

Casinos: Social Impact and Regeneration

An International Case Review

Commissioned by the Casino Advisory Panel

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I) Introduction

- 1.1 Under the Gambling Act 2005, 17 casinos are to be permitted in the UK. As a 'new form' of regeneration initiative in the UK, casinos are expected to serve as a catalyst for regeneration in the host area to stimulate economic, as well as social growth and development in the host area (DCMS, 2005).
- 1.2 As noted by Joseph Schumpeter in the 1930s, providing a new good to the consuming public could help to spur economic growth (Walker and Jackson, 1998).
- 1.3 On that basis, by mainstreaming the gambling industry as one of the legalised leisure activities in the UK, the industry would be providing a 'new good' for public consumption and make a 'proper economic contribution to society' (quoted from Leisure Link, The United Kingdom Parliament, 2004).
- 1.4 The economic spin offs derived from legalised gambling may be expected to contribute to the economic regeneration of the host area in the form of increased Gross Value Added, enhanced tourism, tax revenue generation, job creation and investment stimulation (Eadington, *date unknown*).
- 1.5 In addition, legalising casino developments in the UK could help regulate the industry more effectively. According to the Gambling Review Report, also known as the Budd Report, tightening the legislation will help to keep crime out of gambling, protect the vulnerable and children through strict responsible gambling programmes and education of the public. Moreover, tighter casino regulations will also help to protect punters and ensure fairer gambling activities (Budd, 2001).
- 1.6 However, as Wager (1999a) highlights, the introduction of casino gambling to a new geographical area is relatively infrequent. There are few comparable case studies this research can base on to assess the contemporary economic and social impacts of casino could have in a host area.
- 1.7 This research aims to use international researches and case studies to explore the following issues to examine the possible impacts casino developments could have in the UK:

- a) **What sort of locations satisfy the need for the best possible test of social impact**

- b) **How casino development can assist urban regeneration in its widest sense: evaluating the potential cost and benefits to the host area**
 - **Casino development and tourism-led regeneration**
 - **Casino development and economic development – economic leakage and the multiplier effect**
 - **Casino development and employment**
 - **Casino development and social/ community regeneration**

- c) **Location of casino development – revisited: incorporating the lessons learnt from the literature to set criteria for successful casino-led regeneration**

1.8 Issues related to the actual administration of casino developments that could help to manage the developments' impact on the host area is appended to the back of this research for interested parties' references (Chapter XII and XIII).

1.9 This research has been limited by a number of professional and academic papers that were not freely available for reference. Though the research has a heavy reliance on published reports and academic studies that are made available in the public domain, the researcher has tried to present through extensive sources a balanced summary of views on casinos' potential impact to the host area.

1.10 It is important to note that the research does not, and will not, identify or rule out any possible locations for casino developments in the UK as it is not the aim of this research. While the researcher has tried to summarise fairly the range of views expressed in the literature, any views expressed are, of cases, those of the researchers alone.

II) The Market Demand for Casino

2.1 Casinos and Target Market

2.1.1 As emphasised by Marshall (2005), the gambling industry is a producer rather than a consumer-driven market. Therefore, by establishing a casino in the host area, the community is in effect 'creating' a market demand for casino gambling.

2.1.2 Marshall (2005) also highlights the fact that the size of the casino in operation is not the main concern for operation. Therefore, it is seen important to identify the target gambler market the host area wants to serve to achieve their aimed regeneration benefits to the community. This can be achieved by careful strategic planning to boost the present and future physical, social and economic capacity for growth and development.

2.1.3 As identified by Chia (2006), casinos in the world can be categorised roughly into three major markets:

a. Mass Market Casinos

- They derive the bulk of their business from the 'middle to low end punters', i.e., not high end rollers;
- Some of them do cater to high end rollers but the volume of this business is relatively small if compared to the exclusive clubs;
- They depend on the sheer volume of gamblers gambling in their casino for profits and growth;

b. Resort Casinos

- These casinos cater mostly to foreign traffic and derive their business from both travellers as well as serious gamblers;
- Their business depends largely on the tourist money, supplemented by the volume from regular big time players;
- They offer both the excitement of gaming as well as the attractions of their resort facilities for their niche clients;

c. Exclusive Clubs

- There are only a few casinos in the world which qualify as truly exclusive clubs, such as establishments in London and Macau;
- They derive a significant portion of their business from the rich and famous around the world;
- These clubs tailor their offers according to the demands of their individual clients;
- The exclusivity and the confidentiality is the biggest attraction for the niche market;
- Also, Lim (2005) recognises that money laundering could be a potential problem for this type of casino, such as the case of Macau as reported by the US State Department to the Congress

2.2 Accessibility and Availability

2.2.1 As identified by Marshall (2005), accessibility to gambling facilities has been regarded as a factor driving increased gambling demand.

2.2.2 According to Marshall's research (2005), the time-geography variable to gambling participation is important in consumer's decision in participating in gambling activities. Essentially, when accessibility to gambling opportunities increase, the exposure to gambling products increases as the likelihood engagement with gambling would increase accordingly.

2.2.3 However, 'accessibility' is difficult to define and measure precisely (Gould; Handy and Niemeier, both cited in Marshall, 2005). Some researchers use distance as the main definition while others use incorporation size, range, mobility and equity variables to measure 'accessibility'.

2.2.4 As emphasised by Marshall (2005), the concept of 'accessibility' is multidimensional – it incorporates both spatial and non spatial components and they will all affect consumer's behaviour on gambling.

2.2.5 Conditions of entry, legal, cultural, social, economic and spatial factors can all influence the gambling environment and thus accessibility to gambling in any area (*Ibid*).

2.2.6 Spatial accessibility such as the location of venues, opening hours, the opportunities to gamble per venue and the number of available venues are

likely to be an important factor to influence gambler behaviour as they 'determine the average proximity to gambling opportunities' (The Productivity Commission, quoted by Marshall, 2005). In addition, these factors are likely to affect the gaming expenditure of gamblers per visit and impact on their gambling behaviour (KPMG, 2000).

2.2.7 While Abbott and Volberg (1999) noted that gambling experts have argued that increased availability and accessibility to gambling products leads to an increase in gamblers and problem gamblers, all the literatures reviewed in this research have been unsuccessful in establishing a direct causal relationship between the variables.

2.2.8 Moreover, Marshall (2005) highlights The Australian Productivity Commission's observation that increased accessibility to gambling products and increased levels of problem gambling signifies that further liberalisation of gambling products needs to proceed cautiously to limit gambler's overall accessibility to the gambling products and services.

2.2.9 Yet, Abbott *et al*'s (2004) review on problem gambling suggests the problem will eventually even out even when gambling accessibility continues to increase.

2.2.10 Abbott *et al* (2004) also emphasises that the problem gambling rates might rise three or four-fold before this phenomenon occurs. Furthermore, active measures may be required to achieve the stabilisation even when the problem gambling starts to even out in a given area.

2.3 Summary

2.3.1 It is difficult to generalise if increasing the accessibility of gambling products and services to gamblers would make their demand more elastic or inelastic.

2.3.2 Nevertheless, taking the scope of the literature generally, it would seem critical to identify the market demand as well as the target market for casinos before their establishment as it will help to determine the size of casino that is optimum for operation to bring along the expected regeneration benefits to the host community.

- 2.3.3 Accessibility to the casino gambling facilities is vital in determining the consumer demand for the services from local as well as areas beyond the host area.
- 2.3.4 The clash of views between Abbott and Volberg (1999) and Marshall (2005) about a causal relationship between accessibility and problem gambling should be noted.
- 2.3.5 This clash of views will be explored in the following International Review.

III) Casinos and Social Impacts:

An International Review

3.1 People's Perception of Gambling

3.1.1 Before looking into what sort of locations will satisfy the need for the best possible test of social impact, this paper will examine people's perceptions on gambling. Equally, people's reasons to gamble are to be examined in relation to limit the possible adverse social impacts gamblers could have on the host area.

3.1.2 From a study conducted by Lighthelm and Mabaso (2003) in South Africa, 2050 respondents over 18 years old were interviewed on the participation in gambling activities. 27.5% who did not participating in any form of gambling has given the following reasons for non-gambling:

- 32.8 % - don't gamble at all (9.0 % of the population)
- 29.7 % - lack of money (8.2 % of the population)
- 21.9 % - against religious beliefs (6.0 % of the population)
- 0.8 % - no access to gambling facilities (0.2 % of the population)
- 14.8 % - other reasons (4.1 % of the population)

3.1.3 It is worth noting that as high as 8.4% of the population do not gamble due to the lack of money and having no access to gambling facilities. Therefore, people's propensity to gamble could actually be higher than the concluded figure.

3.1.4 People gamble for an assortment of reasons, including:

- It is a way of passing time in a pleasant social environment;
- It is a means of leisure;
- It may assist in meeting other people;
- It is a form of entertainment and may provide an escape from reality;
- It is a means of achieving excitement, a thrill or an adrenalin rush;
- It is a means of gaining more income;
- It is a means of testing fortune;

- It represents a form of lifestyle;
- It may be a hobby; and
- It provides a chance at financial security.

(Parliament of New South Wales, 2003; Lighthelm and Mabaso, 2003)

3.1.5 The Productivity Commission in Australia conducted a National Gambling Survey in 1999 to explore the community's attitude toward gambling. The following table summarises the survey results:

	Gambling does more good than harm (%)	Gambling has provided more recreational enjoyment (%)	Should numbers of gaming machines be increased, decreased or stay the same?	%
Strongly agree	3.8	7.0	A large increase	0.6
Slightly agree	11.2	25.5	A small increase	1.1
Neither agree nor disagree	11.9	11.0	Stay the same	41.1
Slightly disagree	23.9	20.9	A small decrease	17.1
Strongly disagree	47.4	33.7	A large decrease	33.5
Don't know/ can't say	1.8	1.9	Don't know/ can't say	6.6

Source: Parliament of New South Wales (2003)

3.1.6 As derived from the chart, roughly 70% of interviewees disagree that gambling does more good than harm.

3.1.7 While one of the greatest reasons to introduce casinos to the host area is to increase recreation opportunities, it is worth noting that 54% of interviewees do not agree that casinos will provide more opportunities for recreation enjoyment.

3.1.8 The KPMG study (2000) of casinos in Victoria, Australia, also found widespread community concern about problem gambling in the host area.

82% of their respondents agree that gaming is a serious social problem and up to 11% of adults admit that they or a member of their family had experienced difficulties with excessive gambling.

3.1.9 As NGISC (1999) notes, since casinos symbolise the gambling industry, casino locations are often viewed as an indication of a community's embrace of the gambling industry. It is hence seen as important that local authorities should actively consult their stakeholders on hosting casino developments in their area before they grant their license to the operators, especially if the community sees gambling as a potential serious social problem in the area.

3.2 The Gambling Profile

3.2.1 The paper next examines, through case studies, the relationship between casino location and communities.

3.2.2 The Case of Australia

3.2.2.1 Expenditure on gambling in Australia was \$736 (approximately £313), on average, for every Australian resident aged 18 years and over in 1996 – 1997 (Australian Bureau of Statistics, 1999).

3.2.2.2 In the New South Wales, casino gamblers tend to be male, aged 18 – 24 and are often members of a non-Australian community (Parliament of New South Wales, 2003).

3.2.2.3 In 1997-98, overseas rated players (high rollers) alone accounted for around 25% of total expenditure on casino gaming in Australia (Australian Bureau of Statistics, 1999). On that basis, it is worth noting that the majority of gamblers were local gamblers.

3.2.2.4 The Productivity Commission's gambling survey (1999) found that one third of the gambling industries' market income is derived from problem gamblers in Australia.

3.2.2.5 Problem gamblers are both male and female, of all ages, and of all socio-economic backgrounds (Parliament of New South Wales, 2003).

3.2.2.6 The number of problem gamblers in Australia has been estimated at 293,000

(2.1% of the Australian adult population). 163,000 of these have moderate problems and 129,000 have a severe gambling problem, representing 1.1% and 1% of the Australian adult population respectively (Parliament of New South Wales, 2003).

3.2.2.7 Over 49.4% of problem gamblers live in a household of more than one person and they have an average of two children. Their gambling losses account for approximately 20% of household income (*Ibid*).

3.2.2.8 In terms of their experience, the families of problem gamblers are akin to victims of domestic violence. It has been estimated that about 1.8% of the adult population (250,000 people) experienced significant harm as a result of gambling in 2002 (*Ibid*).

3.2.2.9 To summarise the above, though no particular information could be found on how the State Governments decide where to locate their casinos, the literature seems to point to casinos being located in areas with the following characteristics:

- In order to maximise the multiplier effect, casinos should be located in a location that could attract the adult population as well as tourists to capture their expenditure.
- As a measure to limit the effects of problem gambling, casinos should primarily be located in an area with a smaller percentage of children and teenagers to alleviate any possible effects of problem gambling on the household, such as domestic violence and young addiction to gambling.

3.2.3 The Case of South Africa

3.2.3.1 The study by Ligthelm and Mabaso (2003) sampled 2050 respondents over the age of 18 during April to June 2002 in South Africa to examine the gambling profile of South Africa. The frequency of gamblers visiting casinos is recorded as follows:

- 0.8% visit casinos daily
- 8.5% visit casinos once a week
- 5.8% visit casinos every two weeks
- 20.8% visit casinos once a month
- 64.1% visit casinos less often

- 3.2.3.2 From the same survey, a high percentage of less affluent gamblers have participated in casino activities. 22.1% of the interviewees were unemployed, 21.2% had less than R6,000 income (approximately £563) per annum and 3.0% of them had no formal schooling. Therefore, gambling by poor people is a significant problem in South Africa.
- 3.2.3.3 South Africa's propensity to gamble is calculated at 1.3% for 2001 and it amounts to a total expenditure of R 6.8 billion (approximately £0.62 million). Casino gambling accounts for 0.91% of South Africans' propensity to gamble and its amounts to 70% of their total household expenditure on gambling.
- 3.2.3.4 Another research conducted by the National Gambling Board of South Africa (2005) has surveyed over 4000 learners in Grades 10, 11 and 12 (aged 15 – 19) to examine the extent of youth gambling in South Africa.
- 3.2.3.5 Few learners have any particular objections to gambling as a matter of principle. 24% of the interviewees do not identify with gambling but tolerate others doing so. Only 12.7% believe that gambling should be banned. However, it is important to note that 29.5% of the sample displayed only 'instrumental opposition' and inferred that they would gamble if they did not have restrictions imposed by parents, peers, geography and money (National Gambling Board of South Africa, 2005).
- 3.2.3.6 While 87.4% of learners said that they have never gambled, 8.6% said that they gamble occasionally, 2.6% said they gamble monthly and 1.4% said they gamble weekly. In addition, as high as 6.8% of learners said that they have gambled in the last 12 months. Therefore, underage gambling is a significant problem that could be easily undermined as a social impact casino developments could have on the host area (*Ibid*).
- 3.2.3.7 Of the 12.6% of learners who gamble, 35.9% are female and 64.1% are male gamblers (*Ibid*).
- 3.2.3.8 30.9% interviewees expressed that financial drives are the reason for their involvement in gambling. In addition, 23.8% of the sample conceives gambling as exciting and empowering, while peer pressures is considered relatively unimportant. Moreover, 35.4% who gamble 'because I gamble' think that gambling is a 'natural expression of life-style behaviour' (National Gambling Board of South Africa, 2005).

- 3.2.3.9 5.1% of learners who 'like a lot' about gambling have a stronger/ hard predisposition to gambling. Since they expressed that they will have regularly gambling activity with significant financial outputs, they may constitute a potential for problem (or pathological) gambling in the near to medium future (National Gambling Board of South Africa, 2005). Indeed, further investigations in the same research have concluded that this group of learners are in fact pathological gamblers by the show of symptoms.
- 3.2.3.10 The National Gambling Board of South Africa also warns that casino participation by youth population seems to be on the rising, particularly where the operations are near to schools or where student 'consortiums' are formed to channel betting activity (*Ibid*).
- 3.2.3.11 As a result, if casino developments were to be located nearby a school area, responsible gambling should have an exceptionally high emphasis in the schooling of adolescents to educate them about the harms and potential dangers to both themselves and their families, as well as how to avoid gambling addiction (National Gambling Board of South Africa, 2005).
- 3.2.3.12 To summarise the South African case study, it pinpoints the importance of locating casino developments as far away from school areas as possible to avoid youth gambling, as well as youth addiction to gambling. Geography would then increase the 'instrumental opposition' teenagers face to restrict youth gambling.

3.2.4 The Case of the US

- 3.2.4.1 Gamblers took about 300 million trips to casinos and, on average, visited a casino about once every two months, according to Harrah's 2003 profile of American gambler (Thomas, 2005).
- 3.2.4.2 Wealthier Americans have the highest casino gambling participation rates. More than a third of individuals with annual household incomes in excess of \$95000 (approximately £54,532) gambled in a casino in 2002, while only about two in 10 individuals with annual incomes below \$35000 (approximately £20,092) did so (*Ibid*).

- 3.2.4.3 Poor people spend a bigger proportion of their incomes on gambling than rich people do. This is especially true for convenience gambling (*Ibid*).
- 3.2.4.4 51.2 million, or 26% of Americans age 21 and older gambled at a casino in 2002 (*Ibid*).
- 3.2.4.5 However, it is worth noting that casino gambling appeals most to Americans over 65 (*Ibid*). These individuals are most likely to be empty-nesters and have more leisure time and discretionary income than others.
- 3.2.4.6 The National Gambling Impact Study Commission (NGISC) study in 1999 found that the fraction of US seniors who gambled jumped from 20% in 1974 to 50% in 1998, an urge unmatched by any other age group during a period when casino proliferated across the country.
- 3.2.4.7 This group has also experienced the consequences of gambling addiction, with many seniors spending their life savings in casinos (NGISC, 1999a; Thomas, 2005).
- 3.2.4.8 Though no particular information could be found on the how the individual states decide the siting of a casino, the following questions appear to be invited from the US experience:
- Since problem gambling is most serious and prominent amongst the elderly population as they have more disposable income and time, should casinos ideally not be located in an area with high percentage of elderly population?
 - Should casinos be established in an area where the target market is broadest to attract customers from all group, i.e. they should not depend on the local population as well as on a particular target market to help control casinos' social impact on the host area?
 - Would it be beneficial to locate the casino development in an area that stimulates 'destination travelling', As there is evidence from other questions that the 'geographical barrier', or inaccessibility, will help to discourage elderly and the youth population going to the development?

3.3 Summary

3.3.1 To summarise the review of the three international gambling profiles, it would be seem most appropriate to locate casinos in areas with the following characteristics to lower the possible social impact casino developments will bring to the host and the surrounding area:

- Areas which can stimulate 'destination travelling' by having a distance buffer, i.e. gamblers have to travel for a purpose
- Areas that have no schools
- Areas with a low percentage of children and teenagers
- Areas with a low percentage of elderly population
- Areas which can capture demand from all groups to expand the target market and to avoid dependency on certain groups for the industry's businesses and viability, especially on the vulnerable population

IV) How Casino Development Can Assist Urban Regeneration in its Widest Sense

- 4.1 In this research, urban regeneration is defined as the process in which an area attempts to rectify and manage its internal problems by enhancing its development opportunities to combat results of uneven socio-economic development.
- 4.2 Successful regeneration is said to have been achieved when it can significantly enhance the well-being of people living, working and visiting the area by supporting sustainable economic growth and community development through effective and efficient management of the resources and the environment.
- 4.3 In one example, West Cape urban regeneration has been the motive in introducing casino developments into their area, sustainable development is the main focus of the programme. This project exemplifies how urban regeneration can be achieved through careful and effective introduction of casino developments into the host area to stimulate sustainable growth of the host region.
- 4.4 The GrandWest Project in West Cape (Auret, 2006) has successfully brought about the following benefits to the host area:
- GrandWest is the biggest single investment ever made by the private sector in the Western Cape's tourism and leisure industry. If the Table Bay Hotel is included, SunWest has committed close to R2 billion (approximately £187.3 million) in new investment in just six years.
 - R1.5 billion (approximately £141 million) investment is made to the integrated entertainment centre, including family entertainment, hotels, festival retail, 1700 slot machines, 70 tables and other amenities to stimulate family-orientated tourism.

- GrandWest funded R140 million (approximately £13.1 million) to kick-start the development of Cape Town International Convention Centre (CTICC), which was the required financial contribution for the Cape Town license.
- CTICC delivered thousands of new bed nights and over 870,000 visitor days in its first year, which helps to stimulate the local tourism industry in the area by increasing tourist visitation.
- R35 million (approximately £3.3 million) for the creation of the Roggebaai Canal, which is extremely important to sustain the tourism industry in the area. It has also acted as a catalyst for other new investments in the region.
- R135 million (approximately £12.7 million) was paid as licence fee and GrandWest spent R130 million (approximately £12.2 million) in purchasing goods and services in the local economy in 2003 – 2004, which has a significant effect on the multiplier effect of the local economy.
- In 2005 financial year, the public sector is forecast to receive R270.6 million (approximately £25.5 million) in levies and VAT.
- With corporate tax and STC, the state government expects to pay over R398 million (approximately £37.4 million) to the Central Government in 2005.
- By end-2005, GrandWest paid a cumulative R1.2 billion (approximately £112.7 million) to government since 2001.

4.6 As seen from the West Cape case study, tourism is tightly entwined to successful casino developments. Is securing tourism through a casino development project the key to sustainable urban regeneration? This question is explored in subsequent chapters.

V) Casino Development's

Potential Impact on

Regeneration

5.1 Tourism, Casino Developments and Regeneration

5.1.1 Tourism is an important component of successful regeneration initiatives and it could '(help) to breathe new life into depressed urban and rural communities' (quoted from South East Cultural Consortium, Lipman, 2001). In relation, sustainable tourism industry can also help to 'enhance the quality of life of local people' by supporting community facilities such as village shops, pubs and public transport (*Ibid*).

5.1.2 Tourism is also said to be a 'catalyst for community development as it can improve the ambience and sense of place' of the area. (quoted from Richard Dickinson, Lipman, 2001)

5.1.3 In addition to bringing in income, reviving cultural values and associated social networks and activities are important to tourism projects. The involvement of the community in participating and planning of the tourism industry is also crucial to developing local capacity as part of the tourism based regeneration initiative (Holland; Burian and Dixey, 2003).

5.1.4 However, as highlighted by Graeme Evans, the director of North London University's Centre for Leisure and Tourism Studies, a single flagship project is unlikely to guarantee success of tourism based regeneration initiatives even in urban areas (Lipman, 2001).

5.1.5 It would be unsustainable to rely on a particular type of tourist as the critical mass to support the locality if there are no other tourism venues and activities that can help to diversify the range of tourists that are visiting. Moreover, with a more diverse range of tourists being attracted into the area, it

will help to increase the linked demand for various tourism activities in the area and contribute to sustainable tourism growth (Allen, 2001).

5.1.6 It is increasingly evident that new-sophisticated consumers seek authentic and unique experiences (Buhalis, 2000). They are also willing to pay a premium, but only if the product is significantly better than that of competitors.

5.1.7 The literature have pointed to the introduction of casino developments into the host area as a tourism initiative serving as a 'unique experience' to attract external tourists into the locality. The industry can also act as the agent to diversify the range of individual choices in recreational and entertainment opportunities in the host area and helps to expand the local tourism industry further through possible 'spin-off' developments.

5.1.8 Casinos can reflect the society surrounding them: elegant upper-class meeting places in parts of Europe; the great levelling experience of Las Vegas; or the stage for the machismo performance of masculinity, pride, loss and chance found in Latin America (Gabb, 1998). On this basis, establishing a strong image or identity could help to rebrand the tourism sector as well as the host area as a whole to attract more tourists to visit the area. The rebranding exercise could also serve as part of the regeneration benefits casino developments bring to the host area.

5.2 The Relationship Between the Casino Developments' Target Market and the Type of Tourists Being Attracted

5.2.1 As identified in Chapter 2, it is important to identify the target market and the possible catchment population to propose casinos that could truly benefit the economic and social development of the host community.

5.2.2 Some research indicates that casinos can only effect regeneration where it is the tourists who actually gamble (Evangelical Alliance, 2006). On that basis, it is understandable to link casino developments to other tourism activities to ensure that export gambling is achieved to avoid economic leakage and maximise the multiplier effect.

5.2.3 There are two different types of tourists – businesses and leisure travellers - and different strategies needs to be employed to secure the inflow of tourists

that will visit the casino development.

- 5.2.4 To secure *business travellers'* visit to casinos, the casino as well as the tourism industry as a whole need to establish strong links with the local businesses, academic communities and various types of associations to secure their visitation to the host area, such as business travellers from conferences (Buhalis, 2000). Therefore, provision of high tech facilities and high standard meeting venues is important for this type of casino developments so as to increase business travellers' 'primary reason' for visitation.
- 5.2.5 *Leisure travellers* have a much wider choice and flexibility than business travellers in terms of choosing their travelling destinations. Therefore, a mixed distribution strategy is required to attract them to stay and visit the casino development and related local tourism attractions to offer them the 'unique experience' discussed in the last section. (*Ibid*).
- 5.2.6 Travellers may be further subdivided into two categories – wanderlust and sunlust. Evidence from several countries has suggested that the proximity to a neighbouring country or province that has no casino establishments can be a factor behind the success of tourist destinations offering gambling facilities for sunlust tourists – yet, it will not help to attract wanderlust tourists to gamble in the host area (Leiper, 1989).
- 5.2.7 However, day-trippers or 'excursionists' tend to concentrate almost entirely on gambling and spend little or no time and money at non-gambling locations (NGISC, 1999a). Therefore, there might be little impact to boost the local tourist industry in terms of retail, sales, restaurants and hotel occupancy.
- 5.2.8 Hence, it is important to induce gamblers to stay at least one night, and preferably more, to increase incidences for them to do other tourism activities. This will require attracting individuals beyond the radius of a short, easy roundtrip by car (*Ibid*). This is the case when destination casino developments should be employed as the development strategy for the casino development to increase both wanderlust and sunlust leisure travellers' visit to the host area.
- 5.2.9 While Kunzmann (2003) comments that gambling has been somehow

downgraded to 'give room for a fun-shopping centre of exceptional design', casino developments must have an unique selling point to differentiate themselves from their rivals to increase their patronage – whether it is in terms of the unique physical environment, facilities or the amount of activities it provides.

- 5.2.10 Such as in the case of the City of Dreams Casino Resort in Macau (scheduled to open in 2008), the development is trying to use excellent facilities and an underwater casino to attract holiday makers to stay longer in the casino. This will help to capture their spending and lengthen their stay in the resort in addition to offering a large range of recreational and entertainment facilities. This is in recognition of the need to cater to people who want to focus on gambling as well as those who want an all-rounded family-orientated experience to capture more businesses (Keating, 2006).
- 5.2.11 In addition to identifying the type of travellers the casino developments could attract in the host area, it is also important to identify the visitors' 'market'. As identified in Chapter II, knowing visitors' demand for the type of casino products and services is important in establishing the type and the size of the casino in the area.
- 5.2.12 This can be demonstrated most clearly in the City of Dreams casino developments in Macau. While the VIP markets in Macau could spend around \$1 million (approximately £67,000) a trip (Keating, 2006), the middle to low end punters' demand for 'VIP class' services that are more affordable to them is not catered to.
- 5.2.13 The City of Dreams is developed as the demand gap has been identified for tourists spending less than \$100,000 (approximately £ 7,388) per visit but want to enjoy 'VIP class' casino services. Hence, the City of Dreams is seen not only as a project that tries to cater to the consumer demand, it is also aiming to stimulate a market demand for affordable VIP class casino gambling services in and beyond the host area by create a 'new product' (Walker and Johnson, 1998).
- 5.2.14 As highlighted from Macau's case, the size as well as the type and number of games available are not the main factors that decide the viability of casino developments in the area. More emphasis should be given the type of market the host community aims to attract to match the market demand for

the type of casino products and services people would like to receive (Marshall, 2005).

- 5.2.15 Yet, there is a need to recognise that even though casino developments could be an effective strategy in bringing in tourists in the area, the tourism industry is of a seasonal nature (GAO, 2000a). Hence the economic benefits and employment generated by the casino development might fluctuate between seasons – it might also be different for different years.

5.3 To What Extent Can Casino Developments Help to Regenerate the Host Region?

- 5.3.1 According to Eadington (*date unknown*), destination resort casinos are strongest at job creation and at mitigating negative social consequences associated with gambling. As supported by cases in Las Vegas and Atlantic City, and more recently in locales such as Biloxi, Shreveport, and Southeastern Connecticut, casino resort complexes generate not only casino jobs, but also additional jobs and investments throughout the community relating to other functions of a destination resort, such as hotels, restaurants, casino supply firms, outdoor recreation and retail shopping (*Ibid*).

- 5.3.2 In addition to having multiple entertainment options in the host area, creating a destination that is of a regional attraction tends to create more jobs (Thomas, 2005).

- 5.3.3 NGISC (1999b) has further noted that destination resorts will create more and better quality jobs than casinos catering to a local clientele in general.

- 5.3.4 In addition, casinos that are located in areas which are able to attract a high proportion of customers beyond the region could create a greater economic spin-off and growth through the multiplier process. In effect, they “export” gaming services to residents of other regions (Eadington, *date unknown*).

- 5.3.5 If casino gambling is prohibited in neighbouring regions and the locale has enough tourism resources to attract a broad base of visitors beyond the additional tourism casinos would bring to the area, export-based casino activities could contribute significantly to local tourism and sustain the economic growth of the host area (*Ibid*).

- 5.3.6 It is however noted that most new jurisdictions do not have a capability of attracting visitors from more than 100 miles away (*Ibid*).
- 5.3.7 We now examine whether in addition to the nature of the casino being established in the host area, gamblers' demand and their spending on non casino services are other determinants to the success of the regeneration initiative in the host area.
- 5.3.8 Economists have pointed out that conventioners, or even tourists, may spend their 'entertainment capital' at a casino instead of other destinations, such as museums, restaurants and stores. On that basis, a casino could have a negative economic impact on other local businesses, especially if the casino development is well-established and with associated services such as restaurants and stores within the development (Thomas, 2005).
- 5.3.9 This is proved in the case of Las Vegas, even as one of the most prominent and successful casino developments in the world. A Museum of Modern Art was added to the Venetian Resort Hotel in Las Vegas in 2000 to please the more cultural-orientated clients. However, it had to be closed after a few years due to insufficient interest of the gamblers and shoppers (Kunzmann, 2003). Therefore, not all spin-off developments from the casino development could benefit from the increased patronage.
- 5.3.10 As highlighted by Walker and Jackson (1998), Grinol's 'factory-restaurant dichotomy' could help to examine and quantify export gambling's contribution to economic growth of the host area. He noted that casinos would be 'factories' if they sell their products and services to people around the country and the world as part of their tourism gains, such as casinos in Nevada and the Sun City in South Africa. However, casinos are most likely to be 'restaurants' since their revenues are simply at the expense of other local businesses and their services are not exported to tourists. If the 'factory-restaurant dichotomy' is valid, Walker and Jackson observe that no consistent industry wide results on economic growth should be expected from casino developments.
- 5.3.11 Walker and Jackson (1998) further argue that if the gambling spending is primarily by local consumers, i.e. under the 'restaurant' scenario, spending on newly legalised gambling would completely crowd out spending on

alternatively locally produced goods – thus, there will be no increase in local level total spending. Therefore, casinos need to be ‘factory focused’ to attract the consumption of export-based casino activities to contribute to real economic growth.

5.4 Summary

5.4.1 Following Grinol’s ‘factory-restaurant model’, host areas should aim to increase the export gambling demand to maximise the multiplier effect rather than depending on the local patronage to stimulate economic regeneration of the area.

5.4.2 There appears a consensus in the literature that local authorities must consider how tourism and casino development can work together to secure and increase the flow of tourists in the host area to sustain the patronage.

5.4.3 Moreover, it is important to diversify consumer choice in order to increase tourists’ demand for local services and trade. In relation, with the diversified demand, it will contribute to sustainable regeneration of the area as the local character of the economy will be enhanced.

5.4.4 It is, however, important to note Walker and Jackson’s conclusion (1998) that exporting the newly legalised gambling activity ‘may be a sufficient, but not necessary, condition for its provision to result in the (local level) economic growth’ by legalising casino establishments. Therefore, if casino gambling is the main form of tourism activity provided by the host area, it should diversify their tourism activities to create a sustained demand for the export gambling services.

VI) Casino Developments as a Local Economic Development Initiative

6.1 Casino Development's Effect on Economic Development and Growth

6.1.1 As noted by Ligthelm and Mabaso (2003), the economic impact of the gambling industry on the economy is determined by the:

- **initial impact**, measured as the direct spending of gambling institutions
- **indirect impact**, resulting from additional activities of suppliers (e.g. additional bricks, cement and trusses are manufactured with the building of a new casino)
- **induced impact** on the economy due to the increased demand for goods and services by households on the strength of the remuneration earned due to the establishment of, say, a casino
- **total impact** = initial + indirect + induced impacts (the initial impact can be regarded as the actual contribution of the gambling sector)

6.1.2 While casino development is used as an indicator of economic development, true economic development occurs only when there is increased value to society (Garrett, 2004; Grinol, 2001; Walker and Jackson, 1998).

6.1.3 It has been argued that the real benefit to be gained from gambling should be measured by the pleasure it provides to people, and whether the benefits of gambling outweigh the associated costs (Parliament of New South Wales, 2003)

6.1.4 According to Grinol (2001), how the benefits of casinos are distributed depends on market structure and the casino tax rate. If casinos are taxed as the same rate as other businesses, the increase in casino taxes is matched

by comparable drop in taxes collected from businesses competing for profit. Therefore, the benefits of casinos in society will be in the form of consumer surplus.

6.1.5 However, when casinos are granted monopoly licenses, some of the benefits of casinos are captured by casinos in the form of monopoly profits and will reduce the benefits that will reach consumers (*Ibid*).

6.1.6 On the other hand, if the government levies heavier taxes on casinos than other businesses, some of the benefits will be captured by the government at the expense of benefits that would have reached the casinos and the consumers directly (*Ibid*). Yet, if the government spent the surplus on infrastructure or other public investment projects, casinos and consumers might be able to benefit from the heavier taxes on casinos in the long run.

6.1.7 The literature seems to point to that fact that casino development's impact on the local economy should be analysed in both short and long terms to assess its cost and benefits to the host economy. This is especially important to assess the long term viability and feasibility of the project in bringing about regeneration benefits to the host community.

6.2 Short Term Economic Impact

6.2.1 According to Adam Rose and Associates (1998), the major short term impact casino developments could bring to the host area is the expanded range of recreational and entertainment choices for individuals.

6.2.2 As identified by KPMG's study on Victoria's casinos in Australia in 2000, the widespread participation in poker machines playing in casinos in Victoria indicates that participants are deriving recreational benefits from participation. Hence, it is deduced that if local government were to restrict gaming, there is no guarantee local residents would spend more money on local goods and services provided by other sectors in the economy. The policy might prevent local residents from spending their income in ways they determine and want.

6.2.3 The consumer surplus, though not included in the Gross Value Added of the country, is important for the host economy as it increases the satisfaction

and choice of individuals living, working or visiting the area. Since consumers are spending their income on activities they value most, the society is considered better off in an economic point of view (Garrett, 2003).

6.3 Long Term Economic Impact

6.3.1 On the micro level, as summarised from the literature, the casino industry employment can benefit the local economy by:

- increasing sales of homes, cars and major appliances
- increasing charitable giving
- increasing volunteerism

(American Gaming Association, 2003; Eadington, *date unknown*)

6.3.2 On the macro level, casino developments can bring the following long term impact to the host area:

- The gambling taxes government receives will typically be 'more than able' to cover normal expenditures on associated infrastructures needed to facilitate the growth and expansion of the casino development (Adam Rose and Associates, 1998). It will also help to cover costs such as policing and fire protection - yet, no literature can identify if the income could cover broader social costs associated with gambling addiction (*Ibid*).
- In general, since sustained long term investment is made to education, infrastructure and redevelopments through the casino's initial contribution to the host area as well as through public investment in the form of taxes received, the long-run economic impacts will be positive even in smaller communities (*Ibid*). The investments derived from introducing a casino in the host area is considered to be higher than a comparably sized factory due to the relatively higher taxes charged to a casino than on a factory, in addition to the fact that casinos will not require tax breaks as other industries do (*Ibid*).
- In reference to the above point, government officials in Indiana have discovered that it is cheaper and more cost effective to lure casinos than industries as the gaming industry does not require

big tax breaks or other incentives like other industries (Thomas, 2005).

- However, not every locality can expect to benefit from the casino developments due to different character of the local economy and its history of economic development (*Ibid*).
- It is noted that the gambling taxes paid to the government are not guaranteed to contribute to the 'boomtown effect' immediately, yet, as Adam Rose and Associates (1998) stresses, it could be remedied by better government planning.

6.4 The Extent of Leakage Casino Developments Could Bring To the Local Economy

6.4.1 Leakage at Micro Level

6.4.1.1 While casino developments could bring tourism into the host area, it is unpreventable that casino developments will depend on the local population to sustain its businesses (NGISC, 1999a).

6.4.1.2 Though the redistribution of income might be achieved by the taxes-supported public services enhancement, different casino developments will have different distribution impact to the gamblers and non-gamblers in the host area depending on local circumstances (Adam Rose and Associates, 1998).

6.4.1.3 Proprietors' income would leak from the local economy due to the following reasons:

- Trade will normally flow from one business to another within an economy, thus there will be no consequence for the size of the economy - yet, economies are never closed systems.
- Income will flow to local residents in the form of wages and salaries and additional sums will be spent by the casino on local goods and services, but there is no guarantee that local residents will only spend within the locality.
- Net revenue after expenses will flow to the casino owners. If the owners of the casino are not resident in the community, income would definitely flow out of the host economy. Although it is likely

that this leakage would be greater in the case of a casino, the leakage from many other forms of spending is also substantial.

(CGR, 2004)

6.4.1.4 Besides income, casino developments might cause leakage in trade at the micro level.

6.4.1.5 The casino's impact on local retail sales is determined by the consumption preference of local residents and the number of tourists they can attract to the area to stimulate economic development. As Garrett (2003) identifies, there are three scenarios in which casinos determine the distribution of income in the host area:

- a) Casino gambling can serve as part of an overall tourist industry and non-local players will inject new money into the host economy through the casino and consumption of the local services.
- b) Casinos will generate import substitution activity that serves only local customers who, without the casino, would have spent their income outside of the local area. In this case, the casino helps to recapture local spending at local level with increased consumption surplus.
- c) A casino functions as a local service only like other businesses and simply results in a redistribution of income from one business to another through local spending.

6.4.1.6 As casino developments are often full-service complexes that offer food service, retail marketing, lodging, and other services, significant amounts of trade may be diverted from local enterprises, leaving them very vulnerable to competition (Adam Rose and Associates, 1998; GAO, 2000a; NGISC, 1999a; CGR, 2004).

6.4.1.7 "Cannibalisation." or "substitution theory" refers to the phenomenon where the apparent increased economic activity produced by a casino may actually be the result of having drained money away from local non-gambling businesses (NGISC, 1999a).

6.4.1.8 With the presence of a casino, an increase in spending on services and trade may in fact represent only a simple transfer of customers and spending

from one place to another (NGISC, 1999a). As noted by CGR (2004), credible research has shown that a consistent pattern of economic loss for specific industries, especially food and beverage establishments, is reported as a consequence of establishment of a casino.

- 6.4.1.9 GAO (2000a) quotes the Atlantic City restaurant businesses case study to support the notion of cannibalisation of businesses after introducing the casino industry in the city. Before the establishment of the casino in 1977, there were 242 eating and drinking establishments in Atlantic City. After 3 years of casino operation in 1981, the number had declined to 160, and by 1996, 19 years after casinos began operating, the number had declined to 142. Therefore, it is likely that casino developments might cannibalise the local food and beverage industry after their establishment into the host area.
- 6.4.1.10 Lipman (2001) also warns that tourism's turnover is mainly concentrated in a very small percentage of huge transnational companies and their profit is diverted from other local businesses. In the case of Atlantic City, many smaller restaurants and hotels have closed since New Jersey legalised gambling in Atlantic City in 1978. Rather than bringing regeneration to the community, the displacement effect might be too great that it killed the local character of businesses.
- 6.4.1.11 On that basis, establishing casino developments in the area might not bring expected regeneration benefits to the host area as it might damage the vitality and viability of the local economy by crowding out the local businesses. Contrary to bringing in regeneration to the host region, it might hinder a healthy and sustainable economic growth and development of the local economy.
- 6.4.1.12 Cannibalisation might also affect the lodging industry. A casino may offer cheap hotel accommodation and resort facilities so as to attract gambler to its gambling activities, leading to lower overall room rates at other hotels (Ng, 2004).
- 6.4.1.13 In relation, additional lodging capacity in the casino establishment would very likely increase the vacancy rates amongst existing lodging industries and reduce their trade and tax receipts if the visitation rate does not increase proportionately with the increased lodging capacity of the host area (CGR, 2004).

6.4.1.14 Though destination casinos areas may already have a more diverse range of services and trade to cater to outside tourists, their effect on local service establishments might still be detrimental because as local customers are drawn away from the existing trade and services. The loss of local businesses will contribute to a significant leakage of the economy (Rephann, *date unknown*).

6.4.1.15 Therefore, if cannibalisation happens in the host economy, economic benefits may be highly concentrated at the casino site instead of having a redistribution effect to the community (CGR, 2004).

6.4.1.16 In the worst scenario, casinos may displace all existing businesses as it becomes impossible to compete with the facilities and services offered by the casino developments. In addition to the economic loss, the economic leakage will be enormous to the community as a whole as the redistribution effect will be minimal (CGR, 2004).

6.4.1.17 The increase in real estate prices and rents due to the casino establishment might displace local residents who can no longer afford to live in the locality (*Ibid*). The leakage is unaccountable as out-migration increases. If less people are spending in the locality to support the development of the economy, especially if export gambling is not successful in the area, the leakage will result in economic instability or, even, depression in the host area.

6.4.1.18 However, since there are three possibilities casino gambling could affect retail sales, the impact the development could bring to a locality should be analysed by a case-by-case basis.

6.4.2 Leakage at Macro Level

6.4.2.1 On the whole, casinos developments might contribute to the following leakages in the host area at the macro level:

- a loss of revenue from particular communities through the high taxes on gambling;
- the loss of investment in other areas of economic need;
- The loss of business to other areas of discretionary consumer spending;

- The money spent on gambling and the resources used by the gambling industry would simply have been directed elsewhere creating similar levels of income and jobs. Hence, some commentators have argued that the economic gain attributed to gambling has been overemphasised

(Parliament of New South Wales, 2003)

6.4.2.2 Since betting tax is of a regressive nature, it might not have positive impacts to host area in terms of economic development (NGISC, 1999a).

6.4.2.3 The problem will be more serious if the casino development is located in a poorer neighbourhood as a disproportionate amount of casino winnings are drawn from the residents of the community who tend to be poorer and less educated than the national average, which might worsen the economy by amplifying the income leakage of the community (*Ibid*).

6.4.2.4 Income leakage might be especially serious for some defined and closed communities where they depend on community monies which had traditionally been redistributed through other gambling activities before the introduction of the casino development (John Mark Ministries, 1997).

6.4.2.5 Besides income leakage, negative externalities derived from the casino development might be harder to quantify to examine the extent of leakage they have caused to the host economy. Yet, these leakages should not be ignored in examining the impact casino developments could have on the host area, such as:

- Congestion
- environmental pollution
- rapid changes in the environment might diminish the quality of life for some
- Businesses offering competing products might suffer
- Land use patterns might diminish rather than enhance some property values in the region.

(Eadington, *date unknown*)

6.5 The Multiplier effect on the Local Economy

6.5.1 The Multiplier

6.5.1.1 Multiplier effects will be achieved if the casino developments have stimulated an indirect and induced spending from the remainder of an economy (Adam Rose and Associates, 1998).

6.5.1.2 Although there are two main multiplier models that are used when estimating the economic growth of an area. The Input-Output model and the Computer Generated Model, which examines the change of the price of the currency in a fixed sector over a specified studying period, the literature is not always clear as to the method used.

6.5.1.3 According to Pinge (*date unknown*), the Input-output model can facilitate better understanding of the performance of the key sectors of the economy and it has the ability to assess the likely economic impacts of the proposed changes.

6.5.1.4 In terms of studying the regeneration impact of casinos on the host area as well as on regional scale, Pinge (*date unknown*) recommends the Input-output model as it will aid spatial and strategic planning through a closer examination of the effects casinos could bring to the economy. Further reasons to employ the input-output model for casino developments include:

- It offers a better understanding of the relative performance of the casino sector in the local and regional economy to aid strategic land use and resources planning
- Information gained from the model includes estimates of regional output, regional exports and imports and wages for the sector, which can be viewed alongside sectoral employment figures. All these information will help to calculate the Gross Regional Product generated by a particular sector of the economy more easily.
- It is possible to examine the types of inputs used by each sector and determine the supply source of these inputs in or beyond the local or regional spatial focus
- The destination of outputs (i.e. gambling activities) can be tracked to see if they are consumed by consumers in or beyond the local or

regional spatial focus

- It could help to **assess the economic impact** (original emphasis) of real or proposed changes in the region through measuring the direct, indirect and induced effects to regional output, income and employment.
- The information gathered from the multiplier will help regional planners to plan and prioritise employment, training, infrastructural programmes to best match the particular needs of the region to increase their competitiveness and facilitate wider regeneration.
- Most importantly, it will provide a picture of **the interdependent nature of the regional economy** (original emphasis) and how the industry fits with other sectors of the economy, which will help with analysing the economic contribution of the gambling sector in the host as well as the regional economy.

(Pinge, *date unknown*)

6.5.1.5 According to Adam Rose and Associates (1998), the multiplier effect is the same whether a casino or a new auto parts plant is placed in the economy as it is only regarded as introducing a new industry into the host area.

6.5.1.6 Adam Rose and Associates' research (1998) stress that there are some rules of thumb on multiplier effects: small cities or groups of rural counties are not likely to have multipliers exceeding 1.5, medium-size to large cities multipliers would not exceed 2.0, and very large cities or state multipliers would not exceed 2.5 (Adam Rose and Associates, 1998) [N.B. but see subsequent points referring to the multiplier effect].

6.5.1.7 Multiplier impacts will increase in established casino communities with more specialised support industries entering the region to create a snowballing effect on economic growth and development (*Ibid*).

6.5.1.8 If consumer demand for gambling and other related products and services are well catered to, it will decrease the demand for imported gaming services beyond the host area, thus decrease incidences of multiplier leakages (*Ibid*). On that basis, the local income will be retained in the economy to create a stronger multiplier to stimulate local economic development.

6.5.1.9 Indirect spin-offs that occur as a by-product of production or distribution of a

commodity can make important economic contributions to a community or a region. This is especially true in terms of creating new and rapidly growing industries, such as providing stimulating the growth of entertainment businesses in the host area (Adam Rose and Associates, 1998; CGR, 2004).

6.5.1.10 More jobs will be created in relation to the spin-off development through the 'employment spillover' effect, which will essentially contribute to the multiplier effect (CGR, 2004). Wages and property value will rise due to the developments and the multiplier effect could increase with more people being able to spend more in the host area (Eadington, *date unknown*).

6.5.2 The Displacement

6.5.2.1 There are two different arguments for the effect of displacement on the economic development of the locality. On the one hand, Mr Twomey of Pion Economics regards displacement as a positive thing as it is "a key driver into the way in which economies develop and in which products emerge and produce efficiencies, and consumers benefit" (The United Kingdom Parliament, 2004). The displacement essentially contributes to the economic growth and development of the host area through the multiplier effect.

6.5.2.2 It can also add value to positive expansionary economic effects by generating additional tax revenue for community infrastructure and cater to other social needs through the wider redistributive effects (Rephann, *date unknown*).

6.5.2.3 On the other hand, the Henley Centre notes that displacements can have a negative impact on businesses that lose out from increased competition for customers and price. It could also potentially undermine the local businesses' financial viability depending on the local situation (The United Kingdom Parliament, 2004).

6.5.2.4 In trying to increase tourist visitation and recapture residents through alliance between jurisdictions and the casino, fierce competition might in fact reduce the profitability of non casino owned businesses and causing excessive businesses failures within, or even beyond, the host area.

- 6.5.2.5 As Rephann (*date unknown*) emphasises, the casino industry may create additional problems that needs to be rectified if the casino development has few linkages. Therefore, it is important that the casino development should not be the sole business that supports the economic development of the host area. In addition, it should aim to support and diversify the local economy by introducing associated products and services demanded by visitors and the casino development itself into the host area to expand the economic multiplier.
- 6.5.2.6 In the case of Atlantic City, Isserman (1994, quoted in Rephann, *date unknown*) describes the results of casino development as being very uneven since there is a minimum spillover effect to other sectors of the economy. The case will be worsen if native enterprises are cannibalised by large scale casinos and cause an extremely negative distributive effect on the locality through massive leakage.
- 6.5.2.7 In addition, the competition might lead to an increase in the associated social costs to the community (Adam Rose and Associates, 1998). Therefore, it is important not to be too ambitious in over expanding the economy to boost the multiplier.
- 6.5.2.8 While the success of introducing casino developments to stimulate the local economy is uneven, Adam Rose and Associates (1998) note that impacts of casino gambling might not necessarily be a passive phenomenon and it can be significantly modified with effective partnership between government and the casinos.
- 6.5.2.9 As highlighted by Professor Vaughan Williams (quoted in The United Kingdom Parliament, 2004), the validity of economic impact studies depends 'critically on the assumptions made and the modelling used'. Hence, it is hard to reach a conclusion at this point if the multiplier effect could balance off the leakage casino developments will bring to the host, as well as the UK economy as a whole.
- 6.5.2.10 It is worth noting that spillovers might not be able to produce expected gains to the host area if there is inadequate forward planning of developments associated with the massive flow of new private capital into the host area (Teske and Sur, 1991). Therefore, policy makers should be careful in formulating effective businesses and economic development plans to

maximise regeneration benefits casino developments could bring to the locality by avoiding leakages and maximising the multiplier effect.

6.5.2.11 Supporting local businesses is a core part of any successful regeneration schemes. It is particularly important that casino developments will not crowd out or displace local services and trade after its establishment to achieve sustainable economic and community regeneration.

6.5.3 The International Experience

6.5.3.1 An economic and fiscal impact analysis has been carried out by The Centre for Policy Analysis (2004) to examine the proposed West Warwick Resort Casino's impact on the economic development of the Rhodes Island, US. The \$600 million (approximately £344.2 million) investment in the resort casino was estimated to bring a significant multiplier effect through the initial investment, which is listed as follows:

- **Direct Economic Impacts (Construction):** 3,016 jobs and \$106.6 million (approximately £61.2 million) payroll
- **Indirect & Induced Economic Impacts (Construction):** 1,839 jobs and \$56.9 million (approximately £34.0 million) payroll
- **Total Revenue:** \$566.6 million (approximately £325.1 million)
- **Direct Economic Impacts (Operations):** 3,571 jobs and \$101.4 million (approximately £58.2 million) payroll
- **Indirect & Induced Economic Impacts (Operations):** 1,335 jobs and \$36.9 million (approximately £21.2 million) payroll
- **Net Fiscal Impact (Probable Scenario):** +\$118.9 million (approximately £68.2 million) additional revenue to State of Rhode Island
 - **Net Fiscal Impact (Best Case Scenario):** +\$133.8 million (approximately £76.8 million) additional revenue to State of Rhode Island
 - **Net Fiscal Impact (Worst Case Scenario):** +\$77.5 million (approximately £44.5 million) additional revenue to State of Rhode Island
- **Additional Social Savings (Impact on Unemployment & Welfare):** \$1.3 million (approximately £0.7 million) TANF and \$1.9 million (approximately £1.1 million) UI

6.5.3.2 It is, however, noted that the value of the multiplier is not given in the

research conducted by the Centre of Policy Analysis. On that basis, it is hard to determine if the proposed economic impact is indeed realistic.

6.5.3.3 Besides looking at the proposed economic impact a multiplier could bring to the host area, the below cases will show how the casino industry has contributed to the South African and the Biloxi//Gulfport, Mississippi economy by expanding their economic multiplier.

6.5.3.4 According to Ligthelm and Mabaso (2003), South Africa has set its GDP multiplier at 3.0 – although this figure does not appear to be supported by their own experience.

6.5.3.5 Since the introduction of the casino industry in South Africa in 1996, the initial impact of the gambling sector in South Africa amounted to just more than R3 billion (approximately £281.4 million) with an additional spillover effect (indirect and induced impact) at 1% mounted to R6.1 billion (approximately £572.3 million) in 2000.

6.5.3.6 The spillover resulted from the gambling industry in itself constitutes 0.38% of South Africa's GDP (Ligthelm and Mabaso, 2003). It is noted by the researchers that this may increase further given the development phase of the gambling industry at the time of the research in 2003.

6.5.3.7 NGISC (1999a) has also tried to study multiplier effect of casinos in Biloxi/Gulfport, Mississippi, US, to examine the effect of casinos in the local economy.

6.5.3.8 As indicated from the research, the casino industries is said to have contributed significantly to the combined value of commercial construction permits in Biloxi/Gulfport. The figure has jumped from \$12 million (approximately £6.9 million) prior to the arrival of casinos in 1991 – 1992 to \$447 million (approximately £256.5 million) during the three years following the arrival of casinos (NGISC, 1999a).

6.5.3.9 In the same research, retail sales growth was reported to have increased from an average of 3% per year from 1990 through 1992 to approximately 13% between 1993 – 1995 in Biloxi/Gulfport.

6.5.3.10 From the case studies, it is concluded that casinos could expand the

multiplier in the economy not only by supplying casino products and services. Direct and indirect economic impacts from spin off developments will help to expand the multiplier further by injecting more income into the economy. Therefore, the host area should aim to diversify their economy to capture the possible spin off developments that could be brought about by introducing the casino development into the area.

6.5.3.11 Yet, Adam Rose and Associates (1998) anticipates that impacts of casino developments in the US are expected to be smaller for new casino communities if the national rate of casino growth exceeds a market equilibrium growth rate.

6.5.3.12 Moreover, as highlighted in the South African case study, the expenditure on gambling and volatility of the gambling market could vary as the casino industry matures (Lighthelm and Mabaso, 2003). On that basis, it may be difficult to estimate the possible leakage and the multiplier effect casino developments will have on the host areas in the UK until the expenditure on gambling stabilises.

6.5.4 Some UK Estimates

6.5.4.1 As summarised from the literature, it is hard to estimate the potential leakage and the multiplier effect casino developments could bring to the host area, as well as to the UK in general, before and during the legalised gambling industry's growth after its establishment in the host region.

6.5.4.2 Nevertheless, the Pion Review and the Henley Centre has tried to estimate the possible economic impact casino developments could bring to the UK. However, a great difference is shown in the estimates the two organisations have given.

6.5.4.3 The Pion Report estimates that the new Gambling Act will increase net output by up to £8 billion pa, create more than 100,000 new jobs and generate an additional £3 billion pa in tax revenue for the Exchequer (Pion Review, 2005).

6.5.4.4 On the other hand, the study by Henley Centre predicts that only 2000 jobs will be created while the gambling revenues will only rise to £2.9 billion from £0.7 billion in 2002 with the introduction of casino industries in the UK

(BACTA, 2004).

6.6 Summary

- 6.6.1 It is difficult to have consensus among the various schools of thoughts and no simple lessons can be learnt from the case studies. It may be noted from above that different organisations could apply different methodologies in examining the effect of casino developments in the UK. Significant variations in the resulting figures are difficult for fair comparisons, especially in terms of assessing the extent of casino developments' impact in the host area. Moreover, since different areas have different economic development patterns, this complicates the assessment of casino developments' impact on the locality if different area employs a different methodology.
- 6.6.2 As the literature indicates, different local economies have different characteristics and resistance to impacts of leakage. On that basis, it is hard to determine what types of communities will gain the most from the possible multiplier effect brought by casino developments into the local economy.
- 6.6.3 As Garret (2004) says – casino can only contribute to economic development if they create an increase value to society by expanding consumer choice and contributing to genuine economic growth (Garrett, 2004).

VII) Casino Developments and Employment

7.1 Casino Development and Job Creation

7.1.1 According to the literature, the following types of jobs are found to have been created in the host economy:

- Construction work derived from the casino development
- For the operation of the casino development
- For the operation of other related businesses and developments spun off from the casino development

7.1.2 A study by National Research Council 1999 concludes that legalised gambling can have positive employment and economic effects on the host economy as it is a highly labour intensive business (Thomas, 2005).

7.1.3 As highlighted in Garrett's paper (2004), the empirical analysis from the US reveals that three out of four cases, rural counties that adopted casino gaming experienced increase in household and payroll employment. Employment gains are much greater in rural counties that have adopted the industry as a major or predominant industry.

7.1.4 Yet, it is harder to detect the impact of casino gaming in more metropolitan counties as employment is highly variable and casino gaming only contributes a small portion to job generation (*Ibid*).

7.1.5 The following are some figures from the US that supports the fact that casinos have generated positive employment impacts in the US:

- NGISC reported that in 1996, the legalised industry employed more than half a million people who earned more than \$15 billion (approximately £8.6 billion) in salaries. (GAO, 2000a).
- During the past decade, the casino work force has increased more than 79%, from 198,657 employees in 1990 to 356,312 in 2000 in the US (American Gaming Association, 2003a).

- Commercial casinos provide direct employment for nearly 370,000 people and generate an additional 450,000 jobs in related businesses (*Ibid*).
- In Biloxi/Gulfport, Mississippi (NGISC, 1999a), the construction industry has added almost 1,300 new jobs through the casino development, which is a 50% increase in the amount of construction jobs in the area.
- According to a 1996 economic impact study by Andersen (quoted in American Gaming Association, 2003a), gaming industry employees earn higher average salaries than their counterparts in the motion picture industry, other amusement and recreation sectors, and the hotel/motel industry.

7.1.6 In the case of South Africa, the gambling sector in 2000 has generated 16,103 initial and 34,570 direct and induced employments. This represents 1.1 % of total South African employment in the formal non-agricultural sectors in 2000 (Ligthelm and Mabaso, 2003).

7.1.7 Nevertheless, Grinol (2001) strongly emphasises that jobs created by casinos should not be counted as a way to measure benefits. In his view, jobs in themselves are not a benefit and more jobs in an area may even be harmful to existing residents as they might decrease the value of social products and reduce the amount of welfare for residents in economic development terms.

7.2 Casino Development's Effect on Income Distribution, Job Welfare, and Skills Upgrade

7.2.1 If a casino offers jobs that would otherwise not be available to the host area, they will reduce the overall income inequality of the community - yet, it might be offset by below average wages in the host area (Adam Rose and Associates, 1998).

7.2.2 Furthermore, casino gambling creates full time entry level jobs that allow wider engagement of the economically active population. Hence, casino jobs are regarded as a good example of 'welfare to work' jobs ideal for transitional employment (Adam Rose and Associates, 1998; CGR, 2004).

7.2.3 It seems to be a normal trend for casino workers to form trade unions to

protect their jobs, as well as fighting for higher salaries and better prospects for advancement. Hence, establishing a casino in the locality could help to increase job security for employees, as well as increasing their wage under the influence of the union (Thomas, 2005).

7.2.4 In addition, GAO (2000a) notes that unionised workers are 10 times more likely to have health benefits paid for in full than the national average and have pension benefits that exceed the national average in the US.

7.2.5 According to the 1997 Gaming Industry Employee Impact Survey (American Gaming Association, 2003a), the gaming industry has brought significant benefits to employees in the US, which includes health insurance, job skills and training and access to day care. Therefore, casino developments could increase labours' welfare benefits in general as other businesses might follow their example to avoid labour leakage.

7.2.6 However, the research undertaken by Adam Rose and Associates (1998) reported that some researchers have characterised casino jobs as relatively low skilled and low paying service jobs.

7.2.7 This conclusion is echoed in the research conducted by NORC in 1998 (quoted in GAO, 2000a). Six out of the nine communities being studied in the US agreed that casinos, for most of the parts, provided low pay and/ or part time jobs with no benefit.

7.2.8 On that basis, in addition to looking at the potential employment figures that casino developments are likely to bring to the host economy, it may be useful to analyse the types of jobs that will be generated relative to existing jobs in assessing the casino development's impact on local employment. Hence, the employment impact analysis should attempt to analyse the following:

- The nature of the job, e.g. servicing, management
- The quality of the job, in terms of income, medical benefits, pension and insurance (NGISC, 1999b)
- The term of the job e.g. permanent, contract, full-time, part-time
- The job security and the pay of the jobs to be created in relation to the jobs in the existing economy, especially under the influence of the union and minimum wage

7.3 The Locational Factor that Affects Casino Development's Impact on Local Employment, as well as Unemployment

- 7.3.1 Local official and casino proponents often claim that casinos increase local employment simply because they generate additional employment within the local area. Yet, as Garrett (2004) emphasise, there are several factors that should be considered when evaluating the employment effects of casino developments.
- 7.3.2 While Grinols (1994, quoted in Garrett, 2004) found that six out of the eight casinos in Illinois had no significant impact on the total employment since their introduction, Hewings, Schindler and Nafziger (1996, quoted in Garrett, 2004) found that the casinos generated over 17,000 new jobs in Illinois. Therefore, the impact of casino developments on local employment is mixed as different methodologies could be employed to approach the topic.
- 7.3.3 As Garrett (2004) stresses, though studies generally suggest that casinos will increase employment in the local area, it is more important to examine casino development's effect on decreasing the unemployment rate within the area rather than focusing on the number of jobs generated within the locality.
- 7.3.4 The importance is reflected in the research conducted by NORC in 1998 (GAO, 2000a). Four of the nine randomly selected communities in the US that were located within a 50-mile radius of at least one major casino (a casino having at least 500 gambling devices) reported that unemployment still remained a problem in their area.
- 7.3.5 The general premise is that casino increase employment because a casino's operation requires labour and this labour will come from the local area, thus reducing local unemployment – but it is a question of for *whom* they decrease unemployment and if the local community can supply labours the casino developments require (Garrett, 2004).
- 7.3.6 Most casino jobs require some skills such as accounting, dealing with cards and security. A relatively urban area will probably be able to supply skilled labour locally; in contrast, most labour might come from surrounding areas for casinos located in rural areas (*Ibid*).

- 7.3.7 If a casino is planning to move to a rural area that has a relatively less-skilled workforce, the casino probably will draw skilled labour from the surrounding area (*Ibid*).
- 7.3.8 If workers commute to the casinos, unemployment in the local area will remain unchanged. If this same group of labour decides to move near the casino, the unemployment rate in the local area will fall in that scenario only as the supply of labour has increased (*Ibid*).
- 7.3.9 Yet, unemployment for the original population has remained essentially unchanged as the increase in labour has only diluted the unemployment rate (*Ibid*).
- 7.3.10 The following chart from Garrett's study in 2004 has concluded the real effects casino developments have brought to five counties in the US.

Statistics for Counties with Casinos						
	Warren County, MS	Tunica County, MS	Massac County, IL	St. Clair County, IL	Lee County, IA	St. Louis County, MO
Casino employment	2,443	12,689	883	1,184	367	2,050
Number of casinos in county	4	9	1	1	1	1
County employment	25,030	5,636	7,665	108,270	16,708	540,981
County population	49,343	9,635	15,081	256,599	33,313	1,015,417
Percent (number) of casino employees from home county	75 (1,832)	30 (3,807)	44 (389)	80 (947)	45 (165)	32 (656)
County unemployment rate, pre-casino (%)	8.8	10.7	9.5	9.4	3.7	3.1
County unemployment rate, post-casino (%)	4.2	7.1	4.4	5.9	3.3	3.9
State unemployment rate, pre-casino (%)	8.2	8.2	7.5	7.5	3.7	4.2
State unemployment rate, post-casino (%)	5.5	5.5	5.4	5.4	3.3	4.7
Employment/population ratio, pre-casino	0.430	0.302	0.381	0.400	0.477	0.534
Employment/population ratio, post-casino	0.507	0.591	0.509	0.418	0.449	0.531
First casino opened	2/93	8/92	2/93	7/93	11/94	3/97

NOTE: All employment data are from December 2001, and population data are from 1999. Home-county casino employment was obtained from contacting casinos. For multiple casinos in a county, the above figure represents the county average.

Source: Garrett, 2004

- 7.3.11 As shown from the chart, while the post casino unemployment rate for Lee County have dropped at both the county and state level, the post-casino employment/ population ratio has decreased, instead of increase as their counterparts do, since the introduction of casino developments into the county. In the case of St Louis, the unemployment rate at both the county and state level have actually increased since the casino is established in the area, in addition to a recorded lower employment/population ratio in the county.
- 7.3.12 Though it is fair to say that the casino's effect on St Louis might still be fluctuating as the casino is introduced three – five years after other casinos are opened in other counties, nevertheless, the notion that casino developments will have positive effects on the employment rate of the host area might not hold true for every locality (Garrett, 2004). This is the result of uneven economic development in every locality.
- 7.3.13 From Garrett's study (2004), it highlights the fact that casino developments will have different effect on the local employment depending on the character and nature of the economy.
- 7.3.14 It is unlikely to be able to generalise if casino developments will in fact bring a positive impact on local employment. On that basis, the nature of the unemployment problem needs to be closely examined before introducing casino developments into the target area to help alleviate unemployment problem.
- 7.3.15 The NGISC (1999b) has also emphasised on the importance of securing casino developments in locations where attendant jobs and economic development that will truly benefit communities with high levels of unemployment and underemployment.
- 7.3.16 In addition, NGISC (*Ibid*) also stresses that priority and emphasises should be given on providing jobs in areas that have limited demand for the residents that are qualified for the jobs that will be generated by the casino development to avoid skills and jobs mismatch (*Ibid*).
- 7.3.17 It is however noted that there are further issues to consider in controlling the problem of unemployment after the casino industry is being introduced into the host area to avoid worsening of the problem.

7.3.18 Officials in Atlantic City were interviewed about the reasons for unemployment in the area after the establishment of the casino in GAO's study in 2000. Below is a summary of their reasons given:

- the more prosperous middle class has moved out of the city, leaving a younger and poorer population with problems of substance abuse and work habits that might affect their employment
- the unemployment rate is indicative of Atlantic City's seasonal economy where most unemployment occurs after the summer tourist season ends

(GAO, 2000a)

7.3.19 As highlighted in the case of Atlantic City, it is important the continuous training and counselling is given to the labour in the host area to ensure that they are well fitted into the jobs to avoid structural unemployment.

7.3.20 On that other hand, as already emphasised in the last chapter, it is important to diversify the local economy and avoid overdependence on the tourism sector for employment and economic development. It is crucial to ensure that possibility of seasonal unemployment is kept to the minimal by supporting the development of year round industry in the host area to balance the problem of unemployment.

7.4 Summary

7.4.1 A useful summary is provided by Garrett (2004). Casinos have a significant impact on the employment spillover of the host area. While they could generate indirect non-casino jobs in the local area through increased demand, they may also cannibalise local businesses and lead to job losses. Therefore, the employment spillovers might contribute to either a positive or negative multiplier effect of the local economy (Garrett, 2004).

7.4.2 Yet, Adam Rose and Associates (1998) stress that casino jobs are only immediate employment opportunities in some areas. Hence, employment rate as well as the employment multiplier could vary over time.

7.4.3 It is possible that casino gaming may reduce employment in other local industries if consumers substitute casino gaming for other consumption. The

net effect of gaming could be positive or negative depending upon the degree to which casino gaming substitutes for or complements consumption at other local businesses (Garrett, 2004).

7.4.4 Determining the possible impact of casino gaming on local employment involves an examination of employment changes both before and after the introduction of casino gaming in the local area (*Ibid*)

7.4.5 However, the literature points to the fact that the employment effects of casino developments in the host area are difficult to quantify. As a casino may draw labour from outside of the local area, the local employment conditions may remain unchanged, especially if the labour does not relocate to the local area. This has to be taken into account when assessing the employment benefits casino developments could bring to the host area.

7.4.6 As noted by Thomas (2005), different types of casino development will have different impact on the numbers and the types of jobs that will be generated by the casino development.

7.4.7 It might also be argued that the casino development will increase the community's dependence on the casino itself and other spin off developments for employment (Adam Rose and Associates, 1998). There might be a danger in creating a vulnerable local economy, which is against the principles of sustainable regeneration.

7.4.8 The study by GAO (2000a) has echoed the same point. In the research, they have also highlighted the fact casinos did not and could not solve all of the city's employment problems, which is a reflection of the characteristics of the local economy and the community.

7.4.9 Some communities may lack the prerequisites for developing a viable casino industry, such as the inability to supply the new industries with trained professionals it needs. Therefore, it is important that in addition to considering the possible regeneration impact it could bring to a locality, there is also a need to consider if the locality has the capacity to sustain the casino development in the area (Rephann, *date unknown*).

7.4.10 On that basis, it is important to have a clear understanding of the nature of the workforce and the reasons for unemployment in the area to design a

clear joined-up solution to maximise the regeneration benefits casino developments could bring to the host area.

VIII) Casino Development and its Effect on Social/ Community Regeneration

8.1 The Positive impacts

- 8.1.1 Legalised casino developments could bring positive effects to the community by alleviating the government's cost to combat illegal gambling, while contributing to the protection of customers and vendors of gambling services under the law (Eadington, *date unknown*).
- 8.1.2 As there are greater demands for employees from the diversified job market, it might help to reduce people's dependency on welfare benefits from the government and encourage people to get back to the workforce (Eadington, *date unknown*; Adam Rose and Associates, 1998).
- 8.1.3 According to CGR (2004), national comparisons in the US have shown that communities with casino developments have reported a reduction in the unemployment rate and reduced dependency on cash assistance than those which do not have a casino. Yet, it was highlighted in the earlier chapter that it might not necessarily be true in every single community.
- 8.1.4 As previously noted, casino developments may help to increase the welfare of workforce through the establishment of a trade union. If so, the community would benefit from the benefits businesses provide, while they will also enjoy greater job security and higher wages. This will help to increase the quality of life and the well being the community as part of the community regeneration initiative.
- 8.1.5 However, communities are often concerned about the negative impacts casino developments could bring to the host area (Evangelical Alliance, 2006). Failing to fully acknowledge the social benefits casino developments

could bring to the host area will undermine the positive effects casino developments could bring to the community.

8.2 The Negative Impacts

8.2.1 Casinos are alleged to exacerbate all kind of social problems, including crime, prostitution, compulsive gambling behaviour, family strife, and alcoholism (Rephann, *date unknown*).

8.2.2 It is important to note that social scientists have not been able to isolate the amount of increased social costs caused by gambling (GAO, 2000a; NGISC, 1999a). This is due to the fact that social impacts of gambling are 'qualitative, elusive and very difficult to measure' (GAO, 2000b).

8.2.3 Interestingly, Adam Rose and Associates (1998) highlight that the overall negative impacts that casino developments could bring to the host area are related to the economic carrying capacity of the region relative to the size of the new casino – hence, the host area may be less able to internalise the social cost within the community if it has a weak economic carrying capacity.

8.2.4 To quantify the social cost casino developments has brought to the host area, the cost of estimated number of gambling addicts in a casino's catchment area should be compared to the revenues a new casino or gambling revenue might generate. If a casino depends primarily on the local population for businesses, the gambling addiction costs will be borne by the local community (Thomas, 2005).

8.2.5 However, measuring the social effects of gambling upon communities is difficult as there is limited amount of quality data on the social effects. Moreover, the complexity of establishing a cause-effect relationship between gambling and social problems has further complicated the measuring (GAO, 2000a).

8.2.6 In addition, as many social externalities are 'fugitive, diffuse, and difficult to measure in monetary terms' (Rephann, *date unknown*), it is hard to quantify the social cost of gambling in the economy.

8.2.7 CRG (2004) suggests that the social cost burden brought by a local casino could reach \$10 million (approximately £5.7 million) annually in the US,

though the costs would be disbursed across all levels of government and private social welfare agencies.

8.2.8 However, CRG (2004) warns that the estimate does not include any estimates for 'lifetime costs' such as divorce and the effect of parents' divorce and gambling on children's academic and occupational achievements and young gambling.

8.2.9 GAO (2000a) also notes that \$40 billion (approximately £23.0 billion) was lost as lifetime costs for productivity reductions, social services and creditor losses in 1998 in the US.

8.2.10 Similarly, Australia has tried to study the negative economic costs of gambling in the country. Around \$50 million (approximately £21.2 million) were lost in Australia due to the following social costs arisen from gambling:

- work-related costs (\$28 million, approximately £11.9 million)
- legal and related costs (\$18 million, approximately £7.6 million)
- impact on the financial, personal and family domain (\$0.8 million, approximately £0.3 million)
- Cost of service provision for problem gamblers and their families (\$3.2 million, approximately £1.4 million).

(Parliament of New South Wales, 2003)

8.2.11 Moreover, crime is often perceived as one of the biggest negative impacts associated to the casino establishments, as may be noted from the following.

8.2.12 Croft (quoted from Parliament of New South Wales, 2003) has noted difficulty in establishing an accurate link between problem gambling and crime as 'gambling is not perceived as sufficiently relevant to the commission of crime to justify recording in official statistics'. Therefore, there is no rigid evidence to suggest that compulsive gambling will worsen the security of the host area.

8.2.13 This is supported by Thomas (2005) who stresses that literatures have shown that communities with casino are just as safe as communities without them as crime, including drunken driving and petty theft, is likely to occur at any place that has a tourist attraction – the problems are not exclusive to gambling.

8.2.14 However, in Thomas' opinion, gambling addiction is 'a bigger problem than crime' (Thomas, 2005). In his paper, he emphasised that the social costs, specifically pathological gambling and its secondary impacts, are arguably the greatest impact casino developments could bring to a community.

8.3 Problem and Pathological Gambling

8.3.1 The literature draws an important distinction between recreational, problem and pathological gambling. While recreational gambling does not necessarily cause any social impacts to the individual, the individual's friends and family as well as society, problem and pathological gambling have a significant contribution to the negative social and economic cost to the individual, the individual, the individual's friends and family as well as society.

8.3.2 Problem gambling can be indicated by five or more of the following symptoms. The problem gamblers -

- Are preoccupied with gambling;
- Need to gamble with increasing amounts of money in order to achieve the desired excitement;
- Have repeated unsuccessful efforts to control, cut back or stop gambling; is restless or irritable when attempting to cut down or stop gambling;
- Gamble as a way of escaping from problems or of relieving a dysphoric mood;
- After losing money gambling, often return another day to get even;
- Lie to family members, therapists, or others to conceal the extent of involvement with gambling;
- Have committed illegal acts such as forgery, fraud, theft or embezzlement to finance gambling;
- Have jeopardised or lost a significant relationship, job or educational or career opportunity because of gambling;
- Rely on others to provide money to relieve a desperate financial situation caused by gambling.

(Parliament of New South Wales, 2003)

8.3.3 On the other hand, pathological gambling is defined by the American Psychiatric Association as a pathological disorder having the essential

feature of 'persistent and recurrent maladaptive gambling behaviour that disrupts personal, family and vocational pursuits' (GAO, 2000b). They will experience repeated symptoms identified in 8.4.2, but to a stronger degree.

- 8.3.4 According to GAO (2000b) and NGISC (1999b), the social costs, specifically problem gambling/ pathological gambling and its secondary impacts, will cast more impact on the host area than crime, such as white collar crime, loss of employment, bankruptcy, unrecovered loans, divorces, spousal and/or child abuse, financial instability, unemployment, treatment for depression and stress and high rates of suicide.
- 8.3.5 Worryingly, gambling problems usually last for an average of nine years (Parliament of New South Wales, 2003). Hence, it is hard to predict the social cost of gambling and the need for treatments for patients with excessive gambling problems.
- 8.3.6 As noted by Grinol (2001), according to a 1990 Maryland Department of Health and Mental Hygiene survey, 62% of problem gamblers in treatment have committed illegal acts as a result of their gambling activities, 80% have committed civil offences and 23% were charged with criminal offences.
- 8.3.7 While some experts say that a pathological gambler on average costs the US society between \$10,000 and \$13,500 (approximately £ 5,741 and £7,751) a year (Thomas, 2005), GAO (2000a) notes that pathological and problem gamblers cost the US society approximately \$5 billion (approximately £2.9 billion) per year.
- 8.3.8 Similar estimates have been made in Canada. An estimated \$56,000 (Canadian) (approximately £28,041) for each problem gambler is paid from the pockets of taxpayers per year (The United Church of Canada, 2004).
- 8.3.9 Besides treatment costs, there are wider social costs associated to compulsive gambling that are harder to quantify.
- 8.3.10 Nevertheless, a paper written by the GAO (2000a) has specified the social problems pathological gamblers have brought to the US.
- Casino developments research conducted by the NORC highlighted that respondents in 6 of the 10 communities located within a 50-mile radius of a casino reported their perception of an increase in

domestic violence after the opening of casinos.

- 53.5% of identified pathological gamblers reported having been divorced. This figure contrasts with the 18.2% of non-gamblers and 29.8% of low-risk gamblers who reported having been divorced.
- 18% to 33% of homeless individuals cited gambling as a contributing factor or cause of their homelessness – however, NGISC (1998) has cautioned that it remains unclear whether homelessness is actually caused by gambling or other factors related to addictive behaviour.
- Between 10% and 17% of children of individuals suffering from pathological gambling had been abused.
- 6 out of 10 communities had one or more respondents who said they had seen increases in child neglect, with extreme examples of parents leaving their children alone at home or in casino lobbies and parking lots while they gambled.
- Pathological and problem gamblers have cost society \$40 billion (approximately £23.0 billion) in lifetime costs for productivity reductions, social services, and creditor losses as at 1998.
- \$110 billion (approximately £63.2 billion) is lost on drug abuse by pathological and problem gamblers in 1998
- \$166.5 billion (approximately £95.6 billion) is lost on alcohol abuse by pathological and problem gamblers in 1998

8.3.11 As identified by John Mark Ministries (1997), the effects of compulsive gambling are not confined to the individual. It has been estimated that one compulsive gambler affects on average 10-15 other people.

8.3.12 The spouses of compulsive gamblers often report similar emotional and physical symptoms to those of the gambler (John Mark Ministries, 1997).

8.3.13 As identified by Abbott *et al* (2004), the risk profile of compulsive gambling is likely to change, with disproportionate increase among women and other population sectors, which includes ethnic and new migrant minorities.

8.3.14 Compulsive gambling might also move 'up market' as noted by Abbott *et al* (2004). The problem will become more evenly distributed throughout socioeconomic strata and age groups. Hence, it is important to start educating the public about the importance of responsibility gambling since they are young.

8.4 Youth Gambling

- 8.4.1 Youth gambling, as identified through the South African case study in chapter III, could be significant social impact casino development could bring to the host area.
- 8.4.2 The National Gambling Board of South Africa (2005) highlights that adolescents who live with a single parent or with no adults are most likely to gamble on a regular basis and to spend relatively large amounts of money as they have less control, or 'institutional opposition', from their family.
- 8.4.3 The lack of identity, motivation and self-esteem is more likely to contribute to incidents of gambling amongst youth gamblers. There is a positive correlation between youth who have experienced parental assaults in the home environment and/ or physical assaults by their teachers and their incidents and scale of gambling behaviour (National Gambling Board of South Africa, 2005; CGR, 2004).
- 8.4.4 Youth gamblers are statistically more likely to come from homes where parents or siblings have a history of gambling and see gambling as an innocuous activity. In many cases, family members might cooperate with, or even, encourage the youth's gambling behaviour (National Gambling Board of South Africa, 2005).
- 8.4.5 There is a correlation between risk taking in sexual and gambling behaviour: Learners who fail to condomise are also more likely to gamble on a regular basis than learners who are sensitive to the protected sex and avoiding sexually-transmitted diseases (*Ibid*). Therefore, gambling might contribute to wider social problems amongst the youth.
- 8.4.6 There is a massive under-estimation of the inherent dangers and social impact of gambling on youth relative to problems such as substance-abuse, HIV/Aids and poor scholastic performance (*Ibid*).
- 8.4.7 In addition, it is possible that gambling will contribute to poly-addiction such as alcohol consumption and fierce gambling, with might amplify the scale of youth social problems in society (National Gambling Board of South Africa, 2005; CGR, 2004).

8.4.8 Therefore, increasing education and public awareness on youth gambling is extremely important among learners, parents, teachers and professionals at all levels of the education system to avoid incidences of youth gamblers turning into problem, or even, pathological gamblers when they become adults (*Ibid*).

8.5 Electronic Gaming Machines – ‘The Crack Cocaine of Gambling’

8.5.1 The playing of Electronic Gaming Machines (EGMs) (or EDCs – Electronic Gambling Devices) is a highly addictive form of entertainment in gambling terms (Mizerski *et al*, *date unknown*).

8.5.2 Since it is highly addictive, NGISC (1999a) has described EGMs as ‘the crack cocaine of gambling’ while David Beasley, the former Governor of South Carolina, has regarded EGMs as ‘a cancer’.

8.5.3 On the other hand, Robert Hunter, a clinical psychologist in Las Vegas specialising in problem and pathological gambling pinpoints that EGMs are the ‘distilled essence of gambling’ (NGISC, 1999a).

8.5.4 According to Hunter (NGISC, 1999a), the playing of EGMs is regarded as the activity that attracts most problem gamblers since:

- They can be placed in close proximity to residential areas and/ or at consumer oriented sites, thus creates potentially greater social costs by making gambling more available and accessible (NGISC, 1999b).
- Their playing hold people’s interest due to the rapid pace (an experienced player can play 12 hands a minute)
- Their playing give players the ability to play for long periods of time
- The game itself is highly attention grabbing with music and rapidly flashing lights, thus holding players’ attention

8.5.5 It is noted that EGMs are the major source of income for casinos rather than the gaming tables (Evangelical Alliance, 2006). Indeed, KPMG’s research (2000) on casinos in Victoria, Australia, highlights that the introduction of EGMs had been a key factor underpinning the viability of casino owners’ investment in clubs and hotels as they are extremely popular and profitable. There are two major consequences for this phenomenon:

- It might increase leisurely participation of gamblers, which might lead to addiction of gamblers they become preoccupied and lost control.
- It might increase problem gambling or even pathological gambling in the host area due to the concentration of the machines in casinos.

8.5.6 As the result, increasing access to EGMs in casinos might have a significantly impact in increasing problem and pathological gambling and the related flow-on costs to families and communities (Abbott *et al*, 2004).

8.5.7 However, it is worth noting that KPMG's research (2000) on casinos in Victoria has confirmed that incidences of problem gambling is fairly uniform across the six studied regions, despite large differences in expenditure on gaming and EGMs density in different casinos.

8.5.8 The difference in expenditure between the regions being studied suggest that the differences may relate more in recreational gambling than problem gambling in the different studied regions (KPMG, 2000). Hence, it is hard to determine EGMs' potential impact on recreational, problem and pathological gaming in a particular locality, thus to determine its overall social impact on the host area.

8.6 Effects of Casino Gambling on Crime and Quality of Life in New Casino Jurisdictions

8.6.1 Stitt *et al* (2003) 's study on effects of casino gambling on crime and quality of life in new casino jurisdictions in the US is an useful study to understand the possible social impacts of casinos in new jurisdictions.

8.6.2 According to the study (Stitt *et al*, 2003), interviews with 128 community leaders in seven casino communities revealed their perception of impacts casino establishments in their community:

- 59% of the interviewees were in favour of casino's presence
- 65% believed that casino enhanced the quality of life of the community
- 77% believed that casino had a positive effect on the economy
- 69% believed that casino had little, if any, effect on crime.

8.6.3 The study further highlights that though 10% to 20% of community leaders

saw casinos as a negative influence on the host area, most leaders in new casino jurisdictions believe that casinos have been good for communities. However, it appears that one of the main determinants of attitudes towards casinos by the leaders is the degree of economic impact that casino has on the community. In communities where casinos are a minor part of their economy, leaders of the community tend to be more moderate in appraising the impact of the casino on the community, and vice versa (Stitt *et al*, 2003).

8.6.4 Through the community survey completed by the same research, Stitt *et al* (2003) has tried to study the social effects of casino establishment in new jurisdictions further in eight casino communities. Below are some summarised results from Stitt *et al* (2003)'s study:

8.6.4.1 Crime rate

- When examining crime rates normalised by the population at risk, only burglary and drug violation appear to have significantly increased.
- The results from the research indicate that there can be no conclusive statement regarding the effect casinos have on crime. The results are mixed in the studied communities suggests that there may be contextual factors that affects the increase in crime rates in certain communities.

8.6.4.2 Divorce and Suicide

- When comparing the difference in divorce rate data before and after casinos entered the communities to their respective control communities, while the divorce rates have significantly decreased in four of the eight casino communities, one community has show significant increase when compared to the control communities.
- The result suggests that claims proclaiming that casinos increase divorce in a community is not supported by the data.
- When suicide rates are compared for casino and control communities, only two communities have shown significant increase in suicide rates, and one showing significant decrease in suicide rates.

- However, it is shown that the size of the casino industry does affect the suicide rates. Larger casino markets, measured by per capita casino revenue, are seen to be positively associated with higher suicide rates from the study.
- Yet, Stitt *et al* (2003) emphasise that it is difficult to generalise the effect of casino gambling on suicide and divorce since it is not a simple matter to understand the relationship between casino establishments and the social phenomenon being studied.

8.6.4.3 Bankruptcy

- The results of the research indicate that casino gambling is associated with an increase in personal bankruptcy in seven of the eight communities being studied.
- It is noted that the results tend to suggest that there is a direct and positive relationship between length of time casinos are established in communities and bankruptcy rate.
- Yet, the study shows that an increase in bankruptcy rate is not an inevitable product of casinos in the host area.

8.6.4.4 Social Capital and Quality of Life

- The results of the research has shown that it is contrary to assumptions that the introduction of casinos did not tear the fabric of the community
- Although there are perceived negatives (increased crime, fear of crime), the perceived positives (increased standard of living, better living conditions in the community) are given greater importance in contributing to the community's quality of life in the studied communities
- The belief that gambling was good for the community was positively and significantly related to social capital was observed in all the communities, while only three communities believe that gambling behaviour was significantly related to social cohesion.
- Yet, it is noted that opinions on the impact of casinos on the community continued to be divided after casinos were well established in the communities. Hence, continuous monitoring and

review is required to examine the community's perception of casino establishment in the host areas.

8.6.5 Though the research by Stitt *et al* (2003) can by no means generalise and conclude the expected effects casino developments will have in any host areas, it has provided a useful review of the potential problems the host areas in the UK could face. The review can serve as an useful study to design and implement relevant impact mediation strategies to limit the potential negative impacts casinos could bring to the host area.

8.7 Mediating the Social Impact – Importance of Education and Promoting Responsible Gambling

8.7.1 Interestingly, the research from South Africa and other researches conducted internationally has indicated the following:

- Increasing availability of gambling opportunities does not necessarily contribute to an increase in problem and pathological gambling rates
- Poorer people tend to gamble more and get into more trouble with gambling than richer ones
- A very small minority of gamblers, mostly pathological gamblers, have a neurophysiological disorder. Yet, they could be treated pharmacologically in the near future
- The larger proportion of those gamblers who regularly gamble more than they can afford can be taught how to gamble responsibly to reduce the social impact gambling could have on the individual, their peers, as well as society as a whole.

(Collins, 2006)

8.7.2 From the KPMG study in Victoria, Australia, in 2000, their econometrics found no evidence that higher unemployment in the host regions would lead to higher gaming expenditure. It is seen as consistent with the view that most gaming activities are recreational and unemployed have less money to spend on recreational activities including gambling. It is then demonstrated that introducing gambling activities in the economically more depressed regions might not necessarily increase gambling-related social problem amongst the unemployed and poorer population.

8.7.3 It is worth noting that Collins (2006) emphasises that increases in

compulsive gambling are not primarily related to increases in the availability of commercial gambling opportunities. He argues that compulsive gambling rates may in fact come down after increasing gambling opportunities to the wider community – a view that is shared by Abbott *et al* (2004). Colin stresses that this conclusion is supported by other international researches conducted in Shaffer, Nevada, New Zealand and 4 states in the US (*Ibid*).

- 8.7.4 The research undertaken by Govoni, Frisch and Rupcich and Getty in 1999 to examine the increase of compulsive gambling in Windsor, Ontario, Canada, has also pointed out that there is no significant difference in the prevalence of problem gambling after the casino's opening after a year's establishment (Wager, 1999a). Yet, continuous monitoring and evaluation is needed to examine the long term impact of casinos on the host area.
- 8.7.5 The Parliament of New South Wales (2003) has arrived at a conclusion that the best preventive strategy to excessive gambling is to promote responsible gambling to those who expose children to gambling. Through the responsible gambling programme, it is hoped that gamblers will increase their awareness of the extent of their influence as well as the impact of their behaviour on their family, especially on young children, to prevent them from engaging themselves in excessive gambling in the future.
- 8.7.6 Collins (2006) also concludes that the key to stable or reduced numbers of compulsive gambling in the South African and other international case studies is public education on the dangers of gambling and how to avoid addiction to the activity.
- 8.7.7 Education, availability of information and self-help are highly stressed as measures to alleviate impacts of casino development to a community to allow the host area to benefit the most from using casinos regeneration project (*Ibid*).
- 8.7.8 As emphasised in different researches, social responsibility is greatly emphasised as one of the things casinos should do as to contribute to the sustainable regeneration of the community. Casinos should contribute to research programmes and social responsibility campaigns to combat social gambling in the area (Auret, 2006; Collins, 2006).
- 8.7.9 In the case of the West Cape, the National Responsible Gambling

Programme was established to address the question of problem gambling in South Africa. R5 million and R4 million (approximately £0.5 million and £0.4 million) were invested by the industry and the Western Cape Government in problem gambling services in the province since 2000. The GrandWest development alone has already contribute over R9 million (approximately £0.9 million) since 2000 to the corporate social investment as part of the social responsibility programme to combat problems of problem gambling in the area (Auret, 2006).

- 8.7.10 Section 115 of the Australia's Casino Control Amendment Act 2001 also requires a casino community benefit levy (2% of the casino's gaming revenue in 2003) to be paid into a Casino Community Benefit Fund. The funding policy guidelines requires at least 40% of funds should be focused on counselling, treatment and rehabilitation programs; at least 10% towards research; at least 15% towards such preventative measures as national programs, education and awareness; and up to 25% towards community projects (Parliament of New South Wales, 2003).

8.8 Summary

- 8.8.1 As noted in the Rephann's study in 1996, casinos could be regarded as one of the most unwanted NIMBY (Not In My Backyard) or LULU (Locally Unwanted Land Use) developments in a community due to its negative social impact and the enormous social cost it bears to the host area.
- 8.8.2 Yet, as summarised from the research, there are no universal and ubiquitous views on the social impacts casino developments will bring to the locality. Influenced by their positions and perspectives on the issue, different researchers and authors might form different arguments and conclusions on the social impacts casino developments could bring to the host area.
- 8.8.3 While the negative impacts of gambling might overwhelm casino developments' positive contribution to the community, some sources also recognise casino development's positive social impacts to maximise its effect on community regeneration.
- 8.8.4 According to GAO (2000b), measuring social effects of gambling is difficult due to the limited amount of quality data on the social effects of gambling and the complexity of determining whether a cause-effect relationship exists

between gambling and social problems. Moreover, in measuring the effects, it is even more difficult to isolate gambling from other factors that may contribute to increases in certain social problems such as substance abuse and personality disorders.

- 8.8.5 It is difficult to test the social impact of gambling as it could create different impacts on different nations – let alone different localities. Therefore, the cases reviewed in this research can only serve as a ‘shopping list’ of the possible social effects casino developments could bring to the host area.
- 8.8.6 According to Collins (2006), it is important to accept that no matter how many regional casinos are to be proposed in the UK, they will in themselves make no difference and may even reduce the incidence of compulsive gambling in the host area. This is comparable to Abbott *et al*’s review (2004) that compulsive gambling might eventually even out when gambling facilities continue to increase.
- 8.8.7 However, Collins and Abbott *et al*’s argument should be reviewed with caution with Marshall’s argument on the relationship between increased accessibility and increased incidents of gambling as discussed in Chapter II.
- 8.8.8 As The United Church of Canada (2004) criticises, decisions in favour of gambling expansion are usually undertaken without a social impact assessment on the host area and the surrounding areas.
- 8.8.9 In order to gain maximum support from their community to introduce a casino in their area, local authorities should aim to produce comprehensive assessments of the possible social impact the development could cast to the community. This step should be taken alongside active engagement of the community in wider public consultation to design and deliver strategies that can limit social problems casino developments could bring to the host area to stimulate successful regeneration of the locality.
- 8.8.10 Though simple analysis and broad generalisations are not sufficient to understand the complexity of what occurs in communities when casinos are legalised in the host communities, Stitt *et al* (2003)’s research on the effects of casino establishment in the new casino jurisdictions is an important study to inform local authorities as well as local residents what they could expect from casino opening in their community.

- 8.8.11 Yet, as highlighted by NGISC (1999b), increased accessibility to the gambling facilities, technological advances and increasingly sophisticated games might worsen the social impact casino developments will bring to the host area.
- 8.8.12 The literature highlights the importance of prevention and mitigation measures to alleviate the possible negative social impacts casino developments could bring to the host area. Responsible gambling, education and self help should be highly promoted to the nation as a whole – not focusing only on the host area (*Ibid*).
- 8.8.13 Moreover, annual monitoring of the social impacts casino developments have cast to the community, especially the vulnerable population such as the young, women, elderly and minority gamblers is important to combat the negative impacts casino developments could bring to a locality (*Ibid*).

IX) Location of Casino

Developments – Revisited:

What Sort of Areas Can

Benefit Most from Casino-led

Regeneration

9.1 Casino Development's Potential Effect on Regeneration – A Summary

9.1.1 Casinos could bring in positive regeneration impacts to the locality as a tourism development. However, there is a worry in some quotes that pro-casino lobbies will use 'tourism' as a kind of 'Trojan horse' to disguise the fact that the local population is actually the main source of the casino's revenue to avoid objections by local residents (Leiper, 1989).

9.1.2 Therefore, the literature reviewed seem to agree that local authorities should ensure that casino developments can contribute positively to increase visitation of the host area from outside areas. In addition, local authorities, the casino development as well as the local businesses should work in partnerships to design and deliver effective local tourism plans to stimulate the tourism industry.

9.1.3 Casino development as a regeneration initiative's impact on the host area is dependent on:

- the host area's location
- its catchment population
- its ability to attract tourism
- the type of tourists they are targeting at
- the type of casino development to be proposed – businesses related

tourism or destination tourism

- the casino development's wider impact on the local businesses – complementary or cannibalisation
- the leakage and the multiplier effect
- casino's effect on increasing the employment rate of the host area
- mediating the positive and negative social impacts of casino development
- proposed policies' effectiveness in mediating the social impacts

9.1.4 In general, as destination casino developments will create demand for export gambling, it will have a smaller displacement effect on the locality by attracting 'foreign spending' into the area to create a bigger multiplier effect. It will also help to generate more jobs due to the spin off of casino related developments around the area.

9.1.5 There is a need to recognise that even though casino developments could be an effective strategy in bringing in tourists in the area, tourism as an industry in itself is of a seasonal nature (GAO, 2000a). Therefore, the casino development should not be the sole tourism industry in the area.

9.1.6 The literature points to there being positive social impacts casino developments could bring to the host area, such as increased employment opportunities and job security, but local authorities should be ready to combat the negative impacts of casino development on the community. Robust social responsibility programmes, responsible gambling campaigns and education campaigns have to be employed to help alleviating the possible social impacts casino developments could bring to the area to maximise their economic benefits.

9.2 Casino Development as the Main Tourism-Based Economic Development Strategy and its Effect on Regeneration

9.2.1 The typical casino is a local attraction that draws people from 35 – 50 mile radius (Thomas, 2005). Therefore, in order to maximise casino developments' potential contribution to regeneration purposes, the catchment area should be enlarged as wide as possible to draw in more outside tourists to sustain the growth and development of tourism businesses in the host area. This can be achieved by actively encouraging the growth of the tourism sector in the host area.

- 9.2.2 Moreover, as pointed out by Ng (2004), stand-alone casinos in metropolitan areas suffer trade diversion since the boost in casino spending is at the expense of spending on other entertainment activities.
- 9.2.3 Yet, it is also argued that casinos should be developed in a single well-placed, high-volume location to allow for ultimate regulation and tight city control (Rosenberg, 2005).
- 9.2.4 While destination casinos are good at 'retaining' tourists visiting the host area, urban casinos will have large catchment population as they are located closer to where people live and are more accessible than rural casinos. Distance is then argued as an imperfect buffer to protect customers from excessive gambling (Eadington, *date unknown*).
- 9.2.5 However, urban casinos capture customers who are more single-minded in their purpose of visit as their primary motivation is to gamble. Thus, the ability to support other non-gaming activities as part of a casino complex—such as restaurants, hotels, and retail shopping—is less for urban casinos than their destination resort counterparts (*ibid*).
- 9.2.6 As urban casinos primarily provide the service to customers living in the region, the displacement effects will be stronger with urban casinos than with rural casinos (*ibid*). Thus, urban casino is not considered to have strong positive effects to the economic development of the locality in terms of stimulating the multiplier effect as well as limiting the crowding out process.
- 9.2.7 Hence, both Eadington (1995b) and Rephann (*date unknown*) summarise that, *ceteris paribus*, the more urbanised a community is, the less likely it is to be able to benefit from casino developments.
- 9.2.8 However, Eadington (*date unknown*) also notes that it is impossible to have urban casinos without reducing the economic potential of destination resort casinos within the same region. Urban casinos competing for the same population base will reduce the demand and economic viability of more rural destination resort casinos due to their convenience. Thus, the former will be more survivable if the two types of casinos are in direct competition.

9.2.9 On the other hand, CGR (2004) emphasises that if casinos were to be located in the rural areas, a portion of casino revenue will be derived from a reallocation of spending from the urban areas to the casino site. The reversion of the flow of spending will help to stimulate entry-level retail and service employment in the rural areas. In that sense, it will help to stimulate the regeneration of the local economy through increased employment and income within the community.

9.2.10 Moreover, Adam Rose and Associates (1998) highlights that casinos will have a larger recapture effect for the host area if they could compete with their rivals in terms of their size, gaming choice, amenities, image and their physical distance. Hence, their competitive advantage will increase the casinos are separated further apart from each other.

9.2.11 As summarised from the debates, it is then deduced that the economic character of the host area is the main and most fundamental starting point to consider whether urban or rural areas could benefit most from casino establishments.

9.3 Issues to consider in deciding the location and the siting of casinos

9.3.1 The literature has provided a few locational determinants that form the base parameters for establishing a successful casino development to maximise its effect on regeneration:

- Communities in close proximity to larger urban areas are more accessible to potential tourists, thus increases tourists' incentives to visit the host area.
- Regions with good transportation infrastructure are more attractive as sites for development for the same reason.
- Communities that have existing recreational facilities can market other complementary tourism activities/ services such as cultural heritage, theme parks together with the casino development to expand their tourism market.
- Areas that can provide other competitive 'needed service sector inputs' such as skilled labour, low-paid labour, good public services and amenities are more advantageous in securing casino investments into their area.

9.3.2 Though casino development could enhance the physical environment of the

host area, there is a need to consider that casinos could also bring about several environmental impacts to the locality (Faulkner and Tideswell, 1997). As summarised from the researches, the following factors should be considered in addition to the economic and social impacts casino developments will bring to the host area in assessing the real regeneration benefits it will have in the locality:

- Noise pollution
- Light pollution
- Traffic pollution
- Traffic congestion
- Security problems to nearby property owners
- In rural areas, significant resources and time needs to be invested to improve the road networks to keep up with the new stream of traffic
- Future expansion of the casino industry and the tourism's impact on the host area

9.3.3 Experts agree that people are more likely to get into trouble if their gambling is unplanned and unstructured (Evangelical Alliance, 2006). Therefore, they recommend that the casino is located in a location where gamblers have to make purposeful, dedicated trips to the destinations, such as to a destination casino resort for a gambling as well as holiday experience to lower gamblers' 'random' incidences of gambling.

9.3.4 As flagged up by Chia (2006), it is extremely important to avoid the 'Macau syndrome' in considering the casino's location. Since the casino developments in Macau are located in close proximity to its residential and businesses centres, many housewives, worker and businesses executive 'literally steal time to gamble in these places' (Chia, 2006).

9.3.5 By locating casinos near to residential and business quarters, it may result in a lower work efficiency of the society in general. Social ills such as problem gambling, work absences and family neglect might be amplified in society and will contribute to a high social cost (*Ibid*).

9.3.6 To summarise the literature studied, casinos should be located away from the following areas to limit people's incidences in visiting the casino, as well as limiting the possible social impact casinos could bring to the locality.

- Town centres

- Retail centres
- Schools
- Transport interchanges
- Places of worship
- Locations where people live and work
- Areas with a high concentration of vulnerable population, such as children, the elderly, ethnic minorities and new immigrants

9.4 Summary

9.4.1 It may be asked whether casino developments could serve as a local economic development strategy to regenerate the host economy and community, especially in terms of contributing to the redistribution effect within the community for more even development. The answers from the literature are far from conclusive.

9.4.2 Yet, by bringing in casino developments into the community, the host area could be turned into a major tourism hub to bring in both tourism spending and possible infrastructure improvements to enhance the quality of life of the people living in the host area (Chia, 2006). In addition, the increased visitation to the host area will definitely help to stimulate economic growth and development of the locality by contributing to the income multiplier.

9.4.3 The multiplier effect is crucial in bringing in the expected regeneration benefits casino developments could bring in the area. As Rephann (*date unknown*) notes, when less than half of the gamblers are derived from outside the area, the industry is likely to have a redistributive effect within the community rather than an expansionary effect connected to exporting tourist services.

9.4.4 As can be concluded from the researches, destination casinos in rural areas are expected to bring greater regeneration benefits to the host area than their urban counterparts as they are more likely to be able to retain the visitors by giving them multiple reasons to visit and lengthening their stay in the host area.

9.4.5 Besides considering how to maximise the economic benefits casino developments could bring to the host area, the most important criteria for considering the siting of a casino is how to minimise the potential social impacts casino developments could have on the community, as echoed in

the main purpose of introducing casino developments as a tool for urban regeneration.

X) General Summary

- 10.1 While casino development is a much researched field of study, it is clear that most, if not all, of the issues related to casino gambling remain highly controversial. The following paragraphs attempt to draw out some of the key points, rather than to make conclusions. Less still are recommendations attempted.
- 10.2 As highlighted by the Parliament of New South Wales (2003), gambling is controversial because its benefits are largely funded by the losses of others. Though providing entertainment and leisure to increase consumer choice is considered to be main economic argument for introducing casino development to a locality, it could be significant distress to the host economy and community if there are no efficient measures to contain the negative impacts casino developments could bring to the host area.
- 10.3 Although researches have shown that there are positive economic and social effects casinos could bring to the host area, the community as well as the local authority should be forewarned that the economic growth might not necessarily bring about tangible economic benefits to the host area (Rephann, *date unknown*).
- 10.4 Gambling is more acceptable in a society where discretionary income is high rather than low (Eadington, *date unknown*). In relation, people with little discretionary income, or with limited opportunities for increases in wealth, require greater protection from gambling as they are more vulnerable to becoming problem and pathological gamblers in society.
- 10.5 “Cross border competition” will encourage local authorities to establish a ‘tourist’ industry to draw customers from other areas which do not have casino developments to sustain their economic growth and development (*Ibid*). There is a fear that the original arguments in favour of tourism and economic development have often been displaced by the need to generate extra income to fund public developments.
- 10.6 As identified by the research conducted Stitt *et al* (2003) on effects of casino gambling on crime and quality of life in new casino jurisdictions in eight

communities in the US, casinos do not affect all communities in a simple, similar or nonvariant fashion. Their research suggests that casinos appear to be 'neither as good for a community as supporters contend, nor as negative as opponents argue'.

- 10.7 In attempting to employ casino-led regeneration to rejuvenate the locality, it is extremely important that the local authority should have thorough analysis of the full cost casino will imprint to the local community, businesses and the stakeholders of the host area.
- 10.8 Policy makers should prioritise their goals and objectives when authorising casino developments in the area. In addition, they should make every effort to understand the qualitative and quantitative trade-offs implied by establishing a casino within their administrative boundary to maximise the positive regeneration impacts casino developments could bring to their area. (Eadington, *date unknown*).
- 10.9 Moreover, it is equally important to assess the casino developments' potential benefits and problems to the physical environment before introducing casino developments to the locality (Natural Resources Defense Council, 2005).
- 10.10 Local authorities may well wish, therefore, to actively engage and consult all sections of the community before putting their proposals forward for casino developments. Using casinos to fill budget gaps and fund public services and infrastructures that could not be provided within their budgets should not be a motive for attracting casino establishments in the locality.
- 10.11 It is important for local authorities to realise that once casinos are established in their locality, the community must live with both the positive and negative impacts (Thomas, 2005). There will be both positive and negative social impacts the community should be ready to mediate. Future expansion of the casino may further amplify the impacts the casino development has imprinted in the area.

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Appendix I)

Extra Points Flagged Up in the Literatures Concerning Casino Developments

1 Lessons to be learnt from the West Cape Casino Development Experience

1.1 The selection matrix employed to examine the West Cape casino development proposals in South Africa (Auret, 2006):

- **Finance** (Financial strength, track record of the applicant, funding and financial viability of the project and capital expenditure);
- **Management** (Managerial expertise, deliverability, suitability, presence in other jurisdictions and managerial advancement of previously disadvantaged persons);
- **Development concept** (The development concept in respect of ownership, location, land use, design, planning framework, and tourism infrastructure of the development);
- **Environmental** (Environmental sensitivity, enhancement of the Cape environment and compliance with formal requirements);
- **Economic** (Fiscal implications, over-concentration/displacement effects of the project, economic impact, tourism benefits and economic multiplier effect);
- **Engineering issues** (Engineering issues with regard to access/egress, infrastructure, traffic impact, construction programme, site preparation and parking);
- **Community benefits** (Employment opportunities, employment mix, social impact, the promotion of small medium and micro-enterprises, involvement of previously disadvantaged persons through equity and ownership, training and skills transfer and measures to be taken in respect of problem gambling).

1.2 Criteria utilised in adjudicating license applications for the West Cape casino development in South Africa to assess its potential impact on creating sustainable communities and stimulating economic development within the region are listed as follows (Auret, 2006).

- The positive and negative social, economic and environmental impact of the development and operation of a casino on the immediate surroundings and the region;
- The financial standing of the applicant to ensure the successful development and long-term operation of the casino and its ancillary facilities;
- The capital amount to be invested in the total project;
- The proven experience and integrity of the operator;
- The contribution towards the empowerment of local disadvantaged groups through employment and equity ownership;
- The degree of employment by the applicant of local professional consultants, construction entities and contractors from the emergent sector in the province;
- The number of new sustainable jobs created;
- The envisaged degree of employment of staff from the province for all aspects of the operation;
- The location of the casino and the compatibility of the proposed site with the relevant planning and development policies for the areas, with due regard to its accessibility to all sectors of the community, and
- The extent to which sustainable community facilities and the provision of tourism infrastructure will be provided.

1.3 Auret (2006) emphasises that it is important for the local authority to identify appropriate land/ sites for the casino development rather than allowing potential operators to propose where they want to develop the casino to achieve the ultimate aim to regenerate the host area (*ibid*).

1.4 Decisions have to be made in advance to decide what the government's aims are in introducing casino developments into host area. Yet, the objective must be clear and potential applicants must be fully informed of these goals (*ibid*).

1.5 Government must decide and inform potential applicants of the "add-ons" they wanted in association with the development. In South Africa, the allocation of casino licenses was viewed as an opportunity to secure much needed financial

benefits for government and the broader public to bring about infrastructure improvements and sustainable tourism in the area. The partnership did work well in the end as the operators were well-informed of the government's objectives in securing the projects into their region. While the UK's objective is to bring about regeneration to the host area, local authorities must set clear parameters to decide what they aim to achieve by introducing casino developments into their area (*ibid*).

- 1.6 Echoing the above point, partnerships should be encouraged to maximise casino developments' positive impacts on the host area (*ibid*).
- 1.7 The process must be fully transparent, fair, equitable and as comprehensive as possible to allow the public to express their opinions on the project, as well as increasing their ownership to the scheme (*ibid*).

2 Casino Developments and Wider Government Objectives

- 2.1 It is flagged up in the literature that casino developments should be developed in line with the Government's wider objectives instead of focusing primarily, and in some cases, only, on the economic benefits casino developments could possibly bring to the locality.
- 2.2 In the case of the Parliament of New South Wales (2003), one of the original objectives was to promote tourism, employment and economic development to maximise the benefits the host area could gain from the casino development. However, in *Casino Control Amendment Act 2000*, that objective was repealed to ensure that the harm minimisation approach to gambling is adopted in line with the Government's objective. In that sense, the national objective overrides the urge to promote economic development in the host area to limit the extent of social impacts casino developments could bring to the host area, as well as the nation.
- 2.3 A similar case is reported in the case of the West Cape casino development project. As the Black Economic Empowerment (BEE) is one of the key economic and political imperative in South Africa, one of the key selection criteria of the casino license is the effective integration of the policy objective into the development proposal (Auret, 2006; National Gambling Board of South Africa, 2004). Hence, casino developments and wider government objectives can be joined-up successfully through the proposal, provided that the operators are well

informed of the objective's intended outcome.

3 The Question of Installing Automatic Teller Machines in Casinos

- 3.1 The easy availability of automated teller machines and credit machines is thought to encourage some gamblers to wager more than they intended when they are gambling (NGISC, 1999b).
- 3.2 In contrast to the UK, the US Commission has recommended that states, tribal governments, and pari-mutuel facilities ban credit card cash advance machines and other devices activated by debit or credit cards from the immediate area where gambling takes place (*Ibid*).
- 3.3 Australia's Casino Control Amendment Act 2001 Section 74 of the Act also prohibits installation of automatic teller machines within the boundaries of the casino due to the same reason (Parliament of New South Wales, 2003).
- 3.4 Following the precedents in the US and Australia, local authorities in the UK should carefully consider if they should allow the installation of automatic teller machines in casinos as per the recommendation in the Gambling Act 2005.

4 Measures to Reduce Problem Gamblers' Patronage to Casinos

- 4.1 Since Singapore's principle motivation to establish a casino is to attract foreign revenue and to recapture local gambler's outflow, an income screening will be applied to local gamblers as the barriers to entry to reduce casino development's impact on society (Chia, 2006). This barrier of entry is thought to be ineffective to alleviate the possible social impacts casino development could bring to the host area for the following reasons:
 - The screening, in itself, is of a discriminatory nature it might exacerbate social exclusion in the host area.
 - The reported income of a person is not necessarily reflective of his or her net worth. Desperate gamblers might fake their income to gain access to the casino
 - The consumer surplus the casino could bring to the host area will only stay with people who are 'allowed to gamble' in casinos, thus, it might be ineffective to recapture local gambler's outflow and contribute to wider economic regeneration of the area.
 - As derived from Collins' argument (2006), if liberalising casino

developments could help to reduce problem gambling, suppressing gambler's - especially the less affluent gambler's – entry to casinos might actually exacerbate compulsive gambling in the host area.

- 4.2 Chia (2006) recommends that a substantial entrance fee should be applied to locals to erect a more effective and acceptable self-disciplinary barrier to entry in Singapore. Non-habitual or novice gamblers would probably be put-off by the entrance fee and will not gamble; on the other hand, those who can afford it are more likely to be those who can afford the stake – thus put on a level of damage control on the gamblers themselves. In that sense, consumer surplus will be supplied to the locality with harm minimisation measures while they are given their freedom of choice to gamble.
- 4.3 In Holland, the OASE system is employed as the main enforcement measure to decrease problem gambling problems. It holds records of visitors who have requested a ban or visit limitation as part of the responsible gambling programme. It is linked to the visitor registration system of casinos all around Holland so the history and visiting frequency of any visitor can be checked at any time (Centre Voor Verslavings Onderzoek, 2001). Holland has regarded this system as highly effective to reduce problem gamblers' incidences to gamble to protect them from further gambling activities.
- 4.4 As highlighted by Abbott *et al* (2004), one recent innovation to alleviate problems of problem gambling is placing problem gambling information kiosks inside gaming venues. This significant partnership between the practitioners and operators can dramatically increase the likelihood of practitioners to help individuals experiencing gambling problems *in situ* and help to limit excessive gamblers' patronage to casinos consciously.
- 4.5 A chart listing possible harm minimisation measures to excessive gambling is enclosed in the Chapter XIII, summarising the approaches different literatures have reviewed or proposed to reduce incidences of excessive gambling in casinos. This summary chart could be enforced as part of the social responsibility programme casino developments have to adopt to promote responsible gambling in the community.

5 Combating Social Problems Brought by Casino Developments

- 5.1 While increasing the availability of gambling facilities and opportunities might

- increase social cost to the community, raising public awareness of the risks of excessive gambling, expanding problem gambler services and enhancing regulatory, industry and public health services and education can help to reduce some of the adverse social effects to the community.
- 5.2 Similar to the UK, Singapore will introduce casino developments in the near future. The social sector in Singapore warns that government it will need to train social workers quickly to cope with the social impact casino developments will bring to the area as there are only about 1 to 15 counsellors trained in gambling addition at present (Ng, 2004). It is feared that with the arrival of the casino development, the social welfare system might not be able to cater to the sharp increase in problem gamblers in the region – the UK might face the same problem, especially with the restructuring of the NHS system.
- 5.3 Comprehensive assessments on the availability and effectiveness of gambling addition counselling service is recommended in the UK before the introduction of casinos in the community. This will also help to assess the effectiveness of the nation in internalising the social costs of casino gambling (Ng 2004; Abbott *et al*, 2004)
- 5.4 As flagged up by Abbott *et al* (2004), most researches on problem gambling has been based on samples of treatment-seeking problem gamblers patients. Little knowledge is available on what is the best treatment for different subgroups of problem gamblers, as well as for problem gamblers that are not seeking any assistance and treatment.
- 5.5 Due to the expanding gambling opportunities in the UK under the Gambling Act 2005, it is expected that the vulnerable groups such as the youth, women, ethnic and new migrant communities will be affected disproportionately (*Ibid*). Since they might require more specific requirements for treatment, it is recommended that the studies need to done to examine what method of treatments will be best for the different groups.

Appendix II) Harm Minimisation Measures to Excessive Gambling

Informed choice	Consumer control	Venue/games restrictions	Casino/ government's gambling addiction minimisation measures
<ul style="list-style-type: none"> ▪ Meaningful 'price' and odds information ▪ Expenditure statements ▪ Warnings ▪ Help service information ▪ Ethical promotion ▪ Clear description of how each games work ▪ Placing gambling addiction hotline numbers in prominent locations ▪ Option for visitors to request a ban or a visit limitation on a voluntary basis (up to a maximum of 8 visits a month in Holland) [Centre Voor Verslavings Onderzoek, 2001] 	<ul style="list-style-type: none"> • Self exclusion • Enforcing voluntary self-bans at casinos • Pre-commitment • Spending • Gambling amount • Credit request • Duration of each gambling session • Care of children • Family education about gambling 	<ul style="list-style-type: none"> ▪ Age restriction ▪ ATMS ▪ Withdrawal limits ▪ Credit restrictions ▪ Bill acceptor limits ▪ Cheque payouts ▪ Spending rates ▪ Enforced breaks ▪ Machine caps ▪ Opening hours restrictions ▪ Advertising restrictions ▪ Strict enforcement of appropriate lighting, sounds and clocks installations that will allow customers to keep track of time 	<ul style="list-style-type: none"> • training employers to recognise gambling addiction are some of the tactics the gaming industry has used • refuse service to any customer whose gambling behaviour convincingly exhibits indications of a gambling disorder • Advertisements should avoid explicit or implicit appeals to vulnerable populations, including youth and low-income neighbourhoods • Enforcement of complaints • Gambling impact assessments • Enforce harsh penalties for abuse in this area involving underage gamblers. • Initiate public awareness, education, and prevention programs aimed at vulnerable populations. • Ensure the safety of children on their premises and to prevent underage gambling. • Foster research designed to identify the age of initiation of gambling, influence of family and correlates with other youth high-risk behaviour such as tobacco, alcohol, and other drug use, early sexual activity, and criminal activity evaluated separately for illegal and legal forms of gambling.