



SCOTTISH EXECUTIVE

Enterprise and Lifelong Learning

Potential Economic Impact of  
Regional Casino in Scotland –  
Overview/Summary



## POTENTIAL ECONOMIC IMPACT OF A REGIONAL CASINO IN SCOTLAND

### Overview/Summary

1. This paper outlines the potential economic impact of a regional type casino being located in Scotland. The main conclusions, which are summarised below, draw on the available research evidence at this time and relate to the perceived economic impact of such a resort, rather than any specific proposal:

- ◆ The establishment of a regional type casino has the potential to generate significant regional economic benefits within a particular region or area of Scotland. Depending on the level of associated investment, such a resort could also be important in supporting wider economic development or regeneration;
- ◆ Over and above this, if such a regional development led to an increase in external visitor numbers or expenditure in Scotland then there is also potential to have positive national (Scotland-wide) impacts.

2. Despite the potential for investment and job creation, it is unclear whether a regional or resort type casino would have a positive economic impact at the national (Scotland-wide) level. To stimulate Scotland-wide income, it would have to generate or attract additional income to Scotland through tourism or related expenditure. The key issue in determining the net economic impact is the extent to which any new casino is dependent wholly on the Scottish market and thus the extent to which it simply displaces expenditure elsewhere in the economy (other gambling activities or wider leisure/consumer expenditure). In such a scenario expenditure within the economy by consumers is simply redistributed from existing activities towards this pursuit. However, it is likely that a casino or resort could potentially serve a number of markets or sources of demand:

- a. Expenditure by Scottish residents
- b. Expenditure from existing tourists within a fixed total expenditure
- c. Expenditure by new tourists and tourists who extend their stay in order to include a visit to the casino or spend additional money on the casino
- d. Substitution of expenditure normally spent on foreign trips by Scottish residents to a Scottish casino resort

3. In terms of the national economic impact, any expenditure from sources *a* and *b* above (domestic residents and tourists with a fixed level of spending) would have a broadly neutral effect as the casino is simply redistributing income from other leisure/consumer activities in Scotland. Even in the case of a growing market (such as the gaming sector) this income would have accrued across existing sectors in Scotland. However, if the casino attracted new tourists from outwith Scotland, encouraged more spending by existing tourists or led Scottish residents to substitute expenditure on foreign travel for trips to a domestic casino, then this expenditure would have a positive national economic effect (expenditure sources *c* and *d* above).

4. Table 1 below reports figures relating to the number of visitor trips and associated direct expenditure in Scotland in 2003. With an estimated 10.1 million external tourist trips (from rest of UK and overseas) and direct expenditure from this cohort of around £3.1 billion in 2003, Scotland clearly has potential to exploit such a facility.

**Table 1** Tourism activity in Scotland in 2003 by country of origin<sup>1</sup>

	<b>Trips (m)</b>	<b>Nights (m)</b>	<b>Expenditure (£m)</b>
Scotland	8.0	26.0	1,347
England	7.8	33.4	2,079
Rest of UK	0.7	2.6	169
Total UK Tourism	16.5	62.0	3,596
Total Overseas Tourism	1.6	14.9	839
<b>Total</b>	<b>18.1</b>	<b>76.9</b>	<b>4,435</b>

Source: VisitScotland, Scotexchange

5. Given the importance of visitors from England, Scotland not having a resort-type casino could equally lead to Scottish residents taking short trips to casinos elsewhere in the UK, particularly to the North East and West of England. Such a scenario could result in displacement of existing expenditure in Scotland and by overseas visitors to Scotland, which would have a negative net economic impact.

6. At present, the balance of evidence is unclear as to whether there would be significant positive national (Scotland-wide) economic benefit from a regional casino. However, given the strong domestic demand in this sector there could be potentially strong regional economic benefits in whatever area such a resort located.

### **Potential Regional Economic Benefits of a Regional Casino**

7. There is a stronger case for expecting a regional casino to have economic benefits for the local area or region within which it is located. Discussions with potential investors suggest such a regional-type casino in Scotland could create in the range of 1,500 to 3,000 direct jobs in the immediate area and lead to a substantial investment programme which could have wider regional development benefits and the potential to create further indirect jobs. Final employment and investment impacts will be dependent on the location and scale of the associated investment (hotels, restaurants and related leisure type activities).

8. Table 2 summarises activity in the Gambling and Betting sector in Scotland over the period 2002 to 2004. Strong domestic demand in the sector, as reflected by the significant growth in turnover during the period, suggests that casino patrons would be drawn from across Scotland. Even in the scenario that expenditure would be displaced from other regions in Scotland (100% crowding out), resulting in a broadly neutral national outcome, it could be expected to have significant positive economic benefit locally and support a significant number of jobs. Therefore such an investment could be used to help regenerate a particular area of Scotland. Also, in a growing market, the impact on other activities (bingo, bookmakers, lottery sales) will be less pronounced.

**Table 2** Number of business sites, employment and turnover of registered enterprises in the Gambling and Betting Activities sector in Scotland<sup>2</sup>

	<b>No. of business sites</b>			<b>Employment</b>			<b>Turnover (£millions)</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Scotland</b>	1,060	1,015	1,100	10,040	9,570	10,110	981	1,708	2,584

Source: Scottish Executive, ONS (IDBR)

<sup>1,2</sup> Latest available data.

9. Professor Peter Collins, director of the Centre for the Study of Gambling and Commercial Gaming at the University of Salford, carried out a report for Scottish Enterprise on the location and licensing of casinos in Scotland in December 2003. He presented a number of arguments in favour of very large projects, located away from city centres, which enhance tourism infrastructure and have more rather than fewer non-gambling add-ons (add-ons are investments in public interest projects furthering tourism or regional regeneration which casino companies make not to increase their earnings but in order to secure a licence). The following points, from both an economic and a non-economic perspective, were made:

- ◆ Outside cities land is likely to be cheaper;
- ◆ Casinos at some distance from city centres are better from a problem gambling point of view;
- ◆ Fewer large casinos are likely to minimise public antagonism;
- ◆ Significant additional tourism spend may be captured if the casino subsidises infrastructure such as conference centres;
- ◆ More add-ons mean more real job creation.

10. He concluded that, where they are sustainable, very large resort casinos with substantial tourism-related add-ons and other recreational amenities offer the greatest benefits in kind to regions. Professor Collins thought it would be reasonable to expect new casinos in Scotland to support around 8,000 jobs (though this was estimated on the basis of a number of casinos), and while the net increase would be around half of this due to displacement of other employment, a significant number of indirect jobs could also be generated as those working in casinos spend their earnings in the local economy.

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