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**THE EVOLUTION OF
COMMERCIAL GAMING: FOCUS
ON THE FUTURE OF GAMBLING
IN VARIOUS PARTS OF THE
WORLD**

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COMMERCIAL GAMING: FOCUS
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Statewide • Worldwide

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**KEY TRENDS IN THE
WORLD OF GAMING 2008**

- The amazing continuing growth of Destination Integrated Resort Casinos
 - Las Vegas, Macau, and the emergence of Singapore
- The legal and regulatory challenges posed by internet gambling
 - USA versus the UK; rest of the world
- The continuing importance of new technologies to gaming product development and distribution
- The growing importance of Responsible Gambling as part of strategic public policy

**LONG TERM GLOBAL TRENDS
IN CASINO GAMING**

- Prior to the 1960s, general prohibition of casinos, with only a few exceptions
- 1970s: New industries in Australia, UK
- 1980s: Breakthroughs in America (riverboats, mining towns, tribal gaming; evolution of Las Vegas)
- 1990s: Proliferation throughout the US, Canada, New Zealand; hybrid casinos (racinos; card rooms; AWP machines; internet casinos; poker)
- 2000s: The decade of growth for Asia; continuing proliferation in USA (PA, KS, FL); internet struggles
- 2010s: Asia continues; Perhaps Europe's time for Integrated Resorts; new technologies and the evolution of gambling products

**HISTORIC REASONS FOR
PROHIBITION OF CASINOS**

- Moral opposition from the Church, from the State, or from other Elites in Society
 - But the influence of such organizations in directing citizens' behavior has diminished
- Organized Crime and Political Corruption
 - But keeping casinos and other gambling as illegal creates opportunities for organized crime
- Problem and Pathological Gambling, and concerns about unintended negative social impacts from gambling
 - But gaming organizations (or regulatory bodies) have considerable promise in implementing proactive strategies to address these problems

**REASONS FOR LEGALIZATION
OF CASINOS**

- Combat illegal gambling and its influences on society => Weaken "black economy"
- Generate tax revenues and other fiscal benefits for government, for specific groups (i.e. sports, tribes), or the general public
- Contribute to economic or tourism development or redevelopment
 - => "regeneration," or a focal point for tourism
- Satisfy the desire of one's citizens to participate in safe, fair, and regulated gambling activities
 - This last point is often ignored; Many societies feel that gamblers are fools and therefore do not deserve consideration in public policy

SUMMARIZING THE CURRENT STATUS OF PERMITTED GAMING INDUSTRIES

- Increasingly accepted as one of the entertainment options in modern society
- Primary legal gaming industries are casinos, electronic gaming devices, lottery, betting (horse and sports), bingo, card rooms, and charity gambling
- Wide variety of legal, ownership, and market structures, and tax regimes
- Wide variety of reasons for legalization
- Remains a controversial industry in the eyes of many
 - Many people make moral judgments about gambling
 - Perception that it preys on the weak, the sick, and the disenfranchised
 - Subject to unusual criticism and political/legal actions in comparison to other industries

CURRENT STATUS OF PERMITTED GAMBLING, GLOBAL PERSPECTIVE

- Roughly a US\$250 billion industry in a global context
 - U.S. market is about \$90 billion, European Union about \$80 billion, Australia/New Zealand \$20 billion, Asia \$20 billion, Canada \$15 billion, internet about \$12 billion
- Most popular forms of gambling are electronic gaming devices; the fastest growing are related to internet gambling
- Most gaming markets are locals' oriented; most are gaming-centric
- Mature gaming markets (those with low single digit growth) include most locals' oriented casino markets and most lottery markets

A SNAPSHOT OF INTEGRATED RESORT GAMING INDUSTRIES

LAS VEGAS: CURRENT TRENDS AND CHALLENGES

- Significant high end mega-casino and meta-casino projects open or under construction
 - Wynn Las Vegas, Palazzo, MGM CityCenter, Encore, Echelon, Fontainebleau, Viva
- Increasing desire for global gaming companies and major corporations with retail emphasis to have a visible presence on the Las Vegas Strip
 - High end retail outlets; signature chef restaurants
 - Las Vegas is synonymous with modern consumerism
- Just beginning to feel the impacts of the economic slowdown/recession and the sub-prime crisis
 - One of the most affected cities with respect to foreclosures
 - Slowdown in corporate discretionary spending in 2008 will hit convention business in Las Vegas hard
 - Some layoffs announced by major gaming companies

MACAU – THE “LAS VEGAS OF ASIA” (AND THEN SOME)

- Gross gaming revenues have increased from \$2.1 billion in 2001 to \$10.3 billion in 2007
 - Q-1 2008 at \$3.7 billion => 60% YOY growth
- Major capital investment projects are still under way; “pipeline” supply will continue to expand through 2011
- Rebuilding the Las Vegas Strip => various regulatory, labor, transportation, infrastructure challenges

SINGAPORE

- Purpose: To use casinos as a catalyst to stimulate tourism and change the image of Singapore
 - Do not want gambling, but rather what gambling can bring
- Relatively low tax rates, and only two licenses competitively granted
 - Very careful and competent with the bidding process
- Economic benefits: Foreign direct investment of US\$8+ billion; significant convention, entertainment, and retail offerings; iconic architecture
- Substantial direct tax revenue, job creation, and entertainment offerings

SNAPSHOT OF LESS VISIBLE GAMING INDUSTRIES

Urban/Suburban Casinos



LOCALS' CASINOS



LOTTERY TICKET SALES



CONVENIENCE GAMBLING



THE CURRENT DYNAMICS OF PERMITTED GAMBLING

- Continuing efforts to improve the productivity of particular gambling products, especially Electronic Gaming Devices and Customer Information Systems
- Growing pressure on operators and regulators to address issues of problem and pathological gambling among customers
- Ongoing debates on the proper role and balance of gambling in society
 - Positive dimensions: consumer choice, raising funds for good causes, jobs & incomes, tax revenues vs. Negative dimensions: individual trauma and personal crises, family disruptions, bankruptcies, suicides, desperation crimes and subsequent criminal proceedings, etc.

CHALLENGES FOR THE FUTURE OF GAMING: #1. TECHNOLOGY

- Examples: More attractive gaming devices; incorporation of electronic money into the gaming environment
- Positive Dimensions: Greater entertainment value; greater customer convenience; enhanced revenues generated
- Negative Dimensions: More seductive gaming => more problems for consumers; More impulse buying opportunities; a perception that gaming operators are taking advantage of their customers

CURRENT CHALLENGES REGARDING TECHNOLOGY

- Electronic Funds Transfers and commercial gaming => possible v. permissible
- ATM machines in gaming venues: prevalent in many markets, prohibited in others; still controversial => impulse buying
- New technologies proposed for Nevada casinos in past few years:
 - Using ATM cards to transfer funds from bank accounts to gaming devices
 - Providing kiosks that would allow players to use their ATM cards to withdraw funds from checking accounts to put onto Ticket-In-Ticket-Out vouchers

PHILOSOPHIC AND POLITICAL OBSERVATIONS

- With problem gambling, does the problem reside in the Electronic Gaming Device or in the mind of the gambler?
- How much protection does the consumer need from impulse buying?
- The closer the gaming gets to the customer's bank account, the greater is the risk of political backlash

CHALLENGE #2: INCENTIVES

- Challenge: Can the interests of all stakeholders be aligned in an acceptable way to address unintended negative impacts?
 - Gaming companies, the State, customers, tribes, benefactor organizations, helping services, general public
- Important Question: Can the goals and objectives of some groups be furthered without damaging the goals and objectives of others? Some Goals and Objectives are:
 - Profit maximization, revenue enhancement, public acceptance, unfettered participation, mitigation of unintended negative social impacts, allocation of proper resources to deal with problems, making gaming a respectable industry

CHALLENGE #3: DEALING WITH PROBLEMATIC GAMBLERS

- Challenge: Can we come up with policies that protect the vulnerable but do not interfere with the perceived rights and freedoms of everyone else?
 - Should we protect generally (i.e. everyone) or selectively (only those At Risk or Problematic)
- Question: How much freedom should an individual have with respect to his or her gambling?
 - How much inconvenience should the typical responsible gambler have to put up with?

CURRENT STRATEGIC THINKING FOR ADDRESSING PROBLEM GAMBLING

- Public awareness: Information on availability of help for problem gamblers
 - Education, Employee awareness, PSAs
- Exclusionary policies: Self-banning; involuntary exclusion
 - “Gamblers’ Licenses?”
- Legal assistance: Gamblers’ Court; pro bono legal advice for problem gamblers and their families
- Technological aids: Can information systems be used to help gamblers better manage their behavior?
 - Much information on marketing; does it provide clues for intervention?

CHALLENGE #4. PUBLIC REACTIONS TO, AND PUBLIC ACCEPTANCE OF GAMBLING

- Can the image of gambling in general, and of the companies and organizations that manage it, be improved over time?
 - What are the tangible benefits of achieving this?
=> “Enlightened Self-Interest”
- What are the standards of behavior that need to be adopted and practiced to warrant an improvement in image and mitigation of problems?
- Is there a “code of conduct” that can be defined and adopted by key stakeholders?

GENERAL OBSERVATIONS ON THE IMAGE OF GAMBLING IN MODERN SOCIETY

- For many people, gambling is both titillating and exciting, but still somewhat inappropriate behavior
 - It is to be disapproved of, but it is fun
- Gambling is settling in to an accepted, but still has second-class status as an industry
 - Society appreciates the benefits, but is not proud of the industry itself
 - Not a respectable activity, but a useful one
 - Remains challenging to legalize: KY, MA, MD, TX
- Will these realities change over time?
 - Look at the changes in image over the past 30 years

CHALLENGE #5. ESTABLISHING PROPER STANDARDS OF SOCIAL RESPONSIBILITY

- Returning to the Stakeholders: How do we bring about socially responsible behavior from all parties?
- Principles (for the organization):
 - Respect your customer
 - Respect your employees
 - Respect yourself as an organization
- Principles (for the customer):
 - Moderation in all things, especially gambling
 - Be aware of your responsibilities to yourself, your family, and society at large