

# CHIPS AHOY

## Navigating the Tides of Fortune with Wagers on the Sea

By William N. Thompson



**O**f many venues for casino gaming, water-borne operations receive little attention. Ships and boats whether navigating oceans or rivers have been locations for holding games for many centuries. Initial voyages of Columbus featured card games among crew members. Boats on the Mississippi River in the 1800s provided the number one location for gambling in the century.

Boats ceased to be important places for games in the early 20<sup>th</sup> Century, but they returned in the ending decades with riverboat casinos and large passenger cruisers on oceans and seas. Nonetheless, games played above waters have not gained the levels of action found in land-based casinos.

Two pervasive features of life on Earth have been the presence of water and the presence of gambling phenomena. Water covers 71% of the world's surface, while also constituting the essence of most life forms. Indeed 70% of the human body is either liquid or water. From the inception of human existence, homo sapiens have enjoyed engaging in games involving gambling—that is, games where players are risking things of value in hopes of securing rewards. Adam and Eve may have been the earliest gamblers. The Bible's Book of Genesis tells how the two were commanded by God

not to touch the fruit on the sacred tree of life. But the tree promised a reward—a prize, the apple. If they took the risk of grabbing the apple they could enjoy countless riches. Alas, they lost their bet, and as a result of their gamble, they had to leave the Garden of Eden and roam a world fronted by sin, and pain, and even death. Regardless of the consequences human kind has continued playing games.

Religions seeking a reunion of mankind and God have failed to stop gambling. The religions of man have turned to the waters to find a renewed purity by engaging in various forms of baptisms. Simultaneously, people have created vessels that would carry them across the waters of the Earth. Large boats were found in Egypt by 4000 B.C. to sail upon the Nile River. Even larger boats came to venture on the open seas and oceans. Boats moved people who were seeking new homelands, and they carried goods people exchanged with each other and also sailors and soldiers who engaged in battles between societies. By 2000 B.C. the movements of ships were propelled by sails.

The earliest boats or ships did not feature gambling activities as they were too small for people to maneuver about playing areas. However, games were not too distant from waters. The earliest casinos—rooms devoted exclusively to playing games—were found in Roman villages with natural spa waters. As expanded ships were developed they gained space for recreational gambling. The first gamblers on ships may have been members of the crew. The sailors on the three ships under command of Christopher Columbus in

1492 engaged in card games with one another. It is believed by some that the crew became worried that their play offended God. Many were religious and felt they were being punished—by not seeing lands of the New World—because of their play. Accordingly, they threw all of their gambling cards overboard. The next day land was sighted. Rejoicing, they found trees on land, and from the leaves on the trees they made new playing cards.

A few centuries later a new kind of gambling came to the seas. Ship owners had expanded greatly in numbers and ships now directed much of the commerce of the globe. But the owners feared that storms and other calamities would destroy their cargos. Accordingly the insurance business began at Lloyd's Coffee Shop in London. There ship owners and others met together and listed their voyages on a big board. Other owners and bankers signed (that is, "underwrote") their names below the ships. They pledged funds for vessels that failed to deliver goods. On the other hand, they received payments if the voyages were successful.

Another century passed and another invention—the steam engine—came along enabling ships to be much larger and to carry large numbers of passengers on long travels across the oceans. A motivation for gambling on ships came with the fact that many nations—often with religious leaders—made laws rendering gambling illegal. However, the laws applied only to activities on lands of the nation. Here was the loophole. If a ship went to sea, typically three miles off a coast, the jurisdiction of the nation stopped. (Sometimes the measure was 12 miles. Three miles was a chosen distance because the canon on ships could fire only that distance and no further). A nation retained a measure of jurisdiction for commerce—i.e. mining activity—for up to 200 miles off the coast. Control over gambling was limited to three miles. Parenthetically, aircraft were bound by the rules of the land (or waters) under their flight paths.

In the 19th Century steam powered riverboats dominated commerce in Middle America, especially on the Mississippi River and its tributaries. The boats carried farm products south toward New Orleans where they were sold. The farmers then headed north with pockets full of money. However the decks of the boats were also full of gamblers who enticed them with games of poker and three-card monte. The games were player-banked games conducted one-on-one between the gambler and the (usually) unsuspecting farmer. Cheating was rampant as it provided the only guarantee that the gambler would win. *The Time-Life Series* on the Old West claims that "99% of the gamblers were dishonest." Their activity is well described in George Devol's book, *Forty Years a Gambler on the Mississippi*. (1887).

Riverboat commerce and the attendant gambling activity waned and gradually ceased as the Civil War years unfolded, and America turned to railroads for transportation activity.

Riverboat gambling returned in 1990, but the state government regulated games involved organized casinos with house-banked games in which the player opposed the casino itself. The notion of player-banked games was developed in the

studies of Garolamo Cardano (1501-1576) and Blaise Pascal (1623-1662), both considered the fathers of the study of statistics. In house-banked games odds of winning are less than odds of losing, hence there is very little motivation for a casino to cheat. From 1990 to the present day, six states have authorized licensed riverboat gambling for waters inside their jurisdictions.

During several decades at the start of the 20th Century there was a niche market for gambling on seawaters. The Era of Prohibition (1919-1933) of Alcoholic Beverages provided an incentive for owners of ships to move out into ocean waters three miles off the Pacific Coast and anchor their barges. There they served drinks; in addition, they conducted casino games which were also illegal on shore. The gambling barges were opposed by legal authorities and by the 1940s crackdowns of various kind led to their demise. In addition "cruises to nowhere" also began and ended, although several states in modern times have used a new federal law of 1992 to allow ships to dock on their shores and take short voyages to at least three miles out at sea.

Luxury ships carried passengers across oceans for transportation in the early decades of the 20th Century; however this commerce came without gambling operations. Most of the activity died out in mid-century. By 1960, only the Cunard Lines with the Queen Mary and the Queen Elizabeth II offered one-way travel between the United States and England. The idea of using ships for transportation had been displaced by trans-oceanic air travel. However, the ships were not done, not at all. A new return of ocean cruising with major gambling started in 1972 aboard the Empress of Canada—the first ocean liner with a full casino. Since that date, almost all ocean ships include casinos on board. One major exception is found with the Disney Corporation's ships which cater strictly to families and especially small children.

The purpose of the modern cruise ship is the actual cruise, not just transportation. Typically the cruises last several days or even weeks with the ships visiting many port locations. The ships are

*Continued on next page*



“ From 1990 to the present day, six states have authorized licensed riverboat gambling for waters inside their jurisdictions. ”

*Continued from previous page*

among the largest ships in the world. The Oasis of the Royal Caribbean Lines is over 1,000 feet long and has a crew of nearly 2,400, carrying 6,000 passengers. The casino on board has 500 slot machines and 27 tables on a gaming floor of 18,000 square feet. Carnival Lines leads all companies with 40 of its ships offering games. Other major cruise lines with casinos include Holland American Lines, Norwegian Cruise Line, Princess Cruises, and Royal Caribbean International.

Most of the casinos at sea are operated by outside gaming companies. The leading operator is Casinos Austria with 13 casinos. The gaming on the ships is supervised by the ships' crews. With one historical exception for a ship casino operated by Caesars Palace, a Nevada License holder, governments are not involved in the casino regulation. Because Caesars held a Nevada license, they agreed to allow Nevada to regulate their casino on a contractual basis. The agreement is no longer in force.

The ships generally follow Gambling Guidelines established by the Cruise Lines International Association. Guidelines include publishing rules for play, the use of audits, and requirements for surveillance, as well as procedures for resolving disputes.

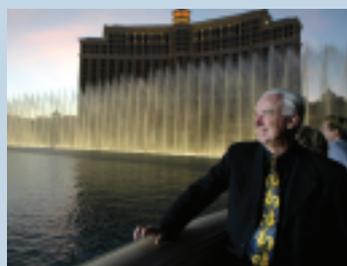
Shipboard casinos differ from land-based casinos in several ways. The casinos pay no gambling taxes. The casinos are not open on a 24-hour basis. Usually hours are from noon to after mid-night. Whenever the ship comes into a port—basically within the three-mile limit from the shore—the casino must close. The amounts gambled are usually restricted—typically \$300 per session. Machine payoffs are not high, often about 80%. Occasionally there is a tournament for big players, some of whom are invited and have their cruise paid for. Otherwise complementary services are rare, but regular players may join clubs that give incentives for play activity. With few exceptions, there is no credit play.

Security is light but not a major concern. If there is any cheating or stealing from the casino, the culprits would find it difficult to escape with large sums of money. Rules against activity such as “card counting” are more easily enforced than in land-based casinos.

The collective winnings of all ships' casinos do help bottom-line profits, but in comparison with land-based casinos they are not excessive. In 2011, the ships carried 22 million passengers, but only 10% gambled in the casinos, most wagering small sums, less than \$20 per visit to the casino.

The ship lines indicated above are not American companies. In 1949, the U.S. Congress passed very strict prohibitions banning gambling on American flag vessels no matter where they were operating. The ban also affected vessels owned or registered by Americans. The Johnson Act of 1951 made possession of gaming machines illegal with some exceptions. Foreign vessels could have machines, but they had to stop operating when they came into an American port.

By 1990 the cruise ship industry was flourishing. Over 80 cruise ships utilized American ports. All but two flew foreign flags. American shipbuilding was in a downfall. Interest in ships however was renewed with an Attorney General ruling that American ships were not labeled “gambling ships” if they provided overnight accommodations or landed in a foreign port. Then in March 1992 Congress passed the “Cruise Ship Competitiveness Act.” Now American flag ships can have gambling on cruises into international waters. ♣



*William Thompson is an emeritus professor of public administration at the University of Nevada, Las Vegas. He is author of over a dozen books on gambling subjects, and he is a frequent contributor to American Gaming Lawyer.*



## Summing Things Up

This overview of gambling on the seas leads us to offer comments on the bottom-line—it has not been that good. Why? Consider the following:

1. The concept of a cruise and the concept of “going to Vegas” are quite different. The cruise cries out for relaxation—Vegas quite the opposite.
2. Casino success is tied to competition. That is found with land-based operations—not on the high seas.
3. There is a stability of rules with land-based casinos, not so with cruise ships—a new port may bring new rules.
4. Time limits for play disrupt the activity of the best gamblers.
5. Similarly, money limits interfere with active play.
6. Cruise ship casinos are small—build it and they will come—but build it big.
7. There is competition—maybe even another casino—in every port.
8. Odds in games aboard the ships are not favorable to player.
9. The best players are rich—they can choose their casinos. Ships can't compete with offerings of land casinos.
10. Ships encounter problems with play when weather affects operations, also in the face of diseases.