

Gambling Duty Bill 2012 **First Reading approved**

2. Mr Braidwood to move:

That the Gambling Duty Bill 2012 be now read a first time.

The President: I now call on Mr Braidwood to take forward the Gambling Duty Bill 2012 for First Reading, please.

Mr Braidwood: Thank you, Madam President.

This Bill is being promoted by the Treasury with the intention of consolidating and updating the law relating to excise duties on gambling. The aims of the Bill include seeking to simplify administration, improve flexibility, enable the law to better cope with anticipated developments, both technological and other, and in doing so, ensure the continued health of an industry that has proven to be a singular success for the Island.

A single gambling duty will replace general betting duty paid by local bookmakers, online gambling duty and pool betting duty, which will be paid by pools promoters. It will not replace the lottery duty charged on sales of national lottery games. Neither will the new duty affect gaming machines, which are subject to licence fees levied by the Gambling Supervision Commission, land-based casinos or bingo. Since the advent of on-line gambling and the passing of the Online Gambling Regulation Act 2001, the gambling sector in the Island has developed considerably.

Experience showed that the original legislative structure governing gambling revenues was both unwieldy to use and difficult to adapt to constantly changing regimes. Not only was there insufficient flexibility under the 2001 Act to properly deal with developments, evolving technologies and industry trends in online gambling, but the interaction, or possible interaction, with other gambling revenue law has caused problems. One has to remember that much of the Island's gambling legislation still dates back to the 1960s and 1970s.

An example of a problem that did arise was when the question was asked: does online gambling that involved a pool of some sort automatically make it pool betting and so liable to a much higher duty rate and the resulting revenue shared with the UK, or was it primarily online gambling? Furthermore, did someone engaged in such gambling have to apply for both a licence and a permit from different offices, or just a licence, and did they have to comply with the additional requirements which attach to pool betting, such as funding an independent auditor to verify receipts and returns to customers?

Difficulties encountered have been addressed partly by legislative changes and partly by administrative decisions involving commonsense interpretations of the law in the light of how the industry now operates. In the case of pools involved in such gambling as poker, the law was amended to make clear that having such a pool of money did not, by itself, render a game liable to pool betting duty.

This Bill will replace a number of existing Acts and parts of other Acts. The replacement provisions are designed to be clearer and may be more easily adapted or added to as and when required.

The Bill also incorporates provisions to allow the exchange of information with authorities in other jurisdictions and for double duty relief. Both of these are permissive in nature, allowing for the Treasury to bring forward the necessary secondary legislation as and when required. The provisions allowing the exchange of information are, in part, designed to facilitate any bilateral or multilateral agreements and to thereby allow access or continued access to markets for Island operators. They also would be used to ensure transparency and control of the sector will comply with any requirements of international and supranational bodies such as the International Monetary Fund and the European Union.

The most recent revised recommendations issued by the Financial Action Task Force in February of this year have once again emphasised the increasing need for countries to facilitate co-operation and information exchange to prevent, detect and investigate criminal activity affecting their legitimate industries. The ability to exchange information will be vital in combating crime that could affect online gambling in particular, and to underpin the credibility and reputation of the Island's industry and the Isle of Man itself.

The facility to allow relief from duty where an operator has borne foreign duty on the same transactions is also considered to be important, as increasingly territories are looking to regulate their markets. Being able to allow the offset of foreign duties could prove vital in securing the continued success and viability of the industry in the Island. The Bill is not designed as a revenue-raising measure. The duty rates incorporated in the Bill are those currently applying. Whilst flexibility is the key to the Bill and Treasury will be able to make changes to definitions, exemptions etc by regulations, any change of duty rate would require prior approval by Tynwald before taking effect.

Madam President, the contents of this Bill have been widely consulted upon in the Island. Indeed, two separate public consultations on such a Bill have taken place in the last four years. Treasury consider the Bill to be an important support for the continued success of an already successful industry.

Madam President, I beg to move the First Reading of the Gambling Duty Bill 2012.

Mr Lowey: I beg to second and reserve my remarks.

The President: Hon. Member, Mr Callister.

Mr Callister: Thank you, Madam President.

I would just like to refer, if I may, first of all, to lotteries, particularly lotteries that we have had here in the Isle of Man.

We had, in 1979, the Millennium Lottery, which was a huge success. At that time, there was something similar to the Lottery Trust set up here. Shortly after that, there was an attempt made in Tynwald to have this lottery brought in on a permanent basis, which failed by 20 votes to 7, and the leading man who opposed that at the time was the Bishop, Vernon Nichols, and he continued that opposition, I think, until the time he left the Island.

Later on, we did get a full lottery for the Island, as we all know, which seemed to disintegrate a bit when the UK lottery came in and people would buy more tickets for that and less for ours.

We did, in fact, have an earlier lottery that I remember, which was called the... I think it was called the Isle of Man Hospitals Lottery, and it was run by a man called Fred Faragher. I am sure some Members will remember him. Some people called it 'Fred's Fiddle'. I think that was probably rather unkind. Whether it ever turned out to be proven, I do not know, but it did raise quite a lot of money for charity.

My question is – to the mover, who did move this in a very nice poker-faced way, I thought this morning – does a lottery operator, where the funds are basically, or largely for the benefit of a charity... Is there any means that lotteries such as that would attract a lower rate of duty? Could less duty be paid? Does this Bill give a provision for a benefit, say, for lotteries of that kind that would benefit charities?

Then, if I could mention horse racing... (**Mr Lowey:** Cheltenham?) No, I do not want to talk about Cheltenham; I want to talk about Belle Vue. I have got to do Mr Downie's job on the history today because he is not here.

Belle Vue, which is now the Isle of Man Sports Centre, both before and after the First World War had horseracing and I came across... There was a thing in one of the newspapers recently that in 1930 two jockeys were fined for crooked riding. This was recorded in the *Isle of Man Times*. Some years ago, I interviewed an old guy who used to, as a child, sit on the wall, watching this racing going on – this was after the First World War – and he said that the riders would go past on the corner and one of them would be saying to another one, 'Right, you go on now!' or 'Pull back!' because they were deciding who was going to win these races. It was all worked out beforehand. So that is quite interesting, I thought.

Then we had, of course, horseracing down at Great Meadow. I presume... I do not know if there were any bookies down there. There may have been.

Mr Crowe: Yes, there were.

Mr Callister: Oh, you gambled then, Mr Crowe! I never attended any of these things, but my question really is if horseracing came back to the Isle of Man, does it cover us for on-track gambling? Bookies presumably are on there. If there were bookies on, they would be paying duty, of course, wouldn't they, so that is... It might be an attraction. Apparently, it used to bring vast numbers of daytrippers to these Belle Vue events, apparently. Anyway, that is world history, or Isle of Man history.

It does not mention the word 'sweepstake' in here. I presume sweepstake is now a word that is a bit obsolete, but obviously is the same thing as 'lottery' anyway, but if Mr Lowey was intending to run a sweepstake, you are still not going to avoid paying duty on it.

The mover mentioned bingo, Madam President, and that is not included. He did not mention raffles, which raise money, of course, for church events and clubs and so on. I presume raffles are outside of the scope of this Bill.

Thank you, Madam President.

The President: The Hon. Member, Mr Turner.

Mr Turner: Thank you, Madam President.

We have had various pieces of legislation concerned with gambling over the past few years and I think the key to this particular piece of legislation is to enable flexibility in the ever-changing world, especially when it comes to the fact that a lot of the gaming now is online. There has always been that debate on whether we should ethically be involved in gambling here and whether it is a good thing for the Isle of Man. The rest of the world, however, is going down the routes of exploring avenues to raise revenue and of course the benefit that we have is that, if people have access to well-regulated gambling, then they are less likely to start venturing down

darker avenues, where you end up in the unscrupulous gambling activities. At least with proper regulation then we can make sure that people have a level of protection.

Of course, a lot of gambling – and this is something I have views on – one of the things I most detest are these tea-time television gambling shows, Noel Edmonds, and of course, I sit there and watch and you can actually see that a lot of it is driven by that bit of greed, which is a part of human nature, which is probably programmed into humans at different levels, but of course, you see people with that utter belief that they could win the big prize and they keep going and keep going and sometimes you see them going and you know quite well that they are going to win the 50p, rather than the quarter of a million pounds. That is where a well-regulated industry comes in, where, in past legislation we have had safeguards to ensure that people cannot start running up huge debts, but gambling, undoubtedly, there is an element in belief in a level of greed and gambling is just that, it is gambling.

We have embarked on a process of having a vibrant gaming industry and there are huge benefits, I believe, to the Island and I will be supporting this Bill.

I think the interesting point that Mr Braidwood, the mover said, is that a lot of the framework of this goes back to 2001 and before that to the 1960s and 1970s and of course, with the advent of the internet, things have moved on considerably. It is important that, if we are to have a gaming industry, we are able to modernise. I have said before in another debate here that, as soon as the Isle of Man comes up with a good idea, somebody else has pinched it or has bettered it, so we have to be able to adapt quickly. I think that, whilst sceptical as to whether we needed to form a new Statutory Board in the Gambling Supervision Commission, that is now in place. I think we need to make sure we give them the right legislation to be able to continue to develop this industry and go forward.

So I support the principles behind this Bill and again it is important we balance that we are competitive and well regulated, but we always should view legislation with caution, so we do not regulate ourselves out of the market and other countries come in and produce a more attractive place for businesses to exist.

Thank you, Madam President.

The President: The Hon. Member, Mr Crowe.

Mr Crowe: Thank you.

I will be supporting the Bill. From what Mr Braidwood says, it is really a tidying-up exercise which will be easier to understand and simpler to administer.

I think, just on a comment, the gaming industry contributes about 8% of GDP. This obviously helps the Manx economy – banks, CSPs, legal and accountancy firms, so it does bring money into the economy – but like all broad-based economies as we are, there might be other competitors on the horizon who are looking at this as a way of raising revenue. So I think whilst we have the business, as long as we have it well regulated and well controlled and it is all properly administered, then I think it is a good contributor to the Island.

I think it is also interesting to see that your raffles and individual tombolas are all exempted, or will not pay duty, because I think sometimes you have a catch-all and sometimes you have the unintended consequences of... something drops into that –

Mr Lowey: Was not intended.

Mr Crowe: – can cause difficulties.

I will be supporting the Bill, Madam President.

The President: The Hon. Member, Mr Wild.

Mr Wild: Madam President, thank you.

I think, subject to the satisfaction of any historical nuances and clarification of any diverse gambling practices, in my view again, this is a practical Bill to consolidate the legislation to make this fit for purpose and this supports a key economic sector.

So, in my view, I will be supporting the Bill.

The President: Hon. Member, Mr Lowey.

Mr Lowey: It would not be... in case I went down memory lane instead, but can I just remind Members, I opposed the setting up – long before I came in here into Tynwald – I opposed the setting up of a casino. That was the Methodist in me coming to the fore and then early events proved me right. There was a bit of a scandal. Why? Because it was not well regulated. We learned those lessons and put proper regulation in and that is why I think the success of the casino legislation in the Isle of Man is well regulated.

Can I just say the bait that was held out was we were going to have... Remember the Dockers? He was Chairman of BSA, he had a famous, or infamous, yacht called the *Shemara* and they were going to sail into Douglas Bay and they were going to come ashore, Lady Docker, drenched in diamonds and fur wraps. You see, there is nothing wrong with my mind; I can remember the picture very well! Never did turn out – but we did get 007 James Bond and Diana Dors. It went off with a splash, I remember that very well, I was very impressed, I was an impressionable young man then.

But I would like to thank the Members for looking at this Bill and at least three Members have already focused on the real thing of this Bill, which is dealing with the problems we have in the 21st century and we are dealing with it now and the whole essence of this is to get it well regulated. There are three... there are the providers, there are the users and there are the regulators. All have been mentioned in proper detail.

I think the providers have been consulted. We know what their needs are. We think we have provided the framework, with their assistance, to make it profitable, because we have no interest in running unprofitable enterprises. The users are protected to the full. Their cash is actually safeguarded in this jurisdiction, where it is not in others, and the regulators are very quick to react to pressures, as and when they arrive, and they are looked on as critical friends both by the users and the providers. So I think this legislation, which deals with duties, again getting the balance right, is a good piece of legislation.

Gambling will always bring out schools of thought that are emotive, not least in me. I will say this: that I think the Isle of Man has a reputation for safeguarding the users of gambling. It is as old as history. I know the Lord Bishop will remind me that even at the crucifixion there was gambling at the cross, so it goes back a long way. I do not think you will ever stop it, and then the other answer... You must pose the question, should it be regulated and should it be well regulated? The answer to that, I think, is a definite yes.

This Bill goes a long way to meeting those requirements. I would urge Members to support the Bill in the interests of the Isle of Man.

The President: The Lord Bishop.

The Lord Bishop: Thank you, Madam President.

I too will support the Bill. I am, frankly, not quite sure how one could really oppose it. I am not happy with large-scale gambling. I have serious hesitations about e-gaming. My own view about that kind of scale of gambling is that it is foolish, and I do think it raises ethical questions – ethical questions that do need to be answered sometimes, and just because something produces revenue that does not guarantee it as an ethical standard. I think that is probably accepted all round the room.

But we have said and we know that the Isle of Man does regulate the gambling as well as can be regulated for the sake of people. I think it is much more important that the people who are involved in it are the ones that are protected, more so than the finances, but both are protected by our system and I think I am very grateful for that. So my attitude, in the end, is ‘Well, if I think it is foolish, I might as well get people to pay for their foolishness,’ so I will support it.

The President: The Hon. Member, Mr Butt.

Mr Butt: Thank you, Madam President.

I am briefly going to speak to support this Bill and go a little bit further down Memory Lane than the others, as Memory Lane has been visited. I remember as a very young police cadet in 1964 – I was a CID cadet – we did the raid on the casino. Sergeant George Turnbull led the raid and I was there as a lackey to back them up. I could tell you lots of stories about what happened those few days, but I will not go into those.

Then, in later years we used to raid betting shops. We used to go in and arrest the staff for illegal betting. That was under the old Gaming and Betting Act of the early 1960s. Things have moved on considerably since then and I have been involved in recent years as an anti-money-laundering officer for an e-gaming company. When the e-gaming business started here first, there were many attempts to have scams on these companies and regulation was not as it should have been, and I know in recent years those scams have more or less dried up. The companies themselves are responsible, but I think the more regulation we have, the better, because it is a dangerous industry. People can be defrauded, people can try and defraud other people. It does lead to sometimes criminal activity and the more regulation we have, the better.

The President: The mover to reply, please.

Mr Braidwood: Thank you, Madam President.

Can I thank all Members of the Council who have participated in the debate and can I say I think everyone has offered their support. We have had history lessons from Mr Callister regarding Belle Vue and the horse racing, and horse racing at Great Meadow.

Can I say that normally on such as lotteries, if you wanted to form your own lottery, you would go to the Gambling Supervision Commission so that you could set up your lottery there, such as the Hon. Member of Council also mentioned; there used to be the millennium lottery and then there was the other lottery which came in and, of course, the demise of that was when people in the Isle of Man were able to go to the National Lottery and spend their £1 to try to win a few millions instead of the £5,000, which I think was the top prize. I think the Hon. Member of Council on my right, Mr Turner, was very lucky when he was in his late teens to have won the lottery, if I remember.

Mr Turner: I have still got a photograph of the ticket actually. *(Laughter)*

Mr Braidwood: So I do thank Mr Callister for his support. He did go on about bookmakers and I think the Hon. Member of Council, Mr Butt, was quite right. If I remember, years ago, when the race was on, people who had been in the bookmaker's had to come out of the bookmaker's shop while the race was in progress and then once the race was over, they were able to go back in to the shop and put their bet on the next horse.

I thank Mr Turner for his support. We have safeguards. There is consumer protection, and I would just like to just quote roughly here:

'Consumer protection is the primary regulatory objective of the Gambling Supervision Commission. The regulatory framework ensures that operators implement systems for their players to limit the amount of gameplay time or money the player can spend. Operators must also have procedures that can exclude players with gambling problems for fixed periods or indefinitely. It is also a regulatory requirement that all operators websites provide advice, support and resources to problem gamblers and to help those affected. Furthermore, each operator contributes annually to the Isle of Man Problem Gambling Fund. The proceeds of this fund are distributed between GamCare Isle of Man, the leading provider of information, advice, support and free counselling for the prevention and treatment of problem gambling, through its dedicated GamCare Isle of Man arm, and the GREaT Foundation, a United Kingdom based charity supporting problem gambling.'

So you can see the regulatory framework is already in place, and this ensures the consumer protection of people who want to gamble.

Mr Crowe I thank for his support, and as he quite rightly said, it is a significant proportion now, percentage of our GDP. It is a changing feast all the time. That is why we will be able to bring in changes by order, instead of going through the private legislation, because other countries are adapting legislation now and are introducing their own gaming legislation, and we have to be there if we have duties applied, as I said during the First Reading, so that duty can be put against the duty we have here.

I thank Mr Wild for his support and also Mr Lowey, who mentioned the casino in 1961. I think it was the Americans and then it was Crockford's, and Sean Connery opened it, I think, in 1963 by riding a horse tram along the promenade to the new casino, because when it first opened in 1961 it was in the Castle Mona.

I would like to say, Madam President, I thank everyone once again for their support, particularly the Bishop. I think I have answered his questions on the ethical points. I beg to move.

The President: The motion before Council is that the Bill be now read a first time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

That concludes our business for this morning and we will now sit in private.