

German casinos struggle in the face of modern gaming

Player migration to internet adds to land-based casino woes

Whereas the private land-based casino of Berlin (Novomatic-owned, for many years the partner casino of PokerStars European Poker Tour) is celebrating its No. 1 ranking as the strongest casino of Germany in terms of revenue (gross profit in 2012: 84,4 million Euro; annual growth: 8.5%) the Bavarian state casinos are all facing huge problems. For years now, Bavarian liberal and green politicians as well as the Bavarian Supreme Audit Office have been requesting drastic consequences up to and including the closing of individual casinos. However, Bavaria is certainly not the only case. According to the *Süddeutsche Zeitung*, most German casinos are experiencing a big crisis. "Since 2008, gross gaming revenues have nationwide declined by 42 per cent," the Chairman of the Federal Association of Private Casinos in Germany, Martin Reeckmann, explains. But why do certain state politicians stubbornly hang on to their casinos, even as modern game behaviour goes in a different direction? As reported by the *Süddeutsche Zeitung*, the internet in particular provides ways to 'make big business with poker and casino games - many players migrate there.'

"It shouldn't be the duty of the taxpayers to try to keep permanently deficient casinos artificially alive," is the clear message from Ernst Berchtold, press spokesman of the Bavarian Supreme Audit Office¹. For the second year in a row, the deficit of the state casinos (2011: €1.96 million; 2012: €14.36 million), had to be covered by the state budget in 2012. This development underlines the demands of the Bavarian Supreme Audit Office regarding structural adaptations to the market.

The organisational measures initiated by the state lottery administration (e.g. the adjustment of opening hours, partly merging big and small games, staff reduction) can not significantly improve the situation, according to Berchtold. Gaming revenue again declined in 2012, visitor numbers decreased and the annual income of 2012 was deeply in the red. The Bavarian Supreme Audit Office therefore strongly called for the closure of two casinos, as already had been demanded in its 2009 report TNr. 22.3.2.

Additionally, the Bavarian Supreme Audit Office considers that further measures to curb commercial casinos are inevitable. Commercial slot machines are in direct competition with the 'little game' of the state casinos. Whether the restrictions contained in the Interstate Treaty on Gambling will have crucial effects on commercial casinos cannot be predicted at this time. Following the postulate that state casinos combat gambling addiction, the commercial casinos need stricter regulation, according to the Bavarian General Accounting Office.

The President of the State Lottery in Bavaria, Erwin Horak, tried to blandish the issue: "We are on a difficult path at the moment, since external factors such as the unstoppable boom of the casinos, the non-smoking act [and] illegal online gambling are the main factors for the difficulties of the Bavarian casinos

and the other casinos in Germany. Unfortunately, there are no decisive changes regarding these external factors."

Regarding closing deficient state casinos, Horak explains: "I'm telling you: closing them is not the solution! Regardless of the figures presented, I already mentioned before: the casinos' job is to offer a legal, serious and wide range of games and above all to ensure responsible gaming behaviour. In addition, one also shouldn't forget that casinos provide local jobs and clearly enhance cultural and social life at the individual sites."

In the end, whatever measures are taken to further protect the state casinos at the expense of taxpayers, nobody will be able to escape competition from the internet. Thus, one can't simply ban the internet, smartphones or mobile phones by an *Order di Mufti*. What is true is that all people have an innate instinct for play. Some of us exert it more, others less. Poker or casino games on the internet, in particular, enjoy great and growing popularity. The former Christian-Liberal government of Schleswig-Holstein lined up with its own law, in order to take this development into account, to cut the ground from under the black market and to guide the play instinct on a legally ordered path. The 'fathers' of the Schleswig-Holstein law, the state politicians Wolfgang Kubicki (FDP)² and Hans-Jörn Arp³, hoped that liberalisation and regulation of the booming gaming market would result in higher player protection, more tax revenues for Schleswig-Holstein and also more jobs. However - for whatever reasons - all German state governments have in the meantime turned their backs on this way, which is also in line with European law. One might wonder why?

But it's only a matter of time before even previously recalcitrant state politicians recognise that state casinos can no longer be maintained in their present number and that the future belongs to regulated gambling online. There is therefore an urgent need to use Schleswig-Holstein's law as a role model and to make gaming from home computers legally safe, and to stop putting more and more tax money into state offers from the time before the internet boom. In 2014 some new kids on the block will enter the casino business in Germany - amongst them: Schleswig-Holstein's licensed online casinos. If land-based casinos in Germany face reality and for example open up for cooperation with the private operators, like the European Poker Tour/Spielbank Berlin cooperation, many casinos will be 'fit for the future.' If the mind shift will not happen, the German taxpayer will continue to be the main sponsor for state casinos, especially those based in Bavaria!

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