

Switzerland - The Little Casino Giant

By George Häberling | CO-OWNER AND CHAIRMAN OF CASINOPARTNERS AG, SWITZERLAND

It is party time in Switzerland. Between the end of June and February 2003, roughly every two weeks, cheerful owners, management, celebrities, and invited guests were gathering to celebrate the grand opening of 16 new casinos. There has been no shortage of champagne, showgirls, delicious food, and jubilant speakers. Before the end of 2003, Swiss patrons will have 21 casinos to choose from.

An amazing number of casinos for a small country with a population of 7.1 million only. With implementation of the new Federal casino legislation from 1998 completed, Switzerland will provide one casino per 338,000 inhabitants. This will represent the highest casino density throughout Europe. When compared to other European countries like England with 500,000 people per casino, Greece with 1,500,000, Spain with 1,600,000 or the Italians with one casino per 14,400,000, Switzerland should now make the Guinness Book of Records. This in a country that is renowned for its rational, cautious, even austere attitude to spending. Surely the question should be "can the party continue in the years to come"?

Influential Swiss Gaming Board

The Federal Government's October 24, 2001 one-stop ruling regarding the issuing of casino licenses was based upon a motion of

the Swiss Gaming Board. The Gaming Board's influence was profound; the Government's licensing decisions were identical to the Gaming Board's proposals. The same process was applied to all claims from unlucky applicants that had their license applications denied. The Swiss Gaming Board proposed not to reopen these cases, and the Federal Government and subsequently the relevant court followed the Gaming Board's lead.

Both location license and operating license for casinos are granted or refused by the Federal Government; no appeals are possible against their decision. As a rule, the licenses will be valid for 20 years, and are renewable. The Swiss Government made it very clear that it will not consider issuing any additional licenses within the next five years.

7 "Grand Casinos" with Full-size Gaming Offers

The new Grand Casinos, or "A license" offer the full range of international standard table games and slots. Slot machines may be networked in-house and wide area to jackpot systems. Maximum stakes and jackpots are up to the casino. Swiss gaming tax is in the medium bracket by European standards, with a progressive scale starting at 40 percent of gross gaming revenues and an estimated average of 52%.

The gaming tax revenues of the Grand Casinos go to the federal kitty.

The Federal Government licensed a total of 7 Grand Casinos, located in the cities of Baden (close to Zurich), Basle, Berne, Lucerne, Lugano, Montreux, and St.Gallen. With such distribution, three regions with the highest market potential within Switzerland did not receive an A-license: Southern Tessin (on the doorstep of Milan, Italy - as a consequence, the casino in the Italian enclave of Campione will remain the nearest full size casino from the huge Milan market); the Canton of Zurich (with more than 1/7 of the Swiss population), and the city of Geneva. The reasoning behind such waste of tax revenue potential remains somewhat unclear.

Table games offered in the new Grand Casinos include French and American Roulette (single zero), Blackjack, Five Card Stud Poker, Seven Card Stud Poker, Caribbean Stud Poker, Baccarat, Punto Banco, Sic Bo, Craps, and others. Most operators are impressed by the level of play they see at their tables, it is almost as if casinos had always been there. Two factors seem to be of major impact: One, the long history of French, German, Austrian, and Italian casinos adjacent to the Swiss border. And two, a high percentage of foreigners among the Swiss population (20%) - many of them from gambling prone countries of southern and eastern Europe and Asia.

14 "Kursaals" With Limited Gaming

The new Kursaals, or "B licenses", may offer three types of table games out of an attractive shortlist of seven; the maximum number of tables is not restricted, but the maximum stakes and jackpots are. The number of slot machines is limited to 150 machines; wide area jackpots are inadmissible, and only one in-house jackpot per Kursaal is admitted. Initial experience indicates that the limited gaming offer of the Kursaals is appealing to customers in Kursaals with high market potential and excellent location such as Mendrisio and Pfäffikon, but problematic in the case of Kursaals located in more remote areas. Gaming tax again starts at 40 percent of gross gaming revenues, but compared to the Grand Casinos, a steeper scale does apply to the Kursaals, reflecting a federal policy to locate Kursaals in regions with smaller revenue potential. From the gaming tax revenues of the Kursaals, up to a maximum of 40 percent flow to the state treasury of the canton where the casino is located, and the remainder goes to the federal treasury.

The Federal Government licensed a total of 14 Kursaals for the following places (most of them in tourist areas): Arosa, Bad Ragaz, Crans, Courrendlin, Davos, Freiburg, Geneva-Meyrin, Interlaken, Mendrisio, Locarno-Muralto, Pfäffikon, Schaffhouse, St.Moritz, and Zermatt.

Strong Position of Foreign Operators

Contrary to the policy in most other European countries, the Swiss Gaming Board and the Federal Government have actively supported participation of foreign casino operators. In the case of the Grand Casinos, French casino operators hold 100% of the equity of the Basle casino and a majority position in the Montreux casino. In addition, an Austrian casino operator holds a

strong minority position in two casino companies (Lucerne and St. Gallen).

In the case of the Kursaals, French and Austrian casino operators hold a majority equity position in six out of the 14 operating companies. In addition, in two casino companies, Austrian and German operators hold a 50 percent equity position. Based upon the overall revenue potential of the Kursaals, foreign casino operators hold around two thirds of the market. It seems that the Swiss authorities intended to become the role model for Europe whilst compensating for the Swiss voter's ongoing aversions to European institutions...

Peculiar Operational Provisions

Before any patron is admitted, the casino shall verify his/her identity by an official picture ID. Persons under 18 years of age are not allowed to gamble in casinos. The same is true for a variety of people associated with the casino or the supervisory authorities. The casino also has to bar persons known to be, or assumed to be, heavily indebted, or who do not honor their financial commitments, or who risk stakes beyond their resources. All gaming bans are to be recorded and reported to all other Swiss casinos. In addition, the casinos have to provide elaborate responsible gaming programs ("Sozialkonzept").

The casino is not allowed to grant loans or advances to its patrons. It is enjoined from accepting or issuing bearer checks. When accepting nominal checks, the casino has to verify the identity of the issuer and record the transaction. Gaming wins exceeding certain amounts must be paid by nominal checks. Casinos are fully subject to the federal legislation against money laundering in the financial sector.

Clouds on the Horizon

Industry observers express notable concern about the viability of

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Casino		Grand Opening	GGR ² in million USD ³	Devices	
City	Canton			Tables	Slots
Grand Casinos (A-license)					
Baden	Aargau	02-7-6	87	23	260
Basle	Basle	03 (fall)	54	15	300
Berne	Berne	02-7-6	40	10	250
Lugano	Tessin	02-11-29	79	26	350
Lucerne	Lucerne	02-6-27	44	16	217
Montreux	Vaud	03-2-28	66	10	200
St. Gall	St. Gall	03 (fall)	34	10	200
Kursaals (B-license)					
Arosa	Grisons	02-8-23	6	5	85
Bad Ragaz	St. Gall	02-12-27	15	6	125
Crans	Valais	02-7-12	11	5	120
Courrendlin	Jura	02-12-12	8	4	75
Davos	Grisons	02-12-13	6	4	70
Freiburg	Freiburg	03 (spring)	18	6	100
Geneva-Meyrin	Geneva	03 (fall)	21	6	150
Interlaken	Berne	02-7-4	14	6	100
Mendrisio	Tessin	02-10-9	58	16	150
Locarno-Muralto	Tessin	03 (fall)	38	11	150
Pfäffikon	Schwyz	02-11-12	23	10	150
Schaffhouse	Schaffhouse	02-9-1	22	6	150
St. Moritz	Grisons	02-12-16	12	7	80
Zermatt	Valais	02-12-14	9	6	100
			665		

¹ as budgeted by the Swiss Gaming Board
² 1 USD = 1,35 Swiss francs

several of the new casinos, specifically the ones with a lower market potential in more remote areas of Switzerland, and the ones with increased competition nearby. In fact, more than one of the new Swiss casinos already find themselves behind their budgeted revenues. And in the light of Swiss economical parameters such as high cost of personnel, construction, land, rent, and gaming tax, cost control will be a crucial requirement and an overriding focus of many of the casino executives. Innovative marketing will become an issue as well as industry consolidation.

Additional challenges stem from increasing competition through gaming products offered by the state owned and operated lottery companies. They have begun introducing casino type products such as VLT's and Bingo halls, as well as lottery games over internet and TV - and they plan to expand these offers and to add oddset betting and other new products, based upon new Federal lottery legislation currently underway to replace the old 1923 lottery act. Depending on the outcome of this legislation, the new Swiss casinos may find additional competition within their already crowded market. ■

¹ With the probable exception of one extra Kursaal license for one of the more remote areas of the country
² 40% on the first 20 million Swiss francs of GGR, plus 0,5% on each additional million - up to a maximum of 80%
³ For the total of Grand Casinos and Kursaals
⁴ Including Roulette, Black Jack, Stud Poker, Sic Bo, Punto Banco
⁵ Examples of maximum stakes in Kursaals: Roulette, single chance: Sfr. 3.600; Black Jack: Sfr. 1.000; Slots: Sfr. 5
⁶ 40% on the first 10 million Swiss francs of GGR, plus 1% on each additional million - up to a maximum of 80%



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