



Number 39 Winter 2006

The Society for the Study of Gambling

www.societystudygambling.co.uk

NewsLetter

The Society For The Study of Gambling

Newsletter Winter 2006, Number 39

Editor:

Professor Peter Collins

Centre for the Study of Gambling
School of Accounting, Economics and Management Science
The University of Salford
Salford Manchester M5 4WT
Email: p.collins@salford.ac.uk

Chairman:

Paul Bellringer OBE

Responsible Gambling Solutions Ltd
1 Quarry Close
Rusper Road
Horsham West Sussex RH12 5QN
Email: paul@responsiblegambling.co.uk

Honorary Secretary:

Faith Freestone

The Gordon House Association
43/47 Maughan Street
Dudley West Midlands DY1 2BA
Email: ff@gordonhouse.org.uk

Honorary Treasurer:

John Beard

16 Egerton Road
Lymm Cheshire WA13 0PA
Tel: 01925 758398

Executive Committee

**Barry Faulkner
Anthony Jennens
Rachel Lampard**

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, 16th May 2006.** 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:

www.societystudygambling.co.uk

Membership

The Society for the Study of Gambling has in the past recruited its members by invitation. We do not propose to change this, but we would like to encourage our existing members to issue invitations to those who they feel could both make a contribution to and reap a benefit from The Society.

Any member may bring any potential new member free of charge to one meeting (including lunch). We hope this small inducement will help us to expand our membership.

NEWSLETTER

Contents

Winter 2006, Number 39

1	Editorial	Peter Collins
4	Eulogy: Peter Byrne	Jim Wrethman
7	The Future of Casinos in Europe	William R Eadington
10	The Work of the British Horseracing Board	Tristram Ricketts
14	Current Issues Facing the Bingo Industry	Simon Thomas
19	Remote Gambling – where next?	Clive Hawkswood
24	Gambling Act 2005 – The British Casino	John Hagan
40	Problem Gambling and Regional Casinos in the UK	Peter Collins
46	Painting the Right Picture for Gaming Developments in International Jurisdictions	Andrew MacDonald and William R Eadington
51	Review of David Miers’s Book: <i>Regulating Commercial Gambling: Past, Present and Future</i>	Peter Collins

EDITORIAL

One or Eight?

The Government's stated policy, prior to the autumn of 2004 of saying that we don't want too many new casinos but we do want the market to decide numbers and locations was always doomed to collapse into incoherence. It was also always bound to open the floodgates for irresistible prohibitionist and protectionist propaganda.

So the Government went for its now famous (though still unexplained) 8-8-8 formula with an independent panel to decide locations and competitive tendering to decide between operators.

This was - despite the shambolic and largely unfathomable process which had led up to it - quite a good policy and, if the Government had stuck to it, the Act overall would have been quite a good one in respect of casinos as well as of other forms of gambling.

Above all, it would have ensured:

- the best possible protection for the vulnerable, while also
- widening consumer choice
- not seriously harming existing UK industries
- securing about a billion pounds' worth of job-creating investment in infrastructure and facilities which would have benefited non-gamblers in relatively deprived areas.

It should be remembered that this new formula was supported by all political parties in Committee and hailed by the *Daily Mail* as a victory when the policy was announced.

Unfortunately, the Government's volte-face had taken place so late that it was impossible for parliament in either House to debate the issues properly. The Conservatives, consequently, thought it right to err on the side of caution and reduce the number of so-called "super-casinos" to one which would allegedly enable parliament to establish what the costs and benefits would be of allowing these strange new beasts into our allegedly unique UK social and economic environment.

It is now clear, however, that one is not the right number and as Clive Betts recently pointed out in Parliament it is impossible to find any politician, of any party or in either House, who thinks that it is. It is also impossible to find any regulator or local politician who thinks that one is the right number.

At the very least, everybody asks: "How can you 'test' the social and economic impact of regional casinos in general if you only have one whether it be in Blackpool or Coventry or in London or between Glasgow and Edinburgh?" *Reductio ad Absurdum*.

There are also now over forty local authorities who want a regional casino licence and only a handful who want licences for so-called “large” (max 150 machines) and small (max 80 machines) casinos.

This is hardly surprising since a regional casino licence may be expected to deliver some £120m of investment in public interest projects which will benefit communities as a whole, including and especially non-gamblers. The other licences will at most deliver a very modest planning gain and the 40+ new casinos about to be authorised under the still-in-force 1968 Act will deliver none.

The case for no regional casinos (not even for one) would, of course, be irresistible if there were grounds for thinking that “super casinos” increase the risks of gambling addiction and other problems associated with excessive play.

This is not, however, the case.

The Chairman of GamCare, Anthony Jennens, has gone on record as believing that so-called super-casinos are not, in GamCare’s view, the menace they are made out to be by the popular Press and that “casinos should be sited so as to require a dedicated trip to gamble.”

Jennens is, however, only responding to and reflecting sustained international research findings (the hottest off the press is research in Saskatchewan) which now overwhelmingly show that:

- Availability is not a significant cause of problem gambling
- If casinos are introduced alongside an appropriate public education programme, problem gambling numbers remain stable or decrease
- “Super-casinos,” are relatively benign from a problem gambling point of view because they are not either “ambient” venues where customers typically go for other purposes and not expecting to encounter gambling opportunities; nor are they convenience venues which increase the likelihood that people will gamble on impulse
- “Super-casinos” by contrast typically are what are often described as “integrated entertainment complexes” and as such their patrons typically visit them as a family outing for which they make spending decisions in advance about how to budget for travel, food, children’s entertainment, other entertainment and gambling spend
- Impeccable research in behavioural economics and neuro-science now confirms that adhering to a budgeting process is one of the clearest reasons why most people don’t get into trouble with gambling and failing to adhere to such a process is what leads people to gamble excessively and in such a way that they do real harm to themselves and those close to them. Preventing problem gambling, in any of its forms, is thus overwhelmingly a matter of good public education.

What all this shows, as do practical examples from around the world, is that the case for going back from one to eight regional casinos is irrefutable in terms of minimising negative social impacts and maximising economic benefits for the least well-off.

Unfortunately, all the politicians seem to want someone else to put their head above the parapet first and/or to leave it to the independent panel to make the first move. Above all they fear the reactions of the Press at its least well-informed and most morally alarmist.

Speaking solely for myself and as a paradigmatic floating voter, I shall be impressed by (and shall vote for) political leadership which demonstrates that it is not in cowardly thrall to the kind of smug, ignorant, vain, avaricious, prurient, cruel, authoritarian, hypocritical, mendacious, intellectually mediocre and endlessly self-centred journalists who have not merely failed to understand the public interest in relation to gambling but who make it impossible to govern the country sensibly in all sorts of much more important areas as well.

Eulogy : Peter Byrne

Jim Wrethman

I first met Peter Byrne when I was employed as Inspector by the London Playboy Club at the start of the seventies. In keeping with the traditions of former dice dealers, I of course, already knew everything there was to know about casinos. Everything that is, except the extra bits that Peter knew. So I decided to pick his brains, and after more than 30 years of doing this I think I'd only just scratched the surface when he passed on.

We were both working class boys from up North, so you might think our common origins was the reason we immediately hit it off. But anyone who came into contact with Peter professionally or socially, would soon become aware of his ability to blend in seamlessly with people of all backgrounds, classes and cultures – and do this without changing his essential self.

By the time I arrived at Playboy, Peter had already risen to the position of Floor Manager. He had come into the business via the company HG Heinz after studying Economics and Politics at the University of Manchester. Actually, it was his studious approach to the Gaming Industry even in those early days, that for me, set him apart from many other managers. He took his job very seriously. And this wasn't always easy at Playboy - there were many distractions. He dealt with one major distraction at the club - by marrying her. Even for a man who throughout life was to make many crucially correct decisions, marrying Maria must rate as his best.

Actually it was a cardinal rule at Playboy that male staff could not go out with the Bunnies. But Peter had found a loophole. There was no rule against going out with your wife, though some may have pretended there was.

At a later date in the Bunny Club when I had ascended to the giddy heights of Pit Boss the company decided to re-categorise Pit Bosses as Unit Managers. Peter was first to inform me, with tongue in cheek, that instead of getting a rise, which would in any case be squandered at the Coach and Horses, we would be getting an up-market title and allowed more responsibility. Though he would always be a diligent and trustworthy executive at no time would he ever be the sycophant who simply echoed the company line. In fact, he was already acutely aware of the failings that would eventually lose that company their licences and made great efforts to change their policies, even to the extent, perhaps in frustration, of proposing union affiliation to protect the interest of staff.

Peter moved on to the Clermont Club as casino manager and I moved on to management positions with the Playboy's arch enemies of that period, Ladbrokes.

But I had already ascended to an even more rewarding and enduring position - that of frequent guest of the Byrne household. Here I joined the ever expanding band of ex-school friends, family, former and present colleagues and others who gratefully appeared at his house whenever they could and were treated as if they lived there. In 1972 Peter

and Maria were dealt a perfect pair of the same suit. The twins Ian and Tony joined the family.

Their development through the years both academically and professionally would be a source of great pride to Peter. But even more important for him was their development at a personal level as rounded individuals. In their choice of partners they seem to have inherited their father's keen eye and shrewd judgement and in recent years they awarded him with the most prestigious title he could ever hope for – Grandad or Aowoo which is his grandson Dylan's name for him. It must be said that more than once Peter apportioned most of the credit for his sons' rounded development, to Maria, their mother. Just as much of the credit for his own development he had also attributed to his mother, Martha.

For a period our careers took us separate ways – mine to Africa, while he continued at the Clermont Club and then acted briefly as a Consultant to SBM in Monte Carlo as they considered the introduction of American style games. As Peter was to put it then – 'they're about to substitute style for substance'.

We came together again when he offered me the position of Sub-Director to his Director de Juego in Puerto de Santa Maria in Andalucia, Spain. Being obliged to complete my contract in Africa I arrived a little later than the rest of the team.

When I arrived Peter briefed me on the progress of the venture. 'You know the plan to take a team of professionals from U.K. to train the Spanish casino staff. Well instead I've brought a bunch of Brits to increase the beer sales and the possibly the birth rate, in the area!'

Actually, in spite of the expats extra-curricular activity it was going well but it was by no means simple. Peter was responsible for the introduction and implementation of traditional casino methods while complying with the recently written and complex Spanish Gaming Law. He had also to balance the liberal attitudes of the British personnel with the still deeply conservative local culture in that part of Spain. Nevertheless, it turned out to be a rewarding experience for all. The benefits can be seen clearly to this day. Not only because the casino still operates successfully with many of the Spanish staff trained during those early years, but also because the emotional ties forged between many of the people both British and Spanish survive to this day.

After three years at the helm in Spain Peter returned to London and a roller-coaster ride between 1981-88 when the company he worked for changed hands from Playboy to Trident to Peasurama to Mecca. After a brief, but interesting bout with Brent Walker which didn't quite go the distance, he then joined London Clubs. During 90-91 Peter had responsibility for Cannes and Cairo later entering the Board in 92 as Gaming Operations Director. He obtained the white, executives licence, in 1995.

At the time of his retirement in 1999 I wrote in the Casino World magazine that there was a saying that people of stature, such as Peter Byrne, don't retire from, they retire to....

That was of course the case. After a brief retirement he returned as consultant to Sun International spearheading their bid to establish casinos in U.K. and among other duties liaise with Government representatives during the recent process of change. As a matter of fact he indicated more than once that he himself had thought of becoming active in

politics, a subject in which he had always been interested. But it was never to come about and I doubt if he would have been successful. Principally, because he would have had to overcome a tremendous handicap: his integrity.

Though perhaps had he been in Government the reform of the Gaming Act would not have been as shambolic as it has been.

This has been simply an outline of a long and successful career. I couldn't hope to describe the contribution he has made to the industry and more importantly to the people with whom he came into contact. In some ways although I knew Peter so well, I find it difficult to describe him. He was undemonstrative, in a physical sense, but nevertheless in his presence you always felt comfortable and welcome. He was reliable, honest, and generous - except of course in the number of years he gave us. Unusually, for a man at the top he was devoid of any kind of malice, even towards those who had been unfair to him. His intelligence was immediately apparent, he was interesting, and interested, in a wide range of subjects. Humorous, often in an unashamedly school-boyish way. But I'm telling most of you, what you already know.

In spite of my Presbyterian upbringing or perhaps because of it, I'm an agnostic. But if there is a better place, then I'm sure he's there. I'm also pretty certain that by now his abilities would've been recognised and he'll be on the committee for the review of their internal procedures. If so, and you're listening Peter - I have a humble suggestion – when you come to review the admission qualifications. In the interest of fairness to this world, in the future, people such as yourself should be obliged to serve at least another 30 years down here before gaining admission.

My friend Peter Byrne.

The Future of Casinos in Europe

William R. Eadington

**Director, Institute for the Study of Gambling and Commercial Gaming
University of Nevada, Reno**

November, 2005

One is hard pressed to find a more dynamic industry in the world than the casino industry. In Macao, casino gaming revenues will approach US\$6 billion in 2005, and nearly US\$10 billion in capital investments in various casino resort projects are underway in this tiny (28 square kilometer) enclave on China's southern coast. Singapore is in mid-process for authorizing two Integrated Resorts—each with a casino as the centerpiece—that may ultimately generate capital investments of US\$5 billion or so. South Africa, which passed its gaming legislation in 1996, has developed a very attractive casino industry located in 32 venues throughout the country; its casinos generated over R7.3 billion (US\$1.1 billion) in gaming revenues in 2004. Australia and New Zealand boast mature but attractive casino industries with numerous world class facilities, such as Crown Casino in Melbourne, Jupiter's on the Gold Coast, Star City in Sydney, and Sky City in Auckland.

On the Las Vegas Strip, there have been about US\$30 billion in capital outlays for new or refurbished mega-casinos since 1989, running from the Mandalay Bay at the south end of the Strip to the new Wynn Las Vegas and beyond to the north. The Las Vegas Strip in 2005 is also marked by unprecedented high rise luxury condominium/time share developments, led by MGM Mirage's planned \$4.7 billion City Center, with numerous other projects either under construction or in the planning stages. Tribal gaming in the United States has already climbed to a \$20 billion (gaming revenue) industry, all of it appearing since 1988 when Congress passed the Indian Gaming Regulatory Act. The tribal casinos in Connecticut—Mohegan Sun and Foxwood's—are attractive multi-faceted destination resorts, each generating more than US\$1 billion in gaming revenues per annum.

Thus, the casino industry is booming in many parts of the world, with the notable exception of Europe. For the most part, European casino industries today are not much different than they were a quarter of a century ago. The European legislative models for casinos range from State-owned monopolies in Sweden, Finland, Austria and the Netherlands, to "invisible" clubs in the United Kingdom, to highly taxed private sector or private/public sector partnership exclusive franchise regional monopolies in most of the other EU countries. Capital investment has been limited, there are no destination resort casinos to speak of, and there is no real sense that casinos are anything besides gaming rooms that offer table games and slot machines, with the occasional bar and restaurant. Many of the casinos would make fine museums, but are not terribly attractive as casinos. With perhaps the exception of the former communist dominated countries of Central and Eastern Europe, there is little to point to in Europe or the European Union that even

faintly resembles the dynamic casino industries of North America, Australasia, or South Africa.

Though there have been some attempts at liberalization in recent years, the outcomes in Europe have been less than impressive. In the United Kingdom, efforts to reform and liberalize the casino industry that was initially authorized by the somewhat eccentric Gaming Act 1968 resulted in new legislation passed in 2005 that—at least for casinos—can only be described as a disaster. The new law will permit only a single “regional casino” (dubbed “super casino” by the irresponsible tabloid, *The Daily Mail*), and only eight large and eight small casinos will also be added, under definitions provided by the legislation.

The disappointing outcome of the British efforts can be blamed on the ineptitude of the Civil Servants, the lack of commitment to this issue by the Blair government, and the absence of vision by the existing casino industry, along with some clever and devious guerilla tactics employed by the print media and other opponents of the Bill. From a public policy perspective, the changes in gaming that will soon occur may prove to be a disaster. The UK may end up with exactly the kind of “ugly gambling” that the Bill’s critics said would happen if the casinos were allowed to proliferate under the Bill’s original language. Time will tell.

Elsewhere in the EU, there are stronger trends toward protectionism and consolidation than there are toward development, expansion, and evolution. In those countries that have state-owned monopolies, there is much concern that rulings handed down from the European Court of Justice—such as Gambelli—might undermine those monopolies and open the various gaming industries—including possibly casinos—at least to internal EU competition under the principles of harmonization and “free and fair trade.” Because so many countries extract significant economic rents from their gaming monopolies, or from high taxes on private sector gaming industries, the concerns they raise are more than just philosophic.

The outcome to date in Europe has been a collection of casino and gaming industries that are singularly unexciting and non-dynamic, especially in comparison to gaming industries on other continents. But will this divergent track between Europe and elsewhere continue to be the case? Might we expect European casinos to continue to be small and unimportant venues catering to those few Europeans and international visitors who happen to stumble upon them, or who have an unhealthy desire to participate in casino gaming in spite of the lack of amenities and other inconveniences? My suspicion is that—as with the rest of the world—European casinos and casino-style gaming will increasingly evolve in far more interesting directions. But the question remains: How might this transition take place?

To gain some insights, one should look East, to the “New Europe.” If there is a common characteristic to the economies of these former socialist countries, it is that they would rather emulate America than the relatively stagnant economic circumstances that prevail

in Western Europe. In the casino industries emerging in such countries as Estonia, Latvia, Lithuania, the Czech Republic, Ukraine, and Russia, we begin to see elements of competition and limited regulation that are more comparable with Nevada or Mississippi or New Jersey than they are with France, Spain, Italy, Switzerland, or Germany.

It is quite possible that, as long as Eastern and Central European countries such as these provide focused regulatory oversight for casinos that is transparent and competent, this could bring about a substantial increase in the level of legitimacy and integrity for their respective casino industries. Their focus also needs to be on using casinos as an economic development tool and catalyst, not as a tax revenue generator. Such regulation should also assure that casinos are crime free by protecting the integrity of casino ownership, of casino accounts, and of the games; in other words, no mafia, no skimming of profits or tax evasion, and no cheating of customers or owners at the tables and slots.

Furthermore, gaming laws should be adopted so that tax rates are low enough for private sector investors to generate adequate returns on invested capital. Furthermore, the legal and regulatory structures need to provide enough confidence that private property rights will be protected and the competitive environment can be understood and forecast. If these things are done, then one can expect to see casinos in Europe go the direction that has so clearly developed elsewhere.

If experience in other parts of the world is a guide, then we might expect at least one European country to establish a legal and regulatory regime that meets the above criteria. This might then be followed by significant capital investments in casino resort projects, perhaps from well-established and well-respected gaming companies from other parts of the world. (There are no European companies who have excelled with this kind of investment.) High returns on invested capital, along with the popularity of such “American-style” destination resort casino facilities, could make other countries within the region take note.

Thus, in the same way that casinos proliferated in various states in the United States, among the various states of Australia, and which are now working their way through Asia, the “domino effect” could also occur in Europe. Such an effect can be triggered by successful casino operations presented in an attractive manner—attractive both for customers and for investors. If this process begins, it could very well change the gaming landscape for Europe in the decades to come. Time indeed will tell whether this hypothesis comes to be.

This article is a reprint of an article originally printed in the December 2005 issue of European Casinos – The Elite.

The Work of The British Horseracing Board
An address to the Society for the Study of Gambling meeting
held 17 May 2005

Tristram Ricketts
Secretary-General, British Horseracing Board

My subject is the current work of the British Horseracing Board which, as you all know, is the Governing Authority of the sport which relies very heavily on revenue from Betting for its funding. And funding is one of the issues on which I shall be touching in a moment.

However, given its topicality, I start with a few words about the Gambling Act which is going to influence, in different ways and to differing degrees, the activities of so many of us over the next few years. And I am sure we are all much looking forward to hearing this afternoon from the Gambling Commission's Chief Executive, Jenny Williams, for whom Royal Assent on 7 April must have come as a considerable relief, about how she sees things will progress from her particular perspective.

Throughout the process of change initiated with the establishment of the Gambling Review Body over five years ago, the British Horseracing Board has been fully supportive of the provisions which relate to the Betting Industry and, in particular, the establishment of the Gambling Commission with its extensive powers and responsibilities. Not only should more rigorous licensing procedures help to avoid the repeats of the damage done to the reputation of the Betting Industry and by implication to Racing when punters have lost money as a result of bookmaker failure, but also the Commission, working with sports regulators - in Racing's case the Jockey Club and, hopefully soon, its successor the Horseracing Regulatory Authority - should further assist the protection of the integrity of sport which is so necessary to punters' and participants' confidence.

Clearly, the establishment of the Commission and the associated new licensing regime will take a little time to put in place. But there is one particular issue on which Racing very much hopes to see early progress and that relates to the extended evening opening of betting offices. As you know, evening opening is currently restricted to the period between 1 April and 31 August, but with a new floodlit racecourse coming on stream at Great Leighs near Chelmsford in Essex next year, to complement the existing facility at Wolverhampton, and with other racecourses installing floodlit All Weather Tracks, Racing sees a year-round evening programme as an exciting investment opportunity and revenue generator. We, and no doubt the bookmakers, will continue to encourage DCMS, and I have no doubt the nascent Gambling Commission, to ensure that extended evening opening takes effect sooner rather than later.

I move now from the Gambling Act to funding, which is an issue of major concern to Racing at the present time. You will all, I am sure, be aware that, five years go, the Government announced its intention to abolish the Horserace Betting Levy, to be replaced by commercial arrangements between the Racing and Betting Industries. The chosen mechanism was to be the sale by Racing to the Betting Industry of its pre-race data (that is, essentially, runners and riders) with the authority to do so deriving from Database Regulations in this country which stem from the European Database Directive. In order to test this new area of law, and given the importance of secure long-term funding, the British Horseracing Board instituted legal proceedings against William Hill in 2000 for unauthorised use of Racing's information on its Internet betting site. The BHB secured a very robust judgement in its favour from the High Court in early 2001, but William Hill appealed and the Court of Appeal decided that, while it was in principle in sympathy with the High Court judgement, it wished to seek clarification from the European Court of Justice of certain provisions in the underlying European Database Directive.

It took over 3 years, Ladies and Gentlemen, for the European Court of Justice to give its ruling, which it did in November last year. To everybody's surprise, including the defendants, the ECJ ruling ran totally contrary to the High Court judgement and to the preliminary opinion of its own Advocate General and cast, at best, serious doubt on the ability of BHB to exploit its database in the manner proposed. The ECJ ruling is not, however, binding on the BHB/William Hill case which reverts to the Court of Appeal in late-June this year, when the ruling will be applied to the specific facts of the case. Whatever the outcome this summer, and of course there can be no guarantee that the Court of Appeal will be the end of the matter, the ECJ judgement has already caused a substantial financial upheaval, with BHB funding of a number of initiatives having to be scaled back, as well as great on-going uncertainty generally.

This uncertainty led the Racing and Betting Industries to go together to the Government earlier this year to request an extension of the statutory levy which, following legislation last year, was planned to be abolished in 2006. In March, the Government agreed, subject to certain conditions, to extend the levy until 2009 to give Racing and Betting Industries the breathing space in which to find an alternative which is both sustainable and enforceable domestically and internationally. The options are currently being looked at by an Independent Committee chaired by Lord Donoughue, which will report later in the year following the Court of Appeal judgement. So at least the funding from British Bookmakers who pay the statutory levy is secured for a further 4 years, although the continuation of the significant revenue stream which BHB derives from overseas bookmakers, particularly those in Northern Ireland and the Irish Republic, is contingent upon a sustainable commercial mechanism.

And all this was occurring at the same time as a major OFT inquiry into the Orders and Rules of Racing under recent competition legislation. This dragged on for the best part of four years before BHB and the OFT were able to reach, last year, a provisional agreement on changes to the way in which BHB discharges some of its key responsibilities,

principally in the areas of Fixture Allocation and Race Programming where more competition and less central intervention are being introduced. This process is based on a substantial document, entitled the “Modernisation of British Racing”, which will give more freedom and flexibility to race courses, while still enabling BHB, as the Governing Authority, to exercise responsibilities in the interests of the Industry as a whole, rather than of individual sections of it. However, the ECJ judgement and the continuation of the Levy have necessitated some revision to the original timetable for implementation, the details of which are now being finalised. So hopefully, it will not be long before the OFT “Racing” file can finally be closed.

So given all that, you can easily understand when I say that all this is giving rise to two things: firstly, a good deal of continuing uncertainty about future funding, which is never healthy or helpful, and secondly very large legal bills.

Another area of current uncertainty is the future of the Tote.

As many of you will know, the Tote was established as a statutory body in 1928 and assumed its current name and responsibilities when the Levy Board was created in 1961. There was always a question mark as to why a betting organisation should sit in the public sector and, throughout the 1980s and 1990s when the colourful Woodrow Wyatt was in the Chair, there were numerous inquiries and discussions about privatisation.

It was not until the year 2000, at about the same time as it was deciding to abolish the Levy, that the Government also took the decision to sell the Tote to a Racing Trust, comprising representatives of the BHB, the Jockey Club, racecourses, racehorse owners and the wider Industry, as proposed in a joint submission to the Government by Racing and the Tote in late 1999. The necessary legislation was finally passed last year, but regrettably, as in the case of the Levy, Europe has intervened. It has not yet proved possible to secure State Aid clearance from Brussels as quickly as had been hoped, and there are signs that, in any event, the European Commission is taking a closer interest than before in gambling issues. The next speaker in particular will know what I’m talking about.

The General Election called a temporary halt to discussions between the Government and the European Commission but we hope for a satisfactory outcome before too long, so that detailed negotiations on the sale price and terms can proceed.

Other issues which are exercising us at the moment include seeking to stem the decline in Racing’s share of the total Betting market, which is an uphill struggle given the competition in the Betting shops and on the Internet, where a whole range of new products are continuously being introduced by the Betting Industry both to attract new customers and to reduce their reliance on British Horseracing which, for them, is a relatively expensive, although still core, commodity. This requires Racing, as never before, to continue to provide a quality product which is properly marketed and properly presented in attractive facilities. This challenge will not be made any easier if Channel

Four cannot be persuaded to continue their excellent terrestrial racing coverage beyond the end of this year.

Now no presentation on Gambling issues is complete these days without at least a reference to Betting Exchanges, which have been a subject of heated debate since their introduction a few years ago. They are popular with punters, are seen by Government as welcome and innovative competition and are here to stay. Against that background, BHB and others have two key concerns. First, that they should be properly regulated and that is something to which the Gambling Commission will be directing its attention in due course. Secondly, that they should be taxed on an equitable basis and should make an appropriate contribution to Racing. We all know that the Treasury and Customs are continuing their taxation review, which was announced by the Chancellor at the time of the 2004 Budget, while BHB remains in discussion with the Exchanges about the level of their contribution to the sport.

Current Issues Facing the Bingo Industry
An address to the Society for the Study of Gambling meeting
held 16 November 2005

Simon Thomas
Thomas Estates Ltd

The word Bingo evokes many images; from old ladies playing housey housey for a fiver, to a group of young girls going for a fun night out, as on the television adverts.

In reality bingo is simply a high street, mass leisure retailer, attracting all ages and types of customer.

Its success or otherwise, depends on exactly the same criteria as all other leisure businesses - what is happening in its operating environment and how it can compete for the leisure pound, in particular it is its relative competitiveness on the High St, i.e. what products it has on offer and at what price, compared to what products its competition has on offer, which dictates its income, and then what its operating costs are.

Following an extensive period of relative stability in this equation, the Bingo industry is facing an unprecedented number of substantial changes impacting in a very short time. Such as

The new Gaming act,
 A partial or complete smoking ban,
 A gaming taxation review,
 Increased Government beurocracy and red tape,
 Minimum wage, working time directive, changes to the Employment laws, The Disability discrimination act, Liquor licensing law reform, etc. to name but the major ones

Plus new competition such as Internet gambling, mobile phones etc.

I am pretty gloomy about all the new legislation, particularly the rate it is coming in and its cumulative impact.

From the Governments point of view, each single piece of legislation on its own probably makes sense to somebody, but it is very difficult for us to deal with it all together and much of it seems the proverbial sledgehammer to crack a nut.

Naturally some of these changes will have beneficial sides, but many do not. Additionally many of the changes are still to be finalised, which means we are operating in a world of uncertainty, which is an expensive commodity, affecting how we operate and make investment decisions.

I operate 3 Bingo clubs, the largest in the country in Cricklewood, a medium sized one in Northampton and a small one in Loughborough, all called Beacon Bingo, plus a chain of Adult Gaming Centres, called Showboat. If anyone has not been to any of these types of establishment, I am very happy to show you them, just let me know.

Over the next 15 minutes or so I will give you my thoughts from an operator's viewpoint, predominantly on my view of the future of the Bingo industry, but many of the issues also apply to Adult Gaming centres, and I am happy to answer questions on both.

Perhaps the greatest threat to the Bingo industry is the perception that its customers are older stable people who will go there come what may, predominantly to play Bingo, and the progression of the baby boomer generation will continue to fuel that stability, and as such it will continue to be OK, regardless of all these changes.

The business reality is very different, and the vulnerability of Bingo should not be misunderstood.

The older generation is certainly prevalent in the afternoons, and whilst there are younger customers who come then, such as housewives or unemployed, our average afternoon customer is 56, female, retired, widowed and looking for cheap entertainment in a warm safe environment. These customers are stable and mature and if all else is equal, will continue to come, but whilst they account for about half of the overheads, they only represent 1/3 of admissions and under 1/6 of income.

The evening customers are very different, and providing over 5/6 of the income and 2/3 of the admissions, have far more importance to the future of the Bingo industry.

Our average evening customer is 38, as likely to be a man as a woman, spends a lot more than an afternoon customer, but comes far less regularly and is much more likely to have a number of other competing leisure pursuits, such as pubs, restaurants, cinema, casino etc. They come for the Bingo, and also to play on the slot machines, to eat, drink, and socialise, and above all to have good value entertainment in the safe mature environment that is one of Bingo's greatest strengths.

These customers are far less stable and will be affected by changes to the competitive situation on the high street.

At this point it is perhaps useful to expand on some of the changes affecting Bingo, and then we can start to see their cumulative effect on the future.

Starting with General Government ones, Increasing minimum wage, beaurocracy, red tape, working time directive, changes to the Employment laws, The Disability discrimination act, liquor licensing reform etc.

Minimum wage. In the south it has little impact as we are all already paying well above it. However the further North you go the more the impact is. Areas where costs of living are lower and the going rate for staff was lower, are having wage rates pushed up, not only the minimum levels, but all levels as we need to keep the wage differentials between grades of staff. Equally we used to be able to differentiate ourselves as an employer by offering higher rates of pay, but this ability is being eroded as all employers are offering the same rates, and as such employees cannot use it as a differentiator between a good and bad employer. The only upside is some customers have more money in their pocket from less low paying jobs.

So on balance a negative. Employment costs up, harder to differentiate ourselves, not balanced by a slight increase in possible spend from customers.

Government beaurocracy and red tape. There seems a never ending raft of changes to accounting, controls, of new forms to fill in, most of them seem to have no justification, so a clear extra cost with no benefit to us.

Working time directive. Again a big negative. No benefit to us or any reasonable employer. All that happens is we now have more forms to fill in and records to keep. Staff working longer hours choose to opt out, and staff working less hours have no change.

Changes to the Employment laws. No doubt many of these are well intentioned and benefit employees against bad practise, but to good employers they are just an extra cost.

Disability discrimination act. Again well intentioned, but with a significant number of elderly customers, Bingo halls were already well designed for the disabled. What the act meant for us is extra unnecessary cost, and difficulty making some changes going forward which could improve things further for the disabled, but cannot happen if they do not meet the new standards, and so often don't get done.

Liquor licensing reform. Another act that has impacted making no real difference or benefit to us, but extra costs.

All in all, most of the new regulations have just increased our overheads, with no benefit to us or the customers, and so have reduced Bingo's competitiveness in the high street. No doubt they have helped situations at the fringe, but I do question if they could have been addressed without affecting every business.

Looking then to ones that will have a more targeted impact on Bingo; the Smoking ban, internet and mobile phone gaming, the taxation review and finally the new Gaming act

The Smoking ban. This has the potential to be particularly damaging to Bingo, possibly above everything else.

It is widely accepted that wherever there has been a smoking ban, gaming businesses have lost between 15 and 20% of income for about 18 months, but that some of this has come back over time. The big difference here for Bingo is that there is competition from the several thousand working men's clubs which are all having the amount of Bingo they can play weekly doubled to £2,000, and if they are given an exemption from the smoking ban, then the effect will be a lot more marked and may not recover.

The Bingo association surveyed its customers and asked them what they would do in the circumstance of Licensed Bingo halls having smoking banned, but not in Working men's clubs, and 36% said they would switch to a working men's club to play bingo.

The Henley centre has done a recent report on the effect of smoking, and even reducing the likely admission drop to a more realistic level, they concluded that a total ban would result in a 5.5% admission decline, which would equate to a 38% profits decline, which is bad enough, but a partial ban would lead to 12% admissions decline and 58% profits decline. Licensed Bingo clubs would be hard pressed to recover from this, especially as there would be no reason for the customers to switch back.

I agree with the Chief executive of BISL Brigid Simmonds who said that the current plans to exempt Members clubs and non food pubs are 'unworkable, commercially unfair and plain immoral' saying 'how can it be right to protect workers in restaurants whilst exposing bar staff and children in Private members clubs to second hand smoke, and at the same time allow private members clubs unfair competitive advantages not open to other licensed Premises'.

Intellectually there is no way this exemption should get through the legislative process, but stranger things have happened. I hope reason will prevail.

Internet and mobile phone gaming.

FOBTs have shown the true effect of a competitive change on the high street, and their introduction was followed by increases in profits of around £500 Million for the bookmakers. This money has not just mysteriously appeared, but has come from savings, or other leisure spend on the high street and was felt by the pubs and adult gaming centres. Likewise the increasing money spent on Internet gambling and mobiles phones is no doubt having a similar effect, which will become more apparent as it matures.

The taxation review.

Bingo is currently the highest taxed form of gaming, with an effective rate of around 30%. Unlike LBOs it has to pay VAT as well as GPT. The tax on its AWP's is lower, 17.5% VAT, plus an AMLD equivalent to around 5%, but this AMLD is under review and a uniform rate of 15% plus VAT has been mooted. This would hurt Bingo halls more than any other gambling business, and we are relying on customs and excise to see sense on it, but again we will have to wait and see

And finally the new Gaming act.

In the plus column we have had the 24hr rule removed, which unlike casinos has made no difference, we will have the ability to rollover some prize money to make larger jackpots, which must be good news, and on paper we have unrestricted opening hours, the ability to use more technology in new games going forward, no limit on the number of category C slot machines, slightly increased stake on Category B and C machines, and the ability to finally modernise payment methods and restake winnings without collecting them first. I say on paper, because many of these rely on secondary legislation and there is already talk of restricting some of them, or advising councils they can restrict them.

In the minus column we have increased competition from larger numbers of casinos, I understand the expectation is that under the 1968 act there will end up being around 200 casinos, plus the 17 or more under the new act, and the likely hood of Atlantic City style bussing in of customers for the bigger casinos, plus losing the S21 machines income as they get subsumed into the new act.

In conclusion, Bingo is a tough old bird, its operators are resourceful and innovative and if all else is equal we will find a way through the morass of change.

Bingo has major strengths of being a safe environment and offering competitively good value entertainment, and rollovers and increasing opening hours will help, but the future is certainly under severe threat from a discriminatory smoking bill, from increasing Government inspired overheads and competition from new forms of gaming, and from competitive changes from the New Gaming Bill.

A lot will depend on what desire there is in Government, to ensure Bingo continues to provide the valuable social environment so relied on particularly by our older customers, and accordingly what is agreed over the next few months and I look forward to being part of that process.

Remote Gambling – where next?

Clive Hawkswood
Association of Remote Gambling Operators (ARGO)

Remote gambling is the fastest growing part of the gambling industry. One consequence of this was that in 2004 a number of the largest bookmakers decided that remote gambling operators would benefit from having a trade association of their own. This led to the establishment in August of the Association of Remote Gambling Operators (ARGO).

Membership is restricted to companies that are licensed for gambling purposes and operational somewhere in the European Economic Area. That membership quickly grew from the five or six founding members to the current figure of 16 with two more joining any day. Most of the members provide a mix of remote betting and gaming (these include Ladbrokes, William Hill, Corals, The Tote, Victor Chandler, Bet 365 etc), but there are others like Partygaming, the biggest online poker business in the world, which specialise in gaming.

As for the scale of the industry, the data is at best patchy. This reflects the lack of reliable publicly available information on the world stage and not the shortcomings of researchers who have looked at this area. The other difficulty is that the industry is developing at such a pace that figures can be woefully out of date within a month or two of publication. One aspect where there is some consistency is in the growth rates which normally point to 20%pa.

Estimates put the number of gambling websites at over 2000. The real figure is probably higher and, for the remote sector as a whole, do not include telephone betting operations of which there are more than a few.

In terms of market share, remote gambling accounts for something in the region of 4% of the total world gambling market. By 2012 this will rise to somewhere between 7% and 25% depending on how quickly new markets, like China, open up.

It is an almost uniquely international business with all the competitive pressures which that entails. Unlike bricks and mortar establishments, these businesses are portable and jurisdiction shopping has been one of the industry's features in its early years (the first online casino was only established 10 years ago and real growth has just been in the last four or five). This fluid, international dimension to the industry has raised new and difficult issues for governments and regulators alike.

This, potential loss of revenues for domestic gambling industries, and unfounded concerns about crime-related problems like money laundering have put many jurisdictions on the defensive, not least the USA and some major European States like France and Italy. When faced with the question of whether to regulate or prohibit this

new activity they have so far opted to file it under the too difficult heading and have sought to bar it.

In contrast, and why so much attention has been focussed on it, the British Gambling Act 2005 has adopted a much more objective position. For the first time it provides a new licence category of remote gambling operator. It is too soon to say if Britain will become the jurisdiction of choice for the big remote gambling operators, but the fact that a major G7 nation has legislated to regulate rather than prohibit this form of gambling sends a clear message that it can be done.

Of course, as with other parts of the Bill, what we need to know is how the provisions will be implemented by the Gambling Commission. There will be keen interest in licence conditions, codes of practice, and the more intangible factors such as the culture that develops in the new regulatory body.

As for specific issues the most vital ones will be those around what remote gambling equipment must be located in Britain if someone wants a licence and how much they can have here if they do not. The Act lists four broad categories of equipment, but as with most pieces of legislation they are open to interpretation. In Section 89 of the Act the Gambling Commission is also given discretion to waive these provisions if it can be satisfied that its regulatory objectives can still be met.

This is of major importance if Britain is to embrace the concept of poker networks, most if not all of which will continue to be hosted offshore. Poker relies on liquidity and having enough players available to play at any time of the day or night. The only way to achieve that liquidity for nearly all operators is to pool their customers. This facility to share customers in a common poker room is normally provided by a third party software supplier. Poker is such a vital part of the product mix that if operators cannot access poker networks from Britain then they would not contemplate coming here in the first place. One of ARGO's jobs is to work with the Commission to show that poker networks can be regulated successfully even if the servers are not physically present here.

Another headline issue that we are already working with the Gaming Board's transition team on is a code of social responsibility. This will cover both problem and underage gamblers. Putting in place effective safeguards is something everyone is committed to, but it is easier said than done. Again this is an evolving area and one that we will need to return to over and over again as we learn from experience.

It will come as no surprise that all eyes are also on the new tax regime. ARGO commissioned a report from Europe Economics in 2005 which showed amongst other things that a Gross Profits Tax on remote gaming of over 2% would make the businesses of most operators unviable. Quite apart from that it also highlighted the high levels of VAT and corporation tax that would face operators moving into the country. This overall tax burden will almost certainly prove to be a deal-breaker for many operators who will instead choose to stay in jurisdictions with lower taxes and standards of regulation.

HM Treasury have a difficult job to square this particular circle and we have acknowledged that in our meetings with them. The new regime needs to complement social policy (i.e. the Gambling Act 2005), to be realistic when compared with existing jurisdictions, and at the same time not be seen as unfair to the country's large bricks and mortar businesses, such as casinos. To their credit the Treasury officials are liaising with us regularly and we remain hopeful that they will introduce a structure that at least some of the key players will find acceptable.

One way or another we will not have to wait too much longer to find out as they seem committed to announcing something next spring in the Budget.

Having already referred to the international nature of the business, it is only right to say something about the key developments on that front.

In the USA odd pieces of legislation, normally introduced by Senator Kyle, appear and disappear regularly without becoming law. The thrust of these bills and the Federal Government's position is that, aside from some cross-state horserace betting, they seek to prohibit remote gambling. The justifications are vague and untested at best, but there is no immediate prospect of any fundamental change of heart.

Antigua's WTO case against the USA was based on unfair restrictions of trade being placed on licensed operators based on the Caribbean island. The WTO's final ruling on this led to both sides claiming victory. Whatever the legal complexities, and there are many, it seems highly unlikely that this case will cause the USA to shift its position.

In the EU, cross-border gambling continues to be strongly opposed by the many State-run monopolies, especially the lotteries. For obvious reasons they are guaranteed strong political support in many Member States and they will not give up their privileged positions lightly.

For private sector operators, like British bookmakers and online gaming companies based in Gibraltar, the bedrock of their case for cross-border gambling is the EU Treaty which allows for the freedom to provide services within the Internal Market. Gambling is not excluded from those provisions. There are however legitimate grounds for restricting the supply of cross-border gambling opportunities. These tend to revolve around issues of social protection.

Unfortunately, this has led to numerous legal cases within Member States, some of which like *Gambelli*, end up at the European Court of Justice. The ECJ has so far consistently upheld the principles of the Treaty and the remote gambling sector has been encouraged by that. The problem is that this piecemeal approach is slow, expensive and, judged on what has happened so far, is fairly easy for monopolists to circumvent.

It was largely because of this and the increasing number of complaints before it that the European Commission began to explore ways of harmonising gambling regulation across the EU.

The obvious vehicle for this was its Draft Directive proposal on Services in the Internal Market, commonly referred to as the Services Directive. It specifically included gambling and this was always going to attract the attention of the anti-remote gambling lobby. Sure enough when the European Parliament's rapporteur on the draft, Evelyne Gebhardt, produced her report it recommended the removal of gambling.

In the light of that it remains to be seen whether gambling will maintain its foothold in the final version of the Directive and even if it does there is a question mark over the form it will take. Although the odds are not in our favour we are working closely with other trade associations such as IGGBA and the European Betting Association so that we can fight our corner effectively.

Alongside all this the European Commission has commissioned a study from the Swiss Institute of Comparative Law, working with the University of Salford's Centre for the Study of Gambling, into the gambling markets and regulatory conditions in each Member State. The main purpose of the study is to help the Commission decide if it would be right to require full internal market harmonisation.

The study involves a good deal of collaboration with the industry and other stakeholders. It is already well underway and the aim is to produce a final published report early in 2006.

Assuming that the Commission is persuaded and that the Services Directive proves incapable of accommodating gambling, it still has other options open to it like actively pursuing infringement proceedings against Member States who put in place unjustifiable trade barriers, or simply bringing forward a Directive specifically about gambling.

In conclusion:

- The remote gambling industry is growing rapidly and in ways which even experts are finding hard to predict;
- Everyone, including regulators, needs to accept the essentially international nature of the business and its mobility;
- The industry itself is now maturing, embracing player protection measures and its responsibility to problem gamblers; and
- While the brand operators are eager to establish themselves in reputable jurisdictions, there are major doubts about whether the UK can provide a

tax and regulatory structure that would enable them to remain viable if they came to this country.

Gambling Act 2005 – The British Casino
An address to the IBC – Managing the uncertainty in Betting & Gaming
Law Conference held 19 May 2005

John Hagan
Partner, Harris Hagan

INTRODUCTION

On 7 April 2005, the Gambling Bill obtained Royal Assent. This was a momentous day for the British casino industry. The process for gambling law reform began in 1999 with the announcement of the Gambling Review. Since then, we have had the Gambling Review Report – “The Budd Report”, the Government’s Response – “A Safe Bet for Success”, the publication of a draft Gambling Bill, two Joint Scrutiny Committee Reports, two Government Responses to those Reports, numerous other Government Policy Statements, a Daily Mail campaign to “Kill the Bill”, several Government u-turns and the tortuous passage of the Bill through the Houses of Parliament culminating in some last minute concessions to the existing British casino industry.

As a lawyer specialising in this area, I have been following the gambling law reform process, with its many twists and turns, since its inception in 1999. It has been a long six years. To advise clients on strategy, I have had to familiarise myself with the intricacies of the Parliamentary process. I have looked on in frustration as many of our elected representatives have debated the Gambling Bill in the House of Commons without any proper understanding of the key issues, as Government has shifted policy without any consultation with the industry and as “regional” or “super” casinos have been kicked around as a political football. My overriding impression has been that it is a wonder that any legislation ever reaches the statute books.

I would therefore congratulate Greig Chalmers and the rest of the Gambling Bill team on achieving their primary objective. DCMS, a small Government department, told us consistently that they were optimistic that they would get the Bill through against a tight Parliamentary timetable and ahead of competing Bills and, although the outcome was in doubt until the last days of the last Parliament, they delivered the Gambling Act 2005. A word of congratulations is also due to the Parliamentary Counsel who have drafted an excellent piece of legislation, whilst at the same time incorporating sufficient complexity, flexibility and ambiguity to ensure that lawyers are kept busy.

There are those within the existing British casino industry, and amongst prospective new operators, who supported the Gambling Bill, and those who did not, although their positions were interchangeable depending upon Government Policy at the relevant time. That is all history. We now have the Gambling Act 2005 which brings with it a greater degree of certainty than the industry has had for many years. We no longer have to speculate whether there will be an Act and, if so, what it will say. There are still many

imponderables, such as the rate of taxation, where casinos will be located and the nature of the Gambling Commission Guidance to local authorities, but we are entering a critical phase and what happens over the next 6 months or so will leave a lasting impression on the industry.

The Act may only be six weeks old, and the issue of the new casino licences is some way in the future, but operators and prospective operators are already planning for the new regime. For the time being, the Gaming Act 1968 remains in force enabling further applications for new licences to be made or for expansion of existing premises.

Against that background, in this presentation I will:-

1. Summarise the new legislation in so far as it relates to existing casinos and the new small, large and regional casinos;
2. Consider the possibility of an increase in the limit on the number of regional or “super” casino licences in the near future;
3. Outline the procedure for identifying the locations for the new casinos and speculate on where those locations may be;
4. Outline the procedure for applying for the new casino licences;
5. Consider the transition to the new regime, and the longer term implications of developments over the next six months or so.

At the outset, I must stress that these are the views of Harris Hagan and do not necessarily represent the views of our clients.

REGIONAL, LARGE AND SMALL CASINOS

Size Limits

Section 7 of the Gambling Act 2005 requires the Secretary of State to make regulations by reference to which any casino may be classified as regional, large or small. She may define those casinos by reference to the number of gaming tables, the floor area for table gaming or indeed any other matter at her discretion. The Government’s present policy, and it is important to remember that it does not appear in the Act, is that the requirements for each of regional, large and small casinos are as follows:-

Category	Min table gaming area	Min additional gambling area	Min non gambling area	Min total customer area	Min no of gaming tables	Category of gaming machines permitted	Machine: table ratio
Small	500 m ²	0	250 m ²	750 m ²	1	B,C,D	2:1 (max 80)
Large	1000 m ²	0	500 m ²	1500 m ²	1	B,C,D	5:1 (max 150)
Regional	1000 m ²	2500 m ²	1500 m ²	5000 m ²	40	A,B,C,D	25:1 (max 1,250)

Small casinos must have a minimum table gaming area of 500 m² and a minimum non gambling area of 250m². Large casinos must have a minimum table gaming area of 1000 m² and a minimum non gambling area of 500 m². Regional casinos must also have a minimum table gaming area of 1,000 m², a minimum additional gambling area (e.g. bingo, betting and gaming machines) of 2,500 m² and a minimum non gambling area of 1,500 m². This means that the minimum customer area for a small casino will be 750 m², 1,500 m² for a large casino and 5,000 m² for a regional casino.

The purpose of the non gambling area requirement for regional casinos is regulatory. It provides consumers with an easily accessible area where they can take breaks from gambling, and consider whether they wish to resume playing.

By the time you take into account the back of house areas, even small casinos will require a substantial investment and the sort of premises normally occupied by betting offices and many other retail outlets will not be adequate.

Limits on Numbers

Section 175 of the Gambling Act states that no more than 1 casino premises licence may have effect at any time in respect of regional casinos, 8 in respect of large casinos and 8 in respect of small casinos.

Critically, however, the Secretary of State may by order substitute a new maximum number of casino premises licences. Pursuant to section 355 (6), such an order shall not be made unless a draft has been laid before and approved by resolution of each House of Parliament.

The Government said in a policy statement issued in December 2004 that **no earlier than three years** after the award of the first premises licence, the Government will ask the Gambling Commission whether the introduction of the new types of casinos has led to an increase in problem gambling or is increasing that risk. The Government will also want to assess what the regeneration and other economic outcomes have been. If the Government then decides to propose that more casinos may be licensed then the order will need to be approved by Parliament. I will return to this issue later in this presentation.

Gaming Machine Entitlements

Section 236 of the Gambling Act 2005 requires the Secretary of State to make regulations defining the four classes of gaming machines – which will be known as categories A to D – by reference to criteria such as maximum stakes and prizes.

The Government's current intentions regarding the categorisation of classes, and again none of this appears in the Act, are as follows:

Category	Maximum stake	Maximum prize	Location(s)	Maximum number per premises
A	Unlimited	Unlimited	Regional casinos	1,250
B1	£2	£4,000	All casinos	20 in 1968 Act casinos; 80 in small casinos; 150 in large casinos
B2	£100 per game; £15 per chip	£500	As above plus premises licensed for betting	4
B3	£1	£500	As above plus Bingo clubs and adult gaming centres	4
B4	£1	£250	As above plus Registered clubs and miners' welfare institutes	3
C	50p	£25	As above plus premises licensed for alcohol	2, but may apply for more to local authority
D	10p (30p when non-exchangeable prizes)	£5 (cash or non-cash)	As above plus family entertainment centres and travelling fairs.	

Category A gaming machines will have unlimited stakes and prizes and will be limited to regional casinos. Regional casinos will be allowed 25 category A gaming machines for every gaming table which is available for use up to a maximum of 1,250. If therefore a regional casino has 50 tables, it will be entitled to 1,250 category A gaming machines.

Category B1 gaming machines will have a maximum stake of £2 and a maximum prize of £4,000. They may be installed in all casinos. Small casinos will be entitled to 2 for every gaming table that is available for use up to a maximum number of 80. Large

casinos will be entitled to 5 for every gaming table that is available for use up to a maximum number of 150.

The rationale underlying the Government's policy in respect of category A gaming machines is that such machines are new to Great Britain and there is no reliable evidence as to the impact of these machines. Government believes that there are risks and that it is right to proceed cautiously with effective and rigorous monitoring of their impact. The Government is minded to await the results of at least two prevalence studies (six years), after the implementation of the new regime, before considering significant alteration to the gaming machine entitlements of all types of casino.

The Government decision to limit category A machines to regional casinos was a controversial one, and was as popular with prospective regional casino operators as it was unpopular with prospective small and large casino operators. The result is that regional casinos will enjoy a significant competitive advantage over large, small and existing casinos. Most people would prefer to go to a regional casino where they can play a gaming machine and win a £1m jackpot than go to a large casino and play a gaming machine and win £4,000 jackpot.

That is not to say that all gaming machines within a regional casino will have unlimited stakes and prizes. This is a common misconception. The reality is that regional casinos will have a mix of machines with a range of stake and prize levels to suit customer taste.

In most circumstances, if you are going to make the considerable investment required to open a small casino, you may as well open a large casino and avail yourself of the greater gaming machine entitlement. The revenue which is generated from gaming machines should not be underestimated. They account for a significant proportion of a casino's profits. A small casino will have to have 40 tables available for use, with the attendant staffing costs, to secure a gaming machine entitlement of 80. A large casino will only have to have 30 gaming tables available for use to secure gaming machine entitlement of 150.

Comparison with Existing Casinos

Regional casinos will, obviously, be a very different animal to existing casinos not least because of their size. But how will large and small casinos compare with the existing casinos? Following last minute concessions won by the existing casino industry in the "wash-up" before the General Election, the differences will not be as great as was previously envisaged.

- Existing casinos are almost exclusively smaller than the new large and small casinos. Of the 137 existing casinos in Great Britain, only eleven have table gaming areas of over 500 m². However, there will be no size restrictions on existing casinos and Government has indicated ("Casinos: Statement of National Policy" dated 16 December 2004) that existing casinos will be able to be

transferred to new owners and new premises if their current premises for some reason become available, so long as they remain within their existing licensing area.

- The abolition of the 24 hour rule and the lifting of the ban on advertising will apply equally to new and existing casinos. Existing casinos will therefore be able to attract greater numbers of customers than presently, thereby creating a demand for larger premises. The restriction on live entertainment has already been lifted, but most existing casinos will require greater space to exploit this new freedom.
- One of the late concessions was that the gaming machine entitlement for existing casinos would be increased as would the maximum stake and prize limits. Existing casinos will be entitled to have 20 (currently ten) gaming machines with a maximum stake of £2 (currently 50p) and a maximum prize of £4,000 (currently £2,000), compared to small casinos and large casinos which may have up to 80 and 150 such gaming machines respectively. According to the Parliamentary Under-Secretary of State for the Department of Culture, Media and Sport, Lord McIntosh of Haringey, speaking in the House of Lords on 6 April, these changes will be implemented “as soon as practicable after Royal Assent, and certainly this year”. Indeed, he went on to give a pledge that the Government would implement these and other changes as soon as possible.
- At first glance, therefore, small casinos will have a far greater number of gaming machines than existing casinos. But remember, a small casino will only be entitled to 80 gaming machines if it has 40 gaming tables available for use. Will operators of small casinos be prepared to make 40 gaming tables available for use, with the attendant staff costs, to secure that entitlement, or will the reality be that few small casinos will have the full entitlement? My guess is that most small casinos will have closer to 20 or 30 gaming tables and 40-60 gaming machines. The difference between existing casinos and small casinos will therefore be less stark.
- But that is not the end of the story. When is a gaming machine not a gaming machine? Well, according to Sections 235 (h) and (i) of the Gambling Act, terminals which are linked to live table games in a casino and terminals for playing real games of chance, for example where you have a mechanised roulette wheel, will not fall within the definition of a gaming machine. In the case of the former terminals, I am not aware of any proposed limits on numbers and, in the case of the latter, I understand that the limit will be 40 (Lord McIntosh, House of Lords, 6 April – “Existing Casinos should be entitled to install 40 automated terminals for casino table games”) and that this will be imposed pursuant to Section 174.

- Existing casinos will not be able to offer betting, whereas small casinos will be able to offer betting, and large casinos will be able to offer both bingo and betting (Section 174). I do not see that this offers the new small casinos a major competitive advantage over existing casinos particularly as Lord McIntosh has confirmed that existing casinos will be able to install FOBTs as part of their gaming machine entitlement if they so wish (with the same stakes and prizes as in licensed betting offices).

All in all, therefore, the difference between existing and, certainly small casinos, will not be as great as the existing casino industry feared as recently as December 2004.

ONLY ONE REGIONAL CASINO?

The Gambling Act has had more twists and turns than a soap opera and we may not have finished yet.

I believe that it is quite conceivable that we will see an increase in the number of regional casinos from 1 to at least 4, or possibly 8, within the next 6 months or so for the reasons set out below.

History of Legislation

The history of the legislation would suggest that the Government has never been in favour of a limit on the number of regional casinos, never mind a limit of 1. The Gambling Act was the product of a lengthy and exhaustive consultation process and enjoyed cross party support on most of the issues for most of the time. It was not until very late in the day, without consultation and in response to political pressures that any limit was imposed.

On 16 November 2004, Richard Caborn, the Minister responsible for steering the Bill through the House of Commons, told the Gambling Bill Standing Committee, much to the consternation and anger of prospective regional casino operators, that as part of the Government's modernisation of the gambling laws, the initial number of regional casinos would be restricted to 8. As recently as June 2004, evidence had been given to the Joint Scrutiny Committee by the Government that it did not have an optimum number of casinos in mind and that this should be left to the market to determine (Lord McIntosh of Haringey).

This approach was entirely consistent with the recommendations of the Gambling Review Body. The Gambling Review Body concluded that its proposals made "resort" casinos - as they were then called - a legal possibility that the development of such casinos, whether in Blackpool or elsewhere, was a matter of commercial judgement.

It was consistent with "A Safe Bet for Success":-

*“The creation of resort casinos is not a specific policy objective of these changes. The extent to which schemes of this kind are promoted and taken forward will be primarily a matter for the private sector subject to local authority approval. The Government will naturally be watching any such developments with interest, and will wish to ensure that any wider public policy considerations, for example, in relation to tourism or regional economic development, are properly taken into account. **But we see no case for granting preferred or pilot status to any particular developer or area**”.*

It was consistent with the Joint Committee’s recommendations:-

“We believe that increasing the minimum total size for a [regional casino] will increase the size of the investment required to create such a facility, which in turn may limit the likely number of [regional casinos] to somewhere around 20-25. We believe that it is appropriate to have fewer [regional casinos] than has been suggested by some of the evidence we have received”.

At the time, Gala were forecasting 30-50 regional casinos and the BCA gave evidence that foreign operators were forecasting 20-40 regional casinos.

The imposition of a limit of 8 was plainly a political decision, taken primarily in response to hysterical and ill-informed press speculation and opposition from back bench labour MPs in the run up to a General Election. The explanation given by Richard Caborn to the Gambling Bill Standing Committee was that:-

“We have taken careful note of concerns raised during the Bill’s second reading debate about the casino proposals. There was a large measure of support for the view that the licensing controls proposed in the Bill, working alongside the planning system, would not on their own be strong enough to guard against the proliferation of a kind of gambling facility hitherto untested in this country, or the location of regional casinos in unsuitable areas.

The Government regards the regional casino framework, which was much strengthened by pre-legislation scrutiny as robust and comprehensive. However, we are happy to provide additional reassurance to those who would prefer a more cautious approach”.

Once a limit on the number of regionals had been imposed, a limit on the number of large and small casinos was inevitable. On 16 December 2004, the Government issued a statement of national policy relating to casinos imposing a limit on the number of regional, large and small casinos of 8 each. The rationale was as follows:-

“The Government recognises, however, that the casino proposals in the Bill represent a significant change and we needed to take a cautious approach in order to assess whether their introduction leads to an increase in problem gambling. The Government has taken the view that the risk of an increase in problem gambling will be reduced if a limit is imposed on the number of casinos. We have therefore decided to set an initial limit on the number of regional, large and small casinos of 8 each.”

Then in April 2005, the Government ran out of time to get the Gambling Bill through and the opposition parties were in a strong position. A further compromise was negotiated and the limit on the number of regional casinos was reduced to 1.

Secretary of State’s comments in the House of Commons

It is evident from the comments made by the Secretary of State, Tessa Jowell, in the House of Commons on 7 April that the Government is seriously considering an increase in the number of regional casino licences.

At column 1624 of Hansard, the Secretary of State (Tessa Jowell) said:

“The opposition had previously supported 8 such casinos, though reduced the number to 4, and now insist on 1. On the basis of the Government’s original proposition agreed in Committee, some seven local authorities will miss out on the potential benefits for regeneration in the first stage.

We believe that regional casinos should be tested, primarily for any impact that they might have, because of the different nature of the regime, on problem gambling, but also for their power to regenerate rundown towns and cities. As the Honourable Member for Malden and East Chelmsford (Mr Whittingdale) is aware, we reserve the right to ask Parliament again what number of regional casinos is necessary to test their impact.”

At column 1625, Mr Don Foster for the Liberal Democrats responded:

“We, too, sought to persuade the Government to reduce the number of super casinos and to introduce a pilot period to test two things: first, whether it would add to regeneration in the area in which it is located, as the Government claim would happen; and secondly, to be assured that it did not lead to any increase in problem gambling. We were keen for the number to be reduced, and were given an assurance. Now, following further deliberations, another is being proposed. We are more than happy to support the trial of just one super casino. The Secretary of State said that the Government reserved the right to increase the number later. I hope that the Secretary of State will reassure us that it is not a hint that as soon as we return after the election there would be any such moves”.

In addressing this issue, the Secretary of State’s response suggested that this was exactly what she had in mind:

“It is important that the industry remains supportive of this Bill and has confidence in it. The decision to reduce from 8 to 1 the number of regional casinos in the first stage means probably the loss of £600m of inward investment to some of those parts of the country where that inward investment is most needed, and the loss of probably in excess of 40,000 jobs. No Government can bind the next Parliament but it will be for the next Parliament to decide whether, in the light of demand and consistent with the precautionary principle, that number should be increased”.

One is not sufficient to assess impact

One pilot regional casino is not, in my view, sufficient properly to assess the impact in the range of areas and types of location that might be suitable for regional casinos.

If there is one pilot regional casino in a City centre location in Manchester, how will that enable the Government to assess the potential impact on problem gambling of a regional casino in Torbay? If there is one pilot regional casino in Blackpool, how will that enable the Government to assess the potential for economic development and regeneration if a regional casino licence is granted in Greenwich?

England, Scotland or Wales?

If there is only one regional casino, it follows that a regional casino licence is most unlikely to be granted in two out of England, Scotland and Wales until 2010 at the very earliest. This seems grossly unfair and unlikely to happen for all sorts of political reasons.

Blackpool?

Plainly, a good case can be made for granting the first regional casino licence to Blackpool. It is not, however, the foregone conclusion which many newspapers and MPs would have you believe, far from it. Blackpool will face fierce competition from, to name but a few, Greenwich, East Manchester, Glasgow, Coventry, Birmingham and Newcastle. As this becomes clear to many MPs, and as pressure rises in their own constituencies for the regeneration and tourism benefits flowing from regional casinos, and from local authorities, they may become more amenable to an increase in the limit.

Loss of inward investment

As the Secretary of State commented in the House of Commons, the decision to reduce from 8 to 1 the number of regional casinos “means probably the loss of 600m of inward investment to some of those parts of the country where that inward investment is most needed, and the loss of probably in excess of 40,000 jobs”.

THE ADVISORY PANEL ON NEW CASINO LOCATIONS

The Secretary of State will appoint an independent Advisory Panel to advise her on the areas in which the new casinos should be located. We understand that the Panel will collectively have knowledge and expertise in a range of matters including planning, securing regeneration, tourism and addressing the social impacts of gambling. The Panel members must be able to demonstrate independence from any potential interested parties and must have an appreciation of the need for impartiality.

The Advisory Panel will be asked to identify areas for the new casinos based on the following criteria:-

- A good range of types of areas.
- A good geographical spread of areas across Britain.

- Areas in need of economic development and regeneration and likely to benefit in regeneration terms from a casino.

These criteria are designed to ensure that the subsequent assessment of the impact of the new casinos will be on the basis of a broad range of information and experience.

The Advisory Panel will, no doubt, receive a deluge of submissions and representations from the great number of local authorities which would like to be in a position to issue one of the new licences and from regional planning bodies in England and also from the authorities in Scotland and Wales.

The Advisory Panel will recommend up to 8 areas for large and small casinos and one area for a regional casino. The Secretary of State will then consider the Panel's recommendations and, after consulting the Scottish Executive and the Welsh Assembly Government, decide which areas are to be designated. Government do not expect the Advisory Panel to complete its work before the end of 2006.

So where will the maximum of 17 casinos be located? I am not going to attempt to list where all 17 casinos may be located. I would, however, speculate as follows:-

1. London, Scotland and Wales will be granted at least 2 casino licences each.
2. Each of the regions in England will be granted at least 1 casino licence.
3. Blackpool will be granted at least 1 casino licence, probably large or regional.
4. New casinos will be located in urban centres in several major cities and at least two seaside resorts.
5. Some new casinos, most likely small casinos, will be located outside existing permitted areas. Potential candidates include Peterborough, Norwich, Guildford, York, East London and several locations within the M25.

COMPETITION FOR NEW PREMISES LICENCES

Under the new regime, casino premises licences will be granted by the local licensing authority, or in Scotland the local licensing board. A local licensing authority will, however, only be able to award a casino premises licence if one has been identified for its area. Realistically, therefore, no new casino premises licences will be granted before 2007.

It will be a two stage process. The first stage will be a regulatory test to ensure that all casino proposals satisfy the regulatory premises licensing requirements in the Act. The second stage will be triggered where there are more applications for casino premises licences than the local licensing authority is permitted to grant. I do not think that I am

going too far out on a limb to predict that the second stage will be triggered in the case of all 17 licences.

The second stage of the process will be a competition held by the local authority. We do not yet know the rules of the competition, as DCMS have not yet consulted with the local Government Association. It is envisaged that the local authority will set out its priorities and concerns in a set of objective key considerations and it will then invite operators to submit entries to the competition. These priorities and concerns are likely to reflect important local issues such as employment and regeneration potential, the design of the proposed development, financial commitments by the developer to local projects and the range of facilities which will be available.

The eventual winner of the competition will be eligible for a full premises licence once he has obtained planning permission and the casino has been built. Success in the competition will not guarantee planning permission. He will also need a casino operating licence.

It is my understanding, based on section 159 of the Gambling Act, that an application for a new premises licence may only be made by a person who holds a casino operating licence or has made an application for a casino operating licence, which has not yet been determined. It would therefore be sensible for a prospective competitor for one of the new casino licences to apply for a casino operating licence at the earliest opportunity, if he is not already licensed under the existing regime.

The fact that an operator holds a casino operating licence can only assist his chances of success in the competition. We know that the Gambling Commission will be awarding operating licences to companies on the basis of the usual licensing criteria, but incorporating an additionally stringent test of social responsibility to reflect the fact that regional, large and small casinos will present hitherto untested risks of social harm.

I do not propose to speculate as to who will make the successful applications. I would expect, however, existing casino operators to apply for all of the small and large casino licences and possibly the regional casino licence and competition will be fierce. Existing casino operators will be well placed to make these applications as they have considerable experience of operating in this market, may already have identified suitable premises or own existing casinos which may be converted into small or large casinos and, of course, they are already licensed. I do, however, expect a number of the licences to go to new entrants to the market offering a new style product and, possibly, with a strong connection to the local area.

The Gaming Act 1968

The new Act will be brought into effect in stages, to be decided by the Secretary of State in due course. So far as casinos are concerned, the new licensing regime is still some way in the future and will follow the establishment of the new Gambling Commission.

For the time being, the licensing regime of the 1968 Gaming Act remains in force, enabling further applications for new licences to be made or for expansion of existing premises.

Considering the uncertainty as to where the new casino licences will be located, the fact that the issue of those licences will not be before 2007 and the ferocity of competition which there will be for the initial 17 gaming licences, it makes sense to apply for gaming licences under the existing regime and that is what operators and prospective operators are doing. It is my understanding that a substantial number of applications for Certificates of Consent have been made and, certainly, that accords with the experience of my own firm. Although the demand criterion still applies, there has never been a better time to make an application for a gaming licence.

For the reasons which I explained earlier, the differences between existing casinos and small casinos, or to a lesser extent large casinos, are not as great as was previously envisaged.

There is a further consideration. If we assume that the pilot phase of the new casino licences is a success and that the increased number of gaming machines in small and large casinos has not had any significant impact on problem gambling, it will be very difficult, if not impossible, for the Government to resist the conversion of existing casino licences, which meet the other criteria for a small or large casino, from converting their licences to small or large casino licences. Is not the reality therefore that the small and large casinos of the future are already in development? They are the existing casinos and casinos which are granted licences in the period between now and the introduction of the new regime. It may be that, even if the pilot phase is a success, the market may be saturated and the only remaining customer demand for new small and large casinos will be outside existing permitted areas.

Government is, of course, aware that a substantial number of applications are being made and must be keeping the position under review. The demand criterion will, to a certain extent, ensure that the number of successful new applications does not get out of control. There is, however, no central system for regulating the number of licences which are granted under the existing system. Also, it would be most unsatisfactory to have a long period of time between the two regimes where no gaming licences could be granted. Nevertheless, it is quite possible that the Government will act to prevent any further applications pursuant to the Gaming Act 1968 and the message to prospective operators is therefore to make any application as a matter of great urgency.

CONCLUSION

If you wish to operate small or large casinos under the new regime, it is better to apply now under the existing regime, rather than wait for the competition process or the end of the pilot phase. If you wish to operate regional casinos, there is a reasonable chance that

you will be competing for one of 4 or 8 licences rather than the one that is presently in the Act, although the competition will still be intense.

Problem Gambling and Regional Casinos in the UK

Peter Collins
Director, Centre for the Study of Gambling
University of Salford

1. Introduction

Although parliament was prudent in April 2005 to limit the number of regional casinos to one on the grounds that there was not enough time to debate and evaluate the evidence about the likely impact of regional casinos on problem gambling, this situation can now be remedied.

In fact the evidence from around the world - the USA, Australia, New Zealand and South Africa - shows clearly that, if the introduction of international-style or regional casinos, i.e. casinos with large numbers of high prize slot machines, is accompanied by an appropriate public awareness campaign, problem gambling numbers tend to remain constant or quite often to decline.

The reason is that regional casinos are much less likely to tempt potential problem gamblers to gamble on impulse than other more conveniently available forms of gambling on which they will spend their money in the absence of regional casinos.

Before they go to a regional casino people make a number of decisions including a decision about how much money they can afford to take to gamble with. This means they are unlikely to get into trouble with gambling because they will have to set sensible limits to their losses before they start gambling. This is in contrast to people who, for example go to an internet café in order, say, to send an e-mail and find themselves offered an instant link to an internet casino.

To oppose the authorization of eight regional casinos in the UK is, therefore, not warranted by the best available scientific evidence.

2. Background

All jurisdictions which contemplate legalizing additional forms of gambling seek both to minimize the potential for social harm and to maximize economic benefits to communities. In formulating the UK legislation the former consideration, quite rightly, took precedence over the latter. This is why, in addition to retaining and strengthening the successful provisions of the 1968 legislation designed to keep crime out and to protect players from being cheated, the new law focuses strongly on the issue of problem or excessive gambling.

In the discussion leading to the decision to limit the number of regional casinos in the UK to eight, the principal concern expressed by both politicians and the press was that the introduction into the UK of new casinos, generally, and of regional casinos, in particular, would be particularly likely to lead to an increase in problem gambling.

To make a concern to minimize the incidence of, and harm caused by problem gambling its first priority was entirely the right decision on the part of both the Government and the Opposition Parties, and showed a commendable determination to avoid the mistakes of made by some other jurisdictions in the 1990s and earlier. This decision is also in line with current thinking about gambling policy in most international jurisdictions ranging from Canada to Singapore.

However, in considering how many regional casinos to authorise parliament did not have adequate time to consider and debate the relevant evidence about regional casinos and problem gambling. Consequently it decided, on the eve of dissolution, that the law should err on the side of caution and authorize only one regional casino in the first instance.

Now that the election is over, however, there is an opportunity to reconsider the situation and consider afresh whether the number of regional casinos to be permitted should not be increased. Parliament is committed to evidence-based policy-making and should, therefore, make its decision on the basis of what the best available evidence warrants.

In this short paper, therefore, I shall not argue the merits of increasing the number of regional casinos on the grounds that this would enable a larger number of local authorities to secure the substantial economic development benefits which regional casino projects are undoubtedly capable of delivering. Others will no doubt make this very persuasive case. Instead, I shall review the evidence about the likely impact of the availability of more regional casinos on the incidence of problem gambling.

3. The International Evidence

From a problem gambling point of view the evidence from around the world indicates that regional casinos are a comparatively safe form of legalized gambling. This is because, for reasons to be explained below, people are much less likely to get into trouble if they gamble at a regional or destination casino than if they gamble - as they will in the absence of regional casinos - on high stakes-and-prizes machines at venues more conveniently located to where they live, shop and work and especially if they gamble, instead, on unregulated internet sites whether at home, at work or in an internet café.

Australia is frequently cited as a jurisdiction whose mistakes must be avoided because of the apparently high incidence there of problem gambling. However this is recognized to be overwhelmingly due to the proliferation of machine gambling in bars and clubs rather than to the existence of one large casino in each of the largest Australian cities. As the Australian Productivity Commission's very comprehensive 1999 Report into the costs and benefits associated with Australia's Gambling Industries concludes:

“There is insufficient evidence to argue that casinos are a *particularly* serious source of problem gambling. In fact, with respect to gaming machines, the evidence points the other way: less problems appear to be attributable to casinos than to clubs and hotels. In large part this reflects their small numbers, their location and role as a destination for many, and the small proportion of total expenditure on gaming which they represent.” (Productivity Report: 13.26)

International research also confirms that the introduction of international-style casinos (i.e. those with the kind of large numbers of slot machines as are proposed for regional casinos in the UK) does not necessarily lead to an increase in problem gambling and may lead to a decrease. A study by Dr Rachel A Volberg of the introduction of casinos in Montana, North Dakota, Oregon and Washington State in the USA compared problem gambling rates before and after the introduction of casinos. She found that in Montana and North Dakota the incidence of problem and pathological gambling as measured by the South Oaks Gambling Screen increased substantially. In Montana, which had the larger increase, problem gambling grew from 2.2% of the adult population to 3.2%, and pathological gambling from 0.7% to 1.6%, as measured by the South Oaks Gambling Screen. However, In Washington State and Oregon numbers for problem and pathological gamblers declined. In Oregon, where they declined substantially, the number fell from 3.3% to 2.3% for problem gamblers and from 1.4% to 0.9% for pathological gamblers. The critical variable, according to Volberg was whether the introduction of casinos was accompanied by the provision of services for problem gamblers including programmes to enhance public awareness about the dangers of gambling and how to avoid them.

Volberg’s finding that the introduction of casinos does not necessarily lead to an increase in problem gambling and may lead to a decrease in jurisdictions with good problem gambling prevention services is replicated in the study which she undertook with Dr Max Abbott into the incidence of problem gambling in New Zealand before and after the introduction of casinos. Abbot and Volberg found that in New Zealand between 1991 and 1999 the prevalence of pathological gambling declined in the adult population from 1.2% to 0.5%.

This finding is also confirmed by studies undertaken by myself and professor Graham Barr in South Africa where, again there is an extensive programme for raising public awareness about the dangers of gambling and how to avoid them. We found that, between 2001 and 2003 during which time there was a considerable increase in the availability of legal casinos in South Africa, the number of problem gamblers amongst those who engaged regularly in some form of gambling other than the lottery remained constant. (There were, in 2001, 186 such respondents out of 5800 with access to the new forms of gambling - large casinos and the National Lottery - who answered more than a third of the Gambler’s Anonymous 20 questions in the affirmative. In 2003 there were 187 out of 5816.)

In both New Zealand and South Africa there are substantial programmes for preventing and treating problem gambling of the sort which is made mandatory by the 2005 UK legislation

4. Why Regional Casinos will be Comparatively Safe from a Problem Gambling Point of View

A great deal of comment in the Press in the run-up to the passing of the new UK Gambling Act seemed to assume that authorizing so-called “Super Casinos” would be exceptionally dangerous - indeed reckless - from the point of view of stimulating excessive and compulsive gambling. This assumption, however, is mistaken and rests on a misunderstanding of the nature and dynamics of problem gambling.

Problem gambling means gambling away significantly more money than you can afford to lose. This is a species of economically irrational behaviour, along with e.g. compulsive shopping and credit card abuse, which fortunately only affects a small minority of the population and is something to which individuals are predisposed by nature and nurture. As such, it is not caused by the presence of opportunities to be gamble (or shop or obtain credit) but may be triggered by such opportunities. If this is so, one would expect the number of potential problem gamblers in any given population to be relatively stable.

This hypothesis is broadly supported by the work of Howard Shaffer and his colleagues at the Harvard Medical School Centre for Addiction Studies and may soon receive support from neurophysiologists and other cognitive scientists who expect reasonably soon to be able to identify the differences in brain activity between excessive or problem gamblers and sensible or healthy gamblers. This is the principal line of research being pursued by Prof Don Ross at the University of Alabama at Birmingham and his colleagues in the USA, South Africa and the UK.

The theory which underpins this asserts that:

- a) the disposition to become a problem gambler is developed (whether through genetic endowment or through early learning) prior to the availability of any particular type of gambling
- b) it is a disposition which leads to poor impulse control
- c) people with poor control of their impulses are likely to exhibit problematic (self-damaging) behaviour if the temptation to gamble impulsively is regularly put in their way.

More generally, evidence from around the world suggests that the risk of developing a gambling problem increase if gambling opportunities:

- Are continuous
- Offer frequent prizes
- Offer what are perceived to be high prizes

- Allow large sums to be staked
- Are located in convenient venues where people are likely to gamble on impulse
- Are introduced without an accompanying public education campaign which makes people aware of the dangers of gambling and how to avoid them.

It is also recognized that the key to gambling safely is for players to set sensible limits to the amounts they are prepared to lose and to stick to them.

Although all forms of gambling have the potential to elicit problem gambling behaviours, the more decisions people have to make before they go gambling the more likely they are to set limits in advance to what they can afford to lose and the less likely, therefore, they are to get into trouble. Going to a regional casino is likely to be an “outing” for individuals and families in a way which gambling at more conveniently located venues, such as internet cafes, is not. This means that before going to a regional casino people will make all sorts of decisions in advance – how to travel, where to eat, what to do with their children – and in the process they will also make a decision about how much money they can afford to gamble with.

5. Conclusion

If the number of regional casinos were increased to, say, eight as originally proposed and accepted even by the legislation’s most hostile critics including the Daily Mail, it would be much more likely to lead to a decrease in problem gambling than if the number remains at one and people choose instead to spend the money they would have spent at regional casinos playing the same games on the internet or at other more conveniently located outlets. This will be particularly so if regional casinos are required, as they will be, not only to fund substantial public education programmes but also to install so-called “Responsible Gambling Features” into their electronic gambling machines such as a smart card facility for setting limits to their customers’ daily weekly or monthly losses.

This is why organizations which deal with problem gambling internationally support the conclusion of the Productivity Commission that:

“Policy approaches...need to be directed at reducing the costs of gambling through harm minimization and prevention measures – while retaining as much of the benefit to recreational gamblers as possible.”

It is also on the basis of this international research that GamCare, the leading UK charity which counsels problem gamblers has, through its Chairman, publicly stated its opinion that regional casinos are comparatively less dangerous than other more convenient forms of machine and remote gambling and that it is not opposed to development of eight regional casinos as envisaged in the bill at the time of its third reading in the House of Commons.

At all events, a concern to limit the harm caused by problem gambling is not, on the basis of what is known about problem gambling, a good reason to oppose the increase in the number of regional casinos in the UK to eight.

Painting the Right Picture for Gaming Developments in International Jurisdictions

Andrew MacDonald
General Manager, International Business Development
Sky City Entertainment Group Ltd
and William R. Eadington
Director, Institute for the Study of Gambling and Commercial Gaming
University of Nevada, Reno

When considering new gaming developments in a jurisdiction, what are the critical elements that the government and senior officials might be looking for? If there is a strong latent demand for gambling in the region, it is unlikely government would settle for a project that only offered casino gambling. Rather, it is the attractiveness of everything else proposed that would go along with a casino that might ultimately win the day.

This has created increasing discussion on the desirability of Integrated Resorts. If government is going to be allocating only a single gaming license, or only a handful of franchises, how should companies position themselves with their own proposed Integrated Resorts to maximize the chance of winning a license which will be economically viable and attractive for their shareholders?

PAINT is an acronym that is useful when considering attributes that need to be promoted and addressed by a gaming company when developing or considering concepts for a new Integrated Resort with casino in a jurisdiction that is considering or has recently authorized casino gaming. PAINT stands for Partners, Architecture, Investment, Novelty and Tourism.

For many jurisdictions considering gaming legislation for the first time, it is the Tourism element that really makes this worthwhile. If casinos can generate substantial impacts on their regional or national tourism sectors, then the resulting economic benefits will be both direct (new capital investments, job creation, tax revenue generation, spill-over tourism benefits to the rest of the region) and indirect (multiplier effects as higher incomes earned in the casinos and resorts are spent throughout the jurisdiction; increased local affluence.) One can readily point to the experience of Las Vegas, Atlantic City, Biloxi, Connecticut, and Macao to illustrate the strength of these forces.

However, without a significant tourism dimension, the picture might become more one of PAIN, and there may only be limited opportunity for the developers or government to promote the real economic benefits from casinos over the perceived and actual social costs, especially in the face of church opposition or an aggressive anti-gaming constituency. Generally speaking, it is easier to sell the concept of legal casinos when most of the clientele will be coming across state, provincial, or national borders.

If, on the other hand, the great majority of customers are locals, then legalization may still be warranted based on freedom of individual choice and import substitution. But clearly, the economic benefits to the region will be markedly less dramatic. This can be seen with most urban casinos (Detroit, Sydney, Montreal), riverboat casinos (Illinois, Indiana, Missouri, Iowa), and other locally oriented casinos (most tribal operations, Colorado, Manitoba, Alberta, provincial casinos in the U.K., etc.)

So what are the component parts of PAINT?

PARTNERS. Who are the consortium members and content providers? What are their reputations individually and as a group? Do the Partners offer something special or extraordinary? Are they considered visionary? Is there a special skill set that the Partners bring to the table that might be useful? Is there a high profile local partner involved? If the Partners win the right to develop an Integrated Resort, how will they be portrayed in the local, national and international media? Is this a long term integrated partnership or one solely of convenience, created for this particular development? Are there real synergies being delivered by the Partners and other content providers? How important is the groups track record, or can the project be justified solely on its own merits? Do the Partners instill confidence in their ability to deliver on their promises? Have the partners done careful research into the history, culture and aspirations of the jurisdiction?

ARCHITECTURE. Who are the project facility architects, landscape architects, and interior designers? What is their reputation and what other related projects have they completed? Will the plans they are presenting result in iconic, contemporary and world-class facilities? Do they have a history of copy cat or cookie cutter design, whereby their last project too often has been the template for their next? Does the project fit in the context of the culture, ambience, and economy of the jurisdiction? Is the development well integrated, rather than just a mixture of non-cohesive elements?

INVESTMENT. What is the total planned investment for the development? Is the budget realistic? Is financing in place; do the Partners already have access to the necessary financing? How will the projects development be staged? Does it fit together with the jurisdictions long term master plan? How substantial and credible are the projected economic benefits? Will the project disrupt the local economy in negative ways? What are the Partners policies on local procurement (jobs, services and merchandise)? Is there a strategy to develop local management talent over time? How profitable will the investment be for the Partners? Is there an appropriate sharing of Economic Rents among the Partners, the government, and the citizens of the jurisdiction (i.e., through higher incomes and other spill-over economic benefits?) Will there be adequate incentives for significant re-investment in the future to maintain and expand the Integrated Resort in a manner that best exploits the markets potential? What are the risks of failure, and who will bear the brunt of failure if it occurs?

NOVELTY. Is this truly an Integrated Resort, where gaming is only part of the over-all picture? Have the Partners and Architects utilized their full creative powers in

approaching this project? How unique are their plans? Does the novelty make sense, or is it just sizzle and not steak? Are there concepts in this project that are clearly more attractive than those of other bidders? Will the development still be impressive in five or ten years? How will people who do not like to gamble look at this project? Is this a development that will make it the place to visit in the region? Can this project be classified as visionary? What are its unique attractions, and will they induce visitors to select this venue over other attractive alternatives in the region? Do the unique attractions include activities that would otherwise not be viable in the region? Is it realistic for these non-gaming elements to draw out-of-region or foreign visitors to the region? How sustainable are the novel elements in a global context? Are the gaming licenses going to be awarded based on the Partners ability to create novelty in the project development? Can this particular project win a beauty contest for a license against partnerships with similar skill sets?

TOURISM. Will this development become the regions post card shot? Will the Integrated Resort be a catalyst that promotes incremental tourism to the region? Is there currently an outflow of residents to other jurisdictions with more competitive offerings? Can the gaming portion of the development support and serve as the economic engine for the non-gaming components of the Integrated Resort? To which segments of the tourism market will the development be most attractive? Is this the target audience for the Integrated Resort? Is the development potentially attractive to business travelers? Can the development integrate well with the Meetings, Incentives, Conventions and Exhibition (MICE) market? Is there a definite brand associated with the development, and does it convey a clear brand idea, brand personality or brand identity? Does the brand resonate with the target audience? What are the key attractions within the development that will support repeat visitation? What are the marketing capabilities of the group? How will the development encourage people (particularly tourists) to visit or extend their stays? How much appeal will the development have to high net worth customers? Is this level of attractiveness sustainable?

Why is it so important to paint the right picture? An issue for many governments considering introducing casino gaming for the first time, or substantially altering the character of casino gaming within their jurisdictions, is minimizing their own risks. Gaming is still viewed in some circles as a vice and something which should be opposed, yet for a growing majority worldwide it is seen as an increasingly legitimate entertainment offering. In the past couple of decades, gaming opportunities have become more readily accessible almost everywhere, and with the corporatisation of the gaming industry since the 1970s, casinos are now associated with major companies that are listed on the major stock exchanges worldwide.

Compared to the casino resorts and joints of a generation ago, the presentation of casino gaming has changed dramatically. Increasingly we find Integrated Resorts offering casino gaming as only one aspect of their offerings. Such facilities as the Crown Entertainment Complex in Melbourne; Caesars Palace, Bellagio, Wynn Las Vegas, The Venetian and many other Strip casinos in Las Vegas; and Genting Highlands in Malaysia, are multi-

faceted, multi-dimensional facilities where the casino still is critical to the entire operation, but architectural splendor, hotel accommodations, restaurants, entertainment, retail shopping, and convention facilities are all important features or profit centers. Furthermore, over time, the public perception and acceptance of casino gaming has changed, generally in favorable directions. Governments, while recognising this trend, also recognise that there are social costs and political risks attached to introduction of casinos if the product is not presented in a responsible, attractive, or economically successful manner. The picture that needs to be painted is one that can be shown to maximise the benefits of casino gaming within an Integrated Resort context.

Take the Singapore governments evolution of its position on this issue. Singapore has concluded there is a need to reposition its economy away from electronics and manufacturing (where it may have a weak future because of the emergence of China and India as increasingly important economic forces), and into services and tourism. The Business Traveler, Meetings, Incentives, Conventions and Exhibitions (BTMICE) sector, health and well-being tourism, and education-related tourism are all considered to be high value tourism segments. An issue for Singapore, given its relatively small size and the marketplaces perception that it is a staid and relatively uninteresting port of call, was how to introduce new projects and facilities that would not only be world-class but which would attract high-value tourists from throughout the region. Their stated target was to double the volume of incoming tourism over a period of 5 to 7 years.

In 2005, Singapore announced it would introduce two Integrated Resorts with casino gambling offered as only part of the overall product mix. Because of the inherent attractiveness of this market including the interest in gaming by the largely ethnic Chinese Singaporeans, the reputation and integrity of the Singapore government, the relative paucity of quality Integrated Resort casinos in the region, and the aggregate economic growth in Asia virtually all of the worlds biggest and best casino operators have put forward proposals, hoping to win one or both of the two licenses.

Those proposals will be judged on how best they paint their picture for Singapore. The Singapore government has run the process, quickly, decisively and very wisely (almost in direct contrast to the manner in which the introduction of regional casinos was handled recently in the UK.) The ultimate winners will be the Partnerships that best answer the questions noted above and can offer a true masterpiece to government.

For other countries and jurisdictions, the same principles will largely apply. Whether or not they will attract the same level of interest as Singapore has is another matter. From a company's point of view, they will prefer to pursue licenses in stable political environments with regulatory and other legal structures that prevent corruption; they want a high degree of transparency in any selection process; and they are attracted by good demographics and a high degree of certainty over the business environment in terms of the stability of tax regimes, fees and regulatory imposts. To attract capital, the developments must also be sensibly structured so that the business model can amply support the development costs. There is no point creating a white elephant or having an

embarrassment where the operator is financially stretched (think Hurrahs New Orleans when it opened in 1995 and again in 1999 with a huge tax burden and a heavily constrained product offering).

Thus while it is important to paint the right picture it is important that the government provides the appropriate canvass. To do this they should clearly understand their social and economic objectives and be decisive and clear in their actions. Bringing together the paint, the canvass and the right artist will potentially deliver a masterpiece development that the residents of the jurisdiction are proud to call their own.

This article is a reprint of an article originally printed in the December 2005 edition of Global Gaming Business magazine.

**Review: *Regulating Commercial Gambling: Past, Present and Future*
by David Miers (Oxford University Press. 545 pages)**

Peter Collins
Director, Centre for the Study of Gambling
University of Salford

David Miers is the UK's foremost legal scholar in the area of gambling law and regulation and this book represents the fruits of some twenty years of study in the area.

The result is unsurprisingly magisterial.

Miers leads us with thoroughness and authority but also with an agreeable lightness of touch through all the main pieces of gambling legislation from the prohibition on dicing 1388 (to prevent people from being distracted from the practice of their archery) and Henry VIII's largely failed attempt of 1541 to prevent the working classes from playing games at all, through to the Gambling Bill as it was in its 2004 form when Miers was going to Press.

In his Part One, subtitled "*Then,*" Miers takes us through the evolution of gaming, lotteries and betting from the seventeenth century onwards and tells a story which is largely about regularly renewed and regularly unsuccessful attempts at prohibition of various sorts.

Sometimes the prohibitionists were concerned about morals, sometimes about economics, sometimes about crime, especially fraud. Always, however, the taste for gambling, at least amongst the upper and lower if not the middle classes, proved irrepressible and found outlets in various forms of illegal gambling whenever purveyors of gambling services were unable to find loopholes in the law which enabled them and their customers to evade or circumvent it. Needless to say the pickings from supplying gambling opportunities have always been rich and there has consequently never been a shortage of suppliers no matter what the legislative regime.

In Part Two, entitled *Now*, Miers analyses in detail attempts by UK Governments in the second half of the twentieth century to eliminate illegal gambling by introducing laws which make gambling of various sorts legal, but only under a regulatory regime which is much more stringent than that which applies to other entertainment businesses.

He also examines with critical thoughtfulness the arguments which led to the authorising of a National Lottery in the UK and which had nothing to do with the elimination of illegal gambling and everything to do with the raising of funds for public interest projects which could not, for political reasons, be easily funded from normal taxation.

Miers's book, however, is not simply a fine resource for anyone interested in UK gambling law. It is also a fascinating social history and implies an exploration of profound issues in political theory about the freedom of individuals to choose how to live their own lives even if this means making choices of which others (perhaps rightly) disapprove and which are also perhaps substantially self-damaging even if they don't significantly damage others. Correlatively Miers's treatment raises fundamental questions about what government is for and what it can realistically be expected to do.

My only regret is that Miers had to submit his text for publication before the final and sensational developments which marked the final passage of the current UK Gambling Act. In particular he was unable to cover the Government's total reversal of policy with respect to casinos after the second reading in Parliament and the Opposition's transformation of even that reversed policy that policy in the so-called "wash-up" which preceded the election.

Miers gives a fine, lucid and accurate account of the legal and political thinking which led up to the new Bill in its 2004 form, including an analysis of the (as it turned out politically unsustainable) idea that gambling should not be treated very differently from other forms of entertainment. However, he was obviously unable to take account of the developments which occurred subsequently and completely negated this position.

It is much to be hoped that he will now produce either a second edition of this book or a wholly new book in which these developments are described and analysed.

Meanwhile, no serious student of gambling can afford to be without this book.