

CROWN CASINO ANNOUNCES ESTABLISHMENT OF ONLINE CASINO IN VANUATU

The Honourable Edward Natapei, Prime Minister of Vanuatu, says “The thrust to establish a strong and flourishing internet gaming industry in Vanuatu is one strategy to ensure that we move into the 21st century aggressively and assists in the overall restructuring of our economy. We must compete globally on many fronts and must not be seen simply as a “holiday bed” and “fruit and fishing basket” for the 1st world.” “The announcement by James Packer Chairman of Australia’s Publishing and Broadcasting Limited, that Crown Casino is establishing its online gaming presence in Vanuatu is a testimony to this strategy.”

INTERNET GAMBLING AND VANUATU

In 1999 the Government of Vanuatu conducted a research project into methods for stimulating the economy that would also enhance the international reputation of Vanuatu and that could leverage on Vanuatu being a financial investment centre. International and local consultants and Government advisors were used during this research and analysis project. It was from this research project that the Government decided to facilitate the establishment of a fully Regulated internet gaming industry.

Legislation was prepared by the Attorney-General’s department using, as guides, legislation in Queensland and Northern Territory, Australia. The Vanuatu Interactive Gaming Act was passed by Parliament in the March 2000 sitting and gazetted on May 31st 2000 after signing by the President - His Excellency, Father, John Bennett Bani.

In August 2000 Interactive Gaming Consultants Ltd, a firm specialising in regulatory support, was appointed to assist the Regulator in the administration of internet and interactive gambling in Vanuatu. All matters relating to interactive gaming in Vanuatu are first referred to Interactive Gaming Consultants Ltd.

12 months have now passed since the Act became law and 5 interactive gaming licences have been issued, 2 of which have traded successfully on the internet. The remaining 3 are undergoing auditing prior to being given approvals to commence trading by the Regulator.

Additionally, Vanuatu is working with a number of well branded corporations who are considering Vanuatu as a jurisdiction from which to base their interactive gaming operations. Others have lodged license applications which are being evaluated.

The recent announcement by Packer Broadcasting Limited that although there is a multitude of jurisdictions from which to seek a an interactive gaming licence, that Crown Casino had chosen Vanuatu as it had represented itself as the best opportunity for his Crowns' online strategies to be met for the lowest cost and in the shortest time – all the while conforming with the standards expected in a first world regulatory system.”

WHY INTERNET GAMBLING FOR 3RD WORLD COUNTRIES

The internet offers countries with evolving economies a way to compete effectively with 1st world countries. The internet also allows smaller companies to compete effectively with larger companies. Considering this aspect of the internet, countries such as Vanuatu can gain “early mover advantage” in the establishment of Regulated interactive gaming. This also means that licensees based in Vanuatu can also gain this same advantage, which for licensees translates into better business positioning in the longer term. Regulated interactive gaming will increase player trust and in so doing increase sustainability of businesses operating in these Regulated environments.

Because of its very nature, internet or interactive gambling could be considered the purest of all products available over the internet today. It is simply entertainment, and does not require substantial investment by governments or individual companies in buildings or other major infrastructure components.

Provided a licensee has an approved system and controls, their major cost is advertising and marketing. If a smaller company has the available cash to allocate to advertising and marketing, they can gain a strong market position as easily as can the larger terrestrial brands in same markets. In relation to interactive gaming, no single brand has yet gained a position of market leadership or dominance –however some brands are well known by analysts.

LICENSING AND REGULATION IN VANUATU

- License application fee is US\$75,000.00 (Refundable in part).
- Annual license fee is US\$50,000.00.
- License term is 10 years.

TAXES AND COSTS OF OPERATIONS

Interactive gaming operators will try to position themselves in jurisdictions where their credibility is maximised and their operating costs are lowest. Credibility is maximised by sensibly effective and enforced Government Regulation.

Vanuatu, at a low 2.5% of gross profit, has set the lowest interactive gaming tax rate in the world.

The Government levies no other taxes or charges against licensees or licensee companies. This is a much more appropriate level compared with other jurisdictions that have set gaming taxes as high as 50% of gross profits, and then also have to pay company and other applicable taxes.

VAT, while applicable in Vanuatu, is not payable on interactive gaming revenues whether onshore or offshore. VAT paid on business inputs by licensees is refundable.

There are no company taxes and no personal income taxes in Vanuatu.

This low fee and tax structure means that licensees have a real opportunity to satisfy shareholder needs for ROI and to allow for the best possible ‘return to player’ from games thereby increasing the appeal of the interactive gaming business to players.

ANTI-MONEY LAUNDERING

Vanuatu continues to be strident in its efforts to prevent money laundering. Interactive Gaming Licensees must pass probity checking and be proven to be people who are fit and proper to hold a gaming license. Probity standards applied in Vanuatu are equivalent to those used in Australia and other 1st world jurisdictions who allow gambling.

Computing systems, internal operating procedures and bank accounts require regular auditing to ensure that there is no opportunity for money laundering to occur – either advertently or inadvertently. Audit and reconciliation reports are provided to the Regulator monthly.

Suspicious transactions must be reported within 20 minutes to the Financial Intelligence Unit of the Attorney-General's Office.

PREVENTION OF MINORS

The Interactive Gaming Act and associated Regulations require that minors be prevented from registering with licensees and from placing bets.

All players must provide their name, age and address details with the licensee. The licensee must validate this information using another method approved by the Regulator. Agents may collect and validate these details, passing the validated details to the licensee.

These validation methods may either be online or offline. Players may not withdraw money from their accounts until such time as they have validated these details.

To limit the potential for frauds, failed validation of player details may result in the initial player deposit being reported to the Financial Intelligence Unit as a potentially suspect transaction.

PROBLEM GAMBLING

Studies conducted in various countries show that approximately 3% of all gamblers may exhibit problematic gambling tendencies.

To ensure that interactive gambling provided from Vanuatu remains entertaining yet socially responsible a variety of measures have been included in the Regulations to limit the potential social harm that follows from problematic gambling.

These measures include:

- No credit betting
- Deposit limits
- Bet / Wager Limits
- Exclusions from Gambling – for a period or permanently
- Cooling Off periods after major wins
- Player statements of all gaming or wagering activities

INDUSTRY ANALYST PERSPECTIVE

Vanuatu is ideally positioned to gain a strong foothold as a credible jurisdiction that provides fully licensed and regulated interactive gaming. This view is supported by people such as Mr. Brian Cooke, Analyst with NewEcon Pty Ltd an interactive gaming consulting firm based in Australia. Mr. Cooke says “The Australian Federal Government's recent decision to impose a ban on Australian based gaming suppliers offering their products to Australians appears to be another victory for short term politics over policy.”

He continues “The reality is that on-line gambling can assist in restricting problem gambling more than the controls present in the vast majority of physical wagering and gaming locations. The protections that can be built into on-line systems include extensive identity checks requiring proof of identity and address before players are allowed to gamble and the use of pre-established limits for daily and monthly play that cannot be exceeded. Other protection features include self-imposed exclusions, access to complaints resolution and links to problem gambler sites.”

These measures have been included in the Vanuatu model and thus ensure that interactive gambling provided from Vanuatu is of the safest and most secure form possible. Vanuatu is to be commended for adopting this stance.

According to Judi Kelly, who's website www.GamblingLicenses.com comprises a database of jurisdictions that offer internet gambling, there are some 57 jurisdictions where intending operators can apply for a license. And some are far better than others as the quality of licensing regimes varies greatly.

"I judge the value of a jurisdiction according to four key issues that influence a gaming operator in the decision-making process of selecting the most appropriate country to base their business," said Ms Kelly. "In my opinion, there are no more than a handful of jurisdictions that offer A1 regulations, competitive start-up fees and tax rates, in addition to appropriate business infrastructure and telecommunications facilities."

Ms. Kelly continued "The comprehensive regulatory framework in Vanuatu, developed by Interactive Gaming Consultants, ensures that all operations are reputable, and the tax rate is a low 2.5% of gross profit. Just as importantly, Vanuatu offers a stable political environment with a well developed business and telecommunications infrastructure." "That Crown Casino has chosen to locate in Vanuatu is evidence of the stability of Vanuatu and its support for properly managed on-line gambling."

"Other jurisdictions that would appeal to me, if I were setting up an internet gaming operation, include the Isle of Man and Great Britain in Europe. Antigua would be my first step if selecting an area in the Caribbean," Ms Kelly told Offshore Investor.

Current status by region – jurisdictions offering internet gambling licenses:

- Asia-Pacific – 11
- Africa – 5
- Europe – 25
- Caribbean – 8
- Central America – 2
- South America – 2
- North America - 4

Each jurisdiction is rated by GamblingLicenses.com according to a number of criteria, from a one icon rating of poor to a five icon rating of (almost) perfect.

Business Environment

Access to commercial facilities and support such as banking, accounting, legal, staff recruitment, facilities management, B2B business.

Regulatory Structure

Internet gambling regulations and legislation, tax rates, license terms and fees, and ease of information availability and response times.

Policy Stability

Government stability, GDP, taxation issues, dependencies - with a major focus on how the political environment affects changes to interactive gaming legislation.

Telecommunications Facilities

Availability and cost of telecommunications such as optic fibre, satellite, internet access, leased lines.

TELECOMMUNICATIONS IN VANUATU

The telecommunications infrastructure in Vanuatu is satellite based. Phone, fax and internet communications have remain uninterrupted for the past 14 years except on 3 occasions. In 1987 for 2 hrs, 1989 for 4hrs both because of winds exceeding 50 knots during cyclones and in 1997 for 2 hrs due to scheduled maintenance.

Telecom Vanuatu Ltd (TVL), currently provides bandwidth to service the needs of the country and to meet the planned growth in internet gaming and ecommerce. They have also structured their network design so that there is no single point of failure in the communications network apart from the actual satellite dish – which is also being addressed.

Bandwidth can be increased with 4 – 6 weeks lead times – mainly due to the renegotiation of Intelsat contracts.

TVL is also installing a new public telephone switch, a fibre-optic network around Port Vila and a GSM mobile phone network to ensure that the needs of the internet gaming industry are met easily and efficiently. These planned infrastructure upgrades are due for completion by March

31st, 2002. Yet even without these upgrades in place, TVL provides an excellent value for money based service to the interactive gaming industry in Vanuatu.

CONCLUSION

Vanuatu has positioned itself over the years as a premier financial management centre for the astute investor. Establishing an interactive gaming industry leverages from this heritage and sets in place an allied industry. Interactive gaming and financial management go hand in hand.

For investors seeking a good return on capital using a low risk strategy, in a low tax environment, Vanuatu represents the ideal jurisdiction. This is obviously evidenced by Crown Casino selecting Vanuatu as its home for on-line gambling.

The governments positioning ensures that licensees are fit and proper people to conduct gambling, there are enforced regulations to protect players and to cause trust provided a very sound and adequate telecommunications infrastructure that is evolving ahead of the needs of the industry.

And all of this in a South Sea tropical paradise.

MORE INFORMATION

More information, including all Government licence application forms, Acts and Regulations, can be found at the website for Interactive Gaming Consultants Ltd - www.igc.vu.

Interactive Gaming Consultants Ltd is located on the Ground Floor of the Vanuatu National Provident Fund Building, and may be contacted at:

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Related web sites:	Government of Vanuatu	www.vanuatu.gov.vu
	Licensing Info Database	www.gamblinglicenses.com
	Interactive Gaming News	www.gamingfloor.com
	NewEcon Pty Ltd	www.newecon.com.au

Vanuatu offers Internet Gaming opportunities second to none.

David Kinsman, Managing Director, Leisure and Gaming Corporation Limited.

So much has been said and written about Internet Gaming lately that the real intention of those few forward thinking Governments who sought to regulate it, rather than to put their proverbial “heads in the sand”, as many supposed developed countries did, has been lost in the hype.

Our company, Leisure and Gaming Corporation Limited, a soon to be listed Australian Public Company, is actively involved in Internet Gaming, and we hold licenses in both Vanuatu and Australia.

The reality is this, as the Internet develops in sophistication, and technical developments occur, it will become harder for Governments to ignore Internet Gaming, or indeed do anything about it. Right now banning technology is some years behind current technology and that gap will continue to grow. For those who press for banning, the future will bring little joy, as consumers will be able to access services on the Internet like gaming, whether officials are opposed to it or not. It is said, that as we are in such a technology driven era of development, there will only be two types of outcomes, those who embrace technology and work with it and, those who fail to recognize reality and perish.

The Government of Vanuatu showed great foresight and courage by taking the early position of legalizing Internet Gaming, and setting about creating a World Class Regulatory basis for the control and regulation of Internet Gaming. The standards they have adopted are also World Class, equal to if not exceeding, the best available. They have secured a credibility, and operational standard, that attracts professional operators to consider Vanuatu as a location of first choice, as regards the establishment of Internet Gaming facilities. The potential success of embracing a “new economy” business such as this was surely not lost on the Vanuatu Legislators, who did see the massive potential for foreign exchange and E-Commerce that regulated Internet Gaming offers.

Thus our decision was an easy one to make. We wanted to operate in two different jurisdictions. In Vanuatu’s case, it was logical for us as it offered a fully regulated jurisdiction, based on world’s best technological and regulatory standards. It has credibility.

We have recently signed a Memorandum of Understanding which will lead to a final agreement that will match us with a powerful International Group, to drive our Vanuatu Internet Casino project in the coming months. In fact, we will be “live” and taking bets from Vanuatu well before the “go-live” date of our Australian based operation.