

# Stimulating growth in the UK Casino Industry

Maximising the potential of the casino industry for  
the UK economy

18 March 2016

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# 1. Executive Summary

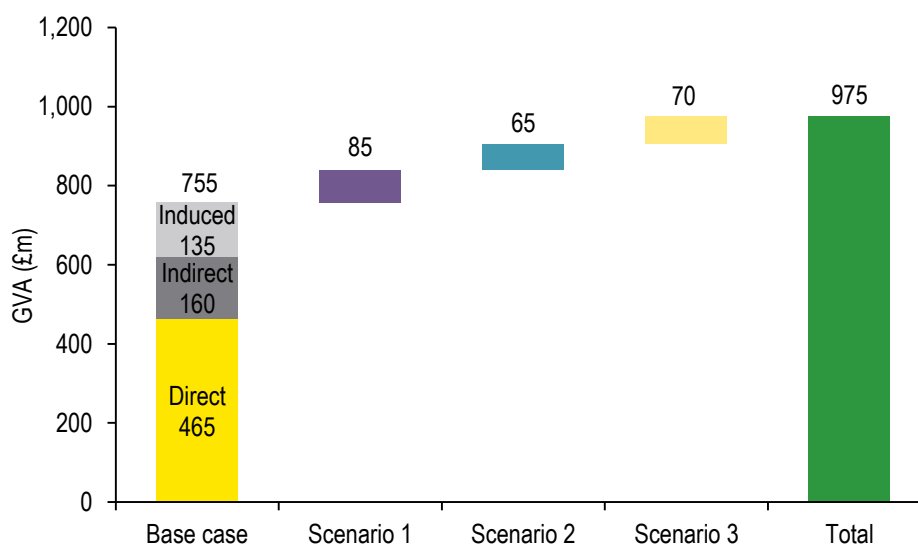
The casino industry makes a considerable contribution to the UK economy in terms of value added, employment and tax paid to the Exchequer. Whilst the sector has continued to expand over recent years, its potential for further growth is constrained by key aspects of the regulatory framework. In particular, the restrictions placed on the number of gaming machines in land-based casinos, and the strictures against providing internet gaming access, present obstacles to the further expansion of the industry. To test the capacity for regulatory changes to generate further growth in the sector, this report explores three reform scenarios which would address these obstacles and compares this to the current base case:

- ▶ **Scenario 1** - bringing the gaming machine entitlements for 1968 Act casinos into line with those currently enjoyed by small 2005 Act casinos. This would apply a 2:1 machine-to-table ratio, subject to an overall cap of 80 machines;
- ▶ **Scenario 2** - a further uplift to a 3:1 machine-to-table ratio to 1968 Act casinos and to small 2005 Act casinos, again subject to an overall cap of 80 machines;
- ▶ **Scenario 3** - removing the restriction on providing access to internet gaming through terminals situated in land-based casinos.

## 1.1 Economic impacts

Each of the scenarios examined would deliver increases in GVA over the base case. Figure 1 below illustrates the contribution of each scenario to the overall increase which could be achieved.

Figure 1: Incremental GVA impacts of each policy scenario<sup>1</sup>



Source: EY analysis

<sup>1</sup> For the remainder of the report, values have been rounded to the nearest £5m and employment numbers to the nearest 5 people. Therefore the total may not exactly equal the sum of the elements

While each of the three scenarios examined could be pursued in its own right, the scenarios could also be combined. The table below summarises the impact of the different combinations which could be pursued.

Table 1: Summary of cumulative positive economic impacts

	GVA (£m)	Employment	Tax (£m)	Investment (£m)
Scenario 1	85	600	40	65
Scenario 2	150	975	65	90
Scenario 3	70	490	30	-
Scenarios 1 + 3	150	1090	70	65
Scenarios 2 + 3	215	1465	95	90

Source: EY analysis

## 1.2 Regional impacts

A regional analysis of scenarios 1 and 2 shows that the benefit of industry expansion is spread across the UK, with a number of regions benefitting. Whilst London may see the largest increase in economic activity in absolute terms, some other regions will experience larger relative growth.

## 1.3 Conclusion

The three scenarios modelled in this study would deliver a positive impact on the UK economy, with the impacts being spread across the regions of the UK. The most significant benefits can be achieved by adjusting regulation which restricts machine numbers. Allowing casinos to offer internet terminals could create further value and tax receipts.

## 2. Introduction

### 2.1 The scope of this study

This study was commissioned by the National Casino Forum to explore the economic impact of changes to the regulatory framework applied to UK land-based casinos. The study uses data from four casino operators (including the two largest, Rank and Genting) and therefore covers 75% of all operational casinos and 60% of total industry revenue. Collectively these casinos house 1,713 tables and 2,078 slot machines, covering 173,584 sq. metres of gaming space.

The study focuses on 1968 Act<sup>2</sup> and small 2005 Act<sup>3</sup> casinos only. Data from large 2005 Act casinos and high-end casinos (which would not be affected by the policy scenarios explored in the study) have been excluded.

#### 2.1.1 Policy scenarios

In order to explore the extent to which the current rules on gaming machines and internet gaming restrict the growth potential of the UK casino sector, this study examines three policy scenarios. These scenarios are:

- ▶ **Scenario 1** - the impact of increasing machine entitlements for 1968 Act casinos to bring them in line with existing small 2005 Act restrictions (i.e. a 2:1 machine-to-table ratio and maximum of 80 machines per licence);
- ▶ **Scenario 2** - a further uplift of the machine-to-table ratio for all 1968 Act and small 2005 Act casinos to a 3:1 ratio, maintaining the machine cap at 80;
- ▶ **Scenario 3** - removing the restriction on the provision of internet gaming in land-based casinos.

#### 2.1.2 Assessment criteria

To assess the impact of the policy scenarios considered, this study has assessed each scenario in terms of its contribution to:

- ▶ increased Gross Value Added (GVA);
- ▶ increased employment; and
- ▶ increased Exchequer revenues.

The economic impacts measured in this study are quantified across three channels:

- ▶ **Direct effects** - these are the effects generated directly by the activities of the casino industry (i.e. value generated, casino industry employment and taxes paid by casinos);
- ▶ **Indirect effects** - these are the effects of the casino industry on the UK economy through its supply chain. By purchasing goods and services from other businesses within the UK it generates demand which leads to value creation in supporting industries; and
- ▶ **Induced effects** - these are the effects of employee income on the UK economy, both through the direct employment of the casino industry and that created through its

<sup>2</sup> Gaming Act 1968 Act

<sup>3</sup> Gambling Act 2005 Act

supply chain. This employment income leads to consumer spending, generating demand in consumer goods markets and value creation in these industries.

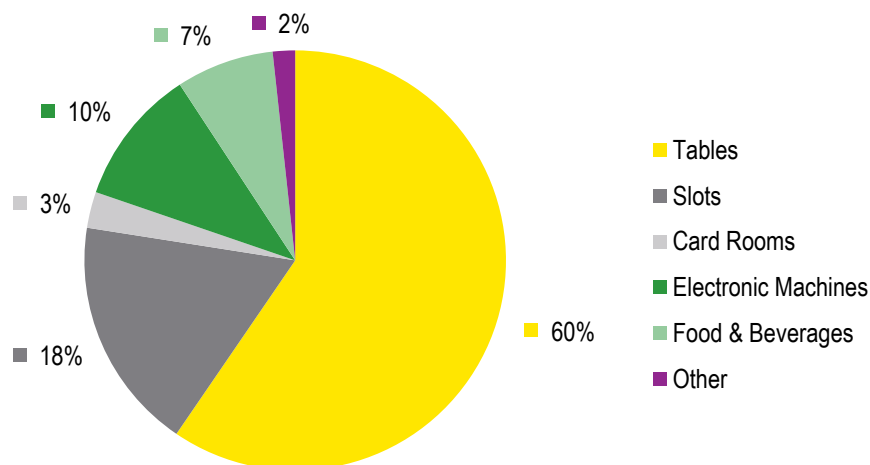
### 3. Base case - current contribution to the UK economy

This chapter looks at the current contribution of the UK casino industry to the UK economy in terms of GVA, employment and tax receipts. It uses a base case assumption of on-going operations (i.e. no policy change).

#### 3.1 Sources of revenue

As well as earning revenue from gambling activities, many UK casinos also earn money from other sources such as in-house restaurants and bars. Figure 2 below shows how revenues are split between different sources, for casinos within the scope of this study.<sup>4</sup> Gambling on tables currently forms the majority of casino income at 60% of the total. However a significant proportion (7%) of revenue is from the sale of food and beverages through in-house bars and restaurants, which equates to around £52m of sales.

Figure 2: Split of casino revenues by type, FY15



Source: EY analysis of operator data

In FY15 14.2 million people visited casinos in the UK, equating to an average daily attendance of 39,000. Average spend per visit across all types and sizes of casino was £49 per visit.

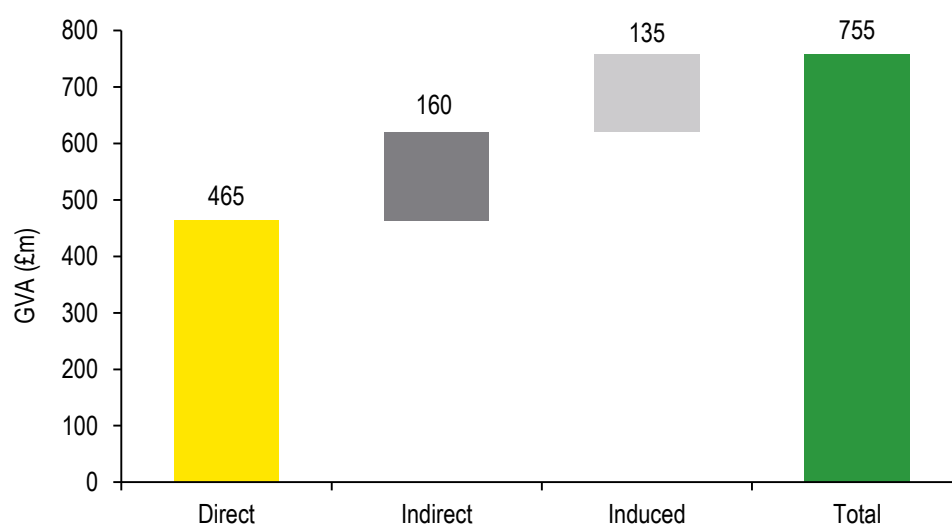
#### 3.2 Contribution to GVA

Figure 3 below shows the total direct, indirect and induced effects of the casino industry on the UK economy. The casino industry made a significant direct contribution to UK GVA of £465m in FY15. Once multiplier effects are taken into account, the industry generated a total of £755m of GVA for the UK economy in FY15.

<sup>4</sup> Note that for the remainder of the report statistics reflect data from the four operators taking part in this study. Therefore whilst they represent the majority of the sector figures should be taken as a minimum or industry average



Figure 3: Direct, indirect and induced GVA of the casino industry, FY15



Source: EY analysis

The GVA contribution of the UK casino industry varies across regions. The largest share is attributed to London where casinos support £260m of direct, indirect and induced GVA. The smallest region in terms of GVA contribution is Scotland where only 10% of operating UK casinos are located generating £45m of GVA.<sup>5</sup> Table 2 below shows the distribution of GVA impacts across the UK's regions.

Table 2: Distribution of casino industry GVA across UK regions, FY15<sup>6</sup>

GVA (£m)	Direct	Indirect	Induced	Total
North	95	30	25	145
South	80	20	20	120
London (excluding high-end)	170	55	35	260
Scotland	30	10	5	45
Midlands & Wales	90	25	20	135

Source: EY analysis

### 3.3 Contribution to employment

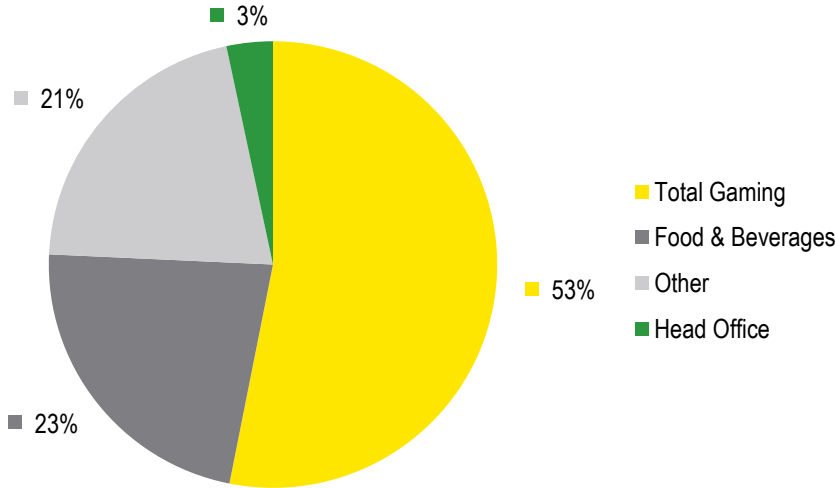
The casino industry in the UK is a significant employer and a relatively labour intensive industry. 38% of output generated by the casino industry in FY15 was spent on employment, this compares to a UK average of 28% across all industries.

<sup>5</sup> Only 10 out of 109 casinos within the scope of this study are located in Scotland. While London hosts 14 casinos, they generate a much higher average revenue

<sup>6</sup> Regional impacts should not be added up to obtain a national contribution because the regions are treated as separate economies for the purposes of this research

Collectively the casinos covered by this study employ around 10,990 people. These employees are split across a range of functions within the casinos, as shown by Figure 4 below.

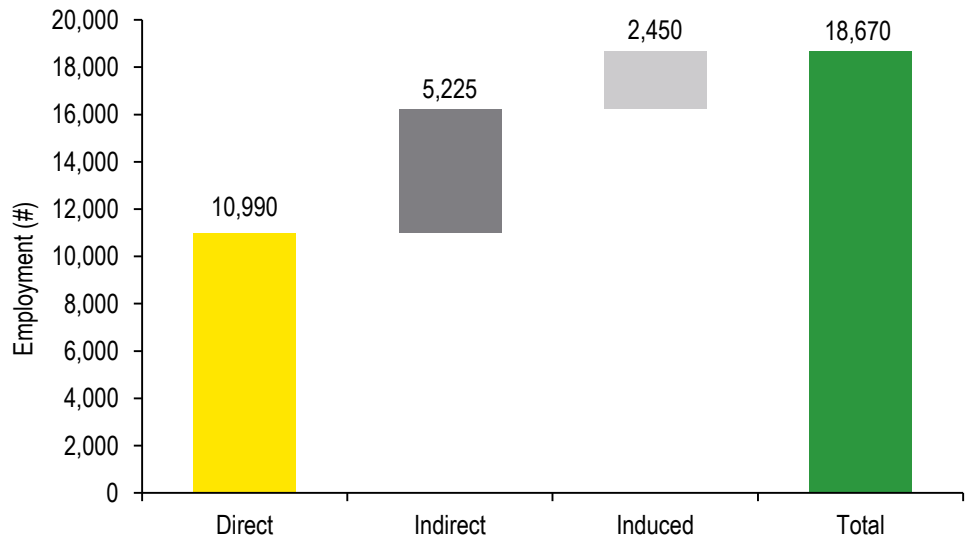
Figure 4: Split of employment by function, FY15



Source: EY analysis of operator data

As well as the direct contribution that the casino industry makes to UK employment, it also supports employment through indirect and induced effects. When these effects are taken into account the total contribution of the UK casino industry to employment in FY15 rises to 18,670 people. Figure 5 below shows total direct, indirect and induced employment of the UK casino industry.

Figure 5: Direct, indirect and induced employment of the casino industry, FY15



Source: EY analysis

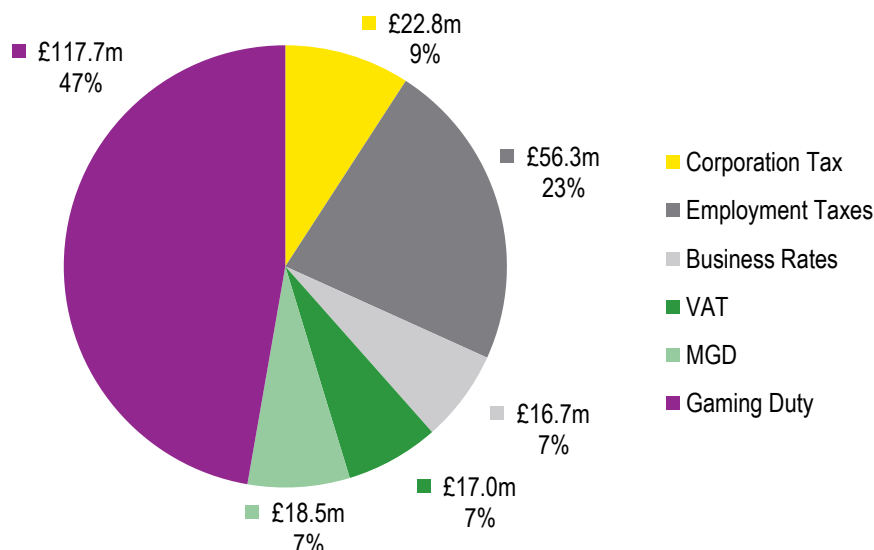
### 3.4 Contribution to the Exchequer

In addition to contributing to GVA and employment, the casino industry makes a significant contribution to the UK Exchequer, both through normal business taxes and gaming industry

specific duties (Machine Gaming Duty and Gaming Duty). Overall the industry paid an average of £244 million per annum of Gaming Duty in FY11-15.<sup>7</sup>

The total direct tax contribution of the casinos within the scope of this study in FY15 was £250m. This includes both gaming and non-gaming taxes. Figure 6 below shows how this is split across the different types of taxes paid.

Figure 6: Split of casino industry direct tax contribution, FY15



Source: EY analysis of operator data

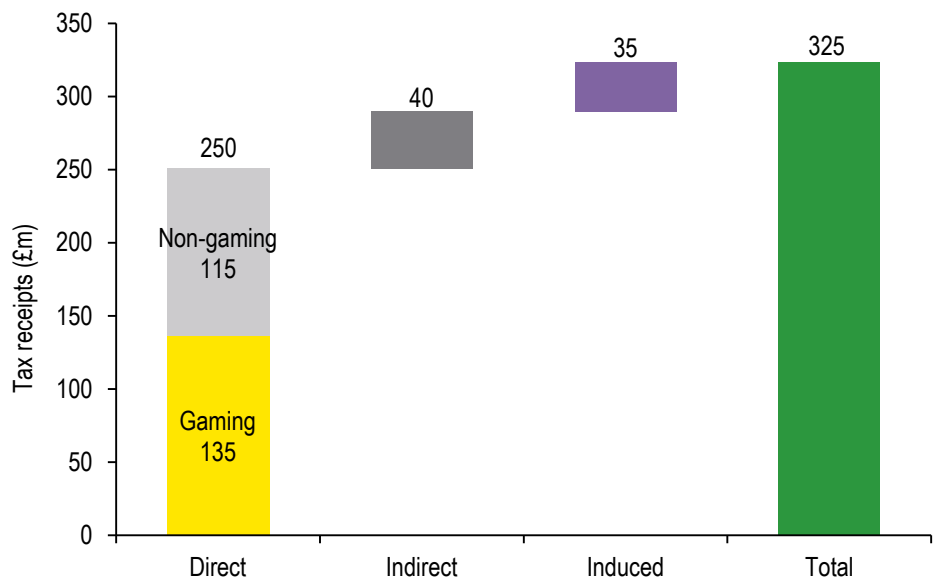
As well as paying taxes and duties to HMRC, casinos also make contributions to local councils' finances through business rates and licence costs (e.g. gaming and alcohol licences). In FY15 the casinos within the scope of this study paid £1.5m in licence fees and £17m in business rates to local councils.

The indirect and induced effects of the casino industry also generate tax receipts in ancillary industries and through employee spending. Once these effects have been added, the total contribution of the UK casino industry to the Exchequer in FY15 increases to £325m.

Figure 7 below summarises total direct, indirect and induced tax contributions of the casino industry.

<sup>7</sup> HMRC: *Betting & Gaming (B&G) Bulletin*, December 2015

Figure 7: Direct, indirect and induced tax contributions of the casino industry, FY15



Source: EY analysis

## 4. Scenario 1 – findings

### Box 1. Summary of the total impacts under Scenario 1

**Description of scenario 1.** Alignment of 1968 Act casinos with existing small 2005 Act casinos entitlements (i.e. 2:1 machine-to-table ratio and maximum of 80 machines per licence).

Total impact	Scenario 1
GVA (£m)	85
Employment (#)	600
Tax (£m)	40
Investment (£m)	65

### 4.1 Industry response

Under scenario 1, casino operators' responses will vary depending on their business model and the markets in which they operate. While some operators may wish to expand machine use up to the maximum allowance others may be limited by market demand or physical constraints in the casinos. It is, therefore, not the case that all casinos will automatically increase their machine numbers to the maximum, resulting in variations in how the industry responds to these policy changes.

Based on data from the casino operators within the scope of this study the following increases in machines and tables are expected under scenario 1:

- ▶ 1968 Act operators will be able to grow their existing facilities, where previously they have been constrained by the total number of machines they can provide
- ▶ The total number of slots would increase by around 1,160.
- ▶ Operators would also need to increase the number of tables they have by around 245 in order to meet the minimum machine-to-table ratio of 2:1.

These changes are expected to lead to an increase in the number of visitors to land-based casinos by 4.5 million, generating additional revenue of £105m.

#### 4.1.1 Contribution to GVA

Expansion of the casino industry will increase its direct GVA contribution to the UK economy by £55m under scenario 1 (from £465m in the base case). This is as a result of additional value generated by the casinos in terms of profit and expenditure on employee wages.

This expansion generates additional value through the casinos' supply chain (indirect effects) as they increase consumption of goods and services (e.g. machine rental, food and beverages etc.) and through employee spending (induced effects).

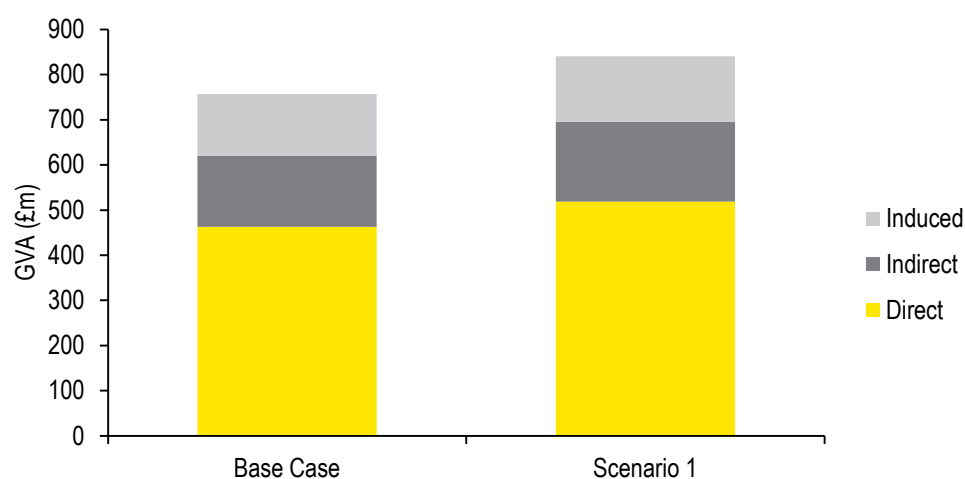
The combined impact of these indirect and induced effects is to increase the GVA contribution of the sector by £85m (from £755m in the base case). Table 3 and Figure 8 below show direct, indirect and induced GVA contributions of the casino industry under scenario 1.

Table 3: Direct, indirect and induced GVA of the casino industry

(£m)	Base case	Scenario 1
Direct GVA	465	520
Indirect GVA	160	175
Induced GVA	135	145
<b>Total GVA</b>	<b>755</b>	<b>840</b>

Source: EY analysis

Figure 8: GVA impact of the regulatory changes under scenario 1



Source: EY analysis

The scale of the regional GVA impact will depend on the size of the existing casino industry and expansion plans of the operators in each region. Based on data from the operators within the scope of this study we expect that the largest impacts would be observed in London which accounts for around 40% of total revenue. A major increase in economic activity is also expected in the North and South of England. Table 4 shows the regional distribution of GVA benefits of the scenario 1 compared to the base case.

Table 4: Distribution of positive GVA impacts of scenario 1 across UK regions

(£m)	Base case	Scenario 1
North	145	20
South	120	5
London (excluding High-End)	260	35
Scotland	45	5
Midlands & Wales	135	15

Source: EY analysis

#### 4.1.2 Contribution to employment

Expansion of the industry will require additional gaming staff to service a larger number of machines and tables. An increase in the number of visitors will also lead to an increase in non-gaming employees, including food & beverages staff.

The direct employment impact of the casino industry will increase to 11,335 employees in scenario 1 (compared to 10,990 people in the base case). Table 5 below demonstrates direct, indirect and induced employment contributions of the casino industry.

Table 5: Direct, indirect and induced employment of the casino industry under Scenario 1

(#)	Base case	Scenario 1
Direct employment	10,990	11,335
Indirect employment	5,225	5,410
Induced employment	2,450	2,525
Total employment	18,670	19,270

Source: EY analysis

Figure 9 below demonstrates the total employment impact of scenario 1 compared to the base case.

Figure 9: Employment impact of the regulatory changes under scenario 1

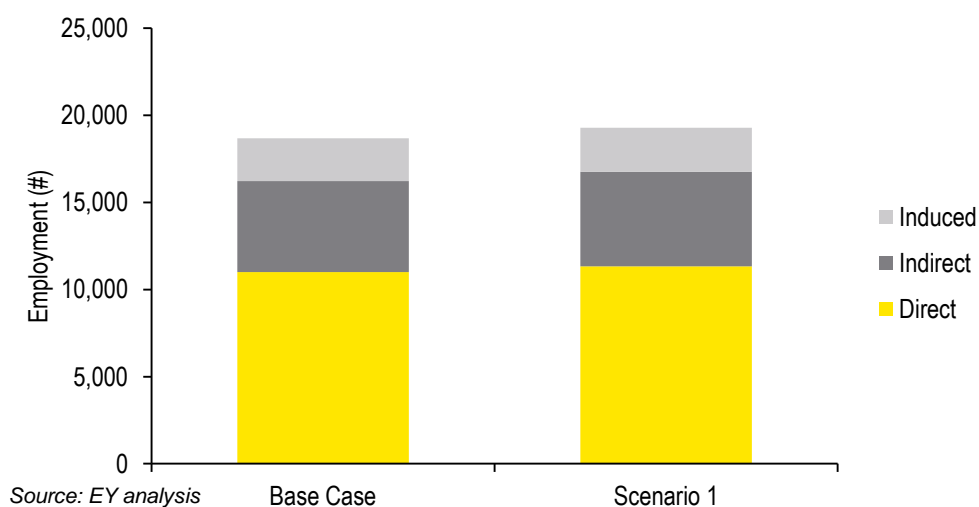


Table 6 below shows distribution of the impact of scenario 1 on employment across the UK's regions. As with GVA, this highlights London as one of the main winners in terms of employment. However the North and the Midlands and Wales also see a significant increase.

Table 6: Distribution of the positive employment impacts of scenario 1 across UK regions

(#)	Base case	Scenario 1
North	4675	155
South	3770	105
London (excluding High-End)	6015	195
Scotland	1675	75
Midlands & Wales	4075	130

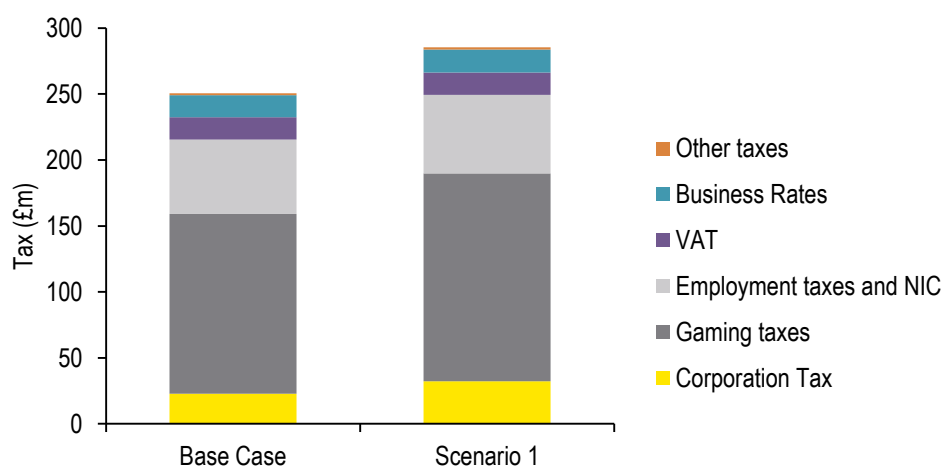
Source: EY analysis

#### 4.1.3 Contribution to the Exchequer

The direct tax receipts from the casino industry would increase by £35m under scenario 1 (from £250m in the base case). The increase is primarily due to higher receipts from gaming taxes and corporation tax. Figure 10 below illustrates the split of casino industry direct tax contributions to the Exchequer.



Figure 10: Split of casino industry direct tax contributions



Source: EY analysis

The Exchequer would also benefit as a result of the additional economic activity generated through the casino industry's supply chain and employee spending, which generates additional CT, VAT and employment tax receipts. Once these indirect and induced effects are taken into account the overall tax contribution increases by £40m (from £325m in the base case).

Table 7 below shows the direct, indirect and induced contribution of the casino industry to the UK Exchequer.

Table 7: Direct, indirect and induced tax contribution under base case and scenario 1

(£m)	Base case	Scenario 1
Direct tax	250	285
Indirect tax	40	45
Induced tax	35	35
<b>Total tax</b>	<b>325</b>	<b>365</b>

Source: EY analysis

## 4.2 Economic contribution of capital investment

In order to accommodate additional machines and tables some casinos will need to expand or refurbish their facilities. In addition, should new casinos open as a result of these regulatory changes this would require significant capital investment.

Based on data from the operators within the scope of this study, implementation of scenario 1 would stimulate investment of £65m. This capital investment would create further one-off direct, indirect and induced effects on the UK economy, on top of the effects of the on-going operation of the casino industry, as set out above.

### 4.2.1 Impact on GVA

The majority of this capital investment would be expected to be on construction industry services. Analysis of economic impact of this investment is based on the structure of the construction industry.

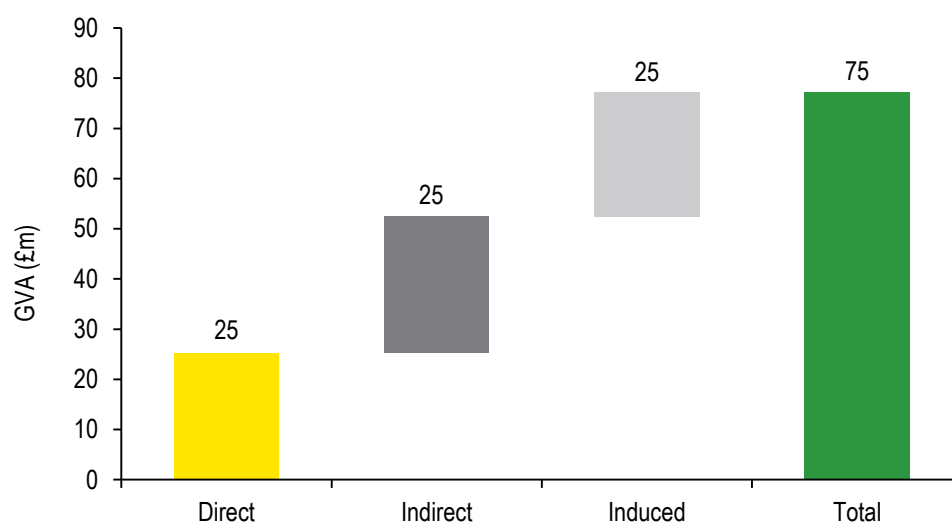
The direct GVA impact of this investment would be £25m in scenario 1. Once indirect and induced effects are taken into account, the GVA contribution would rise to a total of £75m. Table 8 and Figure 11 below show the GVA impact of the capital investment.

Table 8: Direct, indirect and induced GVA of the capital investment under scenario 1

(£m)	Scenario 1
Direct GVA	25
Indirect GVA	25
Induced GVA	25
Total GVA	75

Source: EY analysis

Figure 11: Direct, indirect and induced GVA of the capital investment under scenario 1



Source: EY analysis

Regional GVA contributions are correlated with the investment levels estimated by casino operators. The highest level of capital investment is expected to be made by casinos in London, the South and the Midland & Wales. Table 9 below shows how the GVA impacts are distributed across the UK's regions.

Table 9: Distribution of GVA generated by capital investment across UK's regions

(£m)	Scenario 1
North	4
South	15
London (excluding High-End)	25
Scotland	1
Midlands & Wales	13

Source: EY analysis

#### 4.2.2 Employment Impact

This capital investment can be expected to lead to an additional 615 direct employees under scenario 1. In addition through the construction industry's supply chain and employee spending a further 1,270 could be created.

Large indirect impacts of capital investment are due to the length of the supply chain of the UK construction industry which enables value creation in a number of other sectors.

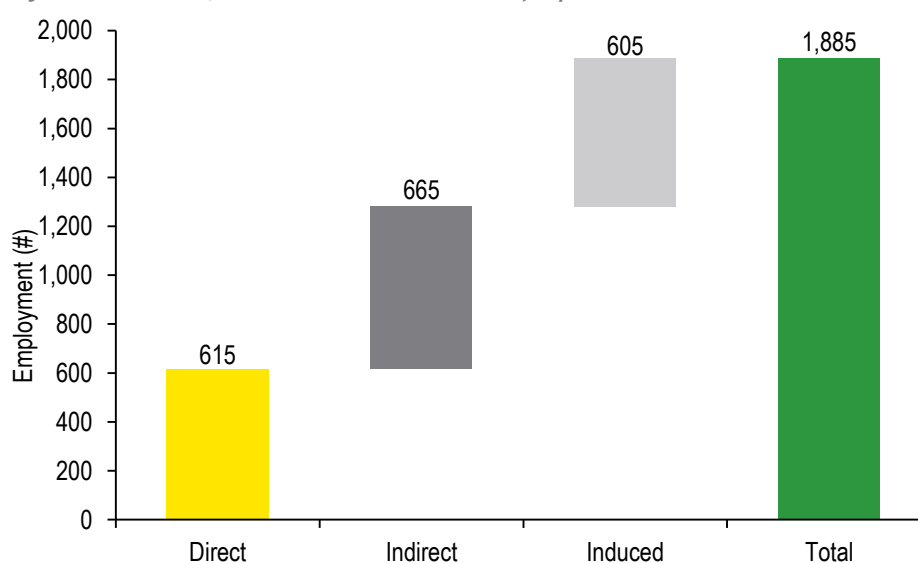
Table 10 and Figure 12 below provide a summary of the employment impact of the casino industry's capital investment on the UK economy.

Table 10: Direct, indirect and induced employment contribution

(#)	Scenario 1
Direct employment	615
Indirect employment	665
Induced employment	605
Total employment	1885

Source: EY analysis

Figure 12: Direct, indirect and induced employment contribution



Source: EY analysis

### 4.2.3 Tax impact

This capital investment will lead to revenue generation in the construction sector resulting in additional tax payments made to the UK Exchequer. This amounts to £5m under scenario 1. The value generated through indirect and induced effects will lead to additional tax revenue of £15m.

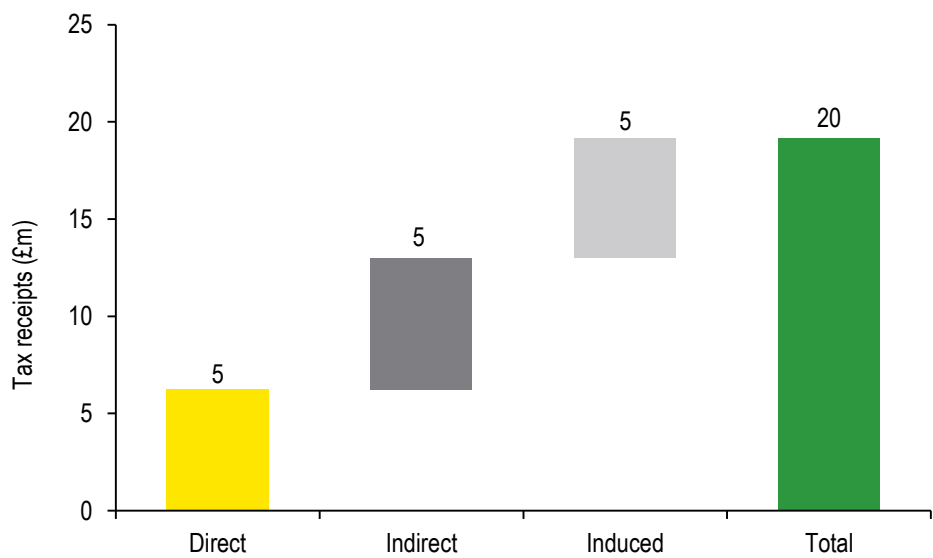
Table 11 and Figure 13 show the impact of this capital investment on the UK Exchequer.

Table 11: Direct, indirect and induced tax contribution

(£m)	Scenario 1
Direct tax	5
Indirect tax	5
Induced tax	5
Total tax	20

Source: EY analysis

Figure 13: Direct, indirect and induced tax contribution



Source: EY analysis

## 5. Scenario 2 – findings

### Box 2. Summary of the total impacts under Scenario 2

**Description of scenario 2.** Alignment of 1968 Act casinos and small 2005 Act casinos entitlements, with an uplift to machine-to-table ratio (i.e. 3:1 ratio subject to an overall cap of 80 machines).

Total impact	Scenario 2
GVA (£m)	150
Employment (#)	975
Tax (£m)	65
Investment (£m)	90

### 5.1 Industry response

As was the case under scenario 1, the response of operators to scenario 2 would be shaped by their particular business models and markets.

Based on data from the casino operators within the scope of this study the following increases in machines and tables are expected under scenario 2:

- ▶ The total number of slots would increase by around 2,175
- ▶ The total number of tables would increase by around 290 relative to the base case.
- ▶ Some operators may move to larger premises or set up new casinos with their currently dormant licences.

These changes are expected to lead to an increase in the number of visitors to land-based casinos by 7.3 million, generating additional revenue of £175m.

#### 5.1.1 Contribution to GVA

Expansion of the casino industry will increase its direct GVA contribution to the UK economy by £100m under scenario 2 (from £465m in the base case). This is as a result of additional value generated by the casinos in terms of profit and expenditure on employee wages.

This expansion generates additional value through the casinos' supply chain (indirect effects) as they increase consumption of goods and services (e.g. machine rental, food and beverages etc.) and through employee spending (induced effects). The combined impact of these indirect and induced effects is to increase the total GVA contribution of the sector by £150m (from £755m in the base case). Table 12 below shows direct, indirect and induced GVA contributions under scenario 2.

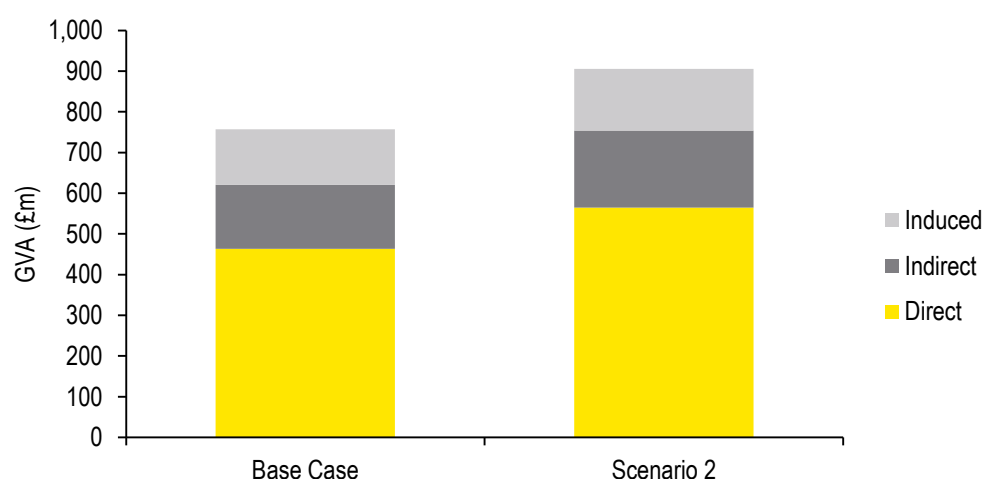
Table 12: Direct, indirect and induced GVA of the casino industry

(£m)	Base case	Scenario 2
Direct GVA	465	565
Indirect GVA	160	190
Induced GVA	135	150
<b>Total GVA</b>	<b>755</b>	<b>905</b>

Source: EY analysis

The total additional GVA generated in scenario 2 will amount to £150m. Figure 14 below shows the total impact of each of the scenario compared to the base case.

Figure 14: GVA impact of the regulatory changes under scenario 2



Source: EY analysis

The scale of the regional GVA impact will depend on the size of the existing casino industry and expansion plans of the operators in each region. Based on data from the operators within the scope of this study we expect that the largest impacts would be observed in London which accounts for around 40% of total revenue. A major increase in economic activity is also expected in the North and South of England, bringing around a further £30m of GVA to each of their economies under scenario 2. Table 13 shows the regional distribution of GVA benefits of scenario 2 compared to the base case.

Table 13: Distribution of positive GVA impacts of the policy scenarios across UK regions

(£m)	Base case	Scenario 2
North	145	35
South	120	30
London (excluding High-End)	260	45
Scotland	45	10
Midlands & Wales	135	25

Source: EY analysis

### 5.1.2 Contribution to employment

Expansion of the industry will require additional gaming staff to service a larger number of machines and tables. An increase in the number of visitors will also lead to an increase in non-gaming employees, including food & beverages staff.

The direct employment impact of the casino industry will increase to 11,535 employees in scenario 2 (compared to 10,990 people in the base case). The relatively small increase in direct employment is due to the fact that the main development of casino facilities is expected to be in the number of machines which require relatively fewer staff. Table 14 below demonstrates direct, indirect and induced employment contributions of the casino industry under scenario 2.

Table 14: Direct, indirect and induced employment of the casino industry

(#)	Base case	Scenario 2
Direct employment	10,990	11,535
Indirect employment	5,225	5,535
Induced employment	2,450	2,575
Total employment	18,670	19,645

Source: EY analysis

Figure 15 below demonstrates the total employment impact of scenario 2 compared to the base case.



Figure 15: Employment impact of the regulatory changes under scenario 2

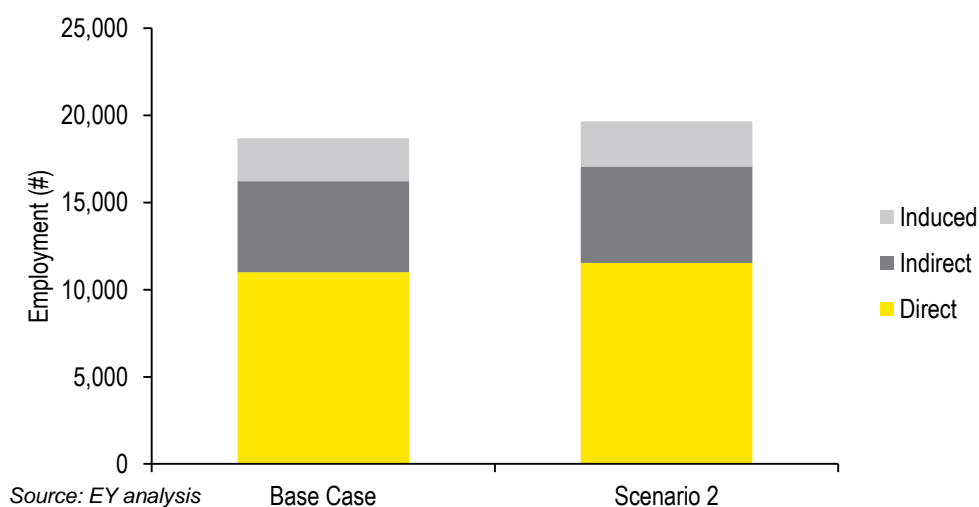


Table 15 below shows distribution of the impact of scenario 2 on employment across the UK's regions. As with GVA, this highlights the South and London as the main winners in terms of employment. However the North and the Midlands and Wales also see a significant increase.

Table 15: Distribution of the positive employment impacts of the policy scenarios across UK regions

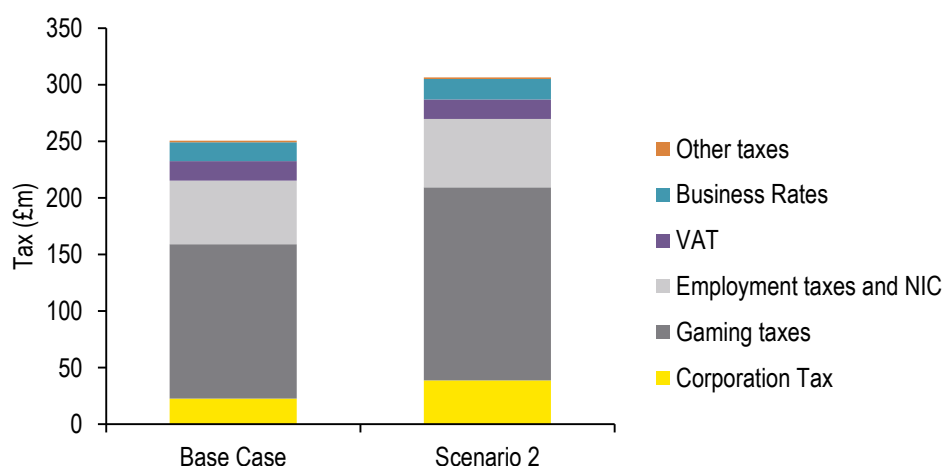
(#)	Base case	Scenario 2
North	4675	220
South	3770	335
London (excluding High-End)	6015	220
Scotland	1675	95
Midlands & Wales	4075	200

Source: EY analysis

### 5.1.3 Contribution to the Exchequer

The direct tax receipts from the casino industry would increase by £55m under scenario 2 (from £250m in the base case). The increase is primarily due to higher receipts from gaming taxes and corporation tax. Figure 16 below illustrates the split of casino industry direct tax contributions to the Exchequer.

Figure 16: Split of casino industry direct tax contributions



Source: EY analysis

The Exchequer would also benefit as a result of the additional economic activity generated through the casino industry's supply chain and employee spending, which generates additional CT, VAT and employment tax receipts. Once these indirect and induced effects are taken into account the overall tax contribution increases by £65m (from £325m in the base case).

Table 16 below shows the direct, indirect and induced contribution of the casino industry to the UK Exchequer.

Table 16: Direct, indirect and induced tax contribution

(£m)	Base case	Scenario 2
Direct tax	250	305
Indirect tax	40	45
Induced tax	35	40
<b>Total tax</b>	<b>325</b>	<b>390</b>

Source: EY analysis

## 5.2 Economic contribution of capital investment

In order to accommodate additional machines and tables some casinos will need to expand or refurbish their facilities. In addition, should new casinos open as a result of these regulatory changes this would require significant capital investment.

Based on data from the operators within the scope of this study implementation of scenario 2 would stimulate investment of £90m. This capital investment would create further one-off direct, indirect and induced effects on the UK economy, on top of the effects of the on-going operation of the casino industry.

### 5.2.1 Impact on GVA

The majority of this capital investment would be expected to be on construction industry services. Analysis of the economic impact of this capital investment is based on the structure of the construction industry.

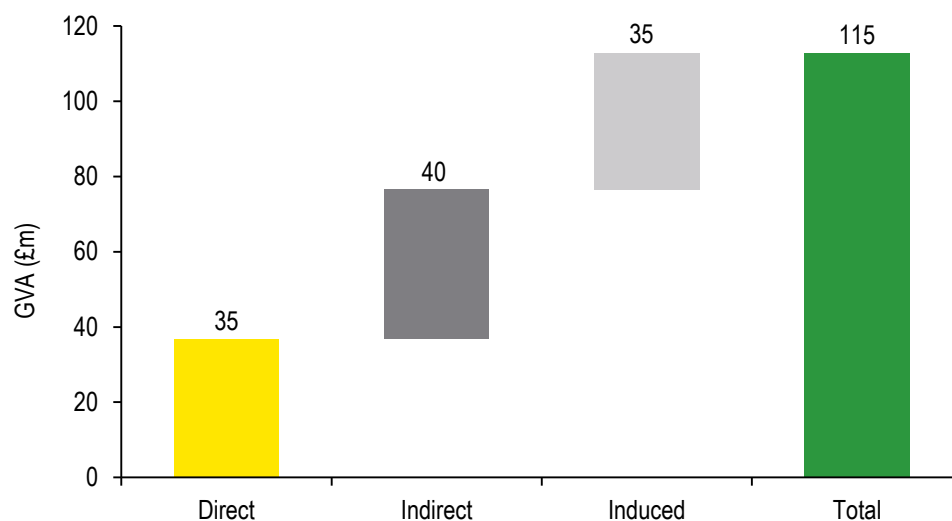
The direct GVA impact of this investment would be £35m in scenario 2. Once indirect and induced effects are taken into account, the GVA contribution would amount to a total of £115m in scenario 2. Table 17 and Figure 17 below show the GVA impact of the capital investment.

Table 17: Direct, indirect and induced GVA of the capital investment

(£m)	Scenario 2
Direct GVA	35
Indirect GVA	40
Induced GVA	35
Total GVA	115

Source: EY analysis

Figure 17: Direct, indirect and induced GVA of the capital investment



Source: EY analysis

Regional GVA contributions are correlated with the investment levels estimated by casino operators. The highest level of capital investment is expected to be made by casinos in London, the South and the Midland & Wales. Table 18 below shows how the GVA impacts are distributed across the UK's regions.

Table 18: Distribution of GVA generated by capital investment across UK's regions

(£m)	Scenario 2
North	16
South	21
London (excluding High-End)	25
Scotland	1
Midlands & Wales	25

Source: EY analysis

### 5.2.2 Employment Impact

This capital investment is expected to lead to an additional 900 direct employees under scenario 2 in the construction sector. In addition through the construction industry's supply chain and employee spending a further 1,855 jobs could be created.

Large indirect impacts of capital investment are due to the length of the supply chain of the UK construction industry which enables value creation in a number of other sectors.

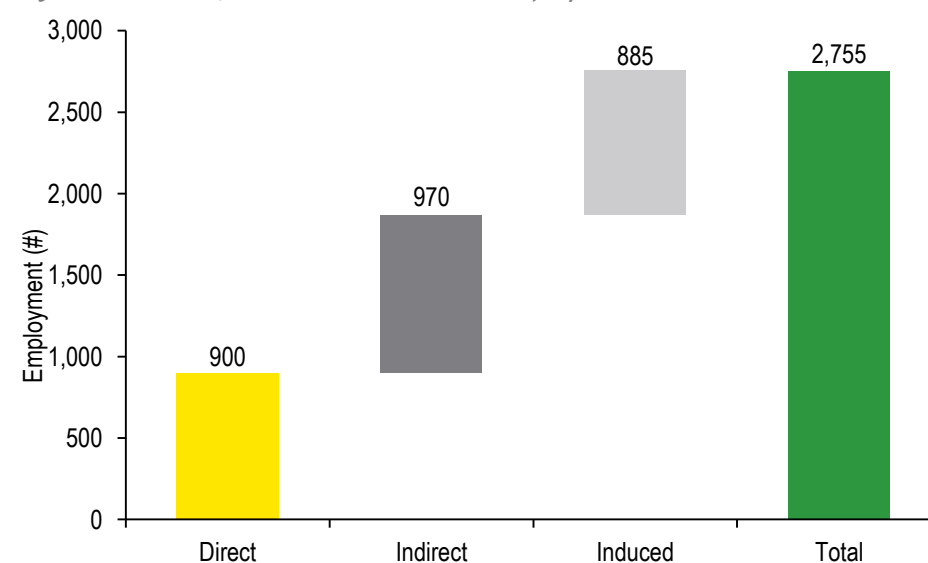
Table 19 and Figure 18 below provide a summary of the employment impact of the casino industry's capital investment on the UK economy.

Table 19: Direct, indirect and induced employment contribution under Scenario 2

(#)	Scenario 2
Direct employment	900
Indirect employment	970
Induced employment	885
Total employment	2755

Source: EY analysis

Figure 18: Direct, indirect and induced employment contribution under Scenario 2



Source: EY analysis

### 5.2.3 Tax impact

This capital investment will lead to revenue generation in the construction sector resulting in additional tax payments made to the UK Exchequer. This amounts to £10m under scenario 2. Furthermore, the value generated through indirect and induced effects will lead to additional tax revenue of £20m.

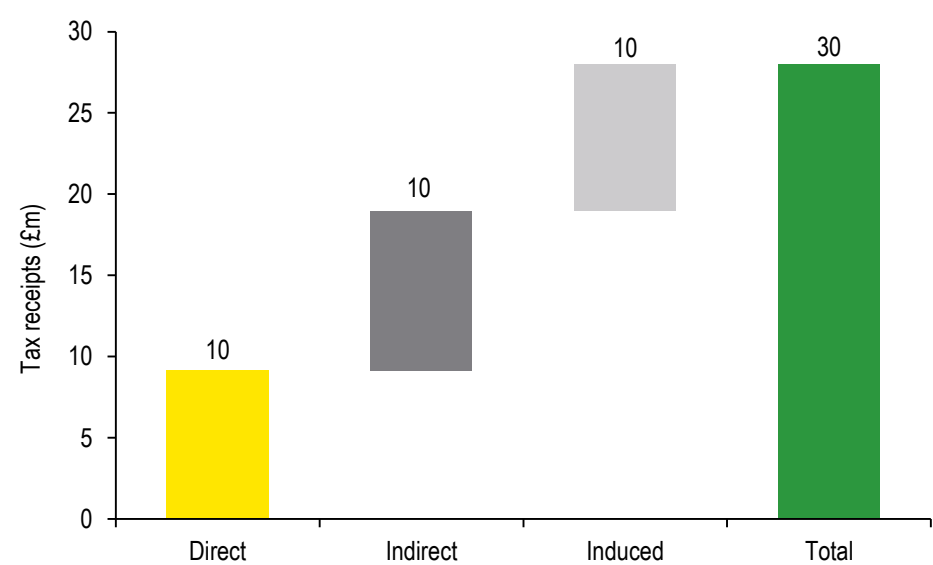
Table 20 and Figure 19 show the impact of this capital investment on the UK Exchequer.

Table 20: Direct, indirect and induced tax contribution

(£m)	Scenario 2
Direct tax	10
Indirect tax	10
Induced tax	10
Total tax	30

Source: EY analysis

Figure 19: Direct, indirect and induced tax contribution



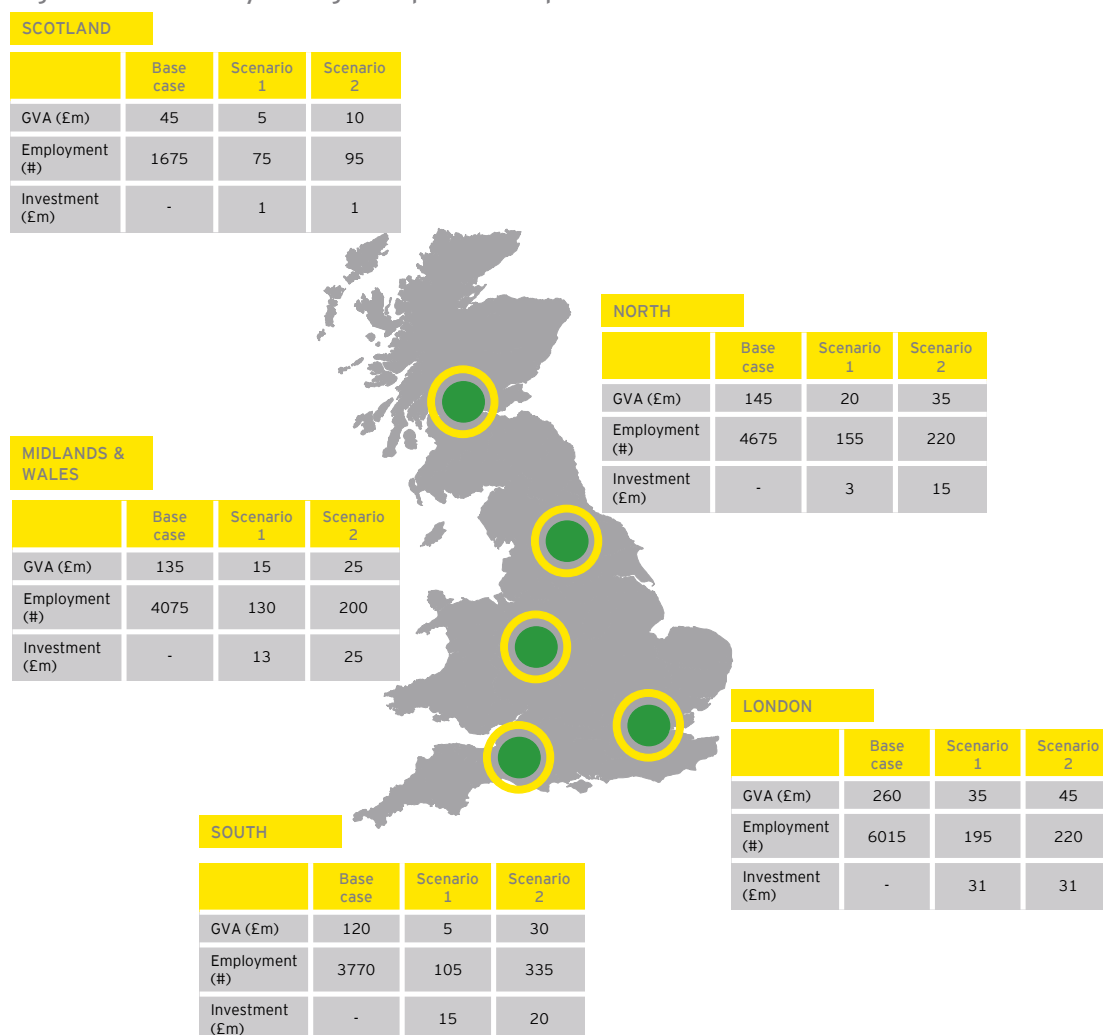
Source: EY analysis

## 6. Regional impacts of scenarios 1 and 2

As detailed above, adjusting machine entitlements could create positive impacts in terms of GVA, employment, investment and tax receipts. Figure 20 below shows that the benefit of industry expansion is spread across the UK with a number of regions benefitting. Whilst London may see the largest increase in economic activity in absolute terms some other regions will experience larger relative growth.

In particular, in London the difference between scenario 1 and 2 is lower, in relative terms than the UK average (3% versus 8%). In contrast, the North and the South will enjoy higher than average investment relative to the current size of the casino industry in these regions. As a result they benefit from a higher than average increase in GVA of 9% and 18% respectively. These higher relative GVA contributions in turn drive higher relative employment effects.

Figure 20: Summary of regional positive impacts



Source: EY analysis

## 7. Scenario 3 - Internet terminals

### Box 3. Summary of the total impacts under Scenario 3

**Description of scenario 3:** Removing the restriction on providing access to internet gaming through terminals situated in land-based casinos.

Total impact	Scenario 2
GVA (£m)	70
Employment (#)	490
Tax (£m)	30

### 7.1.1 Industry response

In the case of scenario 3, which would allow casino operators to install internet terminals in their land-based casinos, this will only impact those operators who already run an online gambling business. In the long-term casinos may wish to enter the online market in order to offer a wider range of services to their clients; however this level of market development has not been considered in this analysis.

The installation of internet terminals is expected to increase visits to land-based casinos by 0.8 million per annum. In addition existing clients may also wish to use the new internet terminals, increasing the amount they spend at UK casinos.

### 7.1.2 Contribution to GVA

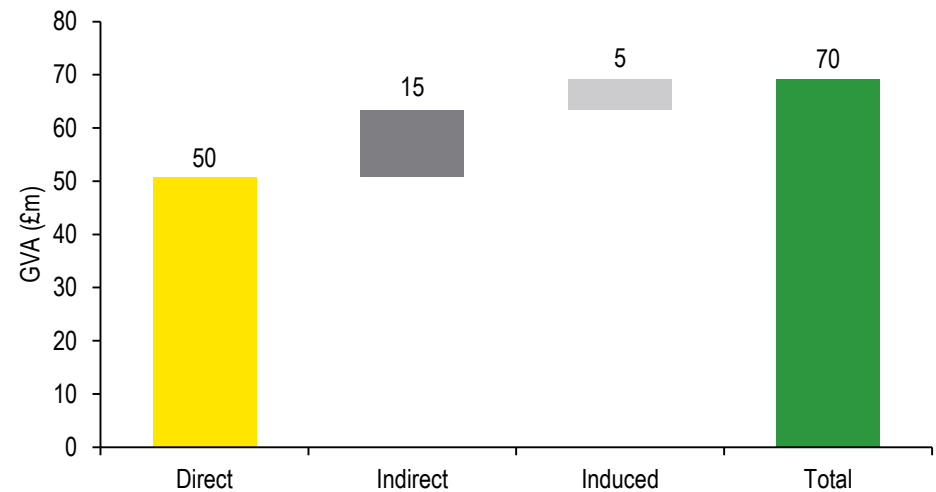
Allowing the casino industry to combine their online and retail services through internet terminals would increase the industry's direct GVA contribution by £50m. This includes the impact of additional visitors to UK casinos and their spending on non-gambling goods such as food & beverages.

The installation of internet terminals would also increase casinos costs (e.g. machine rental, food & beverage purchases) which would lead to an additional GVA impact of £20m through indirect and induced effects.

Figure 21 below shows total direct, indirect and induced GVA impacts of scenario 3.



Figure 21: Direct, indirect and induced GVA impacts of internet terminals

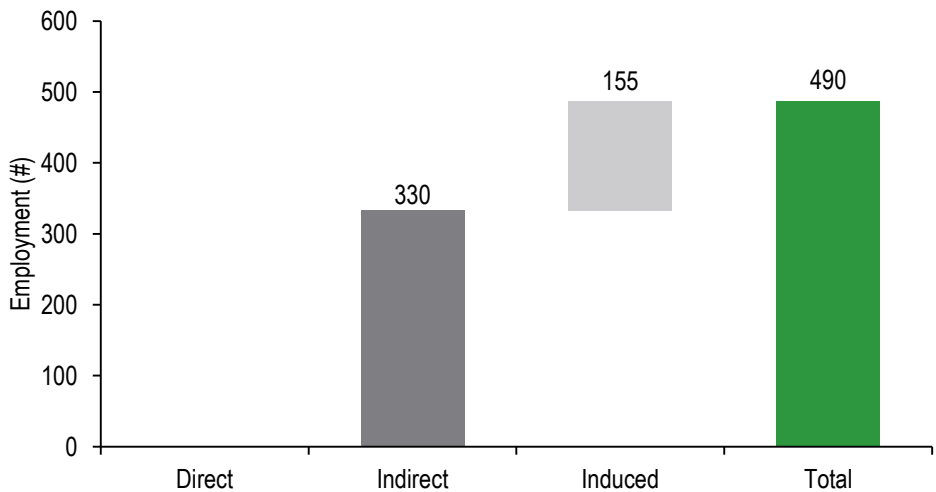


Source: EY analysis

7.1.3 Contribution to Employment

Whilst the introduction of internet terminals would not be expected to lead to any additional direct employment in the casino industry, through the casinos’ supply chain an additional 490 employees might be expected as a result of indirect and induced effects.

Figure 22: Direct, indirect and induced employment impacts of internet terminals



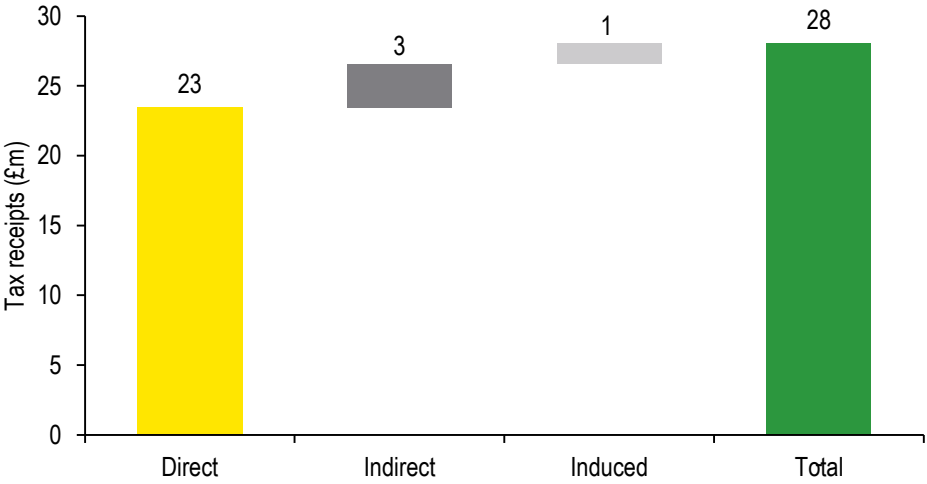
Source: EY analysis

7.1.4 Contribution to the Exchequer

Additional spending on internet terminals will increase gaming duty receipts to the Exchequer. As gaming duty for online gambling is set at 15% this rate has been applied to the increased spending on terminals. Casinos will also make additional contributions in corporation tax and VAT. The total direct impact of these additional tax payments is expected to be £23m.

Furthermore, the Exchequer will also benefit from increased tax receipts as a result of value generated through indirect and induced effects. These effects will increase tax impacts by a further £4m.

Figure 23: Direct, indirect and induced tax impacts of internet terminals



Source: EY analysis

# 8. Conclusion

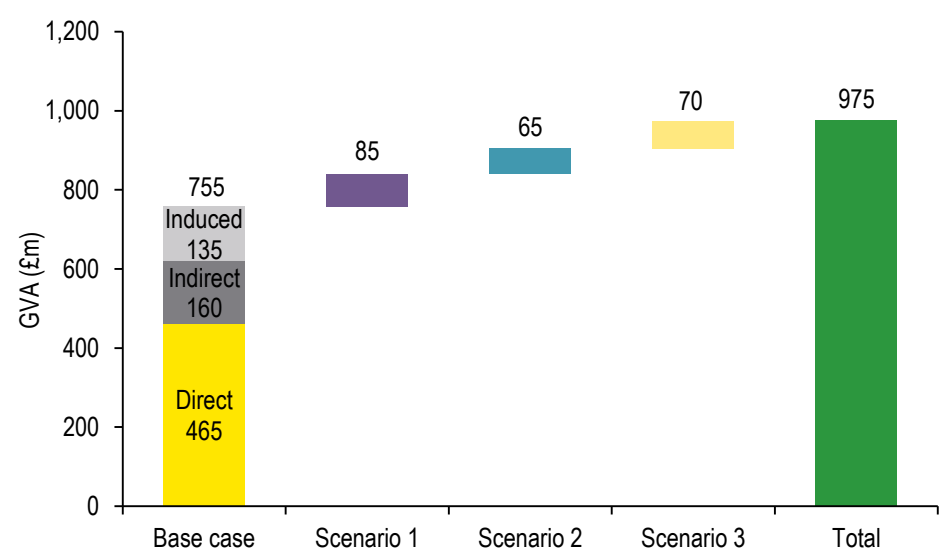
The analysis of the scenarios examined in this study shows that changes to the rules on the number of slot machines which can be offered in UK casinos, and the removal of the restriction on internet terminals could deliver significant benefits to the UK economy.

A significant increase (11%) in the GVA contribution of the sector could be achieved by harmonising 1968 Act regulations with those of small 2005 Act casinos. A further 8% increase could be achieved by uplifting the machine-to-table ratio to 3:1. In addition, allowing internet terminals use in land-based casinos could create a further 9% increase in GVA compared to the base case enhancing the growth prospects of the industry.

Expansion of the casino industry will also lead to a significant increase in employment and tax receipts in addition to a larger GVA contribution. Scenario 1 would results in a 3% increase in employment, with a further increase of 2% under scenario 2 and a further 3% under scenario 3.

The increased tax receipts for the UK Exchequer would amount to 13% under scenario 1, a further 7% under scenario 2 and a further 9% again under 3.

Figure 24: Incremental GVA impacts of each policy scenario



Source: EY analysis

Each of the three scenarios examined would, if introduced in as an individual change, deliver increases in GVA, employment and tax receipts. It would also be possible to pursue approaches which combined the different scenarios. The impacts of these combinations are summarised in the table below.

Table 21: Summary of cumulative positive economic impacts

	GVA (£m)	Employment	Tax (£m)	Investment (£m)
Scenario 1	85	600	40	65
Scenario 2	150	975	65	90
Scenario 3	70	490	30	-
Scenarios 1 + 3	150	1090	70	65
Scenarios 2 + 3	215	1465	95	90

Source: EY analysis

In summary, levelling the playing field of the UK land-based gaming industry will have a positive impact on the UK economy, with these benefits being spread across the UK. The most significant benefits can be achieved by adjusting regulation which restricts machine numbers. Allowing casinos to offer internet terminals could create further value and tax receipts.



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