



The Bermuda Environmental Sustainability Taskforce

Position Paper: The Gamble of Gaming

2013

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BEST Position Paper: The Gamble of Gaming
July 2013

KEY POINTS SUMMARY

- In an attempt to add constructively to the discussion on gambling, the Bermuda Environmental Sustainability Taskforce (BEST) decided to research the topic. We feel it is important for the public, as well as our leaders, to be better informed about the pros and cons of gambling, particularly if the question of legalisation is going to be put to us to decide.
- We began this research hopeful we'd find that legalising casino gambling could improve our tourism industry.
- Our careful review of the topic as led us to the position that casino gambling is a bad idea in general and an even worse idea as it relates specifically to Bermuda, for several reasons.
- The net economic benefits of casino gambling are known to be small at best for already well-established economies such as Bermuda's, while the potential social and economic downsides have the potential to be huge. The risk does not seem worth taking.
- The casino market in our region (North America) is approaching capacity as well as being under threat from online alternatives. Casino revenues in several states have already declined sharply. Even some well-established luxury establishments in Monaco have struggled to make money in recent years.
- Using legalised gambling as a strategy for economic development has previously been discredited and evidence seems to suggest that legalising casino gambling will not "revive" our flagging tourism industry but may instead hurt existing hotels, shops, bars and restaurants.
- A high-end casino features as only a small part of a non-core area of our National Tourism Plan and is the one part of the Plan that risks doing more harm than good. We seem to be obsessed with it when our energies would be better spent elsewhere.
- There are many important questions that we need to be asking and addressing before seriously considering the legalisation of casino gambling.
- Preventing locals from gambling, as is done in certain other jurisdictions, would prevent some of the social problems but could also raise new issues.
- Overall, a casino for Bermuda just doesn't seem sensible.
- A summary follows of the pros and cons of casino gambling as they relate to Bermuda. This is succeeded by the full position paper that includes supporting evidence and research.

BEST Position Paper: The Gamble of Gaming
July 2013

The Pros and Cons of Casino Gambling

	Pro	Con
1	It could potentially attract certain tourists for whom gambling is a deciding factor in a destination and who might otherwise go elsewhere.	The legalisation of casino gambling is very unlikely to attract many new visitors to Bermuda. Gambling may be unattractive to certain tourists who might therefore decide to go elsewhere.
2	It would provide tourists already on the Island with an alternative source of evening entertainment.	Casinos are an essentially non-Bermudian form of entertainment that our visitors can get for less money much closer to home. Casinos would compete with existing local entertainment.
3	It could help entice certain hotel developers, which could lead to an improvement for the construction industry.	Any improvement to the construction sector will be temporary and not sustainable.
4	New hotels are required to attract more tourists and legalising casino gambling will help us to attract developers to build them.	New hotel development is likely to hurt existing hotels by increasing competition when current average occupancy rates are only just over 50% and by giving new hotels with casinos an unfair advantage over existing hotels. The vast majority of travellers decide on their destination before choosing their hotel and not the other way around. There have been two essentially brand new developments in Bermuda in recent years, both of which have struggled to maintain suitable occupancy rates to remain profitable. Increased competition for existing hotels without attracting significantly more overnight tourists means lower profits for existing hotels, less money for reinvestment into those hotels, and eventually a reduction in existing hotel quality. Any new hotel development should really be sustainable in its own right rather than needing to be continually subsidised, whether by a casino or by ongoing speculative real estate development.
5	It would generate additional tax revenue for the Bermuda Government.	Every one dollar earned in taxes is likely to cost the taxpayer at least three dollars for the high cost of regulation, expenses to the criminal justice system and social-welfare costs. The associated social problems will place additional financial pressure on local social charities and already stretched social services.
6	Any new visitors attracted will benefit local businesses.	Evidence suggests that casinos are more likely to hurt local businesses by increasing competition for local and existing visitor dollars.
7	Any new visitors will provide new foreign investment to the local economy.	Casinos are associated with money laundering, tax evasion and corruption and could therefore damage our reputation as an offshore business centre (which is currently the major driver of our economy and essential to ensure that Bermuda can continue to make its debt repayments).
8	It would create a number of jobs within the casino(s).	Many of the jobs are in categories in which we already employ a high number of non-Bermudians and some evidence suggests net job losses result from the introduction of a casino due to the increased competition to existing businesses from the casino.

BEST Position Paper: The Gamble of Gaming
July 2013

Pro	Con
9 It could make casino owner-operators very rich.	An overseas owner and operator (which has been suggested to ensure a high quality casino experience) will lead to some loss of Bermuda dollars from the economy. Casino gambling has been found to make "poor people poorer".
10 Historic evidence suggests that casinos can be very profitable.	Some casinos are now struggling to make a profit as there are already more than enough casinos in North America to meet demand and the casino industry is facing more competition from online gambling. Bermuda would face stiff competition from established casinos that already have a loyal following. Some studies suggest that very few people are willing to travel more than 100 miles to visit a casino.
11 Casinos have been found to increase commercial property values, which could be good for already wealthy commercial property owners.	This could push up rents for local retailers and other businesses that are struggling to remain profitable in the current economic climate.
12 Some of the revenues might be used to fund community initiatives.	Unless locals are prevented from gambling, casinos can dramatically intensify many pre-existing social-welfare problems. Casinos are known to cause increased crime, suicide rates, homelessness, child neglect, abuse, lost productivity of problem gamblers at work, divorce, bankruptcies and extreme emotional stress for the families and friends of problem gamblers (whose numbers have been found to increase with proximity to a casino). The combined effects of these have been found to outweigh any economic benefits in many cases. Increased crime and homelessness could make Bermuda less attractive as both a tourist destination and an international business centre.
13	Legalising casino gambling could make it more difficult to resist re-legalising slot style gambling machines in local establishments that were banned not too long ago, presumably for good reason.
14	Casinos could provide gangs and others with a way to get money from illegal activities into circulation in the economy.

FULL ANALYSIS

Introduction

Bermuda's Tourism Minister Shawn Crockwell recently announced that a referendum on gambling in Bermuda will be held later this year and that "it is imperative for our tourism revival that the referendum is supported."¹ This announcement followed the Caribbean Hotel and Resort Investment Summit (CHRIS), during which it was discovered that several competitors to our south, including the Bahamas, Barbados and Puerto Rico, experienced an increase in tourism revenue, occupancy and demand during 2012, while Bermuda did not.

Despite much discussion over the past several years, and many strong opinions, gambling is a topic for which we seem to be lacking a comprehensive analysis of all sides, particularly as it relates specifically to Bermuda. It is also unclear whether the apparent "turnaround" in tourism figures for some of our competitors had much if anything to do with legalised gambling. As a result, the Bermuda Environmental Sustainability Taskforce (BEST) decided that it would be prudent to undertake a more objective, researched look at the topic as it is highly important that the public, as well as our leaders, be better informed about the likely effects of gambling, especially if it is ultimately put to us to decide. For the purpose of this analysis, we focus on casino gambling as, based on the 2010 Green Paper on Gaming for Bermuda, this is the only type of gambling that is likely to have any tangible impact on our tourism industry. We have chosen to pose questions at the end of each segment that we consider to be compulsory: questions that should really be answered before Bermuda seriously considers legalising casino gambling.

What are we trying to achieve with gambling and why?

Before making any major decision, it is important to understand exactly what we are trying to achieve and the likelihood that our decision will be able to achieve this. As stated by Minister Crockwell, the ultimate goal of the legalisation of gambling is to "revive" our flagging tourism industry. The Green Paper elaborates that the primary objective is to induce further tourist visitation and, by implication, "to improve the economic conditions of the existing lodging industry which has been hit by falling occupancy rates and revenues," with secondary goals including the generation of tax revenue to support more robust tourism initiatives.

The attraction of new visitors has the potential to create jobs, increase tax revenues and inject much needed foreign investment into the economy, and is undoubtedly a worthy goal given the current environment. We understand, however, that the main reason to legalise gambling is to meet the demands of certain potential hotel developers who, recognising that they are unlikely to reach acceptable occupancy rates, are insisting on a casino as an alternative revenue stream that will enable them to achieve a favourable payback period for their investors. While the conventional wisdom seems to be that new hotel development can only be positive and is somehow required to attract new visitors, this is not necessarily the case. The vast majority of travellers decide on their destination before choosing their hotel and not the other way around, meaning that a new hotel is unlikely to attract many tourists that would not otherwise have visited. Furthermore, there have been two essentially brand new resort developments in recent years, Rosewood Tucker's Point and Newstead Belmont Hills, both of which have struggled to maintain

BEST Position Paper: The Gamble of Gaming
July 2013

suitable occupancy rates to remain profitable. Rosewood Tucker's Point, for example, sought permission for a Special Development Order (SDO) for speculative residential development to subsidise the hotel, while Newstead Belmont Hills went into receivership. According to the National Economic Report of Bermuda 2012, hotel occupancy rates averaged just 55.7% in 2012, a 1.1% decline year-on-year.² “Supply and demand is perhaps one of the most fundamental concepts of economics and is the backbone of a market economy.”³ Given Bermuda's already low average occupancy rates, it would appear that we already have an oversupply of accommodation and that further increasing this supply will not increase demand, at least not substantially, but will likely drive down prices by increasing the imbalance between the two. In addition, as prices fall, hoteliers may become unable to support the reinvestment necessary to maintain and improve their properties, leading to a reduction in the overall quality of our accommodation stock.

Compulsory question 1: Do we really want to introduce additional hotel supply that will be in direct competition with our existing hoteliers if the developers don't feel that they can create a hotel development that is a success in its own right? There have been several examples in recent years of speculative real estate developments that have been pushed through on the premise that hotel rooms will follow or the success of the associated hotel will be guaranteed, which has invariably not been the case. Is the legalisation of gambling not just another way to subsidise hotel rooms that we cannot fill and can such a model ever be sustainable?

While a new hotel development would create a short-term boost to the construction sector and new jobs within the hotel itself, it would also intensify competition within the accommodation sector and, without an equivalent increase in demand, would likely serve to drive occupancy rates down. This in turn could lead to reduced revenues for, and even the closure of, some existing and already struggling properties, with a resulting loss of jobs. This is completely at odds with the stated primary objective of introducing gambling in the first place. Furthermore, for a small sector of the travelling public, a casino may be a deterrent to visiting Bermuda in the first place (any faith-based tourism contingent being an extreme example) while, for those tourists for whom gambling is a valued amenity, a casino may give a new hotel development a competitive edge over our existing hotels. According to the Green Paper, given Bermuda's small population, the Island can only support a small number of casinos before casino profits become too low to support the high reinvestment necessary to maintain a high quality product. Switzerland, for example, has just 19 casinos for its 7.99 million people,⁴ that is one casino for every 421,000 residents, to which must be added the many people in bordering countries.⁵

Compulsory question 2: If Bermuda can support a very small number of casinos at most, should we give this competitive advantage to new developers to the further detriment of our existing hotel partners?

Overall, it appears that new hotel development is not something that we should actively be seeking until such time that we have successfully increased the demand for rooms by significantly increasing our number of air arrivals. Following this logic, it would appear that the desire to attract new hotel development is not a valid reason for legalising gambling. However, if a casino can achieve increased visitor numbers or materially increased visitor expenditure, and increase tax revenues and jobs as a result, then the legalisation of casino gambling is an option that we should be actively exploring.

Will a casino achieve what we want?

The 2010 Green Paper assumes that the introduction of casino style gambling will increase visitor numbers simply because casino gambling is an activity that is important to some travellers and is something that is offered by several of our competitors. This assumption lacks substance. Virtually all evidence seems to suggest that a casino will not, in itself, attract large numbers of new visitors to the Island. A study on Illinois riverboat casinos, for example, found that only 4.6% of gamblers travel more than 100 miles to the casino, and that 97.7% of all Illinois gamblers stay less than one day, and apparently casinos in the smaller resort towns of Switzerland failed relatively quickly after opening.⁶ Furthermore, the Illinois study concluded that casino gambling had been “a 'dismal failure' in promoting tourism and economic development” and, because job creation and economic development are dependent on bringing new tourist dollars into a community rather than merely transferring sales from local businesses to the casino, there [had] been no significant economic development.”⁷

The Green Paper acknowledges that “excessive expansions [of gambling] in other jurisdictions did not lead to the growth in tourism that [was] the main goal of the enabling legislation,”⁸ and suggests that a small number of high quality establishments could possibly overcome this issue. There is currently intense competition in the casino space, however, and even some well-established luxury establishments in Monaco, which are likely to be the only type of casino with any potential for attracting visitors from overseas, have struggled to make money in recent years.⁹ The Green Paper recognises that competition from well-capitalised and long-established casinos, which already have a loyal following of gamers, along with more recent casinos, would be a significant challenge.¹⁰ This competition is particularly intense in the North American market, with gambling bills being proposed in twenty U.S. states in 2010 alone,¹¹ New York and Massachusetts (two of Bermuda's key tourist markets) both considering “new, flashy resort style casinos,” and commentators asserting that the market for casinos in the Mid-Atlantic states, if not the U.S as a whole, has reached saturation point.¹² In fact, stiff competition has apparently already led to sharp declines in casino revenues in a handful of states including Delaware and New Jersey, with online gambling adding still further competition to the traditional brick and mortar establishments.¹³

Compulsory question 3: Would we want to enter an already saturated market that is seemingly on the downward slope and is under threat from an online alternative?

If so few people are willing to travel more than 100 miles to visit a casino, it seems highly unlikely that they will take an international flight, particularly when there so many much closer options already available. Furthermore, the key reason that people travel is to experience something different to that which they can find on their doorsteps. Instead of trying to make ourselves increasingly similar to the competition, and indeed the very markets from which we seek to draw visitors, it would seem economically prudent to be seeking to differentiate ourselves. In fact, the number one challenge for tourism development in Bermuda identified in the Bermuda National Tourism Master Plan is a lack of clear positioning and brand identity.¹⁴ Would a casino fix that, or further confuse the Bermuda product? Similarly, “our unique cultural and natural resources with international appeal” were identified as one of our top strengths that needs to be leveraged, second

BEST Position Paper: The Gamble of Gaming
July 2013

only to our historical legacy as a high-end destination. Following on from this, the number one strategic objective of the Master Plan to reinvent the tourism industry is to “Build unique and create competitive positioning.” We only become less unique and less competitive by trying to mirror our competition, so the argument that we need to follow our competitors into the casino market seems counter-intuitive. Furthermore, given the high cost of flights and labour, Bermuda will continue to be an expensive destination and it is therefore even more important that we can offer a unique experience over the competition.

Compulsory question 4: Would we want to risk eroding our competitive advantage by aligning ourselves with the competition?

Instead of attracting large numbers of tourists in its own right, “some tourists will likely participate in gambling if it were available.”¹⁵ While it can be argued that this will increase visitor expenditure, studies seem to suggest that this increase in tourist expenditure on gambling will be balanced out by subsequent reductions in visitor expenditure elsewhere. The National Opinion Research Centre (NORC), for example, has found a drop-off in income from restaurants and bars following the introduction of casinos¹⁶ and, using Atlantic City as an example, one witness noted that “in 1978 [the year the first casino opened], there were 311 taverns and restaurants in Atlantic City. Nineteen years later, only 66 remained, despite the promise that gambling would be good for the city's own.”¹⁷ Nobel-winning economist Paul Samuelson has described gambling as “sterile transfers of money or goods between individuals, creating no new money or goods.”¹⁸ In other words, unless casinos can, in their own right, attract the tourists to patronise them, the money gained by casino operators and their employees will be money lost by businesses and employees elsewhere, and local businesses are likely to suffer rather than benefit from the introduction of a casino.

Compulsory question 5: Would we want to increase competition for existing local businesses, particularly given the current difficult economic conditions?

While a casino would offer an alternative source of nightlife, we should be asking the question whether we even have the threshold visitor population to support such a facility. Based on interviews of hotel management and other tourism industry professionals, Bermuda formerly featured a higher level of entertainment and other evening activities.¹⁹ This was also when Bermuda had higher visitor numbers to support such entertainment. Again, we must be careful not to confuse correlation with causation and it is likely that the reduction in evening activities is largely a result of the reduction in visitors, rather than the other way around. If the introduction of a casino does not materially increase visitor numbers, which seems plausible, it will only act to increase competition for existing local entertainment operators, who are already likely to struggle during the off-season.

Compulsory question 6: Again, would we want to increase competition for our existing local entertainment operators, and would we want to introduce an essentially non-Bermudian entertainment experience that our visitors can get for less money elsewhere?

In terms of job creation, while any initial development would create a temporary boost to the construction sector, this would be very short-term. Furthermore, as discussed in the Green Paper,

BEST Position Paper: The Gamble of Gaming
July 2013

Bermuda could only support a small number of casinos at best so the number of jobs created within the casinos themselves would be limited and the increased competition to existing local businesses has the potential to lead to job losses elsewhere. Two studies of riverboat casinos in Illinois, for example, concluded that for every one job created by the riverboats, most of the surrounding communities probably lost one or more jobs from pre-existing businesses.²⁰ In addition, many of the jobs created in casinos tend to be low wage positions,²¹ which can be helpful in areas suffering from chronic unemployment and underemployment.²² This is not necessarily the case in more successful economies such as ours, however, and these are the types of jobs for which we already employ a large number of non-Bermudians. Per the 2010 Census, for example, “Non-Bermudians registered the largest proportional share within the service, shop and market sales workers group. This reflects the relatively high number of guest workers in fields such as waiter, chef, cook...” While some jobs for Bermudians would be created, it seems unlikely that the net gains would be large and they may even be negative in the longer-term.

Lastly, in terms of the secondary goal of generating tax revenue to support more robust tourism initiatives, it is important to ask ourselves exactly who will be paying these additional taxes, and whether these revenues can outweigh the additional costs to Government of both regulating casino gambling and mitigating any adverse social impacts.

What are the potential downsides?

While the cited benefits tend to be relatively easy to quantify, the potential downsides of gambling are documented to be far-reaching but much more difficult to measure. Furthermore, the perceived benefits tend to be over-emphasised while the potential downsides are ignored or played down.²³ According to the U.S. National Gambling Impact Study Commission (NGISC) Report, for example, “almost all studies [on gambling] have been conducted by interested parties. These typically have gone no further than to estimate local jobs and income from the gambling industry.”²⁴

The potential downsides are, however, very real. As stated in the NGISC Report, which was based on hearings throughout the U.S., testimony on a number of relevant topics, a review of thousands of articles and comments, and considered academic research and new research, “along with the real benefits of gambling come equally undeniable and significant costs.”²⁵ Furthermore, while the NGISC found that any economic benefits tended to be concentrated in a small geographical area, the social costs were diffused throughout a wider geographical region making them less apparent. In Bermuda, however, given our small size, it is likely that any social costs will be more pronounced as they will be concentrated within our twenty-one square miles.

Social costs include increased crime, suicide rates, homelessness, child neglect, abuse, lost productivity of problem gamblers, divorce and bankruptcies. The director of the Atlantic City Rescue Mission, for example, noted that at least 22% of the homeless served by the Mission cited gambling as their cause of homelessness²⁶ and, in a survey of nearly 400 Gamblers Anonymous members, 57% admitted to stealing an average of \$135,000 to finance their gambling habit.²⁷ Similarly, 19% of Chapter 13 bankruptcies in the state of Iowa involve gambling-related debt and those bankruptcies increased at a rate significantly above the national average in the years following the introduction of casinos.²⁸

BEST Position Paper: The Gamble of Gaming
July 2013

Most of the social costs associated with gambling result from problem gamblers, which studies have shown to form a relatively fixed percentage of any population. The issue with introducing casinos is that “The key to addiction is proximity: The more access, the greater the problem,”²⁹ and the legalisation of gambling has even been described as “a public policy that creates addicts.”³⁰ Importantly, these social costs are primarily a result of the local population frequenting casinos, which explains why certain jurisdictions, including Monaco and the Bahamas (which are often cited as examples of the type of casino gambling that we are trying to emulate) actually have laws in place to prevent local citizens from gambling. While this does seem to be a viable method of minimising the negative social effects of gambling and therefore maximising the overall benefits, it could raise questions around civil liberties, may be difficult and expensive to implement and regulate, and may reduce the ability of casino operators to make a profit in the off-season. It is also worth noting that, if casino gambling is legalised for locals, it could become more difficult to resist the re-legalisation of the slot style gambling machines in local establishments that were banned not so long ago, presumably for good reason.

The social costs of casino gambling have both economic and emotional effects on a community. There is the tangible cost of additional policing, psychologists, counsellors and problem gambling hotlines recognised in the Green Paper, increased costs to both social services and charities to address the problems created, and increased court costs and costs of incarceration (the cost of incarceration in Bermuda being reported to be about four times the cost in the U.S.³¹) caused by increased crime. In addition there is the emotional cost of these problems to members of the public and their families at a time when we are already struggling as a community with issues such as gang violence, and any increase in crime and homelessness would likely be very visible in a small jurisdiction such as Bermuda, which could actually deter the exact same visitors that we sought to attract through the introduction of casino gambling in the first place. Furthermore, the introduction of gambling has been found to increase commercial property values³² which, while positive for already wealthy commercial property owners, could be detrimental for local retailers and other businesses that are already struggling to remain profitable in the current economic climate.

Compulsory question 7: Would we want to support a public policy that puts additional financial stress on social services and charities that are already struggling with funding, that could put additional pressures on local businesses that are barely making a profit, and that puts additional emotional stress on already troubled families?

Importantly, the negative social and economic effects of gambling have been shown to disproportionately affect the less wealthy and more vulnerable sectors of the population, with Toronto Public Health warning that building a casino in the city of Toronto could “exacerbate social inequalities,” and the statistics released in Canada's latest report on gambling evidencing that gambling imposes a greater financial burden on lower socio-economic groups.³³ Similarly, legalised gambling activities have been said to act as a “regressive tax on the poor,”³⁴ making “poor people poorer” and having the potential to dramatically intensify many pre-existing social-welfare problems.³⁵ Furthermore, locals spending money on gambling activities can lead to corresponding reductions in the money spent in other establishments. One study found, for example, that “More than 10% of the locals would spend more on groceries if it were not for the

BEST Position Paper: The Gamble of Gaming
July 2013

casino, while nearly one-fourth would spend more on clothes. Thirty-seven percent said that their savings had been reduced since the casino had opened...³⁶

The Task Force on Gaming suggested that, in order to achieve the high quality, well-marketed casino product that we are targeting, there are strong arguments that well-known international operators rather than locals should operate casinos. This will inevitably lead to some leakage of revenues from the Island, at least some of which will come from local pockets and the remainder of which will mostly come from visitors who might otherwise have spent their tourist dollars in existing local businesses on the Island. Given the unlikelihood that a casino will attract large numbers of visitors in its own right, it seems that the majority of any tax revenues that Government would collect as a result of a casino would ultimately come from the pockets of those locals who can least afford it, and from the cash registers of local businesses. Even if some of the revenues generated are ploughed back into community projects or tourism development, the net effect to the community would be negative.

Compulsory question 8: Do we really want to generate additional tax revenues at the expense of the most vulnerable members of our society and our local businesses, and allow many of the untaxed revenues to be lost overseas or, as one commentator asks, “Aren't lawmakers sworn to protect the public, not fleece them?”³⁷

The Green Paper concludes that “the positive of introducing gaming to Bermuda outweigh the negatives by a significant margin.”³⁸ However, this appears to be based on some weak and overly optimistic assumptions. Assumptions include that we will be successful in filling the casinos midweek, that the introduction of casinos will lead to a 29.2% increase in visitor nights and that 81.7% of gambling revenues will be from visitors (based on the recommended scenario). As discussed previously, it seems highly unlikely that the introduction of casinos will materially increase visitor numbers, let alone by 29.2% and, if these additional visitors cannot be attracted, casinos will inevitably become more dependent on locals for revenue, which will reduce the economic benefit and increase the associated social costs. In addition, the Green Paper does not account for the opportunity cost of the loss of business to existing establishments caused by the increased competition for consumer dollars, and cannot quantitatively account for the whole range of social costs. Instead, it is very plausible that, once properly accounted for, the social costs will overwhelm the perceived economic advantages which, importantly, are small for Bermuda to begin with. For example, one study, which totalled the added costs cities pay in increased crime, bankruptcies, lost productivity and diminished social capital following the introduction of casinos, found that gambling generates roughly \$166 in social costs for every \$54 of economic benefit.³⁹ Similarly, field research throughout the U.S. indicates that every dollar the legalised gambling interests indicate is being contributed in taxes usually costs the taxpayers at least three dollars, and higher numbers have been calculated.⁴⁰ These costs include relatively high regulatory costs, expenses to the criminal justice system and large social-welfare costs.⁴¹

Compulsory question 9: Would we want to take the risk that the downsides of legalising casino gambling could far outweigh the relatively small potential benefits?

Another potential downside to casino gambling that Bermuda should most certainly be considering is the potentially adverse consequences of casinos for business development. The association

BEST Position Paper: The Gamble of Gaming
July 2013

between casinos and money laundering, tax evasion and corruption are well documented, and apparently “Companies tend to avoid locating in areas allowing legalised gambling” as “Gambling activities and the gambling philosophy are directly opposed to sound business principles and economic development.”⁴² Under the section on internet gambling in the Green Paper, the Innovation Group points out that “The perception of illegal activity occurring within Bermuda's borders could serve to deter business in the financial sector from locating or maintaining their offices in Bermuda.”⁴³ Isn't this something that could extend to casino gambling? While Switzerland appears to be an example of a jurisdiction that has successfully maintained both international business and casino gambling, it also has responsible gaming regulations that have been described as “[p]robably the strictest in the world”⁴⁴. It is certainly worth Bermuda treading carefully, particularly in the current “anti tax haven” environment. Even on a small scale, opening up avenues for money laundering could have the potential to tarnish Bermuda's reputation among international leaders, regulators and rating agencies. Furthermore, money laundering through casinos could make it easier to get dollars from illegal activities into circulation, which could be used to further perpetuate gang activity. There have been several allegations of corruption in Bermuda politics in the international media in recent years and, given the recognised link between casinos and corruption, their legalisation could offer increased opportunities for this and serve to further mar our image in the international community.

Compulsory question 10: Would we want to legalise gambling if there is even a small risk that this decision could deter international business, which currently brings in close to ninety cents of every dollar of foreign currency arriving on the Island⁴⁵ and is crucial to Bermuda being able to service our current debt repayments?

The potential downsides of gambling, both social and economic, are becoming increasingly well-documented and, as touched on in several studies, these can outweigh the potential benefits, particularly in areas where the economy is already strong. In fact, the NGISC “is concerned about the significant danger posed by the continuing expansion of legalized gambling into places where the economy is already prospering” due to the small economic benefits, rising social costs, and the reduction in revenue to “more deserving places” due to the increased competition.⁴⁶ Similarly, a more recent article discussing the possibility of a casino for Toronto asserts that “while destination casinos in economically challenged areas can have economic benefits for the host city, positive economic effects are 'muted or mixed' in more economically robust areas”,⁴⁷ and the California Governor's Office asserted that, on a regional level, the combined ranges of the various socio-economic costs are so large that they tend to dwarf the localised economic positives.⁴⁸ Despite a rise in unemployment in recent years,⁴⁹ Bermuda still maintains a relatively strong economy by global standards. The preceding evidence therefore seems to suggest that the net economic outcome would be small to negative before even factoring in the inevitable social costs. While some evidence from Switzerland suggests that the profits from gambling do exceed the economic value of the social costs, it remains unclear whether the net effect would still be positive after accounting for any business lost from other establishments caused by the introduction of casinos. It is also worth noting that casinos in Switzerland have only been profitable in the larger population centres and that a recent vote has led to an amendment to the Swiss constitution that will require gambling operations to do more to counter compulsive gambling.⁵⁰ This is despite Switzerland already having some of the strictest gaming regulations, worldwide.⁵¹ Overall, it seems that the potential of small economic gains cannot justify the long list of potentially serious

BEST Position Paper: The Gamble of Gaming *July 2013*

social costs that will inevitably accompany them, and the potential economic risks we may be taking.

Conclusions

The Bermuda Environmental Sustainability Taskforce (BEST) began this research hopeful that the legalisation of gambling had some potential for improving our tourism industry. In the Green Paper on Gaming for Bermuda, the Task Force on Gaming concluded that the question we should be asking is “Are the rewards that [gambling] may bring to Bermuda worth the risks that Bermuda would take by proceeding with [gambling]?” Unfortunately, the more we have researched, the more it has become apparent that the answer is “No”, and that the legalisation of gambling is a bad idea in general and an even worse idea as it relates specifically to Bermuda. Certainly before any decision to legalise gambling can be made, we must first be able to satisfactorily answer the ten compulsory questions raised throughout this research. Given the relative certainty that any rewards gambling may bring to Bermuda will be relatively small, and the huge uncertainties surrounding the risks involved, it seems that this is one gamble we would be wise not to take.

In summary, legalisation of casino gambling is highly unlikely to attract large numbers of new visitors and is therefore likely to hurt local businesses rather than help them by increasing competition for both local and existing visitor dollars. Similarly, new hotel development is likely to hurt existing hoteliers by increasing the number of hotel rooms when we already have an oversupply, and this does not constitute a valid reason for legalising gambling. Unless locals are prevented from gambling, the legalisation of casino activities will in all likelihood have a disproportionately negative impact on the poorest members of our society, while placing additional burdens on our already stretched social services and local charities. The economic costs of regulation, additional policing and the potential for increased crime, as well as the emotional toll of problem gambling on our community, could be high. In addition, an overseas operator, which is suggested could achieve the high quality casino product and marketing that we are targeting, will inevitably lead to the leakage of Bermudian dollars overseas. Casinos could potentially provide gangs with a way to launder funds from illegal activities and, critically, the associations of gambling with money laundering, tax evasion and corruption could conceivably reduce our viability as an international business centre. Given that the casino market in North America is approaching saturation and is also under threat from online gambling, and that the net economic benefits of casino gambling are known to be small at best for already well-established economies (without even factoring in all of the un-measurable social costs), a casino for Bermuda just doesn't seem to make a lot of sense.

The Bermuda National Tourism Master Plan suggests developing Cultural Tourism, Business Tourism and Sports Tourism as our three core product offerings.⁵² A high end casino features only as a small part of the complementary Leisure and Entertainment Tourism product in our plan, which raises questions about our apparent fixation on it? Instead of distracting ourselves with the one incidental aspect of our proposed tourism strategy that has a high potential to do more harm than good, we would do better to focus on the core elements of our Master Plan and the identified eight strategic objectives that will enable us to achieve these.

From the perspective of U.S. economic history, the United States has had previous economic

BEST Position Paper: The Gamble of Gaming
July 2013

cycles with widespread legalised gambling activities. Some economists suggest that the re-criminalisation of gambling, along with the state constitutional provisions that were used to make it as difficult as possible for future generations to re-legalise it, lends substantial credence to arguments that, both historically and currently, the legalisation of gambling eventually causes increased taxes, loss of jobs from the overall region, economic disruption of other businesses, increased crime and large social-welfare costs for society in general and government agencies in particular.⁵³ Utilising legalised gambling activities as a strategy for economic development has in the past been thoroughly discredited,⁵⁴ and “Those who forget the lessons of economic history are condemned to relive them.”⁵⁵ Let's learn from the mistakes of others, not repeat them.

BEST Position Paper: The Gamble of Gaming
July 2013

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BEST Position Paper: The Gamble of Gaming
July 2013

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