

Reopening the Christmas Island Casino

The former casino's operations and closure in the nineties

- 2.1 Mr Michael Asims, Owner's Representative, Soft Star Pty Ltd (Soft Star), described the former Christmas Island hotel and resort, which included a casino facility, that operated in the nineties for a period of approximately five years:

The casino was a purpose built facility. It was built to cater exclusively to the Indonesian high roller market. It operated between 1993 and 1998. In its best year the turnover of this little casino...was in excess of \$5.8 billion.¹

- 2.2 Although various explanations of the circumstances leading to the casino's closure in the nineties have been offered, according to Mr Asims, the casino closed because of a decision taken by the then Indonesian President, Suharto to cease flight permits that had been issued for Christmas Island from any port in Indonesia:

Effectively what that meant was we had a purpose built facility for a specific market and, after five years, we were no longer able to get to that market.²

1 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

2 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

Soft Star's ongoing interest

- 2.3 Soft Star purchased the Christmas Island hotel and resort, which included the previous casino facility, in May 2000. Mr Asims stated that the company's decision to purchase the property was based on implicit government support that, subject to Soft Star complying with certain regulatory requirements, it would be granted a casino license:

At the time no other conditions were put forward by the Commonwealth that raised any concerns regarding the purchase of the property and we felt confident that the Commonwealth would at some stage issue a casino license to Soft Star.³

- 2.4 Over the years, both Mr Michael Asims, Owner's Representative and Mr David Kwon, Owner and Managing Director of Soft Star have appeared before successive parliamentary committees to advocate that the Australian Government should grant Soft Star a casino license.⁴

Casino operations prohibited in 2004

- 2.5 In 2004 the Minister for Local Government, Territories and Roads announced that the Australian Government would prohibit casino operations in the Territories. In the explanatory statement to the ordinance amendments to effect the change, the Government observed that the casino had ceased operations in 1998 for commercial reasons.⁵ The explanatory statement proceeds to assert:

By prohibiting casinos, the Government is seeking to limit the detrimental effects of problem gambling and to protect social welfare in the Territories.⁶

3 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

4 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, pp. 28-34, and JSCNCET, *Inquiry into current and future governance arrangements for the Indian Ocean Territories*, June 2006, pp. 42-46.

5 Explanatory Statement, *Casino Legislation Ordinance 2005 (No.1)* (CI), An ordinance to amend the *Applied Laws (Implementation) Ordinance 1992* (CI) and repeal the *Casino Control Ordinance 1988* (CI),

<http://www.comlaw.gov.au/Details/F2005L02298/Explanatory%20Statement/Text>

6 Explanatory Statement, *Casino Legislation Ordinance 2005 (No.1)* (CI), An ordinance to amend the *Applied Laws (Implementation) Ordinance 1992* (CI) and repeal the *Casino Control Ordinance 1988* (CI),

<http://www.comlaw.gov.au/Details/F2005L02298/Explanatory%20Statement/Text>

- 2.6 The JSCNCET report of 2006 in the 41st Parliament examined the decision and circumstances surrounding the Government's announcement and repeal of legislation allowing a casino to operate on Christmas Island. The report cited Government concerns that were expressed about the impact of a casino 'on the social fabric' of Christmas Island, while at the same time noting evidence from the community indicating that when the casino had been operating the economic positives had outweighed any negative social impacts.
- 2.7 The Committee concluded that there had been a lack of transparency and accountability in relation to the decision to prohibit a casino from operating again on Christmas Island, and recommended 'that the Australian Government review its 2004 decision to block the licensing of a casino on Christmas Island...with a view to reissuing a casino licence, at the earliest opportunity.'⁷

Previous reports – all support reopening the casino

- 2.8 Since the 2004 decision to repeal the legislation that allowed for a casino on Christmas Island, reopening the casino on Christmas Island has been a subject of consideration in successive JSCNCET and other parliamentary committee reports.
- 2.9 The JSCNCET of the 43rd Parliament made the following recommendation in its 2013 report:
- Recommendation 8**
- The Committee recommends that the Australian Government commit to the reopening of the casino on Christmas Island and that it facilitate the approval process to allow this process if a proposal comes forward.⁸
- 2.10 More recently, the Joint Select Committee on Northern Australia made an almost identical recommendation in its 2014 report into the development of Northern Australia:

7 JSCNCET, *Inquiry into the current and future governance arrangements in the Indian Ocean Territories*, June 2006, p. 46.

8 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 34.

Recommendation 13

The Committee recommends that the Australian Government commit to facilitating the approval process to enable the reopening of the Christmas Island casino.⁹

The case - delivering economic and other benefits to the community

2.11 Soft Star is of the view that a new casino operation would revive tourism and in doing so deliver a range of economic and other benefits to the island. Mr Asims summarised the successes of the previous casino operation:

Throughout the five years of operation, staffing levels were between 350 and 396 full-time equivalent employees. The payroll at the time exceeded \$850,000 a fortnight. For a number of years the casino provided all flights in and out of the island, including to Perth and Asia...with various airlines, including national jet systems. Return airfares to Perth at the time were \$755 – substantially below cost and subsidised for the community, courtesy of the Christmas Island casino...

The casino conducted destination marketing for Christmas Island, at no expense to the Commonwealth, through satellite offices [throughout Asia]. Millions of dollars were made available to the community by the community benefit fund. The casino provided 12 mini buses – in effect providing free public transport throughout the island, linking the Settlement, Poon San, Drumsite, Silver City and the Kampong. This was a free service for the benefit of all – even for tourists staying at other accommodation establishments, who flew here on resort aircraft at subsidised prices.¹⁰

Consistent community support

2.12 Mr Asims spoke of the ‘overwhelming support’ that Soft Star had received for its proposal to reopen the casino, from the Christmas Island Shire, local

9 Joint Select Committee on Northern Australia, *Pivot North Inquiry into the development of Northern Australia: Final Report*, September 2014, p. 174.

10 Mr Michael Asims, Owner’s Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 34.

business sector and residents, with some 90 per cent of the population favouring it.¹¹ The previous Committee's 2013 report on its visit to the IOT also cited widespread community support for the reopening of the Christmas Island Resort.¹²

- 2.13 Witnesses to the current inquiry, including the Christmas Island Shire¹³ and Christmas Island Tourism Association (CITA), continue to endorse the reopening of the casino. Ms Karenn Singer, Manager, CITA said the casino could be part of an overall tourist offering:

The casino would potentially offer support for services for employment and also support flights, particularly to the north.¹⁴

- 2.14 Ms Singer added:

It is possible that there could be a community benefit fund or even a tourism infrastructure fund to help fund some of the tourism infrastructure that is currently run-down and needs attention and also perhaps look at the opportunities to upgrade the airport. Partnerships need to be developed within the tourism industry and within all partners within that industry.¹⁵

- 2.15 CITA outlined a willingness to work with a casino operator to develop a collaborative marketing strategy, and stated that there could also be opportunities for small business, and conferences.¹⁶

- 2.16 The Christmas Island Neighbourhood Centre (CINC) emphasised the social benefits of reopening of the casino: young people might stay or return to the island, allowing families to stay together. According to the CINC the license issue needs to be resolved quickly:

It is the underpinning factor in the billion dollar economic diversification of the Indian Ocean Territories.¹⁷

- 2.17 The Malay Association of Christmas Island (MACI) concurred:

11 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

12 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, June 2013, p. 29.

13 Mr Gordon Thomson, President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 9 April 2015, p. 5.

14 Ms Karenn Singer, Manager, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 9 April 2015, p. 14.

15 Ms Karenn Singer, Manager, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 9 April 2015, p. 14.

16 Christmas Island Tourism Association, *Submission 26*, p. 11.

17 Christmas Island Neighbourhood Centre, *Submission 37*, p. 12.

MACI recognises the economic opportunity that a profitable casino will bring to Christmas Island based on its success in the 1990s. Young people could find work, people could change career...The casino had many [other] benefits too in the provision of a 24 hour bus service on island and subsidised flights to Perth.¹⁸

Government responses to-date non-committal

2.18 Responses from successive governments have been ambiguous, stopping short of providing either explicit support or outright rejection of Committee recommendations to facilitate reopening of a casino on Christmas Island. For example, the Government response to Recommendation 8 of the 2013 JSCNCET report was:

Noted. While the Government supports economic and tourism development for Christmas Island, broader Government and community consultation would be required prior to consideration of a proposal to re-establish a casino.¹⁹

2.19 Given that there is broad community support for the casino reopening – and the need for economic development on Christmas Island – the question remains what are the objections and possible impediments and how can these be overcome?

Possible impediments and overcoming them

Problem gambling and social welfare concerns

2.20 As noted, in 2004 the Australian Government cited concerns about problem gambling as its reason for prohibiting casinos in the IOT.

2.21 Yet no evidence has been provided to successive committees indicating that problem gambling was a significant issue when the former casino operated on Christmas Island, or suggesting concerns about the potential risk if a casino is reopened. On the contrary, it appears that there is overwhelming community support for reopening of a casino. The

18 Malay Association of Christmas Island, *Submission 24*, p. 4.

19 Government response to JSCNCET, *Report on the visit to the Indian Ocean Territories - 21-25 October 2012*, June 2013, http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ncet/reports.htm

rationale for prohibiting a casino on Christmas Island was questioned by MACI:

MACI recognises the negative externalities possible with a casino in the community and submits that the official reason the Government provided in 2005 for the closure was paternalistic and repressive.²⁰

2.22 MACI elaborated:

If the sole reason the Government prevented the license reissue was 'social concerns', why has it allowed casinos to continue operating on the mainland where they would affect many more people than the 1300-odd on Christmas Island? Where are the lists of 'social concerns' that occurred in the 1990s in the initial opening that assumedly makes the grounds for the 2005 rejection? Where was the documentation from local social workers showing assumedly dozens upon dozens of gambling addiction victims? None were presented because none exist.²¹

2.23 Soft Star reiterated the level of community support it has for its proposal to reopen the casino and indicated that it will predominately be frequented by international visitors:

It is important to note that the great majority of people who will be gambling at the casino will not be local islanders but rather offshore visitors.²²

No business case and 'commercial viability'

2.24 At a private briefing to the Committee in February from the Department of Infrastructure and Regional Development (DIRD), DIRD provided specific evidence that there was no proponent for the case for reopening a casino on Christmas Island.

2.25 Subsequently on 14 May 2015, the Committee asked why the Department had said that there was no proponent for the casino, when Softstar gave the Committee a business plan dated 2013 on Christmas Island, Ms Fleming, Executive Director, Local Government and Territories Division, DIRD stated on the public record:

20 MACI, *Submission 24*, p. 4.

21 MACI, *Submission 24*, p. 4.

22 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

The department, has through periods, seen a proposal. I would not call it a business case in that it is not a feasibility study that provides all of the financial data. But there was an early proposal for the previous government that was submitted – from memory- by Soft Star for consideration.

2.26 Ms Fleming added:

...further information was required. There was a period of engagement with the person who was interested.²³

2.27 At the Christmas Island hearing, Mr Asims informed the Committee that Soft Star had formally submitted a detailed proposal and business plan for the proposed casino operation in May 2013:

I would like to present the Committee with a full copy of the proposal as it was presented to the Commonwealth. The proposal addressed in detail all the key areas, as well as financial forecasts and benefits to the Christmas Island community.²⁴

2.28 Mr Asims claims that there has been little communication with the Minister's office or department officials (past and present) subsequent to submitting the Soft Star proposal and business plan:

Many of our follow up letters to the Commonwealth regarding this matter have gone unanswered.²⁵

2.29 Earlier this year, Soft Star says it was told that the Minister for Infrastructure and Regional Development had been advised by DIRD that the casino license on Christmas Island should not be issued in the absence of a competitive tender process.²⁶

2.30 Mr Asims told the Committee that the company had invested millions of dollars renovating the property in preparation for casino operations and felt let down, if this was the case:

We are greatly concerned why the tender option was not made known to us before we purchased the property. Had the Commonwealth made it known to us prior to the sale it would

23 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 1.

24 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

25 Soft Star, *Supplementary submission 9.1*, p. 1.

26 Soft Star, *Submission 9*, p. 7.

certainly have made a difference to our decision. We feel...deceived...²⁷

2.31 With regard to the current operation of the Christmas Island Resort, Mr Asims advised that the accommodation contract between Soft Star and the Department of Immigration and Border Protection (DIBP) had been terminated in February 2015. While Soft Star had continued to run the resort's restaurant facility, Mr Asims indicated that it would be ceasing operations until such time as business conditions pick up, or it can commence operating as a casino.²⁸

2.32 On the commercial viability or otherwise of the proposed new casino, Mr Asims emphasised that this will not be a problem for Government with the risk being borne by the private sector:

In granting a casino license to Soft Star the Commonwealth faces no risk whatsoever. The risk is a commercial one and falls entirely on the company. The company has thoroughly researched the gaming market in the region and conducted a feasibility study of a casino operation on the island and feels confident of success should approvals be granted and the casino project proceed.²⁹

2.33 On the issue of re-establishing flights between Christmas Island and Indonesia, which Mr Asims indicated was the reason for the former casino's closure, he assured the Committee that was resolved:

I am able to say that the capacity between Christmas Island and Jakarta is back in place. If we reopen the casino, there is not an issue about being able to get to the market.³⁰

2.34 Mr Brian Lacy, the IOT Administrator from 2009-2012, emphasised that the Christmas Island Resort is already equipped to operate as a casino:

It was recently refurbished...there is at least one proponent for the issue of a casino license for the Resort. It would appear that given a casino license the Resort could commence operations almost immediately.³¹

27 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 35.

28 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 35.

29 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 33.

30 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

31 Mr Brian Lacy, *Submission 39*, p. 20.

Policy, legislative, regulatory and service delivery frameworks not in place

- 2.35 According to DIRD, following repeal of the Commonwealth legislation under which the previous casino on Christmas Island had operated, the issue is not so much whether there is a viable proposal, rather 'that there is no framework at the moment under which one can consider a license for a casino.' As Ms Fleming explained:

The government has to have a policy that it wants a casino to operate on Christmas Island. If it did want a casino to operate, what would be the regulatory framework that would operate to support such a proposal? And then, if we had a regulatory framework, what would be the operational service delivery arrangements and with what jurisdiction would they be negotiated to support such an arrangement? That would inform the cost structures that would need to be considered in the business case.³²

Committee comment

- 2.36 In Ms Fleming's own words, if a casino were to be reopened on Christmas Island:

The first decision is a policy decision to say that the government wants to pursue further consideration of such an approach...we need a policy framed to commence those processes.³³

- 2.37 The Committee understands that when the former casino operated in the nineties it was in the context of a legislative and regulatory framework that was established and administered by the Commonwealth.
- 2.38 The Committee can see no reason why something similar cannot be reinstated, albeit updated, as appropriate for 2015. With the appropriate direction from the Minister, DIRD could introduce the policy, develop and implement the legislative and regulatory frameworks using templates

32 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 1.

33 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 2.

from when the casino operated in the past or, if preferable, adapted from state or territory models.

- 2.39 The Committee anticipates that DIRD would have advice already prepared for successive Ministers on preferred options and a 'ready-to-go' modus operandi, given that successive parliamentary committees have recommended establishing a process to allow for a casino to operate again from Christmas Island.
- 2.40 Once the policy and legislative frameworks have been established, DIRD should seek expressions of interest from potential operators and determine an appropriate mechanism for granting a license. Seeking expressions of interest in the first instance should assist DIRD to determine whether competitive tender is appropriate in this case. Clearly it may not be an option if there is only a single viable proponent.
- 2.41 The previous Committee commented in its 2013 report that:
- It cannot see any reason why the Commonwealth Government would not facilitate this venture, given that the commercial risk falls on entirely on the proponents.
- The potential benefits to Christmas Island if the casino succeeds are considerable: the probable outcome of failure is merely a return to the status quo.³⁴
- 2.42 The current Committee agrees. While reopening a casino on Christmas Island is not the whole answer to economic diversification, it can be a big part of the solution. It has been viewed as such by many, including the community, for many years now.
- 2.43 Work to facilitate the reopening of the casino on Christmas Island is long-overdue and should commence immediately. What is required is the political will to make this happen.

34 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 33.

Recommendation 1

The Committee recommends that the Australian Government commit to reopening a casino on Christmas Island and establish the necessary policy, legislative and regulatory frameworks to allow for this without delay.

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