

# **INQUIRY INTO THE ESTABLISHMENT AND OPERATION OF LEGAL CASINOS IN NSW**

## **REPORT**

**The Hon Sir Laurence Street AC KCMG  
27 November 1991**

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## **PREFACE**

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**A1** I preface this Report with a brief overview of the contentious issues associated with the legalisation of casinos in Sydney. It presents a broad perspective of the Report.

**A2** This is an Inquiry into the Government's proposal to introduce the draft Casino Control Bill that has been released, and thereafter to establish one casino in the Lands Department Building and another in the Darling Harbour-Pyrmont area.

**A3** The proposal has been made in the context of Sydney being the premier city in Australia, particularly in its position as a destination for overseas visitors. Every other State and Territory capital city in Australia already has established or has in hand a proposal to establish a casino. Likewise in New Zealand preliminary procedures for the establishment of casinos are being implemented. The NSW Opposition, when in government, passed casino legislation in 1986 and the present Government now puts forward its own proposal to that end. It is at least likely that at some time legal casinos will be established in Sydney.

**A4** The introduction of casinos is feared on criminological grounds. Provided that three requirements are met, these fears can be placed aside. The three requirements are:

- the selection of an operator whose integrity and commitment to preserving a crime-free environment in, and in relation to, the casino are assured;
- the formulation of a comprehensive regulatory structure for the operation of the casino; and
- the diligent enforcement of that regulatory structure.

**A5** I am satisfied, and in this I have the endorsement of the Australian Institute of Criminology, that the proposed Bill is fully adequate both in its recognition of these three imperatives and in creating a comprehensive statutory framework within which they can be achieved. There are far more hospitable and attractive fields for criminals and criminal activity, including the laundering of money, than a casino established and operated in conformity with these three requirements.

**A6** Gambling is endemic in Australia. A widely accepted arbitrary assessment is that 90% of Australians gamble. Already the nation pays a very real social and human cost for this predilection. Money spent on gambling must be diverted from other avenues of expenditure, many of which are critical to family and personal welfare. A small percentage of all gamblers become problem gamblers.



**A7** In NSW, notwithstanding the opposition of concerned institutions and individuals, gambling is widely accepted or tolerated, particularly in the racing and registered club industries. Racing has an ancient and respectable lineage with significant recreational and employment aspects; it is essentially dependent on associated gambling activity. The registered clubs, also, are dependent on gambling income to provide the wide range of amenities and opportunities for social interaction and recreation that form a valuable part of the NSW community environment; likewise their funding of community projects is financed from this source.

**A8** Both racing and registered clubs contribute to the social harm caused by gambling. It is logical that a further gambling activity such as casino gambling will increase the level of gambling activity, and in consequence increase the level of the social harm. It is difficult, if not impossible, to predict the extent of such increases. This topic is examined in some detail in the Report.

**A9** On the positive side, there are a number of considerations to be weighed in favour of casinos being granted a lawful place in the gambling firmament.

**A10** In the first place, a casino operator can be required, as a condition of being awarded a licence, to construct substantial amenities of a cultural, community or recreational nature, such as a theatre and similar facilities that are much-needed in Sydney.

**A11** In the second place, whilst casino gambling will probably not attract large numbers of tourists to visit Sydney for this sole or even primary purpose, it is nevertheless an important part of the overall "menu" that a major international tourism-oriented city such as Sydney is expected to provide for tourists. The availability of casino gambling could well influence the decisions of tourists in determining the length of their stay and, in some instances, in selecting their destination. With this would come a measure of job creation and economic benefits directly in the tourist industry itself and indirectly in other associated industries.

**A12** In the third place, there is a sector of society made up of a variety of individuals and interests that positively supports the introduction of casinos as a recreational amenity. Another sector of society (including institutions and persons with religious or moral objections as well as institutions and persons with vested interests in existing gambling outlets) opposes them for a variety of reasons. Between those two sectors is a third in which the issue does not excite either support or opposition. The attitudes of all sectors are legitimately to be taken into account in the final decision. Reference is made in the Report to some limited polling of opinion (para 4.5.3), but it is difficult to draw a reliable conclusion as to the likely relative proportions of these three sectors.

**A13** In the fourth place there is a public benefit in the contribution to public funds from tax revenue derivable from casinos. This could be a reasonably substantial sum. Whilst this may of itself attract opposition in principle, the fact of the revenue raising potential cannot be denied, and it is probably correct to identify a three sectorial division of society similar to that postulated in the preceding paragraph. In this instance again it is difficult to draw a reliable conclusion as to the likely relative proportions of the sectors.

**A14** In the fifth place the proposed Bill makes provision for a levy to be paid in respect of each casino licence to establish a Casino Community Benefit Fund to be applied on the recommendation of Trustees for the benefit of the community. A designated Fund of this nature could be the source of valuable support to charitable and benevolent activities.

**A15** There is a final consideration to which I attach a high degree of importance. The tax revenue derivable from one or more casinos could provide the source of generously adequate funding for major on-going research into and study of the overall effects of all forms of gambling, a major public educational program covering the potential dangers of all forms of gambling and major extensions of the support and therapeutic services available to alleviate the harm caused by all forms of gambling. As gambling is a national predilection, it would seem entirely appropriate that the research and educational programs be conducted on a national basis. NSW could, perhaps, initiate a joint program with other States and Territories financed by casino revenues from across the nation. The social services responsibilities of the Commonwealth could well result in its active support for such an initiative.





## **CONCLUSIONS AND RECOMMENDATIONS**

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### **FIRST TERM OF REFERENCE - SOCIAL IMPACT**

- 1. The establishment and operation of the proposed legal casinos will increase the number of problem gamblers and increase the demand for social and related services. The number of people affected is impossible to state with precision and so therefore is the extent of the increased demand for services. (paras 4.2.1, 4.5.1)**
- 2. There is a need for further research into social and economic effects of all forms of gambling on individuals, families and society generally. (paras 4.1.1, 4.2.8, 4.9.2)**
- 3. The services currently available in Sydney to assist problem gamblers and their families are limited and funding is insufficient. (para 4.4.38)**
- 4. There is no established link between casino gambling and street crime. (paras 4.5.7 - 4.5.10)**
- 5. Various "consumer protection" steps are relevant to the operating of casinos including:**
  - automatic teller machines (ATMs) should not be installed on the casino premises; (para 4.6.3)**
  - signs should be posted in the casinos, similar to those now posted in TAB agencies, informing people with gambling problems of sources of help; (para 4.6.5)**
  - training of casino management and staff should be undertaken to help identify patrons who may have gambling problems; (para 4.6.6)**
  - clause 77 of the draft Bill should be amended to make specific reference to self-banning orders; (para 4.6.10)**
  - information as to the odds of winning and other matters relevant to the play of a casino game should be prominently displayed; (para 4.6.11)**
  - guidelines should be developed dealing with the provision of inducements to casino gamblers; (para 4.6.13)**

- any regulating of advertising should be considered within an overall policy of gambling advertising rather than being specifically targetted at casinos; (para 4.6.15)
  - the question of whether, and if so to what extent, trading hours should be restricted has been properly left to the Authority; they should not be prescribed in the Act. (para 4.6.17)
6. The statutory objectives included in clause 138 of the draft Bill should be extended to include ensuring that all reasonable steps are taken to contain and control the potential of casinos to cause harm to the public interest and to individuals and families. (para 4.7.1)
  7. Trustees of the Community Benefit Levy should be required to report annually to Parliament on the administration and disbursement of the Fund. (para 4.8.3)
  8. Generously adequate funding should be provided from casino revenue to address the social harm caused by all forms of gambling including funding for a range of specific programs. (paras 4.9.2)

## **SECOND TERM OF REFERENCE - TOURISM, ECONOMIC AND EMPLOYMENT IMPACTS**

### **Tourism**

9. The granting of casino licences can be made conditional on securing for Sydney much needed world-class entertainment facilities such as additional theatre accommodation and recreational developments. (para 5.3.3)
10. The casinos, if accompanied by these associated features, are likely to enhance Sydney's attraction for visitors and to encourage visitors to stay longer in Sydney, thus having a positive effect on tourism for Sydney and for the State. (para 5.3.6)
11. Planning for the necessary infrastructure should be undertaken at an early stage so as to ensure that at the time of the casinos' opening all the needs and expectations of potential visitors will be met. (para 5.4.1)

### **Economic Development and Employment**

12. **The impact of legal casino gambling upon the racing industry in NSW will be a short term decline in gross profits in the first year or so of casino operations; this is not likely to be substantial and a subsequent recovery can be anticipated. (para 5.6.7)**
13. **It is recommended that a TAB agency be included in at least the larger Darling Harbour/Pyrmont casino. (5.6.11)**
14. **The nature and extent of the casinos' effects on registered clubs cannot be reliably forecast, but there is likely to be a shift of some patronage from registered clubs with consequent decline in gross profits in the first year or so of casino operations; the shift is not likely to pose a long-term threat to the viability of the registered club industry. (5.6.18)**
15. **The Darling Harbour/Pyrmont casino will assist in promoting the strategic redevelopment of the City West area of Sydney; the Lands Department building casino will provide benefits to the hotels and other businesses in its vicinity. (paras 5.6.20 - 5.6.21)**
16. **Depending on the size and nature of the casino developments, gross gambling revenue from the two casinos in their initial year is likely to be in the order of \$500 million. (para 5.7.5)**
17. **The NSW Government could expect annual taxation revenue of up to \$100 million. (para 5.8.5)**
18. **Employment in the two casinos is likely to be in the order of 7,000 people. There will be additional direct employment in the facilities associated with the larger casino and indirect employment in the supply of goods and services. This needs to be counterbalanced against possible job losses in other industries. (paras 5.9.3 - 5.9.4)**

### **THIRD TERM OF REFERENCE - CRIMINOLOGICAL ISSUES**

19. **The principles of the draft Bill, the provisions contained in it and the mechanisms and controls that can be implemented under it combine to create a fabric in which the casinos can be protected from criminal influence and exploitation,**

- kept free from money laundering and maintained as places for honest gaming. (para 6.1.5)
20. Independence from political and industry pressures, combined with a structure which maintains the organisational and personal integrity of the Casino Control Authority, is vital to protect the system from criminal influence and exploitation. (paras 6.1.4, 7.3.1)
  21. The Authority should be accountable to Parliament to the fullest possible level without being required to disclose sensitive information. (para 6.4.12)
  22. The Authority should be provided with resources adequate to ensure that it will be able to perform its functions fully. (para 6.4.3)
  23. The Authority's powers to determine casino and gaming procedures must be rigorously enforced to ensure gaming is conducted honestly. (para 6.3.19)
  24. The Authority and the Director of Casino Surveillance should establish lines of communication with all law enforcement agencies whose co-operation is needed. (para 6.4.2)
  25. Casino control inspectors should be present at all times, and have unrestricted access to all areas of the casino and to the CCTV system. (para 6.3.3)
  26. All money movement and counting should be subject to strict visual surveillance and the count videotaped. (para 6.3.4)
  27. Procedures should require that cheques paid to patrons to redeem cash or chips be endorsed "winnings" or "non-winnings" as appropriate. (para 6.3.9)
  28. A requirement that police be informed when a request for a winnings cheque cannot be verified is a desirable policy. (para 6.3.9)
  29. Casino and junket operators should be required to make International Currency Transfer forms available to patrons as well as explanatory information in major foreign languages. (para 6.3.13)
  30. Regular audits should be conducted rigorously by the Authority and reinforced by special audits. (para 6.4.13)

31. The right of appeal from a decision of the Authority on the grounds of failure to observe the rules of natural justice (cl 153(4)) should be deleted. (paras 6.2.3, 7.4.2)
32. Clause 139 should be amended specifically to relieve the Authority from the obligation to observe the rules of natural justice in the exercise of its functions. (paras 6.2.5, 7.4.2)
33. Clause 147 should be amended by deleting the phrase "operations in the casino and any other activity that takes place in the casino" and substituting "operations in or in relation to the casino and any other activity that takes place in or in relation to the casino". (para 6.2.9)
34. Clause 152 (Matters to be included in the Authority's Annual Report) should be amended to include changes to the conditions of a licence. (para 6.2.8)

#### **FOURTH TERM OF REFERENCE - ESTABLISHMENT PROCEDURES**

35. The draft Bill incorporates the general thrust of the procedural recommendations in the 1991 Connor Report; this approach is endorsed. (para 7.2.4)
36. There is no necessity for a public hearing in connection with a licence application as recommended in the 1991 Connor Report. (para 7.4.11)
37. There should be no right of appeal from the Authority's decision on the granting of a licence. (para 7.4.2)
38. Continuing assessment of the operator's suitability, including regular reviews every three years as provided in cl 27, is essential. (para 7.1.6)
39. Liaison procedures should be established with Federal and State Police. (para 7.4.8)
40. The Casino Control Authority should be well established before the selection process begins. (para 7.3.1)
41. Criteria for selection, conditions and requirements of the licence and procedures to be followed in the selection process should be established in advance and adhered to. (para 7.3.1)
42. Applicants should be required to answer a detailed questionnaire. (para 7.3.1)



43. **Competent, experienced investigators equipped with extensive powers should be engaged. (para 7.3.1)**
44. **Adequate time and resources must be allocated to the task. (para 7.3.1)**
45. **Investigations should be carried out in person and locally. (para 7.4.5)**
46. **Clause 10(2)(d) (assurance regarding availability of financial resources) should be amended by deleting the term "adequate financial resources" and substituting "adequate suitable financial resources". (para 7.4.12)**
47. **No particular form of ownership structure is arbitrarily to be preferred to other forms. (para 7.4.14)**

#### **FIFTH TERM OF REFERENCE - ACCESS TO INFORMATION**

48. **Clause 146(7) (preserving qualified public access to the Authority's records under the Freedom of Information Act) should be deleted and replaced with an express grant of immunity consistent with the immunity granted to other law enforcement agencies. (para 8.3.8)**
49. **There should be consultation between the Privacy Committee, the Authority and the Director of Surveillance at the time when the Authority is establishing its procedures. (para 8.3.11)**
50. **Clause 146(6) and Schedule 1 of the Ombudsman Act 1974 should be amended to exclude the Ombudsman's jurisdiction over the conduct of the Authority, the Director and their staff exercising functions under the Casino Control Act. (para 8.4.7)**

#### **SIXTH TERM OF REFERENCE - FORFEITURE OF TAINTED PROPERTY**

51. **The legislative scheme for forfeitures within the field of drug trafficking is not appropriate for the field of illegal gambling. If the principles of confiscation and forfeiture are to be applied to activities related to illegal gambling, a legislative scheme directly related to these activities should be formulated. (para 9.2.1)**

#### **GENERAL**

52. **The introduction of legal casinos in Sydney is not likely to eliminate illegal casino gaming. (paras 3.7.2 - 3.7.3)**
53. **There should be a national program to collect and analyse data upon which to formulate policy in dealing with social problems caused by gambling. (paras 4.9.1 - 4.9.2, 10.1.1)**
54. **There should be a national approach to establishing a structure for co-ordinating the exchange of information and criminal intelligence between casino control authorities in all States and Territories as well as a national data base for use in employee licensing. (paras 10.1.2 - 10.1.4)**



## Chapter

### 1

## THE INQUIRY

---

1.1	APPOINTMENT
1.2	TERMS OF REFERENCE
1.3	THE INQUIRY TASK FORCE
1.4	METHODOLOGY
1.5	MEETINGS AND VISITS
1.6	GLOSSARY

### 1.1 APPOINTMENT

1.1.1 On 6 August 1991 the Premier, the Hon Nick Greiner MP, and the Chief Secretary, the Hon Anne Cohen MP, announced an Inquiry into the Establishment and Operation of Legal Casinos in New South Wales. A copy of the media statement is Appendix A.

### 1.2 TERMS OF REFERENCE

1.2.1 "The Government has appointed the Hon Sir Laurence Street AC KCMG to conduct an inquiry to examine and report on the following matters:

- The likely effect on individuals and families arising from the establishment and operation of legal casinos, with particular regard to any increased demand for social and related services which may result.

- **The impact of the proposed legal casinos in Sydney on tourism, employment and economic development in the State.**
- **The adequacy of the principles of the proposed New South Wales Casino Control legislation to ensure that:**
  - the management and operation of casinos remain free from criminal influence and exploitation**
  - casinos are not used to dispose of and launder proceeds of criminal activity**
  - gaming in casinos is conducted honestly.**
- **The preferred methods and procedures for the establishment of legal casinos, to ensure the selection of casino operators of good repute, sound and stable financial backgrounds and appropriate business ability.**
- **Such other matters relating to the establishment and operation of legal casinos as may be relevant."**

**1.2.2 The Terms of Reference were published in a series of newspaper advertisements in the Sydney Morning Herald, the Australian, the Telegraph and the Australian Financial Review inviting interested individuals and organisations to make written submissions to the Inquiry.**

**1.2.3 Two matters were subsequently added to the Terms of Reference. These were:**

- **The extent of access by the public to information held by the proposed Authority.**
- **The desirability of a conjoint amendment to the Gaming and Betting Act to apply provisions similar to the Drug Trafficking (Civil Proceedings) Act to those persons responsible for the operation of illegal gaming houses.**

**1.2.4 Criticisms have come from a number of quarters that the Inquiry does not extend to the ultimate question of whether or not legal casinos should be introduced. Some suggestions were made that I should have sought from the Government an extension of the Terms of Reference to include this question or that I should, in any event, express a view on it.**

**1.2.5 The Inquiry was appointed by the Government to investigate and report objectively on the social, economic and tourist implications of introducing legal casinos**

and on the adequacy of the principles in the proposed Bill from the criminological point of view. It is the province, as well as the responsibility, of Parliament to decide whether or not legalised casinos should be introduced along the lines of the Bill. I was neither invited, nor would I have accepted an invitation, to intrude my own views into the determination by Parliament of this ultimate question.

### **1.3 THE INQUIRY TASK FORCE**

1.3.1 The Government provided the resources necessary to establish a Task Force to assist me. This has included retaining the consultancy services of the Australian Institute of Criminology in Canberra. The Task Force has consisted of five full-time Sydney based staff members as well as the two Canberra-based staff members from the Institute. The personnel are :

**Jennifer Caspersonn BEc RN (Executive Officer)**  
**(Chief Secretary's Department)**

**Adrienne Bailey BA (Hons) Dip Ed Dip Law (BAB)**  
**(NSW Law Reform Commission)**

**Peter Grabosky BA MA PhD**  
**(Australian Institute of Criminology)**

**Boronia Halstead BA Dip Ed**  
**(Australian Institute of Criminology)**

**David Hirsch BA Phil (Hons) BCL LLB**  
**(University of Sydney Law School)**

**Bessie Tselos BA MA**  
**(NSW Tourism Commission)**

**Tracey Bush (Executive Assistant)**

### **1.4 METHODOLOGY**

**1.4.1 Both the Premier and the Chief Secretary informed me that I was entirely free to determine how I went about the Inquiry. Invitations were advertised to the public at large to make written submissions and, if so desired, to make presentations at a public hearing. Specific invitations were sent by mail to several hundred individuals and organisations likely to be able to assist the Inquiry with expressions of opinion or information. Much valuable information was derived from written submissions in response to these invitations. Further calls for participants in the public hearing were made in four newspapers on two other occasions. Little interest was shown. This repeats the experience of the current Inquiry into the Legal Casino Industry in Australia being conducted by the Australian Parliamentary Joint Committee on the National Crime Authority. I had no intention of forcing a contrived public hearing and, with one exception, all who sought to participate completed their open-ended presentations within one day.**

**1.4.2 An initial undertaking was to analyse the information contained in the public reports of some ten inquiries undertaken in the past 15 years into casino gambling in Australia and New Zealand. These reports are:**

- **Report of the Inquiry into the Legalizing of Gambling Casinos in New South Wales (Mr Edwin Lusher QC), August 1977 (the Lusher Report)**
- **Report of the Inter-Departmental Committee on Gambling in Tasmania, May 1978**
- **Report of the Select Committee on the Casino Bill, House of Assembly, South Australia, 1982**
- **Legalisation of Casinos, Report to Cabinet by the Hon K G Booth, NSW Treasurer, April 1982 (the Booth Report)**
- **Report of the Board of Inquiry into Casinos in Victoria (The Hon Xavier Connor QC, Chairman), 1983 (the 1983 Connor Report)**
- **Report of the Committee of Inquiry into Gaming in New South Wales (Mr J Lloyd-Jones, Chairman), August 1985 (the Lloyd-Jones Report)**
- **Casino Development for Canberra: Social Impact Report, 1988 (the SIS Report)**
- **Report of the Committee of Enquiry into the Establishment of Casinos in New Zealand, January 1989**

- **Report of the Select Committee on the Establishment of a Casino (Canberra), Legislative Assembly for the ACT, July 1989**
- **Report on Casinos (Victoria), The Hon Xavier Connor QC, February 1991 (the 1991 Connor Report)**

**1.4.3 Public reports from other jurisdictions were also considered. These included:**

- **Final Report of the Royal Commission on Gambling (the Rothschild Report), Great Britain, 1978**
- **Gambling in America: Final Report of the Commission on the Review of the National Policy Towards Gambling (the Morin Report), 1976**
- **Report of Attorney General Robert Abrams in Opposition to Legalised Casino Gambling in New York State, 1981**
- **Report and Recommendations of the Governor's Advisory Commission on Gambling, New Jersey 1988**

**1.4.4 The Inquiry received a total of 114 written submissions from organisations and individuals. These are listed in Appendix B. In response to the advertised invitations, 9 persons addressed the public hearing on 18 September 1991. Speakers at the hearing are listed in Appendix C. The Reports of earlier inquiries, the voluminous written submissions and the brief public hearing were, however, only part of the material considered in the course of the Inquiry. I, and members of the Task Force I assembled, spread our information gathering net widely. We read broadly on the topic (see Bibliography); we planned and conducted an extensive consultation program involving discussion with many knowledgeable persons (listed in Appendix D); we obtained and collated information and data from numerous individuals and organisations (listed in Appendix E); we made visits and site inspections noted below (paras 1.5.1 - 1.5.7); and generally we assured ourselves that the topic was comprehensively researched so as to enable me to form and express the views set out in this Report.**

**1.4.5 Criticism was voiced in some quarters that I was not proceeding in courtroom mode with counsel assisting and witnesses summoned to give evidence in public under the threat of coercive powers and with associated privilege from defamation liability. The Inquiry itself was described in much-publicised derogatory terms.**



1.4.6 Regrettably, not one of those critics took the trouble to find out how I was proceeding, still less why I had taken the course I did. It was not understood that I am not inquiring into illegal gambling or anti-social activities of organisations or individuals where coercive powers and public cross-examination would be useful in exposing the truth. A parade of underworld or shady identities through a courtroom-type procedure would have provided interesting material for the media, but it would not have advanced my Inquiry. No underworld figure would have outlined how he or she would set about undermining casino gambling. In any event, this is a well-trodden path delineated in the published literature. More importantly, senior officers of law enforcement agencies, community leaders in church and public welfare institutions, members of parliament, public officials, leaders of hotel, tourism, registered clubs and racing industries, professional practitioners in consulting and treating problem gamblers, members of Gamblers Anonymous, and numerous other informed persons from casino operators and inspectors to a pawn broker were far more at ease and communicative in the informality of personal discussion. My aim was to inspire confidence and hence a fuller flow of information, at times itself highly confidential, rather than to intimidate. I am satisfied that the procedure has justified itself. I have gained access to and understanding of a far wider range of facts, informed comment and responsible opinion necessary for an Inquiry such as this to be effective than I would have gained from a procedure such as is undoubtedly appropriate for investigative-type commissions and inquiries into existing abuses and past events.

1.4.7 Yet other critics chose to boycott the Inquiry. I would have been grateful to have had an expression of their views, but in the long run I have gained from a wealth of other sources an adequate understanding of the views they are likely to have expressed. Many prominent leaders have felt able to maintain their moral opposition or concern regarding casinos consistently with providing constructive comments with respect to matters falling within the Terms of Reference. I mention, by way of example, Cardinal Clancy on behalf of the Catholic Archdiocese of Sydney, Bishop Reid on behalf of the Anglican Church Diocese of Sydney and the NSW Council of Churches, the Rev Dr Gordon Moyes on behalf of Wesley Mission and the Rev Fred Nile, MP. All four provided valuable written submissions, and in addition, Dr Moyes and Mr Nile spoke at the public hearing. I have founded some of my conclusions and recommendations on their contributions - and have been glad to be able to do so.

## 1.5 MEETINGS AND VISITS

**1.5.1** On the weekend of 24 and 25 August 1991, accompanied by the Executive Officer and an officer from the Chief Secretary's Department, I visited the Adelaide Casino in South Australia. On the weekend of 31 August and 1 September 1991 we visited Jupiters Casino on the Queensland Gold Coast. Each of these visits included lengthy and fruitful discussions with the Government regulatory authorities and casino management. I was taken on extensive inspections of the premises, including open access to normally restricted areas such as the surveillance operations and "cage" and "count" facilities. I express my gratitude for the hospitable reception and ready assistance extended at each of these casinos.

**1.5.2** On 5 September 1991, accompanied by some members of the Task Force, I attended a meeting in Canberra of the Parliamentary Joint Committee on the National Crime Authority. This Committee is presently conducting an Inquiry into matters related to the establishment and the operation of legal casinos in Australia and the relationship between crime and casinos, including specifically:

- the adequacy of bodies established to oversee and control legal casinos to effectively contain and prevent illegal activity;
- assessment of applicants for legal casino licenses;
- what types, if any, of criminal activity occurs in Australian legal casinos; and
- whether legal casinos are used to dispose of and launder proceeds of criminal activities.

**1.5.3** The Parliamentary Joint Committee advertised nationally in January 1991, seeking submissions from all parties in the legal casino industry. It has also sought the views of the National Crime Authority and State Governments on matters within its Terms of Reference. To date, it has received 19 submissions. The Committee made available to this Inquiry copies of all submissions but two (which were confidential) that it has received, and I express my gratitude for this co-operation and assistance. The Committee is considering the future course of its inquiries and expects to report to the Commonwealth Parliament on its findings before the end of 1991. Whilst in Canberra I took the opportunity to visit and hold discussions with the Australian Federal Police and the Australian Bureau of Criminal Intelligence.

**1.5.4** A member of the Task Force, Ms Boronia Halstead, attended a three day seminar on Security/Surveillance and Government Agencies from 24 September to 26 September 1991 which was held at the Diamond Beach Casino in Darwin. Whilst in Darwin Ms Halstead was afforded an opportunity of inspecting the casino facilities and having some discussions with members of the Inspectorate staff.

**1.5.5** On the evening of 4 October 1991, accompanied by some members of the Task Force, I attended by invitation a Gamblers Anonymous meeting. At that meeting eleven individuals who consider themselves compulsive gamblers spoke at length of their personal experiences and the effects of gambling upon their lives. I would like to acknowledge and express my gratitude to those individuals for providing me with this insight into the valuable work of that organisation.

**1.5.6** On 16 October 1991, accompanied by some members of the Task Force, I visited the Penrith Leagues Club Panthers, which is the largest registered club in New South Wales. We were conducted on a tour of the premises and its extensive range of facilities by Mr Roger Cowan, General Manager of the Club, to whom I express my thanks for an informative discussion.

**1.5.7** Apart from my own visits and Ms Halstead's attendance at the Darwin seminar noted above, one or more members of the Task Force visited a number of other offices and institutions to undertake further consultation.

## **1.6 GLOSSARY**

**1.6.1** It will be helpful to include as part of this opening Chapter a glossary of the terminology used in this Report.

**Cage** is the area of the casino used for cashier and accounting functions.

**Chips** are tokens commonly made of plastic of a particular design, colour and denomination with which a casino patron wagers bets.

**Count** is the tally made of coins and notes received by the casino in exchange for chips and deposited in gaming machines.

**Drop** is the amount of money received by a casino in exchange for chips. It represents the amount of money casino patrons are willing to wager against the casino. The term is derived from the common practice of dropping money into drop boxes located at gaming tables or inside gaming machines. Drop can also be known as handle.

**Expenditure** means the amount of money lost by a gambler or, co-relatively, the gross profit of the particular industry. (See following explanatory note)

Gaming machines or slot machines includes gaming machines found in casinos, poker machines found in NSW registered clubs, as well as Approved Amusement Devices (AADs) or video draw poker machines found in NSW hotels.

Gaming refers to forms of gambling activity by means or an event other than those relating to racing; it includes lotteries, lotto, keno, poker machines, casino gaming, football pools and minor gaming (raffles, bingo etc).

High roller is a casino patron who bets very large sums of money.

Junket has a statutory definition in some States, but generally refers to marketing programs operated by a casino whereby groups of customers (frequently, but not exclusively, from overseas) are provided complimentary services such as travel, accommodation, food, beverages and entertainment in return for a commitment to gamble to a minimum predetermined level.

Money laundering is the conversion or transfer of property for the purpose of concealing or disguising its illicit origin.

Problem gambler is a person who gambles in an uncontrolled and disruptive manner. Such a person is also variously described as a pathological, compulsive, or excessive gambler.

Racing includes horse and greyhound racing.

Skimming refers to the practice of misappropriating money at some point in the casino cash flow process.

Turnover means the amount of money actually wagered by gamblers; such part of turnover as is lost becomes expenditure.

### *Explanatory note*

1.6.2 The Tasmanian Gaming Commission provides an authoritative national consolidation of gambling statistics for Australia and substantial reliance has been placed on this consolidation. For the purposes of this Report, the Inquiry analysed expenditure rather than turnover statistics from the Tasmanian Gaming Commission, as this was considered a more reliable indicator of gross profits of the gambling industry.

Turnover describes amounts wagered, not what has been spent by gamblers and left to the industry as gross profits. Another reason for using expenditure rather than turnover

is to enable common-based comparisons of casinos with other forms of gambling. Turnover in casinos is impossible to determine due to the nature of betting which involves rapid and frequent exchanges of money. Casino expenditure is therefore a more reliable measure.

1.6.3 Except for casinos, Government taxes are usually imposed on gambling turnover, not expenditure. Turnover figures will accordingly be referred to for discussions about government revenue. Casinos, however, are taxed on gross gaming revenue.

1.6.4 It should be noted that the Tasmanian Gaming Statistics do not include AADs in the statistics for NSW.





## Chapter

## 2

## THE CASINO INDUSTRY

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<b>2.1</b>	<b>LEGALISED GAMBLING IN AUSTRALIA</b>
<b>2.2</b>	<b>LEGALISED CASINOS</b>
<b>2.3</b>	<b>OTHER REPORTS</b> Need for Care in Using Other Reports
<b>2.4</b>	<b>CASINOS IN AUSTRALIA</b> The Early Years - Tasmania and the Northern Territory The Second Phase - The Larger States The Future
<b>2.5</b>	<b>OVERSEAS MODELS</b> Casinos Internationally The United States Great Britain European Casinos

### 2.1 LEGALISED GAMBLING IN AUSTRALIA

**2.1.1** Indulgence in and tolerance of gambling in Australia can be traced from the early days of European settlement. Moral opposition to gambling has always been expressed, but such views have not received widespread support. It is estimated that as many as 90% of Australians participate in gambling in some form. Among comparable societies, Australia is notable for the extent to which gambling is legalised and integrated into social life.

**2.1.2** Governments play various roles in legalised gambling. State governments rely on taxes and fees from legalised gambling as a source of general funds, or as a source of funds for special purposes such as hospitals and, in the case of New South Wales,

construction of the Opera House. They use such techniques as licensing, exclusivity, supervision, auditing and sanctions to ensure gambling is conducted in the public interest. A significant feature of legalised gambling in Australia is the extent of government involvement as owner, manager or operator of some forms, including lotteries and the TAB. Recently governments have moved away from the role of operator. This has become the province of the private sector from which governments actively encourage investment.

## **2.2 LEGALISED CASINOS**

**2.2.1** In Australia casinos faced universal prohibition by government until a mere twenty years ago. No appreciable public demand for casinos was evident. Since that time Federal, State and Territory governments have all adopted a favourable attitude to removal of the stigma of illegality in properly conducted casinos. Governments responded to changing economic circumstances and to developing community demand. They recognised casinos could play a significant economic role as a source of revenue from taxes and licence fees. In addition, they were seen as an integral factor in economic activity associated with tourism. The success of the casinos, first established in Australia in Tasmania and the Northern Territory, demonstrated not only their value as an economic and tourist strategy, but also that, even under the early somewhat looser legislation, these benefits could be achieved with remarkably few problems of corruption and criminal involvement.

**2.2.2** The introduction of casinos has met with little effective public opposition.<sup>1</sup> Plainly, the public demand exists. Indeed, the developing demand has been corroborated after the event as the local population in almost every location provides the greatest patronage.

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<sup>1</sup> In Canberra a strong campaign has been waged by the group Committee for a Casino-Free Canberra opposing establishment of a casino there. In Victoria, the recommendation against legalisation in the 1983 Connor Report because the social and regulatory problems were too great had bipartisan acceptance until 1990 when both Government and Opposition changed their policy on legal casinos. In other locations church and community groups have expressed opposition, but this has not achieved widespread support.



**2.2.3** Legalisation of casinos has proceeded in Australia within a strict regulatory framework. Rather than exercising control through ownership, Governments have preferred to exercise control by regulation, although some have seriously considered the ownership option.<sup>2</sup> The result has been, broadly speaking, the development of a distinctively Australian casino system. There are some differences of approach to casino control and regulatory systems reflecting the different political and economic situations amongst the States, as well as the period in which each State's casino policy was developed. Yet there are many common features. Casinos are usually part of a tourist/entertainment complex, with a range of associated amenities. Governments have granted a degree of exclusivity to casinos, protecting the operator from geographic competition in return for revenue contributions which are high by international standards. Again broadly speaking, a primary objective of the Australian regulatory system is to ensure the casino industry operates honestly and free from criminal influence. Mechanisms adopted include the licensing of casino operators and staff, comprehensive regulations which control both activity at the gaming table and the movement of chips and cash, surveillance and monitoring of compliance with those regulations and imposition of sanctions should breaches occur. A key feature is the permanent on-site presence of government inspectors to supervise gambling and detect violations. This system has created what is arguably the most stringent casino control system in the world.

## **2.3 OTHER REPORTS**

**2.3.1** This Inquiry into the establishment and operation of casinos in New South Wales is the latest of numerous investigations initiated by governments into issues associated with legalisation of casinos. (See paras 1.4.2 - 1.4.3 and Public Reports in the Bibliography) The earlier reports contain much material that is directly relevant to the Terms of Reference of this Inquiry. They also provide essential background information.

### **Need for Care in Using Other Reports**

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<sup>2</sup> Including New South Wales. See Report to Cabinet by Treasurer, the Hon K G Booth, MP, 1982. South Australia is the one exception where a government agency is the licensee. In practice, however, the casino is managed and operated by a private entity subject to government control in a manner very similar to other jurisdictions.

**2.3.2** The numerous earlier Australian and overseas reports into gambling, and indeed a great deal of the gambling literature, relate to gambling in a wide range of jurisdictions and different social, economic, moral and legislative contexts. Whilst all have had some relevance in the research and deliberations of this Inquiry, care must be exercised in relating their findings and recommendations to the present Inquiry. Policy conclusions based on the experiences in other jurisdictions cannot simply be accepted as valid across international or even State boundaries. Even confining consideration to the Australian environment, in the course of the past two decades there have been significant developments that are relevant in formulating current policy for casino control. The technology of casino operations has changed dramatically, as have the technology and resources available to public authorities to supervise and monitor the activities of casino operators. A major change has occurred in the place of tourism in the economy and in government strategies for economic development. The approach to casino control developed in New Jersey and adapted elsewhere has demonstrated the efficacy of stringent regulation in containing the potential dangers of legalised casinos. In Australia there have now been nearly twenty years of casino experience upon which to draw. The apparent success of large casinos in metropolitan areas, and a second generation regulatory system, have provided perspectives unavailable to earlier inquiries. The conclusions of earlier inquiries must be considered in the light of such factors.

**2.3.3** The need for care in using documents produced in other contexts is particularly relevant to weighing arguments advanced to the Inquiry in reliance on the Australian Institute of Criminology's "Gambling in Australia" *Trends and Issues in Crime and Criminal Justice* Number 24, July 1990, by Susan Pinto and Paul Wilson. This paper includes a brief discussion of issues relating to casino gambling. In several submissions, the Institute's words were cited in support of views critical of casinos and the shortcomings of regulation. The Institute was retained as consultant to this Inquiry, and has prepared an analysis of the criminological issues. Its current views underlie the conclusions in Chapters 6 and 7 that the criminological concerns can be adequately dealt with. Their advice to me has been developed with regard to considerations unknown at the time "Gambling in Australia" was prepared. Significant new legislative initiatives now apply to casino regulation. For example, implementation of the Cash Transaction Reports Act 1988 has demonstrated the Act's potential to detect and deter money laundering. In NSW the Independent Commission Against Corruption has powers to oversee and to advise on the prevention of corruption in the public sector. The recommendations in the Connor Report of 1991 have been adopted in the Casino Control Act 1991 (Vic) and the draft NSW Bill. This latest draft legislation incorporates refinements which remedy defects or omissions in earlier control legislation.

**2.3.4** The Institute has advised that its earlier paper should be read in the light of current circumstances. The views in "Gambling in Australia" provide a useful warning

on the need for regulation of casinos in the public interest. They reiterate the central tenets of effective regulation - adequate and workable powers, allocation of sufficient resources for the regulatory task and an active commitment on the part of government to achieving the regulatory goals. The Institute does not wish to be seen as suggesting that the quest for effective regulation be abandoned or that casino development be banned.

## **2.4 CASINOS IN AUSTRALIA**

### **The Early Years - Tasmania and the Northern Territory**

**2.4.1** The first phase of the development of the Australian casino industry began in Tasmania. Following a referendum to validate its pioneering decision, the Government permitted the Wrest Point Casino to operate in 1973. A second casino just outside Launceston opened in 1982. Both casinos form part of a hotel complex with ancillary entertainment and convention facilities. By current Australian standards these casinos are of modest scale. Hobart has 29 tables and 272 gaming machines. The Country Club Casino near Launceston has 25 tables and 18 gaming machines.

**2.4.2** In the Northern Territory licences were awarded for two casinos - in Darwin in 1979 (now the Diamond Beach Casino), and in Alice Springs in 1981 (now Lasseter's Casino). In 1984 both casinos were compulsorily acquired by the Northern Territory Government. The Government heavily subsidised acquisition of the licences which are now held by two international casino operators. Both casinos are attached to hotels, but have few other ancillary facilities. The casinos are relatively small operations. Lasseter's Casino has a maximum of 13 tables and 215 gaming machines. The Diamond Beach Casino has 26 tables and 346 gaming machines.

### **The Second Phase - The Larger States**

**2.4.3** Following the success of the early casino initiatives, other States became interested in the potential of legalised casinos. This second phase is characterised by

larger developments, located close to major population centres, and more stringent and comprehensive control systems.

**2.4.4** The Queensland Government decided in late 1980 to legalise casinos. Jupiters Casino on the Gold Coast is typical of a mass market casino, combining the largest hotel in Australia with separate convention facilities, several entertainment and restaurant venues and retail and recreation facilities. It attracts an average of 16,000 patrons daily - 5.8 million annually. Many of these are locals and day-trippers from nearby Brisbane. They play 24 hours a day at 111 tables, two-up, keno and 992 gaming machines, and in a VIP gaming room. By contrast, Breakwater Island is a smaller casino-hotel complex close to Townsville, a medium size commercial and tourist centre. It has 31 tables and 182 gaming machines, and operates 17 or 18 hours daily, with an average daily patronage of 2,500. A Community Benefit Fund levy of 1% is imposed by statute on both casinos, with proceeds allocated to charities and community projects.

**2.4.5** Burswood Resort Casino, located close to the centre of Perth, is the largest casino in the Southern hemisphere, with 93 tables and 1168 gaming machines on the main gaming floor and in the private gaming area. The casino is located within a resort, which now offers a hotel, substantial retail, entertainment and sporting facilities, and a convention centre. The resort is a venue for conventions, exhibitions and sporting events. One per cent of casino revenue goes to the Burswood Park Board which maintains parkland around the resort for community use.

**2.4.6** The Adelaide Casino was established in 1986 within the former Adelaide Railway Station, a heritage building in North Terrace, Adelaide. The licence is held by a Government authority, the South Australian Lotteries Commission. The casino has a distinctive architectural style and atmosphere. It is situated close to a hotel and to convention and exhibition centres. With approximately 100 tables and 750 gaming machines, it is a mass market casino. An allocation to the Housing Development Trust Fund for public housing is made from taxation revenues derived from casino turnover.

## **The Future**

**2.4.7** The casino industry in the entire Asia Pacific region is poised for expansion in the near future. Casinos in NSW will have to compete in this expanding industry. The following outlines the current status of casino plans in the relevant jurisdictions.

- Tenders for a casino in Canberra have closed, and are now being assessed. Announcement of the successful consortium is expected in December 1991. The

Brief to Finalists did not specify the casino size, but did exclude gaming machines. The Government's desire is that the style be European and sophisticated. An interim casino may be approved for operation in 1992.

- The Queensland Government announced in 1991 that licences would be issued for two more casinos in Brisbane and Cairns. Applications closed in October 1991 for the Brisbane casino licence. The Brief to Applicants specified a hotel-casino, with convention, entertainment, retail facilities and open space areas. It nominated three inner-city sites. Minimum requirements call for 80 gaming tables with a maximum 12:1 ratio of gaming machines to tables. The Cairns casino is to have a maximum of 40 tables and 480 gaming machines. Two sites have been nominated, and a convention centre must be built on one of them. A decision on licensee for the Brisbane casino is expected by February 1992, on the Cairns casino later in 1992. Both casinos are expected to be operating by 1994.
- Regulations proclaimed in October 1991 open the way for a casino in the centre of Melbourne. A call for expressions of interest was made on 1 November 1991. The Government intends that the casino will have 150-200 tables and 2,500 gaming machines (the largest of its kind in the world), but has not specified what ancillary features must be built. Potential applicants will be investigated in 1992. Under the Casino Control Act 1991, no application for a licence may be made to the Casino Control Authority before 1 December 1992. A casino could be operating by 1993 or 1994.
- Federal Airports Corporation has advised the Inquiry that for a trial period of 12 months due to commence on 1 November 1991, gaming machines will operate in the Sydney (Kingsford-Smith) Airport International Terminal transit area. The trial will assess the machines' appeal to and influence on travellers, and their effect on day-to-day operations.
- A casino for the Federal Territory of Christmas Island in the Indian Ocean has been approved by the Commonwealth Government. Construction of the hotel-casino complex has been delayed, but the resort is expected to open in late October 1992. It will have 15 tables together with poker machines and video gaming machines. Patrons are expected to come from Australia and nearby Asia.
- The Tasmanian Government is currently considering a proposal to operate a casino on a ship of the Government-owned TT Shipping Line which operates between Melbourne and Devonport. A new vessel the Government is proposing

to buy already has casino facilities. Details of the operation and how it would be regulated are currently being examined by the Tasmanian Government. If approved, the casino could be operating in late 1993.

- Two casinos are planned for New Zealand, one on each island at locations to be determined according to proposals of the successful applicants. Formal applications for the operators' and premises licences will be called for soon. They will be considered at hearings expected to be held in 1992. Opening dates are difficult to estimate, but will probably not be before 1993.
  
- Moving further afield in the Asia Pacific region, casinos have long existed in Macau, and more recently they have been established or are planned for many other regional locations including Vanuatu, New Caledonia, Tinian Island, The Phillipines, Malaysia and Thailand. There are also two casino ships cruising in the Pacific between Jakarta and Singapore with a third ship expected to join them in the future, and a casino ship operating around Tahiti.

**2.4.8** This proliferation of casinos is likely to generate substantial competitive pressures on all casino operators. Whilst Sydney's unique position as Australia's premier city and international tourist gateway will to some extent protect its market share, increased competition may have significant implications for regulatory authorities as well as operators. Pressures may come from the industry to relax the strict regulatory regime and its attendant costs for operators in order to maintain economic viability. The proposed regulatory authority will need to make carefully balanced judgments in fulfilling its statutory objectives of ensuring the integrity of gambling operations and management, and at the same time promoting tourism, employment and economic development (Casino Control Bill cl 138).

## **2.5 OVERSEAS MODELS**

### **Casinos Internationally**

**2.5.1** Casinos now operate in more than eighty countries.<sup>3</sup> They exhibit many different philosophies, have a variety of characteristics, and fulfil a wide range of objectives for the

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<sup>3</sup> For a recent list see SIS Report Table 2.1 : 11.

governments which have legalised them and the people who patronise them. All provide examples relevant to the issues arising from the Inquiry's Terms of Reference, but, generally speaking, most have little bearing on the Australian scene. Three overseas jurisdictions are comparable or familiar to Australia and it will be of assistance to make a brief reference to them. Casinos in these jurisdictions frequently form the basis of public impressions of the casino industry and colour public attitudes to casino gambling arising from perceptions of organised crime, corruption and poor management.

## The United States

2.5.2 The United States has supplied the potent image of casinos as iniquitous establishments run by organised crime. This image is not universally sustained by today's reality. Nevada and New Jersey pioneered large scale legalised casino gambling, but recently, some other States have permitted casinos, notably on riverboats and on Indian reservations. Casinos in the United States vary in size, with the most familiar being the large scale resort/casino complex with large numbers of slot machines and table games. These are high turnover, high profit operations. Credit betting is permitted; inducements to gamble such as free drinks at tables are provided.

2.5.3 In Nevada, gambling has been a way of life since frontier days, and, unlike the rest of the United States, gambling has been legal there for most of the last 100 years. In the years following 1946 known organised crime figures moved into the industry and stimulated the development of modern style casinos. Although the industry is dominated by large, plush, resort/casino entertainment complexes typical of Las Vegas and Lake Tahoe, many of the gambling establishments called casinos are actually small scale operations, located in airports, supermarkets and at petrol stations. The State of Nevada policy on gaming regards that industry as vitally important to the economy of the State and the general welfare of the inhabitants. Sixty per cent of State revenue comes from taxes associated with gambling. Although the industry is regulated, the approach to actual casino controls is laissez-faire. In the State of New Jersey the Government turned to gambling to resolve urban problems, particularly those associated with the decline of Atlantic City as a vacation and convention centre. The Government adopted a strict regulatory approach and, although still under assessment, this is widely believed to have been productive of a new-look, cleaner casino industry in that State compared with Nevada. The extent of the importance of casinos to Atlantic City can be seen in the industry's place as the city's largest tax source with a contribution of 65% in 1989.

## Great Britain

**2.5.4** Casinos in Great Britain operate as membership clubs which can impose restrictions on membership and standards for their use. Patrons must join the club, giving 48 hours notice, which is said to curb impulse gambling. Once joined, a member can return at any later time without constraint. Casinos are usually quite small, with few (10-12) gaming tables and a few gaming machines allowed in each. Regulations which control attendance requirements, credit betting and advertising implement the legislative philosophy of meeting only unstimulated demand for casino gambling.

### **European Casinos**

**2.5.5** In general, European casinos present a more discreet, less commercially aggressive image than American casinos. They are predominantly recreational and entertainment facilities, catering for tourists and the local population, although in some areas restrictions apply to gambling by local residents. Some are world famous such as Monte Carlo. Most, however, are small, unobtrusive establishments, offering sophisticated and even luxurious atmospheres. Regulatory systems are not uniform, but they are in all cases thorough, designed to limit the power of the industry, to avoid social problems and to preserve the integrity of operations. European casinos appear to be commercially successful, socially responsible operations, conducted without the involvement of organised crime and corruption.

**2.5.6** In Austria casinos conform with the general description in para 2.5.5. All licences are held by a company with approximately two thirds of shares in the hands of federal, state and municipal governments. The casino licensees are charged by the Government with responsibility for the potentially harmful social consequences of excessive gambling. Registration of players is necessary and checks on the sources of patrons' gambling funds are made. The company currently has some involvement in 100 casinos in 13 countries, with another 12 under development. It is an established source of advice to other casino operators and regulators around the world.







## Chapter

### 3

## CASINOS FOR NEW SOUTH WALES

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### **3.1 PREVIOUS CONSIDERATION OF CASINOS IN NEW SOUTH WALES**

The Lusher Report - 1977

The Booth Report - 1982

The Lloyd-Jones Report - 1985

### **3.2 THE DARLING HARBOUR CASINO PROPOSAL**

### **3.3 LEGISLATION AND PROPOSALS FOR CASINOS IN 1991**

### **3.4 GAMBLING BEHAVIOUR IN NEW SOUTH WALES**

Gambling Expenditure

Forms of Gambling

Gambling in Registered Clubs

Approved Amusement Devices in Hotels

### **3.5 GOVERNMENT REVENUE FROM GAMBLING**

### **3.6 EFFECT OF CASINOS ON GAMBLING BEHAVIOUR GENERALLY**

### **3.7 ILLEGAL GAMBLING**

### **3.1 PREVIOUS CONSIDERATION OF CASINOS IN NEW SOUTH WALES**

**3.1.1** The proposal to establish two legal casinos in Sydney which has prompted this Inquiry is the latest in a series of moves by NSW in this direction. Those previous efforts provide the historical context for the present draft Bill. A brief account of that context will assist as the background for evaluating the present proposal.

The Lusher Report - 1977

**3.1.2** In 1977 Mr Edwin Lusher QC conducted an inquiry into the legalisation of gambling casinos in NSW for the then Government. His Report recommended that casinos be legalised to meet a minority demand for casino gambling that would otherwise be met by illegal casinos which were then operating in NSW. Endorsing the British model, the Report dismissed revenue raising and expanding tourism as purposes for legalising casinos, and rejected government ownership in favour of private enterprise. It recommended that restricted casinos be introduced, with controls on admission, advertising and play which would not stimulate demand. An independent, non-political authority to administer a strict control system was envisaged, having advisory, investigatory, inspectorial and directive powers, and exercising them without the judicial or ombudsman process applying. The recommendations contained in this Report were not implemented.

**The Booth Report - 1982**

**3.1.3** Legalised casinos continued to be on the political agenda. Illegal casinos also continued to make political headlines, with several attempts being made to close them down. In April 1982 the then Treasurer, the Hon K G Booth, MP, reported to Cabinet on the most appropriate means of legalising casinos. The Report favoured a large open-type casino to create maximum profits and revenue for the Government, capitalising on a casino's tourist potential. The need for the strictest possible controls was emphasised, proposing regulation based on the existing Australian and American models. Notwithstanding the intention for casinos to be government owned or operated, the Report cast doubt on the Government's ability and the wisdom of that approach. No action was taken on the Report.

**The Lloyd-Jones Report - 1985**

**3.1.4** The Report of a Committee of Inquiry appointed by the NSW Cabinet in 1984 to consider changes in gaming laws proposed a three-tiered licensing scheme to eradicate criminality and illegal casinos. The Report endorsed recommendations from the Lusher Report on establishment and regulation. The licensing scheme proposed was never implemented.

## **3.2 THE DARLING HARBOUR CASINO PROPOSAL**

**3.2.1** In late 1985, NSW Cabinet approved a proposal for a single casino-hotel complex for Sydney to be situated on the eastern side of Darling Harbour in Sydney's western corridor in close proximity to the CBD. Tender documents were issued in December. It was to be the largest casino in the world, with up to 400 tables and gaming machines. It was planned originally that the licence would be wholly government-owned, but this policy was not maintained. Initially, Treasury was given the functions relating to licensing and inspection. Consideration was given to plans for a temporary casino, expected to open by late 1986-early 1987, with the permanent casino expected to open in 1988.

**3.2.2** In February 1986 tenders were submitted to the Darling Harbour Authority by a number of consortiums. In April 1986, five were reported to be on a shortlist. The Darling Harbour Casino Bill was introduced into the NSW Parliament in April 1986. The Act received Royal Assent on 21 May 1986.

**3.2.3** The Casino Control Division was established, with provision for an inspectorate which would implement the regulatory system embodied in the legislation. Appointments of senior personnel were made. Inspectorial staff were recruited and began training for their supervisory and regulatory roles.

**3.2.4** In June 1986, an announcement was made that the Government had awarded the casino licence to the Hooker/Harrah consortium. The consortium had agreed to pay a tax of 35% of gross takings. A temporary casino was mooted, to operate in the Hordern Pavilion.

**3.2.5** The Police Board, which was responsible for investigating potential applicants, reported adversely on the consortium as a result of evidence that Hooker Corporation Executive Chairman and majority shareholder, Mr George Herscu, had been convicted of paying secret commissions to Builders Labourers Federation Secretary, Mr Norm Gallagher. Harrahs was at the time also under investigation in the US by the FBI and the New Jersey Division of Gaming Enforcement for alleged involvement with organised crime, for which it was later exonerated.

**3.2.6** In August 1986 the Government reversed the June decision and revoked the agreement with the Hooker/Harrah consortium. The tendering process was reopened in September 1986. The second investigation and selection process was overseen by the Police Board, the newly established Casino Control Division, an independent adviser from a merchant bank and the Darling Harbour Authority.

**3.2.7** In September 1986, Hooker Corporation launched a \$750 million claim for damages against the Government, with a cross-claim by the Government for \$125 million.

**3.2.8** In December, amendments to the Darling Harbour Casino Act were introduced in Parliament to strengthen the regulatory provisions of the Act in the light of Police Board recommendations on the first tendering process and the original legislation.

**3.2.9** The second tender called produced a short list of four tenderers but unqualified clearance from the Police Board was not forthcoming for any of them. A third tender was called, closing in December 1987, for a casino of 250 to 300 tables with poker machines and keno.

**3.2.10** In May 1988, following a change of Government in the March 1988 elections, the Darling Harbour Casino Act was repealed. Plans for a NSW casino were shelved.

**3.2.11** Legal proceedings over the Hooker/Harrah consortium's claim were protracted, with a finding that the Government was not liable overturned on appeal. In 1989 the NSW Government made an out of court settlement to the Hooker/Harrah consortium of \$38 million for damages and legal costs.

### **3.3 LEGISLATION AND PROPOSALS FOR CASINOS IN 1991**

**3.3.1** This Inquiry has been established following the drafting of a new Casino Control Bill, and the Government's announcement that it proposes to legalise casinos in NSW and permit the establishment of two casinos.

**3.3.2** The Government indicated its proposals for two casinos in detail at a press conference on 31 December 1990. The smaller casino was planned for the historic Lands Department building, in Bridge Street in the CBD. This location was considered desirable given the nature of the building and its proximity to several five star hotels. The second casino was proposed for a site in the Darling Harbour/Pyrmont area. This would be a larger open-style casino. The exact site had not been determined, but a casino in the general area met with Government development objectives as well as with promises held out to business in the Darling Harbour Development from as far back as 1986. An intention to use part of the taxation revenue to fund Sydney's bid for the year 2000 Olympic Games was stated.

**3.3.3** Preparation of the draft legislation has been managed by the Chief Secretary's Department. It is clear that this process, extensive compared with the typical time frame for the preparation of legislation, has been thorough and has drawn on various significant

sources. The Department has engaged in wide ranging consultation with a number of State and National law enforcement and regulatory authorities which have interests and experience in regulation of casinos. The five Australian jurisdictions in which casinos have already been legalised have provided many years' experience on which to draw. Furthermore the New Jersey model of regulation, both in its successes and problems, has pointed the way to structuring a prototype for a stringent regulatory system. Also available have been the reports of the various government-initiated inquiries to which reference has already been made. (paras 1.4.2 - 1.4.3)

3.3.4 Following preparation of the NSW draft Bill, there was extensive co-operation with the Victorian Government which was then preparing its own casino legislation in response to the 1991 Connor Report. Both Governments intended to harmonise their legislation, which is almost identical. The principles of the draft Bill are summarised in Appendix F.

### 3.4 GAMBLING BEHAVIOUR IN NEW SOUTH WALES

#### Gambling Expenditure

3.4.1 There are more opportunities for gambling in New South Wales than anywhere else in Australia. Adult per capita expenditure on gambling has been higher in NSW than in any other State. Figures from 1989-90 show that, on average, each adult in New South Wales spent \$507.65 on gambling, approximately 90% of which was spent on racing and gaming machines. The national average for adult per capita gambling expenditure was \$328.17.

Adult Per Capita Expenditure on Racing and Gaming 1989-90  
All States and Territories

State	Racing	Gaming	Total
NSW	\$143.73	\$364.02	\$507.65
Victoria	\$119.82	\$128.78	\$248.60
Queensland	\$99.14	\$157.87	\$257.01

South Australia	\$87.17	\$191.31	\$278.48
West Australia	\$89.99	\$217.39	\$307.38
Tasmania	\$88.94	\$223.96	\$312.90
ACT	\$74.70	\$354.10	\$428.80
NT	\$88.64	\$195.88	\$284.52

Australian Gambling Statistics 1989-90, p xvii Summary Table E.

3.4.2 Figures from 1989-90 also indicate that gambling expenditure in NSW, measured as a percentage of household disposable income, was the highest in Australia. The New South Wales figure was 2.62%; the national average was 1.92%. (See Table in para 3.6.2)

#### Forms of Gambling

3.4.3 NSW offers gamblers the opportunity to bet on racing, either through bookmakers, on-course totalizators, or through the TAB. Lotteries, lotto, instant lotteries and pools are also available. Unlike other States (with the exception of the ACT) NSW also offers poker machine gambling in registered clubs. From September 1991 registered clubs have offered Keno. Another relatively recent form of gambling is video card machine (Approved Amusement Device or AAD) betting, currently available in hotels.

#### Percentage Share of Gambling Expenditure in NSW 1990-91

Form	%
Racing	24.6
Poker Machines	58.2
Pools	0.1
Lotteries and Lotto	9.0
Approved Amusement Devices	8.1

Adapted from Tasmanian Gaming Commission 1990-91 estimates and preliminary estimates from NSW Chief Secretary's Department.

#### Gambling in Registered Clubs

**3.4.4** In 1990-91 poker machine expenditure eclipsed that of all other forms of gambling combined. The registered club industry in New South Wales is supported primarily by money generated from poker machines. Poker machines were first made lawful in NSW in 1956. At the end of the 1990-91 financial year there were over 54,900 poker machines in NSW; 1499 of over 1550 registered clubs had poker machines. Forty per cent of registered clubs in NSW are in the Sydney metropolitan area, 19% in Wollongong and Newcastle and 41% in the country.

**3.4.5** Poker machine turnover in 1990-91 exceeded \$10 billion. Revenue to clubs from poker machines exceeded \$1 billion during that period. The linking of poker machines in clubs was permitted in 1988 allowing a jackpot of up to \$100,000. Ten and twenty cent machines have been supplemented by new machines which allow a player to gamble \$1 and \$2 coins, and up to five coins per play. The newest gambling form, Keno, offers jackpots of up to \$1 million.

**3.4.6** The NSW registered club industry is more than a business - it is a social institution. Clubs are patronised by groups of people who share some sporting, business, social or cultural interest. They operate on a non-profit basis. After meeting operating expenses the surplus revenue of registered clubs subsidises services to members and assists projects such as amateur sports, charities and other community activities.



### Approved Amusement Devices in Hotels

3.4.7 Approved Amusement Devices (AADs), or video card machines, were legalised in hotels in NSW in 1985. At the end of the 1990-91 financial year there was a total of over 9,350 AADs in 87% of NSW hotels.

3.4.8 AADs simulate the game of draw poker, allowing a player to interact with the machine by selecting cards to remain on the screen for a second draw. The element of player involvement accounts for AADs being called "skill" machines. Restrictions apply to the means by which winnings and credits may be taken. Each hotel may have a maximum of 10 machines and since 1988-89 hoteliers have been permitted to install 10 cent as well as 20 cent machines. AADs have a prize limit of \$100 per game and \$500 may be accrued in credits.

### 3.5 GOVERNMENT REVENUE FROM GAMBLING

3.5.1 Revenue to the NSW Government from gambling totalled more than \$840 million in 1991. Of this, \$527 million or 63% came from gaming and the balance of \$313 million came from racing. Gambling revenue contributed 10.1% to State tax receipts for 1990-91, ranking fourth after Payroll Tax (31.3%), Stamp Duties (22.7%) and Licences (11.4%).

Consolidated Fund Receipts 1990-91

	Actual \$000	%
Racing	313,298	37.3
Poker Machine Taxation	284,350	33.8
Soccer Football Pools	1,812	.2
Lotteries and Lotto	183,938	21.9
Approved Amusement Devices	56,818	6.8
<b>TOTAL</b>	<b>840,216</b>	<b>100.00</b>

Adapted from 1991-92 NSW Budget Paper No 2, p 96.

3.5.2 The Government revenue estimates for 1991-92 indicate a growth of 4.2% for both poker machines and AADs, while racing is expected to grow by 8%. (1991-92 Budget Paper No 2) Revenue from Keno is expected to be in the order of \$2.7 million for the first, incomplete, year of operation. I note in passing that the proportionate contribution to the Consolidated Fund shown in the above Table departs from the proportionate share of actual gambling expenditure in respect of the various forms of gambling. (Table in para 3.4.3)

### 3.6 EFFECT OF CASINOS ON GAMBLING BEHAVIOUR GENERALLY

3.6.1 The existing variety of gambling opportunities in NSW and the current levels of gambling expenditure have raised questions as to how much more gambling the NSW market can support. The questions are often posed in terms of whether the gambling dollar is fixed or flexible and whether the gambling market in NSW is already saturated.

3.6.2 Experience from other States suggests that the gambling dollar is flexible. Large, urban casinos, comparable with those envisaged for Sydney, were established in Queensland, South Australia and Western Australia in 1985 and 1986. As the following table shows, the introduction of casino gambling resulted in an expansion of the gambling dollar.

Total Gambling Expenditure as a Percentage  
of Household Disposable Income

	1984-85	1989-90	% Rise in Gambling Expenditure
<b>Casino States</b>			
Queensland	1.19%	1.55%	30.25
South Australia	1.03%	1.61%	56.31
Western Australia	0.98%	1.74%	77.55
<b>Non-Casino States</b>			
Victoria	1.33%	1.35%	1.50
New South Wales	2.52%	2.62%	3.96

**3.6.3** As these figures show, the percentage of household disposable income spent on gambling increased markedly in Queensland, South Australia and Western Australia. No such increase was seen through the same period in the non-casino States of Victoria and NSW.

**3.6.4** Following this trend it would appear likely that the gambling dollar in NSW will expand in response to the availability of casino gambling. It is important to bear in mind, however, that even without the increased gambling expenditure resulting from casinos, the figure of 2.62% of household disposable income currently spent on gambling in NSW exceeds the figure in all other States. If, therefore, the NSW gambling dollar is flexible it may be less flexible here than it has been seen to be in other States. It needs to be emphasised that the gambling firmament in NSW is different from that in other States, both in terms of gambling opportunities and levels of gambling expenditure. The extent to which the NSW racing and registered club industries will be affected by the introduction of casinos will be discussed in Chapter 5.

### **3.7 ILLEGAL GAMBLING**

**3.7.1** Illegal gambling, including casino gambling, has been known to exist in NSW for a long time. Illegal gambling has been identified in reports such as the Lloyd-Jones Report on legalising gambling casinos and in earlier reports into criminal activities in NSW. Over the years there have been several concerted efforts to eliminate illegal casino gambling in the State, which have met with mixed success. Evidence before the Inquiry suggests that currently there are believed to be some twenty traditional style illegal casinos in the area around the Sydney CBD, and numerous small ethnic gambling clubs which operate as "social clubs" in inner suburbs and in some outer suburbs.

**3.7.2** The introduction of legal casinos in Sydney is unlikely to eliminate illegal casino gambling. Illegal gaming houses currently serve three categories of demand. The first and largest category tends to be ethnically based; it is served by establishments catering for specific nationalities whose members prefer the ambience and games of ethnic flavour available within their own communities; these establishments may also carry the attraction of more convenient location. The second category is made up of criminals for whom an illegal casino offers anonymity, credit facilities, better odds (due to lower overheads), entertainment and other collateral attractions not available in legal casinos; illegal casinos can offer a wider menu of games and variations to gaming rules likewise not available under the regime of legal gaming regulation and a more congenial

environment free from regulatory supervision and peopled by others of kindred propensities. The third category is made up of high rollers who, for some or all of the motivations of the second, prefer a private environment for their gambling.

**3.7.3** It is not within the province of this Report to comment on this topic apart from expressing the view that illegal gambling will not be eliminated by the introduction of legal casinos although it may diminish to some extent.



## Chapter

### 4

## SOCIAL IMPACT

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**Term of Reference 1:** The likely effect on individuals and families arising from the establishment and operation of legal casinos, with particular regard to any increased demand for social and related services which may result.

#### **4.1 INTRODUCTION**

#### **4.2 THE NEED FOR RESEARCH**

#### **4.3 IRRESPONSIBLE GAMBLING**

#### **4.4 PROBLEM GAMBLING**

##### **Problem Gambling Defined**

##### **The Problem Gambler**

*Characteristics of the Problem Gambler*

*Indicators of Problem Gambling*

*The Development of Problem Gambling*

*Forms of Gambling Associated with Problem Gambling*

*The Prevalence of Problem Gambling*

##### **Impact of Problem Gambling on Individuals and Families**

*Damage to Mental Health and Stability of the Gambler*

*Family and Relationship Problems*

*Financial Problems*

*Employment Problems*

*Gambling-related Crime*

*Costs to Society*

##### **Services Available for Problem Gamblers and Their Families**

*Counselling Services*

*Treatment Services*

*Gamblers Anonymous and Gam-Anon*

*Conclusion Regarding Social and Related Services*

	<b>Changing Attitudes of Government and Industry</b>
<b>4.5</b>	<b>INTRODUCTION OF CASINOS</b> Local Patronage at the Proposed Casinos Casinos and Crime <i>Casino Gambling-related Offences</i> <i>Street Crime</i>
<b>4.6</b>	<b>CONSUMER PROTECTION IN CASINOS</b> Prohibition of Extending Credit Prohibition of Automatic Teller Machines in the Casino Signs Exclusion of Patrons Whose Gambling May be out of Control Self-banning Notification of Rules of Play and the Odds Junkets and Other Inducements Regulating Advertising Prohibiting Minors from Casinos Trading Hours Pawn Broking
<b>4.7</b>	<b>STATUTORY OBJECTS OF THE AUTHORITY</b>
<b>4.8</b>	<b>COMMUNITY BENEFIT LEVY</b>
<b>4.9</b>	<b>FUNDING FOR RESEARCH, EDUCATION AND SERVICES</b>

## **4.1 INTRODUCTION**

**4.1.1** It is obvious that the likely effect on individuals and families arising from legalised casinos forms the basis of much of the opposition to the proposal to establish them. I have set out in this Chapter to state in some detail their likely effect on individuals and families within the overall context of gambling in our society. In so doing it could be thought that I am arguing a case against them. This would not be a legitimate or intended inference. My purpose has been to record the position as it is disclosed by the Inquiry's research. This includes taking due note of past inertia by governments, the gambling industry and the community in recognising and responding to the harmful effects of gambling. In particular, research into the nature and extent of the harmful effects of gambling has not been adequately funded or supported.

**4.1.2** The prospect of restricting or prohibiting existing legal gambling activities is remote to the point of unreality in the current state of society. The prospect, however, of

something positive being achieved to minimise and alleviate the social harm generated by all gambling could well be seen as a positive factor in the current debate. The bringing in of this proposed Bill will hopefully place this consideration on both the State and the National political agendas.

4.1.3 The Terms of Reference do not include specifically an inquiry into problem gambling (which I deal with in section 4.4), but investigation of this topic underlies a full evaluation of the effect of casinos on individuals and families as well as their social cost. A great deal of the material advanced in the written submissions and in the course of discussions was focussed on the topic of problem gambling, and it will be necessary to consider this in some detail.

## 4.2 THE NEED FOR RESEARCH

4.2.1 The likely effect upon individuals and families and the costs to the community as a result of the proposed casinos can only be comprehensively assessed in light of objective and, preferably, quantifiable evidence. Studies of gambling behaviour in Australia and the social and financial costs of problem gambling have been limited and there is no comprehensive published data. It is clear, nevertheless, from what data does exist that the establishment and operation of the proposed legal casinos will have a deleterious effect on some individuals and families and that there will be an increased demand for social and related services. The number of people adversely affected is impossible to state with precision and so therefore is the extent of the increased demand for services.

4.2.2 This is not the first occasion on which attention has been drawn to the lack of material on which reliable conclusions can be based and appropriate policies formulated. Calls for data gathering have been made and repeated in Reports of earlier inquiries required to consider the effect of casinos. Examples include:

- 1978 Report of the Inter-Departmental Committee appointed by the Tasmanian Government (p 7)
- 1983 Connor Report (para 14.50)
- 1988 SIS Report (p 46)
- 1989 Report of the Enquiry into Casinos, New Zealand (para 9.2)



**4.2.3** Submissions from some parties cite the lack of data as evidence that gambling does not create problems, or at least that the fears expressed by those opposed to gambling are exaggerated. This argument is effectively answered by Dr Alex Blaszczyński, Associate Professor of Psychiatry at the University of New South Wales, a respected expert on problem gambling, who stated in his submission to the Inquiry:

In Australia, few studies have investigated the prevalence of excessive gambling, the nature and extent of problems associated with each form of gambling, criminal activities committed by gamblers themselves in pursuit of their excessive habits, or the relationship between the prevalence of excessive gambling and the introduction of new forms of gambling. Therefore, to state that the problem is minimal because there is no available substantiating evidence is naive if no studies have been carried out to obtain that evidence.

**4.2.4** A study is currently being undertaken by Professor Mark Dickerson in association with the Australian National University. That study will examine the extent and degree of gambling related problems in Australia and their association with the availability of different forms of gambling, including casino gambling. Results should be available early in 1992. Dr Rob Lynch and Associate Professor Tony Veal of the School of Leisure and Tourism Studies of the University of Technology, Sydney are also conducting a study of gambling in New South Wales. These studies are important first steps and long overdue.

**4.2.5** While much more data is needed, the issues surrounding the impact of casinos can now be identified more clearly with the benefit of the experience of eight Australian casinos, three in major urban areas. Unfortunately, whilst the issues can be seen more clearly, their resolution will remain elusive until that experience is collated and analysed in the course of disciplined academic evaluation over a period of time.

**4.2.6** In the course of the Inquiry an available volume of literature on gambling and casinos, much of this originating from the United States, has been considered. I have had the benefit of the views of many of Australia's experts including clinical psychiatrists and psychologists, sociologists, academics, gambling-addiction counsellors and social welfare workers. First hand information and comments have been forthcoming from members of Gamblers Anonymous in Sydney, Hobart and the Gold Coast.

**4.2.7** In the preparation of this Report I have drawn upon such Australian data concerning gambling and its social and economic consequences as exists. Where no data has been found, I have endeavoured to inform myself from numerous sources

including the experts I have mentioned above. A full list of all the sources of information researched in the course of the Inquiry is to be found in the Appendixes and Bibliography to this Report.

**4.2.8** Investigation in the course of this Inquiry has established a very real prospect that the social and economic consequences of problem gambling are substantial, and I add my own to the previous recommendations for research and study of this socially significant topic. With the prospect of two casinos opening in Sydney, there is a clear need for objective, clinical research into their social impact. (See para 4.9.2)

### **4.3 IRRESPONSIBLE GAMBLING**

**4.3.1** A mass of material was gathered in the course of the Inquiry on the subject of problem gambling. I have regarded it as necessary, in view of its importance, to discuss this at some length in section 4.4 of this Report before attempting to examine the effect of the introduction of casinos in relation to gambling. There is, however, another indeterminate and unresearched consequence of gambling and that is the harm caused to individuals and families by gamblers who cannot afford their losses. Earnings may be wholly or partly squandered, leading to personal and family hardship. Commonsense dictates the conclusion that there are many people who do not meet the definition of "problem gambler", but who gamble without due regard to the consequences to themselves and others. Without wishing to make a moral judgment I would style these people "irresponsible gamblers". I take the irresponsible gambler to be the person who, for one reason or another, and perhaps only occasionally, gambles more than due sense of responsibility for personal and family welfare would permit.

**4.3.2** Irresponsible gamblers are not specifically accounted for in gambling studies, presumably because they have not been identified as a distinct group. I am convinced, nevertheless, that irresponsible gamblers outnumber the "problem gamblers" who have attracted the research to date. Future studies into gambling behaviour and its effects on individuals, families and society generally, ought to recognise the potential harm associated with irresponsible gambling.

**4.3.3** I have elevated irresponsible gambling to a level of recognition equal to that of problem gambling by giving it its own distinct section in this Chapter. The purpose of so doing is to mark the importance I attach to it in any comprehensive survey of the effects of all gambling activities. Having marked it out in this way, I am not able to develop any

analysis of the topic owing to the total absence of research and data on the activities of the irresponsible gambler and on the harm deriving from those activities. Undoubtedly the casinos will provide a further opportunity for irresponsible gamblers, but there is simply no material at all available to me to state any opinion or conclusion on this topic and I can carry it no further.

#### **4.4 PROBLEM GAMBLING**

4.4.1 Most research on the effects of gambling on individuals, families and society generally focuses on the "problem gambler". Subject to what I have written in section 4.3 in relation to irresponsible gambling, the most direct and immediate consequence of the proposed casinos upon individuals and families will result from their effect on problem gambling. The deficiency of data makes it impossible to predict with confidence the casino-specific problem gambling consequences. There is ample evidence to support the conclusion that the incidence of problem gambling in a community increases with enlargement of the availability of gambling opportunities. This section presents an overall appraisal of problem gambling. It is in that overall existing context that the effect of casinos is to be evaluated. If it is thought that the tenor of what follows is negative, I emphasise my introductory statement in paragraph 4.1.1. I am not seeking to argue a case against casinos; my purpose is to report objectively.

##### **Problem Gambling Defined**

4.4.2 Many terms have been used to describe people with apparently uncontrolled and disruptive gambling behaviour.

4.4.3 "Pathological" gambling is the term used by most psychiatrists and derives from the Diagnostic and Statistical Manual III (DSM III) of the American Psychiatric Association (1980). The DSM III classifies pathological gambling as a mental disorder of impulse control. It is characterised by "a chronic and progressive failure to resist impulses to gamble, and gambling behaviour that compromises, disrupts or damages personal, family or vocational pursuits". The definition was modified in 1987 to conceptualise pathological gambling as an addictive disorder.

4.4.4 "Compulsive" gambling is the term used by Gamblers Anonymous. For Gamblers Anonymous compulsive gambling "is an illness, progressive in nature, which can never be cured, but can be arrested".

4.4.5 "Excessive" gambling is the term used in the 1988 SIS Report. It defines excessive gambling as "gambling that is frequent, is at times uncontrolled and has resulted in some harmful effects". The word "excessive" was chosen deliberately to denote the fact that what is excessive is a matter of degree and involves personal judgment.

4.4.6 It is likely that each of these terms defines more or less the same people. To avoid an esoteric debate over terminology I have chosen to use the term "problem gambling". This is a term increasingly being used in the United States. It avoids the criticism of "pathological" that it is overly-medical, and of "compulsive" that it is overly-behaviouristic. "Problem gambling" is admittedly subjective to some degree, but it is less subjective than "excessive" and it makes the important point that the "problem" is not the gambler's problem alone - others suffer as a result of problem gambling. "Problem" also avoids the moral value judgments which may be associated with the terms "habitual" or "neurotic" which have also been used to describe the problem gambler.

4.4.7 In this Report the term "problem" gambling is used as including the other descriptions I have noted in paragraphs 4.4.3 to 4.4.6. Problem gambling has the qualities of an addiction and problem gamblers are those who, for one reason or another, are unable to control their gambling and ultimately compromise their own well-being and that of those around them.

#### The Problem Gambler

##### *Characteristics of the Problem Gambler*

4.4.8 For the overwhelming number of people, gambling is just one of many leisure activities. The social or occasional gambler is likely to gamble for entertainment, relaxation, an opportunity to socialise and a chance to win money. The heavy gambler may have the same motivation but gambles more frequently. A small number of people are "professional gamblers" who gamble in the anticipation of profit and generally stay within their budgets without losing control of their gambling.

4.4.9 Problem gamblers are considered a subset of heavy gamblers. For the problem gambler gambling can be an escape from personal problems, a release from boredom,

or a way of coping with depression or stress. Members of Gamblers Anonymous confirmed that, while it is true that financial difficulties often provide the initial motivation to gamble at any given moment, once the gambling begins the need for money ceases to be the dominant factor with the money won simply being re-invested in more gambling. Many problem gamblers believe that money causes and at the same time is the solution to their problems.

4.4.10 Problem gamblers are found in both sexes, among gamblers of all ages and right across the socio-economic spectrum. Studies confirm that many problem gamblers come from families in which at least one parent gambled heavily and where gambling was not ill-regarded. In many cases high family values were placed on material and financial symbols with disregard of saving, planning and budgeting. Most problem gamblers were introduced to gambling through their families at a young age. Informed opinion is that 95% of problem gamblers commenced gambling before the age of 20. Children of dysfunctional families generally are at higher risk of becoming problem gamblers and problem gamblers often report a family history of child abuse and alcoholism. Significant levels of cross-addiction between problem gambling and alcoholism or drug abuse have also been reported.

#### *Indicators of Problem Gambling*

4.4.11 Problem gambling is often referred to as a "hidden disease". Unlike alcohol or drug abuse, problem gambling is not manifested by physical symptoms observable by others and apparent to the problem gambler himself or herself. This hidden nature of problem gambling helps to explain the lack of general awareness of the condition.

4.4.12 A number of criteria are often used to determine whether an individual is a problem gambler. For a diagnosis of DSM III pathological gambling an individual needs to exhibit at least four of nine "maladaptive gambling characteristics". Gamblers Anonymous says that compulsive gamblers will answer "yes" to at least seven of twenty questions. The lists of the DSM III characteristics and the Gamblers Anonymous questions are set out in Appendix G.

#### *The Development of Problem Gambling*

4.4.13 The problem gambler has been described as going through three phases:

1. *The winning phase* involves occasional, social gambling, small early wins, fantasies about winning, increased amount of bets and a "big win".

2. *The losing phase* involves gambling alone, prolonged losing, thinking only about gambling, covering up losses and lying, losing time from work, borrowing to finance gambling, neglect of home life and inability to pay debts.
3. *The desperation phase* involves increased time gambling and increased frequency and size of bets, damaged reputation, alienation from family and friends, blaming others and panic.

#### ***Forms of Gambling Associated with Problem Gambling***

4.4.14 Many problem gamblers show a loyalty to one or a few forms of gambling. It is not true that a problem gambler "will gamble on anything".

4.4.15 The feature of gambling most associated with addictive behaviour is "chasing" losses. Chasing involves repeated plays with ever higher bets in an effort to recoup a loss. There is also an association between the shortness of the period between the placing of a bet and the outcome of the play. The speed of play and variable reinforcement of winning from time to time are, it seems, conducive to problem behaviour. Not surprisingly, problem gambling is most associated with forms of gambling that allow the gambler to chase losses and where the play is continuous with variable reinforcement. Race betting, poker machines and video card machines offer all of these and are widely available in Sydney.

4.4.16 Evidence from experts including Dr Blaszczyński, Dr Clive Allcock, a psychiatrist at Cumberland Hospital, Mr Mitchell Brown, a gambling addiction counsellor with Lifeline in Sydney, and the Rev John Tully, director of New Life Ministry at Street Level in Queensland, confirms the effect that these gambling forms have on some people. Roughly 85% of current problem gamblers in Sydney are men. Where racing is the principal gambling interest nearly all problem gamblers are men. Of those with poker machine addictions nearly half are women over the age of 40. The newest and apparently highly addictive form of gambling is the video card machine. This new group of problem gamblers is composed almost exclusively of single men under the age of 30. Some of these may well have graduated from the pinball and video arcades which, according to some, whet the appetite for young people to play video card machines in hotels as soon as they are able to enter those premises.

4.4.17 Many submissions to the Inquiry have referred to casino gambling as "the most seductive form of gambling". In a number of respects casino gambling seems to have special attractions for problem gamblers. I shall note some that have been suggested. The casino atmosphere is deliberately contrived and artificial and so appeals to a sense of fantasy that many problem gamblers possess. A casino affords an opportunity to act

out the "big-shot" role. The availability of alcohol further adds to an overall environment conducive to loss of control. Casino games reduce the time between the placing of the bet and the outcome creating the continuous play and variable reinforcement associated with addiction. Certain casino games are seen by some to involve skill, a factor associated with many forms of gambling implicated in problem gambling. All casino games allow a player to chase losses, betting again after a loss with ever higher amounts to recoup the losses. The fact that it is not money but chips that are bet reinforces the distance between the play and the reality of the loss.

4.4.18 There is no reason to conclude that the problems associated with casino gambling will be materially different from those associated with other forms of gambling. Casino gambling, however, is likely to speed up the process.

#### *The Prevalence of Problem Gambling*

4.4.19 Estimating the existing prevalence of problem gambling in Sydney, and its anticipated level as a result of the proposed casinos, is central to an assessment of the current and future costs, both human and financial, of casino-related problem gambling. There are several approaches that can be made to forming such an estimate.

4.4.20 One approach is to extrapolate the level of problem gambling from the number of problem gamblers currently using the available support services. It is, however, a flawed approach. The rate at which help is sought is determined by additional factors: the availability of help, community and agency awareness of the problem; and the individual's readiness to face the reality of the problem. The problem gambler's tendency to denial, a lack of information about sources of help, and a limited awareness of problem gambling, even among health professionals, exacerbate the situation.

4.4.21 Population studies are a favoured approach to determining prevalence rates. Typically they lack uniformity in research criteria. Several studies have been undertaken, but the results must be considered cautiously. They provide working guides only for estimating prevalence. Studies in the United States put a range within the total adult population of 0.77%-3.5% for "pathological gamblers", and 2.3%-4.1% for "potential pathological gamblers". Australian research and informed opinion supports varying conclusions to the range of problem gambling in Australia from 0.25% to 4.0% of the total adult population with the actual number nearer the lower figure.

4.4.22 These figures support an estimate of the number of current problem gamblers in Sydney, most of whom have not yet faced the reality of their problem, in the vicinity of 1% of the total adult population.

## **Impact of Problem Gambling on Individuals and Families**

**4.4.23** Evidence available to this Inquiry reveals that the impact of problem gambling on individuals and families is significant. Numerous submissions from churches and other institutions and individuals expressed strong views regarding the consequences of introducing casinos. Some were opposed to casinos on moral grounds alone. Many were concerned about the social harm caused by gambling in the community. Discussions with counsellors, Gamblers Anonymous and Gam-Anon members, and evidence from other experts and from the academic literature support these expressions of concern. Informed sources have estimated that commonly between 5 and 10 other people are affected by the problem gambler's activities. I am satisfied that for the problem gambler, for his or her family and close associates and for society at large, there are serious human costs.

### ***Damage to Mental Health and Stability of the Gambler***

**4.4.24** A hallmark of problem gambling is the refusal of the problem gambler to recognise the problem until personal disaster strikes. Until then, denial works together with deception in a cycle which commonly places great stress on the individual. Unfortunately, gambling is often used as way to cover up that stress. There is evidence that self-destruction is often seen as the only option for a problem gambler who is no longer able to cope.

### ***Family and Relationship Problems***

**4.4.25** Family breakdown, marital separation and divorce were cited as common features associated with problem gambling. The constant deception, dishonesty and excessive secrecy typically associated with problem gambling must erode the trust necessary to keep a family together and take their toll on a spouse and children. Counsellors advise that many conditions of dysfunctional families are commonly associated with families of problem gamblers, although the existence and direction of a causal relationship is not always clear.

### ***Financial Problems***

**4.4.26** To maintain the addiction the problem gambler requires money for gambling and for payments to keep up the appearance of normalcy. The sources of money are predictable and well documented by counsellors and welfare agencies. Salary is normally depleted first, then, where possible, personal savings, and borrowings from



family members and friends. Most will sell property or pawn family possessions to meet day to day financial commitments. The majority of problem gamblers arrange credit or borrow money from banks, secured by mortgages on property or businesses. This can be followed by borrowing from other institutional lenders or "loan sharks", often at extremely high rates of interest.

4.4.27 The Inquiry was told that gambling was a significant factor in a number of non-business bankruptcies. Impression-based conclusions to this effect are not borne out by bankruptcy statistics. Statistics from the Official Receiver in Bankruptcy for the year 1989-90 revealed that the actual number of non-business bankruptcies in New South Wales stated to be caused or contributed to by "gambling or speculation" was quite low: 39 out of 1481 or 2.6% of the total. These figures however, may not tell the full story, given that problem gamblers are not inclined to admit to gambling as the reason for their financial difficulties. On the current state of data and research, the part played by gambling in causing non-business bankruptcies cannot be estimated with any degree of confidence.

#### *Employment Problems*

4.4.28 The problem gambler's preoccupation with gambling often leads to problems in the workplace. Gambling during working hours, loss of productivity and ultimately dismissal are likely concomitants of problem gambling. The lack of sufficient data makes it impossible to estimate the extent of these employment problems with any confidence, but in the current employment market their harm-causing potential is undeniable.

#### *Gambling-related Crime*

4.4.29 As a last resort many problem gamblers turn to committing criminal offences to obtain money. Many studies both in Australia and overseas have documented a relationship between problem gambling and the commission of certain types of offences. Studies in Australia have shown that approximately 50% to 80% of problem gamblers will admit to committing unlawful acts to get money to gamble.

4.4.30 Most gambling-related offences committed by problem gamblers are non-violent in nature and directed against property, not persons. Embezzlement and theft are among the most common gambling-related crimes. The vast majority of problem gamblers who commit gambling-related crimes only are considered to be gamblers first and criminals second.

#### *Costs to Society*

**4.4.31** The actual cost to individuals and to society of problem gambling ought theoretically to be calculable, but once again little research has been done in this area. It is clear, however, that these costs are substantial. They include both direct and indirect costs to the gambler and the gambler's family and employer as well as insurance, care costs, social welfare expenses, lost revenue and other costs to government.

#### **Services Available for Problem Gamblers and Their Families**

**4.4.32** Limited specialised counselling, support and treatment services are currently available for problem gamblers and their families. Experts, counsellors and problem gamblers themselves agree that, for various reasons, help is frequently not sought until the situation is desperate. All of Sydney's available specialised services for problem gamblers and their families assist each other by way of referrals and so endeavour to form a coherent help network. The following paragraphs summarise these services.

#### ***Counselling Services***

**4.4.33** There are three Sydney-based specialised counselling services in NSW with staff trained to deal with problem gamblers and their families:

- Lifeline and Credit Line are operated by the Wesley Mission. Lifeline provides general crisis counselling and special telephone and face-to-face counselling for problem gamblers. Credit Line provides general financial counselling and now provides special services for problem gamblers. In the year ending June 30 1991, Lifeline received 989 calls for gambling-related personal counselling and Credit Line received 774 calls for gambling-related financial counselling. Over 700 face-to-face counselling sessions took place in that year.

At Lifeline there is now a two-week waiting period for services, even though people who seek help are usually already in crisis. The Inquiry was told that Lifeline expects to have to start turning people away because of a lack of time and resources.

- Centacare is operated by Catholic Family Services. It provides telephone and face-to-face counselling to problem gamblers, mostly from Sydney's Western suburbs area. It also provides family support and marriage counselling for people affected by problem gambling. A counselling service to prisoners with gambling problems ceased earlier this year when funding ran out.

- The Salvation Army, through its William Booth Centre, co-ordinates a drug and alcohol rehabilitation program which operates throughout NSW. It is aimed at people with drug and/or alcohol dependencies but up to half of the people in the program have cross-addictions with gambling. There are currently about 200 people in the rehabilitation program.

### *Treatment Services*

4.4.34 There are three specialised hospital-based treatment centres for problem gamblers in New South Wales:

- The Wisteria Unit of Cumberland Hospital at Parramatta, is run by Dr Clive Allcock. Each year it treats about 55 cases, provides counselling to about 50 more, and refers a further 50 people to other organisations. Gambling is only one of the addictions dealt with by the Wisteria Unit. Funding is available through the NSW Health Department but it seems that the funding position is precarious.
- At Prince of Wales Hospital Dr Alex Blaszczyński and Dr Neil McConaghy until recently jointly ran a program, now being run by Dr McConaghy alone, which has seen approximately 50 problem gamblers as in-patients and has counselled a further 100 each year. Funding for that program is also precarious.
- More recently, Dr Blaszczyński ran a treatment centre at the private St John of God Hospital in Burwood. He saw approximately 20 problem gamblers in that program in the last year. He plans to continue a program for problem gamblers at Liverpool Hospital, subject to funding being made available.

4.4.35 Mr Mitchell Brown, who runs the gambling addiction counselling service at Lifeline, believes that problem gambling is curable in most cases and that often not much more is needed than trained counsellors, a supportive environment and a desire on the part of the gambler to regain control of his or her life. Mr Laurie Bowe, and others from Centacare, confirm the benefits of counselling. It is agreed that these and hospital-based treatments have value to some, but no single treatment works for all. Prof Dickerson told the Inquiry that in his opinion a holistic approach incorporating the problem gambler and his or her family and extended support structures was the most effective form of treatment.

### *Gamblers Anonymous and Gam-Anon*

4.4.36 Services held in high regard are those offered by Gamblers Anonymous and Gam-Anon. They stand apart from the other services available to problem gamblers. They receive no government funding and seek none. Gamblers Anonymous and Gam-Anon style themselves as "fellowships" of problem gamblers and their families respectively. They are committed to the mutual emotional support of their members. No records are kept, but Gamblers Anonymous estimates that approximately 200 members meet each week at about 25 Gamblers Anonymous meetings in the Sydney area while approximately 60 members meet each week at about 6 Gam-Anon meetings.

4.4.37 I and two members of the Task Force were invited to meet a group of eleven Gamblers Anonymous members from various groups around Sydney. They conducted a simulated meeting to acquaint the Inquiry with the nature of their organisation and the manner in which their meetings function. I was appreciative of this opportunity as observers are not normally permitted to be present at meetings. The members present at the meeting spoke candidly of their experiences with problem gambling and afforded the Inquiry valuable, and at times harrowing, insights into the effect that problem gambling had on their lives. They emphasised that their organisation is non-judgmental in all respects and does not involve itself in the politics of gambling. Gamblers Anonymous hold no opinion on the subject of gambling in general and the establishment of the proposed casinos in particular. They provided useful advice into how steps might be taken to prevent or lessen the impact of the proposed casinos on potential, as well as actual, problem gamblers.

#### *Conclusion Regarding Social and Related Services*

4.4.38 The various services available to problem gamblers and their families are of significant value in our society. The resources committed to these services are, at the present time modest, and, concurrently with lifting public awareness, an increase in those resources is much needed.

4.4.39 The Johns Hopkins Centre in Maryland USA has had an intensive, hospital-based treatment centre of gambling addiction for many years. The benefit to cost ratio of treatment of gambling problems was said to be in excess of 20:1. The efficacy of alcohol treatment could only claim a benefit to cost ratio of 2:1 after one year of treatment. Dr Robert Politzer of Johns Hopkins wrote in 1985:

Pathological gambling not only ranks among the most expensive illnesses afflicting society, but is also the least expensive to treat and the most "curable" when treated.

He added that, if untreated, the costs of pathological gambling "will far surpass the costs of other catastrophic illnesses as the latter remain the focus of our health care while the former is ignored".

4.4.40 Even with the constraints of the limited data there is every reason to believe that there are significant hidden costs to the community arising from problem gambling. Effective treatment can be made available in a counselling, group support or a hospital setting. The costs of these are small in comparison to those incurred if problem gambling is not treated.

#### Changing Attitudes of Government and Industry

4.4.41 There is evidence to suggest that attitudes in government and in the gambling industry are changing. There is a growing recognition of the need for remedial action to address gambling-related problems.

4.4.42 Pursuant to a government directive all TAB agencies in NSW now post signs alerting people with gambling problems to a number they may call for help.

4.4.43 Within the club industry, the President of the Club Managers Association said that he would support more efforts being directed at helping problem gamblers. The Chairman of the Poker Machine Council of Australia felt a greater awareness of problem gambling was necessary. The Executive Director of the Registered Clubs Association of NSW told the Inquiry that he recognised that society is leaning toward greater social awareness and responsibility and advised that an industry Code of Conduct was being considered. When I and other Task Force Members visited the Penrith Leagues Club on October 16 we were told that a decision to post signs for problem gamblers was in the course of being implemented. These are welcome indications.

4.4.44 Some casinos elsewhere have recognised that they have social responsibilities. In Tasmania the newly formed Gamblers and Bettors Addiction Association receives financial support from the operator of the Tasmanian casinos, Federal Hotels. The Excessive Gamblers Association in Perth is supported by the Burswood Casino. In the United States the large casino operator Harrahs is now funding a counselling service for staff and staff family members with drug, alcohol and gambling problems.

## 4.5 INTRODUCTION OF CASINOS

**4.5.1** It is logical to conclude, as I do, that the introduction of casinos will increase the number of gamblers and problem gamblers. On presently available data, the extent of that increase cannot be reliably determined. There is no reason to believe that casinos will create different kinds of problems for the problem gambler but it is generally accepted that problems will arise sooner than they might with other forms of gambling.

#### **Local Patronage at the Proposed Casinos**

**4.5.2** Although catering for the overseas tourist market, most Australian casinos are supported by local residents. Estimates from the casinos in Adelaide, Perth and the Gold Coast suggest that 70-90% of casino patronage is drawn from the local population. It is probably safe to conclude that in Sydney also the majority of the patronage will come from the local population.

**4.5.3** A Sydney Morning Herald survey published in 1985 showed that 79% of those asked were in favour of legalised casino gambling in NSW. A survey was conducted in 1990 by final year management students at Sydney Technical College to determine attitudes to casinos. In all, 757 people were interviewed in Sydney. The mean age of respondents was 27 years. Seventy-six percent approved of casinos. Asked if they would go to a casino, 61% of the men and 50% of the women said they would. A 1982 survey conducted in Hobart by the Blackburn North Baptist Church reported that in the nine years since the opening of the Wrest Point casino 72% of the adult population of Hobart had visited the casino and 42% had gambled.

**4.5.4** Based on the experience in other urban casinos in Australia, it is safe to conclude that there will likely be a honeymoon period lasting 12 to 18 months when many locals will visit the casinos out of curiosity. With Sydney's larger population this may extend longer.

**4.5.5** People who normally bet on racing, poker machines, video card machines or other gambling forms can be expected to visit the casinos. Also included in casino patronage will be those for whom the TAB, the racetrack, registered clubs and hotels hold no allure but who may try casino gambling just to see what it is like. Equally, many people who may have been dissuaded from casino gambling in the past partly due to its aura of illegality may be less hesitant about casino gambling once it is legalised. A

proportion of the professional, office and retail industry population of Sydney's Central Business District is likely to be attracted to the Lands Department building casino.

## Casinos and Crime

### *Casino Gambling-Related Offences*

4.5.6 The relationship between gambling and the commission of certain offences has been discussed (paras 4.4.29 - 4.4.30). Evidence confirms that some people with gambling problems arising from casino gambling do commit crimes to get money to gamble and anecdotal evidence suggests that some of these may involve large sums of money.

### *Street Crime*

4.5.7 It is frequently asserted that the presence of casinos will lead to an increase in offences such as theft, assault, vandalism and offensive behaviour in the immediate vicinity of the casinos. The Inquiry's research, however, suggests that there is no conclusive link between the presence of casinos and street crime.

4.5.8 Reference has frequently been made to the Atlantic City experience where, it is claimed, crime levels increased following the introduction of casinos. More recent studies examining the issue of crime in Atlantic City have cast doubt on data used to justify these claims.

4.5.9 There does not appear to be firm evidence to demonstrate an increase in casino-related street crime in Australia. While casino carparks have been identified as venues for various crimes, these crimes are as much related to the presence of large numbers of tourists as the presence of casinos. The 1991 Connor Report comments that it may well be the case that the higher numbers of security staff and government inspectors in fact makes the casino a safe environment - particularly for female patrons. My impression from discussions in South Australia is that the establishment of the Adelaide casino has improved the safety of the immediate vicinity.

4.5.10 It would appear that any increase in street crime in and around the Sydney casinos is likely to be no more than would be expected from an area where numbers of people, among them moneyed tourists, may gather.

## **4.6 CONSUMER PROTECTION IN CASINOS**

**4.6.1** In the course of the Inquiry it has become apparent that there are a number of "consumer protection" initiatives that should be introduced in casinos. Most of these have already been addressed in the draft legislation. I shall comment briefly on the various initiatives that have been suggested.

### **Prohibition of Extending Credit**

**4.6.2** Clause 72 of the draft Bill prohibits the extension of credit to a patron. This clause does not limit the operation of clause 73 which deals with cheques and deposit accounts. Given that most problem gamblers will borrow money to gamble, a restriction on credit is important. If cheques are cashed freely some of the advantages of a credit restriction are lost: if there is no money to cover the cheque, in practical terms credit will have been given. Clause 73 addresses this problem by preventing a casino operator from accepting post-dated cheques or cheques from persons whose previous cheques were not met on presentation to a bank within one day. The effectiveness of these provisions as deterrents to problem gamblers will depend on the diligence of the inspectorate in enforcing the relevant conditions of the licence.

### **Prohibition of Automatic Teller Machines in Casinos**

**4.6.3** Any gains through the credit and cheque-cashing restriction are likely to be lost if automatic teller machines (ATMs) are permitted in the casino. A gambler intent on chasing losses could get the funds to do so either from his or her own account, or by a cash advance on a credit card. There are strong grounds for prohibiting ATMs from the casinos and I recommend accordingly. It should be noted, however, that even if ATMs were to be excluded from the casino premises they could not reasonably be prohibited from installation outside casino property and I do not recommend that any attempt should be made to do so. Members of Gamblers Anonymous expressed the view that the enforced leaving of the premises and its gambling-permeated aura in order to access an



ATM installed outside could in some cases bring about an effective interruption of the drive to continue a gambling episode.

## Signs

4.6.4 Many have argued that the gambling industry should be forced to post appropriate "consumer protection" warnings as to the effects of problem gambling. New South Wales TAB offices have been required to post signs. The signs read: "IF GAMBLING IS CREATING PROBLEMS IN YOUR LIFE - TELEPHONE LIFELINE" and a number is given. At the request of Gamblers Anonymous similar notices are now posted in the casinos in Hobart and Launceston. As a result of representations by the Excessive Gamblers Association in Perth signs are posted in the Burswood Casino in Perth. Efforts to have signs posted in most other Australian casinos have not been as successful. According to one senior official in the casino industry, there is a perception in other casinos that such notices would not be good for business.

4.6.5 There is evidence to show that these signs are effective. Calls to various help agencies have been prompted by these signs. Gamblers Anonymous members stated that signs in the proposed casinos would be helpful. They bring to the attention of the reader that gambling may cause problems. Signs have a real potential to confront a problem gambler with the reality of gambling-related problems and lead to earlier calls for assistance. They may also prompt general awareness of the potential of gambling to cause harm. Given that signs have proved useful and that not all casino operators are willing to post signs voluntarily, there is good reason for the Authority to require that signs be posted and I recommend accordingly.

## Exclusion of Patrons Whose Gambling May be out of Control

4.6.6 Clause 77 of the draft Bill empowers exclusion orders to be made to prohibit a person from entering or remaining in a casino. Clause 82 makes it an offence for a person subject to an exclusion order to enter or remain in the casino. The power is wide enough to permit exclusion orders to be made in respect of gamblers who appear to be gambling in an uncontrolled manner. Some have suggested that the casino should be required by law to exclude people whose gambling appears to be out of control. There are difficulties with this suggestion and I do not adopt it. Such a requirement could be seen to create a statutory duty with a co-relative right to sue the casino for failing to stop the gambler from gambling. This could place an almost impossible burden on the

operator. It seems reasonable to expect that the casino management and staff could, with proper training, identify these problems. Training of management and staff coupled with a policy regarding suspected problem gamblers would seem to be appropriate.

### Self-banning

4.6.7 The powers in clauses 77 and 82 of the draft Bill are probably wide enough to extend to the making and enforcement of a self-banning order. While the power to exclude self-banning patrons exists elsewhere, few Australian casinos have taken positive steps to encourage the practice. Enforcement problems are often cited by casino operators as a main reason why self-banning is not actively promoted and is rarely used. They also express concern as to whether a gambler's initial application for a self-banning order is truly voluntary and whether the casino can lawfully refuse entry if the gambler claims to have changed his or her mind.

4.6.8 In England the "48-hour rule" is said to prevent individuals from entering a casino and gambling on impulse (para 2.5.4). I am of the opinion that this is of limited practical value. In any event, the 48-hour rule is unworkable in public casinos such as those proposed for Sydney and would probably be unacceptable to Australians generally.

4.6.9 In Launceston and Hobart the casinos will, on request, furnish a problem gambler with a form on which a gambler admits to having a gambling problem and agrees to being refused entry to the casino. The gambler specifically indemnifies the casino "against any act whatsoever that might result from any forcible restraint that might arise". The voluntary exclusion order is intended to have the force of an ordinary exclusion order. The self-banning order is co-signed by a third person, usually a doctor, lawyer or other professional person. Spouses and relatives of the gambler are not allowed to co-sign. The self-banning order can only be removed with the concurrence of the co-signer. A similar self-banning procedure exists at Lasseter's Casino in Alice Springs. In other casinos that provide for self-banning the orders can generally be rescinded by the gambler alone, once a prescribed notice period is given.

4.6.10 The Tasmanian practice appears to be both practicable and beneficial. Gamblers Anonymous members, and a variety of others whose opinions on this issue carry weight, endorse the desirability of providing a mechanism for self-banning orders. As there may be room for argument as to whether it is correct that the existing powers in clause 77 are wide enough to authorise such orders, I recommend that specific reference to self-banning orders should be included in clause 77.

Notification of Rules of Play and the Odds

**4.6.11** Clause 70 of the draft Bill requires that patrons be furnished with the rules of play for each game on request. Further, the Authority can require information as to the odds of winning and other matters to be prominently displayed. The Authority should not be hesitant in exercising this power. In that regard it could be noted that the stated odds are rough estimates only, seen after long hours of continuous play, and that inexperienced gamblers raise the house odds.

#### **Junkets and Other Inducements**

**4.6.12** Clause 74 of the draft Bill contemplates regulations being made with respect to regulating or prohibiting the promotion and conduct of junkets. Many submissions supported the view that junkets should be prohibited. Since most junkets involve gamblers from overseas, the concern for the local gambling population would appear to be minimal. They represent an important part of the casino's revenue base and appropriate regulation of this line of business is all that is called for. I do not endorse the calls to prohibit junkets.

**4.6.13** Many casinos provide inducements to gamblers to attract them to casinos or, once there, to keep them gambling. These include free transportation, free meals, drinks and accommodation. Concerns have been raised that these inducements play on a problem gambler's delusions of grandeur and assist in the loss of control. Gamblers Anonymous members confirmed that casinos will go to great lengths to hold onto a "good loser". There are strong reasons for developing guidelines regarding the provision of inducements generally and I recommend that the Authority give consideration to this.

#### **Regulating Advertising**

**4.6.14** Many were concerned that casino advertising should be closely regulated. In particular there was concern that lifestyle advertising which promotes the so-called "glamour" of the casino would be particularly seductive to people likely to become problem gamblers and should not be allowed. Personalised letters soliciting previous patrons to return were also criticised as tempting would-be abstainers to resume gambling.

4.6.15 I am of the view that the existing power to make regulations governing advertising relating to a casino (Sch 3 cl 6 of the draft Bill) is as far as the legislation should go. It is a power, however, which should be sparingly used, with full regard to the extent of the freedom of other gambling industries to advertise and promote their activities. The casino, as a competing business, should be allowed a level playing field. Regulation of gambling advertising would seem to be a matter for general application across the gambling spectrum. Consideration of general policy in this regard and its enactment is not a matter for the present Report.

#### **Prohibiting Minors from Casinos**

4.6.16 Part 6 of the draft Bill is a comprehensive and adequate code for preventing minors from entering a casino.

#### **Trading Hours**

4.6.17 Clause 69 of the draft Bill allows the Authority to set the trading hours of the casino. There has been strong opposition to 24-hour trading. It is said that such trading is likely to disrupt the working lives of many men and women and that 24-hour trading provides an open invitation for problem gamblers who are unable to control their gambling, even though they often want to. On the other hand casino operations should not be dominated by subservience to the interests of the small percentage of actual or potential problem gamblers. There seems great force in the proposition that if customers wish to gamble all day and all night they should not be prevented from doing so. Some of the Australian casinos permit this. Material gathered in the course of the Inquiry does not support a conclusion that positive harm has in fact been caused by 24-hour trading. The matter seems to me to have been properly dealt with in the draft Bill by being left under the control of the Authority. There are so many variable factors to be weighed that I recommend against mandatory and inflexible times being prescribed in the legislation.

#### **Pawn Broking**

4.6.18 There have been some expressions of concern regarding the close proximity of pawn broking businesses to the casino. Mr Robin Tredrea, a pawnbroker in Adelaide, informed the Inquiry that, in the honeymoon period during the first 18 months after the

Adelaide Casino opened, business was so brisk that his premises had to be expanded. He attributed this entirely to the casino. Interestingly, his casino-related business is down to a trickle some five years later. Reports from Perth also confirm a temporary surge in the pawn broking business after casinos were established there.

4.6.19 Mr Vin Glenn from the Adelaide Central Mission expressed great concern that a pawn shop was allowed to open adjacent to the Adelaide casino. As I have already noted (para 4.4.26), many problem gamblers pawn personal property to obtain gambling money. The ready availability of pawn shops may exacerbate the gambler's problems. Further, pawn shops are susceptible of being used by thieves to convert stolen property into cash with which to gamble. Against these considerations it can be said that pawn broking is a legitimate business and people may wish to pawn their own property to get cash for reasons other than gambling. Without under-rating the legitimacy of the concern that has been expressed, I am not persuaded that the far-reaching step of extending the scope of the Bill to affect the use of neighbouring premises is justifiable. I refer to the comments I have made above (para 4.6.3) in relation to the installation of ATMs outside casino property.

#### **4.7 STATUTORY OBJECTS OF THE AUTHORITY**

4.7.1 The draft Bill confers extensive powers on the Authority. As a matter of law the exercise of those powers must be related to the statutory objects laid down for the Authority in clause 138. These are to administer that system for the purpose of ensuring that casinos are free from criminal influence or involvement, ensuring that gaming is conducted honestly, and promoting tourism, employment and economic development generally in the State. There is no express reference to what might be called the humanitarian aspects of operating casinos. The objects should in my view be extended to include ensuring that the consumer protection initiatives discussed above (paras 4.6.1 - 4.6.19) can be introduced, and that all reasonable steps can be taken to contain and control the potential of casinos to cause harm to the public interest and to individuals and families.

#### **4.8 COMMUNITY BENEFIT LEVY**

**4.8.1** Clause 113 of the Bill provides for the creation of a Community Benefit Fund by imposing a levy in respect of each casino licence. The Fund is to be the subject of the creation and operation of a trust deed. The trust deed is to contain provisions approved by the Minister relating to its application for the benefit of the community. The trustees may make recommendations for the application of money in the Fund and the Minister may pay money out of it in accordance with the recommendations. In effect the trustees make recommendations for the Minister's approval; the Minister cannot act independently of the trustees' recommendations and for practical purposes could be regarded as simply having a power of veto. I do not think it appropriate to encumber the trustees or the Minister with any comments as to the administration of the Fund. It is a most worthy concept and I fully endorse its incorporation in the Bill.

**4.8.2** I have not accepted the strongly pressed view that the Fund should be used as the source of funds to alleviate the socially harmful aspects of gambling generally or casino gambling in particular. The proposal in the Bill is that the money from the fund should be applied "for the benefit of the community". The trustees will be fully at liberty to recommend gambling-related community benefit applications, but the trustees should not be regarded as having primary public responsibility in that regard. If that view were taken, governments in the future could see themselves as free from having to play a role of addressing gambling-related social harm.

**4.8.3** Before leaving reference to the Fund I regard it as desirable to require the trustees to make an annual report to Parliament. It may be that when the trust is formally established it will fall within the scope of the Annual Reports (Statutory Bodies) Act 1984. If it does not, then a specific statutory obligation to report should be imposed on the trustees by clause 113. This is one aspect of a much wider principle: the public importance of proper administration of casinos, the necessary width of the powers and discretions of the Authority and the need to ensure public confidence in every aspect of the administration of the legislation combine to create a high level of public accountability; publicly available reports to Parliament are a most important element meeting the requirements of accountability.

## **4.9 FUNDING FOR RESEARCH, EDUCATION AND SERVICES**

**4.9.1** In paragraph P15 of the Preface to this Report I made specific reference both to the need for, and to the funding of, social programs. The paragraph will bear repeating:

There is a final consideration to which I attach a high degree of importance. The tax revenue derivable from one or more casinos could provide the source of generously adequate funding for major on-going research into and study of the overall effects of all forms of gambling, a major public educational program covering the potential dangers of all forms of gambling and major extensions of the support and therapeutic services available to alleviate the harm caused by all forms of gambling. As gambling is a national predilection, it would seem entirely appropriate that the research and educational programs be conducted on a national basis. NSW could, perhaps, initiate a joint program with other States and Territories financed by casino revenues from across the nation. The social services responsibilities of the Commonwealth could well result in its active support for such an initiative.

**4.9.2** My specific recommendation, pursuant to those comments, is that generously adequate funding should be made available to meet those needs. Casino taxation revenues dwarf the amount required in this regard. The quoted paragraph is a summary. Twelve specific topics justifying inclusion in these programs have been identified during the course of the Inquiry:

1. A continuing media campaign designed to raise the level of awareness of problem gambling in the community. The campaign should include education in schools and in the workplace.
2. Research into gambling behaviour generally, including, but not limited to, research into the nature and prevalence of problem gambling, factors affecting the development of problem gambling and the relationship between problem gambling and crime.
3. Research into the social and economic effects of problem gambling on individuals, families and the community generally including research into the costs of problem gambling to the community.
4. Research into treatment of problem gamblers including a study of the costs and efficacy of various forms of treatment.
5. The establishment of a centralised reference facility for information on problem gambling.
6. Specialist training for personal and financial counsellors to enable them to effectively counsel people with gambling problems.

7. **Provision of personal and financial counselling services for problem gamblers.**
8. **Provision of crisis accommodation for problem gamblers.**
9. **Provision of hospital in-patient treatment facilities for problem gamblers.**
10. **Specialist training for counsellors and other social welfare workers to enable them to detect and effectively counsel and help family members and others affected by their relationship to a problem gambler.**
11. **Provision of counselling and other welfare services for family members and others affected by their relationship with a problem gambler.**
12. **The operation of a toll-free 008 number to provide counselling and referral services for problem gamblers and others affected by problem gambling.**

I add a final note to this list, namely that the repeated references in it to problem gambling should be regarded as extending to all problems caused by gambling. I have in mind particularly the need to include the consequences of irresponsible gambling amongst the problems caused by gambling.





## Chapter

### 5

## TOURISM, ECONOMIC & EMPLOYMENT IMPACTS

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Term of Reference 2: The impact of the proposed legal casinos in Sydney on tourism, employment and economic development in the State.

### TOURISM

#### 5.1 INTRODUCTION

#### 5.2 THE IMPACT OF AUSTRALIAN CASINOS ON TOURISM

#### 5.3 MAINTAINING SYDNEY'S COMPETITIVENESS

#### 5.4 IMPACT OF CASINOS ON TOURISM INFRASTRUCTURE

### ECONOMIC AND EMPLOYMENT IMPACTS

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#### 5.6 ECONOMIC AND EMPLOYMENT EFFECTS ON OTHER INDUSTRIES

##### Effects on Other Forms of Gambling

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#### 5.7 REVENUE TO CASINOS

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#### 5.9 EMPLOYMENT IMPACTS

**Direct and Indirect Employment Opportunities**  
*Net Employment Benefits*

**CONCLUSION**

## **TOURISM**

### **5.1 INTRODUCTION**

**5.1.1** Over the last decade tourism has grown into one of Australia's major industries. In 1989-90, domestic and international tourists contributed \$23.4 billion to the Australian economy and helped create 440,800 jobs. Foreign exchange earnings from international tourist expenditure were \$7.3 billion (10% of Australia's export earnings), surpassing earnings received from many of the traditional export industries such as wool. For NSW, tourism has been identified as offering the most immediate and substantial opportunity for economic development. Total tourist spending currently contributes \$7.6 billion to the State's economy and employs 153,000 people or 6% of the workforce. (Bureau of Tourism Research)

**5.1.2** The introduction of casinos throughout Australia has been supported on the basis of the casinos' ability to stimulate tourism growth. It has been argued that casinos are an important element for improving a region's overall tourism product and competitiveness with other regions. Not only do tourists spend money at a casino; they also provide associated benefits to the accommodation, restaurant, retail and other sectors of the tourism industry.

### **5.2 THE IMPACT OF AUSTRALIAN CASINOS ON TOURISM**

**5.2.1** No systematic studies have been conducted to determine the effects of existing Australian casinos on tourism. Accurate predictions of what effects the proposed Sydney casinos will have on tourism are hampered by this lack of empirical evidence. In particular, comparable tourism data is not available for periods prior to 1984-85 and this limits comparisons of visitation levels before and after the opening of casinos elsewhere in Australia. The experience in other States is, however, of some use in attempting to assess the tourism impacts of the proposed casinos in Sydney although the very different gambling patterns in NSW necessitate caution in drawing on that experience.

**5.2.2** Casinos have been successful in boosting tourism in already existing tourist resort areas (Gold Coast and Alice Springs) and in those States with small economies (Northern Territory and Tasmania). In some cases this initial increase in tourism has not

been sustained. Casinos have been upgraded and changes in marketing strategies have been made to lift tourism levels and also to encourage greater local patronage. In large urban areas casinos rely heavily on the local population for patronage rather than on tourists, but 10% - 30% of their patronage comes from tourists. Sydney's casinos could expect to achieve at least a comparable result.

**5.2.3** It is fair to say that in Australia most casinos and their adjoining facilities have had a positive economic effect on the city in which they are located. They have diversified the city's range of tourist attractions and have enhanced its image as a city. The Jupiters Casino/Conrad International Hotel complex is viewed by many as a landmark on the Gold Coast. Similarly, the Adelaide, Burswood and Wrest Point casinos have added a new dimension to the entertainment facilities of their respective cities.

### **5.3 MAINTAINING SYDNEY'S COMPETITIVENESS**

**5.3.1** Sydney is the most popular destination in Australia for both international and domestic visitors. Of the 2.2 million international visitors to Australia in 1990, approximately 66% visited Sydney, 30% visited Melbourne, and 21% visited Brisbane. In the domestic field, Sydney received 4.1 million visitors in 1989-90, the largest share (7%) of the total visits made by Australian residents to tourist destinations within Australia, followed by Melbourne (5.5%) and Brisbane (4.5%). It is important to note that tourism benefits are not only measured by the level of international and interstate visitors, but also by the extent to which NSW residents can be influenced not to travel outside the State.

**5.3.2** Whilst Sydney's share of the domestic market has remained relatively stable over the last five years, the proportion of international visitors who come to Sydney has fallen from 71% five years ago to the current proportion of 66%. This fall reflects the growing level of competitiveness of other regions and has been particularly evident in tourists from Asia choosing other destinations such as Cairns, the Gold Coast and Perth. This competition can be expected to intensify with the forecast growth in international tourism.

**5.3.3** There is a widely held view in informed circles, including the Tourism Task Force, the Sydney Convention and Visitors Bureau and the NSW Tourism Commission, that a casino will not have a significant impact on tourism levels unless it is accompanied by a world-class entertainment facility. All agreed that a casino licence should be viewed

as a powerful tool in facilitating the provision of a major multi-purpose facility. This could include much needed theatre accommodation and other resort and recreational developments. The calibre of the facility would need to be sufficient to surpass other casino-related developments in Australia. According to these sources, the casinos and associated facilities will add to the attractiveness of Sydney as a destination and will encourage visitors, both international and domestic, to increase their length of stay in Sydney. This will in turn result in attendant revenue and employment benefits to the State.

**5.3.4** In the field of international tourism the visitor markets most likely to increase are those that are particularly identified with casino gambling - the high rollers and premium players from Asia. In its submission, Qantas identified tourists from Indonesia and Malaysia as likely to be attracted by the casinos. It is well established that, compared with other international visitors, visitors from Asia have a higher propensity to attend casinos whilst in Australia and to spend a higher than average amount of money per trip on gambling.

**5.3.5** The market for conventions and exhibitions is shared between Sydney, Melbourne, Brisbane and the Gold Coast. An important factor in the hosting of conventions and exhibitions is the ability to provide a range of social and entertainment activities. The NSW Tourism Commission is of the opinion that, in the context of the existing local entertainment and retail facilities, the establishment of a casino in the vicinity of Darling Harbour will enhance the prospects of securing national and international conventions and exhibitions. In achieving this, much will depend on the large casino proposed for that location being accompanied by major entertainment and other amenities currently lacking in Sydney.

**5.3.6** In summary, I am satisfied that the introduction of casinos will provide a unique opportunity to obtain for Sydney a substantial enhancement of the city's tourist attractions such as an associated major entertainment development. Equally I am satisfied that, together with the casinos themselves, this will have a positive effect on tourism in Sydney in particular and in the State in general.

## **5.4 IMPACT OF CASINOS ON TOURISM INFRASTRUCTURE**

**5.4.1** The infrastructure planning that should be taken into account at an early stage of a casino proposal includes a number of specific topics and I note some of them:

- **Accommodation:** The current oversupply of international class accommodation in Sydney will be overtaken by 1995; additional accommodation, possibly as part of the casino development planned for the Darling Harbour/Pymont area, will be necessary to cater for the expected increase in tourism in the ensuing years.
- **Local Transport:** Popular methods of transport for casino patrons in other States have been shown to be by car or by taxi; other transport services will nevertheless be required including adequate parking facilities and links with existing public transport services.
- **Air Services to Sydney:** Over half of the international visitors to Australia currently arrive through Sydney's International Airport. This percentage has been declining over recent years. Sydney's airport as the "Gateway to Australia" is becoming less competitive due to the increasing number of international airports being established throughout Australian cities and the increase in services by international carriers to other airports. The State Chamber of Commerce expressed the view that the extent of Sydney's attraction will depend on its accessibility and the provision of adequate airport facilities. The NSW Tourism Commission considers that the third runway will provide Sydney with the ability to capitalise on the growing international tourism market and is vital to the future of the tourism industry.

## **ECONOMIC AND EMPLOYMENT IMPACTS**

### **5.5 INTRODUCTION**

**5.5.1** The effects that the proposed casinos will have on the economic development of NSW will be dependent upon the financial viability of the casinos. As exact details of the size and nature of the casinos have not yet been determined, the potential economic effects of the casinos are difficult to predict with accuracy. There are four potential sources of gross revenue for casinos: first, some gamblers who currently patronise the racing, registered clubs or other forms of gambling will shift their activities to casinos; secondly, some of the last mentioned gamblers, whilst retaining their current gambling interests, will extend their expenditure to include casinos; thirdly, visitors to Sydney, both domestic and international, will contribute an additional revenue stream; and fourthly there will be some whose gambling activities commence with the introduction of casinos.

The economic viability of the casinos will be dependent on the aggregated response of all four sources. The first and second sources are to some extent inter-related. It will be necessary to examine that inter-relationship with specific reference to the employment impacts of the introduction of casinos on other sectors of the gambling industry.

5.5.2 In its deliberations, the Inquiry took account of the economic outcomes of other casinos in Australia and sought to apply them to NSW, with due regard to the different characteristics of the State. One of the main difficulties in applying the results of other casinos to NSW is that no other casino State has the registered clubs and poker machine gambling market found in NSW. The effect that registered clubs will have on the potential revenue of the casinos, and vice versa, remains a largely unknown factor.

## 5.6 ECONOMIC AND EMPLOYMENT EFFECTS ON OTHER INDUSTRIES

### Effects on Other Forms of Gambling

5.6.1 Major concerns were raised about the effect of a shift in gambling expenditure from existing forms of gambling to the casinos. Gambling industries in NSW - the racing and registered club industries in particular - fear that their revenues will be eroded by the introduction of a new competitor for the gambling dollar. It seems likely that there will be some shifting of gamblers to casinos from other forms of gambling, at least during the honeymoon period of casino operations.

5.6.2 There is evidence that, alongside the prospect of a shift from other forms, the opening of new gambling avenues will lead to people spending more money on gambling and adding to their range of gambling activities. Increases in gambling expenditure as a percentage of household disposable income were observed after the introduction of casinos in Queensland, South Australia and Western Australia. This is discussed together with a tabulation of data in paras 3.6.2 - 3.6.4. It is reasonable to conclude that there will likewise be some increase in gambling expenditure in NSW, but it will probably not be as large as in other States. As the Table in para 3.6.2 shows, the actual gambling expenditure in NSW is already higher than in any other State. As noted in para 3.4.1, there are more gambling opportunities currently available in NSW than anywhere else in Australia. It has been suggested that there must come a point at which the NSW

gambling market is saturated. I need not stay to consider whether or not this is a valid proposition. There is no material to establish that such a point, if it exists, has yet been reached. Sydney's high and varied population base will have a bearing on its capacity to sustain the financial viability of casinos without significantly affecting other gambling industries.

### *The Racing Industry*

5.6.3 The racing industry occupies a time honoured place in the nation. Over the years it has provided recreation and employment throughout Australia and its widespread acceptance as a valued institution in our society needs no emphasis. It has, however, been losing its national market share over the last 17 years. The following Table illustrates the market shares of racing and other forms of gambling between 1972-73, before casinos were introduced, and in 1989-90. In the casino states the racing share has dropped markedly, although in 1989-90 it was still greater in those States than in NSW. The statistics show, also, that in Victoria, the other non-casino State, there was a substantial drop in the racing share over this period. It needs to be observed that the change in market share does not necessarily establish a shift from one form to the other. The total gambling expenditure in all States has increased from 1972-73 to 1989-90. (See para 3.6.2)

**Racing Expenditure v Gaming Expenditure 1972-73 and 1989-90  
Proportionate Share of Market by State**

STATE		1972-73	1989-90
New South Wales	Racing	28.3	26.1
	Gaming	71.7	73.9
Queensland	Racing	80.6	38.6
	Gaming	19.4	61.4
South Australia	Racing	74.6	31.3
	Gaming	25.4	68.7
Western Australia	Racing	84.5	29.3
	Gaming	15.5	70.7
Tasmania	Racing	65.6	28.4
	Gaming	34.4	71.6



Victoria	Racing	87.6	48.2
	Gaming	12.4	51.8
ACT 1976-77 (1972-73 figures N/A)	Racing	50.0	17.4
	Gaming	50.0	82.6
NT 1978-79 (1972-73 figures N/A)	Racing	62.6	31.1
	Gaming	37.4	68.9

Adapted from Australian Gambling Statistics 1989-90 pp 72-75 and estimates from the NSW Chief Secretary's Department, which include allowances for AADs.

5.6.4 It is clear that in relation to market share the situation in NSW cannot be equated with that in other States either in the sizes of the shares or in stability over this period. Since 1972-73, the racing industry market share has declined across the rest of the nation while the market share of the NSW racing industry has remained relatively stable at percentages in the middle to upper twenties. The racing industry in NSW has, for many years, had to compete with other gambling forms, principally poker machine gambling in registered clubs. A question arises how it is that the NSW racing industry has held its own alongside poker machine gambling which, as noted in para 3.4.3, presently holds 58% of the NSW gambling dollar. One view is that the number of racing enthusiasts in NSW sufficient to maintain the racing industry's share of an ever-increasing gambling market is secure. Put differently, those gamblers who, given the choice, would have left racing for another form of gambling, have already done so. It cannot be concluded, however, that casinos will not attract some racing gamblers. This consideration is relevant in determining the likely extent of the shift of gamblers to casinos from other forms of gambling.

5.6.5 The racing industry has emphasised to the Inquiry that in Western Australia, South Australia and Queensland the total racing turnover decreased in the year immediately following the introduction of casinos. Figures for racing turnover represent the amount of money wagered. The advice received by the Inquiry was that, when analysing the industry's performance, total racing turnover is not the best indicator to use. Expenditure data provides an indication of the amount lost or not returned to the gambler, that is to say gross profits to the industry, and is considered a more accurate indication of the level of prosperity in the racing industry.

5.6.6 The following graphs show the movements in real racing expenditure (ie gross profits) in the three large urban casino States and the two non-casino States between 1983-84 and 1989-90. It is noted that casinos were introduced in Western Australia in

1985, in Queensland in 1985 and 1986, and in South Australia in 1986. The levels of racing expenditure in the casino States fell immediately following the introduction of casinos, but thereafter recovered to expenditure levels prior to the establishment of casinos. The contrasting graphs for NSW and Victoria support the conclusion that these short term falls in the casino States were the direct result of introducing casinos, but the NSW and Victorian graphs show also that there was some other Australia-wide influence operating in this industry contributing to the decline between 1985-86 and 1986-87; the casino-related drop in racing expenditure must be viewed against this Australia-wide background.



**5.6.7 Evidence to the Inquiry from the New South Wales Treasury presented an analysis of the possible shift to casino gaming from racing. Drawing on the results from Queensland and Western Australia the Treasury analysis concluded that there will be a small, short term shift from racing following the establishment of casinos. Evidence from South Australia is equivocal. Treasury concluded that the limitation of the available data precludes the quantification of this short term shift. I regard the Treasury analysis as the most reliable of the available sources of opinion on the likely effect of the introduction of casinos on the racing industry. The statistical pattern is too inconsistent to make any precise prediction of the extent of the effect of the introduction of casinos on the NSW racing industry, but I believe it is safe to conclude that the effect will not be as great as is feared by the racing industry, the shift will not last for more than a year or so and in the long term the gross profits of the racing industry will continue the growth pattern evidenced in the last decade.**

**5.6.8 The horse racing industry has extensive infrastructure and ancillary facilities. These facilities provide employment for over 50,000 people including TAB, race club and stud industry employees, bookmakers and their clerks, trainers, jockeys, feed merchants, veterinary surgeons etc. A downturn in racing expenditure would most likely translate into some job losses in all these areas.**

**5.6.9 Without intending to minimise the impact of those job losses, I am not satisfied that the job losses in the racing industry will be as great as is feared. The downturn in expenditure will lead to job losses but may not last longer than the honeymoon period in which all existing gambling forms can expect to be affected while the casinos enjoy the appeal of novelty.**

**5.6.10 Particular mention should be made of greyhound racing and harness racing. The greyhound racing interests derive a major part of their revenue from on-course totalizator, bookmakers' fees, attendance charges, catering sales and TAB distribution. A downturn in racing revenue and on-course attendances at greyhound racing meetings in NSW as a result of casinos will have adverse effects on the financial position of greyhound racing and on employment in that sector of the racing industry. The proximity of Wentworth Park to the proposed casinos, and the night-time racing coinciding with the casinos' popular trading hours, may result in greyhound racing being particularly affected by the establishment of the casinos. The same observations apply to harness racing in which the major Sydney venue is Harold Park.**

**5.6.11 Representatives of the racing industry have urged that, if casinos are to be established, arrangements should be made for the inclusion of TAB agencies in the casino premises. I am of the view that there is force in these representations and I recommend that effect be given to them.**

### ***Registered Clubs***

**5.6.12** Registered clubs are an integral part of community life in NSW. They provide entertainment and catering facilities as well as a focus for social recreation for members. A large section of the community in Sydney enjoys registered club recreation and entertainment. Members of registered clubs and their guests can go to their local club, free of the stresses of travelling long distances and finding suitable parking spaces, and enjoy competitive prices for food, alcohol and entertainment as well as gambling on poker machines. In many country regions, the local club is a major tourist facility.

**5.6.13** The registered club industry representatives have expressed grave concern about the introduction of casinos both for themselves and for the community generally. The club industry returns a substantial portion of its revenue to the community by way of community services and support. They contend that any reduction in club patronage will lead to diminution of their capacity to maintain their contributions to the community.

**5.6.14** The clubs most directly affected will be those in the Sydney metropolitan area. According to the Registered Clubs Association submission, there are 199 clubs situated within 5 kilometres from the sites proposed for the casinos. Twelve of these are in the 100 highest net profit earners from poker machines as listed by the NSW Chief Secretary's Department. These twelve will thus be more affected than the remaining 88. The relevant observation is that not all clubs will be similarly affected by the casinos.

**5.6.15** Particular concern was expressed about the Darling Harbour/Pyrmont casino. The club industry representatives believe that the open-style casino will be like a large club offering, as well as poker machines, table games and AADs. Unlike the clubs, the casinos will not have the restrictions of club membership entry rules. The club industry associations believe that patrons will be attracted away from clubs to the casinos. The industry associations do not oppose the proposal for the Bridge Street casino as long as it caters to a specific market and have asked that the proposed casino only include upmarket games, with collar and tie dress standards and minimum betting levels of \$5.

**5.6.16** The ACT is the only other jurisdiction which has registered clubs with poker machine gambling. The SIS Report examined the possible effects of a casino on the club industry in the ACT. The Report concluded that there was no doubt a casino in Canberra would have an impact on clubs and may possibly accelerate the closure of some of the smaller clubs already experiencing difficulties. Caution must be exercised in applying this conclusion to likely casino experience in Sydney because of the differences between the two cities. Studies found that a casino would fill a gap in the ACT's lack of

appropriate nightlife entertainment. This is not the case in Sydney, which already has a diverse range of entertainment options. In addition, the geographic nature of Canberra was seen to be conducive to encouraging residents to travel to the casino. The same cannot be said of Sydney, where long distances of suburban residential areas from the city's centre could act as a disincentive to attendance at the casinos. Moving beyond the ACT, a further relevant consideration is that Sydney people, already acquainted with poker machines, and newly acquainted with Keno, will see the casinos as less of a novelty than the residents of Adelaide, Perth, the Gold Coast and other casino cities. Equally, the strong and well-deserved loyalty which members have to their clubs may translate into fewer patrons shifting their allegiances to the casinos.

5.6.17 The lack of comparable examples in other casino States inhibits the drawing of precise conclusions regarding the size of the likely shift of regular club patrons to casino gaming. Moreover there are presently unknown relevant factors to be weighed such as the casinos' policies and marketing strategies relating to food and beverage prices and the types of games made available. Some casinos in Australia subsidise their food and beverage outlets as a strategy to attract patrons. Competition of this nature could have an adverse effect on some clubs. A further disadvantageous factor from the point of view of clubs is that casinos will offer a greater range of gaming types than the clubs are currently permitted to offer.

5.6.18 Hypothetical estimates have been made on behalf of the club industry regarding the likely shift of club patrons to casinos and from these revenue extrapolations have been developed. These extrapolations have been sympathetically evaluated by the Inquiry but I am not persuaded that I can safely adopt them. Commonsense dictates that some club members will be attracted to the casinos, particularly during the initial period after opening, but there are too many unsubstantiated variables to enable precise forecasts to be advanced with any degree of confidence. The future could well parallel that of the racing industry, that is to say there will be a shift in the first year or so but not as great as that feared by the club industry. The shift may not correct itself to the same extent as in the racing industry, but I do not see it as a long term threat to the viability of the well-entrenched and popular registered club industry.

5.6.19 The industry associations have requested that, if casinos are to be introduced, the Government should allow the registered clubs to install a full range of gaming machines in clubs, that is, AADs as well as poker machines. A re-allocation such as this of various gambling activities amongst those wishing to conduct them lies beyond the scope of the present Inquiry and I simply note this request.

**General Economic Effects On Local Business**

**5.6.20** Darling Harbour already has a range of entertainment and restaurant facilities to cater for visitors attracted by the casino and its associated facilities. The Darling Harbour Authority is in favour of a casino being established in the area and considers that it will be of major benefit to the local businesses, many of which invested in that area with the expectation of a casino being established as part of the overall Darling Harbour development. It is the opinion of both the Department of State Development and the Building Owners and Managers Association of Australia that a casino will be a catalyst in promoting the strategic redevelopment of City West. I agree with these views.

**5.6.21** Some increased economic activity can also be anticipated for hotels and businesses in the proximity of the proposed casino in the Lands Department building.

## **5.7 REVENUE TO CASINOS**

**5.7.1** I have referred above to the viability of the casinos being dependent on four sources of gross revenue (para 5.5.1). The first and second of those sources (shift in gamblers and expansion of gambling expenditure) have been considered when discussing the effect of casinos on the existing gambling industry (paras 5.6.1 - 5.6.19). Both of those sources have been seen in other States to have contributed to gross casino revenue. I have noted my conclusion that, notwithstanding the differences between gambling in NSW and gambling elsewhere in Australia, there is likely to be in NSW a similar short term shift by gamblers (paras 5.6.7 and 5.6.18). Moreover, there is no logical basis for concluding that the gambling market in NSW is saturated and there is evidence to support the conclusion that the NSW gambling dollar remains upwardly flexible (para 5.6.2). The third and fourth sources of casino revenue must be addressed before making a general appraisal on which economic forecasts of casino and government revenue can reliably be based.

**5.7.2** The third source of revenue will derive from the expenditure by visitors. I have already noted the likelihood of an increase in tourism following the introduction of casinos and the prospects of attracting patronage from visitors (para 5.3.3). In other States 10% to 30% of the patronage of casinos comes from beyond the local community and there is convincing evidence that many visitors who come from Asia gamble in larger sums than local patrons. Sydney can reasonably anticipate being at least equally successful in attracting 10% to 30% of its patronage from beyond its local community to

its casinos. Although the size of this revenue source cannot be accurately predicted, it can be confidently assumed to be an important part of total casino revenue.

**5.7.3** The fourth source, those whose gambling activities commence with casinos, is likewise of uncertain dimension. Passing reference to this source is made in para 4.5.5. In the absence of any data or closely reasoned informed opinion, it is not possible to estimate the revenue potential of this source. Its existence is undoubted. It will provide a modest contribution to gross revenue - perhaps even an expanding contribution if the casinos acquire a favourable image - but cannot confidently be predicted as likely to be a major source of revenue.

**5.7.4** In the course of the Inquiry consideration was given to several gross casino revenue estimates, and I list them:

- Documentation distributed to shareholders regarding the merger of the Jupiters Trust and Jupiters Development Limited contains a Price Waterhouse Urwick estimate of \$500 million per annum for two Sydney casinos.
- The 1986 Arthur Young Market Demand Study and Financial Projections for Darling Harbour Casino estimated gaming table demand for a casino in Sydney at 395 tables including 45 Keno terminals and 1,000 video gaming machines. In their estimation a casino of this configuration in its first full year of operation would generate a total revenue of \$458 million in 1988 dollar terms.
- Calculations contained in the Registered Clubs Association submission, estimated that the Darling Harbour/Pymont Casino revenue will be \$471 million when it opens in 1995, projected forward to \$723 million by the year 2000.
- Australian Business (29 May 1991) reported an estimate by Brisbane stockbroker Wilson HTM of a total revenue for the Sydney casinos in 1995 of \$420 million (\$170 million for the Bridge Street casino and \$250 million for the Darling Harbour casino).

**5.7.5** An overall appraisal of the four revenue sources I have referred to above, coupled with the revenue estimates in para 5.7.4, lead me to the conclusion that revenue to the two proposed casinos could, and probably will, be in the order of \$500 million annually and that planning can responsibly proceed on that basis. This will validate the basis for estimating the revenue to the Government that is discussed in the following paragraphs. As will appear, the Government revenue is estimated at up to \$100 million, that is to say an amount derived from a 20% tax. I note in para 5.8.3 that the proposed tax rate in Victoria is 30%.



## 5.8 REVENUE TO GOVERNMENT

5.8.1 There are various taxation methods imposed by governments to obtain revenue from casinos including a licence fee, tax on the number of tables, tax on the premises, tax on net profits, tax on gross gaming revenue, and a combination of one or more of these methods. The most common method applied by State and Territory governments is a set licence fee plus a percentage of the casino's gross gaming revenue. The advantage of imposing a tax on the gross gaming revenue is that it provides the government with details of the size of the casino operations. This method also has flexibility in that the revenue will increase with rises in the casinos' financial results and the percentage levied can be adapted to increase or maintain revenue.

5.8.2 The licence fees imposed on casinos throughout Australia range between \$60,000 and \$400,000 per annum. Percentage tax rates imposed on their gross revenue range between 8% and 20%. Government revenue obtained through these taxation rates differs among States. (See table below) The choice of a taxation rate for Sydney casinos will bear directly on government revenue. It will necessarily be affected by a wide range of considerations lying outside the scope of the present Inquiry.

Government Revenue Obtained From Australian Casinos 1989-90

Casinos	No of Tables	No of Machines	Casino Revenue	Licence Fee (per annum)	Rate of Taxation (% of gross revenue)	Taxation Revenue (includes licence fees)
Adelaide	100	750	\$82.7M	\$60,000	20%	\$17M
Jupiters	111	992	\$143.8M	\$400,000	20%	\$29M
Breakwater	32	182	\$18.5M	\$400,000	10%	\$2M
Burswood	93	1168	\$145.2M	\$400,000	15%	\$22M
Wrest Point	29	272	\$23.1M	\$60,000	15%	\$4M
Launceston	25	180	\$18.0M	\$60,000	15%	\$3M
Diamond Beach	26	346	\$5M*	-	8%	\$1M*
Lasseter's	13	215	\$7M	-	8%	\$1M

\* The Diamond Beach Casino shows unusually low casino revenue and government revenue figures. A Price Waterhouse Report indicates that the casino's gross revenue reflects exceptional gaming losses to one patron.

Adapted from documentation regarding Merger between Jupiters Development Limited and Jupiters Trust and various annual reports of State and Territory casino control authorities 1990.

**5.8.3** In evaluating the likely taxation revenue to government, the Inquiry has considered several estimates:

- The submission from the New South Wales Treasury states that "previous research undertaken by Treasury suggest a net financial benefit to NSW Budget revenues of up to \$100 million per annum could be derived from casino operations in the Sydney CBD or its proximity".
- The Commonwealth Grants Commission has calculated indicative casino revenue estimates for NSW by "scaling up" the revenues of casinos in other States to a level which takes account of the NSW's larger population base and its higher per capita income. The following table shows these data for 1988-89.

**Hypothetical Casino Revenue in New South Wales Applying Tax Rates of those States that have Casinos, 1988-89**

	GROSS HOUSEHOLD INCOME	ACTUAL TAX RAISED FROM CASINOS	POPULATION	NSW REVENUE YIELD USING OTHER STATES TAX RATES
	\$M	\$M	M	\$M (a)
NSW	96008	-	5.74	-
VIC	71983	-	4.29	-
QLD	39350	30.2	2.79	73.7
WA	23423	22.2	1.57	90.9
SA	20761	15.2	1.42	70.4
TAS	6225	6.2	0.45	94.9
NT	2426	2.7	0.16	105.9

(a) Adjusted for differences in population and per capita gross household income.

Adapted from Commonwealth Grants Commission Working Papers, 1990, Vol 1 pp 125 and 146.

Based on the Grants Commission estimate the taxation revenue in 1988-89 terms ranges from \$70 million for a NSW equivalent of the Adelaide casino to \$106 million for NSW versions of the Northern Territory casinos. While this is useful information in establishing benchmark data, it should be noted that these estimates do not take into account Sydney's different tourist market and NSW's highly activated gambling market.

- Victorian Deputy Premier and Minister for Major Projects, the Hon J Kennan MP has indicated that the Victorian Government is anticipating taxation revenue of up to \$100 million from the proposed Melbourne casino housing between 150 and 200 gaming tables and 2,500 gaming machines. A casino operator's fee of at least \$600,000 and a minimum annual tax rate on gross casino revenue of 30% for a stand-alone casino was stated. (Press release 31 October 1991)

5.8.4 An analysis of gambling turnover was carried out by the NSW Treasury in the large urban casino States (Queensland, South Australia and Western Australia) as well as in the non-casino States (NSW, Victoria and ACT). The analysis showed the opening of casinos in 1985-86 had a significant impact on total gambling turnover (and consequently tax revenue) in the casino States. For the non-casino States, there was no comparable significant increase in gambling turnover after 1985-86. The increase in the casino States flowed from an increase in the gambling expenditure portion of the household disposable income in each of those States. I have referred elsewhere in this Report to the difficulties in applying to NSW patterns of gambling expenditure observed in the other States (paras 3.4.1 - 3.4.3, 3.6.4 and 5.5.2). Not only is NSW the only State with an established registered club gambling industry, but also the percentage of household disposable income spent on gambling is already significantly higher in NSW than in other States. Notwithstanding those difficulties I am of the view that Sydney's hospitable gambling environment, its large population and its large share of the tourism market justify the conclusion that the level of patronage of the casinos will be comparable, in relative terms, to levels of patronage of other casinos. The estimates in para 5.8.3 provide an adequately persuasive basis for assessing likely Government revenue in NSW.

5.8.5 Assuming a taxation rate of 20% is applied in NSW, the estimates in para 5.8.3 indicate that the Government can expect revenue from casino taxation of up to \$100 million per annum, depending on the nature and extent of the facilities that the casinos provide. Additional revenue to Government will accrue from payroll tax, land tax, stamp duties and possible sale or lease of one or both sites. Revenue gains will be offset to some extent, by the short term downturn of revenue from other gambling industries in NSW particularly the racing industry and the registered clubs. (The impact of casinos on these industries is discussed in paras 5.6.1 - 5.6.19.)

**5.8.6 Other benefits will accrue if the location of the casino is used to encourage private sector investment in transport infrastructure and from the ancillary developments associated with casinos.**

**5.8.7 There will be some costs to Government associated with the introduction of casinos. These include the cost of the Casino Control Authority and any extra costs of policing and the management of traffic and parking consequences. NSW Chief Secretary's Department estimates that the operational costs of a Casino Control Authority will be approximately \$6 million per annum. I am satisfied that this is a reliable figure.**

## **5.9 EMPLOYMENT IMPACTS**

### **Direct and Indirect Employment Opportunities**

**5.9.1 Casinos will create employment both directly through the construction and operation of the casinos and associated facilities and indirectly through the provision of goods and services provided to them.**

**5.9.2 Submissions and discussions emphasised that casinos will be a new industry for NSW with associated job opportunities extending across the range from skilled to unskilled. The extent of employment created through the construction work associated with a casino is impossible to estimate without details concerning the site and nature of the casinos.**

**5.9.3 Estimates for the staffing requirements of the Sydney casinos were made, based on the ratio of employees per table in other casinos. The table below shows the number of employees in each of these casinos. Due to the different size and layout of the casinos these figures may not be comparable as a proportion of casino staff would also service other facilities attached to the casino and vice versa. For example, many of the staff in the food and beverage and cleaning departments of the hotel could also service the casino. Assuming that the two casinos proposed for Sydney would have a combined number of 400 tables,<sup>4</sup> the Inquiry estimated that the two casinos would employ**

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<sup>4</sup> It is likely that the maximum combined number of tables for the two proposed Sydney casinos will be 400. At a press conference (31/12/90), the Premier indicated that the total sum of tables will not exceed the number previously

approximately 7,000 people. To this must be added employment in the ancillary facilities that a casino development will most likely include such as a hotel, theatre, recreational facilities etc. It is estimated that a hotel with a total of 600 rooms would require approximately 600 staff.<sup>5</sup>

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proposed in 1986 for the Darling Harbour casino.

<sup>5</sup> A widely accepted view in the tourism industry is that approximately 1 staff member per hotel room is required to service an international class hotel.

### Numbers Employed in Australian Casinos

Casino	Number of tables	Number of machines	Number of staff
Adelaide	100	750	1,300
Burswood	93	1168	2,500
Jupiters	111	992	1,300

Adelaide, Burswood and Jupiters Casinos as at 18.10.91.

#### *Net Employment Benefits*

5.9.4 These employment opportunities need to be counterbalanced against the possible job losses in other industries affected by the introduction of casino gambling in Sydney. Specifically, those industries most likely to sustain employment reductions through the shift of gambling expenditure are the racing and registered club industries.

5.9.5 It seems likely that the racing industry in NSW will suffer some job losses as a result of downturns in racing expenditure during the first year or so of casino operations. However, if the expenditure patterns follow the behaviour of racing industries in other casino States, these job losses will only be short term and employment opportunities will be replaced as the racing industry recovers.

5.9.6 Given there is no comparable Australian precedent, accurate predictions regarding the economic and employment effects of casinos in the registered club industry are difficult to make. Whilst there are many factors suggesting some shifting of club patrons to casinos, the extent and duration of such shifting must necessarily remain uncertain, being affected as it is by so many presently unknown variables.

## CONCLUSION

5.9.7 The menu of Sydney's tourist attractions will be enhanced by the introduction of casinos and the distinctively high-quality developments that can be required to be provided with them. Visitors may stay longer and some may choose to come to Sydney

for its casinos and associated developments rather than choosing to visit another Australian city with casino facilities.

**5.9.8** There will be flow-on benefits to the general economy from increased visitor expenditure in the accommodation, restaurant, retail and general tourist related sectors, as well as to the local economy from increased business activity in areas close to the proposed casino sites. International and interstate visitors will inject new funds into the NSW economy, and the casinos' ability to influence NSW residents not to travel interstate will keep money, that otherwise may have been spent elsewhere, within the NSW economy. The anticipated increase in visitors' length of stay to attend casinos, will have further impacts by way of increased employment opportunities in the tourism industry of NSW.

**5.9.9** The same benefits will flow from the major associated recreational and entertainment developments and facilities that a casino operator can be required to provide as a condition of being granted a licence.

**5.9.10** Depending on the facilities provided and the rate of taxation imposed, the Government can expect to receive in the order of \$100 million in annual revenue from casino taxation together with additional revenue from payroll tax, land tax, stamp duties and the possible sale or lease of one or both sites. Employment opportunities will be created through both the construction and operation of the casinos. The number of direct jobs created through the operation of the casinos alone is estimated at 7,000. Additional direct employment will be created from the construction of the casinos and the associated facilities to be provided with the casino development. Indirect employment will result from the supply of goods and services.

**5.9.11** The racing industry is already undergoing difficulties and constraints. It will probably sustain short term declines in revenue and employment in the first year of casino operations. Experience in other States indicates that activity in the racing industry is likely to return to previous levels after a year or so of casino operation. The inclusion of a TAB agency in the casino premises is recommended.

**5.9.12** The nature and extent of the casinos' effects on registered clubs cannot be reliably forecast. Whilst the registered clubs of NSW can expect some declines in patronage, there are many factors which suggest that the extent of such declines will not be substantial and, like in the racing industry, may well be only short term. In particular the extent of the decline will be less in clubs more distant from the casinos. Much will depend upon the indeterminable behaviour of Sydney's local population.

## Chapter

### 6

## CRIMINOLOGICAL ISSUES

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Term of Reference 3: The adequacy of the principles of the proposed New South Wales Casino Control legislation to ensure that:

- the management and operation of casinos remain free from criminal influence and exploitation
- casinos are not used to dispose of and launder proceeds of criminal activity
- gaming in casinos is conducted honestly.

#### 6.1 ADEQUACY OF THE PRINCIPLES OF THE DRAFT BILL

#### 6.2 AMENDMENTS TO THE DRAFT BILL

Limited Right of Appeal

Reporting to Parliament

Furnishing of Information

#### 6.3 THE REGULATORY STRUCTURE

Protection from Criminal Influence and Exploitation

Prevention of Money Laundering

*Cash Transactions Reporting*

*Other Procedures Relevant to Money Laundering*

Disposal of Proceeds of Criminal Activity

Honest Conduct of Gaming in Casinos

#### 6.4 IMPORTANCE OF THE REGULATORY STRUCTURE

Co-operation with Law Enforcement Agencies

The Cost of Regulation

Avoiding Regulatory Capture

Auditing



## **6.1 ADEQUACY OF THE PRINCIPLES OF THE DRAFT BILL**

**6.1.1 The major criminological concerns for casino operations are listed in this Term of Reference. Meeting them is dependent on three elements. I stated those elements in the Preface to this Report (para P4) and I repeat them:**

- **the selection of an operator whose integrity and commitment to preserving a crime-free environment in, and in relation to, the casino are assured;**
- **the formulation of a comprehensive regulatory structure for the operation of the casino; and**
- **the diligent enforcement of that regulatory structure.**

**6.1.2 The selection of an operator will be considered in Chapter 7. In the present Chapter I shall direct attention to the principles of the draft Bill and to the formulation and enforcement of the regulatory structure. A comprehensive and meticulously enforced regulatory system might be thought to be unduly exacting from the operator's point of view. Such a perception would be erroneous. The immunity of the operator from criminal pressures flows directly from the total absence of any room for the operator to bend or twist the system in response to such pressures and from the certainty of the prospect that any attempts in this direction would be promptly detected and frustrated by the regulators.**

**6.1.3 The draft Casino Control Bill is in the tradition of what the 1983 Connor Report called "the absolute necessity for on-going, strict, even draconian control" of a legal gambling industry (para 16.02). It is an approach which has universal approval within Australian jurisdictions. The draft Bill is the third generation of casino regulatory legislation and includes features and refinements of earlier legislation. It contains provisions relating to the licensing, supervision and control of casino operators, licensing of casino employees, requirements as to casino operations, surveillance procedures, accounting and internal controls. It also provides for the creation of a Casino Control Authority and the appointment of a Director of Casino Surveillance invested with wide discretions and extensive powers of direction, surveillance and investigation accompanied by access to adequate sanctions. The draft Bill represents an informed selection from previous Australian legislation of the principles best calculated to achieve a regime in NSW that will meet all reasonable expectations.**

**6.1.4 The NSW Chief Secretary's Department has prepared a paper summarising the principles contained in the draft Bill. It was released with the draft Bill in August, 1991.**

A copy of that document is reproduced in Appendix F. It is a comprehensive summary of the legislative scheme and there is no purpose to be served by my putting forward a paraphrase. The important principles recognised in the draft Bill are:

- **Integrity of the Casino Control Authority:** Independence from political and industry pressures, combined with a structure which maintains the organisational and personal integrity of the Authority, is vital to protect the system from criminal influence and exploitation.
- **Extensive Powers and Discretions of the Authority:** The Authority's extensive powers and discretions to determine matters of policy, administration, direction and discipline are necessary to enable it to exercise strict control over casinos so as to ensure that they are properly operated.
- **Checks and Balances:** Combined with extensive powers and discretions come mechanisms for accountability and balance among the various parts of the regulatory system designed to ensure abuse cannot occur. Whether caused by criminal influence, corruption or incompetence, improper exercise of the Authority's powers will undermine the integrity of casino gambling.
- **Privilege of Participation:** The principle that participation in the casino industry is a privilege, awarded only after thorough scrutiny determines a person's eligibility for licensing is fundamental to casino regulation. (see para 7.1.4) Scrutiny applies not only to operators (and their close associates) but also to employees, contractors, and regulatory staff. Obligations to disclose fully the information on which suitability is assessed are also imposed, supplemented by extensive powers of investigation. Scrutiny should permit detection of circumstances in which criminal influence or exploitation could occur in relation to any participant in the casino industry.
- **Direction and Surveillance:** Giving directions to operators and maintaining surveillance of casino activities are the basic mechanisms of control. Approval of procedures, constant scrutiny of casino operations and access to records combine to ensure that unauthorised, dishonest or criminal behaviour can be detected.
- **Sanctions to Enforce Compliance:** Accompanying the approved methods of casino operations and the conditions attaching to licences and monitoring to detect violations, are sanctions which can be invoked when conduct does not comply. A graduated array of sanctions enables the penalty to match an infringement. The serious nature of the sanctions gives force to the intention of eliminating criminal influence, exploitation and dishonesty.

**6.1.5** The draft Bill and its underlying principles have been rigorously examined in the course of this Inquiry, particularly by the Australian Institute of Criminology whose full-time consultancy services I retained through membership of the Task Force. We have within the Task Force itself and with other knowledgeable experts discussed the issues in depth. In the result, I am entirely satisfied that the principles of the Bill, the provisions contained in it and the mechanisms and controls that can be implemented under it, combine to create a fabric in which the casinos can be protected from criminal influence and exploitation, kept free from money laundering and maintained as places for honest gaming. Formulation of adequate mechanisms and controls as contemplated in the draft Bill will require meticulous attention to detail, but this should not present the slightest difficulty. Ultimately the measure of success in achieving an honest, crime-free gaming environment will depend upon the capacity, commitment and diligence of the administration and enforcement of the mechanisms and controls. The stature and independence of the Authority and philosophy of "people watching people" embodied in the statutory scheme, as well as the requirement of accountability through reporting to Parliament, justify confidence in the quality of the administration and enforcement of the mechanisms and controls.

## **6.2 AMENDMENTS TO THE DRAFT BILL**

**6.2.1** I consider that there are three matters in the draft Bill which should be amended so as to strengthen the regulatory system. Two of these relate to the Authority's discretion to act, and to its accountability. It is desirable that the Authority have the confidence to exercise its powers, if necessary arbitrarily, in pursuit of its objects. It needs a wide discretion and needs to be free from the risk of legal challenges. On the other hand, this discretion should be balanced by greater accountability to Parliament. There is also an incidental aspect of the Authority's information-gathering powers which should be addressed.

### **Limited Right of Appeal**

**6.2.2** The Bill in clause 153 heavily circumscribes the situation in which a decision of the Authority may be reviewed or challenged on appeal.

**6.2.3** The Bill includes, however, a right of appeal to the Supreme Court from a decision of the Authority on the grounds of a failure by the Authority to observe the rules of natural justice (cl 153(4)). I am of opinion that this provision should be deleted and that the Authority should be expressly released from any obligation to observe the rules of natural justice. I state this opinion in full and respectful awareness of the views expressed in the 1991 Connor Report (para 6.13). I have preferred to draw upon my own experience in assessing the restrictive and obstructive potential of a natural justice requirement. Moreover, the Victorian legislation did not adopt this particular requirement in the Connor Report.

**6.2.4** The Authority needs to be free to take account of criminal intelligence and to act on material and by procedures that might well fall short of the requirements of natural justice. It has an important public duty to administer the licensing system in the public interest. Protection from criminal infiltration and activity is to the forefront of its responsibilities. It must be able to act swiftly and decisively if it considers the circumstances call for such action. The nature of its membership should be accepted as a significant assurance of fairness. To go further, as does the Bill in clause 153(4), would hamper it and be potentially detrimental to public interest. Challenges on the natural justice ground are easy to formulate, whether the decision in question be as important for example as refusal of a licence to an entity with notorious, but not provable, criminal links, or as peripheral for example as refusing to hear a mass of evidence on whether operating times should be responsive to daylight saving changes. If the Authority is to function effectively in the public interest, appeals from its decisions should be confined to those permitted under clause 153(2), namely appeals to the Supreme Court on a question of law against decisions to cancel or suspend a casino licence or to amend the conditions of a casino licence.

**6.2.5** As well as recommending the deletion of clause 153(4), I am of the view that there should be added to clause 139, the clause that prescribes the functions of the Authority, a further sub-clause to the effect that in exercising its functions the Authority shall not be bound to observe the rules of natural justice.

#### **Reporting to Parliament**

**6.2.6** Provision for the Authority to report annually to Parliament on specified matters (cl 152) ensures that the Authority is publicly accountable. The Bill refers to six categories of information which must be provided, including issue of licences, disciplinary actions and outcomes of review.

**6.2.7** The principle of direct accountability to Parliament (rather than to a Minister) by an independent public authority recognises the public interest in the exercise of the authority's powers. Public confidence in the integrity of the industry will be enhanced by annual reporting. It is an aspect of regulatory systems which is not uniform throughout Australia.<sup>6</sup> The extent of reporting requirements also varies.

**6.2.8** Reporting encourages effective casino regulation and, in the absence of full reporting requirements, malpractice might not be revealed. By specifying in detail matters which are subject to report, the draft Bill is commendable. In addition to those matters, I recommend that changes to the conditions of a licence which may be made by the Authority be included. I should mention in this connection that elsewhere (para 4.8.3) I recommend that it be assured that the trustees of the Community Benefit Fund will be required to report to Parliament.

#### **Furnishing of Information**

**6.2.9** An incidental omission from the comprehensive draft legislative scheme regarding the Authority's responsibilities and powers in the gathering of information has been identified in the course of the Inquiry. The powers in clause 147 would appear to be unnecessarily limited, in that they do not expressly extend to information obtained by the operator concerning activities outside the casino. Casino operators with other casinos or other commercial enterprises, whether interstate or overseas, may hold information about these operations and other activities which may be of direct relevance to the effective regulation of casinos in Sydney. The clause should be amended to require the provision of such information.

### **6.3 THE REGULATORY STRUCTURE**

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<sup>6</sup> Northern Territory, Western Australian and South Australian casino authorities are required to report to Parliament. Since a restructure of departments which brought the Tasmanian Gaming Commission into the Department of Treasury and Finance, a report of the Commission's activities is prepared for inclusion in the Annual Report of that Department. In Queensland the regulatory authorities are not required to report to Parliament.

## **Protection from Criminal Influence and Exploitation**

**6.3.1** The proposed legislation provides that a casino's surveillance and control systems be specified in considerable detail and be subject to the approval of and variation by control authorities, and to inspection to ensure compliance. This is adequate to permit implementation in Sydney's casinos of "state of the art" safeguards as they are developed by casino operators or by casino control authorities around the world. Skilled management, reinforced by rigorous inspectorial supervision, will negate the risk of criminal exploitation, and opportunities for dishonesty in the conduct of gaming.

**6.3.2** The basic mechanisms for controlling casino gaming, by casino management and by regulatory authorities alike, are multiple responsibility, visibility, and regularity. The systems of surveillance which casino operators are able to have in place can be formidable. So are the procedures which can be demanded by regulators. This hierarchy of surveillance includes on-site supervision, closed circuit television cameras, one way mirrors, and various automated accounting controls. Game play is formalised to the point of ritual. Centralised on-line monitoring of gaming machines is the most recently available procedure for detecting anomalies.

**6.3.3** It is essential that casino control inspectors be present at all times in order to monitor operator compliance with the Act and with licence conditions. The Bill permits this practice, which is standard in all Australian casinos. Unrestricted access to all areas of the casino at all times is essential. Inspectorial procedures and a co-operative working relationship with the operator must ensure that the necessary level of access occurs.

**6.3.4** Measures which can be employed for the prevention of skimming are numerous. They include close monitoring of the placement of funds into the drop box on each table to collect cash, and supervisors keeping a tally of collections to match the amount physically counted. Movement of the drop boxes from the table to the counting rooms should be subject to strict visual surveillance, with supervision and videotaping of the count.

**6.3.5** The direction and surveillance powers for which provision is made in the draft Bill have been derived from legislation elsewhere. The same can be said of the detailed mechanisms in the draft Bill. They represent, in effect, a distillation of the best in existing management and operation systems. They are fully adequate to ensure freedom from criminal influence and exploitation provided that they are rigorously and honestly enforced.

## Prevention of Money Laundering

**6.3.6** The term money laundering requires explanation. The definition used by the National Crime Authority Task Force on Money Laundering is that used under the Vienna Convention. It refers to the conversion or transfer of property for the purpose of concealing or disguising the illicit origin of the property.<sup>7</sup>

**6.3.7** Despite the widespread belief expressed in submissions and elsewhere that money laundering can, and regularly does, occur at casinos, the Inquiry was not able to find supportive evidence of this. Indeed, informed opinion was to the contrary. The activity of concern here is legitimising the source of money, not simply using money of dubious origin. Procedures currently used by Australian casinos to detect and prevent money laundering are not well known or understood by critics, or even many patrons. The contemporaneous and recorded observations of transactions, and written documentation permit management to track movement of cash and chips, particularly for large or unusual transactions.

**6.3.8** Money laundering has been referred to the National Crime Authority for investigation. A NCA Task Force is currently examining whether and to what extent money laundering occurs in Australia, and identifying the methods used. The Task Force has looked at casino operations. It is not due to report until the end of this year, so no findings are available. It is likely, however, that their inquiries will examine the extensive controls on surveillance of transactions in casinos, prohibitions on credit betting, and procedures for payment of winnings. Together they form a system which acts as a strong deterrent to those who wish to create an alibi for the origin of their funds. The cash transactions reporting requirements (discussed below) are another mechanism which reduces the attractiveness of casinos to launder funds. In a recent statement by a NCA Task Force member, casinos were not noted in a summary of money laundering methods known to have been used in Australia.

**6.3.9** A requirement that each cheque paid to a patron by a casino on redemption of chips be endorsed either "winnings" or "non-winnings", as appropriate, is a major

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<sup>7</sup> Article 3(1)(b) of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The essential character of money laundering is legitimising the source or creating an alibi for its origin.

method of reducing the risk that casinos might be used to conceal the origins of illegally obtained money. Such a requirement is within the Authority's power and I recommend it be introduced when drawing up operating procedures. The Tasmanian Commissioner for Gaming advised that when a request is made for a winnings cheque, and gaming table documentation fails to verify a win, the police are informed; this seems a desirable policy and I recommend that it be favourably considered at the same time.

### *Cash Transactions Reporting*

6.3.10 Controls enforced under the Casino Control Bill to prevent money laundering will be reinforced by cash transaction reporting requirements. The Commonwealth Government established the Cash Transaction Reports Agency (CRTA) in 1988 in order to assist in the detection of tax evasion and other criminal activity, including the disposal of the proceeds of crime and money laundering. The Cash Transactions Reports Act 1988 (Cth) (CTR Act) is part of a package of legislation designed to combat organised crime.<sup>8</sup>

The CTRA collects, analyses and disseminates information reported to it about certain financial transactions and the people involved in them. Casinos fall within the definition of cash dealers for the purposes of the Act (s 3(1)). Guideline No 1 "Suspect Transactions Reporting" (dated October 1989) contains information about examples of suspect transactions likely to be encountered by casinos, identified specifically as an area of suspect activity. They are obliged to report all significant cash transactions (ie of or above \$A10,000). They must file suspect transaction reports if there are reasonable grounds to suspect an actual or attempted evasion of a tax law, an offence against Commonwealth or Territory law, or an infringement of the Proceeds of Crime Act 1987 (Cth). Furthermore, casinos have some obligations to identify properly a person opening an account, which includes a safety deposit box, and to prohibit operating accounts under false names.

6.3.11 Casino operations are affected by the CTR Act in other ways. The Director of the CTRA may have access to a casino's records, record keeping systems and verification systems in order to monitor compliance with reporting requirements. The Director of the CTRA may audit casino records and systems relating to information on suspect transactions. The Act also requires that cash transfers of \$A5,000 or more into or out of Australia be reported to the CTRA. Information received by the Director of the CTRA may

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<sup>8</sup> Mutual Assistance in Criminal Matters Act 1987, Proceeds of Crime Act 1987 and Telecommunications (Interception Act) 1987.



be disseminated to a number of government agencies, including the NSW Police Service and the NSW Crime Commission.

6.3.12 Casinos already constitute an important part of the operation of the Act. Some 3360 significant reports were filed by Australian casinos in the twelve months ended 30 July 1991.<sup>9</sup> The Director of the CTRA advised that approximately 4% of all reports filed by casinos are suspect transaction reports. The CTRA consults with casinos regularly and has itself embarked upon a compliance monitoring program to determine whether casinos are fulfilling their obligations under the Act. This should also identify any difficulties which could be anticipated with the legislation as it applies to casino transactions. If International Telegraphic Transfers should become subject to the CTR Act, as is apparently under consideration, this will add a further safeguard.

*Other Procedures Relevant to Money Laundering*

6.3.13 The risk that individuals from overseas might seek to use Australian casinos as vehicles for money laundering appears somewhat overstated. Few nations have cash transaction reporting requirements as stringent as Australia's. Money laundering can be far more readily achieved elsewhere. Nevertheless, it would seem appropriate to require casino operators and, especially, junket operators to make the International Currency Transfer Report forms available to patrons.<sup>10</sup> Explanatory information should also be available in major foreign languages.<sup>11</sup>

6.3.14 The Inquiry was also advised of risks which it was suggested may arise from a casino's operation of offshore banking accounts. Concern was raised in some quarters over the possibility that collusion between an operator and a favoured patron might enable the latter to be credited with more than he or she may have legitimately won. Clause 124 of the Bill requires a casino operator to maintain accounts in the State of NSW for all banking transactions arising under the Act. Notwithstanding criticism of this from the casino industry, I regard it as a valuable safeguard.

6.3.15 I am satisfied that significant money laundering activity is not occurring in Australian casinos, nor, if it were attempted, is it likely to go undetected. Thorough

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<sup>9</sup> The CTRA has designed a form specially tailored to the nature of transactions with casinos on which the necessary details are recorded.

<sup>10</sup> The Inquiry was advised that junket operators are generally helpful in assisting their clients to comply with cash transaction reporting requirements.

<sup>11</sup> The Inquiry was advised that a number of otherwise law abiding visitors have suffered embarrassment as a result of their failure to understand requirements for the declaration of international cash transfers.

procedures relating to gaming chip purchase and cash handling, and to the issuance of cheques can largely eliminate the risk that casinos will be used to conceal the source of a player's funds. Professional casino operators undertake very close scrutiny and recording of any major transaction on the gaming floor. Provisions of the Bill are adequate to require development of such procedures, and adherence to them. I see no risk in the future in this regard. The Inquiry was repeatedly told by a variety of informed persons that there are other far easier methods of laundering money, for example at the races, than in a strictly run casino.

### **Disposal of Proceeds of Criminal Activity**

**6.3.16** Prevention of the disposal of proceeds of criminal activity or money from the underground cash economy being used to gamble in casinos will remain a challenge. It is unrealistic to expect that such activity can be eliminated entirely. It may be discouraged by compliance with cash transaction reporting requirements, and precluded in certain instances through exercise of those provisions of the Bill which permit the casino operator, the Director of Casino Surveillance, or the Commissioner of Police to exclude persons from casino premises.

**6.3.17** Statutory offences aimed at the disposal of proceeds of criminal activity already exist. The Confiscation of Proceeds of Crime Act 1989 (NSW) creates an offence of money laundering, (widely defined to include knowingly dealing in money or property that is proceeds of a serious offence), with significant penalties of fines or imprisonment. Under the Proceeds of Crime Act 1987 (Cth), it is an offence to engage in the laundering of funds (similarly widely defined) derived from offences against the laws of the Commonwealth or the Territories of Australia.

**6.3.18** Although disposal of proceeds of criminal activity is presented as a specific topic, the real matter of concern is that the collateral activities of criminals who resort to casinos for recreation and amusement could present a risk of compromising the integrity of the gambling operations in the casino. Strict enforcement of the regulatory code and vigilance on the part of the inspectorate should be adequate to protect against this risk.

### **Honest Conduct of Gaming in Casinos**

**6.3.19** The mechanisms of skilled management and rigorous surveillance, referred to above in the context of minimising the risk of criminal exploitation, apply equally in preventing dishonesty in gaming by patrons, employees and casino management. The proposed legislation contains sufficient safeguards to ensure that gaming is conducted honestly. Primary control derives from the Authority's powers to determine the games and their rules, to direct how gaming is conducted and to approve equipment and casino procedures. These directions must be rigorously enforced. The constant presence on-site of inspectors, and their unrestricted access to all areas of the casino and the camera surveillance system is essential.

**6.3.20** It is also in the operator's own interests that no opportunities exist for dishonesty by staff and patrons. Casino management systems commonly in use contain sophisticated procedures to safeguard their own operations. The operator's own extensive surveillance system also has this objective. Measures taken by the operator, and monitored by the regulators, should ensure that cheating does not remain undetected.

## **6.4 IMPORTANCE OF THE REGULATORY STRUCTURE**

**6.4.1** I have made repeated reference to the importance of the regulatory structure in order to achieve a crime-free environment in casinos. This raises a number of specific heads for comment and I shall discuss them as a group in this part of the Report.

### **Co-operation with Law Enforcement Agencies**

**6.4.2** Co-operation with many other Australian agencies will contribute to the overall efficiency of casino control. In Chapter 10 I discuss the advantages of an integrated national approach. This suggestion has a particular bearing on the criminological issues discussed in this Chapter. In the course of the Inquiry, a number of Federal and NSW agencies whose co-operation is essential to achieve efficient and effective control of Sydney's casinos were identified. It will be necessary for the Authority and the Director to establish lines of communication with them. They include:

**Australian Bureau of Criminal Intelligence**

**Australian Department of Immigration, Local Government and Ethnic Affairs**

**Australian Federal Police**  
**Australian Securities Commission**  
**Australian Taxation Office**  
**Cash Transactions Reports Agency (Cth)**  
**Independent Commission Against Corruption (NSW)**  
**National Crime Authority**  
**New South Wales Crime Commission**  
**New South Wales Police Service**

### **The Cost of Regulation**

**6.4.3** It can be recognised that, just as there is an inverse relationship between the levels of rigorous regulatory control and casino profitability, so too is there an inverse relationship between the levels of regulatory control and casino vulnerability to criminal influence. Overly cost-conscious regulation can in the long term prove extremely costly to society. Surveillance is the key to maintaining the integrity of the casino industry, and resource constraints can dilute surveillance capabilities. Just as it is important to insulate the regulatory regime from political pressures, so too is it necessary to ensure that the Authority's capacity to perform its function is not hampered by insufficient resources.

**6.4.4** A policy of tying the budget of the regulatory agency to casino revenues, while superficially attractive, is not without its risks. On the one hand, a casino operator whose revenues are declining may be inclined to cut corners, and thus be more vulnerable to criminal exploitation at the very time when the regulatory authority would itself experience resource constraint. On the other hand, a regulatory authority with a vested interest in greater operator profits may be tempted to adopt a more permissive regulatory posture in order to reduce the operator's costs of compliance.

**6.4.5** The proposed legislation has the potential to support an extremely rigorous regulatory regime. As there will be only two casinos operating in Sydney, there will not be the same degree of competition as exists in such overseas centres as Las Vegas or Atlantic City. Strict regulation will be easier to enforce evenly between the two casinos without the same risk of prejudicing the financial viability of either operator than would be the case in a more competitive setting. The fewer the number of competing casinos, the easier it is to impose a detailed and exacting regime on the industry as a whole.

### **Avoiding Regulatory Capture**

**6.4.6** Casino operators have an obvious interest in projecting an image of propriety and rectitude. Depending upon their organisational culture, regulatory inspectors may identify to too great an extent with the interests of the industry, to the neglect of the public interest. Reducing the risk that casino inspectors will be "captured" by the very interests which they regulate is an important consideration for casino control authorities.

Regular ongoing contact between inspectors and operator's employees may lead to a relaxation of regulatory vigilance, or to an inappropriate degree of identification with the interests of the operator. The benefits of casino control inspectors and operator's employees socialising and mixing with each other must be balanced by a need to be able to deal with each other in a more detached, arm's length relationship.

**6.4.7** The draft Bill provides for a four year "sanitising" period within which former participants in either the operator's side or the inspectorate's and Authority's side of a casino cannot be employed by the other. This is of significance in avoiding the temptation to mould individual behaviour with a view to future advantages as well as to draw on past associations to secure present advantages.

**6.4.8** The relationship between casino inspectors and operators and staff requires a delicate balance, midway between the friendly, collusive partnership of mutual identification on the one hand, and an aggressively adversarial posture on the other. At the former extreme, identity of perspective on the part of operators and inspectors can contribute to a shared tolerance of cutting corners. Such variation from formally mandated procedures may, over time, increase the risk of criminal exploitation. At the latter extreme, overzealous enforcement and aggressive regulatory inflexibility may engender a culture of resistance on the part of operators, who might attempt to conceal irregularities.

**6.4.9** The ideal regime of casino control is not one of regulation by intimidation, but rather one of regulation by leadership and diplomacy. Leading scholars of regulation advocate a culture of regulatory reasonableness, where authorities are fair but firm. This requires that control officials be not only of high integrity, but also of considerable competence.

**6.4.10** One safeguard against capture is the rotation of regulatory personnel across workplaces. The existence of two casinos in Sydney would permit such rotation.

**6.4.11** Retention of a capable, responsible inspectorate will remain a challenge, especially in the light of barriers which restrict mobility to and from the casino industry. Exchange agreements for secondments to other State and Territory casino control

authorities might enhance the work life of inspectors. It might also enhance opportunities for advancement for members of an expanding and maturing occupation.

6.4.12 Another safeguard against regulatory capture is the visibility of the regulatory process. The integrity of casino regulation will be enhanced when such regulation is open and accountable. Without disclosing information of a criminal intelligence or a commercially sensitive nature, the Authority should be held to the fullest possible disclosure of its regulatory activity. The proposed requirement of annual reporting by the Authority to Parliament is an important factor in inspiring public confidence through public accountability.

#### **Auditing**

6.4.13 Clause 128 of the Bill requires regular auditing of a casino's books, accounts and financial statements by an approved auditor. The risk that a routine audit might fail to detect financial irregularities is no less real in the casino industry that it is in Australian commerce generally, and, given the vulnerability of casino operations to fraud and embezzlement, it is essential that regular audits be conducted rigorously. These should be reinforced by the special audits undertaken by or on behalf of the Authority.



## Chapter

### 7

## ESTABLISHMENT

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**Term of Reference 4: The preferred methods and procedures for the establishment of legal casinos to ensure selection of casino operators of good repute, sound and stable financial backgrounds and appropriate business ability.**

#### **7.1 IMPORTANCE OF SELECTION OF OPERATORS**

#### **7.2 THE INQUIRY'S RESEARCH**

Previous Experiences of Selection of Operators

The 1991 Connor Report

Consultation by the Inquiry

#### **7.3 RECOMMENDED METHODS AND PROCEDURES**

#### **7.4 PARTICULAR ASPECTS OF THE SELECTION PROCESS**

Responsibility for Granting of Licence

Discretionary Powers of the Authority

Nature of Investigation

Role of the Police

Costs of Investigation

Determination of Applications

Criteria for Determination of Applications

*Ownership Criteria*

#### **7.1 IMPORTANCE OF SELECTION OF OPERATORS**



**7.1.1** A widely held view amongst critics of casino gambling, and one that has been expressed in submissions, is that the selection process is doomed to failure. Previous experiences in NSW are advanced as evidence that it will be impossible to find suitable operators for the proposed casinos. Overseas experience is cited in support of the view that the casinos will attract unscrupulous business operators. Any existing criminal activities of apparently legitimate businesses will not be revealed, say the critics, and the ownership trail will be convoluted to the point where it will be impossible to unravel.

**7.1.2** It is clear that casinos are vulnerable to criminal influence. The threat to the integrity of casino operations in Australia is real. Recognition of this is an essential first step to planning and implementing an effective shield against criminal intrusion. I am satisfied that an effective shield can be put in place. I have already, in Chapter 6, endorsed the adequacy of the principles in the proposed Bill to ensure this result. In the present Chapter attention is directed to the crucial first step - the selection of the operators.

**7.1.3** The first of the three requirements I noted in the Preface (para P4) necessary to keep casinos free of criminal influence is the selection of an operator whose integrity and commitment to preserving a crime-free environment in, and in relation to, the casino is assured. I am satisfied that the draft Bill recognises this requirement. It creates a comprehensive statutory framework to enable selection of an operator worthy of public confidence. For the selection process to succeed, however, more is needed than a comprehensive statutory framework alone. The best result will derive from a combination of the enabling legislation and the regulatory procedures developed pursuant thereto, the allocation of adequate resources and the integrity and the quality of those charged with the responsibility of selecting the operator. In making that selection it should be borne in mind that, once a licensee is chosen and casino operations are established, the decision to remove an operator for subsequent misconduct, or other grounds of unsuitability, is a major step which will reflect on the quality of the original decision to grant the licence and discredit the regulation of gaming in the State.

**7.1.4** The philosophy behind the strict approach to regulation is that participation in the gambling industry is a privilege which is granted only after suitability according to strict criteria has been demonstrated. To be eligible for a casino operator's licence, an applicant must be shown to be willing and able to conduct operations honestly and in the public interest, in accordance with all applicable rules and regulations. Further, effective regulation requires that potential licensees be subject to a wide and continuing duty to disclose all information which may from time to time be needed to ensure that these public policies are followed and regulatory controls obeyed. Fitness to participate can only be determined after full disclosure of all relevant information. The onus is on those who seek the privilege of being licensed to demonstrate their eligibility.

**7.1.5** It must be readily acknowledged that the task of selecting casino operators is inherently difficult. Some of those difficulties are noted:

- Investigating consortiums and large and international corporations is a complex task, even more so when the company is rumoured to have a history of questionable behaviour.
- The seat of effective power and influence within a corporate structure and its associates can prove elusive.
- Information must be sought from overseas, at times from jurisdictions where it may not be available or willingly given to investigators, and where standards of acceptable behaviour may be different from those applicable here.
- Investigations must deal in untested intelligence which is hard to obtain and difficult to assess.
- Public perceptions of matters relating to criminal activities and casinos are likely to be more potent than the reality. Rumours and suspicions linger and are difficult to dispel. Whole companies are forever condemned on the activities of one officer or one event.
- Accurately assessing financial resources, their source and quality requires specialist skills.
- Investigations require and can consume considerable resources of time, money and expertise.
- There may be conflicting objectives in determining and applying criteria for selection of a suitable operator.

**7.1.6** So far, experience in Australia suggests that the regulatory regimes, including the selection processes, have succeeded in keeping criminal elements out of casino operations. Continued success depends not only on rigorous initial scrutiny of casino operators and their associates: ongoing monitoring of their suitability and constant vigilance in the enforcement of strongly drafted regulatory controls are essential. In this regard the draft Bill provides for continuing assessment of the operator's suitability, including regular reviews every three years. These provisions are essential.

## **7.2 THE INQUIRY'S RESEARCH**

**7.2.1** In formulating recommendations and observations on the best procedures for the selection of operators for the proposed casinos, I have drawn on a number of

sources. In addition to the experiences of jurisdictions overseas, I have had the benefit of much academic research on casino policy and the conclusions in several earlier reports noted in the Bibliography. I have also been able to make comparisons with the selection processes in other States and I have received advice from many individuals and organisations I and members of the Task Force consulted.

### Previous Experiences of Selection of Operators

**7.2.2** Procedures for the establishment of casinos and selection of operators have already been planned and implemented by several Australian Governments in the past two decades. Submissions received by the Inquiry and wide-ranging discussions have pinpointed risk areas. The most prominent of these is the politicisation of the selection process which can occur when the decision to select an operator is exposed to political or industry pressure. A principle of the draft Bill is to maintain the independence of the regulatory scheme, in particular in relation to the selection of the operator. This is made the sole responsibility of the Authority. The importance of this principle has been recognised in the Victorian legislation. It has not been incorporated or applied elsewhere in Australia and no purpose would be served by discussing procedures followed where that principle has been disregarded in relation to the selection of casino operators. It has been relevant to consider the experiences in other States, the ACT and the Northern Territory but not to recount the procedures followed in those places.

### The 1991 Connor Report

**7.2.3** The selection procedure of operators was addressed by the 1991 Connor Report. The Report recommended an independent Casino Control Authority have the power (on the decision of a majority of 4 out of 5 members) to grant licences after an appropriate hearing and thorough investigation of applicants conducted by a Division of Casino Regulation with the assistance of the Police. The Report strongly advised the need for clear directions to be provided for applicants of the Government's requirements, including the early selection of sites. It firmly reiterated the view stated in the 1983 Connor Report that avoidance of haste was essential.

**7.2.4** With some exceptions, I agree with the general thrust of the procedural recommendations in the 1991 Report. The exceptions include the necessity of a public hearing in connection with the granting of licences (see para 7.4.11) and the observance by the Authority of the principles of natural justice (see paras 6.2.3 - 6.2.5). The

procedures recommended in the 1991 Connor Report are, in major respects, incorporated into the draft Casino Control Bill.

### Consultation by the Inquiry

**7.2.5** Some written submissions addressed this Term of Reference, although only a few were able to provide expertise in this area. Submissions received by the Parliamentary Joint Committee on the National Crime Authority were made available to this Inquiry. These contained some relevant information and comment. Of particular value were the consultations I had with certain law enforcement agencies including the NSW Police Service and the NSW Crime Commission, the Australian Bureau of Criminal Intelligence, the National Crime Authority, the NSW Independent Commission Against Corruption, and the Australian Securities Commission. Consultations with representatives of the Chief Secretary's Department, casino regulatory personnel and people who have been involved in the process of investigating and selecting casino operators provided invaluable insights into the difficulties which are encountered, and the requirements for an effective approach. It is understandable that some of the information was provided to this Inquiry in confidence. It is my intention therefore not to attribute sources for most of the following recommendations and observations. They have been derived from the combined advice of knowledgeable and experienced people.

## **7.3 RECOMMENDED METHODS AND PROCEDURES**

**7.3.1** I do not set out in this Chapter to state a comprehensive procedure to be followed in the granting of a casino licence. Rather, I have selected the particular matters that have emerged during the course of the Inquiry as attracting uncertainty or concern. My conclusions and recommendations for the preferred methods and procedures for the selection of operators are:

- It is essential that the integrity of the selection process is maintained.
- The responsibility for selection must be clearly specified. It should be removed from the political arena and, as is proposed in the NSW Bill, placed with an independent authority. That body must be well established before the process begins.

- Adequate time and resources must be allocated to the task. Investigations must be allowed to proceed without undue pressure from any source.
- Competent, reliable investigators must be engaged. Experienced and knowledgeable personnel, such as auditors and lawyers with professional skills and techniques, should also be available.
- Extensive powers of investigation must be conferred upon those charged with the task.
- An express primary obligation should be placed on applicants to provide all relevant information. A detailed questionnaire has been accepted as a useful first stage of this process.
- The criteria on which applicants will be considered must be established clearly and applied fearlessly.
- Before assessing applications it is necessary to have determined the conditions required of the licensee and any restrictions which are to apply (eg corporate structures, level of foreign investment).
- The process should be structured so as to minimise pressures from commercial and political interests.
- Procedures for determination of applications by the Authority must be firmly established by the Authority and followed strictly. The draft Bill justifiably gives the Authority wide discretion to determine its own procedures and the manner in which it exercises its powers.

#### **7.4 PARTICULAR ASPECTS OF THE SELECTION PROCESS**

##### **Responsibility for Granting of Licence**

7.4.1 I am of the view that sound policy requires that an independent authority have responsibility for the selection of an operator. The provisions of the draft Bill are demonstrably and commendably clear in assigning this responsibility to the Casino Control Authority. The Authority should be well established before the selection process is begun. The responsibilities and discretion which the Authority needs to exercise require considerable preliminary input from its members and staff. Procedures must be determined, design, corporate and operational criteria established and documents to brief applicants prepared. The process will be efficient and effective only with thorough preliminary planning by the Authority.

#### **Discretionary Powers of the Authority**

7.4.2 The draft Bill gives the Casino Control Authority wide discretions in the determination of licence applications and in the continuing control over licence holders. It also protects the Authority from challenge. No appeal on a question of law is permitted regarding a decision to grant a licence. It is my view that the Authority should also be expressly relieved from the obligation to observe the rules of natural justice. This extends to all of the Authority's functions. I have stated my reasons for this view in para 6.2.4.

7.4.3 Notwithstanding the width of its ultimate discretion in granting a licence, the Authority ought to provide unequivocal directions in those matters concerning expressions of interest and applications for licences for which it has responsibility. It is usual for these documents to be comprehensive and explicit, a practice which the Authority ought to emulate. The Brief to Applicants and associated documentation and plans for the Brisbane Casino recently released are voluminous. To reduce uncertainty in this area the Bill requires the Authority to provide the same information to all applicants, and otherwise to treat them equally (cls 7, 8). The same ground rules should be made known and applied to all.

#### **Nature of Investigation**

7.4.4 Of necessity the investigation will be dealing in untested intelligence. This presents some difficulties in obtaining adequate information and in assessing its weight. In what will be a multi-faceted approach given the nature of the criteria, it will not be easy to distinguish promising leads and irrelevant information and to co-ordinate the information gathered from scattered sources.

**7.4.5** There are certain organisations which will have to be consulted. Investigators need to establish effective links with such bodies. Making direct contact is an essential procedure. They will be found locally, nationally and overseas. Prominent among them will be financial institutions, professional bodies, state agencies holding personal and business records, police and other law enforcement agencies, and particularly other gaming regulatory authorities where applicants conduct gaming operations. Organisations in the United States such as the FBI, the Drug Enforcement Agency, Securities and Exchange Commission, and Gaming Boards in Nevada and New Jersey would be obvious sources. Investigators will need to gain the trust of those other agencies and it has been repeatedly emphasised to the Inquiry that investigations, to be effective, need to be carried out in person and on the spot.

**7.4.6** There is some scepticism in some quarters about the likely success of investigation. As I noted in para 7.1.5, difficulties are forecast in uncovering the sources of finance to be used in the development, and in identifying the real power base in the enterprise and those who will influence the casino's operation. There are traditionally-used methods of concealing links which disclose the true identity of a beneficial owner or source of finance. These include falsification of loan documentation, moving funds from place to place and through several hands, the use of nominees and corruptly bringing improper influence to bear on seemingly legitimate businesses. It is well recognised that any such schemes will be skilfully constructed and will require correspondingly skilful investigation.

**7.4.7** Corporate structures and affairs will be a major aspect of any investigation. The advent of the Australian Securities Commission, with centralised, comprehensive and up-to-date information easily accessible to investigators has overcome a big hurdle for corporate investigation. The ASC advised that it is possible to trace information on record about directors and officers in all Australian companies and about shareholders if the company has fewer than 500, although nominee shareholders in an unlisted company cannot be compelled to disclose the ultimate owner. Overseas companies carrying on business or having a cheque account here must also have Australian registration, but in this case the information recorded need not be as extensive. Investigations overseas will not always produce the same extent of information about corporations, in some cases because there are no adequate records, and in others because of reluctance to divulge information. In some countries record keeping and attitudes to rules and compliance differ from those in Australia.

**Role of the Police**

**7.4.8** The role of the Police and their relationship to others involved in the investigatory process is important. The NSW Police Service has standard investigatory procedures for certain types of information which are appropriate for use in the licensing process. Indeed the draft Bill both empowers and requires the Authority to refer details of applicants to the Commissioner of Police for report (cl 12). The Police Commissioner advised the Inquiry that there would be no problem in adequately conducting any probity investigation called for and expressed the opinion that the investigations outlined in the draft Bill were adequate. The involvement of the NSW Police Service in overseas investigations is essential. There is already considerable experience in carrying out overseas investigations both generally and specifically in relation to casinos. Protocol involves inquiries being directed through the Australian Federal Police to the corresponding local law enforcement authorities. The NSW Police Service and Authority personnel would then have an important role in the direct consultative process with those authorities. It is desirable that a procedure should be established to apply to the Police Service's role in the investigatory process.

#### **Costs of Investigation**

**7.4.9** Spending constraints in the public sector could well inhibit the due implementation of the philosophy of exhaustive examination. To offset this, one suggested course is to require a contribution from each of the applicants for a casino licence. Levying each for the exact portion of investigation costs expended is likely to prove administratively difficult. Nor is it necessarily fair to impose on all the full financial burden of investigation when only one of the applicants will ultimately benefit from the privilege awarded. It might seem preferable, therefore, to adopt a procedure in which each applicant lodges a substantial sum with the application; so much as is not expended in relation to the application could be refunded when the application is no longer under consideration. I should note in suggesting this, that the precise method of funding does not necessarily affect the integrity of the selection process. Other administrative or fiscal considerations could well lead to the adoption of some alternative approach to funding the investigation. Whatever approach is adopted, the important point is that funding should be adequate to cover rigorous investigation.

#### **Determination of Applications**



7.4.10 There is little guidance in the draft legislation as to how the assessment of applications for a casino licence is to be considered. It is clear that the Authority cannot delegate its functions of determining licence applications under clause 15. The Authority has power to hold public or private inquiries (cl 141). Procedures at its own meetings are to be determined by the Authority (Sch 1 cl 13). A decision to grant a casino licence requires the support of 4 of the 5 members of the Authority to be valid (Sch 1 cl 16(2)).

This recognises the need for consensus, without insisting on unanimity which could at times be impossible to obtain. In other matters the Authority's discretion is exercisable by a simple majority vote.

7.4.11 Bearing in mind the matters which the Authority has to consider, I do not consider that a public hearing of the type envisaged in the 1991 Connor Report is advisable. I refer to my earlier comments regarding the requirements of natural justice. (paras 6.2.2 - 6.2.5) A public hearing procedure is not followed in other Australian jurisdictions,<sup>12</sup> and the recommendation in the 1991 Connor Report was not adopted in the Victorian legislation. Whilst it could promote public confidence in the licensing process, it has major disadvantages. There are adequate checks and balances in the draft Bill to ensure a fair and comprehensive evaluation. Moreover, it is quite likely that both applicants and the providers of information would, for different reasons, prefer a closed investigatory procedure. The assurance of regularity and public confidence will come from the stature of the membership of the Authority, and from the reporting requirements and other accountability mechanisms.

#### Criteria for Determination of Applications

7.4.12 The prescribed criteria for consideration by the Authority (cl 10(2)) leave no doubt that the probity and suitability of the successful applicant will have been fully considered. In order to ensure that sources of finance are free of taint, I recommend that the requirement in cl 10(2)(d) that the Authority consider whether the applicant has adequate financial resources should be amended to read adequate suitable financial resources.

#### *Ownership Criteria*

7.4.13 One of the criteria which has assumed an importance in other jurisdictions is the requirement of a satisfactory corporate structure (cl 10 (1)(c)). This could require prescribing the nature of equity holdings, levels of maximum (or minimum) shareholdings

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<sup>12</sup> The New Zealand Casino Control Act 1990 created the Casino Control Authority as a Commission of Inquiry which will conduct hearings before granting licences for casinos.

for any one entity and limitations on the extent of foreign ownership. Various approaches were recommended to the Inquiry.

7.4.14 No information was obtained by the Inquiry which suggested that prescribing any of these matters in advance would assist in ensuring the selection of a suitable operator. Accordingly, I make no recommendation concerning such matters.





## Chapter

### 8

## ACCESS TO INFORMATION

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Term of Reference 5: The extent of access by the public to information held by the proposed authority.

<b>8.1</b>	<b>INTRODUCTION</b>
<b>8.2</b>	<b>FREEDOM OF INFORMATION AND THE AUTHORITY</b>
	Exempt Documents
	<i>Personal Affairs</i>
	<i>Business Affairs</i>
	<i>Confidential Information</i>
	<i>Public Interest Immunity</i>
	<i>Information relating to the Authority's Administration</i>
	<i>Law Enforcement and Public Safety</i>
<b>8.3</b>	<b>ACCESS TO THE AUTHORITY'S INFORMATION</b>
	Privacy Considerations
<b>8.4</b>	<b>THE OMBUDSMAN'S JURISDICTION</b>

### 8.1 INTRODUCTION

8.1.1 Clause 146(1) of the Casino Control Bill provides that a person who acquires information in the exercise of functions under the Act must not, directly or indirectly, make a record of it or divulge it "except in the exercise of functions under this Act". The balance of clause 146 contains provisions which qualify this general prohibition. These

include provisions which permit information to be divulged to the Ombudsman and which permit access in accordance with the Freedom of Information Act 1989 (the FOI Act).

**8.1.2** The provision in the draft Bill for access to information under freedom of information (FOI) legislation is not echoed in the otherwise equivalent Victorian Casino Control Act 1991. Neither is the provision for access to information by the Ombudsman.

**8.1.3** There are concerns about public access to certain information which the proposed Casino Control Authority will hold. The following categories of information have been identified:

- Commercial-in-confidence information, including proposals submitted by competing applicants for a casino licence.
- Information provided in the course of investigations relating to the issue of a casino licence or employee licence.
- Details of casino internal controls, administration, and accounting procedures approved by the Authority.
- Information, including criminal intelligence, relating to law enforcement.

## **8.2 FREEDOM OF INFORMATION AND THE AUTHORITY**

**8.2.1** Access to some information held by government agencies is a statutory right exercisable under the FOI Act. The proposed Authority would fall within the terms of the FOI Act, being an agency for the purposes of the Act (s 6(1)). It is unlikely that a Court would interfere with rights of access given by the Act in the absence of a clear statutory intention that the Authority not be subject to FOI. Although the FOI Act makes certain documents exempt, whether or not particular documents held by the Authority will be covered by the various exemptions is uncertain and could have to be decided in every case under the draft Bill as it presently stands. It will be of assistance to consider at the outset the scope of the access available under FOI as the draft Bill presently stands.

### **Exempt Documents**

**8.2.2** The FOI Act incorporates a mechanism to allow an agency to refuse access to certain documents. Schedule 1 of the Act lists categories of exempt documents. The Authority will have documents falling into several of these categories, as noted below. Release by the Authority of documents in these categories would be permitted at the Authority's discretion in some cases, and prohibited in others, even where the Authority may be willing to disclose the documents.

#### *Personal Affairs*

**8.2.3** A fundamental principle of FOI and privacy law is that a person should have access to information held by a public authority which deals with his or her personal affairs, unless there exist overriding reasons for refusing its disclosure. Disclosure of documents affecting personal affairs is dealt with in sections 25, 31 and clause 6 of Schedule 1 of the FOI Act. The combined effect of these provisions in relation to the Authority is to make documents relating to the personal affairs of employees or applicants for licences exempt from disclosure, in some circumstances.

#### *Business Affairs*

**8.2.4** Section 32 and clause 7 of Schedule 1 relate to documents affecting business affairs, including trade secrets and commercially valuable information. Access to that information by third parties is prohibited, subject to certain other provisions. Decisions on similar provisions in other FOI statutes<sup>13</sup> indicate that the Authority would need to exercise careful judgment in deciding whether to deny or give access to particular documents containing information about business matters.

#### *Confidential Information*

**8.2.5** An exemption for what is generally referred to as confidential information is given in clause 13 of Schedule 1 of the FOI Act. Clearly the Authority will acquire information in confidence about a range of matters associated with casinos and their regulation. This information will include, but also goes beyond, that relating to commercial-in-confidence proposals by applicants. It is difficult to say with certainty what information will be exempt from disclosure on this ground.

#### *Public Interest Immunity*

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<sup>13</sup> See *Re Gill and Department of Industry, Technology and Resources & Ors* (1985) 1 VAR 97; *Re Organon (Australia) Pty Ltd and Department of Community Services and Health & Anor* (1987) 13 ALD 588; *Attorney General's Department v Cockcroft* (1986) 64 ALR 97.

**8.2.6** The concept of public interest immunity (once known as Crown privilege) provided for in clause 13(b)(iii) of Schedule 1 recognises circumstances in which it may be contrary to the public interest for certain information to be disclosed. In deciding whether to compel disclosure of information where public interest immunity is claimed, a Court will seek to balance many competing interests. This is another area of uncertainty affecting access to information the Authority is likely to hold.

*Information Relating to the Authority's Administration*

**8.2.7** Clause 16 of Schedule 1 creates an exemption for documents containing information relating to many aspects of an agency's management, procedures and personnel. The Authority would hold much sensitive information about its monitoring of casino operations, preventative measures against misconduct and investigations of its own staff (cl 134 of the draft Bill). However, the extent to which information held by the Authority may fall within this exemption is unclear.

### *Law Enforcement and Public Safety*

**8.2.8** The FOI Act recognises that public access should be restricted for certain information dealing with law enforcement and public safety. This would include information relating to the prevention and detection of offences, sources of information and the protection of individuals and property (cl 4, Sch 1). It would need to be determined in each case whether a document held by the Authority was entitled to this exemption.

**8.2.9** Clause 146(7) of the draft Bill contains exemptions from disclosure of information identical to some of those found in the FOI Act (cl 4(1)(a)(b) and (e) of Schedule 1). This offers some protection from access to information and contemplates cases in which the disclosure could reasonably be expected to prejudice investigation of the commission of an offence, identify a confidential source of information or prejudice the effectiveness of lawful measures to deal with the commission of offences.

## **8.3 ACCESS TO THE AUTHORITY'S INFORMATION**

**8.3.1** Whether or not to allow public access to information which will be held by the Authority is a matter of policy. The decision to confer greater protection on the Authority's documents and therefore restrict public access will involve the balancing of competing public interests. The public interest in open government and the individual's right to know of information about him and her held by a government agency must be weighed against the public interest in the integrity of the casino industry and the rights to confidentiality of the public authority charged with the responsibility of ensuring that integrity.

**8.3.2** I recognise the importance of the philosophy of open government inherent in the FOI principles and the attendant rights relatively recently enshrined in statute. It can be argued that the Authority does not need a special exemption in the light of the existing FOI exclusions which would apply to divulging information. These could be said to be sufficient protection for the highly sensitive information the Authority will hold. It is also possible that protection may be afforded through confidentiality conferred on the agencies which supply information to the Authority. The general protection afforded to without prejudice communications may also be relevant. On these grounds, it could be contended that public access under FOI should be available.



**8.3.3** Whilst recognising the basis for such claims as I have summarised in para 8.3.2, I am of the view that there is a predominating public interest in underwriting the Authority's function of regulating the casino industry. The Authority's objects are to ensure the casino industry remains free from criminal activity and dishonest gaming. These objects set it apart from the usual public authority. Its field of activities is particularly at risk of criminal penetration and it requires every legislative assistance to enable it to function effectively in the protection of the public interest. Without being strictly a law enforcement agency, its functions are the administration of a comprehensive regulatory scheme for the prevention of criminal activity and detecting and punishing misconduct. It is empowered to impose pecuniary sanctions of a magnitude almost unparalleled for a non-judicial authority. In the discharge of its functions it will fill a crime prevention and, in a complementary sense, a criminal investigatory role. It must be assisted to receive free rather than guarded access to criminal information from agencies here and elsewhere. Its responsibilities are not comparable with those of other public authorities. It should not be subjected to the same requirements in the matter of access to its records.

**8.3.4** There are other considerations which support this view. The FOI Act itself, with its categories of exempt documents, recognises that there are limits to the principle of access. As the foregoing discussion indicates, these exemptions apply in a piecemeal fashion. The obligations imposed on the Authority to decide whether or not it must grant access are capable of creating considerable uncertainty. Further uncertainty with FOI exists concerning whether the protection conferred on information in the hands of one public agency, particularly a law enforcement agency, is maintained when information is passed to another.

**8.3.5** It is undoubtedly preferable to have the position simply and clearly stated in the statute, as well as being administratively more efficient. The draft Bill gives the Authority in clause 146(2) discretion to divulge information in the public interest. This involves a much simpler test to apply than those under the FOI Act. It is consistent with the discretions given to the Authority throughout the Bill, and the limited rights of review and appeal from individual decisions of the Authority. (See cl 153 and recommendations concerning cl 153, paras 6.2.2 - 6.2.5.) It is also consistent with clause 146(3) and (4) which confers, at the Authority's discretion, a privilege from production of information in court.

**8.3.6** The information likely to be held by the Authority provides further reason for restricting public access. Applicants for casino or employee licences are compelled to supply extensive and very detailed information to allow the Authority to assess their probity. Casino licence applicants and the licence holder must supply commercial and operational information of a kind not normally given to a public authority. Provision of

this information legitimately demanded by the Authority in pursuance of its objects should not be inhibited by the risk of its being exposed to public access.

8.3.7 Other information acquired by the Authority in the course of investigation of licence applicants and relevant to ongoing monitoring will be untested criminal intelligence. If it is to be fully effective the Authority needs full access to such information. The doubt about maintenance of any protection from access when it is transferred to the Authority has been referred to above. I can envisage a reluctance by organisations to give information in circumstances when its secrecy cannot be guaranteed.

8.3.8 I recommend that sub-clause (7) should be deleted from clause 146 of the draft Bill and replaced with an express grant of immunity from the FOI legislation.

#### Privacy Considerations

8.3.9 The limitation on public access to information held by the Authority I have recommended emphasises the care with which it should approach its data gathering and data protection.

8.3.10 The Privacy Committee raised before the Inquiry several aspects of the draft Bill with privacy implications. These include conduct of investigations and inquiries, protection of data held by the Authority, the need for informed consent of people about whom data is collected, security and retention of information access by the data subject, surveillance of people and casino operations and information gathering for law enforcement agencies.

8.3.11 The concerns raised by the Privacy Committee can, for the most part, be addressed by the Casino Control Authority in the course of establishing its procedures. The Authority ought to give consideration to the Privacy Committee's Recommended Data Protection Principles in developing methods of acquiring and handling information. (Privacy Committee 1991) It is recommended that consultations take place between the Privacy Committee, the Authority and the Director of Casino Surveillance at the time when the Authority is establishing its procedures.

#### 8.4 THE OMBUDSMAN'S JURISDICTION

**8.4.1** The draft Bill expressly forbids the disclosing of any information acquired in the exercise of functions under the Act except in the exercise of those functions (cl 146(1)). This secrecy provision does not apply to divulging information to the NSW Crime Commission, the Independent Commission Against Corruption, the Ombudsman, the National Crime Authority and any other prescribed person or body (cl 146(6)).

**8.4.2** The Ombudsman Act 1974 empowers the Ombudsman to investigate a complaint about conduct which falls within his jurisdiction. The intention of the Act is to provide a means by which the quality of services provided by an administrative body can be monitored and its actions called to account. The Act provides a valuable check on administrative discretion in the exercise of statutory functions. Where the Ombudsman has jurisdiction to investigate a complaint, the Ombudsman Act confers extensive powers to compel production of documents and records and the giving of evidence. A report of investigations is prepared for each complaint, and details of investigations are often included in the Ombudsman's Annual Report to Parliament.

**8.4.3** The Casino Control Authority's functions in the discharge of its statutory objects set it apart from other public administrative entities. It is not a service delivery organisation. Rather, it is a regulatory body with considerable powers of enforcement. It is charged with responsibility for ensuring the casino industry remains free from criminal influence and that gaming is conducted honestly, and in the public interest. The Director of Casino Surveillance has independent functions in relation to the protection of the public interest in the operation of casinos. For the purposes of considering the role of the Ombudsman in relation to the implementation of the Casino Control Act there is no need to distinguish between the Authority and the Director.

**8.4.4** The Ombudsman's general jurisdiction extends to the proposed Casino Control Authority as a public authority. The Ombudsman Act contains in Schedule 1 a list of specific exclusions from that general jurisdiction. The majority of actions and decisions of the Authority in the exercise of its powers will fall within these exclusions. In particular the exercise of the quasi-judicial or tribunal functions on the part of the Authority are excluded from the Ombudsman's jurisdiction (Sch 1, ss 13, 26), as is conduct relating to its employees (Sch 1, cl 12). The exact delineation of the boundaries of the Ombudsman's jurisdiction in relation to other of the Authority's functions and in relation to the Director's functions is not clear and this could have to be determined in individual cases.

**8.4.5** Concern about public access to information of the nature referred to in para 8.1.3 has been expressed in relation to access by the Ombudsman in the course of an

investigation. I have accordingly given consideration to whether the Ombudsman should have jurisdiction to investigate any of the activities of the Authority or the Director.

**8.4.6** I am of opinion that the public interest is better served by excluding the Authority from the Ombudsman's jurisdiction as has been done in the Victorian legislation. Many of the Authority's activities will already fall outside the Ombudsman's jurisdiction. There seems little practical utility in enabling the Ombudsman to investigate such residual matters as presently fall within his jurisdiction. The public interest in the integrity of the casino industry and the secrecy constraints imposed in order to ensure a fully informed and uncompromising exercise by the Authority of its public responsibilities outweigh whatever benefits that might be thought to accrue from preserving the Ombudsman's limited jurisdiction and powers to review the Authority's activities. My reasons for this view are similar to those expressed in section 8.3 above in relation to excluding all the Authority's information from access under FOI.

**8.4.7** I recommend that the Ombudsman Act 1974 Schedule 1--Excluded Conduct of Public Authorities be amended so as to include a clause referring to the conduct of the Casino Control Authority and the Director of Casino Surveillance and their staff in the exercise of functions under the Casino Control Act.





## Chapter

### 9

## FORFEITURE AND CONFISCATION

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**Term of Reference 6: The desirability of a conjoint amendment to the Gaming and Betting Act to apply provisions similar to the Drug Trafficking (Civil Proceedings) Act to those persons responsible for the operation of illegal gaming houses.**

### **9.1 INTRODUCTION**

**Confiscation under the Drug Trafficking (Civil Proceedings) Act  
Forfeiture under the Gaming and Betting Act**

### **9.2 CONCLUSION**

## **9.1 INTRODUCTION**

**9.1.1 Principles of confiscation, seizure and forfeiture have been adopted by Governments in almost every Australian jurisdiction in an array of legislation.<sup>14</sup> The policy underlying the more recent legislation is to recover the proceeds of crime from those who profit from illegal activities. The legislation is founded on the conclusions in several Royal Commissions that pursuit of profits and the capital base of organised crime is necessary, notwithstanding the absence of convictions of offenders.<sup>15</sup>**

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<sup>14</sup> Customs Act 1901 (Cth), Poisons Act 1966 (NSW), Proceeds of Crime Act (Cth), Cash Transactions Reports Act 1988 (Cth), Confiscation of Proceeds of Crime Act 1989 (NSW), Drug Trafficking (Civil Proceedings) Act 1990 (NSW), Crimes (Confiscation of Profits) Act 1988 (SA), Crimes (Confiscation of Profits) Act 1989 (Qld), Crimes (Confiscation of Profits) Act 1988 (WA), Crimes (Forfeiture of Proceeds) Act 1988 (NT), proposed legislation in Tasmania.

<sup>15</sup> For example, Royal Commissioners Moffitt, Costigan, Stewart and Williams.

**9.1.2** Despite an intention by Governments for a co-ordinated approach, the current Australian legislation shows no consistency in mechanisms. Differences are exhibited regarding the requisite conduct to invoke the penalties, the nature of the penalties, the type of property and profits subject to penalty, as well as the onus of proof and its location. Although all the statutes are primarily aimed at drug-related crime, many cast a wider net. The Drug Trafficking (Civil Proceedings) Act 1990 relates exclusively to drug-related crime.

#### **Confiscation under the Drug Trafficking (Civil Proceedings) Act**

**9.1.3** The Drug Trafficking (Civil Proceedings) Act 1990 creates in NSW a civil right to confiscate the proceeds from illicit drug crime. It may be used against those directly involved in, and those who knowingly benefit from, the criminal activity. It is a right operating independently of any criminal law process. Its purpose is to require an account of proceeds, not to impose criminal sanctions.

**9.1.4** There are some specific features of the Act which should be noted:

- It is not conviction-based; confiscation may be ordered prior to or in the absence of a conviction and even if there has been an acquittal or setting aside of conviction (s 6).
- Confiscation is dependant on the court finding on the civil standard of proof (the balance of probabilities) that the person was engaged in a drug activity of a serious nature (ss 6, 22, 27).
- It contains a reverse onus provision whereby, once the State has proved that the defendant has engaged in the requisite conduct, the onus is on the defendant to prove that the assets are not the proceeds of crime (s 25).
- A variety of orders can be made: a restraining order (s 10); an assets forfeiture order (s 22); an order for taxation of legal expenses (s 17); and a proceeds assessment order (s 27).
- The assets and proceeds which are subject to the Act can include: any interest in property that is drug-derived or illegally acquired (s 9); property over which

a person has a power, as well as a legal or equitable estate or interest (s 7); and property over which a person has effective control (s 8).

- **No criminal consequences flow from the legislation. Confiscation operates independently of the criminal law process. The person has to account for the origin of assets which will be retained by the Crown if they cannot be shown to have been lawfully obtained.**



## Forfeiture under the Gaming and Betting Act

**9.1.5** The Gaming and Betting Act 1912 already contains provisions for the forfeiture of all money, securities for money, and instruments of gaming seized in relation to an offence under the Act relating to gaming houses (s 25). It requires an offence to be proved against a person.

## 9.2 CONCLUSION

**9.2.1** The principle of depriving wrongdoers of the proceeds of their unlawful activities is well accepted. It may be thought logical to extend this principle to apply to persons who engage in unlawful gambling activity. In a general sense many of the features of the Drug Trafficking (Civil Proceedings) Act 1990 are well suited to be incorporated into similar legislation relating to confiscation of property within the context of illegal gambling. But that Act embodies a comprehensive legislative scheme related specifically to the nature of drug-related crime. The legislative detail of that Act is not appropriate for activities related to the confiscation of property within the context of illegal gambling and I do not recommend that the Gaming and Betting Act be amended to achieve this result. If principles of confiscation and forfeiture are to be applied to activities related to illegal gambling, I consider it to be preferable to formulate a legislative scheme directly related to those activities.





## **Chapter**

### **10**

## **NATIONAL CONTEXT OF CASINO GAMBLING**

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<b>10.1 NATIONAL CONTEXT OF CASINO GAMBLING</b>
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### **10.1 NATIONAL CONTEXT FOR REGULATION OF CASINO GAMBLING**

**10.1.1** Casinos will in all probability soon be operating in all States and Territories. The potential for harmful social impact from excessive gambling does not discriminate between residents of different States. The evidence indicates that casinos can create social problems that need to be addressed on a national basis. It is plainly desirable that comprehensive data identifying these problems should be available. This Inquiry provides an opportunity to attract attention to the need to meet this requirement by recommending a national program with proper funding so that information and data can be collected and analysed and policy making can proceed on a firm foundation. I have referred to this already (paras 4.9.1 - 4.9.2) and I need not repeat that recommendation.

**10.1.2** A further matter of prime concern in the operation of casinos is the prevention of criminal infiltration. Efficient and effective co-operation within the industry is essential. The mobility of criminals and of criminally derived assets is not confined within State or Territory borders. Irregularities which taint the industry in one State or Territory can reappear across the continent. Casino operators, control authorities, and law enforcement agencies throughout Australia have a very real interest in sharing knowledge of risk and vulnerability in the operation of casinos. Law enforcement agencies in particular have a common interest in sharing criminal intelligence relevant to the gaming industry. This situation requires a nationally co-ordinated approach.

**10.1.3** There is an obvious need for a database of information relevant to investigations necessary for the licensing of operators and employees of casinos throughout Australia. Many in the workplace of casinos are itinerant, using this type of employment as an

**opportunity for travel. At present each authority with independent responsibility for assessing the suitability of people to be licensed has to engage in similar inquiries, some of which inevitably involve information stored in another State or even further afield. This fact nationalises the matter of employee licensing, requiring checks to be made across the continent.**

**10.1.4 I have in the three preceding paragraphs identified three areas in which a nationally co-ordinated approach would be beneficial - research into social harm, exchange of operating information and criminal intelligence, and establishing a database to assist in the licensing process. In the course of the Inquiry I have raised this matter with informed persons. Some degree of co-operation presently exists, but it is largely informal and I am of the opinion that a more structured approach is highly desirable. In relation, in particular to operating information, intelligence and licensing data there is much to be said in favour of establishing regular and formal links between control authorities and creating a national database of information and intelligence under the auspices of a new joint body or a suitable existing national body such as the Australian Bureau of Criminal Intelligence.**

It is customary to conclude a Report such as this with a formal acknowledgement of the assistance that has been received. In conforming with that custom, I do so in no perfunctory sense. The Premier and the Chief Secretary initially assured me of the co-operation of the Government in every aspect of the Inquiry. This assurance has been fully met and I have benefited particularly from the assistance of Mr Bob McGregor, the Secretary of the Chief Secretary's Department and the staff of that Department. I mention, in particular, Mr Roy Williams and Ms Anne Brennan for their technical skills and assistance in the production of the Report.

The members of the Task Force, named in paragraph 1.3.1, have given unstintingly of their time and individual professional skills with a degree of commitment to the task in hand that is deserving of the highest commendation. It is deserving also of my own sincere personal gratitude and I extend that to each one of them. Without their dedication it would not have been possible to cover the field in such depth and, whilst I take sole responsibility for the contents of the Report, it is very much the product of our joint endeavours.

I should like, also, to acknowledge with appreciation the four institutions who so generously made available a valued staff member to participate in the Task Force. The NSW Law Reform Commission, the Australian Institute of Criminology in Canberra, the NSW Tourism Commission and the Chief Secretary's Department all provided ready co-operation in this regard. I can now understand the full extent of their generosity and I thank them for it.

Finally I should like to say how much assistance has been forthcoming from individuals and institutions, too numerous to mention specifically (they are listed in the Appendixes), who have provided the Inquiry with information, comment and opinion. I and the members of the Task Force have valued both the wealth of wise guidance we have received from such sources as well as the readiness to meet our requests. The Report itself is founded on the research in which they have played such an important part.



**Appendix A**





## Appendix B

## WRITTEN SUBMISSIONS RECEIVED BY THE INQUIRY

## Written Submissions from Institutions

Adelaide Central Mission Inc (Mr V Glenn, Financial Addiction Counsellor)  
 Advance Australia Party (Mr R Van Wegen, President)  
 Anglican Church Diocese of Sydney (The Rt Rev J R Reid, Bishop of South Sydney)  
 The APIA Club Limited (Mr C J Quigley, Secretary/Manager)  
 Australian Bureau of Criminal Intelligence  
 Australian Hotels Association NSW Branch Inc (Mr G Knapp, Chief Executive)  
 Australian Jockey Club (Mr R B Alexander, Secretary/General Manager)  
 Australian National Council on Compulsive Gambling (Mr M Brown, President)  
 Australian Tourism Industry Association (Mr P O'Clery, Chief Executive)  
 Bible Study Group, St Luke's Anglican Church, Guildford  
 Buddhist Council of NSW Inc (Mr G Lyall, Chairman)  
 Building Owners & Managers Association of Australia Ltd, NSW Division (Mr J L

Mac

pherson,  
 Executive  
 Director)

Bus and Coach Association (NSW) (Ms A McKinney-Jackson, Secretary/Office Manager)  
 Call To Australia Party (The Rev The Hon F J Nile, Parliamentary Leader)  
 Care Force (Rev J Livingstone, Director of Welfare Services)  
 Cash Transaction Reports Agency (Mr B Coad, Director)  
 Casinos Austria International (Mr J Forbes)  
 Catholic Archdiocese of Sydney (His Eminence Cardinal Clancy, Archbishop of Sydney)  
 Centacare (Mr R Reid, Director)  
 The Church of Jesus Christ of Latter-Day Saints, Pacific Area Presidency (Messrs D J

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Club Managers Association (Mr P Cameron, President)

Commonwealth Task Force on Asset Sales (Mr H G Heinrich, Chairman)  
Council of the City of Sydney (Mr L P Carter, Town Clerk)  
Department of State Development (Dr J Saunders, Director-General)  
Environmental Youth Alliance (Mr F Brown, Executive Officer)  
Family Life Movement of Australia NSW Branch (Mr D Smart, General Manager)  
Federal Airports Corporation (Mr P G Snelling, General Manager, Sydney Airport)  
The Federal Group (Mr J Farrell, Director)  
Greyhound Racing Control Board (Mr R J Cartwright, Secretary)  
Hospitality Management Guild (Mr S Bilsel, Acting Chairman)  
IndoPacific Management Services (Mr W Hill, Director)  
Leisuremark Australia Pty Ltd (Mr J B Loiterton, Managing Director)  
Local Government Association of NSW (Mr M Kidnie, Secretary)  
Mainchance (Mr G P Jones, Registered Clinical Psychologist)  
Musicians' Union of Australia (Mr J Lyle, NSW State Secretary)  
National Woman's Christian Temperance Union of Australia (Mrs J Cocks, National

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New Life Ministry at Street Level Inc (The Rev S J Tully, Director)  
NSW Bloodhorse Breeders' Association Ltd (Ms B Oquist, Secretary/Executive Officer)  
NSW Bookmakers' Co-Operative Society Ltd (Mr I C Buxton, Chairman)  
NSW Council of Churches (The Rt Rev J R Reid, Anglican Bishop of South Sydney)  
NSW Health Department (Dr B J Amos, Director-General)  
NSW National Coursing Association Ltd (Mr P Summers, General Manager)  
NSW Office of Racing (NSW Department of Sport, Recreation and Racing, Mr K M Brown,  
Director)  
NSW Tourism Commission (Mr P Rubie, Acting General Manager)  
NSW Treasury (Mr P Allan, Secretary)  
Office of the Valuer-General, NSW (Mr P C Cunningham, Valuer-General)  
The Pacific College for Evangelism (The Rev Sir Alan Walker, Principal)  
Poker Machine Council of Australia (Mr J Henry, Chairman)  
Police Board of New South Wales (His Honour B R Thorley, Chairman)  
Privacy Committee (Dr J Morgan, Executive Member)  
Qantas Airways Limited (Mr P Roennfeldt, Manager, Multi-National Marketing)  
Racehorse Owners' Association Limited (Mr K P Ryan, President)  
The Registered Clubs Association of New South Wales (Mr K Kerr, Executive Director)  
SA Council of Social Service Inc (Ms M Galdies, Debt Project Officer)  
Shires Association of NSW (Mr M Kidnie, Secretary)  
St Martin's Anglican Church, Killara (The Rev M B Robinson)  
State Chamber of Commerce, NSW (Mr D J G Taylor, Executive Director)  
Sydney Convention and Exhibition Centre (Mr B Flynn, Chief Executive)  
Sydney Olympics 2000 Bid Limited (Mr R McGeoch AM, Chief Executive)  
Sydney Turf Club (Mr W P Parker, Secretary/Chief Executive)  
Taree Baptist Church (Mr D Hayes, Secretary)

**Tasmanian Gaming Commission (Mr P E S Horne, Commissioner for Gaming)**  
**The Tourism Task Force (The Hon J Brown, Chairman)**  
**Totalizator Agency Board of NSW (Mr A Windross, General Manager)**  
**Uniting Church in Australia - Trangie Parish (M Alletson, Parish Secretary)**  
**Uniting Church in Australia - Turrumurra Parish (The Rev Dr C R Ford)**  
**Wesley Mission (The Rev Dr G Moyes, Superintendent)**  
**Woman's Christian Temperance Union of NSW Inc (Mrs C A Palmer, State Secretary)**  
**Woman's Christian Temperance Union of NSW Inc, Gosford Union (Mrs S Mitchell,**

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**Wyoming Church of Christ (Board of Officers)**

**Written Submissions from Individuals****Dr C C Allcock****Mr J Archer****Ms B Atkinson****Ms M Barclay and others****Mrs V Barnes****Dr A Blaszczyński****Mr J E Borg****Mr B Bottom****Mr D Buckley****Mr C Bult****Dr A Chesterfield-Evans****Mr P Cochran, MP****Mr B Coleman****Mr K Davidson****Mr M Deamley****Mr L Dunn****Dr L Dwyer****Mrs J Eaton****Mr H Eisler****Mr M C Hall****Mr N Hooper****Mr C K Hornshaw****Mr G Huxley****Mr G Jackson****The Hon R Jones, MLC****Ms S Keevers****Mr C and Mrs V Le Tet****Mr N Leiper****Dr R Lynch and Associate Professor T  
Veal****Mr N Montgomery****Ms C Moore, MP****Mr P and Mrs N Moore****Mr D Naidoo****Mr B Neubauer****Mr G O'Rafferty****Mr C Reece****The Hon R B Rowland-Smith, MLC****Mr J Small, MP****Mr M G Steuart****Mr W K Tiplady****Mr E D Webber****Mr J K Winslow****Mr P C Wolfe****Mr J Wooller**

## Appendix C

### SPEAKERS AT THE PUBLIC HEARING

#### Speakers

**The Rev The Hon F J Nile, MLC**

**Mr P Cochran, MP**

**Mr J Ross, President, Australian Hotels Association**

**Mr J Kennedy, Secretary, NSW Bookmakers' Co-operative  
Society Ltd**

**Mr R de Ville**

**Mr N Hooper**

**Dr A Chesterfield Evans**

**The Rev Dr G Moyes (Superintendent, Wesley Mission)**

**Dr K Suter (Director of Strategic Planning, Wesley Mission)**

## Appendix D

## MEETINGS, INTERVIEWS AND VISITS

## Organisations

**ACT Casino Surveillance Authority: The Hon Justice R Else-Mitchell, Chairman; Mr I**

**Manning, Chief Casino Inspector**

**Aitco Pty Ltd (Adelaide Casino operator): Mr N McDonald, Chief Executive**

**Australian Bureau of Criminal Intelligence: Mr K Askew, Director;**

**Mr G Weeks, Deputy Director; Mr G Leonard, Project Manager**

**Australian Customs Service: Mr J Thurlow, Director, Enforcement Intelligence**

**Australian Federal Police: Commissioner P McAulay; Commander G Symons**

**Australian Parliamentary Joint Committee on the National Crime Authority: Mr E Lindsay,**

**RFD, MP, Chairman, Senator Loosely, Senator Spindler, Mr Filing MP, Mr O'Keefe MP; Mr A Snedden, Secretary; Mr S Curran, Principal Research Officer**

**Australian Securities Commission: Mr T Hartnell, Chairman**

**Cash Transaction Reports Agency: Mr G Pinner, Deputy Director**

**Casino Co-ordination Unit, Minister for Planning and Energy: Mr R Brown, Co-ordinator**

**Centacare (Parramatta): Mr L Bowe; Mrs P Bowe; Ms R Matias**

**Chief Secretary's Department: Mr R McGregor, Secretary; Ms J Hennessy, Director,**

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**Credit Line: Mr J Connolly, Financial Counsellor**

**Darling Harbour Authority: Ms D Talty, Manager, Planning and Development**

**Department of Immigration, Local Government and Ethnic Affairs: Mr W Gotovac, Acting**

**Director, Intelligence**

**Gamblers Anonymous, Sydney: 11 members**

**Hotel Conrad, Jupiters Casino: Mr B Celey, Senior Vice-President, Casino Operations**

**Independent Commission Against Corruption: Mr P Lamb APM, Director, Operations;**

**Mr G Schuberg, Deputy Director, Operations (Unit 2)**  
**Jupiters Development Ltd: Mr R Barnes, Managing Director**  
**Lifeline, National Council on Compulsive Gambling: Mr M Brown**  
**Marketing and Major Projects Branch, ACT: Mr T White, Deputy Executive Director**  
**National Crime Authority (Adelaide), Money Laundering Task Force: Mr P Foley,**  
**Counsel**

**Assisting; Mr J White; Mr S Work**  
**National Crime Authority (Sydney): Mr G Cusack QC, Chairperson; Mr T Sage**  
**NSW Crime Commission: Commissioner P Bradley; Mr G Cleghorne, Solicitor**  
**NSW Police Service: Commissioner T Lauer**  
**NSW Tourism Commission: Mr G Wild, Chairman; Mr P Rubie, Deputy General**  
**Manager; Ms J Calkin, Director, Policy and Planning**  
**NSW Treasury: Dr P Moy, Assistant Secretary**  
**Panthers World of Entertainment, Penrith Rugby League Club Ltd: Mr R Cowan,**  
**General Manager**  
**Property Services Group: Mr D Davidson, Development Manager, Project Services**

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**South Australian Department of Public and Consumer Affairs: Mr R Petherick, Chief**  
**(Casino) Inspector**  
**Queensland Casino Control Division: Mr K Leyshon, Director; Mr P Gough, Chief**

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**Sydney Turf Club: Mr T A D Kennedy, Chairman; Mr W P Parker, Secretary/Chief**

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**Sydney Visitors and Conventions Bureau: Mr W T Wright, Chairman**  
**Tourism Task Force: The Hon J Brown, Chairman**

**Individuals**

**Dr C C Allcock, Psychiatrist**

**Prof J Braithwaite, Professorial Fellow, Australian National University**

**Mr B Corkill**

**Mr L Dunn**

**Prof D Curran, Professor of Sociology, St Joseph's University, Pennsylvania, USA**

**Dr P McDonald, MP**

**Ms J McMillen, Lecturer, Queensland University of Technology**

**The Hon R B Rowland-Smith, MLC**

**Rev J Tully, New Life Ministry at Street Level Inc**

**Mr P Wolfe**

**Mr J Wooller**



**Appendix E**

**OTHER CONSULTATIONS AND SOURCES OF INFORMATION**

**ACT Planning Authority: Mr P Stakelam, Director, Demographic & Labour Studies**

**Adelaide Casino: Ms T Meuris, Security**

**Advertising Standards Council: Mr C Harcourt, Executive Director**

**Auditor General, NSW: Mr K Brown, Principal Auditor**

**Australian Institute of Family Studies: Mr P McDonald, Deputy Director; Ms C Jean,**

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**Blackburn North Baptist Church, Hobart: Rev J Simmonds**

**Dr A Blaszczyński, Associate Professor of Psychiatry, University of New South Wales**

**Bureau of Tourism Research: Mr W Faulkner, Director; Mr M Poole, Strategic  
Research Manager; Mr R Haigh, Research Officer**

**Burswood Casino: Mr B Brislin, Manager, Public Relations; Ms S Rose, Public  
Relations**

**Chief Secretary's Department: Mr M Foggo, Director, Corporate Services and**

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**Club Managers Association: Mr P Cameron, President**  
**Commonwealth Grants Commission: Mr D Batts**  
**Country Club Casino, Launceston: Mr S Dakin, Security Manager**  
**Dr R Crossman, Department of Mathematics, University of Sydney**  
**Crown Solicitor's Office: Mr P F Buchberger, Solicitor**  
**Darling Harbour Authority: Mr T Jones, General Manager**  
**Department of the Arts, Sport, The Environment, Tourism and Territories: Mr P Woods,**  
**Director, Christmas Island Section**  
**Diamond Beach Casino: Mr B Ralphs, Security**  
**Dr G Caldwell, Director, Continuing Education, Australian National University**  
**Prof M Dickerson, Department of Psychology, University of Western Sydney**  
**Federal Group: Mr C Andrews, Group Secretary**  
**Fiji Consulate: Mr P Stinson, Consul-General**  
**Foreign Investment Review Board: Mr G Pooley, Executive Member**  
**Gam-Anon: 1 member from Sydney**  
**Gamblers Anonymous: 3 members from Queensland and Tasmania**  
**Independent Commission Against Corruption: Ms A Reed, Director of Corruption**

**Insolvency and Trustee Service Australia: Mr G Gilbert**  
**Irving Saulwick and Associates Pty Ltd: Mr I Saulwick**  
**Mr G Jones, Registered Clinical Psychologist, Perth**  
**Judicial Commission of NSW: Mr I Potas, Research Director**  
**Jupiters Casino: Ms M Lewis, Director of Public Relations; Mr T Davies, Personnel**

**Lasseter's Casino: Mr M Mossip, Security Manager**  
**Lifeline: Ms E Weule**  
**Dr R Lynch, School of Leisure and Tourism Studies, University of Technology,**  
**Sydney**  
**Marketing and Major Projects Branch, ACT: Mr R Smeed, Executive Director**

**National Council on Compulsive Gambling: Mr D Stone**  
**NSW Department of Planning: Mr C Ellem; Mr N Ralph**  
**NSW Department of Sport, Recreation and Racing,: Mr D Lowenthal, Assistant  
 Director, Office of Racing; Mr E Patterson, Senior Research Consultant**  
**NSW Department of State Development: Mr T Geczy, General Manager, Major Projects  
 Division**  
**NSW Law Reform Commission: Ms A Eggins, Legal Consultant**  
**NSW Office of the Ombudsman: Mr D Landa, Ombudsman; Mr J Pinnock, Deputy**

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**New Zealand Casino Control Authority: Mr J Irvine, Chairman; Ms A M Broad,  
 Secretary**  
**Northern Territory Government Tourist Bureau: Ms M Sexton, Manager, Research**  
**Northern Territory Treasury, Gaming Control Branch: Mr G Moriarty, Assistant  
 Director**  
**Office of Racing and Gaming, Western Australia: Mr D Jennings, Executive Officer**  
**Pacific Asia Travel Association: Mr I L Kennedy, Vice President, Pacific Division**  
**Poker Machine Council of Australia: Mr J Henry, Chairman**  
**Price Waterhouse Urwick: Mr J Williams, Associate Director**  
**Registered Clubs Association: Mr K Kerr, Executive Director**  
**Restaurant Advisory Services (and Marketing Sub-group Member of NSW Tourism  
 Development Strategy): Mr W Pizem, Managing Director**  
**Roy Morgan Research Centre: Mr A Waks**  
**SA Council of Social Service Inc: Ms M Galdies, Debt Project Officer**  
**South Australian Government Travel Centre: Mr W Furze, Manager, Industry Analysis**  
**Tasmania, Department of Transport: Mr C Finch, Director of Planning**  
**Tasmanian Gaming Commission: Ms J Avery, Deputy Commissioner**  
**Taxi Council of NSW: Mr J Bowe, Executive Officer**  
**Totalizator Agency Board: Mr G Yeo, Deputy Director of Finance**  
**Ms S Toms**  
**Mr R Tredrea, Pawnbroker, Adelaide**  
**Victorian Government Major Projects Unit: Mr R Roennfeldt, Chief Executive;  
 Ms C Gallagher, Deputy Director**  
**Dr M Walker, Department of Psychology, University of Sydney**  
**Western Australian Casino Control Division: Mr R Harrax, Acting Deputy Director**  
**Western Australian Tourism Commission: Mr M Sparrow, Director, Research and  
 Planning William Booth Centre (Salvation Army): Mr A Bastion, Co-ordinator**  
**Wilson HTM Stockbrokers: Mr R Burcher, Director of Research**  
**Wrest Point Casino: Ms M F Hayes, Security Manager**























## Appendix G

## INDICATORS OF PROBLEM GAMBLING

American Psychiatric Association Diagnostic and Statistical Manual III (Revised 1987) (DSM III (R))

## Pathological Gambling - Diagnostic Criteria

Individuals need to exhibit at least four of the following maladaptive gambling characteristics:

1. Frequent preoccupation with gambling or obtaining money to gamble;
2. Often gambling larger amounts or over longer periods than intended;
3. Need to increase the size or frequency of bets to generate the desired outcome;
4. Restlessness or irritability if unable to gamble;
5. Repeatedly losing money gambling and returning another day to recoup or win back

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6. Repeated efforts to cut down or cease gambling;
7. Often gambling when expected to meet social or occupational obligations;
8. Has given up important social, occupational or recreational activity in order to gamble;
9. Continuation of gambling despite inability to pay mounting debts or other significant social, occupational, or legal problems that the individual knows to be exacerbated by gambling.

## Gamblers Anonymous - Twenty Questions

Most compulsive gamblers will answer YES to at least seven of these questions.

1. Did you ever lose time from work due to gambling?
2. Has gambling ever made your home life unhappy?
3. Did gambling affect your reputation?
4. Have you ever felt remorse after gambling?
5. Did you ever gamble to get money with which to pay debts or otherwise solve financial difficulties?
6. Did gambling cause a decrease in your ambition or efficiency?
7. After losing, did you feel you must return as soon as possible and win back your losses?
8. After a win, did you have a strong urge to return and win more?
9. Did you often gamble until your last dollar was gone?
10. Did you ever borrow to finance your gambling?
11. Have you ever sold anything to finance gambling?
12. Were you reluctant to use "gambling money" for normal expenditures?
13. Did gambling make you careless of the welfare of your family?
14. Did you ever gamble longer than you had planned?
15. Have you ever gambled to escape worry or trouble?

16. Have you ever committed, or considered committing, an illegal act to finance gambling?
17. Did gambling cause you to have difficulty in sleeping?
18. Do arguments, disappointments or frustrations still create within you an urge to gamble?
19. Did you ever have an urge to celebrate any good fortune by a few hours of gambling?
20. Have you ever considered self-destruction as a result of your gambling?

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