

eGaming – Ireland’s virtuous job cluster

Introduction

A coalition of businesses working directly and indirectly in the online entertainment sector or “eGaming” space has come together to raise consciousness of the benefits of creating a regulated digital gaming cluster in Ireland. The group advocates that at least 10,000 mainly highly skilled jobs could be created across a broad number of functional areas if Ireland decides to compete with and outclass existing eGaming jurisdictions.

The coalition advocates that the development of eGaming would fit firmly into Ireland’s plans to develop a smart economy and would further leverage our educated, highly skilled and English speaking workforce.

eGaming Coalition

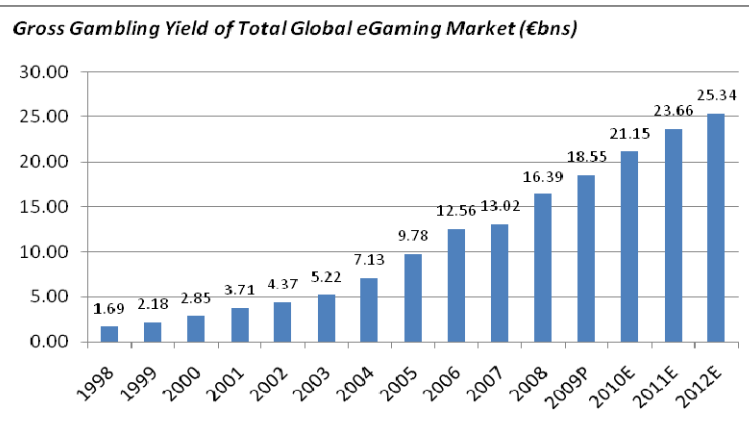
The coalition brings together a group of specialists in eGaming who are available to provide additional comments and expertise on this exciting growth area for the Irish economy. Perspectives from the group are outlined in this paper.

The egaming industry is looking for a home!

Ireland needs to encourage gaming companies to move their European Headquarters to Ireland from where they can expand their global footprint and create high value added jobs. This will allow Ireland to market itself as the location of choice for the world’s leading gaming companies and generate significant tax receipts to the exchequer. However, to date many egaming firms have been reluctant to set up in Ireland because the uncertain regulatory and tax framework. To succeed in attracting these firms, the government needs to develop a transparent regulatory regime and clarify the imposition of betting tax and VAT on online gaming receipts.

About eGaming

Online gambling and gaming are converging, and should be regarded as two related industries under the umbrella term “eGaming”. eGambling has participation by adults over 18, and includes sports betting and betting exchanges, as well as myriad poker, casino, bingo and lotto games for cash; eGaming has players from all ages, and includes highly successful massively multi-player social network games (e.g. Farmville) as well as many varieties of games of skill (e.g. World of Warcraft). Both classes of activity are converging, with eGaming in particular leading the innovation race with business models based on cash transactions for virtual merchandise.



Source: H2 Gambling Capital

“Sigmar, one of Ireland’s leading recruitment agencies with a specialist Gaming Division, estimates that 10,000 jobs could be generated over the next 10 years, netting at least €200M annually to the exchequer, if Ireland succeeded in attracting some of the major international eGaming firms”

Adrian McGennis, Sigmar

“The online gambling industry is a sector that has delivered stellar growth over the last ten years and looks set to continue to deliver strong growth”

Gavin Kelleher, H2 Gambling

“Ireland is geographically and technologically at an advantage to offer online gaming companies the ideal base for their global enterprise. Ireland has a potential window to become an online global centre of excellence within the next decade”

David Hickson, GLAI

“Ireland needs to become the location of choice for the world’s leading gaming, entertainment, internet and digital content companies.”

Marie Bradley BT Consulting

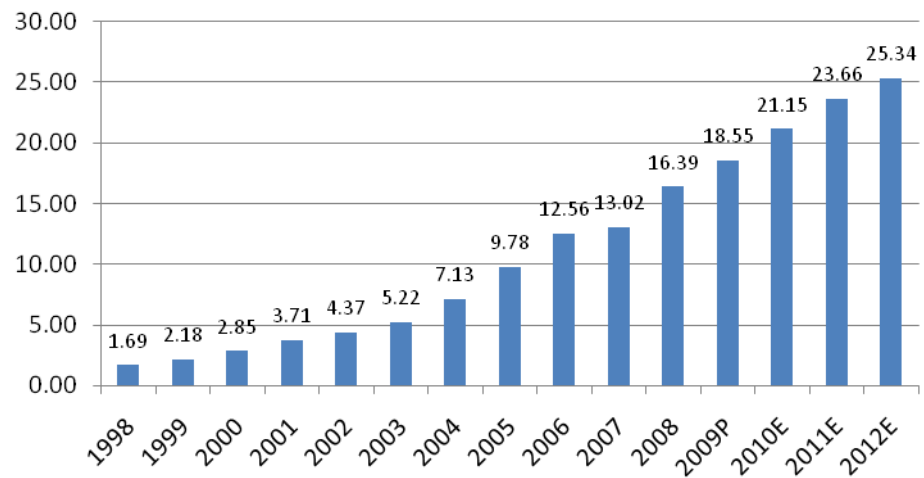
“The international language of gaming is English and Ireland has a distinct advantage over other European countries.”

David Hickson, GLAI

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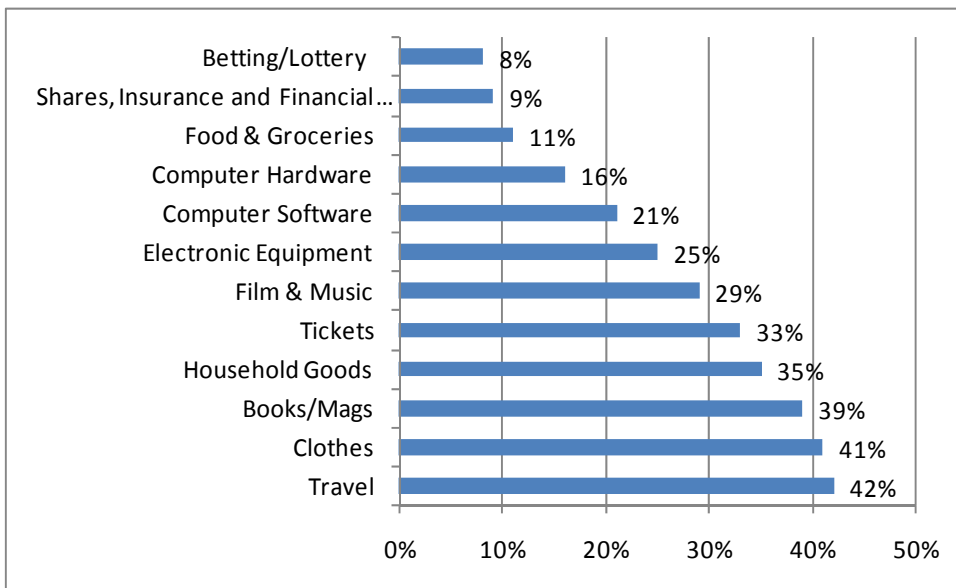
The outlook for the online gambling sector is underpinned by the fact that it still accounts for a relatively small proportion of overall gambling. According to H2 figures, online gambling accounts for just 8% of overall gambling. This figure is low in comparison to other industries that have moved online, and with continued growth in broadband, product innovation and more internet savvy consumers this rate is likely to continue to grow.

Gross Gambling Yield of Total Global eGaming Market (£bns)



Source: H2 Gambling Capital

Penetration Rates of Different Industries Online



Source: Unibet, Eurostat, Morgan Stanley, H2 Gambling Capital

“It is jobs that are key to Ireland. Rather than giving confused message about online gambling as a subset of online gaming, thus losing thousands of potential new jobs and putting current jobs at risk, we should open our arms to these sectors. The beneficial revenue would overwhelm proposed levies and could partially be used to support the horse racing and other worthwhile industries”

Adrian McGennis, Sigmar

“The focus should be on job creation from an industry that is as relevant to the future as IT, finance or pharmaceuticals. We have a thriving data-centre industry here that would be ripe to support this industry”.

David Hickson, GLAI

“Statements from Brian Cowen suggest that the government plans to tax online betting. Revenue from a small amount of Irish online players is just a drop in the ocean compared to the possible employment and exchequer benefits of establishing Ireland as a regulated hub for companies in this thriving sector”

Gavin Kelleher, H2 Gambling



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Ireland plays into the smart economy

A number of leading online gambling companies are currently based in Ireland, and the sector is estimated to already employ 2,000 people directly. Examples of success stories include the 600-job investment by Pocket Kings since 2006, and the 250-job investment by Paddy Power last November with the announcement of the signing of a deal with PMU.

With a competitive regulatory structure in place, given the growth prospects for the global industry, the current numbers employed in the sector in Ireland would grow significantly. There are many positive knock on effects for other sectors if Ireland was successful in developing a substantive eGaming presence including opportunities for: software, cloud computing, content development, telecoms, energy, education & training, broadband etc. Due to the virtual nature of this industry, companies can be located anywhere in the country which would also be good news for regional regeneration and keeping skilled people in the country.

Ireland could be positioned as an EU operating centre serving customers across Europe and providing a broad spectrum of services necessary to operate the business including: customer service, shared services, operations management, risk management, sales and marketing, advertising, legal, data hosting, technological support, accounting and financial planning. The technological infrastructure and skilled labour force is already in place to put Ireland in a pole position above other European jurisdictions.

Moreover, this is not just about attracting new jobs to the ailing Irish economy but it is also about protecting existing jobs. eGaming firms that have taken the decision to invest in this country are in a precarious position and need a transparent regulated environment to continue to build their operations in the future.

Existing eGaming firms attracted to Ireland

Betting:

Betdaq / Global Betting Exchange

Betstone

Sports Spreads / World Spreads

Paddy Power

Boyle Sports

Sporting Bet

Software platform:

Cryptlogic & Full Tilt Poker / PocketKings

Payments:

Paypal & Realex Payments

Gaming:

Jolt, Gala, Irish Eyes Poker & Vuetec



“over 30,000 people are employed in gambling across the country. Many of these are in semi skilled to high-skilled positions.”

Adrian McGennis, Sigmar

“The appropriate legal framework is key. These businesses will only operate in an environment that is regulated and licensed because they do not want to jeopardise their existing licences.”

David Hickson GLAI

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Moving out of the grey area

Firms in the sector have indicated that the current legal and regulatory uncertainty prevents them from committing to set up full operations here. An appropriate regulatory framework will allow the development of a vast inter-related industrial cluster in Ireland. By regulating this sector, Ireland can become an attractive jurisdiction for investment. It appears that the Government is very close to proposing a complete update of gambling rules in Ireland – a very welcome development in light of the opportunities we know to exist.

A picture of success

To be successful, a jurisdiction must be able to provide:

- A regulatory structure that can license and allow players to operate with security
- Offer a competitive taxation regime
- Ensure certainty as to the future sustainability of the regulatory and tax regime
- Provide a deep and attractive labour pool as well as strong broadband
- Have a credible international reputation

Tax drivers

Some of the more obvious tax advantages that have attracted firms in the past and need to be highlighted to draw the global egaming industry include:

- Low rate of corporation tax & corporation tax exemption for start ups
- Extensive double taxation treaty network
- Excellent holding company regime
- Attractive R&D tax credit regime
- Attractive tax amortisation provisions for the acquisition of IP
- Extensive withholding tax exemptions on repatriation of profits

Consumer protection

A regulated environment is the only way to put safe guards in place so that this sector moves away from the existing grey area. Only through a regulated environment can we assist in promoting responsible gaming, protecting the young and vulnerable and ensuring public safety.

Competition from other jurisdictions

Currently most online gambling business is based offshore in jurisdictions such as Malta, Alderney, the Isle of Man, and small islands in the Caribbean etc.

Countries such as France, Italy, Spain and the UK already see the potential in this sector. They have been at the forefront in putting in place the necessary legislation to allow legal online gambling within their own borders, and to allow foreign companies to obtain gambling licenses in their jurisdiction.

We can also replicate and build on what has already been achieved in the Pharmaceutical and Finance Industries, where our favourable tax environment has been used to attract sizable Foreign Direct Investment.

Marie Bradley, BT Consulting

“Because of the internet, player protection can be facilitated more robustly online. Everything is recorded and every game is tracked”.

David Hickson, GLAI

“Many companies in the eGaming would prefer to move to more established and larger jurisdictions. An opportunity that may not remain open for that long as straitened economic times make the online gaming sector more attractive”.

Paul Barnes,

Online Gaming Consultant

“France has brought in legislation allowing companies to obtain licenses to offer online games to French residents. In spite of very high gaming tax rates, there has been huge interest where deals are being done with media partners to gain first mover advantage and distribution in this modern day gold rush. Whereas the French will offer a restricted regime of gambling products for French residents only, Ireland can offer a much wider range of services - to the international gaming community”

Paul Barnes,

Online Gaming Consultant

For more information please contact:

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eGaming Coalition

Adrian McGennis, Managing Director, Sigmar

Adrian, founder director and CEO of Sigmar Recruitment Ltd., has worked closely with the government agencies over 15 years in attracting inward investment to Ireland and has himself advised on strategic growth for many successful indigenous and multinational companies. He has a Degree in Engineering from UCD and Diploma in Management from TCD, along with sixteen years high profile experience in the Irish recruitment market.



Gavin Kelleher, Head Analyst, H2 Gambling Capital

Gavin is Head Analyst at H2 Gambling Capital, a gaming consultancy. Gavin is responsible for researching and compiling reports on betting and gaming markets globally, with an in depth knowledge of European markets both land-based and online. Previously, he was a Senior Equity Analyst at Merrion Stockbrokers covering gaming, media, and food and beverage. Prior to this, he was an Equity Analyst at Goodbody Stockbrokers for over four years.



David Hickson, Director, Gaming and Leisure Association of Ireland (GLAI)

David is Managing Director of the Fitzwilliam Card Club, one of the largest gaming private member clubs in Ireland. Established in 2003, it currently employs 120 people and has in excess of 50,000 members.

David is also a Director and one of the founding members of the Gaming & Leisure Association of Ireland (GLAI), a trade association established in November 2005 to represent the interests of private member gaming clubs in Ireland. In his role as a Director of the Association, David has been a key driving force behind the Association's campaign to achieve viable regulation for the sector. David is graduate of Trinity College Dublin and an accountant by training.



Paul J Barnes, Online Gaming Consultant

Paul runs Devilfish Gaming PLC. Paul first became involved with interactive services through a management consultancy role at Siemens in Munich, where he worked on a major interactive TV project. This led to senior roles in the interactive gaming sector, including the successful sales and marketing of online gaming technology to the regulated lottery and casino market globally. In 2005 Paul launched the All In Poker multi-player online poker site. Paul was until recently engaged as the online gaming consultant to Groupe Lucien Barrière Casino and La Française des Jeux Lottery in France advising on the development, configuration and marketing launch of their new online casino and poker businesses. Paul graduated in Electronic Engineering from UCD in 1985 and obtained a Master of Business Administration (MBA) from Warwick University in 1998.



Steven Merrick, Chief Executive, Irish Eyes Poker

Steven is CEO of an Irish online gaming site offering online poker, betting and casino services. He has gained an extensive knowledge of the gaming industry having previously worked as Marketing Director for the same company as well as being associated with other online gaming enterprises. He also has over 20 years experience working in such areas as radio, market research, marketing and advertising. He is a director of the Gaming and Leisure Association of Ireland. Steven is a Certified Civil and Commercial Mediator and received his Law degree from University College Cork (BCL 1st).



Marie Bradley, Managing Director, BT Consulting

Marie spent several years working in the taxation departments of PricewaterhouseCoopers and KPMG advising Irish and foreign multina-



BRADLEY TAX CONSULTING

tional companies prior to establishing BT Consulting. She is a highly experienced tax professional having particular expertise in the areas of Irish and international corporate acquisitions, reconstructions and reorganisations and foreign direct investment into Ireland. She has advised a number of gaming companies on the tax implications of relocating to Ireland. Marie is a Fellow of both the Irish Taxation Institute and the Institute of Chartered Accountants. She is a member of the governing body of the Irish Taxation Institute.