

CHAPTER 3

The casino market

Report of the Royal Commission

3.1. The Royal Commission on Gambling, which reported in April 1978, found that about a third of casinos in Great Britain were currently owned by half a dozen large groups which also had substantial interests in other parts of the leisure industry.¹ There was a continuing tendency for the ownership of casinos to become concentrated in the larger groups. As it was extremely difficult to obtain a licence for a new casino, the most likely way for a business to expand was to buy casinos already in existence. But a change of ownership was subject to the grant of a fresh certificate of consent and licence and this was by no means a formality. The Royal Commission did not see anything in these developments which was inimical to the public interest. There did not appear to be an immediate prospect that any group might attain anything like monopoly power.

London's share of the market in Great Britain

3.2. The Royal Commission observed (Chapter 18.3): 'Rather less than 300,000 out of the total adult population of 41 million are thought to play with any degree of regularity. Guests and overseas visitors probably add another 100,000.' We do not have figures for the number of people who game regularly or occasionally in London. The main parties have given us figures for the membership of their London casinos. These are as follows:

Grand Metropolitan—wholly-owned	185,800
Ritz and Casanova	21,800
Pleasurama	4,500
Trident	25,600
	<hr/>
	237,700

These figures are not for active membership, and at Grand Metropolitan's casino the Palm Beach, for example, Grand Metropolitan told us that a total membership of 42,200 compares with active membership of some 22,000. In any attempt at estimating the number of people who gamble in London, the effects of guest membership and of membership of more than one casino must also be taken into account.

3.3. There were 19 casinos operating in London on 31 October 1983 out of a total of 119 in Great Britain. The drop in London casinos was £894 million in the year ending 31 August 1983, accounting for around 70 per cent of the drop in Great Britain, according to figures which we obtained from the Gaming Board. The peak attendance at London casinos (that is, the highest number of people playing all games in all clubs at one time) has fluctuated around an average of some 1,150 between February and August 1983. Comparable figures are not available for Great Britain.

¹ Royal Commission on Gambling Final Report, Cmnd 7200, Chapter 18, paragraphs 12-14.

3.4. The main reason why the London casinos have a much higher average drop than the provincial casinos is that a major part of the business of the majority of them comes from high staking international gamblers. We accept the argument put to us by the Gaming Board and the main parties that London casinos are distinct from provincial casinos in terms of average drop, clientele or staffing.

The position of the main parties in the London market

3.5. Pleasurama's view is that the most appropriate measure of market share is through the Gaming Board's measure of attendances and table multipliers, and Trident's view is that it is gaming win. Grand Metropolitan considers that no one measure provides a representative picture of the market, but that a general overview can be obtained by considering together the various measures, namely attendances, drop, numbers of tables and casinos and numbers of certified gaming staff employed. In London, Trident and Grand Metropolitan wholly owned four casinos each and Pleasurama one on 31 October 1983. In addition, Grand Metropolitan owned 75 per cent and Pleasurama 25 per cent of two casinos, the Ritz and the Casanova, which were managed and operated by Grand Metropolitan. The shares in the London market of these casinos in the year 1981-82, measured by tables and drop, are shown in Table 3.1. Grand Metropolitan's wholly-owned casinos had 24 per cent of the drop in the year ending 31 August 1982; Trident's had 16 per cent; and the one casino operated by Pleasurama 7 per cent. The Ritz and the Casanova together accounted for 20 per cent. For all London casinos operated by these companies the share was 67 per cent. We have not shown corresponding drop figures for 1982-83 for reasons of confidentiality. They show shares of the London casino market that do not differ significantly from those for 1981-82.

TABLE 3.1 Estimates of shares of the casino market in London

	<i>No of casinos (October 1983)</i>	<i>Drop</i>			
		<i>Tables</i>		<i>1981-82</i>	
		<i>(September 1983)</i>	<i>%</i>	<i>(end 31 August 1982)</i>	<i>%</i>
Pleasurama*	1	9	4	47	7
Trident	4	43	19	111†	16†
Grand Met	4	74	32	168	24
Ritz and Casanova	2	24	10	142	20
Others	8	81	35	234	33
Total	19	231	100	702	100

Source: Gaming Board.

* The figures in this line are for Maxim's, although it was acquired by Pleasurama only in March 1982.

† The figures are for the Clermont and the Victoria casinos purchased by Trident only on 7 January 1982. The Connoisseur and the Village casinos were purchased by Trident on 29 October 1982. The drop at these two casinos accounts for only a very small proportion of the total drop in Trident's London casinos.

3.6. The main parties asked for their figures for house win not to be published and we agreed not to do so as their use would not have affected our conclusions.

3.7. There were around 2,350 certified gaming staff in London according to a census carried out by the Gaming Board in 1982. Around 1,250 of them were employed by Grand Metropolitan in its wholly or partly owned casinos; around 370 by Trident; and around 90 by Pleasurama.

Changes in licences and ownership from November 1978 to March 1982

3.8. In November 1978 there were 23 casinos operating in London; another club was licensed but did not open until August 1979. Of these 24, Ladbroke Group Ltd (Ladbroke) wholly owned four; Coral Leisure Group Ltd (Coral) three; Grand Metropolitan, Playboy Club of London Ltd (Playboy) and Distinctive Clubs Ltd two each; and nine other concerns (called independently owned clubs below) one each. In addition, Coral managed and operated the Palm Beach Club of which it owned a two-thirds share, the remaining third being owned by Grand Metropolitan; and Grand Metropolitan and Pleasurama had the joint interest in the Ritz noted in paragraph 3.4. Pleasurama had no other interests in London, and Trident had not yet entered the gaming industry.

3.9. Following investigations in December 1978 and the preferment of charges under the Theft Act 1968 or the Gaming Act 1968, the police and the Gaming Board applied for the cancellation of the licence for the independently owned Victoria Sporting Club. Before the proceedings for cancellation the casino was sold to Playboy in October 1979.

3.10. In 1979 Grand Metropolitan acquired a 75 per cent share and Pleasurama a 25 per cent share of the independently owned New Casanova which has since been managed and operated by Grand Metropolitan (see paragraphs 7.5 and 7.6).

3.11. As a result of disclosures about the methods adopted to induce wealthy gamblers to become members of Ladbroke's London casinos, the police objected successfully to the renewal of the licences for three of its casinos and these were closed in December 1979. Ladbroke relinquished the licence for its fourth casino in July 1980 and subsequently sold the lease on the premises to Zealcastle Ltd (Zealcastle) (see paragraph 3.19).

3.12. Following raids by the police and Gaming Board inspectors in November 1979 and the making of a number of criminal charges, the police and the Gaming Board applied for the cancellation or non-renewal of the licences of the four London casinos managed and operated by Coral. The licensing authority for the International Sporting Club, the Palm Beach and the Curzon cancelled their licences in September 1980. The licensing authority for Crockford's adjourned the Crockford's case pending final determination of the other clubs' appeals. Before these could be heard in the Crown Court, Coral was taken over by Bass Ltd which sold Crockford's and the International Sporting Club to Lonrho Ltd (Lonrho), its two-thirds share in the Palm Beach to Grand Metropolitan; and the Curzon to Aspinall's Club Ltd (Aspinall's). The appeals failed and the three clubs directly concerned were closed in March 1981. Grand Metropolitan went through the procedure of obtaining a new certificate of consent and licence for the Palm Beach, which re-opened in June 1981. Lonrho was granted a fresh appeal by the Divisional Court which quashed the Crown Court's

decision, holding that insufficient regard had been paid to the restructuring of the club following the takeover. The International Sporting Club reopened in June 1981 and was re-licensed on fresh appeal in July 1981. Crockford's remained open throughout, the objections to it being withdrawn. The Curzon has remained closed to date (see paragraph 3.22).

3.13. In October 1981, Grand Metropolitan was granted a licence for the Rendezvous on the undertaking that it would surrender the licence for another club when the Rendezvous opened (see paragraphs 3.21 and 3.23).

3.14. As a result of evidence obtained during raids on two of the London clubs owned by Playboy, the Gaming Board and the police objected to the renewal of the licences of Playboy's three London casinos in 1981. Playboy's parent company, Playboy Enterprises Inc, sold them to Trident in January 1982. The Gaming Board withdrew its objection in respect of the Victoria Sporting Club which, renamed the Victoria, remained open; the Playboy Club and the Clermont were closed in February 1982.

3.15. The independently owned Olympic Club was raided by the police and Gaming Board inspectors in July 1981. In February 1982 it was sold to Lonrho who immediately closed the casino and surrendered the licence. Lonrho obtained a certificate of consent and applied for a new licence at the earliest opportunity which was not until spring 1983 (see paragraph 3.26). Since February 1982 it has used the premises as a training school for its casino staff.

3.16. In October 1980 an individual purchased the company holding the licence for Maxim's. In December 1981 the Gaming Board successfully objected on appeal to the renewal of the licence on the grounds of the new owner's previous connections with gaming, his lack of experience in casino management and his normal residence abroad. The Crown Court deferred formal judgment so as to enable the club to be disposed of to an operator acceptable to the Board. Maxim's was sold in March 1982 to Pleasurama and the Gaming Board withdrew its appeal.

3.17. As a result of these changes there were 16 casinos operating in London in March 1982, compared with 21 at the end of 1981 and 24 in November 1978. Grand Metropolitan now wholly owned three operating casinos, Lonrho and Distinctive Clubs two each and seven other concerns (including Pleasurama and Trident) one each. In addition, Grand Metropolitan and Pleasurama had joint interests in the Ritz and the Casanova.

Changes in ownership since March 1982

3.18. For the annual licensing sessions commencing in May 1982 the Gaming Board reported to the London licensing authorities that the November peak attendance figures had declined over the three years to November 1981 and that, statistically, the facilities for gaming provided by the clubs existing in November 1981 were sufficient to meet the demand. But the Gaming Board took account of the closures of the Playboy, Clermont and Olympic in February 1982. It also took note of the suggestion that not all clubs are attractive to all players and that some of the patrons of clubs which had closed might not be able to find a suitable club among those which were left. It concluded that there might be room for one or two more casinos.

3.19. At the time that the Gaming Board issued this advice eight applications for additional casino licences had been made. The Board made no objection to any of the applications. The applications were heard by three separate licensing authorities over a lengthy period. By the end of it licences had been granted for four additional clubs, namely the Clermont, owned by Trident, on 13 May; the Stakis Regency, owned by Stakis PLC (Stakis) on 10 June; the London Park Tower, owned by Zealcastle, on 11 June; and the Curzon, owned by Aspinall's, on 9 July. Applications failed on grounds of insufficient demand in respect of the Playboy, owned by Trident, initially on 10 May and on appeal on 29 July; Les Ambassadeurs, owned by Grand Metropolitan, on 25 May; and the Bond Street Club, over which Pleasurama had an option to purchase, on 5 July. Pleasurama withdrew its application for Le Privé.

3.20. During the course of the hearings the independently owned Knightsbridge Sporting Club was closed. Its licence was cancelled and the premises disqualified for use as a casino for three years. All this followed a raid by the police and Gaming Board inspectors in March 1981. The closure took place on 8 June and may have contributed to the success at least of the London Park Tower application which had previously been adjourned.

3.21. Also during the hearings, a licence was renewed for the Rendezvous, the club owned by Grand Metropolitan which had not yet opened, and the undertaking that a licence for another club would be surrendered when the Rendezvous opened was allowed to lapse on 4 May.

3.22. At the end of the hearings, the Gaming Board took the view that licensed facilities were more than sufficient to meet demand, particularly in the South Westminster Division. It appealed successfully against the last licence to be granted there, namely that for the Curzon. The forthcoming re-opening of the Curzon is described in paragraph 3.28.

3.23. The Clermont re-opened in May 1982 and the London Park Tower (formerly the Ladbroke Park Tower) opened in July 1982. The Rendezvous and the Stakis Regency were refurbished and opened in February and May 1983 respectively.

3.24. Trident purchased the Connoisseur and the Village Club in October 1982.

3.25. Table 3.2 shows the ownership of the 24 licensed London casinos in November 1978 and of the 19 in June 1983. This reduction was partly due to the exit of three principal operators, namely Ladbroke, Coral and Playboy, and the entry of Trident with four casinos, Lonrho with two and Zealcastle and Stakis with one each. But the number of concerns owning one London casino each (although some of these also owned provincial casinos) was reduced from nine to four. Of the companies with a casino interest in November 1978 only Grand Metropolitan and Pleasurama increased the number of their wholly-owned casinos, Grand Metropolitan by doubling its number and Pleasurama by purchasing Maxim's. In addition, Grand Metropolitan and Pleasurama jointly acquired the Casanova.

TABLE 3.2 The ownership of licensed casinos in London in November 1978 and June 1983

		<i>November 1978</i>				<i>June 1983</i>	
<i>No of casinos</i>	<i>Owner(s)</i>	<i>Names of casinos</i>		<i>No of casinos</i>	<i>Owner(s)</i>	<i>Names of casinos</i>	
4	Ladbroke	Ladbroke Hertford Park Lane Ladbroke Park Tower (now London Park Tower)		4	Grand Metropolitan	Golden Nugget Sportsman Palm Beach Rendezvous	
3	Coral	Curzon International Sporting Crockford's		4	Trident	Victoria Clermont Connoisseur Village	
2	Grand Metropolitan	Golden Nugget Sportsman		2	Lonrho	Crockford's International Sporting	
2	Playboy	Playboy Clermont		1	Pleasurama	Maxim's	
1	{ Coral (‡) Grand Metropolitan (‡)	} Palm Beach					
1	{ Grand Metropolitan (‡) Pleasurama (‡)	} Ritz		2	{ Grand Metropolitan (‡) Pleasurama (‡)	} Ritz Casanova	
2	Distinctive Clubs	Charlie Chester's Golden Horseshoe		2	Distinctive Clubs	Charlie Chester's Golden Horseshoe	
9	Other concerns	Aspinall's Cromwell's Mint Maxim's* Victoria Sporting (now Victoria) Casanova Knightsbridge Sporting Connoisseur Village Olympic		4	Other concerns	Aspinall's Cromwell's Mint Stakis Regency London Park Tower	
	—				—		
	24				19		

Source: Gaming Board.

* Maxim's did not open until August 1979, although it was licensed in May 1978.

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3.26. In May 1983, Lonrho applied for a licence for the Olympic. The Gaming Board and Grand Metropolitan objected on the ground of insufficient demand. Grand Metropolitan argued, *inter alia*, that it had not seen the need to provide extra tables at the Sportsman although it could do so under its existing licence. The application was refused. Lonrho appealed in October 1983 but abandoned the appeal part heard.

Changes in the size of the London market

3.27. Whereas the number of casinos operating in London fell from 23 to 19 (17 per cent) between November 1978 and June 1983, the drop, measured at 1982-83 prices, fell by around 7 per cent between the years ending 31 August 1978 and 1983. The number of tables fell by around 19 per cent between November 1978 and September 1983. Peak attendance fell from 1,849 in November 1978 to 1,212 in November 1982 and was 1,170 in September 1983.

Extension of gaming facilities in clubs and exchange of licences

3.28. Operators may and many do from time to time change the number or type of tables within the gaming areas already licensed, subject to Gaming Board rules about clear minimum spaces and to any undertaking given to the licensing authority (see paragraph 2.23). Pleasurama obtained a licence for the extension of Maxim's gaming area in April 1983, which permits an increase in the number of tables there from nine to 12. In May 1983 Aspinall's arranged to relinquish the licence for its existing club in order to obtain a licence for the Curzon, which is in Mayfair. The Curzon will have a larger gaming area, allowing 11 tables instead of six. The Curzon is expected to open in spring 1984 as The Aspinall Curzon. In October 1983 Trident similarly arranged to relinquish the licence for the Connoisseur in order to obtain a licence for premises in the Royal Garden Hotel; the new casino will have six tables (the number being limited by an undertaking) in place of the Connoisseur's five and is expected to open in June 1984. No other licences have been granted for extensions of gaming areas since November 1978. Trident has increased the number of gaming areas but not the number of tables at the Victoria after cutting down the area set aside for soft gaming.

3.29. Operators exchanged licences in 13 other cases since November 1978, in order to move casinos to different premises, albeit without a larger area licensed for gaming. For example, Lonrho exchanged licences in order to move Crockford's from Carlton House Terrace to Curzon Street in Mayfair in March 1983. The Gaming Board could not recall an offer of an exchange of licences being refused by the licensing authority.

Market segmentation

3.30. Four casino operators (Grand Metropolitan, Lonrho, Aspinall's and the London Park Tower) gave us their views on market segmentation based on their assessment of the cheque-cashing facilities offered by the various casinos, their ambience, staking limits and location. The number of segments in the London market was variously estimated at two, three or four but there was broad agreement as to which clubs competed with which.

Pleasurama was sceptical of any attempt to classify casinos into market segments. We have not found it necessary to take a view on how many, if any, segments there are, although it is clear that some clubs cater primarily for higher staking gamblers in what may be called the 'upper end' of the market; conversely, other clubs cater primarily for lower staking gamblers who play in more crowded conditions in the 'lower end' of the market.

3.31. Operators may alter a casino so that it moves towards or away from one end of the market. For example Trident has recently altered part of the premises of the Victoria to move it nearer to the upper end; and, through the switch of licences between the Connoisseur and the Royal Garden Hotel, it will effectively move a casino away from the lower end.

Barriers to entry or expansion

3.32. As may be seen from our earlier explanations, the main barrier to entry to the London market is the need to demonstrate demand in order to obtain a licence.

3.33. Potentially, there are other barriers. For example, there may be some difficulty in obtaining a certificate of consent but it appears to us that this is not a major obstacle. A requirement for obtaining a certificate of consent is that the applicant must have sufficient financial reserves in relation to staking limits. Operators think it commercially prudent to regard the Gaming Board requirements as the minima.

3.34. Another potential obstacle is obtaining premises with planning permission for casino use. Lonrho told us that this difficulty arose particularly in Mayfair. Westminster City Council told us that it has recently been extremely reluctant to grant planning permission for premises to be used as casinos. There are at least seven premises (five in Mayfair) with planning permission but without a licence for casino use; the last two such planning permissions were granted on appeal to the Secretary of State in 1981. The Council is anxious to maintain the balance between the requirements of residential, entertainment and business users in its area. Kensington and Chelsea Royal Borough Council told us that it has adopted a policy that there will be a general presumption against casinos and gaming rooms and that the Council will have full regard to any likely effects upon the amenity enjoyed by nearby residents and will take into account any increase in traffic. In accord with this policy, one planning application for a new casino has been refused and two permissions have been granted (one for the extension of a casino, the other for within a hotel with an integral car park) in the six months to October 1983. There is one premises with planning permission but without a licence for casino use. It does not appear to us that there is a lack of suitable premises with planning permission for casino use, although such premises may attract high premiums.

3.35. Since November 1978, the most frequent opportunity to demonstrate demand resulted from the loss or threatened loss of an existing operator's licence. We think it likely that losses or threatened losses will not recur on this scale partly because there are now fewer operators and partly because those remaining will have learnt from the experience of others.

3.36. Small increases in demand may be catered for more easily by existing operators than by new entrants through exchange of licences to permit an increase in the number of their tables or to permit a move to more profitable locations. We have noted that the Gaming Board cannot recall an exchange of licence being refused, although the licensing authority may accept an undertaking from the operator to restrict any increase in the number of tables (see paragraphs 3.28 and 3.29). In addition, an existing operator may change the ambience of a casino creating less crowded conditions, although this involves shedding some of the current membership which takes time. Altering staking limits is not usually a problem. Operators who raise their maximum staking limits above those specified in their certificates of consent are not obliged in law to inform the Gaming Board although in practice they do so. The movement of a casino to a potentially more profitable part of the market may leave behind some unsatisfied demand. If so, the gap may be filled more easily by other casinos, for example by increasing the number of their tables, than by the entry of a new casino.

3.37. Entry or expansion may also be achieved by acquisition of casinos not under threat of licence loss; for example Trident expanded by purchasing the Connoisseur and the Village in October 1982. But the opportunities for such acquisitions have declined because of the reduction in the number of operators, particularly those with one or two casinos.

3.38. In circumstances in which demand is growing operators may experience difficulty in hiring suitable staff, but as yet this does not appear to us to have been a serious problem for London operators.

3.39. Reliable information on the probity of staff and the probity or credit-worthiness of gamblers are among matters which are of great concern to operators. Some informal exchange of such information takes place between London operators, partly through some gamblers. The quality of the exchange may not influence the entry of operators.