

JOINT STANDING COMMITTEE: NATIONAL CAPITAL AND EXTERNAL TERRITORIES
"INQUIRY INTO GOVERNANCE IN THE INDIAN OCEAN TERRITORIES"
SUBMISSION BY CASINO MANAGEMENT INTERNATIONAL

Casino Management International notes that the Committee is undertaking an Inquiry into Governance in the Indian Ocean Territories, with the following terms of reference:

The Committee will inquire into and report on the interaction between formal institutions and the Indian Ocean communities, reviewing:

- the role of the Administrator and the capacity (and appropriateness) of the Administrator taking on a stronger decision-making role;
- existing consultation mechanisms undertaken by government representatives, including the IOT Regional Development Organisation, and best practice for similar small remote communities' engagement with Australian and state governments;
- local government's role in supporting and representing communities in the Indian Ocean Territories; and
- opportunities to strengthen and diversify the economy, whilst maintaining and celebrating the unique cultural identity of the Indian Ocean Territories.

In this submission Casino Management International addresses the inquiry's fourth term of reference, relating to the development of the Christmas Island economy, and in particular the adoption of a tourism strategy for Christmas Island which would require the re-opening of the Christmas Island casino.

Casino Management International submits that the Australian Government should begin the approval process to enable the re-opening of the casino on Christmas Island.

A Hotel/Resort/Casino tourism strategy for Christmas Island

Casino Management International notes the evidence given to the committee by Soft Star Pty Ltd, the owner of the Christmas Island Resort and Casino. Soft Star is of the very strong opinion that the Commonwealth gave it assurances that it would be granted a casino licence, subject to appropriate regulatory requirements. Further, Soft Star stated that it has maintained and refurbished the property, and that it could be reopened as a casino within weeks.

A reopened casino would transform Christmas Island into a modern and vibrant tourist and holiday destination, and has the potential for further development including casino/hotel/accommodation, retail, convention, and leisure/resort/entertainment facilities.

The economic, social and environmental benefits of tourism for Christmas Island

Tourism is one of the most effective ways of redistributing wealth, by moving money into local economies from other parts of the country and overseas. It brings income into a community that would otherwise not be earned.

Tourism generates both direct and indirect economic benefits. The direct benefits include the services provided by the industry, net profits, wages and net taxes. The tourism industry also has wider indirect economic benefits because it uses inputs from other sectors of the economy (such as advertising, food, graphic design, publishing, transport services and energy).

Tourism also potentially generates wider socio-cultural and environmental benefits.

Economic benefits

Economic benefits resulting from tourism can take a number of forms including:

1. Jobs

Employment may be associated directly, such as tour guides, managerial positions or hospitality services; or in supporting industries like food production, retail suppliers or entertainment. Tourism is a labour intensive industry and operates 24 hours a day, seven days a week. There are many opportunities for employment for young people and for people interested in part time or casual work. While some of the employment is skilled, there are also opportunities for people less skilled and who lack formal qualifications.

The resort will be a major employer in its own right, from high skill managerial and service positions to unskilled labour. It will have a significant multiplier effect into the broader economy, for food and materials supplies, taxis, transport and tours, and restaurants and entertainment.

2. Increased spending

Increased spending in the community generated from visitors or tourism businesses can directly and indirectly promote the viability of local businesses. High worth tourists attracted to the resort will spend money outside the immediate confines of the resort, which will support local businesses and encourage new business start ups.

3. Economic diversification

Tourism operators can play a role in highlighting the broad prosperity that tourism can bring to a community and will contribute to a greater understanding and respect for the value of tourism. Economic diversification is, for many communities, an insurance policy against hard times. By offering an additional means of income, tourism can support a community when a traditional industry is under financial pressure, particularly where that community relies heavily on a single industry. This is of particular significance for Christmas Island, which has been heavily reliant on mining and servicing Australian immigration facilities.

4. Infrastructure

Infrastructure including roads, parks, and other public spaces can be developed and improved both for visitors and local residents through increased tourism activity in a region.

Tourists attracted by the resort will demand better access to tourist sites, and the revenue they generate will fund increased public works on roads, airports, and public facilities to the benefit of the whole community.

5. Government revenue and taxation

Tourism expenditures, and the export and import of related goods and services, generate income to the host economy. Tourism is an important source of foreign exchange earnings. Government revenues from the tourism sector can be categorised as direct and indirect contributions. Direct contributions are generated by taxes on incomes from tourism employment, tourism businesses and by direct charges on tourists such as eco taxes or airport taxes. Indirect contributions derive from taxes and duties on goods and services supplied to tourists, for example, taxes on souvenirs, alcohol, restaurants, etc. These taxes and charges need to be balanced against the willingness of tourists to pay – a destination perceived as expensive may deter tourists.

Social benefits

Community identity and pride can be generated through tourism. A positive sense of community identity can be reinforced and tourism can encourage local communities to maintain their culture, traditions and identity. Attracting visitors to an area can heighten local awareness and interest, resulting in a greater sense of pride and ownership. The community takes stock of its assets and distinctive characteristics. This increase in pride can lead to community celebration or the revival of cultural activities.

Environmental benefits

Tourism activity often prompts the conservation of cultural heritage, either as a result of increased awareness and pride, or because it can be justified on economic grounds as a tourist attraction. Providing financial or in-kind support for the conservation of the local environment and natural resources will enhance the reputation of any tourism business. Tourism, particularly ecotourism, can place a greater focus on the conservation of natural resources through the recognition of their importance to visitor experiences and their economic value to the local community. Charges for access to parks or other environmentally valuable areas can be devoted to the maintenance and protection of the environmental values of those areas.

A tourism development strategy for Christmas Island

There is a huge and growing international tourism industry. The World Tourism Organization estimates that international tourist arrivals to all countries grew by 4% in 2012 to 1.035 billion, and that international tourism worldwide generated US\$1.2 trillion in export earnings (2011 figures). It is, however, an intensely competitive industry, with many countries competing to attract tourists.

Christmas Island is fortunate that it is in close proximity to Indonesia, with its rapidly growing and increasingly wealthy middle and upper classes. It could also be attractive to the growing tourism markets of China, Korea, Japan, Thailand, Vietnam, and to a lesser extent Malaysia, Singapore and New Zealand. Europe, the USA and Canada, while further away, could also be important markets. A significant market from northern Australia, presently attracted to Bali and Singapore, should not be overlooked.

Continuous growth of disposable incomes, the increasing number of wealthy individuals and rising income per household continues to fuel outbound trip growth in Indonesia, especially for leisure purposes. Trips to neighbouring Singapore and Malaysia continued to account for the largest number of outbound trips during the year as international flights or airlines as well as frequencies continued to increase along with more affordable ticket prices arising from price wars among budget carriers. Due to the sizeable amounts spent by Indonesians during their trips, international countries have been increasingly marketing their travel and tourism destinations in the country via a range of mediums such as TV advertisements, web banners and printed advertisements in papers and

magazines. Outbound travel growth will remain strong during the forecast period. Besides rising disposable incomes, the fact air transportation is becoming more affordable will also boost the number of trips, especially to nearby countries. Growing awareness through marketing campaigns of other countries will also fuel growth of outbound trips to these destinations. The elimination of visas in the destination country will also account for the growing number of outbound trips due to the increasing convenience of travelling. All these factors would make Christmas Island well placed to attract Indonesian tourists, as long as the tourist offering is of high quality and well marketed (Euromonitor).

Indonesia is Singapore's biggest tourism source market. The Singapore Tourism Board has identified three factors in growing Indonesia's outbound travel; the growth of the middle-class and affluent consumers, the expansion of low cost carriers, and the abolition of the Exit Tax. For Indonesian tourists extracting the most value for their money is of utmost importance and this is defined by the experiences the whole family can enjoy. Value-seeking behaviour is rooted in Indonesian culture that is centred on the family. Indonesians consider the best interests of the family, before their own. For a Christmas Island hotel/resort to appeal to Indonesian tourists it would need to be seen to provide activities and entertainment suitable for the whole family.

Chinese middle class and wealthy tourists will be an increasingly important market for outbound tourism. Over the past decade China has become by far the fastest-growing tourism source market in the world. Thanks to rapid urbanization, rising disposable incomes and relaxation of restrictions on foreign travel, the volume of international trips by Chinese travellers has grown from 10 million in 2000 to 83 million in 2012. Expenditure by Chinese tourists abroad has also increased almost eightfold since 2000. Boosted by an appreciating Chinese currency, Chinese travellers spent a record US\$ 102 billion in international tourism in 2012, a 40% jump from 2011 when it amounted to US\$ 73 billion (UN World Tourism Organization).

Christmas Island will cater for high-end high-margin tourists, who will expect, and pay for, a high standard of service, hospitality, accommodation, food and beverage, and entertainment.

The way forward for a hotel/resort/casino development for Christmas Island

The Australian Parliament's Joint Select Committee on Northern Australia recently published a report entitled "Pivot North", which recommended that the Government commit to facilitating the approval process to enable the reopening of the Christmas Island casino (Recommendation 13). (Inquiry into the Development of Northern Australia - Final Report: September 2014)

The Committee wrote that it believed that the reopening of the Christmas Island Casino is vital to the economic future of the Island. Neither mining nor immigration related activities will sustain the Island's economy indefinitely, and the casino has the potential to play a major role in transitioning the Christmas Island economy away from its traditional mainstays towards a future centred on tourism. In addition, it has the potential to be a major source of employment for the local community. The Committee noted that a similar recommendation was made by the Joint Standing Committee on the National Capital and External Territories in its report on the Indian Ocean Territories in June 2013.

The report noted that the owner of the Christmas Island Resort, Soft Star Pty Ltd, strongly supports the recommendation that the casino be reopened. As noted in the body of the report a casino would assist the economic viability of Christmas Island and the development of non-casino tourism through increased air services. As the report further notes, while phosphate mining will continue for the next 20 years there is a need to diversify the economy as the detention centre activity declines. When the

casino operated between 1993 and 1998 it employed almost 400 staff, about one third being permanent residents of Christmas Island. (Report paragraph 2.103)

Recommendations 41 (improvements to the accessibility and affordability of air services) and 25 (encouraging bilateral exchanges with our neighbours in the Asia-Pacific and Indian Ocean regions) are also highly relevant.

The local Christmas Island community is very much in favour of reopening the casino. It can see the benefits of employment opportunities in the casino resort itself and in associated tourism activity, and with proper safeguards and bearing in mind that the resort will be marketed to international, mainly Indonesian, tourists, has no concerns about any possible adverse social effects.

Mr Barry Haase, the Administrator of Christmas Island, and Mr Gordon Thomson, President of the Shire of Christmas Island, have both expressed their support for the reopening of the casino in evidence to the committee.

Mr John Haddad AO, Chairman of Casino Management International, is working with Soft Star on the proposal to reopen the resort/casino.

Mr Haddad, the former managing Director of Federal Hotels Ltd and Chairman of the Australian Tourist Commission, has an impeccable reputation for the establishment and conduct of casinos in Australia, dating back to Wrest Point in Hobart, Mindil Beach (now Star City) in Darwin, Lasseters in Alice Springs and Crown in Melbourne. Of direct relevance to Christmas Island, he was the casino's administrator when Federal Hotels was the operator. He established the legislative and regulatory framework for casinos in Australia, which has meant that they have been run at the highest levels of probity and transparency.

If it is successful in obtaining the licence for a reopened resort/casino on Christmas Island, one of Soft Star's highest priorities will be the development of relevant skills and employment opportunities for local people. In this regard Mr Haddad's longstanding involvement in the hotel, hospitality and catering industries will be invaluable in establishing a tourist facility on Christmas Island which will greatly assist its economic and social development.

CONCLUSION

The action now required is for the Australian Government to begin the approval process to enable the re-opening of the casino on Christmas Island.

Please Note that Mr Haddad's company Casino Management International was appointed as the Administrator of the Christmas Island Casino on 7th May 1997. The casino was closed some eighteen months later on the advice of Mr Haddad in discussion with the Minister.

He would be please provide any further information relating to this period should the Committee request.