

## BIG DROP IN CASINO REVENUES

### GLOBAL ECONOMIC CRISIS AND SMOKING BAN THE MAIN CULPRITS



As was to be expected, the effects of the current global economic crisis are already being felt in the gaming industry, and in a big way. In major gaming venues such as Las Vegas, Atlantic City and Macao, takings have dropped significantly over recent month. The situation in Europe is similar and analysts agree that there will be no improvement in the immediate future.

According to a recent report issued by the American Gaming Association (AGA), Casinos are major contributors to the US economy. The report underlines that gross takings from gaming amounted to only US\$ 32,500 million in 2008, a drop of 4.7% down from 2007. *"The US is facing into the deepest economic crisis in the past 50 years and the Casino industry, like many others, has been hit hard. However, it is still an important source of jobs and direct gaming taxes, helping states, communities and families to face up to adverse economic conditions"*, said Frank J. Fahrenkopf, Jr., AGA Chairman and CEO.

The situation is similar in Macao, another international gaming hotspot. A survey released by the Government Statistics and Census Bureau shows that employment figures dropped by 2% in the last quarter of 2008.

This worldwide drop in Casino revenues is not only due to the crisis; there are other factors to be taken into account when analysing the complicated situation the industry is going through at the moment.

One major factor is the smoking ban imposed by many countries in gaming establishments.

Nobody denies that smoking is harmful or that banning the use of tobacco in certain closed public spaces is logical and understandable. However, what is not so logical is the radical manner in which the ban is being implemented. It would be much more effective to impose less restrictive intermediate policies, which would be more tolerant and open, seeking a common ground between health and economic interests.

Holland Casino, one of the major European groups, experienced a big drop in both visitor numbers and in takings in 2008. According to CEO Dick Flink, the smoking ban negatively impacted results by "tens of millions of euros". He also expressed concern that an increasing number of Dutch smokers were instead turning to the internet as an alternative gambling outlet.

Spain is another point in case. Speaking to this magazine, Ángel María Escolano, Chairman of the Spanish Casino Association spoke said, *"The smoking ban has had an obvious negative effect on the sector. We must remember that smoking and gambling have always gone hand-in-hand. In the US, where smoking has been radically banned in cities, it is still permitted in Casinos, as in the case of Las Vegas. In Spain, smoking should be allowed in Casinos, leaving aside the possibility of setting up areas for non-smokers"*.

Spanish legislation in the matter varies from region to region, and in some it is necessary to set up a smoking area totally sealed off from non-smoking areas. A curious effect of this is the sight of smoking areas crammed with people, while non-smoking areas remain practically empty. This phenomenon is particularly obvious in Bingo parlours.

France has also seen a big drop in Casino takings since smoking was banned in gaming establishments. The situation in Monaco, where smoking was banned in Casinos in late 2008, is similar. Over the first 6 months since the legislation has been in force, visitor numbers and takings have dropped, as predicted by representatives from Monegasque Casinos speaking to the National Council.

In Atlantic City, implementation of the smoking ban has been postponed for a year. For the short time smoking was banned in gaming establishments, takings dropped by 10%.

As part of the measures applied to palliate the effects of the crisis, governments should consider lowering taxes on the gaming sector, to prevent the continuous closure of establishments, with the subsequent job losses which put many qualified workers on the job lines. It also leads to an important drop in the amounts taken through taxes, giving governments less money with which to plan their General Budgets. It would be much more logical to take the directly opposite path. In other words, lower taxes to keep establishments open, preventing job losses and spiralling unemployment costs and allowing for the orderly implementation of welfare policies. Something for which, no doubt, the citizenry would be very thankful.



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