

BELGIAN PRESIDENCY CONFERENCE 12/10/10

Introduction

Good morning.

My name is Paul Bolt and I am the Director of Sport and Leisure at the UK's Department for Culture, Media and Sport.

My responsibilities include the law regulating gambling and the UK National Lottery.

I am grateful to have been given the opportunity to talk to you all today about the cross-border challenges that remote gambling in particular presents to regulators and to Governments.

Changes

The Austrian neurologist Viktor Frankl¹ once said '*when we are no longer able to change a situation, we are challenged to change ourselves*'.

I could not have put it better myself.

Remote gambling is now a fact of life.

58% of Europeans now use the internet – an increase of 352% over the last ten years².

And revenue from European remote gambling companies continues to increase - from 0.9billion euro in 2003 to an estimated 12.3billion euro in 2012³.

I think it is therefore safe to assume that remote gambling is here to stay, leaving us all in the meantime to decide how best to regulate it. As in many other economic sectors, the internet is rapidly changing the shape of the market. If we want to continue to protect the vulnerable, to safeguard consumer interests and to secure economic benefits and indeed tax revenue from the gambling industry, we need to adopt our arrangements to the new environment.

¹ Viktor Frankl was an Austrian neurologist and psychiatrist as well as a holocaust survivor. Frankl was the founder of logotherapy, which is a form of Existential Analysis.

² Source: <http://www.internetworldstats.com/stats4.htm>

³ Source: H2 Gambling Capital, May 2010

There is no clear, uniform solution to this challenge. There is no harmonisation of gambling services in Europe and ECJ judgments have offered little in the way of clarity.

While we are looking forward to the publication of the Commission's forthcoming Green Paper later this year, I suspect it will pose more questions than answers.

But even if we are facing continuing uncertainty in this area, I am confident that there are steps we can take towards a more co-ordinated approach which will help all European countries to meet their social and economic policy objectives in the field of gambling.

Areas of commonality

From the results of Council Working Groups over recent months, it is clear that member states generally have common aims, objectives and interests when it comes to gambling regulation.

We all seem to agree that keeping crime out of gambling; ensuring that it is fair and transparent; and protecting children and the vulnerable are fundamental principles that must underpin any legislative or regulatory regime.

But we are less able to agree how those aims are best achieved.

Whilst the UK Government accepts that remote gambling poses unique regulatory challenges, we believe that it can be effectively regulated and any harm minimised.

Of course gambling has the potential to cause harm and it is therefore right for Governments to be able to respond to concerns at a national level.

However, in doing so, we have to keep both the letter and spirit of existing EU laws in mind.

It is therefore important to ensure that any restrictions are:

- Firstly, justified by imperative reasons in the general interest;
- Secondly, suitable for achieving the objectives in question;
- Thirdly, necessary and proportionate; and
- Fourthly, applied in a non-discriminatory manner, as interpreted by decisions of the European Court of Justice.

And even if solutions are to be found at a national level, as increasingly appears to be the case, it is essential for us to work closely together to enhance European, as well as national, interests.

The move to national regulation

For the immediate future at least, we can expect the European gambling market to consist of a number of separate, national licensing systems.

Member States across Europe – including those in which remote gambling is currently prohibited for private operators - are now reconsidering their approach, and moving to a system of permitting, but regulating, remote providers

This represents real progress and is resulting in the opening of regulated markets with the potential to offer significant benefits in terms of product choice for consumers, investment opportunities for the industry and the associated gains from new economic activity.

And with the opening of these regulated markets comes the establishment of national, independent regulators, who will be fundamental if we are to develop more consistent standards and approaches across Europe.

Regulatory Co-operation

If, as markets open, regulators work closely together, national approaches to gambling regulation could become tools for effective regulation across Europe, rather than a fragmented system imposing unnecessary burdens on European operators.

So, for example, we could minimise duplication by sharing information about application processes and the probity checks we undertake to assess on suitability to hold a licence.

If we can tell each other what measures we have in place to ensure the security of key equipment, such as servers, this may eliminate the desire for a local presence in every member state where a licence is held.

If we talk to each other about operators who refuse to obtain a licence but continue to target consumers, we can be more effective at protecting the public as well as the competitiveness of the regulated industry.

National licensing systems may not be ideal, from the gambling industry's perspective. They face the prospect of applying for countless licences, complying with a multitude of different regulations and requirements, as well as paying towards varying levels of tax and other national initiatives.

But if we work together, a system of national regulation need not necessarily mean increased burdens on operators.

A sensible and collaborative approach by member states has the potential to strike a balance between the need for effective consumer protection and economic prosperity for the industry.

I believe it is entirely possible to have both.

The potential of the gambling industry

In regulating remote gambling we should not underestimate the contribution the regulated gambling industry can make towards the success of the European economy – particularly in these challenging times.

Remote gambling contributes towards European employment, sports sponsorship, advertising revenue and tax.

The British remote gambling market is worth about 1 billion euros and employs approximately 7,800 people.

The European remote gambling market is estimated to be worth 9.7 billion euros this year, and some analysts predict that a fully open European market could be worth as much as 22.5 billion of a 100 billion euro total gambling market by 2015⁴.

The Rest of the World

It is also imperative that we bear in mind the global reality of remote gambling.

Remote gambling and its regulation does not begin and end in Europe.

⁴ H2 Gambling Capital May 2010

And European consumers are only too aware of the gambling opportunities offered from more distant countries.

We therefore need to ensure that European operators can remain competitive in an increasingly global marketplace.

We need to recognise that to maximise our ability to protect our consumers, we should also engage with regulators outside Europe who license EU facing firms, in addition to working closely with our European partners.

The Way Forward

And in moving forward, we must ensure that debate, and any resulting regulatory changes, is based on evidence.

Unsupported statements and generalisations about the industry are unhelpful and damaging to those businesses who genuinely strive to offer their services lawfully and in a socially responsible way.

Of course, there are unscrupulous operators in the market who neglect their consumer protection obligations.

But the UK experience of living in an open, well regulated market is that these companies are very small in number and are not representative of the responsible businesses who dominate the European market.

We should regulate remote gambling to try to prevent undesirable operators from gaining market access.

But we must be careful not to do so at the expense of legitimate and socially responsible businesses that have much to offer Europe and are willing to work with regulators and Governments alike towards a system that is mutually beneficial.

The UK situation

The question how best to regulate remote gambling has been the subject of much discussion in the UK over the last year.

In March 2009 my Department published a consultation document that explored possible changes to the British system of regulation, recommending the introduction of a national licensing system for overseas operators.

Since then we have experienced a General Election and a change of Government.

New Ministers have not yet made a decision on the future of remote gambling regulation in Britain.

But in looking at the current system and determining whether there is a need for change, UK Ministers have been watching closely the developments in Europe and considering the global context.

They have discussed the issues with the industry and with other regulators, with faith and community groups and with those involved in providing treatment for problem gamblers.

United Kingdom Ministers are seeking to strike the right balance between the need for effective consumer protection and allowing the industry the freedom to operate and innovate. They are convinced that promoting one of these goals need not necessarily be to the detriment of the other.

I look forward to sharing the outcome of their consideration with you all soon.

Thank you for your time.