



## EPIC GREEK STRUGGLE

Italy has shown that gaming can be controlled in difficult conditions - now can Greece show it can also save a country from financial meltdown?

Greece is a country which is undoubtedly struggling. The new gaming market is one of the key measures aimed at pulling the region out of the debt swamp and provide a much needed cash injection.

The last decade has seen Greece sink lower and lower. The debt binge came crashing to an end in late 2009 which provoked an economic crisis that today is threatening both Europe's recovery and the future of the Euro.

The roots of the debt go back to the strong Euro and very low interest rates. Not only did the Greek government borrow heavily but for 10 years it also went on a spending spree. Public spending soared whilst public sector wages doubled. Then as the government built up a tidy debt of almost US\$400bn, the global economy began to crumble and Greece hit the ground with a resounding bump.

Since this time Greece has been relying on a €110bn bail out package from its

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European neighbours which was dished out in May 2010. With it came a series of measures aimed at cutting the country's bloated deficit and restore investor confidence.

But Greece still managed to miss deficit targets as its economy sank deeper into recession and dropped by 5.5 per cent in 2011. A year after the bailout Greece continued to sag under €340bn in debt. Over the last two years investors have demanded higher interest rates for Greek borrowing whilst mass demonstrations turned violent as the country showed their frustration at the austerity measures being introduced in a bid to bring cash in.

In November last year the country received some relief as European leaders obtained an agreement from the bank to take a 50 per cent loss on the face value of their Greek debt. However Prime Minister Papandreou then announced he wanted a referendum on the package and later withdrew the request.

Papandreou and opposition leader Antonis Samaras then agreed to create a transitional administration to oversee the country's debt relief deal and hold early elections. On November 10th Lucas Papademos was named Prime Minister.

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Having so far raised less than four per cent of its targeted €50bn in asset sales, Greece is now looking at selling its gas company DEPA and 35 state buildings by the first quarter of 2012. Asset sales have been hindered by a decrease in market prices even though Athens is committed to a timetable of asset sales if it wants to continue receiving bailout loans from its Euro zone partners and the IMF. But a worsening economic climate and a



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plunging stock market are hindering sales and this is now forcing the authorities to revise initial targets.

As well as putting DEPA on the market, a tender for a major urban redevelopment project at the site of Athens old airport is also being launched and will turn the abandoned site into a park and residential area. Other projects in the second half of 2012 will include a concession for 12

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### GREEK CASINO DATA 2010

CASINO	No. OF TABLES	No. OF SLOTS	GGR
Club Hotel Loutraki	97	1,050	€162.8m
Regency Thessaloniki	77	929	€121m
Regency Mont Parnes	66	969	€153.5
Casino Rio	40	311	€24.2m
Casino Rodos	34	310	€27.5m
Xanthi	24	178	€8m
Porto Karras	35	433	€8.4m
Casino Syros	26	180	€4.9m
Casino Corfu	15	50	€3.1m
<b>TOTAL</b>	<b>414</b>	<b>4,410</b>	<b>€513.4m</b>

ports and 39 regional airports alongside sales of stakes in Athens and Thessaloniki water utilities.

But the country's repeated failure at meeting budget targets is angering international lenders. Under the terms of the €10bn bailout Greece is supposed to sell state assets worth €50bn by 2015.

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#### THE GAMING SAVIOUR?

At the moment Greece's gaming market consists of nine casinos, a state lottery, a horse racing operator and OPAP. The operation of gambling machines is illegal with the exception of slots in casinos and OPAP machines.

In September 2010 the government began its legislative initiative 'Regulating the Gaming Market' and in January 2011 the former Greek Minister of Finance Giorgos Papakonstantinou unveiled the new Greek gambling bill which suggested several changes from fully privatising the remaining casinos, introducing a VLT market and opening the market to providers of sports betting, internet poker and online casinos. The bill was part of the privatisation programme which aims to raise €7bn through the sales of its state owned companies. Despite criticism of the first draft submitted in June last year from the European Commission the law

4002/2011 was adopted by the Greek Government and was passed in August.

The new law sets up the Gaming Supervision and Control Commission and appointed its Chairman in early December. This will now regulate matters concerning the operation of gaming and licensing including the set up of a monitoring and control IT system to oversee all data and transactions.

However as the gaming commission doesn't even have an office yet there are challenges which remain in the following areas:

- Firstly to appoint the full gaming commission and find the right know-how
- Secondly to find a way to regulate the market and close down illegal gaming operations which will include some 50,000 slot machines
- Thirdly to determine how the network will be controlled in addition to OPAP responsibilities
- And finally to set the certification standards in line with OPAP's RFI requirements.

The Greek government raced against time to have some financial reforms in place before the next round of audits by the IMF schedule for the end of August and after three days of debate the Finance Minister managed to get the online gambling bill passed just in time. Now however the actual implementation has slowed whilst some are still arguing that the law is against EU regulations.

The law includes the following:



- Greece will legalise 35,000 low stake gambling machines (VLTs). OPAP will directly operate 16,500 machines and sub contract the rest to other operators through four to 10 renewable licenses. Each market participant will be able to acquire only one license, but in case some of the licenses remain unsold during a tender process, the rest can be evenly distributed to those that would have already received a license

- To apply for an online license the company must have a locally incorporated company with a minimum deposited capital of €200,000 plus a letter of guarantee by a credit institution for €100,000.

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- VLTs can be operated in various locations with a maximum of 30 machines. These include so-called 'Pure Rooms' (gaming arcades) or 'Mixed Spaces' which are shops with a minimum of 80 sq.m, where the commercial activity is entertainment (except nightclubs or bars). The maximum of games here may not exceed three.

- The minimum amount for play would be €0,10 and the maximum €5 although these figures may be adjusted by the Committee.

- Players must also have an individual player card to participate to identify player's age, tax identification number,

flow of money and any other restrictions set.

- There will be no cap on the payout rate for online casinos however there will be a payout floor – a minimum rate that the casinos must pay out. Online casinos and low stake gambling machines would both be required to have a payout rate of at least 80 per cent.

- Tax rate would be set at 30 per cent on gross profits of each operator and given to the State on a quarterly basis. There is also a 10 per cent tax on player gains to be imposed on both VLTs and internet betting.

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- The Gambling Control Commission will regulate and control the sector. Each system would be monitored and connected to a central monitoring system. The regulator would cooperate with the ISPs to block unauthorised sites and will set up live monitoring systems.

Some of the initial proposals are now absent from the final legislation including the six month blackout period prior to legalisation and regulation designed to protect state owned monopoly OPAP. The clause which limited the number of licenses has also been scrapped.

Despite the rush to get the law into place the OPAP licenses will not become effective until one year after issue so it is thought VLTs will not enter the market until at least the end of 2012.

Instead of the black out period for private operators applying for licenses EU licensed operators will be allowed to operate freely in Greece. The operators will be allowed to advertise across all online and offline media, including television. Another favourable change is that the private online gambling operators will be able to target Greek customers from offshore servers during the six month transitional period. But once licenses have been granted the licensees may then be required to locate servers within Greece.

Meanwhile OPAP (34 per cent owned by the government of which 29 per cent has now been placed with a governmental

privatisation fund) will now have the exclusive license to operate all the 35,000 VLTs to be set up as part of the gaming liberalisation plan. OPAP will directly operate 16,500 machines and sub contract the rest to other operators or concessionaires as they will be called.

OPAP has already paid €12,000 per machine in advance of the 35,000 machines to be placed with an additional €4,000 to be paid per machine by the end of 2012. This amounts to a total of €560m providing the government with its much needed cash injection. However it's not all as simple as it seems.

An industry source said: "OPAP is facing serious resistance from their network which is well organised and not under OPAP's control. The network has declined to operate gaming halls of up to 25 machines each so the 16,500 machines have to be placed in the 5,500 OPAP shops whereby only an estimated 1,000 shops are considered to be proper gaming machine locations.

"Meanwhile additional challenges remain in the area of the interested concessionaires, the suppliers involved and the money that needs to be invested by all parties to get the 35,000 machines operational considering the potential of the default and return of the Drachma plus the fact that the banks are in no

### **VLTS CAN BE OPERATED IN VARIOUS LOCATIONS WITH A MAXIMUM OF 30 MACHINES IN SO-CALLED 'PURE ROOMS' OR 'MIXED SPACES.'**

position to lend the large amounts needed."

Despite the rush to get the law into place the OPAP licenses will not become effective until one year after issue so it is thought VLTs will not enter the market until at least the end of 2012. OPAP was also set to be privatised by the beginning of 2012 and this too may be delayed and so the State will extend the firm's monopoly by 10 years taking it to 2030.

It is thought that OPAP will now have to spend as much as €925m for both the concession renewal and the VLTs, of which over €400m has already been paid to the government.

Meanwhile the timeline for the remote gambling licenses is also unclear and the Greek government has not yet issued any information.

### FOR AND AGAINST

OSIPE believe this new law to be incompatible with the European law and has now complained to the European Commission as they believe this new law will bring the same problems the old law did.

Meanwhile the European Gaming and Betting Association and the Remote Gambling Association have both filed a complaint with the European Commission about Greece's recently adopted online gambling law. This has now passed the Commission's internal assessment and the issue will now be raised with the Greek government.

Operators in the Greek online gaming market would be required to have a permanent base in Greece plus be limited to financial transactions through Greek banks and must also impose a higher age limit restriction online than at terrestrial casinos.

Operators currently operating in Greece may also have to pay gambling taxes on any revenues earned from Greece based customers retroactively from Jan 2010 until the new licenses are awarded. This is equivalent to a market entry fee that will have to be paid by all operators who are currently unable to be licensed in Greece.

EGBA and RGA are also concerned about the tax regime which says the government has granted OPAP the monopoly gambling operator for offline games – an extension of its existing license for an additional 10 years from 2020 to 2030.

OPAP currently pays no gambling tax on its offline activities whereas online operators would have to pay 30 per cent GGR. Furthermore the law imposed a 10 per cent withholding tax on player's winnings with online operators whereas the OPAP customers of land based services are exempt from any tax on winnings of €100 or less.

Clive Hawkswood, Chief Executive of the RGA said: "We have welcomed the opening of the Greek online gambling market as a positive step. However it is paramount that any new regime is conducted in a fair and transparent fashion which follows EU rules. Where a regime is contrary to the provision of the treaties, challenges are unfortunately necessary and unavoidable.



"We therefore look to the Commission as a guardian of the Treaties, to enforce those provisions in relation to gambling, as the European Parliament has recently requested."

One of the most important issues for the operators which is yet to be resolved is the prospect of retrospective tax which could be claimed by the Greek Government back to January 1 2010. This needs to be resolved say RGA as it could potentially have significant fiscal issues for those considering applying for a Greek license.

The OPAP has retaliated and claim the RGA complaint is unfounded. OPAP claims that through a concession agreement from the Greek State it pays a total price which incorporates the anticipated future fee (and not tax) from the conduct of VLTs. This price over the next 20 years will reflect the 30 per cent tax others pay they say. OPAP will also pay an additional 5 per cent fee.

An OPAP Spokesman said: "In this case OPAP pre-pays the largest part of its tax obligation also undertaking the corresponding financial burden of immediately paying the relevant price. On the contrary, future competitors will not

The case put forward by the government to the European Commission, stated it was vital to put the relevant legal framework in place as soon as possible while still having a Parliament vote on the matter, which in line with the legislative drafting and voting procedures of the Hellenic Parliament, was expected to be around the end of May 2011.

have to pay anything in advance but only a minimum amount compared to what is paid by OPAP and will pay a fee on the games only on the basis of the income they realise, when this happens. OPAP considers it a real irony that while it has contributed huge amounts to the Greek State and Greek society for a long time through taxation of its income, its sponsors, its social actions and dividends to shareholders, today it is being reproached by those who act with no control and illegally in Greece without having contributed even one Euro to the Greek economy through taxation."

The RGA meanwhile argues that before this point there has never been the opportunity for operators to apply for a Greek license to operate and that "the current proposals do not satisfy fundamental EU internal market principals and therefore a State Aid complaint has been launched."

Clive Hawkswood added: "The RGA believes there are strong grounds for this State aid challenge; the taxation framework poses a serious economic disadvantage for private remote operators licensed in Greece, which requires justification and investigation by the European Commission."