

# Controversy and political dithering undermine expansion of UK casinos

It is seven years since Sir Alan Budd published a report that was supposed to usher in a new era of gambling regulation in the UK more relevant to the 21st century. Given what has happened since, the respected economist must wonder why he bothered.

Although the Gambling Act 2005, which came into force last year, did adopt some of his 175 recommendations, the main thrust of the Budd report was ignored as the Government's deregulatory strategy lost its way amid controversy and political dithering.

The Budd report encouraged gaming behemoths from Las Vegas, Asia and South Africa to spend millions building a platform from which to launch an attack on the British casino market. Most have long since retreated, while those that are still here remain ambivalent about prospects.

The biggest draw for the Las Vegas titans such as MGM Mirage, Harrah's International and Las Vegas Sands was the prospect of developing the sort of supercasinos they were used to running back home. But the wave of negative publicity over the potential proliferation of problem gambling sent the Department for Culture, Media and Sport running for cover. A watered-down scenario was agreed whereby 17 new licences would be awarded under the Gambling Act, including one regional supercasino.

Despite a detailed bid process that resulted in the regional licence being awarded to Manchester, the project was effectively killed off by Gordon Brown, leaving operators to apply for only eight "large casino" licences and eight "small

casino" licences.

But even this process is descending into farce. The big increase in gaming duty introduced in April last year, allied to the smoking ban, the scrapping of so-called Section 21 gaming machines and the consumer spending downturn have combined to make most of the projects uneconomic.

Industry sources said that only one of the licences, that for Solihull, was remotely close to fruition. The odds-on favourite to win the licence is a venture between the National Exhibition Centre (NEC) and Genting Stanley, the Malaysian-controlled operator, to create a GBP 90million leisure complex and casino near the NEC.

In London, once a mecca for high-rollers such as Kerry Packer and Fouad al-Zayat, the Syrian known as The Fat Man, the mood is far more muted with venues such as the Clermont, where Lord Lucan once gambled, struggling to make money.

While chain operators such as Rank and Gala have invested in reinventing traditional casinos, the surge in new licences awarded just before the expiration of the old Gaming Act 1968 has created extra competition.

One of the most recent licences in the capital has been awarded to the Hippodrome, Leicester Square, after an appeal. On nearby Piccadilly, Gala is expected to announce shortly a decision on the closure of its loss-making casino, while The Casino at The Empire, also on Leicester Square, is said to be struggling.

The Empire is part of London Clubs International (LCI), which in 2006 was acquired by Harrah's for about GBP 300million. The value of LCI has fallen and although Harrah's is attempting to turn round LCI's fortunes through efficiencies, it is known to have held talks with Rank and Gala with a view to selling up.