

IPS FORUM ON  
**THE CASINO PROPOSAL**



**REPORT**

**10 JANUARY 2005**

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## **Foreword**

This is a report of the proceedings of the IPS Forum on the Casino Proposal organised by the Institute of Policy Studies (IPS), Singapore, held on 17 November 2004 in Singapore.

The discussion focused on the Singapore Government's proposal to explore the development of a world-class iconic destination resort that would incorporate a casino.

This IPS Forum was the first national, cross-sectoral public forum that focused specifically on what has stirred, not unexpectedly, public controversy – the casino. For the purposes of the Forum and this report, this proposal has been referred to as The Casino Proposal.

The Forum was conceptualised in August 2004 without the benefit of the many detailed models that we now know that the Government is considering. We hope that the report will nevertheless be helpful in stimulating a broader and more informed discussion on the issue by surfacing some comparative data and estimates of the economic and social impact of a project such as this, for Singapore.

This report was written by Dr Gillian Koh, Research Fellow at IPS, with the assistance of Ms Jeanne Louise Conceicao, Research Fellow and Ms Wendy Tng, Research Assistant. Dr Yap Mui Teng, Senior Research Fellow assisted the copy-editing of the report, respectively.

This project has benefited from kind sponsorship by the Lee Foundation.

**Mr Arun Mahizhnan**  
Acting Director

10 January 2005.

## **Executive Summary**

The Government's proposal to license a casino has stimulated much debate over the past months. The Institute of Policy Studies (IPS) organised a cross-sectoral, public forum on it. This Executive Summary highlights the main discussion points and conclusions that arose from speakers, participants and two rounds of audience polling.

The programme, list of participants and the results sheet of the audience poll can be found in the Annexes.

### **The Proposal and Singapore's Brand Image**

The Government's proposal for an Integrated Resort with a casino has been presented as a strategy to boost the tourism industry. The main public contention has arisen around the licensing of a casino, hence IPS has termed this the 'Casino Proposal' for purposes of the Forum.

It was acknowledged that Singapore was a 'mature destination' that constantly needed to reinvent itself. The Government should adopt a customer-focused approach, rather than a product-driven one in its strategic review of tourism development.

The Casino Proposal should be set within such an explicit strategic plan and assessed on the basis of what the key objectives for the national strategy were, how this particular project would appeal to targeted customer groups, how it integrated with the wider tourism cluster, and whether Singapore could be competitively advantaged in this arena. We should not proceed on the basis that 'we build', or 'we market' and 'they will come', nor would the marketing of stand-alone features be a successful strategy.

The proposal seemed in conflict with Singapore's longstanding image of a family-friendly and wholesome environment, as well as its more recent focus on developing knowledge-based tourism sectors, like health and education. A careful reassessment of our 'brand image' was needed before taking a new direction. Trade-offs were necessary as Singapore was too small to accommodate that many branding concepts, or sell itself as a point of multiple destinations. It was recognised that in this instance, the Government was seeking a market-driven solution to tourism development instead.

## **Doing the Sums: Economic Benefits and Costs of the Proposal**

Various economic arguments for the proposal were obviously, the expansion of the leisure and convention business, job creation, and other multiplier effects through the economy. It would also generate new tax revenue.

It was difficult to estimate such gains as details of the specific model and comparative data were not available till the day before the Forum. Since figures for the Australian gaming industry were known, it was estimated based on those industry economic and multiplier effects that the casino could generate about 0.29% of 2003 Gross Domestic Product (GDP at current market prices). But the economic impact would be more significant and diversified as the Australian case was dominated by stand-alone casinos rather than the integrated resort envisaged for Singapore.

If the casino captured half of the estimated S\$2 billion wagered overseas, it would save 0.63% of 2003 GDP. Taken together, the casino would contribute more than 1% to GDP (based on 2003 GDP current market prices.)

There was urgency in securing the investment as the targeted group of large resort operators based in the United States was now looking for opportunities in Asia, an underdeveloped yet promising market. South Korea and Macau were keen to attract them and were closer to the Northeast Asian market. Other countries in the region were also reviewing and liberalising their jurisdictions. If Singapore missed the boat, we would be consigned to a smaller secondary market, which might not be worth the while.

The rosy picture of a Singapore economy boosted by the new jobs and tourist dollars was questioned. Some argued that various economic studies of gambling have demonstrated both benefits *and* costs of gambling could be large, with the difference between the two being relatively small. It was potentially easy to tweak the assumptions in a study to make the case either for or against a casino.

It was also important not to conflate the economic benefits from the project with benefits to the general economy. We would need to consider the impact of trade diversion or cannibalisation of existing businesses

in the hotel, food and beverage, and entertainment sectors. While many hoped for positive spillovers, trade diversion would also be inevitable given Singapore's small size. This could be minimised if the resort was located far away from the existing urban centres.

As the casino would cross-subsidise non-gaming facilities and services, this increased the market risk which could be likened to a 'leveraged uncovered option', where the costs of keeping the project afloat could become larger than the size of the investment and have damaging effects on the rest of the players in the industry cluster. Operators could undercut the industry as they had the casino as a financial buffer.

To guarantee success for the economy, the resort would have to attract more traffic than it could itself accommodate. Also, those in the related cluster should conduct a strategic review to re-align themselves with the presence of the new player.

If the resort was successful, it could be the catalyst for a lot of other non-gaming arts, sports and social projects that Singapore needed, through sponsorship by the operator and increased gaming tax revenue.

These issues merited further study. Based on results of our audience poll, the economic case for the proposal weakened over the course of the day with fewer indicating unequivocal support for it, fewer for it even with safeguards. The trend of opinion shifted to holding-off on the proposal and piloting a casino, when compared with results of a poll before the start of the Forum. (See Chapter V for more details.)

### **Sizing up the Social Risks of the Proposal**

Any assessment of the proposal was complicated by the fact that many of the likely effects of the proposal resisted quantification, which was especially so for the negative social externalities. It was difficult for example, to put a price on the heartbreak and trauma caused by dealing with a spouse or family member who was addicted to gambling, or the direct problems faced by pathological and problem (P & P) gamblers themselves.

The social costs that could accrue from the increase in gambling addiction were downplayed by some, who pointed out that a casino would only be the tip of an

already large iceberg. There were many forms of gambling in Singapore, and many Singaporeans were already travelling to casinos far and wide.

Some were confident that a uniquely Singapore model could be developed with all the right social safeguards and strong enforcement in place for safe and recreational gambling. These measures would include screening for entry, ruling out cheque-cashing and credit facilities, the use of smartcard technology to pre-set limits on activity, and watchdogs in the casino to spot patrons who were over-gambling or developing an addiction.

Another route was to change the way in which casinos operated so that they were transparent with the odds of the games, or introduce even-odds gambling to allow for responsible gambling. This could be piloted on a small scale and evaluated.

It was clear the proposal was not fundamentally unjust nor its risks unfairly distributed so as to dismiss it outright on a moral basis. Given however, that the adverse effects of P & P gambling did extend beyond the gambler, and that gamblers could be induced beyond themselves by interested parties (operators of the casino) a regulation of these inducements would otherwise lead to compulsive, P & P gambling would be in order. This would in effect enhance genuine choice and responsibility among patrons at the casino. What might not be in order would be to disallow people from a casino to protect them from the losses they may incur, *a priori*.

Many participants' anxieties were not assuaged by such measures. Checking for customer's credit-standing could be difficult, time-consuming and costly. Casinos in Australia, South Korea and Malaysia relied primarily on the local market with only 20% of their revenue generated by foreigners. Any attempt to restrict local participation would not be viewed with favour by a potential operator. Some felt that there could come a time, if the resort did not do well, that the operator could wish to dismantle or relax such controls to keep the resort viable. It would therefore be important to make high consumer protection standards non-negotiable.

It was suggested that the resort be located away from where people live and work, to make a conscious decision for people to visit it. This would minimise impulse gambling. However locating it in the Southern Islands was still not much of a geographical barrier.

## **Managing Problem and Pathological (P & P) Gambling**

Social service practitioners reported that Singapore was ill-equipped to deal with problems stemming from the current level of P & P gambling, much less any increase. There were no more than 15 qualified professionals and only one agency that could deal with gambling addiction. There was also an under-reporting of the prevalence of problem gambling as it was often presented as other social problems like domestic abuse, or financial problems.

While the possibility that Singapore was one of the largest gambling nations per capita (mentioned by a speaker) could suggest that the casino would only be a paltry addition to the existing scope of gambling, the more critical implication was the likelihood that the absolute number of P & P gamblers could be high.

Comparative studies of the prevalence of P & P gambling indicated that this ranged from 1% to 8 % depending on the location and the design of the study. Estimates for the United States (US) and Australia were 3.44% and 5% respectively. A conservative estimate of 1.5% of Singapore adult residents (over 20 years of age) would translate to 38,319 people.

It has been well-established that the social impact of P&P gambling extended beyond the gambler. Each was estimated to affect between 8 to 15 others, be they spouses, children, extended family and friends. Taking a conservative estimate of 8, this would translate to an additional 290,400 people affected.

As for costing the impact, a speaker suggested that each P & P gambler in the US incurred an average of US\$13,586 per annum in direct social cost, which included productivity loss, bankruptcy, crime, suicide, illness, abuse, divorce, separation, social services and treatment costs.

A conservative estimate of treatment costs alone for Singapore, suggested by a speaker, of S\$5,000 per P & P gambler, per annum would translate to S\$192 million. If the US figure was taken as an indication of total cost instead, an estimate of costs would be S\$860 million.

Another point that *did not* arise in the Forum but has been discussed in the Conclusion of this Report relates to



an estimate of the marginal impact of expanded opportunities to gamble. A report to the National Gambling Impact Study Commission, United States 1999 stated with some certainty that the presence of a gambling facility within 50 miles roughly doubled the prevalence of P & P gamblers. If interpreted directly, the number of P & P gamblers could double to 76,600, with possibly 580,800 others affected by a complex group of social problems, if a casino were established here.

The resultant bill for treatment costs alone could then come up to \$384 million, (roughly 0.24% of Singapore's GDP (2003 at current market prices)), with total costs, an estimated S\$1.7 billion using the US figures again.

Some may feel that the marginal increase could be lower since the casinos in Batam and Genting, and on Star Cruises ships were already fairly accessible. Then again, what could happen with the expanded opportunity to gamble would be that each P & P gambler would affect an even wider circle of family and friends than just the 8 used in the estimate above.

More critically, it should be noted that P & P gamblers were unlikely to be in a position to bear any of these costs. These estimated sums were what the operator, the Government, and rest of society would need to bear as a result of the project. Also, figures for the United States suggested that only 8% of P & P gamblers ever overcome their gambling addiction.

As for the results of the audience poll on the social and moral aspects of the proposal, at the end of the discussion, the trend of opinion on the social issues was less clear with a marginal movement towards support for the proposal, and some movement towards the cautious approach of piloting a casino. On the question of the moral impact on values, there was a noticeable trend of opinion that shifted towards having the casino with safeguards. (See Chapter V for more details but note that the point on the marginal impact of expanded opportunities for gambling was not debated at the Forum.)

### **The Road Ahead: Results from the IPS Audience Poll**

Other results from the second round of the audience poll reinforced the general mood of caution. Participants were evenly split between not proceeding with the

proposal at all (42.8% in the second round of the audience poll) and proceeding with suitable safeguards after taking all things into consideration (44.1%).

Caution prevailed in responses to the statement: The proposal is a fair economic and business proposition which should not be held back by social and moral concerns. 23.3% felt that safeguards should be put in place even if they hurt the business case for it, and 21.8% felt that a consensus in society should be achieved one way or another before we proceeded with the proposal. 40.3%, the largest group disagreed outright with the statement which meant that the social and moral concerns were important enough to outweigh the economic and business considerations. Only 14% agreed with the statement.

If the casino were established, however, in terms of their personal practice, 83.3% of the participants in the poll would at least *tolerate* the presence of a casino in Singapore, but 16.7% indicated they would actively campaign against it.

Many felt there was a need to clarify the rationale for the proposal in the context of tourism development. They wished Singapore would pursue more innovative projects or at least projects that did not have such high attendant social costs, and not this one. Singapore would do better to develop the areas that were already identified like health and educational tourism or being a wealth hub which had more positive development trajectories. Also, it would be important to assess if there some underlying factors that were dampening the tourism sector that had to be dealt with directly. Others noted that this was a precious opportunity to develop Singapore's leisure and convention business, with the casino presenting an 'unresented tax' and sponsorship money to fund other social, arts and sports projects that we needed or wanted.

In terms of the political significance of the debate on the proposal, a speaker noted that some citizens felt the proposal was a "spectacular moment of contradiction in the PAP government's articulation of materialism and morality." They saw this as a betrayal of the Government's moral authority for the sake of economic benefit. Rather than a public debate between the two poles of a sterile, market-driven logic versus a reactionary, fundamentalist dogmatism, what was needed was a more open, informed and engaged consultation process on the objective merits of the case.

## Introduction

We understand that the Government will invite proposals from private developers and operators to build and develop a world-class, iconic destination resort in Singapore. This resort would be targeted at attracting convention and leisure tourists to Singapore from the region where there is a burgeoning middle class, especially from China and India.

This product should help to reinvigorate Singapore's tourism industry by presenting tourists with a wide range of entertainment options and top-class convention facilities, to increase tourism receipts, ensure a longer stay by tourists, and maintain Singapore's competitiveness in the region in the tourism industry. The resort may house a casino given that there is a market for it, and that it makes it more of an attractive business proposition to the large resort developers, say from the United States (US). It is understood that the 'gaming resort industry' is seeking to expand beyond a saturated US market. This would be an opportune time to attract a large scale investment to Singapore to ratchet it to a higher level in the convention and leisure business. It has been reported that operators like Hurrah's Entertainment and Kerzner International were looking at sinking in well beyond US\$1 billion in Singapore if the conditions were right.

The Government has been trying to understand the business models and operating frameworks of these operators and assess if Singapore was prepared to create the right conditions for such investments to be located here. It has established that the operators often view a mass-market casino as being integral to the resorts they develop as they generate 30-50% of the revenue which goes towards cross-subsidising the other non-gaming facilities and services that the resort has to offer.

It also recognises that there is a wave among countries in the region to review and liberalise their gaming regimes too. Macau has liberalised its jurisdiction to admit new players into its market. Thailand is reviewing its jurisdiction. Rumours are rife that Johore may also admit the establishment of a casino there. There may be an issue of securing some part of this market in order for our tourism industry to stay in the game at all over the middle-term.

In addition, Singaporeans have been, themselves, spending large amounts in casinos far and wide, and on cruise ships sailing out of Singapore. There would probably be those who would like the idea of expanded opportunities to gamble in the home territory. The casino would also help staunch some of that outflow – this would be GDP ‘saved’.

***What is at issue is not the building of the resort but the casino component of it.***

*Clearly, what is at issue for the Government and society is not the question of building a resort but the casino component of that proposal.* The Government has asked that citizens consider if, as a strategy for tourism development, they would be comfortable with licensing a casino as part of an integrated resort, developed possibly in Singapore’s Southern Islands. Could we have a casino and contain the negative impact that might arise? Could these be contained through safeguards for the vulnerable, like entry limits for those with certain income levels?

The Government has said that it would take the time to consult widely and assess the idea thoroughly. If the downside risks were too high, it would set the idea aside, but society would still have benefited from the discussion, perhaps with a greater appreciation of the economic imperatives and an exchange across of the country on the social-moral framework and conditions that citizens cherish, or envisage for Singapore as we go forward.

What follows is the Institute of Policy Studies’ (IPS) contribution to that discussion.

### ***Project Concept***

This project was first conceptualised in August 2004 without the benefit of many of the details of the proposal we now know about through public statements by ministers and the Feedback Unit website on the proposed Integrated Resort.

Also, because we felt that the critical issue centred on the establishment of the casino, we titled the forum that IPS organised, the ‘IPS Forum on the Casino Proposal’, as opposed to something that focused more broadly on the ‘integrated resort’.

### **Forum Objectives**

IPS held its Forum on the Casino Proposal on 17 November 2004. This was preceded by three closed-door deliberations and three months of research by the presenters at the Forum and other experts.

The objectives of the Forum were:

- To invite a cross-sectoral group of experts to compute and present their estimation of the potential economic and social outcomes of the establishment of a casino in Singapore;
- To engage a select group of opinion makers in the various stakeholder groups in a discussion of these estimates through the Forum and gauge their responses; and,
- To make a contribution to the Government's review of the proposal, by surfacing the findings of the research as well as views of representatives of some key constituencies derived from the outcomes of the Forum.

### **Structure of the Forum**

There were four main sessions in the Forum, preceded by *Welcome Remarks* by the Acting Director, Mr Arun Mahizhnan, and a *brief introduction to the Government's Integrated Resort Proposal*, by IPS Research Fellow, Dr Gillian Koh. These four sessions were:

#### **Session I. Thinking Through the Proposal**

This started with a discussion of possible frameworks of analysis for the policy question at hand. It then proceeded to hear presentations about the gaming industry, the way in which it operated, and some suggestions for a uniquely Singapore model of a casino that could effectively minimise the social ills in gambling.

#### **Session II. The Proposal and the Economic Case**

Two economists were invited to give a cost-benefit analysis of the integrated resort with a casino, and a third speaker with domain knowledge of the tourism industry in Singapore was invited to explore if there were other alternative tourism products that could meet the stated objectives of the proposal.

### **Session III. The Proposal and the Social Impact**

The first speaker was invited to present comparative data on the social impact of gambling, the second, on the impact of the current level of opportunities to gamble in Singapore, and the third speaker, to share his comparative knowledge on managing the social impact of gambling and its lessons for Singapore.

### **Session IV. Making the Decision (Open Forum)**

The fourth session comprised first, a presentation by a political scientist on the political significance of the debate and the considerations the Government would face in taking a decision on the proposal, and second, an Open Forum where the audience was given a chance to engage speakers to further develop their thoughts on the proposal.

### **Audience Poll**

An *audience poll* was conducted prior to Session I and just before the Open Forum of Session IV. The first round was to establish the baseline on the opinion of the audience on various aspects of the proposal. The second round invited them to respond to a similar set of questions, with one additional answer option as well as three new questions.

While this was by no means a scientific social survey, its purpose was to suggest how a group of opinion makers among the stakeholder groups might respond to the slate of ideas presented and discussions pursued through the day. It was hoped that this might surface what were the key considerations for the broader group of opinion makers in society on the idea of establishing a casino in Singapore.

A summary of the discussions, an assessment of the issues and sentiments in the room, and our recommendations constitute the rest of this report.

\* \* \* \* \*

## **Chapter I**

### **Thinking Through the Proposal. (Report on Session I)**

*Discuss appropriate frameworks of analysis, and business models for an integrated resort with a casino.*

*A customer-focused strategy would be critical for success.*

#### **Objectives**

The objectives of Session I were first, to discuss what was an adequate framework of analysis for the Government proposal (papers by Mr S. Wyatt, and Prof C. L. Ten); and second, to explore both working and ideal models, for a casino in Singapore (papers by Mr R. Tan, Dr L. Haverkamp and Mr J. Galaviz). Within this second group, ideas for safe, transparent, even-odds gambling as well as for piloting a casino were floated.

The session was preceded by a short briefing of the Government proposal which was to allow for the development of an iconic integrated resort to include a casino as a profit centre that could cross-subsidise other non-gaming entertainment facilities, service or events with mass appeal.

#### **Summary**

**‘A Casino in Singapore: Strategy for Success?’  
Mr Steve Wyatt, Vice President, Monitor Group.**

As part of the opening act of the forum, Mr Wyatt focused on the need for developing the case for an integrated resort within a strategic analysis of tourism development in Singapore. His was a business development perspective for Singapore Inc.

Mr Wyatt highlighted the fact that regional and global competition in the tourism industry had intensified. The old paradigms of meeting this competition like ‘build the infrastructure’, ‘market and they will come’, ‘build the brand’ or ‘target the special interest segment’ were no longer effective.

The future lay in making hard choices about the type of customers to attract, developing rich insight into customers’ needs, behaviour and values, and then building a tourism cluster based on the ‘customer-product-channel strategy’. Services and products should then be tailored for the targeted customer groups, in contrast to a product-driven approach.

Success would require a great strategy and great execution. A great strategy was when there was an aligned cascade of

*This would cascade down to choices on objectives of the strategy, market focus, and developing the appropriate capabilities and facilities.*

explicit and well-informed choices on its objectives (what are the measures of success), the choice of market focus (which customer groups to focus on), behaviour insight (how to drive the desired behaviour changes in the targeted customer groups), and capabilities and facilities (are the capabilities, facilities and activities aligned to ensure success).

The proposal should then be evaluated on the basis of the explicit choices made on a broader customer-focused strategy of tourism development in Singapore:

- Did it fit with the stated objectives and values?
- Would it be relevant to the targeted customer groups?
- Would it impact their spending decisions?
- How did it integrate with the wider cluster?
- Was Singapore competitively advantaged in this specific arena?
- Were there alternative projects or operating models that would measure up better to the objectives and choices of the customer-focused strategy?

Wyatt also highlighted alternative models of tourism development that explicitly avoided casinos like Hong Kong, as the cultural metropolis, (which no doubt could enjoy the spin-offs of having Macau in its backyard), and Dubai, as the regional luxury hub, aimed at attracting Global MICE (Meetings, Incentives, Conventions and Exhibitions) market and the wealthy of the region with tax-free luxury shopping, where gambling was disallowed.

*Singapore should aim towards unique market definition and assess the proposal's impact on the Singapore 'Brand' in that light, and avoid marketing stand-alone features.*

Whichever way the Government decided to go, Mr Wyatt urged that Singapore should aim to further develop a unique market definition and assess the proposal's impact on the Singapore 'Brand' in that light. Singapore was too small to accommodate many concepts, and should therefore offer in its entirety an integrated total experience to the tourist. It should avoid developing a tourism strategy that would be based on the marketing of stand-alone features.

#### **'Casinos: How to Decide'**

**Prof Ten Chin Lew, Head, Department of Philosophy, National University of Singapore.**

*The proposal is not a fundamentally unjust policy, nor its risks unfairly distributed and cannot be dismissed outright as such.*

Prof C. L. Ten's paper presented a moral framework of analysis to the forum. He argued that the proposal was not a fundamentally unjust social policy, nor were the costs or risks of the policy unfairly distributed. Hence, unlike a proposal for slavery for instance, gambling could not be



***The critical question is whether gambling is a truly self-regarding activity?***

***A regulation of the inducements that casino operators might use which lead to compulsive gambling would in fact enhance genuine choice and responsibility and would therefore be in order.***

***A cost-benefit analysis that considers the intangibles of enhancing choice and responsibility would be appropriate.***

dismissed entirely out of hand as some would wish.

On the other side of the argument, proponents argued that gambling was a 'self-regarding activity' which ostensibly posed no harm to the interests of others, and should therefore not require a cost-benefit analysis. Indeed, while gambling was intrinsically bad, so long as it was truly self-regarding, toleration should be extended and gamblers given the freedom of choice and responsibility to gamble.

The real problem was whether the assumption that it was a self-regarding activity was a correct one? In fact, some of the effects, he noted, did extend beyond the gambler. Examples of such effects were its adverse effects on family life, theft, fraud, and organised crime.

Even if, for argument's sake, there were none of these effects, a critical question asked by the philosopher, J S Mill himself in the case of gambling was whether there could be an exercise of truly free choice given that "gamblers may be induced to gamble by interested parties".

While it would be excessive paternalism, incompatible with the promotion of personal choice and responsibility, for the state to disallow casinos to protect people from the losses they might incur, "it is not unjustifiable paternalism to be concerned about compulsive gambling". On this particular point, compulsive gamblers were propelled to gamble and therefore did not act with the degree of voluntariness needed to realise the ideal of personal responsibility for their own lives. For this reason, some regulation of the inducements that interested casino operators might otherwise use to encourage excessive and compulsive gambling were most certainly in order. This would not detract from the ideals of choice and responsibility but in fact "enhance genuine choice and responsibility", even if this was at the expense of reduced profits for the operators.

Hence, while the proper framework for evaluating the proposal was a cost-benefit analysis, it should not simply be a technical sort confined to some weighting of people's economic and social welfare. It should be broad enough to include the moral and political questions. Most critically, the decision-making process should take into account the intangibles of enhancing personal choice and responsibility.

The following two papers, by Mr R Tan and Dr L Haverkamp, then effectively responded to this concern about how gambling operations can and should be structured to expand this ability to exercise genuine choice and responsibility, and specifically minimise over-gambling and other social ills.

**‘Proposal for Safe and Social Gambling’  
Mr Ronald Tan, 1 Worldhotels Limited.**

*The key problem with casinos today was that they promote over-gambling. Measures to prevent this and good governance to enforce them would ensure that the Singapore model promoted safe, recreational gambling.*

Mr R. Tan recognised that the key problem with casinos today was that they promoted over-gambling, and advocated instead social gambling that should be fun and relatively safe. He opined that operators that invested large sums in casino complexes would be driven to “encourage excessive gambling” to recoup their investments. This was often through organised junkets, and granting of credit and cheque-cashing facilities. Over-gambling and the emergence of the social ills associated with casinos were also often the result of poor governance or the policing of social controls and other regulations.

Mr Tan was convinced that with its strong and good governance, Singapore would be “one of the few countries in the world today to show that we could operate a model casino, rich in entertainment, and profitable, yet with the minimum social side effects which most countries have failed to control.” To illustrate, he cited how criminal and bookmaking activities have been curbed at the new Kranji Turf Club.

The following were suggestions for the sorts of controls that should be introduced in the Singapore model. The first had to do with *criteria for membership* to the casino, and the screening process. Foreign passport holders would be granted immediate temporary membership which could be revoked immediately should a trace uncover a criminal record or blacklisting by other casinos. Singaporean applicants could be appraised in the same way the credit companies do their checks on an individual’s credit standing. This rating would not be for credit purpose but for the operator to monitor if the member was over-gambling.

The second was to ensure that the *casino would not be allowed to provide credit or cheque-cashing facilities*. There should also be stringent security to keep loan sharks out.

There could also be gambling with tokens to win prizes, which would be for those (mainly retirees) who may just want the casino experience with very small betting.

The third suggestion was for the operator to have *a team of trained psychologists on the gaming floor to spot problem gamblers*. Once spotted, they would be counselled and asked to choose to ban themselves from the casino for a period of time.

The *casino operator should see it as its responsibility to launch several social programmes to treat problem and pathological (P & P) gambling*. One would be to develop a specialised clinic for the problem given that P & P gambling already existed even without a casino in Singapore. Mr Tan added that it would be first of its kind in the region and could service others with the problem from the region.

***The larger the investment, the more compelled an investor would be to encourage over-gambling to recoup that investment.***

Above all else, Mr Tan felt that we should be wary of rushing into building a lavish entertainment complex because investors and operators were often compelled to encourage over-gambling to recoup their investments. His suggestion was to *start with a modest stand-alone model that could be fine-tuned and allow for any unforeseen social problems to be remedied along the way*.

***The casino could forge partnerships with existing tourism businesses to minimise cannibalisation.***

The *casino could also forge partnerships with existing hotels, food and beverage, retail and entertainment outlets by awarding members points for their play that could be spent at these outlets*. This would address the oft-raised point of the cannibalisation of existing businesses by the proposed integrated resort.

Mr Tan could envisage this as a growth industry, with positive attributes because of the strong governance and regulatory framework that could control the social ills that were associated with casinos elsewhere. It would be attractive because it would be different, and tap the large existing local market as well as the burgeoning one in the region.

**‘A Casino in Singapore – How to Make it Work’  
Dr Larry Haverkamp, Financial Columnist, The New Paper.**

***Casinos lead people to over-gamble by concealing the true odds of winning.***

Dr Haverkamp adopted a different tack by focusing instead on the way that games in the casinos were structured. He argued that gambling was a unique product – there were

few products that left people worse off and yet people would continue to ‘consume’ them. He presented long-term data to suggest a general point that no one could ever win over the long run in any sort of game of chance in a casino.

People gambled because of the mistaken belief that the outcomes were not random but involved skill, or, that they believed that the outcome of the games were truly random and determined by sheer luck. The nub of the problem was that casinos encouraged these beliefs by concealing the true odds of winning.

***Fair choice and responsibility could result if the Singapore model could be transparent about those odds. Another way would be to have ‘even-odds’ games.***

Dr Haverkamp had three suggestions on how to operate the casino in Singapore differently. The first was to “Sell honesty”; to leverage on Singapore’s reputation for transparency and honesty and establish the “fairest casino in the world”. This could be operationalised at two levels. Level One was to make casino statistics such as the odds of winning, freely available to all. Level Two was to make all the games “even-odds” so that they were zero-sum games between the casino and the gambler over some stretch of time. The casino would then cover its costs and earn a reasonable profit by selling, in a transparent way, its chips at a premium.

***Singapore should ‘start small’ and pilot a transparent, or fair casino to begin with.***

The second suggestion was to “Start Small”. The current system run in mega-casinos by the big-time players like Donald Trump and Steve Wynn would have every interest in maintaining it for its enormous profitability. Transparent or fair casinos would be a competitive threat because gamblers could then demand the same degree of fairness elsewhere. Hence the most practical way to try out the transparent or fair casino was to pilot it locally, on a small scale and for a limited amount of time after which the model would be evaluated.

***Be wary of the ‘established casino operators’.***

Dr Haverkamp’s third point was really a warning. He felt that Singapore should be wary of the ‘established casinos’. While they could present attractive FDI (foreign direct investment), a casino did not present the usual win-win outcome, because its main business was “to take money in games of chance by tricking players” (i.e. by concealing the true odds of winning.) While this could be offset by opening the casino mainly to foreigners or tying it to a family theme, there were two ways in which the casino’s goal might conflict with Singapore’s interest: First, it would probably seek to funnel Singapore tourists to their most high-margin casinos in the world, and secondly, it could seek to quietly raise the odds to make the games

more profitable to the operator.

Like Mr Tan, Dr Haverkamp felt that it would be easier to start small, to 'go it alone' locally, with contracted foreign expertise to pilot the idea. It would be easier then to move from 'small and proprietary' to 'big and foreign-owned' or even change our minds about it later.

**'The Business Perspective'**

**Mr Jonathan Galaviz, Partner, Casino Gaming Practice, Galaviz Ong & Co., Ltd**

The last paper was presented by Mr J. Galaviz whose role was to offer the Forum some insight into the business perspectives of the large casino operators based in Las Vegas as they were one potential source of investment in the Government's Integrated Resort Proposal. What were their operating frameworks and parameters and what would shape their investment decisions?

*Casino resort operators, especially those from the United States require strong jurisdictions to operate under to meet licensing requirements from their home base.*

Mr Galaviz started by saying that the casino firms had the same business goals as other businesses. He added that as many were listed on the New York Stock Exchange, these firms would not operate in unsound jurisdictions. In fact, the gaming industry was currently one of the most regulated and ethical industries in terms of corporate governance in the United States. Suitable jurisdictions would be where licence regulations and administrative law were strong, ethical and specific to the industry. These firms were also subject to the discipline of the Nevada Gaming Control Board, and licenses would be jeopardised if operations outside of Nevada were found to run foul of the Board's regulations. Mr Galaviz emphasised how the corporate officers of these firms, their backgrounds and conduct came under very tight scrutiny under these licencing regulations. In other words, there would be very strict discipline enforced from the home base over the general corporate governance of these firms if they were to locate in Singapore.

*A low tax on Gross Gaming Revenue would help to attract investment to Singapore.*

Another key consideration for these businesses had to do with the Casino Gaming Tax Policy. Governments generally taxed the casino's GGR (Gross Gaming Revenue, which is all bets placed minus all bets paid, before wages, debt service and expenses), and this could range from 6% to 70%. A lower tax on GGR would then make for a more attractive investment location and the likelihood of securing a larger, more robust project.

***A convention facility and a mass-market casino make any proposal to locate in Singapore more feasible and attractive.***

Mr Galaviz shared that the large casino firms *would not* invest in Singapore without the integrated resort concept being its foundation because it was the integrated resort concept that would secure the mass-market visitation need to justify that level of investment. Integrating a large convention facility would make the proposition more feasible. In the same vein, any attempt to restrict the locals from participating in the casino and the resort at large would temper the interest of the potential investor.

According to Mr Galaviz, Singapore had the opportunity to be the ‘first-to-market’ in large-scale casino gaming in Southeast Asia, but this was a critical stage at which operators were deciding where to place their large, strategic investments for their next wave of operations. Macau had liberalised and had a proven market in East Asia. Singapore would do well not to miss this window of opportunity.

To liberalise too late would result in Singapore becoming only a secondary market for the immediate and broader region. With all the attending possible social negatives, it might not then be worth Singapore’s while as it would fail to achieve its high targets of achievement. Also, if Singapore were to legalise casino gaming, but in a “mass market *restricting* manner”, then according to Galaviz, “it would probably not be wise for Singapore to legalise casino gaming in the first place” because it would not be able to attract “*significant* casino investment from gaming operators”. This would consign Singapore to becoming a “lowly secondary market”, and which would not generate the mass-market tourism visitation the Government hoped for.

## **Discussion**

Forum participants started the first discussion with spirited comments on the earlier presentations.

***Not all casinos thrive but those in integrated resorts do better.***

Some pointed out that it seemed difficult to properly quantify the costs and benefits of a casino, and cautioned against assuming that a casino was a sure-win formula of attracting the tourists and achieving some economic ballast out of it. Atlantic City and Melbourne were highlighted as places where smaller businesses had been crowded out by the arrival of casinos, and where an expected economic revival had not in fact materialised. It was suggested that up to 30-40 % of casinos the world over are moribund, and money-losing ventures, a third break-even and only the rest

of them are successful. Speakers were asked why that was.

In response, Mr Galaviz and Mr Tan agreed with the assertion and added that the casinos were successful in the case of integrated resorts. In fact, most of the profit for the resort would stem from the casino. Casino operations could well make up 90% of total profit, and would be used to subsidise even complimentary services offered at the hotels and restaurants in the resorts to those playing in the casino.

***The cross-subsidisation by the casino of the other non-gaming facilities may distort the industry and therefore it will be imperative for Singapore to mount a strategic review of it before proceeding with the proposal.***

This raised the question of whether a large integrated resort in Singapore would lead to trade diversion, crowding out or cannibalisation of pre-existing businesses, say in the hotel and food and beverage industry, compounded by the distorting effect of the subsidies mentioned above. Mr Galaviz noted that hotels and motels off the main strip in Las Vegas were thriving, suggesting that there was in fact a positive spillover effect to the industry. Mr Wyatt used this issue to reinforce the need for a strategic review of the hotel and related industries that might be impacted by the development; it was up to players in the cluster to take it into account and re-align themselves to benefit from it.

***Singapore could be too small to sustain too many concepts in tourism branding and has to choose carefully.***

Another concern was the impact of the proposal on the branding of Singapore – how would it detract from the image being developed to support goals like health and education tourism? Mr Wyatt echoed these concerns because he felt Singapore was a bit too small to present a slate of multiple destinations. It had to be careful about its branding based on a strategic choice about the sort of customer base it was targeting.

***Casinos were no longer necessarily associated with crime.***

The fear of increased criminal activity was raised, with Melbourne cited as an example of this. In reply, Mr Galaviz pointed out that such activity could well be prevented or minimised by strong governance by the operators and the local authorities. He related how the operators in Las Vegas were scrupulous in conducting background screening before hiring anyone and in restricting access of employees to operations based on their specific roles, for example.

***Measures on how to deal with the attendant social problems should be included in the proposal.***

One participant felt that the casino should be allowed if the social costs could be dealt with, but felt that it was still unclear how this could be done. Mr Tan responded by pointing to regulations on casino operators in the United States and Canada which obliged them to fund from their profits, comprehensive social programmes to deal with things like gambling addiction. Corporate social

responsibility would have to be instituted – the case of the Asia-Pacific Breweries executive who was allowed by London casinos to gamble away millions indiscriminately, would not be allowed to go on because there would have been enough intelligence and action taken on the part of the operator to prevent something like that.

A related and salient point was the presence of existing problem gamblers and the lack of resources or facilities to deal with them. Mr Galaviz argued that we should not deny that problem gambling was already present in Singapore. The difference an incoming casino operator could make would be to fund social programmes that would deal with the pre-existing problems.

### **Key Issues For Consideration**

The key issues that the session raised for the debate on the Casino Proposal were:

What were the ultimate objectives of the proposal? This would indicate what were the necessary trade-offs involved. For instance, was it the ‘big bang’ for the convention industry in underdeveloped Southern Islands, and was it to generate truly mass-market visitation? This would suggest the scale in which the proposal would need to take in order to achieve the objectives.

The concept of the proposal would need to take the current branding of Singapore into consideration; would it conflict with current and future initiatives in tourism development? Yet on the other hand, the argument could be made that the Singapore Brand could make its mark in the gaming industry. The tourism cluster of businesses would require some strategic realignment to remain competitive if the proposal was to go ahead as conceived.

The larger the scale of the investment, the greater the likelihood that the investors or casino operators would find it in their interest to promote over-gambling. There were speakers who felt that these large operators should be avoided, but it was also understandable that these were the operators who were prepared to make an investment of the scale that would seem to make the economic proposition for Singapore worth the while.

There was also some concern about the market distortion that might come about if the casino were to heavily cross-subsidise the hotel, and the food and beverage sections of



the resort. These might undercut prices in the rest of the industry. There would need to be a good strategic review of the industry clusters at stake so as to reduce the threat of cannibalisation of the pre-existing businesses.

As for the nature of the games themselves, there was no transparency about the odds of the games, but speakers pointed out that if one played for any amount of time, punters were certain to lose money.

It was then not unreasonable to expect an operator to introduce and enforce regulations to prevent over-gambling. In fact, such action would serve to ensure that individuals had genuine choice and could be effectively held responsible for their actions. The problem was that casino operators would face a conflict of interest. It was more likely that they would be prepared to fund social programmes that address problems of addiction that would arise.

Ideally, the ways in which to prevent over-gambling would be to have operators disallow any credit or cheque-cashing facilities on the gaming floor and have trained psychologists on hand on the floor to counsel problem gamblers, or even allow customers to pre-set limits on their activities.

Could there also be an opportunity to pilot a casino with the regulations in place to impute the business and social impact and evaluate the soundness of allowing for a casino in an integrated resort in Singapore? The pilot would allow others to test their ideas for transparent, or 'even-odds' gambling in Singapore. It would allow Singapore the opportunity to review the idea and perhaps give it up if it were not worth the risk. This brought us back to the question of the strategic objectives of the proposal and the scale needed in order to achieve them.

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## Chapter II

### The Proposal and the Economic Case (Report on Session II)

*Attempt a cost-benefit analysis of the project and explore alternative tourism products*

#### Objectives

The objectives of Session II were first, to attempt a cost-benefit analysis of the Government proposal for Singapore (paper by Assoc. Prof. W. Koh) and do the analysis with specific reference to the comparative experience of countries in the region (paper by Mr S. Mathur), and second, to explore what alternative tourism projects could meet some of the stated objectives of the proposal just as well (paper by Mr C. Khoo).

#### Summary

**‘An Integrated Resort – Casino for Singapore: Assessing the Economic Impact’**  
**Assoc. Prof. Winston Koh, School of Economics and Social Sciences, Singapore Management University, Singapore**

*There are limitations to the use of cost-benefit analysis, where different weights for different parts of the system under review could result in a different case for or against the proposal.*

Assoc. Prof. Koh stated that the key question his paper had to address was whether the net increase in income and well-being from the casino would be worth the acknowledged social costs of gambling by generating some estimates for the specific case of Singapore. This assessment of ‘net impact’ however, depended on the weights assigned to the different components of the anticipated benefits and costs, so that different weights could result in the case for or against the proposal. In standard welfare analysis, if it was found that the casino did result in a diversion of expenditure from say other games or goods, and services, it could be argued this was an increase in welfare since it met a need, but it could also be argued as being undesirable because expenditure was diverted from more desirable ends.

Assoc. Prof. Koh sketched the context for the casino proposal. He gave some background knowledge on the casino resort industry. While its traditional operations were previously closely associated with organised crime, the sorts of operators that Singapore was aiming to attract, specifically those based in the United States were now likely to be publicly listed companies holding licenses from strictly regulated jurisdictions. In addition, studies were inconclusive on the impact of the presence of a casino on crime rates on the surrounding area. Tight security and multiple layers of regulator control could effectively deter

criminal activity.

Second, he noted that large casino operators based in the United States were undergoing consolidation and expansion overseas, so that there was a window of opportunity for attracting some of that capital to the region and particularly, to Singapore. Countries in the region were just as cognisant of the growing market and were, like Singapore, reviewing or liberalising their gaming regimes.

On the potential benefits, there were three main areas of potential gains. First, the gain in utility for individuals from gambling as a recreational activity. Second, macro-level economic gains, directly from the investment in tourism development, and indirectly from the creation of jobs, associated goods and services, the diversion of funds currently going to casinos overseas back to Singapore, and other multiplier effects on the existing tourism industry and the general economy. Third, the casino was an additional source of tax revenue.

Assoc. Prof. Koh stressed that there were two caveats in working out some possible estimates of the foregoing. First, the magnitude of the impact would depend on the type of casino operations permitted, the scale and the restrictions imposed, and second, the effects of the resort project had to be disentangled from the casino development. He went on then to present some back-of-the-envelope calculations of possible impact to Gross Domestic Product (GDP) based on the impact of the casino industry in Australia for which figures were available.

For the Australian casino industry, 80% of total revenue was generated by the gaming activities, while 20% was generated from food and beverage and accommodation. In 2002-2003, 14 casinos in Australia generated A\$8.6 billion in output, A\$5.9 billion to GDP, A\$2.1 billion to household income, and 46,612 jobs of which 19,439 were full-time positions.

***The casino and its gaming activities could generate about 0.29% of 2003 GDP (current market prices), but could be higher.***

Assuming similar multiplier effects and industry economics, Koh posited that the economic impact for Singapore could be 3,000 jobs of which 1,400 would be full-time positions, household income of S\$160 million, total revenue of S\$250 million, with S\$195 million from gaming activities; with a contribution to GDP of S\$460 million which would be 0.29% of Singapore's 2003 GDP. Of course, these estimates should be viewed with caution as the industry economics and multiplier effects could be

*quite different in the Singapore setting.*

Since the Government proposal seemed to be modeled on the lines of The Atlantis resort in the Bahamas, or The Bellagio in Las Vegas where the revenue contribution of non-gaming activities, ranged from 50% to 70%, the economic impact of the Singapore resort could be more significant and diversified than the Australian case which was dominated by stand-alone casinos.

***If it could capture half of what Singaporeans are estimated to have wagered overseas, it would save 0.63% of 2003 GDP (current market prices).***

Also, given that an estimated S\$2 billion was spent on casinos overseas and a similar quantum was wagered in underground betting, the impact for Singapore would be even larger depending on how much the casino could capture of this. *If only half of the amount wagered overseas was captured, that would save 0.63% of Singapore's GDP*

***Added up the rough estimates suggest that the proposal could contribute more than 1% of GDP.***

*Added up, these rough estimates suggest that the proposed development could contribute more than 1% to GDP with the resort up and running.*

***Singapore could have a competitive advantage in presenting leisure and business travelers with a powerful city-resort combination, but Singapore may not have a competitive advantage for capturing the gaming market in Northeast Asia.***

As for the impact on tourism, an international advisory panel to Singapore Tourism Board had stated that Singapore could be unique in being able to offer excellent business infrastructure in the city with a world-class resort within 30 minutes away; assuming Sentosa was the site of the development, *“it would have a powerful city-resort combination as a competitive advantage”*. Certainly, Macau and South Korea were gearing up to capture the growing gaming market in Northeast Asia, and the fear was that Singapore would not be able to compete effectively in the tourism sector without the right attractions.

Having said that, the experience of casinos in other countries suggested that tourists contributed about 20% of the total revenue generated and therefore that the domestic market was really the primary one. This was the case in Australia, Malaysia, and in South Korea, where the total revenue of the casino that admitted locals generated more revenue than that of the 13 foreigners-only casinos combined. If, however, the proposed resort as a whole could attract a new set of high-rolling tourists and a larger slice of the convention business, the pie could be grown in both the local and tourist markets.

As for tax revenues, given that the effective tax rate on legal gaming activities (based on figures from Inland Revenue Authority of Singapore, Annual Report, 2003),

***Extra tax revenue, at 25% of amount wagered could increase by 25% of 2002 levels.***

was about 25%, if, again half of the S\$2 billion wagered overseas as well half of the S\$2 billion wagered underground was captured, an extra S\$500 million would be drawn in betting duties. If tourists could bring in say, an additional S\$500 million in gaming revenue, that would add S\$215 million to bring the estimated sum to S\$625 million, which would be just under 25% extra at the 2002 level of betting taxes.

On the side of the potential costs, there was the impact on Singapore's reputation and the increase in gambling addiction and its accompanying consequences.

Assoc. Prof. Koh acknowledged concerns that a casino would erode the social fabric of the country leading to increase in bankruptcy and broken homes, and that it might taint Singapore's image of a being an orderly, clean-living society and deter investors from coming. He noted however that major cities with casinos in the United States and Australia had not reported noticeable reductions in trade and investment flows, and that some thought a resort with a casino could create a buzz for Singapore and put it on par with other major cities with their world-class cultural and entertainment facilities.

***Casinos could be used for money laundering.***

Another concern was that casinos presented the opportunities for terrorist groups and criminal organisations to launder money. The screening of patrons and their transactions had to be closely monitored to control this.

***The greatest concern would be the impact on 'addictive gambling'.***

Assoc. Prof. Koh recognized that the greatest concerns of the proposal its the impact on 'addictive gambling'. In South Korea, 9.3% of the population was categorised as gambling addicts, of which a third required serious and urgent treatment. The operators of the casino open to locals found they had to establish a rehabilitation clinic one year into operations.

In Britain, it was estimated that the liberalisation of the gaming regime would result in a doubling of the number of problem gamblers by 2010, but this was considered by some as marginal compared to the problem of alcoholism and smoking there.

In the case of New Zealand, a study did suggest that there was higher incidence of gambling addiction with the introduction of a casino.

In the United States, a study suggested that the introduction

of casinos did result in the rise of bankruptcy with the exception was where the casino was built as a destination resort to attract tourists rather than located in a purely urban setting.

In general, the majority of patrons of casinos were not hardcore addicts but social gamblers, and there were many systems that were being adopted to control over-gambling. The mentioned entry barriers in the Government proposal to keep out lower-income groups could certainly be managed through a smartcard system where a person's income level, betting limit and playing time could be set to regulate for safe gaming in the proposed facility.

Studies that sought to quantify costs were often controversial and challenged by critics.

***It has been estimated that problem gambling or the gambling addiction has cost up to 0.34% of the US GDP(2002).***

A 1999 study by the US National Opinion Research Center prepared for the National Gambling Impact Study Commission estimated that 2% of the US population had moderate to severe problems with gambling in their lifetime, and 1% in the year preceding the study. *The costs from poor physical and mental health was about \$1,000 to \$2,000 per capita, with additional cost from divorce, bankruptcy, and arrests, rising to US\$5,000 to US\$6,000 per affected individual. This was an estimated US\$3.5 billion a year, which was about 0.34% of the US GDP in 2002.*

Some would find it objectionable to monetise human suffering or broken homes, but it had to be acknowledged that the proposal could lead to social costs in terms of the increase in problem gambling even with safeguards in place.

In the end, even if the details of the project and a sophisticated model for cost-benefit analysis were available, there would always be considerable uncertainty about the future. What was more certain to Assoc. Prof. Koh was that it would be difficult to attract investors and tourists to a destination resort without a casino, and it was probably not feasible either to build a resort and add a casino to it later. He also felt that the audience should be conscious that Singapore needed to make a decision urgently to take advantage of the current opportunities.

**‘The Bear Spin on Singapore’s Casino Venture’  
Mr Sanjay Mathur, Executive Director, Asian  
Economics, UBS AG**

*Be careful not to conflate the benefits of the project to the overall economy with the benefits to the project itself.*

*The proposal faces different market risks.*

*Casinos rely heavily on local participation.*

*Singapore does not have a competitive advantage in the gaming industry especially in attracting the Northeast Asian market.*

*The model of a casino set within an integrated resort, away from urban centres, would create less trade diversion or cannibalisation*

Mr S. Mathur said he set out to provide a balanced economic assessment of the potential value of the proposal casino-resort as more often than not, the perception was that casinos were always positive in terms of their macro-impact on the economy. He argued that the benefits were often exaggerated, and more critically, the benefits to the overall economy were equated with the benefits to the project. Finally, casinos faced market risks.

First, on market risk, the proposal seemed to be geared towards tourism development and attracting foreign visitors. The participation of locals would be subject to some restrictions. With the exceptions of gambling cities like Las Vegas, Macau or Atlantic City, Mr Mathur, like Assoc. Prof. Koh set out figures to show how *casinos have tended to rely heavily on the local participation.*

In addition, Singapore would face stiff competition in seeking to attract visitors from the region, especially Northeast Asia. Macau, which had long been in the game, was now seeking to broaden its market by repositioning itself as a destination for families, and business conventions in addition to gambling. South Korea was also developing a large facility on Yeong Giong Island, easily accessible from Seoul and only an hour away from Beijing and Shanghai. Therefore, as a late entrant, Singapore was clearly at a “competitive disadvantage”.

The issues of the location and type of casino were also important. There were two models, the first of a casino far from urban population concentrations with some natural tourist attraction; a facility with extensive non-gaming amenities available. The second would be located in an urban area but where the local population was then discouraged or limited; a facility that was in the main a casino with limited non-gaming amenities. The second model of stand-alone casinos in metropolitan areas generally led to trade diversion, i.e. spending on the casinos would be accompanied by a decline in spending on other activities.

The first model was preferable, where overall visitor arrivals and spin-offs increase on a net basis, but “some cannibalisation of existing services is still likely” because Singapore was a city-state with a small area. Specifically, hotel rates could be marked down sharply, especially if

gambling cross-subsidised non-gambling activities, an example being Sky City Casino in Auckland, New Zealand where cheap accommodation costs were estimated to have forced other hotels to cut their prices by about 10%.

*The value-added of a casino to Singapore could be no more than 0.1% of Singapore's GDP.*

As for the direct impact of the project on the economy, a straightforward comparison of value added of the Australian gambling industry to GDP per casino was about A\$155 million, this would be equivalent to 0.1% Singapore's GDP and then again, this could be lower for Singapore given the high import content of the economy.

*The benefits to employment should also not be exaggerated because the labour requirements may be met through importation.*

As for the indirect benefits, net employment creation could be positive but should not be overstated because trade diversion might result simply in an inter-industry movement of labour rather than new job-creation, and part of the labour requirements for the new industry would have to be imported. While tax revenues could increase, this would only be to the extent that it was not a result of the substitution of one form of gambling that was pre-existing to the new form.

Hence, while there could be positive spin-offs, Mr Mathur offered these reasons for not exaggerating them and emphasised the need to separate the benefits to the project from those to the economy.

#### **'Re-engineering the Tourism Industry'**

**Mr Christopher Khoo, Managing Director, MasterConsult Services Pte Ltd.**

Mr C. Khoo assessed the casino proposal *vis-à-vis* other forms of tourist development for its benefits specifically to the industry. While one might have reservations about the introduction of a casino in Singapore, he felt that this wariness of its impact should be tempered by the realisation that internet gambling was already freely available and the fact that Singaporeans were among the largest client base for the casino in the Genting Highlands, Malaysia.

Mr Khoo pointed out that Singapore was now a 'mature destination' that was constantly renewing and reinventing itself, placing it at the forefront of product, infrastructure, service and marketing innovations in the industry. It was also ranked the third top convention city in the world, the top among Asian cities for over two decades and a popular business hub.



He then gave an overview of some of the key elements of Singapore's tourism appeal. First was shopping; for its quality and range, although it was no longer the dominant reason for visiting Singapore. The second was that it was a convenient stop-over on the Kangaroo Route, and that the market has been expanded to include more destinations on the European end. This area is being further developed. Third, was MICE or the Meetings, Incentives, Conventions and Exhibitions sector which was also being rationalised and developed aggressively as the MICE visitor was recognised as being a high value, high quality tourist, spending up to three times what a normal tourist would. Fourth, Singapore was being pitched as a business destination, and business travel constituted up to 20% of total visitor arrivals. Fifth, Singapore had been developed as a place for family fun, with many attractions geared to this market. Sixth, cruise tourism. This had required considerable investment and risk in developing a cruise centre, but it has developed well and now had real strength and was a key element of the industry. Seventh, events tourism which was also being aggressively developed. Eighth and latest segment, medical and education tourism where the critical element was not the medical or educational facilities but developing a trust in the Singapore brand for this segment to take off. One marginal segment was sports tourism and some one-off marketing or public relations initiatives like the hosting of the MTV and Bollywood awards.

Some aspects of tourism remained outside of what Singapore could do for obvious reasons, like religious tourism, skiing and winter holidays, and marine holidays, although Singapore could be positioned as a staging point for diving holidays in the rest of the region.

Mr Khoo highlighted some of the areas that Singapore could develop further, like theme parks, especially something on Sentosa, and arts tourism, sports tourism, educational and medical tourism, as well as marine tourism (as mentioned earlier), and a more out-of-the box idea of space tourism.

***The casino would cross-subsidise other non-gaming facilities and events that would otherwise not be possible to have. Operators could also be made to sponsor other public programmes.***

As an expert on the tourism industry, Mr Khoo felt that there were really no other tourism products or broad infrastructural projects that had not already been considered or initiated that could meet the broad objectives of the casino proposal. The casino clearly was not the be-all and end-all of a tourist strategy but what it did was to make other products possible by cross-subsidising them. His stand on the proposal was that while the tourism

industry in Singapore “will not die or decline” if the proposal did not go through, it would “enable more and other attractions and facilities to become economically viable which will in turn increase Singapore’s tourism attractiveness”.

While accepting the need for the programmes and measures in place to protect the vulnerable who might be unable to “act responsibly”, he urged the audience to see how the casino could be turned to Singapore’s competitive advantage. Prospective casino operators could be charged with being stalwarts for the arts and entertainment scene by committing them to sponsorship of events or educational opportunities. They could initiate sports academies even. In addition, funding for tourism promoting and advertising had always been expensive, and it would be another idea to extend the tax on casino’s revenue to tourism promotion, destination advertising, in a way that would be unresented.

And if there were those who were queasy about accepting funding from casino-related revenue, then they needed only to recognise that Singapore Pools has already played such an integral role in sports, arts and community development in terms of funding programmes and infrastructural development over the past 30 years. This was an indication of what was possible; certainly a positive spin-off for the tourism industry and society at large, in his books.

## **Discussion**

The discussion focused noticeably on the market risk of the project, and sentiment was generally cautious with regard to both the potential economic and social impact of the proposed integrated resort cum casino.

Chairman for the session, Mr Yeoh Lam Keong provided an outline of the key economic issues and summary of the main points made. He referred to various studies on gambling, that pointed out that both costs and benefits involved in gambling were typically very large. Any change in the assumptions for modeling could make either the costs or the benefits from a casino larger than the other.

The big economic assumptions involved were the costing of non-price goods involved in gambling, particularly the negative externalities that resulted from them. The treatment of social cost was especially difficult; how would one compare economic benefit with family breakups? For

***In the cost-benefit analysis of the proposal, big economic assumptions were involved in trying to cost the price of negative externalities, social ills that derived from gambling.***

***Significant absolute numbers could succumb to problem and pathological gambling.***

***The proposed investment could be likened to a 'leveraged uncovered option' which could do grave damage to the whole tourism sector if it failed.***

example, were the costs of counselling often used in measuring the latter a good measure of the true misery of a broken family? The situation was complicated by the fact that, as the Australian Productivity Commission report pointed out, the social costs of gambling addiction ranged from addiction, productivity loss, domestic abuse to bankruptcy.

A large proportion of pathological gamblers were also known to suffer from depression, serious guilt, and actual and attempted suicide as a result of their addiction. Many economists involved in gambling studies thus cautioned that cost estimates tended to be understated, and if fully factored in, could well exceed potential benefits. While studies showed that these were typically only 1-2% of the population, they were large in absolute numbers.

The potential cannibalisation of other hospitality, entertainment and convention related businesses by the casino and whether alternative tourism options were available was also brought up as key points to consider.

On cannibalisation, Mr Yeoh agreed that a very successful integrated resort need not cannibalise existing businesses, but this was so only if it was able to bring in many more tourists than the capacity of the hotel and other facilities that it was planning to build had to offer; so that it would not draw away customers of existing hotels, entertainment venues, etc. If not, the widespread tendency of casinos to cross-subsidise related businesses would certainly mean that significant cannibalisation could occur.

As Mr Mathur had pointed out, this impact could be quite severe and could damage the existing hospitality, entertainment and convention industry. This negative side effect would have the exact opposite impact of damaging the tourist infrastructure rather than boosting it. The risk of this happening was probably larger than realised by planners of casino facilities, as 30-40% of casinos eventually failed and a similar proportion did not do very well. Such on-going losses were not included in the cost-benefit analysis.

Given the scale of the proposed investment in non-gaming facilities like hotels, convention centres or entertainment involved in the integrated resort-casino proposal in the order of billions of dollars), Mr Yeoh likened the proposal to selling a leveraged uncovered option, as opposed to the analogy of buying a financial option, which if successful could attract more tourists, as drawn by Dr Koh. Such an

uncovered option had a larger and more unlimited downside risk over time if the trade were not successful. In the case of the proposed project, the downside risk could be wider than the investment cost of the project itself and the negative social cost to problem gamblers. This was because if the casino resort did badly, it could also negatively impact profits and employment in surrounding hotels, entertainment venues, convention facilities etc as it would continuously be trying to revive its business by subsidising rates on hotel rooms, convention centres, etc. like around Sky City, Auckland.

In addition, the costs of investment were so large that there would be strong pressure not to allow the project to fail. If it were to threaten to fail, measures would likely be instituted to try to remedy the situation which would be to market gambling more aggressively, liberalise controls on locals participating in gambling and also further subsidising of related restaurant and hotel activities, to the peril of the rest of the hospitality and convention industry and the management of problem gambling. The project could then become a competition based on increasing misery with much larger losses over a prolonged period of time. This was a real threat in view of the likely competition from much less regulated regional casinos that already existed or that were likely to open.

A different view on the effect of casinos was offered by tourism consultant Mr Khoo who argued that the proposed development could be viewed as a catalyst for a lot more projects that Singapore wanted but had not thus far been able to finance. It would result in more entertainment facilities. Though Singapore had operated profitably without a casino for more than 40 years, the inclusion of a casino could help move tourism in a new direction.

***Some preferred greater focus on developing activities that catered to the business traveler that did not have such high social costs.***

Of course, it was not yet a given that Singapore actually wanted to move the branding of tourism attractions here in this new direction. Mr Yeoh wondered if having a casino would actually attract many more tourists. From his understanding, in the Australian and New Zealand experiences, the additional gain in numbers had been significantly less than initially projected. Mr Mathur felt that it might be better to focus on attracting business travelers using other tourism concepts that Singapore was successful in, that did not potentially have such large attendant social costs.

Some other projects that were highlighted were Hong Kong's arts centre in the West Kowloon Cultural District.

***It would be important to have an in-depth assessment of the real factors discouraging tourist arrivals and address them.***

The project was commercially viable and targeted to boost permanent employment by over 8,000 (a much larger number than Dr Koh's estimate of 1500 for the casino project). In addition there was a large positive rather than a large negative social impact.

More in-depth assessment was needed too of the real factors that were discouraging tourist arrivals, for instance, whether the exchange rate vis-à-vis other regional currencies. These could be far more important to boosting tourism than the casino project.

There was concern about the impact of the proposal on Singapore's branding as a tourist destination in relation to tourist needs. This was an important part of the success strategy for successful tourism promotion brought up by Mr Wyatt. As Singapore was only a small geographical location, the defining characteristics of its branding had to be few and chosen with care. Mr Yeoh felt that Singapore could not project a wholesome, family and business oriented branding destination concept and promote a massive casino complex at the same time.

Finally there was also the argument of the casino legalising existing gambling in Singapore. Mr Yeoh felt that the argument that the casino could legitimise and sanitise gambling or substitute legal casino gambling for gambling in foreign casinos was fundamentally misplaced. Given the scale of existing gambling in Singapore, (one of the highest per capita in the world) it was clearly more pertinent to worry about whether existing gambling was already too large or insufficiently regulated, and if the negative social impact was being adequately looked after, rather than add yet another gambling venue to the scene.

In answer to a question from another participant about the role of the gaming industry in economic development, Mr Yeoh mentioned that the share of services and gaming generally rose as per capita incomes grew. Nevertheless, there were wide differences between countries with similar per capita income levels, depending on regulatory policy towards gaming activities. For example, Japan spent 6-7% on GDP on legalised "pachinko" gaming alone. On the other hand, France only spent 1-2% of GDP on gaming. The main determinant was thus largely a matter of social and policy choice.

## **Key Issues for Consideration**

The key issues that the session raised for the debate on the Casino Proposal were:

It was difficult to attempt a cost-benefit analysis of the proposal as it depended on the scale of the proposal, the way in which the different elements of the resort, casino and other non-gaming amenities were structured, and the different weights that one assigned to the different kinds of negative social impact that it would directly have on problem gamblers and their families, as well as indirectly on cannibalising related non-gaming industries.

What then was the marginal impact of the proposal if it went through? Koh suggested that a modest estimate was that it could add up to about 1% increase in GDP, but also noted that a rough guide based on the American experience of the negative (social) impact of gambling was 0.29% of GDP. However, he cautioned the social impact could be much greater if heavier weights were assigned to the social problems of gambling addiction. It was also pointed out that the negative impact on hospitality, convention and entertainment industries could also be much larger than estimated and was not included in this cost-benefit estimate.

It was noted that casinos depended primarily on the local population for their revenues. A casino that was city-based also tended to create greater trade diversion than if it was one that was distant from the urban concentration. However, given this propensity for trade diversion, and the idea that the casino would cross-subsidise other non-gaming amenities, a city state with a small area could face a significant problem of cannibalisation of other service industries. Together with the potential negative social impact, it was clear then that such a resort, if allowed, should be located as far from the main urban centre as possible.

The tone of most of the economists in the session, including the chairman, was thus a cautionary one. This was because they wanted to take the time to highlight some of the market risks facing the project. These factors were firstly that that Singapore did not seem competitively advantaged to attract the largest gaming market in Northeast Asia, secondly, that we were likely to face competition from gaming new entrants in other countries, thirdly, the impact of trade diversion, and fourthly, the scale of the non gaming investment which would make the

whole project.

Their recommendation was thus that other projects without such high social and economic risk and with less social cost should be considered instead.

On the positive side, there were those who were optimistic that Singapore would enjoy significant returns for being the first-to-market in the Southeast Asian region with this world-class resort. They were also optimistic that Singapore could truly establish a facility that promoted safe and recreational gambling without the other negative associations of a casino, like organized crime and money laundering because of our strong governance here.

The tourism expert, Mr Khoo, however felt that most avenues for tourism development had already been explored and even pursued, but that the resort could potentially take the tourism industry into a new direction, as well as take Singapore up the scale in the MICE market.

It could also give a boost to other aspects of the industry, with the operator' sponsorship of arts, sports and social infrastructure and programmes. These were spin-offs which no money quantum had been given in the analysis at the Forum but should certainly be included in the calculations of potential impact for tourism, the economy and quality of life in Singapore.

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## Chapter III The Proposal and the Social Impact (Report on Session III)

*Review comparative and local data on the social impact of gambling and explore ways to mitigate the social risks of the proposal.*

*Focus is on pathological and problem gamblers, or P & P gamblers*

### Objectives

The objectives of Session III were first to assemble comparative data on the social impact of gambling (Mr T. S. Tan's paper), as well as to assess the impact of the current levels of gambling on Singapore society (paper by Mr G. Ee, et al.) to infer what might be the social impact of the proposal on society at large. The second objective was to suggest what might be done to address the social impact and ask how effective it might be. This would help to anticipate the level of social risk the proposal might eventually incur.

### Summary

**'Social Impact of Expanded Opportunities for Gambling – Comparative Figures'**  
**Mr Tan Thuan Seng, President, Focus on the Family, Singapore Ltd.**

Mr Tan began his presentation by saying that there were in fact numerous studies on the social impact of gambling in other countries. He was wary however of those funded by the industry itself in case they 'hand-picked' research that would "insulate it from responsibility for social outcomes". He was unsure about how the industry dealt with what was ostensibly a conflict-of-interest in funding serious programmes to redress problems it created in the first place. He tried to rely on findings from non-partisan - government commissioned impact studies and those emerging out of responsible universities in the United States, Canada and Australia in his paper.

His paper focused on the two groups of pathological and problem gamblers (P & Ps) within the broader gambling population. Clinically, the American Psychiatric Association defined *pathological gambling* as an impulse control disorder with diagnostic behaviour that included:

- Repeated unsuccessful efforts to control or cut back on gambling;
- Engaging in destructive behaviour for example, suicide, substance abuse, family violence, etc, and,



- Illegal acts such as criminal breach of trust, corruption, theft, forgery, and fraud.

The two other groups that constitute the gambling population were the ‘at-risk’ gamblers and the ‘low-risk gamblers’.

***The prevalence rate of P & P gamblers in the US and Australia. What is the rate for the adult Singapore population?***

It was estimated that there were 7.5 million adult P & P gamblers in the US. Given a base of 217, 766 adult residents in the US over 18 years of age, this would translate to 3.44% incidence level. It has also been estimated that 5% of the Australian adults were P & P gamblers. And, an estimated recovery rate for addicted gamblers in the United States was only 8%.

Taking a conservative low end of the range, when extrapolated to Singapore demographics, of only 1.5% of the population possibly being P & P gamblers, this could translate to 60, 000 P & P gamblers in Singapore. (Mr Tan based his estimate on 4 million Singapore residents, but perhaps a more appropriate figure would be to set this against the number of adult Singapore residents instead. See Conclusion.)

***New video gambling machines are particularly addictive.***

He noted that video gambling machines recently introduced to the scene were more addictive than other forms of gambling in existence and something to be particularly wary of. He also cautioned against the tactics that casino operators might use to attract more business, such as aggressive advertising campaigns that might glamorise the games while downplaying the risks of addiction.

***The average total social cost per P & P gambler, as far as this could be imputed was US\$13,586 per year. What is a good estimate of treatment cost and total social cost per P & P gambler per annum in Singapore?***

While it was difficult to monetise emotional distress, it was the clearest way to make a comparison between the social impact and economic benefits of gambling. Some of the headline figures from the paper were:

- The average of 8 research studies put the direct social cost for each P & P gambler per annum, at US\$13,586, or US\$102 billion for 7.5 million P & P gamblers. Assuming a lower cost of treatment in Singapore, of S\$5,000 per P & P gambler, the annual social cost of treatment alone was estimated at S\$300 million.

***One P & P gambler will impact 8-10 others in a complex group of social problems.***

- In addition, at least 8-10 people were impacted by the actions of one P & P gambler.
- Up to two-thirds of P & Ps who sought counselling

admitted they had engaged in illegal acts to feed their addiction, half of which were perpetrated against employers, family members or friends. These were often settled quietly.

- One in five pathological gamblers attempted suicide, and one in 10 of their spouses attempted suicide.
- In the United States, the divorce rate among P & Ps was about 3 times higher than the national average.

(For detailed figures from the 8 studies, see Appendix I, Annual Social Costs per Pathological Gambler, in Tan's paper.)

***Children exposed to gambling early were almost 5 times more prone to becoming P & P gamblers.***

Mr Tan gave special focus to youth. Studies suggested that there had been an increase in gambling-related problems arising from the introduction of electronic gaming machines and internet gambling. Children who had been exposed to gambling early were at least 5 times more prone to becoming P & P gamblers – a warning against having an integrated resort where children could be exposed to gambling. Evidence from Australia also suggested that overseas students were particularly vulnerable to problems.

***Elderly gamblers were also particularly vulnerable.***

Elderly gamblers were also seen as being particularly vulnerable as they were more likely to lose their houses and savings without much chance of working to get them back.

***A disproportionate number of gamblers were from low-income households.***

Some studies also suggested that a disproportionate number of gamblers were from the low-income households which meant that taxes on gambling were regressive.

***Draw the line against legalizing casinos to maintain Singapore's unique national 'value proposition'.***

Mr Tan ended with an appeal to maintain what he felt was Singapore's national 'value proposition', "competitive edge" and "unique distinctiveness" which was to stand firm on the principles of integrity, meritocracy, and the ideal of family as a cornerstone of society. The current level of opportunity for gambling was already threatening families and he urged legislators to stand against anything that would further jeopardise the strength of families - to "draw a line against legalising casinos, electronic gaming machines and internet gambling."

**‘Social Impact of Expanded Opportunities for Gambling – Local Context’**

**Mr Gerard Ee, President National Council of Social Service,**

**Ms Pang Kee Tai, Acting Director, The Ang Mo Kio Family Service Centres,**

**Mr Denny Ho Teck Hua.**

*There has been no systematic study of the social impact of gambling in Singapore. Paper is based on feedback from practitioners in the social service field.*

This joint paper by Mr Ee, Ms Pang and Mr Ho also surfaced various figures to indicate the social impact of gambling elsewhere. They reported however that they found no equivalent, or systematically compiled figures for Singapore. Ee with his team at the National Council of Social Service convened meetings with social work practitioners in Singapore to get a sense of the impact of problem gambling and the levels to which these problems were being addressed. The paper therefore presented feedback from ground-level practitioners who were dealing day-to-day with the impact of gambling in Singapore currently.

Practitioners reported that the number of gambling-related problems they handled had increased over the last few years. This could be because of an actual increase in incidence or an increase in awareness and calling upon help that was available.

*The social impact of gambling would often be disguised as other sorts of social problems and by the time they were presented, severe damage had already taken place within the social circle of the gambler.*

They noted that gambling problems were very often presented or disguised as other sorts of problems like marital, financial or mental problems. Clients often did not see themselves as having problems with gambling, but sought help either because they had been prompted by their family members, had been picked up by the police, or were mandated by the court to do so.

By the time they were presented, severe damage had already taken place in their familial relationships and financial status. There might have been child neglect or abuse, or some kind of domestic violence. The family might have been living in an environment of fear and anxiety or even a nomadic lifestyle in order to avoid loan sharks.

*There is a lack of trained professionals to deal with gambling addiction and only one agency specialising in the treatment of addictions in Singapore.*

The practitioners highlighted the fact that the sector lacked trained professionals to deal with gambling addiction. They estimated that there were 12-15 gambling addiction counsellors in Singapore, which was inadequate. Family service centres often referred those in need of help to the Community Addictions Management Programme (CAMP) based at the

Institute of Mental Health, the only agency in Singapore with staff specialising in addictions treatment.

***The groups vulnerable to problem gambling in Singapore include youth, housewives and retirees, but most cases reported to practitioners were male and married.***

On the vulnerable groups, the paper noted that comparative studies identified adolescents, elderly retirees, the poor and marginalised as being particularly at risk. In the local context, practitioners felt that one group of concern were the ‘underaged gamblers’ whose main outlet was internet gambling. An estimate by NetValue (2001) indicated that a third of the 264,000 local visitors had been students. This was worrying because adolescent gamblers had 2 to 4 times more propensity of developing gambling-related problems than adults. This meant that programmes had to be designed and targeted specifically at this group to pick-up problems or deter from addiction early.

The practitioners also highlighted that housewives and the elderly, especially, were ‘escape gamblers’ for whom gambling was a way to relieve feelings of loneliness and boredom. The retired elderly risked their pension and retirement funds and would find it difficult to find gainful employment to pay-off debts incurred. Most of the cases mentioned by practitioners were however male and married.

The practitioners mentioned however that most of the cases they dealt with were male and married, reported because of domestic violence, child neglect or abuse and financial problems.

***There are many possible forms of intervention to be explored, for the social service sector to develop its capacity in. One key question is who should bear the cost for these.***

The next part of the paper was then devoted to the services and programmes that were needed in Singapore and an assessment of the sector’s capacity for coping with the needs. Possible forms of intervention for problem gambling were::

- Support groups
- Helplines
- Counselling
- Proper case management of problem gamblers who had multiple problems.

Ee et al. raised the issue of who should bear the cost for these programmes or services. They cited regulations in various jurisdictions that obliged casino operators to take on the responsibility of funding preventative and treatment measures.

A well-thought out approach to the Casino Proposal would require decisions to research the full impact of

***A well-thought out approach to the proposal would include a plan to develop the support services and preventative measures to deal with problem gambling. The resources and sector capacity to deal with these are currently lacking.***

***Prevalence of problem gamblers would be 5% of any group of gamblers, and that of pathological gamblers, 1% of any group of regular gamblers. The less accessible gambling is, the less problem gambling there is likely to be.***

***Reduce impulse gambling by locating a gambling facility far from where people work and live.***

***Use a smart-card to regulate entry and responsible activity in the casino.***

gambling, to coordinate support services for individuals who had gambling-related problems and their families, and to carry out preventive work. There was certainly a lack of resources and professionals for managing gambling addiction currently.

They concluded by saying “If we go ahead with the setting-up of a casino, there has to be unwavering commitment from the social service and community health sectors, the state and the casino operator to address the anticipated present and deeper problems and to gear up in anticipation of the many challenges that await us”.

**‘Containing Negative Impacts’  
Professor Peter Collins, Director, Centre for the  
Study of Gambling and Commercial Gaming,  
University of Salford, United Kingdom.**

Prof. Peter Collins was the third speaker in the session and he presented a broad public policy approach to the issues at hand. Based on his review of research on problem gambling, problem gamblers whom he defined as those who regularly spent more time and money on gambling than they could afford usually constituted about 5% of any group of regular gamblers. The pathological gamblers who were obsessed, escapists or deluded were usually about 1% of any group of regular gamblers. The difference in prevalence rates between jurisdictions, say the United Kingdom which was low and Australia which was higher, could be *accounted for by the accessibility of machines that offered high prizes. Therefore the less accessible casino-style gambling was, the less problem gambling there was likely to be.*

The safest approach therefore was to confine gambling to a small number of places where people would have to make a conscious decision to visit and play. The least safe was to select a place that was ‘conveniently located’ where people worked and lived. This would help reduce impulse gambling.

Another recommendation was to introduce a gambler’s smart card to regulate all gambling transactions. This could be used to provide proof of age; enable or oblige gamblers to impose pre-set limits on their activities, or losses; enforce self-exclusion agreements; monitor for money laundering rules; facilitate the distribution of

responsible gambling literature; and even, used to ration entry to casinos. This approach of requiring Singaporeans to preset their own limits was better than banning them altogether from the facilities. These would be similar to mortgage limits.

***There should be public awareness campaigns on the dangers of gambling.***

In addition, there should be extensive public awareness campaigns about the dangers of gambling.

Prof. Collins urged the audience to recognise that the purpose of the tendering process was really to harness the creativity of resort developers in generating firstly, attractive projects in relation to the physical, social and ecological environment; secondly, social responsibility strategies; and thirdly, attractive strategies to offer value to the non-gambling population.

It was an approach that left it to the market to make attractive propositions to Singapore. *There was no doubt however that if the proposal were to be implemented, it had to be accompanied by a national government-supervised, industry-funded responsible gambling programme that addressed the need for public education, provided free help for problem gamblers and commissioned appropriate research to keep track of and address problems that could emerge effectively.*

He noted that Singapore was one of the largest gambling nations per capita and that in fact, the demand for gambling would hugely exceed the politically acceptable level of supply – he could see room for two casinos with 6,000 to 8,000 positions each.

***Singapore should settle the moral issue through public debate first.***

What Singapore had to do, however, was to settle the moral issue through public debate first: was casino gambling a dangerous vice that would undermine the quality of life or was it a harmless form of entertainment that could be harnessed to enhance tourism as well as other amenities available to local Singaporeans. Prof Collins noted that most countries opted for a democratic consensus where it was felt that gambling was a bit of both and that they would have “some casino gambling but not too much.”

## Discussion

A few participants felt that the proposal should be assessed based on the values of Singaporeans and not economics. One participant felt that the debate was not about money versus social values, but indeed about moral values as one Government minister had put it. But he felt that the Government was in no position to weigh economic benefits against all costs.

Another participant felt that it was difficult to separate religious values from social values. She was worried that Singapore's clean image would disappear with the establishment of the casino and that it was not to Singapore's benefit to be the same as other cities that had casinos. Singapore did not have any competitive advantage vis-à-vis those other cities. If Singapore had to compete then where would we stop?

***Moral and religious values should be held at a personal level. They should not be valid reasons for restricting the freedom of choice for other's to patronize a casino.***

Prof. Collins replied by saying that religious values should not be conflated with economic and social values. He felt that while we should respect the religious values of others, the participant's conclusion was flawed as it was not right for a person to say that gambling should be prohibited because he or she personally disagreed with it. Just because one disagreed with it or had been negatively impacted by it was not a valid reason for restricting others' freedom of choice to indulge in it. He argued that there was a lot to be said for not letting the Government treat citizens like children.

***Can we be confident that safeguards against problem gambling will be implemented effectively?***

A few participants expressed that they were not sanguine about being able to implement safeguards and regulate the casino and problem gambling effectively. One person felt that while we might start with the best of intentions, build the casino and implement all the necessary regulations, increased competition in the industry could force operators and the Government to become lax on the enforcement of those regulations. It was also unlikely that 'means-testing' for entry would make the business feasible for casino operators.

Tan felt that if on the other hand, the Singapore Government was very effective in controlling and managing the casinos as exemplified in its effectiveness in controlling and managing corruption, it might then deter high-rollers from patronising the casino and the casino would eventually have to admit Singaporeans more widely to help it succeed.

Another participant felt that it was more beneficial for the Government to act to alleviate current distress resulting from gambling than for it to go on to build a new Integrated Resort (with a casino). There was a distortion in the economic benefits of the casino as there would be an unseen gambling tax in the form of using public money to alleviate the gambling fallout. Another point he made was that the casino would be subsidising the food and beverage and hotel industries. In fact, if the casino pulled in up to 50% of the revenue, it would put the other industries, such as the Esplanade and hotels, at risk.

***Would the cross-subsidy of non-gaming facilities and services from revenue from the casino be distortionary?***

Prof. Collins responded by saying that he was against businesses such as casinos subsidising other non-gaming businesses. He felt that the government should be doing the subsidising. But the decision in Cape Town, as in many places, was a political one. When the casino complex subsidised the conference centre, the casino provided the opportunity of using unresented tax to fund projects and programmes, and this was certainly more politically palatable.

***Would the tax on gambling be a regressive one?***

One participant highlighted the view that gambling tax was a regressive tax. Prof Collins replied that it was true that all over the world, gambling was primarily carried out by those in the middle to lower-income classes. If lottery tickets were bought by the working class community and that money used to fund opera houses, then it was considered a regressive tax. But if the casino also created employment for this group then it should not to be considered regressive. This was like the case in Biloxi, Mississippi where rich gamblers patronised the casinos and therefore funded the working class community.

On another question of whether the number of casinos would have to be increased with time to meet Singaporean's seemingly insatiable appetite for gambling, Prof. Collins felt that there should not be a saturation of the market. He advised that we should try instead to control and even reduce demand and that policy-makers should be aware of the need to undersupply the market.

***There is already a high prevalence of gambling among Singaporeans. Would the casino change that significantly?***

Another participant felt that there was a great difference between tolerating gambling and promoting gambling and asked the question: how could we differentiate the two? He felt that the implications of promoting gambling, as in the case of the Casino



*It could however force improvements in the industry preceding it.*

*A social service practitioner pleaded for a decision that would not increase problem gambling and its attendant social consequences.*

Proposal would have far reaching negative effects on Singapore society. Prof. Collins disagreed and highlighted the possibilities that a casino could force improvements to the regulation of the gambling industry and contribute to the facilities to address the gambling fallout. He also reiterated the point that gambling was not something new to Singaporeans, for whom the prevalence of gambling per capita was estimated to be the third highest behind Norway and Australia. Singaporeans should be aware that when they gambled they are paying for the pleasure of gambling but were certain to lose money in the long run.

A social service practitioner made an appeal on behalf of her peers by saying that they did not want to see an increase in the problems arising from the increase in gambling opportunities, as it was causing so much social impact already with suicides, broken families and neglected children. Ee himself felt that we should address the current level of problems from gambling which are already rather serious, before perhaps increasing the problem with the Casino Proposal.

A few expressed their fear that Singapore was moving too fast into considering the Casino Proposal (with all its negative social ills) without looking at alternatives to helping the tourism industry or increasing government coffers. They wanted the Government to focus on building on existing core strengths; for example, developing Singapore as a wealth hub, encouraging investments and tours and on consumer education for these. Tan felt that we should be building up Singapore's reputation, a reputation that was known throughout the world.

Mr Ee added that if a casino was established, he preferred that it was not situated side by side with the other family-oriented entertainment facilities. He would find it difficult to explain to his children why they were not allowed to enter it when adults were.

### **Key Issues for Consideration**

Some key figures that emerged in this session were firstly, on the incidence of P & P gamblers – above 3%

among the adult population in the US,<sup>1</sup> while 5% of Australian adults were P & P gamblers. A conservative estimate of 1.5% of Singapore as P & P gamblers would equate to 60, 000 people (based on 4 million Singapore residents.)

If between 8 to 15 other people were directly impacted by the actions of a P & P gambler, then given a conservative estimate of incidence of P & P gamblers in Singapore and using the lower figure of 8, we could say that a further 480,000 people would be affected by the social impact of problem and pathological gambling. (See Conclusion for further elaboration and more appropriate figures adjusted to number of adult Singapore residents.)

As a rough guide, an average of social costs incurred per P & P gambler in the United States was US\$13,586 per year. This included costs stemming from social services used, impact on business, crimes, divorce, abuse etc. Tan suggested a conservative figure of S\$5,000 per P & P gambler for Singapore, given lower treatment costs alone. This would equate to S\$300 million per year.

The problem however was that the present level of support specifically for those facing gambling addiction and the other social implications to their significant others was inadequate. Social service practitioners themselves felt that the current needs were not being adequately addressed; they indicated that there were “insufficient resources in the community to help people with gambling problems”. A lot of the social impact was disguised as other types of problems and also, they suspected, a lot of it went unreported.

Given this, it was perhaps more prudent to assess the extent of P & P gambling in Singapore, and whether it might be concentrated in certain sectors of the population, before proceeding with the proposal, as such information would be helpful in ascertaining the level of support needed, and its potential impact on the projected economic benefits from the casino.

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<sup>1</sup> The resident population of United States above the age of 18 years is 217.766million. 7.5 million P & P gamblers equates to 3.44% of the resident adult population.

***What would be the marginal impact on prevalence rates of P & P gamblers with the introduction of a casino in Singapore?***

***What extra resources would be needed to deal with the social consequences of the new casino?***

***P & P gamblers would however be unlikely to bear the costs themselves.***

The critical question was what would be the marginal impact on the prevalence rates of P & P gamblers with the introduction of a casino in Singapore? How much was the rate likely to increase by?

Another question was, given the current level of provision of treatment and other social services needed as well as the modalities involved, what more would be needed? Would the estimated sum of S\$300 million be realistic? What then was the quantum that a 'socially responsible' operator would be prepared to contribute? How much would the public purse have to bear? Would there be those in civil society that would be ready to bear some cost too? Could the level of services be ready in time?

What was clear was that the P & P gamblers would be unlikely to be in a position to bear the costs themselves.

Prof. Collins had suggested that to keep the impact low, the casino should be located as far away from urban populations as possible and thereby minimise impulse gambling. The act to gamble should be a conscious decision.

Like speakers in the first session, Prof Collins also referred to Smartcard technology in the interest of 'normal consumer protection' (as well as to monitor for money laundering). The casino had to be regulated by the public authorities as well to ensure the enforcement of protection of the vulnerable. There had to be extensive public awareness programmes to reinforce the effort.

These mechanisms, it was argued, allowed those who disagreed with the casino to do so, without prejudicing the opportunities for those who wanted to indulge to do so at their own risk. Enough measures had to be put in place to help them act responsibly and keep at bay the natural interest of the casino operators to promote over-gambling.

Would the sections that said that they were ready to offer everyone the freedom to choose to gamble, also recognise, as the findings in the session indicated, that there would be some percentage among those who exercised that freedom that would not, on the other hand, be in a position to bear the responsibility of that choice?

While it could well be possible to regulate youths from playing, the other vulnerable groups would be more difficult to exclude – the housewives, the elderly retired, the male and married that constituted most of the cases mentioned by practitioners, (as reported in the Ee, et al. paper). It was also interesting to note as well that the high profile cases of fraud and embezzlement related to gambling addiction were perpetrated by male professionals, and in positions of authority in their organisations. It would not be easy to identify *a priori* who these P & P gamblers might be.

In addition, speakers took pains to emphasise that the new video gaming machines, many offering large pay-outs, were particularly addictive. These made the difference between incidence levels of P & P gamblers between countries. These machines were particularly insidious because they had a very broad appeal, rather than to just those termed as the ‘high-rollers’.

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**Session IV**  
**Making the Decision (Open Forum)**

*What is the political significance of the debate on the Casino Proposal, and the likely impact of public consultation on the final outcome?*

**Objectives**

The session comprised two sections – first, a formal presentation, and the second, an open forum.

The objective of the presentation was to turn the spotlight on the Government and discuss the broader political significance of the debate on the Casino Proposal. Given that the Government had made an effort to invite public feedback, what role was public consultation likely to play in the decision-making and what relevance would a forum like the IPS one have in it?

**Summary**

**‘Economics, Morality and the Public Sphere’,  
Dr Kenneth Paul Tan, Assistant Head,  
Department of Political Science, National  
University of Singapore, Singapore.**

Dr K. Tan made the final presentation for the Forum. He suggested how open societies and nation-states today faced two countervailing forces thrown up by globalisation that together, threaten the political legitimacy of traditional state authority. The Casino Proposal itself and the subsequent debate on it could be interpreted in that context. The State and Government faced a political challenge of securing its legitimacy from what seemed, by most accounts, to be a divided electorate.

Globalisation, he said, pulled towards an instrumental, strategic, pragmatic, secular and market-driven orientation. Most citizens were rationally calculative members of the global market which satisfied their needs by coordinating the mass production of increasingly homogeneous commodities. Their tastes, demands, beliefs faced this same tendency towards homogenisation, given the realities and widely perceived benefits of global capitalism, and its impact on flows of capital, labour, goods and services.

However, there has since been a backlash to this calculative and materialistic orientation. Organic communities emerged to conduct an emotive campaign to maintain, reconstruct or fortify what they identified as the fundamental elements of their culture, identity, beliefs and more broadly, their way of life. They saw themselves as a bulwark against the destructive tide of globalisation on values.

Likewise, in Singapore, one could see these forces acting upon the State and people with the Casino Proposal.

***The Casino Proposal had been presented as a question of economic necessity; an economic logic that would generally register well in Singapore political society. The Government has built its authority on this logic.***

The Casino Proposal had been presented as a question of economic necessity for a city plugged into the global economy. Prime Minister Lee Hsien Loong had said that while he had long-standing objections to a casino, the tourist dollars and the likelihood of attracting foreign high-rollers and the money wagered overseas by locals made the Government put the idea on the table. Tan argued “This was a quick, but generally safe, rhetorical manoeuvre from moral authority to economic necessity”.

Arguments based on economic logic tended to register well in Singapore’s political society for two reasons. First, most Singaporeans made sense of the national condition in the language of economics and monetary benefits and costs. Second, the economic logic that had motivated and shaped policies under the People’s Action Party’s (PAP) good governance had together transformed Singapore from third world to first. In fact, the Government’s end of the ‘social contract’ had been to deliver economic progress and having done this so amply, received the votes and political authority to go on. Authority was a transactional one – material reward for compliance; obedience and support were simply self-interested calculations, and similarly, votes could be withheld if the material benefits were not forthcoming.

Along the same lines, with Singapore aiming to be a global city, it had to develop its creative sectors and attract the right talent to do so. The proposal could help to make Singapore more attractive to the local and foreign creative, cosmopolitan classes as a place to live, work and play. It could also indicate that Singapore was ready to exercise the sort of social tolerance needed to accommodate the “diverse,

eccentric and amoral lifestyle needs” of such a group. It could generate direct spin-offs for the creative sectors like tourism, arts and entertainment.

As long as the Government calculated that the long-term economic benefits would be greater than the social costs, the proposal could be accepted as a long-term strategy to maintain economic success, which was after all, the dominant basis of its political legitimacy.

***The Government has also built its authority as a keeper of ‘Asian values’ and other higher-order goals.***

On the other hand, it had to be recognised that Singaporeans had been socialised by the same Government to be conservative, to fear change or difference throughout the stages of nation-building in Singapore. It had actively ‘moralised’ to Singaporeans about their cultural roots, ‘Asian values’, values of integrity and many other higher-order goals. This had created something that has been imagined as the ‘moral majority’, on which the PAP had built its own moral authority.

At times, the economic and moral basis for authority had been compatible, but if and when ‘pragmatism’ should be seen to be ‘unprincipled’, these would come into conflict. This was what has seemed to have happened with this policy initiative. The Casino Proposal had then appeared to a certain constituency that had been developed by the Government’s portrayal as a moral authority, as a “betrayal of what they perceived to be the high moral standards that the Government has set for Singapore”.

***The Casino Proposal seems to have become a moment in which the PAP’s authority based on materialism and morality come into conflict for some. How will it respond?***

The proposal, argued Dr Tan, “*represents a spectacular moment of contradiction in the PAP Government’s articulation of materialism and morality*” with two possible political consequences. First, the contradiction would justify the Government taking a very strong position according to some Hobbesian logic, to prevent an unavoidably divided society – in this case, along moral and economic lines – from imploding into violent conflict.

Or, second, the contradiction could destroy the Government’s credibility and bases of authority, “if all parties lose faith in the Government’s true intentions as a result of the flip-flops” they might witness.

***A third approach is to secure its authority by allowing the public sphere to be the appropriate site for discussion and achieving a decision on the proposal.***

***The Government would have to overcome two problems to avail itself of this option. First the cynicism that a decision has already been made; second, that this public sphere has been impoverished through the years and will need to be revived.***

The third possible and seemingly more positive option was for the Government to secure its authority by enriching the public sphere of communication and thereby regenerating the Singapore nation-state as the most appropriate and effective site of democracy and civic life, a site to discuss and achieve a decision on the proposal. This was what the call for public consultation and feedback could achieve.

The Government however would have to overcome two problems to avail itself of this option. First, this strategy required widespread credibility but it had to overcome some level of cynicism about the Government's invitation for public feedback. There were those who believed that the proposal was a *fait accompli* and that national consultations were either a "theatrical exercise to simulate democratic discussion, solicit a cathartic response, and pacify citizens" or a way to be sure it had heard all points of view, and maybe even discover new and good ideas to incorporate into the decision.

The second problem had to do with how to enrich this public sphere of communication. Ideally, participants would be able to communicate with "full intelligibility, truth, rightfulness and sincerity" – what has been termed 'ideal speech'. For diverse parties to engage one another, the dialogue had to break out of some kind of cost-benefit analysis that was associated with a sterile, market-obsessed logic of globalisation, or intolerant, reactionary, dogmatic articulation of fundamentalist positions on the issues.

What was really required was a "*multilingual public sphere where all participants are reasonably equipped with a range of vocabularies and syntactical possibilities*" to see the emergence of "*a discursive space in which higher-order understanding can emerge with some measure of dispassion and an enlarged mentality that transcends pure self-interest*".

Unfortunately, decades of technocratic rule premised on alarmist principles of survival and success had arrested the development of such a sphere. A forum such as the IPS one was hopefully a step in trying to redress this problem.



## **Discussion (Open Forum)**

Speakers from the previous Sessions were invited back to take further questions from the audience and develop the arguments on the proposal.

The chairman of the session, Professor T. Koh began with a request for an eloquent advocate to speak on behalf of the proposed Integrated Resort and another to speak against it. He felt that there could be no consensus between those who were morally against the proposal and those for it.

The former were against gambling and were proud of Singapore's uniqueness as a morally wholesome society, and had yet to hear a compelling argument to give up such ideals and values.

The latter felt that the Integrated Resort would bring a paradigm shift to and revive Singapore's tourism industry.

### **For the Proposal**

One participant noted that Singapore was viewed overseas as a nanny state with minimal entertainment choices. Singaporeans went overseas to fulfill their recreational needs. The liberal-minded would feel that everyone should have the freedom of choice and exercise responsibility for those choices. If Singaporeans had to 'grow up', there could be chaos as they discovered for themselves what was right and wrong, but it could most certainly not be achieved vicariously, by simply studying the comparative experiences of other countries.

In response, Prof. Collins argued that the amount of passion generated by the Casino Proposal was out of proportion to the real and actual impact it would probably have. If 1 or 2 casinos were established and operated sensibly, Singapore would be pleasantly surprised with the outcome. If not, Singapore would still be mired in this debate in five years' time, because the casino was actually a viable, and attractive economic proposition.

Mr Galaviz agreed that the proposal was a viable economic and business proposition and assured the audience that it was a serious and respected business

*The Nanny State would have to withdraw from society and leave citizens to mature and exercise the choice and responsibility but there could be some chaos.*

*Some speakers felt there need not be chaos. There could also be the unique Singapore model that would limit the chaos and there would certainly be benefits, like making the quantum leap in the MICE sector.*

in the United States. It was listed on Wall Street unlike other activities that were clearly associated as vices. Gambling was not evil or immoral, but a legitimate industry that provided legitimate income. Now was the time for Singapore to capture a large-scale investment if she was interested. If not, he could guarantee that in five years' time, Macau would be competing with Singapore's convention centres. There also had to be enough attractions to fill the double-decker planes that would be arriving in Singapore in 2006. Regardless of whether Singapore adopted a casino now, there was already an existing level of problem gambling that had to be addressed.

Mr C. Khoo, Managing Director, Master Consultant Services Pte Ltd believed that Singapore had taken gambles in its investment and development plans. U-turns had to be made, or problems rectified occasionally. The Casino Proposal was another gamble, but the task of moving Singapore up from the third best convention to the second in the world for instance, was a quantum leap and required some radical initiatives to achieve it.

Dr Haverkamp felt that we could not say for sure how the casino would look five years from now. He plugged his original idea of starting a casino on a small scale to see how it would pan out. He felt that Singapore needed to distinguish her casino from other casinos to be successful for e.g., his suggestion of a transparent casino where all the odds were known to the gamblers.

Mr R. Tan added that the casino would force the present gambling industry to become more regulated and transparent. At any one time, there were 60,000 visitors in Singapore and his estimate was that 25 per cent of them would be interested in going to a casino. There was also some S\$1.5 billion or more in underground gambling that could not be ignored. The safest and best way ahead was for gambling to be regulated with the casino catalysing that change.

***There was little sense in resisting a casino when Singaporeans gambled so widely and were benefiting from the social projects sponsored by Singapore Pools and the Turf Club.***

A few participants were positive about the casino given that gambling was already prevalent in Singapore society. They felt that it was up to the individual to regulate and control his behaviour. Mr R. Tan argued that the Government had already subsidised the operations of unofficial casinos operating through Star Cruise by building the cruise

*Singapore should not lose out to countries in the region that might develop the sector more aggressively.*

centre. The Government had realised the economic value of this with over an estimated 20, 000 people coming into Singapore to join the cruises. The proposed Integrated Resort (with a casino) at Sentosa could then be seen as an extension of this.

There was little point then in resisting the casino. It was difficult to change the behaviour of a society in terms of how much they wished to gamble. The only thing that could be done was to provide counselling and safeguards and leave it to the individual to respond to the opportunity to gamble; it all depended on the strength of the individual to resist the danger of over-gambling. Then again, it seemed unlikely that the whole society would change and fall into ruin just with the introduction of a casino.

Mr Galaviz reminded the audience that Singapore faced external competitive pressure. He felt that ten years from the present, Singapore and Thailand and Macau could be big competitors. Another participant agreed with this and felt that Singapore should not take our close neighbours' current lack of interest for granted. They could catch up. He asked what would happen if Johor established a casino at comparatively lower cost and charges in our own backyard?

Mr C. Khoo posed the challenge that if Singapore were to say "no" to the Integrated Resort on moral grounds, then surely the same should apply to Singapore Pools and Singapore Turf Club, 4-D, horse betting or soccer gambling. This would of course be difficult as these had become so prevalent and ingrained in the Singapore landscape and psyche. In addition, some things could not be resisted, such as internet gambling for instance.

### **Against the Proposal**

*There were those who felt that the casino would threaten the safe, family-oriented environment in Singapore.*

There were others that spoke who felt unconvinced about arguments for the proposal. They did not think it was attractive either on the basis of the economic cost-benefit analysis or any other basis of analysis. At least two of them shared that they had settled in Singapore from overseas because it was a safe, family-oriented environment. It promoted values of integrity and maintaining the bonds of family and community. They were worried that the casino would threaten these.

***They wished for more innovative projects that would generate high-value tourism without threatening the social and moral fabric of society; strategies with more positive development trajectories for a knowledge-based economy and society at large.***

***Casinos relied heavily on local participation and it would be important to understand which would be the vulnerable sections of society and anticipate its impact.***

***Leaders from the Muslim and Christian community voiced their views.***

Also, the proposal was not at all innovative, and Singapore had no competitive advantage compared to other locations like Bangkok or Shanghai.

The Government had to generate more innovative alternatives to tourism development, with more positive, value-added development trajectories for our knowledge-based economy and society at large.

The development of a world-class art museum or developing a world-class film festival seemed more attractive to this group. The idea of having George Lucas develop a state of the art movie studio and cinema was what qualified as an innovative project. Religious tourism was not necessarily out of the question either.

These were ideas that did not threaten Singapore's social and moral fabric and they wished more would be done along such lines. These ideas could also go beyond simply targetting numbers but quality, 'high-end' tourists.

Another participant noted that many casinos overseas were in the doldrums, except for those that were situated close to urban populations. This proved that the participation of the local population was integral in the viability of a casino, and the likelihood that a casino in Singapore would depend heavily on the participation of locals. In addition, casinos tended to draw their participation from the lower to middle income groups. Casinos did not create real wealth but transferred or recycled wealth. She also noticed that in the case of Canada, another vulnerable group was the teachers. Teaching was a low-paying and stressful job that possessed a low status in society; gambling was an outlet for many. There could be worrying implications for our local teachers if we had a casino.

Among those speaking against the proposal were representatives of religious groups.

Uztaz Azmi Bin Abdul Samad from PERGAS spoke up against the casino based on his Islamic religious convictions. Gambling was a sin in Islam, as was with imbibing alcohol, for instance. These were a great source of enmity to society. If the Government condoned gambling by allowing a casino, where would it stop? What if the big investments and a

casino failed to achieve their targets? He preferred if Singapore could do more to build on its image of being a top convention city. Just like a few other participants at the conference, he did not want to be part of the generation that would be responsible for the social ills afflicting the future generations to come.

The Right Reverend John Chew, Bishop of Singapore, Diocese of Singapore mentioned that he had come to the conference with an open mind, although he knew where he stood on the basis of his personal religious conviction. Taking a dispassionate assessment of the case however, he felt that there was no compelling economic basis for the proposal and yet felt worried that Singapore was being pressured to take up the casinos quickly. The public discussion seemed to throw up a divide within society and he also felt that loaded terms were used whenever people discussed the Casino Proposal in terms of traditional values, suggesting that these values were unacceptable to the more secular people in society. He questioned whether there was such a thing as non-value secularists.

***The Government should continue to have confidence in its moral leadership.***

He pointed out that in the inter-religious discussion of the past two years, it was agreed that the Singapore Government was of a secular nature, rather than Singapore being a secular state. The Government should continue to have confidence in its moral leadership, and he was sure it could rally Singaporeans of all races and backgrounds to come together and think of a constructive alternative. He was not impressed by the state of “mature” societies of the West, as their values had been in decline for a long while now.

Mr T. S. Tan, who was President, Focus on the Family Pte Ltd, one of the speakers, said that he was not uninterested in Singapore’s tourism industry. Singapore wanted to be attractive to world class scientists, financial people and so on, and he accepted that a majority of these people would want the sort of attractions found in other global cities. However there were those among them who appreciated Singapore’s unique values. Singapore could never catch up nor try to do so with Amsterdam or other ‘world class cities’ (that were liberal in their approach), so Singapore should focus instead on distinguishing herself from the rest. On this, G. Ee

*The young in Singapore should not be exposed to inconsistent messages – what was morally acceptable for adults would also have to be acceptable to children.*

felt that a casino was not congruent with the rest of the goals that Singapore had set and developed for itself, e.g. as a centre of education and medicine.

Two other participants felt that adults had to teach children to be prepared to go against the tide. Children also had to be shown a consistent lifestyle - what was good for adults had also to be good for children and vice versa. It would be difficult to have a casino and have adults then argue with their children that while it was not good for children to enter, the adults could. There should not be a different set of values for adults and children.

Singapore youths, as a specific constituency, should also be asked what they thought of the proposal, as they would inherit the Singapore of the future.

One participant who tracked media development in Singapore asked what speakers thought would be the role of the media in the proposal. He asked: Should the media promote it as it did the other forms of gambling, or games of chance, e.g. lucky draws during the Chinese New Year period. He was of the view that this would have implications for children who were exposed to the mass media daily.

### **Key Issues For Consideration**

While the Government sought to present an economic basis for the proposal, there were those who felt that such a proposal was not consonant with the sort of moral standards and values, primarily focused on questions of family values and integrity, which it has also stood for over the years. The question was how many out there felt that the proposal did indeed represent a “spectacular moment of contradiction in the PAP Government’s articulation of materialism and morality”?

A good strategy was to locate a vigorous and rigorous debate on the proposal in the ‘public sphere’, so that society at large would be able to attain a ‘higher-order understanding’ of the issues at hand. Society should be able to debate them responsibly, drive that debate towards some broad, working consensus on the key points to arrive at guidelines for decision-making on the proposal, and take joint responsibility for the outcome, come what may. What the

Government would have to overcome however was a general cynicism about its sincerity in seeking views, discussion and feedback on new policy initiatives.

In this respect, the specific point to assure citizens on was that the Government had truly not yet decided how to proceed on the proposal.

There were enough in the room who felt that Singapore should venture in setting up an integrated resort with a casino, although they were not all in agreement as to how exactly the casino should be run. The speakers offered suggestions on what safeguards there could be to prevent over-gambling, and how the games played at the casino could also be changed for transparent and even-odds gambling. Another idea was to pilot a casino.

In all, it seemed clear that there was not enough appreciation of the Government's approach to this proposal which was to leave it to market operators to propose how best to proceed with developing the proposed integrated resort in a way that would be feasible for them. It should also be left to them to prove that they were able to respond to society's concerns about the social ills by presenting a convincing social concept attached to their business proposals.

Others who supported the proposal felt that it was indeed time for Singaporeans to exercise the freedom of choice and act responsibly with regard to gambling. After all, as one or two pointed out, there was already internet gambling, underground gambling and enough Singaporeans gambling on cruise ships and overseas, not to mention the way in which 4-D, horse betting and soccer-gambling were already such a part of the social landscape in Singapore. The lack of a physical facility in Singapore was simply a small and surmountable question of space and location, an artificial and ineffective barrier to those who wanted to gamble recreationally or were addicted to it. Also, would all this debate be moot if an attractive integrated resort and casino were established just across the border in Johor?

Those who argued against it felt it would affect the 'value proposition' of the country. The existence of gambling in a few forms currently is not reason

enough to allow a casino to be built here, since it seemed a major expansion of the gambling industry. Two participants actually made decisions to migrate to Singapore because it was attractive as a generally safe and family-oriented environment. It was an environment that was comfortable enough for some of the major mainstream religious groups like Islam and Christianity.

In addition, the proposal was not at all an innovative one, nor did it seem like it would be a successful one in terms of having the competitive advantage over other locations in the region for attracting the sorts of tourists that were being targeted from Northeast Asia or South Asia. It was not a sure-win formula Singapore could count on.

The casino will most likely draw its main business from locals and the middle or lower-income groups. Major casino operators who were prepared to offer the scale of investment that the Government was looking for, who were prepared to develop a facility that would help Singapore make the leap in both the conventions and high-value recreational tourism market themselves would not find the proposition attractive if there were restrictions on attracting the local mass market to the casino and resort. It would therefore be difficult to insulate the local population from the casino if it were developed.

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## **Chapter V Audience Poll**

### **Introduction**

At the Forum on the Casino Proposal, IPS conducted an audience poll to gauge the response to the slate of ideas and arguments that were exchanged.

### ***Targeted Participants of the Forum***

The Forum was targeted at the opinion leaders of various stakeholder groups on the issue: the public and near-government grassroots sector; the commercial sector which included property developers, casino operators, local entertainment firms, hotel operators; the civic sector which included representatives from family service centres, and other groups focused on family life and related social services; and academia.

### ***Profile of Final Participants***

The distribution of those who attended the Forum was: 38% from the public and near-government grassroots sector, 38% from the commercial sector, 16% from the civic sector, and 7% were from academia. (See Annex I for List of Participants.)

### ***Procedure***

Two rounds of polling were held with one at the start of the Forum to establish a baseline mark of opinions as people came in ‘cold’ to the Forum, and the other, just before the start of the Open Forum, after the audience had been exposed to the exchanges on the issues through the day. The second round included an expanded range of questions, as well as an extra answer option to three questions that were repeated from the first round. (See Annex II for Questions and Results)

Please note that the percentages reported below are based on the total number of respondents to a question, which varied with each question.

### **First Round**

As a baseline, three key questions were asked in the first round.

Question 1:  
From what you understand to be the potential economic impact of the proposal, what is your position on it?

The first question asked the audience to consider the proposal solely on the basis of what they had understood would be the potential economic impact of the proposal. The audience was asked to state their position on it. The responses were rather evenly split among the three options – proceed with no restrictions (31.8%), do not

proceed (31.2%), and proceed with safeguards (37.1%). There were 170 responses.

Question 2:  
From what you understand to be the potential social impact of the proposal, what is your position on it?

The second question asked the audience to consider the proposal solely on the basis of what they understood to be the potential social impact of the proposal. *This social impact was explained as the effect on individuals and their significant others. (for instance, the greater recreational choice it offered, gambling addiction, debt, family breakdown etc).*

The responses were more polarised compared to those on the economic impact. Only a small percentage of participants thought it advisable to proceed with no restrictions (8.5%), a big drop from the response in the first question, while there was a fairly even split between the option of not proceeding at all, (45.5%) and the more cautious approach of proceeding with safeguards (46.1%). There were a total of 165 responses.

Question 3:  
From what you understand to be the potential impact on our moral values from the proposal, what is your position on it?

The third asked the audience to consider the proposal solely on the basis of the potential impact on the moral values of Singaporeans. *This was explained as the broader framework of values and virtues that shaped society at large, for instance, a greater level of liberty, self-responsibility, risk-taking, strong family life, self-reliance, etc.*

In comparison to the response to the question on social impact, a larger percentage felt comfortable to proceed with no restrictions (22.2%) while the largest group indicated that the Government should not proceed at all (45.7%) and a significant though smaller group wanted to proceed with safeguards (32.1%). There were a total of 162 responses.

The percentage that indicated to proceed unequivocally was the smallest when considering the social impact, it was slightly larger when considering only the moral impact, but was certainly the largest when considering only the economic impact.

The percentage that indicated not to proceed at all was the largest when considering the moral impact on Singapore society, but was not too far off from the level indicated when considering the social impact too.

If however, the social impact was the sole concern, then the largest group of the audience preferred to proceed with safeguards.

## Second Round

The responses to these questions underwent some change in the second round of polling. It should be noted that *an additional answer option was offered to the original three. This was the idea of piloting the casino before deciding to proceed with the proposal of an integrated resort with a casino. This was mooted by Dr Larry Haverkamp as a way in which to be able to assess the impact of a casino, and run the casino in a different way from usual.* The pilot would allow us to fine-tune a Singapore model, or even decide that the casino be shelved because the downside risks were too high.

Question 1:  
From what you understand now to be the potential economic impact of the proposal, what is your position on it?

The first question again focused solely on the potential economic impact of the proposal. The key change in comparison to results when the question was first asked was a drop in the number that indicated we should proceed without restrictions (from 31.8% to 18%) and a drop in the number that indicated to proceed with safeguards (from 37.1% to 26.3%). A slightly higher percentage preferred not to proceed at all, (from 37.1% to 40.6%), but the most significant migration was towards the new option of piloting before deciding (15%). The total number of respondents to this question was 133.

*This indicated that the economic case seemed to have weakened over the course of the discussion, with fewer indicating unequivocal support, fewer comfortable if we proceeded with safeguards, a few more indicating the desire to hold-off entirely, but a significant minority liking the cautious approach of piloting.*

Question 2:  
From what you understand now to be the potential social impact of the proposal, what is your position on it?

The second question again focused solely on the potential social impact of the proposal. When compared to the results of the first round, there was a small increase in those who felt comfortable with proceeding with no restrictions (8.5% to 9.7%) and small drops in the responses to not proceed at all (45.5% to 43.2%) and proceed with safeguards (46.1% to 37.4%). The total number of respondents to this question was 155.

The changes in the ratio may be explained by the gravitation towards the cautious option of piloting the project before deciding (9.7%). *The trend on views on the social impact was less clear but under 10% liked the more cautious approach of piloting.*

Question 3:  
From what you understand now to be the potential impact on our moral values from the proposal, what is your position on it?

The third question again focused solely on the moral impact of the proposal. When compared with results of the first round, there was a significant drop in those who felt comfortable about proceeding with no restrictions (22.2% to 9.6%). On the other hand, fewer said that we should not proceed (45.7% to 38.5%), although this remained a significant minority. There was a noticeable increase in those who indicated that we should proceed with safeguards (32.1% to 46.2%) and a small migration to the option of piloting before deciding (5.8%). The total number of responses to this question was 156.

Clearly, on the question of moral values, *there was a shift towards the middle, more cautious approach, with a group feeling confident that the impact on broad moral issues could be stemmed, by having safeguards.* These would presumably take the form of some symbolic measures to indicate what society still valued while generally allowing for greater choice in recreational options in Singapore.

Question 4:  
The proposal is a fair economic and business proposition which should not be held back by social and moral concerns.

- Agree
- Disagree
- Achieve a clear level of consensus before proceeding
- Put safeguards in even if they hurt the business case for it

The audience was asked if they agreed that the proposal was a fair economic and business proposition which should not be held back by social and moral concerns. Only 14% agreed unequivocally, 40.6% disagreed outright, with an additional 23.3% responding that safeguards should be put in even if they hurt the business case for it. The total number of responses to this question was 133.

This would suggest that the social and moral implications of the proposal weighed more heavily on the minds of those present than the projected economic consequences of it.

21.8% of the respondents cared even more that a consensus in society should be achieved one way or another before we proceed with the proposal.

Question 5:  
Who should take the primary responsibility for minimizing the potential social, law and order problems that might arise from the proposal?

The next question asked the audience to indicate who should take primary responsibility for minimising the potential social, law and order problems that could arise from the proposal. The largest group among the audience felt that all, from the individual to the government and market players, should share in the duty of minimising any potential problems that might emerge (60.9%).

Clearly, there was a sense of joint ownership of this proposal and its outcomes among a majority of the audience. The Forum discussed ways in which casino

operators could and should adopt socially responsible ways in which to manage their business. Speakers also suggested what was needed to provide social support for those who had been overcome by gambling.

The second largest group among the audience (24.8%) however indicated that the Government should be held primarily responsible for the outcome, with only a marginal group indicating the Individual or Family or the Market Players.

Given that it has been commonly said that Singaporeans preferred that the nanny state took charge of their lives, it was slightly surprising that this rate was so low among the audience. Again, this was perhaps because the Forum had highlighted ways in which the responsibility for how the casino would impact Singapore could and should be shared.

Question 6:

If the proposed resort is developed in Singapore, you would:

- a. patronise it including the casino.
- b. patronise it but not the casino
- c. not patronise it, but respect other's right to
- d. not patronize it, and campaign actively against the casino

Next, the audience was asked for their probable individual responses to the resort if it was indeed developed in Singapore. A significant group (42%) indicated they would patronise the resort including the casino element. A smaller group said that they would patronise it but not the casino element (18.8%). Another group (22.5%) indicated that they would not patronise it but respect others' right to. A small group (16.7%) indicated that they would not patronise and also campaign actively against the casino – the hard core of opposition to the proposed integrated resort. A total number of 138 responses were collected for this question.

One could then argue that that 83.3% of the audience would at least be prepared to *tolerate* the presence of a casino in Singapore

Question 7:

Taking into consideration all that has been discussed, what is your position on the proposed integrated resort?

In the next question, the audience was asked to take all things into consideration and indicate their final stand on the proposal. 42.8% indicated they did not want the Government to proceed. Only a slightly larger group indicated that they wanted the Government to proceed but with the necessary safeguards in place (44.1%). Small percentages of responses went to the option of proceeding with no restrictions (9.2%) and piloting (3.9%). The total number of responses collected was 152.

Overall, we noticed in the second round of polling that the numbers of those wanting the Government to proceed unequivocally were low, and similar when considering

the social and moral impact. It was the largest when based on economic considerations.

As for those indicating their hope that we did not proceed with the proposal, the numbers increased slightly based on the economic impact but reduced with the consideration of the social and moral impact.

***There was a movement towards the more cautious approach with piloting for the economic impact, and safeguards for the moral impact, from responses to the first round of questions.***

There was greater movement towards the more cautious approach – piloting for the economic impact and social impact, and safeguards for the moral impact. We recognise however that market operators themselves may not find it attractive and feasible to pilot a casino. This may well be a theoretical option but it serves to indicate the desire either to customise a Singapore model or for greater grounded knowledge or information about how a full-scale casino located in Singapore itself might affect us.

Taking all things into consideration however, the audience was split between not wanting the Government to proceed and proceeding with safeguards in place.

***The audience was fairly evenly split between not proceeding and proceeding with safeguards, but 83.3% would at least tolerate the existence of a casino in Singapore***

This would however need to be held against the other result on the question on how people would react if the casino were indeed established. Up to 83.3% of the audience that participated in the poll indicated that they would at least be prepared to *tolerate* the presence of a casino in Singapore

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## **Chapter VI Conclusion**

The Forum stimulated a discussion on a great number of issues arising out of the Government's proposal to allow the establishment of an Integrated Resort with a casino.

Our task in this final chapter of the report was not so much to weigh up the pros and cons of the argument as to highlight some of the main conclusions of the Forum and suggest what other questions will need to be addressed when the time comes for the Government to decide how best to proceed.

### **The Proposal and the Strategic Plan for Tourism Development**

*Set the proposal within an explicit strategic plan for tourism development for Singapore*

While the proposal for an integrated resort with a casino was presented as part of a general plan for tourism development, the *Government's case would be strengthened if it could explicate at a more strategic level and in greater detail, how this was so.* What was the targeted market? If this was, say, the rising middle and upper classes of China and India, what sorts of products were they interested in, either as leisure tourists or business-convention travellers? What has the market research surfaced? What then were the best, most suitable capabilities and facilities Singapore could develop competitively? How would these or the resort tie in with the existing tourism cluster?

*Emphasise the Government's desire for a market-driven solution to tourism development and, specifically, for the proposed integrated resort.*

In any case, it was clear that Singapore lacked the sort of iconic destination resort, or first class, large convention centre that was being proposed, but there needed to be a better appreciation of what it would take to develop such a facility. The Government should *emphasise and explain its preference for a market-driven solution to develop and sustain the project.* Say, if the objective was to produce that quantum leap in the MICE market with a first-class, large convention centre, as suggested by a speaker, perhaps it would be better argued if it was known how the current models of operation were faring and in what ways an integrated resort should have its place among them.

*The branding of Singapore which may be too small to accommodate too many concepts.*

While the Integrated Resort has been discussed as only one of many strategies that the Singapore Tourism Board was exploring, and that there was a capacity in Singapore to develop this new market segment, others exploring the

issue of strategic management and branding of Singapore felt that it was *too small to accommodate too many branding concepts*. Some competing but preferred concepts were knowledge-based sectors like medical and educational tourism with more positive development trajectories for the country.

***Are there any deeper underlying factors discouraging tourism arrivals that will need to be dealt with regardless of what new tourism products are introduced?***

One other question participants wished to understand was whether there were *deeper, underlying factors that could be discouraging tourist arrivals to Singapore* or why Singapore had become less competitive over the years. Did, for instance, the exchange rate vis-à-vis regional currencies or domestic costs have any impact. This would help the people *come to some conclusions about what was really needed to boost the competitiveness of the industry, and whether the integrated resort was necessary and would be effective in doing this*.

### **Stand-alone Facility or Integrated Resort?**

*Since the idea was to attract the broader convention and leisure tourist, and not the gambler, the integrated resort would certainly seem to make more sense than suggestions for a stand-alone casino*. Gambling would be proffered as an entertainment option. After all the Government has also declared that its model was not that of Macau's or Australia's stand-alone casinos (although Macau has in recent times moved towards having integrated resorts too.)

***The casino and other non-gaming facilities like the convention centre have a synergistic relationship and make it an attractive business proposition for investors given that the Government wants this to be driven by the private sector.***

We were told that resort operators viewed as business imperative that the resort should include a convention centre as well as a mass-market casino with minimal entry restrictions to local participation. *It was clear that these features had a synergistic relationship, the convention centre in creating the traffic volume for the casino, and the casino cross-subsidising the non-gaming facilities including the convention centre in the resort. It bears repeating that the Government had attempted to attract investments for a resort or theme park without the casino component but had been unsuccessful*.

There was concern at the Forum that casinos in Australia, South Korea and Genting (Malaysia) relied heavily on local participation; this accounted for about 80% of the revenue. Of course, this might not be typical of the casino resorts in Las Vegas, because these were gaming cities that relied mostly on tourism for their local economy. The rate of local participation would be much



lower.

***Explain the imperatives determining the scale of the project.***

*Another aspect to address would be the scale necessary or implicit in the strategic choice to develop such a resort. The question of scale arose several times in the discussion. It was argued that the larger the scale, the larger the market risk and likelihood that operators would need to sell the casino aggressively as a revenue and profit-generating sector, thereby increasing the social risk from the project.*

### **Location**

The Government has been considering the options of having a city-based resort and a destination resort far from any urban centre. The question of trade-diversion or ‘cannibalisation’ arises.

***Trade-diversion would be minimised if the resort is located away from the city.***

*To begin with, it was argued that this venture would need to attract more tourists than the capacity of the hotel and other facilities that the resort would house if it was not to draw away customers from existing hotel, dining and entertainment venues. It has been interesting to note that a few hotel operators were keen on the proposal. Perhaps they were sanguine about enjoying the spillover effects, especially of the convention business. However, the economists argued that the cannibalisation would be minimised if the resort was located further away from the city (even if some level of trade diversion was still likely because Singapore was a city state with a small area).*

This would be compounded by the fact that the casino cross-subsidised the non-gaming facilities and could potentially create distortion to the other parts of the tourism industry, for instance by under-cutting the prices offered for similar products elsewhere. However, if the resort were located off the ‘mainland’, this market differentiation could help to deflect some of this effect.

***Members in the related industry clusters will need a strategic review to optimize their own position vis-à-vis the new development to address the problem of trade diversion.***

*It would be critical for existing operators to assess the impact of such a development on the broader tourism cluster to allow them to strategise their response and optimise their position vis-à-vis this new development.*

On the point of trade-diversion, it was also noted that while the resort could bring net employment creation, this should not be exaggerated as there might be a possibility that these new opportunities would be met through an intra-industry movement of labour or by

importing foreign labour, especially if efforts are not made to train local labour to fulfill the requirements of the resort early enough.

***Impulse gambling would be minimised also if the resort is located away from where people work and live.***

To return to the issue of location, it was also noted that a preferred (safest) policy would be to locate the casino some distance from residential centres so that people would have to make a conscious choice to visit. This would help to minimise impulse gambling. If the idea was to attract a separate tourist track to the resort anyway, this out-of-town location would not affect that foreign traffic much. The 'least safe' policy would be to locate casino games where people actually lived and worked.

### **Singapore's Competitive Advantage in Asia and Southeast Asia**

***Which specific industry is the project targeted at developing and can Singapore truly develop a competitive advantage in it?***

*Many at the Forum were unconvinced that Singapore had or could develop a competitive advantage in this business of casino resorts, although perhaps if the proposal was focused more on the convention, MICE business, there might be a clearer case for it.*

One of the speakers argued that Singapore could indeed achieve some sort of 'first mover' status in the Southeast Asian region, but if this was broadened to the region, then it seemed unlikely that Singapore could compete effectively with Macau and South Korea for say, the China market.

*Where Singapore did have an advantage over the immediate region was that casino resort operators, especially those out of the United States were looking for strong, well-governed jurisdictions in which to locate in order to meet the requirements of licencing in their home base.*

### **Economic Benefits**

***It is important to distinguish the benefits of the project to the operators and those to the economy.***

*One important message of the Forum was the need to distinguish the benefits of the project to the operator, from the benefits to the economy.*

Using the multiplier effects and industry economics of the Australian casino industry as a gauge, one estimate of the contribution to GDP was in the order of 0.29% of Singapore's 2003 GDP.

Given however that unlike in the Australian model, Singapore was looking at the model of an integrated resort where the non-gaming activities would contribute say 50-70% of revenue, the economic impact would be more significant and diversified than the Australian case.

***One estimate is that the project would contribute to at least 1% increase in GDP.***

In addition, if half of the estimated S\$2 billion wagered overseas could be captured, that would save Singapore 0.63% of GDP (at 2003 level). A similar amount is estimated to be wagered underground. *Together, this analysis would suggest up to 1% increase in GDP (at 2003 at current market prices). There would also be an added impact of the amount spent on infrastructure in the early period of development.*

***The estimate would however need to be revised to take into consideration the effect of trade diversion when the resort comes on stream.***

Another view however was that the project could not be assessed *in vacuo vis-à-vis* its impact on the broader tourism sector and the economy. *The difference would be to take into account the probable net level of trade diversion* as discussed above, given the potential spillover effect from the project, say on the hotel, dining, arts and entertainment sectors. As mentioned, this would depend heavily on whether the project would eventually be able to attract convention business of quite a different order of magnitude, and the high-rollers of the region, to the resort.

***The project posed a large and unlimited downside risk because of its scale, the way that non-gaming facilities are cross-subsidised by the casino.***

*The bear spin on the proposal was that it could be viewed as a leveraged uncovered option*, which had a large, unlimited downside risk to it if ‘the trade’ was unsuccessful; the risk could be wider than the investment cost itself. If it did badly, given the scale it operated on, the project could negatively impact profits of businesses in the cluster as the resort tried to attract customers on subsidised rates. The operator would also be more likely then to market gambling more aggressively. *“The project could then become a competition based on increasing misery with larger losses over a prolonged period of time.”* The Government would also need to make the enforcement of high standards of customer protection non-negotiable.

***If it was successful however, it could generate a lot of other non-gaming arts and social projects that Singapore wants but is unable otherwise to finance.***

*If it were to be successful however, it could be a catalyst for a lot of arts, sports and social projects that Singapore wanted or needed but had been unable to finance.* One attraction of the casino was that it would not only generate an ‘unresented tax’ that would add to the public purse and finance public projects, but the operator could also be chosen on the basis of its promise to sponsor the development of socially beneficial projects directly.

These would generate other positive spin-off effects.

***The Government should nevertheless offer an attractive tax on GGR and place greater emphasis on the operators commitment to an attractive ‘social concept’.***

It was recommended that the *Government should nevertheless adopt a business-friendly approach of having a relatively low tax on GGR (Gross Gambling Revenue) to attract the operator to the scene but also place emphasis on and commit it to implementing an attractive ‘social concept’.* This plan would include its commitment to fund programmes to prevent and treat problem gambling as well as wider social or arts funding to benefit broader society.

### **Calculating the Social Impact**

It was clear that attempting a cost-benefit analysis was a risky enterprise and depended greatly on the way in which social weights were assigned to different elements of the impact of the proposal. It was especially difficult to apply this to questions of social impact, and in fact, many would object to a ‘monetisation’ of human suffering. A survey of the figures offered by various studies was made at the Forum.

***Prevalence of P & P gamblers***

Depending on the methodology and location of the studies, estimates for the prevalence of problem gambling ranged from 1% to 8% of the population. The 1999 Study by the US National Opinion Research Center for the Gambling Impact Study Commission estimated that 2% of the population in the United States had moderate to severe problems with gambling in their lifetime. The costs from poor physical and mental health was estimated at between US\$1000 to US\$2000 per capita with additional costs arising from divorce, bankruptcy and arrests rising to US\$5,000 to US\$6,000 per capita. This was about 0.34% of US GDP in 2002. (Quoted in Assoc. Prof. Koh’s paper.) An average of costs based on 8 studies of cases in the US suggested a higher number of US\$13,586 per problem and pathological (P & P) gambler per annum. (Quoted in Mr T.S. Tan’s paper.)

***Revised estimated number of P & P gamblers in Singapore, at 1.5% of adult population based on 2.56 million adult Singapore residents, is 38,319 people.***

A conservative estimate for the prevalence of problem and pathological gambling was put at 1.5% by a speaker. If we were to apply this to statistics compiled by Singapore’s Department of Statistics that suggested that there were 2.5546 mil Singapore residents above the age of 20 (for end-June 2004), then the estimated *figure of P & P gamblers in Singapore would be about 38,319*

***Revised estimated bill for treatment alone in Singapore is S\$192 million.***

***The social impact of gambling would not be confined to the problem gambler. Each P & P gambler affects 8 other people in a complex set of social issues. An estimate number of people affected in Singapore would be 290,400 people.***

*people.* No better estimate could be achieved from the practitioners and there exists no systematic data collection on the level of P & P gamblers in Singapore at the moment.

Tan's estimate for *treatment costs alone in the Singapore context* (lower than in the United States) was S\$5,000. This would translate roughly to a bill of *S\$192 million per annum.* If we used the US figures as an indication of total social costs, the bill would be something of the order of S\$860 million

Speakers on the Singapore context agreed that *a lot of current P & P gamblers fell under the social radar* both because their problems were disguised as other sorts of social problems, and that they were not reported because they were being dealt with within private circles, or not at all.

### **The Wider and Widening Circle of Misery?**

What was more ominous were the following two points:

First, as raised in the Forum, *each P & P gambler would affect between 8 to 15 other people with their problems.* (Quoted Mr T. S. Tan and Mr Ee et al.'s papers.) This would include spouses, children, family, friends, and colleagues. At say 38,300 P & P gamblers, and *taking the lowest figure of 8 people, this would translate to 290,400 people.*

In absolute terms, this would be a great number of people to deal with, with a complex and diverse set of social problems. Practitioners at the Forum made an appeal not to allow the numbers to increase further than they were already.

Some who have written newspaper articles or letters to the newspaper have argued that a 1% incidence of P & P gamblers would be manageable. *This would not include numbers of at-risk gamblers, who lay at the threshold of the P & P category.* Also, would it matter to the case to compute the extent and degree of family breakdown, for instance, to conclude if this was a marginal and manageable effect?

***How many more would be affected with expanded opportunities to gamble?***

The second point that *did not arise* in the Forum was *the question of how many more would be affected through an expansion of opportunities to gamble.*

This was raised in the report for the National Gambling Impact Study Commission (1999) in a section that explored the risk factors for P & P gambling. The environmental factors were found to be significant and among them, were the availability of gambling opportunities. It estimated that:

- The presence of a gambling facility within 50 miles roughly doubles the prevalence of P & P gamblers;
- Seven of the nine communities that were investigated reported that the number of P & P gamblers increased with the introduction of a nearby casino; and,
- A review of the multiple prevalence studies over time concluded that some of the greatest increases in the number of P & P gamblers shown in the repeated surveys over periods of expanded gambling opportunities. (Executive Summary, p.7.)

***Incidence of P & P gamblers in Singapore could double – an estimated 76,600 and another 580,800 in the gamblers’ social circles affected.***

There were those who argued that since Singaporeans already gambled heavily at home with the current opportunities and even more so overseas, it would be of marginal impact to locate a casino in Singapore.

Given that Singapore was a small area, even if the casino was located as suggested earlier in an out-of-town location, say in the Southern Islands, it was possible that the incidence of P & P gamblers would double. *Just as an indication, this would be 38,300 to 76,600 P & P gamblers, and with possibly up to 580,800 others affected.*

Some could argue that the marginal increase could be lower since the casinos in Batam and Genting, and casinos on Star Cruises were already fairly accessible. Then again, what could happen with the expanded opportunity to gamble in a casino was that each P & P gambler could affect an even wider circle of family and friends than just the 8 used in the estimate above.

***This could translate to a treatment bill of S\$384 million or 0.24% of Singapore’s GDP (2003, current market prices).***

*As a rough guide, the total bill for treatment costs alone would come up to \$384 million. This would translate to about 0.24% of Singapore’s GDP (at 2003 at current market prices). Again, using the US figures as indication of total social cost, the bill would rise to S\$1.7 billion.*

Just for comparison with the estimates of economic impact, Assoc. Prof. Koh’s initial estimate of the

contribution of the casino based on multipliers and industry economics of the Australian case was 0.29%. (To recall, he did add however that this was a low base since the Singapore proposal would comprise a larger non-gaming component and did not include the amount wagered overseas that could be 'saved' with a local facility in place.)

If a conservative estimate of the economic impact was an addition of something over 1% of GDP, the *net effect of the costs and benefits would then be 0.76% of Singapore's 2003 GDP.*

***Potential operators, the Government, and other social service providers would have to anticipate the projected quantum of S\$384 million to address gambling addiction, with only an estimate of 8% success in treatment.***

*The potential operators, the public authorities and possibly voluntary and philanthropic organisations would have to contribute a projected \$384 million to addressing the problem and pathological gambling in Singapore alone, or at least the projected marginal increase of \$192 million that would come about with the development of a casino.*

*It would be unlikely that the P & P gamblers themselves would be able to bear much of the cost of treatment. This would be a bill that would have to be borne by the operators, the Government and philanthropic funding.*

*Note also that figures for the United States suggested that only 8% of P & P gamblers would be able to overcome their gambling addiction.*

### **Sector Capacity in Treatment of Problem Gambling**

***The social service sector has inadequate capacity for dealing for gambling addiction currently and this will need a drastic ramping-up if the casino is established.***

The social service practitioners had one clear message with regard to this - that there was an *inadequate number of professionals to deal with the current reported levels of P & P gambling.* Furthermore, there is only one facility that existed for addiction management in Singapore currently. There would need to be a drastic ramping up of staffing and an introduction of preventative as well as treatment programmes and treatment facilities, well before the roll-out date of the proposed resort, just to cope.

*What would also be important to note would be the profile of potential local patrons at the casino and their preference of games, and studies on these games' impact on addiction. The video gaming machines and those with high-payouts, for instance, have been proven to be especially addictive in Western markets.*

## Minimising the Negative Effects

Could these negative spin-offs be ameliorated? Speakers cited a host of measures which they recommended be included 'social impact or concept plan' submitted by potential investors. These measures should help to prevent or minimise the harm from problem gambling:

### *Age limit*

- An age limit, because exposure of the young and youths to gambling directly or indirectly through their parents' gambling would significantly impact the incidence of gambling addiction in the later years.

### *Screening*

- Screening to admit only individuals with sound credit rating, akin to assessment for credit card applications. Foreigners to be admitted immediately, unless and until further detailed checks suggested a questionable background, relating to money laundering for instance.

### *Smartcard Technology*

- Activities to be managed through the use of a smartcard, where patrons would need to pre-set spending limits upon entry.

### *Credit facilities*

- No cheque-cashing or credit facility, but there could be a different rule for a foreign patron.

### *Harm prevention and minimization a responsibility of the operator.*

*The prospective operator should therefore be selected on its business plan as well as how attractive its proposed 'social concept' was. It has been the practice in other jurisdictions to place a good part of the responsibility for the social impact of the casino on the part of the operator. In addition to measures for prevention and harm minimisation of problem gambling, it could include a strategy to spot and deal with patrons who display problems on the gaming floor, sponsor treatment programmes and scientific and sociological research into the direct and wider impact of problem gambling.*

*In our audience poll, participants were evenly split between not proceeding and proceeding with safeguards when asked about where they stood on the proposal.*

## Summing Up

Given the body of evidence and the arguments surfaced at the Forum (save for the figures on increased incidence with expanded gambling opportunities which have only been cited in this report), the audience was evenly split between proceeding with the proposal with safeguards in place to address the moral and social impact, and not proceeding. It was also interesting to note a significant shift away from unequivocal support for the proposal on



***If the casino was indeed built, in terms of their personal behaviour, about 83.3% of the audience in our poll indicated that they would at least be prepared to tolerate the presence of a casino in Singapore.***

***We must be convinced that our closest neighbours would not develop such an integrated resort if we were to decide not to proceed.***

***It would depend on whether prospective investors felt other locations had the sort of jurisdiction to meet the regulatory restrictions they faced in the US.***

the economic basis to a more cautious approach also.

It might also interest the Government to know that a significant minority of the audience would patronise the resort and casino (42%) if it were built, and another significant minority who said they would patronise the resort but not the casino, or not patronise the resort at all, and yet respect others' right to (41.3%). A small group said that they would actively campaign against the casino if it were developed (16.7%). One could then argue that up to 83.3% of the audience would at least be prepared to *tolerate* the presence of a casino in Singapore.

It was noted at the Forum that this proposal clearly entailed the attraction of an unusual type of foreign direct investment (FDI). Investment in the manufacturing sector or the life sciences would seem to create a win-win situation for the investor and Singapore – there was the capital investment, the job-creation, innovation, the knowledge-development and dispersal associated with it, with generally positive impact for social development. Ordinarily, investment in the convention and tourism business would also be viewed positively too. There was much greater ambivalence however with this particular proposal because of its casino component.

A good number who spoke up felt passionately that the Government and citizens would do better exploring other forms of investment where both the market and social risks were less high, and where social development would be more clearly set on a positive trajectory as a result of it. They wished that the Government would explore other tourism concepts that did not have such large attendant social costs. These were the areas of weakness in the proposal under consideration.

The one development that could make this discussion moot is if Johore or Batam were to seize the opportunity to develop a resort along similar lines. Singapore would not only lose the investment and the money attracted out to such facilities, but we could also bear the heavy social costs of increased incidence of problem gambling by the casino in close proximity.

One important mitigating factor against this scenario would be that the potential investors for this sort of project, especially those out of the US would have to be convinced that they would be operating in strong and sound jurisdictions to meet the regulatory requirements for their business in their home base. Another possible

factor would be whether this location would offer good communications systems to support mass market visiting from the rest of the region.

In his political analysis, Dr K. Tan noted that for some, this proposal had represented a “spectacular moment of contradiction in the PAP government’s articulation of materialism and morality.” They saw this as a betrayal of the Government’s moral authority for the sake of economic benefit. Rather than a public debate between the two poles of a sterile, market-driven logic versus a reactionary, fundamentalist dogmatism, what was needed was a more open, informed and engaged consultation process that looked in detail at the merits of the case.

This would not be an easy decision to take. All indications have suggested that the Singapore public has been evenly divided on a policy question of whether to licence a casino in Singapore. It is hoped this report might help to identify some of the key issues that the Government would need to address going forward.

What the Forum was *not* designed to do however was to settle in some definitive way, the moral questions of whether gambling was a vice and should be shunned by society at large, or whether Singapore should become the sort of place where the level of inclusiveness and tolerance the project would demand of society existed, although the results of the audience poll provide some hint as to how some of the key stakeholders might feel.

\* \* \* \* \*

# IPS FORUM ON THE CASINO PROPOSAL



17 November 2004

*Canning Ballroom, Raffles City Convention Centre*

## PROGRAMME

(as at 13 November 04)

8.15 am – 9.00 am	<b>REGISTRATION</b>
9.00 am – 9.05 am	<b>WELCOME REMARKS</b>  <i>Mr Arun Mahizhnan Acting Director Institute of Policy Studies</i>
9.05 am – 9.15 am	<b>THE GOVERNMENT PROPOSAL</b>  <i>Dr Gillian Koh Research Fellow Institute of Policy Studies</i>
9.15 am – 9.25 am	<b>FIRST ROUND OF AUDIENCE POLLING</b>  <b>SESSION I THINKING THROUGH THE PROPOSAL</b>  <i>Chairperson Dr Gillian Koh Research Fellow Institute of Policy Studies</i>
9.25 am – 9.35 am	<b>Introductions</b>
9.35 am – 9.55 am	<b>Thinking Through the Proposal</b> Two analysts present alternative ways in which to frame the discussion on the proposal to license a casino in Singapore – a brief but critical ‘opening act’

for the forum. The first focuses on a strategic analysis of the objectives for the proposal and the second on the adequacy of the framework of a cost-benefit analysis.

*Speakers*

*Mr Steve Wyatt*

*Vice-President*

*Monitor Group*

*Professor Ten Chin Liew*

*Head*

*Department of Philosophy*

*National University of Singapore*

9.55 am – 10.10 am

**Other Possibilities**

***Proposal for Safe and Social Gambling***

What is the rationale for the proposal and what are some ways in which the proposed casino can be envisaged with safeguards to manage the oft-cited costs or ill-effects of such a development?

*Speaker*

*Mr Ronald Tan*

*1 Worldhotels Limited*

10.10 am – 10.25 am

***A Casino in Singapore – How to Make it Work***

If the standard models of casinos, a la Las Vegas, Genting and Macau may not pass the cost-benefit tests for our city-state, is there an alternative that may be more suited? Can a unique and more creative model, leveraging on the country's reputation for honesty and transparency be formed to lower the costs and maximise the benefits of having a casino in Singapore?

*Speaker*

*Dr Larry Haverkamp*

*Financial Columnist*

*The New Paper*

10.25 am – 10.40 am

***The Business Perspective***

What would potential investors be looking for in deciding where to place their capital in Singapore and the region? What would the parameters be for making the Government proposal a viable venture and one that will also benefit Singapore?

*Speaker*

*Mr Jonathan Galaviz*

*Partner*

*Casino Gaming Practice*

*Galaviz Ong & Co., Ltd*

10.40 am – 11.15 am

**Discussion Time**

11.15 am - 11.30 am

**Coffee Break**

**SESSION II  
THE PROPOSAL AND THE ECONOMIC CASE**

*Chairperson*

*Mr Yeoh Lam Keong*

*Director*

*Economic & Strategy Department*

*Government of Singapore Investment Corporation Pte Ltd*

*Vice President*

*Economic Society of Singapore*

11.30 am – 11.35 am

**Introductions**

11.35 am – 11.50 am

**The Anticipated Economic Impact**

What specific economic value streams will be created by the proposal? Is there any negative economic impact that should be anticipated? How will any proposed exclusionary clauses and safeguards affect the rationale, the business case and overall economic impact of the casino.

*Speaker*

*Associate Professor Winston Koh*

*School of Economics and Social Sciences*

*Singapore Management University*

11.50 am – 12.05 pm

**The Impact of Regional Development**

What is the impact of the existing and potential plans to develop the casino industry in the region on the Singapore proposal?

*Speaker*

*Mr Sanjay Mathur*

*Executive Director*

*Asian Economics*

*UBS AG*

12.05 pm – 12.20 pm	<p><b>Re-engineering the Tourism Industry</b>  Are there any other tourism products or broader infrastructural projects that can be devised to meet some of the stated objectives of the casino proposal just as well?</p> <p><i>Speaker</i>  <i>Mr Christopher Khoo</i>  <i>Managing Director</i>  <i>MasterConsult Services Pte Ltd</i></p>
12.20 pm – 1.00 pm	<p><b>Discussion Time and Results of First Round of Audience Polling</b></p>
1.00 pm – 2.00 pm	<p><b>Lunch</b></p>
	<p><b>SESSION III</b>  <b>THE PROPOSAL AND THE SOCIAL IMPACT</b></p> <p><i>Chairperson</i>  <i>Ms Sudha Nair</i>  <i>Instructor</i>  <i>Department of Social Work and Psychology</i>  <i>National University of Singapore</i></p>
2.00 pm – 2.05 pm	<p><b>Introductions</b></p>
2.05 pm – 2.20 pm	<p><b>Social Impact of Expanded Opportunities For Gambling – Comparative Figures</b>  What are the comparative figures for the social impact of gambling, at all the levels, of low-risk, at-risk, problem gambling and pathological gambling? This should include the impact of the problems upon a gambler's family, friends, colleagues and general community. The theoretical, quantitative and qualitative data should be surfaced and the problems of quantifying the psychic impact and establishing causality should be highlighted.</p> <p><i>Speaker</i>  <i>Mr Tan Thuan Seng</i>  <i>President</i>  <i>Focus on the Family Singapore Limited</i></p>
2.20 pm – 2.35 pm	<p><b>Social Impact of Expanded Opportunities for Gambling – Local Context</b>  What is the social impact of the current level of opportunities for gambling and what is likely to happen if the proposal to license a casino proceeds here. What are the key concerns? What then are the</p>

options? Is the suggestion to proceed, with safeguards in place, one that can be supported, or should Singapore really draw a line under what are the current gambling opportunities and not support the proposal at all?

*Speaker and Paper Contributor*  
*Mr Gerard Ee*  
*President*  
*National Council of Social Service*

*Other Paper Contributors*  
*Ms Pang Kee Tai*  
*Acting Director*  
*The Ang Mo Kio Family Service Centres*

*Mr Denny Ho Teck Hua*  
*Honours Graduate*  
*National University of Singapore*

2.35 pm – 2.50 pm

**Effective Public Policy on Casinos: Containing Potential Negative Impact**

*Speaker*  
*Professor Peter Collins*  
*Director*  
*Centre for the Study of Gambling and Commercial Gaming*  
*University of Salford, United Kingdom*

2.50 pm – 3.30 pm

**Discussion Time**

3.30 pm – 3.45 pm

**Coffee Break**

**SESSION IV  
MAKING THE DECISION (OPEN FORUM)**

*Chairperson*  
*Professor Tommy Koh*  
*Chairman*  
*Institute of Policy Studies*

3.45 pm – 3.50 pm

**Introduction**

3.50 pm – 4.05 pm

**Economics, Morality, and the Public Sphere**

What are the considerations that will shape the Government's process of decision-making on this proposal? What is its calculation of the political consequences of any decision that comes out of it, and

how will it seek to manage it? A lead-in to the open forum time.

*Speaker*  
*Dr Kenneth Paul Tan*  
*Assistant Head*  
*Department of Political Science*  
*National University of Singapore*

4.05 pm – 4.15 pm

**SECOND ROUND OF AUDIENCE POLLING**

4.15 pm – 5.15 pm

**OPEN FORUM**

*Chairperson*  
*Professor Tommy Koh*  
*Chairman*  
*Institute of Policy Studies*

5.15 pm – 5.30 pm

**POLLING RESULTS AND END OF FORUM**



IPS FORUM ON  
**THE CASINO PROPOSAL**  
17 November 2004



*Canning Ballroom, Raffles City Convention Centre*

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## Annex III Audience Poll Results

### IPS Forum on the Casino Proposal

**Total number of forum participants: 233**

Breakdown in percentage by sectors

Public	- 38%
Civic	- 16%
Academic	- 7%
Commercial	- 39%

#### Round One

1. From what you understand to be the potential economic impact of the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(54)	31.8
b. Do not proceed.	(53)	31.2
c. Proceed with safeguards.	(63)	37.1

*Total no. of respondents for this question: 170*

2. From what you understand to be the potential social impact of the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(14)	8.5
b. Do not proceed.	(75)	45.5
c. Proceed with safeguards.	(76)	46.1

*Total no. of respondents for this question: 165*

3. From what you anticipate to be the potential impact on our moral values from the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(36)	22.2
b. Do not proceed.	(74)	45.7
c. Proceed with safeguards.	(52)	32.1

*Total no. of respondents for this question: 162*

#### Round Two

1. From what you understand now to be the potential economic impact of the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(24)	18
b. Proceed with safeguards.	(35)	26.3
c. Pilot before deciding.	(20)	15
d. Do not proceed	(54)	40.6

*Total no. of respondents for this question: 133*

2. From what you understand now to be the potential social impact of the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(15)	9.7
b. Proceed with safeguards.	(58)	37.4
c. Pilot before deciding.	(15)	9.7
d. Do not proceed	(67)	43.2

*Total no. of respondents for this question: 155*

3. From what you understand now to be the potential impact on our moral values from the proposal, what is your position on it?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(15)	9.6
b. Proceed with safeguards.	(72)	46.2
c. Pilot before deciding.	(9)	5.8
d. Do not proceed	(60)	38.5

*Total no. of respondents for this question: 156*

4. The proposal is a fair economic and business proposition which should not be held back by social and moral concerns.	<u># Response</u>	<u>%</u>
a. Agree	(19)	14.3
b. Disagree	(54)	40.6
c. Achieve a clear level of consensus before proceeding	(29)	21.8
d. Put safeguards in even if they hurt the business case for it	(31)	23.3

*Total no. of respondents for this question: 133*

5. Who should take the primary responsibility for minimizing the potential social, and law and order problems that might arise from the proposal?	<u># Response</u>	<u>%</u>
a. The Government	(33)	24.8
b. The Individual, through self-responsibility and self-regulation.	(10)	7.5
c. Family and society, through public education and by creating the right support structures.	(2)	1.5
d. The market players, by running socially responsible businesses.	(7)	5.3
e. All of the above.	(81)	60.9

*Total no. of respondents for this question: 133*

6. If the proposed resort is developed in Singapore, you would:	<u># Response</u>	<u>%</u>
a. patronize it including the casino	(58)	42
b. patronize it but not the casino	(26)	18.8
c. not patronize it, but respect other's right to	(31)	22.5
d. not patronize it, and campaign actively against the casino	(23)	16.7

*Total no. of respondents for this question: 138*

7. Taking into consideration all that has been discussed, what is your position on the proposed integrated resort?	<u># Response</u>	<u>%</u>
a. Proceed, with no restrictions.	(14)	9.2
b. Proceed with safeguards.	(67)	44.1
c. Pilot before deciding.	(6)	3.9
d. Do not proceed	(65)	42.8

*Total no. of respondents for this question: 152*

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