

ELECTING TO TACKLE CASINOS' CONCERNS IN THE DIGITAL AGE

BY ROY RAMM

Legislating to gain significant tax revenues from gaming is never without dispute, but in the UK across-the-board clear and fairly applied regulation to realise that for the mutual benefit of the gaming industry – remote and real – needs to be addressed as the digital economy progresses and social responsibility issues come to the fore. While casino development in the UK has contracted, with notable singular exceptions such as the Hippodrome, remote gaming has been in the ascendant. As a new government takes office there is another key opportunity to consider the issues.



Once the casino industry had something of a reputation for poor associations, but who would have thought the industry's image could be damaged by association with banks? During the continuing crisis in the financial sector every time a journalist wants to illustrate a point that involves any element of risk, the word 'casino' litters the prose with such frequency that you could be forgiven for thinking that casinos are the only place in the UK where risk is relevant to business. 'Casino banking' entered the accusative lexicon along with 'sub-prime' and the 'bonus culture'; but as a word 'casino' is anything but sub-prime: it is sexy, evocative and visual. Set it against dizzying images of slot machines reeling round, passing the pound notes signs and inevitably landing on the lemons and you have a clichéd linguistic and visual metaphor that distorts more than it illustrates. The truth about risk, casinos and slot machines is – just like the banking crisis itself – a little more complicated.

During the passage of the 2005 Gambling Act it was the notion of a 'super casino' with a thousand or so slot machines on Blackpool's blighted esplanade that excited and angered in equal measure. Fleet Street attacked, Parliament retreated, Las Vegas on sea sunk and there are still just 140 or so much smaller casinos in the UK to serve as inspiration to the hacks. It wasn't the glamour of the entertainment or the attraction of the promised smart bars, restaurants and the jobs they offered that failed to attract political support; it wasn't even the clatter of the ball in the roulette wheel that turned the political backbone to foie gras; it was an irrational fear of the social consequences of 'large numbers' of slot machines that stirred the media frenzy and caused ministers to dance like the good guy sheriff scared stiff by the gun slinging gangsters - or in this case editors - firing warning shots at their political feet. In

>> IF AN INCOMING GOVERNMENT WANTS TO SEE THE MAJOR RESPECTED INTERNATIONAL BRICKS-AND-MORTAR OPERATORS TAKING THEIR PLACE IN THE DIGITAL WORLD - AND IN SO DOING BRINGING THE KIND OF CORPORATE DISCIPLINE, COMPLIANCE AND SOCIAL RESPONSIBILITY REGIMES THAT HAVE LIFTED THE REPUTATION OF THE INDUSTRY - IT MUST FIND WAYS TO CLOSE THE REGULATORY GAPS AND EMBRACE GAMING AS WHOLE, REAL AND REMOTE. >>

true Vegas style, common sense and good policy got run right outa town! The result was an Act confused in its intentions and overburdened with measures to deal with a problem that was already under control and generated a public misperception that the UK gaming industry is dominated by thousands of casinos full of high-stakes slot machines.

The reality is that even if all the licences granted by the new gambling legislation eventually emerge from the tortuous licensing process as real developments and a few old 1968 Act licences are pulled yellowing from the filling cabinet, it is unlikely there will ever be more than around 187 casinos in the UK and none will resemble the successful resort hotels enjoyed by millions almost everywhere else in the world. According to the UK Gambling Commission less than one percent, or only around 2,300 of the UK's 248,000 gaming machines, are to be found in casinos. Compare that with the 32,000 machines located in high street betting shops and the remaining 200,000 or so spread between around 640 bingo clubs and the thousands of small arcades and casinos suddenly look like the poor relations.

But the Gambling Commission is wrong: there isn't a quarter of a million or so machine in the UK: there are tens of millions and many more to come! All 18.3m households in the UK with Internet access, everyone with a laptop, a mobile phone or a PDA and every home with a digital television has the potential to access a virtual casino in a world with millions of slot machines with unlimited stakes and prizes and without, on many hundreds of sites, any information on social responsibility or a trained member of staff in sight. And the manifestos of the major parties make various promises about better access to high speed broadband. That also means faster access to online gaming.

Google the word 'casino' and find hundreds of millions of results, most of which lead directly to online gaming sites. The Remote Gambling Association represents around 28 of the biggest and best run of the online casino sites, but there are hundreds more. Though the major operators have licensed their businesses in respectable, well regulated (low or no tax) jurisdictions, others have not and it is still possible for UK gamblers to play online with casinos in obscure unregulated jurisdictions - some of which have excited international law enforcement for all the wrong reasons, mainly for their risky attitude to money laundering and terrorist funding!

It's now perfectly okay with the regulators for a punter to whip out his or her laptop or PDA almost anywhere and gamble away directly connected to any of the world's tax free havens. Strangely, in fact about as counter intuitively as you can get, the only place where the law tries to prevent access to online casino games is in the regulated environment of UK

casinos! It is illegal for a licensed casino to offer online gaming or any device that offers a similar product unless it forms part of the casino's allowance of just 20 machines and then limits the stakes and prizes accordingly. Why would you bother? The maximum stake on a UK casino slot machine is £2 and the maximum prize £4,000. Go online and there are dozens of sites offering prizes in excess of a \$1m! If the punter doesn't like the casino, he can take his own mobile slot machine to the pub, restaurant, college, a place of worship or even to the marbled corridors of DCMS or the Gambling Commission!

Whilst the regulator borders on being obsessive about the conduct of gaming in real premises and the Government wrings the industry dry through taxation, how the Government's strict codes on social responsibility are enforced in the virtual world is unclear and along with other jurisdictions taxing Internet revenues remains a challenge. These concerns have prompted a new DCMS consultation on 'The Regulatory Future of Remote Gambling in Great Britain' (March 2010), but the consultation is a DCMS document and is clear that it does not intend to address issues of taxation. To be fair it also says "...there will need to be close liaison between the Department and HM Treasury to ensure that any implications for taxation policy are properly considered as the regulatory proposals progress ..." (para 3.32) as in 'joined up government' I suppose: we travel more in hope than expectation.

An incoming government needs to recognise that British jobs need protecting and it must move quickly to allow casinos to offer online gaming and other electronic products in the controlled, regulated and taxed environment. This isn't a case of if you can't beat 'em join 'em: it's about maintaining contact with the reality of 21st century life.

There are other issues that, unconnected with the digital revolution, are wrong with the 2005 Act.

It has evolved a disproportionate response and Byzantine mechanisms to deal with problem gambling that continues to dominate the debate on gambling to the exclusion of other important issues like its contribution to the economy and employment.

It has enacted a truly bewildering casino regime which creates no less than three different types of casinos on this small island! Some 2005 Act Large casinos will be smaller than some existing large 1968 Act casinos which are deemed, for the purpose of the 2005 Act, to be smaller than Small casinos licensed under the 2005 Act. Harmonisation of the law is essential - if only to stop the criminal abuse of the English language and mass consumer confusion! The restriction of the market through the de facto continuing recognition of Permitted Areas defined by economic and demographic data that is now more than half a century old, is

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an embarrassing anachronism. If in September 2007 (when the 2005 Act passed into law) an activity - casino gaming - was decreed by Parliament to be legal, licensable, regulated and subject to taxation for the greater public good, it is indefensible and insulting for a Secretary of State, sitting in Westminster (where there are 24 casinos) to say that that the activity is okay in Torquay, but not in Tottenham and may in the future be permitted in Stranraer but not Streatham. And dare I say it, why, if the people of Blackpool want a Super Casino, can they not decide locally to have one? What the digital gaming revolution has shown us is that if people want to gamble they will find a way to do so, no matter how patently absurd the attempts to stop them may be. It should be the ambition of good government in a liberal democracy to allow decisions on gambling to be made locally by the people who may be affected by it.

There are some new casino developments in the UK. In 2011, the Hippodrome is expected to open in Westminster and no doubt there will be a scramble of bidders for the new 2005 Act Newham licence. Both are in affluent London. The Hippodrome clearly hopes to benefit from the perpetually strong tourist market and Newham from the advantage of having roughly more than seven times more profit generating product than any other premises paying similar rent, rates and wages than any other casino in the capital.

As for the other 15 new 2005 Act licences, not all will be built and those that do will not bring the levels of regeneration dividend that local authorities granting the licences anticipated. Some will be so disappointed that they may decide not to proceed. Overall though, the trend in development is down. Since the end, in September 2007, of the flurry of applications that emerged from the excitement and expectation of what the 2005 Act might bring and the grim reality of the emasculated piece of legislation (the castration took place at the hands of Michael Howard and Tony Blair in the 'wash-up prior to the 2005 General Election), ever increasing taxation, a smoking ban and increased competition from other forms of gambling, casino operations have been at best stagnant and are now in decline. Of 187 licences in force, only 140 are currently operating.

But it is the emergence of the digital economy with all its inherent freedoms that exposes both the most serious flaws in the Act and the Government's unwillingness or inability to address them in other than at glacial speed and in baffling complexity. If an incoming government wants to see the major respected international bricks-and-mortar operators taking their place in the digital world – and in so doing bringing the kind of corporate discipline, compliance and social responsibility regimes that have lifted the reputation of the industry – it must find ways to close the regulatory gaps

and embrace gaming as whole, real and remote. Neither the on-shore real industry nor the Government should try to challenge the remote industry like some analogue King Canute attempting to fight a digital tide, but neither should we be swamped by it.

The Gambling Act 2005 was the first piece of new gambling legislation for over 40 years. When it passed into law in September 2007 it was already out of date and ineffective. Some officials soon recognised the flaws, but Ministers were so relieved to see the back of what had been a bruising legislative process they have, at least from a political perspective, been understandably reluctant to bring any sort of amending legislation back to Parliament. Unless a new government has the courage and intelligence to grasp these issues an important contributor to the UK leisure sector maybe be damaged beyond repair and our staff forced into seeking jobs in banking! **CGI**

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International plc in 1997 and has been involved in numerous international casino gaming operations in the US, Europe and the Middle East. Currently, he is the Compliance and Risk Management Director for LCI with international responsibility and the Chairman of the Emerald Casino Resort in South Africa. Since joining the industry, he has been an active member of the industry's trade bodies and jointly chairs the National Casino Industry's Operations Forum.