

8. The Minister for Economic Development - a statement regarding e-gambling licensing

8.1 Senator A.J.H. Maclean (The Minister for Economic Development):

The debate about the merits of a Gambling Commission has become entwined within a much wider debate on the scale and scope of the industry that it should regulate. There are important stand-alone reasons for establishing a statutory Gambling Commission now. These include the need to properly regulate the sector as highlighted by the recent I.M.F. visit and to ensure vulnerable people are properly protected. During the last 2 weeks I have consulted Ministerial colleagues and a number of other States Members and am well aware of the concerns regarding the perceived costs of the proposed Gambling Commission. I hope to address any outstanding issues in the forthcoming debate. I am also aware that the introduction of a statutory commission is being interpreted by some as giving the go ahead to the introduction of a full e-gaming licensing regime. This is not true, indeed, it is impossible as e-gambling or e-gaming, as it is often described, is only one part of a proposed modernisation of the much wider gambling legislation. Members will therefore have the opportunity to debate, reject or accept all or part of the proposed modernisation of the legislation later in 2010, but it is important that these 2 separate issues - the Commission and e-gambling - are decoupled and each considered on their respective merits. In order for my department to progress the detail of the e-gaming element of the legislation with confidence, I propose to bring a report and proposition by March 2010 to ask the States to confirm their continued in principle support for e-gaming. For the avoidance of doubt, I believe that appropriate e-gaming legislation should be progressed, it offers safe and legitimate opportunities for economic diversification in areas of e-commerce that competitive jurisdictions are already exploiting to our cost. The proposed structure of the Gambling Commission, if approved, will be the 3 commissioners and existing support staff who are part of my department's regulatory services team. Their remit will be to properly regulate the existing sector and to deliver the essential reform of gambling legislation. Once this has been finalised, in whatever form, the resources of the Commission will be reviewed. If the States reject further growth in the sector, in particular if e-gambling is rejected, then the staff cost element of a Commission will be reduced proportionately. If, after informed debate in 2010, the States is of the opinion that reform of the gambling sector in Jersey should not include the development of e-gaming, then these resources will be redeployed within Economic Development and the Commission will continue but with reduced support and cost. In all cases, the resources available to the Commission will be tailored to the legislative framework that the States permits. That much and no more. Ultimately, Members have my personal commitment that the activity of the Gambling Commission will be delivered in a manner that guarantees the highest standards of regulation that meets the objective of eliminating net cost to the department and of course, by implication, to the taxpayer. Thank you.

8.1.1 Deputy R.G. Le Hérissier:

Would the Minister confirm that the future of I.T., particularly the speed, the width and the availability of broadband is totally intermingled with the future of e-gaming and if we do not make progress on e-gaming we will stay in the stone age or not the stone age, we will stay in a very slow lane with reference to broadband?

Senator A.J.H. Maclean:

Yes, I can indeed confirm to the Deputy that he is absolutely right. It might be of interest to Members to bear in mind that in 2005 Jersey and Guernsey were approximately the same in terms of internet capacity to the U.K. Today Guernsey has 5 times larger capacity. The reason for that is largely the fact that Alderney and Guernsey have embraced e-gaming and that of course has helped drive initial volume and push prices down as well. I might also add on top, if I may, that we have also noted that a number of local Jersey businesses that have data centres are now opening in Guernsey where there are opportunities of lower cost to the loss of the local

Jersey economy. That is the sort of position that I do not think we can see continue. That is my opinion. Thank you.

8.1.2 Deputy R.G. Le Hérissier:

Supplementary. Would the Minister tell the House whether it is indeed possible to support the growth of broadband through other industries other than e-gaming?

Senator A.J.H. Maclean:

To a limited degree, I am sure the answer to that question is yes. Indeed, one could argue perhaps that the States could indeed fund such an activity. Of course that would have to ultimately come from taxpayers. There are other activities from a business perspective that would have a limited success, but to put it into perspective, 3 e-gaming companies in Alderney/Guernsey have the same capacity for broadband perspective as the entire finance industry in Jersey. That is a sobering thought.

8.1.3 Deputy I.J. Gorst:

Would the Minister not agree, contrary to the previous question, which is put forward by the e-gaming lobby, that it is all win, win, win, investment in infrastructure, that, yes, infrastructure is important, but there are many other ways that his department could be looking towards investing in that infrastructure and making sure that we have the telecommunication systems in this Island deserving of the 21st century?

Senator A.J.H. Maclean:

Not being a gambling man myself, I do not think that I would want to describe it as win, win, win necessarily, but I would concede with the Deputy that indeed there are opportunities, indeed my department... at the top of its agenda is diversification and it is keen to see businesses invest in infrastructure and look at ways in which we can meet these needs as best we can. But the sheer fact of the matter is that in terms of opportunity factor, e-commerce, the biggest opportunity in e-commerce at the moment is e-gaming still and it has those desired benefits. Ultimately, next year the proposition will come forward and it will be a matter for the States to decide if they agree with those statistics or not.

8.1.4 Deputy I.J. Gorst:

Simply because it is the biggest opportunity available, does the Minister not agree it does not make it right?

Senator A.J.H. Maclean:

Well, indeed, there are many perspectives and indeed the moral aspects of gambling have to be taken seriously. That is one of the points and reasons why I am so keen to introduce a statutory Gambling Commission to ensure that we can look after vulnerable people; the young and so on, and to make sure that the industry that we currently have is properly regulated and, States willing, that any future growth such as e-gaming is properly regulated as well. It is absolutely essential. There are many aspects to consider and I concede that.

8.1.5 Deputy D.J. De Sousa of St. Helier:

Firstly, does the Minister not consider that Jersey is 10 years possibly too late on this? Also, is it not really the case that this is one of the top priorities of his Ministerial department to look for further diversification because of the economic downturns effect on banking for a low carbon footprint high return replacement to finance?

Senator A.J.H. Maclean:

I do not agree with the Deputy that we are 10 years too late. In some respects we would have had considerable advantages if previous States had decided that that was a route that they wished

to take. There are still opportunities, make no mistake, there are still companies... Even last year, one of the largest e-gaming operators approached the Island thinking we had the appropriate legislation, ultimately they have gone to Guernsey. We know, because of our very sound regulatory framework in Jersey, that we would appeal significantly to those type of operators. There is the business there and we could potentially benefit from it. Yes, it is a low footprint industry and in many respects it would fit the profile of what the Island is looking to do, keep population under control and basically a high return from the activity involved. But as Deputy Gorst was saying, there are other considerations that need to be balanced.

8.1.6 Deputy J.B. Fox of St. Helier:

Clearly, from the pre-meetings that we have had, it is very important that we get the new technology brought in and I can see why the Minister's department is looking for e-gaming, but clearly there are other opportunities, as you have already just stated today, that we should be encompassing and promoting. Are we doing enough at this moment in order to achieve that? I appreciate it might cost the taxpayer something to pump-prime something to get them going but I am not yet convinced that we are treating other aspects seriously and we are relying upon a potential future for e-gaming and the debate next year.

Senator A.J.H. Maclean:

The Deputy raises a very important point. We are, I believe, as a department - Economic Development - looking at many other opportunities for growth in the economy, both from our legacy industries which we continue to support such as tourism, agriculture and so on, but there are indeed opportunities in areas like intellectual property. There is a significant piece of legislation which will be coming before the States, hopefully, early next year. Something like 400 Articles to develop our intellectual property opportunities. So, yes, we continue to look for good opportunities. This is not the only thing we are looking at, it just happens to be the issue of the day.

8.1.7 Deputy M. Tadier:

It really does follow on from the question of Deputy Gorst or at least the theme; in the statement the Minister highlighted the facts for setting up legislation to permit e-gaming is that our competitors in other jurisdictions are already exploiting this at our cost. I would like to know a bit more about this rationale because the Minister will also be aware that many other jurisdictions also exploit other things which we deem perhaps morally unacceptable such as drug taking in society, which they have legalised or, conscious of the youngsters we have here, I will use the suitable euphemism of houses of ill repute which are also legal in other jurisdictions. So does the Minister acknowledge that this rationale is not a valid one?

Senator A.J.H. Maclean:

What I acknowledge is that with proper and appropriate regulation - I go back again to the need for a statutory Gambling Commission - I think it is absolutely appropriate. We have an existing industry that has to be properly regulated, if the States agree, in the future to the growth of that industry with possibly e-gaming, then it will be even more important that we have an appropriate Gambling Commission in place to regulate and look after people. I think the Deputy should bear in mind we are about the only jurisdiction that does not do e-gaming, does not allow it within our legislation. I think that in itself is an interesting factor. Indeed, Malta, Gibraltar, Isle of Man, Alderney, Guernsey, all of which take it, all of which derive significant revenue because it is safely and properly regulated.

8.1.8 Deputy M. Tadier:

Supplementary, if I may? The Minister has already acknowledged that there is a wide range of views in the House and that in fact it is ultimately up to the House to decide whether or not we would be accepting e-gaming to be hosted in Jersey. With that in mind, does the Minister not

accept that we are in fact therefore putting the cart before the horse in setting up a framework in which e-gaming can be set up? Even though we have heard from the Minister that that could be disbanded and used in other areas, it seems like we are putting the cart before the horse, does the Minister agree?

Senator A.J.H. Maclean:

No, I am afraid I do not. The horse is very much in front of the cart in this instance. What I can say is that in terms of modernising the existing gambling legislation, Members will be aware that our gambling legislation dates back to the 1960s. It is wholly inappropriate, it is not effective, and in fact it offers significant risks - the risks that were identified very recently by the recent I.M.F. visit to the Island. We have to regulate the existing industry that we have got in an appropriate way. Indeed, the Shadow Commission that is in place and the support from Economic Development officers is there because of the significant work associated with the modernisation of our existing legislation. In due course, if the States decide they do not want us to propose or proceed with e-gaming legislation, then the Commission will be reduced to the appropriate size for the industry that it will be regulating in the future.

The Deputy Bailiff:

Well, whether it is the horse or the cart, the last couple of questions and answers took so long I am afraid that the 10 minutes is now up. May I remind Members that it is important to keep questions and answers crisp and concise. Minister, you have a second statement.