



E-Gaming on the Isle of Man MeGA's 2010 Survey

25th February 2010

Each year, since its inception in 2006, MeGA (Manx eGaming Association) has conducted a survey of its members and considered other available information in order to analyse the development and needs of the e-gaming industry on the Isle of Man. The majority of the data obtained is commercially sensitive and is for the use of members but much is shared with Government for the mutual benefit of the Island's community and the industry based on the Isle of Man. This release gives an indication of the importance of the e-gaming sector to the Isle of Man and its recent growth here.

MeGA members employ a significant proportion of people working in the sector and last year employee numbers increased by 18% although uncertainty in the world economy, coupled with changes in policy by some members, did mean that this employment increase was below that forecast. Nevertheless, this performance is very healthy when account is taken of the global business environment. Recent reports from members suggest that there is renewed optimism in the sector and this is shown by a forecast increase in employment of 20% over the next 12 months. While employment growth was less than forecast by MeGA members for the cautionary reasons mentioned, both total spending on the Isle of Man and taxes paid here were higher than anticipated.

Within these employment totals there are certain very interesting elements. For example, over half of those people employed by MeGA members are Manx workers, so the sector is directly contributing to the economic welfare of local people. The multiplier effect means that their spending has a beneficial impact on many aspects of Island life, for example contributing to the tourist, housing, services and transport sectors upon which much of their spending takes place. Other useful information emerging when the data is disaggregated includes the high levels of remuneration paid in the industry and the rapid growth in high value activities. For example, while overall employment is forecast to increase by 20% in 2010, the demand for qualified people in this time frame will increase by greater amounts,

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over 60% in the case of IT skills. In an otherwise bleak outlook for employment generally, the MeGA survey's message for suitably-qualified workers is therefore very encouraging.

The outcomes for income generated appear to have exceeded expectations because the market was more buoyant than anticipated. Island spending by MeGA members rose by 35% last year and is forecast to grow by 26% next year. Taxes paid by the sector more than doubled between 2008 and 2009 to £11.2 million, a very significant increase and welcome news for the Treasury. Taxes paid by the sector to the Isle of Man Government are expected to rise to more than £19 million over the next twelve months.

2010 Mega Survey (Summary)

Year	2006	2007	2008	2009	2010 (Forecast)
Total employment	230	360	460	543	652
Total spending in IOM *	£60m	£70m	£91m	£123m	£154m
Total taxes paid in IOM **	£3m	£4m	£5m	£11.2m	£19.1m

* excludes capital spending

** includes payroll taxes, National Insurance and duty paid only

MeGA members and associates represent all elements of the sector and are all well-established with their headquarters on the Island. Therefore, the strong organic growth enjoyed by MeGA members may be greater than that of new entrants and there were very significant differences between the results and forecasts even of MeGA members. The e-gaming sector should not be considered as a homogenous entity: it comprises established companies with their headquarters on the Isle of Man along with many new entrants to the industry, typically represented by those seeking gaming licences. There were significant variations in the policies being pursued and the information provided by respondents so the averages shown should be treated as with all statistics, like lampposts; for illumination rather than for leaning upon. However, MeGA members have responded on a uniform and

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unanimous basis so we have a high degree of confidence in the broad trends identified by the survey.

As has been stressed frequently, the industry does not just comprise those customer-facing companies that require a licence from the Island's Gaming Supervision Commission. As well as the licensed companies, it is the software houses, hosting companies, e-money suppliers and other infrastructure entities that provide the majority of quality employment and income-generating opportunities. Further, the sector is a key buyer of professional services and locally-sourced goods. It should be emphasised that such new business is not included in the MeGA figures for 2009 or for those forecast for 2010. Also, as licensed entities comprise but just one element of the e-gaming sector, the estimates for the impact of the industry on employment, income generated and taxes paid almost certainly underestimate the actual position.

Status	Number	Comment
Licence issued	20	Live
Pipeline	>40	At various stages of interest from being applications being processed to expressions of interest

Information provided by the Gaming Supervision Commission and correct as at February 2010

MeGA's aim is to create and foster a commercially-attractive environment in the Isle of Man which is regulated to the levels expected of modern jurisdictions so that hard-won reputations are not sullied by association with the less reputable and where business partners can be trusted. These aspirations are shared by many in the Isle of Government and MeGA is fortunate in enjoying close working relationships with the GSC, Treasury, DTI, Chief Minister and other departments of the Isle of Man Government. This is very important as e-gaming is an international business that can readily relocate; some of our members have chosen to centre their operations here, leveraging their Island business off existing worldwide operations. The Isle of Man has many attributes and MeGA is working closely with the Isle of Man Government to enhance the Island's attractions and to remove any

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perceived negatives. Good international businesses enhance the reputation of the Isle of Man overseas and thereby attract further opportunities. In the case of e-gaming we are aware of many opportunities being considered to develop business in the broader e-business arena, thus fulfilling the Isle of Man's Government's aspirations and justifying its continuing and welcome support for the sector.

E-gaming is still a relatively young business sector, dominated by some key entrepreneurs who were instrumental in bringing the business to the Isle of Man and their continuing support for the Isle of Man is welcomed. They act as great ambassadors for the Island and both directly and indirectly they point business opportunities in our direction. The close working relationship between MeGA and the Isle of Man Government has been vital in stimulating and nurturing the commercially-competitive but well-regulated environment which has enabled so many jobs and income to be generated.

MeGA looks forward to continuing to work with interested parties to navigate some interesting international, fiscal and regulatory challenges ahead to build further on the Island's success.

John Webster, Chairman

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