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NewsLetter

The Society For The Study of Gambling

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The Society For The Study of Gambling

The Society for the Study of Gambling was formed in 1977 to provide a forum for those concerned with research into gambling; to promote its scientific study, especially as far as the psychological, social and economic aspects are concerned; and to inform the public about these matters. In more recent times the Society has broadened its focus to include a wide range of issues relevant to the field of gambling.

The membership of the Society is drawn from a wide circle of people who have interest in various aspects of gambling. They range from those that deal with problem gambling to members of the commercial gambling industry. It is a condition of the Society that there should be freedom of opinion and practice among its members. Consequently the Society does not take any particular stance in relation to gambling.

Talks and papers presented at Society meetings are often reproduced in the Newsletter. They are published at the invitation of the Editor and with the permission of the author. They are not intended to be an alternative to publication in a learned journal. The Editor welcomes unsolicited manuscripts, correspondence book reviews and other items which are of interest to SSG members.

The Society holds regular meetings twice a year in London. **The next meeting will be held on Tuesday 18th May 2004.** For further details please contact the Treasurer.

Information about the Society and a précis of the articles that have been published in recent Newsletters can be found on the Society's website:

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EDITORIAL

Do we need a new gambling bill?

It is strange that, after nearly four years which have seen the publication of the Budd Report, the Government's response to it, a Parliamentary Select Committee Report, a parliamentary debate, a further casino policy paper, a very long Draft Bill and now three volumes of Report from the Scrutiny Committee, this fundamental question remains undecided in the minds of the press, the public and (rumour has it) some senior politicians.

Opponents of the new bill point to survey evidence which suggests that most people think we already have enough gambling opportunities in the UK and claim that the proposed bill will serve mainly to unleash a plethora of high prize gambling machines on the UK market, thereby increasing problem gambling especially amongst the poor.

If this is so, they ask, why not simply leave well alone particularly when there are no visible public benefits (or votes) to be secured from extending the availability of commercial gambling?

According to the government (and the Scrutiny Committee) we need the bill because the existing laws are out of date, increasingly unworkable, and, above all, make it impossible to regulate the kinds of gambling which can be delivered by modern technology, especially via the internet, mobile phones and interactive TV.

But if that is so, reply the critics, then why not modernise the law so as to eliminate anachronisms like the 24-hour rule and the Demand Test and to take account of new technologies but without making large numbers high prize gambling machines available in a lot of new international-style casinos?

Unless and until government can answer this question satisfactorily, the part of the new bill which deals with casinos is unlikely to get through or even to parliament.

At this point we encounter the tension in government policy which threatens to develop into a fatal incoherence. This tension derives from Government's desire both to let the number and location of new casinos be determined by market forces and to make sure that there are not "too many" new casinos located in the "wrong" places.

The Government's wholly admirable reason for wanting to leave things to market forces is that, in a free society, adults should be allowed to spend their own time and money as seems best to them and that government should not interfere in commercial transactions between willing buyers and willing sellers except to prevent the use of force and fraud. If this means that adults choose to buy the kind of fun that is sold in international style casinos so be it.

On the other hand, the government has an equally admirable desire to circumscribe the number and location of new casinos so as to minimise the negative social impacts of making high prize gambling more readily available. Of these the most important is problem gambling.

Everyone is agreed that lots of new casinos, especially of small ones, with large numbers of machines conveniently located close to where people live and work is likely to be bad for problem gambling because it will increase opportunities to gamble on impulse.

The government therefore finds itself committed to imposing some restrictions on market forces and to preventing an undue proliferation of new casinos with large numbers of gambling machines.

There is nothing surprising about this. In almost all jurisdictions there is a kind of democratic consensus that says: “we don’t mind having some of this type of gambling but we think gambling is dangerous or otherwise undesirable and we don’t want too much of it”. Consequently almost all jurisdictions which authorise new casinos to cater mainly for local rather than tourist markets place some limits on their numbers. And the natural way of doing this is simply to stipulate the number of casinos which will be permitted.

The UK government has so far been reluctant to do this because it wishes to maximise free competition. But that has left it trying to restrict supply by other and, frankly, much clumsier means such as minimum sizes and machine-table ratios. What these minimum sizes and required ratios should be has still not been resolved because government still has no clear idea of how much proliferation is too much. Hence it has so far been unable to formulate a credible policy for distinguishing “resort”, “regeneration” and “regionally significant” casinos from other large casinos which are none of these things and for ensuring that we don’t get too many of the latter.

The public policy issue has been further complicated by economics in two ways.

First, because everyone knows that there will be some restrictions on the number of casinos everyone knows that those who are the first to get licences will be at a huge advantage. Consequently, the whole country is already ringing with announcements of plans and deals and agreements for all sorts of new large casino projects which it is hoped will be able to go live the moment the new law is passed. This process threatens to frustrate the policy of non-proliferation even before the bill receives royal assent.

Second, Government at local level, as well as at national and regional level, has come to realise that a by-product of policies to restrict the number of new casinos is that new licensees can be required to make substantial investments in non-gambling infrastructure of various kinds which will contribute to regional regeneration and urban renewal in areas which are currently relatively disadvantaged.

This has resulted in all sorts of municipal authorities seeking to capture the available regeneration dividends or planning gain for themselves before any coherent plan for

incorporating new casinos into regional development plans have been formulated and agreed. Again this threatens the policy of non-proliferation.

There is little doubt that the best policy, in terms of the public interest, would have been to have only a few very large, regional casinos optimally located so as to minimise negative social impacts and optimise the economic benefits in the areas where they are most needed.

This would require all large new casinos to obtain approval from regional planning bodies, who would then agree on the best way of integrating new casinos into the economic development objectives of the region as a whole. It would also require a competitive tendering process to decide who should get the licences.

It now looks as if this will be politically impossible because the companies which have been planning to build or convert existing premises into non-regional, large casinos (mostly UK companies) would lobby to kill the bill. On the other hand, if the bill looks like resulting in a huge proliferation of high prize gambling machines in unhealthy convenient locations, those who worry about problem gambling can be expected to ally themselves with those (like BACTA and the betting companies) who never wanted the bill in the first place.

To save the bill will require a compromise solution.

What this might entail would be to focus not on the number of category A machines per venue but on the number of such machines (and possibly category B machines too) permitted to each region. It would then be possible to stipulate that a certain proportion (say, half) of these machines be located in regionally significant, regenerative casinos with 1000+ machines and that the remainder go to municipal casinos with 300-400 machines.

Such a scheme would still require strong and far-sighted leadership at both national and regional levels. On the other hand, such a scheme would have a good chance of succeeding in parliament because it would contain the negative social impacts including those associated with displacement while securing some visible and tangible benefits for all the constituents of the regions where the new casinos will be located.

What can be expected in the U.K. with the New Gaming Act?

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Compared to their American cousins, the British are very careful and deliberate when it comes to revising laws that have the potential to significantly affect present and future generations. The current path to revise the *Gaming Act 1968* provides an interesting illustration of such a process.

In the United States, gaming legislation has often been passed through state legislatures toward the end of a hectic legislative session, sometimes with the intent of “sneaking it through,” often without careful forethought as to the implications of what was being passed, and usually influenced primarily by the economic interest groups who would be most directly affected, positively or negatively, by the legislation. Though this is more a commentary on the American legislative process at the state level than on gaming, this is perhaps the only way to explain how we have ended up with such a mish-mash of eccentric casino gaming industries in our various states: casinos on riverboats that must sail, small stakes casinos located in rural mining towns that last boomed in the 19th century, a wide variety of casino types on tribal reservation lands scattered throughout the country, *racinos* (race track casinos) which offer hundreds or thousands of well-attended slot machines while nearly no one watches the racing taking place on the other side of the grandstands, and urban casinos in the downtowns of two of America’s more distressed major cities: Detroit and New Orleans.

Had we used a more careful and deliberate process in America, then we would have—should have—collectively asked ourselves:

- What do we hope to gain from permitted gambling?
- Where would be the best places to locate casinos?
- What kinds of casinos and casino-style gaming should be permitted?
- How do we mitigate the unintended negative consequences that are associated with casinos and other forms of legal gambling?

Had states in the United States pursued such an inquiring approach, they might have come closer to the process that Britain is presently following. However, this also suggests an intriguing fundamental question: Will the resulting gaming industries in the U.K. on balance be better or worse from a variety of perspectives than their American counterparts?

The British story is a lesson in deliberation. In December 1999, the Home Secretary announced formation of a commission to review gambling policy in the U.K. The subsequent [Gambling Review Report](#) (the Budd Commission Report) in 2001 laid out a

variety of recommended principles for revising Britain's gaming laws. The Government, in their response ("A Safe Bet for Success," DCMS, 2002), largely agreed with the philosophy and the specific recommendations of the Budd Commission. To date, the pronouncements of the government regarding the specifics of the new bill have given it some shape and allow us to reasonably speculate what the new gaming industries and, indeed, the new casinos will look like.

The Budd Commission recommendations strongly adhered to the following principles:

- Gaming should be considered a normal commodity that adult consumers should be permitted to pursue if they so choose;
- Companies wanting to supply gaming services should not be inordinately constrained from doing so, nor should they be protected from competition in the marketplace;
- A single regulatory body should oversee all commercial gaming, with the exception of spread betting, which is regulated as part of the financial sector, and the National Lottery, which is given special status and a protected monopoly because of its role in raising revenues for good causes;
- The most important negative side-effect associated with widely available permitted gambling is problem or pathological gambling. However, this issue can be dealt with by requiring gaming industries to finance programs that address the education, treatment, and research needs of problem gambling in society.

Recent pronouncements have established a formula by which casinos can offer the most popular gaming products. *Small casinos* are required to have a minimum of 5,000 square feet of gaming space, and no more than three gaming devices per table game. (Existing casinos that are below the minimum square footage requirements are "grandfathered" in.) *Large casinos* are defined as those with a minimum of 10,000 square feet of gaming space and at least 40 table games. Large casinos are not limited in the number of gaming devices they may have.

The types of gaming devices permitted in casinos will be unconstrained in design, insofar as they can offer any wager size and maximum payout prize that the market will accommodate. The only constraint is a limitation regarding linked progressive jackpot machines: casinos will not be permitted to link progressive jackpots among casinos, though they will be able to do so within the confines of a single casino.

Regional Planning Bodies and local authorities will have considerable discretion in determining whether casinos should be permitted in particular geographic areas, specifically where casinos can be located, and other conditions that will need to be met for their construction and operation. It is likely the planning process will be an important determining factor in the shape of the emerging casino industry. However, because the national planning laws are also under revision at present, there is some uncertainty regarding how this will ultimately work out regarding the dispersion of casinos throughout the U.K.

Finally, there will still be a substantial *convenience gaming* market with limited prize gaming machines permitted in a wide variety of non-casino outlets throughout the country. Types of such gaming machines permitted will range from small wager (30 p maximum)/low prize (£5 maximum) *amusement with prize* machines for children and others, to gaming machines that are permitted to offer moderate (£25) to reasonably large (£500) jackpot prizes. The latter two categories will only be permitted in age restricted locations, primarily to protect the Nation's youth from exposure to such forms of gaming.

Finally, as of yet there has been no formal determination of the tax regime that will apply to the casino industry and gaming machines subsequent to enactment of the new Gaming Act. Interestingly, in many other jurisdictions throughout the world, this is often the first thing discussed, either because government's primary motivation for legalizing casinos or gaming machines is to raise revenues for government coffers, or because the tax rate has such a significant impact on the profitability of investments in the "bricks and mortar" of modern casino complexes.

What are the implications of this legal structure based on the experiences of gaming jurisdictions elsewhere in the world? First, we should note some of the major economic trends and social forces around modern gaming that will have a bearing on developments in the U.K. Among the more important of these are:

1. Commercial gaming industries typically have much more substantial economic presence than casual observers would expect. In the United States, spending on all legal gaming products approaches about one percent of disposable income, a figure comparable to the current situation in the United Kingdom. It is higher in other countries; in Australia, for example, gaming spend represented about 3.4% of disposable income in 2002.
2. The size and shape of legal gaming industries is largely determined by political decisions, as is being demonstrated in the U.K. today. However, this suggests that gaming industries are particularly vulnerable to arbitrary political decisions and to substantial investments in lobbying activities, to influence or protect the terms under which the industry must operate. This is particularly important when gaming markets are artificially constrained or under-supplied.
3. Slot machines—more accurately, modern electronic gaming devices—are now the gaming product of choice in casinos and other gaming venues in most parts of the world, with the notable exception of Asia. Such devices have undergone substantial technological innovation in the past decade, resulting in games that are more productive (in terms of win per device per hour of play), more attractive, more entertaining, and perhaps more seductive. An interesting implication is that, for many new generation gaming devices, the size of the top prize is not the most important dimension that defines its attractiveness to players. The United Kingdom has seen virtually none of these gaming products yet.
4. Slot machines are not only the most popular modern gaming product; they are the most profitable as well. A typical American casino (with the exception of those located on the Las Vegas Strip) generates about 80% of its gaming revenues and

- upwards of 90% of its gaming profit margins from slot machines. This reflects a continuing trend that is traceable at least as far back as the 1970s.
5. Convenience gaming venues that offer modern electronic gaming devices can be serious competitors to site-specific casinos. In jurisdictions as varied as Australia, Canada, and Spain, gaming revenues generated within casinos are dwarfed by revenues generated by gaming devices operating outside of casinos. Sometimes these are called *Video Lottery Terminals* (when run for the benefit of the lottery) or *Poker Machines* (when limited to video poker machines), but the economic effects are similar: a large portion of the demand for casino-style gaming can be captured outside of casinos. When this happens, it limits the economic and catalytic potential of casinos.
 6. Under relatively free market conditions, such as in Nevada, the casino industry demonstrates strong economies of scale and of scope. In recent years, this has been manifested in terms of both plant size (i.e. larger casino-hotel complexes) and company size (i.e. companies owning multiple casinos, even in the same market.) Reasons for this are a combination of cost efficiencies and the ability to segment product offerings and therefore appeal to customers in different socio-economic categories, age groups, and to differing expectations regarding the casino experience.
 7. Though this is a somewhat subjective observation, one can distinguish between “attractive” gaming and “ugly” gaming by the general image it puts forward. For example, Las Vegas style destination resorts would be considered “attractive” not only because of their architectural splendor and substantial non-gaming amenities, but also because they are so popular across a wide swath of the population. On the other hand, slot machines in bars and taverns or at spartan *racinos* might be deemed “ugly” because they present gambling in relatively unattractive settings, and draw their customers disproportionately from lower socio-economic groups and from ethnic minorities. As a result, once established, they might too obviously challenge the general public’s sensibilities about government raising revenues in this manner, on the backs of people who look like they should not be spending their scarce resources on gambling. Furthermore, pro-active attempts to mitigate problem gambling through such strategies as self-exclusion are more difficult to implement in small dispersed “ugly” locations than in large “attractive” casinos. “Ugly” gaming therefore is more likely to trigger political backlash than “attractive” gaming. It is worth noting, however, that jurisdictions in the United States in recent years have been more prone to consider or authorize “ugly” forms of gambling, such as *racinos* or state operated slot machines, than “attractive” private sector multi-faceted resort casinos. In 2003, for example, political debates in the states of Maryland and Pennsylvania, and elections in the state of Maine, reflected this anomaly.
 8. Political backlash can also show up from “too much gaming.” This has occurred in a number of jurisdictions throughout the world, including Australia, New Zealand, parts of Canada, and in South Carolina. The most dramatic of these cases have centered around problem gambling issues, and around convenience gambling in particular. In one important respect, this is directly understandable. Convenience gambling brings about few of the tangible visible benefits often

associated with large American-style casinos, such as tourism, new investments, major job creation, stimulation of the neighborhood or region, or complementary spin-off commerce. However, convenience gambling seems to intensify the visibility of problem gambling because of the ease of access to the gaming product among friends, neighbors, or relatives. Furthermore, the integration of convenience gambling into other social settings, such as the local tavern, may change the nature of the tavern itself, and the ability of neighbors to interact in that environment. Therefore, the general public sees fewer of the economic benefits and more of the social costs associated with expanded gambling, if the expanded gambling is largely of the “convenience” variety.

Based on these realities and the strategy being pursued with the new Gaming Act, what is likely to occur? The following are my best guesses on the implications of the new Gaming Act in its present form:

1. Small casinos, generally speaking, will have considerable difficulty surviving in this environment. Since the real profit in modern casinos is derived from gaming devices, the ratio of no more than three gaming devices per table game will make it very difficult for small operations to compete effectively against those large casinos who have more than 40 table games and a substantial multiple of gaming devices on the one hand, and age restricted venues that are able to offer attractive limited prize gaming machines on the other.
2. The Regional Development Agencies will probably limit the number of Large Casinos permitted in their specific regions and substantially determine casino locations for a number of reasons. They will want to harness the tourism and regeneration potential derived from new casinos, and guarantee the sustainability of those casinos they authorize. Furthermore, they will be likely be responsive to concerns over the adverse impacts of new casinos on city centers, other businesses, and traffic patterns, and will be interested in avoiding “boomtown” developments around casinos that have occurred in the United States. For example, concerns have been raised about large casinos serving as “car magnets,” which would be considered to be an undesirable side effect of such developments. Also, there have been pronouncements by government officials that regeneration of city centers is preferred to new developments in out-of-town locations, which is the same issue that has come up with regional shopping centres. Thus, even though Budd argued strongly for an unfettered competitive market in casino gaming, the combination of constraints on the product mix of small casinos and planning concerns for large casinos may create a restricted environment anyway.
3. As in Australia and Spain, the *convenience gambling* venues may end up being the most popular of all the casino-style gaming outlets in the Nation. This will depend to a large extent on what future constraints are placed on these venues, especially with respect to the number of permitted gaming devices per location. The larger the convenience gambling sector in the U.K., the less profitable the Large Casino sector will be, especially in terms of its ability to attract financial capital.

4. The possible success of seaside resort areas—such as Blackpool—as casino centers, will depend on what decisions Regional Development Agencies make with respect to the number of permitted large casinos elsewhere in their respective regions. For example, if the North West Development Agency were to permit a significant number of Large Casinos in the Manchester and Liverpool areas, then much of the latent demand for casino gaming from that region would be taken up by those casinos—and by convenience gambling—because of their proximity to the region’s population centers. On the other hand, if there were only a limited number of large casinos permitted in the metro areas of the North West, the attractiveness of Blackpool as a destination resort area with casinos would be enhanced. The parallels between Blackpool and the American seaside resorts in Atlantic City and Biloxi are very strong, but those American resorts were permitted to develop their casino industries without direct competition from nearby urban or suburban casinos. Had they confronted such competition, the willingness of companies to invest large amounts of capital into either destination resort market would have been severely limited, and neither area would have been nearly as large as it is today.
5. Placement of significant large casinos in the Greater London area will be challenging because of the planning process, the scarcity of available sites that can be used for casino development, and the difficulties of access to some of the more obvious sites. For example, the Millennium Dome and Battersea Power Station may both become candidates for casino projects, but both pose serious challenges of access either by automobile or by public transport. Concerns over “neighborhood effects” might bog down the planning process in political considerations for many potential gaming sites. Land costs alone make it difficult to envision the kind of mega-casino that has characterized Las Vegas and Atlantic City in recent years. That said, the substantial population and discretionary income to be found in the Capital City might overcome a lot of other negatives.

Finally, it is worth revisiting the issue of problem gambling. The problem gambling issue might become a topic of much greater concern within a few years after passage of the new Act than it is at present because of fundamental changes the Act will bring about with regard to the quality and amount of gaming that will confront the British population.

The existing gaming and betting products—with the exception of the National Lottery—are relatively primitive with respect to their market penetrations. Most products, such as the existing British casinos, gaming machines, betting shops, and bingos, are really niche markets that have only limited appeal beyond their core customer base. Modern casinos, on the other hand, are mass-market products. Their presence will substantially broaden the number of British participating in casino-style gaming, as well as the aggregate amount of money spent on this new form of leisure entertainment.

The fact that the quality of gaming products in the United Kingdom will improve dramatically—quickly achieving an international standard—along with the fact of substantially improved access to a wide variety of casino and casino-style gaming, will make gambling a popular topic for personal discussion as well as in the media. As has

been the pattern elsewhere, there are going to be many more visible, dramatic, and tragic stories centering around problem and pathological gambling that will attract much attention. If the new gaming industry is perceived to be predatory, uncaring, or generally “ugly,” there is a real possibility of a backlash that might call for a roll-back of the liberalization taking place now.

From Budd and the Government Response, the proposed strategy for dealing with problem and pathological gambling is to allocate financial resources to invest in treatment, education, and research of the topic. This may or may not be enough to mitigate these unintended negative consequences of expanded gaming in Britain, or to protect against future political backlash. However, the experience of other countries and other jurisdictions should be drawn upon to steer a proper course in the further implementation of the new Gaming Act. Of all the issues that pose challenges for policy makers, this one might indeed be the most important.

A Tale of Two Reports: The 1901-02 Select Committee on Gambling and the Gambling Report of 2001

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In July 2001 the Gambling Review Report was published (henceforth Budd Report after its author Sir Alan Budd), making no less than 176 recommendations the main thrust of which was to simplify the regulation of gambling. The British government has, with very few exceptions, accepted the recommendations. Budd faced the problem of identifying the regulatory choices which confronted the British government in respect of commercial gambling at a time of economic deregulation and increasing globalisation. The key to successful regulation was to simultaneously widen the choices for adult gamblers, keep gambling crime-free and provide protection for children and the vulnerable. (Miers 2003).

Since the 1980's economic deregulation in Britain and elsewhere has been undermining the regulatory framework of commercial gambling. The Budd Report can be seen in large measure as a response to this continuing process. A few landmark events can help illustrate this point. The passage of the Betting, Gaming and Lotteries (Amendment) Act in 1984 which allowed bookmakers to turn their back-street business into smart high-street ones was probably more important in this process than previously acknowledged (Dixon 1991). Ten years later the introduction of the National Lottery created a more business-friendly climate into gambling. At the same time the National Lottery with its freedom to advertise and monopoly position disturbed the regulatory playing field. (Miers 2003).

Apart from economic drivers the pace of social and political change has accelerated. Anti-gambling interests are neither as powerful nor as well-organised as they were in the past. By the time of the Budd Report there was growing acceptance by a wide range of interested and informed opinion in Britain that since gambling presented no fundamental problems for the majority of those who engage in it a wider measure of deregulation was acceptable. The issue facing politicians, legislators and others is how to equate their social responsibility for the small minority of problem gamblers and children with the increasing pace of economic and social change. (Miers 2003).

It is important to try to understand the wider framework of change with respect to gambling in Britain, to see how it has evolved over time and to locate the Budd Report within this process. Over the past century gambling in Britain has been transformed from a largely illegal activity to one which when legalised attracted close administrative control to the current situation where there is increasing reliance on the operation of the market.

Just how dramatic the change in attitudes to gambling has been over this period is reflected in the recommendations made by a Select Committee on Betting which was

taking evidence almost exactly 100 years before the Budd Report. In contrast to the Budd Report the recommendations of the 1901-02 Select Committee represented the high point of the prohibition culture which had been growing in Britain during the nineteenth century. The Committee's recommendations were embodied in the 1906 Street Betting Act.

Since the 18th century gambling in Britain was increasingly depicted as the most pernicious of vices (drink and the drink trade were the objects of similar hostility). To its critics the moral argument against gambling appeared unanswerable; it was often cited as a cause of family breakdown, suicide and crime and even of national decline. Its ubiquitous nature cutting across gender and social boundaries and occurring in a variety of settings caused widespread alarm. Public disapproval was underpinned by a cluster of restrictive legislation which sought to separate gambling from other 'legitimate' activities, to stigmatise and marginalise it and eventually prohibit it.¹ Increasingly, especially with the 1853 Act, legislation was aimed at popular gambling. By the mid-19th century only betting on-course, gambling in 'gentlemen's clubs' and credit betting were legal. Working-class gambling was restricted to the streets.

And there it flourished partly due on the supply-side to the ingenuity of street bookmakers, the growth of the sporting press and to technical change embodied in the Post Office Telegraph (1870) which transmitted results in seconds and partly to the inability of officials to stifle the popular demand to gamble. The persistence of gambling, alcohol consumption and other forms of bawdy popular entertainment set limits on middle-class social control in the working-class communities of nineteenth-century Britain (Reid 1992). Many sections of the urban poor lived 'a world apart' from both the respectable working class and from the moral values and Christian mantle of middle-class society.

This did not deter Christian middle-class reformers; rather it energized them since they were persuaded that a ban on street betting and other forms of gambling if possible would bring in its train huge private and social returns. Not only efficiency gains, and individual moral improvement but the prospect of a new social order beckoned. At its heart the real fear of the anti-gambling lobbies, especially of the more extreme non-conformist elements, was not that losses might worsen the plight of the poor – but that a run of good luck might make some of them rich and undermine the work ethic. (Garnett and Wright 2003).

Although the moral entrepreneurs almost certainly overstated the amount of working-class gambling and the extent to which it dominated the lives of all but a minority, their lobbying was increasingly intense and effective. The National Anti-Gambling League which was formed in 1890 was perhaps the best organised middle-class pressure group in

¹ Among the legislation which isolated gambling from other patterns of economic and social behaviour were 1774 Gambling Act which sought to stop wagering on the lives of at-risk strangers (moral hazard) by basing insurance contracts on a legitimate 'insurable interest', the 1845 Gaming Act which took gambling debts out of the legal process, the 1853 Cash Betting Act which was aimed at working-class betting.

Britain since the Anti-Corn Law League. Its success proved the effectiveness of single-issue lobbying. (Dixon 1991).

While the NAGL's stated aim was to root out gambling from the top to the bottom of British Society there was no appetite in political circles for an assault on gentlemen's pastimes. Working-class street betting became the focus of the attack and it was this, following NAGL evidence before the Select Committee which was embodied in the 1906 Act. That the 1906 Act was passed by a Liberal Government associated with a reform programme affecting pensions, unemployment insurance and education often regarded as a precursor of the modern welfare state is not surprising. Anti-gambling, like restrictions on the drink trade, was part of the reform agenda. The large non-conformist element in the Liberal Party was a vital factor but anti-gambling crossed party lines and the Labour Party Leadership was just as opposed to it.

Although it has been argued convincingly that the prohibition of Street Betting was recognised as a failure of public policy as early as the 1920's (Dixon 1991) the 1906 Act continued to dominate gambling policy until the 1950's. The price that was paid for its continuation was not simply one of policy failure but of fractured social relations. The prohibition of street gambling occurred during a period when the relationship between police and public in Britain was being reshaped on the basis of shared values and consent. (McMillen 1996). There is evidence that the police, especially at local level, faced with a law which was unenforceable preferred to collude in widespread evasion. (Reid 1992). The spectre of police corruption was also an issue which was being taken very seriously in official circles. Even when the law was enforced defendants were produced and fined in a somewhat ritualistic fashion. In effect street betting was regulated but not seriously suppressed. (Dixon 1991).

The NAGL, which closed in the late 1940's, now faced an uphill struggle. Not only was the 1906 Act being flouted but the anti-gambling lobby was dealt two further blows between the wars. Firstly, the electric hare transformed nineteenth-century hare coursing into modern greyhound racing while the Football Pools companies successfully avoided legislative attempts to stop their activities and became the most popular form of working-class gambling by the 1930's. It was also an activity which many working people did not regard as gambling at all. A sure sign of the weakening of the moral crusade was the increasingly defensive posture of old stalwarts of 'Moral Entrepreneurship' such as Seebohm Rowntree. Although Rowntree's views were not uncommon in early 1950's Britain the tradition he represented was in fact fading fast. In his last Social Survey of 1949 Rowntree thought that the Football Pools might be nationalised rather than suppressed and the profits put to good use. The pools were already being taxed (1947 Duty) a fact which anticipated the introduction of the Premium Bonds in 1956. (Garnett and Wright 2003).

In 1906 a move like the introduction of the Premium Bonds linking the softer end of gambling to national savings might have cost the Chancellor his career. But economic realities and social relations in post-war Britain had moved on a pace. Since gambling was not held to be a valuable social good, once legitimated its revenues were legitimate

and potentially fruitful targets for taxation. (Miers 2003). Attempts to tax gambling in 1926 had been disastrous since it could not be extended to off-course betting unless it was legalised, the 1947 Football Pools Duty showed what could be done while in 1956 a state-run lottery was effectively introduced.

The chequered history of the lottery is a good litmus test of the changing relationship between gambling, the State and the people. In 1826 the last drawing of the old 18th century annual lotteries was held. This was despite, or rather because of, its popularity. In official circles these annual events were inextricably linked with crime and crowds. This authoritarian-paternalistic position remained until the 1950's and did not finally disappear until 1994 when the National Lottery was introduced.

In the last fifty years the attitude of the British State towards gambling has been transformed. The linked processes of the spread of the gambling market, of more egalitarian social attitudes and of a changed relationship between the governors and the governed have driven this change. The 1960 Betting and Gaming Act is often seen as a landmark in this respect. And this important Act may have been more of a precursor of the permissive legislation of that decade than is generally acknowledged (Garnett and Wright 2003). Certainly the 1960's legislation helped to create a legitimate gambling industry which Budd's recommendations will now help to push into new and less regulated territory. However, the 1906 Street Betting Act was a critical landmark in all subsequent gambling legislation not because it succeeded but because it failed. By their very insistence on prohibition the anti-gambling lobby lost the battle since it created the spectre of an unenforceable law.

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Learning About Casinos: A Consumer's Report

Marc W Etches
Managing Director
Leisure Parcs

Lake Tahoe is heavenly according to the residents and businesses that are keen to promote their corner of Nevada to those seeking a few days away from the stresses and toil of every day life. Taking a cable car ride up to the 9,000 ft peak that dominates the area on a cold but crystal clear day last October and absorbing the spectacular scenery, it was easy to believe that the popular ski resort is indeed close to nirvana.

The four casinos that cluster together down below, next to the Californian state line, offer another kind of nirvana for those that like the rush and excitement of gaming. Not you? Well you should try it; a US-style casino with thousands of slots and tens of gaming tables is a lot of fun especially when you are confined to one for ten days as a participant in an executive development program.

Entitled 'Opportunities and Strategies in Evolving Gaming Industries', this annual event organised by the University of Nevada, Reno offered a timely opportunity to explore with industry colleagues from around the world what may or may not happen in the UK following the long awaited modernisation of our gambling legislation.

At the core of the course every year is a case study that focuses on a particular location. Last time it was Macao, this particular week it was the UK; a jurisdiction that is perceived by the rest of the world as potentially a huge commercial opportunity.

It is said that 89% of UK adults will have gambled during the last year with 65% of us playing the National Lottery, which despite falling sales is still regarded as the most successful of its kind in the world. Significantly, the participation rate for the table game orientated casinos in the UK is only 3%. In the US it is reported that 26% of all adults enjoy the slot-centric casinos now available in a majority of the fifty States.

The appeal of high payout slot machines is universal. Even the French have taken them to their gambling hearts – slots now deliver in the region 80% of total casino revenues. The British public are unlikely to buck the trend.

And here's the rub! Out of nearly fifty casino executives attending this challenging program originating from a diversity of cultures including the US, Canada, Australia, the Philippines, Estonia, Slovenia and Venezuela there were only two from the UK. I was one and I am not employed by any gaming organisation. For the record, the other UK representative was from LCI.

How is it that there was apparently no other interest from other UK operators to attend the world's foremost gaming executive development program at such a commercially critical time?

The fifty of us that did attend were required to assume the role of various interested parties – Gala, LCI, Rank, Stanley, MGM, Park Place Entertainment, Harrah's and Kerzner – and role play our way through a series of scenarios that ultimately led to the production of a business plan regarding the development of resort casinos in the UK. The 'companies' were then asked to present their proposals, either to a Board of Directors or a Regional Development Agency.

I led the Harrah's team, joined forces with Gala – sound familiar? – and came in a rather disappointing third. Everyone comforted me that it was only a game but as a proud (or is it arrogant) Englishman I was in shock that we had lost out to foreign opposition. We should have won just because...oh, I'm such a bad loser!

Sure it was hard work, sure it's a long way to travel and at £4000 all in it's not inexpensive but consider the upside of listening to some of the gaming world's pre-eminent academics, operators, regulators and industry observers on issues ranging from the social and economic impact of casino development and problem gambling to investment strategies for casino development in new jurisdictions.

The absenteeism amongst UK companies and government officials should be of concern. So should the fact that the Government appointed Joint Committee, tasked with scrutinising the emerging gambling bill over the next five months, is not resourced to travel to places outside of the UK to look, listen and learn.

To be fair Richard Caborn, the Minister formerly responsible for UK gambling, did visit Australia and observed the success of destination casinos and the permissive spread of slots in pubs and clubs. Gerald Kaufman's DCMS Select Committee spent a day in Las Vegas. More recently, members of the Scrutiny Committee visited Australia and France.

The US is an obvious starting point. Las Vegas and Atlantic City of course, but what about Detroit and Biloxi – even the former Bishop of Blackburn paid a visit here.

South Africa originally legalised gaming in just a few destination casinos such as 'Sun City' and then subsequently extended the opportunity to a number of urban casinos. Last month, the South African government stepped back from a politically motivated introduction of a wide range of operational restrictions to pacify concerns regarding so-called problem gambling. Are there lessons here?

What about our Commonwealth cousins in Canada? Here Government directly controls casino operations and whilst I am certainly not promoting any idea that we should follow suit, we should at least have the commonsense to explore the world more.

I am reminded once again of my ride in the cable car. Having spent the entire week ensconced in a windowless, airless conference room discussing all things gambling it was refreshing to emerge into the sunlight placing all the rigorous theory and conjecture in a different perspective. That refreshment turned to exhilaration as the cable car cranked its

way up the mountainside to reveal, foot by foot an even broader and more varied perspective.

That experience is worth reflecting on. The UK is about to undergo radical change in terms of how gaming is to be offered in the future. There continues to be intensive debate as to how the commercial landscape will look, who will be the major players and what gaming products will dominate and to whom will they appeal.

I sense that the UK collectively is sitting discussing these issues in a small, windowless conference room; unless we get out of that room and, by rising up cable-car like, open our eyes and minds to the experiences of others, observe our own situation from a different perspective, how will we ever attain the wisdom to make the most of what is a once in a lifetime opportunity to reform such outdated legislation as our 1968 Gambling Act?

I have spent more than five years as an observer of the gambling industry worldwide and have come to understand a great deal about what is a most fascinating industry but ten full days in the company of fifty professional operators teaches you more than a decade of casual observation.

I left the US weighed down with a dozen books, our version of 'Harrah's' business plan for the UK, reams of seminar notes and, I hope, some life long friendships; my education is set to continue long after my jet lag subsides. It was just a shame that the UK did not deal itself a stronger hand on this occasion.

Opportunity With Responsibility

Dominic Harrison
Ladbrokes Worldwide

In looking for a catchy title for my brief observations on the future of British betting, I found inspiration last week on the South Coast at the Labour Party Conference in Bournemouth.

Entitling this speech “Opportunity with Responsibility” my hypothesis today is that, yes, the opportunity for betting through the imminent gambling bill may be significant but that operators must cognisant of their responsibilities and highly aware that unfortunately there can be unintended consequences in deregulation.

What we do want is better regulation not uncontrolled deregulation which might lead to a counter reaction and to prohibition. My hypothesis today is that this will come from building on tried and tested building blocks, many of which are already in place.

Gambling and betting (in particular) wants to grow but it does not want the label that must so irk our friends in the Drinks Industry. According to the Strategy Unit Report on Alcohol, the human and social costs of alcohol related injury, illness, crime, assault, disorder and lost productivity is £20bn. We do not want to go there as an industry.

In setting out a vision for betting, I believe it will be useful to look separately at the demand and supply forces.

We live in unprecedented times for betting. With record profits being reported by major bookmakers, I can tell you there have never been such levels of interest in betting. Not a day goes by at Ladbrokes without enquiries from tabloids and broadsheets alike for a betting angle for a story they are running. Similarly from the broadcast media – it seems that Big Brother excitement is not complete without the man from Ladbrokes giving his view on which inmate has been most heavily backed for eviction. We had a scam on The Greatest Briton when seemingly the whole of Brunel University plunged on Isambard Kingdom Brunel to win and recently we had to keep our wits about us as serious money was laid about where the good ship Beckham might finally dock on its Euro cruise. Long gone are the days when betting was concerned only Kempton or Crayford, Sandown or Monmore. Now it is on Morrisons to win, Dirty Den’s first words back in Albert Square or on who might be the ultimate political winner in that deal so famously put together in that Islington Restaurant.

Ladbrokes has been leading the industry’s reaction to, and leverage of, this unprecedented consumer demand. Spurred on by the Government’s inspired move to tax

free betting in October 2001, Ladbrokes has been in the van in delivering modern retail standards to satisfy the increased demand.

We now have over 2500 shops across the UK/Ireland and Belgium, a 24 hour telephone betting service with automated voice recognition technology, 4 web sites transacting business 24/7 in 13 languages, new style shops with muffins and lattes not spit and sawdust and a digital pipe into and out of every shop enabling us to provide customers with state of the art graphics and information displays that rival the TV broadcasters for impact and immediacy.

But finally in the demand side – a note of caution. We must today recognise government’s role in triggering the demand we see today. The introduction of tax-free betting in 2001 has been the largest fillip to the industry since the introduction of AWP’s in 1996. Some people, and I am one of them, are very close, perhaps too close to the Gambling Bill. A sense check tells you that despite the burgeoning market and perhaps paradoxically because of it, there is no tangible clamouring in the betting shops for more deregulation. I have yet to meet the punter who has said they cannot live without more deregulation. There has been no rush to the barricades; there were no gambling riots in Bournemouth. Indeed most recently the only hysteria has been in the media about betting shops and Fixed Odds Betting Terminals in particular. This has been for the most part ill informed but it did fill otherwise empty columns during the silly season.

Government has made its intentions on gambling deregulation very clear. It accepts that much of the legislation framed in the 1960’s was created in a different moral age when there was a real sense that people needed saving from themselves and from one another. We must therefore modernise, reflect new social mores and frame new better regulation on what, post National Lottery, has become a mainstream leisure activity. The criminal element meanwhile must continue to be kept at bay and the young and the vulnerable need protection that vests in statute and not just on promises of good intentions or empty platitudes of concern.

Meanwhile we must build a “best in class” industry with an international reputation for integrity and probity yet one that encompasses technological change and anticipates further change in the future.

Overall there is to be substantial deregulation with a greater evenness of treatment across different forms of gambling.

Ladbrokes endorses all of these aspirations and constraints. Sitting as we do on the supply side, I would nevertheless add 4 more considerations.

1. That de-regulation builds on what we have got.
2. That it be consistent across platforms.
3. That it be most beneficial to the socially responsible operator.
4. That it be collaborative and consultative.

Firstly, deregulation must build on what we already have. Any deregulation must balance risk and reward and it therefore seems sensible to build on what has stood the test of time. The UK licensing system of both premises and operators has achieved two things; it has protected the customer from unscrupulous operators and ensured through the demand test that new business opportunities are proven and sustainable.

Recent business collapses, notably the recent Burns case in North London, highlight what can happen even with our system. Customers are left “ripped off” by unscrupulous operators of a business for which there was clearly no commercial case.

The licensing of individuals through the fit and proper test has ensured that bookmakers are accountable and identifiable. The anonymity of layers on betting exchanges completely contradicts this process and I would contest government’s draft policy here. Again recent high profile events show the very real threats to the integrity of horseracing and betting presented by those unlicensed layers. Yes, there is recreational laying on betting exchanges but I would encourage all those with a vested interest in the integrity of sport to ensure that measures are put in place to license and tax the commercial layer on a betting exchange. It is incongruous that layers are not required to be licensed. Where not recreational, layers should pay gross profit tax of 15% gross win. They should all be subject to a “fit and proper test”, which covers their integrity as well as their financial propriety.

Furthermore, consistent with government’s stated intention to remove arcane restrictions on casinos advertising and on compulsory membership schemes, surely it is time to modernise the commercial lives of the betting shop. Can it still be justified that betting shop opening times and calendar restrictions are prescribed? Is it not time that advertising and marketing controls on the betting shop be thoroughly reviewed? The betting product is either mainstream or it is not. To restrict marketing whilst claiming to deregulate is contradictory.

There has been much discussion recently about the role of the market and here I must confess to being confused by the consultation papers.

As a bookmaker, I look on with confusion at draft casino papers, which promise the removal of permitted areas and the demand test and the concession of control over casino numbers to regional authorities.

Government has been very clear that it does not wish to see proliferation of casino gaming but it could be inferred from the papers that the market will be left to determine the number and location of new casinos. What local authority would object to the creation of a new casino if it is good for tourism and good for jobs? Indeed local taxpayers might ask questions if it did object. This seems to require additional thought.

Through the internet British betting has become exportable on a different set of economics. Bricks and mortar is not now the only way. UK knowledge and expertise are

attractive the world over. However, what threatens this growth ironically close to home in Europe is protectionism.

The guiding principle of the European Union is to create a single market with no internal trade barriers. Article 49 of the EC Treaty dictates that member states may not impose restrictions on the freedom to provide services from one member state to another. Ladbrokes firmly believes that as a responsible, regulated and licensed UK bookmaker it has the right to offer on-line betting and gaming services to EU consumers.

In court cases referred to it, the European Court of Justice has ruled that restrictions can be imposed on gambling for social policy reasons. Without exception every member state allows some form of gambling to exist but licences tend to be awarded to monopoly operators. In most member states the monopoly supplier can aggressively promote its gambling services and products free from any domestic or cross-border competition.

It is Ladbrokes' view that it is reasonable for individual member states to prohibit betting and gaming on social policy grounds. However, it is wholly unfair and a breach of EU competition law when they seek to prohibit cross-border provision of services in order to protect state-controlled monopolies and their own tax revenues. In effect, gambling is the last monopoly industry in the EU.

The internet has challenged traditional forms of gambling but the EU has yet to provide a workable and responsible legal framework. Indeed the recent directive on e-commerce excluded gambling. The UK is the only country in the EU that is attempting to provide a responsible legal framework for remote gambling by including appropriate legislation in the Gambling Bill.

Because of Ladbrokes' reputation for value and trustworthiness, EU consumers have chosen to bet with us over the internet. Consequently attempts are being made by some member states to restrict Ladbrokes from transacting with consumers in those countries, arguing that it Ladbrokes is acting illegally. Ladbrokes, and other bookmakers, are the subject of litigation in Holland, Italy and Germany.

Ladbrokes welcomes support so far from the UK government to raise this issue in Brussels and we hope to build on this joint approach in order to bring about a responsible and fair framework, which will allow consumers to get the best value and choice from e-gaming operators.

I said at the beginning that there are unfortunately sometimes unintended consequences of gambling.

I suggest therefore that effective corporate social responsibility should be a pre-requisite for gambling operators in a deregulated world.

Ladbrokes is rightly proud of its achievements here to date. Thus:

- We were the first bookmaker to donate to the Gambling Industry Charitable Trust, which we continue to fund today.
- We were a founder member of CitizenCard – the National Age Identification Scheme with its new online product the Interactive Age Check.
- Our accreditation by Good Corporation – a 360-degree audit by third party consultants of our staff, customers and suppliers is important to us and our investors.
- Most recently, our participation in Project Regenerate – a working partnership with the Coalfields Regeneration Trust which is rebuilding communities through skills based projects helping people to help themselves demonstrates our commitment to reinvestment in the community's from which our customers come.

It will not suffice for operators merely to claim social responsibility. It must be evidenced for it to be credible. Too often one hears “I have principles but if you do not like them, I have others”.

In summary, much as we heard at Bournemouth the realisation of the full commercial opportunity must come at a price. Social responsibility cannot be an option. We do not want the reputation of the drinks industry for social harm and cost.

We have proven building blocks in the form of our licensing system on which we can confidently create better regulation of gambling and we disregard these at our peril.

As the government seeks to build a world class gambling industry in the UK, it would be helpful if it surveyed the behaviours of many of our European neighbours to ensure that the very competition laws it upholds here are played out in Europe.

Meanwhile, the continuing process of collaboration and consultation will produce the best law.

Ladbrokes looks forward to playing a prominent role in that process.

Do Betting Exchanges Threaten the Integrity of Sport?

Mark Davies

Betfair

Since the arrival of betting exchanges with the launch of Betfair in June 2000, argument has raged on two issues.

The first is whether the funding of racing, which is reliant on a share of the spoils from the betting industry, is threatened by the arrival of a low-margin, high-turnover wagering model; and the second is whether, in the event that there is no funding problem, the *integrity* of racing – and sport in general - is undermined by the exchanges, given that they allow punters to take either side of a bet; that is, bet not only that something will win, but that it will lose.

With economic theory, and increasingly – following the recovery of the bookmaking industry from a poor run of results which affected numbers in the short term – practice, disproving the first of those, it is the integrity argument which has been the more enduring.

On the face of it, it sounds a legitimate concern that you can profit from a negative, but although betting exchange detractors say it is new for people to be able to profit from a negative outcome, it is, of course, nothing for the sort. Even if one forgets spread betting, which has offered the opportunity to oppose outcomes directly for some years, there has always been more than one way to profit from defeat. At its very basis, therefore, the argument questioning the impact of exchange betting on integrity is flawed.

Those who believe it maintain that the way to solve the integrity issue is to license all layers on betting exchanges, but this, too, betrays a fundamental misunderstanding. Bookmakers are not required to undergo a ‘fit and proper’ test for reasons of upholding the integrity of sport; they take one because they represent – if dishonest – a threat to the public. They are not licensed in order to allow them to lay bets, even though that is among the things that they might do. They are licensed to act as bookmakers - and the two things are not the same. A look at the fundamentals of betting explains why.

Betting is characterised by its own curious terminology, of which the two principal words are ‘back’ and ‘lay’. The latter – ‘lay’ – causes a great deal of confusion, because it is used in two completely different ways.

To lay a bet is the opposite of to back one, and to back an outcome is to bet that that outcome comes to pass. To lay a bet, therefore, means that you bet that the outcome does *not* happen. I back England to win means that I say England *will* win. To lay England to win means that I say England will *not* win, or, to put it another way, will lose.

“To put it another way”, in this context, sounds ridiculously trite. And yet, the fact that backing and laying are two sides of the same coin – while painfully obvious when

expressed in the manner that it is above – is often forgotten in a debate clouded by one additional fact: namely, that ‘laying a bet’ is also what is done by bookmakers, who mean, when they say it, something fundamentally different.

To clarify: back and lay mean the opposite of each other, and backing one outcome in a two-horse race is the same as laying another. Tim Henman plays Greg Rusedski, and backing Henman means you are also laying Rusedski, even if you don’t think about it in that way. Clearly, if you bet that Henman wins, you bet that Rusedski loses, since there is no such thing as a draw. Equally, betting that England wins means you back them, and betting that they don’t – that they lose, therefore - means you lay them. And yet, if you walk into a bookies, whether they offer you a price on England to win or to lose (and they will do either), they say they are laying both bets. What they actually mean by that is that they are facilitating you being able to bet on either outcome, and guaranteeing that they will pay you an agreed fee if your view happens to be right. The chances are that that will include them offering you the price, but doing so is not actually a required part of the service: you are perfectly at liberty to suggest your own odds – it’s just not very likely that a given bookmaker will improve on the price that he is advertising already.

Within this dual definition lies much of the problem behind the integrity debate, because understanding that punters have always been able to “lay” bets (in the sense of betting that an outcome will not happen) is the first step towards seeing that there is nothing new to exchange betting that is not inherent in bookmaking *per se*. “Laying”, or betting that an outcome does not happen (i.e. that England don’t win), is not the same as “laying” in the sense used traditionally within the bookmaking industry. At the basic level, betting that something does not happen is what punters do all the time.

One example of this is the tennis match above: there are only two outcomes, and putting your money on one means you are offering money on the other. This is blindingly obvious when two people shake on a bet: “I bet you this happens.” “Well, I bet you it doesn’t.”

Expand that to a three outcome event – Arsenal play Manchester United in a league match – and add an extra person, and again it is clear that backing one outcome (betting that it happens) automatically means laying the other two (betting that they don’t). One person may put £10 on Arsenal and hope for odds of 2/1; another wishes to back Manchester United at the same odds for the same stake, and the third believes it will be a draw. All three are betting that their respective outcomes happen – none sees himself as a ‘layer’ – and yet one of them will clearly walk away with the £30 in the middle of the table, once the outcome is known. All are therefore laying to each other. From there, just a little (relatively simple) maths can re-jig the amount of money each is required from each individual if each outcome should rightfully have different odds.

That this can be expanded to any number of outcomes without any individual actually seeing himself as a layer is shown by the Tote. There, all backers’ stakes are put into a pool, and everyone effectively lays every other horse in a race to everyone else. The ability for one individual to do the same is restricted only by the percentage of the overall

‘book’ being taken by the outcome he wants to oppose. But the theory is clear: in a perfect book – that is, one which adds up to 100%, any single outcome can be bet on *not* to happen merely by backing the remainder *to* happen.

At its most basic level, therefore, the charge that allowing punters to bet that outcomes do not happen undermines the integrity of sport implies immediately that no punters should therefore be allowed to bet on any two-outcome event. Betting on tennis, snooker, darts, matchplay golf, boxing, any individual match in any round of any knock-out competition – in fact, any sporting head-to-head - have all spent many years at risk.

Detractors of betting exchanges – while originally arguing precisely the point above, that no punter should be allowed to lay a bet (in the sense of betting that an outcome does not happen) – have mellowed their stance in the face of this logic. They argue instead that the theory is not the same as the practice in multiple-outcome events. The danger, they say, is not in two-outcome happenings, but in horseracing specifically. There, they say, the ability to bet that a horse will not win is entirely new.

Again, that starting premise is false. Still ignoring spread betting – although the enormity of that caveat beggars belief, since spreads have long allowed *multiple* returns to be made on a losing horse – the fact is that a punter can guarantee a profit on any horse whose price reflects a lower percentage of the book than the bookmaker’s over-round simply by backing the rest of the field. In other words, a book with a theoretical margin of 15% still allows for a guaranteed profit by backing the rest of the field against any horse shorter-priced than 6/1. Opposing a favourite, therefore – which may represent 50% or more of the book – guarantees substantial return without the requirement of too much nous.

The issue therefore becomes whether it is easier to do so on an exchange – in the single hit – than it is to go through the more laborious process of going to different shops to place different bets. Put like that, undoubtedly it is. But those who would decide that the exchange is therefore their safest way to a crooked fortune would do well to think again. The betting exchanges’ audit trail – which tracks every movement of every customer, as they place, chance, match, or cancel a bet, and links it to an end user or bank account – dramatically alters the position, by adding a level of detection to betting on an exchange which has never existed anywhere else; and when that is combined with the Memorandum of Understanding (under whose terms all exchange users waive their rights to data protection), the decision to choose the exchange as the platform on which to commit an offence is tantamount to signing a confession paper. It’s like deciding that of all the shops you want to pinch something from, you’d prefer to choose the only one with CCTV, finger printing, and a direct line to the local police.

Let us consider a real-life scenario, and take, as our example, the race which, by some distance, caused the greatest stir in the UK in 2003; and which was, perhaps in consequence, precisely the example that Peter Savill, the Chairman of the British Horseracing Board, claimed showed that exchanges undermined the integrity of racing. Intox III, who ran at Ludlow in October as the odd-on favourite with a starting price of 8/11, proceeded to pull up lame half way through the race. The fact that the horse had

drifted out to 2/1 on Betfair was seen as clear evidence that someone had “known” the horse was not going to win (for which, read that the horse would be prevented from doing so if it looked like for some reason it might run more successfully than planned), and had sought to profit accordingly.

Consider this. You know perfectly well that a horse is going to lose because if it looks like winning you are going to nobble it. You decide you want to make money on it. You can guarantee yourself a 100% return on your investment if you oppose that horse by laying it on Betfair, but the downside is that when you do, you leave your fingerprints – and, moreover, you leave your fingerprints with an organisation which has a published agreement stating it will pass on your details to the Jockey Club. You know that *if* you manage to get away with it once, you will struggle to do it again, because your two bets will be linked – so each successive bet compounds your guilt.

Alternatively, looking at this odds-on favourite, you know that even with a bookie’s margin over 15%, you can back the other horses in the race and guarantee yourself a considerable return if you know it will not win. The horse would, after all, comprise 50% of the book even at even-money, and he’s shorter than that. You can back everything else in cash, in different shops and with different outfits. In the case of Intox, you could have locked in a *guaranteed* return of 60% - knowing that you can do the same thing next week with another even-money favourite, or a horse priced even shorter. You know that your future bets will not be linked. You know that you only need to do it twice to beat the return you are making on Betfair, and you know that you are leaving no evidence behind you. Which do you go for?

The view that only now can you profit from a horse’s defeat, or from skulduggery in sport, is fantasy. Were it not, there would not have been high-profile cases all over the world of alleged betting coups; of doping in racing and sport; or of allegations – proven and unproven - of backhanders being made to sportsmen and jockeys, when in actual fact, of course, history is littered with such incidences – in racing and elsewhere. More than twenty horses were doped in a single month in 1990; a horse called Manmood mysteriously pulled up half-way through a two-horse race in which he was clear favourite in 1996, in what was widely suspected – but never proved – to be a betting coup. Other sports have been beset by scandal: floodlights have gone out at football matches in moves linked to Asian triads; players have been found guilty of passing information and throwing matches in soccer and cricket. And it isn’t just a recent phenomenon: a recent Sunday Times article on the top ten brown envelopes in sport, included WG Grace, who is reputed to have taken money in the 19th century to throw cricket matches, just because he could.

Nor is it true, as detractors next contend that exchanges have made it easier. Paul Scotney, the Jockey Club’s Head of Security - the man tasked in the UK with dealing with issues of integrity, and therefore the person closest to them – told the *Racing Post* in his first major interview after taking the job, “I don’t hold to the idea that the problems have increased with the advent of betting exchanges... The exchanges have probably just made it easier to expose certain people.” Claude Duval, the ‘Punters’ Pal’ in the *Sun*, and

one of the most respected observers of the industry, wrote in March that, “With the willingness of Betfair and other firms to expose dubious betting patterns, plus the advances in video technology, the Jockey Club has never been in a more powerful position to wipe out the cheats.” Certainly, enough people close to racing believe the exchange phenomenon to be a force for good to question how it is the counter-view can be put so vitriolically. It is notable that those who express it are almost exclusively those with an interest in the commercial implications of exchange success.

The hype that those who wish to do down exchanges have succeeded in creating is phenomenal for any straight-thinking person, particularly in view of the fact that their “evidence” of growing corruption is an increase in the number of horses drifting in price in the UK in 2003. One firm in Britain, looking to be contracted by the British Horseracing Board to provide information on a selected and delayed basis which Betfair offers in complete format, in real time and free of charge, has pointed to 171 horses drifting in price which it believes look suspicious.

Citing drifting horses as evidence of corruption is tantamount to suggesting that more cars speed when speed cameras are put up on roads, just on the grounds that they can now be seen. In the context of a market which has for the first time become subject to market forces, it is doubly bizarre. In the past, prices have failed to drift purely because one side of the equation has been in full control, by virtue of seeing all the trade. Suddenly, all activity is visible to everyone.

The situation is thus the same as it is in the financial markets when a currency which has been pegged to another by government policy detaches from its peg and becomes subject to market forces. The result is a sudden and dramatic de-valuation, but no-one suggests that a move of 20 or 30% is an indication of sudden weakness in the economy. Rather, it is a market reflection of a long-standing weakness. In the same way, a price move on a horse from 2/1 out to 20/1 is nothing more than the product of the market allowing price tension to dictate the actual trading level – a move exacerbated, perhaps, (as would again be true in the financial markets) by those who are trading fluctuations rather than inherent value.

The drifting price of a horse is therefore no more an indication of corruption than the recent plummeting price of the US dollar demonstrates a sudden criminality in the American government: both are no more than the product of market forces – and one which, in any case, has no bearing on actual performance. Horses drift and lose, and people notice. But rarely do people look up if they drift and win, as is proven by the fact that in contrast to the 171 suspicious cases that have raised so much attention, Betfair had over 1700 horses in 2003 which drifted to double their price and won. Some of those were spectacular, but raised not even a murmur: Boing Boing drifted from 8.6 to 80 at Stratford in October before winning by 10 lengths; Landing Strip drifted from 24 to 140 at Lingfield in the same month, and won by 5 lengths.

The way to keep corruption out of sport is not to hold a horse’s price at an artificially static level (by removing the free-market) so that it is not seen to drift, any more than

sweeping dust under the carpet is the way to keep a room clean; it is to ensure that the wagering that takes place on it is as transparent as possible, so that every move that suggests skulduggery can be properly investigated. Not even the betting exchange model's biggest detractors can argue against the fact that it takes transparency to unprecedented levels. Every bet you place can be linked with every other bet you place. There is no cash. You cannot place your bet in one shop and pick up your winnings in another, or ask someone to do it for you. Where a betting exchange can offer full real-time access to information to those who are responsible for policing their sports, then the ability to fight corruption must be *enhanced*, not diminished.

Towards the end of 2003, a new test was developed for a performance-enhancing drug known as THG. Suddenly, a host of high-profile athletes and sportsmen tested positive for it. A week earlier, the test had not existed, and all those athletes were thought to be clean. Does anyone genuinely believe they all started to cheat in the same week, or was it actually the case that they had escaped detection by virtue of there being no efficient means to track what was happening?

Horseracing is in a similar situation. It is ludicrous to suggest that the game is suddenly rife with corrupt behaviour: most underperforming horses fail to win because they weren't up to it, or because their jockey made a genuine mistake, and to suggest that a moving price should damn a horse's connections is to forget the most fundamental tenet of British criminal practice. But if exchanges provide the evidence to allow a watching public to be jury – for conviction or acquittal of skulduggery in the light of highlighted underperformance - and the Jockey Club (or its equivalent body) to be judge, how can that damage the integrity of racing or sport, and how can it be right to suggest that the underperformance would not have occurred in a less-aware environment? A better-informed racing public can now decide on the evidence that can be presented. It is preposterous to believe that the arrival of betting's equivalent of finger-printing, and the increased reporting of potential breaches of the sport's laws that has resulted from it, has added to the number of criminals at large.

From Here to There: The View from BACTA

Keith Smith
President BACTA

BACTA covers the majority of the machines industry from Seaside Arcades, Adult Gaming Centres, Machine Suppliers and Manufacturers. Can I start by saying that BACTA members saw the new legislation providing limited opportunities and probably more threats.

So far we have had the Gambling Review followed by Safe Bet, and there has been considerable discussion between DCMS and the various Trade Associations. We have now seen the draft legislation and the Scrutiny Committee Report.

BACTA nevertheless always acknowledged good points about the new legislation: more flexible legislation, a single regulatory authority, regulation of internet and new technology and the establishment of the Gambling Trust.

Can I start by mentioning a few points about the Trust which in turn illustrate some of the weaknesses of the proposals. The Trust raised £800K in the first year and around £1.25M in the second but we are struggling currently to achieve further increases in funding. The Trust moves at the same time towards independent status - a very important longer term development. Having raised the expectations of the service providers, GamCare and Gordon House who have raised the awareness to the general public why are we struggling for increased funds. There are in my opinion four main reasons

1. Existing supporters of the fund are frustrated with others who show no sign of participation.
2. Delays, but more importantly uncertainty as it becomes evident that there will be very little detail in the draft bill on which to make a judgement.
3. The recent Customs and Excise Tax Consultation on Machines creating further uncertainty.
4. Lack of Government Support for the Trust. In fairness we have had nice words from Ministers but what is required is a clear indication that Social Responsibility will be part of the requirement for obtaining a license and this should include training and direct support for problem gambling.

However let me pick up on the uncertainty and lack of detail. After months (or is it not years) of discussion with DCMS we probably know less now than when the Gambling Review was first published.

Certainly we expected enabling legislation. However, the bill looks so broad brush as to contain virtually no detail on which to comment.

Let's look at some examples that cause concern. We are to have Statutory Codes of Practice instead of the existing voluntary ones, but will not know what they will be until

after the second reading of the bill. We believe this to be totally unacceptable sure they cannot technically publish Statutory Codes until the bill is law and the Gambling Commission formed. However, they can publish Provisional Codes via the Gaming Board immediately and these can become Statutory at the appropriate time. BACTA have agreed improved codes over recent years and following criticism from the Gaming Board have restructured our compliance team from two to six.

We have produced new codes at the request of the Gaming Board to meet their timetable. We want to try and implement codes sooner rather than later. We don't want a big bang. We want to ease them in as soon as possible. So lets stop playing politics and hiding behind words and get on with it.

We have over recent years agreed a compliance software procedure with the Gaming Board for all new AWP's to ensure they comply with Guidelines. This has been developed over the last three years and is working well. We have had Ministers, Peter Dean and others in authority assure us that this compliance procedure will continue and only random casino slots will require mandatory independent testing.

The latest draft throws doubt on this...why?

Members also have concerns with regards to the sale of licensed gambling premises and would like procedures that allow negotiations to be able to continue whilst accepting that the final sale or transfer has to be subject to Gambling Commission approval.

This is an important commercial issue as premises do change hands from time to time and a balance has to be struck between commercial life continuing whilst within the law.

We are pleased to note that an appeals procedure will exist. We have not had that with the Gaming Board and this is an improvement. However we seek clarification on what the procedure will be and hope it will be to the courts.

BACTA and other Trade Associations have always been critical of the increased involvement of the Local Authorities. They are already under pressure on the liquor licensing bill and the e-commerce directive. They have a reputation for inconsistency and there are over 500 of them.

The Industry has to follow Statutory Codes and the Local Authorities will follow Gambling Commission guidelines. This is inconsistent, unfair and problematic. What action will the Gambling Commission take against a Local Authority which does not follow the guidelines? Probably none.

We have major concerns with regards to Local Authorities having the right to limit machine numbers. This is especially important as the definitions on machines are changing and multi-player machines such as pushers will in future count as a machine for every position. A Family Entertainment Centre with 100 machines may under the new

legislation be classified as 130 machines. We see no logic in the Local Authorities having the right to restrict machine numbers.

We are pleased that an appeals procedure will exist although seek clarification and hope it will be to the courts.

There still remains the confusion over liquor licensed premises and whether they get two machines by right as an adjunct to the liquor license or do conditions apply?

Will pubs which currently have more than two machines have grandfather rights or do conditions apply?

We note that Family Entertainment Centres with restricted areas will require a Gambling Commission license and a Local Authority premises license. However we believe that existing operators who have obeyed the laws should get grandfather rights.

At last at the eleventh hour we have the casino paper. We believe that it will probably achieve the main objective of stopping high street proliferation of casinos. However the proposals are very different from the Gambling Review and we will have large destination and resort casinos but almost certainly less numbers.

How many will there be? How many slots will this introduce into the country? And what will be the Social and Economic Impact of this and other proposals on the wider market? What independent study have the Government commissioned? None that we are aware of. You have to be either foolish, mad or both to orchestrate such changes on a whim.

Our level of Prevalence of Problem Gambling of 0.8% on the SOGS scale compares more than favourably with other countries where similar studies have taken place. I realise that there were those who were rather disappointed at our level as they could have created a bigger fuss with higher figures. However, whilst any level of problem gambling can be argued as being too high we believe there is bound to be an increase due to this new bill. There could well be a backlash and this is of major concern to our members, as they believe government and the Gambling Commission will take the easy option and attack existing gambling areas. They can hardly attack casino operators who will have invested huge capital sums into these very large destination venues. They will have to be seen to be taking some action and it will not necessarily against those creating the increase.

We in BACTA strongly believe that there should be an independent Social and Economic Impact Study undertaken.

Taxation Policy and Casinos

Peter Collins
Professor of Public Policy Studies and
Director of the Centre for the Study of Gambling,
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1. The majority of jurisdictions which liberalise gambling laws, especially in respect of international lotteries, casinos and big prize machine gambling, have a clear idea of the economic benefits they hope to secure from increasing access to commercial gambling as well as of the negative social impacts they hope to avoid or contain. This means amongst other things that they adopt a *policy* in respect of taxation *at the same time* as they decide to liberalise even if they don't specify details of tax types and rates (though they usually do this too).

The UK government has so far not articulated a policy about economic benefits save to say that it hopes to secure benefits in terms of regeneration and economic development from licensing casinos "of regional significance." It is becoming clear that the ambiguities of policy underlying the UK draft bill derive from the absence of a clear taxation policy and this will need to be redressed if the policy and therefore the law in respect of big prize machine gambling is going to be coherent.

In particular, it needs to be understood that requiring casinos to contribute to regeneration is itself a *taxation* policy. All taxation involves compelling producers and consumers to contribute to public interest projects. The harnessing of casinos to regeneration is essentially a tax because it is a requirement by government that casinos make provision out of anticipated earnings for investing in regeneration projects which they would not invest in on purely commercial, profit-maximising grounds. Governments are able to secure these contributions to public interest projects because casino developers are willing to pay a premium to government in exchange either for a degree of reduced competition or for first mover advantage.

2. There are three possible policies which governments can adopt towards gambling (as indeed towards any other product or service). They can tax gamblers at:

- the same rate as they charge consumers of other products
- a lower rate
- a higher rate.

This means in the UK context that effectively they can charge what is known in the USA as a "gambling privilege tax" at the same rate as VAT, at a lower rate or at a higher rate.

3. The case for charging gamblers the same consumption tax as is charged to consumers of other leisure products is that gambling should be treated as a normal leisure activity for adults. Those who sometimes prefer going to the races or to a casino rather than to the

movies or to a restaurant should not, therefore, be discriminated against by having to pay more tax.

Though Budd was specifically precluded from discussing taxation policy and did so only in relation to the question of whether high gambling taxes would be an appropriate strategy in relation to minimising problem gambling (a strategy which he rejected), in practice and implicitly Budd adopted the view that if gambling was to be rehabilitated as a normal and, for most people, healthy part of the leisure industry, then it should be taxed on the same principles and gamblers should not be penalised by the tax system.

4. The case for having an abnormally low tax on gambling only arises in cases where governments wish to encourage people to gamble in their jurisdiction. This mainly occurs when gambling is being used as a magnet for tourists. Low taxes mean either cheaper gambling or a better leisure experience. This is why there are low taxes in Las Vegas which have enabled companies to make very large investments in spectacularly themed buildings which are tourist attractions in their own right.

Since the economic objective of the government of Nevada in respect of Las Vegas is to make Las Vegas as attractive as possible to tourists a policy of low taxation (and unfettered competition) is clearly sound.

In the UK context this kind of case for low taxes would apply if the decision was made to designate a single or very small number of areas in the UK as the only places where international style casinos could be located – as originally mooted for Blackpool. If, however, the vast majority of gamblers at land-based casinos in the UK are going to come from the local population, then the case for low taxation will only be persuasive in relation to remote gambling designed to attract the custom of foreigners.

5. The simplest case for having a policy of taxing gambling at an abnormally high rate is that such taxation is comparatively unresented.

The public do not especially mind paying for an effective 80% tax on the gross gambling revenues of the National Lottery and this is only partly because it is not presented to them as a tax but as a contribution to good causes.

A case for high gambling taxes is also sometimes made, as already mentioned in connection with the policy Budd rejected, on the grounds that it will reduce the risks of problem gambling and especially in the hope that high prices will deter the poor from gambling. (Compare current discussions of using taxation to address the problem of obesity.)

The most sophisticated economic case for high gambling taxes is that gambling is like pollution and has undesirable consequences (“externalities”) of a moral or aesthetic sort for non-gamblers, who consequently need to be compensated through the taxation system.

Each of these kinds of reason for high gambling taxes is somewhat fraught philosophically. However, there is a stronger and less controversial argument for high gambling taxes which carries the day in the vast majority of jurisdictions where casino gambling is legal. The argument is this.

All democratic governments need to ensure that the legislation they pass is sufficiently acceptable to public opinion to ensure that, at least, they are not badly damaged electorally. Thus, whenever a government is contemplating legalising international style casino gambling at commercial venues which will contain large numbers of big prize gambling machines, there will be a significant number of people who think that there are no good reasons for legalising such gambling and many good reasons for continuing to prohibit it. On the other hand, there will also be many people who take the view that there are no good reasons for banning this kind of commercial gambling and many good reasons for subjecting its availability (with only a few provisos) to the normal competitive disciplines of the free market – as is done, for example, with alcohol.

In between there is typically a moderate majority which believes that we should have some international style casino gambling but not too much of it. This “some-but-not-too-much” solution accords, they think, with the dictates of prudence, fairness and common sense. From these positions there emerges a kind of unspoken democratic consensus that we should only authorise a limited number of venues in which big prize machine gambling can take place. This ensures that overall the public gets what it wants. The prohibitionists and the libertarians both get less than they want but they are also less dissatisfied than they would be if their opponents got everything they wanted and the moderate majority get a policy of moderateness. As such, this is an appropriate *political* solution likely to result in an industry which is stable over the long term and to minimise any backlash which might embarrass government and threaten industry’s profitability¹.

This solution, however, also – as a by-product - supports an economic policy of high gambling taxes for the following reason. To the extent that the opportunity to supply gambling services is restricted because of the law (and it always is), suppliers will be able to make abnormal profits. This potential for charging abnormally high prices could be blocked by regulating prices but governments typically think it no bad thing if gambling is a relatively expensive pastime. Instead they claim that these abnormal profits ought not to accrue as super-profits (i.e. profits over and above the cost of capital for the sector) to gambling companies. Rather, they ought to be captured for the public as a whole by the governments who create them. Put another way and conversely, governments ought not to enable suppliers of any product to make windfall profits at the expense of the public purse. Put yet another way, governments ought to protect consumers from being charged more than the rate required by a fair return on investment - “the cost of capital” - by anyone other than government itself.

¹ There has been a severe backlash leading to calls to re-ban machine gambling in a number of North American jurisdictions where the slot route industry has been allowed to proliferate beyond what public opinion is comfortable with and avoiding an undue proliferation of big prize machine gambling outside the limited number of casinos is at the core of what people (including many Australians) mean when they say we wish to avoid the mistakes made in Australia.

For all the above reasons, but especially because it accords with the democratic consensus, almost all governments adopt a policy of high gambling taxes in one form or another at least in respect of lotteries, casinos and big prize machines where the customers are going to be predominantly its own citizens rather than visitors from other jurisdictions.

6. There are effectively three ways in which governments can collect abnormally large revenues from gambling: by having high gambling privilege taxes paid annually; by requiring equivalent value to be delivered upfront in cash as a licence fee; by requiring that equivalent value be delivered in kind through prescribing investment in economic development projects.

In the first case governments treat gambling as they do liquor and cigarettes and impose special taxes.

In the second case they secure for the public an abnormally large portion of gambling revenues in cash by imposing large upfront licence fees. Thus, limited exclusivity casino licences in each of Australia's main cities were auctioned for cash.

In the third case, they secure equivalent value by requiring casinos to fund public interest projects such as business-tourism-generating conference centres. Limited exclusivity casino licences in South Dakota, New Orleans, Macao, Switzerland and South Africa *inter alia* were awarded mainly or partly according to which project delivered the most value in kind, especially by subsidising tourism-enhancing infrastructure.

Machine gambling can be taxed in any of these ways way or through a combination of two or of all three forms of tax. In Cape Town the winning licensee was required to pay a gambling privilege tax of 9% over and above VAT *and* to write a cheque for 135m Rands *and* to fund a conference centre with a canal linking it to the Waterfront.

7. As between these three forms of high taxation, the case for having high gambling privilege taxes on GGR is mainly fiscal and consists in the fact that this policy generates somewhat greater revenues over the long term which can be spent entirely at the discretion of government on a yearly basis.

If governments wish simply to maximise cash revenues to the exchequer they will impose a high gambling privilege tax on machine gambling and permit machine gambling operators to keep their costs down by allowing them to house machines in venues which have no facilities other than those which contribute to the profitability of the business.² This is broadly the European model though it is also now in evidence in Illinois.

² These are what have sometimes rather infelicitously been called "gambling sheds." They are more flatteringly known as "high efficiency" casinos. Regardless of what they are called the important point about them is that they do not have to spend money on commercially unnecessary investment. Consequently, they make machine gambling as profitable as possible so that it will support the highest possible tax rate.

In theory, the somewhat higher revenues to government from a high, direct tax policy as opposed to an upfront policy come solely from the fact that the government under this scenario reduces the risks to operators of over-estimating the future market and takes on some of that risk itself. If there are less earnings than anticipated, then the operator will not have already spent a large amount of money on securing the licence. Investors will therefore be willing to accept higher taxes which they will only have to pay if they can afford them. Conversely, if the gambling revenues turn out to be less than anticipated government gets less money whereas if it has taken its share upfront, it is not affected by lower-than-expected earnings.

In practice, however, what governments are tempted to do if they have a high direct taxation policy for gambling is to seek to increase these revenues by enabling the market to get ever closer to saturation. This is what happened in Canada. It is currently happening in the USA. It is also what has led to the excessive availability of gambling machines in pubs and hotels in Australia. In other words, a high direct taxation policy incentivises governments, especially when they are facing deficits, to undermine the very non-proliferation policy which they adopted in order to satisfy the democratic consensus.

8. The case for taking the money upfront in cash is partly fiscal and partly political. The fiscal element relates to the reduction in risk described above. The political element consists in that fact that the additional money generated for the public purse by casinos is readily identifiable by electors. This means that in the case of an Australian-style auction, the government announces that it has secured so many hundreds of millions of dollars for the licence and that it will be spending them of the following popular projects.

9. The case for doing what is envisaged for the UK, whereby the government takes the money in the form of contributions to economic development and regeneration projects is mainly political. The government is able to point very specifically to the benefits in terms of amenities, infrastructure and job-creation which it has secured from the casino licensing process.

This is particularly valuable in forestalling a backlash against the introduction of casino gambling because it provides governments with an answer to people who say two years later: “what have we got out of licensing casinos except an increase in problem gambling?”

More profoundly, this policy enables governments to ensure that casino projects bring amenities, infrastructure and employment to relatively impoverished areas and are, therefore, effectively and visibly redistributing from richer to poorer. This also enables government to refute the charge that gambling taxes are regressive.

10. If the UK government really wishes, as it says it does, both to avoid an undue proliferation of new large casinos and to harness new casinos to regeneration, it will adopt a policy of imposing normal consumption taxes on gambling and of prescribing a high level of investment so as to capture the abnormal profits for regeneration projects.

At present estimated annual expenditure by region in England on all forms of gambling is as follows:

• Scotland	= £727m
• Wales	= £392m
• North West	= £901m
• Yorkshire and Humberside	= £676m
• North East	= £469m
• West Midlands	= £702m
• East Midlands	= £564m
• Eastern	= £676m
• London	= £768m
• South East	= £1, 120m
• South West	= £572m

Assuming, as is reasonable on the basis of what has happened in other jurisdictions, expenditure on gambling grows by 25% and that new casinos capture 30 % of the enlarged market, then GGR from new casinos in each region will be:

• Scotland	= £273m
• Wales	= £147m
• North West	= £338m
• Yorkshire and Humberside	= £254m
• North East	= £175m
• West Midlands	= £263m
• East Midlands	= £212m
• Eastern	= £254m
• London	= £288m
• South East	= £420m
• South West	= £215m

From these numbers it is possible estimate roughly what casinos could contribute to regeneration projects assuming that:

- casinos will earn in the UK what they earn in other jurisdictions where their numbers are limited in accordance with a democratic consensus about not having too many casinos
- there is a 20% gambling tax (and zero-rated VAT)
- the cost of capital is 12%.

The number turns out to be an amount of capital investment available for regeneration projects of approximately $\frac{3}{4}$ of anticipated annual gambling revenues over. This is the capex which the earnings would support less the cost of land, casino construction, refurbishings, equipment and pre-opening costs.

This would mean a contribution to regeneration by region of:

• Scotland	= £204.75m
• Wales	= £110.25m
• North West	= £253.5m
• Yorkshire and Humberside	= £190.5m
• North East	= £131.25m
• West Midlands	= £197.25m
• East Midlands	= £159m
• Eastern	= £190.5m
• London	= £216m
• South East	= £315m
• South West	= £161.25m

These numbers suggest that over £2bn is available for harnessing to regeneration and economic development projects in the regions, as a by-product of a sensible policy of non-proliferation.

This raw number, however, is not the whole of the story. The value of a project to a region is not necessarily the same as its cost to a developer. For example, if a casinos project offered to build a Millennium Dome this would be of great cost to the developer and of negative value to the public. A casino project which offered to take the Millennium Dome off governments hands – like the one planned by Kerzner – may prove of very substantial value to government. A clearer example perhaps is the conference centre in Cape Town whose building was subsidised by the casino development. This conference centre at opening was already booked for three years ahead and will generate huge benefits in business tourism and job creation for the least well off in Cape Town. It was not however particularly expensive for the casino company which still had enough money to invest in a highly attractive entertainment complex which is a tourist attraction in its own right.

There is then a huge opportunity here for the UK regions to harness the creativity of the private sector. To make the most of it, however, they need to press government to do one simple thing which it has already indicated some willingness to do but which it has not yet fully committed itself to.

Government needs to invite Regional Planning Bodies to integrate plans for new casinos into their existing plans for regeneration and economic development.

This will also require some form of tendering procedure to ensure that whichever operators are awarded the licences do so as a result of a process which is fair, transparent and based on the overarching public interest.

To make a success of this strategy requires only one thing: namely, strong, energetic and intelligent politic leadership.