

GETTING IN DEEP

One of the only markets in which an operator has point-blank refused to take part in a G3 report, Albania is a market that doesn't like to give up its secrets or play by the rules

Although Albania is just a stones throw away from Italy and the Greek island of Corfu it still remains an enigma for most of us whilst it's gaming industry is equally as vague to say the least. The colour 'black' springs to mind, and with both the big and small players all happy to participate in illegal operations here there are obviously very few who are willing to talk about this illusive market. But Albania is a fast growing market in terms of tourism and if this area of business does improve then this region is one to keep an eye on, as gaming could quite simply follow suit.

Although Albania is often a missed opportunity on the tourism map this former Communist state is fast becoming the new jewel in the Mediterranean region. It has been aiming to boost its potential as a tourism destination in recent years and has made this a top priority for development and as a foreign currency earner. Albania is Europe's newest democracy and over the last 20 years has been slowly emerging from isolation and an oppressive Communist rule. Elections in 1992 finally ended 47 years of communist rule and since this time the country has struggled to stabilise its government and fragile economy.

Lack of investment in infrastructure has left many parts of the country with poor roads and communication and a rail system which lost so much that it is now subsidised by the government. Today Albania is still one of the poorest

countries in Europe and is constantly trying hard to shake off it's past and emerge as the butterfly of the east.

Located in the heart of the Mediterranean, Albania has become one of the world's most interesting gateways. Influenced by the Greeks, Romans, Italians and Turks this country offers an inspiring mixture of civilisations and cultures. This southeast European country in the Balkan Peninsula borders the Adriatic and Ionian Seas with a 362 km coastline and is then cushioned between Greece in the south, Macedonia to the east and Montenegro and Kosovo in the north. It is actually less than 72km from Italy across the Strait of Otranto in the Adriatic Sea.

Much of the country is mountainous with the average height above sea level reaching 708 metres. The highest peak is Mount Korabi on the Macedonian border which is 2,753m. The rest of the country is made up of blue seas, beautiful beaches, rivers, lakes and forests and offers anything from beach to mountain holidays to vibrant city life.

Albania was of course the home of Mother Theresa and is divided into 12 counties – Berat, Diber, Durres, Elbasan, Fier, Gjirokaster, Korce, Kukes, Lezhe, Shkoder, Tirane and Vlore. The majority of the population live in the south-central lowlands and on the coastal plain. The capital Tirana is home to around 600,000 of the 3.5 million population.

The territories of Albania have been inhabited as early back as 100,000 years ago and it was at the turn of the third millennium BC that an Indo-European population settled there. As a result of the mixture a population incorporating the unique cultural and linguistic characteristics of the whole Balkan Peninsula was created. Based on this the Illyrian people developed through the second millennium and first century BC. After its fall the Illyrian came under the control of the Roman Empire and later became part of the Byzantine Empire.

The country has witnessed numerous invasions over the last 1,000 years or so and by the 14th century Albania was occupied by the Ottoman Empire. This eventually resulted in independence in 1912 and from this time until the First World War the country was repeatedly attacked by neighbouring countries.

After 11 years the monarchy of the country was occupied by Mussolini forces in 1939 which saw the end of the Monarchy and in 1943 the German armies occupied the country. Resistance against foreign invasion became known as the

THE AVERAGE MONTHLY WAGE IN THE PUBLIC SECTOR IS AROUND €215-285 WITH CURRENT UNEMPLOYMENT AT 13.7 PER CENT

Anti-Fascist National Liberation Front and when the Communist Party took power in 1944 the foreign armies were expelled. After this a totalitarian regime emerged which was established under Communist leader Enver Hoxha. For 50 years the regime applied the policy of self-isolation and left the country in great economic poverty when it emerged from isolation in 1991.

During this period foreign loans, credits and investment were prohibited. The borders were sealed and private cars and phones were banned. Albanians learned about the outside world from linking into Italian TV or Voice of America.

Finally in 1991 things began to change. Between 1991 and 1997 the Democratic Party led the country and after unrests in 1997 the Socialist Party took over until 2005. After the elections the Democratic Party with its coalition returned to power.







During the conflict which led to the break up of the former Yugoslavia in 1999 around half a million ethnic Albanians fled Kosovo under the threat of ethnic cleansing. Many more left Albania for a new life overseas.

Now things are starting to change. Albanian is now a member of the UN and NATO and formally applied for EU membership in 2009. Albania was the last central and eastern European country to adopt free market reforms and even though the country's economy has improved particularly since 2003 it still remains one of the poorest countries in Europe. However after a sluggish growth due to the global economic crisis new

GDP data now suggests that Albania's economy is expanding at a high rate. Albania's GDP grew at a rate of 4.9 per cent during the third quarter of 2010 which was 1.6 per cent higher than the previous quarter.

The average monthly wage in the public sector is around LEK30-40,000 (€215-285) and the official minimum wage per month is LEK18,000 (€130). The unemployment rate at the moment is around 13.7 per cent. The Leke currency floats freely but is at the moment fairly stable and around LEK130 equals €1.

The crisis hasn't affected tourism however and this particular sector is

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begin to boom in Albania with an expected 40 per cent increase on numbers this year compared to last year. Western tourists were first allowed to enter Albania back in the late 1980s and so this particular sector is still in its infancy. In the last few years however the tourism sector has been declared by the government a top priority. Tourism accounts for around 11 per cent of Albania's GDP and employs over 140,000 people or some six per cent of the working population.

The number of tourists in 2010 already increased by 20 per cent on 2009 figures with a total of 2.4 million compared to 1.8 million the previous year. During the first half of this year (2011) 1.2 million visitors have already been to Albania and revenues have increased by 8.5 per cent compared to the same period in 2010.

Some 94 per cent of the tourists arriving in Albania this year were European of which 34 per cent were from neighbouring Kosovo, 16 per cent from Macedonia and 10 per cent from Montenegro. Cruise lines have also discovered the Albanian cities of Saranda and Durrës as ports of call. Day trippers from Corfu are now also a common sight.

New hotels are now being built in Saranda and older ones are being converted from state ownership to private enterprises and modernised. Butrinit Hotel in Saranda is a good example and one of a few hotels to be handed a five star rating from the Ministry of Tourism.

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THE GAMING MARKET

Despite being around 70 per cent Muslim Albanian gambling law does permit casino gambling, sports betting and the lottery. Sports betting and the lottery have been legalised in Albania since 1991 when the Communist restrictions were lifted. The Albanians love to bet on football games and also take part in the neighbouring Macedonian Lottery. Online gaming is permitted for the betting companies although due to a glitch in the law online casinos games are also offered.

The first casino to open in the country was the Regency Casino Tirana in the capital city six years ago. To date this is the only casino of its kind in Albania despite the fact the government is still offering four further casino licences



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THE REGENCY CASINO WAS THE FIRST REGULATED CASINO IN THE CITY OF TIRANA AND OPENED ITS DOORS IN DECEMBER 2005.

which cost €10m for a 15 year lease.

Regency Casino was the first regulated casino in the city of Tirana and it opened in December 2005 and at the time was operated by a consortium of Hyatt and a group of Albanian investors. Besnik Sula is the Albanian partner and owner of the Taiwan-Parku Rinia, the building where the casino is located.

The licence was granted after an international tender was set up by the Albanian government to the Regency International Casino S.H.A who beat Club Hotel Loutrakki and US Royal Palace from Nevada and Albanian firm Rosafa in the tender. The company invested €20m into the project and of this €10m was paid to the Albanian State, which included the licence fee paid to the Ministry of Finance.

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CEO and founder of APEX gaming.

LICENSED ELECTRONIC CASINOS IN ALBANIA

REGION	ELECTRONIC CASINOS	SLOTS
Berat	7	70
Durres	15	200
Dibar	9	92
Elbasan	8	104
Fier	10	115
Gjirokaster	4	45
Korce	15	176
Kukes	3	30
Lezhe	7	72
Shkoder	5	40
Tirane	87	1,170
Vlore	15	186
TOTAL	185	2,300

The casino covers an area of 1,700 sq.m and the company’s literature claims it currently has 240 slots and 20 gaming stables including Regent Stud Poker, Blackjack and American Roulette

The Hyatt casino was the first out of five casino licences which were made available by the Albanian government. The other four casinos were expected to open in the coastal tourist areas of Saranda, Vlora and Durres and the tourist

area of Velipoje. But to date none have yet opened.

At the time the casino created around 230 new jobs, however, today due to the market situation industry insiders say the number of employees has been reduced and also the amount of slots have also been significantly reduced since the casino was opened. The casino declined to comment or answer any questions about its operations.

In 2006, Hyatt Regency Hotels and Tourism (Hellas) announced the sale of its 60 per cent equity stake in Gaming Investments Overseas, the majority shareholder in the Tirana Casino. Hyatt also announced the sale of its 100 per cent share of United Reserve SA, the managing firm of Tirana. It sold its 30.5 per cent stake to Cypriot Tobias Enterprises Company for €3m. Hyatt Regency was founded in 1994 and as the leading casino operator in Greece operates the Regency Casino Thessaloniki and Regency Casino Mont Parnes in Athens.

Insiders in Albania now say this casino is struggling due to the tax increases in this sector two years ago which saw the amount of taxes per gaming table rise to €25,000 per month and €1,300 for a slot machine. This is five times the amount it paid previously.

Meanwhile, the other four licences are still available. Just two months after the casino opened, Hyatt threatened to close the casino down after the government decided to quadruple taxes on slots. Although this was withdrawn the erratic nature of the Albanian laws has dissuaded many potential investors who also see the €10m licensing fee as an impossible return on investment.

GAMING HALL OPERATIONS

So with a floundering casino market the main focus in Albania is firmly fixed on the gaming halls, or electronic casinos as they are known, which exist in a semi legal state of limbo. There are currently around 500-600 gaming hall locations of which an estimated 30 per cent of these are legally operated.

It is also estimated that because of the regulatory requirements and high taxation the grey market in Albania is still quite significant and it is said there are around 2,300 licensed gaming machines in the market there are however another 10,000 plus illegally operated machines. Over the last three years there were around 6,000 machines imported.

Monthly revenue for the licensed electronic casino market is estimated to be between €2.5m and €3m whilst the black market is about five times more.

According to the Albanian gaming board (NJMLF) there are currently 22 companies licensed to operate electronic casinos, 18 company licences for sports betting, 10 for bingo and one for casino plus four other licences for other categories. The main operators are Adriatik Game (Novomatic) Astra Albania (Novomatic), Apex and Kajot. Whilst other operators include 77 Electronic Casino, Intertronic, Top Start, VLT

Pakistan, Flamingo Albania, B&E Game, Casino Europea 2009, Alfa Game, Alba Games and US Imperial Casino.

APEX gaming has become the leading AWP operator in Albania, despite the fact that the Albanian market is extremely challenging at present. High taxes and unique gaming practices remain major barriers to entry to this market, though APEX gaming remains well positioned having tailored its games to meet player expectations in Albania.

The APEX gaming Group of Companies is comprised of manufacturing and operating. New Pinnacle gaming machines alongside the Multi Magic Classic games package have placed APEX gaming in a strong position as gaming machine manufacturer. APEX gaming operates its own arcades in a series of countries in Europe, including Germany, Italy, Macedonia, Czech Republic, Serbia and Albania. This gives fellow operators an advantage when purchasing APEX gaming machines as they have been tried and tested in operations throughout several markets in Europe.

THERE ARE CURRENTLY 22 COMPANIES LICENSED TO OPERATE ELECTRONIC CASINOS IN ALBANIA.

“Our reputation for fastidious quality comes through our experience in our own casinos and arcades,” underlines Johannes Weissengruber, CEO and founder of APEX gaming. “We have in-depth knowledge of what makes gaming machines succeed and how to manufacture gaming machines so that they work well over time.”

APEX gaming has a series of its own gaming arcades in Albania and makes considerable investments in the arcades to ensure that they are top quality. Premium service accompanies this strategy. APEX gaming offers players the same very high standard of gaming regardless of the country it is operating in. This has made APEX gaming the market leader in gaming hall operations in Albania.

It is the focus on implementing high-end equipment in high-end gaming arcades that makes the difference. Mr. Weissengruber continues: “We operate



Novomatic currently operates some 1,000 machines in their own gaming operations and a further 150 rented in other Albanian locations. Successful games from the Novomatic stable include Sizzling Hot, Lucky Lady's Charm and Dolphin's Pearl plus Multi-Gaminator and Games4You.

over 60 arcades in Albania. They are all equipped with ticket-in, ticket-out and are linked to a wide-area jackpot system. You will find a level of quality in our gaming arcades that often cannot even be found in Western Europe. We have invested strongly to create the best possible playing environment and our popularity amongst Albanian players proves that our strategy is correct.”

Novomatic has been active in the Albania market since 2006 when it founded a local subsidiary company called Eagle Investment SHA. In the same year the operating subsidiary Adriatik Game SHA was also founded.

Today, Novomatic operates 71 gaming halls in Albania via its two local



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Alexander Peter,
Astra Albania.

subsidiaries. The first subsidiary is Adriatik Game SHA, which is based in Tirana and headed by managing directors Adem Maha and Diter Halili, and they operate 43 Admiral branded halls.

Meanwhile a second subsidiary Astra Albania SHA which was founded in 1995 but acquired by Novomatic in 2010 operates 28 gaming arcades under the Astra brand. This company is headed by Alexander Peter and Skender Rama. These two brands are among the leading gaming arcades in Albania and are known for their sophisticated interior design and Novomatic gaming equipment.

Novomatic's Max Lindenberg said: "The arcades also offer a unique attraction in the Albanian gaming segment as each

arcade has its own multi level mystery progressive jackpot with three levels for additional gaming thrills. A fourth level will be implemented shortly. Currently the levels are set at Mini LEK20,000, Medium LEK200,000 and Grand Jackpot LEK1m."

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bets. New games take considerable time to gain acceptance."

Albanian gaming hall operator Alba Games has seen a drastic reduction in the number of its electronic casinos from 30 to 10 today, which have had to close due to the high taxation increases.

Today, Alba Games has three operations in Tirana plus one hall each in Elbasan, Gjirokastra, Peshkopia, Korca and Vlora and two in Saranda. The company now operates 250 slots across these locations which is down from the 700 they previously operated.

One of the main problems for the gaming hall sector is the high taxation rate which was introduced in 2009 and saw taxes



increased by five times the amount. At one time the tax per machine per month in an arcade was €200 today it is around €1,000. The figures show taxes are as high as LEK400,000 (€2,800) per arcade per month plus LEK100,000 (€700) per machine in the capital city.

The illegal gaming market is also causing problems for the legal market and due to the “connections” some of these operators have within the government they are managing to stay open and operate with no consequences.

Ardian Pollo, formerly of Rozafa Palace said: “Albania is a poor country and people tend to gamble more, so the positive thing is there are plenty of players. But the other factors are quite negative. Taxes are high and also the licensing procedure is quite expensive. There have been many electronic casinos closed over the last two years.”

Meanwhile in the Sports Betting industry the main companies include Top Bast with 384 locations, Xhoi Co 21 with 173 operations, Llotosport with 166 operations, Top Start with 180 locations, ITSGA with 144 locations, Inter Bast with 313 locations and Bet 07 with 136 points of sale. The betting industry is said to be

80 per cent black and true revenue is around €1.5m with a further €10m earned illegally. There are currently 32 bingo halls.

THE LAW

The Albanian gaming industry is currently governed by the Ministry of Finance and the Unit of Supervision of Games of Chance (NJMLF), which covers sports betting, horse race betting, casinos, electronic casinos, national lottery and bingo. The NJMLF is appointed by the Albanian Ministry of Finance and is composed of inspectors whose roll it is to certify and control the gambling sector across the country. The sector operates under the following law:

GAMING LAW 10 033 2008

- Gambling is permitted to those over the aged of 18 years.
- Advertising to minors or presenting itself as a means to solving financial problems is prohibited.
- For Sports Betting: To be a joint stock company with headquarters in Albania and have a company share capital of not less than LEK20 million.

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Novomatic Group of Companies.

ALBA GAMES HAS SEEN A DRASTIC REDUCTION IN THE NUMBER OF ITS ELECTRONIC CASINOS DUE TO TAXATION INCREASES.

- Annual fees for sports betting are LEK2m. Online gaming is permitted and there must be a central area for the servers.
- For Electronic Casinos: Must be a joint stock company headquartered in Albania and have a company share capital of not less than LEK10 million.
- There must be a minimum of 10 electronic games per hall and there is an annual fee of LEK1m. VLT payment rates should be at least 80 per cent on a cycle of 20,000 games.
- For National Lottery: Domestic or foreign companies may apply after an invitation to the tender for a national



In November 2010 changes in the Albanian law were proposed by the Surveillance Unit of Gambling. The main suggestion is to remove the five per cent tax on turnover to 25 per cent tax on profits whilst also changing the tax on sports betting. However there seems to be little movement on this and many in the industry are sceptical that this amendment to the law will even happen.

- lottery licence. Company capital of not less than LEK1.2bn.
- A licence is granted for 10 years and there is a LEK300m licence fee for operation.
 - For Casinos: Domestic or foreign companies may apply for a casino licence which is given for a 10 year period.
 - Casino licence fees are LEK1bn for Tirana, LEK600m for Durres and LEK300m for other areas. The organiser of the licence cannot open more than one casino.
 - For Bingo: For traditional and television bingo operators must be a joint stock company with headquarters in Albania and need a share capital of not less than LEK20m for traditional bingo and LEK50m for television bingo.
 - Traditional bingo companies must pay a licence fee of LEK2m a year.

ALBANIAN GAMING TAXES

Bingo Halls pay LEK500,000 monthly for first category districts, LEK400,000 for second category and LEK300,000 for third category. Televised bingo pays 10 per cent

on the turnover. Sports Betting pays 25 per cent tax on the profits, but not less than:

- 1-99 TIN – LEK10m per month
- 100-149 TIN – LEK12m per month
- 150+ TIN – LEK14m per month.

There is also a fixed monthly fee of LEK40,000 for first category districts, LEK30,000 second category and LEK20,000 for third category.

Horse Racing pays a fixed rate of LEK2m per month whilst electronic games on the Hippodrome premises pay a fixed tax rate of LEK40,000 for each position. The municipality which carries out the activity pays 0.2 per cent on turnover.

Electronic Casinos pay 4 per cent tax but not less than:

- LEK400,000 for site category I per hall and LEK100,000 for each slot machine.
- LEK200,000 for site category II per hall and LEK60,000 for each slot machine
- LEK100,000 for site category III per hall and LEK40,000 for each slot machine

Multi player machines pay a fixed monthly tax of LEK1m and LEK300,000 per month for each game position

Albania: Vital Statistics

- Capital:** Tirana
- Population:** 3,544,808
- Land Area:** 28,748 sq.km
- Median age:** 30.4 years
- Languages:** Albanian (official), Greek, Vlach, Romani, Slavic dialects
- Ethnic Groups:** Albania 95%, Greek 3%, Other 2%
- Currency:** Leke (LEK)
- Government:** Parliamentary democracy
- Chief of State:** Bamir Topi (President of the Republic)
- Head of Government:** Sali Berisha (Prime Minister)
- Elections:** President elected by three fifths of the assembly for a five year term. Next election is to be held in 2012. Prime Minister appointed by the President.

Casinos: 1

- Casino Slots:** 240
- Casino Tables:** 20
- Gaming Halls:** 500-600 (of which 185 are licenced)
- Gaming Machines:** 10,000 (of which 2,300 are licenced)
- Gaming Revenue:** An estimated €54m per year (legal betting/electronic casinos only) reaching to €300m with illegal operations.

regardless of the district located.

National Lottery pays 10 per cent tax on volume of total turnover

Casinos pay a monthly tax on the various equipment:

Multi player machines pay 12 per cent per month on GGR but not less than LEK300,000 per month for each position.

Each gaming table pays 12 per cent per month on GGR but not less than LEK1.5m

Slots and VLTs pay 4 per cent per month of GGR but not less than LEK120,000.

The operators must also pay 0.2 per cent of turnover per month tax to the local city or municipality.

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