



Number 40 Autumn 2006

The Society for the Study of Gambling

www.societystudygambling.co.uk

NewsLetter

The Society For The Study of Gambling

Newsletter
Autumn 2006, Number 40

Editor:

Professor Peter Collins
Centre for the Study of Gambling
Salford Business School
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:

Barry Faulkner
Association of British Bookmakers
Regency House
1-4 Warwick Street
London W1B 5LT
Email: barryfaulkner@abb.uk.com

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 in May 2007.** 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

Autumn 2006, Number 40

1	Editorial	Peter Collins
6	Implementing the New Gambling Act	Richard Caborn
11	From Gaming Board to Gambling Commission	Peter Dean
19	The British Bookmaking Industry: Challenges and Opportunities	Tom Kelly
28	Gambling Reform and Local Government	Roy Ramm
34	The role of online gambling operators with regards to social responsibility	John Shepherd
40	GamCare and Remote Gambling	Andrew Poole
45	The UK and Regional Casinos: Is the long journey about to end?	Marc W Etches
53	Gambling and Public Policy: The Western Cape, A Case Study	Derek W Auret

EDITORIAL

GAMBLING POLICY: THE BROADER POLITICAL LESSONS AND THE NEED FOR REAL RESEARCH

The UK Gambling Act (2005) has many merits:

- In particular, it makes good provision - the best in Europe and as good as that existing anywhere else in the world - for mitigating the human suffering which can result from excessive and compulsive gambling
- It also makes sensible provision - something the Americans and Europeans have hopelessly bungled - for addressing the vexed question of e-gambling, and the Government is to be congratulated on at least trying to pioneer the kind of internationally agreed regulation which will have to come sooner or later to deal not only with e-gambling issues but with e-commerce issues generally
- Perhaps, most importantly and least appreciated, by removing indefensible obstacles to consumer choice, it goes a long way towards implementing the principle that, provided they don't illegitimately harm others, individuals should be free to choose how to live their own lives and in particular how, as consumers, to spend their own time and their own money in pursuit of enjoyment and, as producers, how to employ their energies, talents and resources in pursuit of profit.

In relation to this last point a recent PhD thesis at Salford University has used techniques for measuring the cash value of the amount of additional fun that recreational (non-problem) gamblers will get from the liberalisation of UK gambling law on the 8:8:8 scenario so as to do a cost-benefit analysis of the new law.

She found that even if we assume that problem gamblers get no enjoyment at all from gambling and that they generate high costs to non-gamblers, notably tax-payers, the net benefit to consumers (the "consumer surplus") is still in the region of £4bn p.a.

Nevertheless, I think everyone would agree that the policy-making and legislation affecting casinos was seriously unsatisfactory and resulted in legislation which no-one wanted or intended.

Above all, we wanted:

- to avoid "a proliferation" of new casinos
- to ensure that new casinos are located and regulated so that they will pose the least risk for an increase in problem gambling and the best chance of a reduction in prevalence
- to license new casinos so that they brought the maximum benefits in terms of the economic development which large casino projects are particularly good at

delivering to communities as a whole and particularly to comparatively disadvantaged communities and individuals.

What we have got is:

- The prospect of over a hundred new casinos to be licensed under the 1968 rules, all competing in existing permitted areas, able to exploit technology to offer the equivalent of category A gambling in large quantities, and which deliver no planning gain or regeneration contribution to the communities where they are located
- The denial to at least seven, and in reality more, relatively disadvantaged communities of the kind of economic development which a regional casino could have brought and which local authorities both needed and wanted
- Little abatement of anti-gambling media hysteria.

What, with the wisdom of hindsight, we clearly should have had in respect of casinos was a more rational variant of the *volte-face* policy finally adopted in Committee after the second reading in parliament which authorised:

- A limited number of new casinos, sufficiently contained and controlled to mitigate public unease about casino gambling
- With grandfather rights only for those casinos actually licensed at the time of the Government's *Safe Bet* Paper and with a clear policy for ensuring that the *legitimate* interests (as opposed to the mere protectionist wants) of the existing industries were treated fairly
- On the basis of publicly defensible objective evidence about what are the dangers of authorising new casinos and how these can be minimised or eliminated
- An economically literate national policy - as eventually recommended by the Scrutiny Committee - for maximising the economic benefits of new casino projects not just to consumers and suppliers of gambling services but to communities as a whole and especially to the least advantaged, e.g. the jobless, amongst them
- Tendering procedures for determining where they should be located and which companies should be awarded the licences to develop and operate them
- A sustained campaign to educate the press and the public about what government was doing and why and to defang the predictable the prohibitionist and protectionist attacks on the policy.

It may be of some comfort to those who have been involved in the UK to know that major mistakes in gambling policy are currently being made in response to nationalist protectionism masquerading as a concern to protect the public in Europe and the USA, where the relevant jurisdictions mostly have far less sensible policies than the UK in relation to problem gambling, e-gambling, taxation policy and the rights of individual gamblers who just want to have fun without doing any harm to themselves or anyone else.

Why does it seem to be so hard for governments to get gambling policy right? The short answer is that in modern democracies it is very difficult for those who shape and make policy decisions to do so on the basis of adequate knowledge.

Thus we have:

- Prime ministers who are expected to have a full understanding and to be able to defend on television every aspect of the Government's policy – which is self-evidently impossible
- Ministers who are constantly shuffled and, like all parliamentarians, constantly preoccupied with how their party and their own career are faring in terms of approval by colleagues and by the public, and therefore seldom have time to acquire a deep understanding of the issues they have to decide
- Parliamentarians who are hardly going to study in depth all the issues which are brought before them. Instead they will respond to issues on the basis of concerns expressed by their constituents and by others who have successfully lobbied them, as well as in terms of their own necessarily inexpert opinions and prejudices
- A system of government departments which, despite the best efforts and intentions of Downing Street, ensure that government is in fact woefully *not* joined up. In the case of casinos at least the ODPM and the Treasury should have been involved with DCMS in formulating a common and coherent policy, uniting planning, regeneration and taxation issues with regulatory issues on the basis of agreed understandings of objectives and consequences
- Individual civil servants who also regularly shuffle their portfolios and have no incentives in terms of rewards or accountability to study issues in the deep, sustained and objective way which is required when policy-making requires the understanding of a complex set of issues in which interests and principles compete and have to be accommodated
- Businesspeople who are in the business of serving their share-holders rather than the electorate and therefore, are interested in the discovery and dissemination of research only to the extent that it supports policies favourable to their commercial interests. Especially in the case of gambling, companies have a strong interest in presenting government with “research” which suggests that not only should they be subject to fewer constraints, regulations and tax burdens but that their actual and potential competitors should be subjected to much more of these
- Bodies of advisors, who are typically amateurs, drawn from the great and the good, working essentially *pro bono* and without adequate resources of time and money and who are therefore unable to secure really good research
- A news media, which is inordinately powerful, but which is still ultimately in the business of selling air-time, newspapers and advertising by appealing to the least attractive aspects of human nature such as our desire to feel morally superior, our appetite for sensationalist prophecies of impending disaster, our enjoyment of the public humiliation of those in authority, our prurience, callousness, mindless conformism, vanity and envy – but not our desire to be told the truth

- A commentariate, who pronounces weekly on the myriad different political topics of the day, who cannot therefore have more than superficial knowledge of any of them, but who nevertheless write as if they think they should be making policy and also often to please editors who actually are greatly influencing policy in furtherance of their own or their employers' commercial, political and personal interests
- A research community, little of whose genuinely impartial, peer-reviewed work is read – or readable – by policy-makers and who are too often seduced or suborned into engaging in advocacy research. Alternatively, researchers find their conclusions distorted and abused by governments, politicians, lobbyists and the media for their own purposes.

Because decision-makers lacked real knowledge, decisions had to be taken on the meagrest and most dubious purported evidence about:

- The likely impact of the new laws on problem gambling and children
- The impact of new forms of gambling on crime and on the quality of life of individuals and communities
- How to undertake cost-benefit analysis in relation to gambling, and in particular how to measure consumer surplus and how to identify and quantify social costs
- The circumstances under which casinos do and do not deliver economic benefits to the communities where they are located and whether those benefits accrue to the relatively disadvantaged
- The impact of new forms of gambling on existing forms of gambling and whether this is desirable or undesirable from a public policy point of view
- How gambling should be taxed.

What is worrying, of course, is not that those involved were initially unfamiliar with the findings of research on which “evidence-based policy” could be developed. What is worrying is that no-one had the time, the resources or the personal incentive to acquire the necessary knowledge by undertaking, causing to be assembled and evaluated, or commissioning from scratch the research required for making good policy. Everybody, starting commendably with Budd, accepted that too little is known about problem gambling and other issues but nobody between 1999 and 2005 did anything remotely adequate for putting that right and yet people went ahead and made policy anyway.

What passed for evidence-gathering actually consisted for the most part in the repeated rehearsal of arguments supporting the same economic interests or ideological prejudices of all the usual suspects.

Some of this has to do with the fact that gambling generates strong passions, involves large financial interests and is ultimately not very important in the greater scheme of things political.

But I think the problem is deeper, more interesting and more worrying than this. I think it tells us something about the *structural* problems facing all modern democratic governments when they have to address issues which require deep knowledge of complex issues including those which are vastly more important than gambling such as the provision of health-care and education, law enforcement, the management of the economy, foreign policy and the waging of wars.

By saying that the problem is *structural*, I mean that what went wrong with casino policy in the UK, with gambling policy elsewhere and with democratic policy-making generally has little to do with intellectual inadequacy or moral delinquency on the part of any of the key players – ministers, civil servants, parliamentarians of all parties, independent advisors to government, professionals in the gambling industries whether domestic or foreign, lobby groups concerned about problem gambling, even the journalists and their editors.

All these people, on the contrary did what one would expect them to do, given what they saw as their obligations and their interests in relation to their jobs. Typically, they did it with above average intelligence and with no more dishonesty or malevolence than is characteristic of human beings in any job pursuing what they perceive to be their best interests and those of the organisation they work for.

The problem was that the nature of their jobs and their interests and the ways in which these relate to one another (i.e. what constitutes the *structure* of democratic decision-making) meant that no-one had an incentive to say: “These issues are complicated; we don’t know the answers to many of the questions they involve; we are going to have to spend energy, time and maybe money remedying our ignorance, at least by evaluating the evidence that is available and certainly by seeing what lessons we can, with appropriate humility, learn from around the world. Perhaps we may even need to commission some research and genuinely encourage the researchers to tell us the truth, the whole truth and nothing but the truth.”

So the passing of the UK Gambling Act (2005) seems to me to expose the central obstacle to good government facing all modern democracies confronted trying to deal with complex issues: ignorance and an absence of incentives to remedy it.

It was Donald Rumsfeld who, reflecting ruefully on all that has gone wrong in Iraq and referring to the inability of government departments in the US to pool knowledge and to co-operate said: “the structure of American government makes *competence* almost impossible.” It was Plato who thought that democracy could never produce rulers who possessed the virtue always to put the public interest first and who, even if they did, would have the necessary knowledge and understanding to devise and implement policies which would actually secure it. Simply because we all now know what Winston Churchill taught us - that “party democracy is the worst of all forms of government....except for all the others” – we should not simply sweep Plato’s challenge under the carpet.

Implementing the New Gambling Act
An address to the Society for the Study of Gambling meeting
held 16 May 2006

Richard Caborn
Minister for Sport
Department for Culture, Media and Sport

Introduction

Thank you for inviting me to speak at today's event.

These meetings provide an important and well-respected forum to discuss the regulation of gambling and its impact on society, both in an economic and social context.

With that in mind, I'd like to begin by briefly outlining the Government's continuing work towards the implementation of the Gambling Act.

I will then discuss some of the recent initiatives that the Government has established to meet the challenges posed by the modern gambling market.

Most notably, the Integrity in Sports Betting Conference and the Government's proposed international summit on remote gambling.

Implementation of the Gambling Act

You will all be aware of the Government's plan to bring the provisions of the Gambling Act into force by September 2007.

That brings with it its own challenges, but we are committed to meeting that deadline.

The Government recognises that the existing legislation does not adequately deal with the modern gambling market.

Remote gambling, in particular, has been a huge growth area in recent years.

It is a gambling medium that transcends national boundaries bringing with it new challenges not envisaged by legislators in the sixties and seventies.

Other nations around the world are now also finding that their existing legislative frameworks are not a good fit for the way people gamble today.

Providing robust protections through a modern and flexible regulatory structure, whilst maintaining sufficient opportunities for businesses was our key challenge.

I firmly believe that the Gambling Act provides the appropriate balance between regulation and commerce.

Gambling is part of the leisure market but one that clearly carries risks.

The Act's three objectives clearly demonstrate the Government's primary aim is protection.

- Preventing gambling from being a source of crime.
- Ensuring it is conducted in a fair manner.
- Protecting children and the vulnerable are our key principles.

I am committed to seeing those principles instilled in, and enforced through, the new regulatory framework.

My Department and the Gambling Commission are working hard to ensure that those objectives are properly reflected in the new licensing and regulatory regime.

We are both in the process of consulting widely on the detail of this regime and I hope that many of you will find the time to read our consultation documents and comment.

The Department published the Transitional Arrangements consultation document in February, setting out our proposals for the migrating of permissions issued under the existing legislation to the new licensing system.

The deadline for responses to that paper was 2 May and my officials are presently considering those replies.

We understand the importance of providing stakeholders with a clear and early sight of our intentions and we hope to publish final proposals in the very near future.

DCMS will shortly go out to consultation on conditions the Government intends to attach to premises licences.

These conditions will help to define what our bricks and mortar gambling industry looks like in the future.

And therefore should be of fundamental interest to the industry and those working in problem gambling alike.

A full timetable setting out the Government's schedule for consultations and secondary legislation can be found on my Department's website.

Meeting the challenges under existing legislation

Yet, the Department is solely focused on the implementation of the Gambling Act. In the meantime the gambling industry continues to develop new products and technologies and the enforcement of existing legislation therefore continues.

DCMS and the Commission have recently issued new guidance for advertising remote gaming.

This followed serious concerns about the legality of certain gaming adverts under the regulations of the Gaming Act 1968.

The guidance seeks to provide advertisers, publishers and remote gambling operators with information on the types of advert which may breach the 1968 Act.

We are working with the industry to bring their advertising in line, but will not hesitate to forward intentional breaches to the CPS for prosecution.

The Department has also, in partnership with the Horseracing Regulatory Authority, organised the Integrity in Sports Betting Conference.

The event was established to provide a forum to discuss the increasing level of betting on sports and its impact on the integrity of sporting events.

I was pleased that so many representatives from sports and betting operators were prepared to engage in that debate.

Sport is an important part of our heritage and this country is without doubt one of the premier sporting nations in the world -a position underlined by our successful Olympic bid.

However, we are also one the most prominent betting nations in the world and the two are increasing going hand-in-hand.

There is nothing wrong in that.

However, there are some who would seek to corrupt sporting events to make financial gain.

The Gambling Act will provide some important protections to sports with regard to corrupt betting activities.

These include:

- a new offence of cheating;
- voiding of bets; and

- information sharing arrangements with sports and betting operators.

However, these provisions are not yet in force.

Furthermore, the Commission's powers of investigation and prosecution are quite rightly focussed on gambling operators and consumers, not sports.

The first important step is to help sports shine a light on this issue. While some sports like horseracing and cricket have long been aware of it, and invested considerable effort and money in tackling corruption others are only just beginning to realise the potential risks.

Working with the Horseracing Regulatory Authority and the Football Association, DCMS therefore published a 10-point plan.

This code of practice seeks to provide sports with a basic framework from which to:

- protect that sport's integrity;
- safeguard participants and consumers; and
- develop positive relationships with other sports and betting operators.

Ten sports have so far agreed to sign-up to the provisions of the code.

I am pleased to say that the major betting associations have also given their agreement to the information sharing principles in the code.

This country is fortunate to boast the world leaders in betting and they bring with them a formidable level of information and technical expertise.

They are companies with a reputation for integrity and who I know are keen to cooperate with sports wherever possible.

Their agreement to assist sports in this area is therefore a significant deterrent in itself.

And I understand that a number of new information sharing arrangements and Memoranda of Understanding have been agreed between sports and betting operators since the conference.

I very much welcome the positive relationships that are being fostered between sports and betting operators.

And much credit should go to both parties for recognising the benefits of that approach.

International Summit

Cooperation is also the guiding principle behind the Government's proposed international summit on remote gambling.

I am aware that there are countries who do not agree with our policy on remote gambling or our open market approach to fixed odds betting.

However, that does not prevent discussion or possible collaboration between countries on issues such as responsible gambling and keeping out crime.

And we share the same concerns as other nations regarding poorly regulated jurisdictions that do not provide adequate protections for users.

Our policy is to provide a properly regulated environment for players and operators through the provisions of the Gambling Act, enforced by the Gambling Commission.

Others prefer a different approach, often based more around prohibition than regulation.

However, that should not preclude a discussion about minimum standards in areas such as child protection, advertising, money laundering and criminal infiltration.

I am also realistic about the prospect of achieving early agreements given the diverse opinions and regulatory frameworks that presently exist.

Nevertheless, I feel that it is important that we start discussing these matters at an early stage.

It is my hope that we can use this summit to stimulate a Government level debate about international minimum standards for responsible gambling.

In a private discussion a number of foreign governments have reacted very positively to this suggestion. And my officials are in the process of drawing up an agenda for the summit which we will host this autumn.

There is also much more we can be doing internationally to collect and maintain meaningful, comparable data about the global gambling market to inform policy making.

With the internet and mobile gambling no single country can regulate all the gambling opportunities available to its citizens. I don't believe that prohibition works. So Governments and regulators must work together to protect our citizens effectively.

**From Gaming Board to Gambling Commission
Association of British Bookmakers
Annual General Meeting, 21 February 2006**

**Peter Dean
Chairman
Gambling Commission**

Introduction

1. I am very pleased to be here today to speak at your Annual General Meeting. My colleagues and I in the Gambling Commission are keen to take opportunities to engage with all sectors of the gambling industry, not least betting. Your sector of the industry is being faced with a statutory regulator for the first time, and we for our part are conscious that we still have quite a lot to learn.
2. The Commission was formally established on 1 October last year. We will take on our new powers and responsibilities in stages, as the provisions of the Gambling Act 2005 are brought into force between now and autumn 2007, when the new licensing regime comes fully into effect.
3. It is worth stating at the outset that our approach to the regulation of the gambling industry is grounded in the licensing objectives set out within the Act. Tom Kelly has reminded us of these, but to reiterate, they are: keeping crime out of gambling; making sure it is fair and open; and protecting children and vulnerable people. These objectives will underpin everything the Commission does and are the foundation of our policy-making.
4. Over the next few minutes I would like to cover a number of topics relevant to your industry sector. These are:
 - The extensive consultation exercise on which we have now embarked
 - Social responsibility
 - The licence conditions and code of practice provisions which will apply to operators
 - FOBTs
 - Betting exchanges
 - The recently commissioned prevalence study

Consultation

5. Towards the end of last year we issued our draft Statement of Principles, which set out the high level principles under which we propose to carry out our functions. In December we published our draft Guidance to Licensing Authorities, which is intended to help local authorities find their way around the Gambling Act and get to grips with their new responsibilities. They will be responsible for issuing premises licences for betting shops and other premises where commercial gambling is to take place.
6. At the beginning of next month we will be publishing a major consultation document containing our proposals for the licence conditions and codes of practice with which all operators will be expected to comply from September 2007. The Act sets the framework for the new regime; we are now fleshing out the detail.
7. Over the coming weeks we will also be consulting on related issues, such as:
 - our proposed approach to compliance and enforcement;
 - technical standards for gaming machines and gambling equipment,
 - licence fees for personal and operating licences.
 - the licence application process, which we consider to be a key element in our task of keeping crime out of gambling.
8. All of these consultation documents will be available to download from our website, or from the Gambling Commission Transition Team. I would encourage you to visit the website regularly, or to sign up to receive information and updates from the Commission.
9. We welcome and strongly encourage feedback and comments on the issues raised in the documents we publish. We are actively consulting with the gambling industry, government bodies, charities dealing with problem gambling, consumer organisations, faith groups and with members of the public to ensure our approach is proportionate, fair and effective.
10. We have already had a good response to our consultation from within the betting industry, and I would like to thank the ABB for the thorough consideration you have given to the Statement of Principles and the thoughtful comments you have made.
11. I particularly appreciate Tom Kelly's positive remarks about the ABB's good working relationship with our Transition Team. We are grateful for the support you have given to our approach to regulation, and your commitment to assist the Commission in keeping betting crime free and fair to the customer is very welcome. We look forward to your further contributions over the coming months.

Social responsibility

12. I would like now to turn to the issue of problem gambling and social responsibility. Tom Kelly made the point that it is becoming customary to touch on this subject at the end of presentations by the industry, but for myself and my colleagues at the Commission, this subject generally comes higher up the agenda!
13. Although most adults who gamble do so responsibly, a small minority display problems whose effects can in some cases be devastating on the individuals concerned and those around them. For the first time, the Gambling Commission has the duty and power to do something about problem gambling, and we intend to use the power to maximum effect. In doing so we will be working with a range of other parties, including the industry, and I would like here to welcome the steps already being taken by the ABB towards protecting vulnerable people from any harm caused by betting.
14. We will be setting out regulations designed to minimise harmful effects of gambling. For example, we will expect staff to be trained to recognise danger signals and to take appropriate action. We will expect clear, accurate information to be provided both to customers and potential customers so that they can make informed choices about any bets they place. We will stipulate the provision of self-exclusion facilities for customers who want to change their patterns of behaviour by barring themselves from gambling. Operators will need to keep their customers informed about what professional help is available to problem gamblers.
15. I am mindful of the range of good practice already adopted by the ABB and in place across many parts of the betting industry. Our approach has been to work closely with the ABB to build on this good work so that a common set of the highest standards in social responsibility is shared throughout the betting industry. This is consistent with the approach we are taking in the gambling industry as a whole.
16. In addition to providing safeguards for gamblers, the Commission is also looking at ways of making some of the information that operators give to their customers available to the wider public. We will be seeking effective ways to promote our messages about sensible gambling and of making sure that the public are kept informed about the risk of harm; how to recognise problem gambling; and where help can be obtained.

Licence conditions and code of practice provisions

17. I would like now to talk more broadly about some of the licence conditions and codes of practice which we are about to consult on and the reasons for them.

18. We expect licensed operators in all sectors of the gambling industry to conduct their gambling in a way that does not put the licensing objectives at risk; to run their business with integrity, skill and diligence; to have adequate risk management systems to combat crime; and to maintain adequate financial resources to meet their liabilities.
19. Concerning 'fair and open' gambling, we intend that customers should be fully informed about the way in which the game is played or bet is taken, and about the odds of winning and losing. We will propose licence conditions requiring operators to set out the terms on which they offer gambling, and to provide sufficiently clear, intelligible and accessible information about their rules that people can make an informed decision as to whether to gamble and in what way.
20. We do not intend to specify to betting operators the wording of their rules, or to tell them that they cannot have certain rules, but we will expect them to have rules in place to cover the main features of the betting contract that they offer. We will set out a list of 'core elements' of the contracts that we will require operators to include within their rules, but as I have said the wording will be left to the operator.
21. These core elements will include the rules covering the areas which are the subject of most disputes between bookmakers and their customers. They include:
 - the circumstances under which an operator will void a bet
 - treatment of errors, late bets and related contingencies
 - treatment of non-runners and withdrawals
 - maximum payouts
 - means or medium by which the outcome of an event will be determined.

(This last-mentioned core element is intended to reduce disputes about events such as the identity of the first goal scorer in a football match. Operators will say in their rules that they will accept the decision of a particular news supplier and customers will be able to check this against published results.)
22. We will expect all gambling operators to put in place a procedure for dealing with disputes with customers concerning the outcome of a wager. This procedure should include an independent external element.
23. Importantly, we will also expect all gambling operators to satisfy themselves that their rules are not unfair within the meaning of the Unfair Contract Terms Act 1977 and subsequent regulations. And operators should bear in mind that gambling contracts will become legally enforceable once the Act has been fully implemented in 2007.
24. We will expect betting operators to display their rules within licensed betting premises, on-line and through the post to telephone account customers. As with

- current Betting Office Regulations¹, we will expect betting operators (and all gambling operators) to make a separate display of their procedure for resolving disputes and any maximum limit they apply to the amount that can be won.
25. Our proposals concerning betting operators' rules are intended to ensure that the high standards to which the ABB aspires are spread throughout all betting operators.
 26. I am very pleased that the ABB has already begun the task of working up a template of core rules which you have described in your response to our Statement of Principles as intended to be fair, easy to understand and accessible. This approach can only help to raise further the standards of service that your members give to their customers.

FOBTs

27. As Tom Kelly rightly says, under the Gambling Act 2005, current FOBTs will be classified as gaming machines and will fall within the category B2. He mentioned the ABB's code of practice for FOBTs and I am on record as saying that I consider this a good example of close and effective cooperation between us.
28. For the future, our licence conditions, codes of practice and gaming machine technical standards will supersede the current FOBT code of practice, although there may be areas of best practice on which the ABB will wish to issue further guidance.
29. Part of our aim in developing gaming machine technical standards is to minimise the potential for harm from problem gambling. We look forward to receiving a copy of the latest research into the effectiveness of the FOBT code of practice, and to working further with the ABB when we consult on technical standards during summer 2006.

Betting exchanges

30. I understand the concerns expressed by ABB about betting exchanges regarding the integrity of sporting events and the licensing of layers acting as bookmakers. It is not, of course, the role of the Commission to intervene or take sides in any general rivalry between bookmakers and exchanges. We will regulate both impartially.
31. We are certainly alive to the risks of cheating at gambling, the loss of trust in the honesty of a sport or game that this entails, and the actual loss that may be suffered by the innocent party to a wager. There is a particular risk that inside

¹ Licensed Betting Office Regulations 1986

- information will be used, typically to lay bets against an outcome or to collude to rig results, but it does not seem appropriate or proportionate to address that risk by seeking to licence individuals. The more targeted response seems to us to be to build on the need for exchanges to hold records of their customers' identities and gambling history, and to develop and use their audit trail capacity and agreements with sporting bodies to identify and combat the use of inside information or event-rigging.
32. I know that the ABB is concerned about the way in which information about suspicious betting is communicated among the ABB, its members and sports governing bodies, and the use of informal agreements to facilitate this. You will not be surprised to hear that we are also considering the approach to information sharing and the effectiveness and pitfalls of voluntary agreements between operators and sporting bodies. We will have more to say about this over the next few months.
 33. As you know there is a specific offence of cheating in the Gambling Act 2005, and provision for the Commission to act where cheating is suspected. This is a powerful measure which will require careful handling, as will the Commission's ability to void bets where cheating is suspected. We will be developing our policies in this area as we take on our regulatory role and gain experience in handling betting issues. In the first instance the Commission will look to sports regulatory bodies to take steps to ensure that their sport operates free from cheating. We are keen to work closely with sports authorities to share information and possibly take joint action against cheating where appropriate. We are following the progress of the Jockey Club Inquiry into 'Inside Information', and will give due notice of any changes this brings about in our approach to working with them to tackle cheating.
 34. The Gambling Act 2005 creates a further offence of making or accepting a bet without holding an operating licence unless the person acts 'otherwise than in the course of a business'. The Act extends the coverage of the offence to customers of betting operators.
 35. The concept of 'in the course of a business' is not defined within the Act, but is well understood in relation to tax law. Clearly anyone regarded by the tax authorities as acting in the course of a betting business would need to be licensed, because otherwise they would be providing facilities for gambling illegally. In our forthcoming consultation document we will propose that the Commission takes enforcement action against those brought to our attention as betting 'in the course of a business' without an operating licence, for instance by the tax authorities. But we do not think we should take regulatory action to attempt to categorise customers of betting businesses. The reason for this is that individuals who are customers of a betting exchange or indeed a fixed odds bookmaker do not appear to pose a threat to the protection of funds staked, or to the ability to pay

winnings, nor in terms of protection of children or the vulnerable. These risks are managed by the betting operator, which will be licensed by the Commission.

Prevalence study

36. One of the duties of the Gambling Commission is to advise the Government on the incidence of gambling; the manner in which gambling is carried on; the effects of gambling; and the regulation of gambling. As I think all of you will know, as part of the basis for providing that advice, the Commission has been charged with conducting regular studies into the prevalence of gambling. These will probably take place at approximately three yearly intervals. The fieldwork for the first of these will begin during the middle of this year, with publication of the final report around mid-2007.
37. There has only been one such large scale national survey before - that commissioned by GamCare and carried out by the National Centre of Social Research in 1999 to 2000.
38. The ABB – through Tom Kelly and Russ Phillips - is participating in our Advisory Group, which has been set up to enable us to consult on our proposed approach and methodology.
39. Following our initial consultation during summer 2005, we can confirm that the aims and objectives of the Commission’s study are to:
 - Measure the *prevalence of participation* in all forms of commercial and private gambling (including estimates of expenditure and information on venue);
 - Estimate the *prevalence of “problem gambling”* and look at which activities have the highest prevalence of “problem gamblers”;
 - Investigate the *socio-demographic factors* associated with gambling and with “problem gambling”; and
 - Explore *attitudes towards gambling*.
40. In working towards these objectives, the Commission will strive to maintain comparability with the earlier prevalence study and to plan for future British studies. Comparisons on an international basis will be possible to a limited extent, but will not take priority over achieving reliable British estimates.

Conclusion

41. To conclude, the Gambling Commission does not pretend yet to have a comprehensive understanding of the betting industry, but we are learning fast. We have excellent staff working in our Transition Team, and of course we have benefited and will continue to benefit from working closely with the ABB and on-course bookmakers.

42. I personally had an opportunity to learn more about the sector and to meet a cross-section of those involved in it at the Betting Show earlier this year. I found the Show extremely useful and informative, and would like to thank you for the hospitality you have shown, both at the Show, and at your AGM today.

**The British Bookmaking Industry: Challenges and Opportunities
Report to the Association of British Bookmakers
Annual General Meeting 2006**

**Tom Kelly
Chief Executive Officer
ABB**

My first point is a statement of the obvious – our industry is in the middle of a period of unprecedented change.

Having said this, when I reported a year ago the main subjects were:

- The Gambling Bill
- Betting Exchanges
- Integrity Issues
- The Funding of Racing
- Fixed Odds Betting Terminals, and
- Taxation

And today, my main subjects are:

- The Gambling Act
- Betting Exchanges
- Integrity Issues
- The Funding of Racing
- Fixed Odds Betting Terminals and
- Taxation

Which underlines the adage that, even in periods of intense activity, the more things change the more they stay the same.

Or, to be absolutely accurate, almost the same, because the Gambling Bill became an Act last Spring and FOBTs, if only in terms of how they are taxed, are now gaming machines.

Why they are not yet gaming machines in other ways I will attempt to explain a little later.

As for betting exchanges, some of you may already be thinking ‘doesn’t the guy ever give up – didn’t he get the message when the Chancellor announced no change to betting exchange taxation in his pre-Budget Report’. Well, yes I did get the message. The Financial Secretary wrote to me about it, so I could hardly have done otherwise. But with apologies to our guests from the Treasury, I am far from ready to give up.

The Chancellor might, for the time being at least, have decided to overlook the fact that the exchanges are facilitating a significant economic activity that is not being taxed.

But this does not mean that an untaxed activity *is not* taking place – and I would be failing in my civic duty if I didn’t continue to point this out.

As even Wayne Rooney would grasp, when the ball keeps rolling off the spot the pitch cannot be level.

So I can assure members that we at the ABB will continue to press our taxation case whenever the opportunity arises.

However, with a fully operational Gambling Commission rapidly approaching, the focus must switch - for the time being at least – from taxation to regulation.

For in addition to not paying tax, those users who act as bookmakers on the exchanges are also unlicensed, unidentified and, in some cases, unscrupulous - as we are aware from ongoing Jockey Club and police investigations.

As you all know, the Gambling Act sets the Commission three basic objectives. These are:

- Keeping crime out of gambling
- Ensuring that gambling is fair and open, and
- Protecting children and the vulnerable

Let me say first of all, that although the ABB does not expect to agree with the Commission on everything, or to like everything the Commission does, the relationship has made an encouraging start.

We have been working with the highly professional transition team towards September 2007, when the Commission will become fully operational, and it is our firm intention to continue to co-operate as fully as possible – without, of course, rolling over when the interests of ABB members are concerned.

As part of this commitment to assist, we see it as our responsibility to draw attention to activities which threaten delivery of those three all-important Government objectives.

This being so, we have pointed out to the Commission that its ability to keep crime out of gambling, and to ensure that gambling is fair and open, will be seriously impeded if unlicensed individuals are allowed to continue to lay bets on the exchanges without revealing either their identities or, where appropriate, their connections.

To avoid any misunderstanding, let me say unequivocally that the ABB does not want betting exchanges abolished – there is no need for a ban.

But they would be no less of a permanent fixture if they were brought under just a little more control

If, for example, those who use the exchanges to act as bookmakers were treated in the same way as ABB members.

If the Commission is really going to keep crime out of gambling, it needs to ensure that those who strike bets with layers on the exchanges are not dealing with crooks.

And the best method of doing this would be to license the layers, or at least to ensure that their identities and details are fully registered with the Commission.

I look forward to hearing Peter Dean later this morning and, because he is about to speak, I am going to say no more about the Commission, knowing that he is much better equipped than I to bring you up to date with its progress.

Similarly, though the ABB has a number of concerns about premises licensing in the future, Councillor Theobald is the expert on local authorities and his presentation will, I am sure, be highly informative.

A year ago, I observed that there were few major racing and betting issues in which Lord Bernard Donoughue was not involved.

My comments at that time were a reference to the important part he was playing on the Scrutiny Committee as the Gambling Bill made its way through Parliament.

And also to what then was his recent appointment as Chairman of the group set up to identify and recommend a new funding mechanism for horseracing following the proposed abolition of the levy system in 2009.

Given the way things are going in racing these days, I am almost surprised that no one has reported Lord Donoughue to the Competition Commission, for in the chairmanship industry he is beginning to look like a dominant supplier.

The reason for this, of course, is that he is so good at it and so astute that, politically, he could limbo dance under a closed door.

Which may be why he was once an adviser to the television programme 'Yes Minister' - I wonder if his dealings with racing remind him of those days?

I am able to say all this without embarrassing him because having had to decide between a holiday in Switzerland and being here today, for some reason Bernard chose the Alps.

You can be sure that we will check his travel arrangements before we arrange next year's meeting.

Lord Donoughue is also Chairman of the Starting Price Regulatory Commission.

It is difficult these days to say anything about SPs without risking the wrath of the competition authorities, but the SP Commission has appointed Pricewaterhouse Cooper to conduct an audit of the system.

This is a follow up to the Anderson inquiry of five years ago – and the outcome of this study obviously will be important to the industry.

Bearing in mind the war-time warning that walls have ears, added to my perception that the only OFT official with anything remotely resembling a sense of humour is now working for the ABB, I'd better move on.

Before I do, though, one last point on SPs. Betfair has said that it would like to be included in the SP mechanism – a piece of mischief-making nonsense that should be given the consideration it deserves.

In other words, no consideration at all.

Returning to the important matter of the future funding of racing, the Donoughue Group reported just before Christmas.

As one would expect given the Group's membership, this is a well written, carefully thought out and generally excellent Report - as far as it was able to go.

What the Report does, among other things, is remove from consideration the fanciful notion that racing could ever be funded on a voluntary basis.

Instead, the Group clearly recognises that if the Levy has to go, the best way of funding racing would be through a mechanism that required users of the racing product to pay a commercial fee, negotiated by the buyer and the sellers.

There is an obstacle, however, which not even the combined talents of Lord Donoghue, Rodney Brack, Patrick Nixon and David Zeffman could overcome – and certainly not in the time they had to complete their Report.

For those who have not had an opportunity to read the Report, it is sufficient to turn to page 91, paragraph 15.1, to discover what this obstacle is – and I quote:

‘Our terms of reference require us to recommend a timetable and procedure for the introduction of our recommended mechanism for the future funding of racing.

‘We are unable to do that at this stage pending further work that will be necessary in order to establish whether our recommended commercial arrangements can be made legally robust and pending a decision by the Government on whether it wishes to consider a further hybrid/statutory arrangement’

By legally robust, Donoghue means a commercial arrangement capable of withstanding both a challenge in the British and European Courts and/or any scrutiny the competition authorities may decide to apply.

In the ABB’s view, this also means a mechanism capable of requiring payment by all who use the racing product – be they betting shops, or remote operators based either in this country or abroad.

While the message in the paragraph I have quoted is clear, it is also code for ‘bring on the lawyers’ and brought on they already are.

Given the outcome of recent relevant litigation, it seems pretty obvious that even the best legal brains are going to be tested by this one.

This being so, we must wish them both success and inspiration and, in particular, give thanks that the BHB has not selected the legal team.

Donoghue’s reference to a hybrid commercial/statutory arrangement arises from a proposal put to the Group whereby the award of an operator’s licence would be contingent on a bookmaker having entered into a commercial agreement to make payments to racing.

In my view, the two terms – statutory and commercial –are incompatible and I can’t see the Government entertaining it. Certainly, the ABB is not impressed.

In any case, if the Government became persuaded that the solution should, after all, be a statutory one, we already have in the Levy system a statutory mechanism that has served racing well for more than 40 years.

The Minister has made it clear that he is not for turning on the closure of the Levy Board.

But should he decide at some stage to do racing yet another favour – and he has already been extremely good to the sport – I can think of only one person, currently tax-exiled in Ireland, who would not be duly grateful.

Meanwhile, we must push to establish whether a commercial solution can be found that is robust, workable and wide enough in scope to make sure that the cost of supporting racing is fully and properly shared.

In this context, I am often asked how much racing might expect to receive under the new payment method, whatever it may be.

My answer to this is that we need to know who will be required to contribute before we can even begin to consider what level of income might be generated.

To be fair, this point is recognised by racing – even to the extent that the committee set up by the Racecourse Association to examine such matters has among its members the Chief Executive of the ABB.

The other payment mechanism thrown into disarray by recent Court judgements is, of course, the licence to bet on football.

Recently, Football DataCo sent out licences for the 2006-2007 football season, along with a request for £300 per betting office.

The ABB has taken legal advice and has been told that this demand could be challenged, expensive, time-consuming and uncertain though such a challenge might be.

Equally, bookmakers may take a view – and each company must decide for itself – on whether it is unreasonable to pay something in return for taking bets on football.

If members do decide to pay, they may feel that £300 is the right sum - regardless of whether they have already sent the cheque, do so in the near future, or wait until the August kick-off is looming.

Having mentioned horseracing and football, I should also touch on greyhound racing, though, in truth, there is not a lot to report on the political front now that the sport has leaders that are not, if I can be forgiven the term, barking mad.

At least I hope they are not because the arrival of Lord Lipsey as Chairman of the British Greyhound Racing Board was a breath of sanity and we would want to have him around for quite a bit longer yet. And if that sounds like a coded message, it is.

My remaining bullet point concerns machines. In LBO language, we are accustomed to describing them as AWP's or FOBT's, but from September next FOBT's will be reclassified as Category B2 gaming machines.

In fact, in terms of taxation the status of FOBT's has already changed in that from the end of last year they attracted VAT rather than GPT and from the Budget next month they are likely to have AMLD added to the burden.

For those of you who don't have a copy of the ABB's guide to acronyms and abbreviations, AMLD means Amusement Machine Licence Duty and we are all familiar with VAT.

These, of course, are the taxes traditionally borne by gaming machines.

The ABB does not have a problem with the transfer from GPT to VAT as far as FOBT's are concerned.

Indeed, though it may not have been an original thought, we suggested such a solution when we heard that a European Court of Justice ruling concerning a German machine operator required tax authorities within the European Union to apply VAT consistently across all machines.

During discussions with the Treasury team dealing with this matter, we made two points, the first being that as FOBT's will not gain the regulatory advantages of being Gaming Machines until September 2007, AMLD should not be applied until then.

The second point was that, if the first point is not accepted, AMLD should be at a low rate in recognition of the restrictions imposed on FOBT's by the ABB's Government-agreed Code of Practice.

Both of these arguments are still in play and we await with interest the Chancellor's Budget day decisions, which we learned last week will be revealed on 22nd March.

Alternatively, if FOBT's are to be treated as Gaming Machines for tax purposes, why should they be restricted by regulations that are not applied to their counterparts in other types of gambling establishments?

This is not a Treasury issue, perhaps, and ABB will be raising with DCMS the inequity of FOBT's being taxed in the same way as machines that are similar but are not restricted in the same manner.

As I said earlier, we have guests from the Treasury here today and I would not want them – or anyone else – to leave with the impression that we at the ABB do not value the excellent relationship we enjoy with Financial Secretary John Healey and his officials.

We may not have had a meeting of minds on betting exchanges – not yet anyway – but how could we have anything other than the warmest feelings and respect for a group of people who reviewed general betting duty and then sagely decided that it was in everyone's interests – including those of the Treasury – to leave the rate at 15%?

Returning to FOBTs, I should imagine that everyone here knows that when the ABB Code of Practice was agreed it was part of a package that included two-stage research into the effectiveness of the Code, the project to be independently conducted but funded by the ABB.

Just under a year ago, the first part of this research found that there was no evidence to suggest that FOBTs had caused an increase in problem gambling.

That outcome was encouraging, but we always knew that we would have to wait for stage two to be completed and compared with the earlier research before we would be able to take a final view on the effectiveness of the Code.

The present situation is that the second round of research is nearing completion. There is still some work to be done, but that we can expect the final Report to be available within the next few weeks.

Meanwhile, it is as important as ever for all bookmakers to comply with the FOBT Code of Practice and to continue to do so until the Gambling Commission's own codes are in place and operational.

Which brings me, neatly I hope, to my final point – and it is no less important for coming last, for it is essential these days to conclude an address of this type by reminding the industry of how vital it is for bookmakers to demonstrate their social responsibility - not just the big companies but all operators.

Adhering to the ABB's FOBT and good practice codes is one obvious method of being socially responsible and displaying the various leaflets, notices and stickers provided free of charge by the ABB is another.

As is giving full attention to the broadcasts, workbooks and DVDs prepared by the ABB in partnership with SIS and to be transmitted and distributed to betting offices in the near future.

We are particularly grateful to SIS for making this possible.

As always, contributing to the Responsibility in Gambling Trust is high on the list of recommended good deeds and I continue to advocate support for that body, though as a member of its Board, I am aware that the Trust needs to do more to sell itself to the industry if it is to achieve the sort of income it wants.

Members, guests, it has been a busy year but time is limited.

If there are matters I have not mentioned, or if you have questions, I will be delighted to talk to you at any time.

Gambling Reform and Local Government

Roy Ramm
Director
London Clubs International

I am a main board director of London Clubs International plc which is a pure play casino gaming company – pure play, in the sense that we do not operate either betting or bingo, just casinos. We have been in the casino business as a company for over 30 years. We operate 7 casinos in the UK and have operated in many international jurisdictions – including Las Vegas.

My portfolio is ‘Security and Compliance’ – Security, a conventional role protecting the company’s assets and Compliance ensuring that we do nothing in the way we conduct our business to jeopardize our most valuable asset of all, which are of course our casino licences.

In addition to my corporate role, I am the Chair of the British Casino Association’s Technical Committee. The Association represents well over 90% of the UK industry both in the number of casinos and in the money wagered. All the major operators in the UK belong to the Association.

Before joining the industry I was a public servant for more than 27 years and therefore I hope I have at least some conception of issue facing local government in dealing with Gambling Reform.

In the next 15 -20 minutes I hope to say something of

- The future of the industry from an operator’s perspective and briefly comment on
- The perceived effects of Super Casino.

In talking about the future – which I know is your interest – it is nevertheless necessary to say something of the present, to at least fix a point of departure. I will do my best to look forwards. But the plain fact is that, largely because of late changes to the 2005 Act, the 1968 Act will continue to have considerable impact on Local Authorities for some years yet to come.

I know I risk offending some of the politicians here today - I’m afraid that comes with the job and anyway, they are in my experience *almost* impervious to criticism - but the changes to the gaming law are not what was intended and in many ways the Act is producing outcomes that neither the industry nor the government expected or desired.

It was not until the wash - up prior to the 2005 General Election that the number of Regional casinos was reduced through political pressure to 1, making the total 17. The major changes to the Act were announced by Richard Caborn, the Minister on 16th

December 2004 reducing the number of new casinos to then 24, 8 Regionals, 8 Large and 8 Small.

These changes were not the result of a thoughtful and structured process of analysis rooted in the Budd report and the work of the Joint Scrutiny Committee. Nor are they genuinely a part of a structured and carefully prepared experiment on the part of government. They are the product of politics. And politics changed this Act at least as far as casinos are concerned from a modernising and liberalising piece of legislation to a weak political compromise disguised as an ‘experiment’.

The experiment, as it is now described, looked to many of us like Richard Caborn’s invention, a quick thinking response to a difficult question in Committee. And whilst this Act has much to recommend it – more of that later – those sections dealing both with casino numbers and the treatment of the existing British industry are badly flawed and fall squarely into the category of English law known as ‘The laws of unintended consequences’.

Whilst the original intention was to allow the controlled expansion of the existing industry into previously non-permitted areas, the number of new applications for licences in the existing 53 permitted areas has increased almost tenfold since December 2004. There have been more applications for Certificates of Consent in the last 12 months than in the previous 12 years!

The Gambling Commission recently said that it was considering more than sixty applications for Certificates of Consent – the first stage in obtaining a casino licence under the 1968 Act licensing process. The shutter for applications for Certificates of Consent does not come down until 29th April this year. That means there may be still more to come! And that means the number of 1968 Act casino could increase *in the existing permitted areas* from around the 140 or so currently to well over 200 or almost twice the number in the same areas since the process began with Budd. I don’t believe that was the government’s intention.

The effect is that some Local Authorities which are existing permitted areas, like say Westminster, Manchester and Newcastle, will have an abnormal administrative and regulatory burden whilst others that want to have casinos but who fail to convince Professor Crow of their ‘regenerative credentials’ and do not win one of the 17 new licences will have none.

This is a real pity, when reasonable expectations based on the process prior to December 2004 was that the market would generate an even spread of a varied product across the country to meet local demand.

We hope that by artificially inseminating the demand and supply equation with the ‘Casino Advisory Panel’s regeneration factor’ the market does not become further distorted.

It is, I think, a generally accepted principle of English Law that revising legislation should wherever possible simplify and codify the law that it replaces.

Again, whilst there are many welcome changes in this new act, its main impact is to confuse not clarify and to complicate not codify.

Operators, regulators, local authorities, consumers and critics alike now face a bewildering casino landscape. Where once there was one kind of casino: there will now be four. 1968 Act casinos, Small casinos, Large casinos and of course the one Regional casino. And it ain't that straight forward! In the words of the advert, size matters or rather it doesn't. Because some 1968 Act casinos will be larger than the Large 2005 Act casinos, but they will not be Large casinos. Similarly some 1968 Act casinos will be larger than new Small casinos, but they won't be Small casinos.

So for the customer, they will not know whether they will find a sports betting opportunity or bingo, or how many slot machines etc until they walk through the door!

A careful examination of the Act quickly reveals that this confusing market place was not the original intention. The government intended that the existing casinos should, where large enough make the transition to Small or Large casinos under the new Act. The only special transition arrangements foreseen for the existing casino estate related to casinos that were too small to be re-categorized.

In short: there will be some casinos that are too small to be Small casinos. There will be a lot of casinos that are big enough to be a Small casino but won't be. There are also casinos that are larger than Small casinos but are not Large casinos: even though they are large enough. Obviously, all Small casinos will be smaller than Large casinos. There are also going to be Small casinos that are smaller than large casinos. And logically it follows of course there will be some Small casinos that are larger than some large casinos. Clearly, all Large casinos are larger than Small casinos, but some Large casinos may not be larger than the large casinos – even though the largest of these large casinos are not even Small.

I exaggerate to make the point, but not a lot! Despite its absurdity, this synopsis is nevertheless factually accurate!

In corporate terms, the people operating the 200+ casinos of whatever size and shape in the up to 70 permitted areas (53 plus a maximum of 17) representing the British gaming Industry will change over the coming years.

There will almost certainly be domestic consolidation, both in the betting and the casino industry. We have already seen William Hill absorb Stanley's betting operations. The Rank Group have recently disposed of a non-gaming asset, widely recognised as a hindrance to its further development within the sector, and the market continues to speculate on further mergers and acquisitions.

In the future, the high rolling ‘glamorous’ end of the market will probably be served by niche operators, whilst the majority of the big industry players will focus on less volatile, volume, broad leisure based products.

There will be new entrants to the market place, with domestic leisure sector operators, like perhaps hoteliers diversifying and expanding into the casino market and some foreign operators will also make an entry. So far the major interest expressed by foreign operators – and it is important to distinguish between operators and investors – seems has been in relation to Regional casinos. We hear that some *may* be interested in Large casinos, but the absence of any foreign investment in the UK market thus far is not a function of the current regulatory requirements, it has been entirely driven by commercial considerations alone. Unless the major international operators can see really significant growth opportunities, they will look elsewhere in the world for less regulated environments with more attractive tax regimes.

Why run 150 slot machines in Middlesbrough when you can run 3000 in Macau?

But whoever the operators, the high street will offer products of more diversity choice and quality.

The integration of on-line gaming and betting products will be challenging for the Gambling Commission and for Local Authorities as the edges between traditional casino, betting and bingo products and traditional bricks and mortar premises and on-line offerings become blurred.

Innovation and the advent of betting via the television, on satellite and cable and the development of new generation telephones will all offer the public greater access to and choice of gambling products.

Casinos will not survive as ‘high intensity gambling dens’. Local Authorities will see a move to larger premises offering a wider range of entertainment and dining aimed at the leisure pound of a very wide market age demographic 25 – 80+. The freedom to advertise casino gaming will drive competition and the public will be given the information - denied to them under the 1968 Act – to be able to make informed decisions about where they will spend their gambling pound. Competition will drive quality.

The division between the existing estate and the new Small and Large casinos is nothing short of idiotic and the industry will continue to lobby the government hard for an early re-visit to these proposals.

Just, before commenting directly on Regional Casinos, in my view the major flaws in the Act are twofold: the existing provision of one Regional casino with 1250 slot machines is probably insufficient to create the kind of critical mass necessary to attract huge volumes and, importantly, levels of international business essential to drive really significant regeneration. You, the Local Authorities are already telling the government that. And I

expect the government at some stage may revisit the number – though whoever does it, risks spending some serious political capital! (They should certainly wear their Daily Mail proof vest!) Secondly, the existing and respected UK industry deserves to be properly and fully integrated into the new regulatory regime not dragged along behind it!

Local authorities will see a change in attitudes to the perception of casino gambling as the industry becomes much more integrated into the main stream leisure sector. Again advertising will change perceptions: the current imagery provided by Al Pacino, James Bond and the Sopranos will be replaced by more realistic representations, focusing heavily on ancillary entertainment activities and food and beverage operations. The fact is that casinos are and will remain extremely closely regulated and are no more attractors of criminal activity than the local pub or shopping centre. The public will become used to them.

This new visibility for gambling will bring a general reassessment of all forms of gambling.

For the very few people seriously affected by it, operators will deal responsibly with the social consequences of problem gambling; as they do now, by generously supporting the Responsibility in Gambling Trust and charities, providing help - like GamCare. Problem gambling needs to be openly discussed and understood. Someone who occasionally loses a little more than they intend is no more a problem gambler than a person who occasionally drinks a little too much is an alcoholic. The industry will work with local authorities to educate and to address this issue effectively and proportionately.

There will be a general acceptance in schools and colleges in your areas that the gambling industry provides well paid jobs with transferable skill sets to less well qualified people. There will be a greater professionalisation of the industry.

What is the perceived effect of the Super Casino? But perceived by who? There are no simple answers to what the effect will be.

The media, the government, Local Authorities, the existing industry and the public all seem to have different perceptions of what a super casino will achieve.

The Daily Mail yesterday said that so called super-casinos would leave deprived areas worse off. That they would suck money out of the country and would ruin amusement arcades, bingo clubs and generally cause the end of civilisation as we know it.

On the other hand, Local Authorities have been seduced by some of the promises and excited by the prospect of jobs and inward investment. No less than 47 authorities have expressed some interest in the single licence currently to be made available.

The government sees Regional casinos, as drivers of regeneration, and wants to protect them from normal market forces, from competition in order they can generate sufficient

revenues to deal with all manner of problems. Huge offers have been made of inward investment by some operators but only providing the existing industry doesn't get the same products! Preferential tax rates have been sought. So the perception of the existing industry is that unless the playing field is levelled, Super-casinos may cause as many problems as they solve.

The existing industry also perceives the Super casino issue to have been the major cause of the flaws in the Act and single biggest obstacle to proper deregulation and modernisation of the industry. That is not to say the industry doesn't want to see it happen. It does. It just wants the government to get on with it!

It wants the Regional casino to be a success but it wants to move away from the current situation where the idea of a Regional casino dominates and characterises the reality of an industry that has been here for more than 35 years, employs about 15,000 people and enjoys 12 million customer visits a year and has much to offer with or without more Regional casinos.

The role of online gambling operators with regards to social responsibility

John Shepherd
Director of Corporate Communications
PartyGaming

The recent legislative action taken against online gaming in United States is detrimental to the online gaming industry's efforts to ensure the existence of a responsible gaming environment. Once the President of the United States signed the SAFE Port Act on the 13th of October 2006 it forced PartyGaming and other responsible online gaming companies to cease offering real money games online to customers in America.

That meant that our American players, who previously enjoyed the low cost entertainment and the secure and responsible gaming environment offered on our sites, were now exposed to the very dangers that the legislators in Washington thought they had blocked.

The legislators need to think again, because the protection afforded to millions of Americans by responsible companies has been be stripped away as quickly as paint can be removed by using a flame thrower. The lights on responsible gaming in the United States have gone dark. The lights on irresponsible gaming in the United States, however, have been turned on full. The repercussions remain to be seen, but they are inevitable.

PartyGaming is a young company. We are not yet 10 years old. In spite of our youthfulness, however, we are consistently demonstrating a mature approach to the sensitive issues that all gambling companies face. Our clear aim is to ensure that our customers can enjoy our products and services in a secure environment that is conducive to safe gambling online.

When talking about social responsibility for the online gaming industry, we are talking about a concept that protects our customers, protects young people, and prevents crime. These are the three shared objectives by responsible online gaming companies.

We have had to cease the core model that underlies our online gaming business in the US because of the new laws that ban the financial transactions associated with gambling on the internet. We have very strong reservations about the effectiveness of this law and we are genuinely concerned about the hand of legislative cards that has been played.

If the legislators think that online gaming in the United States is going to stop through the waving of a "magical legal wand", then the new law that was signed by the President on Friday the 13th of October really will go down in history as the joker in the pack.

Regulation is the only sensible route to take. The UK Government is unquestionably a bright light in this regard and is taking a firm grip of the global leash of responsible

online gaming as evidenced by the recent international conference that was attended by 33 countries from around the world.

PartyGaming also supports the approaches of other governments, such as Gibraltar, that have sought to establish a regulatory framework for the online gambling industry. By having a regulatory framework, governments like Gibraltar and the UK are much more effective at protecting consumers and the vulnerable and in preventing criminal activity. No policing quite simply equals internet anarchy; a virtual playground for anything that goes, especially for making money from the vulnerable.

We would argue that when dealing with our three shared objectives, regulation is far more effective than prohibition. Ban something and the demand goes up. Call it reverse economic theory if you like, but it is true.

Legalisation and regulation have the opposite effect, because they remove the inexplicable excitement of doing something just because it is banned. Call this kind of behaviour bravado or even crass stupidity, but the reality is that when the United States banned sports betting across the wires in 1961, an underworld industry of “numbers runners” and “Telephone Sam bookies” mushroomed over night. Shut down one illegal operation and another two open their doors for business in a matter of hours.

As responsible operators we welcome the development of regulatory regimes. Regulation equates to responsibility and respect; and we are not talking about corporate respect, but respect for the protection that must be afforded to consumers in every nook and cranny of cyberspace.

We can ill-afford to have unregulated black holes in cyberspace. They will suck people in and exert extreme gravitational pressure on their wallets and purses and then send them spinning into an orbit of misery, financial hardship, destitution and into the clinics for addicted and problem gamblers.

Prevention is always better than cure; regulation is a natural bedfellow with education; and there is an overriding need for governments and responsible operators to act in tandem to ensure high standards within any industry and stamp out the mavericks, fly-by-nights and the criminal fraternity.

Let's not even think twice about the consequences of lowering the standard on responsible gaming. We have to run it higher and higher up the flag pole.

PartyGaming is a regulated and licensed operator and does not shy away from the ensuring consumer protection and crime prevention. We are an internet business – pure and simple - but we do understand our responsibilities and we know that actions speak louder than the words.

We do walk the talk and our hand remains tightly gripped on the standard of responsible gaming. We take responsible gaming seriously not just because we are a mature and responsible operator, but also because it makes good business sense to keep our customers safe.

That means that the regulation we are talking about is not just the kind laid down in Statute Books or written in black and white in codes of conduct. Self-regulation is incredibly important and the companies that have the highest standards started developing and applying those standards before any third party required them to do so. It is also economic nonsense for responsible operators to have underage gamblers on their sites – once an underage gambler is uncovered on any site operated by a responsible company, then financial redress has to be made. That financial redress equates to red ink on the profit and loss account which no operator needs.

But it is not just economics that sees the regulated and licensed industry do everything possible to stop kids playing online. The message is that you are not entitled to play on our tables; this is a playground for adults where you may get hurt.

The responsible and growing wing of the online gambling industry has already developed a comprehensive range of measures to protect consumers and to ensure underage gambling policies and controls are watertight.

But what exactly is Problem Gambling?

Whilst many people have been wrestling with this question for some time, it is clear that, for a very small percentage of consumers, gambling can assume too large a part in their lives. These people need to be identified and helped as quickly as possible. Regulators and operators alike have a role in helping these people, but we should not forget that the ultimate responsibility rests with the individuals themselves.

In the end, Governments and Companies cannot protect people if, for whatever reason, they are hell-bent on committing self-abuse. Nonetheless we can do everything in our power to ensure that people are able to assess their own habits and seek help where necessary.

We can ensure that our customers are given the opportunity to undertake a reality check on their behaviour. And we can ensure that they are given the tools to limit either the amount of time or money that they spend on our sites.

For those with more serious problems we can and do ensure that they are able to exclude themselves. And once excluded they stay excluded. No means no – not ‘alright then you obviously cured your problem and it won’t do any harm’. Yes it will and self-exclusion has to be enforced and not retracted on a whim.

We also ensure that all our customers are given information and access to appropriate treatment providers such as GamCare, which is an exceptional organisation. We help aid GamCare's services and development by providing financial support to the Responsibility in Gambling Trust. We want to increase the accessibility of treatment providers; our approach is not about ticking a box and giving ourselves a self-congratulatory pat on the back.

Our information about responsible gaming is not hidden away in a far flung corner of our web sites. We don't want any consumer to have a problem, because we know that's impossible and the cure is not as simple as saying a "problem shared is a problem halved – go along now and talk to those nice people at GamCare".

We go way beyond ticking the box of responsible gaming. Our customer service staff are trained in referring people to a range of help tools. But, that said, they cannot be expected to diagnose or treat someone with a gambling problem via email or on the telephone. People with a problem often go into self-denial; have you ever heard any regular punter on say the horses admit that they have lost money – no they don't!

Gamblers in self-denial always remember their last or best win, but never the losing streak that could well be leading them up the track where there is no winning post - just more and more heavy going that eventually leads to them being stuck in the mud, unable to move and in desperate need of help.

Working out whether someone has a problem by talking to them on a phone or corresponding via email would be difficult even for trained psychologists, because diagnosis requires medical expertise, trust and self-awareness - none of which can be developed in the short interactions between a customer and a services operator.

Operators also have a responsibility to ensure that adequate funding is directed to education in order to raise awareness and greater understanding about the issues associated with problem gambling. Going to a casino, a bookies, down to the local shop to buy a lottery ticket or switching on the PC and playing on an online site should be viewed as entertainment – nothing else.

At the same time, we need to help those that may develop a problem and help them to recognise the issue and encourage them to get in touch with counsellors. We are also providing funding to the RIGT for research, because we have to ensure that we better understand problem gambling.

We know that continued funding for organisations like GamCare and Gordon house, to improve the facilities for treating problem gambling, is vital. They know what they have to do and we as operators have to help them achieve their specific goals.

But what can we – the operators - do about the issue of underage gambling? We have put in place policies that ensure, as far as is possible, that children are prevented from

gambling on any of our websites. We do this by checking the age of our customers when they register with us. We also widely publicise that our services are for adults only. And in the UK, for instance, there are databases in place that allow us to sort the kids from the chaps and prevent anyone from playing on our sites before we have verified their age.

We fully support the inclusion of the prevention of underage gambling as one of the key licensing principles of the UK and of Gibraltar. The issue was addressed at the Department for Culture Media and Sport's international summit on online gambling. And if the DCMS needed an appropriate message at the summit then it need have looked no further than the entrance of Old Bailey in London. An inscription above the entrance reads: "Defend the children of the poor and punish the wrongdoer."

PartyGaming welcomes and supports the UK's pragmatic approach to tackling these problems both at home and across the world. With the help of governments, responsible operators can better ring-fence the issue of underage gambling – the United States will have to work it out for itself, unless, of course it agrees to join the coalition forces of regulation.

So what are we doing at PartyGaming and around the licensed and regulated industry to prevent crime?

As well as protecting children and the vulnerable, which of course is one of the prime aims of the UK's Gambling Act 2005, responsible operators are an effective police force. Self-regulation is real and it works. Again this is not just about protecting our customers, although this is very important to us, it is about protecting ourselves as a commercial enterprise.

Make no mistake - security is our number one priority. Our reputation and our business depend on security. It is about the security of our customers' account information, their banking details, their own personal information and their safety and well-being.

Our technology is our strength – not a weakness. We have very sophisticated monitoring and encryption systems that safeguard our information and our customers. There are plenty of myths hanging over the heads of responsible online gaming companies – one of them is money laundering.

Let's dispel the myth once and for all about money being laundered through responsible online gaming companies. It is simply impossible to hide financial dealings on the PartyGaming system, because we monitor every stake on every hand in every poker game and every penny played on the games in our casino and backgammon and bingo games.

And unlike a human being's memory that can fail from time to time, our systems can recall every card of every game that has been played on our system. More than one billion hands of real money poker were played on our tables in 2005, and all of the associated information is stored safely away in PartyGaming's memory.

We have zero tolerance for money laundering and for any other kind of dishonest activity that could harm customers. It should also be noted that on top of our own systems are the checks and balances of regulated financial institutions that customers must use to pay in funds before they can begin to play. We and our business partners are surrounded and governed by many different forms of regulation.

We continually review and invest in these systems and our millions of customers have come to trust in their integrity and security. Customers who feel cheated will simply go elsewhere and on the internet this is never more than a click away.

PartyGaming will continue to review its policies to protect our customers, to protect children and to prevent crime, and thereby continually raise the bar for social responsibility.

The online gambling industry recognises that it needs to assist in funding direct help, educational programmes and research into the pathological causes of gambling addiction. The work alone of responsible operators, however, is not going to achieve our three stated objectives of protecting our customers, protecting young people, and preventing criminal and dishonest activity

The imperative action is for the industry to work alongside governments, regulators, academics, charities, counselling groups and NGOs to ensure that consumers are afforded the highest standards of protection and help.

As the situation in the US illustrates, we clearly must do more to demonstrate to all these stakeholders that responsible gambling is not an optional extra; it is what we do and consumers deserve nothing less.

GamCare and Remote Gambling

An address to the 2006 Annual Conference of GamCare

Andrew Poole

GamCare

I propose to describe the work which GamCare has undertaken over the past 12 months and to reflect on what the future is likely to hold.

MEDIA COVERAGE

It has been a busy year in the media. When attention hasn't been focussed on Super Casinos it has been on remote, or more specifically perhaps, Internet gambling.

We have seen some real horror story headlines predicting misery for a growing population of online gamblers - something we consider on many levels to be potentially negative and unhelpful not only to industry and its responsible operators - of whom it paints a sinister picture at times but also Government which is working hard to get new legislation right, facilitating the development of a legitimate industry in an environment that demands fairness and integrity from operators.

Perhaps worst of all, such reprinting damages the interests of the gambling public.

It is true that helpline numbers and messages of responsible gambling may go out more frequently (a good thing) - but all too often are buried beneath huge figures of debt and other abused statistics.

Do such media messages make it easier for people to come forward, admit they have a problem and access help? Or do they make it more likely that an individual will feel greater shame and embarrassment at being not unlike the man or lady they read about in the Sunday magazine? I fear a fine line is being trodden with little consideration of the need for sensitive balance.

What can industry do? When I start working with an operator it is often the case that they have in place many of the social responsibility measures that we look for. But they aren't doing enough perhaps to tell people. Particularly online operators have access to incredibly powerful channels of communication.

I can sit and talk with the media until I am blue in the face, telling them how most responsible operators have been self regulating for years now, but it's not always easy to spot when you go looking for it. I would urge operators to take every chance to do themselves full justice. Don't let player protection messages go unnoticed - proactively get them out there into the line of sight of the public and the media when it comes looking.

Media scrutiny is, it would seem, a long way from stopping and no, we won't get to a place where the media makes good noises about the industry or maybe even the legislation regardless of low prevalence figures and Government/industry effort. But the opportunity is there for industry to talk directly to customers. A seedy, sinister, problematic image of remote gambling will be no good to anyone.

Is it all for industry to do? Of course not. GamCare has for some time now been keenly awaiting the opportunity to work with RIGT and the Gambling Commission and all other relevant partners on a national public awareness campaign. Perhaps to have seen this before now would have been untimely, not least in terms of the availability of treatment. But now that we have plans agreed and in place, now that services are developing and becoming ever more accessible we are ready. It's time we set the wheels in motion.

SELF REGULATION

It's been a great year, with many operators approaching GamCare and wanting to look at social responsibility policy and practice.

Now of course this is possibly fuelled by future formal regulation – industry getting its house in order in anticipation.

Possibly it is demonstration of the remote industry's move from infancy to adolescence. By that I don't mean sulking about its bedroom in cyberspace, trying in vain to grow a moustache and wearing bad aftershave – but that it has moved beyond those early days, begun to consolidate, started moving into new territories and markets and, as in the case of the United States, stepping out of others hastily.

Essentially the remote industry seems to have better understanding of the world it sits in and recognises that the player is not only hard and costly to acquire, but perhaps harder still to keep and that one of the better ways to do this is to demonstrate that you take their well-being seriously.

Especially encouraging has been to see the number of new start-ups coming to us for assistance prior to launch. Often they will reflect on having observed other operators who demonstrate a high level of player protection and will want to get their own measures in place right from the start.

And, of course, there has been the re-certification of already accredited operators, who will have typically expanded their offerings and services. I'll talk shortly on how we may seek to move further forward with these companies.

GamCare has continued to deliver training, particularly to those working directly with customers, something we will be seeking to develop further in the near future. Benefiting from the unique position of also being a treatment provider, GamCare must ensure that

programmes are fresh and informative, relevant and challenging to the operator whilst helping them meet their business needs and social commitments.

But where do we go from here?

RAISING THE BAR ON SR

We are soon to be launching GILT Ltd, the industry training and consultancy arm of GamCare. And we felt it timely to take the chance to step back from current certification and training work and reflect a while on where we had come from and where social responsibility needed to go next.

It really is the case that social responsibility couldn't and shouldn't stand still. We are always learning from industry experience of player protection in practice, from public perception and experience of gambling remotely and from our own experience of working with those who develop a problem. Everyone's collective insight needs to feed in and inform the next steps.

GamCare will in coming months move towards establishing a Gold standard for social responsibility. Now, it is very important to make clear that this is in no way a replication of future formal requirements placed upon operators, but we hope that it is something that will offer more to the operator that shares our belief that SR evolves and develops and that the baseline requirements, though effective are possibly just a starting point to a more two-way, tailored progression for individual operators.

These responsibilities must be structured, of course, and measurable to ensure standards, but less prescriptive perhaps than existing codes - reflecting this innovative industry that keenly and frequently demonstrates that there is more than one way to skin a cat. We hope it will be a programme that looks more broadly at operations and identifies every opportunity to improve player protection and in turn the experience of a gambling service.

To move forward I think we also need to start to explore and understand the Internet gambler, notably the problematic Internet gambler. Again, this is a two-way process. We may pick up the pieces in treatment but increasingly operators are able to observe problematic trends appearing; customers whose behaviour becomes erratic.

Those who set limits but change them frequently, those who close accounts only to reopen them or set up new ones soon after. I could go on.

Whilst it is not my intention to open up debate or discussion on the merits or difficulties with direct operator intervention, it is very much the case that useful information exists, that used appropriately and sensitively together with counsellor and academic understanding can see existing SR efforts move up and up.

GamCare does not intend to work alone on this but to identify suppliers and other social responsibility partners to pool the wealth of available experience and understanding. There is a great deal of expertise out there; we believe it now needs to come together. We recognise that no one agency is specialist enough to do this alone and that indeed there are many who have a role to play.

Of course over the coming months GamCare will welcome the opportunity to discuss with all interested parties how this may unfold, those that feel they would wish to contribute, participate or indeed undertake such a programme.

Online counselling

As many of you will know just over a year ago GamCare commenced roll-out of online support services for anyone affected by a gambling problem. We launched a message forum and chatroom that enabled peer to peer support and set the foundations for future online counselling.

GamCare were very pleased earlier in the year to receive industry and RIGT agreement to set down three year plans for making such necessary services available. This affords us the opportunity to see GamCare offer a complete treatment package, flexibly accessible alongside the existing telephone helpline and face to face services is an exciting prospect.

To get it right we need to apply all the understanding and insight we have gained from the forum and chat; likely client numbers, types of problems and best practice in helping people address their difficulties and regain control.

The forum, an incredibly successful tool and one which has demonstrated significant growth over a short time has perhaps introduced us more closely to the problematic side of remote gambling than the telephone helpline has. It really does appear to be the preferred channel for accessing support for those gambling online.

I'm not in a position to report formally to you. Online services will be included in our Care Reports in the future, but I can tell you that what I have seen is a good proportion of the online gamblers talking about how they have lost significant sums of money in a short space of time, just a matter of months, having not necessarily gambled before. Interestingly, and perhaps because the behaviour has become less ingrained, less a part of everyday life, they are sometimes able to stop gambling more easily than those who have been gambling for many years. It is also the case that women are far better represented within the forum as compared to the helpline. In 2005 13% of calls to the helpline came from females. Whereas online they account for nearly 25% of our members and the majority are the gambler themselves rather than supporting a spouse or partner.

We also anticipate the emergence of new counselling tools, new client types, new problems and new treatment interventions perhaps.

Approximately 80% of visitors completing a site poll confirmed they would like to be able to talk with a GamCare counsellor online.

GamCare online counselling services will be launched at the same time as a comprehensive client tracking system, enabling the client to move easily between GamCare, or GamCare partner services. The system will work alongside a comprehensive database empowering the counsellor with client history, assessment and referral details. Furthermore it will ensure that statistical collection is vastly improved, replacing the need for paper-based call records and securely accessible to counsellors online.

We will pool our existing counsellor base, utilising the many years of expertise already established within GamCare and where necessary recruiting new staff, equipped with the appropriate level of IT literacy and technology to work effectively online. Utilising a single counsellor base, working across services; online, face to face and over the phone will ensure greater consistency, better understanding and of course we hope better outcomes.

GamCare has committed to a launch of the first stage 'NetLine' by the end of Jan'07 with proper ongoing online counselling launched by the end of May'07. As with our existing face to face services it is planned that the service will be fully operational in time for September next year.

Describing all this industry work and these new counselling services bring home to me just how much there is to do. But we'll get there. We'll get there with your ongoing support and our shared commitment to further minimising harm and ensuring that players and problem gamblers alike are looked after.

The UK and Regional Casinos: Is the long journey about to end?

Marc W Etches
Warren Enterprises

Legislative Change

The UK Gambling Act 2005 is expected to be fully implemented by September 2007, almost eight years since Sir Alan Budd's Gambling Review. This modernising legislation will tighten regulations around betting and the internet, and allow the development of the UK's first 'resort' casino.

The Budd Report proposed legislative changes that would permit resort casinos, defining one as "a complex which includes hotel rooms, restaurants, bars, performance space, possibly conference facilities and, most important, a range of gambling facilities". Las Vegas operators refer to such casinos simply as integrated entertainment complexes.

The subsequent parliamentary Joint Committee on the Draft Gambling Bill, led by Conservative MP, John Greenway supported the concept of a 'destination' casino and recommended increasing the required minimum non-gambling area so as to cause the market to "limit the likely number...to somewhere around 20 to 25".

The Department of Culture, Sport and Media rejected this and settled on statutorily limiting the number of 'regional' casinos to eight before consenting to a Conservative demand to reduce the number to one on the eve of the 2005 General Election.

A year ago, Tessa Jowell, Secretary of State for Culture, Media and Sport instructed an Independent Advisory Panel, chaired by Professor Stephen Crow, to recommend where the first 'regional' casino would best be located.

The Panel's primary task is to ensure that the selected location satisfies the need for the best possible test of social impact. The Panel has also to consider areas in need of regeneration. Local authorities have to demonstrate an overall willingness to have a regional casino within their communities.

Casino Advisory Panel

On 24 May 2006, Professor Crow and his colleagues announced a short-list of eight locations culled from twenty-seven original local authority applicants. Having received written submissions from each location, the Panel conducted 'evidence in public' sessions in August and September 2006 to listen to local arguments for and against. Brent Council withdrew its application five days prior to its planned session.

Blackpool

Rationale: A tourism-based economy that urgently needs a powerful catalyst to ‘kick-start’ private sector led regeneration with the potential to act as a national tourism project with a cluster of casinos should the opportunity arise in the future.

Where: The Conference Leisure Quarter, adjacent to the Promenade in central Blackpool. The town has a local population 143,000 and 2.3m people living within one hour drive time.

Regeneration: The Northwest Development Agency has established the Urban Regeneration Company, ReBlackpool: the only URC with a remit to deliver casino gambling as a keystone to its wider regeneration strategy.

Investment: Between £200m and £450m

Potential Economic Impact: Up to 5.5 million visits and 2500-3400 jobs generating between £62m and £96m of Gross Value Added (GVA) locally

Operator Interest: UK-based operators (Stanley Genting, Hilton/Ladbrokes, Rank, London Clubs International, and Aspers), US operators (Las Vegas Sands, Isle of Capri, Harrah’s Entertainment Inc., Resorts International and Mohegan Sun) and South African operator (Sun International) have lodged formal interest.

National Popularity: 38% of UK Adults chose Blackpool from the CAP ‘shortlist’ (Populus, July 2006)

Cardiff

Rationale: A regional casino will be the catalyst for the completion of the International Sports Village will enable Cardiff to play a full part as a core city supporting the 2012 London Olympics, and secure Cardiff’s position as an international visitor destination.

Where: Cardiff Bay. Cardiff is the capital city of Wales, has a local population of 316,800 and 2.4m people living within a 1 hour drive from the city centre.

Regeneration: 50,000 Cardiff residents live in the 10% most deprived localities in Wales according to the 2005 Welsh Index of Multiple Deprivation and some 56,000 Cardiff residents live in the 10% most deprived localities in Wales in terms of Income Deprivation.

Investment: Current proposal - £190m

Potential Economic Impact: 3 million visits and 1500 jobs generating £65m of GVA locally

Operator Interest: Orion Land and Leisure Limited (developer) and Aspers (casino operator selected in June 2005)

National Popularity: 3% of UK Adults chose Cardiff from the CAP 'shortlist' (Populus, July 2006)

Glasgow

Rationale: A regional casino development is an opportunity to bring a new dimension to Glasgow's regeneration and social renewal strategies, adding fresh impetus to its success as a national and international tourism destination. It will also boost the City's bid for the 2014 Commonwealth Games.

Where: Key regeneration priority areas in the riverside/city centre close to a major facility such as football stadia or exhibition centres. Glasgow is Britain's fourth largest city with a local population of 585,000 and 2.1m people living within a 1 hour drive from the city centre.

Regeneration: Glasgow has 82% of the worst areas of deprivation in Scotland, with one in three people living in poverty compared to one in eight in Scotland as a whole.

Investment: Current proposals range between £120 and £250m

Potential Economic Impact: 3.2 million visits and 1272 jobs generating £26m of GVA locally

Operator Interest: Several leading international casino operators and developers, including Las Vegas Sands (Bronx), Kerzner International (SECC), MGM MIRAGE (Glasgow Harbour), and Miller Developments (St Enoch)

National Popularity: 6% of UK Adults chose Glasgow from the CAP 'shortlist' (Populus, July 2006)

Greenwich

Rationale: A regional casino will help to create a model of sustainable tourism in Greenwich and the Thames Gateway contributing to the long-term economic legacy of the 2012 Olympic and Paralympic Games. Without the casino development the hotel, a wider range of outlets, the Tutankhamen exhibit and a theatre housing a resident show similar to those operated around the world by Cirque du Soleil are unlikely to be developed.

Where: The O₂ (formally the Millennium Dome) on the Greenwich Peninsular, London. Greenwich has a local population of 226,000 and 7.5m people living within Greater London.

Regeneration: With pockets of prosperity but high levels of deprivation, Greenwich ranks 41 of 354 local authorities in England and sits within the Thames Gateway area, a national priority for regeneration

Investment: £320m

Potential Economic Impact: 1.7 million visits and 1400 jobs generating £95m of GVA locally

Operator Interest: Kerzner International is already the chosen partner for the developer, Anschutz Entertainment Group (AEG)

National Popularity: 14% of UK Adults chose Greenwich from the CAP 'shortlist' (Populus, July 2006)

Manchester

Rationale: Manchester is in the top 50 globally as a business conference destination, it is now the third most visited city in the UK. A regional casino will complement and extend the range of cultural and leisure facilities that the city offers, thereby sustaining the continued growth of the tourism and leisure sector of Manchester's economy.

Where: Sportcity, East Manchester where the 2002 Commonwealth Games was centred. Manchester has a resident population of 500,000 and 10m within a one hour drive from the city centre.

Regeneration: Manchester has one of the fastest growing economies but with continuing high levels of poverty and deprivation; it ranks 3rd worst in the Index of Multiple Deprivation for English local authorities. New East Manchester was one of the UK's first Urban Regeneration Companies.

Investment: Upwards of £260m

Potential Economic Impact: 4 million visits and 1500 jobs generating £96m of GVA locally

Operator Interest: Kerzner International was selected in 2004 although Manchester will convene a new competition for developer/operators in line with future Government guidelines.

National Popularity: 10% of UK Adults chose Manchester from the CAP 'shortlist' (Populus, July 2006)

Newcastle

Rationale: A regional casino will secure a regional convention centre including a 1500 seat auditorium. The two developments are integral – without the regional casino, there is no realistic prospect of Newcastle securing a convention centre and the significant regeneration benefits that follow including growth of its tourism market.

Where: The Discovery Quarter on the western edge of Newcastle city centre. The regional capital of the North East has a local population of 270,000 and 800,000 within the Tyneside conurbation.

Regeneration: Newcastle is ranked 20th of 354 local authorities in terms of overall deprivation and its economic inactivity rate is 27.5% compared to the UK average of 21.6%.

Investment: £250m

Potential Economic Impact: 1.3 million visits and 2000 jobs generating £93m of GVA

Operator Interest: US operators (Isle of Capri and MGM Mirage) have secured separate land interests in the Discovery Quarter and at least four other multi-national companies including the owners of Aspers have expressed interest.

National Popularity: 4% of UK Adults chose Newcastle from the CAP ‘shortlist’ (Populus, July 2006)

Sheffield

Rationale: The Lower Don Valley master plan specifically maps out how integrated destination leisure facilities with a regional and national “pull” such as a regional casino will complement existing leisure assets to help the city reach critical mass as a unique leisure, sporting and recreation destination for the region.

Where: Lower Don Valley (Meadowhall Shopping Centre and Don Valley Stadium) and the City Centre (Bramhall Lane Stadium). With a population of 516,000, Sheffield is the fourth largest city in England and reaches 3.6 million adults within one hour drive-time.

Regeneration: Ranks 60th worst in Index of Multiple Deprivation for England but qualifies for European Objective 1 assisted area status

Investment: £84m to £200m

Potential Economic Impact: Up to 3 million visits and 1500 jobs generating £56m of GVA locally

Operator Interest: Detailed planning applications for a regional casino were submitted during autumn/winter 2004 from three separate operators – LV Sands (Bramhall Lane), MGM Mirage (Meadowhall) and Sun International (Don Valley).

National Popularity: 4% of UK Adults chose Cardiff from the CAP ‘shortlist’ (Populus, July 2006)

International Experience

At the November 2006 launch of the Social Market Foundation’s (SMF) publication, “The Regional Casino Debate: Regeneration and Responsible Gambling in the UK” Professor Peter Collins made the case that all democratic governments are structurally inhibited from establishing sound public policy generally. The reasons given included the lack of resources for adequate research, the inevitable tensions of conflicting self-interest and the ‘revolving-door’ of ministerial portfolio holders, civil servants and advisers that do not have sufficient knowledge or sufficient motivation to acquire knowledge.

This touches on an issue I wrote about three years ago after attending the University of Nevada, Reno Executive Development Program in Lake Tahoe; an annual ten day course led by Professor William Eadington and open to those who have a serious interest in the global gambling industry.

Each year the central feature is a ‘business game’ that focuses delegates on a key issue of the day. This year it is about Macao in 2008. Three years ago the theme was casino resort development in the UK in anticipation of the Gambling Act 2005.

I expressed then my disappointment about the absenteeism of UK government officials and also about the lack of resources available to the Joint Committee, tasked with scrutinising the emerging gambling bill, to allow it to travel to places outside of the UK to look, listen and learn about the concept of casino resorts, or integrated entertainment complexes.

It is true that subsequently two members of that Committee visited Australia and the entire Committee spent a day or two in France. It is also the case that Richard Caborn, the UK Minister responsible for gambling today, has visited Australia and the Crown Casino in Melbourne specifically. And Lord McIntosh, to his credit, made a critical visit to South Africa not long before the finishing touches were applied to the Gambling Act 2005.

However, at best this amounts to limited exposure for those at the heart of developing public policy in relation to casino development. Professor Crow’s determination to constantly reference the Hohensyburg Casino in Dortmund during his public examination of local authority bids meets the same challenge. It may well be Germany’s largest casino, but with only 320 slots it is a ‘benchmark’ that has infuriated some.

For others, extrapolating from international experiences has little or no relevance to how public policy in relation to casinos should be established in the UK. This was the stance of Malcolm Moss, speaking at the SMF's conference in July 2006 as the Opposition spokesperson on gambling matters.

Is the Journey's End in View?

Professor Crow will provide his Panel's recommendation in January 2007, a month later than originally planned. Notwithstanding the reason given for the delay, the logistical challenge of printing and distributing the final report, it may have proven unwise to receive Professor Crow's advice with Parliament in recess.

Tessa Jowell told the Culture, Media and Sport Select Committee in July 2006 that she intends to submit the Panel's recommendation to Parliament without intervention and without recommending acceptance or rejection, she says "it will be for Parliament to determine". It is not yet clear how specifically she will do this.

It is possible that the Government will simply bring forward a Statutory Instrument (SI); each House holds a 90-minute debate and votes without amendments. However, it may be that there is a debate in the House of Commons on a motion to 'take note' of the Casino Advisory Panel's report before Tessa Jowell introduces the SI. The motivation for this would be to demonstrate that the Secretary of State had fully exercised her discretion, an important consideration in relation to any potential legal challenge.

There is also a legislative requirement for the Secretary of State to consult with Scottish Ministers and the National Assembly for Wales before bringing forward the SI. And Cabinet Office guidance suggests that any SI should be subject to three months consultation.

There are other uncertainties too. The DCMS has yet to detail how the successful location will have to conduct the future competition to decide on which operator will deliver best value to its local community.

Also, according to some legal experts, EU legislation rules against the limitation of the numbers of new casinos as 'discriminatory and disproportionate' and that this is especially so with regard to the one regional casino licence.

What is certain is that the full implementation of the Gambling Act 2005 in relation to the UK's first regional casino still has some way to go. In the meantime, millions of pounds of casino-related investment, thousands of jobs and opportunities for skill improvements are finding a warm welcome elsewhere in Europe including Spain and Slovenia.

All this, at a time when the current UK balance of payments for international tourism is in deficit to the tune of £20 billion and growing and the World Travel and Tourism Council predicts that within the next ten years the UK will lose 20% of global market

share becoming the 10th worst performing international destination out of the 174 economies it measures.

Gambling and Public Policy: The Western Cape, A Case Study

Derek W Auret

Chief Executive of the Casino Association of South Africa

My subject is the evolution of gambling in South Africa and specifically on my experience in licensing casinos in the Western Cape. Although a total of five casinos were licensed in that jurisdiction, I shall deal only with the licensing of the Grandwest property in Cape Town, arguably the best performing facility in South Africa and certainly one which delivered, together with a number of others elsewhere in the country, considerable and very importantly, sustainable, tourism and other public benefits in addition to the casinos themselves.

Before dealing with the subject at hand, let me briefly deal with my own background in the industry. As you are aware I at present am the Chief Executive of the Casino Association of South Africa, an organization that represents the 8 major casino companies in the country who, amongst them, operate 32 casinos. These range from small properties with 10 table games and 250 slot machines, to large properties that have in the region of 80 to 90 table games and upwards of 1700 slot machines. Grandwest falls in the latter category. The aim of the organization is to represent the interests of its shareholders in a variety of fields, including government and the media.

Prior to my assuming this position, I was the Chairman of the Western Cape Gambling and Racing Board, a position I held for a period of six years since the inception of the Board and during which time the licensing process for all five casinos allocated to the jurisdiction was completed. I will thus speak to you not in my current capacity but from the perspective of my involvement in the casino licensing process, i.e. as the regulator that I then was. I should add that during my term of office I also served on the National Gambling Board of South Africa, and for four years on the Executive Committee of that body. Sounds complicated? Well in certain respects it is and I will briefly deal with the historical antecedents of the position as it currently obtains.

HISTORICAL PERSPECTIVE

Prior to 1996, gambling, with the exception of horseracing, was illegal in South Africa. Despite this, illegal gambling was rife and was to be found throughout the country in the form of slot-machine parlours that had mushroomed almost out of control. Thus the public had access to some 150 000 illegal machines in sleazy venues that were in most cases associated with criminal behaviour such as drug dealing, loan-sharking, money laundering, prostitution and the like. Moreover these operations provided no protection to the public in respect of the integrity of games, paid no taxes, were mostly controlled by whites and were more often than not conducted at dubious and unsafe locations.

National government had however anticipated that legalized gambling was to become a feature of South African society and two Government Commissions had conducted extensive research into the feasibility of introducing gambling in the country. In terms of the recommendations of the second Commission, government accepted its recommendation to establish 40 casinos throughout the country, with each of the 9 provinces being allocated a certain number commensurate with its demographic composition.

This led to the adoption of the National Gambling Act of 1996 by which the recommendations were codified and a National Gambling Board to oversee the advent of gambling and to set national norms and standards for gambling was established. However, things were not that straightforward. Let me explain.

During the political negotiations which culminated in the agreement in respect of the new dispensation in South Africa and which led to the first democratic elections in 1994, it had been agreed that gambling in the country would in fact be a concurrent responsibility between national and provincial government and this was in fact enshrined in the country's constitution. In practical terms this led to the adoption of the National Gambling Act of 1996 but also to gambling legislation in each of the 9 provinces in South Africa.

The provinces, keen to capitalize on the perceived financial and other benefits from the establishment of casinos, quickly implemented the provisions of its legislation, established provincial gambling boards and proceeded to call for proposals for casino developments. It should be pointed out that for casino operating companies, the arrangement posed enormous challenges since the legislation in the different provinces was not uniform, neither in its provisions nor in its application. There are still inherent difficulties in the system and often the fact that the National Gambling Board has no licensing or operational functions gives rise to tensions between it and the provincial gambling boards. However, there have been indications that government is considering the reduction of the number of provinces in South Africa, something that would no doubt lead, from an industry point of view, to a more streamlined regulatory framework.

THE WESTERN CAPE

The Western Cape Province had also moved rapidly to pass the necessary legislation and to appoint a licensing authority, the Western Cape Gambling and Racing Board, consisting of seven members. One of the important aspects of the establishment of the Board was that it was a totally independent body which did not have to consult with the Provincial Executive in regard to its decisions and adjudication. Moreover the Law also provided the Board with extensive powers, inter alia to rezone the areas where the successful applicant would establish the casino and its ancillary facilities. This latter fact enabled the Board to move expeditiously to carry out its mandate, but also with close cooperation with local authorities. I am aware that "planning permission" is an important, and as I understand it, sometimes daunting, aspect of infrastructural development in the

United Kingdom. It should however be borne in mind that casino operating companies require certainty in respect of the parameters within which they invest in the establishment of their projects. The facilitation of such potential obstacles could only contribute to the early realization of government objectives.

The province had been allocated 5 casino licenses and Board's brief was determined not only by the applicable legislation but also by a set of "Policy Determinations" that had been decided upon by the provincial executive. This document was an important guideline for the Board since it clearly demarcated the policy objectives of the provincial government in terms of the public benefits it sought to secure through the licensing process. In other words government had recognized that the licensing of casinos provided an opportunity to obtain financing for tourism and other public benefit infrastructure that it would otherwise not been able to fund out of normal resources available to it. This appears to be very much akin to the objectives in respect of "regeneration" that the British Government has adopted in respect of the new legislation currently being implemented.

Some of the general features of the "policy determinations" were:

- Applications for casino operators' licenses would be dealt with on a competitive bid process;
- The 5 licenses for the province were to be allocated to demarcated regions of the Western Cape in order to stimulate and encourage development and job creation throughout the Province;
- The regional licenses would be exclusive for a period of ten years;
- A financial contribution of R135 million (£11 million) for a world-class convention centre was a requirement for the Cape Town license.
- In the other regions, applicants similarly had to contribute to a tourism or sustainable community project;
- Applicants for casino operator licenses were to be allowed to propose their own sites, and
- All proposed financial commitments in respect of the total proposed capital investment of the successful applicant had to be underwritten by irrevocable bank or other financial institution guarantees acceptable to the Board, at the time of the lodging of applications.

More detailed requirements were also specified and the Board was called upon to also consider:

- The positive and negative social, economic and environmental impact of the development and operation of a casino on the immediate surroundings and the region;
- The financial standing and resources of the applicant to ensure the successful development and long-term operation of the casino and its ancillary facilities;

- The capital amount to be invested in the total project;
- The proven experience and integrity of the operator;
- The contribution towards the empowerment of local disadvantaged groups through employment and equity ownership;
- The degree of employment by the applicant of local professional consultants, construction entities and contractors from the emergent sector in the province;
- The number of new casual and permanent jobs to be created in the total project;
- The envisaged degree of employment of staff from the province for all aspects of the operation;
- The location of the casino and the compatibility of the proposed site with the relevant planning and development policies for the area, with due regard to its accessibility to all sectors of the community, and
- The extent to which sustainable community facilities and the provision of tourism infrastructure will be provided.

These guidelines were of some considerable importance since the provincial executive had clearly applied its mind to the specific requirements and objectives that it wished to achieve through the casino licensing process. It had identified key policy areas that it wished to be fulfilled and the policy objectives also reflected broader political considerations such as Black Economic Empowerment which was, and still is, a key objective of National Government.

More importantly the Provincial Government had clearly put the interests of the public and the securing of infrastructure that would be of benefit to it, high the list. This has subsequently demonstrably contributed much to the general economic advancement of Cape Town and the Western Cape.

THE REQUEST FOR PROPOSAL (RFP)

The Request for Proposal released by the Board contained detailed information regarding the requirements that prospective applicants would have to fulfill in order to qualify for consideration for a casino operator's license in Cape Town. Details were also provided in respect of the purpose of the project, the selection criteria, project management by the Board, the process, grounds for disqualification, the timetable for consideration and adjudication of proposals, the registration of applicants and the submission of proposals. In respect of disqualification, the RFP expressly prohibited prospective applicants and its agents to contact Board members, its staff and consultants and the Provincial Executive. Also included were details of the terms and conditions of and the regulatory framework within which the process would be conducted, an outline of the major components that had to be addressed in the proposals and the required *pro formas* in respect of Business History Details, Personal History Details and Development Information.

The Board also included a stipulation that no stand-alone casino facilities would be considered but that the project should comprise of additional components such as restaurant and family entertainment facilities and tourism infrastructure developments. The Board also indicated that it would not be disposed to consider proposals that included retail supermarkets dealing with consumables such as food and other basic essentials in the project. Moreover, applicants were also required specifically to include proposals that would protect the community against the negative social impact of gambling.

In the event, five exceptionally creative proposals were received, ranging in size from R900 million (£10 million) to R2.2 billion (£200 million). The applicants all presented creative and innovative proposals that fulfilled the requirements that the Board had set.

THE PROCESS

In its Request for Proposal (“RFP”) in respect of the Cape Town Casino development project the Board emphasized its commitment to a fair, equitable, transparent and comprehensive licensing process. Thus the RFP provided clear and extensive guidelines to potential applicants in respect of the Board’s requirements for the project and the attributes it would seek in the successful applicant. The comprehensive nature of the RFP was further complemented by a series of bulletins, which clarified the terms of the RFP for the benefit of all applicants and established an open channel of communication between the Board and the applicants throughout the process.

The transparency of the process was ensured through provision for public participation at all possible levels. The applications submitted by various applicants, excluding the confidential components thereof, were advertised in the media and laid open for public inspection and an opportunity existed for any person to register a written objection or submit comment on any application. In addition, public hearings were held at which any member of the public was provided with the opportunity to testify and/or call witnesses in support of or opposition to any bid, and any person objecting to the grant of a license was moreover entitled to cross-examine any other witness.

In its eventual consideration of the various applications, the Board sought to mould an approach which was consistent with the transparency, thoroughness, applications and fairness that had characterized the process throughout. Regard was consequently had to the following factors:

- The objectives that the government, both at national and regional level, sought to achieve by making provision for the licensing of this form of gambling;
- The minimum conditions which the National and the Provincial Acts required applicants to meet to avoid disqualification;
- The prerequisites determined by the Board for the grant of a license, as contained in the RFP;

- The development of rationally defined evaluation criteria, by way of the construction of a matrix, embodying and reflecting all the legal requirements and the criteria enumerated in the RFP, and consistent with governmental objectives referred to above;
- The weighting of these criteria in terms of their relative importance, with pertinent reference to the terms of the RFP, the legislation of application and the policy determinations of the Provincial Executive, subject to which the Board performed its functions;
- An individual and comparative assessment of each application received, of which there were five, on the basis of a critical and independent analysis of the information contained in the respective application documents, together with any amendments or supplementations thereto approved by the Board, the results of investigations conducted in respect of various aspects of the applications submitted, the reports and findings of consultants, issues raised at the public hearings in respect of each application, comments and objections tendered by interested parties and any other information of relevance for the purposes of comparison, with specific reference to each criterion enumerated in the matrix, and
- A consequent ranking of all bids received in order of preference.

In the formulation of the matrix, the Board applied its mind to isolating key selection criteria enumerated in the RFP, and reached the conclusion that provision should be made for seven broad headings, under which a number of sub-headings, in which factors or criteria for which provision had been made in the applicable Laws, the RFP or the policy determinations, should be reflected. The seven overarching criteria identified by the Board were as follows:

1. Finance (Financial strength, track record of the applicant, funding and financial viability of the project and capital expenditure).
2. Management (Managerial expertise, deliverability, suitability, presence in other jurisdictions and managerial advancement of previously disadvantaged persons).
3. Development concept (The development concept in respect of ownership, location, land use, design, planning framework, and tourism infrastructure of the development).
4. Environmental (Environmental sensitivity, enhancement of the Cape environment and compliance with formal requirements).
5. Economic (Fiscal implications, over-concentration/displacement effects of the project, economic impact, tourism benefits and economic multiplier effect).
6. Engineering issues (Engineering issues with regard to access/egress, infrastructure, traffic impact, construction programme, site preparation and parking).
7. Community benefits (Employment opportunities, employment mix, social impact, the promotion of small medium and micro-enterprises,

involvement of previously disadvantaged persons through equity and ownership, training and skills transfer and measures to be taken in respect of problem gambling).

In determining the above broad headings, the Board did not do so in isolation, but with due regard to the sub-categories to be assigned to each of the headings. This procedure was adopted so as to enable the Board to make a rational assessment of the scope and content of each of the broad headings, in order not only to see to it that the evaluation process would be as comprehensive and inclusive as possible, but also to ensure that the relative weights, in terms of importance, could properly be assigned to each broad criterion. As has been indicated, the sub-headings found their origin in the Western Cape Gambling Law, the policy determinations of the Provincial Executive and the provisions of the RFP itself.

Moreover the question of location was of considerable importance. This was a big issue in the consideration by the Board and ties in with the whole issue of regeneration. In the event the winning bid (Grandwest) was sited in an area identified by the Metropolitan Spatial Development Framework (MSDF) as a growth node designed to bring jobs to areas of relatively high unemployment, and while this can, perhaps, be a double-edged sword in respect of problem gambling, the resulting redistribution of wealth, the substantial infrastructure that the project provided and facilities wherein more affluent people spend their money in areas which need business, has had a positive effect.

Having taken account of the content of the various sub-headings under the seven broad criteria, the Board proceeded to weigh these criteria in order to determine their level of importance relative to one another.

Based on the above, the Board proceeded to adjudicate the bids that were received and awarded the licence to the applicant whose bid in all respects outranked the others. It should also be pointed out that the Board provided all applicants with a detailed exposition of the process that had been followed and with an analysis of the weightings accorded to the main categories and their sub-headings. This document, essentially containing the reasons for the decision reached by the Board was contained in a 144 page document that was subsequently also made public.

CONCLUSION

The process of allocating casino licenses is an exacting one. This is so since applicants spend enormous amounts of money in the preparation of their bids and intense efforts are undertaken to formulate and design projects to high standards and applicants are therefore entitled to comprehensive information regarding the outcome of the process.

In the event the Cape Town casino licence bid process did not attract any legal challenge and the product which finally emerged, and its subsequent unqualified successful operation, vindicated the decision of the Board. Thus the Cape Town license delivered a

conference centre of world-class standing, public sector infrastructure and tourism infrastructure that would otherwise not have been affordable. Moreover it produced significant numbers of jobs – not only in the construction but also operational phases of the project – and contributed significantly to the upliftment of what had previously been an economically depressed area, with concomitant benefits to housing prices etc. It should also be noted that these benefits were not once-off events but that the carry-through effect will be visible for years to come.

Let me quantify a few aspects:

- ❖ Together with the Table Bay Hotel, GrandWest will add R22-billion to the GDP of the Western Cape up to 2015.
- ❖ Nearly 2400 people, of whom 875 are directly employed by GrandWest, come to work each day at the complex, including employees of concessionaires, contractors and others doing business there. A significant number are people who were previously not employed.
- ❖ The Knock-on effect: The Cape Town International Conference Centre, partly funded by the winning bid, delivered 870 000 visitor days in its first year of operation.
- ❖ The R135 million licence fee was used by the Provincial Government for spending on roads, health and public safety services.
- ❖ GrandWest has contributed R9.1-million in social investment spending in the past 5 years
- ❖ GrandWest has become one of the most visited leisure amenities in South Africa with over 18 million visitors passing through the doors in 5 years.

As far as problem gambling is concerned, I have already indicated that the Board put in place policies to compel operators to behave responsibly as corporate citizens. In this regard policies that would address the issue were clearly called for in the RFP and the Board subsequently consolidated the proposals contained in all five project proposals into a comprehensive initiative that was in fact the forerunner of what has become the National Responsible Gambling Programme. This programme is recognised as one of the leading and indeed successful public/private sector initiatives of this nature in the world. In this regard it is pertinent to observe, as Rachel Volberg's research shows, that problem gambling cannot only be contained but even reduced in a given society if the appropriate measures, especially public education, are put in place. I make bold to say that the prescience of the Western Cape Board and the subsequent experience in the Western Cape certainly confirms this.

I believe that there are a number of lessons to be learnt from the Cape Town process:

1. It is imperative that government decides early on what its objectives in licensing casinos are. These can vary from purely fiscal considerations to broader objectives such as economic upliftment of economically depressed

areas – or regeneration, if you will. But the objective must be clear and potential applicants must be fully informed of these goals.

2. Government must – and I say this with due deference to casino operators – decide and inform potential applicants of the so-called "add-ons" that it desires. In South Africa the allocation of casino licenses has been viewed as an opportunity to secure much needed financial benefits for government and the broader public and the process had been demonstrably successful.
3. The process must be fully transparent, fair, equitable and as comprehensive as possible. The adjudication authority, which should be provided with the maximum independence, must be clear as to the objectives that are desired and must act accordingly.
4. Applicants should be kept abreast of all developments during the adjudication process.
5. The ideal would be that the regulatory authority/applicants approach the process in the manner of a partnership that will endure also following the conclusion of the process.

I have tried to describe the Cape Town experience in some detail. It has worked for us. Thereby I am not saying that it is model that can simply be applied elsewhere - different situations may call for different approaches. However, the principles that I have outlined above, in my view, can be applied universally to very positive effect.