

## The Christmas Island Casino and Resort

### Opening of the casino and resort

- 2.1 The Christmas Island Casino and Resort was first conceived by Frank Woodmore, a Perth property developer, in the early to mid-1980s. In 1981 Indonesia had just closed its three licensed casinos, all of which were in Jakarta, owing to the perceived incompatibility of religious sensitivities with gambling in Indonesian society.
- 2.2 With Jakarta only an hour's flight from Christmas Island, it was thought that the casino and resort would be in a unique position to attract wealthy patrons or 'high rollers' from Indonesia and other parts of Asia.
- 2.3 The company now known as *Christmas Island Resort Pty Ltd* (CIR) was incorporated in 1985 to develop the resort complex.<sup>1</sup> Mr Frank Woodmore, through Mercator Property Consultants Pty Ltd, held 10 per cent of the share capital in CIR. By the end of 1993 interests associated with Mr Robby Sumampow<sup>2</sup> held the remaining 90 per cent.<sup>3</sup>
- 2.4 Construction of the resort began in the late 1980s. In 1992, following the failure of negotiations with Federal Hotels, which had held the original

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1 *Cymes Pty Ltd* was incorporated in 1985 as the investment vehicle. This was subsequently changed to *Christmas Island Casino Resort Pty Ltd* in the same year and in 1987 was changed to *Christmas Island Resort Pty Ltd*. PPB Ashton Read, Submission No. 7, p. 110.

2 Mr Sumampow is an Indonesian businessman whose ultimate holding company is called *PT Guntur Madu Tama* (GMT).

3 Initially Mercator had invested in the company with an Indonesian-owned, Singapore based company, *Lauw & Sons Holdings Pty Ltd*, who held the remaining 90 per cent of shares. In 1990, Lauw & Sons Holdings Pty Ltd sold a controlling interest to Mr Sumampow, who later bought the remainder of their interest in CIR. PPB Ashton Read, Submission No. 7, p. 110.

contract,<sup>4</sup> CIR sought expressions of interest from other companies to oversee operation of the casino and resort.

- 2.5 *Casinos Austria International Ltd* (CAI) won the contract to manage the casino and resort. The management contract was for a term of five years from the opening of the casino, and CAI was engaged in preparations for the opening of the resort from June to October 1993.
- 2.6 On 5 November 1993 there was a ‘soft opening’ of the complex, at which the resort received its first patrons, and on 18 December 1993 the Christmas Island Casino and Resort was officially opened.

## The Agreement

- 2.7 The original agreement to construct and operate a casino and resort on Christmas Island was entered into between the Commonwealth of Australia, Christmas Island Casino Resort Pty Ltd<sup>5</sup> (the Developer), Francis Philip Woodmore, F P Woodmore Pty Ltd<sup>6</sup> and Selected Equities Limited (the Guarantors) on 4 June 1987. Selected Equities Limited, which was eventually replaced by Mr Robby Sumampow,<sup>7</sup> was to manage the casino and resort.
- 2.8 The original agreement and subsequent amendments (the Agreement) established the terms under which the casino and resort would be developed and would operate.<sup>8</sup> Items detailed within the Agreement included:
- those companies contractually involved in the development;
  - land and title for the hotel/casino;
  - environmental protection undertakings;
  - the development of the hotel/casino, including water supply, sewerage and electricity services for the site; and

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4 In 1988-89 CIR entered into an agreement with the Federal Hotels group to operate the resort. During 1992 the three-year contract expired and negotiations began over a new agreement. The two parties were unable to reach a new agreement. Federal Hotels, however, continued to provide technical support while arrangements were made for a new operator of the hotel and casino. *Casinos Austria International (Christmas Island) Pty Ltd & ORS v Christmas Island Resort Pty Ltd & ANOR [1998]*, WASC 387 (16 December 1998).

5 Later to become Christmas Island Resort Pty Ltd (CIR).

6 Francis Philip Woodmore, F P Woodmore Pty Ltd later became Mercator Property Consultants Pty Ltd.

7 Selected Equities Limited was replaced by Lauw & Sons Holdings, which was replaced by Robby Sumampow in 1993.

8 A consolidated version of the original agreement can be found at: DoTRS, Submission No. 11, p. 1237.

- the governance and administrative structure within which the hotel/casino would operate.
- 2.9 Clause 7 of the Agreement stipulated the Developer's intent to 'encourage maximum possible investment by the residents of Christmas Island in the hotel/casino project' and to 'use its best endeavours to encourage the employment of Christmas Island residents in [the] development'.
- 2.10 Clause 8 of the Agreement also acknowledged the capacity of the casino and resort to generate the development of supporting industries on the Island and to encourage residents to invest in those business opportunities arising from the development.
- 2.11 Clauses 27-31 of the Agreement dealt specifically with the administration of the casino. The Agreement detailed the framework for:
- casino control legislation;
  - granting of the casino license;
  - review of the casino licence;
  - the casino licence fee;
  - terms of the Community Benefit Fee; and
  - Commonwealth approval of the casino operator.

## The casino licence

- 2.12 On 26 September 1988 the *Casino Control Ordinance 1988* (to have effect under the *Christmas Island Act 1958*) was gazetted. The Commonwealth subsequently ceded responsibility for the regulation and control of gaming activities at the casino to the Western Australian Office of Racing, Gaming and Liquor (ORGL).<sup>9</sup>
- 2.13 All directors of the company were required to be licensed by the Casino Surveillance Authority (CSA), a Christmas Island regulatory body constituted under the *Casino Control Ordinance 1988*. The casino licence also required that the casino be operated by an independent third party, experienced in casinos and of good financial standing and probity.

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9 The ORGL maintained an on-Island branch of the Gaming Division until 30 November 1998, whereupon the branch was closed for the foreseeable future. 'Staff were originally retained on the Island to maintain confidentiality of records and because it was considered that their presence could expedite the re-opening of the Casino...Following the cancellation of the Casino licence by the Minister on 28 July 1998 and the appointment of a Receiver and Manager of the Casino and Resort, it became apparent that the Casino would remain closed for an indefinite period. Consequently, the decision was made to close the Gaming Division's on-Island office.' *Territory of Christmas Island Casino Surveillance Authority & Casino Controller Annual Report, 1998-99*, pp. 7-8.

- 2.14 A casino licence was granted to CIR on 5 November 1993. This licence was granted subject to conditions set out in the *Casino Control Ordinance 1988* and the Agreement.
- 2.15 The initial operating licence was granted exclusively, in that no other licences would be granted in respect of Christmas Island<sup>10</sup> and the licence was granted for a period of fifteen years.<sup>11</sup> Clause 29 of the Agreement stated that renewal of the licence for a further ten years could be negotiated during the tenth year of the casino licence.

#### Casino licence fee

- 2.16 As stipulated in the Agreement, the fee for the casino licence was comprised of three components:
- \$1 million per annum during each year of the casino licence;
  - 8 per cent of the casino gross profit in each year for the first two years of the casino licence; and
  - 10 per cent of the casino gross profit for the subsequent eight years.
- 2.17 The Agreement also stated that a review of the casino licence fee was to be undertaken during the tenth year of the casino licence. This would have included, among other things, an examination of casino licence fees, gaming taxes and other financial arrangements in place in other casinos in Australia at the time of the review.

#### Community Benefit Fee

- 2.18 In 1994 a further 1.0 per cent of the annual casino gross profit was negotiated, to be paid into the Christmas Island Community Benefit Fund.
- 2.19 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.<sup>12</sup>

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10 Because the licence was granted exclusively, no other casino licence would be issued in respect of Christmas Island for a period of twenty years commencing on the date of the issue of the licence. Clause 28, Agreement, DoTRS, Submission No. 11, p. 1253.

11 The licence was in force from and including 5 November 1993 until and including 4 November 2008.

12 All recommendations for the allocation of funds require approval from the Parliamentary Secretary. DoTRS told the Committee that it was currently in the process of expending the remaining balance of funds collected by the Community Benefit Fund, for the restoration of Buck House. DoTRS, *Hansard*, p. 228.

## The lease

- 2.20 On 17 May 1989 the Commonwealth issued CIR with a 99-year Crown lease for a 47-hectare block of land.<sup>13</sup> Lease rental was 5 cents per annum if and when demanded payable by the Commonwealth.<sup>14</sup>
- 2.21 The purpose clause of the original lease provided that:
- The Lessee shall use the premises only for the purpose of a hotel-casino and, ancillary thereto, for personal services, retail and non-retail shops, recreation, accommodation and entertainment facilities or such purpose as may be approved in writing by the Commonwealth.<sup>15</sup>
- 2.22 In evidence to the Committee, the Department of Transport and Regional Services (DoTRS) advised that the purpose clause of the lease was permissive and not mandatory.<sup>16</sup>
- 2.23 A mandatory or prescriptive clause stipulates that the facility must be used *only* for the purpose stated in the clause. A permissive clause *allows* for the use of the facility for the purpose stated in the clause. In its claim that the clause is permissive, DoTRS has focused on the fact that the clause allows the Commonwealth to sanction alternative uses for the facility.
- 2.24 Covenants attached to the lease stipulated that the following conditions be adhered to:
- *Commencement and Completion of Building:* The lessee (CIR) would complete construction of the casino and resort as well as a land-backed wharf.
  - *Services:* The lessee would provide and maintain:
    - ⇒ water collection and reticulation plant;
    - ⇒ sewerage reticulation and treatment plant; and
    - ⇒ electricity generation and reticulation plant if required by the Commonwealth.
  - *Natural Springs:* The lessee would:
    - ⇒ construct works to collect water from natural springs on the land;

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13 A copy of the original lease is attached to DoTRS, Submission No. 11, p. 1223. Associated properties were contained within separate leases - Christmas Island Lodge consisted of two titles held under a 99-year Crown lease issued on 30 December 1991. Seaview Lodge was held under a 99-year Crown lease issued on 14 December 1990. Staff accommodation at San Chye Loh and at Poon Saan Road, adjoining the San Chye Loh block, were both held under a 99-year Crown lease issued on 30 December 1991.

14 Clause 2(a) of Christmas Island Resort lease.

15 Clause 3(b) of Christmas Island Resort Lease.

16 DoTRS, Submission No. 11, p. 1211.

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- ⇒ be permitted to use part of that water; and
  - ⇒ reticulate the remainder of the water collected as directed by the Commonwealth.
  - **Public Access to Shoreline:** The lessee would permit public access to the shoreline of the premises, at any reasonable time and in any reasonable manner, with the shoreline including an area not more than five metres in from the high-water mark;
  - **Environmental Protection:** The lessee would develop and implement measures to protect the environment of Christmas Island throughout the construction and operation of the casino and resort. Furthermore, the lessee was to comply with any direction in writing from the Commonwealth to protect the surrounding environment and that the Commonwealth would maintain the right to serve upon the lessee a pollution control notice or decision under the relevant pollution control legislation.
  - **Rates and Charges:** The lessee would pay all rates, charges and other statutory outgoings.
  - **Building Subject to Approval:** The lessee would not, without the previous approval in writing of the Commonwealth, erect any building on the land or make any structural changes to the premises.
  - **Determination:** The Commonwealth would have the right to determine or cancel the lease if:
    - ⇒ any monies payable under the lease remained unpaid for three months after the appointed date for payment;
    - ⇒ work on the commencement or completion of the resort/casino was not conducted by dates specified under sub-clause 3(a) of the lease;
    - ⇒ the lessee failed to observe or perform any other covenant contained within the lease, or failed to remedy any breach of the lease within a period of three months; or
    - ⇒ there was a default by the Developer or the Guarantors in the observance or performance of the terms and conditions of the Agreement.
  - **Further Lease:** At the expiration of the lease, and if the Commonwealth chose not to decide to sub-divide the land or have any further use for it, the lessee would be entitled to a further lease of the land for such a term and under such conditions as were agreed between the parties.

## Operation of the casino and resort

### Infrastructure

- 2.25 The complex is situated on approximately 47 hectares of land at Waterfall Bay, overlooking the Indian Ocean and offering luxury accommodation.
- 2.26 At the time of its closure in 1998 the casino and resort included the following facilities:
- three casino gaming areas;
  - 156 guest rooms and suites;
  - a bar and two restaurants;
  - two nightclubs;
  - a duty free shop;
  - resort swimming pool and sunbathing area; and
  - ancillary facilities.<sup>17</sup>
- 2.27 Casino facilities included 23 gaming tables and 43 gaming machines. These operated from three rooms with a total floor area of approximately 750 square metres.<sup>18</sup>
- 2.28 Further accommodation was available in Poon Saan, on two blocks separated by a shopping centre. This complex was collectively called Christmas Island Lodge. This accommodation was also owned by CIR and offered eighty motel style rooms.
- 2.29 Staff accommodation was located in Poon Saan as well as in San Chye Loh. This consisted of 144 flats in twelve two-storey buildings with external balconies and walk-up recess.<sup>19</sup>
- 2.30 Seaview Lodge, a two-storey residence built during the 1930s, also formed part of the holdings of CIR.
- 2.31 There are two principal roads that affect the resort: Gaze Road, which travels around the coast, past the golf course and towards the Settlement, and Linkwater Road, which travels south from the resort before joining another road which turns north near the airport and then on to the Settlement.

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17 PPB Ashton Read, Submission No. 7, p. 48.

18 PPB Ashton Read, Submission No. 7, p. 48.

19 PPB Ashton Read, Submission No. 7, p. 49.

## Clientele

- 2.32 The casino and resort catered specifically for ‘high rollers’ – wealthy patrons of the casino arriving on the Island specifically to gamble. The Christmas Island Casino was in direct competition with only two other Asian operations, located in Macau and the Genting Highlands of Malaysia.
- 2.33 The majority of the resort’s clientele travelled from Indonesia, often arriving by private jet for short periods of time to use the casino facilities. The Commonwealth consequently allowed special short-term visas for Christmas Island in order to facilitate commercial activity for the casino.<sup>20</sup>

## Profitability

- 2.34 Initially, the resort operated at a profit, with revenue fluctuating from month to month. The majority of revenue was garnered from the casino with accommodation and ancillary facilities generating substantially less income. Figures indicate that the level of activity and profitability dropped substantially after 1994-95.

Table 2 Profitability and Selected Fees for Christmas Island Casino 1993-94 – 1996-97<sup>21</sup>

Year	Casino Gross Profit (\$m)	Casino Licence Fee (\$m)	Community Benefit Fee (\$m)
1993-94	80.7	6.5	0.8
1994-95	153.7	12.3	1.5
1995-96	79.5	7.2	0.8
1996-97	13.2	1.3	0.1

- 2.35 While the casino itself was able to sustain a profit, the overall summary of profit and loss on operations for the Christmas Island Casino and Resort shows that the year ending 30 June 1994 was the only year in which CIR made a profit. Effectively, with the exception of the first year of operations, the company made a loss in every year it was open from 1993 until its closure in April 1998.

20 The special provisions included in r.2.40 of the *Migration Regulations*, which enabled Indonesian and Singaporean guests of the casino to obtain special purpose visas, were repealed on 1 July 1999.

21 Source: Annual Reports of Christmas Island Casino Surveillance Authority as quoted in BTE, *Christmas Island Regional Analysis*, p. 19.



**Table 3 Christmas Island Casino and Resort - Summary of Profit or Loss\* on Operations  
1991 – 1998<sup>22</sup>**

Operating income	Period end	Year end 30 June						
	1998** \$000	1997 \$000	1996 \$000	1995 \$000	1994 \$000	1993 \$000	1992 \$000	1991 \$000
Casino & Hotel revenue		17,372	93,833	156,089	84,044			
Interest		263	245	55	36			
Other						138	231	37
		17,635	94,078	156,144	84,080	138	231	37
Operating profit (loss)	(16,392)	(26,089)	(8,456)	(3,780)	4,175	(1,450)	(147)	(1,723)

\* Figures in brackets denote a loss

\*\* Period ending 30 April 1998

## Impact on the Christmas Island community

2.36 The establishment of the Christmas Island Casino and Resort had a major impact on the local community of the Island.

2.37 The ongoing contribution of the casino and resort to the local economy varied depending on levels of activity and profitability. The Bureau of Transport Economics (BTE) estimates that the flow of funds to the Christmas Island economy from the casino and resort was approximately \$11.1 million per annum during the initial operating period. This figure comprised:

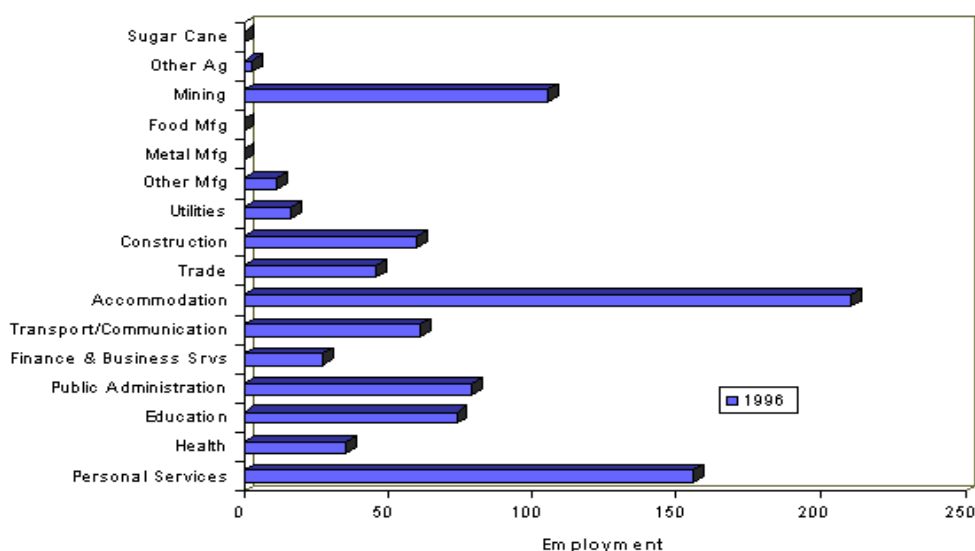
- \$9.7 million for local wages and salaries (including staff recruited off-Island);
- \$1.1 million for the Community Benefit Fee; and
- \$0.3 million in rates and land taxes paid to the Shire of Christmas Island.<sup>23</sup>

22 Source: PPB Ashton Read, Submission No. 7, p. 115.

23 BTE, *Christmas Island Regional Analysis*, p. 58.

- 2.38 Construction of the resort alone provided a major boost to the Island's economy, requiring an average of approximately eighty construction workers, with a peak figure of 120.<sup>24</sup> In operation the resort complex employed approximately 350 staff, of whom about one third were permanent residents of the Island.<sup>25</sup>
- 2.39 Figures on the distribution of Christmas Island's employment market clearly indicate that in 1996, those industries and ancillary businesses associated with the operation of the casino and resort were generating a far greater share of employment than other industries on the Island, including phosphate mining.

Graph One Christmas Island employment by industry (1996)<sup>26</sup>



- 2.40 High levels of employment at the casino and resort also had repercussions for other areas of the Christmas Island tourism sector. Many employees, who were generally young and single, and had high incomes, engaged in on-Island leisure activities. This had a positive effect on the small business sector of the Island's economy, generating business for local restaurants, taverns and diving businesses.
- 2.41 In evidence provided to the Committee, the Christmas Island Chamber of Commerce (CICC) stated that:

24 BTE, *Christmas Island Regional Analysis*, p. 58.

25 Commonwealth Grants Commission, *Report on Christmas Island Inquiry, 1995*, p. 8.

26 Indian Ocean Territories – Situation Report, *Northern Forum Reports*, [www.dotrs.gov.au/regional/northern\\_forum/locations](http://www.dotrs.gov.au/regional/northern_forum/locations)

[the Resort] totally changed the economy of the island and the way the island was heading...This private business sector has built up – entirely as a result of the opening of the Resort in 1993 – into something that is quite substantial.<sup>27</sup>

## Closure of the casino and resort

2.42 Following the initial success of the Christmas Island Casino and Resort, levels of activity and profitability fell sharply after 1994-95. This was the result of a number of factors, including the Asian economic downturn, the cessation of direct air services from Asia and managerial disputes involving CIR.

### Asian economic crisis

2.43 The Asian economic crisis began in 1997 in Thailand, when the collapse of the Thai baht in international currency markets precipitated a regional banking and investment crisis. Recession and negative growth spread quickly through the region, with stock market falls in many of the major trading centres of South East and East Asia, in addition to general economic instability. This led to a loss of confidence in the Indonesian rupiah, which by 1998 had pushed that country into its worst economic crisis in thirty years.

2.44 The casino was, from the beginning, targeted specifically at junket groups, together with some VIP players, sourced predominantly from Indonesia and Singapore.

2.45 With the advent of the Asian economic crisis in the mid to late 1990s, economic instability and recession in the Asia-Pacific region had a negative effect on Australia's gambling and casino industry as a whole. The Christmas Island Casino and Resort was particularly hard hit, as the predominant source of the casino's clientele was the region to the north of the Island.

2.46 In a valuation of the Christmas Island Resort prepared for the Liquidator in August 1998, JLW TransAct stated that:

The Asian currency and economic crises...had a dramatic adverse impact on casino gaming from Asian markets which has been experienced by nearly all the casinos which attract these market segments both in Australia and in the region as a whole.<sup>28</sup>

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27 CICC, *Hansard*, p. 185.

28 PPB Ashton Read, Submission No. 7, p. 171.

### Cessation of regular air services

- 2.47 At the time of the resort's opening, regular air services were available between Christmas Island and Perth, Broome, Singapore, Jakarta, the Cocos (Keeling) Islands, Denpasar and Surabaya.
- 2.48 From October 1997 many scheduled services to the Island ceased, and for a period of time a once-weekly Perth – Christmas Island – Cocos Islands flight became the only regular air service to the Island.
- 2.49 Mr Frank Woodmore, a former director of the casino and resort, informed the Committee:

The casino depended on regular air services from Asia. Two airline operators provided a total of 7 flights a week, mainly from Jakarta, but by May 1996 both operators pulled out because Sumampow refused to authorise payment of their accounts.

In an effort to keep the business going, CAI chartered executive jets from Jakarta and organised a weekly B727 flight from Singapore. The strategy was successful but short lived...

The executive jets ceased operating because the Indonesian Transport Division would no longer issue flight permits to Christmas Island.<sup>29</sup>

- 2.50 The loss of regular air services between Christmas Island and the primary tourism hubs of Indonesia and Singapore had a detrimental effect on the number of visitors staying at the resort. The loss of services to Singapore, in particular, had a negative impact on European travellers looking to travel to Christmas Island, as Singapore is the preferred regional staging post.

### Managerial dispute

- 2.51 In January 1996 CIR became involved in a dispute with Casinos Austria International, and attempted to terminate their management and operating agreement. The Committee was informed that Mr Sumampow sent a large team of auditors to the resort, who produced a report which Mr Sumampow used to demand CAI's resignation for alleged incompetence.<sup>30</sup>
- 2.52 CAI obtained an injunction in the Supreme Court of Western Australia, allowing it to remain in place pending a hearing of the matter.

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29 Mr Frank Woodmore, Submission No. 8, p. 1188.

30 Mr Frank Woodmore, Submission No. 8, p. 1188.

- 2.53 The court hearing took place in two sessions in 1996 and 1997. After the first session, and as a result of the allegations made by both parties during the trial, the Minister for Sport, Territories and Local Government initiated an inquiry into the suitability of both CIR and CAI to be associated with a casino.
- 2.54 After the second session of the trial CAI gave seven days notice of its intention to resign as operator/manager of the casino and resort, whilst reserving its right to damages. CAI ceased management activities on 14 April 1997.<sup>31</sup>
- 2.55 The directors of CIR sought to appoint Casinos International Management Pty Ltd (CIM) as the replacement. However, as no prior application had been submitted and no probity review conducted, the Commonwealth refused the application. As a result the casino closed.<sup>32</sup>
- 2.56 The Minister subsequently appointed an independent administrator - Casino Management International Pty Ltd (CMI) - to conduct gaming operations at the casino for a twelve month period. The casino was re-opened on 25 May 1997.
- 2.57 In addition, the Committee received evidence from Mr Frank Woodmore that when he complained to Mr Sumampow that his attempts to take control of the casino operations amounted to a conflict of interest, Mr Sumampow 'immediately repudiated Mercator's management contract with CIR and terminated its monthly payments'. Mr Woodmore 'was removed from all management committees and asked to resign as a director'. Mr Woodmore resigned in January 1997, and began preparations to take CIR to court.<sup>33</sup>
- 2.58 In March 1997 Frank Woodmore offered to sell his share of CIR to Robby Sumampow for \$5.1 million. This was part of an agreement under which *Sampoerna Holdings Pty Ltd*, a Singaporean company, would purchase a 50 per cent holding in CIR. This agreement required Mr Sumampow to buy Mercator's 10 per cent holding. The contract of sale was extended twice<sup>34</sup> and negotiations continued up to the date of the casino's closure, but the sale was never made.<sup>35</sup>

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31 CAI was exonerated and lodged an action for damages against CIR. The matter did not proceed due to the liquidation of CIR.

32 PPB Ashton Read, Submission No. 7, p. 110.

33 Mr Frank Woodmore, Submission No. 8, p. 1188.

34 The last agreed settlement date was 31 July 1998. PPB Ashton Read, Submission No. 7, p. 112.

35 *Mercator Property Consultants Pty Ltd v Sumampow [2000]*, Supreme Court of Western Australia, WASC 157 (16 June 2000).

## Closure of the casino and resort

- 2.59 On 23 April 1998 administration of the casino ceased and, with no replacement operator nominated by CIR, it closed on the same day. The resort closed with unpaid financial commitments to Mercator, the Christmas Island Power Authority, National Jet Systems Group and Christmas Island Travel Pty Ltd, among others.
- 2.60 In addition, the Christmas Island Resort had accumulated a debt of approximately \$2 million in unpaid wages to approximately 320 employees, including \$1.4 million in redundancy payments and \$400,000 in salaries and holiday pay.<sup>36</sup>
- 2.61 On 16 June 1998 the Minister for Regional Development, Territories and Local Government issued a notice pursuant to s58 of the *Casino Control Ordinance 1988*, requiring CIR to show cause within 21 days why the casino licence should not be cancelled on grounds which included its failure to meet its financial obligations to specified creditors and to its employees.
- 2.62 On 3 July 1998 Mercator Property Consultants Pty Ltd applied to the Federal Court of Australia for the appointment of a Receiver and Manager over the assets of CIR.
- 2.63 On 10 July 1998, following an unsatisfactory response from CIR to the Minister's notice to show cause why its license should not be cancelled, the Minister issued a direction requiring CIR to pay certain financial commitments to its creditors and its employers within 14 days.<sup>37</sup>
- 2.64 CIR did not comply with the Minister's notice of 10 July 1998, and on 28 July 1998 the Minister cancelled the company's licence to operate the casino.
- 2.65 On 29 July 1998 Mercator's application to the Federal Court was granted,<sup>38</sup> and Mr Jeffrey Herbert of PPB Ashton Read was appointed Receiver and Manager of Christmas Island Resort Pty Ltd.

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36 Joint Press Release: Shadow Minister for Public Administration, Government Services & Territories and Shadow Minister for Industrial Relations, Finance & the Arts, *Christmas Island Workers – Too Little Too Late*, 29 July 1998.

37 Media Release: Minister for Regional Services, Territories and Local Government, *Hope for Christmas Island Casino Workers Wages Following Ministerial Action*, 13 July 1998.

38 *Mercator Property Consultants Pty Ltd v Christmas Island Resort Pty Ltd & Ors* [1998], 896 Federal Court of Australia, 29 July 1998.

## Impact of the closure of the casino and resort on the Christmas Island community

- 2.66 The local tourism sector, in particular those businesses profiting from the large population of employees living on the Island, was devastated by the closure of the resort.
- 2.67 Following the sudden closure of the casino and resort, the number of visitors to the Island dropped dramatically. The Christmas Island Tourism Association (CITA) estimates that the number of international visitors dropped by approximately 65 per cent.
- 2.68 In addition, there was an overall loss of confidence in the Island as a viable tourism destination. Ms Teresa Hendren, the Tourism Coordinator for CITA, stated:
- Many stopped thinking of the island as a destination that was easily accessible, so the effects of past marketing by the resort of the island's attractions to this region were lost. The island also lost major tourism markets with regard to not only visitors who came to gamble but those tourists who were looking for a more luxurious holiday in facilities such as the five-star facilities offered at the resort. It was also a tourist attraction as it offered, with the casino and the nightclub, the option of nightlife for those visiting the island.<sup>39</sup>
- 2.69 The closure of the Christmas Island Casino and Resort also had a substantial effect on the burgeoning small business sector on the Island, which had developed as a satellite industry for the staff of the resort, in addition to meeting the needs of tourists.
- 2.70 Approximately 200-250 former employees recruited off-Island had left by the end of 1998. In addition, the closure of the resort contributed to an increase in under-employment for those former employees remaining on the Island, particularly in the small business sector.<sup>40</sup>
- 2.71 The Committee heard evidence from the Christmas Island Chamber of Commerce that with the downturn in both visitor and resident numbers on the Island, small businesses were finding it increasingly difficult to make ends meet.

When the resort closed in 1998, the population reduced from an estimated 2,600 to a current 1,300 people. There are approximately 67 small businesses on Christmas Island, all trying to make a

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39 CITA, *Hansard*, p. 171.

40 BTE, *Christmas Island Regional Analysis*, p. 14.

living out of an estimated 340 pay packets...more than half of these businesses have lost money over the last three years and have only remained on the island because of the hope that the resort will reopen...if the resort does not reopen...the chamber forecasts a further decline in population of 400 people within the next 18 months and the near collapse of much of the small business sector built up over the last ten years.<sup>41</sup>

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41 CICC, *Hansard*, p. 178.