

The global gaming market in progress – new challenges also for Europe

The global gambling market is experiencing an unprecedented boom. North America and Canada boast annual growth rates of more than 20%. Las Vegas, severely affected by the terrorist attack, set a new visitor record in 2004, with more than 36 million visitors. The gambling industry recorded a turnover of 74 billion US dollars. At the same time, more and more gambling companies merged into larger and, therefore, almost invincible corporations.

The Asian market is also thriving and brand new gambling centres are being designed for the Chinese market in Macao and Singapore.

However, during the next three days we should focus on the European gambling market.

The European gambling market is also growing and is one of the few markets that can still claim growth rates.

Europe's relationship to gambling is ambivalent. The states in Western Europe are stagnating; table games (live games) are even losing their popularity, whereas technical games and quiet new games based on electronic systems are continuously being perfected.

The growth markets are clearly situated in Eastern Europe. Who would have thought a few years ago that the largest and most spectacular casinos would be located in Moscow, and not in the South of France, Spain or Portugal? In Moscow alone, you will today find more gambling and slot machines than in the countries of the European Union before enlargement together. The order books of the manufacturers in the gambling industry, i.e. producers of slot machines, electronic gaming machines, gambling tables and gaming equipment will be full for years to

come.

The saturation of the traditional gambling market, even in Europe, is still a long way off.

But this is the economic side, which is developing so quickly, that legislation and regulations cannot keep up – we are faced with a huge and indeed mind-boggling range of gambling, betting and entertainment games which encourage a high percentage of people to participate without a financial background. And this will lead automatically into addiction.

Never before has the global gambling market undergone as radical a change as today.

When we discussed the topic of online gaming for the first time at the EASG congress in Munich 7 years ago, we thought that the technical difficulties associated with this type of gambling would remain insurmountable. We also assumed that gamblers would prefer their habitual ambiance, fellow gamblers and the atmosphere of a real casino. Today we have to admit to having severely misjudged the situation.

William Thompson, gambling expert and professor at the University of Nevada, expressed his disappointment with the following words: “Although gambling centres such as gigantic as Las Vegas and Atlantic City continue to attract people with new superlatives, in the long-term, they have already lost out to the Internet.”

The maxim of the last 50 years, “the bigger the better”, which still seems to be the rule in America and Asia, will, according to Thompson, soon be outdated.

Let me emphasize some figures :

In 2004, the turnover from online casinos alone was estimated to amount to 8.3 billion US dollars (Source: Christiansen Capital Advisors). In 2006 respected analysts expect turnover to be 12.6 billion US dollars, although online gaming is illegal in many countries.

How long these states can still afford this ban is not so much a question for the legislative bodies, but rather for the

budget and tax experts.

All large American casino and gambling corporations are already partners in, or own online providers – naturally not in the USA, but in Canada, the Caribbean or other tax-free islands.

In the past months we in Europe have received news of a poker boom in American high schools. The participation of pupils in online poker games became so alarming that the supervisory authorities were called on to act.

The renowned “Annenberg Institute” discovered that more than 26% of all American pupils are placing bets in poker games, and that this figure is growing with epidemic speed.

More than 80% of visitors to poker websites around the world are Americans, although their participation is illegal.

According to its own figures, the gambling company “Betandwin” recorded a turnover of 855 million € on the European market with the Internet in 2004, half of which was made with the casino games Roulette and Black Jack. The company is licensed in Gibraltar and quoted on the stock exchange.



In many countries legislation on gambling has either not yet acknowledged the new types of Internet gambling, or online gambling is banned.

59% of managers of the hundred European leading gambling corporations are expecting Europe-wide legalisation before 2009 since the states cannot enforce the bans as citizens are defying them.

The growth of online games cannot be halted. Nigel Payne, Director of the British online company “Sporting Bet”, estimates the number of poker players worldwide at over 100 million, of which only 1% are using one of 200 poker online

websites. The market is extreme huge. There is no end to growth within the foreseeable future.

These selected figures are cited to demonstrate the upheaval that the gambling market is experiencing, not only in Europe, but globally, and that the most intensive growth is coming from countries where gambling is banned for legal, religious or ethnic reasons.

Looking at Europe, we are forced to realise that despite the ban, in 2004 alone there was a flow of more than 4 billion euros from German-speaking countries to online providers. Since these companies are not based in Europe, not only does the traditional national gambling market lose out on revenue, taxes from this market are not collected by the public treasury.

Since 1990 the Directorate-General III of the EU, which is responsible for the internal European market, has been trying to harmonise the gambling market so that the huge differences in gambling legislation, taxes, competition and gambling products can be smoothed out and liberalised. This is despite the fact that all countries are aware that differences in the gambling market between the countries can be exploited and lead to excessive gain among those who know how to use these differences.

To date, that is 15 years later, harmonisation of this market has not been carried out.

By 2009 the EU intends to make a new attempt at regulation and harmonisation. Whether this will actually succeed is highly questionable.

The technical possibilities of the Internet mean that there are no longer any national borders or laws which cannot be evaded easily. The only limits which seem to be in place today, are imposed by the technical skills and moral consciousness of the users.

The number of people who are able to use computers is ever

increasing, as is the number of people who are learning how to use the new medium that is the "Internet".

Therefore, the number of those who are trying out and using the exciting opportunities offered by online gaming is also growing every day. The motivation for this is all too human – curiosity, boredom and desire for money.

As long as the computer market is growing, and as long as gambling providers keep perfecting their product, the numbers attracted by online gaming and its diverse facets will continue to rise.

In view of the global character of this medium it is not enough for one country to try and introduce and enforce regulation for online gaming. In Europe, the same rules and regulations must be in place within the EU at the very least.

The EU must find a new definition for the term gaming, gambling and betting, and harmonise and regulate the game rules, the conditions for competition and fiscal issues so that uniform conditions are in place to control the appeal of illegal and transnational gambling on the Internet.

Gambling is governed by the same market mechanisms as the trade in goods. Differences in price between similar products in neighbouring countries will inevitably lead to smuggling, i.e. to illicit actions. The same mechanisms apply to "cross-border betting".

Our society urgently needs to face this new global challenge, to recognise the massive potential and take regulatory action and create the appropriate framework conditions, so that gambling can remain a meaningful, entertaining and culturally valuable hobby, instead of becoming a scourge.

During the next three days here in Malmö, we will try to find answers to these questions, in different technical areas and with varied approaches and solutions.

I would like to wish all of you attending the sixth conference of the EASG, which for the first time takes place in Scandinavia, here in Malmö, a very constructive time. I will

now open the first plenary session by briefly presenting the participants before they introduce themselves and their subjects.

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