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## The Swedish casino model: A comparative study of casino gaming models

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Running Head: The Swedish Casino

THE SWEDISH CASINO MODEL

A Comparative Study of Casino Gaming Models

By

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## ABSTRACT

This comparative study addresses the different gaming regulations that exist around the world. The study involves seven different countries, with its center of attention on the Swedish Casino Model which is owned and operated by the Swedish Government. The study of the Casino Models that originate from each country's gaming legislation and the influence they have worldwide, as well as how and why new Casino Gaming models are developed. Lastly, a discussion is presented on how different Casino Models can have an effect upon each other and how the Sweden Casino Model may or may not effect other nations. .

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## INTRODUCTION – CHAPTER 1

## Background of the Study

The gaming industry has grown very rapidly in the last two decades in Sweden, United States of America (US) and around the globe. In Sweden, the gaming market has grown 32% for the previous ten years (Statistiktabeller från Lotteriinspektionen, 2006), from 26 billion SEK to 35.5 billion SEK. In the US, the gaming market has grown 84% from 45 billion USD to 83.7 billion USD (Industry Information, 2009) within the same period. Currently in the US, there is some form of gaming in 48 out of 50 states. In Sweden, the gaming sector has grown significantly throughout the country in the previous two decades similar to the growth worldwide which can be indicative of the social acceptance of the industry, which has made it fairly common for governments to seek other sources of revenue thus turning to the gaming industry for support. The recent senate bill in the State of Kansas is an example of the unique approach governments are taking to achieve the same results. For example, Kansas is proposing a state-owned, non Indian casino that is owned and controlled by the state, but managed by an outside entity, which is quite different from the rest of the US.

Sweden on the other hand has had government controlled gaming for decades, and currently have no interest to change that model. The European Union is currently discussing and challenging the Swedish gaming model. This same discussion has been on-going for the previous ten years with no significant results or change predicted. The previously described models are simply a few of the new strategies designed to regulate and control the gaming product and revenue distribution. For decades, the US has been on the forefront of casino gaming

development and growth from, Las Vegas to Atlantic City, as well as the riverboat and Indian Casino expansions.

In Sweden, gaming has been available for more than 300 years in many different varieties. Casino gaming products, i.e. blackjack, roulette, have been a regulatory challenge for Sweden the last 40 years. In other parts of the world, new gaming developments are being created. Governments are beginning to realize that there is money to be made outside of tax revenue. New ways of doing business and generating revenue are becoming more apparent. Even if most casinos and gaming areas appear similar, the regulations can be very different in each unique region of the world. Different styles of gaming legislation are emerging, thus creating unique variations of regulating the industry. Throughout this paper the regulatory styles will be referred to as “gaming models”. Casino operations can present many different forms of operating a successful casino business, i.e. taxation, harm minimization, number of games allowed, payouts percentages, contributions, tips, land usage, and opening times. This paper will be one of very few research cases that examine these different gaming models. The author, as a native Swede, it was appropriate to use the Swedish gaming model as a reference point, while discussing other gaming models from various regions of the world. Countries/Legislations included in this study are Sweden, Austria, Great Britain, Nevada, Macau, Canada and Singapore.

### Purpose of the Study

The purpose of this study is to provide the reader with sufficient information to acquire a better understanding of the different casino gaming models that exist around the world. By

describing the Swedish gaming model and comparing it to other gaming models the readers can identify the consequences and benefits of different types of regulations, thus allowing them to make better decisions for creating or changing regulations applicable to their casino environment.

## Sub Problems

### *The First Sub-Problem*

The first sub problem is to identify and describe the different casino gaming models and the gaming culture that exists in that specific country/state. With this information, one is able to compare the different models, while identifying the amount of influence the government retains and the level of control the owner will establish, as well as to gain a better understanding of why they implemented their particular model. The results and information acquired from the specific country/state will then be placed in a chart that determines the amount of control and ownership the specific regulation establishes.

### *The Second Sub-Problem*

The second sub problem is to identify if the casino gambling organization in Sweden is influencing the development of new and old casino gaming models around the world, as well as, how it could affect public policy on future gambling regulations.

## Contributions of the Study

The contributions of this study will focus on a more thorough understanding of how some of the worlds gaming operations are regulated and how they distribute the wealth they create.

This study can prove to be a credible guide to developing a stable and effective regulatory model and to obtain an understanding how casino gaming regulations around the world are closely related to each other.

### Limitations of Study

The limitations include the scarce amount of literature available for this particular topic; therefore this study can be seen as a precursor to future studies. One can find various articles in trade magazines discussing governmental regulations or taxation issues, but are rarely referred to as a gaming model, or business model. This paper will mainly focus on the use of laws and regulations regarding casino gaming regulatory models, which will be limited to the following countries and states:

- Sweden
- Canada
- Macau
- Austria
- Great Britain
- Nevada
- Singapore

Each country mentioned has a unique gaming law, thus creating unique regulatory structures. When new gaming laws are created in approved gaming regions in a particular country or state, the use of a particular model may begin to become apparent.



Another identified limitation of this paper is the fact that the author will not compare the models directly; the study will simply identify each model as well as the purpose and effectiveness of the casino gaming model.

### Methods/Organization

Various literature, summarized law material, and journal and trade articles will be the foundation for this study. A traditional research style will be used to complete the work. The paper will consist of three chapters. The first chapter will include the introduction, purpose of study, problem statements, methods and justifications. The second chapter will consist of the literature review and glossary. The third chapter described below will be the actual study, discussions and conclusion.

- Description of the Countries/State gaming regulatory models
- Description of the Swedish gaming regulatory model
- Organization of Control/Ownership chart, including table importance and summary
- Discussion of the Swedish model in comparison to the other models, possible future implications on the industry, and the need for future research and conclusions

## Justification

The justification to write this paper has been influenced by the overwhelming growth of gaming the last 20 years, as well as the government's interest in different, more aggressive forms of tax revenue. The reason for choosing the Swedish gaming model rests with the success, efficiency and uniqueness of the model which is described throughout the study. Sweden uses a gaming regulatory model that is based on highly restricted governmental ownership which follows the traditions of how Sweden as a country does business as areas of governmental control are common. There has been interest from other governments around the world to implement some of the strategies that the "Swedish Gaming Model" stands for, ("Austria's government follows Svenska Spel with a poker offering", 2008). The Swedish regulatory gaming model is highly scrutinized and criticized by Swedish private entities and entrepreneurs and as well as from other parts of the European Union (EU) and the EU Commission. This discussion has continued for more than 10 years, but so far no immediate gains have been made from the opposition ("Svenska Spel buckling under pressure from EC, 2007). The author's justification of why he chooses the other respective country/state for this paper is described below.

### *Canada*

Canada has a unique casino gaming model similar to the Swedish but with a distinct difference; every province has different types of taxation, revenue distribution and purpose of operations. These differences are worth mentioning since they have a great chance of influencing other countries regulatory processes.

*Macau*

With its return to China on December 20, 1999, this Special Administrative Region (SAR) is the only place where it is legal to gamble in China (Cabot, 1999). During the Portuguese control, the casino gaming operations were limited to the involvement of one family for all the casinos. That changed when the Chinese gained control of the city, and the distribution of casino licenses were issued. This brought a new direction to Macau and within a few years became one of the dominant markets for casino gaming in the world.

*Austria*

Austria has had regulated monopolized gaming for decades under the name Casinos Austria (AG), as well as a highly recognized management company called “Casinos Austria International” with 77 casinos operating around the globe including 12 casinos in Austria (<http://www.casinosaustria.com/>). “Casinos Austria’s image building and business objectives always had an international dimension. Since the early ‘seventies, the Austrian casino concept has achieved growing, worldwide recognition. The company’s successful international presence adds an important dimension to its image” (Cabot, 1999).

*Great Britain*

Great Britain has a regulatory model that created the possibility for an entrepreneur to open and operate private casinos. This is a highly regulated gaming environment consisting of entrance restrictions and a restricted number of gaming machines. With more than 20 casinos in London alone, this model is worth discussing. The model was recently changed by the passing of a new law introduced in 2005/2006. .

*Nevada*

Nevada plays an important role as a leader in the gaming industry worldwide. One of the most important features of gaming in Nevada is the impact on modern gaming law and the cooperation between the government of the State of Nevada and private corporations/entities that support a large portion of income for the State of Nevada through tax revenues.

Nevada also has an internationally recognized regulatory structure that is influencing standards of casino games and equipment around the globe.

*Singapore*

Singapore with the liberties and commercial/personal freedom and entrepreneurship, this small country has recently decided to introduce casino resorts to enhance their tourism and convention visitors (Elphinstone, 2005). This is the beginning of a very modern gaming state, with a gaming model that utilizes the best from several other models.

## Definition of Terms (Glossary)

AFM - Addictions fund of Manitoba, receives 4.2% of all gaming revenues in Manitoba, Canada.

ATG AB Trav och Galopp - The Swedish horse racing company that is owned and operated by a joint venture of all horse related companies/organizations in Sweden.

Government controlled casinos - Casinos that are owned and or controlled/operated by the government entity.

Kasinolagen 1999:355 – The casino act in Sweden which was voted in the Swedish Parliament on June 3rd 1999 and came into effect on July 1<sup>st</sup> of 1999

Lotteriinspektionen – The Swedish gaming control board and commission.

SOU - “Statens Offentliga Utredningar” or The Swedish government’s non-partisan research department.

Sveriges Riksdag - The Swedish Congress or House of representatives

Svenska Spel - A shareholding gaming company in Sweden which is wholly owned by the Swedish government.

Typical Casino Games - Black Jack, Roulette, Punto Banco/Baccarat, Dice, Carnival Games like Caribbean Stud. Other games like poker style card games, Poker and Slot machines.

## CHAPTER 2 – REVIEW OF RELATED LITERATURE

## Introduction

The literature that is being utilized for this paper consists of books, journal articles, law texts, governmental committee reports and other trade magazines. Law texts will primarily address the Swedish regulations, the other regulations will mainly be summarized from different gaming regulation books that have a thorough summary of US and other countries gaming laws. Due to the fact that a big portion of the literature will be Swedish government material from committees and reports, including some actual law texts that are not translated into the English Language this portion will have its own category in this chapter. There were difficulties to find any serious research in this area concerning the study of business or gaming models that come close to this particular study.

## Gaming Model (“Model” “Business Model”)

Due to the limited material describing a working definition of what a business model is on library database and other scholarly articles, the best working definition for the paper and the usage of the word; “Model” or “Gaming model” comes from a MBA website and is durable for this general term, It says; “To extract value from an innovation, a start-up (or any firm for that matter) needs an appropriate business model. Business models convert new technology to economic value” (Business Model, 2007). In the most basic sense, a business model is the method of doing business by which a company can sustain itself which is to generate revenue. So for this case study, the working definition will be a “gaming business model” that describes how a specific country/state operates its gaming activities, which is defined mostly in every

independent state's legislature, or bylaws. These laws and overall organization of the "casino gaming business model" would include the following information:

- Concept – style, purpose, building blocks and corporate values
- Infrastructure - capabilities and competencies
- Offering - products and services
- Customers – target audience, distribution channels and customer relationship
- Finances- tax structure and revenue streams

#### The Basic Impacts of Gaming for a Local Economy

To gain a better understanding of why and how the new casino gaming models are being developed, an understanding of how casino gaming is affecting the local and regional communities needs to be established. Walker, M, "The Economics of Casino Gambling and Gazel's book; "The Economic impacts of casino gambling at the state and local levels" is a good reference tool for that area since all countries around the world have different views of gaming and the social economical impacts of it.

"In order to be politically acceptable, the legalization of casino gaming – as well as other forms of commercial gaming – is usually linked to one or more "higher purposes" that can benefit from an allocation of a portion of the created economic rents and overcome the arguments against gambling. Such a higher purpose may be tax benefits, investment stimuli, job creation, regional economic development or redevelopment, and revenue

enhancement for deserving interests” ((Eadington 1993, p.7, The emergence of casino gaming as a major factor in tourism markets) Walker 2007, p. 5) .

As mentioned earlier, gaming has been growing rapidly the last 20 years. A lot of research has been conducted and it is clear that gaming has become an integral part of the public sector. Other forms of governmental fiscal policies have done nothing to improve the local economy, but for various reasons gaming has always prevailed (Walker, 2007, p. 5).

In order to increase our gaming knowledge and how it can affect our daily lives, an understanding of the positive and negative impacts of casino gaming needs to be established.

## The Positive Impacts of Casino Gaming

### *Tax Benefits – Increased Employment and Wages*

Since one of the main objectives for a politician is to get reelected, finding jobs for its citizens is always a good idea. Casinos are usually large operations which create jobs and increase tax revenues. Obviously there are other factors that need to be discussed, like business cannibalization and lost wages, but those are mostly in the fine print of the message. Gaming is part of the service industry, which is usually more labor intensive than many other industries, and that helps in the job creation process. Even if other industries can be harmed by casino gaming, employment and average wages usually increase in local markets (Walker, 2007, p.7). Tax revenue is also the most accepted and studied benefit of casino gaming and is considered the most popular incentive to legalize gaming, which exposes the fact that politicians find casino gaming the most “painless” way to increase taxes. “Taxes on casinos are likely to face less opposition than increasing a general sales tax”. (Walker, 2007, p.10)



*Investments Stimuli, Regional Economic Development or Redevelopment – Capital Inflow*

Other important aspects of casino resort developments are the indirect industries that are created and the capital inflow effects. For example, when a Wal-Mart or IKEA is developed, new industries/firms desire to be nearby since the casinos increase the patronage of people in the area. “Empirical research on the effects of capital inflow due to legalized gambling is scarce, but conceptually, its effect would be similar to that of labor inflow” (Walker, 2007, p. 9).

*Revenue Enhancement for Deserving Interests – Import Substitution*

One of the stronger arguments for casino ventures is the fact that casino gaming is popular among its citizens and if they cannot do it at home they will go somewhere else to do it (Walker, 2007, p.10-11). So instead of “importing” gambling services you provide your community with gaming services. This may result in positive economic effects, tax revenues and all aspects of investments mentioned above. Also, the fact that the money is kept at “home” is a form of revenue enhancement for the local economy since the multiplier effect is created through consumer spending. That is what is also called “Economic effects by rounds of consumption”, which is another aspect of consumer consumption found in Ricardo Gazel’s article, (the economic impacts of Casino Gambling at the state and Local Levels. (Gazel, 1998, p. 71) He shows a model of how the money spent by consumers is reused up to six times, with the multiplier of .5 (1.000-0.500-0.2500-0.1250-0.0625-0.0313). So one dollar spent will actually be worth 1.9688 dollars, one direct and one indirect.

*Other Important Factors of Casino Growth*

- Increased trade
- Increased transaction volume
- Consumer surplus and variety benefits

Every local economy will obviously be different depending on location and competition in the nearby regions, and the public views will always be split into different fractions. Moreover, the simple fact that a neighboring state or country is developing casinos can force governments or politician to change or allow casino gaming due to money spent in other places than yours. (Walker, 2007, p 11) this is also sometimes commonly referred to as the “snowball effect”, which can have a huge impact on legislation and events. The quote from the book “The Economic Impacts of Casino Gambling” (Walker, 2007, p.55) is describing very close to the political reality, of the world we live in.

“Effusive rhetoric surrounds attempts by state governments to legalize various gaming activities. Those in favor of legalization argue that, among other potential advantages, the new gambling activity will promote state economic growth. Opponents argue that the economic growth argument is without merit. Typically neither side offers any empirical evidence”.

## The Negative Impacts of Casino Gaming

Despite the positive effects a casino can have on a local or state economy it is difficult today for politicians to avoid the negative impacts of gaming and the debate it will create. The most controversial issues surrounding casino legislation and its implementation are the “social costs” that come with it. The fact that it can lead to addictions and the simple reasoning that gaming or casino gaming is just bad *per se* (Walker, 2007, p. 85). Especially now that the industry is promoting that gaming is a form of entertainment similar to others, i.e. football game, movies, concerts, and that the consumers are willing to pay for that entertainment.

There have been many studies surrounding the social cost and negative impacts of gaming in the US and abroad during the 1990's. But according to Walker, most studies have no clear statement or mission. “Instead of starting with objective criteria for what constitutes a social cost, most authors have adopted an ad hoc approach asserting that some activities constitute costs to society and then quantifying the impacts of those activities” (Walker, 2007, p. 86).

One of the most respected studies in the field of social cost of gambling is Goodman's R work called; Legalized gambling as a strategy for economic development. His work is one of the more comprehensive studies made and includes the social costs of gambling in various forms, like, income lost by gamblers, the costs that occur for the judicial system from bankruptcy and prosecuting, loss of jobs cost, crime related to losses of gambling and other related problems that are less quantifiable. “Impaired judgment and efficiency on the job, lost productivity of spouses, unrecovered loans to pathological gamblers, divorces caused by gambling behavior, added administrative costs in programs like unemployment compensation, the costs of depression and

physical illness related to stress, lower quality of family life and increased suicide attempts by gamblers and spouses of pathological gamblers” (Goodman, 1994, p. 63-64).

### *Definition of Social Cost and Legitimate Social Costs*

The definition of social costs is a reduction in social real wealth according to Walker. The term wealth is not only money, it is the individual value. The sum of amounts of real wealth reduced is the cost for those who are harmed (Walker, 2007, p .88). In the field of social costs and the studies made in problem gambling there are some areas that stand out more than others.

### *Legal Costs*

Legal problems as a result of pathological gambling are one of the most significant concerns and can add administrative costs to the judicial systems.

### *Treatment Costs*

Gambling problems sometimes lead to therapy and counseling and that is a social welfare often operated by the state or government. Private institutions are also common, but they are usually funded by federal and state grants.

### *Psychological Costs*

Family related costs due to problem gambling is difficult to quantify but often mentioned among researchers. This cost is widely debated whether or not it should be considered in the social cost structure related to problem gambling. According to Walker there is also a long list of

problem gambling areas that should not be listed as a social cost; those are (Walker, 2007, p. 101-110):

- Wealth transfers
- Bad debts
- Bailout costs
- Government welfare expenditure
- Industry cannibalization
- Money outflow
- Productivity losses
- Theft

### *Cannibalization*

According to Ricardo Gazel and his journal; “The economic impacts of Casino Gambling at the state and local Levels”, he discusses some of the points above and he states that cannibalization definitely has some negative effects on the local economy. Ricardo describes, since casino visitors and non casino visitors all have a limited amount of money to spend on other consumption, there will be a shift in the local economy if the casinos have a large number of stores and restaurants that may “outcompete”, or push out local stores and restaurants. If that happens there is an obvious cannibalization of the local economy and that can have negative effects for a community (Gazel, 1998, p. 78-79).

## Gambling and the Public Interest

Since legal gambling must be authorized by governmental legislation in some form, gaming has become one of the most highly regulated industries in the world. Collins began his book with the following; “This is a book about the relationship of the gambling industry to government. There is no other industry in the United States or in any other free-market economy where the profitability of companies is so overwhelmingly dependant on what the law permits, requires, and prohibits”(Collins, 2003, p. 1). It is these governments that decide the gaming law and the different jurisdictions around the world by setting the standards and regulations for the different gaming models. How should gambling be regulated in our jurisdiction? How does the development of gaming affect our economy and will our moral values change if we develop casinos?

Normally, in other industries, the profitability of a company depends on how successful it is in supplying its products to its customers. Most industries have some sort of restriction on their markets. For example, the food industry is following a wide array of rules on how they can grow and sell their food, and the toy industry is not allowed to market themselves to young children. In gambling markets around the world and in the US, most gaming regulators control the following.

- What gambling products and services may be offered
- Who may they be offered to?
- Who may offer them?
- What price (at what odds)?
- In what areas?

- What venue?
- What times?
- How the products and services may be marketed

(Collins, 2003, p. 1)

The casino market is also expected to contribute to the general public in more significant ways than a “regular” business. Usually this contribution consists of promoting earnings from tourism, paying abnormally high taxes, as well as financing for good causes. These are just a few points on how the gambling market is more dependable on the government’s demands rather than what the public wants. According to Collins, the gaming market is controlled in two contrary directions.

The first one is to control the size of the market by using extensive regulations or taxation, which leads to an artificial limit to the potential income from gambling. The other direction includes regulation making it easier for specific companies, which inadvertently restricts competition. This is seen often in highly regulated areas where different forms of gaming are limited by a local or regional monopoly or oligopoly. These local or regional monopolies may lead to worse playing conditions (odds) for the players while enabling local licensed organizations to make abnormally larger profits for that type of operation. Another factor may include high barriers of entry with stringent requirements, which may also enhance the effect of oligopolies.

According to Collins, almost all casinos gaming legislation follows one of the five principles (Collins, 2003, p. 7):

1. Gambling is a vice and should not be legal
2. Gambling is undesirable, but the cost of enforcing and prohibit is larger than controlling it, so restrictions are used
3. Gambling is “more or less” a harmless pastime, so gambling should be treated as entertainment as long as it harshly controlled and crime free
4. Gambling is a good way for governments to raise money for public interest projects
5. Gambling is a good way for jurisdictions to earn money from international players and should be treated as a export business, like tourism

The first point has been the most common throughout history, but with cultural change and other events, there are not many regions that hold on to that dogma of bans. Many regions with a non secular base are still holding on to the thought that gambling is immoral. The second point is the popular thought in England around the year of 1968 when the UK changed their outdated gaming laws described as undesirable and unavoidable, which requires restrictions on entry and the number of gaming machines allowed. The third point is probably the most common thought throughout the Western nations, i.e. US, Western Europe, Australia, where gaming is an acceptable component of the entertainment scene associated with licensed providers, prevention of underage gambling and plans to prevent and treat problem gamblers. The fourth point is very common in the US where local or regional lotteries are established, and the casinos are restricted from exporting their products and ideas. The fifth point is the backing of the ideas of creating gaming Mecca's as seen today in Nevada and Monte Carlo. The Caribbean, Malta and the Isle of



Man are zones that are treated differently than regular countries thus allowing Internet gaming havens.

### *Moral Values and Gambling*

Moral values have long been a reason for opposing gaming, while in the previous 20 years has been discussed in the boardrooms in casinos and inside politicians closed rooms, and has been on the “to do” list for many years, but in most cases have just slipped by since there has been a common belief that “our gaming project does not harm our people’s mentality” and “we do the best we can to inform our people how gaming can affect you” (Collins, 2003, p. 169). In the book *Government and the transformation of the gaming industry* (McGowan, 2001) discusses the need of addressing the social issues regarding gaming and also promotes using different forms of warning labels. Warning labels are fairly new to the gaming industry and more common in the Internet gaming venues than in the traditional gambling halls. The social modeling of gaming is a big part of the Swedish model, thus the reason why governments have adopted this regulatory style.

### Swedish and other State Gaming Regulation Literature

These documents/topics below are all official governmental reports, which are accessible through the governmental websites.

- Casino laws and acts
- Casino and lottery non-partisan research
- Official governmental reports
- Official websites of companies and gaming board/commission

- Other interesting information, like partisan debates

The most important references for the study of the Swedish casino model are the governmental investigations reports; SOU 1992:28, "*Kasinospelsverksamhet i Folkhälsoverksamhet i Tjänst*" and the 1992 casino report "Kartläggning av Kasinospel", SOU: 1992:33. "*Kasinospelsverksamhet i Folkhälsoverksamhet i Tjänst*", which defines the laws and thoughts of casino gaming regulations in Sweden today. These studies became the foundation of the 1994 lottery law (Lotterilagen (1994:1000)), and subsequently becoming the casino gaming law in Sweden (Kasinolagen (1999:355)). This non-partisan governmental research is how laws and proposals are made on all matters of Swedish Law. During this research investigation, which usually has a time span of up to two years, other governmental agencies and non governmental agencies will have input in the law procedure, which is also including unions, police departments and other human organizations who have some influence of the law in itself. In this study, the reader will see that the Swedish police and the other lottery organization made it possible for the creation of the casino gaming law in Sweden, and also stated that there was a market for three large international casinos in each of the three largest cities in Sweden. In 1992 there was a super majority of the parties involved in this study that casino by international standards should be created in Sweden and the profits of the operations would finance youth and children's activities in the country (SOU 1992:33, p. 275). These reports are asked for when the parliament or an independent congressman wants some research to be done in a specific area for the purpose to create a law/proposition. They are written like a marketing plan with a lot of information in the subject area for discussion. These reports also include comments from all governmental departments that have an opinion in the specific area. But even with this suggestion, the

government at the time had to postpone it due to the fact that one of the political parties (Kristdemokraterna) in the coalition government was completely against it. It would take another seven years before the government put the casino bill in motion and were later that year approved by a majority of the parliament June third 1999 (Kasinolagen 1999:355).

## CHAPTER THREE – THE SWEDISH CASINO GAMING MODEL STUDY

As described in the methods and justification sections, the study begins with a description of casino gaming models, including Austria, Canada, Great Britain, Macau, Nevada (United States), Singapore, and Sweden, some of which were described previously. The gaming model chart and discussion follows part three, and part four finalizes the discussion with the need for future research and findings/conclusions.

## Part One – Casino Gaming Model Description

*Austria* (Cabot, 1999, p. 329-336)

*History*

Austria has a long history of casino entertainment, which has been a part of their tourist market since the 1930's. Today they have 12 casinos operating, of which two are only seasonally operated. The Austrian government was looking at the time for one operator to manage its casinos. They received seventeen applications, and awarded the license to a company which became known as "Österreichische Casino A.G." They started the business by opening up two casinos in 1934 – one seasonal Casino in the Alps in conjunction to the ski resorts, called "Alpencasino," and the other in the city of Baden Baden, which is still one of the most famous International style casinos in Europe, and at the time was the largest casino in Europe. The Baden Baden casino was open during the world war, except in 1945 during the last year of the war and occupation from the Soviet army. The Austrian government reissued the license to "Österreichische Casino A.G." in 1950 and the company started a rapid expansion to other cities

throughout the nation. The company changed its name in 1967 to “Österreichische Spielbanken AG,” and then again in 1985, to the more modern and international “Casinos Austria AG,” a name that they still have today. During the mid and late 1980’s, Casinos Austria AG started to expand to other countries with management contracts and international consulting, and became a significant operator around the world with now more than 120 operations worldwide, including the 12 casinos at home, with a government protected monopoly.

#### *Government Interference/ Forms of Regulations/Supervision*

The current version of the “Austrian Gaming Act” makes it possible for Casinos Austria AG to operate 12 casinos under their monopolized license. The license is administered by the Austrian Federal Government and the Ministry of Finance, which is also the monitoring agency and auditor. The government’s main provision for this legislation largely reflects the provisions of the Austrian credit act, with respect to the sensitive nature of gambling. Due to that provision, credit to players is not allowed and Casinos Austria AG pays for all audits and licenses. The licensing of Casinos Austria AG is governed by paragraph 21 to 31 in the Gaming Act and the Government has the exclusive right to award licenses, which can be defined as a gaming monopoly/government control. Only one casino license per community or city is allowed and all 12 licenses, as mentioned before, have been given to Casinos Austria AG. In order for a company to be granted a license, the conditions are the following:

- They entity is an Austrian registered public limited company
- Has a paid-up share capital of at least ATS 300 million

- Appoints casino managers who are properly trained and professionally competent, and are of fit character and experience to conduct business operations in a due manner
- Is likely to yield higher casino levy revenues for local and central government than other applicants, without prejudice to compliance with the law as to the protection of players

The province and other local authorities where the local casino is situated are basing their input of the license decisions on the following points:

- The term of license: this may not exceed 15 years
- The amount and nature of the security to be administered
- The games offered and the manner which they are to be operated
- The form of admission control to be exercised
- Gaming hours (opening hours) and admission prices
- The obligation to provide live gaming

### *Games*

The different games that are allowed are the usage of the “typical casino” games.

### *Taxes/Fees*

Taxes and fees are defined in the gaming act and depend on which games the gross gaming revenue comes from, so in addition to normal taxes and levies paid by a public company, the taxes begin at 35% at 500,000 ATS and increases in five percent increments up to 80% tax

on games like Baccarat, Chemin de Fer (Punto Banco), and French Roulette. All other games are taxed at 48% on gross gaming revenues. The tax on slot machines is called amusement tax and is a fixed fee per machine per month and, is different in all regions. The fee goes from 1,500 ATS per machine per month up to 18,000 ATS per machine per month.

### *Operational requirements*

No gaming facility can be open for more than 20 hours per day and advertisement is severely restricted where the actual games cannot be advertised.

### *Summary of casino model*

This model is an atypical model of European casino legislation, in which the company operating the casino is a shareholding company, but with severe restrictions of ownership and operations. The high taxes make it difficult to generate profits so the expansion to other international markets becomes a necessity to become profitable in the long run. One of the main differences between Casino Austria AG and other monopolized companies around the world is that they are allowed to operate in other regions and jurisdictions. This is a huge benefit that gives them a competitive advantage to some of their rivals around Europe and the world. This casino gaming model is referred to as “The Governmental Monopoly Laissez Faire Model”

## *Canada*

### *History*

Canada is in some ways a pioneer in gambling, with early forms of gambling taking place in the Yukon territories and the expansion of gaming to all provinces during the later part of the

20th century. The provinces are the following; Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec, and the Indian territory of Saskatchewan. After a short prohibition period in the 1920s and 1930s, a revision of the gaming laws was made in 1953 (Cabot, 1999, p. 171). Due to concern over the lack of enforcement policies, the government implemented some relaxation of the laws and started a national discussion of the future of the gaming laws. In 1969, the ban on gaming was abandoned and different forms of lotteries were allowed – one of the more famous lotteries sanctioned was the Calgary Winter Olympic Games lottery. It was put in motion to raise capital for the Games (Cabot, 1999, p. 171).

The next big step came with an unusual proposal from a children summer camp organization to raise money for their organization through the completion of temporary casinos. The regional government liked the idea and a temporary license was distributed. This event later became so successful that many more organizations asked permission to do the same. This would start the trend of charitable gaming in Canada, wherein gaming dollars supported local and national events. The last important legislation was the full completion of casinos in 1992 by Bob Rae, the Premier of Ontario. The first casino to open was in Quebec in 1993 and later that same year in Ontario and then to the rest of the nation in 1995 and 1996 (Cabot, 1999, p. 172).

#### Government Interference/ Forms of Regulations/Supervision

The government's laws and the implementation of those laws in all the different provinces in Canada widely differ, but they all share the common trait in that casino games play a major factor in revenues for local charities and projects. Casinos are widely popular and are now found in almost every metropolitan area in a permanent or temporary form. The significant



role the government is to implement the laws and rules regarding taxation and fees and the licensing procedures for the charity groups.

### *Games*

The different games that are allowed are the usage of the “typical casino” games.

### *Taxes/Fees*

The taxes and fees levied in conjunction with the casino games vary across regions and depend on the type of license held by the casino. Following is a list of the different regions and a summary of their taxes and fees:

*Alberta:* gaming and table licenses from \$300 a day (Cabot, 1999, p. 172).

*British Columbia:* operators receive 40% of profits from table games and 25% of slot revenue. The Government keeps the rest for their own use (Cabot, 1999, p. 178).

*Manitoba:* Revenues are disposed by the government. Of note, however, is the implementation of an addictions fund in 1993, (AFM, Addictions Fund of Manitoba) which receives 4.2% of all gaming revenues (Cabot, 1999, p. 183).

*Nova Scotia:* 20% of gross gaming revenues go to the government (Cabot, 1999, p. 190).

*Ontario:* The government receives all gaming revenues with the exception of charitable casinos, who keep their profits after fees for charity (Cabot, 1999, p. 202).

*Quebec:* Government disposes all gaming revenues (Cabot, 1999, p. 207).

*Saskatchewan:* The government is using a revenue sharing system, where 50% goes to the first Nations Tribe, 25% to Provincial Governments and 25% goes to first Nations charities (Cabot, 1999, p. 215).

### *Operational requirements*

Every province has a different application process for charitable gaming licensing procedures and the larger casino companies/resorts are strictly owned by their respective province government or tribe.

### *Summary of casino model*

Canada's casino models are a tale of popularized regulation and a good source of income for government spending which meet the high gaming demand. The casinos are widely a popular piece of legislation. It is a very unique model in which revenue sharing and charitable casino gaming is operated on a daily basis. This casino gaming model is referred to as "The Governmental Monopoly Charity Model"

### *Great Britain*

#### *History*

England has had gambling for centuries and its history can be traced back as far as the 16<sup>th</sup> century. Regulations on gambling have existed since 1710, which at the time were aimed at

the wealthy to encourage them to gamble less and declared all gaming debt void up to the date of enforcement. One of the inspirations behind the new gambling laws was the fact that many aristocrats were suing each other over their debts and most cases were not settled by civil means, but with a sword. After many debates in the House of Commons, and numerous changes to the law during the 19<sup>th</sup> and early 20<sup>th</sup> century, The Gaming Act of 1968 was enacted, which was just recently updated again, 37 years later by the “Gaming Act of 2005” (Gambling Act 2005, 2005). In the early 1960’s, England had huge problems with gambling halls and betting clubs all over the country. More than 1,200 clubs were known to exist at the time, and many of them were owned and operated by known criminals (Cabot, 1999, p. 385). The Gaming Act of 1968 created the Gaming Board, a powerful body that made sure any casino license holder was crime free, keeping the game honest and within regulation. The Act also made sure customers were members of the club at which they wished to play, and a 48 hour rule was enforced, called the “cool down period”, which made it impossible to become a member and play on the same day. Between 1968 and 2005, 119 licenses were issued and London quickly became the city with the highest density of casinos, with more than 25 casinos today (Gambling Commission Home, 2009). During the late 1990’s and early 2000’s, many complaints about The Gaming Act of 1968 started to appear. Many businesses called the Act outdated, and hastily a new law was drafted – The Gaming Act of 2005. This law would later be subject to several edits, but it finally came into effect on September 4, 2007 (UK Gambling Act is now in force. 2007).

### *Government Interference/ Forms of Regulations/Supervision*

All operators with a license at the time of the new law were permitted to apply for a new license, and under the new law an additional 16 casinos were built. All operators must abide by

the License Conditions and Codes of Practice, and promote socially responsible gambling. Eight large casino and Eight small casino licenses were issued and competed for within the next ten years where one or two licenses will be awarded each year, with a restricted number of slots and tables with the following requirements, defined by the Department for Culture, Media & Sport (UK Gambling Act is now in force. 2007).

- Gambling sites based in the UK will be governed by a dedicated regulator, the Gambling Commission
- Local authorities will be able to impose sanctions on operators, including limiting opening hours and gaming machines
- Local residents will be able to object to new gambling licenses and seek reviews of existing ones.
- Codes governing advertising require ads to be socially responsible.
- Advertisements from outside Europe that fail to meet the UK's strict regulatory requirements will be banned.
- TV advertisements will be allowed for the first time, but are subject to a voluntary 9:00 pm watershed.
- The membership requirement on casinos is lifted.
- Gambling operators will be required to prominently display information about responsible and problem gambling. They will also have to work proactively to prevent underage gambling and contribute to problem gambling treatment and research, education, and public awareness.
- Betting cheats will face a two-year jail sentence.
- Gambling debts will become legally enforceable.

The Gaming Act of 2005 also included the reformation of the old gaming board to the new Gaming Commission, with the following description:

“It has taken over the role previously played by the Gaming Board for Great Britain in regulating casinos, bingo, gaming machines and lotteries. The Commission also has responsibility for the regulation of betting and remote gambling, as well as helping to protect children and vulnerable people from being harmed or exploited by gambling. The Commission is also responsible for advising local and central government on issues related to gambling” (Gambling Commission about Us, 2009).

### *Games*

Casinos are allowed the operation of typical casino games, but unlike Austria and Canada Poker and Bingo was also permitted (Equal Chance Games). Under The Gaming Act of 2005, sports betting were also allowed. (Gambling Act, 2005) Under The Gaming Act of 1968, casinos were only allowed up to 40 gaming machines. The new law permits a larger number of gaming machines, depending on whether or not the casino has a large or a small gaming license. With a large license, the casino may operate up to 1,200 gaming machines and up to 400 hundred gaming machines with a small gaming license.

### *Taxes/Fees*

The taxes and fees of the 1968 Act are still in effect, which include a sliding scale from 2.5% for the first gross gaming yield of up to the first \$100,000, and rise to 33.3% for a gross gaming yield exceeding \$1,000,000. The gaming companies also pay a regular corporate income tax, which is 28% on profits.

### *Operational requirements*

Many changes have been made over the years, as detailed above in the Government Interference/Forms of Regulations/Supervision section.

### *Summary of casino model*

The 1968 Gaming Act was unique when it was enacted. The law makes it possible for any person with some financial backing to apply for a license, and the input from the casino's potential neighbors and close competitors has a great influence on the decision on your application. This model made it possible for many entrepreneurs to operate their own casino (Sports Club), hence the large number of casinos in England and London. They are all, however, very small and do not have a large impact on the UK overall markets. (Cabot, 1999, p. 386)

This casino gaming model is referred to as "The Private Restricted Model."

## *Macau*

### *History*

Gaming has long existed in Macau, going back to the 1500's, and has since then been a city where gambling is allowed. During the 17<sup>th</sup> and 18<sup>th</sup> centuries, it was recognized as a city of sin in Asia, nicknamed the Monte Carlo of the Orient. Before Macau was returned to China in 1999, all the casinos were owned by a Stanley Ho family corporation, Macau Tourism and Amusement Company (STDM). The casinos employed over 10% of the workforce in Macau and supported the city with 50% of its overall income (Cabot, 1999, p. 523).

When Macau was returned to China in 1999, its political status and gaming future remained unclear, but the Chinese authorities soon revealed Macau would receive autonomy like Hong Kong, and that it could keep its capitalism and casinos under new laws and regulation. The Chinese government understood Macau's history and that to make gambling illegal would undermine the region's economy. They also saw a potential to attract foreign capital to the region by extending more gaming licenses. Today the casino gaming revenues are the highest in the world, passing Las Vegas as the highest gross revenue region in 2006 (GU, 2004).

#### *Government interference/ Forms of regulations/Supervision*

The new regulation under Chinese rule came into effect in 2001 and at that time there were eleven casinos in Macau and the distribution of concessions was revised. The new region executive was allowed to issue three gaming concessions. Each concession was issued for 20 years, which can be renewed and each gaming concession holder is allowed to open up as many casinos as the "market can bear", which means that the Chinese government decides when the market is saturated and has reached its limits. Each casino then has its own license and each new casino needs to be approved by the regional executive. Stanley Ho's Society of Games of Macau (SJM) received the first gaming concession, and he was authorized to operate the 11 existing casinos. Steve Wynn and Wynn Resorts won the second Concession and Las Vegas Sands won the third concession together with Galaxy Gaming. Today there are 29 casinos in Macau, all under these three concessions, which are supervised by the regional executive branch.

### *Games*

Macau permits typical casino games, though most casinos place an emphasis on Baccarat/Mini-Baccarat and Blackjack.

### *Taxes/Fees*

The government levies a tax of 40% on gross gaming revenues and all taxes go to the region's budget and economy (GU, 2004).

### *Operational requirements*

There are no specific operational requirements.

### *Summary of casino model*

The Macau gaming model is a highly competitive environment and a regional success story. One of the reasons behind its success has been the fact that it has for many years been one of the few places in Asia with legalized gambling, not to mention its vast population – there are almost two billion people living within a five hour flight from Macau. This casino gaming model is referred to as “The Competitive High Tax Model.”

## *Nevada*

### *History*

Since its statehood in 1864, Nevada has tolerated casinos and gambling, but it was not until 1931 that it became legalized. During the Great Depression, Nevada law makers saw the potential for taxes to fund the state's expenses and the opportunity for entertainment for the influx of workers migrating to the state. After World War II, Las Vegas became a social



diversion for Americans and flourished under the population boom through the 1950's and 1960s (Cabot, 1999, p. 101). The rise of automobile technology and the fast growing rate of California visitors also helped Las Vegas' growth. In 1955, the federal government threatened to make casino gambling illegal due to the increase in organized crime around the casinos. Regulators saw the need to monitor the gaming industry in Nevada and the created the Gaming Control Board as a full time administrative agency. A few years later, the Gaming Commission was also formed with the authority of licensing procedures (Cabot, 1999, p. 101).

The Las Vegas boom continued during the 1970's but during the 1980's the growth of new casino licenses slowed. After Steve Wynn opened the Mirage in 1989, an immense influx of capital was infused in Las Vegas and new properties developed almost every year through the 1990's. It was during these times that most of the larger conglomerate corporations were formed and entered the stock exchange. In 1997, there were more than 280 casino licenses in Nevada and nearly 2,000 slot machine operators. 45% of the state's tax revenue comes from gaming and a total of almost 70% of the state's revenue comes directly or indirectly from the tourism industry (Cabot, 1999, p. 102).

#### *Government Interference/ Forms of Regulations/Supervision*

As soon as a casino is licensed, government supervision is minimal, as long the casino licensee is following the regulations accordingly. The state delegates its authority to the Gaming Control Board and the Gaming Commission with the full time administration and enforcement of the states gaming laws. The Gaming Control Board consists of three full time members and also does recommendations on the licensing matters. The Gaming Commission consists of five part-

time members charged with the responsibility of licensing, administering discipline to licenses, and adopting regulations (Cabot, 1999, p. 103).

The licensing procedure is much more difficult to obtain than comparable state licenses, with costly investigations of prospective owners and stock holders. It is a process that can take many years if necessary, all paid for by the applicants. The licensing procedure is also difficult for those who want to sell gaming equipment to the casinos in Nevada, so the procedure to get a game licensed is a long and costly period for all parts involved. It is these laws that place Nevada in a very unique position in the world of casino gaming. The gaming business is constantly affected by what happens with the Nevada gaming legislation.

### *Games*

The games allowed are the typical casino games, as well as a vast number of specialty casino games of many varieties.

### *Taxes/Fees*

Taxes are comprised of a straight 6.75% gross gaming tax and long list of table fees depending on how many tables and slots the casino contains. The fees vary from \$50 to \$4,800 per game depending on how many games the casino operates and the fees can be both quarterly and annually (Cabot, 1999, p. 114).

### *Operational Requirements*

- Nevada Gaming Board approval for the surveillance equipment of a new property is mandatory
- Patrons must be 21 years of age or older to play or to loiter in the casino
- Excluded people by the gaming board must be removed from the property
- A licensee may not serve liquor to a visibly intoxicated person
- Nevada does not have to serve to the general public, discretionary exclusions are allowed

### *Summary of Casino Model*

Nevada as a gaming regulator is by far one of the most important promoters of casino gaming laws and trends. With its impact on the market, Nevada can be seen as the trendsetter for the gaming world, especially with regards to casino developments in emerging markets, where the Las Vegas corporate model is preferred, rather than the Scandinavian model of protectionism. This casino gaming model is referred to as “The Private Corporate Model.”

### *Singapore*

#### *History*

The history of gaming in Singapore has just begun and the first gaming property is scheduled to open in late 2009. The ban on gambling was lifted in 2006 after 40 years, due to public support and the possibilities the government saw to double their visitors and triple the tourism income. (Las Vegas Sands wins Singapore casino bid, 2005) "As other countries begin to catch up, Singapore needs to move ahead constantly to sustain its competitiveness," said Mukul

Asher, professor at the new Lee Kuan Yew School of Public Policy. "The casino will allow diversification of the economy. Singapore is just trying to have as many pillars for the economy as they can and they see casinos as one of the pillars that will sustain future growth," he said. (Singapore's casino plan reflects bid to diversify economy, 2005)

#### *Government Interference/ Forms of Regulations/Supervision*

The government has decided to issue two licenses, one on-shore and one off-shore, granted to the casino operator by bidding process from a large number of competitors, including some of the larger companies from Las Vegas. 19 bidders in total were accepted and the government had a series of requirements for the bidders. One of the most important criteria for the bidders was the requirement to be able to attract tourism and increase the general number of visitors to the city and region. The number of casino licenses was also restricted to two over the first ten years. (Elphinstone, 2005)

#### *Games*

The games allowed so far are typical casino games and slot machines.

#### *Taxes/Fees*

The tax is set to 17.3%, which is less than half of what the gaming tax is in Macau. (Form 8-K for LAS VEGAS SANDS CORP, 2008)

### *Operational Requirements*

The casino has no special operational requirement so long as the management companies comply with the gaming laws. One major issue is that the casino concept is mixed with arts and entertainment. This is due to the major criteria of the gaming license, to increase the number of visitors to Singapore by increasing the number of entertainment venues, not just gambling venues. This is apparent in the Las Vegas Sand's winning bid. The Las Vegas Sand's Marina Bay resort will include clubs, art studios, and a convention center. (Las Vegas Sands wins Singapore casino bid, 2005) This is also apparent in the Genting International Resort on Sentosa Island, which will include a universal theme park and a large indoor aquarium. (Genting Wins Singapore's Bid for \$3.4 Billion Casino Resort, 2006)

### *Summary of Casino Model*

For a city that wants to increase the number of visitors and tourists to a city, a common argument in casino development discussions job creation and enhanced public international image, this model is one of the more politically simpler to get through. (Goodman, 1995, p.162) This model of letting large gaming companies to bid first then develop is the easiest way for a government to start a gaming business. All costs are put on the developers, and only taxes are taken out of net gaming profits, excluding corporate tax, with no fees or hidden escalating taxes.

If the Singaporean model is successful with its limited number of licenses, and if they reach their tourism goals, this could be a potential gaming model for other countries in the region who have limited or no casino gaming allowed today, such as Indonesia, Vietnam, and Japan. This casino gaming model is referred to as "The Limited Free License Model."

## Part two – the Swedish casino Gaming Model

*Sweden**History*

The gambling and lottery market in Sweden is strictly regulated. The Swedish parliament has decided that only certain authorities are allowed in the Swedish gambling and lottery market: public benefit organizations, the horse racing industry, and the Swedish state. Commercial actors are in principle excluded from the Swedish gambling and lottery market, with the exception of a certain level of entertainment gambling. The history of the Swedish lottery began in the mid-1700s when the Swedish King needed extra income for certain projects. The first lottery in Sweden financed a statue of the King in Central Stockholm (*Svensk Spelhistoria*, 2008).

These lotteries continued throughout the years and became regulated for the first time by law in 1773. The laws changed several times through the 1800's and became illegal for about 57 years during the reign of King Karl XIV Johan. The tide turned for Swedish lotteries in 1897, when a private consortium gained a license to introduce a lottery called the *penninglotteriet* for financing the World Exhibition in Stockholm and the Olympic Games in 1912. This private gaming consortium never generated profit since the government directed the company on how and when the profits should be used.

In 1939, the Government took over *penninglotteriet* and since then have had full scrutiny over the lottery product and all forms of gaming in Sweden. In 1934, private investors, called *Tipstjänst*, also introduced sports betting. The purpose of the business was to aid the youth sports industry, as excessive profits from all the betting went to that purpose until the government

bought the company in the early 1940s (*Svensk Spelhistoria*, 2008). Horse racing was also introduced in 1934, and once again in a different format in 1959. AB Trav och Galopp (ATG) was introduced by the government in 1974 and is owned and operated by the horse industry. In the 1970s *Tipstjänst* and *Penninglotteriet* became one company under the government's finance department and in 1994 their name was changed to "Svenska Spel AB," a share holding company in which all shares are owned by the Swedish Government.

Today, Svenska Spel operates many new gaming products including the successful casino brand called "Casino Cosmopol". Casino Cosmopol and the Swedish government casino venture started in 1999 when the Casino law broke ground (*Kasinolagen 1999:355*, 1999). The company was implemented and built by a joint venture between Holland Casino and Svenska Spel and since 2004 has been operated completely by Svenska Spel. Today they operate four casinos in four different regions of the country.

#### *Government Interference/ Forms of Regulations/Supervision*

According to Lotteriinspektionen or the Swedish Gaming Board the regulations placed on the Swedish gambling and lottery market, and by obvious conclusion the views of the government are a result of lotteries, betting, and all forms of gaming being a phenomenon that can lead to problems not only for the individual, but also for the general public. Thus, there exists within the lottery trend the possibility for immoral arrangers to exploit a lottery or casino gaming for criminal purposes, such as fraud or money laundering (*The Swedish Gambling Market*, 2009).

In addition, lotteries and gambling occupy a risk of societal and economic problems for the individual citizen. As a result of their special nature, lotteries have therefore for many years been subject to state regulation in Sweden, and the rest of the world. Lotteries and gaming in Sweden fall under two acts of legislature: Lotterilagen (1994:1000) and Kasinolagen (1999:355). The Lotteries Act establishes the general guideline of all lottery ventures in Sweden. The Casinos Act regulates casinos that operate using international rules of casino gaming.

The Lotteries Act and the Casino Act are prohibitive legislation that does permit a certain amount of gambling provided that a variety of special rules and regulations that is described by the act are followed (The Swedish Gambling Market, 2009). The aim of the act, as has been made clear above, is not only to look after the general community from criminality and underground organizations, but also to protect the individual from economic and social hardship. It is also a plan of the act to protect the interests of consumers and to control the profits made by lotteries (SOU, 1992, 33). A permit and license is required to arrange a lottery in Sweden, and that all such permits are subject to governmental scrutiny. A "lottery" in Sweden can also be other forms of gaming, such as raffle tickets, casino games at local restaurants and bingo. The Lotteries Act also contains policies regarding such matters as payout percentages, age limits, gambling on credit, limitations on certain forms of gambling, and other matters.

The principal actors in the Swedish gambling and lottery market are AB Svenska Spel (Svenska Spel), AB Trav och Galopp (Horse Racing, ATG), and public benefit organizations. Svenska Spel is a company wholly owned by the Swedish state. ATG is owned by the horse racing industry. "Public benefit organizations" is a collective term that covers voluntary



organizations that organize for the public benefit. The operations of Svenska Spel include betting at sporting events, the operation of gaming machines and the organization of lotteries. ATG operates horserace wagering. The public benefit organizations organize lotteries and bingo. The distributors of gaming in the Swedish market were granted the right in 2002 to use new technology, such as the Internet, for distributing lotteries. In 2006, turnover for the Swedish gambling market amounted to approximately SEK 36.5 billion (7 billion USD), and the most popular forms of gambling were betting, lotteries, video lottery machines and bingo.

The Gaming Board, or Lotteriinspektionen, is the central supervisory authority for lotteries in Sweden. The duties of the authority include the efficient supervision of the Swedish gambling market, based on the protective aims specified in The Lotteries Act. Lotteries are subject to national regulations within the EU. The European Court of Justice has passed judgment in the matter of lotteries and established that EU legislation allowing member states – subject to certain specified conditions – to apply special legislation in the field of lotteries. This EU debate has been ongoing since 1994, when Sweden joined the European Union. The private sector is gaining ground on behalf of state-run gaming. A conclusion of this matter is now studied by the government research agencies and the EU, as the EU-court ruling is only a few years away.

#### *Casino Cosmopol as an organization*

When management contracts were written and signed with Holland Casino in late 1999, the Casino Cosmopol chose a casino model wherein the Dutch Management team would only be in control of operations for three years and then reverted back to Cosmopol. Svenska Spel and

Cosmopol are in charge of finance and control and report to the Swedish government once a year. This model was decided after the board of directors chose Svenska Spel to develop the skills of operating a casino to maximize the tax revenue/profits to the owners (*Svensk Spelhistoria*, 2008). At the same time the Casino Law was released to the public, a different study was released in opposition of the bill, called “Gambling and Problem Gambling in Sweden, May 25, 1999” (Gambling and Problem Gambling in Sweden report No. 2, 1999). This report made news and caused debate in Sweden. Svenska Spel sat down and started to work on a problem gambling plan. After a few weeks, Svenska Spel held a press conference and presented a plan for attacking the problem: a ten-point plan which would be used in all forms of gaming. The problem gambling report showed that there were more than 2.3% problem gamblers in Sweden and another 1.1% potential problem gamblers. The ten-point plan for anti-gambling problems included the following (Stockholms kasino öppnar redan i höst, 1999):

- All employees will be educated in problem gambling
- Actively look for problem gamblers
- Problem gambling information available at all casino venues
- Problem gambling information available for all electronic gaming
- Allow problem gamblers to self-ban from the casinos
- Cooperate with hospitals and treatment centers with problem gamblers
- Develop new treatment programs
- Share information about problem gamblers with the other casinos
- Problem gaming seminars for the casino staff on a regular basis
- Support science in the problem gambling areas

Some of the most important points in the ten-point program address the self-banning process and that employees report if a player is showing signs of problem gambling. Self-banning was originally a plan developed by the Holland Casino Corporation and since every player/customer of the casino has to register to enter; they have a chance to self-ban from the casino. A player has the option to exclude themselves from the casino for a period of time, including one month, three months, six months, one year, and two years (Stockholms kasino öppnar redan i höst, 1999).

This program has been widely used and is well-accepted by the problem gamblers. The latest feature by Svenska Spel in anti-problem gambling measures is in the poker site that Svenska Spel is operating. When a player creates their profile, they are able to set the limits on how much they can deposit and spend. These limits are set per day, per week, and per month. If the player wishes to change their setting they must wait for 48 hours before it comes into effect.

One of the last important aspects of the creation of state-owned casino gambling is that Sweden had a lot of underground casinos and gambling, owned by criminal groups and other peculiar individuals (SOU 1992:28). The police were also very interested in these gaming problems and issues and they gave a favorable response to casino gaming in the research report (SOU 1992: 28) and the Regelverk för Kasinospel gaming (Statens Offentliga Utredningar [SOU], 1992, 118). Besides the importance of problem gambling, the fact that illegal gaming would decrease, was one of the most important points for the legislation to pass in the congress (Statens Offentliga Utredningar [SOU] 2006:64), Utvecklingen av Internationella kasinon i Sverige, roughly translated to “The impact of the casino law in Sweden”. Of interesting note here is that

in the Swedish gaming evaluation and proposal, the main points of the problem gambling and the negative impacts the focus have been on the social costs of pathological gamblers and the “eventual” growth of criminal activity around gaming and gambling areas and the effects of money laundering in casinos (SOU 2006:64. p. 10-11). Not so much on the other costs included above in the social costs section.

### *Games*

The games allowed are typical casino games and slot machines, as well as online poker.

### *Taxes/Fees*

There is no tax, since the Svenska Spel and Casino Cosmopol is fully owned by the Swedish government and the finance ministry. All revenues are realized by the government.

### *Operational requirements*

Other important aspects of the Swedish Casino Bill (Kasinolagen 1999:355):

- Only traditional casino games allowed
- Maximum amount of casinos is six
- Minimum age to enter is 20 with valid ID or passport
- All guests will be registered and the files will be kept for the purpose of illegal activities
- The register will include first and last name, personal or social security number, address, picture, and time and date of visit
- No credit allowed for the purpose of casino marketing or casino players

- A licensee will only be governed to a company that is owned by the state of Sweden
- No advertising of game operations

### *Summary of casino model*

The Swedish government have had a serious concern about casino gaming and its effect on society for a very long time, and have always been very skeptical about it, which in the long run has led to the belief that the safest way to operate gambling is under the authority of the government and force private entrepreneurs out of the gaming market. The implementation of the casinos was debated for many years in Sweden and one of the reasons for its eventual growth was the realization that underground gaming was growing rapidly and criminal elements in the gaming sector were an increasing problem.

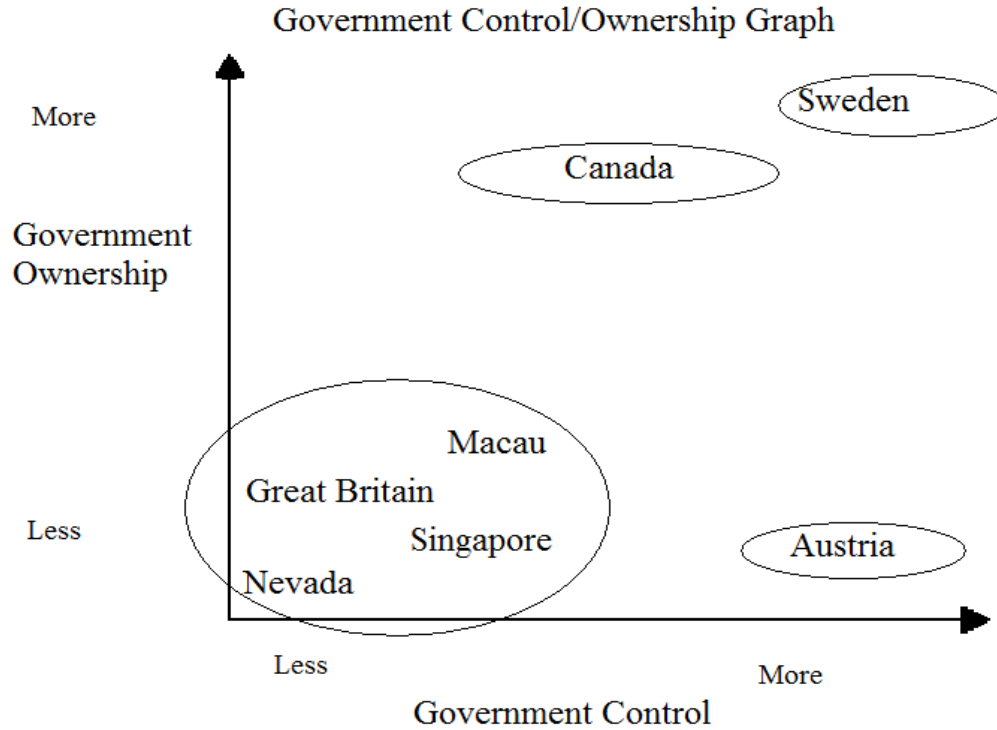
The Swedish gaming laws are clearly an anti-underground gambling bill and revert gambling back in control of the government. Letting Svenska Spel operate the casinos in Sweden is a unique feature when comparing the model to most other nations in the world and Europe. Svenska Spel, who is a shareholding company, but with all its stock owned by the government, puts the casino gaming in close control of the government. Because revenue distribution goes directly to the Swedish finance department, there is no tax bureaucracy and makes it a more efficient business model. This casino gaming model is referred to as the “The Governmental Casino Model.”

### Part Three – The Casino Model Graph, Findings and conclusions

The chart that was part of the problem statement will now be introduced. Its purpose is to enhance the visual aspect of how various gaming models differ and how ownership and control can vary considerably, with no correlation to the region. The countries/states we chose for this study were not selected randomly, but rather with a sense of uniqueness and whether or not a specific model could be copied or used by other government or states alike. Below is the chart summary of the casino gaming models in table 1. And location of the represented “Casino Gaming Models” in the ownership/control graph 1.

Table 1

Country	Model Name	Competition	Tax rate	Summary
Sweden	The Governmental Casino Model	No	No Tax	Governmental control and ownership. The Archetype for a monopoly.
Canada	Governmental Monopoly Charity Model	No	Medium to high tax and charity tax	Government control and part ownership. Casino model based on charity.
Austria	The Governmental Monopoly Laissez Fare Model	No	High tax, 40-80%	Government control with no ownership. One license holder.
Singapore	The Limited Free License Model	Yes	Medium tax 17.3%	Competition between two licenses.
Great Britain	The Private Restricted Model	Yes	Medium tax and fee's	Free licensing with the old 1968 casino gaming regulation, now with a licensing model, with 16 licenses for sale.
Nevada	The private corporate model	Yes	Low tax and fee's	Free market approach with a strict gaming regulation and control.
Macau	The Competitive High Tax Model	Yes	High tax, 40%	Competition between five license holders.



Graph 1

As you can see, most of the models introduced are close to the edges of the graph, and only Canada is towards the middle. The reason for this is common in many types of business models, not only in casino gaming models. And the theory behind that is the fact that either you “do it or you don’t,” which means either it is regulated in a certain way or it is not. You will seldom see laws that are flexible in its implementation or that can be mixed with other laws or regulation.

The graph shows that most of our models will be in the bottom left corner, which is more of a private influence and capital, and less government control of operations and generally lower taxes. The elliptical circles in the graph are representing movements in the graph that is possible



within their respective gaming law. For example, Canada has a pretty wide circle, which means that Canada's regulatory structure is shifting left and right due to its different laws in the provinces. In the bottom left corner is Nevada and Great Britain, with a casino gaming model based on corporate structure and free enterprise. Great Britain is more restricted with its regulation, but on this scale restrictions on models and operational requirements are less important. Singapore and Macau are just to the right of Nevada and Great Britain, due to the fact that it is slightly less free of a model.

They still have a casino gaming model that is based on free enterprise. Since it regulates the number of licenses allowed, and the fact that they have more than twice the tax of gaming profits, it moves them towards more governmental control. The most likely reason Canada is moving towards the middle is that every province has different types of casino regulations and that some casinos are more autonomous than others. Their regulation is harshly controlled and taxed, but with most of its profits going to charity, the government gets less control of the flow of money, hence the move towards less government influence on the table.

Austria is at the bottom right corner, which means that they are operated under private ownership and free enterprise but since the government only gives out one license for the casinos in Austria and regulates what they can and cannot do within its border, the company is essentially under the control of the government. Austria also has very high taxes on its gross gaming profits within the nation, which also puts them in a high government controlled bracket.

Another of the things that makes Austria's model very unique is that Casinos Austria AG is allowed to operate more freely outside Austrian borders, hence the reason they are below the graph's ownership scale.

Sweden with its model of government ownership, control, and operation of casinos gives it a place at the top right side of the graph. With its 100% ownership of Svenska Spel and its brand Casino Cosmopol, the government has full control of all features of the casino gaming model. This is the archetype of a monopolistic gaming model policy, with the gaming control board and the gaming inspection department, *Lotteriinspektionen*, created by the government.

#### Part Four – Findings, Conclusions and the Need for Future Research

After reading about the different casino gaming models and by examining the graph, one can see that patterns start to emerge. It becomes clear that a big part of these patterns are ideologically based, especially in Europe. The author decided to only address Nevada's casino model to represent the US, as that model best describes the US way of "doing business," with its free market approach to all forms of business. It also becomes clear that casino gaming developments are ultimately a governmental matter and in some cases the "lifeblood" of the region. Nevada and Macau are perfect examples of that, where a very large portion of the economy and revenue is based on gaming income.

Compare this with England, whose 119 casinos are not a very big part of Great Britain's economy and not a large employer. (Cabot, 1999, p. 386) It is also apparent that the general view of gaming changed during the late 1980's, and during the 1990's became more of a

corporate business than ever before. The negative connotation surrounding gaming faded away and the industry became part of the entertainment genre, which made it possible for politicians in need of extra revenues to develop casino gaming. Due to this, 1993 became a cornerstone in US gaming history, when casino revenues became greater than the revenues from lotteries, which made casino gaming in the US the preferred choice for people. (McGowan, 2001, p 9)

It was also around the early 1990's that both Canadian and Swedish politicians started to realize that casino gaming was a necessary "evil" and could generate necessary income for the state. As mentioned in the Swedish model section, several investigations were initiated in Sweden and were later turned down by one of the parties in the government. Canadian politicians had less opposition and created large casinos, very close to the US border. This would later create a debate in the US border state regions and only a few years' later casinos became a reality. The argument that revenues are lost to another nation or state is a strong case for politicians to introduce casinos as is argued in chapter two, as well as Walker's book, "The Economics of Casino Gambling." Often called the "Snowball Effect," this is a huge contributing factor in the growth of gaming in western-influenced countries and the US (Walker, 2007. p. 9).

The dates of casino and gaming development, described below, in Scandinavia provide an excellent example of the snowball effect (Spelhistoria, 2008):

- 1991 Denmark develops and opens six casinos of international standard
- 1992 Finland opens an international casino in Helsinki

- 1995 Sweden starts a VLT (video lottery terminal) operation throughout the country (6,000 machines)
- 1999 The Swedish Casino Act comes into effect
- 2001 Sweden opens the first of four casinos
- 2003 All four casinos now open in Sweden
- 2003-2004 Norway starts a VLT operation similar to how Sweden had developed

Other similar casino gaming developments that had a clear snowball effect for other regions is Singapore with its close distance to Genting Casino Resort in Malaysia, which probably had a strong influence on the Singaporean government. Casino developments on the border to Canada had a great impact on Detroit and other close regions to the Canadian border.

#### *Trends and the Future of Different Gaming Models Conclusion*

Even with the small sample size of nations included in this study, one can see the trends in Casino Modeling theory that nations both included and did not include in the study are polarized towards the two corners of the government control chart, bottom left and the top right. Obviously, there will always be exceptions to this rule, but trends show that typical casino models either have a low tax private casino model, or a high tax government controlled model. According to William Thompson (2006), the higher tax a nation has on its gaming, the less of tourist developments, job creation, and general growth will appear.

Even when excluding the different Internet gaming ventures developing in Europe and Asia, there are still many regions that have casino developments in the works. As mentioned earlier in the chapter, there are new casino projects developing in Singapore, Macau, and Las

Vegas. Sweden is also doing another governmental investigation into the progress of their ten year old casino legislation and to see if the government wants to open two more casinos over the next few years.

It looks as though there is interest from the government and Svenska Spel to expand with two more casinos in Sweden (McQueen, P, 2006). Some other nations looking into introducing or expanding gaming are Japan and Korea in the Asian market, and with the recent casino law in Kansas, there will soon be new gaming options in the United States. These nations, however, are far from completion or regulation, so there is not much to discuss from their perspective.

Singapore, with its recent gaming law, is the gaming model closest to opening within this year's time frame and has a good chance of becoming the new standard of casino and conventions resorts. With its two licenses and a moderate tax of less than 20%, Singapore casinos will have a better competitive advantage than Macau, which imposes a 40% gaming tax. In addition, with its financial center and a clean trademark, Singapore has the potential to become the new Macau in Asia. There are no current casino expansion plans in Austria, but the Austrians are seriously considering creating a poker site just for Austrian citizens, like the site Svenska Spel offers. (Austria's government follows Svenska Spel with a poker offering, 2008)

### *Reasons to Develop New Casino Models*

As Walker G describes in his book *The Economics of Casino Gambling*, there are a lot of reasons why governments and politicians decide to develop casino gaming or lotteries. The main reason is tax income, job creation, and development of static regions. Another driving factor is

the fear that if they do not create the gaming model, players will gamble in another country or in an illegal facility. Richard A Gazel's book, *Government and the Transformation of the Gaming Industry*, also describes and discusses this phenomenon and how the gambling industry managed to overcome its negative publicity and become a clean and regulated industry with corporate ownership, or administered by governments.

The gambling industry, which is more common than ever before, is nowadays called the gaming industry. The gaming industry is also commonly part of the entertainment industry and frequently owned by large media conglomerates. Governments are aware of the negative impacts of the casino industry, but as Collins mentions in his book, *Gambling and the Public Interest*, most of these warnings are ignored or talked down by the gaming industry and pro-gaming politicians who argue there are ways to curb the negative effects of problem gambling issues (Collins, p. 131).

So, with the opposition in check and the public and corporations' support to develop new gaming resorts around the globe, the conclusion becomes a question of "why not?" Find the gaming model that suits your nation and move forward. There will be some negative impact but with the right regulation in check, the damages will be minimal. Obviously, the process of developing gaming, or any business, is never that simple, and reasons behind the gaming models and regulations are widespread. For most developed nations and states, the most common reasons for developing casino gaming is the following:

- To increase revenues for government and state
- To curb illegal gaming

- To create jobs and income for citizens
- To enhance tourism
- To gain control of gaming

The negative impacts of casino gaming as described in the literature review are the following:

- Social costs
- Loss of productivity
- Legal costs
- Treatment costs
- Psychological costs

In all the gaming models that the author has described, the cost of casino gaming is defined by the particular government and is far outweighed by the benefits. So, the general question remains, should a nation interested in legalizing gaming develop their own casino model or should they copy another? The solution to that question cannot be revealed in this paper and would have to be researched and investigated properly by the government at hand. But the author's opinion in this matter is that Casino Gaming Models can be created for all regions if the political will is there. The different opinions from governments around the world are the reason we have these different models. Some Casino Models are well-appreciated and liked while others are disliked and highly criticized, just like the gaming model in Sweden is from the European Union the private entrepreneurs (Svenska Spel buckling under pressure, 2007). So the general

suggestion would be for a gaming aspiring government to find a model or models that suit their political landscape and be feasible by their laws and regulation.

*Can the Swedish model influence others?*

The author's opinion to this question is yes, but so far no nation is interested in operating the casinos or the gaming control function of casinos as the Swedes operate; only Holland and Finland have a similar model. Holland's gaming model has a little more business flexibility than the Swedes have, which means they can consult outside their borders, Svenska Spel cannot do that legally.

The Casino Gaming Models in this study are all very different from the Swedish Gaming Model. The Canadian model is very similar but their model is still different in terms of purpose and function. If a nation would be interested in the Swedish Gaming Model, there would probably be aspects of the Swedish model where the most appropriate parts are adapted to their nations gaming regulation and model. Swedish gaming, by tradition has always been monitored by politicians or by the King himself, this casino gaming model is only transferring the traditions forward.

The other nations in our study do not have similar traditions, but rather an entrepreneurial and business approach where people see the potential of gaming and what it can do for regions and cities. The most likely candidate for a similar model is probably Norway, which has a very close bond to Sweden, since it was part of Sweden until 1905. Norway, Iceland and Albania are the only nations left in Europe that does not have any form of casino gaming, while the closest



one to start a casino venture is Norway. Norway has already copied the VLT operations from Sweden, so if they desire casinos, they will most likely follow the Swedish approach as well. The author believes that Sweden will have a limited impact on other jurisdictions pertaining to the casino gaming regulatory model. The new Casino Gaming Law in Great Britain can also be included in that bracket described by the Ownership and Control graph.

### *The need for future research*

After examining the seven gaming models with a focus on Sweden, it begins to be apparent that the study of different Casino Gaming Models is a rather large area of research, where most civilized nations has some form of casino gaming and in all nations of Western Europe there is only three nations that does not have casino gaming; Albania, Iceland and Norway. This study is giving an introductory approach to the comparative studies of the influence and impact of the different Casino Gaming Regulation and there is more that can be done to dig deeper into this area of Casino Modeling theory. So the author is hoping that further research will take place within a short period of time, since there is so much to learn how different Casino Models influence our society and regions.

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