

# Standing in the way of control

The many forms of gaming in Spain are currently enjoying very different degrees of success. G3 looks at the picture as a whole

The Spanish sports betting saga dates back to 2006 when a new decree was passed by the Spanish federal government.

This finally regulated dedicated betting shops, non-dedicated betting kiosks and remote betting, whilst handing the final decision over to the regional governments who can then impose their own conditions.

Up until now the Spanish have either had to go online to bet on sporting events or opt for the state run lottery's twice weekly football pools game, La Quiniela.

At the moment only two of the 17 autonomous regions have changed their legislation – Madrid and the Basque Country – although many predict other regions will begin to follow suit.

The regional government of Madrid was the first to relax its gaming regulations in April last year whilst the Basque Country followed suit at the end of the 2008.

It seems strange that a country which such a well established private gaming market has never before embraced the idea of retail sports betting until now.

Spain is a huge market for gaming and one of the biggest in Europe. Its set up is relatively straight forward.

**Many say sports betting will be a good addition to gaming arcades and bingo halls for players to use as fun rather than serious gaming whilst the sports betting shops will appeal more to the foreign visitors who might want to bet on their home teams whilst on Spanish soil.**

The country's gaming market is divided into three segments – the state lottery or LAE (Loterias y Apuestas del Estado), ONCE (lottery) and the private games sector (including AWP's, casinos and bingo).

The private gaming sector controls around 60 per cent of the market compared to the 32 per cent for the LAE and seven per cent for ONCE.

The lottery is a solid and big market in Spain and is offered by the state lottery LAE which was established in 1985 and today provides games such as National Lottery, Primitiva lottery, Bono Loto, El Gordo de la Primitiva, Euro Millones, La Quiniela, El Quinigol, Quintuple Plus and LotoTurf.

Meanwhile ONCE (Spanish National Blind Organisation) runs its own daily lottery via its own visually impaired ticket sellers.

Of the 60 per cent market share for private gaming this is then divided between casinos which have an 8.2 per cent market share, bingos have 11.9 per cent which the AWP's have the lions share with over 40 per cent.

In 2007 there were just under 252,000 AWP's in the Spanish market, 2,344 casino slots, 540 casino tables and 92,361 amusement machines.





In terms of locations there are currently 42 casinos in Spain, over 3,000 gaming arcades and some 250,000 single sites.

The total amount gambled in 2007 from the lottery and private gaming sectors came to almost €31bn of which the private gaming took €18.8bn, casinos took €2.5bn, bingos €3.6bn and AWP's €12.6bn. The lottery sector took a total of €12bn with LAE taking €9.9bn and ONCE around €2.1bn.

La Quiniela is the Spanish football pools service which in 2008 saw sales reaching some €557m, a growth of 1.85 per cent on the previous year. La Quiniela says the number of bettors that participate every week in La Quiniela is between two and 2.5 million which is equivalent to an average of 26 to 28 million bets.

The biggest sales come from the province of Madrid with €101m followed by Barcelona with €79m and Valencia with €25m.

## SPORTS BETTING

The Spanish sports betting market is now just over a year old and there are mixed reports to the new sector. Some remain sceptical about the predicted growth potential saying the Spanish are not as keen to bet on sports or horses when their €1 could bring them bigger cash rewards via an arcade slot machine or the lottery.

Of course it's a completely new style of gambling for the Spanish and, as most new things to a market, takes time to adapt and develop its player base.

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halls for players to use as fun rather than serious gaming whilst the sports betting shops will appeal more to the foreign visitors who might want to bet on their home teams whilst on Spanish soil.

To us Brits of course the idea of sports betting is as natural as going to the pub as the traditional bookmaker shops (or LBOs) have been around for almost 50 years.

The stereotypical British bookie shop is a working man's 'club' which are littered with the discarded betting slips and cigarette butts and have a glaring array of television screens viewed by tilting your neck at a 90° angle to watch the 2.30 at Newmarket.

Today as the new era of LBOs emerge the glitz and glamour aspect of the clubs is finding its way into European soils and is becoming more of a 'sure thing'.

The Victoria sports betting shops for example are decorated with chrome and glass and comfortable sofas and a bar. This is aimed at not only redefining the bookmaker shop, but are aimed in particular at becoming more attractive places for women punters.

Regulations are strict however and in Madrid the law states that betting must be located in a new premises (betting shop) or in existing gambling establishments such as bingo halls, casinos or arcades.

Operational licences are issued for a five year period which are then renewable for further five year periods if requirements set by the administration are met. Companies wishing to operate betting



(Left) Seeben's Urbain Thewissen with Cocomatic's Monica Palomares and Javier Gutierrez.

	Number of	Total amount gambled	Amount spend per inhabitant per year	Gaming income
Casinos	42	€2,550m	€56.43	€556m
Casino Slots	2,344	-	-	€153m
Casino tables	540	-	-	€330m
Bingo Halls	425	€3,661m	€81.01	-
AWPs	252,000	€12,626m	€279.35	-
LAE		€9,985m	€220.92	€3,636m
ONCE		€2,165m	€47.91	€1,125m
<b>TOTAL</b>		<b>€30,989m</b>	<b>€685.61</b>	<b>€9,840m</b>

shops must have a deposit of between €6 and €12m or insurance worth €10bn.

Punters can only bet on sports and with a minimum wager of 20c. Whereas Brits can bet on anything from the winner of Strictly Come Dancing to the name of the Queen's new dog, in Spain bets are restricted to a list of 30 betting events with wagers on religion or politics completely banned.

Madrid has established a fixed licence fee and a limited number of ten licences although licence holders can open as many shops and outlets as they please.

At the moment there are four operators in Madrid although Sportium (Cirsal/Ladbrokes) is said to have a 60 per cent share of the market leaving the rest divided between Victoria (Codere/William Hill), Bwin and Intralot.

Recently, after just a year in the Spanish market, William Hill pulled out its joint venture with Codere saying slow progress and the need for more cash led to the decision.

It seems Hill was impatient with the low number of outlets opening due to the slow and laborious regulation process plus the slower than anticipated

regulatory changes in the other regions.

Coupled with the current economic crisis Hill saw a delay in its return on investment and is now focusing on its international sports betting strategy on the internet and gradually withdrawing from the Spanish market.

Last year William Hill also pulled out of Italy after failing to win enough licences to achieve critical mass.

Meanwhile it is also thought likely that at least one of the four Madrid operators will pull out in the near future as the market is just not big enough to cope with all four.

Set up costs to launch the new business arena have been costly and in short term will bring little or no profits.

In the Basque Country following a government tender three licences were issued which went to companies Kiroljokoa, Reta and Garaipen. These companies had to be resident in the Basque Country and have a minimum capital of €1m.

#### POTENTIAL GROWTH

Meanwhile there is huge growth potential especially for retail betting and interactive

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**Merkur Gaming's Klaus Schwerbrock on the Sente stand with Master Games.**



**Wolfgang Heckl (left) and Luigi Iulita of StylGame.**

gambling and the Spanish gambling market is expected to grow to €39bn by 2010.

Of this the retail betting market alone is expected to grow to around €4.5bn a huge 750 per cent growth rate. Meanwhile interactive gambling is expected to reach the €4.2bn mark a growth of 240 per cent.

If Spain's gaming and casino market is anything to go by then on all accounts the sports betting and online gaming sector could potentially be equally, if not more successful.

Spain has a 30 odd year history of gaming which began when the country shook off the shackles of its dictatorship ruling in the mid 1970s.

Private gaming was legalised in 1977 whereas previously only public controlled

gaming such as the lotteries and football pools had existed.

This marked a new start for the industry and business boomed and the country's first 18 casino licences were granted in a bid to boost tourism.

In the 1980s Spain flourished and grew rapidly and companies such as Madrid based R. Franco and Barcelona's Cirsa began to take control of the gaming market.

The country went through a tough recession in the early 1990s but the mid and late 1990s again saw a significant boom period as the economy increased, wages improved and the real estate market rocketed.

Disposable income was at an all time high and the gaming market began to reap the rewards whilst foreign



companies began to enter the market.

The arrival of the Euro and the early part of the millennium hit Spain hard and the market began to push for new legislation in a bid to re-ignite the market and along came new stakes and payouts and more importantly the introduction of video AWP's and multiplayers.

Each of the 17 autonomous regions now has its own gaming laws and it is often the capital city Madrid, with its six million population and the Basque Country with a population of just over two million, which start the ball rolling by introducing new regulations. Others usually follow suit once a 'testing' period has elapsed.

The AWP sector of course governs the Spanish private gaming market and varies

between regional laws. In some regions AWP's have a 20c or 40c stake with an €80 or €120 payout whilst in other areas such as Andalucia, stakes are 20c, 40c or 60c and payouts €80-€240. Video AWP's are permitted in certain regions.

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#### **SPORTS BETTING COMPANIES** **VICTORIA APUESTAS**

Codere was founded in 1980 by the Martinez Sampedro family (a group running recreational establishments) and the Franco brothers.

The group began as an AWP operator and focused initially on the Madrid region and

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by 1982 Codere managed more than 3,000 AWP's.

Over the next 20 years the group began to expand its AWP activity to other Spanish regions and then began to expand into South America whilst also diversifying into other areas such as bingo, betting shops and casinos.

In 2000 the company began to buy small local operators in the Spanish market whilst also expanding into bingo hall operation in Italy and the Racino business in Uruguay. Today Codere has almost 16,000 AWP's in the Spanish market, one bingo hall and 44 betting shops.

The company also has slot, casino, betting shop and bingo operations in Argentina, Brazil, Italy, Mexico, Panama and Uruguay.



**“In terms of performance, obviously Spain is a very healthy market and we are always being measured against our competitor’s products. We are conscious of the fact and strive to ensure that our development processes, not only for hybrid products, but also in regards to developments in video, meet the expectations of this demanding market.”**  
**Simon McCarthy, JPM International.**

In 2006 the Martinez Sampedro family became the majority owners of Codere following their buyout of the Franco Brothers, ICG and MCP stakes in the business.

Codere was listed on the Madrid Stock Exchange in 2007 and in October of the same year the company was awarded the first licence to operate sports betting in the Basque Country.

Codere is no stranger to operating betting shops and already has six shops in Uruguay, 47 in Mexico, six in Panama and three in Brazil. In total the group now has 106 betting shops.

In 2008 a joint venture called Victoria Apuestas was set up between Codere and UK partner William Hill to bring sports betting to Spain.

The company obtained a licence in the Basque Country and Garaipen Victoria Apustuak was set up. Today Garaipen has 57 points of sale in this region.

Then in April 2008 Victoria obtained a licence to operate in Madrid and opened in Codere’s bingo hall Canoe. Victoria currently has 37 points of sale in this region.

Revenues from sports betting came to €700,000 in 2008 according to its annual report although it apparently cost them €3.3m to launch the division.

Meanwhile earlier this year William Hill pulled out of its joint venture with Codere citing slow progress and the need for more cash. Hill is now making a gradual withdrawal although it will still provide bookmaking services to the business now managed by Codere.

Some also suggest Codere’s recent financial problems may have left the partnership under a cloud. Codere was forced to place its shareholding for sale in order to pay the €187m it owed the former shareholders (Franco) and now share prices are at an all time low.

### SPORTIUM

In January 2007 Ladbrokes and Cirsa Slot Corporation signed a 50/50 joint venture company to develop sports betting in Spain.

Ladbrokes already has operations in the UK, Ireland, Belgium and Italy whilst Cirsa, as one of the leading slot manufacturing and operating companies in Spain, is well served for the new market.

Cirsa was created in 1978 as a small company developing slots and today the



Robert Higgins of Ace (right) with Abelardo Mato of Screen Game with Fiesta.



Comatel's Enrique Navarro (left) with JPM's Simon McCarthy and Tesoro de la Selva.

group comprises of around 200 companies all over the world.

Cirsa Slot is a division of CIRSA Corporation which belongs to the Nortia Corporation business Group. The slots division owns and operates slots machines in bars, cafes, restaurants and arcades. The casino division manages and operates casinos and electronic casinos.

At the end of 2007 the company operated 25,895 slots in Spain and 6,529 in Italy, 24 casinos (four in Spain), a total of 90 bingos (57 in Spain), 11,323 casino slots (283 in Spain) and 122 gaming arcades in Spain.

In 2007 the company achieved operating profits (EBITDA) of €169m, an increase of 18 per cent from the previous year. In the first three quarters of 2008 the group achieved operating profits of €149m (again an increase of 18 per cent of the

same period in 2007).

Ladbrokes is one of the leading bookmakers in the UK, Ireland and Belgium with over 2,600 owned and operated betting shops whilst it opened its first shops in Italy in December 2006 with plans to open 200.

The company also offers remote betting via telephone and internet and has some 500,000 active customers with the internet site.

Sportium Apuestas Deportivas is the name of the sports betting company which has now been set up. Sportium received its licence to operate in Madrid and currently has 70 points of sale in the city. The company plans have 100 shops open by the end of the year.

Bets can be placed via the exclusive betting terminals which are operated via a

PIN number, via the shop counter or via tickets. Sportium is the only company in Spain to have electronic betting slip scanners which speed up processing. Since opening in May 2008 more than 300,000 bets have been placed and €7m in prizes have been awarded.

Sportium says its most popular bets are horse racing and greyhound racing (which are shown live every five and 10 minutes in all the Sportium shops) followed by football, tennis, formula 1, motorcycling and handball.

#### WINNERS

Betbull is primarily a retailer betting provider which consists of fixed odds betting on horses, sports and greyhounds whilst also operating slot machines, FOBTs, exchange betting terminals and lotteries plus a food and beverage sector to complement their services.

Betbull works via licences in Malta, England, Madrid and Germany whilst its retail bookmaking (except in Spain) is centrally operated under a Maltese licence. Net gaming revenue in 2008 for the company was €16m.

In June 2006 Betbull opened two licensed betting shops in Andalucia which were run by Betbull's wholly owned Spanish subsidiary company Betpoint SL which operated under a licence granted to La Quiniela. It was later decided to close the two betting agencies which had opened and liquidate the company to focus solely on the W1nners venture in Madrid and its German business. However financial results showed this cost them a loss of €1.9m.

In September 2006 Betbull then set up a joint venture with Spain's Franco-Orenes group to develop sports betting activities. However the new two companies split in October 2007 following some disagreements and Betbull then entered into a joint venture with online gaming operator Bwin Interactive Entertainment AG.

Betbull Bwin Espana's first licence was granted in Madrid in October 2008 and the company aims at launching its own shops and third party premises. The first betting outlet was opened in February 2009 in the shopping mall Diversia.

BBE is using the w1nners brand in Spain and a new logo and colour scheme was launched for Spain alongside its headquarters office in Madrid.

In fact the group has set up four betting points of sale in the Bernabeu stadium thanks to a pilot scheme between the club and W1nners which will run from



April this year to the end of the season. The agreement means the Bernabeu will be the first football arena in Spain to offer live in-stadium sports betting.

In 2007 W1nners sealed itself a three year lucrative deal with Real Madrid for shirt and stadium sponsorship and claims it intends to have 120 betting outlets in Madrid over the next four years with an investment of €20m. Some 25 shops are being planned for the next 12 months.

The company says its group activities in Germany which provided solid net results, helped support the set up costs required in Madrid.

#### APUESTA OE!

Intralot already runs sports betting in 12 countries and received a licence to operate in Madrid in April 2008.

The company is the second largest lottery company globally and is one of the leading companies in the Italian betting market.

Intralot Iberia is Intralot's Spanish

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subsidiary and will develop a network consisting of more than 100 points of sale branded Apuesta OE!

#### RETA

This is the brand name of the betting shops launched by Telematic Network Bet and EKASA (Euskal Kirol Apustuak) which have received a licence to operate in the Basque Country.

Interestingly this company received the highest score in the government tender and today has seven betting shops and some 400 terminals in betting premises.

RETA is expected to open 25 more shops and install some 500 betting terminals in other establishments. RETA recently opened its second shop in Vitoria in March.

#### KIROLJOKOA

Kiroljokoa has recorded over half a million bets since it opened in the Basque Country last August and today has eight betting shops and machines in 230 bars and restaurants. The group plans to invest between €3m and €6m in the Gipuzkoa

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## The Victorian era

One of Spain's pre-eminent gaming companies, Codere, gives its views on the sports-betting market at home and abroad

"Codere's sports betting activities got underway in South America when our company entered the Mexican market in 1998 with local partners.

In Panama and Uruguay our betting shops are linked to the running of the Presidente Ramon and Maroñas racetracks. In 2006 we entered Brazil's highly regulated gaming market in association with some of the country's most important jockey clubs.

Sports betting is a form of gaming that is allowed in many types of establishments, be it in specific premises or linked to other forms of gaming, such as casinos, bingo halls, sports centres or hotels.

Brazil, Mexico, Panama, Uruguay and now Spain is where our sports betting activity is currently concentrated and we have a total of 106 betting shops.

In October 2007 the Basque Country became Spain's first region to allow private gaming in the sports betting sector. Following a tender for licences the Codere Group, as part of the Garaipen Victoria Apustuak consortium, was awarded one of three licences for sports betting in the Basque Country.

area to open new premises and distribute more than 500 more machines throughout the region.

### GARAIPEN VICTORIA APUSTUAK

Garaipen Victoria Apustuak comprises of Codere (67%) with the remaining held by local Basque partners.

Victoria opened its first shop in December last year and today has 57 points of sale shops within arcades and over the next 12 months the company aims to have a total of 69 PoS plus four betting shops

Garaipen Victoria Apustuak is a company comprising of the Codere group (67%) and local partners (33%) such as Gabascar and 27 Basque operators in the private gaming sector.

In the Basque Country, Victoria has 57 points of sale and all of these are corners within arcades. The plan by the end of 2009 is to have a total of 69 corners in arcades plus four exclusive Victoria shops and there will also be 100 SST allocated in bars.

In the Madrid community Victoria operates was the first company to enter the gaming register and to obtain the technical approval of the Madrid region.

There is an investment commitment of €10m per main partner and the intention is to create 300 stable jobs in the first three years.

In Madrid Victoria has a total of 37 points of sale of which 34 are corners in bingo halls and arcades and three are exclusive Victoria shops. The plan by the end of 2009 in this region is to have a total of 50 corners in arcades and 12 exclusive Victoria shops.

Our outlets are attractive and comfortable with friendly and knowledgeable staff. They are the perfect environment to enjoy the excitement of live sporting events and we feel quite happy with the evolution of the betting activity.

Sports betting is a new concept in Spain and Victoria provides a product specifically tailored for the Spanish market. Our range of bets and coupons have been designed to make the whole process of sports betting as simple as possible for our customers.

Regarding the bet restrictions we understand the difficulties that the regulators in Spain have with the deregulation of sports betting. This is a new market in Spain and it is normal that they want to set up restrictions to make sure that they have everything under control.

Although they are not ideal and from our point of view some of these limitations may be too strict, they are not critical for the business.

We are always working with the regulators to try and improve any aspects of the regulations that we think may help the activity to be developed adequately."

**Claudio Vallejo Aguila-Real**  
*Director of Communications*  
**Codere**

and hundreds of auto-betting machines in local restaurants. The company plans to invest around €31m in the Basque region.

Meanwhile, Gala Coral Group says it is also looking at the sports betting market in Spain.

Gala Coral operates almost 2,000 betting offices, 156 bingo clubs, 27 casinos and two greyhound stadiums in the UK, together with its online business.

The group has been active in Italy since

2007 with the launch of 350 Eurobet Betting shops whilst it has also set up a group venture in China.

And although online gaming is illegal still in Spain it is interesting that it has one of the highest advertising campaigns from online gaming companies.

For instance, Finnish gaming company PAF has signed a shirt sponsorship deal with Atletico Madrid running from 2008 to 2011.





The contract includes advertising at the club's training grounds and the launch of Atletico's new club website this year. PAF will also launch a tailor made online gaming site for Atletico fans around the world.

Meanwhile the government is currently looking at a national framework to regulate the online gaming sector.

The latest proposals suggest that Spanish online gaming licences can be issued to EU based operators. However there will be tough sanctions imposed on unlicensed companies targeting the booming Spanish market.

At the moment only Madrid has regulated online betting however there is still no national law,

It is rumoured that the region of Castilla y Leon could be the first region to regulate online gaming late this year or early in 2010.

The regional government has prepared a draft law to regulate internet, television and telephone gaming and could include

measures such as age limits, time limits and health warnings to protect users.

At the moment the state's LAE can now offer its services online via the website [loteriasyapuestas.es](http://loteriasyapuestas.es). Players must register and must provide identification for any prize over €600. Bets are restricted from outside of Spain and participants must use a bank account whilst bet payments are secured with bank cards.

It is thought these requirements could be an indication of future regulations for the Spanish online betting market.

#### THE GAMING MARKET

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The private gaming sector controls around 60 per cent of the market compared to the 32 per cent for the LAE and seven per cent for ONCE.

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The Spanish casino sector saw a bad year in 2008 with activity dropping by some 18 per cent partly due to the economic crisis and high taxes.



In 2008 the casinos paid €140m in gaming taxes alone in addition to the business and other corporate taxes. The industry is campaigning to see a reduction in the tax rates.

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There is a complete range of products now available in Spain from reels, hybrid and purely video AWP's products. Multi games are just beginning to enter the market and with the huge lure of poker at the moment, poker and bingo games can now be found on those AWP's with video,

particularly the multi games.

Meanwhile the government is currently looking at the online gaming sector and how to regulate, tax and control it.

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#### THE SUPPLIERS

With around 250,000 machines in the Spanish market and on average between 20 and 30 per cent of these games changed each year, the country has always been a lure for foreign companies.

Particularly evident right now are multi-game systems. The Gauselmann Group launched Master Games earlier in the year, which featured 10 different games including a poker and keno game (which are now permitted in regions with video) and claim the facility of upgrading the games without the cabinet will be a huge appeal to the market.

However, as Spain is in the grip of the recession some suggest there is little point in developing a 'great game' when operators don't have the cash or indeed the finance facility available, to buy it.

Others were keen to offer similar multi-game products whilst the majority stick to the more economical format of single games and opted for the reel/video style from likes of Electrocoin, Jac van Ham, JPM (Tesoros de la Selva), Games Media/GiGames (Giga Vegas), Cirsa

(Azteca), Tecnoplay, Ace (Fiesta).

JPM's Simon McCarthy said: "In terms of performance, obviously Spain is a very healthy market and we are always being measured against our competitor's products. We are conscious of the fact and strive to ensure that our development processes, not only for hybrid products, but also in regards to developments in video, meet the expectations of this demanding market."

Bell Fruit's Sirenas continues to prove itself as a modern gaming phenomenon in Spain, having sold some 14,000 games via distributor Comatel since its launch in the marketplace.

The Spanish market via its international presence now offers a complete range of products to all players and many say the traditional reel player (40-50 age bracket) is now changing, with the more complicated video-based games growing in appeal.

Some think once major international manufacturer/operators enter the market, Novomatic for example, their own slice of the Spanish pie could be reduced to crumbs once a gaming giant brings its technological know-how into the market.

With Spain's 17 regional laws the lengthy homologation and licensing process means distributor relationships are heavily relied upon, and there remains a reliance on the back-and-forth type working relationship between seller and manufacturer, whereas a larger manufacturer could, of course, acquire that knowledge directly.

Another new market entry, Wolfgang Heckl, formerly of Spain's Industrias Lorenzo, has joined Italy's StylGame to make the new Spanish division.

StylGame produces the Royal Stool brand of seating and is now looking to expand further into the Spanish, Portuguese and South American markets via the new Spanish base in Barcelona.

The company has more than six years experience manufacturing chairs for the Italian and Eastern European markets and make a range of models for croupiers and employees to standard furniture for casinos and offices to traditional single models or interchangeable models and accessories.

The expansion also coincides with a study the company undertook with two Universities in Italy of postures which has since led them to modify a chair which is aimed at producing more player comfort when seated at a table or machine. The



official presentation of the new chair will be held in June at the Casino Di Venezia.

Spain's amusement and gaming distributor Cocomatic has also secured a deal with Seeben to provide machines for its operations in the Spanish market.

Seeben is part of a group of companies from Belgium which has been in the manufacturing, distribution and operational business some 30 years and is headed by Victor Bosquin.

In Belgium, Seeben's operations are called Unibox and they have machines

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throughout the bars and cafes in Belgium, whilst in Spain the company currently operates around 25 arcades and 1,000 machines.

Cocomatic was founded in 1985 by Alfonso Palomares and has become a leading distributor in Spain and today represents products from Electrocoin, Odrex (multiplayers) and more recently Italian company Tecnoplay. The group also supplies amusement games from the likes of Coastal Amusements, Konami, Stern Pinball and is the exclusive distributor for Electrocoin's Xput.