	3,138.1
gaming revenue	944.3	1,881.2	1,951.4	2,165.1	2,217.8	2,397.4	2,517.4
food & beverage	141.1	230.9	241.8	308.6	342.1	367.5	343.4
accommodation	42.5	48.2	47.5	77.6	102.0	118.9	135.4
other revenue	20.7	70.4	67.4	158.4	119.3	154.1	141.9
Total International Gaming Revenue	337.5	529.9	538.2	536.5	365.3	538.5	518.0
individual comm revenue	57.0	140.7	210.0	in group	107.1	191.2	244.3
group comm revenue	280.5	389.2	328.2	394.5	211.2	272.2	205.1
rated player revenue	na	na	na	142.0	47.0	75.1	68.6
Total Gaming Taxes	161.9	374.8	371.8	425.9	451.0	478.6	496.5
individual comm taxes	9.6	27.2	40.3	na	15.5	22.4	27.2
group comm taxes	35.5	68.2	57.9	na	28.6	32.7	26.5
rated player taxes	na	na	na	na	6.3	8.2	12.0
other player taxes	116.8	279.4	273.5	na	400.6	415.3	430.8

The estimated cost structure for group commission ('junket') operators is presented in Table 4. Commissions paid to group operators amounted to $113 million in 2000-01, a decline of 20%. Group commissions were at the lowest level on record. In percentage terms, the distribution of the commission remained broadly the same as 1999-00: about 85.5% paid in rebates to players, 5.5% allocated to group operator expenses and a gross return to operators of about 9%.

Table 3: Shares of Gaming Revenue and Taxes (%)

	1993-94	1995-96	1996-97	1997-98 ABS	1998-99	1999-00	2000-01
Share of Total Gaming Revenue							
total comm revenue	35.7%	28.2%	27.6%	18.2%	14.4%	19.3%	17.9%
individual comm revenue	6.0%	7.5%	10.8%	na	4.8%	8.0%	9.7%
group comm revenue	29.7%	20.7%	16.8%	na	9.5%	11.4%	8.1%
rated player revenue	na	na	na	6.6%	2.1%	3.1%	2.7%
other player revenue	64.3%	71.8%	72.4%	75.2%	83.5%	77.6%	79.4%
Share of Total Gaming Taxes							
total comm taxes	27.9%	25.5%	26.4%	na	9.8%	11.5%	10.8%
individual comm taxes	5.9%	7.3%	10.8%	na	3.4%	4.7%	5.5%
group comm taxes	21.9%	18.2%	15.6%	na	6.4%	6.8%	5.3%
rated player taxes	na	na	na	na	1.4%	1.7%	2.4%
other player taxes	72.1%	74.5%	73.6%	na	88.8%	86.8%	86.8%

Table 4: Group Junket Operator Cost Structure ($m)

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01
Group gaming revenue	280.5	389.0	328.2	211.2	272.2	205.1
Group operator commission	123.0	242.0	185.7	133.4	142.6	113.2
Rebate to players	101.7	193.0	158.9	115.8	123.8	96.7
Group operator expenses	13.5	33.0	16.0	6.1	6.7	6.2
Before tax return to group operators	7.8	16.0	10.9	11.4	12.1	10.3

7. Employment

At 30 June 2001 Australian casinos employed 20,347 people - down about 150 people on the previous year (Table 5) and down by around 2,500 on the peak recorded in 1996-97. Casino industry employment has been stable for a number of years.

The major employment categories continue to be gaming and food and beverage. Over the year there was a marked increase in the number of managers/administrators (up 30%) and a decrease of almost 6% in the number of licensed gaming staff.

8. Casino Visitors

In 2000-01 there were an estimated 38.7 million visitors to Australian casinos (Table 6), down slightly on the previous year but for practical purposes a ‘no change’ outcome is the best assumption given the imprecision in measuring visitor numbers. Visitor numbers have been stable for the past three years. Visitor origin has remained relatively steady for a number of years with residents of the local region dominating visitor numbers.

Table 5: Casino Industry Employment

	Persons at end June 1998 no.	Persons at end June 1999 no.	Persons at end June 2000 no	Persons at end June 2001 no	Proportion of total %
Managers/administrators	887	1,350	1,052	1,381	6.8
Other clerical and administrative staff	1,649	1,637	1,682	1,380	6.8
Licensed gaming staff	8,542	7,885	8,277	7,798	38.3
Chefs	839	952	987	934	4.6
Bar managers and attendants	1,814	1,708	1,891	1,928	9.5
Waiters/waitresses	2,255	2,216	2,231	2,148	10.6
Kitchen hands	784	412	516	496	2.4
Security officers/surveillance staff	1,072	1,010	970	1,009	5.0
Maintenance staff	332	458	340	309	1.5
Cleaning staff	580	812	763	790	3.9
Housekeeping staff	855	783	879	518	2.5
Other	822	1,119	909	1,656	8.1
Total	20,531	20,342	20,497	20,347	100.0

Table 6: Casino visitors

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01
Casino Visitors (million)	17.2	31.8	32.6	41.2	40.0	38.7
% change	n.a.	84.9%	2.5%	26.4%	–2.9%	–3.3
Visitor Origin						
Residents of local region	80.2%	78.8%	83.2%	80.0%	84.0%	82.3%
Residents from elsewhere in Australia	16.3%	15.1%	13.6%	14.4%	11.5%	11.0%
Commission players	0.4%	0.8%	0.4%	0.3%	0.3%	0.9%
International rated players	na	na	na	0.2%	0.2%	1.0%
Other international players	3.1%	5.3%	2.8%	5.2%	4.0%	4.8%
Total	100.0%	100.0%	100.0%	100.0	100.0	100.0%