



Department of Infrastructure, Regional Development and Cities

Christmas Island Casino Regulatory Investigation

FINAL REPORT

15 May 2018

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Executive Summary

Background

The Christmas Island (CI) casino resort operated between 1993 and 1998. In its June 2015 report, titled *Governance in the Indian Ocean Territories – Interim report: Economic Development*, the Joint Standing Committee on the National Capital and External Territories (JSCNCET) recommended the reopening of a casino on CI.

The Australian Government's response to this recommendation was provided to JSCNCET on 7 March 2017. The government noted the recommendation and stated that it would, 'seek independent advice on regulatory and compliance arrangements for casino operations in the states and territories and a best practice model for CI'.

At this time, no policy decision has been made by the Australian Government to licence a casino to operate on CI.

Purpose of the report and role of KPMG

This report supports the Department of Infrastructure, Regional Development and Cities (the Department or DIRDC) in fulfilling the Australian Government's commitment to seek independent advice on the regulatory and compliance arrangements for casino operations in the states and territories, and a best practice model for CI. Specifically, KPMG investigated and identified:

- regulatory and compliance arrangements for casino operations in the states and territories;
- better practice approaches (from a harm minimisation perspective) already in operation across Australia;
- options to meet the costs associated with establishing a legislative framework and associated regulatory and compliance regime for the operation of a potential casino on CI; and
- the potential impact (preliminary assessment only) of a re-opened casino on the CI community and economy.

Regulatory framework

KPMG developed a regulatory framework based on the thematic grouping of regulatory elements. Groupings were

- electronic gaming machines (EGMs);
- licensing;
- on-track racing;
- operations;
- physical environment;
- regulator general responsibilities;

- reporting and redress;
- review and enforcement; and
- taxes, duties, and levies.

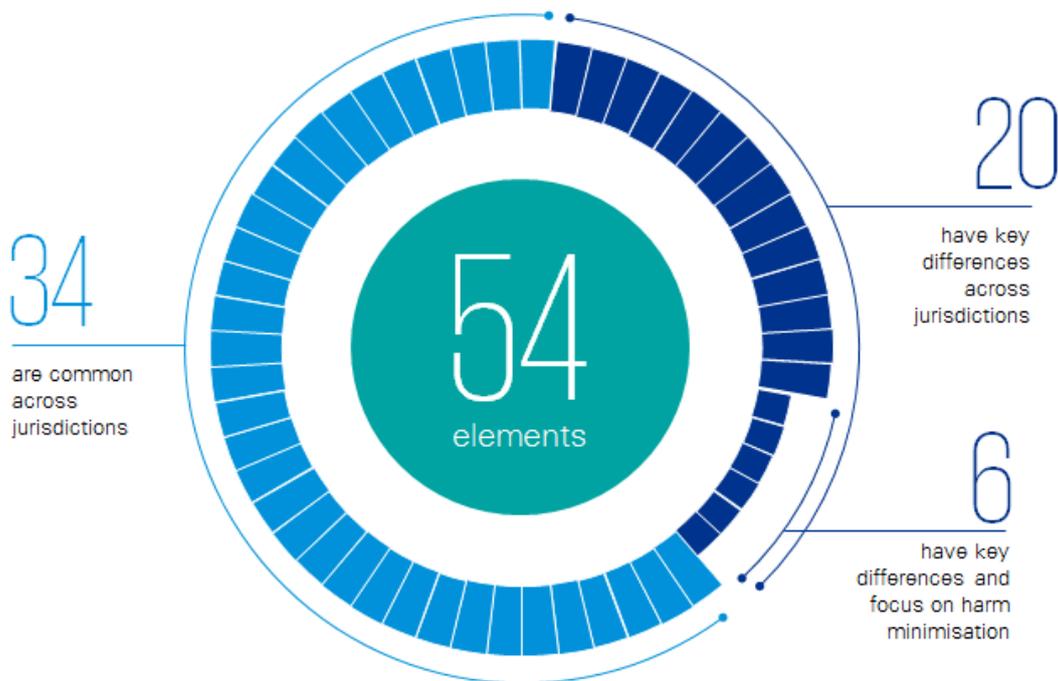
This regulatory framework was used to provide a common basis for assessing similarities and differences between the eight jurisdictional casino regulatory frameworks.

Key findings

Regulatory framework

- KPMG developed a regulatory framework for casinos consisting of 54 elements (see Figure ES1). The application of each element of this framework was considered for all jurisdictions.
- More than half (34 of 54) of the elements within the KPMG-developed regulatory framework for casinos are, for the most part, the same across each jurisdiction. They therefore have limited value as discriminators between existing state/territory casino regulatory frameworks.
- KPMG has identified a set of elements in the regulatory framework where there are significant differences between jurisdictions (20 in total). A subset of these elements has a harm minimisation focus (6 in total). Not all harm minimisation elements are equal in potential impact. KPMG has not sought to rank the impactfulness of each element as their applicability is ultimately a decision for government.

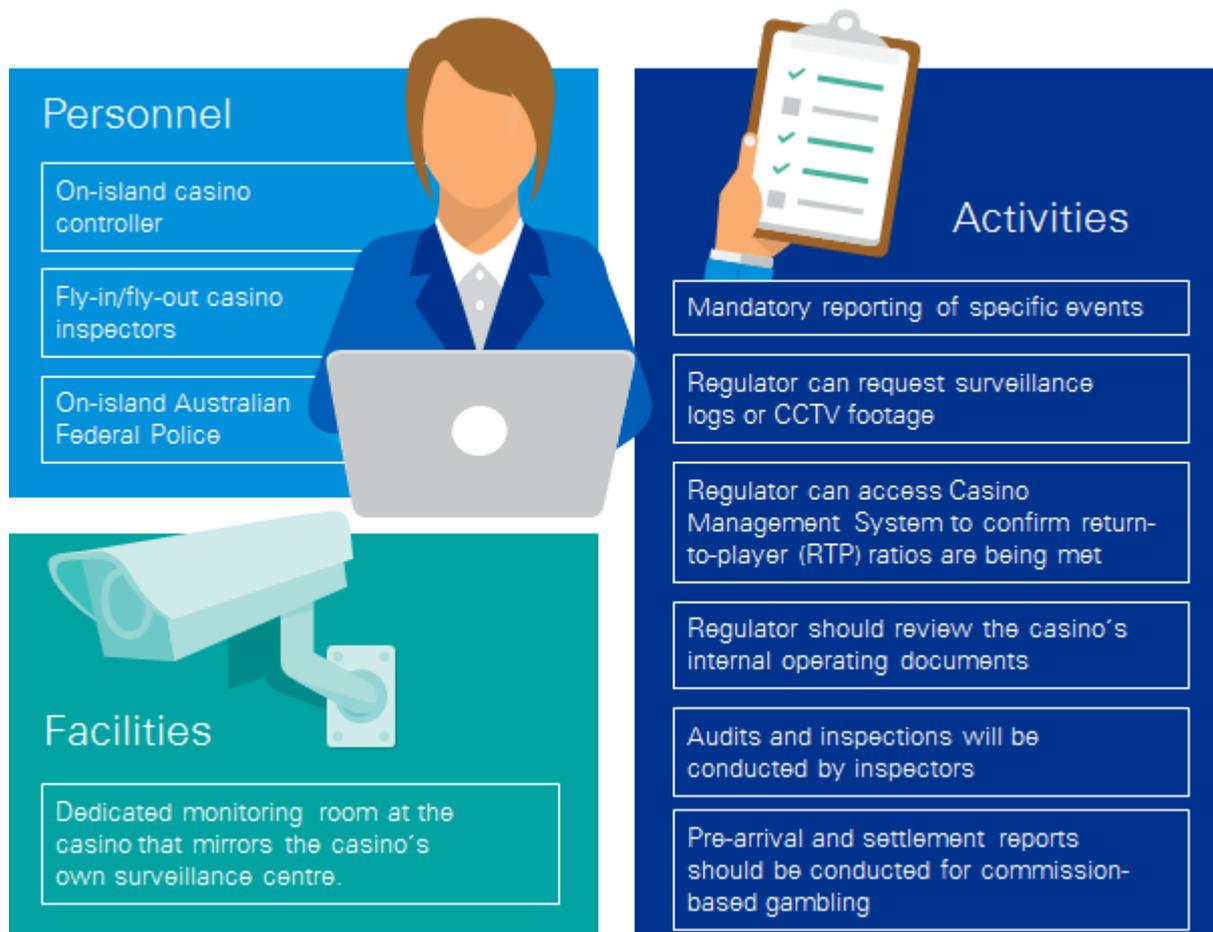
Figure ES1. Overview of the KPMG casino regulatory framework



Compliance activities

- A more prescriptive and comprehensive compliance approach (with corresponding regulatory staff effort) may initially be employed should a CI casino be established, particularly if the casino operator is new to the Australian market (which may be the case with a potential CI casino). This is reflective of the practices in the States/Territories, whereby the initial prescriptive approach to compliance activities evolved over time to become more principles-based. This aspect reflects a maturing relationship between the regulator and the casino operator and the development of greater alignment between the commercial and regulatory interests.
- A casino compliance team could consist of an on-island casino controller and a small team of fly-in/fly-out casino inspectors. The casino compliance team could likely be supported by the Australian Federal Police (AFP) contingent located on the island, particularly in relation to the regulation of the casino's liquor licence.
- The regulator could require the construction of a dedicated monitoring room on-site with mirror systems to those used in the casino's surveillance centre.
- Mandatory reporting of specified incidences could occur with the regulator having discretionary powers to request, at any time, the provision of daily surveillance logs and any associated closed circuit television (CCTV) footage for review.
- The regulator could be provided access to the Casino Management System (CMS), including the provision of detailed statistical data to confirm return-to-player (RTP) ratios for electronic gaming machines are being met.
- Casino internal operating documentation could be reviewed by the regulator. There will likely be a document hierarchy moving from principles-based documentation to more prescriptive documentation focused on specific casino activities.
- The lowest level (and hence most prescriptive) of documentation could form the basis for the conduct of any audits and inspections by the regulatory staff.
- Given the likely reliance of a potential CI casino on commission-based gambling, consideration could be given to the mandatory provision of pre-arrival notification reports and settlement reports.
- Over time, a risk-based approach to the regulation of commission-based gambling might be implemented if justified by a comprehensive risk assessment.
- Figure ES2 summarises KPMG's key findings related to compliance activities.

Figure ES2: Overview of key findings for compliance activities



Regulatory responsibilities

- An existing state/territory statutory authority could fulfil this regulatory role for a potential CI casino, noting the independent nature of such bodies.
- Given the familiarity of existing jurisdictional regulators with the conduct of casino compliance activities, it would be logical for this role to be provided by a state/territory underpinned by a Service Level Agreement (SLA) (or similar arrangement) with the Commonwealth.
- The policy responsibility should be exercised by the Commonwealth Department (currently the DIRDC) responsible for the administration of the Indian Ocean Territories (IOT).

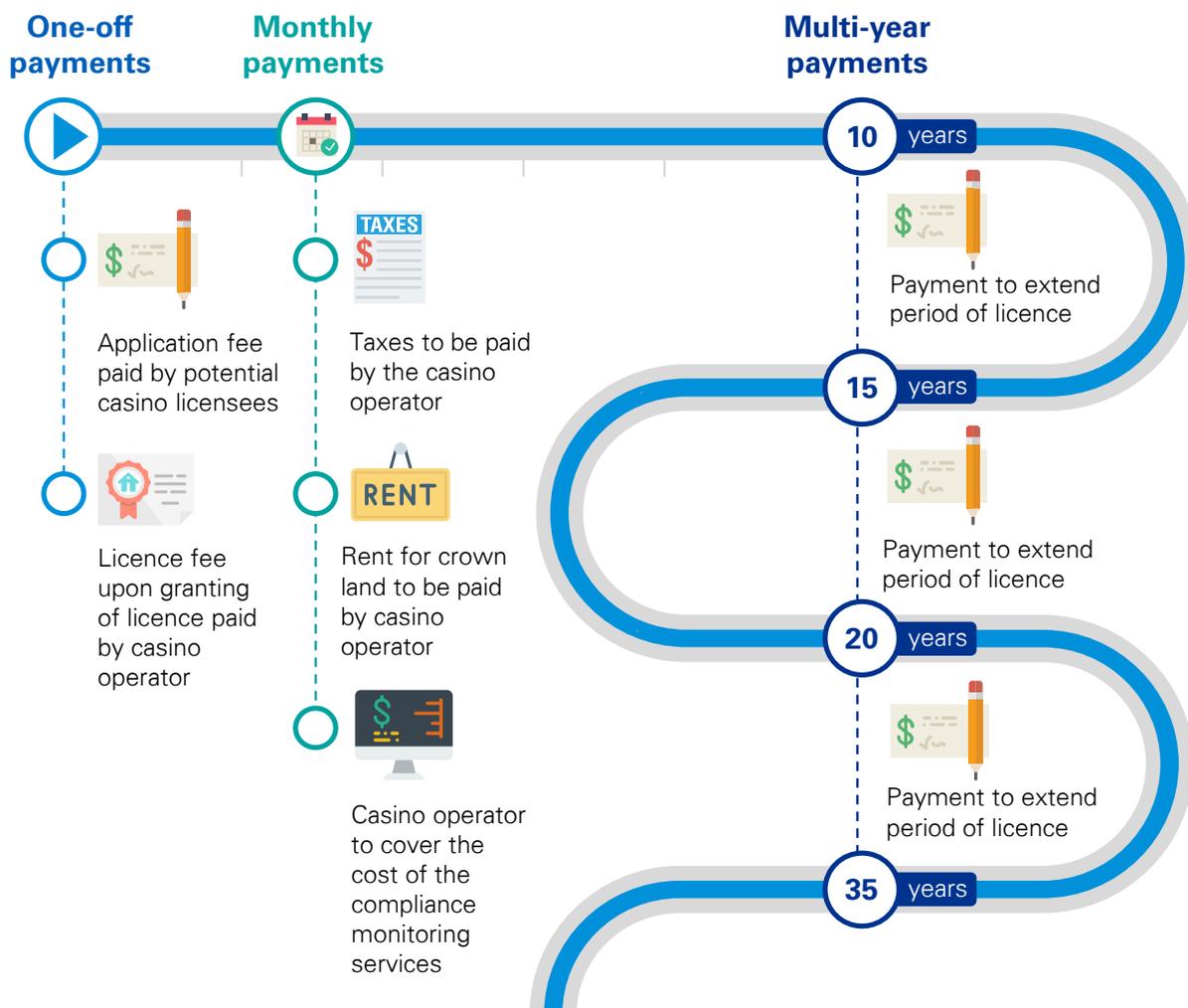
Taxation and other charges

- The Commonwealth Treasury could determine the applicable taxation rates to apply to a potential CI casino.
- Tax could be paid directly to the Commonwealth (either into Consolidated Revenue or a hypothecated account (e.g. a special account)) or collected by the compliance agency

(under the terms of the SLA with the Commonwealth) and then acquitted back to the Commonwealth.

- Taxes could be paid against projected gaming revenues, with a reconciliation undertaken of the monthly gaming accounts to detect and rectify any over/under payment. This reconciliation could be the responsibility of the compliance monitoring agency.
- Consideration might also be given to a form of taxation relief being provided to the casino operator for the funding of the development of on-island infrastructure.
- Consideration could be given to the duration of the casino licence and the ability of the Commonwealth to modify licence conditions during the period the licence is in force.
- Provisions could be made for the detailed licence conditions to be amended without the need to formally extend the duration of the licence.
- Exclusivity provisions are not relevant for a potential CI casino (there is little chance of competing venues being established on-island). Therefore the key revenue raising decision is the licence fee to be paid upon the granting of the licence and the duration of the licence. An option might be that after a specified period has lapsed, the casino operator is given the opportunity, at set frequencies, to extend the duration of the licence for a set period (e.g. an additional five years). Conversely, the licence may be extended at a single point of time for an extended period (e.g. an additional 20 years).
- A balance could be struck between the granting of the licence in perpetuity (which negates the opportunity of the Commonwealth to re-negotiate licence extension fees) and the need for the licence to be granted for a reasonable period for the casino operator to realise an adequate return on their investment.
- Consideration might also be given to whether the casino site is leased crown land or freehold.
- For fee-for-service activities, the actual fee charged could be consistent those charged to comparable entities in the jurisdiction providing the compliance services; unless there is a demonstrable additional cost incurred due to the unique characteristics of CI. Fees could be publically promulgated and paid directly to the State/Territory providing the compliance services (including any fee increases due to the additional cost of providing these services to a CI-based casino).
- For the provision of other than fee-for-service compliance activities, the actual amount to be charged (plus an appropriate administrative overhead) is the amount invoiced to the Commonwealth under the terms of the SLA with a State/Territory for the provision of compliance monitoring services.
- For the provision of second-order costs borne by the Commonwealth (such as an additional AFP, or Australian Border Force (ABF) presence, or additional DIBP staff) then the Department of Finance's New Policy Proposal Costing Tool could be used to determine the appropriate cost (including on-costs and corporate overheads). Any such costs charged to the casino operator must be in accordance with the *Australian Government Cost Recovery Guidelines - Resource Management Guide No. 304* and *Australian Government Charging Framework – Resource Management Guide No. 302*.
- Figure ES3 provides an overview of the revenue raising opportunities detailed above (please note that the frequency of renewals of the licence are indicative only).

Figure ES3. Overview of revenue raising opportunities



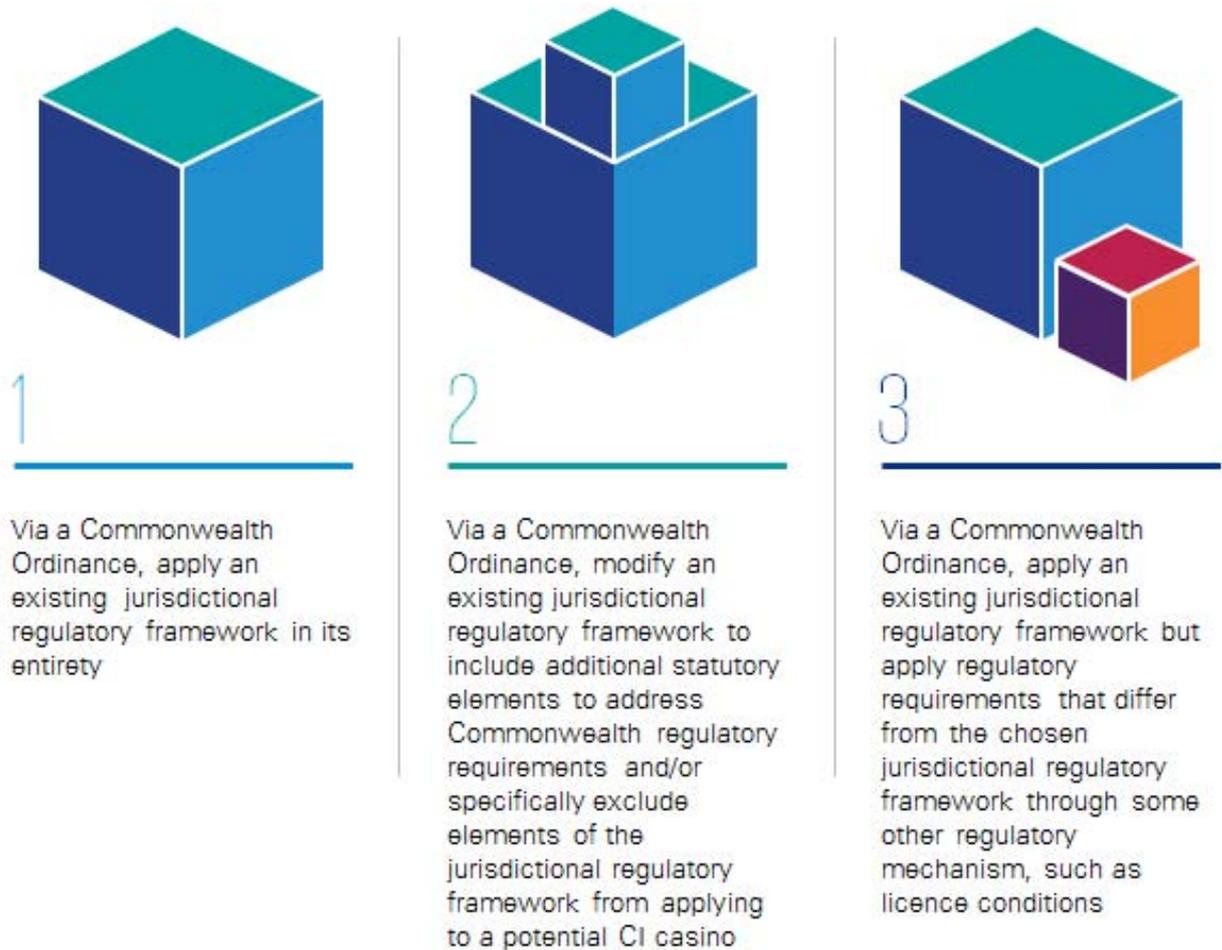
Application of an existing jurisdictional regulatory framework

- There are three broad options (see Figure ES4) for the Commonwealth if it chooses to apply an existing jurisdictional regulatory framework¹:
 - Apply the existing jurisdictional regulatory framework, via a Commonwealth Ordinance, in its entirety.
 - Through the enabling Commonwealth Ordinance, include additional statutory elements to address Commonwealth regulatory requirements and/or specifically exclude elements of the jurisdictional regulatory framework from applying to a potential CI casino.

¹ Note this section specifically applies to the operation of a potential regulatory framework. It is considered by KPMG that any changes required by the Commonwealth to a State or Territory's compliance arrangements for the operation of a casino could be negotiated between the Commonwealth and the respective State or Territory. Any such changes could be incorporated into the agreement underpinning the service delivery arrangements.

- o Apply regulatory requirements that differ from the chosen jurisdictional regulatory framework through some other regulatory mechanism, such as licence conditions.

Figure ES4. Overview of broad options for applying an existing casino regulatory framework



Implementation considerations

- If a policy decision was made by the Australian Government for a casino to be opened on CI then considerable lead time would be required to implement this decision.
- From a commercial certainty perspective, it is preferred by potential casino licensees that the regulatory regime be in place (which may entail negotiations with a State or Territory in relation to the regulatory framework), including the taxation arrangements, before the Commonwealth goes to tender for the casino licence. Having the regulatory regime, including the fee structure, in place reduces the degree of regulatory uncertainty, and hence business risk, for tenderers.
- Additionally, the tender process for the casino licence would need to be planned for and conducted. It is likely that land would need to be acquired/provided with security of tenure, by the successful tenderer, who would then need to go through the development approval process. Any casino-related construction would likely take longer than a comparable project on the Australian mainland due to the remoteness of CI and the requirement to ship in specific construction expertise, equipment and material.
- The Australian Government might also choose to undertake a number of related activities prior to a potential CI casino being offered to tender including, but not limited to:
 - an economic viability assessment of the operation of the casino and second-order impacts on the CI community (noting that the commercial risk would be borne by the casino operator);
 - targeted community consultation (to feed into the taxation and licencing arrangements); and
 - the development and implementation of a strategy to increase the employment prospects of current CI residents at the casino.

Impact on the CI community and economy

- These impacts relate to the following issue areas: economic diversity, tourism, employment, infrastructure and services, community cohesion and problem gambling.
- The extent to which these impacts are experienced will depend on the nature of a potential casino, as well as the casino operator's understanding and consideration of the CI community's needs, concerns, strengths and challenges.
- The potential negative impacts of a casino could be minimised, and potential positive impacts enhanced, through a combination of:
 - the design and implementation of business-as-usual activities;
 - policies that meet the needs of the casino;
 - responding to the priorities of the CI community; and
 - the establishment and operation of a community development and investment fund that provides targeted financial support to the CI community.

1 General

1.1 Background

The CI casino resort operated between 1993 and 1998. Since its closure, successive federal parliamentary inquiries have recommended that steps be taken to permit the re-establishment of a casino on CI.

Noting that the gambling industry has inherent social risks, the key driver for the proposed operation of a casino on CI has been the economic diversification of the island's economy. This factor has been given increased impetus due to the current mainstays of the CI economy, being the on-island detention centre and the operation of the CI Phosphate Mine, both facing uncertain futures. We understand that the detention centre is scheduled to close in 2018 and the economically viable phosphate holdings currently held by the mine are likely to be exhausted within the next five years.²

In its June 2015 report, titled *Governance in the Indian Ocean Territories – Interim report: Economic Development*, the Joint Standing Committee on the National Capital and External Territories (JSCNCET) recommended that:

The Australian Government commit to reopening a casino on CI and establish the necessary policy, legislative and regulatory framework to allow for this without delay.

Once the necessary frameworks are in place, the Department of Infrastructure and Regional Development conduct an appropriate process to assess proposals to operate a casino from private sector proponents.

The Australian Government's response to this recommendation was provided to JSCNCET on 7 March 2017. The Government noted the recommendation and stated that it would, 'seek independent advice on regulatory and compliance arrangements for casino operations in the states and territories and a best practice model for CI'.

At this time, no policy decision has been made by the Australian Government to licence a casino to operate on CI.

1.2 Purpose of the report and role of KPMG

This report supports the DIRDC in fulfilling the Australian Government's commitment to seek independent advice on the regulatory and compliance arrangements for casino operations in the states and territories and a best practice model for CI.³ Specifically, KPMG investigated and identified:

² The submission from Phosphate Resources Limited (PRL), dated 25 March 2015, to the 2015 'Inquiry into Governance in the Indian Ocean Territories' by the JSCNCET, stated 'Although the primary mining lease under which PRL operates has been extended until 2034 it needs to be understood that, without access to additional vacant crown land, on current parameters, it is unlikely that the operation will be commercially viable beyond the early twenties'.

³ Australian Government response to the Joint Standing Committee on the National Capital and External Territories: *Governance in the Indian Ocean Territories Interim Report: Economic Development and Final Report: Economic Development and Governance*, dated March 2017, p.2 (response to Recommendation 1).

- regulatory and compliance arrangements for casino operations in the states and territories;
- better practice approaches (from a harm minimisation perspective) already in operation across Australia;
- options to meet the costs associated with establishing a legislative framework and associated regulatory and compliance regime for the operation of a casino on CI; and
- the potential impact (preliminary assessment only) of a re-opened casino on the CI community and economy.

1.3 Scope

Elements of the regulatory framework for casinos that apply across all jurisdictions were not evaluated, as essentially there is no decision to be made as to which regulatory framework could apply to a potential CI casino. Examples of such regulatory elements include:

- applicable Commonwealth legislation such as the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*; and
- national standards, such as the *Australian and New Zealand Gaming Machine National Standard* (current version is 2016).⁴

1.4 Structure of the report

The following table details the structure of this report, including the purpose of each chapter.

Table 1: Structure of the report

Chapter 1 General	This chapter introduces the report and provides: <ul style="list-style-type: none"> • background to the project; • the report's purpose; • the structure of the report; and • KPMG's methodology for developing a regulatory framework to assess the State and Territory frameworks against.
Chapter 2 Regulatory Framework	This chapter provides an overview of: <ul style="list-style-type: none"> • the previous CI casino regulatory framework; • options for a new CI casino regulatory framework; • both common and different elements in casino regulatory frameworks across the States and Territories; and • instances of better practice casino regulation (from a harm minimisation perspective) within the States and Territories.
Chapter 3 Compliance Activities	This chapter examines compliance activities across the States and Territories and their application to a potential CI casino.
Chapter 4 Regulatory Activities	This chapter examines regulatory activities across the States and Territories and their application to a potential CI casino.

⁴ It is noted that a number of jurisdictions currently have state/territory appendices to the national standard but that these appendices are principally concerned with detailed technical requirements relating to the design and functionality of EGMs.

Annexes A to C provide a listing of acronyms and abbreviations, the bibliography, and consultation schedule respectively. Annex D was prepared as a stand-alone document and provides a preliminary assessment (noting no on-island consultation was in scope for this project) of the potential impacts of a re-opened casino on the CI community and economy.

1.5 Methodology

1.5.1 Development and application of the casino regulatory framework

The purpose of the regulatory framework outlined in Table 2 was to develop a list of key regulatory elements to assess the individual State and Territory regulatory frameworks against. Initial development of the regulatory framework was undertaken in close consultation with DIRDC. Each element of the framework was selected after reviewing key legislation across the States and Territories.

The initial framework was then streamlined following consultation with States and Territories stakeholders. For example, some elements of the framework were amalgamated, such as those elements relating to on-track betting and sporting events. Other elements were added, such as liquor licensing.

Table 2 includes the final 54 elements within the agreed regulatory framework. The framework is divided into nine Level 1 thematic categories. They are designed to group like regulatory elements:

- electronic gaming machines (EGMs);
- licensing;
- on-track racing;
- operations;
- physical environment;
- regulator general responsibilities;
- reporting and redress;
- review and enforcement; and
- taxes, duties, and levies.

There are 54 discrete Level 2 categories, which focus on a specific regulatory element.

This regulatory framework is used to highlight similarities and differences between the State and Territory regulatory frameworks, and forms the basis of the tables provided in chapters 3 and 4.

A system of colour coding has been applied, as follows:

- Those rows without highlighting (white) indicate common regulatory practices across the jurisdictions (34 in total).
- Those marked as dark grey indicate where there are key differences in regulatory practices across the jurisdictions (14 in total).

- Those marked in light grey indicate where there is both a key difference in regulatory practices across jurisdictions, and there is an aspect of harm minimisation, from a problem gambling perspective (6 in total).

Table 2: Casino regulatory framework (white rows = common, dark grey rows = key difference no harm minimisation factor, light grey rows = key difference and a harm minimisation factor)

No	Level 1	Level 2	No	Level 1	Level 2
1	Electronic gaming machines	Harm minimisation - environment	31	Physical environment	Security / monitoring/ surveillance equipment
2	Electronic gaming machines	Harm minimisation - machines	32	Physical environment	Signage
3	Electronic gaming machines	Machine returns	33	Physical environment	Smoking and air quality
4	Electronic gaming machines	Number of machines	34	Regulator general responsibilities	Harm minimisation
5	Electronic gaming machines	Pre-commitment	35	Regulator general responsibilities	Inspectors
6	Licensing	Changes in ownership/key personnel	36	Regulator general responsibilities	Intelligence gathering/sharing
7	Licensing	Conditions of licence	37	Regulator general responsibilities	Monitoring legislative compliance
8	Licensing	Exclusivity provisions	38	Regulator general responsibilities	Powers of investigation
9	Licensing	Funding/viability/ covenants	39	Reporting and redress	Complaints and appeals
10	Licensing	Granting licence	40	Reporting and redress	Continuous disclosure
11	Licensing	Licensing fees	41	Reporting and redress	Financial reporting
12	Licensing	Liquor - limits on serving hours	42	Reporting and redress	Non-financial reporting
13	Licensing	Period of licence	43	Reporting and redress	Reporting of contracts
14	Licensing	Pre-licence checks	44	Review and enforcement	Audits
15	On-track racing	Licensing	45	Review and enforcement	Disciplinary action against casino
16	Operations	Children's entry to casino	46	Review and enforcement	Disciplinary action against casino employee
17	Operations	Employee licences	47	Review and enforcement	Government powers of direction
18	Operations	Employee training	48	Review and enforcement	Inspections
19	Operations	Exclusion from casino	49	Taxes, duties and levies	Community development
20	Operations	Gaming authorisation	50	Taxes, duties and levies	Duties and levies
21	Operations	Gaming conduct	51	Taxes, duties and levies	Payment frequency
22	Operations	Gaming equipment and chips	52	Taxes, duties and levies	Responsible gaming
23	Operations	Gaming offences	53	Taxes, duties and levies	Taxes - commission based gambling
24	Operations	Commission-Based Gambling	54	Taxes, duties and levies	Taxes - general
25	Operations	Operating times			
26	Operations	Operational control procedures			
27	Physical environment	Casino designation and layout			
28	Physical environment	Clocks			
29	Physical environment	Promotions and advertising			
30	Physical environment	Providing money			

2 Regulatory Framework

2.1 Previous CI regulatory framework

Under s.122 of the Australian Constitution, the Australian Government has the power to make laws for the government of any territory, including CI. The island has no state level of government. This means that the Australian Government is responsible for the provision of state-type laws and services to the island.

Until 1992, the laws of CI were largely based on the laws of colonial Singapore. The *Territories Law Reform Act 1992* amended the *Christmas Island Act 1958* to introduce a modern body of law to CI, including provisions to apply all Australian Government laws and regulations to the Island (unless explicitly excluded)⁵ as well as applying the laws of the state of Western Australia (so as to apply a body of state-level laws).⁶

The CI casino operated between 1993 and 1998, under a regulatory and compliance regime established and administered by the Commonwealth in accordance with the *Casino Control Ordinance 1988 (CI)*. The *Gaming and Wagering Commission Act 1987 (WA)*, which prohibits common gaming houses, including casinos, was specifically excluded from operating in the IOT by the *Applied Laws (Implementation) Ordinance 1992 (Commonwealth)*.

At 117 pages in length, the *Casino Control Ordinance 1988 (CI)* was a reasonably substantial piece of legislation and established a detailed regulatory regime for the operation of the CI casino. The Commonwealth had in place a SLA with the Western Australian gaming regulator (now the Department of Local Government, Sport and Cultural Industries) to monitor gaming activities at the casino. The Department established a separate team to undertake compliance activities on CI, consisting of a casino controller (based on-island) and a team of seven inspectors who operated on a fly-in/fly-out basis.

The *Casino Control Ordinance 1988 (CI)* was repealed in 2005. Furthermore, the *Casino Legislation Ordinance 2005 (No.1) (Commonwealth)* amended the *Applied Laws (Implementation) Ordinance 1992* in order to apply the *Gaming and Wagering Commission Act 1987 (WA)*.

The *Casino Control Act 1994 (WA)* specifically provides 'for the establishment of a casino in Western Australia, for licensing the operator of the casino and for the control of gaming operations therein ...'. Furthermore, the *Casino (Burswood Island) Agreement Act 1985 (WA)* ratifies the implementation of an agreement entered into under s.19 of the *Casino Control Act* between the relevant Western Australia Minister and a business consortium to construct and establish a casino complex at Burswood Island, Perth.

In summary, there is no longer any Commonwealth regulatory coverage for the operation of a casino on CI. While there is general coverage of gambling activities under the Western Australian *Gaming and Wagering Commission Act 1987*, there is not specific legislation tailored for the operation of a casino on CI.

⁵ For example, the *Corporations Act 2001 (Cwlth)* contains provisions to exclude it from applying to CI.

⁶ AFP officers on-island undergo specific training to allow them to exercise powers, such as the issuing of penalties under liquor licencing arrangements, that have their statutory basis in state law.

2.2 Regulatory framework options for a potential CI casino

If the Commonwealth was to decide and then enact a policy to licence a casino to operate on CI, it would have three broad options from a regulatory framework perspective:

- The Commonwealth could develop a bespoke Commonwealth Ordinance to licence and regulate a potential CI casino. This was the previous regulatory approach but, as noted, the previous regulatory framework for the operation of a casino on CI has been removed.
- The Commonwealth could apply an existing state or territory regulatory framework in its entirety. Currently the laws of Western Australia are applied to the IOT⁷, noting, as detailed previously, that the existing Western Australian regulatory framework for the operation of a casino specifically applies to a casino in Western Australia.
- The Commonwealth could apply a modified state or territory regulatory framework. This would likely apply the primary legislation of a selected State or Territory, with specific Commonwealth requirements being detailed in the Commonwealth Ordinance applying the State or Territory legislation, or in subordinate elements of the regulatory framework, such as the licence agreement between the Commonwealth and the casino operator.

KPMG notes that the regulatory frameworks within each jurisdiction generally detail the powers of the relevant regulatory agency. However, the agencies have considerable discretion in relation to the conduct of compliance activities (which are detailed in the next chapter).

2.3 Structure of the jurisdictional regulatory frameworks

While there are slight differences in the legislative arrangements governing casino operations across each jurisdiction, they typically have:

- an Act that governs casino operations (often referred to as the Casino Control Act);
- regulations that support the Act (often referred to as the Casino Control Regulations); and
- an Act that establishes the government entity responsible for casino regulation and compliance (often referred to as a commission).

In Queensland and Western Australia separate legislation has also been enacted specific to each casino. For example, in Queensland, there are four separate Acts relating to each of the State's four casinos. These Acts typically refer to the casino's establishment and include specific regulations relating to their operation.

In addition to casino specific legislation, jurisdictions usually have an Act that regulates the operation of EGMs. The provisions of these Acts generally apply to the operation of EGMs in

⁷ Under the *Christmas Island Act (1958)*, the Commonwealth Minister with responsibility for the Territories has the power to make Ordinances that amend, repeal or suspend applied Western Australian laws where they are not consistent with Australian Government policy.

casinos (as well as clubs and hotels), unless expressly excluded by the specific casino legislation.

Gambling Codes of Conduct, elements of which also apply to the operation of casinos, exist in all jurisdictions. The legislative status of these codes varies. For example, in South Australia the code of practice has been written into legislation (as the *Responsible Gambling Code of Practice Notice 2013*). Conversely, the Queensland Responsible Gambling Code of Practice is a voluntary code developed by the Queensland Responsible Gambling Advisory Committee in consultation with key stakeholders and the community.

2.4 Common elements of the jurisdictional regulatory frameworks

2.4.1 Overview

Through KPMG’s analysis of key legislation and our engagement with stakeholders in each jurisdiction, we have identified a number of elements within the KPMG casino regulatory framework that are generally consistent across each State and Territory. Table 3 outlines those elements, provides a summary of the common regulatory approach, and, where appropriate, the potential application to a possible CI casino.

Table 3. Common elements of the KPMG casino regulatory framework

No.	Level 1	Level 2	Summary	Application to potential CI casino
2	Electronic gaming machines	Harm minimisation - machines	Casino licensee to adhere to national EGM standards; machines and games to be approved by government; warning stickers to appear on EGMs, limits on maximum bets and speed/frequency of play, and EGMs to display time of day.	In order to achieve consistency with the States and Territories, EGM operations on CI should adhere to the national standards – <i>Australia and New Zealand Gaming Machine National Standard</i> .
3	Electronic gaming machines	Machine returns	The minimum required machine returns across jurisdictions vary between 85% and 90%. In practice, this may be higher.	If a CI casino is approved, offering higher than average machine returns could attract players.
4	Electronic gaming machines	Number of machines	Each jurisdiction has a state-wide cap on the number of EGMs. As part of that cap, there may be separate allowances for casinos.	A separate cap is not relevant to CI operations as the potential casino is likely to be the only EGM operator.
6	Licensing	Changes in ownership/key personnel	Changes in ownership/key personnel to be approved by government.	This regulation provides government with control over who can operate a casino.
7	Licensing	Conditions of licence	Proposed casino licensee must be of good repute, financially sound, and have the ability to successfully run a casino.	These could similarly apply to the operator of a potential CI casino.
9	Licensing	Funding/viability/covenants	Casino licensee must notify government of changes in ownership, key personnel or financial status.	These could similarly apply to the operator of a potential CI casino.
10	Licensing	Granting licence	While the official may vary (Minister, Governor), all licences are ultimately granted by government.	This regulation provides government with control over who can operate a casino.

No.	Level 1	Level 2	Summary	Application to potential CI casino
12	Licensing	Liquor – limits on serving hours	<p>There are no lock-out provisions in the ACT, NT, TAS, VIC and WA. In NSW the casinos are located outside the defined lock-out area in Sydney. The casinos are within the defined lock-out areas for Brisbane and Adelaide but are exempted from lock-out provisions.</p> <p>All casinos hold liquor licences. There are no restrictions placed on the service of alcohol during casino operating hours (noting that the general provisions of the respective state/territory liquor acts for the service of alcohol will apply to casinos, including offences regarding intoxication and supplying alcohol to minors)</p> <p>From a harm minimisation perspective, KPMG would expect to see limitations on access to alcohol as a tool to reduce intoxication and problem gambling.</p>	If a CI casino is approved, there are likely to be community concerns with regards to the potential increase in problem gambling. In response, the introduction of restricted liquor serving hours could be considered (noting the established relationship between intoxication and problem gambling).
14	Licensing	Pre-licence checks	Government to conduct pre-licence checks before granting a casino licence.	These could similarly apply to the operator of a potential CI casino
16	Operations	Children's entry to casino	Children are not permitted in gaming areas.	If approved, a CI casino is likely to be only one of few entertainment facilities on the island. Designating areas that permit children to the casino premise may need to be considered (e.g. restaurants).
20	Operations	Gaming authorisation	Games and rules to be approved by government.	These could similarly apply to the operator of a potential CI casino
21	Operations	Gaming conduct	Casino licensee must ensure that: gaming equipment is approved, cards are dealt in accordance with rules, chips are paid for, wagers are paid for with chips (unless other method approved), winnings are paid in full (unless other method approved), inducements are not given to attract people inside the casino, there is no casino entry charge, and chips are exchanged or redeemed upon request.	These could similarly apply to the operator of a potential CI casino
22	Operations	Gaming equipment and chips	Gaming equipment and chips to be approved by government.	These could similarly apply to the operator of a potential CI casino
23	Operations	Gaming offences	Gaming offences can occur with regards to: dealing of cards, issuing of chips, conduct of authorised games, placement of wagers, exchange of chips or chip purchase vouchers, charging to enter or play in casino, gaming by authorised person, tipping casino employees, children playing authorised games, providing EGMs, cheating, and forgery.	If a CI casino is approved, consideration may need to be given to the negotiation of a service delivery arrangement (or something similar) between the Department and the AFP for the on-island AFP officers to police gaming offences.

No.	Level 1	Level 2	Summary	Application to potential CI casino
27	Physical environment	Casino designation and layout	The casino's layout is generally defined in licence agreements or casino control legislation.	These could similarly apply to the operator of a potential CI casino.
28	Physical environment	Clocks	Clocks must be displayed on EGMs and/or throughout the gaming area.	These could similarly apply to the operator of a potential CI casino
29	Physical environment	Promotions and advertising	Key restrictions on advertising relate to being misleading about the likelihood of winning and promoting the consumption of alcohol when gambling. In addition, advertising must adhere to consumer protection legislation (e.g. the <i>Competition and Consumer Act 2010</i>).	These could similarly apply to the operator of a potential CI casino
30	Physical environment	Providing money	All jurisdictions allow ATMs in the casino complex, but not on the gaming floor, though there may be some restrictions placed on the locations of ATMs (for example, located at least 50 metres from the entrance to the gaming floor). ATMs within the casino complex usually have restrictions on the amount of money that may be withdrawn (for example, in WA, \$400 is the maximum withdrawal amount).	If a CI casino is approved, it is likely that any ATM within the casino complex will be one of only a few across the entire island. Facilitating the island community's easy access to money will need to be balanced with the harm minimisation aspects associated with having ATMs within the casino complex.
31	Physical environment	Security / monitoring/ surveillance equipment	Casino licensee security arrangements are generally outlined in control procedures. CCTV operates throughout gaming floors.	These could similarly apply to the operator of a potential CI casino
32	Physical environment	Signage	Signs to be displayed include prohibiting children and intoxicated persons in gaming areas, and advice on cheque cashing, odds of winning, gambling limits and problem gambling services.	These could similarly apply to the operator of a potential CI casino
34	Regulator general responsibilities	Harm minimisation	Key objective of government is to reduce adverse impacts of gaming. Self-exclusion programs, codes of conduct and pre-commitment schemes aim to support this objective.	These could similarly apply to the operator of a potential CI casino.
35	Regulator general responsibilities	Inspectors	Inspectors are appointed by government and generally must be of good repute and have appropriate expertise.	If a CI casino is approved, consideration may need to be given to the remoteness of the island and the availability of flights from the mainland. Impromptu inspections may not be possible if an ongoing presence of inspectors is not maintained on the island.
36	Regulator general responsibilities	Intelligence gathering/ sharing	Information is generally shared between government and law enforcement agencies. Regulators and casino licensees also share information through the Australasian Casino and Gaming Regulators' Conference and the Australia New Zealand Gaming Machine Standards Working Group.	It is assumed that the Commonwealth Department responsible for the IOT could participate in such fora if a CI casino is approved.

No.	Level 1	Level 2	Summary	Application to potential CI casino
38	Regulator general responsibilities	Powers of investigation	Government has the power to enter and inspect premises.	If a CI casino is approved, consideration may need to be given to the remoteness of the island and the availability of flights from the mainland. Impromptu inspections may not be possible if an ongoing presence of inspectors is not maintained on the island.
39	Reporting and redress	Complaints and appeals	Complaints and appeals can be registered with the casino licensee, government or the courts.	If a CI casino is approved, consideration may need to be given to the remoteness of the island and the accessibility to government or the courts to lodge complaints and appeals.
40	Reporting and redress	Continuous disclosure	Casino licensee has a duty to disclose changes in financial viability.	These could similarly apply to the operator of a potential CI casino
41	Reporting and redress	Financial reporting	Casino licensee to prepare and audit financial statements and accounts.	These could similarly apply to the operator of a potential CI casino
42	Reporting and redress	Non-financial reporting	While the frequency of reporting varies across jurisdictions, casino licensees are to submit reports on casino operations.	These could similarly apply to the operator of a potential CI casino
44	Review and enforcement	Audits	Audits can be performed at any time, on any aspect of casino operations.	These could similarly apply to the operator of a potential CI casino
45	Review and enforcement	Disciplinary action against casino licensee	<p>Actions can include: varying the conditions of the licence, or cancelling f or suspending the licence.</p> <p>Grounds for action include: giving false or failing to give information, contravention of legislation or foreign investment rules, casino premises are no longer suitable, casino licensee is no longer an eligible person or is no longer in control of the casino, and failure to comply with a direction or to pay a fine.</p>	These could similarly apply to the operator of a potential CI casino
46	Review and enforcement	Disciplinary action against casino employee	<p>Actions may include: reprimanding, varying the conditions of the employee licence, or cancelling or suspending an employee licence.</p> <p>Grounds for action: giving false or failing to give information, contravention of the employee licence, or no longer an eligible person.</p>	These could similarly apply to the operator of a potential CI casino.
47	Review and enforcement	Government powers of direction	Government has the power to direct the casino licensee to act or refrain from an action.	These could similarly apply to the operator of a potential CI casino

No.	Level 1	Level 2	Summary	Application to potential CI casino
48	Review and enforcement	Inspections	Inspectors and police may enter and remain in casino at any time to observe and confirm operations are occurring in accordance with regulations.	If a CI casino is approved, consideration may need to be given to the remoteness of the island and the availability of flights from the mainland. Impromptu inspections may not be possible if an ongoing presence of inspectors is not maintained on the island. Further, consideration may need to be given to the negotiation of a service delivery arrangement (or something similar) between the Department and the AFP for the on-island AFP officers to police gaming offences.
51	Taxes, duties and levies	Payment frequency	Taxes are paid monthly.	These could similarly apply to the operator of a potential CI casino

2.4.2 Implications for a potential CI casino

As detailed in Table 3, more than half (34) of the 54 elements within the KPMG casino regulatory framework are, for the most part, the same across each jurisdiction. Through these commonalities, the incentive to reduce the negative impacts of gambling (including instances of problem gambling (harm minimisation)) is clearly evident. This is a key objective for existing jurisdictional regulatory and compliance frameworks and could apply equally to any casino operating on CI.

2.5 Key difference in the jurisdictional regulatory frameworks

2.5.1 Overview

Through KPMG's analysis of key legislation and our engagement with stakeholders in each jurisdiction, we have identified a number of elements within the KPMG casino regulatory framework where there are key differences in practices across the States and Territories. Table 4 outlines these key differences. Where the key difference also includes an element of harm minimisation from a problem gambling perspective, we have indicated this through the column marked 'HM'. Like Table 3, we have also identified where an element has a potential application to a possible CI casino.

Table 4: Key difference in the KPMG casino regulatory framework

No.	Level 1	Level 2	Key differences	HM	Application to potential CI casino
1	Electronic gaming machines	Harm minimisation - environment	NSW is the only jurisdiction that allows EGMs to be within a designated smoking area. All other jurisdictions prohibit EGMs in outdoor smoking areas. From a harm minimisation perspective, we would expect to see smoking banned in all areas, including where EGMs are played.	✓	From a harm minimisation perspective, we would expect to see smoking banned in all areas, including where EGMs are played.

No.	Level 1	Level 2	Key differences	HM	Application to potential CI casino
5	Electronic gaming machines	Pre-commitment	<p>Voluntary pre-commitment schemes exist in QLD, VIC, NSW, TAS, SA and WA. They do not exist in the ACT and NT.</p> <p>From a harm minimisation perspective, we would expect to see such schemes in operation as they empower gamblers to make informed decisions about gaming, including setting time or monetary limits.</p>	✓	If a CI casino is approved, there are likely to be community concerns with regards to the potential increase in problem gambling. In response, the introduction of a pre-commitment scheme could be considered.
8	Licensing	Exclusivity provisions	<p>By virtue of policy or licence agreements, only one casino may be in operation in the ACT, SA, VIC and WA. Multiple casinos are/will soon be in operation in the remaining jurisdictions (NSW, NT, QLD and TAS) but some regional exclusivity provisions apply.</p> <p>See Taxation and Cost Recovery section for further detail.</p>		Given the remoteness of CI, it is unlikely that a second casino would be established on the island even without exclusivity provisions built into the licence.
11	Licensing	Licensing fees	<p>Across the jurisdictions, there are a range of licencing fees that vary from: an upfront fee upon granting the casino licence, a fee upon extension of exclusivity provisions, or a period (monthly or yearly) licence fee. In the case of NT, no licence fee is paid.</p> <p>See Taxation and Cost Recovery section for further detail.</p>		A licence fee, among other charges (such as taxes, duties and levies), can provide government with substantial revenue and could be considered if a CI casino is approved.
13	Licensing	Period of licence	<p>Licence periods vary from a defined period to perpetuity.</p> <p>See Taxation and Cost Recovery section for further detail.</p>		To be considered as part of the offering to potential casino operators.
15	On-track racing	Licensing	<p>Each jurisdiction, with the exception of WA (which has kept in-house the TAB function), has provided a state-wide licence to a commercial body for the provision of physical TAB betting facilities. Therefore the casino acts as an agent of the TAB licence holder.</p> <p>Although the ACT casino is an agent of the licence holder, it does not currently provide physical TAB facilities.</p>		To be considered as part of the offering to potential casino operators.

No.	Level 1	Level 2	Key differences	HM	Application to potential CI casino
17	Operations	Employee licences	All jurisdictions require that certain classes of employees hold an employee licence. However, some jurisdictions, such as WA, have two classes of employee licences (e.g. general employee licence for dealers, and a key employee licence for managerial staff). While the former requires only a police check, the latter requires additional checks (such as checking of known associates).		A suitable employee licensing regime could be introduced that balances the particular risks and staffing challenges of a remote casino facility with a balance of fly-in/fly-out and local workforce.
18	Operations	Employee training	In each jurisdiction, gaming staff (such as dealers) must undertake responsible service of gambling training. Bar staff must undertake responsible service of alcohol training. In the ACT and QLD, gaming staff must also undertake competency training (e.g. roulette staff receive training in roulette play).		A suitable employee training standard could be introduced that balances the particular risks and staffing challenges of a remote casino facility with a balance of fly-in/fly-out and local workforce.
19	Operations	Exclusion from casino	The casino licensee, police or government may exclude certain individuals from entering a casino in each jurisdiction. In TAS, a person with a close, personal interest in the welfare of another can request that they be excluded from casinos. From a harm minimisation perspective, the TAS approach provides an additional layer of prevention with regards to problem gambling.	✓	If a CI casino is approved, there are likely to be community concerns with regards to the potential increase in problem gambling. In response, the introduction of TAS-style exclusion program could be considered.
24	Operations	Commission-based gambling	See Taxation and Cost Recovery section for further detail.		Commission-based gambling operations have the potential to provide substantial revenue for casino operators, and in turn, for government. However, potential junket participants for a CI casino could include Australian citizens. From a harm minimisation perspective, consideration may need to be given to the regulation of commission-based gambling

No.	Level 1	Level 2	Key differences	HM	Application to potential CI casino
25	Operations	Operating times	<p>Casinos are permitted to operate 24/7 in NSW, QLD, SA, VIC⁸ and WA. The remaining jurisdictions (ACT, TAS and one of the NT's casinos) have limited hours of operation.</p> <p>From a harm minimisation perspective, limiting access to gambling facilities through reduced operating hours can help to reduce problem gambling.</p>	✓	If a CI casino is approved, there are likely to be community concerns with regards to the potential increase in problem gambling. In response, the introduction of restricted operating times could be considered.
26	Operations	Operational control procedures	See Compliance Activities section for more detail.		
33	Physical environment	Smoking and air quality	<p>All jurisdictions prohibit smoking on the general gaming floor. Smoking is permitted in premium gaming rooms in NSW, NT, QLD, VIC and WA. Appropriate ventilation must be in place. Smoking is not currently permitted in the ACT and SA casinos. KPMG has received advice, however that this may change in relation to premium gaming rooms upon the potential upgrade of the SA casino. Smoking is banned in all areas of the casino in TAS.</p> <p>From a harm minimisation perspective, we would expect to see smoking banned in all areas.</p>	✓	From a harm minimisation perspective, we would expect to see smoking banned in all areas.
37	Regulator general responsibilities	Monitoring legislative compliance	All regulators have general powers to conduct inquires and investigate a casino from time to time. Some jurisdictions have statutory review periods, which are in addition to the ongoing monitoring of legislative compliance. For NSW and VIC, these formal reviews of casino operator suitability are conducted at set periods (initially every 3 years, currently every 5 years). There are no specific monitoring periods of legislative compliance in the ACT, NT, QLD, SA, TAS and WA.		If a CI casino is approved, particularly if the casino operator is not currently operating another Australian casino, independent reviews of legislative compliance at set periods (initially every 3 years) could be considered.
43	Reporting and redress	Reporting of contracts	<p>All jurisdictions approve suppliers for the provision and maintenance of gaming equipment.</p> <p>In SA and WA, contracts over \$500,000 must be reported to the government.</p>		If a CI casino is approved, then only suppliers approved by another jurisdiction might be permitted to provide and maintain gaming equipment. Consideration might be given to reporting to the government of contracts over a specific amount and/or contracts with companies not registered in Australia.

⁸ In Victoria, the casino cannot operate between the hours of 4 am and 12 pm on Good Friday (apart from premium areas and commission-based play).

No.	Level 1	Level 2	Key differences	HM	Application to potential CI casino
49	Taxes, duties and levies	Community development	Casino licensees must contribute to community development funds in VIC and WA. Such funds do not exist in NSW, NT, TAS and SA. In QLD, casinos used to contribute to the Gambling Community Development Fund (1% of gaming profits) but this was used as an offset for a taxation increase. The money is now technically still paid by casinos but it is taken directly from their tax revenue and then provided to the fund.		A community development fund was established during the former CI casino operation period, and had widespread community support. If a CI casino is approved, the re-establishment of such a fund could be considered.
50	Taxes, duties and levies	Duties and levies	See Taxation and Cost Recovery section for further detail.		
52	Taxes, duties and levies	Responsible gaming	Casino licensees must contribute to problem gambling funds in the ACT, NSW, NT and SA. Voluntary contributions can be made in WA. Such funds do not exist in VIC and QLD. Support for such funds helps to promote research and development and the provision of harm minimisation services.	✓	If a CI casino is approved, there are likely to be community concerns with regards to the potential increase in problem gambling. In response, the introduction of a problem gambling fund (in addition to the community benefit fund) could be considered.
53	Taxes, duties and levies	Taxes - commission based gambling	See Taxation and Cost Recovery section for further detail.		Commission-based gambling has the potential to provide substantial revenue for casino operators, and in turn, for government. However, potential commission-based gamblers at a potential CI casino could include Australian citizens. From a harm minimisation perspective, consideration may need to be given to the regulation of commission-based gambling
54	Taxes, duties and levies	Taxes - general	See Taxation and Cost Recovery section for further detail.		

2.5.2 Implications for a potential CI casino

As outlined previously, more than half (34) of the 54 elements within the KPMG casino regulatory framework are, for the most part, the same across each jurisdiction. As depicted in Table 4, only 20 elements represent a key difference in practice across the jurisdictions.

2.6 Better practice

In Table 4, we indicated where an element relates to harm minimisation from a problem gambling perspective (by ticking the HM column). In Table 5, we have indicated which State and Territory adopts a better practice approach with regards to that element.

KPMG has determined better practice based on two key requirements:

- it is a practice that is likely to reduce the effects of problem gambling; and

- it is a practice that is already in operation in at least one of the States and Territories (i.e. we have not recommended practices that do not currently exist in Australia).

Not all harm minimisation elements are equal in potential impact. For example, support for a problem gambling fund may be deemed less impactful than a pre-commitment scheme, or limitations on operating times. KPMG has not sought to rank the impactfulness of each of the elements below, as their applicability is ultimately a decision for government. However, KPMG has provided commentary on how each element can support harm minimisation with regards to problem gambling.

Table 5: Better practice harm minimisation

No.	Level 1	Level 2	HM Comment	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
1	Electronic gaming machines	Harm-minimisation environment	Prohibiting EGMs in outdoor smoking areas can reduce instances of problem gambling by requiring smokers to 'take a break'.	✓		✓	✓	✓	✓	✓	✓
5	Electronic gaming machines	Pre-commitment	Pre-commitment schemes may empower gamblers to make informed decisions about gaming, including setting time or monetary limits.		✓		✓	✓	✓	✓	✓
19	Operations	Exclusion from casino	Permitting a person with a close, personal interest in the welfare of another to request that they be excluded from casinos provides an additional layer of prevention with regards to problem gambling.					✓	✓		
25	Operations	Operating times	Limiting access to gambling facilities through restricted operating hours reduces the available gambling time.	✓					✓		
33	Physical environment	Smoking and air quality	Prohibiting smoking while gambling can reduce instances of problem gambling by requiring smokers to 'take a break'.	✓				✓	✓		
52	Taxes, duties and levies	Responsible gaming	Support for responsible gambling funds helps to promote research and development, and the provision of harm minimisation services.	✓	✓			✓			

3 Compliance Activities

3.1 Overview

Compliance activities are those activities undertaken by the State/Territory regulators to monitor the activities of casino operators against the regulatory requirements (detailed in the previous chapter). The key compliance objectives are:

- checking the application of specified harm minimisation measures;
- ensuring the integrity of the games;
- preventing linkages developing between organised crime and casinos (with a key focus on the detection of money laundering activities); and
- monitoring casino revenue for taxation purposes.

A common practice across jurisdictions is for an annual risk assessment to be conducted to determine key risk areas and then align compliance activities with those risks. Compliance activities are designed to detect any regulatory breaches, and through a regular onsite presence, encourage voluntary compliance with regulatory requirements.

3.2 On-site monitoring: physical presence

Australia's first licensed casino opened at Hobart's Wrest Point in 1973, followed by SkyCity Darwin in 1979. They were followed by two waves of casino openings concentrated in the 1980s and 1990s. No new Australian casino has opened since 1997, noting that several new casinos are currently under construction.

Initially, the compliance approach of all States and Territories was to establish a full-time onsite monitoring team. With the exception of Victoria, which maintains a 24/7 monitoring team at the Crown Casino (Southbank), all other States and Territories have moved their casino monitoring team off-site.⁹

Previous monitoring practices were highly prescriptive, with a casino inspector required to be present for certain events to take place (such as closing the gaming tables and for hard (coins) and soft (notes) counts). It was recognised by the regulators that such activities were:

- resource intensive;
- may impinge on effective business practices by the casino operator (due to being unable to conduct certain activities at the optimal time due to the unavailability of inspectors); and
- were not in line with a risk-based approach (e.g. periodic and targeted inspections and audits).

⁹ Queensland's and South Australia's monitoring approaches are probably the next closest to the Victorian model, as their inspectors are still onsite every day but are no longer there 24 hours a day.

All states and territories have now embraced a risk-based approach, whereby monitoring effort is directed towards those activities of the casino at greatest risk of regulatory default. The casino operator might still be required to notify the regulator when certain events are taking place (e.g. a soft count) but it is at the regulator's discretion whether they observe the activity. Alternatively, the regulator may choose to inspect a certain activity on the basis of a complaint by a casino patron.

The staffing model common across jurisdictions is to have a casino compliance manager with a rotating team of inspectors (who share responsibilities for the monitoring of other gaming establishments (such as hotels and clubs) within the state/territory). These inspectors have statutory powers to visit any part of the casino at any time, though in practice local procedures may require them to obtain an access pass from casino security staff upon entry to the casino.

The widespread adoption of sophisticated electronic monitoring systems for EGMs provides comprehensive gaming data, which can be used to target harm minimisation strategies. The availability and use of such systems has shifted the focus of inspectors onto table games and back-office activities.

3.3 On-site monitoring: CCTV

In addition to the physical presence, a virtual presence is maintained through inspector access to the casino monitoring system. All casinos have sophisticated surveillance systems. All table games have a dedicated CCTV camera and additional cameras are spread across the casino facilities, including sensitive back-office areas (such as the counting room).

While some cameras are of fixed focal length, many have pan/tilt/zoom functionality. This functionality allows casino surveillance staff to detect and record fraudulent or other prohibited activities.

With the exception of the casino regulators of the Australian Capital Territory, New South Wales and the Northern Territory (all of which have full access to the casino's surveillance centre), all other regulators have a separate monitoring room located in the casino facilities. This monitoring room is linked to the master surveillance room, with inspectors being able to exercise independent control over camera operation.¹⁰

Although it is technically feasible for this virtual monitoring to be conducted off-site, no regulators have currently required the casino operator to provide this functionality. However, commercial factors, such as the consolidation of casino ownership, which enables economies of scale for support services (including surveillance), and the price premium of facilities located in the casino building, may result in some casinos implementing off-site surveillance.¹¹ Developments such as these can enable off-site online monitoring by the regulator.

¹⁰ In practice, inspectors rarely manipulate a camera's controls as it was felt by the regulators that this alerts the casino's security staff that the inspectors were focussing on a specific activity.

¹¹ As the casino surveillance centre is a designated operational element of the casino, any off-site surveillance facilities would also need to be monitored by casino regulatory staff.

3.4 On-site police presence

In some casinos (i.e. Western Australia's Crown (Burswood) and Queensland's Treasury and Gold Coast) there is currently an on-site police presence. Like the withdrawal of the 24/7 onsite monitoring teams, the onsite police presence has also been reduced over time. Queensland initially had an on-site police presence at its Cairns casino, but this no longer exists. Similarly, a Victorian police office at the Crown Southbank was moved off-site in 2009.

Police forces within all State and Territories exercise intelligence functions over casino operations, with a particular focus on the detection and prosecution of money laundering activities. In this aspect, police maintain and exercise liaison with the police forces of other States and Territories as well as elements of the Commonwealth's justice portfolio (e.g. the Australian Transaction Reports and Analysis Centre (AUSTRAC)).¹² Police forces, as part of their normal community policing role, also respond to incidents that occur at the casino, such as assault, theft etc. and are involved with prosecutions.

3.5 Review of logs, incident reports and CCTV footage

In addition to onsite monitoring activities, regulators are also provided with a range of operational reports and data by the casino operators. The mandatory reporting of specified incidents (such as the detection of underage patrons on the gaming floor) is common across jurisdictions. However, there is variance in relation to the provision of daily incidents/surveillance log to regulators, with some jurisdictions mandating provision while others requiring the provision of the log and/or CCTV footage only upon request.

Some jurisdictions also have access to the casino management system (CMS)¹³, which monitors and reports on casino accounting aspects, including the management of the return to player (RTP) for EGMs. Others will be provided with data extracts to undertake statistical analysis of RTP which may be done in-house (in the case of Queensland, which has an in-house technical analysis capability¹⁴) or outsourced to a designated Accredited Testing Facility.

3.6 Operational procedures

Casinos have many routine and repeatable procedures that lend themselves to the development of standardised approaches. In addition, casino operators will also be required to respond to a range of predictable incidents for which predetermined responses can be developed.

¹² Under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, reporting entities (which includes all casinos) must submit a threshold transaction report to AUSTRAC within 10 business days after the entity provides a customer with a designated service involving a 'threshold transaction' (such as the transfer of physical currency or e-currency of AUD\$10,000 or more (or foreign currency equivalent)).

¹³ Examples of CMS currently used in Australian casinos are the IGT Advantage System < <https://www.igt.com/en/products-and-services/gaming/systems/casino-systems-products/igt-advantage>> and Bally CMS < <https://www.sggaming.com/Systems/Player-Tracking/CMS>>.

¹⁴ The Gaming Services Branch Technical Unit.

Approaches to both aspects must be cognisant of the applicable regulatory framework and are detailed in standing operational procedures (SOPs). In all jurisdictions, SOPs are internal documents owned by the casino operator. Technically, such documents are not approved by the regulator, though the regulator has a range of regulatory powers to direct elements of these documents to be changed.

There is a divergence in the practices of jurisdictions towards the development, review and maintenance of these SOPs. Some jurisdictions (such as Western Australia and the Northern Territory) require the production of detailed prescriptive operating manuals, with any updates required to be reviewed by the regulatory authority. Other jurisdictions (such as Victoria, New South Wales and South Australia) review only principles-based internal control statements, on the basis of which the casino operator then develops prescriptive SOPs. In all instances, it is the prescriptive documentation that is used as the basis for any audits and inspections by the regulator.

3.7 Commission-based gambling

The relative importance to casino business models of commission-based¹⁵ gambling varies from state-to-state and casino-to-casino. Crown Southport¹⁶ has the largest VIP program amongst Australian casinos. Conversely, Wrest Point has a limited VIP program that caters almost exclusively to domestic high-rollers (known as the Premium Mass Market). Some casinos, such as Lasseters at Alice Springs¹⁷ offer no VIP programs.

All jurisdictions (less Tasmania, which does not have a separate tax-rate for commission-based gambling) require separate gaming accounts for commission-based gambling to be maintained by the casino operator. This requirement arises due to the favourable taxation rates applied to commission-based gambling when compared to the gambling activities on the general gaming floor. Some jurisdictions, such as Victoria, New South Wales, Queensland and the Australian Capital Territory, limit the favourable tax treatment of commission-based gambling to gambling activities of non-residents of the State/Territory.

Although no jurisdiction 'technically' approves junkets (see definition in footnote below), as this is a commercial interaction between the casino operator and the junket operator, there is considerable variance among jurisdictional approaches to monitoring the conduct of junkets.

¹⁵ Commission-based gambling includes Rebate Players (where the casino enters into an agreement with an individual gambler) and Junkets (whereby the casino enters into an agreement with a junket operator who has a separate agreement with individual gamblers).

¹⁶ In 2017, for Crown Southbank, main floor gaming revenue was \$1,182.7 million. VIP program play revenue was \$340.3 million (which represented a significant downturn from the previous financial year when it was \$676.5 million) but nonetheless was still the largest VIP revenue amongst Australian casinos. Crown Resorts, Crown Announces 2017 Full Year Results, 4 August 2017, <

<http://www.crownresorts.com.au/CrownResorts/files/14/14e8ab85-e504-4314-bc65-f73a4a3334f4.pdf>>

¹⁷ Conversely, SkyCity Darwin has two villas that are dedicated entirely to junket play. In 2017, despite an almost 2/3 drop in 'International Business', the SkyCity Darwin International Business Program still had EBITA of \$0.8 million (\$2.5 million turnover in FY2016). SkyCity Entertainment Group, 'FY17 Result – Investor Presentation', 9 August 2017, < <https://www.skycityentertainmentgroup.com/media/1761/skycity-fy17-results-investor-presentation-web.pdf>>.

The Northern Territory has the most highly regulated junket program, which consists of the following compliance activities:

- The casino operator (SkyCity) is responsible for due diligence on junket operators and junket participants (including probity checks), with the regulator reserving the right to request any such reports on an as required basis.¹⁸
- A copy of the agreement between the casino and the junket operator is provided to the regulator.
- A pre-arrival notification report is provided to the regulator with the names and identifying details (e.g. passport number) of the junket participants.
- Upon arrival at the casino, the participant's identification (e.g. passport) is scanned and recorded by the Casino Compliance Manager, with the regulator having the option of requesting a copy of any passport if they have any concerns arising from the pre-notification report.
- The regulator can check any aspect of the junket operations (such as reviewing the opening float) as well as monitoring of the actual play, though this is done via the surveillance room to avoid interference with the gambling experience of the VIP players (noting that there are CCTV cameras for each table in the VIP areas). The regulator can also request any CCTV footage of any play.
- The regulator is provided with the settlement report, which covers the conduct of the junket from start to finish.
- The regulator is provided with a monthly spreadsheet listing all junket activity, which can be cross-referenced against the pre-arrival notification and settlement reports and used as a basis for validating the commission-based gambling account for taxation purposes.

Conversely, Victoria takes a risk-based approach for regulating junket play. The general conduct of junkets are detailed in the casino's Internal Control Statements, which are approved and audited by the Victorian Commission for Gambling and Liquor Regulation (with the casino alerted to any matters of concern). There are no mandatory reporting requirements for all junket activity¹⁹, though the regulator is able to request copies of the junket agreement and settlement reports for review. The regulator also undertakes regular monitoring and auditing of the casino's junket program to assess the casino's compliance with the specified internal controls.

Queensland has a similar regulatory approach to junkets as that of Victoria. Though in addition, the Queensland regulator has (as has the New South Wales regulator) set the minimum buy-in for individuals (rebate play) and groups (junkets).

In Tasmania, the regulatory framework allows for junket play but does not have any specific rules or additional compliance checks, save the requirement for greater monitoring of withdrawals from ATMs (as these have higher daily withdrawal limits than ATMs in the general access areas of the casino).

¹⁸ It is standard practice for casinos to conduct a check on the banking history of junket participants with casinos worldwide due to the practice of providing credit to junket participants and that collection of gambling debts is not legally enforceable in some countries, such as China.

¹⁹ Although not specifically an element of casino regulatory activities, the Melbourne casino operator is required to report specified transactions arising from junket activity to AUSTRAC and other regulatory agencies.

3.8 Implications for a potential CI casino

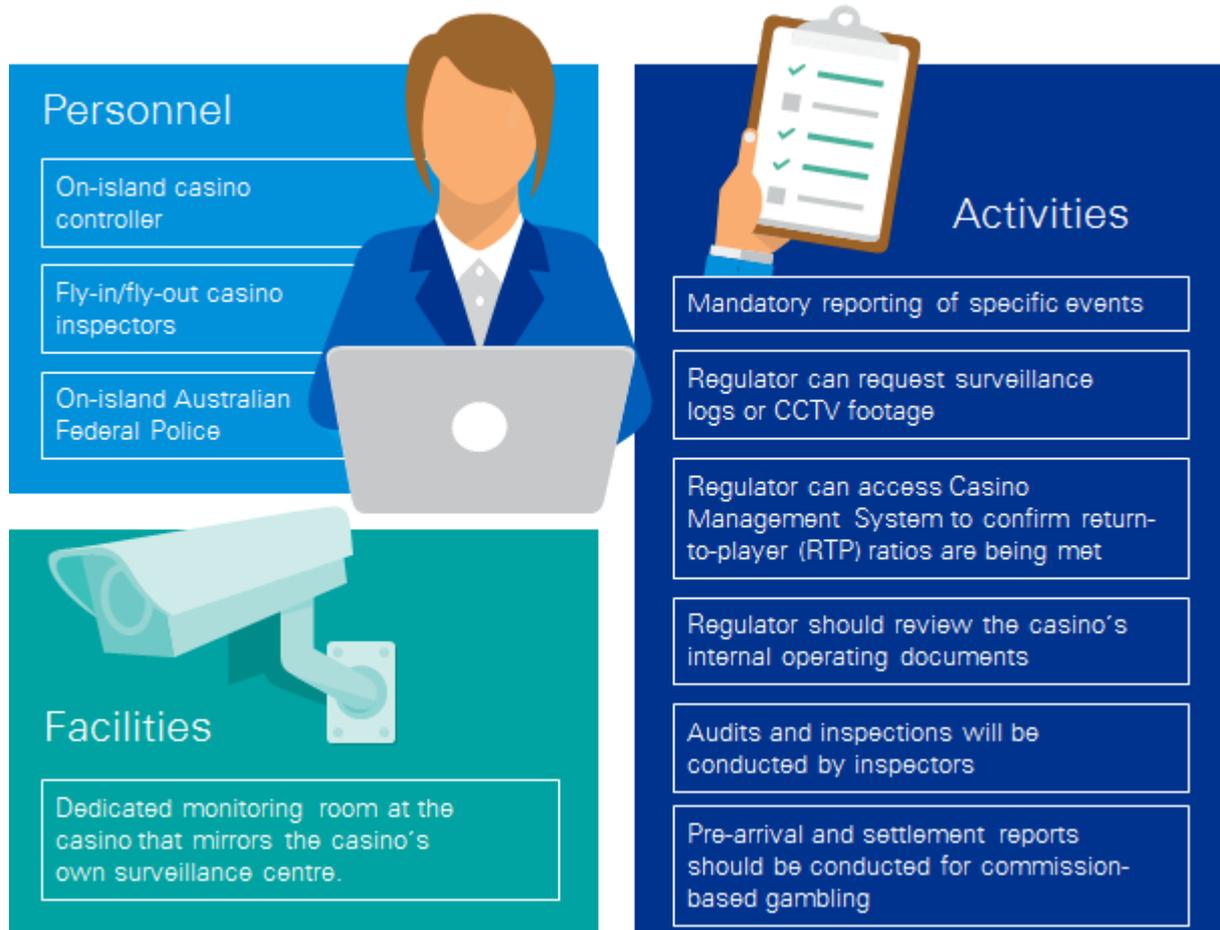
A theme common across interviews conducted with jurisdictional regulators was that the focus and nature of compliance activities evolve over time. This aspect reflects a maturing relationship between the regulator and the casino operator and the development of greater alignment between the commercial and regulatory interests. Hence a more prescriptive and comprehensive compliance approach (with corresponding staff effort) may initially be employed, particularly if a casino operator is new to the Australian market (which may be the case for a potential CI casino).

. This prescriptive approach could include the following:

- An on-island casino controller being appointed and supported by a team of fly-in/fly-out casino inspectors. The staggered rotation of the inspector workforce is to prevent 'regulatory capture'²⁰, whereby inspectors develop excessive 'familiarity' with the operators of the casino, as well as provide an independent viewpoint of the activities of the on-island casino controller. The casino compliance team could be supported by the AFP contingent located on the island, particularly in relation to the regulation of the casino's liquor licence.
- The regulator requiring the construction of a dedicated monitoring room on-site with mirror systems to those used in the casino's surveillance centre. Off-site monitoring might be possible, particularly if the regulator was able to 'piggyback' off the communications infrastructure put in place by the casino operator. Nonetheless, there could still be a requirement for an ongoing on-island presence by the regulator to maintain the element of unpredictability in relation to the conduct of audits and inspections.
- Mandatory reporting of specified incidences with the regulator having discretionary powers to request, at any time, the provision of daily surveillance logs and any associated CCTV footage for review.
- The regulator be provided access to the CMS, including the provision of detailed statistical data to confirm RTP ratios for EGMs are being met.
- Casino internal operating documentation be reviewed by the regulator. Initially a more prescriptive approach might be taken with the regulator having the right to request amendments to documentation. Over time, this approach might be modified to a formal review of more principles-based documents. Nonetheless, it will be the lowest level (and hence most prescriptive) documentation that will form the basis for the conduct of any audits and inspections by the regulatory staff.
- Given the likely reliance of any potential CI casino on commission-based gambling consideration could also be given to the mandatory provision of pre-arrival notification reports and settlement reports. Over time, a risk-based approach to the regulation of commission-based gambling might be implemented if justified by a comprehensive risk assessment. Figure 1, on the following page, provides an overview of the points made above.

²⁰ Regulatory capture occurs when a regulatory agency, formed to act in the public's interest, eventually acts in ways that benefit the industry it is supposed to be regulating, rather than the public.

Figure 1: Overview of potential compliance practices of a potential CI casino



4 Regulatory Activities

4.1 Regulatory Responsibilities

4.1.1 Overview

Putting aside taxation aspects, regulatory responsibilities are exercised in three key areas:

- **A statutory decision making/review authority.** Responsible for deciding upon enforcement actions against the casino, approving/withholding changes to ownership structure, games rules etc.
- **Compliance activity.** Responsible for the application of the regulatory framework through the conduct of inspections and audits and making recommendations to the statutory decision making/review authority on proposed regulatory actions.
- **Policy responsibility.** Responsible for the development and maintenance of the regulatory framework to accommodate policy changes and address operational aspects as raised by the compliance activity regulatory element.

With the exception of the Northern Territory and Queensland, all other jurisdictions maintain an independent decision making board for the regulation of casinos. For the Northern Territory and Queensland, a senior public servant is appointed as an independent statutory officer to exercise this decision/review authority.

In relation to the conduct of compliance activities and exercising policy responsibility, with the exception of Victoria, both roles are performed within the same organisation (albeit they may be undertaken by separate elements of the organisation). In Victoria, the Victorian Commission for Gambling and Liquor Regulation has retained its compliance staff, with the policy responsibility residing with the Liquor and Gambling Policy Team of the Department of Justice and Regulation.

Across the jurisdictions there are some variances between the departmental 'home' of the casino compliance and policy functions (see Table 6):

- In the Northern Territory, Queensland, South Australia and Victoria these functions are provided through their respective justice portfolios.
- In New South Wales, they reside with the Department of Industry.
- In Tasmania, they reside with the Department of Treasury and Finance.
- In Western Australia, as a result of recent (July 2017) consolidation of government departments, these functions were moved into an omnibus department with responsibilities for local government, sport and cultural industries.
- In the Australian Capital Territory, Access Canberra brings the government shopfronts, call handling, online services and regulatory functions into a single unified service and therefore a direct comparison with the other jurisdictions is not possible (noting that the policy function rests with the Justice and Community Safety Directorate).

Table 6. Split of regulatory responsibilities across jurisdictions

State/ Territory	Decision and Review Statutory Authority	Compliance Activity	Policy Responsibility
ACT	ACT Gambling and Racing Commission ²¹	Access Canberra	Justice and Community Safety Directorate
NSW	Independent Liquor & Gaming Authority, Liquor ²²	Liquor and Gaming NSW, Department of Industry	Liquor and Gaming NSW, Department of Industry
NT	Director-General of Licensing, Department of the Attorney-General and Justice	Licensing NT, Department of the Attorney-General and Justice	Licensing NT, Department of the Attorney-General and Justice)
QLD	Commissioner for Liquor and Gaming (also Deputy Director-General for Liquor, Gaming and Fair Trading, Department of Justice and Attorney-General)	Office of Liquor and Gaming Regulation, Department of Justice and Attorney-General	Office of Regulatory Policy, Department of Justice and Attorney-General
SA	Independent Gambling Authority	Commissioner of Consumer and Business Services, Attorney-Generals' Department)	Department of Treasury and Finance (Economic and Regulatory Policy) and Independent Gambling Authority (Responsible Gambling and Harm-Minimisation Policy)
TAS	Tasmanian Liquor and Gaming Commission	Liquor and Gaming Branch, Department of the Treasury and Finance	Liquor and Gaming Branch, Department of the Treasury and Finance
VIC	Victorian Commission for Gambling and Liquor Regulation (Board)	Victorian Commission for Gambling and Liquor Regulation (public servants working directly to the board)	Liquor and Gambling Policy, Department of Justice and Regulation
WA	WA Gaming and Wagering Commission	Department of Local Government, Sport and Cultural Industries	Department of Local Government, Sport and Cultural Industries

4.1.2 Implications for a potential CI casino

No jurisdiction currently has a decision and review statutory authority whose powers are limited exclusively to matters arising from the operation of a casino. Therefore the cost of establishing a separate Commonwealth decision and review statutory authority for a potential CI casino does not seem warranted. An existing State/Territory decision and review statutory authority could fulfil this regulatory role for a potential CI casino, noting the independent nature of such bodies.

²¹ The ACT Gambling and Racing Commission functions as an independent statutory decision maker, with Access Canberra providing administrative and processing functions for the Commission.

²² Liquor & Gaming NSW was created on 1 February 2016, taking on most of the responsibilities performed by two former agencies, the Office of Liquor, Gaming and Racing and the Independent, Liquor and Gaming Authority (ILGA). The Independent Liquor and Gaming Authority Board was retained as an independent statutory decision maker (for certain licensing and disciplinary matters), while transferring administrative and processing functions to Liquor & Gaming NSW. Liquor & Gaming NSW provides administrative, review and secretariat support to the Board and has regulatory responsibility (under delegated power) for low risk and routine matters.

Given the familiarity of existing jurisdictional regulators with the conduct of casino compliance activities it would be logical for this role to be provided by a State/Territory underpinned by a SLA (or similar arrangement) with the Commonwealth. The enabling Commonwealth Ordinance could specify any CI variations to the existing State/Territory regulatory framework as well as the reporting requirements of the Commonwealth to underpin evidence-based policy development. The SLA could then apply these variations in practice. Legal advice should be sought in relation to the statutory mechanism for the application of a State/Territory regulatory framework other than that of Western Australia to the operation of a potential CI casino.

The policy responsibility should be exercised by the Commonwealth department (currently DIRDC) responsible for the administration of the IOT. Although not having the wide-ranging policy responsibilities for the conduct of gaming (and liquor licencing) present in the equivalent jurisdictional agencies, the proposed governance model accords with other aspects of service delivery for the IOT. Nonetheless, the Commonwealth policy team could consider participating in the annual Australasian Casino and Gambling Regulators' Conference (which includes regulators for New Zealand and Singapore), and its associated six-monthly forum.

4.2 Taxation and cost recovery

4.2.1 Taxation matters

Taxation rates for casinos are set by the Treasury departments in all jurisdictions.²³ In addition to non-sector specific taxation arrangements (such as payroll tax, rates/land tax etc.), the gaming industry has sector specific taxes. Some of these taxes apply across the gaming industry with some applicable only to casinos.

Key casino taxes include separate taxation rates for gross gaming revenue on EGMs, fully automated table games (FATGs), table games and commission-based gambling. Some states also require casinos to contribute to a community benefit fund and/or gambling support services.

Taxation arrangements reflect the respective policy positions of each jurisdiction but some general observations are below:

- The taxation rate²⁴ for EGMs (which is generally the same²⁴ rate as for hotels and clubs within the jurisdiction)²⁵ and FATGs are generally higher than for table games to reflect the employment-providing aspect of table games and particularly, in the case of EGMs, their linkage to problem gambling.
- The taxation rates for EGMs, FATGs and table games have tended to increase over time.

²³ In the case of Tasmania, the Treasury Department also contains the Liquor and Gaming Branch, which exercises casino compliance and policy responsibilities.

²⁴ Of those States/Territories that have multiple casinos, Queensland and the Northern Territory have differing tax rates across casinos, as will the two casinos in New South Wales with the opening of the Barangaroo casino in 2019.

²⁵ In Western Australia, all EGMs are located within the casino. In the Australian Capital Territory the casino does not currently operate EGMs.

- The taxation rate for commission-based gambling²⁶ has decreased in some jurisdictions to reflect inter-state/territory competition to attract 'high rollers'.²⁷

Tax is payable on a monthly basis for all jurisdictions. In some jurisdictions (such as Western Australia, Queensland and Victoria), tax owed is paid to the compliance agency as administered monies, which is then acquitted into consolidated revenue as gaming revenue. In other jurisdictions (such as Tasmania) the tax is paid directly to the Office of State Revenue. A third tax model is that used in the ACT, whereby the tax owed is paid to the independent statutory authority (the ACT Gambling and Racing Commission), which then transfers the paid amount into consolidated revenue.

In all jurisdictions, less South Australia (where the auditing of the gaming accounts is undertaken by the Treasury Department), detailed reconciliation of the casino's gaming accounts is undertaken by the respective compliance agency, as they 'know what to look for'.

4.2.2 Licences and exclusivity provisions

Although not technically taxation, licence fees²⁸ are another source of government revenue. Licencing arrangements differ across jurisdictions²⁹, with the key element of the licence being the period the licence is in force and exclusivity provisions, which usually operate on separate timelines.

For example, the licence of Sydney's Star Casino was granted on 14 December 1994 for a period of 99 years, unless cancelled or surrendered. In 1995, Star paid \$256 million for its exclusivity and related rights, some of which expired in 2007. In that year, it paid \$100 million for exclusivity for a further 12 years and for a continuation of the related rights (exclusivity rights now expire on 13 November 2019).

Conversely, the initial licence to Melbourne's Crown casino was granted on 19 November 1993 to expire in 2033. It was varied by agreement on 20 October 2014 to extend the duration of the licence by 17 years to 2050, unless cancelled or surrendered. This variation required payment of additional \$910 million.³⁰ Crown initially had exclusivity arrangements for the whole of Victoria until 1999 and within 150km of the casino site until 2005. They have now both expired.

Different approaches are applied in Queensland, where casino operators are required to pay a quarterly licence fee of \$246,100 (as at July 2017) (as well as an upfront fee upon the

²⁶ The favourable taxation rate for commission-based gambling applies only to interstate or international players. Gaming revenue from 'local' high rollers is taxed at the standard rate.

²⁷ The theory behind this lower tax rate is that it enables greater rebates/benefits to be provided to commission-based gamblers, which therefore makes gambling in the specific jurisdiction's casino(s) a more attractive proposition, thereby proving a competitive advantage.

²⁸ Casinos are also required to pay liquor licence fees but as these are not specific to the casino they are not detailed in this report.

²⁹ In New South Wales, Victoria and Western Australia, the licence fees were upfront payments paid on opening or when the licence is extended (or an element of the licence, such as exclusivity fees, are extended). In Queensland and the Australian Capital Territory a regular fee is applied periodically (annually or quarterly), noting that an upfront payment was also required by Queensland casino operators when the licence was granted. In Tasmania the licence fee is paid monthly. South Australia has recently moved to an upfront payment as part of an agreement in which the casino will expand its operation through being granted rights to additional EGMs and gaming tables. As noted above, the Northern Territory does not charge any licence fees.

³⁰ This amount included an up-front payment of \$250 million in 2014 with an additional payment of \$250 million due 2033. The remainder of the payment was tied to the casino reaching revenue growth targets.

granting of the licence) and in the Northern Territory, which is unique among Australian jurisdictions in that it does not charge licence fees for the operation of a casino.

Additionally, the Northern Territory has a more frequent cycle than other jurisdictions for licence renewals (five year extensions).³¹ The Northern Territory regulator commented to KPMG that the regular licence re-negotiations enabled it to require the casino licensee to undertake capital improvements to the casino complex as a condition of the licence extension being approved.

4.2.3 Leasing

Another potential source of revenue for government is for the casino to be granted a lease of crown land. Government may initially elect to charge a 'peppercorn' rent in consideration of the upfront capital costs of establishing the casino. Provision may be retained in the lease agreement for reverting to market rent when the casino is established and its major revenue streams are secure.³²

4.2.4 Cost recovery

The *Australian Government Cost Recovery Guidelines - Resource Management Guide No. 304* and *Australian Government Charging Framework - Resource Management Guide No. 302* set out the framework for charging the non-government sector for services, including: provision of goods, services or regulation, or a combination of these.³³

There are three core categories for which a government charge can be based, these are: regulatory charges, resource charges and commercial charges. The primary charging basis applicable to a potential CI casino would be for regulatory charging activities.³⁴

These regulatory charging activities can be broken down into two key categories:

- fee-for-service; and
- all other compliance activities not captured under fee-for-service.

All jurisdictions have publically promulgated fee-for-service cost recovery arrangements related to casino gambling activities. These fees are for specific discrete activities and are indexed annually. Some charges may be common across gaming establishments, such as those relating to the evaluation of EGMs³⁵, while others are specific to the operation of casinos, such as the fee charged for the provision of a casino key employee licence.³⁶

³¹ This extension applies to the existing licence period, which for the SkyCity Darwin casino currently expires in 2031.

³² KPMG is aware the practice as described has occurred but cannot provide specific identifying details due to commercial-in-confidence considerations.

³³ Department of Finance, Australian Government Charging Framework (RMG 302), July 2015, p4.

³⁴ Defined as *a statutory government charge imposed for those activities where the government is seeking to control or influence behaviour, manage risk and/or protect the community. Legislation is always required for these charging activities.* Department of Finance, Australian Government Charging Framework (RMG 302), July 2015, p21.

³⁵ For example, although listed in two separate sections of the 'Fees and Charges: Queensland gaming licences' (as at 1 July 2017) – being 'Machine Gaming' and Casino, the charges for the evaluation for approval of gaming equipment are identical.

³⁶ In Queensland, a casino employee licence is the same initial amount (\$517.70 as at 1 July 2017) as for the licence for a gaming nominee or key monitoring employee licence but the former is granted indefinitely while the latter is for a period of 5 years with a \$255.30 (as at 1 July 2017) renewal fee.

There are some variations among jurisdictions between what are standard fee-for-service set amounts and what are assessed on a case-by-case cost recovery basis. For example, the Australian Capital Territory has a specified change of ownership application fee, while Queensland requires a deposit to be paid from which cost recovery charges for probity investigations and administrative processing of the application is acquitted against. It is common practice among the jurisdictions for an application for a casino licence to include a fee element to cover the costs of the processing of the application, including initial probity checks.

With the exception of New South Wales and South Australia, no jurisdiction currently charges the casino a separate annual fee for the recovery of administration costs associated with the administrative and regulatory functions of the casino licensee (such as onsite monitoring, review of monthly gaming accounts etc.)³⁷ New South Wales requires the payment of a Casino Supervisory Levy, which is paid into the consolidated revenue fund.³⁸ In South Australia, the recoverable administration costs for a financial year are fixed by the Minister for Consumer and Business Services on the advice of the Commissioner for Consumer and Business Services and the Department of Treasury and Finance and is not appealable by the casino operator.

The establishment of a casino on CI could likely result in an increased number of tourist's visiting the island as well as an increase to the overall island population linked to the staffing requirements of the casino. However, the upturn in passengers passing through the airport is unlikely to be greater than that associated with peak operating period of the detention centre. KPMG is unaware if additional ABF personnel were located on-island to cope with this peak demand. If ABF staff supplementation was able to be correlated with the operation of the casino, then a case could be made for the casino to pay for this supplementation via the Commonwealth cost recovery arrangements detailed above.

In assessing whether it is appropriate to establish a cost recovery fee arrangement for a potential CI casino, from a Commonwealth perspective, the Government needs to consider that:

- there is a statutory authority to charge the fee to the non-government sector;
- the fee reflects the efficient unit cost of a specific service;
- there is a direct correlation between the charges and the costs; and
- in consideration of the nature of the activity and the impact of cost recovery, whether it is efficient to cost recover and if there is any impact on policy outcomes, legislation or treaties.

If deemed appropriate, the Cost Recovery Guidelines identify a four stage process to be undertaken in order to establish a robust and defensible cost recovery mechanism. This process ensures alignment with the underlying principles of the charging framework, which include: efficiency, effectiveness, transparency, accountability and stakeholder engagement.³⁹ The stages are:

³⁷ It could be argued that the periodic licence fees charged by some jurisdictions are a proxy for cost-recovery fees. However, these are specified amounts that are indexed annually rather than having a direct link to the estimated cost of providing casino compliance monitoring services.

³⁸ The Casino Supervisory Levy is detailed in s.115A of the *Casino Control Act 1992* (New South Wales).

³⁹ *Australian Government Charging Cost Recovery Guidelines*, July 2014 – Third Ed, p. 20.

- Stage 1: Policy approval to cost recover (including stakeholder engagement, developing a policy case and undertaking risk analysis and rating development).
- Stage 2: Cost recovery model and cost recovery implementation statement (CRIS) (develop a cost recovery model, draft legislation and stakeholder engagement on the CRIS).
- Stage 3: Implementation (consistent application of the charge, change management and monitoring and evaluation of financial and non-financial performance).
- Stage 4: Portfolio charging review.

It is considered highly advantageous for the requirements of each stage to be met, including the completion of required documentation, to provide the necessary evidence to support the basis of and rationale for charging a fee.

4.2.5 Implications for a potential CI casino

The key consideration when establishing a regulatory framework (and the associated compliance regime) is for which elements the Commonwealth could leverage an existing jurisdictional regulatory framework and via an arrangement (such as a SLA) procure compliance services from a State/Territory regulator, and which elements the Commonwealth would want to exclude from such an arrangement.

Key elements that are suggested to be excluded from any arrangements with a State/Territory regulator control could include:

- the setting of applicable taxation rates;
- determination of any licence conditions (including duration) with the actual licence being granted by the Commonwealth rather than a State/Territory;
- lease arrangements for the casino site; and
- cost recovery mechanism to be employed.

4.2.5.1 Taxation and associated activities

The Commonwealth Treasury could determine the applicable taxation rates to apply to a potential CI casino. Tax could be paid directly to the Commonwealth (either into the CRF or a hypothecated account (e.g. a special account)) or collected by the regulator and then acquitted back to the specified Commonwealth account (be that the CRF or a hypothecated account).

Although legal advice could be sought on this matter, financial considerations (such as any associated interest payments) could be simplified by the taxes being paid directly into the specified Commonwealth account.⁴⁰ Taxes could be paid against projected gaming revenues, with a reconciliation undertaken of the monthly gaming account to detect and rectify any over/under payment. This reconciliation could be the responsibility of the compliance agency under the terms of the SLA with the Commonwealth.

Consideration might also be given to taxation relief being provided to the casino operator for the funding of the development of on-island infrastructure.

⁴⁰ It is noted that the arrangements for the former CI casino was that the Western Australian Department of Racing, Gaming and Liquor collected the taxes owed and then acquitted them back to the Commonwealth.

4.2.5.2 Casino licence

A key element of the regulatory framework through which the Commonwealth can impose specific requirements on the casino operator is the casino licence. Consideration could be given to the duration of the casino licence and the ability of the Commonwealth to modify licence conditions during the period the licence is in force.

An option might be for the actual licence to be a legal instrument signed by the appropriate Commonwealth representative (such as the Governor-General or the Minister) with detailed conditions being contained in a subordinate document (similar to the Approved Licencing Agreement used by South Australia and the Casino Agreements of the Australian Capital Territory). Provisions could be made for these detailed conditions to be amended without the need to formally extend the duration of the licence. A key consideration, however, is that breach of these conditions would therefore be considered a breach of the licence, which may have different remedies than a breach of statutory conditions.

In the case of CI, exclusivity is not relevant (there is little chance of competing venues being established on CI). Therefore the key revenue raising decision is the licence fee to be paid upon the granting of the licence and the duration of the licence. A balance could be struck between the granting of the licence in perpetuity (which therefore negates opportunities for the Commonwealth to negotiate licence extension fees) and the licence being granted for a reasonable period for the casino operator to realise an adequate return on their investment.

4.2.5.3 Lease arrangements

Consideration might also be given to whether the casino site is leased crown land or freehold.⁴¹ Legal advice would need to be sought in relation to potential casino sites and the current land ownership regime for CI.

4.2.5.4 Cost recovery arrangements

In relation to cost recovery arrangements:

- For fee-for-service activities the actual fee charged could match those charged to comparable entities in the jurisdiction providing the compliance services unless there is a demonstrable additional cost incurred due to the unique characteristics of CI.⁴² Fees could be publically promulgated and paid directly to the State/Territory providing the compliance services (including any fee increases due to the additional cost of providing these services to a CI-based casino).
- For the provision of other than fee-for-service compliance activities, the actual amount to be charged (plus an appropriate administrative overhead) is the amount invoiced to the Commonwealth under the terms of the SLA with a State/Territory for the provision of compliance monitoring services. The process for calculating this amount, including the completion of appropriate stakeholder consultation (the four stage process highlighted earlier in this report) would likely be in accordance with the cost recovery guidelines and principles of the respective jurisdiction. The cost band could be agreed with the Commonwealth beforehand (and could exclude any fee-for-service activities for which

⁴¹ The ability to operate a casino is dependent on both the holding of the appropriate licence as well as the legal right (either through ownership or a contractual arrangement with the legal owner) to operate the facilities.

⁴² The charge must reflect the efficient unit cost of the specific activity/service the government is providing to a potential CI casino.

the State/Territory has already been directly compensated for by the casino operator). This amount preferably could be paid directly by the casino operator to the Commonwealth policy Department as administered monies to facilitate payment of the SLA charges.

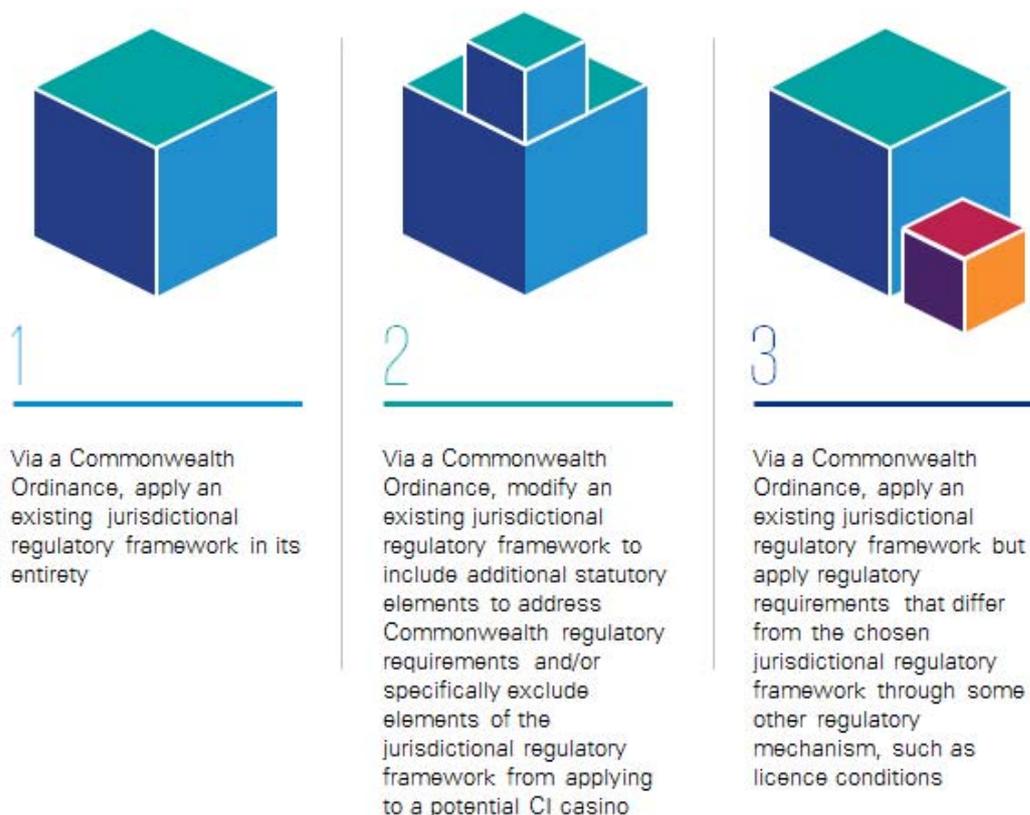
- For the provision of second-order costs borne by the Commonwealth attributed to the operation of a casino (such as an additional AFP, or ABF presence, or additional departmental staff) then the Department of Finance's New Policy Proposal Costing Tool could be used to determine the appropriate cost (including on-costs and corporate overheads). The required funding could then be transferred to the agency providing the service under a contractual arrangement (for example, a Memorandum of Understanding). The total of these second-order costs (plus an appropriate administrative overhead) could be paid by the casino operator to the Commonwealth policy department as administered monies. This amount could be directed to internal departmental expenses not otherwise covered by departmental appropriations and to make the necessary funding transfers to other Commonwealth agencies.

4.2.5.5 Application of an existing jurisdictional regulatory regime

There are three broad options (see Figure 2) for the Commonwealth if it chooses to apply an existing jurisdictional regulatory framework:

- Apply the existing jurisdictional regulatory framework, via a Commonwealth Ordinance, in its entirety.
- Through the enabling Commonwealth Ordinance, include additional statutory elements to address Commonwealth regulatory requirements and/or specifically exclude elements of the jurisdictional regulatory framework from applying to a potential CI casino.
- Apply regulatory requirements that differ from the chosen jurisdictional regulatory framework through some other regulatory mechanism, such as licence conditions.

Figure 2. Overview of broad options for applying an existing casino regulatory framework



4.2.6 Special Accounts

The Indian Ocean Territories Special Account 2014 was established under the *Public Governance, Performance and Accountability Act 2013* (PGPA) in November 2014, with the accountable authority being the Secretary of DIRDC. The purpose of the special account is to assist in making payments for delivering essential services and providing infrastructure within the IOT. An option might be diverting revenue paid to the Commonwealth by a potential CI casino (taxation payments, licence fees, rent (if applied) and cost recovery charges (less those applied to fee-for-service activities)) from the Commonwealth's CRF into this special account.

The amount held in the special account could potentially be used to make payments from DIRDC to third parties. These third parties might include a State/Territory government for the provision of other than fee-for-service compliance activities and/or another Commonwealth agency for second-order costs attributed to the operation of a casino (such as an increased AFP presence on-island). To do so would likely require the existing clauses 6 (allowance credits) and 7 (allowable debits) of the determination establishing the special account to be amended. Use of a special account in the manner suggested could provide a transparent linkage of the revenue raised by the operation of the casino being used to offset additional expenses incurred by the Commonwealth arising from the casino's operation, as well as contributing to the general welfare of the CI population through funding the provision of essential services and required infrastructure.

Appendix A: Acronyms & Abbreviations

- ABF: Australian Border Force
- ACT: Australian Capital Territory
- AFP: Australian Federal Police
- ATM: Automated Teller Machine
- AUSTRAC: Australian Transactions and Reports Analysis Centre
- CCTV: Closed Circuit Television
- CMS: Case Management System
- CI: Christmas Island
- CRIS: Cost Recovery Implementation System
- DIRDC: Department of Infrastructure, Regional Development and Cities
- EGM: Electronic Gaming Machine
- FATG: Fully-Automated Table Game
- JSCNCET: Joint Standing Committee on the National Capital and External Territories
- NSW: New South Wales
- NT: Northern Territory
- SA: South Australia
- SLA: Service Level Agreement
- SOP: Standard Operating Procedure
- QLD: Queensland
- RTP: Return to Player
- RMG: Resource Management Guide
- TAS: Tasmania
- VIC: Victoria
- WA: Western Australia

Appendix B: Bibliography

Summary

During the course of this engagement, KPMG reviewed a number of key documents, including national studies, legislation, parliamentary reports and licensing arrangements. For ease of review, we have grouped the legislation and licencing arrangements by jurisdictions.

Australian Government legislation and guidelines

- *Casino Control Ordinance (Christmas Island) 1988* (Commonwealth) – not in force
- *Australian Government Cost Recovery Guidelines - Resource Management Guide No. 304*
- *Australian Government Charging Framework – Resource Management Guide No. 302*

ACT legislation

- *Casino Control Act 2006*
- *Casino Control Regulations 2006*
- *Gambling and Racing Control (Code of Conduct) Regulation 2002*
- *Gaming Machine Regulation 2004*
- *Interactive Gambling Act 1998*
- *Lotteries Act 1964*
- *Pool Betting 1964*
- *Race and Sports Booking Act 2001*
- *Racing Act 1999*
- *Totalisator Act 2014*
- *Unlawful Gambling Act 2009*

NSW legislation and licencing arrangements

- *Betting and Racing Act 1998*
- *Betting Tax Act 2001*
- *Casino Control Act 1992*
- *Casino Control Regulation 2009*
- *Casino Instrument of Appointment 2016*
- *Charitable Fundraising Act 1991*
- *Crown Casino Common Terms Deed*
- *Crown Casino Duty and Responsible Gambling Levy Arrangement*
- *Crown Casino Financial Arrangements Agreement*
- *Crown Casino State Crown Financial Deed*
- *Crown Casino VIP Gaming Management Agreement*
- *Crown Casino Restricted Gaming Licence*
- *Gambling (Two-Up) Act 1998*
- *Gaming and Liquor Administration Act 2007*

- Gaming and Liquor Administration Regulation 2016
- *Gaming Machines Act 2001*
- *Gaming Machines Tax Act 2001*
- *Liquor Act 2007*
- *Lotteries and Art Unions Act 1901*
- *Public Lotteries Act 1996*
- *Registered Clubs Act 1976*
- Star Casino CCA Charge
- Star Casino Compliance Deed
- Star Casino Continuity and Cooperation Agreement – 2nd Deed of Amendment and Restatement
- Star Casino Continuity and Cooperation Agreement – 3rd Deed of Amendment and Restatement
- Star Casino Continuity and Cooperation Agreement – 4th Deed of Amendment and Restatement
- Star Casino Echo Deed
- Star Casino Exclusivity Agreement
- Star Casino Licence
- Star Casino Liquor Licence Agreement
- Star Casino Operations Agreement
- Star Casino Regulatory Compliance Deed
- Star Casino Tax Agreement
- Star Entertainment Group Responsible Gambling Code of Conduct
- *Totalisator Act 1997*
- *Unlawful Gambling Act 1998*

NT legislation

- Code of Practice for Responsible Gambling
- Gaming Control (Gaming Machine) Regulations 2015
- Gaming Control (Licensing) Regulations 2015
- Gaming Control (Reviewable Decisions) Regulations 2015
- Gaming Control (Taxes and Levies) Regulations 2015
- *Gaming Control Act 2015*
- *Gaming Machine Act 2015*
- Gaming Machine Rules 2015

QLD legislation

- *Breakwater Island Casino Agreement Act 1984*
- *Brisbane Casino Agreement Act 1992*
- Cairns Casino Agreement 1993
- *Casino Control Act 1982*

- Casino Control Regulation 1999
- Casino Gaming Rule 2010
- Jupiters Casino Agreement Act 1983
- Queen’s Wharf Brisbane Act 2016
- Voluntary Code of Practice for Responsible Gambling

SA legislation

- Authorised Betting Operations Act 2000
- Authorised Betting Operations Regulations 2016
- *Casino Act 1997*
- Casino Regulations 2013
- *Gaming Machine Act 1992*
- Gaming Machine Regulations 2005
- *Independent Gambling Authority Act 1995*
- *Lottery and Gaming Act 1936*
- Lottery and Gaming Regulations 2008
- *Problem Gambling Family Protection Orders Act 2004*
- South Australia Gambling Codes of Practice Notice 2013
- *State Lotteries Act 1966*

TAS legislation

- Gaming Control (Infringement Notices) Regulations 2011
- *Gaming Control Act 1993 – Schedule 1 Deed 2003*
- *Gaming Control Act 1993*
- Gaming Control Regulations 2014
- Casino Licence Rules 2012
- Responsible Gambling Mandatory Code of Practice
- *TT-Line Gaming Act 1993*

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- *Casino (Management Agreement) Act 1993*
- Casino Control (Fees) Regulations 2015
- *Casino Control Act 1991*
- Crown Casino Agreement
- Crown Casino Consolidated Agreement
- Crown Melbourne Responsible Gambling Code of Conduct
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- *Gambling Regulation Act 2003*
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- *Liquor and Control Act 1988*
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Appendix C: Consultation Schedule

No.	Organisation	Jurisdiction	Team consulted	Date consulted
1	Department of Infrastructure and Regional Development	Federal	Indian Ocean Territories Administration	8 May 2017
2	Liquor and Gaming NSW	NSW	Commercial and Strategic Transactions	3 July 2017
3	Consumer and Business Services	SA	Commissioner, Inspections and Investigations, Regulator, and Liquor and Gaming	5 July 2017
4	Department of Treasury and Finance	TAS	Liquor and Gaming	6 July 2017
5	Department of Infrastructure and Regional Development	Federal	Administrator of Christmas Island	12 July 2017
6	Department of Local Government, Sport and Cultural Industries	WA	General Regulation	12 July 2017
7	Licensing NT	NT	Gambling and Racing	13 July 2017
8	Department of Justice and Regulation	VIC	Liquor and Gambling Policy	17 July 2017
9	Victorian Commission for Gambling and Liquor Regulation	VIC	Licence Management & Audit	17 July 2017
10	Department of Justice and Attorney-General	QLD	Office of Liquor and Gaming Regulation	20 July 2017
11	Access Canberra	ACT	Business Engagement, Education and Compliance	25 July 2017

Appendix D: Impact on the CI Community and Economy

Purpose of the appendix

This appendix reports on potential impacts of a casino on the CI community, and options to address those impacts. In particular, attention has been focused on potential arrangements to support:

- the employment of residents of CI and growth of the local economy;
- problem gamblers; and
- local community infrastructure and events.

A number of licencing regimes include the establishment of and funding for a community development fund, this appendix outlines the potential application and governance of a fund to support local community development and investment on CI.

Methodology and scope

Given the early stage of the project, and thus the lack of a clear definition of a potential casino, the socio-economic study focused on:

- the needs, concerns, strengths and challenges (i.e. priorities) of the CI community, drawing on existing publicly available CI-focused reports, strategies and media; and
- the potential positive and negative social and economic impacts, and stakeholder needs and concerns, that may emerge as a result of the establishment of a casino, drawing on the CI community priorities and existing publicly available gambling and casino-focused government, academic and consultancy reports and research.

The research and analysis process involved a qualitative approach, using NVivo™ Software, to undertake document analysis of four types of documents:

- documents, reports and strategies written by or on behalf of CI organisations, which reflected CI community priorities and the social, economic, cultural and historical context of CI;
- media, blogs and other reflections written by CI residents, which reflected community priorities and experiences;
- government reports providing, e.g. information regarding the historic context of CI, and the results of investigations into gambling in Australia; and
- research reports on gambling, which focused, for example, on gambling risks, management and opportunities, particularly in rural and regional Australia.

The document analysis was undertaken to develop an initial prioritisation of material issues, based on the frequency with which issues were discussed within each type of document, which were refined through discussion with relevant KPMG subject matter experts.

It is important to note that the analysis was limited to publically sourced documents. No consultation was undertaken with the community to validate the priorities or potential impacts. If a proposal for a casino were to be progressed, consultation would be required with the CI community.

Background

The extent to which the establishment of a casino on CI could lead to positive and negative social and economic impacts would, in part, depend on the casino operator's understanding and consideration of the priorities of the CI community, and their expectations and concerns regarding a casino. The research thus sought to take this into account by identifying actions which could enhance the potential positive, and mitigate the potential negative, impacts of the establishment and operation of a casino on CI.

While some of these actions refer to the business as usual (BAU) activities and policies of a casino (i.e. the decisions and actions required for the design, re-development and operation of the casino), others refer to potential additional measures to address potential impacts through the establishment and operation of a community development fund (CDF).

The recommendation to focus on these two forms of actions follows examples from the gaming as well as energy, mining and minerals sectors, which commonly provide community support through diverting a percentage of revenue to the community, while further supporting the community and minimising negative social and economic impact through their BAU activities and policies. In Victoria, for example, casinos are required to provide 1% of gross gaming revenue to the government, paid monthly, which is used to support hospitals and charities,¹ while in Western Australia, funds are provided to support the development of a community space (Burswood Park).² In the Northern Territory and New South Wales, casinos are required to support the funding of harm minimisation activities.

In the event that the decision is made to re-establish the casino on CI, these BAU and CDF – based actions would require further testing and validation, with additional assessment to design the governance and specifics of the CDF.

Social and economic context of CI

CI is home to a diverse community, with the most common ancestries recorded in the 2016 Census being Chinese (21.2%), Australian (12.7%) and Malay (12.0%), with 27.8% of people speaking only English at home. The three most predominate other languages spoken are Mandarin (17.2%), Malay (17.2%) and Cantonese (3.7%). The 2016 Census indicated that 61.3% of the population is male (1130 people), and 38.7% female (712 people).³

The 2016 Census indicated that 45.4% of the population (837 people out of a population of 1,843 people) reported being in the labour force, of these, 70.1% were employed full time, 19.2% were employed part-time and 1.9% were unemployed.⁴

¹ *Casino (Management Agreement) Act 1993*.

² Determined by the *Casino Control (Burswood Island) Agreement Act 1985*.

³ 2016 Census Quickstats, Australian Bureau of Statistics, released 27 June 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001)

⁴ 2016 Census Quickstats, Australian Bureau of Statistics, released 23 October 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001)

Current mainstays of the CI economy include the operation of the Christmas Island Immigration Reception and Processing Centre (Detention Centre) and low-grade phosphate mining. The number of detainees at the Detention Centre has changed over time, with 296 detainees on CI in January 2017, significantly less than the peak of over 3000 detainees in 2013.⁵ The primary mining lease for Phosphate Resources Limited has been recently extended until 2034, although the continued operation of the mine depends on access to additional vacant crown land.⁶ The level of employment provided by the phosphate mine and detention centre are highlighted in the 2016 Census results, with the two highest industries of employment being 'Other non-metallic mineral mining and quarrying' (18% of employed people, over 15 years) and 'correctional and detention services' (13.5%).⁷

Other employment opportunities on CI relate to hospitality and other services provided on CI, e.g. accommodation, which supports tourism as well as fly-in/fly-out employees at the Detention Centre and phosphate mine; restaurants and pubs; small businesses such as the local supermarkets; tourism businesses such as scuba diving. Other services include health care, and banking.

The previous casino (which operated 1993 – 1998) provided additional employment opportunities on CI, with a percentage of these positions fly-in/fly-out roles, in addition to funding provided to CI through a CDF, as highlighted in Table D1.

⁵ Immigration Detention and Community Statistics Summary, Department of Immigration and Border Protection, dated 31 January 2017.

⁶ Christmas Island Operations (Website), Phosphate Resources Limited, URL: http://www.cirp.com/projects/christmas_island_operations.phtml, dated 2016, accessed 28 August 2017.

⁷ 2016 Census Quickstats, Australian Bureau of Statistics, released 23 October 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001)

Table D7: Previous casino – key statistics

At time of closure in 1998, the CI casino provided the following gaming and recreation facilities:

- 3 rooms, providing 23 gaming tables and 43 gaming machines;
- 1 bar, 2 restaurants, 2 nightclubs;
- 56 guest rooms and suites;
- 1 Duty Free shop; and
- 1 resort swimming pool.⁸

These facilities supported the employment of CI residents and fly-in/fly-out workers:

- Employment of 350 – 396 (FTE) employees, with a fortnightly payroll that at times exceeded \$850k;⁹
- Staff accommodation for employees who were not permanent residents, including 144 flats in 12 buildings; and
- During construction – employment of an average of 80 construction workers.¹⁰

During the initial operating period, the casino recorded (average/year):

- \$9.7 million for local wages and salaries;
- \$1.1 million for Community Benefit Fund; and
- \$0.3 million in rates and land taxes paid to Shire of CI.¹¹

Based on the approximate number of permanent residents employed at the previous casino (1/3), and local wages and salaries (\$9.7 million),¹² approximately \$3 million was earned by permanent residents/year, with the additional potential for a percentage of fly-in/fly-out workers' income to also be spent in the local community. Further work is required to estimate the level of income and local expenditure that could be attributed to a new casino, once (and if) the decision to establish a casino is confirmed, along with the expected characteristics of the casino.

⁸ Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Report, Joint Standing Committee on the National Capital and External Territories, dated September 2001.

⁹ Governance in the Indian Ocean Territories – Interim Report: Economic Development, Joint Standing Committee on the National Capital and External Territories, dated June 2015.

¹⁰ Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Report, Joint Standing Committee on the National Capital and External Territories, dated September 2001.

¹¹ *ibid.*

¹² *ibid.*

CI community needs, concerns, strengths and challenges

Understanding the CI community's needs, concerns, strengths and challenges provides a base from which to identify the key social and economic issues that may arise if a CI casino is re-opened. The following seven themes were developed through analysis of previous CI-focused consultancy and research reports, strategy and planning documents, and traditional and social media:

- the need for and challenge of increasing economic diversification (particularly in the context of the previous dominance of the operation of the Detention Centre, as well as the existing phosphate mine);
- the crucial role of tourism for the future of CI (as well as challenges that limit growth of the tourist sector);
- the need for ongoing and diversified employment opportunities;
- the challenge and opportunity of limited accessibility and high remoteness;
- the need for development and maintenance of services, infrastructure and housing;
- the strong connection that CI residents feel towards their home; and
- the need for continued engagement with the community to build trust (particularly re community consultation).

These themes are discussed below and referred to in the following section.

Theme 1. The need for and challenge of increasing economic diversification

Increasing the economic diversity of CI is key to achieving economic sustainability and ongoing and secure employment, and to reducing reliance on the services and funding currently provided by the Commonwealth. There is currently limited economic diversity and opportunities on CI, and current economic opportunities are not viewed as being permanent or reliable. In particular, the phosphate mine is currently planned to close within the next five to twelve years¹³ (although the date is not confirmed). Similarly, the level of activity at the Detention Centre is reducing. The need to draw on local employment and procurement, is therefore viewed as '*ever-changing*' based on the '*the uncertainty and demands of immigration activity and policy*.'¹⁴

¹³ The date of closure is not yet set, and will depend in part on the ability for Phosphate Resources to receive access to further land for mining. Their website states: 'Phosphate Resources is currently seeking an additional 256 hectares of land for mining on Christmas Island, which would extend phosphate export operations from the current 5 years, to between 10 and 12 years.' Christmas Island Operations (Website), Phosphate Resources Limited, URL: http://www.cirp.com/projects/christmas_island_operations.phtml, dated 2016, accessed 28 August 2017.

¹⁴ Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013.

Tourism is considered a crucial way in which to improve the economic diversity of CI (discussed further below, Theme 2). Previous consultation has also recommended the potential to support economic diversification through the establishment of a casino.¹⁵

The importance of increasing the economic diversity of CI is highlighted in the following two quotes:

'... unless substantial alternative, viable industries for Christmas Island can be established to take the eventual place of mining, significant economic and social downturn will result. This could/would be disastrous for the social and economic fabric of the Island.'¹⁶

'Identifying ways to diversify the IOTs economies and lessen reliance on the Government sector would assist the IOTs to move towards achieving economic sustainability.'¹⁷

Theme 2. The crucial role of tourism for the future of CI

Tourism is widely viewed as being critical to supporting employment and businesses on CI. However, while nature-based tourism is an important opportunity (and recent media celebrated the planned development of a new eco resort),¹⁸ there are a number of challenges that limit growth of the tourist sector. These challenges are perceived to include the:

- limited accessibility to and remoteness of CI (discussed further below). This is particularly due to the limited availability of flights to and from CI (with the number of flights and their point of departure/destination changing on a semi-regular basis);
- negative press received due to the presence of the CI Detention Centre; and
- limited opportunity for infrastructure development.

These issues are described by the CI Tourism Association in its 2013 Strategy,¹⁹ noting the complexity of providing a level of service expected by CI tourists, who are often looking for a unique experience:

'... immigration activities continue to place pressure on services and people, generate negative press and devalue the input of tourism to the economy and community; it is difficult for investors to access suitable land for development; and there is uncertainty regarding the short and long term futures of... air services.'

'Although the impacts of immigration activities have been mainly negative for tourism there have been some positive impacts including, increased passenger and freight services, better availability and quality of food, increased patronage of retail and hospitality outlets and potentially positive exposure through word of mouth and social networking by workers.'

'The attributes of the ideal visitor for Christmas Island are strongly aligned with those of Tourism Australia's 'experience seeker' target market segment. Experience seekers are well travelled; they value

¹⁵ Governance in the Indian Ocean Territories – Interim Report: Economic Development, Joint Standing Committee on the National Capital and External Territories, dated June 2015.

¹⁶ Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised), C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013.

¹⁷ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010, p.21 .

¹⁸ Swell news for Christmas Island, Christmas Island Blog, dated 18 June 2017, URL: <https://www.christmas.net.au/discover-christmas-island/blog/entry/swell-news-for-christmas-island.html>

¹⁹ Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013.

authentic and personal experiences and enjoy interacting with locals. They are long haul travellers who are less affected by the traditional barriers to travel of distance, time and cost...'

Theme 3. The need for ongoing and diversified employment opportunities

Employment on CI is an important issue, with employment a key factor supporting people of working age to live on the island. The Detention Centre and phosphate mine are commonly viewed as key employment opportunities. However, the high (but inconsistent) demand for labour by the Detention Centre and phosphate mine is also seen by some to have negative impacts on other CI businesses that also require labour.²⁰

In addition, high rates of fly-in/fly-out reflect the limited availability of qualified and experienced CI residents looking for employment. Other employment opportunities include occupations in the areas of technicians and trades workers, labourers, community and personal service workers and administration.²¹

One reason for the strong focus on economic diversification is to diversify and sustain employment opportunities for the future, particularly for the benefit of young people,²² as suggested by the following quotes:

'The detention centre was also mentioned by many people in the context that while it had created employment and money making opportunities, it also served as a distraction from thinking about the long-term sustainable future of the Island.'²³

'The IOTs shires are focusing on addressing the decreasing population by mainly targeting the youth segment that is leaving the IOTs in search of greater educational and employment opportunities.'²⁴

'Based on what occurred when the previous phosphate mine closed from 1989 to 1991, it is likely the majority of mine employees will leave Christmas Island if the mine closes again. The flow on effects would be felt throughout the Christmas Island economy.'²⁵

Theme 4. The challenge and opportunity of limited accessibility and high remoteness

The remoteness of CI affects those living on CI on a daily basis, e.g. flights to and from the island are infrequent and the cost of living is high, in part because the vast majority of food and other supplies must be transported by air (relying on the passenger service) or freight (which is slow). Recently, the community has started to build a horticultural industry on the island, aiming to increase the quality of food available on CI while reducing the cost.

As described above, the issue of accessibility is also a challenge faced by the tourism sector because the lack of flights can hinder tourists from visiting the island, although tourists who

²⁰ For example, see Christmas Island 2018 Plan: Initial Directions Report, C Change Sustainable Solutions and Anthony Whitaker SPS, report prepared for Shire of Christmas Island, dated May 2010.

²¹ 2016 Census Quickstats, Australian Bureau of Statistics, released 23 October 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001)

²² The 2016 Census indicated that 3.8% (70) of the population is aged 15-19 years, and 5.8% (106) of the population is 20-24 years. See: 2016 Census Quickstats, Australian Bureau of Statistics, released 27 June 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001).

²³ Christmas Island 2018 Plan: Initial Directions Report, C Change Sustainable Solutions and Anthony Whitaker SPS, report prepared for Shire of Christmas Island, dated May 2010.

²⁴ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010, p.iv .

²⁵ *ibid.* p.29.

visit are encouraged to visit the island due to its remoteness, which is key factor in the unique nature of CI's environment.

The challenge of the limited accessibility and high remoteness of CI are highlighted by the following two quotes:

'The economic challenges facing the IOTs economies are predominantly due to their physical remoteness and isolation. The high cost of sea and air freight and the limited accessibility by air services has meant that there are financial barriers to establishing and managing a business on the IOTs.'²⁶

'No stranger to adventure, Chris Bray, together with his wife Jess ... will be blogging about their behind-the-scenes experience of designing, building and operating this unique eco-lodge ... "It'll be like the ultimate 'Grand Designs' project," Jess laughs, "except here we can't just drive down to Bunnings if we forget something - and the supply ship is always late."²⁷

Theme 5. The need for development and maintenance of services, infrastructure and housing

There appears to be a strong need for ongoing development and maintenance of infrastructure and housing on CI, to support commercial development, tourism and standards of living. At present, there is a strong reliance on funding and support from the Australian Government. Land use planning has been identified as a key need, with '*land use and infrastructure planning, land release and housing*' considered to be key factors required for economic development and diversification.²⁸

In addition, services on the island are limited, e.g. with lapses in internet and telecommunication services due to weather events and a small number of ATMs. There is also continued need for maintenance of infrastructure such as roads (which need regular maintenance due to the high rainfall), and waste and water services. Ensuring the needs of residents and tourists are met requires ongoing investment, coupled with good governance.

The following two quotes discuss a subset of these challenges:

'We've spoken to several businesses who want to open or expand, which would make the island a more attractive place for tourists to visit and create more jobs for locals. But they need land on which to build, for example to construct new tourist accommodation.'²⁹

'Compounding these economic challenges, residents and business have limited access to: affordable, reliable and modern information communication technology such as internet services, digital television, radio services and telecommunication.'³⁰

At the same time, infrastructure development and land use change on CI needs to take into account the potential negative environmental and visual impacts that such development could bring, which could negatively impact on tourism and standard of living.

²⁶ *ibid.* p.39.

²⁷ Swell news for Christmas Island, Christmas Island Blog, dated 18 June 2017 (URL: <https://www.christmas.net.au/discover-christmas-island/blog/entry/swell-news-for-christmas-island.html>)

²⁸ Christmas Island 2018 Plan: Initial Directions Report, C Change Sustainable Solutions and Anthony Whitaker SPS, report prepared for Shire of Christmas Island, dated May 2010.

²⁹ Media Release: Christmas Island land plan released, Nash (Minister for Local Government and Territories), dated 7 March 2017 (URL: http://minister.infrastructure.gov.au/nash/releases/2017/March/fn027_2017.aspx)

³⁰ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010, p.iii.

Theme 6. The strong connection that CI residents feel towards their home

Previous consultation with the CI community highlights the close connection that long-term residents feel to their home. Aspects of the community such as its high level of diversity (in 2016, 50.9% of the population indicated that they speak a language other than English at home)³¹ and unique environment (e.g. CI has been ‘branded as “A Natural Wonder”’)³² are a point of pride. There is some suggestion that the presence of the Detention Centre has a negative impact on the reputation of CI, e.g. with local media raising concern that the Detention Centre takes away the focus of the island’s other features such as its unique environment.³³

Opportunities to enhance community capacity and wellbeing, and support arts and culture on CI are viewed as being important for the benefit of the community. While challenges associated with employment, for example, are in part viewed as a challenge due to their negative influence on the community. For example:

‘community capacity building, arts and culture, and health/wellbeing are considered highly important if the lifestyle and sense of community is to be maintained and/or enhanced.’³⁴

‘The availability of local labour is constrained by demand from the detention centre, and the near full employment also means that people have less time for extra-curricular activities. Both these outcomes threaten the existence of the ‘Island’ way of life, and can lead to diminishing numbers of people volunteering and participating in community group activities.’³⁵

Theme 7. The need for continuing engagement with the community

Analysis suggested two findings in relation to community engagement, the first being that in the past a large number of CI residents have chosen not to engage during consultation opportunities, and the second being that some members of the community have felt over-consulted. The current Christmas Island Community Strategic Plan (published in 2013) reported that consultation had found that ‘many in the community indicated that Christmas Island was over consulted/analysed and under-implemented’.³⁶

While it is understood that government-led engagement with the CI community has improved in recent years, the historical experience of community disengagement means that the risk of stakeholder fatigue needs to be carefully considered and managed in any engagement process surrounding the proposed casino.

³¹ 2016 Census Quickstats, Australian Bureau of Statistics, released 23 October 2017 (URL: http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90001)

³² Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013.

³³ Prison reputation damaging Christmas Island’s tourism hopes, R. Emery (SBS News), dated 27 December 2015 (URL: <http://www.sbs.com.au/news/article/2015/12/27/prison-reputation-damaging-christmas-islands-tourism-hopes?cid=inbody:life-on-christmas-island-turning-mining-sites-into-farmland>).

³⁴ Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised), C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013.

³⁵ *ibid.*

³⁶ *ibid.*

Potential impacts of establishing a casino on the community and economy

Analysis identified six main areas of potential social and economic impact of re-establishing the casino. While the extent of positive and negative impacts in each area will be determined by the design, redevelopment and operation of the casino and the CDF, four areas are predominantly considered opportunities for positive impact and two predominantly risks of negative impact:

- **Opportunities:** economic diversity, tourism, employment, and infrastructure and services; and
- **Risks:** community cohesion and problem gambling.

The tables below (Tables D2 - 7) outline these opportunities and risks. It articulates ways in which potential positive impacts could be enhanced, and negative impacts mitigated. Both could occur through a combination of:

- BAU activities (associated with the design, re-development and operation of the casino) and policies;³⁷and
- support provided through a CDF,³⁸ in order to maximise the extent to which the casino supports the community.

In some cases, these actions may be voluntary, while in other cases they may be implemented via a licensing agreement. The examples provided below require additional research, validation and prioritisation to design a combination of actions that are appropriate to the CI context and casino.

The development and implementation of a CDF could be underpinned by a strategic approach to decision making, so as to support the use of CDF funding in a way that aligns with the greatest priorities of the community. CDF funding decisions could be guided, for example by a Social Impact Framework underpinned by the *Our Future: Christmas Island Community Strategic Plan 2011 – 2021*³⁹ (noting that a process to update this strategic plan is currently underway, guided by the Indian Ocean Territories Regional Development Organisation, which will provide more up-to-date guidance) and the *Christmas Island Destination Development Strategy 2013 – 2018*.⁴⁰ By supporting the priorities and actions within these strategies, the casino can help to address community needs and priorities already identified through previous consultation processes.

³⁷ i.e. the business as usual activities and policies of the casino, designed and implemented with a view to enhancing positive, and mitigating negative, impacts on the community and responding to community priorities, strengths, challenges, and concerns.

³⁸ i.e. the design, governance and management, and delivery of a community benefit fund, which diverts a proportion of profit (or revenue?) from the casino to the CI community.

³⁹ Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised), C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013.

⁴⁰ Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013.

These opportunities and risks are presented as an initial indication only, as further research and substantial stakeholder engagement would be required if the establishment of a casino is confirmed, to build on and validate the understanding of these opportunities and risks.

Table D2: Economic diversity

Opportunity: To contribute to greater economic diversity	
Community need	<p>Economic diversification is crucial to the economic sustainability of CI. There is currently limited economic diversification, particularly with the future of the phosphate mine and Detention Centre uncertain.</p> <p>For further information, see above:</p> <ul style="list-style-type: none"> • Theme 1. The need for and challenge of increasing economic diversification • Theme 3. The need for ongoing and diversified employment opportunities • Theme 4. The challenge and opportunity of limited accessibility and high remoteness
Potential positive impact	<p>There is an opportunity to enhance the economic diversity of CI, through supporting local businesses and employment and thus supporting the self-reliance of the community, provided the casino is successful over the long term, provides sufficient local employment, and directly and indirectly supports local businesses.</p>
Enhancing positive impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Procurement of goods and services from local businesses (e.g. using local contractors, supporting the growing horticultural sector on CI) • Encourage casino staff and visitors to support local restaurants, shops and tourist businesses (see Opportunity: Tourism, below) <p>Via CDF:</p> <ul style="list-style-type: none"> • Directing a proportion of CDF funds to innovative CI-focused ventures (e.g. supporting research and development to expand the horticultural industry on CI, or supporting the incubation of appropriate tourism ventures).
Potential negative impacts	<p>The CI community may stop supporting existing small businesses (such as restaurants) and instead visit the casino, while casino-specific visitors may remain in the casino rather than visiting local restaurants etc.</p> <p>The casino may provide better working conditions (e.g. higher wages) than existing jobs on CI, thus leading to local businesses struggling to find staff.</p> <p>The casino may over-procure from local businesses, leading to a shortage of goods and services available for others in the community (e.g. if the casino supports the horticultural sector too much, the CI community may be forced to increase their consumption of more expensive, imported food).</p>

Opportunity: To contribute to greater economic diversity	
Mitigating negative impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Undertake a risk assessment of local businesses capacity to meet procurement needs • Undertake a risk assessment of the extent to which the casino can positively support residential employment, while limiting unintended adverse impacts on local businesses <p>Via CDF:</p> <ul style="list-style-type: none"> • Supporting general infrastructure development in the CI community in a way that supports local businesses, e.g. by providing improved wi-fi services in public areas in the town centre, or supporting other improvements required in the town centre to encourage residents to continue using these areas (rather than relying on the casino for similar services/recreational activities) • Implementing a capacity building program to support local businesses to expand their capacity

Table D3: Tourism

Opportunity: To support the continuation and growth of the CI tourism sector	
Community need	<p>The community has given considerable focus to developing a tourism strategy to increase tourism as one way of enhancing the economic diversity of CI.⁴¹</p> <p>For further information, see above:</p> <ul style="list-style-type: none"> • Theme 2. The crucial role of tourism for the future of CI • Theme 5. The challenge and opportunity of limited accessibility and high remoteness
Potential positive impact	<p>The owner of a potential casino on CI will implement a range of strategies to overcome the remoteness of CI and ensure guests are able to access the island. Therefore, there is an opportunity to increase visitors to CI and support the tourism sector, provided the benefits of increased accessibility to the island are available to both casino and non-casino specific visitors and supports the reputation of the island as a holiday destination.</p> <p>Increasing visitor numbers, both through increasing accessibility and supporting tourism infrastructure and events on CI, may support the ongoing availability of flights (Asian rather than Perth-based) to/from the island.</p>

⁴¹ Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013

Opportunity: To support the continuation and growth of the CI tourism sector

	<p>The owners of the Tasmanian Casino (Federal Group), for example, are seen to be an important investor in promoting and developing Tasmania as a tourist destination, even though it is not clear to what extent casinos represent a drawcard for tourists.⁴²</p>
<p>Enhancing positive impacts</p>	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Encourage casino patrons to bring their family and engage in non-gambling related activities, e.g. through the design of the casino, casino accommodation, and special events and activities. • Support an increase in the number of flights to/from CI, e.g. by encouraging gambling patrons to avoid using private planes, employing a proportion of fly-in/fly-out employees (who provide specialist skills and/or capacity not able to be sourced from island residents), and subsidising the service. • Increase the number of flights to CI to provide additional capacity to transport food and other goods to CI, to increase supply and potentially reduce associated costs. <p>Via CDF:</p> <ul style="list-style-type: none"> • Provide funds (or in-kind support) to deliver hospitality/customer service training to CI residents who work in hospitality in non-casino businesses, so as to increase the level of service received by tourists and encourage gambling-specific visitors and their families to support businesses beyond the casino. • Support marketing of CI for tourism, drawing on the approach used by Federal Group in Tasmania.⁴³ • Support CI community and tourism events, e.g. responding to crab migration season, other environment-related activities, so as to encourage casino patrons to bring their family to CI, or to take part in activities beyond the casino.
<p>Potential negative impacts</p>	<p>The presence of a casino may concentrate tourists at the casino, or may diminish the perception of CI as a holiday destination, e.g. by those who are looking to visit a nature-based, remote destination. Note that the Detention Centre has been perceived in the past as having a negative influence on CI's image, e.g. with media highlighting fears that potential tourists view CI as:</p> <p style="padding-left: 40px;">"a prison island or [they say] 'why would you go there for? It's just a detention centre,' without realising that there's all this incredible natural environment here."⁴⁴</p>

⁴² Social and Economic Impact Study of Gambling in Tasmania, Volume 1: Gambling Industry trends and economic impacts, Allen Consulting Group, Problem Gambling Research and Treatment Centre, and the Social Research Centre (prepared for the Tasmanian Government Department of Treasury and Finance), dated November 2011.

⁴³ *ibid.*

⁴⁴ Quote from a CI tourist operator in: Prison reputation damaging Christmas Island's tourism hopes, R. Emery (SBS News), dated 27 December 2015 (URL: <http://www.sbs.com.au/news/article/2015/12/27/prison-reputation->

Opportunity: To support the continuation and growth of the CI tourism sector

Mitigating negative impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Consider providing a subset of accommodation suited to non-high rollers (for use by tourists) – noting that additional research is required to assess and mitigate the risk that this will reduce patronage of other accommodation on CI • Ensure a subset of accommodation developed for casino patrons provides facilities for families, to encourage these patrons to bring their families to CI <p>Via CDF:</p> <ul style="list-style-type: none"> • Support events that celebrate and highlight the diversity of cultures on CI and the natural environment • Support innovative CI-focused ventures that support tourism
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Table D4: Employment

Opportunity: To support local employment

Community need	<p>Stable, ongoing and secure employment is a recognised need for CI, in part because it supports adults of working age to live on CI over the long term.</p> <p>For further information, see above:</p> <ul style="list-style-type: none"> • Theme 3. The need for ongoing and diversified employment opportunities
Potential positive impacts	<p>There is opportunity to support employment on CI, both at the casino, and related to other opportunities such as in hospitality and the horticultural sector. Supporting these diverse employment opportunities, which will likely require training and education, has the potential to provide secure employment to replace employment opportunities if the phosphate mine and Detention Centre reduce their employment needs over time.</p>
Enhancing positive impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Place limits on the proportion of fly-in/fly-out employment provided at the casino (with limits set based on further research to assess the social and economic implications of residential vs fly-in/fly-out employment) • Undertake a training-needs assessment to assess current skill-gaps within the CI community and identify opportunities to close these gaps through targeted training opportunities, so as to increase the employability of existing CI residents at the casino, noting the potential for casinos to operate as registered training organisations. • Support the tourism sector so as to increase local business, boosting the need for employees <p>Via CDF:</p>

[damaging-christmas-islands-tourism-hopes?cid=inbody:life-on-christmas-island-turning-mining-sites-into-farmland](#)).

Opportunity: To support local employment

	<ul style="list-style-type: none"> • Direct a proportion of CDF to support hospitality training (based on results of training-needs assessments, see above), directed towards members of the community who seek to be employed in the hospitality/tourist sector beyond the casino; and hospitality students from elsewhere, who may be encouraged to stay and live/work on CI.
<p>Potential negative impacts</p>	<p>While a casino would require employees, there may be some misalignment between the employment needs and requirements of a casino and the needs and desire for employment within the local community. If this were to occur, non-permanent/fly-in/fly-out employees may be required to fill the gap. At the other end of the scale, the casino could employ a substantial number of local residents, thus placing pressure on local businesses. If the Detention Centre and/or phosphate mine saw an increase in employment needs, the negative impact could be worsened.</p> <p>Employment of CI residents at the casino may create division in the community, e.g. because the casino pays higher wages thereby reducing the feeling of connection within the CI community.</p> <p>In addition, an increase in the number of employees coming to the island may increase house prices by increasing the demand for accommodation. A similar concern has been raised in regards to the Detention Centre.⁴⁵</p>
<p>Mitigating negative impacts</p>	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Monitoring the level of employment at the casino and bringing in a subset of fly-in/fly-out if needed to support a diverse employment base • Consider original accommodation facilities (staff accommodation including 144 flats in 12 buildings) and make best use of these to minimise potential negative impacts on housing availability and costs on CI.

⁴⁵ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010

Table D5: Infrastructure and services

Opportunity: To support local services, and infrastructure development and maintenance	
Community need	<p>Infrastructure and service upgrades may be required to meet the needs of visitors and/or new residents, while continuing to meet the needs of the CI community.</p> <p>For further information, see above:</p> <ul style="list-style-type: none"> • Theme 5. The need for development and maintenance of infrastructure and housing
Potential positive impact	<p>The casino could ensure that it meets its own needs while simultaneously supporting the needs of the CI community by:</p> <ul style="list-style-type: none"> • supporting the needs of the redevelopment (e.g. meeting its needs re waste and water management); • meeting the expectations of its patrons; and • contributing to priority infrastructure/service needs of the community. <p>This could include:</p> <ul style="list-style-type: none"> • investing in the airport and wharf facilities; • improving internet access and transport services across the island; and • ensuring sufficient health services are available. <p>These could help to ensure patrons receive the quality of service they expect, while providing improved service to the community. Community-specific infrastructure investment could be provided through CDF arrangements.</p> <p>Improvements to services and infrastructure could further support employment, tourism and the economy more generally, e.g. through use of local contractors and provision of improved infrastructure for all tourists.</p>
Enhancing positive impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Explore opportunities to support the sustainability of the island in approach to meeting infrastructure needs for the casino, e.g. electricity supply • Ensure infrastructure and services to be used by casino patrons, e.g. airport and wharf facilities, and internet and transport services, also take into account the needs and expectations of the community • Assess the learnings from the previous casino, and phosphate mine and Detention Centre to identify factors that have supported and challenged the community's access to services and infrastructure⁴⁶ <p>Via CDF:</p>

⁴⁶ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010.

Opportunity: To support local services, and infrastructure development and maintenance

	<ul style="list-style-type: none"> • Direct a proportion of funds towards infrastructure/service needs, focusing on the needs highlighted by previous consultation and verified to ensure their current status⁴⁷ • Prioritising the use of local contractors • Support training and apprenticeships to CI residents, encouraging opportunities for locals to gain skills and employment involved in infrastructure, service development and maintenance
Potential negative impacts	The casino may not adequately develop its own infrastructure (waste, water treatment), or it may place significant pressure on infrastructure and services such as housing and waste management, thus adding burdens to the CI economy and infrastructure budget.
Mitigating negative impacts	<p>BAU policies and activities:</p> <ul style="list-style-type: none"> • Assess potential negative impacts on the CI community related to infrastructure and services, and consider in planning and design of casino redevelopment • Undertake additional research to assess accommodation/permanent housing needs for fly-in/fly-out/residential casino staff and develop a strategy to minimise potential negative impacts on the CI community, e.g. re house prices, availability, drawing on findings of similar research/policy re Detention Centre staff housing⁴⁸ <p>Via CDF:</p> <ul style="list-style-type: none"> • Consider directing CDF funding towards infrastructure/services

Table D6: Community cohesion

Risk: Potential to diminish CI community cohesion

Community need	<p>The <i>Our Future: Christmas Island Community Strategic Plan 2011 – 2021</i> highlights that, 'key to living on CI is ensuring that harmony and social cohesion is promoted within the community'.⁴⁹</p> <p>For further information, see above:</p> <ul style="list-style-type: none"> • Theme 6. The strong connection that CI residents feel towards their home • Theme 7. The need for continued engagement with the community to build trust
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⁴⁷ For example, see: *Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised)*, C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013

⁴⁸ *Inquiry into the changing economic environment in the Indian Ocean Territories*, Joint Standing Committee on the National Capital and External Territories, dated March 2010.

⁴⁹ *Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised)*, C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013, p.40.

Risk: Potential to diminish CI community cohesion

<p>Potential positive impact</p>	<p>The casino, through decisions regarding its consultation processes, design and activities, may support the cohesion and wellbeing of the community. In addition, providing secure employment will help to address issues such as a lack of employment opportunities for youth, thus encouraging them to stay on CI and contribute to the community.</p>
<p>Enhancing positive impacts</p>	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Undertake consultation to build an understanding of the communities’ perceptions of the proposed casino, and respond to the results of this consultation transparently, e.g. by answering the communities’ questions regarding the opportunities that the casino may bring and addressing their concerns. • Monitor public perception over time to continue providing feedback to the community. • Provide information on the casino’s performance related to considerations such as level of community benefit, e.g. local employment rates and total expenditure, local procurement, CDF spending. • Support staff’s interests and the community, e.g. through following a similar approach to CIP (the owners of the phosphate mine), who <i>‘provides 38 hours per year of paid leave to employees who attend community related meetings or for training purposes for employees engaged in community activities.’</i>⁵⁰ • Support local employment to reduce the pressure on youth to leave the island for employment. <p>Via CDF:</p> <ul style="list-style-type: none"> • CDF funding decisions can be guided by the <i>Our Future: Christmas Island Community Strategic Plan 2011 – 2021</i>⁵¹ and the <i>CI Tourism Association 2013 Tourism Plan</i> (and future updates of these plans).⁵² By supporting the priorities and actions within these strategies, the casino can help to address community needs and priorities already identified through previous consultation processes. • Support the activities of community interest groups, or proposed activities that bring the community together, e.g. through community grants (not the majority of the funding, but a portion)

⁵⁰ Inquiry into the changing economic environment in the Indian Ocean Territories, Joint Standing Committee on the National Capital and External Territories, dated March 2010, p.26.

⁵¹ Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised), C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013.

⁵² Christmas Island Destination Development Strategy 2013 – 2018, Christmas Island Tourism Association, dated July 2013.

Risk: Potential to diminish CI community cohesion

<p>Potential negative impacts</p>	<p>Consultation has suggested that the community is generally supportive of a casino on CI.⁵³ There may be a subset of the community that are concerned about a potential casino, e.g. because they see a casino as having the potential to diminish the ‘<i>clean green</i>’ image of the island (similar to the concerns expressed about the Detention Centre,⁵⁴ potentially leading to a cumulative negative impact on the community’s sense of connection to CI). There may likewise be a subset of the community who express support for the casino because they see no choice due to the challenging socio-economic context of the community.</p> <p>The employment of fly-in/fly-out casino staff (if required, e.g. to fulfil specialised tasks or provide additional capacity), or increased division between permanent residents who are and are not employed at the casino, could lead to division between different groups of people living on CI. Low spending (or the perception of low spending) by fly-in/fly-out and staff and casino visitors may also reduce community favour for the casino.</p> <p>There may be a risk that increased visitor numbers will increase likelihood of damage to the unique CI environment.</p>
<p>Mitigating negative impacts</p>	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Support and encourage new residential and fly-in/fly-out casino staff to integrate within the community, for example, through supporting them to participate in community groups, local sports, and volunteering activities. • Support and celebrate the diversity of the island e.g. through including requirements related to diversity in employment policies, and following the policy of the Detention Centre⁵⁵ that requires all new employees to undertake induction to build their understanding of the unique culture and context of CI). • Maintain close engagement and cooperation with local service providers, e.g. emergency services, schools, council to monitor and develop responses to any emerging social cohesion issues

⁵³ Governance in the Indian Ocean Territories – Interim Report: Economic Development, Joint Standing Committee on the National Capital and External Territories, dated June 2015.

⁵⁴ Prison reputation damaging Christmas Island’s tourism hopes, R. Emery (SBS News), dated 27 December 2015 (URL: <http://www.sbs.com.au/news/article/2015/12/27/prison-reputation-damaging-christmas-islands-tourism-hopes?cid=inbody:life-on-christmas-island-turning-mining-sites-into-farmland>).

⁵⁵ Our Future: Christmas Island Community Strategic Plan 2011 – 2021 (revised), C Change Sustainable Solutions and Anthony Whitaker SPS, plan prepared for Shire of Christmas Island, dated March 2013 , p40

Table D7: Problem gambling

Risk: Increase community exposure to problem gambling	
Community need	The community of CI requires access to opportunities for recreation and socialisation, and a casino could help to fulfil this need. Gambling in a limited form (i.e. mahjong played at the Poon Saan Club) already takes place, in part to fulfil these needs. The presence of a large casino, however, may increase the community's exposure to the opportunity to gamble, leading to increased instances of problem gambling. Members of the community who are at risk of or who are experiencing problem gambling and their families, require support.
Potential positive impact	Local health services could be supported to ensure they have the capacity to respond to people experiencing problem gambling, with the additional benefit that their capacity is increased to better support the CI community more broadly.
Enhancing positive impacts	<p>Via BAU policies and activities:</p> <ul style="list-style-type: none"> • Effective harm minimisation support is provided, adding to the resources and capacity of local health and other related services so as to increase the health-related service provision available on CI. <p>Via CDF:</p> <ul style="list-style-type: none"> • A proportion of funds is made available to support the capacity and resources of health-related services on CI, with specialisation in problem gambling.
Potential negative impacts	<p>Problem gambling has been defined as being '<i>characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community</i>'.⁵⁶</p> <p>Previous research has linked problem gambling to negative outcomes including issues related to debt, employment outcomes and mental health.⁵⁷</p> <p>There is a small but growing body of research focused on risks associated with casinos located in remote communities, in addition to a wider body of research focused on factors such as proximity to, type of gambling activities provided at, and size of the venue.</p> <p>For instance, research has linked specific elements of casinos/gambling activity to higher risk, for example, Doran and Young⁵⁸ suggest that '<i>Both</i></p>

⁵⁶ Responsible Gambling and Casinos, South Australian Centre for Economic Studies, University of Adelaide, ORC International Pty Ltd (Commissioned by Gambling Research Australia), dated December 2015.

⁵⁷ Social and Economic Impact Study of Gambling in Tasmania, Volume 1: Gambling Industry trends and economic impacts, Allen Consulting Group, Problem Gambling Research and Treatment Centre, and the Social Research Centre (prepared for the Tasmanian Government Department of Treasury and Finance), dated November 2011.

⁵⁸ Size really does matter: big pokie venues are the most dangerous, F. Markham, B. Doran, M. Young (The Conversation), dated 25 July 2013 (URL: <https://theconversation.com/size-really-does-matter-big-pokie-venues-are-the-most-dangerous-16350>).

Risk: Increase community exposure to problem gambling

*residential proximity to gambling outlets and socioeconomic disadvantage of local areas have been linked to gambling outcomes ... Gambling risk tends to be located in poorer suburbs,*⁵⁹ and Markham et al.⁶⁰ found that larger venues encourage gambling more than small venues.

Other studies, however, have found fewer links between casinos and problem gambling. A recent literature review, for example, found *'the majority of studies that have examined casino operations suggest that there is little evidence that casinos lead to significant increases in community harm'*.⁶¹

Recognition of the risk of problem gambling has led to a number of practices aimed to support responsible gambling. It has been suggested that the most common forms are *'venue exclusions; policies for identifying problem gambling; voluntary pre-commitment based on loyalty card systems; and, limitations on cash withdrawals and credit facilities'*,⁶² but that there is little evidence of the level of effectiveness of these different measures. The unique context of CI may lend itself to more effective harm minimisation techniques, for example, a self-exclusion program may be more effective in CI than in general because the small population means that those who have self-excluded can be more readily identified.

At the same time, harm minimisation programs may have unintended consequences, for example, placing restrictions on ATM withdrawals may have negative consequences given the limited number of ATMs currently on CI, and extending the self-exclusion program to the whole casino (rather than the gambling areas) may reduce the opportunity for members of the community to take part in the non-gambling activities offered by the casino (e.g. restaurants and entertainment) and reduce their likelihood of joining the program.⁶³

Mitigating negative impacts

Via BAU policies and activities:

- Harm minimisation techniques, with ongoing evaluation of their effectiveness
- The casino will need to use best practice techniques, with monitoring to assess their effectiveness and improve their effectiveness where required, and identify and mitigate unintended consequences

Via CDF:

⁵⁹ Assessing the impact of a remote area casino: A mixed-methods approach using cognitive mapping and GIS, B. Doran and M. Young (Rural Society, Vol. 23.1, 20-31), dated December 2014.

⁶⁰ Size really does matter: big pokie venues are the most dangerous, F. Markham, B. Doran, M. Young (The Conversation), dated 25 July 2013 (URL: <https://theconversation.com/size-really-does-matter-big-pokie-venues-are-the-most-dangerous-16350>).

⁶¹ Responsible Gambling and Casinos, South Australian Centre for Economic Studies, University of Adelaide, ORC International Pty Ltd (Commissioned by Gambling Research Australia), dated December 2015, p.88.

⁶² *ibid*, p.72.

⁶³ See also, the following report, which discusses limitations regarding self-exclusion programs: Gambling – Inquiry Report Volume 1, Productivity Commission, dated 26 February 2010.

Risk: Increase community exposure to problem gambling

- Given the recognised need for continued research on gambling, the little research done to date on remote gambling areas⁶⁴ and CI's position as a unique case, the casino could support ongoing monitoring and research so as to both support the harm minimisation programs at the casino and improve management of problem gambling elsewhere.

Supporting the CI community: Options

The results highlighted above suggest a variety of ways through which a casino could impact, in positive and negative ways, the CI community and economy. If the establishment of a potential CI casino goes ahead, the following could be taken into account during the tender process:

- When selecting a casino provider, it is crucial that potential providers be evaluated based on their understanding of and commitment to positively contributing to CI through their BAU activities (e.g. policies and approach to procurement and employment), further enhanced (but not dependent on) their CDF contributions.

The tender process could therefore take into account:

- the extent to which each tenderer articulates their understanding of the priorities of the community, the complex context in which the casino will be developed, and the potential positive and negative impacts that a casino in CI may bring; and
- the level of commitment each tenderer is willing to make, and their capacity, to take into account these priorities and impacts and this context through the decisions and actions they make in establishing and operating a potential casino.

Potential CDF arrangements

A CDF, with all funds directed to CI, is one way that a casino could support the CI community. It is crucial to remember that a CDF would not replace the potential benefits that can be delivered through well planned BAU policies and actions developed and implemented by the casino. Rather, a CDF could enhance these benefits, or help CI to meet priority needs in ways that cannot be supported through BAU. Likewise, a CDF would not take away from the need for the casino to minimise and mitigate any negative impacts. In particular, support of problem gamblers needs to take into account the specific context of CI, i.e. small, close-knit population, with limited health services and alternative recreational activities.

Use of a CDF could focus on supporting long-term benefits, which support increased sustainability and self-reliance of CI, while taking into account shorter-term priority needs or opportunities to provide seed funding. In short, decisions regarding the distribution of CDF funds needs to be strategic and equitable, and look to supporting long term, sustainable benefits.

⁶⁴ Assessing the impact of a remote area casino: A mixed-methods approach using cognitive mapping and GIS, B. Doran and M. Young (Rural Society, Vol. 23.1, 20-31), dated December 2014.

In addition to careful planning, the CDF requires good governance and reporting to ensure transparency of expenditure. While additional work is required, Table D8 outlines a variety of governance options.

Table D8: Summary of potential governance models

Approach	Attributes	Advantages	Disadvantages
Business-centric	<ul style="list-style-type: none"> Casino centrally controls funding Minimal involvement of CI community 	<ul style="list-style-type: none"> Central control Simple structure Low cost 	<ul style="list-style-type: none"> Disengagement of CI will impact outcomes High workload for casino Higher risk of the CDF being used to manage negative impacts
Community-centric	<ul style="list-style-type: none"> Control is completely decentralised to CI organisations who are responsible for delivery of programs 	<ul style="list-style-type: none"> Strong engagement by CI Community will assist with delivery 	<ul style="list-style-type: none"> Higher cost Lower control over delivery and costs Potential risk of fraud
Delivery-centric	<ul style="list-style-type: none"> Casino allocates funding through outsourced delivery partners (DPs), who are not CI based 	<ul style="list-style-type: none"> More control over costs, standards and delivery Less workload for the casino 	<ul style="list-style-type: none"> Potential for weak engagement by CI community as DPs not CI based
Local government-centric	<ul style="list-style-type: none"> Casino provides funds to the local government through a trust 	<ul style="list-style-type: none"> Engagement by CI representatives Less workload for the Casino 	<ul style="list-style-type: none"> Lower control over delivery Potential for weak engagement by CI community, if local government seen as unrepresentative
Hybrid	<ul style="list-style-type: none"> Decentralisation of delivery (by DPs) and allocation of funds by CI based funding entity 	<ul style="list-style-type: none"> Strongest linkage to CI for engagement and delivery capability 	<ul style="list-style-type: none"> Highest cost model Lower control over delivery

A key issue that requires additional work is to design the governance of CDF funds, particularly to confirm to what extent the casino, community and/or an independent body manages decisions regarding expenditure of the CDF. When deciding the best governance approach for CI, it will be necessary to assess the current capacity for community-based residents or organisations to be involved. For example, a potential option is to develop a trust, providing the opportunity to select a group of local CI residents to be trustees, with the purposes of the trust defined in the deeds, for the long term. This is an area requiring additional research.

We note that the previous casino used a trust-model whereby:

'Funds for the Community Benefit Fund were paid into a Commonwealth trust account and subsequently allocated to the Christmas Island Shire Council. A committee arrangement existed whereby three members of the Shire Council, the Administrator of Christmas Island and a Commonwealth representative would allocate the money to support local projects'.⁶⁵

⁶⁵ Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Report, Joint Standing Committee on the National Capital and External Territories, dated September 2001, p.16.

Further research required

Further research, including stakeholder engagement across the CI community and other stakeholders, is required to assess the potential impacts of the establishment of a casino on the CI community and economy, once the nature of the design and operation of the casino is known.

In particular, research is required to validate and assess in greater depth the CI community priorities and potential positive and negative impacts discussed in this appendix, and to better understand:

- the CI community's views on the establishment and operation of a casino;
- the potential impacts of any construction/development work that would be required to prepare the casino building and surrounding infrastructure prior to a casino commencing operations;
- the experiences of similar communities, who have experienced elements of the opportunities and risks discussed above, e.g. the presence of a casino and opportunities for employment and training (e.g. Launceston casino); the experience of high levels of fly-in/fly-out employment (e.g. the Bowen Basin); and tourism in remote areas (e.g. Kangaroo Island);
- the number of employees required to operate the casino, as well as the current capacity of CI residents to take on employment at a casino, for example:
 - the number of residents currently available and qualified to work in a casino/hospitality;
 - the extent to which mining or Detention Centre employees would be suitable and willing to undertake training to work at the casino;
 - current training opportunities available; and
 - based on this, the number of fly-in/fly-out staff expected to be required.
- the number of guests the casino could expect to accommodate in a year, as well as details such as the typical length of their stay, and their interest in taking advantage of local tourism opportunities (as well as the type of activities, and whether these are currently available on CI);
- The likelihood of CI residents experiencing problem gambling in the future, based on sources such as the Canadian Problem Gambling Index; research conducted on the previous and similar casinos; and socio-economic research, e.g. on education and employment levels and alcohol and tobacco use on CI, given their relationship with problem gambling risk factors.

Additional work is also required to validate, prioritise, design and deliver BAU and CDF actions (including the governance approach). Internal and independent monitoring will be required during the design, redevelopment, operation (and future closure) of the casino, for example, to monitor the interactions between potential positive and negative social impacts, and the actions taken to manage them, leading to an ongoing process of monitoring and improvement.



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