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## Business



### Gaming

## The Future of Gaming in Slovenia

21.12.2007

By Vanja Kovačič

**The gaming industry can have both positive effects on the economy as well as detrimental effects on the society of the host country, stemming primarily from the so-called problematic gaming. The host country must therefore put in place such legislation that will allow for the maximisation of the positive and minimisation of the negative consequences of gaming.**

Before the joint venture project between the national gaming and tourism giant Hit and US casino operator Harrah's Entertainment to build a mega casino-resort in the Goriška region of Slovenia can proceed, further amendments to the national gaming and tax legislation must be made. The growing opposition of the public and local communities to the project related to the potentially negative effects of such a large-scale gaming resort must also be quelled. In an effort to achieve these goals, the Slovenian Ministry of Finance commissioned a study detailing the effects of gaming on the society as a whole. The study was conducted by the Faculty of Economics of the University of Ljubljana, and concluded that the optimal scope of the gaming industry, or such that will best ensure the maximisation of the long-term economic benefits for Slovenia, while minimising the negative effects on the Slovenian society, can best be achieved by the development of a long-term, globally competitive supply of tourism related goods, with gaming only one of its elements. Furthermore, the supply of attractive gaming-related tourism products interesting to both domestic and foreign visitors, a good balance between the types of games offered as to minimise the risk of the development of problematic gaming and out-flow of domestic money from Slovenia, as well as the achievement of an optimal tax revenue for Slovenia, the local communities and other involved parties, must also be ensured.

### Slovenians game more than the average European

One of the key objections to the establishment of the Hit-Harrah's mega casino are the negative consequences that gaming has on the society as a whole. Most of the societal costs of gaming, such as an increase in homicide, rape, robbery, as well as fraud and tax evasion, arise as a result of the so-called problematic, or pathological gaming, which is the level of gaming that has serious negative effects for the individual afflicted, their family and friends and their immediate surroundings. In short, it is the level of gaming, which the individual cannot afford. About one percent of the population of Slovenia falls under this category, and it is estimated that this number will increase to two percent in the next five years. The increase in problematic gaming is directly linked to conditions where gaming opportunities are readily available, such as slot machines in bars or internet gaming, as the general law is that the more effort and planning needed to game, the lesser the chance of impulsive, pathological gaming. The establishment of a large scale casino-resort, therefore, does not seriously increase this number.

In comparison to the rest of the EU, Slovenians spend more than the European average on gaming. In 2004, 0,62 percent of BDP per capita was spent on gaming, while in 2007 this figure rose to 0,79 percent, well above the average of the EU, which stands at 0,5 percent BDP per capita. In 2006, Slovenians spent EUR 209 million on gaming, a figure which rose by more than 100 percent since 2001. Most of this money is spent playing the national lottery, closely followed by sports betting, while the least is spent in casinos. In an effort to curtail the rise in problematic gaming, the state should make possible the option of self-induced limits on gaming, ensure the possibility for family members to ask the casino to prevent the afflicted individual entry, establish a fund advocating responsible gaming, and make possible the introduction of entry fees.

### The future of the mega casino still in the air

On 1st September the mayors of the Goriška region met with the representative of the Ministry of Finance to discuss their views on the project, and the amendments of the tax and gaming

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legislature. During the meeting it was decided that the Office for gaming control will be located in the Goriška region, and that representatives of the local communities will be given a seat on the board of the mega casino. The Ministry of Finance will also take under advisement the proposal that local communities own one quarter of the mega casino, as well as one stock worth of voting rights.

Jan Jones, the senior vice-president of Harrah's Entertainment in charge of the joint venture, arrived to Slovenia on 19th September on her second visit to discuss the project with their partner Hit, as well as the local community mayors, and the concerned public. She presented the detailed construction plans for the mega casino-resort, which will, in addition to extensive gaming facilities, comprising of 3000 slot machines and 120 gaming tables, also include 1500 four and five-star hotel rooms, a congress centre seating 2000, as well as restaurants, bars, recreational centres and a wellness spa. She did not reveal the exact location of the resort, but stressed that it will be somewhere in the Goriška region, as this is the optimal location. Mirko Brulc, the mayor of Nova Gorica, proposed the Ajševce area as the only possible location within his municipality, though this has not been confirmed. During her visit, Jones also met with representatives of the local communities and assured them that their fears about the deterioration of the social structure of the region will not be threatened by the resort, as it will not be purely a gaming institution, but will also offer other tourist attractions.

In addition to the local communities' protests, the former CEO of HIT, Danilo Kovačič, sent an open letter to the Slovenian Prime Minister Janez Janša on 13 September, informing him that, in his opinion, the joint venture should not go ahead, as it would lead to great socio-economic damage, both in the Goriška region and Slovenia as a whole. His main concern is that the way plans stand now, any conflicts that might arise between the two partners would be resolved in favour of Harrah's, leaving Hit at a disadvantage. To resolve this, he suggested that the project not to go ahead, and that Hit should build a mega casino on its own, while Harrah's should build one in another region of Slovenia. He further warned that the proposed amendments of the gaming and tax legislature should not proceed in the direction of a regressive tax scale, but rather a linear one, as is in the case in the gaming capital of the world Las Vegas.

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