Casino Industry Survey 2001-02: 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 2001-02 industry survey undertaken by ACIL Tasman on behalf of the Australian Casino Association. This is the eighth survey carried out on behalf of the ACA.

The survey complements the (now irregular) 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, community contribution and visitors. However, the ABS no longer conducts a regular survey of the Australian casino industry. This means that the ACA survey will now be the only regular source of information on the industry.

In 2001-02 some of the Australian casino industry's key performance indicators were little changed from the previous year. During the year the industry:

- Generated gross revenue of $3,134.3 million and value added of $2,154 million;
- Earned gaming revenue of $546 million from international commission players and international rated players;
- Purchased inputs worth nearly $1,000 million;
- Paid $500.8 million in gambling taxes;
- Employed 19,657 people and paid $724 million in wages and salaries; and
- Had nearly 40 million visitors.

2. Facilities

In 2001-02 Australia's 13 casinos had:

- 1,082 gaming tables;
- 11,502 EGMs;
- 71 restaurants;
- 85 bars; and
- 3,134 international standard hotel rooms.

3. Income

In 2001-02 Australia's 13 operating casinos generated gross revenue of just over $3,100 million (Table 1), virtually unchanged from the previous year. Total industry revenue remained at its highest level on record. The major source of income was gaming which accounted for 80% of the total. The next major contributor was food and beverage, accounting for just 11% of the total.

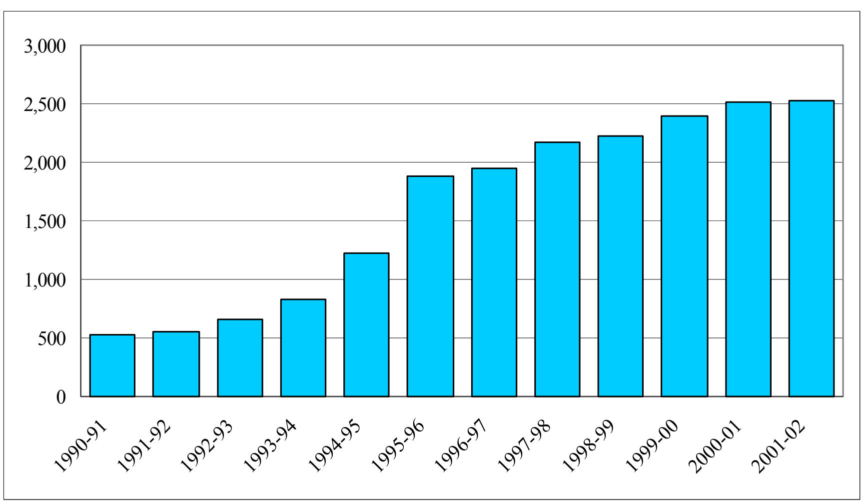
More than 95% of industry revenue was generated by just three sources: gaming, food and beverage and accommodation. Gaming revenue was up by just 0.3% on the previous year to $2,525.6 million (also a record level) following relatively strong growth of 5% in the previous year. Gaming revenue grew relatively strongly prior to 2001-02 (Chart 1). During the year, revenue from international players rose by 5.4% to $546 million while revenue from domestic players fell by 1% to $1,980 million. Some additional comments on gaming revenue are presented in Section 7.

During 2001-02 revenue from food and beverage fell by 1.8% and fell by 10% from accommodation.

Table 1: Casino Industry Income

	2000-01		2001-02	
	Income ($m)	% of Total	Income ($m)	% of Total
Gaming	2,517.4	80.2	2,525.6	80.6
Food and Beverage	343.4	10.9	337.2	10.8
Accommodation	135.4	4.3	121.4	3.9
Rent, Leasing & Hiring	23.2	0.7	23.1	0.7
Entertainment	19.2	0.6	29.1	0.9
Other	99.5	3.2	95.5	3.0
Total	**3,138.1**	**100.0%**	**3,134.3**	**100.0%**

Chart 1: Casino Gaming Revenue ($m)



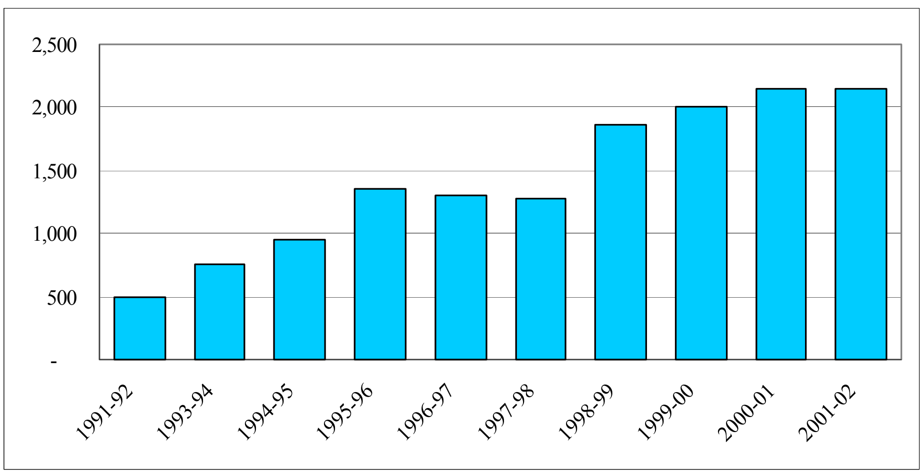
4. Expenses and Value Added

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 2001-02, the casino industry purchased inputs worth nearly $1,000 million. The largest component was the purchase of food and beverage, worth $128 million – an increase of 10.3% on the previous year. Marketing, promotion and sponsorship was the second largest input at $113.5 million.

Value added is estimated to be around $2,150 million: unchanged from the previous year. Although the outcome was flat relative to the previous year, it still represents the largest outcome on record and a significant improvement on earlier years where the trend was slightly down (Chart 2).

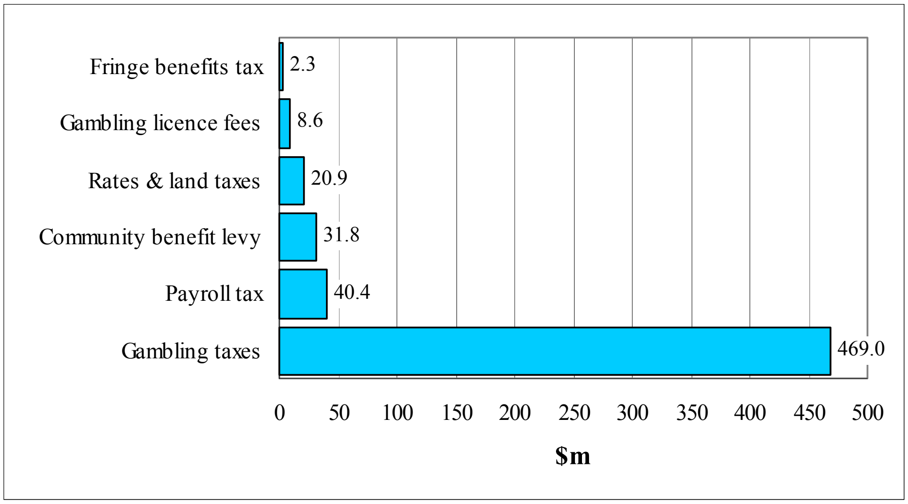
Chart 2: Casino Industry Value Added ($m)



5. Taxes and Charges

Gaming taxes (including the community benefit levy) were $500.8 million in 2001-02, virtually unchanged on the previous year ($496.5 million). In addition casino licence fees amounted to almost $9 million (Chart 3). The similar level of gaming taxes in 2001-02 to the previous year primarily reflects the fact that gaming revenue from year to year was virtually unchanged.

Chart 3: Casino Industry Taxes and Charges - 2001-02 ($m)



6. Community Involvement

Seven of the 13 casinos are required to pay a community benefit levy. The funds are distributed by State authorities and are used for a range of community support activities, including research into gambling issues. In 2001-02 the industry contributed $31.8 million in community benefit levies ($28.3 million in 2000-01). However, Australia's casinos support community activities over and above prescribed levy payments. In 2001-02 the industry contributed an additional $5.1 million to community activities, giving a total community contribution of $36.9 million. For the industry as a whole, the top 5 community projects accounted for $3.6 million, or 70%, of the total. Community support is quite varied ranging from sporting clubs, schools, community groups and service organisations (eg the RSL).

7. 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). In contrast, gaming revenue from individual commission players rose by 28% to $244.3 million.

In 2001-02, international gaming revenue grew by 5.4% to $546.1 million. During the year group commission revenue fell by 10% to $184.8 million (the lowest on record). Group commission revenue has been trending down for a number of years. In contrast, in 2001-02 individual commission revenue grew by 4.5% to $255.4 million and has been on an upward trend for a number of years. The most significant change in international player revenue during the year occurred for international rated players. Revenue for this group jumped by 55% to $106 million.

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

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01	2001-02
Total Casino Revenue	1,148.6	2,230.7	2,308.1	2,781.2	3,037.9	3,138.1	3,134.3
gaming revenue	944.3	1,881.2	1,951.4	2,217.8	2,397.4	2,517.4	2,525.6
food & beverage	141.1	230.9	241.8	342.1	367.5	343.4	337.2
accommodation	42.5	48.2	47.5	102.0	118.9	135.4	121.4
other revenue	20.7	70.4	67.4	119.3	154.1	141.9	150.1
Total International Gaming Revenue	337.5	529.9	538.2	365.3	538.5	518.0	546.1
individual comm revenue	57.0	140.7	210.0	107.1	191.2	244.3	255.3
group comm revenue	280.5	389.2	328.2	211.2	272.2	205.1	184.8
rated player revenue	na	na	na	47.0	75.1	68.6	106.0
Total Gaming Taxes	161.9	374.8	371.8	451.0	478.6	496.5	500.9
individual comm taxes	9.6	27.2	40.3	15.5	22.4	27.2	28.7
group comm taxes	35.5	68.2	57.9	28.6	32.7	26.5	23.3
rated player taxes	na	na	na	6.3	8.2	12.0	18.8
other player taxes	116.8	279.4	273.5	400.6	415.3	430.8	430.1

The estimated cost structure for group commission ('junket') operators is presented in Table 4. Commissions paid to group operators amounted to $93.5 million in 2001-02, a decline of 20%. Group commissions were at the lowest level on record. In percentage terms, the distribution of the commission was about 87.5% paid in rebates to players, 7% allocated to group operator expenses and a gross return to operators of around 5.5% (down on previous years).

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

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01	2001-02
Share of Total Gaming Revenue							
total comm revenue	35.7%	28.2%	27.6%	14.4%	19.3%	17.9%	17.4%
individual comm revenue	6.0%	7.5%	10.8%	4.8%	8.0%	9.7%	10.1%
group comm revenue	29.7%	20.7%	16.8%	9.5%	11.4%	8.1%	7.3%
rated player revenue	na	na	na	2.1%	3.1%	2.7%	4.2%
other player revenue	64.3%	71.8%	72.4%	83.5%	77.6%	79.4%	78.4%
Share of Total Gaming Taxes							
total comm taxes	27.9%	25.5%	26.4%	9.8%	11.5%	10.8%	10.4%
individual comm taxes	5.9%	7.3%	10.8%	3.4%	4.7%	5.5%	5.7%
group comm taxes	21.9%	18.2%	15.6%	6.4%	6.8%	5.3%	4.7%
rated player taxes	na	na	na	1.4%	1.7%	2.4%	3.8%
other player taxes	72.1%	74.5%	73.6%	88.8%	86.8%	86.8%	85.8%

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

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01	2001-02
Group gaming revenue	280.5	389.0	328.2	211.2	272.2	205.1	184.8
Group operator commission	123.0	242.0	185.7	133.4	142.6	113.2	93.5
Rebate to players	101.7	193.0	158.9	115.8	123.8	96.7	81.6
Group operator expenses	13.5	33.0	16.0	6.1	6.7	6.2	6.7
Before tax return to group operators	7.8	16.0	10.9	11.4	12.1	10.3	5.0

8. Employment

At 30 June 2002 Australian casinos employed 19,657 people - down nearly 700 people on the previous year (Table 5) and down by around 3,200 on the peak recorded in 1996-97. Casino industry employment has been relatively stable for a number of years.

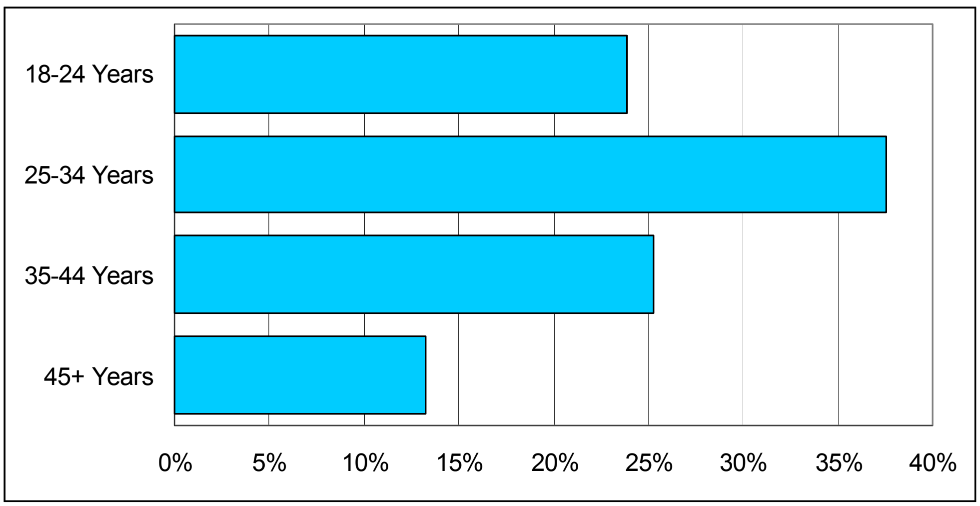
The major employment categories continue to be gaming and food and beverage. Over the year there was a marked increase in the number of clerical and administrative staff (up 30%) and a decrease of 10% in the number of licensed gaming staff.

This year the survey contains the first estimates of the age structure of casino industry staff (Chart 4). It is an overwhelmingly young industry in terms of those employed. More than 60% of those employed are between the age of 18 and 34 years with the largest percentage (37.6%) of employees in the 30-34 age group.

Table 5: Casino Industry Employment

	Persons at end June 1999 no.	Persons at end June 2000 no.	Persons at end June 2001 no	Persons at end June 2002 no	Proportion of total %
Managers/administrators	1,350	1,052	1,381	1,316	6.7
Other clerical and administrative staff	1,637	1,682	1,380	1,782	9.1
Licensed gaming staff	7,885	8,277	7,798	7,011	35.7
Chefs	952	987	934	969	4.9
Bar managers and attendants	1,708	1,891	1,928	1,671	8.5
Waiters/waitresses	2,216	2,231	2,148	2,323	11.8
Kitchen hands	412	516	496	656	3.3
Security officers/surveillance staff	1,010	970	1,009	1,017	5.2
Maintenance staff	458	340	309	375	1.9
Cleaning staff	812	763	790	609	3.1
Housekeeping staff	783	879	518	675	3.4
Other	1,119	909	1,656	1,253	6.4
Total	20,342	20,497	20,347	19,657	100.0

Chart 4: Age structure of employees: 2001-02



9. Casino Visitors

In 2001-02 there were an estimated 38.5 million visitors to Australian casinos (Table 6), down very 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.

Australia’s casinos are popular venues for conventions and meetings. During 2001-02 casinos hosted 2,088 conventions and meetings. For the industry as whole the top 5 meetings and conventions attracted 25,500 patrons. Meetings and conventions ranged in size from less than 10 people up to 2,000+. Conventions and meetings at casinos were held by major industry associations, corporations, educational institutions, international organisations and community service organisations.

Table 6: Casino visitors

	1993-94	1995-96	1996-97	1998-99	1999-00	2000-01	2001-02
Casino Visitors (million)	17.2	31.8	32.6	41.2	40.0	38.7	38.5
% change	n.a.	84.9%	2.5%	26.4%	–2.9%	–3.3	–0.5
Visitor Origin							
Residents of local region	80.2%	78.8%	83.2%	80.0%	84.0%	82.3%	81.2%
Residents from elsewhere in Australia	16.3%	15.1%	13.6%	14.4%	11.5%	11.0%	12.6%
Commission players	0.4%	0.8%	0.4%	0.3%	0.3%	0.9%	0.9%
International rated players	na	na	na	0.2%	0.2%	1.0%	1.0%
Other international players	3.1%	5.3%	2.8%	5.2%	4.0%	4.8%	4.3%
Total	100.0%	100.0%	100.0%	100.0	100.0	100.0%	100.0%