



1 December 1998

Gambling Inquiry
Productivity Commission
P.O Box 80
Belconnen ACT 2616


Dear Sir

Please find enclosed Burswood International Resort Casino's opening submission to the Inquiry into Australia's Gambling Industries.

The Commission recently visited Burswood and during discussions indicated that any information relating to gambler profiles would be appreciated. We are currently gathering and analyzing the sources of information we have on the profiles of our customers and we intend to provide this information to the Commission, however, due to time constraints we intend to submit this information separately to our opening submission.

In the event the Commission wishes to follow up on issues raised in our submission we would suggest that the initial point of contact be Michael Egan, Vice President Government Relations/Legal Services who can be contacted on direct line (08) 9362 8334.

Yours faithfully



Ed Posey
Chief Executive Officer

enc:

Burswood Limited: Opening Submission to the Productivity Commission Inquiry into Australia's Gambling Industries

1. Introduction

Burswood Limited (Burswood) is the owner and operator of the Burswood International Resort, incorporating the Burswood Casino, in Perth, Western Australia. Burswood is a public company with around 15,000 shareholders and is listed on the Australian Stock Exchange with a capitalised value of around A\$330 million.

This document sets out Burswood's opening submission to the Productivity Commission Inquiry into Australia's Gambling Industries. Burswood welcomes the Inquiry as it provides an opportunity for open and rational examination of the role of the gambling industry in the Australian economy and in Australian society more generally. Burswood appreciates the opportunity to participate in this Inquiry.

We understand from the Terms of Reference for this Inquiry and the Issues Paper that the Productivity Commission is required to examine a very broad range of issues in relation to Australia's gambling industries. We appreciate therefore the importance of participants' submissions to the Productivity Commission. In the time available, Burswood has been unable to fully address all of the issues raised in the Issues Paper in this opening submission. However, we would be pleased to elaborate on any aspect of this submission or provide further information to the Productivity Commission. We would also be happy to present a supplementary submission if required.

This submission is structured as follows:

- section 2 provides an overview of the history of the development of Burswood Resort;
- section 3 provides a description of the current Burswood Resort operation;
- section 4 provides an outline of plans for future development; and

- section 5 provides our opening comments and views in relation to some of the issues raised in the Issues Paper.

2. History of Burswood Resort

2.1 Legislative developments

In March 1983 the Government of Western Australia established a Casino Advisory Committee (CAC) to report to a Cabinet subcommittee on the establishment of casinos in Western Australia. The CAC was unable to reach a unanimous position on the merits of allowing casinos in Western Australia, with arguments presented both for and against casino development. The CAC report was submitted to the Cabinet subcommittee in November 1983 and in April 1984 the Government decided that it should permit the establishment of a single casino in the Perth metropolitan area.

The Government's final policy stance on casinos was based on the ability of casino operations to directly and indirectly contribute to the State of Western Australia. The areas identified as being of major benefit were:

- revenues derived from casino operations;
- the creation of a tourist destination of world class standard;
- the provision of a much needed stimulus to employment, both directly and indirectly, and in particular the alleviation of unemployment in the 18-25 age group; and
- the flow-on benefits, such as the development of convention facilities, golf courses, tennis courts, parks and gardens.

The Government chose Burswood Island as an appropriate site for a casino development. This was based on a number of considerations. The land was owned by the Government and was sufficiently isolated from residential areas to stage such a development, yet close enough for the local community to benefit from the development. In addition, Burswood Island was a prime river location, placed next to the main airport-city route, and was under utilised at the time. In actual fact, Burswood Island was a rubbish tip prior to the development of the casino and a massive eyesore on the city's doorstep.

2.2 Proposal approval

During its deliberations, the CAC received 32 expressions of interest in casino developments in Western Australia, 19 relating to the Perth metropolitan area and 13 to country areas. Having decided on the appropriate location for the casino, the Government invited those persons and organisations that had expressed an interest in building and/or operating a casino to submit proposals utilising the Burswood Island site. A Cabinet subcommittee considered a number of proposals and selected two preferred tenderers.

During this time the *Casino Control Act 1984* passed through Parliament. This Act set the legislative framework for the operation of the casino and provided the mechanism for the Minister to enter into a Casino Complex Agreement with the eventual casino developer. The Act was modelled on existing Tasmanian, Northern Territory and Queensland legislation, each of which established strong regulatory controls on casinos (at that time casinos were operational in Tasmania and the Northern Territory and casino legislation had been passed in South Australia and Queensland).

The Casino Control Act also established the Casino Control Committee, which was appointed in July 1984. The Committee carried out a detailed examination of the Cabinet subcommittee's two preferred tenderers. The Committee unanimously recommended that the Minister enter into an agreement with the consortium comprised of Perth businessman, Mr Dallas Dempster and Tileska Pty Ltd. At the time Tileska was owned by the Lim family, which controlled Genting Berhad, the owner and operator of Genting Highlands Resort, Malaysia's only licensed casino. The consortium formed a company in Western Australia known as Burswood Management Limited and became founding unitholders of the Burswood Property Trust.

In February 1985 the Government of Western Australia entered into a Casino Complex Agreement, known as the Casino (Burswood Island) Agreement, with Burswood Management Limited and the trustee of the Burswood Property Trust. The Agreement was ratified by Parliament in March 1985 as the *Casino (Burswood Island) Agreement Act 1985*. As a result, the Government issued the State's first, and currently only, casino licence. In the second reading speech to the Western

Australian Parliament on 7 March 1985, Mr Tonkin, the Leader of the House in the Legislative Assembly, gave a clear indication of the Government's policy objectives:

This, on current estimate, \$220 million project will provide a major boost to the economy of this State, both in the short and long term. The agreement commits the developers to spend \$200 million on the project. The project is about jobs, economic growth, and confidence in the State's future. The economy's base will be broadened. Significant construction and permanent jobs will be created, not only at the casino complex but also through a broad cross-section of industry and commerce. Tourism will be boosted with further increases in incomes and employment across many businesses.

2.3 Development and construction

Upon ratification of the agreement, the Burswood Island rubbish tip became Burswood Park (see attached photographs which show the appearance of Burswood Island prior to the development of Burswood Resort), which is approximately 100 hectares in size. The development of Burswood Resort led to the landscaping of Burswood Park and the development of an 18 hole public golf course. It is now an attractive open parkland with numerous facilities and bears no resemblance to its previous land use. This transformation of land on the gateway to the city from the international and domestic airports is one of the many benefits arising from Burswood Resort's development.

The Burswood Resort complex was established on 12.5 hectares of freehold land, purchased from the Government, within Burswood Park. The location is serviced by major road and rail connections and is only a short car journey from Perth's domestic and international airports. The possibility of ferry and water taxi access to Burswood Resort via a jetty on the Swan River was also contemplated at the time of the original development and is planned to be developed in the near future by the Burswood Park Board.

The major components of Burswood Resort were commissioned at different stages, with Burswood Casino commencing operations in December 1985, followed by Burswood Dome in August 1987, Burswood Hotel in October 1987 and Burswood

Convention Centre in November 1987. During construction the Burswood Hotel was sold and remained under separate management to the rest of the Resort until a restructure in October 1997. The sale helped to offset cost overruns arising during construction and reduce the level of borrowings in the Trust.

The 1997 restructure transactions are summarised below:

- 17 September 1997: Unitholders in the Burswood Property Trust overwhelmingly endorsed the corporatisation of the Trust.
- 26 September 1997: Burswood Property Trust was corporatised and a new public company 'Burswood Limited' listed on the ASX.
- 10 October 1997: The Casino Operation Management Agreement with Victoria Co. Ltd was cancelled for \$89.5 million and Burswood took management and operational control of all existing operations.
- Burswood made an irrevocable offer to purchase the Burswood Hotel for \$97 million in 2002 and currently leases the Hotel for \$6 million per annum under a six year lease with options to renew for a further 44 years. A \$30 million deposit on the purchase was paid to Mr Teibu Ogino to secure the Burswood Hotel lease. The Hotel operation is therefore now under the management control of Burswood.

The official opening of Burswood Resort took place on 8 April 1988 and marked an historic milestone in the development of Western Australia's growing tourism and hospitality industry.

In total the construction phase of Burswood Resort lasted 33 months. During the peak of construction activity over 1000 persons were directly employed by the project. The total capital cost of the development was approximately \$300 million.

3. The current Burswood Resort operation

3.1 Description of facilities

A major concept employed in the overall design of Burswood Resort was to segregate the various components so as to provide separate pedestrian and vehicular circulation and to ensure patrons could access any of Burswood Resort's facilities

without necessarily having to access the casino. This is different from a commonly incorporated design feature in other casino locations, such as Las Vegas, where an emphasis is placed on 'channelling' patrons through the casino to access other facilities. This also reflected the concept of Burswood as a Resort complex with a wide range of appeal, rather than a place where the casino is the dominating focus.

There have been no major additions to Burswood Resort's facilities since the original development. The Resort's four major elements remain as the Burswood Hotel, the Burswood Dome, the Convention Centre and the Casino. However, there have been significant upgrades and modifications made to the interior design and layout of each component.

The Burswood Hotel is a 417 room five star international hotel. The Burswood Hotel is considered to be Perth's premier hotel, consistently achieving high levels of occupancy and average room rates well above downtown five star competitors. The Burswood Hotel includes a recreation centre which has a range of facilities such as a health club, tennis courts, indoor and outdoor pools.

The Burswood Convention Centre is Western Australia's major convention and meeting facility. The Centre recently hosted LNG12, an international conference for the liquefied natural gas industry which attracted approximately 2000 delegates from 45 countries and injected an estimated \$20 million into the State's economy. Burswood Convention Centre facilities include the Burswood Theatre, which can provide for 2300 theatre style seats and which is also capable of being converted into a Showroom providing cabaret dining for 1000 guests with 600 dress circle seats. The Burswood Theatre was the subject of a recent major upgrade which included improvements to staging facilities allowing Burswood to host long running, major theatre productions. Burswood Convention Centre also includes a ballroom which seats 1000, and various smaller meeting rooms and exhibition areas, allowing it to provide Western Australia's highest quality convention facilities. It offers convention delegates an integrated package of convention facilities, high quality hotel accommodation, casino entertainment and other recreational facilities.

The Burswood Dome is a multi-purpose exhibition, entertainment and sports complex. The complex is fully enclosed under an inflatable dome and covers an area of 2 hectares. It has a standard seating capacity of 13,700, which can be extended to a maximum of 21,000 for concerts and other events. In addition to the annual

Hopman Cup international tennis tournament, recent high profile events held at the Burswood Dome include concerts by Michael Jackson, U2, AC/DC and Neil Diamond. A \$2 million upgrade to the Burswood Dome was completed in December 1996.

Burswood Casino comprises the main gaming floor and the International Room. Together these have approximately 130 gaming tables and 1,140 video gaming machines. The International Room underwent a \$5.5 million major refurbishment in 1994, creating a three level design incorporating a function room, bar, restaurant and three luxuriously appointed private gaming rooms.

Burswood Casino operates on a 24 hour basis and is open every day of the year except Christmas day and Good Friday when it is closed from 0300 to 2200 and from 3am to noon on Anzac Day. The Casino offers table games found in most Australian casinos. These include Baccarat, Roulette, Blackjack, Mini-Baccarat, Craps, Money Wheel, Pai Gow, Progressive Blackjack, Caribbean Stud, and Poker. Keno is also available.

Burswood Casino also contains a variety of video game formats which include keno, draw poker, blackjack, money wheel and roulette. Burswood is prohibited by legislation from offering patrons spinning reel machines or pokies as they are more commonly known. This is a situation unique to Western Australia and reduces the variety of games Burswood can access.

Burswood Resort has a wide variety of food and beverage facilities. Within Burswood Casino there are six bars, nine restaurants and various entertainment facilities. Burswood Hotel contains four restaurants, a cocktail bar and meeting/function facilities.

Burswood has freehold title to three parcels of undeveloped land totalling 3.82 hectares (within the 12.5 hectares) and on 10 June 1998 Burswood purchased a further 19.1 hectares of land which was formerly the site of the Swan Portland cement works. These holdings provide a range of options for Burswood Resort's future expansion.

As noted earlier, Burswood Resort is accompanied in the broader Burswood Park by an 18 hole public golf course and the State Tennis Centre. The Burswood Park also

provides cycling and jogging tracks, playgrounds, wetlands, gardens and picnic areas. The recreational and aesthetic facilities of Burswood Park are administered by the Burswood Park Board. The Burswood Park Board is a statutory authority established under the *Parks and Reserves Act 1895*. Under the Casino (Burswood Island) Agreement, Burswood contributes to the funding of the Burswood Park Board's activities through a contribution of 1% of casino gross revenue or \$1 million per annum, whichever is the greater (\$3.56 million for 1997/98).

3.2 Revenues

Burswood's major sources of revenue can be divided into four broad areas; casino operations, hotel accommodation, food & beverage and entertainment. Burswood Hotel revenues have only recently been included in Burswood's accounts as the Burswood Hotel had been separate until the 1997 restructure noted above.

While the inclusion of Burswood Hotel's accommodation and food & beverage revenues have broadened Burswood's revenue base, the major source of revenue continues to be casino operations. Historically, revenues from casino operations have made up approximately 90% of Burswood's total revenues.

Total Revenues

| | June 1998 \$M | June 1997 \$M | June 1996 \$M |
|----------------|---------------|---------------|---------------|
| Casino Revenue | 355.8 | 377.5 | 428.9 |
| Hotel Revenue | 13.5 | - | - |
| F&B Revenue | 40.6 | 31.1 | 30.0 |
| Other | 5.0 | 8.9 | 5.4 |
| Total Revenue | 414.9 | 417.5 | 464.3 |

Casino Revenues

Burswood has operated successful international commission programmes (junkets and premium players), developing a very strong position in the premium player and junket market. The contribution of international players to casino revenue has historically been in order of 50%. The expected ability to attract players from South

East Asia was a major factor in the investment profile of Burswood. Local revenues have grown steadily over the years, whereas international revenues have tended to be more volatile.

Understandably, international revenues have been affected recently by the Asian downturn. The decline in international players also effects other revenues. For example, there is a concomitant decline in accommodation and food & beverage revenues.

However, notwithstanding the downturn, the volatility of international revenues is a feature of the Australian casino industry. The volatility associated with the significant returns available from international players is mainly attributed to fluctuations in the win percentage, which is the percentage of turnover a casino expects to win over an infinite number of wagers. There is also intense international competition in this market, with casinos in Australia, Asia and the United States competing for players from the Asian region. A range of incentives are offered to such players, in addition to the facilities and locational aspects of casinos.

Because of the competition and volatility inherent in the international market, the stability of the local market is an important factor in producing an overall acceptable risk profile to investors and casino managers. A stable local market is generally a prerequisite for justifying an initial investment into a casino facility, as it permits construction to a size and standard to allow participation in the potentially lucrative international market should it be considered commercially attractive.

3.3 Taxes and fees

Burswood pays casino tax to the Western Australian Government at a rate of 15% on casino gross revenue, an annual casino licence fee of \$1.4 million indexed to the CPI from 1991 (\$1.72 million for 1997/98) and \$1 million or 1% of casino gross revenue (whichever amount is the greater) to the Burswood Park Board (Trust Tax - \$3.56 million for 1997/98). The table below shows the amounts of State Taxes that have been paid since 1986/87, including payroll and other taxes. Other taxes include liquor licence fees, municipal rates, water rates and land tax.

State Taxes Paid

| Financial Year | Casino Tax | Trust Tax | Payroll Tax | Casino Licence | Other Taxes | Total |
|----------------|--------------|-----------|-------------|----------------|-------------|--------|
| | (\$ million) | | | | | |
| 1987 | 10.93 | 1.00 | 1.59 | 0.42 | 1.39 | 15.33 |
| 1988 | 11.39 | 1.00 | 1.87 | 0.45 | 1.51 | 16.22 |
| 1989 | 16.97 | 1.16 | 2.18 | 0.49 | 1.55 | 22.35 |
| 1990 | 21.93 | 1.46 | 2.65 | 0.84 | 2.01 | 28.88 |
| 1991 | 28.06 | 1.87 | 2.90 | 1.42 | 2.93 | 37.18 |
| 1992 | 30.02 | 2.01 | 3.22 | 1.51 | 3.23 | 39.99 |
| 1993 | 39.21 | 2.61 | 3.50 | 1.54 | 3.36 | 50.22 |
| 1994 | 52.84 | 3.52 | 3.73 | 1.56 | 4.64 | 66.30 |
| 1995 | 59.77 | 3.98 | 3.96 | 1.59 | 4.71 | 74.03 |
| 1996 | 63.25 | 4.22 | 4.29 | 1.65 | 3.96 | 77.37 |
| 1997 | 56.69 | 3.78 | 4.63 | 1.71 | 4.13 | 70.94 |
| 1998 | 53.38 | 3.56 | 5.45 | 1.72 | 4.64 | 68.75 |
| | | | | | | |
| Total | 444.45 | 30.18 | 39.97 | 14.90 | 38.06 | 567.56 |

3.4 Direct employment

The hospitality industry is a major employer in Western Australia, particularly of people under 25 years of age. The Western Australian Tourism Commission estimates that 1 in 12 Western Australian workers are employed in the tourism industry. Burswood makes a significant contribution to employment in this industry.

As of October 1998 Burswood employed a total of 3,351 persons of which 1,804 were full time, 568 part time and 979 casual. The overall figure was significantly boosted by the inclusion of approximately 450 employees from the Burswood Hotel from October 1997.

Burswood's 3,351 staff have been employed across a number of Awards, Agreements and Contracts. The table below presents the number in each category.

Award Categories

| | |
|-------------------------------|-------|
| Hotel & Tavern Award | 331 |
| Clerk Award | 10 |
| Workplace Agreement | 305 |
| Award Free | 469 |
| Burswood Industrial Agreement | 2,115 |
| Theatrical Award | 121 |

In August 1997 Burswood reached a two-year Industrial Agreement under Western Australia's industrial relations law covering 2,300 employees.

As the Industry Commission noted in its 1996 report *Tourism Accommodation and Training*, the hospitality industry traditionally employs a disproportionately higher number of young people compared to other industries. Burswood is no exception with over 25% of its work force aged between 18–25 years of age. As noted earlier, alleviating unemployment in this age group was a specific objective of the Western Australian Government's casino policy. Younger people tend to be more highly represented in the casual employee group. The following is a breakdown of all Burswood employees by age groups:

Employee Age Profile

| | Number | % |
|-------------------|--------|------|
| Under 18 years | 24 | 0.7 |
| 18 to 20 years | 300 | 9.0 |
| 21 to 25 years | 580 | 17.3 |
| 26 to 30 years | 602 | 18.0 |
| 31 to 35 years | 544 | 16.2 |
| 36 to 40 years | 472 | 14.1 |
| 41 to 45 years | 352 | 10.5 |
| 45 years and over | 477 | 14.2 |

Burswood's employee profile is fairly evenly distributed between male and female employees. These figures are also fairly consistent with the Industry Commission's previous findings. The relevant profiles are:

Employee Gender Profile

| | Male (%) | Female (%) |
|---------------------|----------|------------|
| Permanent full-time | 61 | 39 |
| Permanent part-time | 40 | 60 |
| Casuals | 43 | 57 |
| Total | 53 | 47 |

The Hospitality industry is also associated with relatively high levels of employee turnover which is due in part to the higher than average number of young people and casual employees in the industry. Burswood's overall turnover figures are as follows:

Employee Turnover

| | |
|---------|-------|
| 1994/95 | 32.3% |
| 1995/96 | 30.4% |
| 1996/97 | 17.6% |
| 1997/98 | 33.4% |

If we remove casual employees from the calculation, the turnover figures are significantly lower and revert to the order of figures (in fact slightly lower) reported in the Industry Commission report mentioned earlier:

Non-Casual Turnover

| | |
|---------|-------|
| 1994/95 | 14.0% |
| 1995/96 | 13.8% |
| 1996/97 | 9.6% |
| 1997/98 | 19.9% |

Total annual payroll costs for Burswood are as follows:

Annual Payroll Cost

| Year | \$ million |
|-------------|-------------------|
| 1993/94 | 77.8 |
| 1994/95 | 81.7 |
| 1995/96 | 88.6 |
| 1996/97 | 98.4 |
| 1997/98 | 113.8 |

3.5 Training

Burswood is a recognised major training organisation. In 1996 Burswood was the first Australian employer to gain international accreditation as an Investor in People, an international standard for human resource development.

Burswood has made a significant investment in training with a number of facilities established for training purposes and the appointment of specialist training and development employees. As the table below shows, Burswood spent over \$2 million on structured training and development programs in 1997/98 (not including on the job training). This degree of training expenditure has been maintained consistently since Burswood Resort commenced operations.

Annual Training Expenditures

| Year | \$ million |
|-------------|-------------------|
| 1992/93 | 1.4 |
| 1993/94 | 1.6 |
| 1994/95 | 2 |
| 1995/96 | 2 |
| 1996/97 | 2 |
| 1997/98 | 2.1 |

Jobs in the hospitality industry are often characterised as short term and non career orientated. While Burswood does employ a number of persons such as students on a casual basis, this is the exception rather than the rule. Due to its size and diversity, Burswood is able to offer a number of career options and this is evidenced by the high utilisation of the internal transfer system. The lower turnover figures presented above also attest to Burswood's ability to retain staff.

Burswood is a career oriented organisation and offers extensive training for all types of positions. This is and has largely been on the basis that Burswood feels that it has an obligation to provide employees with stability of employment through career paths not only in one stream of work, but potentially in many areas of Burswood Resort. This is achieved through:

- A shift in focus from trying to attract and employ people with prerequisite skills, to employing those with prerequisite attitude and approach to their work, knowing that Burswood has the people, resources and systems to train staff to the required competency.
- The hiring of people in the Perth community with no experience in one of the major employment areas in the Resort – Gaming. People with no experience at all receive four weeks full time training to enable them to work as croupiers. They return to the Gaming training facility at least once a year to learn new games and refresh their skills. Promotion lines are clear and incentives strong with people often reaching Inspector level (first line supervisor) within 3 years.
- Supervisory training follows for those seeking to enhance their people management skills. This qualifies staff for promotion to the roles of Acting Pit Boss, Pit Boss, Assistant Gaming Shift Manager, Gaming Shift Manager, Gaming Shift Manager Administration and Vice President of Games. There are a number of examples of employees who have joined Burswood in entry level positions eg. croupier, transport attendant, video technician and have progressed to senior management positions. Current managers in Human Resources, Gaming and Video are examples of the promotional opportunities available.
- Staff involved with Keno and Video (gaming machines) are also able to be hired with no experience, then receiving no less than 1.5 weeks of initial full time training. The roles in these lines are less diverse, but provide greater opportunities to act as Supervisors in periods of annual leave, etc.

- Staff with customer service skills may move through Guest Services to Hotel Reception, Bars to Restaurants, Keno to Video, Cleaning to Gaming. The organisational support for internal promotion is strong and the culture of providing career opportunities in house entrenched.
- Burswood's Environmental Services Department takes people with little or no experience and provides comprehensive training in machinery operation, safety (chemical handling, manual handling, etc) and customer service (as they clean regularly in public areas). They work in self managed teams and share and impart knowledge and skills to one another to complement their abilities to clean areas of Burswood Resort. The Leading Hands are all on a 2 year rotational development plan to support the self managed teams and to ensure that they have all the requisite skills to manage cleaning in all areas of Burswood Resort. The next level up (Supervisors) are given comprehensive training in personnel supervision to manage the Leading Hands and the needs of cleaning staff.
- The Trades and Engineering area employs qualified tradespeople but provides development paths enabling their careers to progress to shift engineers. This allows them to remain as a tradesperson or diversify into plant and property operations where they manage, on a shift or permanent appointment basis, the entire physical operation of Burswood Resort.
- The Trades and Engineering area also employs unqualified trades assistants and provides development for their careers to become shift generalists with limited electrical licences, basic plant room operations, carpentry and locksmith skills to name a few.

Burswood has a commitment to the development of industry training. Burswood's Vice President Human Resources was recently appointed to Western Australia's State Training Board.

3.6 Contractor employment

Burswood also purchases a number of services from contractors. The major areas included in such contract tasks include cleaning and ground works. Although employment figures are not available, annual expenditures on these tasks are well over \$2 million.

3.7 Capital expenditure

For the financial year 1997/98 Burswood had a capital expenditure of over \$12 million, which included \$5 million on the Burswood Theatre project and \$2.5 million on Paddy Hannan's Irish pub. Since the financial year ended June 1993, Burswood has expended over \$41 million on such capital items.

One of the results of the recent ownership restructure has been the release of a significantly upgraded fund base for capital works. The budgeted capital expenditure for 1998/99 is more than double 1997/98 at \$28.7 million, which includes major refurbishment to facilities in the Main Gaming Floor and Burswood Hotel. The current proposals for the further development of the Resort entail expenditures in the order of \$200 million.

3.8 Visitor numbers

Burswood Casino has an average daily headcount of 12,000 patrons. This is an overall estimate based on data gathered from crowd controllers located at fixed positions at Casino entrances and exits. Burswood Casino's visitors may come from the metropolitan area of Perth, country areas of Western Australia, interstate or from other countries. Most visitors to the Casino are residents of Perth and the surrounding area. There is no regular data collection to show the actual origin of visitors to the Casino on a daily basis, other than those players on specific programs. Most players participating in a program are international visitors.

Detailed statistics are kept on international players and it is possible to identify the number of players that have visited Burswood on player programs. Over thirty thousand international players have visited Burswood since 1993 and these numbers do not include accompanying friends and family members, leading to a significant underestimation of the true number of international visitors to Burswood Resort arising from international player programs.

Burswood offers three player programs; complimentary rated player, premium player and junket program. There are different entry criteria and benefits under each program. The average turnover from junket and premium players is far higher (up to 10 or more times) than complimentary rated players and high wealth

individuals will either be junket or premium players. Turnover from junkets dominates total turnover from Burswood's international business (as high as around 80% in some years).

As presented earlier, international players make a significant contribution to Casino revenues. However, expenditures arising from international players are not limited to Burswood Casino or Burswood Resort. The spending power of these visitors also spreads into local tourism, accommodation, retail, real estate, sporting and entertainment markets. The expenditures of these high wealth individuals is considerably higher than the average international visitor to Western Australia.

The majority of Burswood's international players come from South East Asia. The impact of the Asian economic downturn has altered the number of visitors from certain countries, however over the years of Burswood's operations the major markets have been Indonesia, Thailand, Singapore and Malaysia.

Numbers of visitors to other areas of Burswood Resort are not counted, except in the case of special events such as major concerts and conventions. At these peak times Burswood Resort may hold as many as 30,000 people.

Tourism research consistently ranks Burswood Resort in Western Australia's top half dozen most visited tourist destinations behind places such as Kings Park, Fremantle, the CBD, Northbridge and Perth's beaches. An example is the Bureau of Tourism Research 1995 study into places visited by Indonesian, Malaysian and Singaporean visitors. This study showed that an average of 39.5% of visitors from these countries visited Burswood Resort during their stay in Western Australia.

Burswood Park and its facilities also provide a major visitor attraction. In 1996/97 84,900 golfers made use of Burswood Park's public golf course. Thousands of visitors are also attracted each year to the gardens and picnic areas provided in Burswood Park.

When all the attractions of Burswood Resort are combined it adds up to a major tourist and visitor destination for millions of people each year and appeals to a wide range of interests – gaming, entertainment, sport, leisure, conventions and special events.

4. Future development plans

Development of Burswood Resort beyond its current stage was contemplated from the very outset as evidenced by the inclusion of a 'Stage 2' development in the Casino (Burswood Island) Agreement. Stage 2 involves the construction of a second hotel. A proposal has been formulated to also develop and upgrade a range of other facilities.

Over the years there have been a number of proposals and concepts which have dealt with the future development of Burswood Resort. As a result of the corporatisation of the Burswood Property Trust and the cancellation of the Operations Management Agreement, the new company, Burswood Limited, is now in a position to undertake a redevelopment program.

The redevelopment program has not been finalised but the current proposal includes the following elements:

- An expansion of the Burswood Convention Centre to include a new multi-purpose 3,800 sq.m. Western ballroom with a capacity of 3,000 delegates in plenary session or 2,500 dining.
- A new multi-purpose 1,800 sq.m. Eastern ballroom with a capacity of 1,800 delegates in plenary session or 1,200 dining.
- Five new break-out rooms in the Western extension and four new break-out rooms in the Eastern extension, bringing the combined total of break-out rooms to twelve.
- Improved linkages between Burswood Convention Centre and the 9,000 sq.m. of exhibition space in Burswood Dome.
- A two level car park on the Swan Portland Site which will accommodate 2,000 cars and provide for the future construction of an additional 10,000 sq.m. of exhibition space.
- The relocation of the International Room to an area above the Hotel-Casino link and the Western extension of the Main Gaming Floor into the space vacated by the move of the International Room. The Main Gaming Floor will also be extended on its Eastern end and incorporate a nightclub over the Eastern extension.

- All the existing restaurants adjacent to the Casino will be relocated or replaced with new facilities, including a new Food Court.
- Burswood will facilitate the construction of a 300 to 400 room four star hotel on the Swan Portland Site.

As noted above, total capital expenditure for the proposed redevelopment is approximately \$200 million.

5. Opening comments on the Issues Paper

The following sections outline Burswood's opening response to some of the major issues raised in the Issues Paper. As noted earlier we would be happy to elaborate on matters if required.

5.1 The definition of gambling

It is important that the Productivity Commission carefully consider the definition of gambling as this will define the scope of the activities to be included in the Inquiry. Burswood appreciates the uncertainty that surrounds such definitions as there will always be questions concerning activities on the margin. However, for the purpose of this inquiry it is important that the definition not draw too narrow a range of activities into examination.

Burswood agrees that a key indicator of gambling is the presence of chance in the outcome of the activity. However, there are a number of points to be made concerning the subsequent characteristics presented in the Issues Paper:

- Gambling need not involve money alone, as long as something of value is at stake.
- Gambling need not necessarily involve a lower total prize pool, for example a private sweepstakes.
- Gambling need not be entertainment, for example professional punting and raffles.

Accepting the uncertainties that will be created by any definition, Burswood encourages the Commission to at least acknowledge the breadth of gambling and to

formally acknowledge that any measure of gambling activity must include all recognised gambling activities. This would include activities such as bingo, raffles and sweeps. In addition, any measure of gambling activity must also acknowledge the presence of and scope for illegal gambling, as this forms the basis of much gambling regulation. The effects of illegal gambling would also be a necessary element of any counterfactual 'no-legalised gambling' world that might be modelled.

5.2 Regulation

Burswood notes with interest the Productivity Commission's characterisation of recent regulatory activity as a relaxation of traditional restrictions on gambling. In Burswood's view this would be better characterised as the removal of outright bans, which were unsuccessful in preventing the operation of illegal casino clubs, on some gambling activities with an accompanying increase in regulation, designed of course to control those newly legal activities. Australia's State and Territory Governments set amongst the highest standards of casino regulation in the world.

Burswood's operations are subject to a number of gaming specific acts in Western Australia, particularly the *Casino (Burswood Island) Agreement Act 1985*, the *Casino Control Act 1984* and the *Gaming Commission Act 1987*. These Acts are currently subject to a National Competition Policy legislation review in Western Australia, which we understand should be finalised by the end of 1998.

The *Casino (Burswood Island) Agreement Act 1985* authorises and ratifies the Casino (Burswood Island) Agreement between the Minister for Racing and Gaming and the Burswood Property Trust (which is now wholly owned by Burswood Limited). The Agreement allows for Burswood to develop, build, own and operate the Burswood Casino. The Agreement also contains provision for the casino licence to be exclusive for fifteen years. This Act and ratification of the agreement was in accord with section 19(3) of the Casino Control Act, which requires any agreement to be ratified by an act of parliament.

The *Casino Control Act 1984* provides for the Government to enter into an agreement for the development of a casino and to permit the issue of a casino licence once an agreement had been entered into. This Act also enables the

authorisation of the particular games, including their rules of operation, that may be played within the casino. As noted earlier the Act also established the Casino Control Committee. The functions of this committee were subsequently merged into the Gaming Commission, which is created under the Gaming Commission Act.

The *Gaming Commission Act 1987* creates the Gaming Commission with the task of administering the laws relating to gaming (not wagering) in Western Australia. The Act also includes, amongst other things, the operation of a permit system for gaming activities in Western Australia, provisions governing the operation of lotteries, bingo and raffles, and provisions to outlaw the operation of poker machines both inside and outside Burswood Casino in Western Australia.

The Government has a 24 hour presence at Burswood through the employment of Gaming Inspectors who oversee all aspects of Burswood's gaming operations.

The Exclusive Licence

Burswood's exclusive licence was granted on 24 December 1985 and hence has only two years to run. After this period, the Government may grant another casino licence on the following terms:

- within a radius of 100 km of Burswood Resort if the casino forms a part of a complex containing an hotel and casino of comparable size and standard as the hotel and casino comprising Burswood Resort; and
- outside a radius of 100 km of Burswood Resort if the casino complex is of international standard.

In Burswood's view there are three main reasons for the establishment of casinos under some manner of exclusive licensing arrangement. These relate to:

- economic development;
- ease of regulation; and
- containing social costs.

As outlined above, the terms of Burswood's exclusive licence included the funding and development of Burswood Resort and Burswood Park. The two facilities have made significant contributions to the economic development of Western Australia

and have involved the return of a significant proportion of casino revenues to the community, in addition to the contribution of over \$500 million in tax revenues to the Western Australian Government. Facilities of such high quality would not have arisen had the casino development not occurred in such a controlled manner.

An important aspect of casino operations is the reputation for integrity. This is important for both governments and casino operators. Exclusivity arrangements contribute to easing the regulatory task, particularly during the early phase of casino development, but also on an ongoing basis.

Restricting casino activities to a single site greatly assists with the monitoring and containment of any social costs that might arise from casino gaming activities. The developing pool of evidence suggests that problem gambling is linked to an increase in gambling opportunities. Estimates of problem gambling in Western Australia are much lower than for the eastern cities, where access to gaming opportunities tends to be higher. The restriction to a single site also allows for problem gambling services to be more effectively targeted using venue specific strategies.

A 1994 study by the Australian Institute For Gambling Research assessed the extent and degree of gambling related problems in the population of Western Australia. The Study found that the prevalence of problem gambling in WA to be estimated at 0.32% of the adult population. This is significantly lower than the results of similar surveys in other Australian States.

Although there has been no further research conducted into the prevalence of problem gambling in WA since 1994 there is some evidence to suggest that there has been no escalation of problem gambling since this time. An example is the relatively low demand for problem gambling services in WA, such as the number of calls to G-Line and the demand for Break-Even's services. While Burswood accepts that utilisation of these services are related to a number of factors, such as awareness and the willingness for a problem gambler to confront their problem, it appears that a balance has been reached between the demand for problem gambling services and services which are available in the context of the gaming opportunities currently available to Western Australians.

Restricting casino activities to a single site also allows for greater controls in relation to persons who may gamble. For example if a problem gambler is barred

from Burswood they do not have the opportunity to simply go to another gambling venue which offers similar forms of gaming.

Burswood has in place procedures and training to prevent the entry of juveniles and barred persons into the Casino and faces penalties under the Casino Control Act for failing to do so. The task of preventing the entry of juveniles and persons who are barred from entry (including those who self exclude) is a difficult one in the context of 12,000 visitors per day and the number of barred persons. Currently there are approximately 800 barred persons, of which approximately 400 are self barred.

Security Officers are required to be fixed at the entrances to the Casino and, together with the Surveillance Department, have the responsibility of preventing the entry of juveniles and barred persons. It is Burswood's view that the measures in place to prevent entry are more than adequate and, as would be expected, exceed measures which are in place in other licensed venues. However, it would be nearly impossible, and certainly impracticable, to implement systems which would give total protection against all unlawful entry into the Casino.

Compliance issues

Burswood Resort, along with other Australian casinos, is subject to a significant regulatory compliance task. As a result of these compliance requirements the degree of security involved in the conduct of a casino operation is significantly higher than that applying to many other business activities. Burswood would support any moves to streamline gambling regulation to ensure it operates as efficiently as possible. However, this is not to suggest that Burswood would support any diminution of the intent of gambling regulation.

The Issues Paper has raised the question of harmonising regulations. Casino regulation is a State responsibility and hence it remains appropriate for each State to maintain their own casino regulation authorities. While satisfied with the State regulatory regime, Burswood would suggest that there may be scope for improving co-ordination between the current State regulatory systems. Burswood notes that there is interchange between State and Territory gambling regulators, including an annual conference of the regulators. However, Burswood's view is that there remains scope for increased adoption of mutuality of recognition principles between jurisdictions and indeed an increased level of standardisation across the casino

industry in a number of areas would be desirable. Machine gaming is one such area where a proliferation of different types of game monitoring systems have emerged creating a series of problems which are currently being addressed by manufacturers and regulators through the adoption of National Standards.

Burswood observes that its access to technology and variety games is reduced due to the prohibition of poker machines in the Casino and this has led to increased development costs associated with the introduction of new games as manufacturers have concentrated their game development on the major markets in the Eastern States.

The Issues Paper also raises the matter of controls on criminal activity, particularly money laundering. Casinos are subject to strict money laundering controls involving procedures to authenticate bona fide winnings, compulsory reporting for large cash transactions, specific staff training and electronic surveillance systems. These measures were developed in response to earlier perceptions that casinos would be havens for money laundering activities. In fact, the regulatory measures have resulted in the effective elimination of the risk of casinos being used for money laundering purposes. This conclusion is supported by past statements from the National Crime Authority, the Senate Standing Committee on Legal and Constitutional Affairs and the Australian Transaction Reports and Analysis Centre (AUSTRAC)¹.

5.3 Taxation

As noted earlier Burswood has contributed over half a billion dollars in tax revenues to the Western Australian Government since commencing operations in 1985. Burswood's annual contribution represents a significant single source of income for the Western Australian Government, although these revenues would be exceeded by some of Western Australia's larger resource projects. It is Burswood's observation that Western Australia's relative dependence upon casino revenues appears to be less than that of other states.

The Issues Paper raises a number of questions about the appropriate role of gambling taxation. Burswood notes that the issue of appropriate taxation policy is a matter requiring considerable analysis and is an appropriate matter for government

¹ See the attached Australian Casino Association information package for source details.

policy debate. Burswood expects that Australia's State and Territory Governments will make detailed submissions on this matter.

However, it is Burswood's observation that gambling taxes are normally set to maximise the revenue take to government. As the Issues Paper identifies, the gambling industry is normally taxed at a higher rate than other industries. Generally a small proportion of casino tax revenues are specifically earmarked for programs such as:

- problem gambling;
- urban renewal; and
- civic investments.

Burswood supports such earmarking, although notes the Productivity Commission's question in the Issues Paper regarding whether such earmarking simply replaces other sources of revenue.

Tax behaviour suggests that governments expect gambling demand to be relatively inelastic, in that higher taxation (and hence reduced average returns to players) does not have a proportional effect on player outlays. This may be a matter for quantitative investigation by the Productivity Commission. However, Burswood would point out the need to disaggregate the gambling market to better understand the nature of gambling supply and demand. Of particular note is the effect of tax levels on a casino's ability to attract international players. As Burswood noted earlier, the market for international players is very competitive with Australian and offshore casinos offering a variety of incentives to potential clients. The taxation position of Burswood in respect of international players places it at a distinct disadvantage compared to its eastern state competitors in this market. This places at risk Burswood's position in this market, including risking the associated tax revenues and the benefits derived from complementary expenditures.

5.4 Gambler profiles

Burswood collects customer data from two major sources, these are:

- Major customer research, the most recent being September 1997 and prior to that similar research was carried out in 1993.
- Information is available from players who are participants in specific programs (as mentioned earlier the majority of international players fall into this category) and membership data bases.

The two current membership based groups are the Wild Card Club (a membership and loyalty programme for video machine players), which has grown to 29,000 members in the space of three years of operation and the International Room which offers an annual membership and currently has approximately 1,400 members.

Data on players who participate in table games on the main gaming floor is not currently available, however, a new electronic player tracking and loyalty system, similar to those in operation at other Australian casinos, is soon to be introduced and should enable similar data to that which is currently collected by the Wild Card Club to become available.

Burswood does not gather regular information on visitors to the Casino's main gaming floor and therefore it is not possible to provide any information on player profiles for the majority of patrons who visit the Casino apart from that gathered from the market research referred to above. Whether profiles of gamblers based on information gathered from membership programs is representative of the overall sample of patrons who visit the Casino is open to question.

It is Burswood's experience that different groups of gamblers are over represented in certain types of gaming. These groups can be distinguished by age and sometimes ethnic groups. While these observations can be regarded as being general in nature, a review of the Wild Card Club data base adds support to the view that older patrons are over represented in the gamblers who play video machines at Burswood. A review of Wild Card Club data reveals that the highest spending patrons by a very clear margin are those aged between 45 and 70 years of age.

Access to gaming opportunities will also shape gambler profiles. An example of this is the much higher than the national average amount which is spent on Lotteries products by Western Australians, despite the fact that Western Australian's spend less per capita on gaming than other States (Tasmanian Gaming Statistics - 1997). The absence of electronic gaming machines outside the casino is a key factor in both

these statistics. Location is also important, records show that just 4.5% of Wild Card Club members come from outside the metropolitan area.

The origin of certain games can also be very influential in shaping the profile of gamblers. For example, the game of two-up has very strong connections with Australian culture, pai gow on the other hand is more strongly associated with Chinese culture. These cultural associations do affect gambler profiles.

While age and ethnic background may influence gambler profiles for particular games, Burswood's own market research in 1993 and 1997 indicates that casino patrons in general come from a wide range of backgrounds. All age groups are well represented and there is an even distribution between male and female casino patrons. The majority of casino patrons are married and come from a blue or white collar background. Unemployed, home duties, students, pensioners and retirees are less represented.

Burswood's casino patrons are most likely to reside in the Perth metropolitan area and are Australian born. For those patrons not born in Australia, the next most represented country of birth was Western Countries (Europe, USA, South Africa) and then Eastern Countries (Middle East, Asia).

The results of Burswood's market research when combined with the high level of visitation to the Casino supports the view that the Resort is visited by a broad cross section of Australian and international visitors.

5.5 Analytical tools

Burswood recognises that the Productivity Commission has been asked to examine both the economic and social effects of gambling in Australia. Burswood, through its membership of the Australian Casino Association, is familiar with some of the general economic modelling applications utilised in economic examinations. Notwithstanding the shortcomings of these, or indeed any, modelling tools, Burswood recognises that they may assist the Productivity Commission in identifying and understanding some of the broader economic implications of the gambling industry.

To the extent that the Productivity Commission applies quantitative economic modelling in this Inquiry, Burswood encourages the Commission to continue the precedent set by its predecessor, the Industry Commission, in providing appropriate documentation and forums for review and discussion of the modelling.

Burswood is aware of some social modelling techniques. It is expected that some of these techniques would suffer the same shortcomings as the tools of economic modelling. It is Burswood's view that any social impact modelling should be subject to the same level of scrutiny and peer review that is applied to any economic modelling.

5.6 Benefits to gamblers

The success of the Burswood Resort operation relies in part on the presentation of a complete resort experience, enabling gamblers to enjoy general entertainment services complementary to the actual gambling experience. It is Burswood's experience that gamblers, whilst obviously seeking a specific gambling experience, are generally seeking an all round leisure experience in keeping with their personal preferences.

5.7 Problem gambling

Burswood recognises that problem gambling is a legitimate issue for governments and for gambling providers themselves. Burswood encourages the Productivity Commission to use this inquiry as an opportunity to present a rational analysis of the current state of knowledge on this matter. In particular, Burswood encourages the Commission to examine problem gambling from a disaggregated point of view, seeking to identify the factors that are most likely to contribute to problem gambling. This would enable programs assisting problem gambling to be more efficiently targeted. It would also assist to ensure that causes of problem gambling are not incorrectly attributed.

As noted earlier, problem gambling has been estimated to be at a very low level in Western Australia compared to other Australian jurisdictions. It has been suggested that this is most likely the result of the limited availability of gambling in Western Australia, for example through the current ban on suburban gaming venues.

Despite the low level, Burswood has instituted a number of progressive measures to ensure that patrons are aware of, and able to access, services to assist with problem gambling, including support of:

- the Gambling Support Services Advisory Committee (membership and financial support);
- the extension of the G-Line service to Western Australia;
- the provision of BreakEven counselling services;
- the provision of self-barring for patrons;
- the provision within the casino complex of information material outlining gambling support services available; and
- training for staff to assist patrons wishing to seek assistance.

Self barring is an option open to problem gamblers as a means of controlling their gambling. It is however, given the laws which apply, an option which has some limitations:

- Only the person experiencing the problem gambling can exclude themselves, immediate family cannot and this can lead to frustration for families when the problem gambler will not admit or take steps to address their problem. Burswood would find it very difficult to exclude a person, against their will, on the grounds that the person is known to be, or is reported as being, a problem gambler. If Government considers that these limitations should be addressed, a legislative response would seem to be most appropriate.
- The problem gambler can rescind their own self barring with minimum of inconvenience.
- The consequences for a self barred problem gambler being detected in the Casino are that he or she is asked to leave the Casino. In many cases this does not offer a strong deterrent to prevent those who have self excluded from attempting to enter the Casino. In any event, there is an argument that a punitive approach would be inappropriate as a means of dealing with problem gambling.

The most important aspect of self barring is that it gives Burswood the opportunity to hand out information about the problem gambling services which are available and encourage problem gamblers to make use of these services.

From time to time suggestions are made of other possible approaches that Burswood and other gambling providers might take. Whilst Burswood and the GSSAC more generally are happy to take on board suggestions for consideration, there are a number of other matters that need practical consideration before implementing any action. Burswood is aware the need to balance proactive problem gambling strategies with its responsibility in respect of personal privacy and is wary of the practicality, and indeed the legality, of proposals for more intrusive approaches to identifying and assisting problem gamblers.

Burswood also notes that measurement of problem gambling requires further development in terms of defining problem gambling and establishing mechanisms that consider, for example, cultural differences. Burswood would be happy to engage in further discussion with the Productivity Commission on these matters.

5.8 Broader benefits of gambling

Overall, Burswood believes that it has made a significant net positive contribution to Western Australia. There are a number of facets to this contribution, including:

- the introduction of international standard entertainment facilities;
- the contribution to tourism;
- the contribution to employment and general economic activity; and
- urban renewal.

As noted earlier, one of the government's requirements at the time of the development of the Burswood Resort proposal was for the construction of a world class tourist destination. The pattern of casino development in Australia has consistently applied this principle and Australia's casino developments have consistently been market leaders in the provision of high quality entertainment services. The introduction of these standards have placed competitive pressure on other entertainment service providers resulting in corresponding benefits to consumers.

The figures presented earlier demonstrate the significant contribution that Burswood makes to the Western Australian economy through the export of tourism services,

the provision of employment opportunities, the purchase of goods and services and the contribution to government revenues.

In February 1998 the Australian Casino Association (ACA) published an information package containing the results of an economic analysis into the impact of the Australian casino industry. The study found that in 1996-97 casinos contributed \$1.3 billion of value added to the Australian economy. Measured per employee, casino value added was higher than the average for all industries over a three year period. Burswood has attached a copy of the ACA information package to this opening submission.

As noted earlier the Burswood Resort and Burswood Park development involved the conversion of a rubbish tip and prominent eyesore into an attractive combination of facilities, including public amenities such as parks and gardens, picnic areas and the Burswood Park public golf course.

5.9 New technologies

The Issues Paper raises the question of the impact of the emergence of new technologies into the gambling industry. As the Productivity Commission is no doubt aware, this is an area which raises significant uncertainties and which therefore warrant close and considered examination.

Burswood views as inevitable that modern information and communication technologies will challenge traditional approaches to gambling, both for governments and gambling providers themselves. Responses will need to be well targeted and flexible, to ensure that they are able to keep up with the high rate of change and development.

From Burswood's point of view, this means improving our ability to keep abreast of market demands and competition. This will maximise our ability to offer an attractive gambling and leisure experience, a combination which is less likely to be provided through internet gambling.

From the regulatory point of view, regulatory approaches will need to be designed to recognise and be adaptable to changing technologies to ensure that regulatory

intentions are not undermined. For example, there will be a need for State Governments to ensure that their regulations do not place gambling service providers in their jurisdictions at an unnecessary disadvantage, with remote providers being able to circumvent regulations.

In addition, the international dimension to many of these technologies will inevitably require the involvement of the Commonwealth Government to facilitate the development of consistent and internationally coherent approaches to the regulation of the provision of, access to and taxation of new gambling services.

6 Other matters

It appears to Burswood that there may be a number of matters about which the Productivity Commission may wish to seek further information. These would particularly relate to specific data needs for modelling exercises or assistance with interpretation of various observations of behaviour in the gambling industry. Burswood would be pleased to discuss any such matters with the Commission to identify where these needs arise and the extent to which Burswood might be in a position to offer a practical level of assistance. Burswood may also be able to help identify alternative sources of information in cases where it is not in a position to offer practical assistance itself.