

Before Hearing Commissioners

under: the s134 of the Gambling Act 2003

in the matter of: Application for renewal of casino venue licence

between: **Dunedin Casinos Limited**
Applicant

and: **Gambling Commission**
Respondent

Statement of Evidence of Simon Harris

Dated: 5 September 2024

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STATEMENT OF EVIDENCE OF SIMON HARRIS

INTRODUCTION

- 1 My full name is Simon Richard Harris.
- 2 I am a Director of LWP Ltd, a consulting company in Christchurch that provides technical support for clients in resource management and planning matters.
- 3 I have the following qualifications and experience relevant to the evidence I shall give:
 - 3.1 I gained a B.Agr.Sc (Hons) in Farm Management from Lincoln University in 1990, and have 30 years of experience as an economist, including periods with Brown Copeland and Co. and Lincoln University as a research assistant;
 - 3.2 I have undertaken numerous economic impact and cost benefit analyses for a wide range of industries and in a large number of regions, including work on primary sector environmental policies for Environment Canterbury, Southland Regional Council, Horizons Regional Council, Otago Regional Council, Greater Wellington Regional Council, Taranaki Regional Council, Tasman District Council, Marlborough District Council, Hawke's Bay Regional Council, Environment Bay of Plenty, and Christchurch City Council. I have undertaken impact-related work for stormwater and drainage networks, flood mitigation and other catchment control schemes, hydro infrastructure, irrigation infrastructure, electricity networks, a Super Rugby franchise, residential and industrial developments, and biosecurity incursions; and
 - 3.3 I have appeared as an expert witness on economic impacts and economic efficiency in numerous hearings before councils, commissioners and the Environment Court on Resource Management Act related matters.
- 4 Together with Carl Davidson, I prepared the Casino Impact Report (*CIR*) for Dunedin Casino Limited's application to renew its Casino Venue Licence for the Grand Casino (*Casino*). My primary role was to prepare the economic impact assessment. In preparing the CIR I worked with Geoffrey Vernon Butcher and am familiar with the analysis/modelling he undertook which informed the economic assessment in the CIR.
- 5 I confirm that I have read the 'Code of Conduct for Expert Witnesses' contained in Schedule 4 of the High Court Rules 2016 as if references to the court were reference to the Gambling

Commission. My evidence has been prepared in compliance with that Code in the same way as I would if giving evidence in the High Court. The issues I address are within my area of expertise, except where I state that I am relying on what I have been told by another person, and I will not omit to consider material facts known to me that might alter or detract from the opinions I express in my evidence.

SCOPE OF EVIDENCE

- 6 My evidence will deal with the following:
 - 6.1 an overview of the preparation of the CIR;
 - 6.2 an overview of key findings on economic impacts in the CIR; and
 - 6.3 some concluding comments about the CIR.

THE PREPARATION OF THE CASINO IMPACT REPORT

- 7 This CIR uses an impact design based on the approach adopted for the Christchurch Casino CIR. The assessment also incorporates matters raised by the Gambling Commission as matters it would like to be included in the CIR.
- 8 For the economic impact assessment component, this report uses an analysis of the Casino to estimate direct benefits from the Casino and uses input-output (*I-O*) models to estimate the Dunedin and Otago economic impacts of the Casino on employment, household income, and value added, considering the trade diversion effects and the tourism effects of the Casino. The approaches used in the CIR involved the following elements:
 - 8.1 **Impact metrics:** This study reports on the commonly used metrics of value added (\sim GDP), household income and employment at a city and regional level. It also estimates profitability and contribution to taxes and community organisations.
 - 8.2 **Measurement approach:** This study uses appropriate I-O models for quantitative assessment of effects. The results consider the positive impacts of the Casino and the negative impacts of trade diversion away from other businesses when consumers switch spending to the Casino (illustrated by the casino closure scenario in Section 134(3)(ii) of the Gambling Act 2003 (the *Act*)). Impacts on tourism are also considered.
 - 8.3 **Combining costs and benefits:** This study quantifies financial costs and benefits of market transactions and

describes, where possible, social costs and benefits. It does not put a financial value on these social costs and benefits due to the inherent difficulties of such an exercise.

- 8.4 **Time frame:** The study takes a long-term operating perspective and uses three-year average data when modelling the Casino's operations. The period modelled is 2018/19 to 2020/21.
- 8.5 **Geographic focus:** The study looks at the Casino's impacts on the city and region. The analysis indicates the likely magnitude of any national impacts based on its size relative to Christchurch Casino and its associated national impacts.

OVERVIEW OF KEY FINDINGS ON ECONOMIC EFFECTS

- 9 This impact assessment shows that the Casino contributes to the Dunedin economy in several ways. In the period covered by the CIR it employed 89 staff; spent \$5.35 million per annum in operational expenses with suppliers; and spent an additional \$1.1 million per annum on capital items.
- 10 The Trust associated with the Casino distributed about \$0.1 million per annum to charities, and in 2022 the Casino distributed a further \$0.13 million in sponsorships. All the sponsorships, and 72 percent of the charity distributions, are to organisations in Dunedin.
- 11 When the expenditure, employment, and other activities of the Casino are included in a model of the Dunedin and Otago economies, the Casino generates a total of 133 full-time employees (FTEs), \$16.9 million in value added, and \$8.2 million in household income.
- 12 When the gross impacts associated with the Casino expenditure were aggregated with the tourism generation impacts associated with visitors to the city, and the likely impacts of continued expenditure in Dunedin in the absence of the Casino were subtracted, the net impact of the Casino is an estimated 38 FTEs in employment, \$8.63 million per annum in value added, and \$3.27 million per annum in household income (Table 1 below).
- 13 In the context of the wider city employment of 68,000 jobs and GDP of nearly \$7 billion per annum, both the direct and net impact of the Casino are a small fraction of the city's economy.

Table 1: Comparison of With vs Without scenarios for Dunedin Grand Casino

| Item | Employment (FTE) | Value Added (VA) (\$million/annum) | Household Income (HHI) (\$million/annum) |
|---|------------------|------------------------------------|--|
| Casino Gross Impacts (With Casino scenario) | 133 | \$16.90 | \$8.20 |
| Tourism Generation Impacts (With Casino Scenario) | 23 | \$1.98 | \$0.90 |
| Trade Diversion (Without Casino Scenario) | -119 | -\$10.25 | -\$5.82 |
| Net Impacts of Casino¹ | 38 | \$8.63 | \$3.27 |

- 14 The Casino generates \$5.7 million in taxes and levies nationally. In the absence of the Casino, we would expect lower contributions to the casino duty and the problem gambling levy and lower corporate and personal income taxes paid.
- 15 Scaling from the national impacts of Christchurch Casino, we would expect the Casino to generate \$15 to \$21 million in real gross disposable national income (RGDNI) per annum.
- 16 In addition to these economic benefits, the Casino provides a significant entertainment option for Dunedin and Otago residents. In this regard, the Casino contributes to Dunedin's status as a thriving and fun city. The Casino also provides an entertainment option to Dunedin's visitors.
- 17 Activity at the Casino in 2024 varied from the average over the CIR period of study. Patron numbers were down and revenue decreased, and while the Casino's expenditure remained relatively static, its expenditure on staff increased by ~10% but FTEs decreased by ~15% from the average over the CIR study period. On this basis I consider it likely that the current gross impacts of the casino in terms of Household Income were little changed, but employment, profitability and contribution to GDP, taxes and RGDNI would have decreased.
- 18 In terms of the comparison between the with the Casino and without the Casino scenarios in 2024, the tourism generation impacts would be lower because of smaller visitor numbers, but the trade diversion impacts would also be smaller (lower spending by the Casino's clients means less trade diversion).
- 19 My expectation, without doing detailed analysis, is that the overall net impact of the Casino in 2024 (with vs without) was likely smaller than the average estimated in the CIR, but the reduction in impact

¹ Total may not add up to items above because of rounding differences.

was less than the reduction in the average Casino revenue and profit. The decline in patronage compared to the average over the CIR is probably related to the inflationary and recessionary squeeze on household incomes and consumer spending, particularly during the last year. It is likely that, in due course, the economy will recover. For that reason, it is my view that the estimates contained in the CIR continue to be representative of the long-term average impacts of the Casino.

CONCLUSION

- 20 The economic impact assessment contained in the CIR concludes that the Dunedin City and Otago-wide economic impacts of non-renewal would be minor because of the modest size of the Casino operation and its flow on effects in relation to the whole economy. This is not because the Casino does not generate economic benefits, but because the direct and net economic impact of the Casino are a small fraction of the city's and the region's economies. This conclusion generally tallies with the information from stakeholders and from the neighbourhood survey showing that the Casino is a valued, but not a major, player in the city's economy.
- 21 It appears unlikely that closure of the Casino would be accompanied by development of an alternative entertainment option. Hence closure would reduce the range of entertainment opportunities for residents and visitors. The Casino is obviously valued by its patrons, who have indicated high levels of satisfaction with the facilities at the Casino, implying that there is a significant consumer surplus which is additional to the quantified impacts reported in the CIR. Closure would lead to the loss of this consumer surplus.
- 22 Not renewing the licence would also significantly affect employees of the Casino, who would need to find alternative employment, and for those with casino-specific skills, this is likely to be at lower pay. Non-renewal would also impact negatively on the Casino's landlord and the owners of the Casino business, would deprive the community of funding for a range of organisations that contribute to the wellbeing of Dunedin and the Otago region, and would reduce the national tax taken from GST, personal and gambling related taxes.

Dated: 5 September 2024

Simon Harris