

# chapter twenty four

## Casinos

- 24.1 A number of issues we have discussed in earlier chapters affect casinos. This chapter deals with issues that are unique to casinos. Chapter 19 deals with the licensing of corporate bodies and individuals and chapter 21 with the licensing of premises.
- 24.2 In chapter 20 we have recommended that permitted areas and the demand test should be abolished. Recognising that this could lead to a significant increase in applications for casinos, we have suggested that, at least initially, there should be a specified minimum size for a casino. We have recommended that the gaming floor devoted to table games should be at least 2,000 square feet.
- 24.3 In chapter 22 we have set out our recommendations that membership and the 24-hour rule should be abolished; credit cards should be permitted to be used for gaming; and advertising restrictions may be relaxed. We also propose in that chapter that casinos should be able to offer bingo and betting in addition to table games and gaming machines (subject to the operator obtaining the necessary licences).
- 24.4 In chapter 23 on gaming machines we have suggested that in the strictly regulated environment of a casino, slot machines with unlimited stakes and prizes should be permitted. We are concerned that there should be a mix of gambling activities in casinos and we have recommended that there should be a ratio of no more than eight gaming machines to each gaming table for the first eighty tables; but where more than eighty tables are available for play there should be no restriction on the number of gaming machines that are allowed. We have recommended that casino slot machines may be linked and that multiple and multiple-line staking should be permitted, subject to the machines operating on a random basis.

### Positive identification

- 24.5 We have recommended in chapter 22 that the statutory membership requirement for casinos should be abolished. That would not preclude casinos from choosing to continue to operate as private clubs should the operators wish to do so. For casinos, we recommend that instead of membership there should be a requirement to positively identify all those who enter the casino. We have been advised by the police that guests are not always properly identified and that this is a significant loophole in terms of money laundering requirements. When they gave oral evidence to us, we asked the British Casino Association what impact the abolition of guest status would have. They

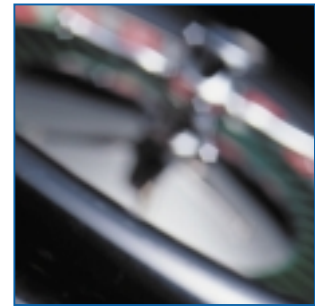
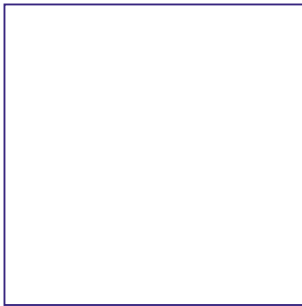
were concerned that, for cultural reasons, some visitors would prefer not to seek membership of a casino, but would like to attend occasionally as a guest. We have suggested that membership should be a matter for individual casinos and we do not think that need confuse the issue of guests. If the casino chooses to operate on a membership basis, guests should also be required to produce positive identification.

- 24.6 We are aware that casinos in some other jurisdictions insist that all visitors are positively identified and the absence of a membership system does not inhibit them from doing so. In Holland, for example, (where the casinos, of course, operate in accordance with the same EU Money Laundering Directive as UK casinos) the following are accepted as positive proof of identity:
- passports
  - tourist cards
  - driving licences (with photo)
  - national identity cards
  - military passports or ID cards
  - pensioners' ID cards
  - student travelcards
  - Government and corporate ID cards (but only if they carry a photo, first names, surname, date of birth, name of issuing body, issue number and signature of the bearer)

- 24.7 Several of the items of identification used in Holland will not be available to UK residents, although visitors to UK casinos could rely on identification of this kind. The UK will need to produce its own list of acceptable means of identification, in consultation with the police. **We recommend that the Gambling Commission should issue a list of the documents that are acceptable as positive proof of identity and should specify the details that should be recorded by the casino and for what period they should be retained.**

### Present in the casino

- 24.8 Chapter 30 sets out our proposals in relation to virtual gaming on-line. In legislative terms, that will require the removal of the requirement (in section 12 of the Gaming Act 1968) that gaming may only be carried out by a person who is present on the premises. We have



considered whether the removal of this requirement should have any consequences for anything other than virtual gaming. It would, for example, be possible for a punter to view a casino game broadcast from a casino somewhere in Great Britain and then game over the telephone or via e-mail. Effectively, there would be a third category between gambling on premises and virtual gaming, of gaming in casinos but remotely.

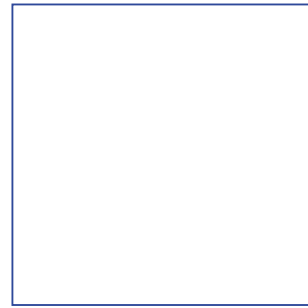
- 24.9 We do not think there is any reason of principle or practice to prohibit casinos from offering on-line gambling based on a real live game. Operators wishing to do so (like operators wishing to offer virtual gambling) would have to obtain a licence from the Gambling Commission before doing so. The Commission would need to satisfy itself that the games were fair, including that they were broadcast live. If it were the case that the Commission could not be satisfied that a game based on a live casino would be conducted fairly, it would not be approved.  
**We recommend that gaming remotely on the outcome of "live gaming" should not be prohibited.**

### Opening hours

- 24.10 We have recommended in chapter 21 that the local authority should determine a casino's opening hours as one of the conditions attached to the premises licence. It is perhaps worth setting out the current position in relation to casino opening hours.
- 24.11 Since 14 August 2000, casinos have been able to open from 2pm until 6am on weekdays. Before that date, they closed at 4am. In its press release, the Home Office said the "new closing time will also benefit staff who may see more flexible shift patterns and higher earnings." When we met a group of croupiers, they told us that there had not been adequate consultation with staff before this change was introduced and that many were unhappy about the changes in their working conditions. They also mentioned to us a number of other concerns about the health and safety of gaming staff, including, for example, exposure to passive smoking. The welfare of gaming staff is not within our terms of reference and we made this clear to the croupiers who came to see us. We were, however, concerned about the health and safety issues they raised with us and we have put them in contact with the Local Authority Unit at the Health and Safety Executive, who are responsible for such matters in relation to casinos. We understand that consulting casino staff as a group may not be easy, because generally they are not unionised, but we would encourage casino operators to ensure that there is consultation with their staff before they seek to extend their opening hours further as a result of our recommendations.

### What games should be permitted?

- 24.12 The Bankers Games Regulations currently permits eight games to be played in casinos in Great Britain: American Roulette, French Roulette, Punto Banco, Blackjack, Casino Stud Poker, Craps, Baccarat and Super Pan 9. Casinos are also able to allow other games to be played, such as mah jong or backgammon. A fee may be levied on players, or rooms are made available as an ancillary attraction at no extra charge.
- 24.13 Only three written submissions to us commented on the need to relax the procedures for approving new games, or asked for specific changes in relation to particular games. However, this was a recurrent theme in the discussions we had during our visits to casinos. The industry is clearly frustrated that it cannot respond more flexibly to customer requests or have the ability to test a wider range of games before deciding whether to offer them on a more permanent basis. During our visit to Scheveningen, we noted that "Holland Casinos" could offer games from a selection of thirteen approved by the regulator. On the evening we visited, five different games were being offered and the manager suggested that this was the maximum he would offer at any one time. We note that the Ladbrokes Internet Casino (operating from Gibraltar) offers thirty-five games. There is clearly scope to increase the number of games currently approved under the 1968 Act.
- 24.14 We do not think that it is necessary for approved casino games to be specified in legislation. What is important is that the Gambling Commission should set the parameters for the development of games. Essentially, what is offered should be fair and transparent; any equipment that is required should be tested; staff should be properly trained; and punters should be fully informed about the returns. The Gambling Commission should publish a list of approved table games from which casino operators could select the games they would like to offer. Each casino should maintain a list of the games that it makes available for play, and as part of the inspection process the Gambling Commission should satisfy itself that there are staff who are properly trained to run the games that are on the list. The Gambling Commission should be open to requests for new games to be added to the list that it publishes, provided that they meet the criteria for acceptance. **We recommend that the Gambling Commission should set out guidance on the standards required for table games and should maintain a list of games that have been approved for play in Great Britain. Games may be added to, or removed from, the list at the Gambling Commission's discretion.** We do not consider that this should be an issue for secondary legislation.



## Entertainment

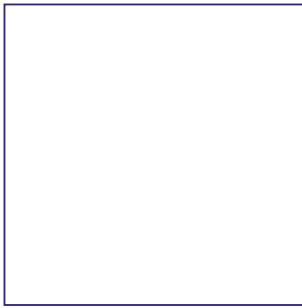
- 24.15** Casinos in Great Britain cannot offer live entertainment. Most other countries do permit live entertainment: as we saw for ourselves during our visits overseas. On those occasions, we felt that the provision of entertainment greatly added to the lively atmosphere in the casinos and that was in stark contrast to hushed tones in several of the UK casinos we visited. We are making other proposals that will further increase the availability of hard gambling in casinos and possibly attract new punters, who are tempted to visit following the removal of the membership requirement. Overall, we think that it would be desirable for casinos to be able to offer a more rounded experience, with entertainment in addition to dining and gambling.
- 24.16** No doubt the commercial objective of introducing entertainment would be to get punters to spend more time in the casino. An interesting comment made by a casino manager during our visit to Holland was that in his experience UK casinos wanted to attract gamblers, whereas Holland Casinos wanted to attract people for a night out that might involve some gambling. We were told that the average spend of customers in the Scheveningen casino is about £55 per visit, including food, drink and the £7 (about £2) entrance charge. That is lower than many of the examples of average spend given to us during our UK visits, and it may reflect the more relaxed environment in which customers appeared to be spending at least as much time socialising as gambling.
- 24.17** Not all casinos would want to introduce entertainment. The submissions we have received suggest that the aspirations of the current operators are fairly modest in relation to the entertainment they hope to offer. The example often quoted is of a desire to provide a piper to pipe in the New Year. Nevertheless, we have received two submissions from smaller operators opposing such a change on the basis that they could not compete with larger companies. We think that these concerns may be unfounded for two reasons. First, there will always be customers who prefer to gamble in quiet surroundings and would not welcome a change of the kind we are proposing. Second, we have made it clear that gambling must be the primary purpose of gambling premises. The minimum size for new casinos will also mean that there could not be an explosion of nightclubs offering gaming as a sideline. **We recommend that casinos should be permitted to offer live entertainment.**

## Alcohol on the gaming floor

- 24.18** In Great Britain, alcohol is not taken on to the gaming floor. That is unique amongst the 25 countries compared in a table provided to us by Ladbrokes as part of its submission<sup>1</sup>. The industry clearly appear to be of the view that there is a statutory prohibition, but the Home Office has assured us that the current position is the result of custom and practice. Certainly some casinos have a liquor licence that is valid for the whole premises, and some have a licence that specifically excludes the gaming floor. Whatever the legal position, there is a de facto ban on alcohol on the gaming floor. We have considered whether this should change. Alcohol and gambling do already mix in Great Britain. For example, punters may drink while playing bingo. Within casinos, the current restrictions are rather artificial. The croupiers we met told us that many customers nip to the bar while cards are being shuffled and race back in time for the next hand. Interestingly, the croupiers were divided about whether alcohol should be allowed at the table. They were conscious that people could spend more at the table if they were drinking and could take more risks as a result.
- 24.19** In general we are anxious that gambling and alcohol should not mix more than they do already. In the case of casinos, we do not think that allowing alcohol on the gaming floor would be a substantial change to the current position, where alcohol may be readily available a few feet away. **We recommend that the current restrictions on alcohol on the gaming floor should be lifted.**

## Tipping

- 24.20** Those who gave evidence to us were divided about whether the tipping of gaming staff should be permitted. Only six submissions commented specifically on this issue; of which, four were in favour of tipping and two against. The casino workers to whom we spoke were also divided.
- 24.21** Those who favour tipping point out what they regard as the iniquitous position that currently exists whereby the staff who serve dinner, bring drinks and look after coats may be tipped, but the staff who are actually providing the principal service that the customer wants (gaming) may not be tipped. Those who are opposed to tipping argue that it would change the relationship between the dealers and the punters and that punters would feel obliged to tip and may be pressured into doing so. There was also a concern that if tipping were introduced, wages would fall and take home pay would be unpredictable. Those may be real fears, but they are certainly not unique to gaming.



**24.22** We believe that to justify a statutory ban, there would have to be reason to think that tipping would lead to dishonesty. We have not received any evidence to suggest that this is a serious danger, although some operators have said that it could lead to abuse and collusion. If that did occur and was detected, the member of staff would certainly risk losing his Gambling Commission licence and thus his livelihood. Dealers are generally not in a position to influence the outcome of a game.

**24.23** Tipping is common in other jurisdictions and we have not been made aware of difficulties arising as a result. **We recommend that tipping of gaming staff should not be prohibited.** Individual casinos may, of course, choose not to allow tipping, or may decide to operate a tip pool for distribution to all staff. That should be a matter of negotiation between casino operators and their staff.

### Inducements

**24.24** Casinos already offer small “rewards” to valued customers. For example, they can take the form of free meals or cars home after an evening’s gambling. Staff are encouraged to point out customers to whom such perks should be offered.

**24.25** Casinos in some other jurisdictions can offer much more than this. At the most extreme, casinos can attract high rolling punters by providing private jets to bring them to the casino, lavish hotel suites while they stay at the resort, meals and entertainment fashioned to their preferences, and a discount on gambling losses. It is perhaps difficult to comprehend the sums that must be routinely gambled by these punters that still allow the casino to profit from the visit. At the lower end of the market, punters can collect loyalty points. Such loyalty cards were a common sight during our visit to Las Vegas. A typical loyalty scheme might offer:

- cash back each time a certain level of points is reached
- complimentary suites and dining
- reserved check-in lines at the hotel and immediate entry to restaurants
- discounts in local shops
- preferred parking facilities

The objective is to keep the customer and encourage him to spend more to earn more points to get, what may seem to be, extra benefits at no cost.

**24.26** We have said that one of our principles is to proceed cautiously. We are proposing changes that may make

casino gambling much more accessible to punters who have not previously entered a casino. We are proposing that a mix of activities may be offered in ways that have not previously been permitted in this country. The counter-balance is that regulation on the industry will remain tight. We are concerned that allowing casinos to offer inducements to gamble may be a step too far at this stage.

**24.27** We are uncomfortable about recommending that this area should be liberalised for two reasons. First, we have concerns that competition in offering inducements would inevitably descend into activities bordering on the criminal. It was the experience of the 1960s and 1970s that offering better incidental attractions was one way of attracting custom from rival casinos and dubious means were employed to identify and poach customers. We do not want to encourage this particular kind of competition and believe that it would be incompatible with the desire to keep gambling free from crime. Casinos must compete on the basis of the gambling products they offer, the quality of the service they provide and the ambience they create.

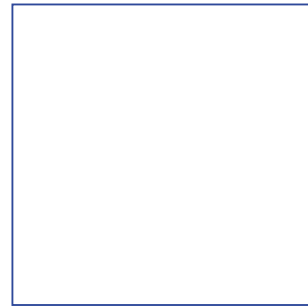
**24.28** Second, we have concerns on problem gambling grounds. We are concerned about punters who cannot afford to lose a great deal of money and are encouraged by loyalty card inducements to gamble more than they might have intended. **We recommend that no more inducements than are currently available should be permitted. The Gambling Commission should issue guidance on what inducements are acceptable.**

### Resort casinos

**24.29** A resort casino is a complex which includes hotel rooms, restaurants, bars, performance space, possibly conference facilities and, most important, a range of gambling facilities. The gambling facilities usually include large numbers of casino table games, fruit machines (slot machines with unlimited stakes/prizes), some form of bingo and sports betting. Resort casinos are the main feature of, for example, Las Vegas.

**24.30** Resort casinos are not permitted under present regulations, since, for example, live entertainment cannot be provided in casinos and the number of machines in casinos is strictly limited. Our proposed changes would permit them. The development of a resort casino or resort casinos in a particular location would depend on local authority planning decisions and on the commercial judgement of businesses that wished to provide them.

**24.31** We have received a submission from Leisure Parcs Ltd, London Clubs International Plc and Blackpool Challenge Partnership which seeks to develop a



gambling centre with a number of resort casinos in Blackpool as a means of regenerating the town. A group of us also visited Blackpool.

- 24.32** It is claimed by that consortium that the success of their project depends on Blackpool having a virtual monopoly, within the United Kingdom, of this type of resort. As they stand, our proposals would not guarantee that outcome. There are some 120 casinos in Britain. We assume that our proposals will result in an increase in the number of casinos which would also be able to offer the range of activities to be found in a resort casino. The British situation is therefore very different from the one that produced Atlantic City, for example, or Biloxi. In those cases the starting point was an existing ban on gambling of any type which was then relaxed for a particular region with the objective of regenerating it. A local monopoly was created deliberately to ensure the profitability of the operation and to attract commercial operators. A similar approach is currently being followed in South Africa where the right to establish a gambling resort, with a local monopoly, is auctioned (with the bid terms including evidence on local regeneration).
- 24.33** It is possible that a small number of resorts (or even possibly just one) would emerge as a response to free market conditions in a deregulated environment. Unless special conditions were imposed, a venture such as that proposed for Blackpool could not be sure in advance that it would enjoy a monopoly. That would require legislation which would grant the exclusive right to develop a gaming resort, with a number of resort casinos, in one location.

**24.34** Our terms of reference require us to consider

- The desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness maximise the UK's economic welfare.

It is clear that under current regulations suppliers of gambling in the UK cannot compete with the facilities offered by Las Vegas, Biloxi or Atlantic City. Citizens of the UK may therefore take holidays in those resorts because nothing similar is available here and we cannot attract foreign visitors seeking that kind of experience. The UK is at a regulatory disadvantage.

- 24.35** Our proposals reduce that regulatory disadvantage while still meeting the social objectives of current legislation. They therefore both increase consumer choice and provide additional opportunities for UK suppliers to expand their activities. They should therefore help to improve the UK's economic welfare.
- 24.36** We believe that the case for Blackpool (or for another resort) to be given monopoly rights goes beyond our terms of reference. The core of the case is that the Blackpool economy will thereby be regenerated. While we can completely sympathise with that objective we cannot claim to be able to decide whether the granting of a monopoly to Blackpool to establish a gambling resort is an appropriate way of achieving it. That is a matter of public policy extending beyond our terms of reference.
- 24.37** Our proposals would make resort casinos a legal possibility. Whether they would be an economic proposition in Blackpool or anyway else is a matter of commercial judgement.