

# 'Clever Goats'

## Europe's Smartest Casino Opportunities

by Dr. George Häberling

**'Clever Goat' casinos benefit from a strong base of high-income customers in the nearby foreign jurisdiction.**

It is a rare occurrence for a casino to single-handedly transform a tiny European town into a leisure attraction capable of drawing thousands of customers from the other side of an international border. One such example is the small French town of Amnéville, located north of Metz close to the German border.

The Amnéville casino, which opened in 1989, managed to initiate an artificial ski slope and a 700,000-square-foot amusement park. The casino now draws close to a million visitors a year and has totally transformed this sleepy Moselle town into a magnet for visitors from the Saarbrücken area in nearby Germany.

Although rare, there are quite a number of famous European casino towns that have managed to achieve a similar position: Monte Carlo, drawing from the Italian and French population basins just across the border; Divonne-les-Bains in France, drawing from Switzerland's large Geneva market located just a few minutes away; or Baden-Baden and Konstanz in Germany, both of them sticking their necks through the fence like a clever goat to feast on French or Swiss grass.

Together with a very limited number of other European casinos, Amnéville can even be described as a platinum member of this "Clever Goat Club" of casinos grazing over the neighboring borders. These casinos not only benefit from a strong base of high-income customers in the nearby foreign jurisdiction, but they also gain very significant advantages on the production side. With lower gaming tax, lower construction costs, lower labor costs and lower operating costs, this is the classic "win-win" environment.

In the case of French or Dutch casinos catering for the German market, the biggest cost advantage is gaming tax—no wonder, in view of the fact that German casinos pay the highest gaming tax worldwide (80-92 percent of GGR, depending on the "Bundesland's" legislation). In a few other cases, this strong competitive advantage is further improved by construction and labor cost being considerably lower than in the neighboring country. A good example of this can be seen in Slovenia's three biggest casinos at Nova Gorica and Portoroz. They very successfully draw on the Italian market, with its strong local feeder market of Trieste-Udine, which has no casino of its own.

Salaries and wages in Nova Gorica are less than 60 percent of these paid on the other side of the border, and the Slovenian gaming tax is one of Europe's lowest, amounting to roughly 35 percent on slot machines and 25 percent on table games. No wonder that HIT, the leading Slovenian operator, just started construction of the country's biggest casino—also to be located in Nova Gorica, with 1,000 slots and over 30 table games.

But when it comes to bottom line, the strongest members of the "Clever Goat Club" are the Czech casinos located along the Austrian and German border. A perfect example is the American Chance Casino in Hate, located 80 kilometers north of Vienna in a duty-free zone before the actual border crossing point. This casino, which opened in 2000, caters almost exclusively to Austrian customers from the Vienna area.

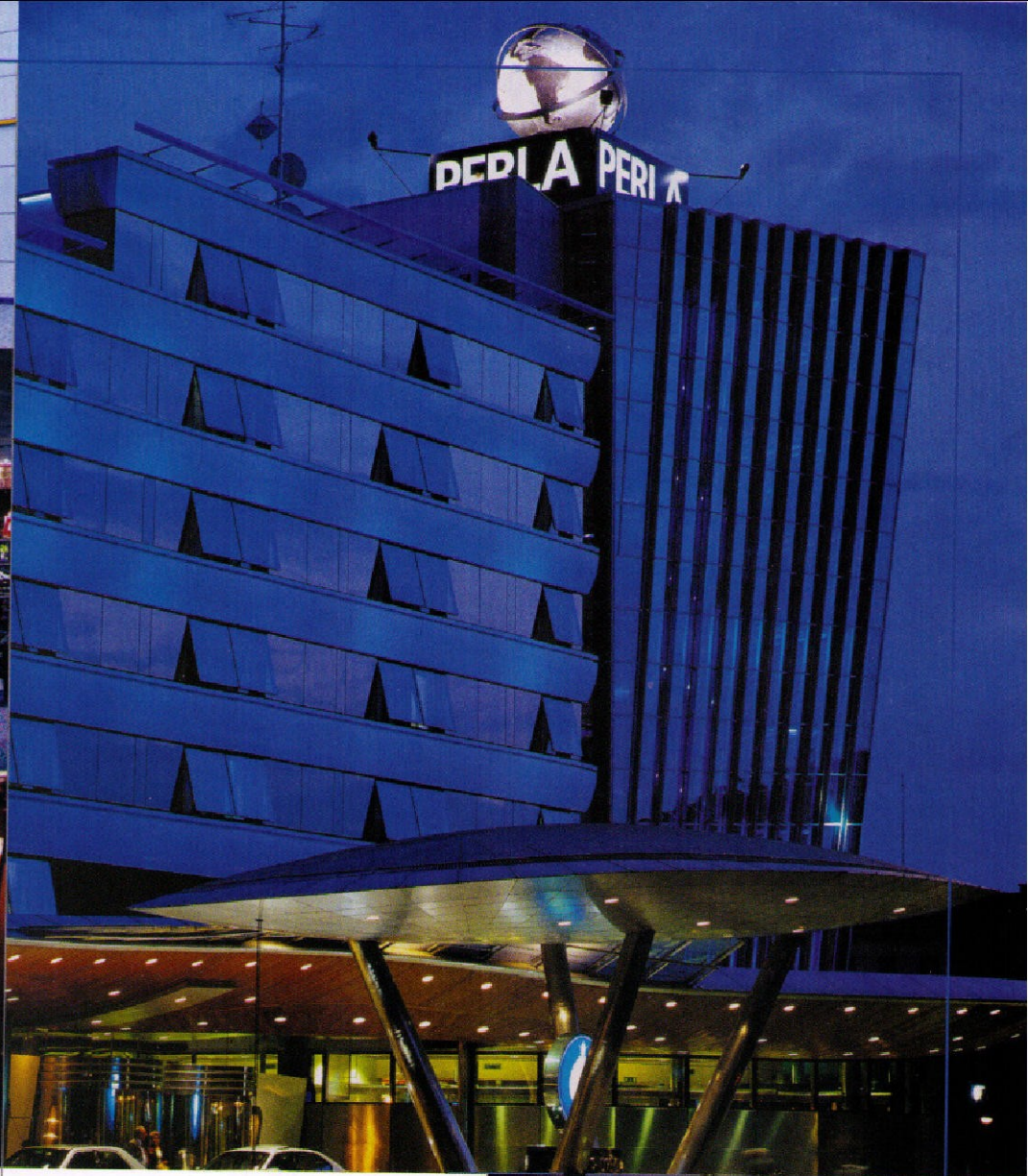
Hate's customers love the informal, relaxed and friendly atmosphere in contrast to the formal Casinos Austria style on the Austrian side of the border. The food and entertainment are tailored to the Austrians, the dress code is casual, and many of the dealers are attractive young women. Owned and operated by Trans World Gaming, this casino (with 20 tables and 50 slots) was constructed and started up for less than \$8 million (U.S.). It is reported to gross over \$10 million per year with an EBITA margin of around 50 percent. Staff cost is just over one fifth of GGR, and the Czech gaming tax is the lowest throughout Europe, amounting to an average for slots and table games of less than 20 percent.

However, the number of such golden opportunities along the Czech borders is strictly limited by three factors. First, the number of important border crossings in more densely populated areas of Germany and Austria is limited by location. Second, in some of the Czech



Three Czech casinos perched along the border crossings cater to primarily Austrian and German gamblers by taking advantage of location, lower taxes and affordable overhead costs.





border towns, receiving the necessary zoning and construction permits for a casino is extremely difficult or even impossible (a potential operator has to secure around 30 different approvals before he can apply for a zoning permit). And third, in many cases these border markets are already claimed by existing casinos.

One outstanding Czech-Austrian opportunity has just been successfully developed by a Czech entrepreneur who intends to sell the casino site or to develop it with a reputable operator. This desirable location in Dolni Dvoriste, only 40 kilometers outside of Linz (Austria) on the main connecting freeway to Prague, provides for the best possible accessibility for the 700,000 Austrians within a driving time between 30 and 60 minutes. Zoning and construction permits for a casino, which is within a few meters of the Austrian border, have all been granted and there are no other casinos within the duty-free area.

Another highly promising Czech-German border casino is presently under development in Rozvadov, right at the first exit from the main highway between

Nürnberg (Germany) and Prague. Initial plans by the Swiss-based developers propose a resort complex with casino (28 table games, 250 slots, VIP room), hotel with 150 rooms, convention center, theater, various entertainment venues, restaurants and bars, and a shopping mall with 30 outlets. This "Vegasized" operation will be located in close reach to one of the most affluent German regions with cities such as Munich, Nürnberg and Regensburg—an area with no notable casino competition.

And after the Czech Republic has become a full member of the European Union in May 2004, foreign investors will benefit from an even more stable legal and regulatory environment in what is already one of the most reliable countries in "new" Europe. □

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**The casino in the tiny French town of Amneville (three photos top left) attracts close to a million visitors a year by drawing from the Saabruken area of Germany. The Perla casino in Nova Gorica, Slovenia (above), makes its living by attracting gamblers from the Trieste-Udine region of Italy, which has no casinos.**