

19.17x24.5	1/4	עמוד 38	the jerusalem report	16/03/2016	52358181-3
שמואל נאמן מוסד למחקר מדיניות לאומית בטכניון - 85300					



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THE EILAT CASINO GAMBLE

If casinos are opened in Eilat, will they really boost the city's employment and well-being?

THE GAMBLING known as business looks with austere disfavor upon the business known as gambling.

An American humorist named Ambrose Bierce wrote those words some 150 years ago. For Israel, today, he could not be more wrong.

Prime Minister Benjamin Netanyahu has strongly backed a plan to build a string of gambling casinos in Eilat to save Israel's moribund southern gateway from its current economic stagnation as tourism has been in decline for several years. And Eilat hotels and other businesses are eager to cash in. Some of the casinos would be built on land vacated by Eilat airport, due to move north.

Does it make economic sense to legalize casinos in Eilat? Only for tourists, or should Israelis be able to gamble, as well? Will the proposal make it past the strong opposition of the government's religious and Haredi parties? And, if casinos are opened in Eilat, will they really boost the

city's employment and well-being?

Here are some answers.

Lottery: A tax on people who are bad at math.

The Eilat casinos will require special legislation to make them legal. But, in fact, the legal gambling industry in Israel is already enormous and is run by the government itself.

There are two state gambling businesses: The State Lottery, known as Mifal HaPays or Lotto, and State Sports Betting Board, known as Toto, so called, because horse race betting is based on the "totalizator," or "totes," the board showing the amounts bet on each horse. Neither Lotto nor Toto is anchored in law, but rather by a Finance Ministry regulation dating back to 1951.

Lotto and Toto, together, offer a large and growing array of possible gambles, including numbers, cards, roulette, a version of "slots" and now horse racing ("Racer"). Some offer the opportunity to gamble several times a day. In 2014,

Lotto (Mifal HaPays) took in 6.2 billion shekels in income, paid out less than 60 percent in prizes, and funneled more than 1.5 billion shekels to local authorities to build schools and community centers. Lotto income has risen 71 percent in the past decade.

THE GOVERNMENT-LED PLAN TO CONSTRUCT FOUR, OR EIGHT, EILAT CASINOS IS, AT BEST, MISGUIDED AND, AT WORST, UTTER FOLLY

When I was young, people called me a gambler. As the scale of my operations increased, I became known as a speculator. Now, I am called a banker. But I have been doing the same thing all the time.

18.37x26.07	2/4	39 עמוד	the jerusalem report	16/03/2016	52358199-2
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Israelis flock to the Oasis Casino in Jericho, West Bank, in September 1998; the casino closed two years later with the outbreak of the second intifada



JIM HOLLANDER / REUTERS

That quote comes from a knighted German-born British banker named Sir Ernest Cassel. It could well describe the American Jewish billionaire Sheldon Adelson, who is worth \$28 billion, the 18th richest person in the world according to Forbes magazine.

Adelson grew up poor in a Boston slum, the son of a taxi driver. At age 12, he bought a newspaper corner with \$200 he borrowed from his uncle. Later, he started the Comdex tech trade show in Las Vegas, sold it for \$862 million and spent \$1.5b. to build the Venetian hotel and casino in Las Vegas, and later made it big in Macao, China. He never finished college, but has a shrewd, street-smart understanding of the high-risk business of gambling that made him a fortune.

As a deep-pocket supporter of Israel, he could bring a successful casino to Israel. But, as we will see later, he has disqualified himself right from the start. This alone may be reason enough to dump the whole plan.

In the casino, the cardinal rule is to keep them playing and to keep them coming back. The longer they play, the more they lose, and in the end, we get it all...

Those words were spoken by Robert DeNiro in director Martin Scorsese's 1995 movie "Casino". They reflect the fact that gambling is addictive for some, to the point of ruining lives and families.

The global casino industry takes in half a trillion dollars a year, net of payouts. How many ruined lives and families does that figure conceal? Take the US, for example. According to Scientific American magazine, "With the exception of Hawaii and Utah, every state in the country offers some form of legalized gambling. And, today, you do not even need to leave your house to gamble – all you need is an Internet connection or phone.

Various surveys have determined that around two million people in the US are addicted to gambling, and for as many as 20 million citizens the habit seriously

interferes with work and social life." The article notes that, according to neuroscience, "drugs and gambling alter many of the same brain circuits in similar ways."

A Finance Ministry estimate claims that Eilat casinos may raise the number of tourist nights there by 10 percent, but will create 30,000 gambling addicts, whose care and treatment will cost the country 185m. shekels a year.

Gambling is a way of buying hope on credit.

Should Israelis be allowed to gamble in Eilat casinos and not just foreign tourists? The fact is, Israelis already gamble extensively, and they are not the rich. A huge fraction of the State Lottery and State Sports Betting income comes from low-income people. We know that

12.46x24.03	3/4	40	עמוד	the jerusalem report	16/03/2016	52358206-1
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because a study by the business daily TheMarker showed that Lotto and Toto points of sale – 2,500 booths throughout Israel – are heavily concentrated in poorer neighborhoods, so that state gambling, in effect, is a highly regressive tax on low-income groups.

Why do the poor buy lottery tickets when they can ill afford them? One explanation is the truly brilliant advertising campaign on Israel Radio featuring Arela Eidinger, who heads customer service for the State Lottery and has the delightful job of calling winners and informing them they are millionaires, or at least have won a new car. The campaign was created by the Gitam BBDO ad agency.

In the campaign, radio clips are broadcast incessantly of Eidinger calling the hysterically happy awestruck winners, whose initial disbelief turns into screams of delight. The purpose is to show bettors that winning is real, possible and even likely – “Arela calls people every day. Why not me?” they say. “A call from Arela” has become a part of Israeli folklore.

I BELIEVE THAT ONE
OF THE ONLY PEOPLE
WHO CAN BUILD
A WORTHY WORLD-
CLASS CASINO IN EILAT
IS SHELDON ADELSON

If an event can happen, even though the odds are incredibly small, then we tend to believe it will happen, especially when radio ads broadcast winners hourly. Behavioral economists have shown that people tend to overestimate small odds. Bettors may be bad at math, but they are good at dreaming, so why not dream about getting a call from Arela? The State Lottery is one of Israel’s biggest advertisers, spending 80 million shekels annually on advertising, including costly TV ads filmed in Thailand and Prague.

Our economists like myself can point out that to win the grand prize, you need

to guess seven numbers out of 37, so the odds of one ticket winning the State Lottery grand prize are one in 16,273,488. That means, if you bought a single wager every week, you would on average win once in every 307,696 years. If you broke the bank and bought 100 tickets weekly, it would still take 30,770 years, on average, to win.

But so what? As the racetrack adage goes, “Eat your betting money but don’t bet your eating money.” Arela is real, and when you buy a lottery ticket, even with your lunch money, you buy a dream, not a gamble. But a lot of food money, bus money, milk money, badly needed money goes toward buying the dream of that call from Arela, who only calls if you win as a subscriber to the State lottery, not a casual ticket-buyer.

Nine gamblers could not feed a single rooster.

That old Yugoslav proverb raises the question can Eilat casinos really generate income and bring tourists? Can four, or eight, casinos feed Eilat and Israel?

The Tourism Ministry, led by Yariv Levin, is optimistic. Levin, by the way, is the 15th tourism minister in 15 years – the post is a revolving door, not ideal for effective policymaking. The ministry’s figures show that Eilat casinos will generate 400 million shekels in government revenue annually, including a 15 percent tax on casino revenues and 25-40 percent tax on gambling profits, along with income tax paid by those employed directly and indirectly through gambling. A half million more tourists will come to Israel when Eilat casinos open, the ministry claims. But how realistic are these figures?

Let’s look at two polar case studies, Las Vegas, Nevada, and Atlantic City, New Jersey.

The Las Vegas casino industry really took off in 1989 when an entrepreneur named Steve Wynn opened The Mirage, an enormous mega-casino resort. Others soon followed, including Sheldon Adelson’s \$1.5 billion Venetian. Las Vegas is a phenomenal gambling ecosystem that includes cheap flights, inexpensive hotel rooms, world-class entertainers and a Sin City culture featuring “what happens in Vegas, stays in Vegas.”

26.57x27.81	4/4	41 עמוד	the jerusalem report	16/03/2016	52358228-5
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Sheldon Adelson's Venetian Resort Hotel
Casino in Las Vegas, Nevada



MARIO ANZUONI / REUTERS

Can Eilat create a similar ecosystem? Will it constantly reinvest, modernize and reinvent itself? It will take more than a casino or two.

Atlantic City, like the idea for Eilat brought in casinos to rescue it from decline. Among the investors was Republican presidential candidate Donald Trump, whose Trump Taj Mahal went broke. Visitors to the city on the New Jersey shore soared from seven million annually to more than 30 million. Gambling created 43,000 new jobs, at the casinos' peak in 2006.

But then the inevitable happened. Neighboring states, such as Pennsylvania, began legalizing gambling and opening casinos and Atlantic City failed to compete. Crime is rampant, and unemployment is 18 percent. Jim Whelan, a former mayor, who taught in Atlantic City's public schools for 35 years, told the daily newspaper USA Today that economic development does not heal the social problems of those who lack life

skills and job skills to function in the workplace.

Gambling: The sure way of getting nothing from something.

All in all, I think the government-led plan to construct four, or eight, Eilat casinos is, at best, misguided and, at worst, utter folly – even if the opposition of the religious parties can be overcome.

I believe that one of the only people who can build a worthy world-class casino in Eilat is Adelson, as he has a proven track record. But he is clearly disqualified – and has disqualified himself publicly – because of his close friendship with Prime Minister Netanyahu, in part through his financing of the freebie daily Israel HaYom, which is obsessively pro-government.

So, ironically, the one way to build a truly super casino in Eilat – one that has a chance of attracting high rollers from abroad – is ruled out from the start. Instead of investing in a world-class casino that could revitalize Eilat, Adelson has

invested in a biased freebie daily paper that has wreaked havoc with the conventional Israeli press.

Why eight casinos? Well, the original plan was to build four, but the existing Eilat hotels screamed: Discrimination! Unfair! So it was proposed that four more casinos would be allotted to existing hotels. The probable result? Eight mediocre, second-rate casinos instead of a single extraordinary world-class casino and hotel costing \$1 billion or more, as Adelson did in Las Vegas and Macao, and the Lebanese have done, with their Casino du Liban.

The latter, in Jounieh, just north of Beirut, is of Las Vegas quality. European and Arab millionaires, in formal black-tie attire gamble, dine and watch a world-class cabaret. Casino du Liban underwent a \$50 million renovation in 1996, when it reopened after Lebanon's Civil War. A wedding dinner there costs \$200 per plate.

Adelson has built the world's biggest ca-

sino, the Venetian Macao, in China, with 3,000 hotel rooms. In contrast, all Eilat's hotels together barely reach 2,000 rooms.

When applied blindly, the principle of competition and fairness will doom the whole project. Eight mediocre casinos rather than one world-class casino? Pure folly, especially when neighboring Jordan is also considering opening a casino that could compete with Eilat, even though Islam believes gambling is *haram* (sinful), and Greece and Egypt already have them.

So is gambling for Eilat worth the gamble? Not if the current government plan goes ahead. If implemented, you can bet your bottom dollar the people of Eilat will end up with nothing from something. ■

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