

#### **4.13 The Deputy of St. Martin of the Minister for Economic Development regarding the proposed Gambling Commission's budget:**

Will the Minister inform Members of the full details of the proposed Gambling Commission's budget including fees to the commissioners and other proposed expenses, whether the proposed above-R.P.I. increase in licence fees is intended only to cover the commissioner's regulatory role or will it finance the development of the online industry. Could he also advise whether a figure of approximately £30,000 will meet the foreseen needs of any social responsibility levy?

#### **Senator A.J.H. Maclean (The Minister for Economic Development):**

Regulatory costs for the gambling industry in 2009 are budgeted at £355,000. This effectively means that the industry is currently subsidised by the public by approximately £190,000. This is not a satisfactory position. However, should the States approve the Draft Gambling Commission Law next month, together with associated changes to the machine regulations and licence fee, then this situation will improve significantly. Economic Development has provisionally allocated a grant of £225,000 for the Gambling Commission's first year of operation. All fees for gambling control have remained static for approximately 10 years and, at current rates, regulatory fee income is approximately £136,500. Set against this, the Shadow Commissioner's fees in 2009 are £72,000 and I expect a broadly similar level next year. Other expenses, including staff salaries and administrative costs, come to a further £250,000 giving an outgoing of £322,000 or a projected on-paper deficit of £31,500. Without changes to the machine regulations and licence regulations, income for next year will go down as older machines become unviable. It should be noted that there will also be a setup cost for the Gambling Commission because the new commission will have to find premises, buy equipment, employ or contract out accounting and other tasks, and so a projected deficit in excess of £100,000 would arise if the current fee structure remains unchanged. For all these reasons, amendments to the fee structure are proposed which will see additional guaranteed income of £47,000, together with a potential £172,000 from machine fee income. Fee increases will hopefully allow the commission to run a small, positive balance, whereupon the commission could then amend fees, whether that be up or down in following years. These are collected for regulatory purposes and will not cover promotional costs as this is not within the commission's remit. The level of social responsibility levy needs to be set by the commission in due course. I would also add, if I may, that it is a fairly complex question in terms of giving budgetary details and I would be happy to give further written information showing the budget if the Deputy would find that helpful.

#### **4.13.1 The Deputy of St. Martin:**

I am grateful for the answer. It was a very full question and I managed to get the whole 70 words in there but there are a number of issues which possibly I might be able to encourage the Economic Development Scrutiny Panel to look at. Could the Minister justify how it could cost £355,000 to regulate an industry which only has 29 betting shops, 9 race meetings a year, one annual lottery maybe a few times when clubs may wish to run bingo to raise money like the Battle of Flowers and things? How can £355,000 be budgeted for? Where does that money go to or why do they need that money?

#### **Senator A.J.H. Maclean:**

For the very reasons that the Deputy has just alluded to; for regulating the 29 betting offices, the racetrack and all the other social issues relating to bingo, raffles and other issues. It should also be noted that among the £355,000, there is also a payment for the Shadow Gambling Commission. Although they are not holding an executive role - they are purely advisory - there is, within the budget, £72,000 for initial costs for them and they have fulfilled a very useful function in the period that they have been operating since they were put in place in December 2006.

**4.13.2 Senator B.E. Shenton:**

Just a follow-up of the Deputy of St. Martin's point, £355,000 to regulate the few gambling shops over here is utterly ridiculous. Would the Minister confirm that, in fact, they are trying to setup a Rolls Royce service to encourage new internet gambling businesses to the Island and he is in fact speculating with taxpayers' money by setting up a Rolls Royce service when he has absolutely no proof that the business will eventually come?

**Senator A.J.H. Maclean:**

No, I do not agree with that and, secondly, we are not speculating with taxpayers' money. That is the whole point of increasing the licence fee to bookmakers and across the board. What we are looking to do is have a cost-neutral position. Yes, there are opportunities, to answer the other part of the Senator's question, with regard to eGaming but it is absolutely essential - and this Assembly agreed it back in 2005 - that a Gambling Commission is put in place and the Gambling Commission properly regulates the industry to ensure that the young and the vulnerable are properly protected. Jersey does not have that at the moment.

**4.13.3 Senator S.C. Ferguson:**

Yes, I must say that £10,000 for an establishment to regulate ... we have heard the Minister talk about a vastly enlarged commission obviously covering online gambling, but what genuine solid indications of the size of industry has the department got given that other jurisdictions have found that there is a considerable degree of money laundering through online gambling?

**Senator A.J.H. Maclean:**

I would say that that is a very good reason for having an effective Gambling Commission. That is exactly why the Island should have an effective Gambling Commission to ensure that the existing industry is properly regulated. Looking forward, should this Assembly approve the Gambling Commission Law which will be brought next month, then there are further opportunities with regard to eGaming which the Island can benefit from. We just need to look to our very close neighbours in Alderney who have something like 75 or 80 licences who are getting significant revenue. We know that other jurisdictions - Malta, Gibraltar, Isle of Man and so on - are almost full to the capacity. There is business out there and Jersey, to date, has missed out on the opportunities but it has to be done properly and, to do that, we need to have an effective, well respected regulator.

**4.13.4 Deputy T.A. Vallois of St. Saviour:**

Could the Minister explain therefore, with regards to the proposition for the gambling that is coming before the House next month, why it has been revised and the original fees reduced?

**Senator A.J.H. Maclean:**

Perhaps the Deputy could confirm which fees she is referring to.

**Deputy T.A. Vallois:**

The fees stated on the proposition that are coming up. They have been revised and reduced from £5,000 to £3,000 on certain ones.

**Senator A.J.H. Maclean:**

Yes, I can explain that. That is a good example of the department being prepared to engage with the industry and to listen to complaints and different viewpoints. What we have learned from that discussion is that there are other revenue opportunities that we believe we had underestimated in terms of gaming machines, and we believe that the revenue can be substituted through those rather than direct licence fees. We took that into consideration and, in particular, with the impact on the very small number of 2 or 3 locally-owned licensed betting offices that were going to find themselves challenged by the licence fee regime proposed.

**4.13.5 The Deputy of St. Martin:**

Yes, Sir. I get a feeling of wooden horses here but could I just get back to the question of the levy of gross turnover? It has been suggested that there will be a 2 per cent levy of gross turnover for a social responsibility levy or fund. Can the Minister inform the House if the Island has a major concern with gambling problems because it seems that 2 per cent of gross turnover will be an exceedingly large amount for what may well be a very, very small problem?

**Senator A.J.H. Maclean:**

I should point out that a future decision on a social responsibility levy, which is what the Deputy is referring to, is something that should be decided and would be decided by the Gambling Commission. There is no clear figure set, although his question states £30,000. However, it is absolutely clear that the Gambling Commission itself will be the appropriate body to set it at a level that is appropriate to the requirements of the Island. That will depend on issues like the future development of eGaming and so on. This levy is not a revenue source and I have to say that the operators themselves are fully supportive of the concept of a levy for social responsibility. They do deliver social responsibility.