

To Dave Bawden cc Helen MacNamara
Robert Raine
From Martin Niblett Elliot Grant
Ruth Shaw
File Ref Chris Bone
Greig Chalmers
Date 11 July 2003 Bill Bush

RICHARD CABORN'S MEETING WITH DETLEF KORNETT, MANAGING DIRECTOR OF THE ANSCHUTZ GROUP: MONDAY 7 JULY

1. You were present when Richard Caborn met Detlef Kornett, Managing Director of the Anschultz Group on Monday 7 July as a follow up to their meeting with the DPM in June. Chris Bone, Greig Chalmers and Robert Raine were also present.

2. The meeting began with Detlef Kornett giving the Minister a brief outline of the Dome project. He explained that it would be a purpose built facility consisting on an arena, surrounded by live entertainment rooms, cinema, theatre and other attractions that would also have commercial and residential buildings. He added that the arena could be turned round quickly enough to hold different types of events in the morning and afternoon, which would be unique to Europe. He gave the example of their Staple Centre in Los Angeles where this already happens and invited the Minister to visit the centre (Martin Niblett to note).



5. The meeting then went on to discuss gambling issues with Detlef Kornett stating that their intention was to have a casino adjacent to the Dome. He added that they have an option to develop a 600 bed hotel which has been agreed in the planning application. He

added that they are not casino operators but they have a number of parties who would be very interested in running it. Greig Chalmers then gave an update on the gambling bill timetable stating that it would be published in draft this year and will go through PLS - the Committee has been announced and must report by April next year. He added though that he did not know whether it would be in this year's Queens Speech. The Minister added that the government is committed to modernising the gambling laws through controlled deregulation, and explained that the Bill could still reach the next session even if it was not included in this year's Queens Speech.

6. Chris Bone stated that the Bill will allow for changes to be made on casino regulation in terms of membership, advertising and the slots per table rules. Detlef Kornett stated that they had been exploring ways of opening a new casino under the existing laws. Chris Bone stated that any application under the existing law would obviously not cover the changes that will be made to the above criteria. He added that a statement will be issued in the next few weeks clarifying the government's intentions and he would ensure that a copy would be forwarded to Mr Kornett (Chris Bone to note).



Martin Niblett
Assistant Private Secretary

Note - this visit did not take place - the Anschutz people were confused over dates and could not make the Thursday 14th appointment they themselves had suggested - cb

**From: Chris Bone
Gambling and National Lottery Licensing
3rd floor
Cockspur Street
☎ 211 6479**

cc

**Tessa Jowell
Richard Caborn
Elliot Grant
Robert Raine
Dave Bawden
Graham Catt
Bill Bush
(all e-mail)**

8 August 2003

Andrew McIntosh

CASINOS - ANSCHUTZ ENTERTAINMENT GROUP (AEG)

Issue

Whether you should meet senior people from AEG, the prospective purchasers of the Dome.

Timing

- 2. Thursday 14th August (time to be fixed).

Summary

- 3. AEG's plans for the Dome involve a world class sports arena alongside a major entertainment venue with associated shops and restaurants, etc.
- 4. A casino does not form part of the deal for the Dome. But AEG are keen to have one, and to get it going quickly. They want it to be a major attraction on US lines. But the changes in the planned Gambling Bill will need to be in place before this can happen.
- 5. The AEG group visiting you will be Tim Leiweke (President), David Steele (President, Real Estate), Kevin Conwick (lawyer) and Detlef Kornet (Head of AEG Europe). Mr Caborn met Detlef Kornet on July 7th (and officials will be meeting him again on Monday 18th).
- 6. The Dome Sale Unit in the Deputy Prime Minister's Office are suggesting a further meeting with this more senior group. The important thing that AEG need to hear is high-level confirmation of the Government's continued commitment to the gambling reform programme.
- 7. Other than that, there is not a lot you can say to them other than what Mr Caborn told Detlef Kornet last month, though you will also be able to talk about this week's casino statement.

Recommendation

- 6. That you see them. Briefing attached - I would attend.

CHRIS BONE

Gambling Reform

Timing of the legislation

- Government is determined to proceed with the legislative package set out in *A Safe Bet for Success* as soon as Parliamentary time permits.
- Not clear that we will *not* be able to proceed during the 2003/04 session. The Government has a lot of important business for 2003/04. But even if the Gambling Bill is not in the Queen's Speech, we may be able to introduce it later in the session. We might then be able to carry it over into the 04/05 session.
- Will definitely publish draft Bill for pre-legislative scrutiny as soon as possible in 2003. Hope that examination of draft Bill will build up support for legislation, and reassure any doubters.
- If we cannot run the Bill in 2003/04, we will run it in 2004/05.
- That will lead to the new law – and the modernised controls on casinos - coming into force in 2005 or early 2006.

What are the major changes so far as casinos are concerned?

- scrapping casino permitted areas (the 51 permitted areas in GB do not include Greenwich or the Dome);
- scrapping the need for casinos to be members' clubs and the 24 hour gap before you can start playing;
- allowing advertising;
- allowing betting and bingo;
- most important of all casinos will be allowed to have linked, unlimited gaming machines – 'casino slots' – which are the main revenue driver for casinos in virtually every other country. These are currently banned in the UK.

Casino statement

- We published our statement on detailed casino controls last week (Thursday 7th).
- Large casinos - with more than 10,000 sq ft of gaming table area and more than 40 gaming tables – will be able to have unlimited numbers of linked gaming machines. Smaller casinos will not – they will be able to have no more than 3 machines per gaming table.
- The smallest new casinos we will allow must have a table games area of at least 5,000 sq ft.
- Welcome views on this statement – we've asked the industry to let us know what they think by the end of October.


How many of the changes can we deliver without the Gambling Bill?

- Realistically, none – all but one of the changes require the Bill
- in theory we could add Greenwich to the list of permitted areas – using an SI under the current Gaming Act 1968
- **BUT** very strong arguments against that
- Greenwich is not the only new area that might want a casino (for instance there are plans for casinos in Docklands, which is currently not a permitted area) and the Government would have to juggle competing claims.
- That is why the Home Office essentially left this issue alone for 30 years, despite consultation about it in the 1990's. The current permitted areas date from 1971. We might well have to consult again – or face criticism, for instance from OFT, if we went ahead without consultation.
- **IN ANY CASE, THIS WOULD NOT DELIVER WHAT ANSCHUTZ WANT** – all they would get would be an old-style British casino, with
 - membership
 - the 24-hour rule
 - no advertising
 - no betting or bingo
 - small number of old-style gaming machines, with top prize of £2,000 and no linking.

**NOTE OF A MEETING WITH ANDY SWYER AND CHRIS STENDALL, ODPM
12 September 2003**

Those present:

- Chris Bone
- Graham Catt
- Derek Aldridge
- Andy Swyer
- Chris Stendall
- Richard Beston (note)

1. Andy Swyer outlined the situation to date. A deal for the Dome was signed in 2002, but it was not dependent on gambling de-regulation. However, AEG had worked up its business plan and a casino was now a central feature. A high profit casino would underline all the other facilities. Andy asked for an update on the timetable for the Gambling Bill and how Kerzner's application had progressed, which would be useful for ODPM's overall risk assessment. Chris outlined the likely timetable for the Bill.
2. Andy then outlined the timetable for the new construction at the Dome. ODPM expected the deal to complete in Spring 2004 with work commencing at the end of that year. The arena is expected to be completed by 2006. Any delay would have an impact on regeneration and the Olympic bid. Andy specifically asked that we keep him informed of any meetings with regard to the Dome.
3. 
4. Chris agreed to keep ODPM updated on progress with the Bill and casino policy, including any contacts with AEG. Derek agreed that, if Kerzners are successful with its application, he would provide broad details of what the Board had scrutinised.

d

From Richard Beston cc Alex Towers
Gareth Maybury
Andrew Ramsay
Elliot Grant
File Ref 03/18213 Chris Bone
Greig Chalmers
Date 19 January 2004 Graham Catt
Nick Bent

Andrew McIntosh

Issue:

1. Briefing for your meeting with top-level representatives from Kerzners International:
 - Sol Kerzner
 - Tobin Prior
 - Jerry Hosea
2. Chris Bone and I will attend.

Timing:

3. 22 January at 09:45.

Recommendation:

4. That you use this meeting as an opportunity to learn more about Kerzner's plans to capitalise on gambling de-regulation in the UK.

Summary:

5. You can expect to be pressed on the usual issues from casino operators, including: money laundering directive, timetable for the Gambling Bill, taxation and the details in the casino statement (i.e. planning and numbers of slot machines).
6. Kerzner's have submitted an application to open a casino in Northampton. The Gaming Board is currently processing its application for a Certificate of Consent. Enquiries are likely to take a few more weeks and we should give no indications on the timescales or likely outcome.
7. You should be aware that John Prescott recently met Phil Anschutz, owner of the Anschutz Entertainment Group (AEG), which is going to build a new arena inside the Dome. There are plans for a hotel and casino inside the Dome. ODPM colleagues advise that AEG has entered into an agreement with Sol Kerzner for his organisation to build and operate the hotel and casino next to the Dome arena, once the legislation allows and the necessary consents have been secured. The Dome deal is not contingent on a casino being built, but the casino is a key plank in AEG's long-term business strategy.

8. Although AEG has never formally confirmed the connection between itself and Kerzner, there has been much press speculation and comment. It is likely that the connection will be announced once the commercial deal on the Dome and the Greenwich Peninsula is confirmed – which ODPM currently expect to be in May 2004
9. I have included background briefing and lines to take on: money laundering directive, tax, planning and the timetable for the Gambling Bill.
10. I attach the following:
 - ANNEX A: Background brief and lines to take
 - ANNEX B: Note on Kerzners International
 - ANNEX C: Note on Sol Kerzner

RICHARD BESTON

ANNEX A:

1. Application for a casino license

- **This is a matter for the Gaming Board. It would be inappropriate for me to comment**

2. Casino Statement

Issue:

You may be asked for an update and to clarify planning issues and the limits on slot machines etc.

Background:

You indicated to the PLS Committee, when you gave evidence on 16 Dec, that we plan to stick to the numbers set out in the 7th August statement:

- a minimum size of 5,000 sq ft (in terms of area set aside for gaming tables) for a new casino;
- a 3 to 1 ratio of gaming machines to gaming tables; but
- where a casino has a gaming tables area of over 10,000 sq ft, and more than 40 gaming tables, the casino should be allowed to have any number of machines; and
- no linking of gaming machines between casinos

Since then, we have had meetings with the Gaming Board, BCA and UKCOA to talk about the proposals in more detail. They seem to have broadly signed up to the general approach we've been outlining as set out in Chris Bone's recent submission.

Planning:

As far as planning is concerned, it is clear that neither the existing UK industry nor ODPM will readily sign up to the proposition which we floated before you went to the USA i.e. that all large casinos should be subject to regional planning control. Your message should be that it is something that the Government is still considering.

Line to take:

- Interested to hear your views about our casino statement
- Would like to encourage you to submit evidence to the PLS Committee
- Pleased that further discussions with UK operators have taken place and that these have been very constructive
- Recognise the importance of making sure controls are clear and consistent across the United Kingdom
- As I said at our meeting in Las Vegas, Regional Planning Bodies will agree the locations in their region which will benefit from large casino developments and these will be named in the Regional Planning Guidance
- At the local level, the local planning authority is responsible for identifying the site where the development will be encouraged and for granting planning permission

3. Tax:

Issue:

Like other potential overseas investors, Kerzners will be concerned about tax.

Background:

This is a matter for the Treasury, and it has yet to decide on the duty rates.

Lines to take:

- The Chancellor said in his last Budget that the Government intends to ensure that reform of gambling taxes moves forward in concert with potential changes to the regulatory environment for gambling.
- The Chancellor is aware of the importance of tax as a consideration in business decision-making.
- Decisions and announcements on taxation are for the Chancellor in his annual Budget statements.
- The Government is fully committed to the objectives of gambling deregulation, and will also need to ensure sustainable revenues for the exchequer from the gambling industry.

4. Gambling Bill timetable:

Issue:

You can expect to be asked about progress on the draft Gambling Bill.

Background:

Tessa Jowell announced the publication of the draft Gambling Bill on 19 November, with pre-legislative scrutiny starting that month as well. You have made it clear that you will not attempt to influence or pre-judge the pre-legislative scrutiny committee's report, due by 8 April 2004. You have stressed the importance of casino operators to submitting evidence to the PLS Committee.

The Queen's Speech said that further draft clauses would be laid.

Lines to take:

- We intend that further sections of the draft Bill will be published early next year, as referred to in the Queen's Speech.
- This draft Bill is being scrutinised by a Joint Committee of both Houses of Parliament, with a report due by Easter 2004. We welcome the rigorous examination of our proposals that this will involve.
- We will therefore be in a good position to introduce the final Bill to Parliament after Easter 2004, having given full consideration to the Committee's recommendations.
- At this stage we cannot say exactly when the final Bill will be introduced, but all our

- efforts are directed towards getting the earliest possible introduction.
- Parliamentary time will, as always, be very precious, and the Government will want to progress a number of high priority measures, including the Gambling Bill.

5. Problem gambling

Background:

The Gambling Bill proposes a range of measures to protect children and vulnerable adults from the effects of harmful gambling. In particular, the Bill proposes reserve powers for the Government to raise a statutory levy on licensed gambling operators and National Lottery licensees to provide funding for research into the treatment of, and education about, problem gambling. We will consider using these powers if the industry, through the GICT, fails to contribute sufficiently to these aims. We believe this collective contribution should be no less than £3 million per annum.

Lines to Take

- Place a great deal of importance in problem gambling.
- Our licensing regime for casinos must strike a clear balance between bringing gambling further into the mainstream leisure industry and ensuring fairness to participants and the protection of children and the vulnerable

6. Money Laundering Directive

Line to take:

- **The draft regulations provide the best option for implementation of the Directive, from the casino's point of view at any rate, while the gambling laws are as they are; and will not significantly affect what they already do. This might still remain the case after the Gambling Bill is enacted.**
- **There is ample time for further consultations between DCMS, the Gaming Board, the Treasury, and the gambling industry (including interested US firms) between now and the introduction of the Bill next year, once the industry has had a chance to study the draft Bill. The Bill will enable us to amend the Regulations if we need to.**

ANNEX B:

Kerzner International Limited is the developer, owner and operator of luxury resort hotels and gaming properties worldwide. Atlantis, the Company's flagship property, is a premier destination resort and casino.

The Company's gaming business is focused on owning, developing or managing casino properties in attractive markets where the Company can capitalize on its development and operating expertise. The Company developed Mohegan Sun in Uncasville, Connecticut, which is currently operated by and owned by the Mohegan Tribal Gaming Authority. Following the completion of a major expansion in June 2002, Mohegan Sun is among the largest and most profitable casinos in the world.

The Company's luxury resort hotel business consists of a collection of premier properties that primarily operate in the five-star, deluxe-end of the resort market in The Bahamas, Mauritius, Dubai, the Maldives and Mexico under the brand One&Only.

ANNEX C:

**Solomon Kerzner
Chairman and Chief Executive Officer**

Solomon ("Sol") Kerzner has been Chairman and Chief Executive Officer since October 1993 and from October 1993 to June 1996 he served as President. Prior to founding Kerzner, he pioneered the concept of an entertainment and gaming destination resort designed and managed to appeal to multiple market segments by developing Sun City, located near Johannesburg, South Africa. Sun City features four hotels with approximately 1,300 rooms, an entertainment center that includes a 6,000-seat indoor superbowl, a 46-acre man-made lake for water sports and approximately 55,000 square feet of gaming space. Mr. Kerzner has been responsible for the development of 21 hotels and founded both of southern Africa's largest hotel groups, Southern Sun Hotels and Sun International South Africa.

**BONE CHRIS**

From: BONE CHRIS
Sent: 06 August 2003 17:08
To: GRANT ELLIOT; BAWDEN DAVE; CATT GRAHAM; CHALMERS GREIG
GREIG
Subject: FW: Meeting with Nick Shattock

I saw these people this afternoon. Nick Shattock outlined Quintain's plans for casinos in the Dome and at Wembley as part of the overall plans for these areas. I gave them the latest on the Gambling Bill and casinos, and suggested they look out for our forthcoming statement on the latter.

c b

-----Original Message-----**From:** Graham Johnson [mailto:grahamj@pallmallconsult.com]
Sent: 06 August 2003 10:02
To: BONE CHRIS
Cc: Natasha Moore; Nick Shattock
Subject: Meeting with Nick Shattock

Dear Chris

We have arranged a meeting between you and Nick Shattock a board director of Quintain at 2pm today.

My colleague Natasha Moore will also be present. The purpose of the meeting is as follows, Nick Shattock is the Director responsible for Quintain's involvement at the Greenwich Peninsular (in partnership with Lendlease) and the land around Wembley stadium is entirely in Quintain's ownership. These are the two largest mixed use developments in London and in both cases major US casino operators have made approaches about the possibility of casino hotels being incorporated within the developments. This obviously depends on the progress of Gambling legislation which we have been tracking for other clients and we have brought Nick up to date with our understanding of the situation. We have told that legislative change will be necessary to allow developments of this type to occur and that the Government is likely progressively to publish draft clauses for the legislation over the next few months for pre-legislative scrutiny. We have also said that we believe that the part of the legislation dealing with casino hotels is unlikely to be dealt with in the next parliamentary session and is more likely to come forward in 2004/5. Nick is keen to speak to you to gain first hand knowledge on this legislative timetable as he will be having discussions with US interests in the autumn.

Regards
Graham Johnson

.....
Graham Johnson
Pall Mall Consult
11 St James's Place
London SW1A 1NP

Tel: 020 7009 1020
Fax: 020 7009 1030

PLEASE NOTE: THE ABOVE MESSAGE WAS RECEIVED FROM THE INTERNET.

06/08/2003

Tobin Prior
CEO UK Gaming
Kerzner International
2-4 Packhorse Road
Gerards Cross
Buckinghamshire
SL9 7QE

Thank you for your e-mail of 12 November asking for a meeting to discuss the draft Gambling Bill and Kerzner's future UK expansion plans.

I would be most interested in learning more about your plans to capitalise on gambling de-regulation in the UK and I agree that we should meet.

Please contact my Private Secretary, Gareth Maybury (telephone 020 7211 6303), to agree a mutually convenient time and date.

I will look forward to meeting you.

ANDREW McINTOSH
Minister for the Media and Heritage



From: BONE CHRIS
Sent: 20 August 2003 16:56
To: MACDONALD ALISTAIR
Cc: GRANT ELLIOT; CORNELL GRAEME; IND HUGH; STREET SUE; MAYBURY GARETH;
CHALMERS GREIG; CATT GRAHAM
Subject: RE: Dome and Greenwich Peninsula - casino

Alistair

The principal restriction on the location of casinos is that a casino can only get a licence if it is in one of 51 'permitted areas' around Great Britain. These areas are listed in an SI made in 1971.

In London, the 'permitted areas' are the Boroughs of Westminster and Kensington & Chelsea, and a part of Camden (in other words, the West End). The permitted areas do not include anywhere else in London, such as the City, Docklands, or anywhere south of the river including Greenwich.

The Gambling Bill will abolish permitted areas altogether, so that a casino may set up anywhere in GB as long as it has the necessary Gambling Commission operating licence, local authority premises licence, and planning permission.

In theory, it is possible to amend the list of permitted areas, before we have the Gambling Bill, by an SI under the Gaming Act 1968 in order, for example, to add Greenwich. But there are strong arguments against that and Ministers have previously ruled out such a change.

First, Greenwich is by no means the only new area that wants a casino. For instance we know of plans for casinos in Docklands (currently not a permitted area). If we ran an SI to allow Greenwich to be a permitted area we would have to juggle competing claims from other places. There was a Home Office consultation exercise about this in the 90's (which led to no change) - we might well have to re-run that, or face criticism, for instance from OFT, if we went ahead without consultation. There is also the point that, under the current funding arrangements, we could not finance the expansion of the Gaming Board which would be necessary to regulate a larger number of permitted areas.

Second, allowing Greenwich to be a permitted area would be no use to a prospective Dome casino operator without the other major changes to casino law which we plan. These can only happen as part of the Gambling Bill. These are

- * abolishing the membership requirement for casinos
- * allowing casinos to advertise
- * allowing them to have the linked, no-limit gaming machines which are the main profit driver for international casinos of the kind planned for Greenwich
- * allowing them to have betting and bingo.

The Bill will also bring in the necessary underpinning of regulation by the Gambling Commission.

Third, as Anschutz made clear to us when we met their top man in Europe earlier this week, they will not be in a position to open a casino in Greenwich anyway until 2007.

c b

-----Original Message-----

From: MACDONALD ALISTAIR
Sent: 20 August 2003 15:48
To: BONE CHRIS
Cc: GRANT ELLIOT; CORNELL GRAEME; IND HUGH; STREET SUE; MAYBURY GARETH
Subject: RE: Dome and Greenwich Peninsula - casino

Chris

Andrew has seen this and would appreciate clarification on if and how the present restrictions on the location of casinos can be changed without legislation.

Thanks

Alistair MacDonald
Assistant Private Secretary
Andrew McIntosh's Office
x 6304

for box closure times click below

http://intranet/ministers_private_office_and_management_board/ministers/ministers_box_closure.asp

-----Original Message-----

From: BONE CHRIS

Sent: 19 August 2003 18:07

To: MACDONALD ALISTAIR; MAYBURY GARETH

Cc: GRANT ELLIOT; CORNELL GRAEME; IND HUGH; STREET SUE

Subject: FW: Dome and Greenwich Peninsula - casino

Alistair - to see and ensure that Lord McIntosh is made aware of this

c b

-----Original Message-----

From: Chris Stendall [mailto:Chris.Stendall@odpm.gsi.gov.uk]

Sent: 19 August 2003 17:58

To: BONE CHRIS; CORNELL GRAEME; IND HUGH; STREET SUE

Subject: Dome and Greenwich Peninsula - casino

**** High Priority ****

Graeme/Chris/Hugh (cc Sue Street)

I attach for your and Ministers' information a note I have just put up to the DPM here, which is self-explanatory (with the two attachments). I'd be grateful if you would forward this to Lord McIntosh's office, as I don't know the right e-mail structure for him. Many thanks.

Chris

I attach a 3 page submission to the DPM (and Keith Hill, o/r), with two attachments, for him to see tonight if at all possible - the likelihood of heading off the announcement referred to in the submission is now slim it appears.

The DPM should read the letter from Mike Appleton in due course, but more immediately I should welcome endorsement of the proposed lines to take in case of press approaches following the expected announcement in the States tomorrow.

I have not copied this to No.10, but the DPM's or Keith Hill's office may want to consider this (Martin Hurst is my usual contact). I am sending copies of the submission separately to DCMS.

Chris Stendall
Dome Sale Unit