

Chairman's Introduction

This report was commissioned by the Home Office, but, following changes in departmental responsibilities after the General Election, it is being submitted to the Department of Culture Media and Sport.

The terms of reference are listed in chapter 2.

The last review of gambling regulation was carried out by a Royal Commission under Lord Rothschild. It took two years to produce its report, which was published in 1978. We have tried to survey a rather more complex world of gambling in slightly more than one year. We received over 200 written submissions and, in addition, held more than 20 sessions at which we heard oral evidence. We are most grateful to all those who contributed evidence.

At an early stage of our proceedings I circulated a note which included a paragraph headed "The Chairman's dream." It included the following:

I hope we shall be able to establish principles which are acceptable to all sensible people and shall make proposals consistent with those principles. The (unanimous) Report will then be published (to schedule) to widespread acclaim and all its recommendations will be accepted.

The Report is unanimous and it is being published to schedule. We wait to see how it will be received. It was no doubt naïve to hope that it would be an easy matter to establish widely acceptable principles. It soon became apparent that gambling is an activity where individual values about such matters as the nature of society and the role of the state quickly become paramount. We know where the limits are – complete prohibition or complete deregulation – but there are no widely acceptable principles which tell us where we should stop between the two limits. The dilemmas we faced and our reasons for making the broad choices we did are described in chapter 3.

It is most unlikely that a group of the sort that formed the Gambling Review Body would represent a cross-section of public opinion and it was probably not intended to do so; but we did disagree, often quite vigorously. I believe that this was enormously useful and we hope that the compromises that we have willingly made have helped us produce a report that will be widely acceptable although it is inevitable that we shall be criticised by those who would have liked more deregulation and those who would have preferred further restrictions. I would like to pay a warm tribute to my colleagues on the body who not only had to put in far more time than they might have expected but who also brought their individual skills and personal views to produce such fruitful debates. It was a pleasure to work with them.

We all join in expressing our deepest thanks to the secretariat who supported our work, Geraldine Meneaud-Lissenburg, Jill Parry, Kirsty Wildgoose and Karen Joyce. They not only performed the administrative tasks of organising papers and interviews with great skill and good cheer but were also able to turn our incoherent discussions into logical prose. Most importantly they worked tirelessly on the preparation of the Report. We are extremely grateful to them.

Alan Budd

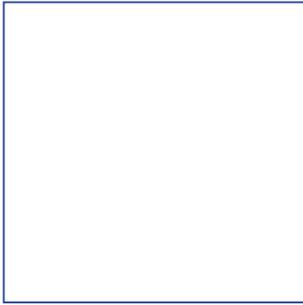


gambling review report

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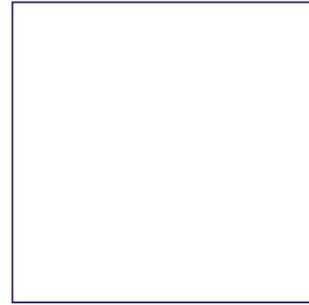
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contents

	Page		Page
Gambling Review Body Members			
Introduction by the Chairman			
Part I: Introduction			
1. Executive Summary	2	23. Gaming Machines	129
2. Terms of Reference	6	24. Casinos	140
3. The Central Dilemma	7	25. Bingo	145
		26. Betting	148
		27. Spread Betting	154
		28. Lotteries	155
		29. Pool Competitions	164
		30. On-line Gambling	165
		31. Clubs	171
		32. Researching, Limiting and Treating Problem Gambling	173
		33. Powers and Functions of the Gambling Commission	178
		34. Funding the Gambling Commission and Estimates of Likely Workload	183
		35. Implications for the National Lottery	186
		36. The Business Environment	189
		37. Summary of Recommendations	193
		Bibliography	202
Part 2: Background			
4. Legislation on Gambling	12		
5. The British Gambling Industry	17		
6. Gaming Machines	24		
7. Table Games	33		
8. Bingo	40		
9. Betting	46		
10. Lotteries	56		
11. Pool Competitions	63		
12. On-line Gambling	65		
13. Relationship with the Underlying Activities	68		
14. Attitudes to Gambling	69		
Part 3: Why Regulate?			
15. Keeping Crime Out of Gambling	74		
16. Fairness to the Punter	77		
17. Protecting the Vulnerable	85		
Part 4: Discussion and Recommendations			
18. Regulation Introduction	98		
19. Licensing of Individuals and Corporate Bodies	101		
20. Licensing of Premises: General Issues	112		
21. Licensing of Premises by Local Authorities	116		
22. Gambling Activities: Common Issues	120		
		Part 5: Annexes	
		A. Abbreviations and Glossary	214
		B. Our procedures	221
		C. Invitation to submit written evidence	222
		D. List of those who submitted evidence	224
		E. List of those who gave oral evidence	228
		F. List of visits	229
		G. The nature of addiction	231
		H. Problem gambling terminology & screening instruments	234
		I. Note on clubs	237
		J. ONS survey	239



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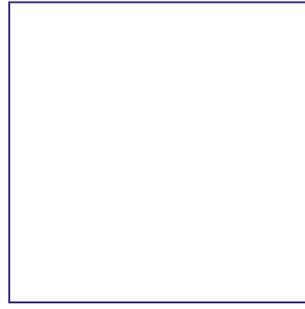
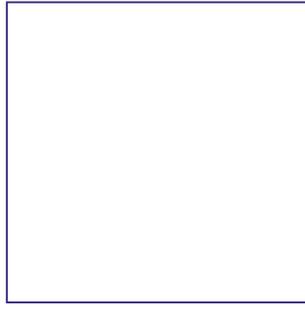
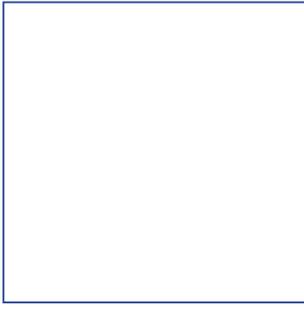
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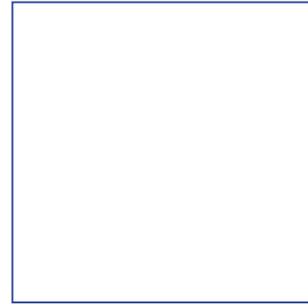
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part one

introduction



chapter one

Executive Summary

1.1 Our recommendations are designed

- to simplify the regulation of gambling
- to extend choice for adult gamblers

while seeking to ensure that

- permitted forms of gambling are crime-free, conducted in accordance with regulation and honest
- players know what to expect, are confident they will get it and are not exploited
- there is protection for children and vulnerable persons.

1.2 We also take into account the wider social impact of our recommendations.

1.3 It is an essential aspect of our recommendations that the system of regulation should remain flexible

- to respond to future technical developments
- to adjust regulation (in either direction) in the light of the experience of the changes we recommend and of the results of further research.

1.4 We make specific recommendations for research into the causes and treatment of problem gambling.

Simplifying regulation

1.5 We propose that

- all regulation relating to gambling be incorporated in a single Act of Parliament
- all gambling activities (including betting) be regulated by a single regulator (the Gambling Commission). (Spread betting to continue to be regulated by the Financial Services Authority.)
- licensing of individuals and companies be undertaken by the Gambling Commission. (Licensing of premises be undertaken by local authorities.)

Extending choice for adult gamblers

1.6 We propose that

- the demand test for betting shops, bingo halls and casinos be abolished

- the 24-hour rule for casinos and bingo halls be abolished

- the permitted areas rule for casinos be abolished

- casinos be permitted to provide a wider range of gambling activities, including betting and bingo

- casinos be permitted to provide slot machines with unlimited stakes and prizes

- the current prohibition on alcohol on the gambling floor in casinos be lifted

- casinos be permitted to provide live entertainment

- bingo halls be permitted to offer unlimited prizes, rollovers and unlimited linked games

- betting shops be permitted to have jackpot machines

- betting on the National Lottery be permitted

- credit cards be approved for gambling purchases with the exception of direct use in gaming machines.

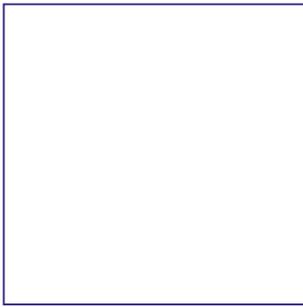
1.7 Our proposals in respect of casinos would permit the development of resort casinos. The question of whether a particular location should be granted a monopoly right to provide a gambling centre is a matter of public policy which is outside our terms of reference.

Keeping gambling crime free

1.8 We believe that the Gaming Act 1968 has generally achieved its main purpose of keeping gaming crime free and that the Gaming Board has been successful in carrying out its allotted tasks. We are convinced that a strong framework of regulation remains essential to keep gambling crime free.

1.9 While we accept that the current system for regulating betting mainly works well, we believe that there are risks which require attention. We recommend that the single regulatory body (the Gambling Commission) should be responsible for licensing all gambling operators and key workers, including those working in bookmaking. To enhance the effectiveness of the Gambling Commission we recommend that it be given the following powers

- to receive enhanced criminal records information
- to share with and receive information from all relevant law enforcement and licensing bodies



- a specified category of staff to have powers of entry, seizure and search
- to take forward prosecutions for offences under gambling
- to impose financial penalties on regulated persons who fail to comply with the requirements of gambling legislation
- to test and approve machines.

Licensing of people

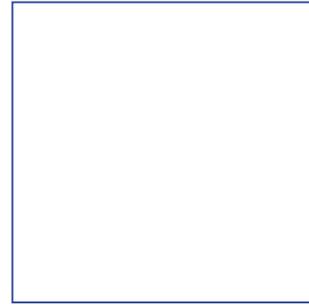
- 1.10** Under current arrangements the Gaming Board licenses or certifies bingo managers and five separate categories of those employed in casinos. We propose an extension of its responsibilities for licensing operatives to include some or all of those working in
- on-course and off-course bookmaking (and betting brokers)
 - the Tote
 - adult-only amusement arcades (and family entertainment centres which include adult-only areas)
 - pools on sporting activities
- 1.11** We also propose that the Gambling Commission take responsibility for smaller society (charitable) lotteries, currently regulated by local authorities.
- 1.12** We want to ensure that those who run and work in gambling are honest and competent and, where relevant, financially sound. The level of checks required will depend on the nature of the activity. Apart from those who are directly licensed by the Gambling Commission, we recommend that there should be a formal duty on operators to ensure that appropriate checks are made on employees who are involved in gambling. Our specific recommendations include the following
- employers in casinos to have a duty to require an employee to seek a certificate from the Criminal Records Bureau each time he is promoted, or transfers employers. In each case the Gambling Commission should be informed and sent a copy of the certificate
 - bookmakers to undergo a fit and proper test and be investigated in relation to their competence and knowledge as well as honesty and financial probity
 - betting shop managers to be licensed by the Gambling Commission

- bookmakers to require certificates from the Criminal Records Bureau for other key staff
- bookmakers and their representatives working at greyhound tracks and point-to-points to be licensed and regulated in the same way as bookmakers on race courses
- promoters of society and local authority lotteries to be required to provide a certificate from the Criminal Records Bureau
- operators of amusement arcades (or family entertainment centres which include an adult-only area) to be licensed by the Gambling Commission and liable to enhanced criminal record checks.

- 1.13** We recommend that money-laundering regulations, which currently apply to casinos, should also apply to bookmaking.

Fairness to the punter

- 1.14** Most punters are happy to take part in gambling activities while knowing that, on average, the punter will lose. They are either convinced that they possess above-average skill or good luck or simply enjoy a good night out with the occasional pleasure of a win.
- 1.15** Licensing of people and the other regulatory powers of the Gambling Commission, together with the normal operation of the criminal law, will help to ensure that punters are not cheated. Punters are also vulnerable to attempts to interfere in the outcome of sporting events. As far as the latter problem is concerned we regard this as largely a matter for the individual sports. They have strong incentives to ensure that events are conducted honestly. However we support the proposal that there should be a legislative framework to deal with corruption, including in sport. The legislation need not be part of gambling legislation. We also believe that sports should consider how they could apply tougher rules to limit or prevent betting or passing of information to bookmakers by those involved in sports.
- 1.16** Where possible, punters should be fully informed about the odds they are facing. In relation to betting shops we recommend
- bookmakers' rules, and specifically the rules relating to the completion of betting slips and limits on pay-outs should be clearly displayed
 - gambling debts be enforceable
 - the palpable error rule be abolished
- 1.17** We believe that competition between suppliers of gambling activities offers the most effective way of



providing a fair deal for the punter. Our proposals for the abolition of the demand test and the permitted areas rule will help to increase competition.

Protecting the vulnerable

- 1.18** We recognise that some individuals become obsessed by gambling to the point at which they cease to function as normal members of society and may do great harm not only to themselves but also to their families and possibly to the general public. We believe that it is a legitimate role of regulation to limit the risk of problem gambling even if this means restricting the freedom of those who can gamble harmlessly.
- 1.19** Our proposals generally increase the gambling opportunities for adults but our concern with problem gambling has limited the degree of deregulation. In the case of children our proposals move towards some tightening of regulation.
- 1.20** We were unwilling to see an increase in ambient gambling, that is, gambling opportunities that are available in locations which are not dedicated to gambling. We also wished to limit the extent to which gambling could be combined with the consumption of alcohol. We do not therefore propose permitting
- betting in pubs, or
 - alcohol in betting shops.
- 1.21** We propose that gaming machines
- be banned from premises such as cafés and taxicab offices
 - not be permitted at “exempt entertainments”.
- 1.22** It will be a primary task of the Gambling Commission to monitor the scale of problem gambling and to test the effects of new types of gambling, particularly those associated with gaming machines. It will have the powers to ban activities which are particularly likely to cause harm. It will also develop, with the industry, a code of practice in relation to advertising. Understanding of the nature of problem gambling and knowledge of the means to limit it will form part of the fit and proper test for employees. We also believe that the gambling industry has a responsibility to limit problem gambling and make a number of proposals to achieve this, including the requirement for training.
- 1.23** Many members of the gambling industry already recognise that they have a social responsibility towards the vulnerable. Members of trade associations, for example BACTA, sign up to an industry code which requires them, among other things to display posters

advertising help for problem gamblers. However this is an informal and voluntary practice, and non-members have no incentives to comply. To strengthen social responsibility we propose

- the Gambling Commission issues formal codes of social responsibility.

Protecting children

- 1.24** The United Kingdom is unique, in the western world, in allowing children to play on gaming machines. This is largely an historical accident following the existence of seaside amusement arcades which included simple mechanical games. We believe that children are a vulnerable part of the community for whom it is right to prescribe special rules. We considered banning access of under 18s to all gaming machines, however we limited our proposals to the following
- coin-in/coin-out machines in family entertainment centres (outside any restricted area) to have a maximum stake of ten pence
 - low stake/low prize machines be limited to cash prizes only
 - the prize limit on low stake/low prize machines be frozen at £5 and the stake at ten pence
 - under 18s not be permitted to play on all-cash machines (ie machines with a maximum stake of 30p and maximum prize of £15) or jackpot machines wherever they are located.
- 1.25** Our proposals to ban gaming machines in unlicensed premises will also limit opportunities for children to gamble. Further, we recommend that the Government formally review the position in five years time to determine whether any such gambling by under 18s should be permitted, or whether Great Britain should come into line with other jurisdictions and ban it.
- ### The wider social impact
- 1.26** Our terms of reference require us to consider the wider social impact of our proposals. We take this as referring not only to the risk of increased problem gambling but also to the broader effect on communities. Our proposals are likely to lead to an increase in the number, and the possibly the size, of gambling establishments, particularly casinos. To reduce the risk of a proliferation of small casinos we recommend a minimum size.
- 1.27** Under our proposals, local authorities will be responsible for licensing premises. They will apply the normal planning rules in terms of suitability of location etc and will control opening hours. We recommend



- local authorities have the power to institute a blanket ban on all, or particular types of, gambling premises in a specified area
- in determining whether the location for gambling premises is appropriate the local authority have regard to the character of the locality and the use to which nearby buildings are put.

Flexible legislation

- 1.28** One of the difficulties of the current regime is that much of the detailed regulation is incorporated in primary legislation. This has made it difficult to respond to changing technologies or to shifts in the view of the appropriate role of regulation in this area. Our proposals are designed to maintain greater flexibility.
- 1.29** Our working assumption is that the existing Acts will be repealed and replaced by a single Act. We propose that as far as possible, discretion should be given to the Gambling Commission to adjust regulation in response to new demands and to fill any loopholes that may be exposed. For example, the level of stakes and prizes should not be enshrined in primary or secondary legislation. We propose that
- future legislation be in the form of an enabling act which delegates the detailed provisions to subordinate regulation and to codes issued by the Gambling Commission.

Research into the causes and treatment of problem gambling

- 1.30** Our terms of reference require us to “consider the availability and effectiveness of treatment programmes for problem gamblers and make recommendations for their future provision, potential costings, and funding.” As with the Rothschild Commission, more than two decades ago, we were struck by how little is known about either normal or problem gambling. We had very little in the way of hard evidence to guide our discussions.
- 1.31** To help remedy this problem we recommend
- research be carried out to understand the nature of normal, responsible, gambling behaviour and to understand the development of, and risk factors for, problem gambling
 - research be carried out to monitor the effect on problem gambling of changes in regulation

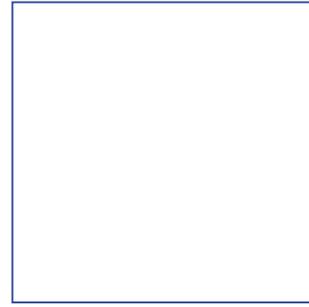
1.32 In relation to treatment we recommend

- increased funding be made available by the NHS for the treatment of problem gambling; problem gambling be recognised as a health problem by the Department of Health; that Health Authorities develop strategies for dealing with problem gambling.
- research be undertaken to evaluate which forms of treatment for problem gambling are the most effective.

- 1.33** To organise and oversee the programme of research we recommend the establishment of a Gambling Trust. Ideally it would be voluntarily funded by the industry but, failing that, it should be funded by a statutory levy. It should secure initial funding of not less than £3 million a year.

On-line gambling

- 1.34** Internet gambling is already widely available to UK residents, although gaming (as opposed to betting) services cannot legally be provided by UK-based operators. We propose
- a new category of on-line gaming be created
 - operators be permitted to set up on-line gambling sites in Great Britain provided they are licensed and regulated by the Gambling Commission
 - licensed operators be required to pass a fit and proper test
 - only those on-line gambling sites which are registered and licensed by the Gambling Commission be permitted to advertise in the UK
 - operators licensed to offer bookmaking, pools or lotteries be able to receive entries on-line provided the “event” occurs off-line
 - all on-line gaming players be positively identified
 - on-line gaming software systems be tested and inspected by the Gambling Commission
 - operators prevent gambling by under 18s
 - gambling sites be required to provide contacts and information about problem gambling treatment and services.



chapter two

Terms of Reference

2.1 The Gambling Review's terms of reference were to:

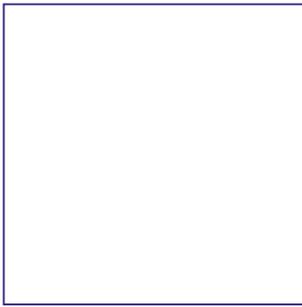
- Consider the current state of the gambling industry and the ways in which it might change over the next ten years in the light of economic pressures, the growth of e-commerce, technological developments and wider leisure industry and international trends.
- Consider the social impact of gambling and the costs and benefits.
- Consider, and make recommendations for, the kind and extent of regulation appropriate for gambling activities in Great Britain, having regard to:
 - their wider social impact;
 - the need to protect the young and vulnerable from exploitation and to protect all gamblers from unfair practices;
 - the importance of preventing gambling from being carried out in a way which allows crime, disorder or public nuisance;
 - the need to keep the industry free from infiltration by organised and other serious crime, and from money laundering risks;
 - the desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness, maximise the UK's economic welfare; and
 - the implications for the current system of taxation, and the scope for its further development.

- Consider the need for, and, if necessary, recommend new machinery appropriate for carrying out that regulation which achieves a more consistent and streamlined approach than is now possible and which is financed by the gambling industry itself.
- Consider the availability and effectiveness of treatment programmes for problem gamblers and make recommendations for their future provision, potential costings, and funding.

In conducting this review, the body should not consider changes to the National Lottery. But it will need to look at the impact on the Lottery of any proposed changes, including an assessment of the potential effect on the income to good causes.

Great Britain

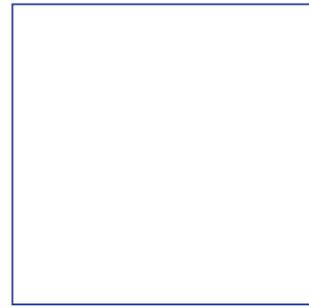
- 2.2 We have been asked to make recommendations for the kind and extent of regulation appropriate for gambling activities in Great Britain. Our report has been written, and should be read, with that in mind. We have not attempted to highlight, in the body of the report, differences in practice between England and Scotland. We felt that to do so could unnecessarily impede the flow of the chapters, but it does not mean that we have not acknowledged the differences that do exist (which we discuss briefly in chapter 4). We have made our recommendations in terms relevant to the English legal system and the small modifications that may be needed to reflect Scottish law and practice do not affect the substantive recommendations.



chapter three

The Central Dilemma

- 3.1 The most difficult general issue that we have had to solve concerns the familiar dilemma between the desire to permit free choice and the fear that such choice may lead to harm either to the individual or to society more widely.
- 3.2 Our proposals generally move in the direction of allowing greater freedom for the individual to gamble in ways, at times and in places than is permitted under current legislation. This move to greater freedom is balanced by rather tighter controls on the freedom of young people to gamble and by some tighter controls over those who provide gambling services.
- 3.3 Our detailed proposals are explained in the relevant parts of our Report; our purpose here is to explain why we have moved in the direction of deregulation.
- 3.4 We have attempted to balance, as best we can, conflicting views about the importance of individual freedom and about the types and seriousness of harms that can accompany the activity of gambling. Fortunately the membership of the Gambling Review Body includes a range of views both about the benefits and costs of gambling and the appropriate role of regulation so that we have had valuable discussions among ourselves without always reaching complete agreement. We recognise that there will be the same (or wider) range of views among the general public.
- 3.5 The current state of regulation is based on the view that gambling should be tolerated rather than encouraged. By "encouraged" we mean that the general public should not be faced by unlimited opportunities to gamble and by uncontrolled inducements to do so (e.g. by unregulated advertising). Many forms of commercial gambling can only be conducted on licensed premises and at limited hours. There may be limits on the types of game, on the number of machines, on the size of stake and on the possible winnings. A period of 24 hours may have to elapse before one becomes entitled to play. The numbers and locations of gambling outlets are restricted.
- 3.6 Some of these regulations are based on the need to reduce the risk of criminal involvement, particularly among those who provide gambling services. As mentioned, if anything our proposals suggest tighter regulation for this purpose. The difficult issues relate to those regulations which limit the freedom of the individual punter.
- 3.7 The case for such regulations is based on a number of views, all of which deserve respect. They include the following:
 - gambling can cause serious financial and psychological harm to some of those who do it (and to their families)
 - gambling is intrinsically undesirable because of the attitudes it sustains or encourages
 - the activity of gambling can adversely affect the lives of those who do not themselves gamble.
- 3.8 Those views are not completely separate. For example, the difference between the first two may be a matter of degree but the distinction is useful. In the first case we are talking about a condition which most people would recognise as involving harm. The person involved can cease to play a normal part in social and family life and may, indeed commit crimes to sustain the activity. We might call this the "danger" argument. The second involves what might be described as moral disapproval. The gamblers may be perfectly happy in their activity and functioning perfectly normally as citizens but others may feel that gambling is at best a waste of time and at worst engenders greed and envy. We might call this the "moral" argument.
- 3.9 The third view includes a number of different ideas. One is that problem gamblers may directly harm others through criminal acts or through abandonment of their family responsibilities. Dealing with such gamblers may impose costs (eg of law enforcement or health treatment) on the rest of society. That can be thought of as a third party extension of the danger argument. Another example of what economists would call "externalities" is the effect on a neighbourhood of gambling activities, either through the buildings themselves or through the behaviour of those who frequent them. There is a third way in which non-gamblers may be affected which can be thought of as an effect on society as a whole. People who disapprove of gambling might dislike living in a society in which gambling is widespread. This might be thought of as a third party extension of the moral argument.
- 3.10 We have had to try to decide how valid these statements may be in themselves and how far they may justify the regulation of gambling. It is one thing to believe that gambling is morally wrong and quite another to believe that such a view justifies regulation. A belief that gambling can cause harm (in the danger sense) to an individual does not necessarily lead to the



conclusion that the individual's behaviour should be regulated. (Still less does it lead to the conclusion that the behaviour of all gamblers should be regulated.) There is usually rather greater agreement that potential harm to third parties, at least in the danger sense, can justify restrictions on individual actions.

There is another and important feature of the Royal Commission's philosophy: it is that gamblers should invariably be made aware of what they are letting themselves in for when they gamble – in other words what they may lose. (Gamblers usually know, or think they know, what they may win.)

3.11 There is a widely held view that the state should respect the right of the individual to behave as he or she wishes, provided there is no harm to others. That view (the "liberal view") is held with varying degrees of robustness by the population of this country (and by members of the Review Body). Most current regulation of such activities as drinking, smoking, publication of erotic or violent and pornographic material (in books and films) represents a compromise between the danger argument (whether private or social) and the liberal argument.

3.13 We accept the last point completely; but we depart from the Rothschild Commission (and from current legislation) somewhat in relation to some of the views expressed or implied in the first two points. It comes down to our view of what is meant by "socially damaging excesses." We take a rather narrower view of what that phrase includes. That in turn leads us to suggest the dropping of the principle that facilities offered should respond only to unstimulated demand. This conclusion has only been reached after considerable debate among ourselves, and our detailed recommendations represent a compromise within a range of views about the role of the state in controlling or influencing individual activity. The recommendations of the Rothschild Commission clearly reflected a similar compromise. As that report said:

3.12 It may be helpful to explain how our approach differs from that currently embodied in the law and endorsed by the Royal Commission on Gambling¹ (the Rothschild Commission) in its report published in 1978. We quote below an extract from that report, which was itself based on words from the previous Royal Commission, which had reported in 1951. It summarised its general beliefs "about the aims and proper limits of legal control over gambling in a society such as ours", as follows:

All of us, however, agree that the gambling public should be told the facts about the types of gambling in which they indulge and that some measure of paternalism is desirable in some cases. These matters are dealt with at greater length in various parts of our Report, but the differences of emphasis among us reflect the great difficulty in drawing a line between what some may call paternalism and the "it's their own business" attitude.

To interfere as little as possible with individual liberty to take part in the various forms of gambling but to recommend the imposition or continuance of such restrictions as are desirable and practicable to discourage socially damaging excesses and to prevent the incursion of crime into gambling.

3.14 We have experienced a similar difficulty, although we have drawn the line in a rather different place. We can describe our approach by reference to the three potential arguments for restricting individual choice given above.

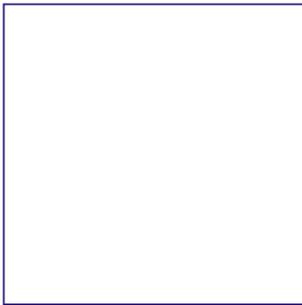
To support broadly the principle that the facilities offered should respond only to "unstimulated demand". This is a principle about which it is not easy to be specific. . . . It implies, for instance, the maintenance of curbs on certain forms of advertising, and it has up to now been taken to imply the limitation of amenities in betting shops. . . . The principle applies in different degrees to different types of gambling. It is obvious that too wide and too literal adherence to it could result in nonsensical recommendations, such as, to give an extreme example, that there should be no football because it stimulates betting on the pools. But the principle has some sense. People should not be pestered: they should not be distracted from their real work, even if betting at appropriate times boosts the morale of those engaged in repetitive or otherwise uncongenial tasks (as the late Ernest Bevin is said to have believed).

The danger argument

3.15 In chapter 17 we discuss at some length the evidence about the causes, extent and consequences of problem gambling. One important point is that we do not have definite answers to many of the questions that concern us. A similar point was made by the Rothschild Commission and it made recommendations for further study. Rather more is known now than then, but we are still having to rely on our judgement rather than on firm evidence.

3.16 It is clear that some individuals become obsessed by gambling to the point at which they cease to function as normal members of society and may do great harm not only to themselves but also to their families and possibly to the general public (for example through criminal activity). The existence or risk of problem gambling provides in our view the most important

¹-Rothschild Commission (1978)



potential reason for restricting the individual's freedom to gamble. In its evidence to us the Better Regulation Task Force² says:

We do not think that the issue of problem gambling should influence the nature of gambling regulation; however the industry has a social responsibility to ensure that it contributes to measures to help problem gamblers.

3.17 It also says:

Regulatory measures may be required to ensure that vulnerable consumers are not targeted specifically by the gambling industry. However, government regulation should not have the effect of preventing mature consumers from exercising their right to spend their money as they see fit. We would urge you to consider self-regulation, such as a code of practice endorsed by the industry.

3.18 On the face of it, the first comment quoted above would suggest a wholesale deregulation of gambling insofar as the activities of the gambler are concerned (although there might still be controls over who could provide gambling services). The second comment might suggest some forms of control.

3.19 Our proposals do increase the freedom of adults to gamble how, where and when they might wish but they do not go as far as implied by the submission of the Better Regulation Task Force. We recognise that we now live in a more liberal society as far as individual activities are concerned and that this change of attitude can be recognised in proposed changes to licensing hours for pubs etc. But we believe it would be wrong to ignore completely the risks attached to gambling even if they only affect a limited number of individuals. As we explain in Chapter 17, some forms of gambling can particularly encourage repetitive play to the point at which the punter may suspend rational judgement and display all the signs of addiction, with subsequent financial and psychological harm. Evidence from countries where there has been considerable deregulation does suggest that the extent of problem gambling can grow significantly. So we are not proposing the degree of deregulation seen in some parts of the world. That means inevitably that we are limiting the freedom of individuals who could safely participate in such forms of gambling.

3.20 While we are recommending deregulation for adults, we are recommending some tightening of regulation as far as children are concerned. We discuss the general question of age limits in chapter 22. We have been particularly exercised by the question of young people's freedom to play on fruit machines. Persons under 18 may not enter betting shops or casinos. In

licensed arcades, they may only play on certain types of machine. Persons under 16 may not buy lottery tickets. However children of any age can play on fruit machines in certain premises. They can play on limited types in arcades in seaside resorts, in motorway service stations etc and they can play on higher pay-out machines in pubs and clubs. This freedom is unique to the United Kingdom and is the result of historical accident. We accept the evidence that children are particularly vulnerable to the harms associated with gambling and that fruit machines are a special problem. Although we recognise that these problems only affect a minority of those children who play on them, we propose some further limits on this activity for the under-18s. Our proposals are set out in chapter 23. Some of us would have gone further and removed fruit machines from all premises to which children have access. We do not, of course, believe that all children are irresponsible below the age of 18 and suddenly become responsible on their 18th birthday; but 18 seems a sensible, if arbitrary, age limit to choose.

3.21 Our cautious approach has also guided our response to two further issues; alcohol and ambient gambling. It is well established that alcohol reduces inhibitions. There is convincing evidence that it impairs judgement about gambling and can cause people to gamble excessively. Although current regulations allow gambling and the consumption of alcohol to be combined on certain premises we do not believe this freedom should be extended. We do not therefore propose permitting betting in pubs or the serving of alcohol in betting shops. Ambient gambling refers to the provision of gambling facilities on premises whose main purpose is not gambling. The most obvious form of ambient gambling is the sale of National Lottery tickets and scratch cards in a large number of retail outlets. Another example is the provision of gaming machines in pubs. Our cautious approach suggests we should not add to ambient gambling. This provides a further reason for not allowing betting in pubs. We go further and propose the removal of gaming machines from unlicensed premises.

The moral argument

3.22 We have received submissions stating that gambling should be restricted (or banned completely) because it is morally wrong. The Rothschild Commission provided a valuable summary of the views it had received from various religious authorities but noted that none of those who gave their views urged that the law or public policy should be determined by their religious beliefs. The moral objections to gambling include the idea that it represents an opportunity to gain at the expense of others and to gain a reward without commensurate effort.



3.23 It is difficult to judge how far current regulations are based on a moral disapproval of gambling but it is hard to escape from the sense that gambling, even if harmless, is at best an unworthy activity. The comments of the Rothschild Commission are quite revealing and show how they struggled with the issue.

3.24 In their discussion of betting offices the Commission makes the following comment:

The objection that punters are wasting their time is a moral or possibly an aesthetic judgement. As it happens, none of us is attracted by the idea of spending an afternoon in a betting office. But the people who frequent betting offices have chosen to enjoy themselves in their own way and we think that in a free society it would be wrong to prevent them from doing so merely because others think that they would be better employed in digging the garden, reading to their children or playing healthy outdoor sports.

3.25 That seems to place the Commission firmly in the liberal camp. But, as we have said, that generally liberal approach did not prevent them from retaining the “unstimulated demand” principle, which certainly limits the freedom of the individual since, among other things, it limits the numbers of betting shops and casinos. We have already quoted the words they used in that context with their reference to those engaged in “repetitive or uncongenial tasks”. Some of us find those words intolerably paternalistic with the implication that gambling is acceptable (though not to be encouraged) for the workers, whose lives are so limited, but not something that could appeal to the educated. We believe that the core of the issue concerns what the Rothschild Commission called “social excess”.

3.26 The expression itself is completely unhelpful, since an “excess” is, by definition, something of which one has too much and is therefore to be avoided if possible. The difficult question is when does one believe that gambling is causing social excess. What we believe is involved is the idea, mentioned above, that liberalisation of gambling might produce a state of society which was undesirable, even if those who were gambling were not unhappy. Let us suppose, for example, that a more relaxed approach to regulation greatly increased the number of gambling establishments and also raised both the number of active gamblers and the time (and money) they spent gambling. An adherent of the liberal approach would welcome this development as a sign that consumers were better able to spend their time and money as they wished. But an alternative view would be that the

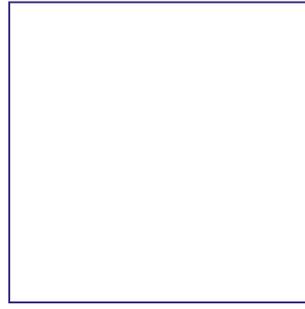
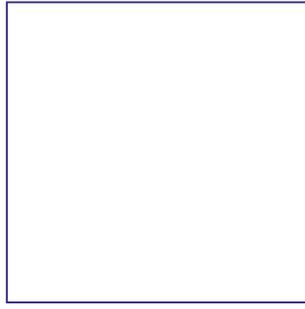
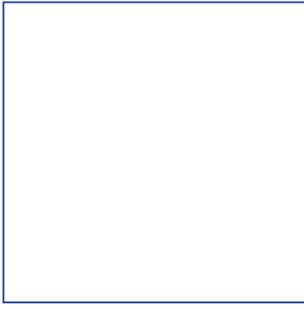
quality of social life had deteriorated, that Britain had become less civilised, and that the state has a responsibility to prevent this from happening. To give a concrete example, it could be argued that we should prevent (as the law currently does) the construction of mass arenas where people spent all day (and night) playing on slot machines.

3.27 We found it extremely difficult to resolve this issue. Even if there were agreement, which there was not, about the state’s legitimate role in this area we would find it difficult to determine where the limits should be placed. Our terms of reference do require us to take account of the wider social effects of our proposals. We take that as meaning that we should have some concern for the effects on society as a whole or on local communities of allowing increased freedom to establish gambling outlets.

3.28 Our proposals necessarily represent a compromise among rival views. We all agree that regulation can be justified by the following objectives (as set out in the reports of the Gaming Board):

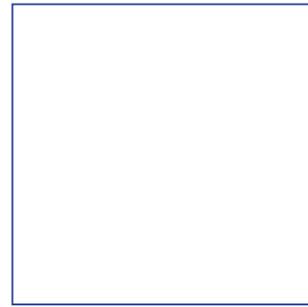
- permitted forms of gambling should be crime-free (both in terms of those who operate them and the players they attract), conducted in accordance with regulation and honest
- players should know what to expect and be confident that they will get it and not be exploited
- there should be some protection for children and vulnerable persons.

3.29 Our view of what those objectives require guides most of our discussion and proposals. That list does not include the avoidance of social excess explicitly. But our proposals do take account of the wider social concerns that the expression implies. For example, since we are uncertain about the effects on individuals and on society as a whole of changes in regulation we suggest fairly cautious moves in the first place, with scope for further deregulation in due course if the results seem acceptable. We also recognise that some localities might choose to limit the number and scale of gambling establishments because of their effects, in the widest sense, on the local community. That seems to us to be a legitimate task of local government. Finally we recognise that our proposals are unlikely to be acceptable unless they broadly match public views about what is appropriate for our society. We have made our best efforts to achieve this but recognise that the final say must rest with Parliament.



part two

background



chapter four

Legislation on Gambling

Historical background

- 4.1 The current gambling legislation in Great Britain in the main dates back to the 1960s. While the criminal law did not seek to interfere with private gambling between individuals, it did seek to place strict controls on, or to prohibit altogether, gambling for commercial gain. It was thought that if such activities were unregulated they would give rise to crime, or cause social problems to gamblers and their families.

Gaming

- 4.2 As with betting, commercial gaming was similarly suppressed prior to 1960 either by prohibiting altogether the playing of certain games or otherwise outlawing gaming houses and gaming in public places. The Betting and Gaming Act 1960 sought to liberalise the law on gaming so as to allow those persons who wanted to game to do so, whilst at the same time continuing to prohibit commercial exploitation. To achieve its desired objective the Act imposed three conditions: no charges were to be made for gaming, no levies were to be taken from the stakes and, if the games were not of equal chance, then the chances were to be equalised by the method of play (for example, by rotating the bank between players). Despite these restrictions, commercial gaming was able to obtain a foothold because of what was thought to be a minor concession which allowed clubs to impose a charge to recover the costs of the gaming facilities they provided. There was no requirement that the amount of such a charge should be limited to the true cost of providing such facilities. Nor was the concession limited to genuine members' clubs and as a result a great number of commercially operated clubs emerged.
- 4.3 By the mid-sixties, the development of commercial gaming was out of control. There were around 1000 casinos operating in the UK. Unscrupulous operators were taking advantage of customers, and criminal involvement in gambling was rife. The profits to be made from slot machines were being exploited by criminals who used strong-arm tactics to enforce "sharing agreements". "It was impossible for the police and the courts to stem the tide without radical reform of the law."¹ The Gaming Act 1968 was passed to restore order. The Act recognised that commercial gaming could no longer be suppressed, but instead sought to bring it under strict controls. The Rothschild Commission² replicated the Home Office's "Introduction to the Gaming Act" produced in 1968:

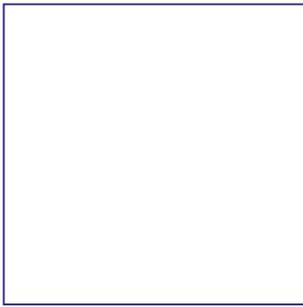
The main purpose of the Act is to curb all forms of gaming which are liable to be commercially exploited and abused. It recognises that commercial gaming cannot now be suppressed, but seeks to bring it under strict controls. The principle on which it proceeds is that no one can claim a right to provide commercial gaming: it is a privilege to be conceded subject to the most searching scrutiny, and only in response to public demand.

The controls have as their common object to purge this activity of its criminal elements, to cut out excessive profits, and to ensure that gaming is honestly conducted in decent surroundings. Beyond that the intention underlying the Act is to reduce drastically the number of commercial clubs providing games other than bingo; to restrict bingo to a neighbourly form of gaming for modest prizes; and to check the proliferation of gaming machines and machines used for amusement with prizes.

- 4.4 It is generally acknowledged that the Gaming Act 1968 has achieved its main purpose; although there have been examples dating from the 1970s and up to as recently as 1991 of casinos breaking the law.³

Betting

- 4.5 Professional bookmakers began to make their appearance in the late eighteenth century. In 1845, the Gaming Act made wagering contracts unenforceable in law, thus preventing bookmakers from recovering forfeited stakes in cases where the betting had been conducted on credit terms. As a result, bookmakers insisted on receiving cash in advance and there followed a rapid growth in betting houses to meet the demand for cash betting. This was regarded as an unwelcome development and a Betting Act was passed in 1853 to suppress betting houses. The effect of the 1853 Act was simply that bookmakers operated on the streets. Consequently a further Act of 1906 made betting in the streets and other public places unlawful.
- 4.6 Betting continued to be conducted lawfully on-course and credit betting remained lawful off-course provided the bets were placed by post or telephone. The 1853 and 1906 Acts could not, however, suppress the demand for off-course cash betting, which consequently continued unlawfully. The Betting and Gaming Act 1960 swept away the 1853 Act and made it lawful for a bookmaker to run a cash betting office provided both he and his office were licensed.



Lotteries

- 4.7 An Act of 1698 laid down the principle, which is still operative, that all lotteries not expressly authorised by statute were unlawful. After 1698, state lotteries continued to be authorised by Acts of Parliament until 1826 when the practice was stopped, principally because lotteries were no longer an efficient means of raising Government revenue and because of the abuses associated with the lottery system. The 1698 Act remained in force until the Betting and Lotteries' Act 1934 legalised private lotteries and small public lotteries incidental to an entertainment, such as a bazaar or sale of work. The Small Lotteries and Gaming Act 1956 introduced societies' lotteries, that is small public lotteries conducted by societies established for charitable or sporting purposes, but not for commercial gain. Finally, the Lotteries Act 1975 made provision for local authorities to promote lotteries on the same footing as societies. The law on lotteries was consolidated in the Lotteries and Amusements Act 1976.
- 4.8 The National Lottery Act 1993 introduced the National Lottery.

The Statutory Provisions

Impact of Devolution

- 4.9 Legislative responsibility for betting, gaming and lotteries is reserved. The Home Secretary determines the policy on gambling and, in doing so, consults the Scottish Executive.
- 4.10 Some powers to make secondary legislation have been devolved to the Scottish Parliament. The Scottish Parliament has responsibility for such matters as betting and gaming fees, gaming hours and casino permitted areas in Scotland.

Gaming Board

- 4.11 The Gaming Board regulates gaming and larger societies' lotteries in Scotland. The Board has a regional office in Glasgow and one of the Board members has particular responsibility for gaming and lotteries in Scotland. The Board has a regional office in Bristol, from which its responsibilities in Wales are carried out.

Application of the current law

- 4.12 Differences between the legal systems in England and Wales and in Scotland mean that there are some differences in procedures between the jurisdictions. For example, in Scotland the Local Authority Licensing Board carries out the functions of the Licensing Justices in England and Wales. As set out in chapter 2, we have written this report from the perspective of

law and practice in England and Wales, and we have not sought to highlight the consequences of our recommendations in Scottish law.

Gaming

- 4.13 The principal statute on gaming is the Gaming Act 1968. Gaming is defined as playing a game of chance for winnings in money or money's worth. With the exception of gaming machines, commercial gaming is confined to clubs and is subject to a mixture of local and national controls.

Casino gaming

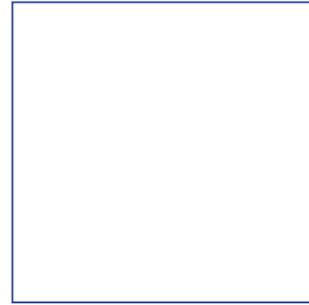
- 4.14 Casino gaming is confined to licensed premises, which are required to operate as members' clubs. Before an applicant can apply for a gaming licence from the licensing justices, he must first obtain a certificate of consent from the Gaming Board for Great Britain. Certificates are only granted if the applicant is a fit and proper person and would be capable and diligent in ensuring compliance with the Act. An application for a gaming licence may be refused on the grounds that there is insufficient demand for the gaming facilities. In addition, casinos are permitted only in certain designated areas of the country, known as permitted areas. Only certain games can be played and a maximum of ten jackpot machines is permitted.

Bingo

- 4.15 Bingo is a game of chance, determined by a random selection of numbers, which are not chosen by the player. Small amounts of stake are accumulated from large numbers of people to create a main prize.
- 4.16 Commercial bingo is allowed in bingo clubs licensed under the 1968 Act. Unlicensed bingo is played in places such as working men's clubs. Clubs not registered under the Gaming Act 1968 may offer games of equal chance, such as bingo, and impose small charges sufficient to recover the costs of gaming. Stakes and prizes are unlimited and all stakes must be returned in prizes.

Gaming machines

- 4.17 The 1968 Act made provision for two types of gaming machine: jackpot machines and amusement-with-prizes (AWP) machines:
- Jackpot machines are confined to clubs licensed (i.e. casinos and bingo clubs) or registered (e.g. working men's clubs) under the 1968 Act.



The maximum stake is currently 50p and the maximum payout £1000 in casinos, £500 in bingo clubs and £250 in registered clubs.

- AWP machines need permits from the local authority to be located in places to which the public has access, e.g. arcades and cafés. Permits are required from the liquor licensing justices for machines in pubs. The maximum stake for an AWP machine is 30 pence, and the maximum prize is limited to either £5 in cash or £8 in tokens. In addition, since June 1996 all-cash AWP machines which pay out a maximum of £15 cash have been permitted in liquor licensed premises, adult arcades, bingo clubs and, for the first time, in betting offices. Under 18s may not be admitted to an area in an arcade in which all-cash machines are located. (Many arcades operate as adult arcades and exclude under 18s completely.)

4.18 The sale, supply and maintenance of machines is controlled separately through a scheme of certification run by the Gaming Board.

Betting

4.19 The law on betting is to be found in the Betting, Gaming and Lotteries Act 1963. Betting is not defined by statute, but is generally regarded as entering into a contract by which each party undertakes to forfeit to the other, money or money's worth, if an issue in doubt at the time of the contract is determined in accordance with that other party's forecast. Unlike a lottery, a bet may involve skill or judgement.

Bookmaking

4.20 No person may act as a bookmaker without the authority of a permit issued (in England and Wales) by the licensing justices. The essential test applied by the licensing justices in considering an application, is whether or not the applicant is a fit and proper person. A bookmaker operating from a betting office requires a licence for the premises issued by the licensing justices.

On-course betting

4.21 Horserace courses must be approved by the Horserace Betting Levy Board. Greyhound tracks require a local authority licence. Pool betting can only be operated by the Horserace Totalisator Board (for horseracing) and by the track management (for greyhound racing).

The Horserace Betting Levy Board and the Horserace Totalisator Board

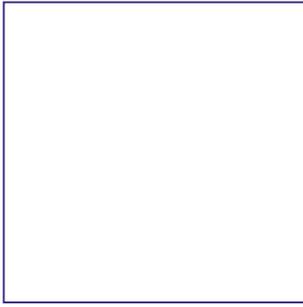
4.22 The Horserace Betting Levy Board was established, by the Betting Levy Act 1961, to assess and collect a levy on bets on horse races and distribute it for purposes conducive to the improvement of breeds of horses, the advancement or encouragement of veterinary science and education, and the improvement of horseracing.

4.23 The Horserace Totalisator Board was first established, as the Racecourse Betting Control Board, by the Racecourse Betting Act 1928. It was given its present official name in 1961, but has always been known as the Tote. It was founded to enable racegoers to bet by means of a totalisator (ie pool betting), and to raise money for racing.

4.24 In March 2000 the Home Secretary announced that the Government had decided to abolish the horserace betting levy and the Horserace Betting Levy Board. The Government had also decided that the Horserace Totalisator Board (the Tote) should be sold to a consortium of racing interests. The aim was to bring to an end the Government's direct involvement in the administration and financing of racing, so enabling racing to take responsibility for its own affairs and finances.

4.25 Detailed proposals for addressing the practical implications of abolishing the Horserace Betting Levy Board and selling the Tote were published by the Home Office in November 2000. Its "Consultation Paper on the Proposed Abolition of the Horserace Betting Levy Board and the Licensing of Racecourse Betting and Pool Betting on Horseracing" put forward some key proposals relevant to this Gambling Review:

- horseracing's governing body, the British Horseracing Board (BHB), would succeed the Levy Board as the central funding body for racing
- a new statutory regulator should be established with responsibility for approving and monitoring all racecourse betting operations – including the Tote
- the Tote itself would continue to enjoy an exclusive, but time-limited licence to conduct horserace pool betting
- the Tote would be expected to provide a pool betting service at all meetings, and would also be required to make its products available to third parties (e.g. bookmakers).



Greyhound Racing

- 4.26 The law governing betting on greyhound tracks is contained in the Betting, Gaming and Lotteries Act 1963. There is no statutory body for greyhound racing. The industry body, the National Greyhound Racing Club (NGRC), controls the conduct of racing. Unlike horseracing, track owners are allowed to operate their own totes for private gain. There is no statutory levy on greyhound bets but bookmakers are encouraged to contribute 0.4% of bets on greyhound racing to the independent British Greyhound Racing Fund.
- 4.27 In January 1996, the law was relaxed to allow inter-track tote betting and to remove certain other restrictions.

Pool Competitions (including football pools)

- 4.28 Pool competitions are also governed by the 1963 Act. The promoter must be registered with the local authority, which appoints an accountant to supervise his operations. The promoter has to submit to the accountant detailed information about each competition, showing, among other things, the stakes, the proportion paid in winnings and the expenses apportioned to each competition.

Lotteries

- 4.29 All lotteries except the National Lottery are regulated under the Lotteries and Amusement Act 1976 and the Lotteries Regulations 1993. The 1976 Act contains no definition of a lottery, but case law holds that the essential ingredients are that there is a distribution of prizes by lot or chance and that the chances should be secured by some payment or contribution by those who take part. Regulation of lotteries is essential to combat fraud, since the player has no independent means of knowing either the total amount paid in or that the promised prizes have been paid out. The 1976 Act makes all lotteries (including foreign lottery operations here) unlawful except those provided for by the Act.
- 4.30 An important aim of the 1976 Act is to ensure that lotteries contribute to good causes rather than operate solely as gambling operations. The lotteries that are permitted are:
- small lotteries incidental to certain entertainments
 - private lotteries
 - society lotteries and
 - local authority lotteries.

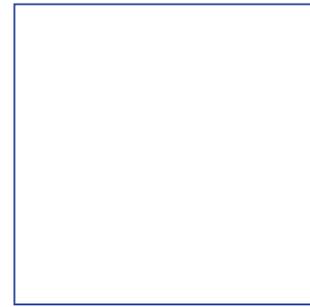
The National Lottery

- 4.31 The 1976 Act made no provision for major lotteries conducted on a national scale. In 1978, the Rothschild Commission recommended that there should be a single national lottery for good causes. But it was not until 1993 that Parliament passed the National Lottery Act.
- 4.32 28% of proceeds go to the National Lottery Distribution Fund to be allocated to good causes.
- 4.33 Under section 18 of the Act, betting on the outcome of the National Lottery is prohibited.

The Regulators

The Gaming Board for Great Britain

- 4.34 The Gaming Board was created by the Gaming Act 1968. The Board's main purpose is to keep criminal elements out of commercial gaming and to help ensure that where commercial gaming takes place it is properly managed and conducted fairly and in accordance with the law.
- 4.35 In particular, the Board:
- investigates the trustworthiness of all applicants for licences for casinos and bingo clubs and issues to them certificates of consent
 - issues certificates of approval to casino gaming managers, supervisors and operatives, and managers in bingo clubs
 - issues certificates to people selling or supplying gaming machines
 - advises the Secretary of State on all regulations made under the Act
 - advises the justices on the demand for gaming, the suitability of premises and any restrictions to appear on licences
 - appears before the justices to object to the grant or renewal of licences or to move for their cancellation, in appropriate cases
 - assists the police in the enforcement of the Act through the Gaming Board Inspectorate.
- 4.36 The Gaming Board also agrees codes of conduct with the industry, which set out principles of good practice where the law is insufficiently clear or is silent.



Financial Services Authority

- 4.37 The Financial Services Authority (FSA) regulates spread betting under the Financial Services Act 1986. Spread betting traders are authorised as principal traders. The FSA must establish that the firm and its key staff are fit and proper, that there is enough capital and that controls are adequate. Firms are subject to the Securities and Futures Authority (SFA) prudential and conduct of business rules. These cover the financial resources needed, the fitness and propriety of the management, and set standards to protect customers.

National Joint Pitch Council

- 4.38 The Levy Board issues Certificates of Approval to racecourses, including point-to-points. These are effectively licences that, subject to certain conditions, allow betting to take place on the course. Using this authority the Levy Board determines where betting (excluding Tote pool betting) is allowed and has issued a set of rules which govern how the betting ring is run. The National Joint Pitch Council (NJPC) was established to enforce those rules and administer the betting ring. The NJPC is a limited company whose board is made up of Levy Board appointees and representatives of the racecourses and bookmakers.
- 4.39 The NJPC's role is to administer, promote and regulate activities in the betting ring. It is self-funding, through charges to bookmakers.

National Lottery Commission

- 4.40 Part I of the National Lottery Act provides for the Lottery to be regulated by the National Lottery Commission. The Act places a duty on the Secretary of State for Culture, Media and Sports and the Commission to ensure that the Lottery is run with all due propriety, that the interests of participants are protected, and, subject only to these, to maximise the revenue to good causes.

Magistrates

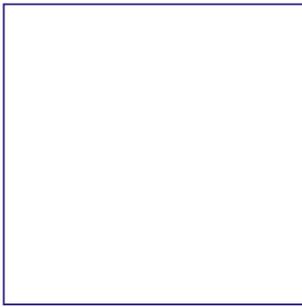
- 4.41 In England and Wales, the authority for the grant of bookmakers' permits, betting agency permits, betting office licences, bingo licences and casino licences is a committee of not less than five nor more than fifteen of the justices acting for each petty sessions area (the licensing justices).
- 4.42 The licensing justices also register members' clubs and miners' welfare institutes for the use of jackpot machines and issue permits for Amusement with Prizes machines in pubs.

Local Authorities

- 4.43 In England and Wales, District councils or London boroughs:
- issue licences for greyhound tracks
 - register pool promoters
 - register societies that are promoting small society lotteries
 - issue permits for AWP machines in locations other than premises with a liquor licence.

Police

- 4.44 Enforcing gambling legislation is a responsibility of the police, though currently it comes low down on the list of police priorities. Nationally, the police do not claim to have very much expertise in dealing with gambling offences, although there are pockets of expertise, such as in the Metropolitan Police Clubs and Vice Unit.



chapter five

The British Gambling Industry

5.1 This chapter examines the British gambling market in terms of player, most popular activity and spend. It also looks at the turnover of the industry compared to other countries and the contribution that gambling makes in terms of tax revenue. The following chapters look at each gambling activity in greater detail.

Punters

Gamblers worldwide

5.2 A Prevalence Survey by the National Centre for Social Research (referred to hereafter as the Prevalence Survey) found that in the UK almost three-quarters (72%) of the population – that is about 33 million adults – took part in some gambling activity within the past year and over half the population had gambled in the past week. This is higher than participation in the United States, said to be around 63%, but lower than that in Sweden, where nine out of ten adults gamble.¹ It is also lower than participation levels in Australia, where about 80% of adults participate in gambling² and New Zealand, where between 85% and 90% of the adult population (those aged 15 and over) gamble.³

Most popular gambling activity

5.3 In the UK, the Prevalence Survey shows that in terms of participation, the three most popular gambling activities are lotteries, more specifically the National Lottery (65%) and scratchcards (22%), followed by fruit machines (14%) and betting (13%).⁴ In an Office for National Statistics (ONS) survey which we commissioned, similar or slightly higher percentages were reported (although bingo recorded 14%, substantially higher than the Prevalence Survey's 7%). Lotteries are the most popular gambling activity in a number of countries. In New Zealand, over a third of adults report weekly Lotto participation, followed by Telebingo and Instant Kiwi (6%). Lotteries were also the most popular activity for past-year gamblers in the United States (52%), followed by casinos (29%), horseracing (7%) and bingo (6%).⁵

Player profile

5.4 The likelihood of participating in gambling, the type of activity and the number of activities are related to gender, age and social class. As figure 5.1 shows, the National Lottery, scratchcards and lotteries are equally popular with men and women. Men, however, are much more likely than women to have participated in football pools, fruit machines, betting and table games in the last year. Bingo is the only gambling activity that women are more likely to have played.⁷

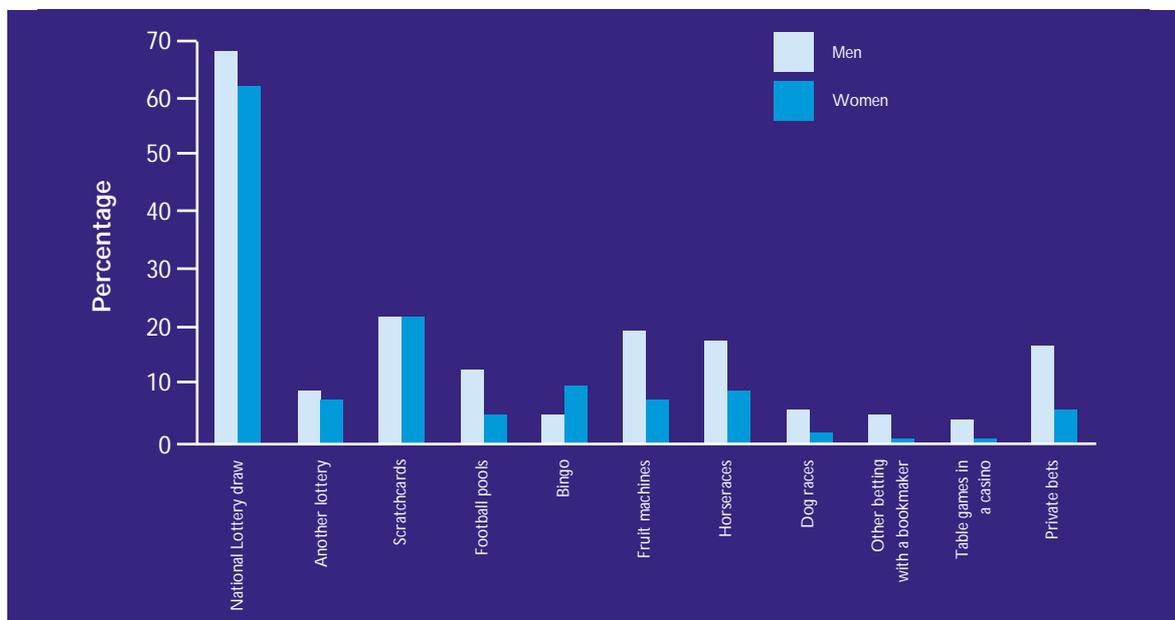


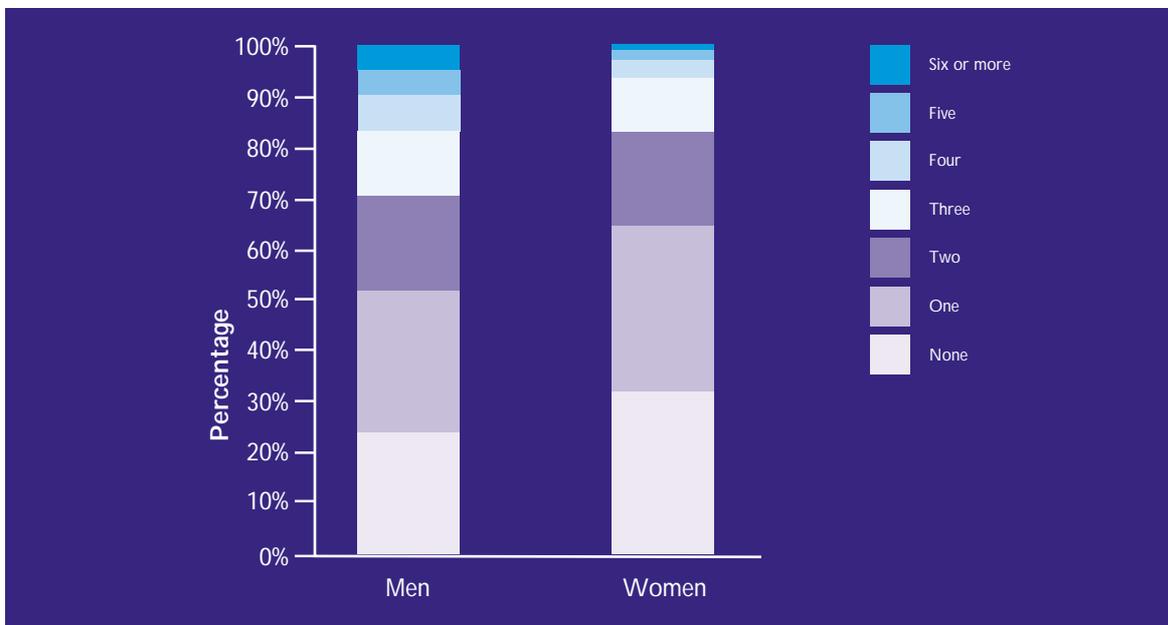
Figure 5.1: Gambling activities participated in within the past year

Source: Sproston, Erens & Orford (2000)



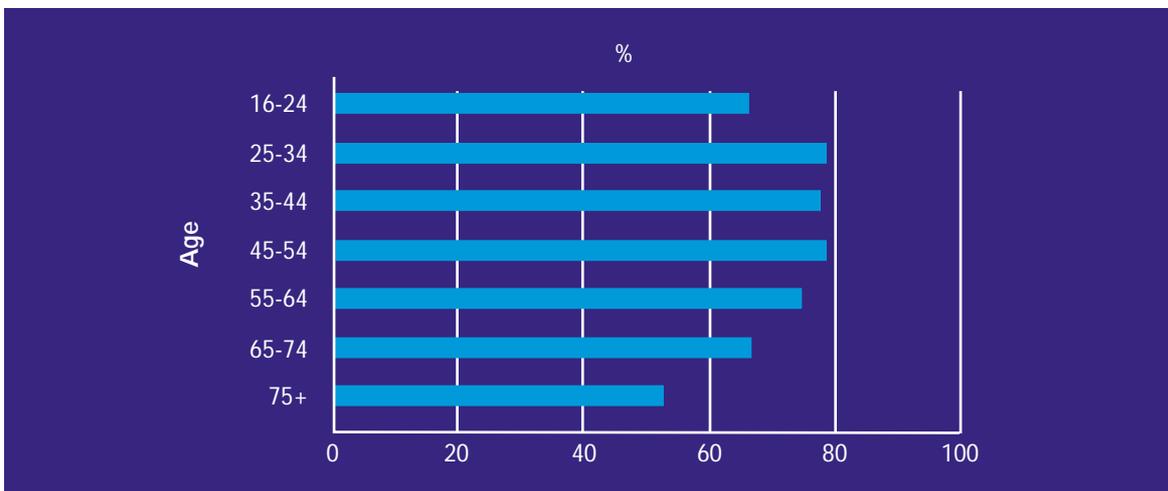
5.5 More men than women participate in multiple gambling activities. Twice the numbers of men as women have participated in more than four gambling activities. More women than men have not gambled. This is shown in figure 5.ii.

5.6 Age also appears to play a part in how much people gamble and on what. People aged 25-54 had the highest participation levels, at nearly 80%. People in the manual social classes (III Manual, IV and V) were more likely to have gambled in the past year, and to have participated in more activities*. (See figures 5.iii and 5.iv.)



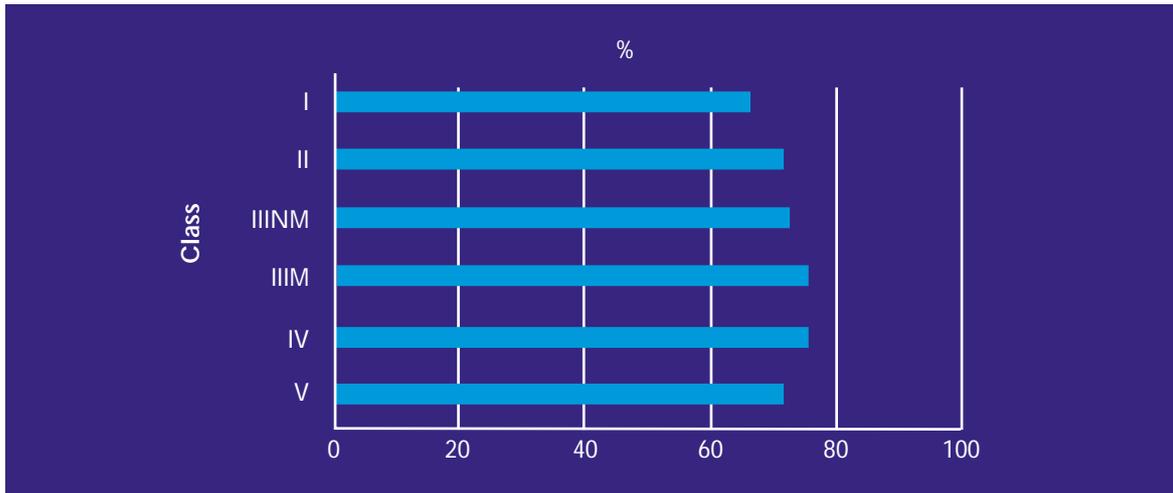
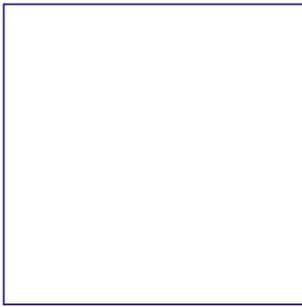
Source: Sproston, Erens & Orford (2000)

Figure 5.ii : Number of gambling activities participated in within the past year, by gender



Source: Sproston, Erens & Orford (2000)

Figure 5.iii : Participation in gambling activities within past year, by age



Source: Sproston, Erens & Orford (2000)

Figure 5.iv: Participation in gambling activities, by class

Expenditure on gambling

Overall spend

- 5.7 The average amount spent by players on each activity is dealt with in the individual activity chapters. This section examines the total amount spent on gambling and gambling products and changes over the last decade when compared to other types of spending.
- 5.8 The Family Expenditure Survey (FES) is a continuous survey of household expenditure and income.

Information for the FES is collected from people living in private households. The survey publishes information on the average weekly expenditure, by household, in terms of total gambling spend and separate sectors.⁹

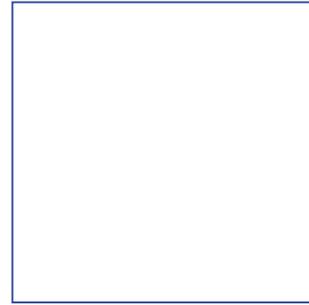
- 5.9 As figure 5.v shows, weekly gambling payments were relatively static between 1990 and 1993 at £1.45, although they fell in real terms. There were large increases for the next three years and spending peaked in 1997-98 at £4.30.

All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Football pools	0.48	0.52	0.58	0.58	0.57	0.37	0.28	0.2	0.1	0.1
Bingo	*	*	*	*	0.39	0.42	0.48	0.5	0.4	0.4
National Lottery and scratchcards	*	*	*	*	0.82	2.28	2.29	2.7	2.2	2.2
Other lotteries & scratchcards	*	*	*	*	*	0.05	0.08	0.1	0.1	0.1
Other betting (inc. betting, bingo, raffle)	0.97	0.92	0.87	1.34	~	~	~	~	~	~
Betting	*	*	*	*	0.74	0.69	0.72	0.8	0.7	0.7
Total gambling payments	1.45	1.44	1.45	1.92	2.51	3.81	3.82	4.30	3.50	3.50
Total gambling payments: Year on year % change		-0.7	0.7	32.4	30.7	51.8	0.3	12.6	-18.6	0.0

~ Indicates counting stopped – counted in a different way
* Years prior to new counting method

Source: ONS, Family Spending

Figure 5.v: Average weekly expenditure on gambling, by household



5.10 The amount spent by the British is similar to the amount spent by gamblers in New Zealand where those who had gambled in the six months prior to the survey had spent an average of \$9.46 (£3.15¹⁰) a week.¹¹ Both spend substantially less than Australians who are said to be the heaviest gamblers in the world. They spend \$800 each a year which equates to \$15.38 (£6.15¹²) a week.¹³

Sector spend

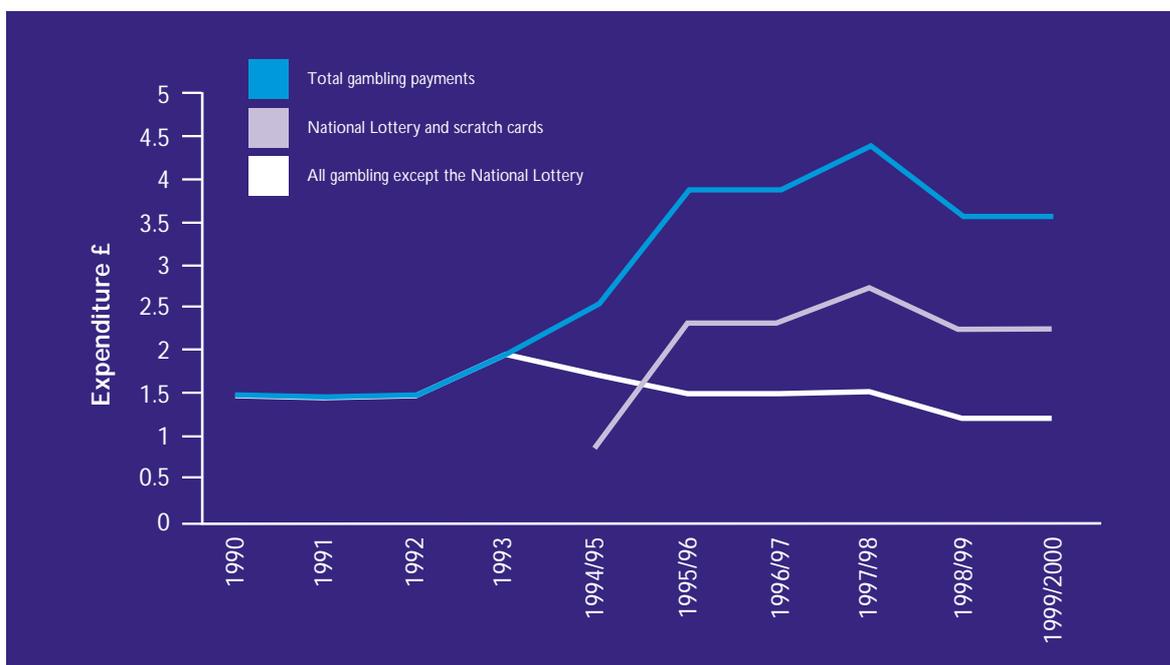
5.11 The gambling categories in FES have altered over the last decade which can make comparisons between sectors difficult. The survey is also believed to underestimate the average expenditure on lottery draw tickets by about 30% and other forms of gambling even more.¹⁴

5.12 Data from FES show that weekly expenditure on football pools was static or increasing up to 1994-95 but has fallen since then by around 80%, or more in real terms. An initial downward trend in spending on bingo, betting and lotteries was reversed between 1992 and 1993 when expenditure reached £1.34 per week. After 1994-95, spending on bingo was relatively static but peaked in 1997-98 at £0.50 and then decreased. Betting has shown the same trend, peaking in 1997-98 at £0.80 and then decreasing. Spending on lotteries other than the National Lottery has increased from £0.05 in 1995-96 to £0.10 in 1997-98.

Expenditure on the National Lottery and scratchcards increased for the first three years and peaked at £2.70 in 1997-98. It has now dropped to a level lower than that of 1995-96.

5.13 Commentators differ on whether the introduction of a new gambling product, such as the National Lottery, will result in an increase in overall expenditure on gambling or displace spending on other gambling activities. Expenditure on all gambling products other than the National Lottery only increased significantly once in the last decade when it increased by 32% from £1.45 in 1992-93 to £1.92 in 1993-94. Before 1993, there had been little change in money terms. (See figure 5.vi)

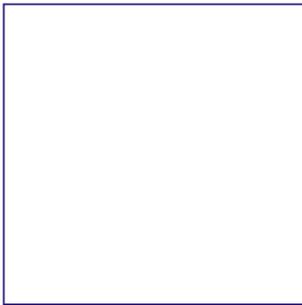
5.14 The National Lottery data for 1994-95 only reflect the spend from November to April. Expenditure between 1995 and 1997 was static, and then increased in 1998. Expenditure on both the National Lottery and other gambling has remained static since 1998. In terms of National Lottery spend, this follows a pattern similar to that witnessed in other countries. Experience in the United States has been that within a few years of the introduction of state-sponsored lotteries, turnover begins to fall and it becomes necessary to maintain revenue levels by introducing new gambling media such as video lottery terminals that allow participants to stake money continuously.¹⁵



Source: ONS, Family Spending

Figure 5.vi: Average weekly expenditure on gambling, by household

10-Using a conversion rate of (NZ)\$3 to (GB)£1 11-Department of Internal Affairs (2001) 16 12- Using a conversion rate of (AUS)\$2.50 to (GB)£1 13-Productivity Commission (2000) xxi 14-King (1997) cited in Grun & McKeigue (2000) 15-Miers (1996) in Grun & McKeigue (2000)



All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
All gambling except the National Lottery National Lottery and scratchcards	1.45	1.44	1.45	1.92	1.70	1.48	1.48	1.50	1.20	1.20
	-	-	-	-	0.82	2.28	2.29	2.70	2.20	2.20

*First National Lottery draw - 19th November 1994

Source: ONS, Family Spending

Figure 5.vii: Average weekly expenditure on gambling

The Industry

Market size comparisons

- 5.15 In the UK, the annual turnover, or the amount wagered, on gambling activities is estimated to be in the region of £42 billion. Expenditure or gross gaming yield (amount wagered minus winnings paid out) was around £7.3 billion in 1998. Even though casinos have the largest share of turnover (44%), their share of the gross gaming yield is only 6.5% of the total. The National Lottery has the largest share of the gross gaming yield (37%) followed by betting (25%).
- 5.16 Gaming machines (not including those in casinos or bingo halls) ranked third in terms of amount wagered in Great Britain, but in countries such as Australia and

New Zealand gaming machines have the largest share of turnover. In 1997-98 Australians lost about \$11 billion on gambling (£4.4 billion)¹⁶, rising to \$12.4 billion, (£4.9 billion) in 1998-99.¹⁷ Of that:

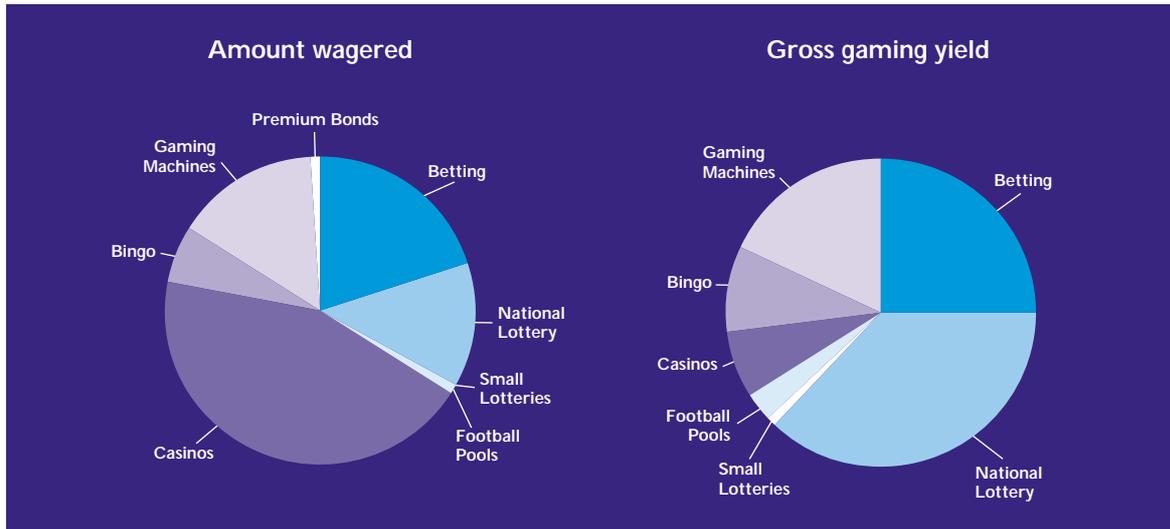
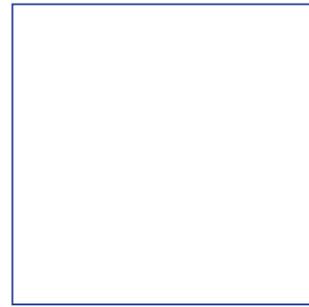
- 52% was on non-casino gaming machines
- 20% was in casinos
- 15% was on racing
- 11% was on lottery products
- 3% was on other activities.

- 5.17 This equates to an average of about \$800 (£320) per person over the age of 18, or 3 per cent of household disposable income.

1998	Amount wagered		Gross gaming yield	
	£m	%	£m	%
Casinos (inc. machines)	18,547.3	44	478.5	6.5
Betting	8,404.3	20	1,856.5	25.3
Gaming machines	6,322.8	15	1,304.6	17.8
National Lottery	5,375.7	12.8	2,687.9	36.6
Bingo (inc. machines)	2,449.7	5.8	678.1	9.2
Football pools	370.1	0.9	255.0	3.5
Small lotteries	133.9	0.3	88.4	1.2
Premium Bonds	517.1	1.2	-	-
Total	42,120.9		7,349.0	

Source: BISL (2000)

Figures 5.viii: Market share by sector, 1998



Source: BISL (2000)

Figure 5.ix: Market share by sector, 1998-UK gaming activity

5.18 In New Zealand in 1998, gaming turnover was approximately \$7 billion (£2.33 billion)¹⁸ and gross gaming yield exceeded \$1 billion (£0.33 billion). By 1999-2000, turnover exceeded \$8.4 billion (£2.8 billion) and gross gaming yield was nearly \$1.3 billion (£0.43 billion). Of the \$8.4 billion turnover:

- 45% was on non-casino gaming machines
- 34% was in casinos
- 15% was on race and sports betting
- 7% was on lottery products

5.19 Those that had gambled in the last six months typically spent \$41 per month which equates to \$492 (£164) per year.¹⁹

5.20 The gambling market in the United States is thought to be one of the largest. In 1998, people gambling in the US lost \$50 billion (£33.3 billion)²⁰. In 1997, lotteries in 37 states and Washington DC garnered \$34 billion (£22.6 billion) in sales. Casinos are legal in 28 states and the largest casino market is in Nevada. It has 429 full-scale casinos, 1978 slots-only casinos and one Indian casino. Its gross gaming revenues for 1997 were \$7.87 billion (£5.25 billion). Despite its popularity, sports betting is illegal in all but two states (Nevada and Oregon).²¹ In 1998, sports betting reached \$2.3

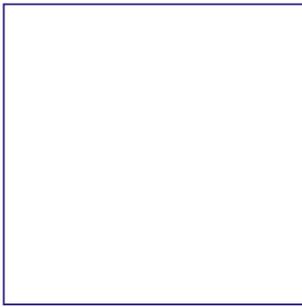
billion (£1.5 billion) in Nevada's legal sports book. Estimates of the scale of illegal sports betting in the United States range from \$80 billion (£53 billion) to \$380 billion (£253 billion) annually, making sports betting the most widespread and popular form of gambling in the US.²²

Gaming and betting duty

5.21 In all, there are forty different excise duties of which six relate to gambling. There are duties on the National Lottery, pool betting, bingo, gaming and general betting, and amusement machine licences. Some activities are not subject to duty including cash bets taken by on-course bookmakers, bingo promoted by all member clubs or at travelling fairs, and lotteries (other than the National Lottery).²³

5.22 The individual activity chapters examine tax and duty rates that apply to each activity in more detail. Figure 5.x shows the amounts of gambling duty collected from 1995 to 2000 and the share of gambling taxation each sector contributes. Overall since its launch, the National Lottery has contributed around 40% of all duty collected - the largest share of duty. Betting contributes the second largest share at around 30%. The largest change has been in football pools. The duties collected from pools have fallen from £191m to £38m in the last five years.

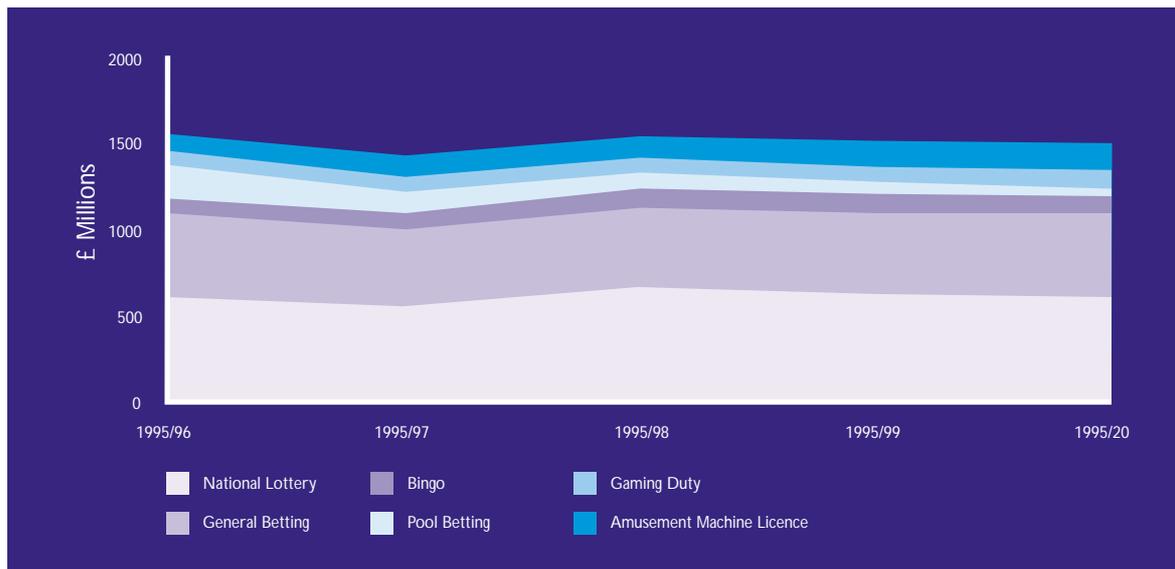
18-Using a conversion rate of (NZ)\$3 to (GB)£1 19-Department of Internal Affairs (2001) 16 20-Using a conversion rate of (US)\$1.50 to (GB)£1 21-Sports betting refers to betting on the outcome of a contest. People bet on the outcome of many events, whether the outcome of the Academy Awards, individual athletic performances, or teamplay. For the purposes of this section on sports betting in the US, the term does not cover pari-mutuel activity which is legal in many states. 22-National Gambling Impact Study Commission (1999) 2-14 23-National Audit Office (2000) 11



	1995-96	1996-97	1997-98	1998-99	1999-00
National Lottery	£612m	£558m	£675m	£628m	£609m
% of duty	38.9	38.7	43.3	41.0	40.2
General Betting	£489m	£453m	£462m	£480m	£492m
% of duty	31.1	31.5	29.7	31.4	32.5
Bingo	£91m	£96m	£102m	£105m	£107m
% of duty	5.8	6.7	6.5	6.9	7.1
Pool Betting	£191m	£127m	£97m	£70m	£38m
% of duty	12.1	8.8	6.2	4.6	2.5
Gaming Duty	£84m	£79m	£92m	£91m	£107m
% of duty	5.3	5.5	5.9	5.9	7.0
Amusement Machine Licence	£107m	£128m	£131m	£157m	£160m
% of duty	6.8	8.9	8.4	10.2	10.6
Total betting, gaming & lottery duties	£1,573m	£1,441m	£1,559m	£1,530m	£1,513m

Source: Customs & Excise

Figure 5.x: Sector share of total gambling duty revenues



Source: Customs & Excise

Figure 5.xi: Sector share of total gambling duty revenues

5.23 According to a National Audit Office (NAO) report on revenue from gambling duties, in 1998-99 Customs & Excise collected £1,530 million in gambling duties; an increase of some 22% over the £1,256 million of gambling duties collected in 1993-94. During this period gambling duties have provided some 1.6% of the total annual revenue, including VAT, collected by the

Department. In 1998-99, this represented an average rate of 22% of the £7 billion net amount spent on gambling in the United Kingdom, which was nearly 1.3% of consumer expenditure or £284 for every household.



chapter six

Gaming Machines

6.1 The 1968 Gaming Act permits three types of gaming machine:

- Jackpot machine (section 31, 1968 Act). These are permitted only in casinos, bingo halls and in clubs. The maximum stake is 50 pence and the maximum prize is £1000 (in casinos), £500 (in bingo halls) or £250, (in clubs).
- Amusement with Prizes machine (AWP) (section 34(1), 1968 Act). AWP's are most commonly found in arcades, but can be located in other premises, such as fish and chip shops, with the consent of the local authority. The maximum stake is 30 pence and the maximum prize is £5 cash or £8 tokens (or a non-cash prize).
- All-cash machine (section 35 (5(e), 1968 Act)). These are located in arcades, bingo halls, pubs and betting shops. The maximum stake is 30 pence and the maximum prize is £15.

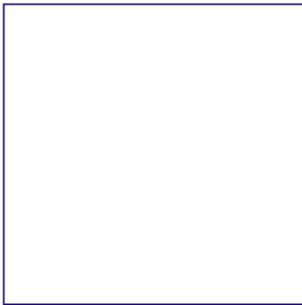
6.2 Most gaming machines are of the reel-based type, also known as fruit machines. Although machines have a variety of other game features, the player wins by matching the symbols, possibly fruit, on the central line of the three reels. Some machines – including most jackpot machines – spin four reels.

6.3 In this report we have used the descriptions outlined above. Confusingly, both amusement with prizes and all-cash machines are often referred to as “AWP’s”. When we have quoted directly from the industry, we have used their terminology. Games using skill, including quiz machines, are not classified as gaming machines and are thus not subject to the limits as listed above. Other types of machines, which do fall to be classified as gaming machines under the 1968 Act, include pinball machines, pushers (penny falls) and cranes (or grabbers). Figure 6.i summarises some of the current siting restrictions.

Location	Jackpot	£15 all-cash	£5 cash/£8 token
Casinos	✓ 10 max. jackpots £1000		
Bingo clubs	✓ 4 max. jackpots £500	or ✓**	✓
Licensed betting office		✓ 2 only	
Clubs (Working Men's; Sports; Social; Political Party)	✓ 3 max. jackpots £250		
Inland arcades		✓*	✓
Seaside arcades		✓*	✓
Pubs		✓**	✓
Racecourses & dog tracks (as liquor licensed premise)		✓**	✓
Other liquor licensed premises (inc. leisure centres, roadside services, railways stations)		✓**	✓
Motorway services		✓*	✓
Cafés; minicab offices; fish and chip shops			✓
Travelling Fairs			✓***

* Designated area
 ** Numbers can be controlled by licensing justices discretion
 *** But must not be the only, or substantial, inducement to attend. Must only remain temporarily in one area

Figure 6.i: Summary



Age group	% of gaming machine players
16-24	32
25-34	22
35-44	15
45-54	8
55-64	6
65-74	3
75+	1

Source: Sproston, Erens & Orford (2000)

Figure 6.ii: Gaming machine participation within the past year

Designated areas

- 6.4 Premises with a local authority licence to site all-cash machines (usually amusement arcades) operate a designated area. This is an area which is fenced off from the rest of the floor, separating the all-cash machines from the AWP. It is open only to those over the age of 18 and access to the area must be supervised. Some operators choose to restrict entry to the whole premises to those over 18, effectively making the entire venue a designated area.

Punters

- 6.5 Overall, gaming machine players are likely to be from younger age groups and male. The Prevalence Survey found that 14% of people surveyed had played on gaming machines in the past year. However, gaming machine play was one of the gambling activities with the biggest differences between the sexes; 20% of men and 8% of women had played on a gaming machine in the past year. The highest levels of participation were found among the two youngest age groups in the survey: 16-24 year olds and 25-34 year olds. The lowest levels of participation were found among the oldest age groups.¹ There was little variation in gaming machine play between people in different social classes.²

Average spend

- 6.6 The Prevalence Survey did not distinguish between the location of gaming machines when calculating the net expenditure (the amount a player started with minus the amount he finished with) of people on gaming machines. However, it found that for those who had played on a gaming machine in the last seven days, 27% had broken even or won, 10% had lost less than £1 and 41% had lost £1-£5. 3% of people had lost more than £20 and one-third of those lost more than £50.³
- 6.7 The report for Business in Sport and Leisure (BISL), conducted by KPMG, separated the spend by location and asked respondents to report the average amount

they had spent on the most recent occasion.⁴ As figure 6.iii shows, they found that the highest reported spend was on gaming machines in casinos, £118.65, and the lowest in cafes, £2.78.

- 6.8 In 1997, the Brewers and Licensed Retailers Association (BLRA) commissioned MORI to carry out a survey on gaming machine playing among pub visitors. It found that 19% of pub visitors played on AWP or all-cash machines and spent about £2-3 each time.⁵
- 6.9 Thomas Estates submitted information about its bingo operations. It calculated that in its highest play bingo club, the spend on machines averaged less than £2.50 per head.⁶ The overall average spend per head of those who entered bingo clubs was £2.41 which translated to £7.23 for each gaming machine player because "...about 35% of people entering the club actually play the machines".⁷ However, in its evidence to us, the Bingo Association stated that the numbers playing on the machines have fallen from around 36% to about 28%.⁸

The Industry

Trade Associations

- 6.10 Trade associations involved in the gaming machine industry fall into two categories. First, those which have a primary focus on gaming machines, and which represent the manufacturers and users of gaming machines. Second, those which represent trade organisations, such as pubs, and which have interests in addition to gaming machines.
- 6.11 The largest gaming machine trade association is the British Amusements Catering Trades Association (BACTA). BACTA consists of four divisions and represents the manufacturers, operators and owners of coin-operated gaming and amusement equipment. It has 585 members, who are responsible for the operation of 90% of machines in the UK (though they do not necessarily represent 90% of the gaming

1-Sproston, Erens & Orford (2000) 19 2-Ibid, 24 3-Sproston, Erens & Orford (2000) 37 4-BISL (2000) 5-BLRA (2000) 2/3 6-Thomas Estates (2000) 2 7-Thomas Estates (2000) 2 8- Bingo Association at the GRB Oral Evidence Hearing, 20/11/2000



Location of gaming machine	Average spend £
Casino	118.65
Inland arcade	9.33
Seaside arcade	6.89
Bingo hall	6.05
Pub	4.60
Club	4.48
Betting shop	3.20
Cafes & Takeaways	2.78

Source: BISL (2000) 50

Figure 6.iii: Gaming machine average spend, by location

machine operators in the UK).⁹ BACTA and the Gaming Board have a working group which, among other things, has produced a Unified Code of Practice and guidelines for machine control.¹⁰ Operators of gaming machines, such as bingo halls, clubs and pubs, have trade groups representing their issues in general which include gaming machines among them.

Industry size, structure and turnover

6.12 Information on the size of the gaming machine sector relies, almost entirely, on information provided by the industry. Whilst those who wish to sell, supply or maintain gaming machines need a Gaming Board certificate, these certificate holders are not required to submit to the Board details of the numbers of machines they handle. Therefore the Gaming Board does not hold statistics on machine numbers and locations.¹¹ Although some parts of the sector are required to register with the Gaming Board or local authority, other parts operate without reference to any statutory body so very limited data are available.

6.13 We received evidence from two industry groups: BACTA and the Amusement Gaming Industry Forum (AGIF). The detailed evidence and data submitted by BACTA have been quoted where no official data are available.

6.14 The industry has a number of different layers: the first level consists of the gaming machine manufacturers who supply both domestic and export markets; the second is the machine suppliers, and the third is the locations or premises where the machines are sited. In some cases, particularly with large pub chains, site owners act as intermediaries between the suppliers (level 2) and eventual locations (level 3). This is shown in figure 6.iv.

Machine manufacturers

6.15 Gaming machine manufacturers are involved in both the design and manufacture of machines. Most

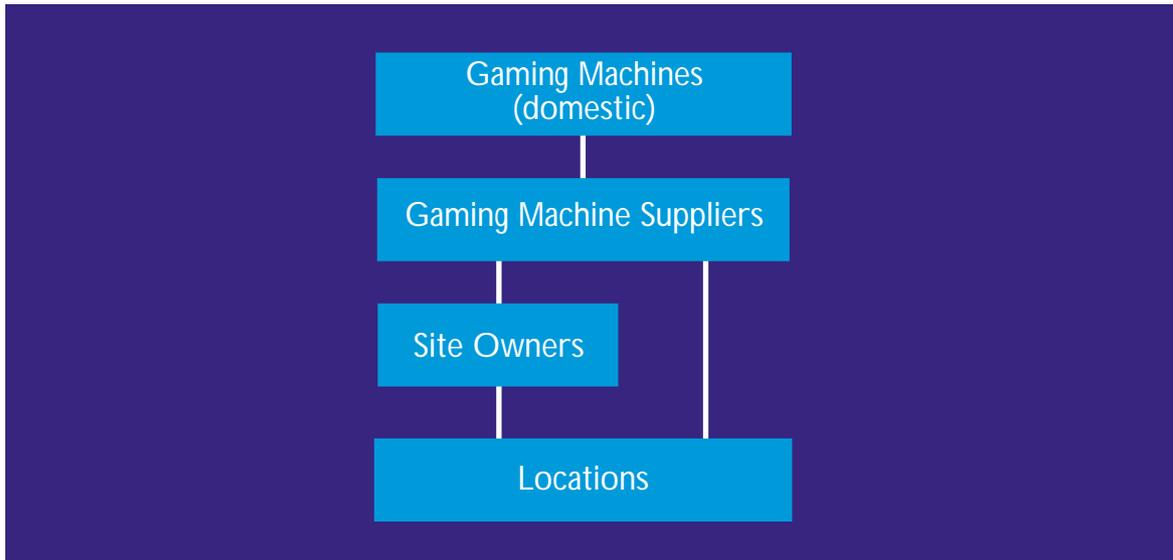
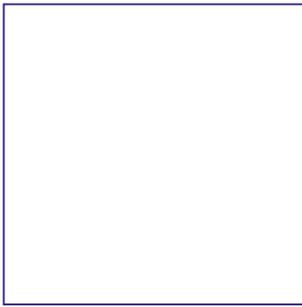
manufacturers are owned by public limited companies or major leisure corporations.¹² A number of major manufacturers and smaller companies are also involved in the conversion and rebuilding of used equipment for which there is a significant market, and the export of machines. We received evidence from BACTA and from a number of individual UK machine manufacturers.

6.16 The industry told us that machine manufacture has been characterised by “roller coaster trading” trends in the UK over the last thirty years. Sales of AWP (and all-cash machines) rose to 80,000 units in the mid 80s, but declined to some 50,000 units in the year 2000.¹³ More specifically, BACTA states that in 1999, UK gaming machine manufacturers produced and sold approximately 107,000 new gaming machines worth about £180m.¹⁴ The domestic market took 68% of the new machines. Of the total manufactured, 62,000 were all-cash machines, 4,000 were AWP and 7,000 were jackpot machines. The remaining 34,000 were exported to places such as Holland, Belgium, Germany, Spain, Eastern Europe, Africa and the USA.¹⁵ Figure 6.v shows the percentage breakdown. Bell Fruit Games alone sold a total of 23,000 gaming machines to the UK and overseas. Total sales were worth £36m and the UK market share was about 22%.¹⁶

6.17 According to BACTA, manufacturers sell most of their new machines directly to the larger machine suppliers or through a network of certified machine distributors.¹⁷

Machine suppliers, operators and distributors

6.18 Gaming machine suppliers are third party operators who supply and service machines for the many retail outlets, pubs, bingo halls, leisure centres and motorway service stations. They buy gaming machines from manufacturers and then offer the machines on a rental basis to site owners and operators, with a full back-up



Source: BACTA (2000)

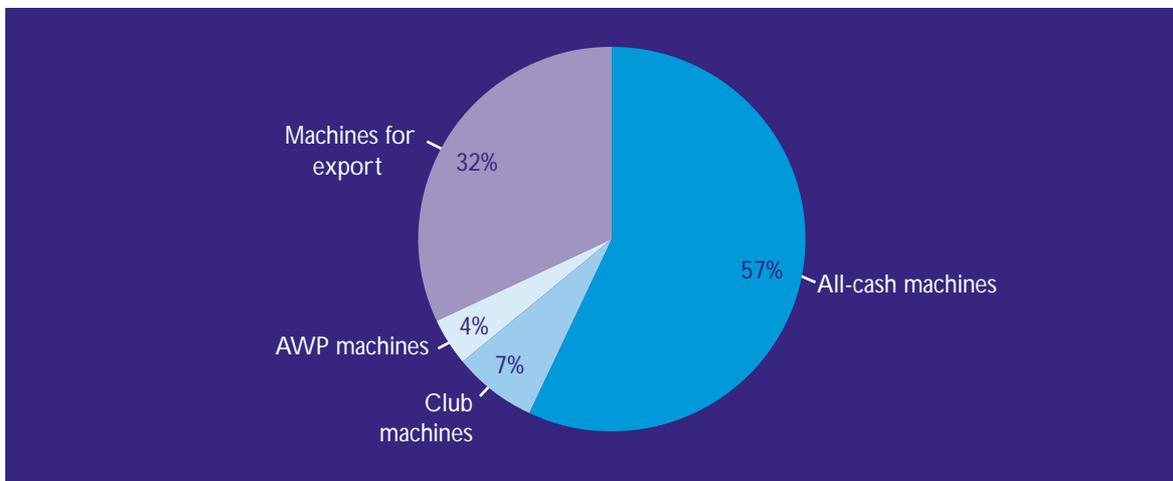
Figure 6.iv: Gaming Machines Industry

and maintenance service. Operators are also likely to offer other coin-operated machines such as skill games, pool tables, video games and jukeboxes. They receive a weekly rental for the gaming machines and a share of the cashbox in the case of other machines.¹⁸

6.19 BACTA told us that suppliers range in size from those that operate over 60,000 machines to those that operate fewer than 50 machines. Many of the larger operators supply machines on a national basis to site owners, such as pub chains. The smaller operators are more likely to operate more locally.¹⁹ We received evidence from Leisure Link Group Ltd and Kunick plc who are gaming machine suppliers.

6.20 Leisure Link described its coin-operated machinery as ranging from casino jackpot machines to payphones. It operates about 90,000 pieces of equipment and claims to be the largest operator in the UK. It supplies many of the major site owners in the UK, including Bass plc, Scottish Newcastle plc, Punch and Gala Bingo.²⁰

6.21 Kunick plc manages the Kunick Group's amusement and gaming machine interests. It has 31 depots covering the country and has 45,000 products sited in over 20,000 locations. It supplies games and amusements to Whitbread plc, William Hill, Scottish and Newcastle, Bass and others.²¹



Source: BACTA (2000) Appendix 1

Figure 6.v: Machine Manufacturing Market, 1999



Site owners and locations

6.22 The absence of a requirement to submit details of the numbers of gaming machines handled or operated to any statutory body means that there is no exact information on the number of machines currently in operation in the UK. However, the Gaming Board, using data provided by the industry, states that there are thought to be around 250,000 gaming machines of one sort or another (of the reel-based type) sited in Great Britain. They are thought to include around 32,000 jackpot machines and around 218,000 AWP and all-cash machines. In addition there are estimated to be another 10,000 pinball, pushers and crane grab machines.²²

Pubs and liquor licensed premises

6.23 The number of all-cash machines that pubs are permitted to have is determined by the local licensing justices (England and Wales) or licensing board (Scotland). It is common to see two all-cash machines in a pub plus other machines, such as quiz machines, which use skill and are not subject to the same restrictions. Other premises with a liquor licence can also have all-cash machines or AWP as long as they are installed in the bar area; hence gaming machines are sited in railway stations, roadside services, leisure centres and so on.

6.24 Pubs are the largest single sector in the gaming machine market, although there are conflicting estimates on the percentage of AWP and all-cash

machines in pubs. Representatives from the pub industry suggest that they control around 40%²³ of AWP and all-cash machines, whereas estimates from the gaming machine industry suggest a slightly lower figure, nearer to 35%²⁴. However, around 70-80% of all new AWP machines manufactured for the UK are initially sited in the pubs.²⁵

6.25 We received submissions from three major pub retail chains, Bass plc, Scottish & Newcastle Retail Ltd and Whitbread plc as well as Allied Leisure and the Punch Group. We also received submissions from three associations representing the interest of pubs: the Brewers and Licensed Retailers Association (BLRA), the British Institute of Innkeeping, and Business in Sport & Leisure (BISL).

6.26 BLRA told us that there are around 60,000 managed, tenanted and leased pubs, and free houses. There are about 77,000 all-cash machines and AWP sited in pubs, giving an average density of 1.28 machines per pub although the density of machines is higher in managed pubs, at 1.89.²⁶ The total turnover of the pub industry is said to be in the region of £17.7 billion per annum, of which gaming machines contribute £0.6 billion or around 3%.²⁷ Bass Leisure Retail's interest alone includes 2,500 managed pubs and bars, as well as restaurants and bowling sites, and approximately 6,000 all-cash machines.²⁸ BACTA estimates that about a further 5,200 all-cash machines and AWP are located in liquor licensed premises that include leisure centres, roadside services, cafes and railway stations.²⁹

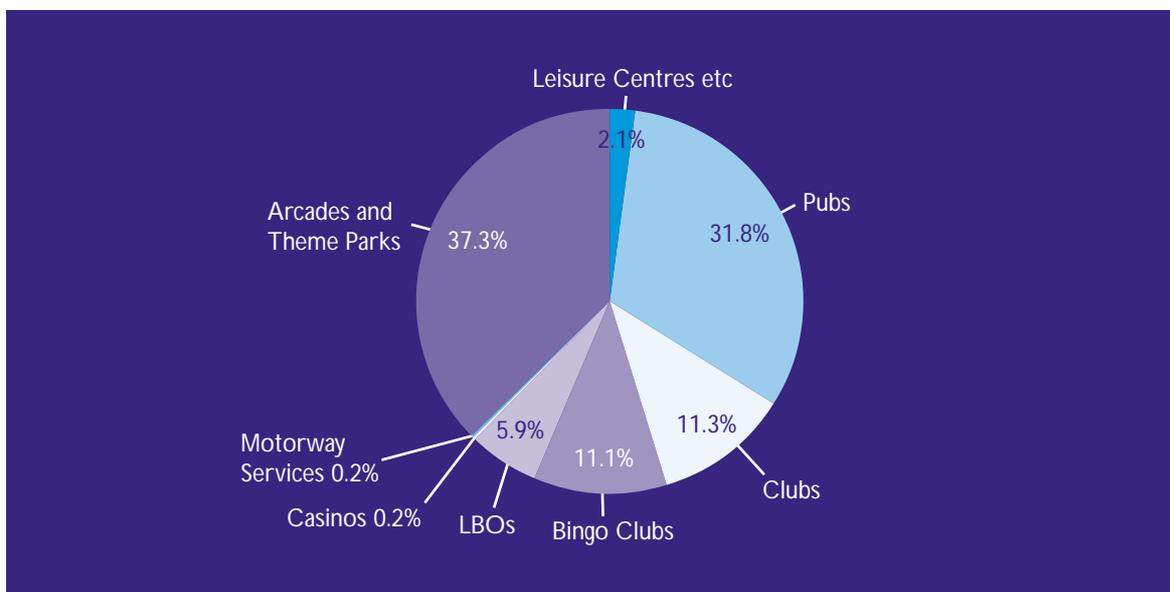
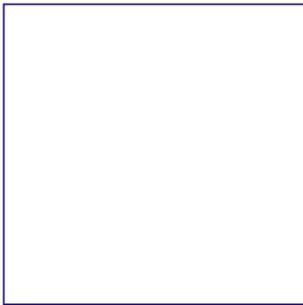


Figure 6.vi: Gaming Machine Industry Numbers

Source: BACTA (2000) Appendix 1

22- Gaming Board for Great Britain (2000) 45 23- BLRA (2000) 5 24- BACTA (2000) Appendix 1 25- Ibid, 68 26- BLRA (2000) 2 27- Ibid 28- Bass Leisure Retail (2000) 2 29- BACTA (2000) Appendix 1



- 6.27 Pub operators told us that gaming machines are an important feature in pubs, both economically for the retailer and as part of the service to the customer. Machines are considered to be so important that even though all the pub retailers use the services of machine suppliers, the larger groups also employ their own specialist management teams to focus on and maximise machine income for their estates.³⁰

Machine Turnover and Trials

- 6.28 The gaming machine sector in the major pub estates is characterised by a quick turnover of machines. Use of a new game peaks quickly after siting but falls over a period of time. Machines are moved from site to site on a regular basis in order to maximise revenue. BACTA estimates that, on average, machines stay on site for ten weeks and have an average lifespan of twelve months, during which time they will be sited at about five different locations. Machines will then be moved on to the secondary pub estates, likely to be leased and tenanted estates managed by the multiple pub companies and then the free estate. This extends machine site life by a further 12 to 18 months.³¹ Operators claim that these secondary sites are not so focused on optimum machine performance as the managed estates and are therefore satisfied with older games.³²
- 6.29 Site owners, and particularly those that manage the major pub retail estates, insist on gaming machines with a proven popularity, so operators carry out a significant amount of site testing. The overall rejection rate is high; in 1999 only 60 out of 180 different test models went on to full production.³³ Industry sources claim that approval by the major pub retail chains holds significant sway within the gaming machine industry; failure to obtain game approval from any pub retailer would result in zero sales for that game, whilst approval from all major retailers could result in sales of 2,000 units for that game.³⁴

Licensed Betting Offices

- 6.30 Licensed betting offices are permitted to have up to two all-cash machines. Local licensing justices (or Licensing Board in Scotland) issue the betting office licence which brings with it an entitlement to gaming machines.
- 6.31 The Betting Office Licensees Association Limited (BOLA) suggests that most betting offices have two all-cash machines.³⁵ BACTA estimates that there are about 14,500 all-cash machines in betting offices.³⁶
- 6.32 Information from suppliers in the industry suggests that the market structure for machine supply to

betting offices is very similar to the pub estate. The major chains, such as Ladbrokes, William Hill, Coral and Stanley, demand significant injection of new games but only after a thorough testing and approval process.³⁷

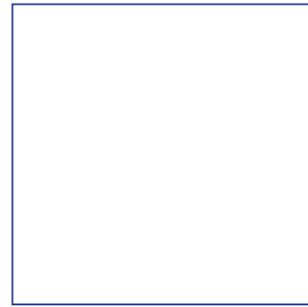
Bingo halls

- 6.33 Bingo halls are allowed either jackpot machines or all-cash machines. They can have up to four jackpot machines with a maximum prize of £500 and stake of 50p. The maximum number of all-cash machines is determined by the local licensing justices. A deregulation proposal permitting bingo clubs to mix jackpot and all-cash machines was laid before Parliament in March 2001 but was not approved.³⁸
- 6.34 The Gaming Board started collecting data on the number of gaming machines in bingo clubs in 1997-98. The survey found a total of 17,770 gaming machines in 1997-98, a total of 19,070 in 1998-99 and 17,933 in 1999-00. More details can be found in figure 6.vii. We were told that on average, bingo clubs tend to have between 40 and 60 all-cash machines. The highest number in the country is around 160.³⁹ Approximately 165 of the smaller bingo clubs opt to use the four jackpot machines rather than have all-cash machines. The Bingo Association states that revenue from gaming machines⁴⁰ accounted for 25-30% of income in bingo clubs.⁴¹
- 6.35 BACTA told us that many of the new all-cash machines sold to bingo halls, amusement centres and arcades tend to be of a slightly different nature from those sold to pubs and betting offices. Generally the games are simpler and packaged in cabinets reminiscent of American slot machines. Models designed for this sector tend to have a much longer sales life and can sell in high volume over a period of time.⁴² Industry sources suggest that although the maximum stake is 50p on jackpot machines, in practice they play 25p or 30p.⁴³

Inland Amusement Arcades, Seaside Arcades and Family Entertainment Centres

- 6.36 According to BACTA, there are around 1,000 inland amusement centres in the UK, typically found on the high street. The majority are single, operator-owned sites although there are companies that run up to 50 sites.⁴⁴ Estimates suggest that there are a further 1,000 seaside arcades and amusement centres which might typically include theme parks and piers. We have used the term "family entertainment centre" to refer to premises, such as seaside arcades and arcades in theme

30- Ibid, 53 31- Kunick plc (2000) 5 32- Ibid 33- BACTA (2000) 53 34- BACTA (2000) 54 35- BOLA (2000) 4 36- BACTA (2000) Appendix 1 37- Kunick plc (2000) 5 38- Select Committee on Deregulation (2001) 39- Information supplied during a visit to Beacon Bingo, Cricklewood, 26th July 2000 40- Thomas Estates (2000) 2 41- Bingo Association at the GRB Oral Evidence Hearing, 20/11/2000 42- BACTA (2000) 54 43- Thomas Estates (2000) 2 44- BACTA (2000) 14



	1997-98	1998-99	1999-2000
AWP (all-cash and AWP)	17,159	18,387	17,274
Jackpot : £250 prize	611	654	599
Jackpot : £500 prize		29	60
Total	17,770	19,070	17,933

Figure 6.vii: Gaming machine numbers in bingo halls

parks, where the emphasis is on providing machines for children, rather than adult gaming. We received evidence from the British Association of Leisure Parks, Piers and Attractions (BALPPA).

- 6.37 BACTA estimates that inland arcades, seaside arcades and amusement centres have around 52,000 AWP machines⁴⁵ and 41,000 all-cash machines. The University of Salford estimated that in 1996 the amount wagered was £2,169m and the gross gaming yield (ie. money paid in minus money paid out as winnings) was £321m. By 1998, the amount wagered had increased by 7% to £2,320m and the gross gaming yield to £471m, as shown in figure 6.viii.
- 6.38 The British Resorts Association was one of many organisations that commented on the long-term decline of seaside resorts.⁴⁶ The industry also reports that seaside arcades have been in gradual decline as businesses over the last two decades.⁴⁷ Pier operators rely heavily on income from gaming machines which can account for 25% to 40% of total pier income, and almost all income in seaside arcades.⁴⁸
- 6.39 The majority of inland arcades are adult-only; those that are not, operate a 'designated area' system. Most of the pub style machines will have been purchased as pre-owned from the machine suppliers.⁴⁹ The industry states that competition from home computers has destroyed the video-game market so most arcades now contain only AWP's.

Clubs

- 6.40 Private clubs are permitted to have three jackpot machines with a maximum prize of £250. Such clubs require membership and include premises such as health and sports clubs, working men's clubs, ex-servicemen's clubs, political clubs and student unions. We received evidence from the Working Men's Club and Institute Union Limited on behalf of the 3,000 non-profit making working men's clubs that are affiliated to them.
- 6.41 BACTA estimates that there are over 29,500 different clubs in the UK with over 28,000 jackpot machines.⁵⁰ Estimates from the University of Salford suggest that in 1996, clubs' gross gaming yield from gaming machines was around £252m. Two years later it had decreased slightly to £251m.

Casinos

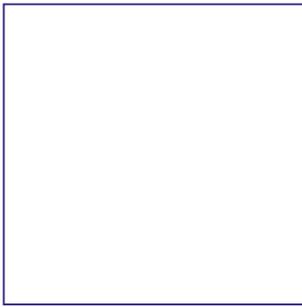
- 6.42 Casinos are permitted to have up to 10 jackpot machines with a maximum stake of 50p and a prize of £1000. Winnings must be paid out in cash.⁵¹
- 6.43 In addition to comments made by BACTA, we also received evidence from the British Casino Association (BCA) regarding gaming machines in casinos.
- 6.44 According to BACTA, there are 612 jackpot machines sited in casinos. This represents a small fraction of all

(£ million)	1996	1998	% change
Amount wagered less winnings	2,169	2,320	7.0
	1,848	1,849	0.1
Gross gaming yield	321	471	46.7%

Figure 6.viii: Gaming machine activity in amusement arcades

Source: Gaming Board for Great Britain reports 1997-98, 1999-00

Source: Centre for the Study for Gambling & Commercial Gaming, University of Salford



gaming machines, or around 2% of all jackpot machines. The BCA told us that gaming machines contribute less than 1% of casino gross gaming yield in Britain. In most European casinos, machines provide the majority of their gross gaming yield.⁵²

- 6.45 The BCA also told us that machine manufacturers are not willing to develop new models for the very small British casino market, which means that only old-fashioned machines are available.⁵³

Cost of Licences and Registration

- 6.46 Gaming machine suppliers must have a section 27 certificate for the sale, supply or maintenance of gaming machines. Between 1990 and 2000, the number of section 27 certificates in force dropped by over a quarter. In 1990, there were 1,080 in force, but by 1999-00 this had dropped to 773. A small number are refused or revoked every year. The highest number to be refused or revoked was six (in 1991-92 and 1995-96). Over the same period the cost of the section 27 certificate, which lasts five years, increased from £2,350 to £3,810. The cost of renewals increased from £920 to £1,520.

Duty

- 6.47 The duty on gaming machines is the amusement machine licence duty. Different rates of duty apply to AWP's, all-cash machines and jackpot machines, depending on the stake and prize level. Companies that are registered for VAT also pay VAT on the gross gaming yield of the machine (which is the amount of money paid in, or wagered, minus the money paid out as winnings). Customs & Excise report that around 95% of gaming machine operators pay VAT on the gross gaming yield although it is not possible to separate that portion of VAT from the rest of the VAT paid by the business.
- 6.48 In 1990, the cost of an AWP licence was £375. By 1999-00, it had increased to £645. The cost of a jackpot machine licence increased from £960 in 1990-91 to £1,815 in 1999-00.
- 6.49 The total amount of duty collected increased from £98.6m in 1990-91 to £160.3m in 1999-00. The amount of duty collected increased substantially twice during that decade. Figure 6.xi contains more details.

(£ million)	1996	1998	% change
Amount wagered	1,261	1,253	-0.6
less winnings	1,009	1,002	-0.7
Gross gaming yield	252	251	-0.4

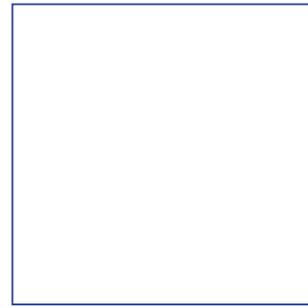
Figure 6.ix: Gaming machine activity in clubs

	No.	%
Casinos	612	2.1
Clubs	28,100	97.2
Bingo halls	200	0.7
Total	28,912	100

Figure 6.x: Jackpot machine numbers

Source: Centre for the Study for Gambling & Commercial Gaming, University of Salford

Source: BACTA (2000) Appendix 1



Employment

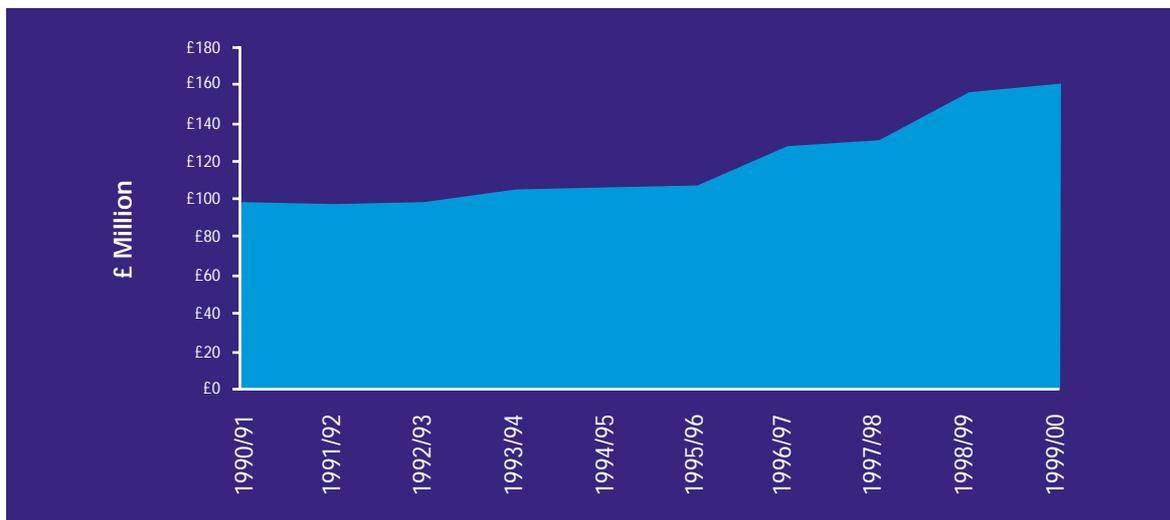
6.50 Evidence supplied to us by BACTA, which uses extracts from a model prepared by the Henley Centre, suggests that around 25,000 people are employed as a direct result of the gaming machine industry. Of these 1,800 people are employed in full-time positions in the manufacturing and conversion market. A further 122 work in the import sector and 130 people are employed by distributors. Operators employ 7,662 people. Assessing the number of people employed by premises on which gaming machines are operated is

complex. Although gaming machines are the primary activity in inland and seaside arcades, they are an incidental activity, in terms of staffing needs, in other locations such as pubs, betting shops and clubs. Gaming machines are a significant activity in bingo halls and casinos, if not necessarily the main activity for most attendees. BACTA estimated that around 4,380 people were employed in inland arcades and 9,000 people in seaside arcades.⁵⁴ This does not take account of indirect employment as a result of gaming machines, or the businesses that rely on income from gaming machines to support other parts of their operation.

		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
AWP Machine Licence cost	Lower	£150	£150	£150	£150	£535	£535	£535	£535	£645	£645
	Higher	£375	£375	£375	£450	£535	£535	£535	£535	£645	£645
Jackpot Machine Licence cost	Lower	£375	£375	£375	£450	£535	£535	£535	£535	£645	£645
	Higher	£960	£960	£960	£1150	£1375	£1375	£1375	£1375	£1815	£1815
Plus VAT on gross gaming yield		17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Value of duty collected											
£million		£98.6	£96.7	£98.5	£104.4	£106.1	£106.6	£128.0	£130.9	£156.5	£160.3
% change			-2.0	1.9	6.0	1.6	0.5	20.1	2.3	19.5	2.4

Source : Customs & Excise

Figure 6.xi: Gaming machine duty collected, 1990-2000



Source : Customs & Excise

Figure 6.xi: Value of duty collected on gaming machines, 1990-2000



chapter seven

Table Games in Casinos and Elsewhere

- 7.1 Table games are the kind of games conventionally associated with a casino. They include roulette, dice games such as craps and card games like blackjack.
- 7.2 Table gaming is governed by the Gaming Act 1968. The Act provides for the licensing and regulation of casinos and more specifically the gaming they provide.¹
- 7.3 As with bingo, the following forms of gaming are exempted from the general scheme of licensing and registration:
- gaming at home
 - gaming in certain clubs and institutes where chances are equal as between players, subject to restrictions on charges for taking part
 - certain minor gaming on premises licensed under the liquor licensing laws
 - gaming at certain entertainments, not for private gain
 - gaming by way of amusements at bazaars and fêtes
 - gaming by way of amusements with prizes at commercial entertainments.²

Permitted areas

- 7.4 Casinos may only operate in 53 permitted areas. These areas were set out in a regulation order in 1971 and are generally the areas of former county boroughs with populations of over 125,000 at that time. The 53 areas are as listed in figure 7.i, together with the number of casinos in each one. The government suggested a further 13 new areas in 1996, however it did not take the proposals forward.³

Demand test

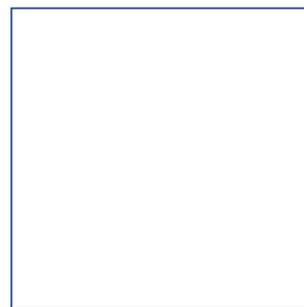
- 7.5 The Gaming Act 1968 places a responsibility on licensing authorities to consider demand for gaming before granting a licence and gives them a discretion to refuse an application (for a casino licence) if unmet demand is not demonstrated.⁴ The Gaming Board may advise the licensing authority, and it reviewed its policy on this in October 1999. It had formerly lodged formal objections in nearly all applications where there was already at least one casino in the area. The Gaming Board has since published a new policy having changed the criteria on which it judges unmet demand and in its 2000 annual report it suggested that the number of objections it made would be considerably reduced.⁵

Operating restrictions

- 7.6 In addition to the restrictions on players, casinos are subject to the following:
- opening hours. Casinos may only open between 2pm and 6am on weekdays and until 4am on Sundays⁶
 - advertising. Following a deregulation order in August 1999, casinos are now permitted limited advertising in written publications. Prior to this, section 42 of the Gaming Act effectively prohibited all advertising
 - entertainment. Casinos are not allowed to provide any form of live entertainment
 - alcohol. Alcohol is not to be taken on to the gaming floor.

Types of casino games

- 7.7 Both the games that can be played in a casino and the odds are regulated. The current bankers games that are allowed are: roulette, blackjack, punto banco, craps (dice), baccarat, Casino Stud Poker and Super Pan 9. In these, the bank is held by the house (the casino) and pays odds which are slightly in its favour. Games of equal chance in which the members of the casino club play among themselves and each has an equal mathematical chance of winning may be played in a separate card room, for which a charge can be made by the casino for its use.



England	102	Scotland	12	Wales	4
Birkenhead	1	Aberdeen	2	Cardiff	3
Birmingham	5	Dundee	1	Swansea	1
Blackpool	2	Edinburgh	4		
Bolton	1	Glasgow	5		
Bournemouth	2				
Bradford	2				
Brighton	2				
Bristol	3				
Coventry	2				
Derby	2				
Dudley	1				
Great Yarmouth	2				
Hove	1				
Huddersfield	1				
Kingston upon Hull	1				
Leeds	4				
Leicester	2				
Liverpool	3				
London	23				
Luton	2				
Lytham St Annes	1				
Manchester	5				
Margate	2				
Newcastle upon Tyne	2				
Northampton	1				
Nottingham	2				
Plymouth	2				
Portsmouth	3				
Ramsgate	1				
Reading	2				
Ryde	0				
Salford	2				
Sandown/Shanklin	0				
Scarborough	1				
Sheffield	3				
Southampton	2				
Southend-on-Sea	2				
Southport	1				
Stockport	1				
Stoke-on-Trent	1				
Sunderland	1				
Teesside/Middlesborough	1				
Torbay	1				
Walsall	2				
Warley	0				
West Bromwich	0				
Wolverhampton	1				

Source: BISL (2000)

Figure 7.i: Number of licensed clubs operating, 31 March 2000



Punters

- 7.8** Table gaming is an activity in which few participate. The Prevalence Survey reported that table games in a casino was the activity least likely to have been undertaken by respondents. Only 3% of respondents had played in the last year, comprising 4% of men and 1% of women.⁷ The ONS survey showed similar figures: 5% of men and 2% of women had taken part in casino gaming (4% of all respondents).⁸ The figures are not directly comparable, because the Prevalence Survey asked particularly about table gaming, whereas the ONS survey looked at all gaming in a casino, which would include gaming machines. The age groups which had the highest level of participation were 25-34 year olds (5% according to the Prevalence Survey) and 16-44 year olds (5% according to the ONS survey). Very few people over 65 reported playing within the past year.⁹ The ONS survey also showed that casino gaming was far more common among younger men than women: 9% of men aged 16-24 and 8% of men aged 24-44 had taken part in casino gaming, compared to 1% and 2% of women respectively.
- 7.9** The Prevalence Survey found that the highest level of participation in table games was found in social class I (5%) and the lowest in social class V (1%).¹⁰ The ONS survey showed regional preference: the North, Midlands and East Anglia, London, Wales and Scotland all scored between 3 - 4%. The South East had the highest at 6% and the South West, the lowest with 1%.¹¹ Even though Londoners report similar

participation levels as other parts of Britain, the British Casino Association told us that London casinos account for two thirds of UK casino earnings, but this is accounted for by high-spending overseas visitors.¹²

Average spend

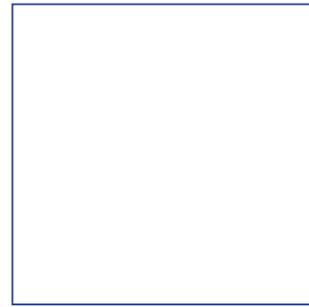
- 7.10** The Prevalence Survey reported the net expenditure for table games in a casino – that is, the amount a player started with, less the amount he finished with. The Prevalence Survey noted that the base of respondents who had participated in casino gaming in the previous seven days was too small for reliable estimates. Overall, the Prevalence Survey found that 35% of people had won or broken even and 28% had lost less than £20 in the last week. 10% of respondents had lost between £50-£200, and 10% had lost more than £200.¹³ A consortium from the British casino industry commissioned Dr Susan Fisher to undertake research into gambling among casino patrons in 1996.¹⁴ Dr Fisher found that only 11% of respondents had spent more than £100 on casino games, but that figure included 2% who had lost between £501-£1,000 and 1% who had lost more than £1,000.¹⁵ The BCA reported that the average spend per visit on gaming in 1998-99 was £40. However, this sum is substantially dependent on high-spending overseas visitors at London's 23 casinos.¹⁶ Three quarters of all visits occur outside London where the average net spend in 1998-99 was £21.¹⁷

Age	Gambling activity participated in within last year %							Total
	16-24	25-34	35-44	45-54	55-64	65-74	75+	
Prevalence Survey - Table games in a casino	4	5	3	2	1	*	*	3
ONS Survey - Gaming in a casino	5	5	4	2	2	0	0	4
ONS Survey – Men	9	8	3	1	1	0	0	5
ONS Survey – Women	1	2	5	3	3	0	0	2

* Signifies a positive value of less than 0.5%

Figure 7.ii: Participation in table games

Source: Sproston, Erens & Orford (2000) & Office of National Statistics (2001) Module 278



Admissions

7.11 The Gaming Board reported that casinos received 11.2 million visits in Great Britain in 1999-2000, a decrease of 2% on the previous year. Between 1995 and 2000, attendance peaked in 1997-98 with 11.7 million visits. Figure 7.iii gives more details. The BCA reports that the busiest clubs can receive more than 1,000 visitors a day at peak periods. Other, more exclusive, clubs may have only a couple of dozen people who make regular visits.¹⁸

Players restrictions

7.12 There are two controls on players wishing to game in a casino: membership and age. A person can only enter a casino either as a member or as bona fide guest of a member. Having applied for membership, players must wait 24 hours (previously 48 hours) before they can game. Since August 1999, players have been able to apply in writing. Before that they were required to attend the premises personally to join.¹⁹ No-one under the age of 18 is allowed in a room whilst gaming is taking place, although in practice British casinos do not admit people under the age of 18.²⁰ Players are also restricted to payment by cash, cheque or debit card.

The Industry

Trade Association

7.13 The British Casino Association (BCA) is the trade association for the casino industry. It represents 95% of the licensed casinos in England, Scotland and Wales.²¹

Industry size and structure

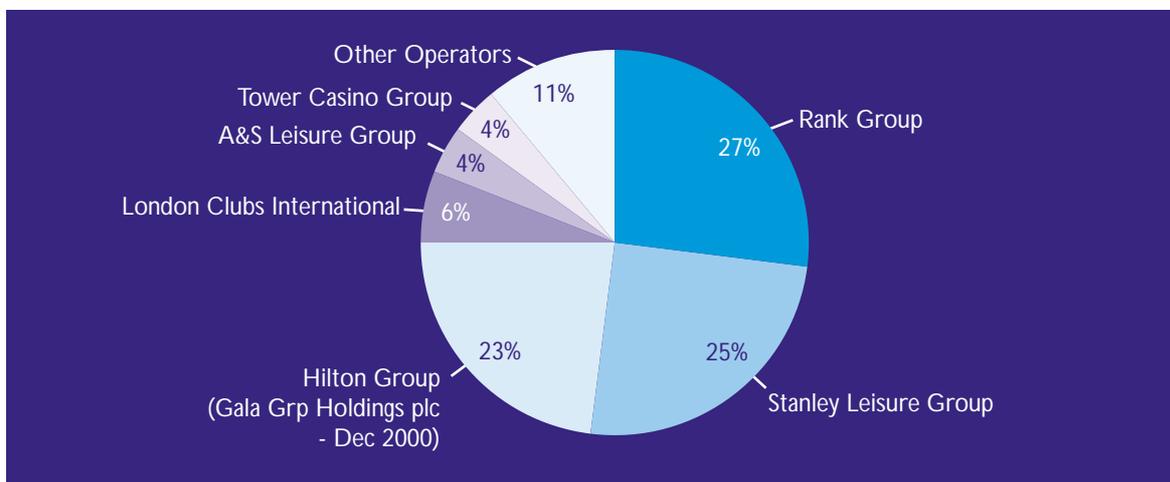
7.14 On 31 March 2000, there were 123 licensed casinos in Great Britain of which 118 were trading.²² Of those 118, four were in Wales and 12 were in Scotland. Over one fifth of the casinos in England are in London.

7.15 The casino industry in Britain is marked by a trend towards ownership by large listed PLCs with operations in both London and the provinces. Three companies dominate casino ownership in Britain: the Rank Group, Stanley Leisure and the Gala Group (which is privately owned). The Rank Group owns 31 casinos, of which four are in London. Stanley Leisure Group owns 30 casinos, of which three are in London.

	1995-96	1996-97	1997-98	1998-99	1999-00
Scotland	0.98	1.11	1.26	1.21	1.08
North	2.97	3.00	3.11	3.02	3.06
Midland & Wales	2.11	2.19	2.21	2.14	2.11
South	2.11	2.21	2.24	2.34	2.23
London	2.78	2.81	2.83	2.71	2.70
TOTAL (millions)	10.95	11.31	11.65	11.42	11.19

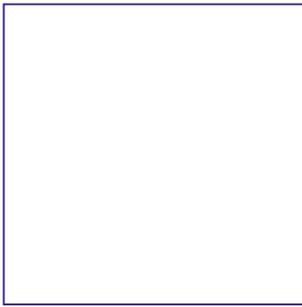
Source : Gaming Board for Great Britain (2000)

Figure 7.iii: Casino attendance (millions), 1995 - 2000



Source : Gaming Board for Great Britain (2000)

Figure 7.iv: Casino ownership in Britain



Gala Group Holdings own Ladbroke Casinos Ltd, which has 27 casinos, of which six are in London. The Gala Group completed the acquisition of Ladbroke Casinos Ltd from the Hilton Group in December 2000. Together, these three operators operate three-quarters of casinos in Britain. A further three operators run mid-sized operations of between five and seven casinos.²³ Figure 7.iv shows the ownership of the industry.

Turnover

7.16 The BCA says that casinos do not have a turnover figure which can be readily compared with other industries. Both the amount exchanged by players for gaming chips (drop) and the value of wagers placed are misleading because about 97.5% of the wagers placed are paid out as winnings, which are recycled into repeated wagers during the course of a visit. A more meaningful measure is the gross gaming yield, or the "house win".²⁴

7.17 Figures 7.v and 7.vi show the house win figures for the years 1990-91 to 1999-2000. Figures 7.v and 7.vii shows the drop over the same period and figure 7.iii shows the share of drop by type of game.

7.18 The house win was 19% of the drop in 1991-92 and 1992-93, but since then it has remained at 17-18%.²⁵ The Gaming Board reports that approximately 66% of the total drop in 1999-00 occurred in the London casinos.²⁶ Overseas visitors normally provide a substantial percentage of the gross gaming yield of London casinos. The BCA reports that in 1997, overseas visitors provided over half the gross gaming yield of London casinos.²⁷ Some people have also suggested that casinos in the UK are sustained by a relatively small core of very regular players.²⁸

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
House win (£ millions)	£364	£392	£401	£418	£450	£471	£486	£464	£546
Year on year change, %		7.7	2.5	4.2	7.6	4.7	3.2	-4.5	17.7
Drop per year (£ millions)	£1,914	£2,061	£2,230	£2,461	£2,548	£2,599	£2,720	£2,669	£3,109
Year on year change, %		7.7	8.2	10.4	3.5	2.0	4.7	-1.9	16.5

Figure 7.v: House win and drop, 1991-2000

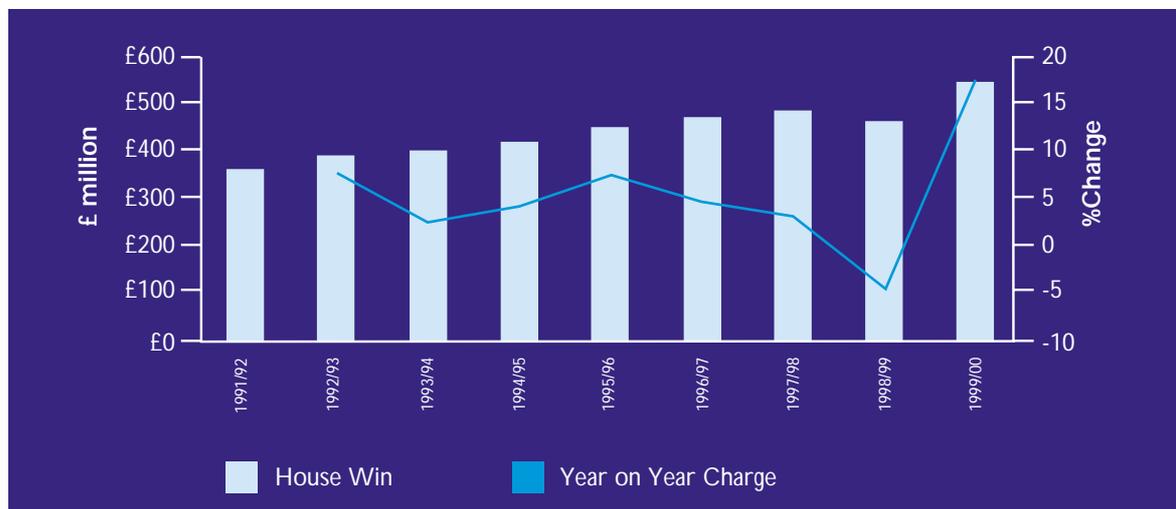
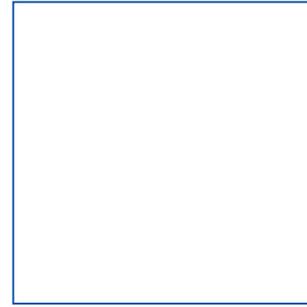


Figure 7.vi: House win

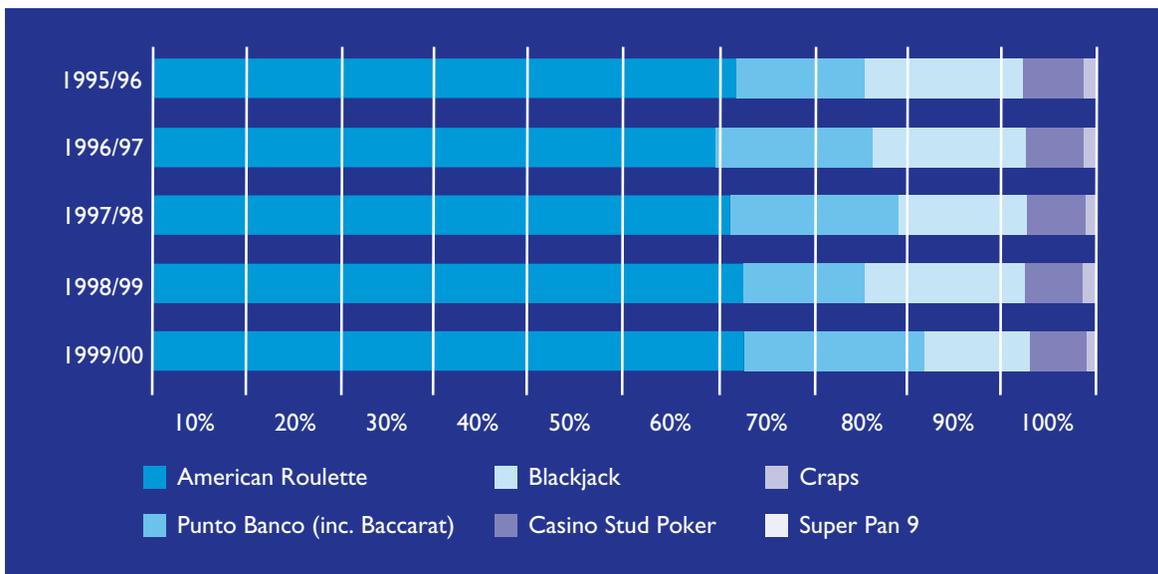
Source: Data prior to 1995 - Gaming Board for Great Britain (1995) Data after 1995 - Gaming Board for Great Britain (2000)

Source: Gaming Board for Great Britain (2000)



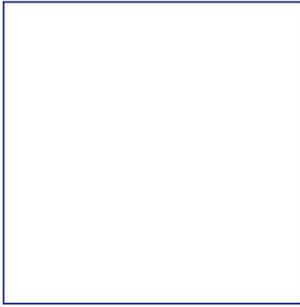
Source: Gaming Board for Great Britain (2000)

Figure 7.vii: Drop per year



Source: Gaming Board for Great Britain (2000)

Figure 7.viii: Share of drop by game, 1995-2000



Duty

7.19 Casino gaming is taxed by gaming duty. Payment is determined by the level of gross gaming yield and is charged at stepped increases from 2.5% to 40%. Figure 7.ix shows the details. Figure 7.x shows the annual payments of duty. There appears to be an upward trend, with erratic changes from year to year.

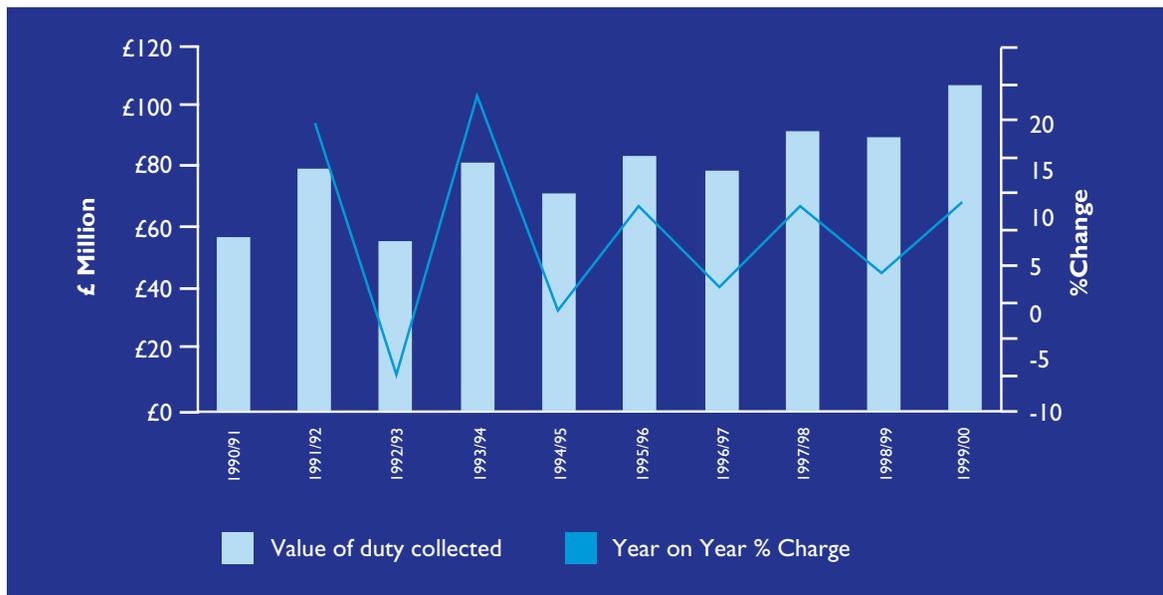
Employment

7.20 The Gaming Board Report for 1999-2000 stated that the BCA estimated that there were currently 11,700 people employed in the casino industry in Great Britain. Of these 60% were directly involved in gaming. The remainder were non-gaming staff dealing with ancillary activities such as restaurant, bar and security.²⁹ Ladbroke Casinos reports that it employs 3000 people in 27 casinos.³⁰

Date of change	2.5% of first	12.5% of next	20% of next	25% of next	30% of next	
1.10.91	£450,000	£2.25m	n/a	£2.70m	n/a	3.5% of remainder
1.4.98	£450,000	£1.00m	£1.00m	n/a	£1.75m	40% of remainder
1.4.99	£462,000	£1.03m	£1.03m	n/a	£1.80m	40% of remainder

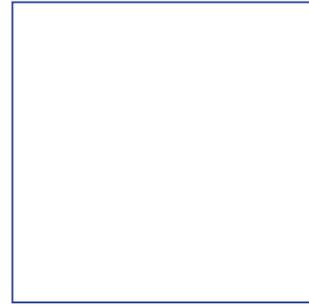
Source: Customs and Excise

Figure 7.ix: Duty rates



Source: Customs and Excise

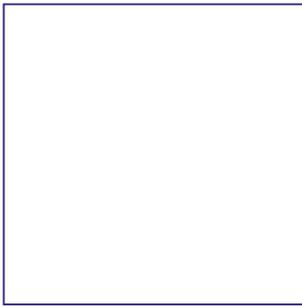
Figure 7.x: Gaming Duty collected 1999-2000



chapter eight

Bingo

- 8.1 Bingo is a game of chance. In return for a stake, each player receives a set of numbers that he has not chosen. The player marks off the numbers in his set against numbers which are selected at random and announced by a caller. A player wins by completing a line, multiple lines, or a full house (all the numbers in their set) more quickly than other players. A winning set must include the number which was called last. A player invalidates his win if he does not call out quickly enough; the pace of the game is determined by the speed of the caller. The length of the game is determined, not only by the speed of the caller, but also the number of players, the proportion of numbers that constitute a win, and the range of numbers in the selection.
- 8.2 The paper-based games in which numbers are daubed or marked off are a common type of bingo but many clubs also offer mechanised cash bingo which typically uses a fixed plastic board with shutters.
- 8.3 Bingo game variations include linked bingo and multiple bingo:
- linked bingo is where two or more clubs combine to play a joint game of bingo. Pooling the money from stakes enables the clubs jointly to offer greater prizes
 - multiple bingo, often known as the National Game, is played by clubs across the country. The larger number of clubs playing creates a larger pool of stakes from which prizes are taken. The Gaming Board reports that weekday games generate a maximum national prize of £100,000, with additional regional and house prizes. The Sunday game currently has a prize of £200,000: the ticket price for this game is 50p.¹
- 8.4 There are two main types of bingo: cash bingo, where cash can be won, and prize bingo, where prizes are won.
- Cash bingo is primarily a commercial activity and is controlled by the Gaming Act 1968. Commercial bingo can only be played at premises regulated by the Gaming Board. It may be played non-commercially in other clubs.
 - Prize bingo is a game played in seaside amusement arcades, travelling funfairs or as a game played in the intervals between cash bingo games at commercial clubs.² It is covered by the Lotteries & Amusements Act 1976 as far as arcades are concerned. It is, however, played under the 1968 Act in bingo clubs.
- 8.5 Under the Gaming Act 1968, cash bingo is permitted in a restricted number of premises: licensed proprietary clubs (such as commercial bingo clubs), registered members' clubs (such as working men's clubs) and miners' welfare institutes subject to control from the Gaming Board and the local licensing authorities. Most bingo should take place within this main scheme although there are some exceptions where gaming is also allowed:
- gaming in the home
 - gaming in certain clubs and institutes where chances are equal as between players, subject to restrictions on charges for taking part
 - certain minor gaming on premises licensed under the liquor licensing laws
 - gaming at certain entertainments, not for private gain
 - gaming by way of amusements at bazaars and fetes
 - gaming by way of amusements with prizes at commercial entertainments.³
- 8.6 Most bingo is played in licensed bingo clubs or private clubs.
- ### Licensed bingo clubs
- 8.7 Bingo may be played in premises licensed under Part II of the Gaming Act 1968. In order to play licensed bingo a certificate of consent from the Gaming Board is required currently costing £3,260 (grant) and £2,630 (transfer). After acquiring the certificate of consent, the club then needs to obtain a licence from the local licensing authority at a cost of £2,940 initially (£1,030 for a transfer licence) and £1,357 annually on renewal. As with casinos, the Gaming Act 1968 places a responsibility on licensing authorities to consider the demand for gaming before granting a licence and gives them discretion to refuse an application if unmet demand is not demonstrated. The club may levy charges for play. There is no limit on stakes, which must be returned to players in full as winnings (less any bingo duty). Only eligible members of the club and their bona fide guests may take part in the bingo. Persons under 18 may be present in the room while bingo is taking place but must not play.⁴



Private Clubs

- 8.8 Bingo can be played as one of the activities in a club under section 40 of the Gaming Act 1968. The club must be permanent; have at least 25 members and no public access is permitted. Not more than 60p per person per day may be charged for taking part in the bingo, although there is no limit on stakes, which must be distributed in full as winnings. There are no age limits on who may play.⁵
- 8.9 If a club wishes to charge more than 60p a day, then it must be a bona fide members' club and registered under Part II of the Gaming Act with the local licensing authority (current cost of registration is £210 on grant for one year and £105 on renewal). Clubs can charge up to £2 entrance plus stake. There is no limit on stakes, which again must be distributed in full as winnings. No person under the age of 18 may be present in the room while bingo is taking place.⁶
- 8.10 Gaming Board figures indicate that at 31 March 2000 there were 1,100 clubs registered under Part II of the Gaming Act. There is no requirement for premises which play bingo under section 40 to register with the Gaming Board so there are no definitive figures on numbers.

Punters

- 8.11 Surveys have shown that bingo players are most likely to be older women and in social class V. The ONS

survey found that women were twice as likely as men to play bingo. However it also found that bingo was most popular in two age groups: those over 75 and those aged 16-24.⁷ The Prevalence Survey shows that, within the last year, 5% of men and 10% of women reported playing bingo. The highest scores were among those aged over 65. The smallest percentage was among the 45-54 year olds.⁸

- 8.12 The Prevalence Survey found that of all the gambling types surveyed, playing bingo was most closely related to social class, ranging from 3% in Social Class I to 20% in Social Class V. (see figure 8.i). Bingo is popular in the north (16%) and Scotland (20%), and less so in London (6%).⁹
- 8.13 According to the Bingo Association, 27% of those playing are without a partner.¹⁰ Research in 1995 identified two major groups of bingo players: afternoon players and evening players. The common characteristics are shown in figure 8.ii

Admissions

- 8.14 The industry estimates that there are some 3 million active members of bingo clubs.¹¹ The Bingo Association reports that, despite considerable investment, the total number of admissions has not increased for over a decade. In 1999, there were an estimated 95 million admissions, with a continued overall decline.¹²

	Social class %						Total
	I	II	IIINM	IIIM	IV	V	
Bingo	3	4	8	8	11	20	7

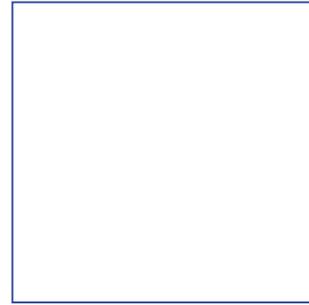
Figure 8.i: Bingo participation by social class

Afternoon players	Evening players
<ul style="list-style-type: none"> • Over 55 • Been playing bingo for 20yrs+ • Majority without a partner • Retired • Play bingo more frequently than evening players but spend less per visit • Strong loyalty to individual club • Greater emphasis on domestic concerns ie. Food quality and drink, friendliness of club 	<ul style="list-style-type: none"> • Younger on average but all ages represented • 33% had played for 20yrs + • 25% had played for less than 3yrs (18-25yr) • Players visited less but spent more • Greater inclination to switch clubs if offered better prizes or facilities

Figure 8.ii: Characteristics of afternoon and evening bingo players

Source: Sproston, Erens & Orford (2000)

5- Ibid 6- Ibid 7- Office for National Statistics (2001) 8- Sproston, Erens & Orford (2000) 19 9- Office for National Statistics (2001) 10- Bingo Association (2) (2000) 11- Gaming Board for Great Britain (2000) 32 12- Bingo Association (2) (2000) 6



Average spend

- 8.15** There are a number of ways of calculating the amount spent by individual players on bingo. The industry estimates that, in general terms, the average customer spends £15-20 a night at bingo (making no allowance for winnings) including entrance, bingo tickets, other gaming and refreshments. Industry figures show a net spend per visitor on bingo tickets of £8.44.¹³ (This is the average amount spent per player, net of winnings and all other spending within the club.) The Prevalence Survey surveyed the amount spent on bingo tickets (stake only) each week. On average, women had spent £7.90, compared with £5.10 by men. Overall, the mean stake for bingo per week was £7.20. This was over twice as high as the average stake for the other three activities surveyed in the same grouping (the National Lottery Draw, other lotteries and the football pools). The percentage of people who had spent at least £10 was considerably higher than for the other activities. One in four women who had played bingo in the last week had spent over £10 on tickets.¹⁴

The Industry

- 8.16** The information in this section relates to licensed bingo clubs.

Trade Association

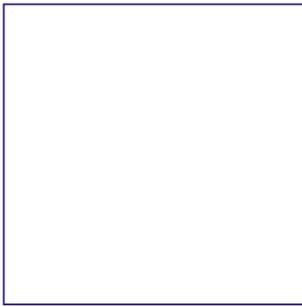
- 8.17** From 1996, two trade associations represented the bingo industry, the Bingo Association of Great Britain and the British Bingo Operators Association. The two trade associations merged in 1998 to form the Bingo Association. The Bingo Association now represents 111 operators with 540 clubs, accounting for 74% of the industry.¹⁵

Industry size and structure

- 8.18** Bingo club numbers peaked in 1974 when there were over 1,800 licensed bingo clubs.¹⁶ The number of licensed clubs gradually declined in the 1980s. By 1990, there were 1,011. The number fell further over the next decade. The Gaming Board reported in 1999-2000 that there were 743 clubs holding gaming licences.¹⁷
- 8.19** The two largest operators are currently Gala Leisure and Mecca Bingo. Between them, they operate around 40% of all the bingo clubs in Britain. Gala Leisure is the largest operator of licensed bingo clubs with 173 clubs across Britain.¹⁸ It has operated bingo clubs since the early 1970s. Mecca Bingo Limited is part of the Rank Organisation and operates 124 bingo clubs around the UK.¹⁹ Mid-sized operators hold licences for less than 30% of clubs. One operator holds certificates of consent for 40 clubs and another for 25 clubs. Other mid-size operators hold certificates of consent for between 5 and 19 clubs. The remaining one-third of certificates is held by singleton operators or by those with fewer than five clubs. Around 90 clubs are sited in holiday camps, some of which only operate on a seasonal basis.²⁰

Industry trends

- 8.20** The Bingo Association split the industry into four categories of club:
- new builds, which are newly constructed, purpose built bingo clubs;
 - traditional clubs, which are old style bingo halls;
 - non-National Bingo Game Association (non-NBGA); and
 - seasonal clubs, typically found at the seaside or in holiday camps.



- 8.21 Over half of all bingo clubs are traditional clubs. The structure of the industry is shown in figure 8.iii.
- 8.22 The Bingo Association reports that whilst the majority of “new builds” are attracting over 5,000 admissions a week, over two-fifths of clubs are not generating sufficient admissions to bring them into profit. Many of the clubs are not meeting the expected targets for admissions and have capacities which far outweigh their usage. Nearly two-thirds of “new build” clubs are owned by the two largest bingo operators, Gala and Mecca. A further 20% are owned by medium-sized operators. The largest operators are often able to offset losses made within one part of their operation against another, in anticipation of profits in the long term. A significant majority of traditional and

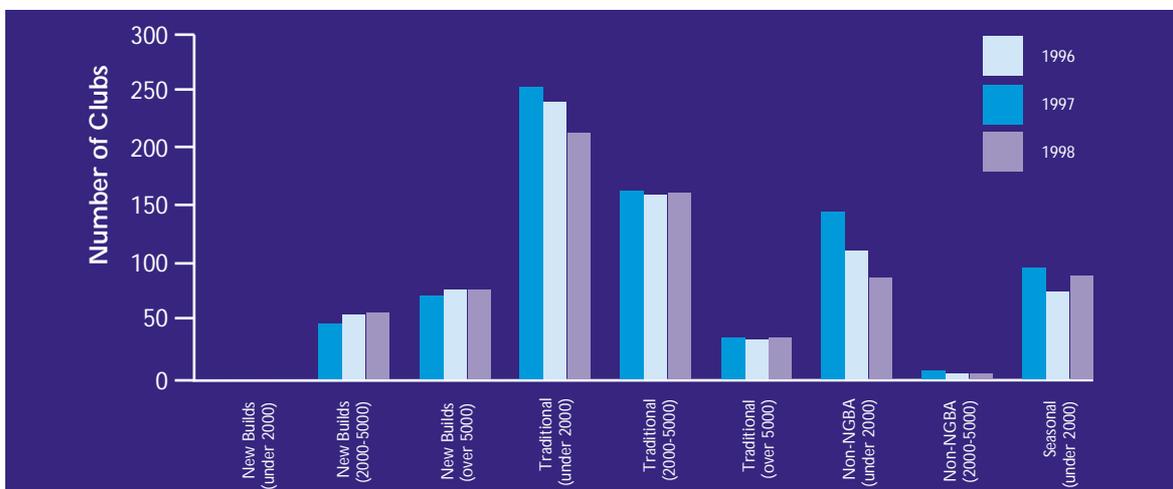
neighbourhood club operators are single-site operators. There has been industry concern that such companies cannot sustain continued losses.²¹

- 8.23 The Gaming Board Report for 1999-2000 states that it believes that the reduction in the total number of bingo clubs has been offset to some extent by an increase in the average size of the clubs, although recently, the rate of closures has fallen.²² The overall profitability of clubs rose for the first time in three years in 1998 and initial figures for 1999 also showed an increase in profitability. The Bingo Association attributes the increased profitability to a combination of closures, consolidation and cost-cutting. Figure 8.iv shows the changes in total club numbers between 1996-1998.



Source: Bingo Association (2) (2000)

Figure 8.iii: Types of bingo clubs



Source: Bingo Association (2) (2000)

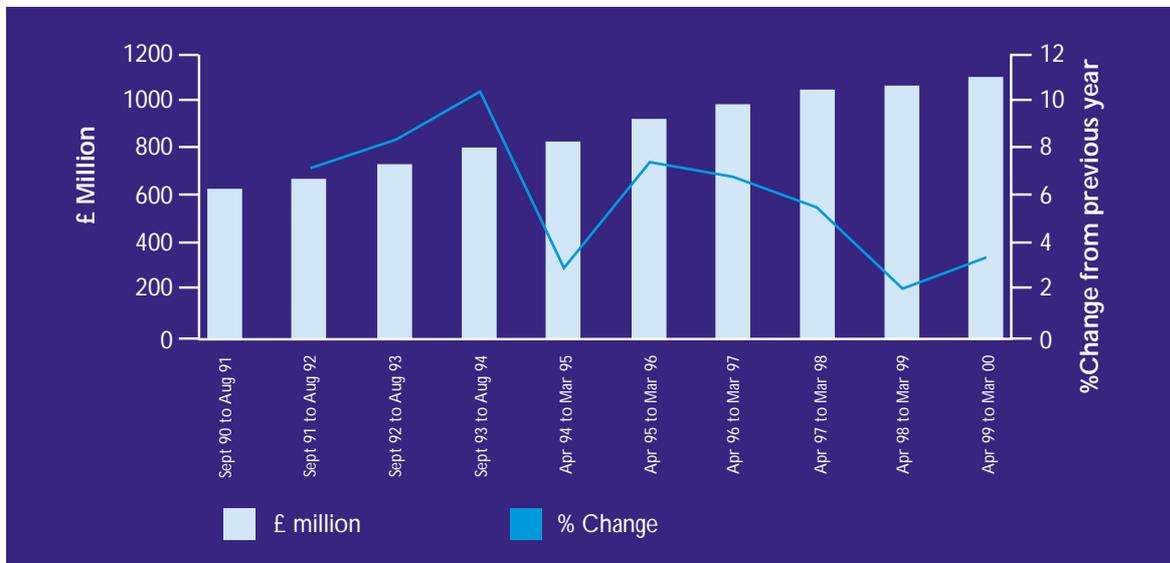
Figure 8.iv: Numbers of bingo clubs, by types



Turnover

8.24 There is a limited amount of data available on the value of bingo because of the limited registration requirements. Most of the data available concern only licensed bingo clubs. As figure 8.v shows, the Gaming Board reports that the overall amount staked in licensed bingo clubs was £618m in 1990-91 and £1,076m in 1999-00. The actual amount staked has risen steadily over the last decade although the year-on-year percentage growth has fluctuated. During the

same period, the amount of duty collected from bingo has grown from £67.4m in 1990-91 to £107.5m in 1999-00. Currently, bingo duty is charged at 10% of the money staked by players, plus 1/9th of the amount by which the weekly value of prizes exceeds the duty-exclusive value of the stakes. Bingo duty is charged on cash bingo clubs (licensed under part II) and some members' clubs which provide bingo on a substantial scale.²³ Figure 8.vi shows the actual value of the duty collected over the last decade.



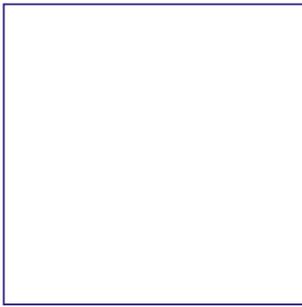
Source: Gaming Board for Great Britain (2000)

Figure 8.v: Amount staked on licensed bingo



Source: Customs & Excise

Figure 8.vi: Duty collected, 1990-2000



8.25 In 1996, the bingo industry reported revenues of £600.5m. In 1997, this increased by 8.9% to £653.7m and again by 3.5% in 1998 to £676.9m. Net profit dropped by 12.5% between 1996 and 1997 but increased to £80.4m in 1998. This is shown in more detail in figure 8.vii.

8.26 The data on turnover include the revenue from gaming and jackpot machines in bingo clubs. Figures supplied by the Bingo Association suggest that the income derived from bingo is likely to form a minority of a bingo club's income. They suggest that the proportions of income are:

- 25-30% from mechanised cash bingo;
- 25-30% from gaming machines;
- 20% from bingo.

8.27 The remaining income comes from services such as entry charges, catering and drinks.²⁴ As all bingo stakes must be returned to players in full as winnings (less any bingo duty), bingo operators primarily make their profits from the cost of entry, mechanised cash bingo and gaming machines.

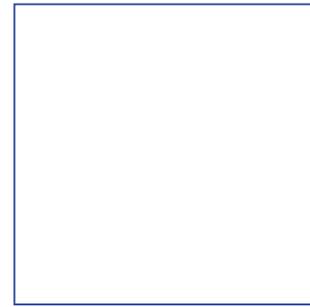
Employment

8.28 The latest Gaming Board Report states that the industry estimates that around 21,000 people are employed in the bingo industry.²⁵ The largest bingo operator, Gala Leisure, employs about 6,700 staff.²⁶

		1996(£m)	1997(£m)	1998(£m)
Revenues	Main stage bingo par fee	129.9	102.3	105.1
	Other gaming revenues	334.5	404.8	423.5
	Food and drink	88.5	95.8	95.6
	Admissions (box office)	43.7	45.9	45.6
	Other revenue/incomes	3.8	4.8	7.2
	TOTAL	600.5	653.7	676.9
Costs	Licences	11.6	10.8	13.7
	Added prize money	29.8	34.5	37.5
	Advertising & promotions	32.6	51.6	46.0
	Property costs	70.0	74.6	86.3
	Total staff costs	182.2	202.1	188.0
	Other costs	195.4	211.1	225.2
TOTAL	521.6	564.7	596.6	
NET PROFIT		78.9	69.0	80.4

Figure 8.vii: Bingo industry revenue and cost

Source: Henley - Centre - Bingo Association submission to the GRB



chapter nine

Betting

- 9.1 A bet is an agreement between two parties whereby money is paid to the party that correctly predicts the outcome of an event. The Royal Commission in 1933 described a bet as “ a promise to give money or monies worth upon the determination of an uncertain or unascertained event in a particular way. It may involve the exercise of skill or judgement”¹. Bets are often taken on the outcome of future events, such as horse races, greyhound races and sports such as football matches, but are also made on past events, the outcomes of which are supposedly unknown to at least one of the participants.
- 9.2 Betting either takes place on-course or off-course. Bets taken by bookmakers present at a racecourse are known as on-course bets. All other betting is known as off-course betting because the bookmaker is not at the racecourse. Off-course betting has commonly taken place at licensed betting offices and via the telephone. More recently, the internet has been used as a medium for placing off-course bets. Spread betting is another type of betting. It is discussed later in this chapter.
- 9.3 The types of bets that are available fit broadly into two categories: fixed odds and pool betting. The size of the winnings for a bet made at fixed odds, eg. 2 to 1, is determined by multiplying the value of the stake by the odds, in this case, two times the value of the stake. Types of bet include:
- win bets
 - place bets (normally that a horse or dog will finish among the first three);
 - each-way bets (a combination of win and place bets)
 - forecast and tricast bets (which require the first two or three finishers to be nominated in the correct order)
 - a wide variety of multiple bets (where bets are made on more than one event and winnings from the first event become the stake for the second).²
- 9.4 Over 80% of bets made in betting shops are made at the starting price (SP).³ Starting prices are the odds available from on-course bookmakers when the race starts. The reporting of the SP has recently been reviewed within horseracing. Guidelines and more detailed procedures were introduced in May 2000.⁴ Pool prizes are determined by dividing the total prize pool or stakes, minus a proportion for expenses and profit, by the number of bets (or units) correctly predicting the particular outcome. The size of the payout to each winner is proportionate to the number of winning units held.
- 9.5 Most betting is governed by the Betting, Gaming and Lotteries Act 1963. More details about the regulation of different parts of the industry are provided in the industry-specific paragraphs later in this chapter.
- 9.6 Bookmaker's permits are issued by the Betting Licensing Committee at the Magistrates Court (Local Authority Licensing Board in Scotland). The Committee has to be satisfied that the applicant is a fit and proper person to hold a permit. Only the holder of a bookmaker's permit may hold a betting office licence. Applications for a betting office licence are made to the Betting Licensing Committee who consider whether the premises are suitable and whether there is a demand in the locality for the facilities (known as the demand test). Both permits and licences last three years. The current fee for the grant of a bookmaker's permit is £160. The fee for a betting office licence is £125. The fees for renewal are £20 and £25 respectively.⁵
- ### Punters
- 9.7 The Prevalence Survey surveyed people who had taken part in betting in the previous year. There was a large difference between the sexes:
- 18% of men and 9% of women had bet on a horserace
 - 6% of men and 2% of women had bet on a dog race
 - 5% of men and 1% of women had bet on another activity with a bookmaker
 - 17% of men and 6% of women had made a private bet.⁶



- 9.8 Only 1% of those surveyed by the Prevalence Survey claimed to have made a spread bet in the week prior to the survey.⁷ Spread betting was not treated as a separate category for further player research. The 25-34 year old age group had the highest score on all the betting activities apart from private bets. The likelihood of participating in any of the betting activities decreased with the age of the respondent.⁸
- 9.9 People in all social classes had a similar prospect of betting on a horse or dog race, or other event. Private bets were more commonly made by people in social class I and II and least often by those in social class V.⁹

Average spend

- 9.10 The Prevalence Survey divided betting into four types of gambling activity: horse races, dog races, betting with a bookmaker other than on horse or dog races, and private bets with friends or colleagues. For those that had bet on a horse race in the last week, about a third said that they broke even or won and nearly half had lost less than £5. One in ten had lost between £10.01 and £50. For those that had bet on a dog race in the past week, a quarter had won or broken even

and over half had lost less than £10. About one in six had lost between £10.01 and £50. The majority of those that had bet with a bookmaker in the past week on any other event had lost less than £5. For those that had made private bets in the past week, the majority had won or lost less than £1. One in a hundred had lost over £50.¹⁰

- 9.11 Telephone betting appears to be more weighted towards horseracing, football and other sports and less so towards greyhound racing and numbers betting, such as betting on the outcome of the Irish lottery. There is a much higher proportion of customers from the higher socio-economic groups than for licensed betting offices (LBOs). The average stake of around £50 for Ladbroke and Coral telephone customers is far higher than that in licensed betting offices.¹¹

- 9.12 The Prevalence Survey also found that nearly half of those surveyed who had spread bet in the preceding seven days, claimed to have won or broken even. A further 37% had lost less than £10, and 6% between £10.01 and £20. The remaining 9% had lost more than £20 although 5% had lost more than £200.¹²

	Age %							Total
	16-24	25-34	35-44	45-54	55-64	65-74	75+	
Horseraces	12	19	15	14	11	9	5	13
Dog races	6	7	4	4	2	1	1	4
Betting with a bookmaker other than on horse or dog races	5	5	3	2	2	1	*	3
Private bets	21	18	11	10	6	5	3	11

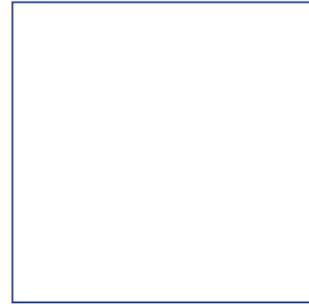
Figure 9.i: Participation in betting by age

Source: Sproston, Erens & Orford (2000)

	Age %						Total
	I	II	IIINM	IIIM	IV	V	
Horseraces	14	14	12	13	12	13	13
Dog races	5	3	5	4	4	3	4
Betting with a bookmaker other than on horse or dog races	2	3	3	3	3	4	3
Private bets	12	13	11	11	11	8	11

Figure 9.ii: Participation in betting by social class

Source: Sproston, K., Bob Erens and Jim Orford (2000)



The Industry

Trade Associations

- 9.13 The main trade associations covering betting are the Betting Office Licences Association (BOLA), the British Betting Office Association (BBOA), the National Association of Bookmakers Ltd (NAB), the Rails Bookmakers Association Ltd and the Scottish Independent Bookmakers' Association.
- 9.14 BOLA represents many of the largest bookmaker chains. It represents 5,400 of Britain's 8,350 licensed betting offices, with membership ranging from the largest companies to one and two shop operations. Their members account for about 75% of all off-course betting turnover.¹³ The BBOA represents many of the independent bookmakers (approximately 1,000 betting shops owned by 390 bookmakers).¹⁴ The NAB represents 900 members both on and off-course.¹⁵

Industry size and structure

- 9.15 This section examines betting under three headings:
- off-course betting
 - on-course betting
 - spread betting.

Off-course betting

- 9.16 As the Rothschild Commission noted, before the Betting and Gaming Act 1960 many bookmakers lived at the edge of the law and beyond it. Betting for cash was allowed only at racecourses. Away from the course, betting had to be for credit and punters could not go to the bookmaker's office to place their bets. They were expected to use the telephone or send them by post.¹⁶ The 1960 Act, amended by the Betting, Gaming and Lotteries Act 1963, established the principle of licensed betting offices for off-course

betting. Premises must have a betting office licence which is separate from the bookmaker's permit.

- 9.17 Off-course bookmakers generally operate by offering cash betting in licensed betting offices and telephone betting, although betting over the internet has become more popular in the last few years.
- 9.18 In order to take bets, a bookmaker must have a bookmaker's permit, which allows him to operate at a number of different locations. According to statistics published by the Home Office, the number of bookmakers' permits in force has an established downward trend. In 1987, there were 6,328 permits in force in Great Britain. By 1990, this had fallen to 5,437. Over the last decade, the number of permits has fallen by over 30% to 3,791. The decline has varied across Britain: in the last three years, the greatest percentage drop has been in Scotland.¹⁷ In the last three years renewals of bookmakers' permits have also continued to fall. Over the twelve months to 31 May 2000, there were 3,500 applications for the renewal of permits. This was a third lower than the 5,250 renewals in 1990. In 1999-2000, 93% of applications for bookmakers' permits were granted.¹⁸

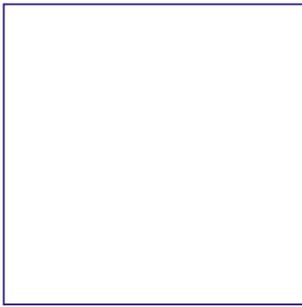
Operators and Licensed Betting Offices (LBOs)

- 9.19 The three largest operators are William Hill, Ladbrokes and Coral, commonly referred to as the "Big Three". Between them they operate around half of all licensed betting offices and, based on turnover, over three quarters of the telephone betting market. The Monopolies and Mergers Commission reported in 1998 that Ladbrokes was the largest firm in the UK off-course betting industry with a chain of some 1,900 LBOs (21%), William Hill was the second largest with 1,515 (17%), and Coral was third with 833 (9%).¹⁹ Figures supplied by BOLA, suggest that there are now around 8,100 LBOs, a decrease of around one tenth since the Monopolies and Mergers report. The Big Three operate about 53% of betting shops, compared to 47% in 1997. Ladbrokes has about 1,881 LBOs,

	Licensed betting offices				Telephone	
	Number of LBOs	Share %	Turnover £m	Share %	Turnover £m	Share %
Ladbroke	1,904	21	1,577	26	137	26
Coral	833	9	765	12	55	10
William Hill	1,515	17	1,360	22	220	42
Stanley	475	5	380	6	10	1
Tote	214	2	130	2	70	13
Others	4,042	45	1,978	32	36	9
Total	8,983		6,190		528	

Figure 9.iii: Market shares in off-course betting, 1997

Source: Monopolies and Mergers Commission (1998)



William Hill about 1,526 and Coral operates some 868.²⁰ Figure 9.iii sets this out in more detail.

- 9.20 In order to accept bets on premises, section 9 of the Betting, Gaming and Lotteries Act 1963 requires a bookmaker to have a betting office licence. The number of betting office licences in force peaked in 1968, at 15,800. At the same time there were 11,100 permits in force. Since then, there has been a steady decline. Over the last ten years, the number of licences in force has fallen by around 15% from 10,219 to 8,732. In 1999-2000, 87% of betting office licence applications were granted. Applications for the renewal of betting office licences have dropped by 19% in the last decade.²¹ In the last 10 years there has been a relaxation of some of the restrictions applying to betting shops, including the removal of the requirement that activities conducted inside the shops should not be visible from the outside. Also LBOs are now able to sell snacks and refreshments, have the right to install up to two all-cash machines and are allowed to advertise in print.²²
- 9.21 On average there are 150 betting shops per million people in the population, but there is some geographical variation. The highest concentrations are mainly in the old industrial areas, some metropolitan areas, certain other cities or large towns, and some resort areas. High concentrations are found in Nottingham and Blackpool, then London, Merseyside and the central lowland belt of Scotland, as well as the coastal areas of Southend, Brighton and Bournemouth. The lowest concentrations are in the Highland and Islands of Scotland, Cornwall, the Isle of Wight, many of the shire counties in England and Powys in Wales.²³ Betting office licences are currently subject to a demand test. Schedule 1 of the Act gives the licensing authority the power to refuse to grant a licence if the demand for betting offices has already been met by other betting offices in the locality.

Telephone betting

- 9.22 Telephone betting has historically required customers to have credit accounts, although the bulk of turnover is now accounted for by debit cards which were first used in 1991. Turnover from telephone betting is said to be around 10% of the turnover in LBOs.²⁴ In 1997, the market share of the "Big Three" was reported as 78%, which equated to a turnover of around £412m. The Tote was said to have a market share of around 13% and a turnover of £70m.²⁵ More details can be found in figure 9.iii.

Off-Course Turnover

- 9.23 A bookmaker can legally offer a bet on anything other than the outcome of the National Lottery. In 1997, around 71% of LBO turnover was on horse racing, 20% on greyhound racing, 5% on other sports, mainly football, and 4% on numbers betting.²⁶ Similar percentages were given in the BISL report of 2000.
- 9.24 The total turnover from LBOs in 1997 was estimated to be in the region of £6,190m. The Big Three had a market share of around 60% and the Tote of about 2%. Figure 9.iii gives more details.
- 9.25 According to BOLA, over the last ten years traditional turnover in real terms has been broadly static, whilst the industry's net margin over the period has averaged around 3%.²⁷ Two fundamental changes took place during the decade: the introduction of all-cash machines to betting shops in 1996 (said to add an estimated £60m plus to the net margin over the last few years), and the introduction of the National Lottery. BOLA attributes much of the reduction of betting shop numbers to the National Lottery. However, it accepts that the 9% drop in shop numbers between 1994 and 1997 could also be attributed to rationalisation by operators seeking to become more efficient and competitive, and the apparent high level of general betting duty affecting real terms growth in traditional turnover.²⁸

Internet betting

- 9.26 Betting on the internet has grown in popularity over recent years. It is discussed in more detail in chapter 12.

On-course betting

- 9.27 Most on-course betting is on horseracing (including point-to-point meetings) and on greyhound tracks

Horseracing

- 9.28 There are 59 racecourses in the UK. According to statistics published by the British Horseracing Board (BHB), between 1995 and 1999 there were over 1,100 fixtures per year, and over 7,000 races. Total attendances for that period were around five million.²⁹

Regulation

- 9.29 Betting at racecourses is currently regulated by two statutory bodies: the Horserace Betting Levy Board (known as the Levy Board) and the Horserace Totalisator Board (known as the Tote). Horseracing at racecourses is self-regulated with responsibility divided between the British Horseracing Board, as the governing authority, and the Jockey Club.



9.30 In order to have betting on-course, a racecourse has to be approved by the Horserace Betting Levy Board although there is an exemption from licensing if betting takes place on fewer than seven days in a year.³⁰ The National Joint Pitch Council (NJPC) was set up by the Levy Board in October 1998 and is responsible for the administration of the betting rings on all racecourses.³¹

9.31 The British Horseracing Board is the governing authority for horseracing in Britain.³² It was set up by racing in 1993 and takes responsibility for strategic planning and policy for racing, improving racing's financial position, representing racing, the fixture list race planning, nominating racing's representatives on the Levy Board and liaison with the Betting Industry among other duties.³³ The Jockey Club's role as the regulator for horseracing has evolved by consent through custom and practice. The role was formalised through incorporation by Royal Charter in 1970 and latterly confirmed by agreement reached in 1993 on the inauguration of the BHB. It is also accepted by legal precedent that, although the Jockey Club is a non-statutory body, it exercises a function in the public interest.³⁴

9.32 In a statement to the House of Commons on 2 March 2000, the Home Secretary announced that the Government had decided to abolish the horserace betting levy and the Levy Board. He also said that the Horserace Totalisator Board (the Tote) should be sold to a consortium of racing interests. The British Horseracing Board (BHB) was invited to prepare a realistic plan for the future funding of racing without a statutory levy. This was published on 17 October 2000. The Government was satisfied that "racing can be funded without a statutory levy" and told "racing itself to take forward the necessary commercial negotiations" whilst it took forward work to end the levy.³⁵

Where to bet on-course

9.33 There are three main places to bet at a racecourse

- with a bookmaker in the ring or on the rails
- with the Tote
- or in a betting shop.

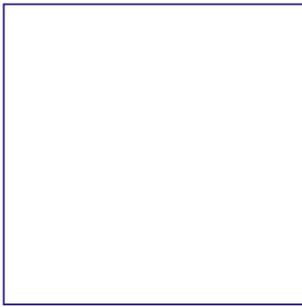
9.34 The bulk of turnover at racecourses is taken by bookmakers in the betting ring (Tattersalls is the main betting ring) and rails bookmakers who stand on the rails dividing the enclosures.³⁶ Ring and rails bookmakers are believed to account for about 78% of on-course betting at horse races, a further 18% is spent on the Tote and the remainder in on-course betting shops.³⁷ Under the 1963 Act, racecourses have the power to restrict the areas in which bookmakers may operate. The NJPC estimates that on most major racecourses, an estimated 90% of all public areas are available to the Tote, 8% to racecourse bookmakers, and 2% to betting shops.³⁸

9.35 On-course betting is not subject to duty and there is no requirement to keep official records but on-course betting turnover in 1997 at horse races and greyhound tracks is estimated to have been around £700m, less than a tenth of overall betting turnover.³⁹ Figures produced for 1999 estimated that the total bet at racecourses was about £467.5m, with Tattersalls bookmakers accounting for £384.7m.⁴⁰ There is a large variation in turnover at different racecourses and between the different betting rings. The highest average turnover per bookmaker per meeting in the Tattersalls ring was in York with £18,178. The lowest was Carlisle at £4,415. The highest average turnover in a minor ring was at Cheltenham with £6,912. Nottingham scored the lowest at £821.⁴¹ Estimates have suggested that "a bookmaker needed to take £4,500 a meeting to cover expenses and produce a profit of five per cent...£3,000 a meeting was needed to cover expenses."⁴²

Funding

9.36 Since off-course betting was legalised in 1961, racing has benefited from a levy collected on off-course betting turnover. The levy has been distributed through the Horserace Betting Levy Board (the Levy Board) whose statutory powers and purposes were set out in the Betting, Gaming and Lotteries Act 1963. The Levy Board has statutory responsibility for assessing and collecting monetary contributions from bookmakers and the Tote, and for allocating them for one or more of the following purposes:

- the improvement of breeds of horses
- the advancement or encouragement of veterinary science or education
- the improvement of horseracing.⁴³



9.37 The Levy Board collects the contributions made on bets, paid by a deduction (in practice, an additional amount) on each bet. Horseracing is the only sport with a statutory levy. The Levy Board's annual income from 1 April 1999 to 31 March 2000 amounted to nearly £61m, of which almost £53m was from levy paid by bookmakers, £5.5m was from levy paid by the Tote and nearly £2.5m was earned on investments and laboratory services.⁴⁴ This was similar to income the year before which had amounted to £52m from bookmakers and £4.5m from the Tote.⁴⁵ As the table shows, levy payments from the bookmaker and Tote have remained at between £53m and £55m for the last four years.

9.38 Nearly 90% of expenditure in 1999-2000 was split between three areas: £33.8m in prize money (55%), £14.6m on integrity services including fixture fees (24%) and £6.8m on other racecourse expenditure (11%). Other costs included administration (4%), veterinary costs (2%) and improvement of breeds (3%).⁴⁶

Point-to-Points

9.39 Point-to-point meetings are races where horses ride from one specified location to another. Point-to-point meetings also receive a grant from the Levy Board. In both 1997 and 1998, they received £155,000 for safety improvements such as veterinary and medical services, fence stewards, plastic running rails and wings, and fence and course maintenance. The grant was paid for 209 meetings on 118 courses.⁴⁷ In 1999, the grant was increased to £182,000 and distributed over 206 meetings on 119 courses.⁴⁸ The NJPC told us that point-to-point meetings attract crowds which often exceed the attendance at midweek race meetings. There are high levels of turnover generated by the on-course bookmakers throughout the five months of the point-to-point season. A totalisator facility is also available to punters at these fixtures.⁴⁹ There is no requirement to keep official records so no data are available on the turnover at such events.

Greyhound racing

9.40 The Betting and Lotteries Act 1934 requires that all tracks on which betting takes place on eight or more days per year should be licensed.⁵⁰

9.41 There are two types of greyhound track: those registered with the National Greyhound Racing Club (NGRC) and the independent tracks, sometimes known as "flapping tracks". Racing at the NGRC-registered tracks must be conducted in accordance with NGRC rules, whereas independent tracks may have their own rules. According to the British Greyhound Racing Board (BGRB), there are approximately 33 NGRC greyhound tracks and approximately 28 independent greyhound tracks.⁵¹ In 1999, there were 63,700 greyhound races of which 9,710 were shown live in betting shops.⁵² This increased to 67,837 races in 2000 at 5,643 meetings. Total attendances were said to be in the region of 3.5m in 1999, rising to 3.7m in 2000.⁵³

Regulation

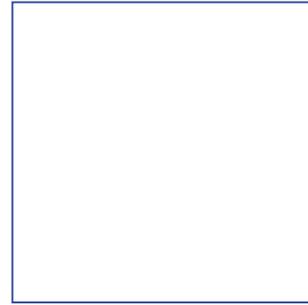
9.42 Greyhound tracks are licensed by the local authority. Unless cancelled or revoked, a track licence lasts for seven years. Since 1991, licences have cost £464 or £46 for a transfer.⁵⁴ There are no statutory bodies within greyhound racing but the sport has three main bodies: the British Greyhound Racing Fund (BGRF), the British Greyhound Racing Board (BGRB) and the National Greyhound Racing Club (NGRC). The BGRF is responsible for collecting the voluntary levy paid by off-course bookmakers. The aim of the BGRB "is to promote the best interest of greyhound racing" in this country. The Board has representatives from all sections of the sport including owners, trainers, breeders, the NGRC and track operators.⁵⁵

Year	Levy Yield (£m)
1990-91	£37.5
1991-92	£36.0
1992-93	£46.9
1993-94	£50.9
1994-95	£50.7
1995-96	£48.0
1996-97	£53.7
1997-98	£55.5
1998-99	£51.5
1999-00	£53.4

Figure 9.iv: Levy Yield, 1990-2000

Source: HBLB Annual Report 1999/2000, 27

44-HBLB (2000) 11 45-HBLB (1999) 7 46-HBLB (2000) 1 47-HBLB (2000) 15 48-Ibid, 15 49-NJPC (2000) 6 50-Smith & Monkcom (1987) 7 51-BGRB (2000) 36 52-Ibid, 8 53-Racing Post (20/3/2001), 'Annual Tote Figures', 54 54-Green, Mehigan, Phillips & Stevens (1999) 959 55-BGRB (2000) 2



On-course betting turnover

9.43 As with on-course betting at horse races, on a greyhound track punters can bet with bookmakers in the ring, on the totalisator or in a licensed betting office. On-course betting is not subject to duty so there is no statutory requirement to keep records. As previously stated, on-course betting turnover in 1997 at horse races and greyhound tracks is estimated to have been around £700m.⁵⁶ The on-course market at greyhound tracks, which sets the starting prices for most off-course betting, is often weak, with only a handful of bookmakers standing and little money bet.⁵⁷ On-course totalisators, which are run by the track operators on their own account, take a larger share of total betting turnover at greyhound tracks than does the Tote at horserace courses and provide an important contribution to profits for the track owner.⁵⁸ Total totalisator turnover was about £80m in 1999 and increased to over £86m in 2000. Average turnover per race had increased slightly from £1,259 in 1999 to £1,268 in 2000.⁵⁹

Funding

9.44 Greyhound racing receives direct income from betting through voluntary payments from off-course bookmakers and by owning its own totalisators. It also receives monies through the Bookmakers Afternoon Greyhound Service (BAGS) contracts, which are contracts awarded to greyhound tracks for putting on afternoon greyhound races for broadcast to betting offices. Bookmakers pay a voluntary levy to the British Greyhound Racing Fund (BGRF), which in 1999 amounted to a record £3.9m.⁶⁰ In 1999, £1.2m was given in grants to greyhound tracks; integrity and security received £1m, and £1m was spent on prize money. The remaining £1.1m was split between industry-wide marketing (£0.6m), information technology (£0.1m) and the Retired Greyhound Trust (£0.25m).⁶¹ Although the major companies all contribute to the voluntary levy, a large number of other bookmakers do not. The rate of the voluntary levy is 0.4% of the total bet, paid by the punter from the amount deducted by the bookmaker over and above general betting duty. The BGRB estimated that had the levy been statutory, greyhound racing would have received £5.2m instead of the £3.9m it received in 1999.⁶² Greyhound tracks are allowed to own their own tote. According to the BGRB, this accounts for 5.3% of all betting on greyhounds.

Spread betting

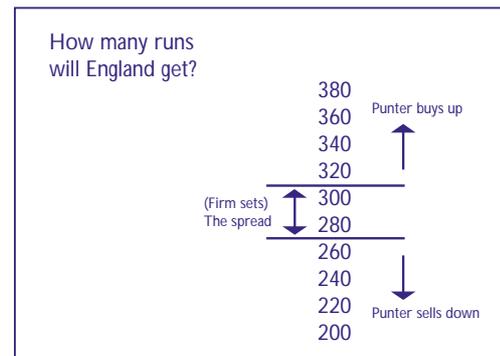
9.45 Spread betting started as a way of speculating on financial instruments and has developed as a new way of betting on the outcome of a sporting event.

According to IG Index, one of the largest spread betting companies in the world, there are three basic categories into which bets fall:

- total bets
- supremacy bets
- index bets.⁶⁴

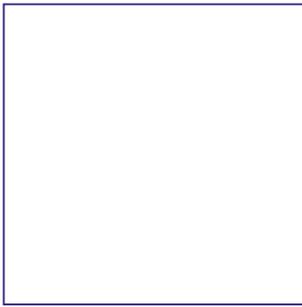
9.46 Total bets are decided by the totals of certain numbers in sporting events such as runs in cricket, goals in football, points in rugby or shots in golf. For example:

How many runs will England score in their first innings against the West Indies? The spread betting firm might quote 280 – 300 (that is the spread). This means that they think England are expected to score between 280 and 300 runs. If the punter thinks that England will get more than 300, perhaps somewhere nearer 400, he or she buys at the top of the spread, i.e. at the 300. If, on the other hand, he or she thinks England will get nearer 200 runs, then he or she sells at the lower end of the spread, i.e. 280.



The punter, specifies his or her unit stake when making the bet, i.e. in this case the amount per run. The punter might buy at £2 per run at 300. This means that for every run above 300 that England score, the punter wins £2. If England make 400 runs, the punter wins $(400-300) \times £2 = £200$. However, for every run that England make under 300, the punter loses £2. If England only get 200 runs, the punter loses $(300-200) \times £2 = £200$.

If, instead, the punter thought England would do badly, he or she could sell for £2 per run at 280. So for every run below 280 that England score, the punter wins £2. A final score for England of 200 brings the punter a profit of $(280-200) \times £2 = £160$. But every run over 280 loses the punter £2. If England score a total of 400, then the punter loses $(400-280) \times £2 = £240$.



- 9.47 The key difference between spread betting and fixed odds betting is that in spread betting the punter's stake – in this case £2 - is not the limit of their financial risk. The punter can win or lose many times the original stake.⁶⁵
- 9.48 Most financial bets work in this way. A spread is offered for the price of a market at some date in the future, for example, the FTSE 100 Index in December. The punter decides whether the market will be higher or lower than the spread at that time and then buys at the higher end or sells at the lower end accordingly. The punter does not have to wait for the bet to expire and can take the profit or loss at any time. Punters are able to put a ceiling on their maximum possible loss.⁶⁶
- 9.49 Supremacy bets mean that the interest is not on who will win, but by how much. Bets are generally on the margin of victory, or supremacy, of one team, player or performer over another.⁶⁷
- 9.50 Index bets mean that where points, runs, goals and lengths are not suitable to measure success, an index can be created which allows prices to be offered on a variety of other sporting events. A different number of points will be awarded to the winner, runner-up, third place and so on.⁶⁸

Industry Size and Structure

- 9.51 There are six spread betting firms registered with the Financial Services Authority.⁶⁹ IG Index is the largest and was the first to set up business in the mid-1970s followed by City Index in the early 1980s.

Turnover

- 9.52 Spread betting is normally treated as a sub-section of betting – data published on the economics of the betting industry often do not distinguish between fixed odds betting and spread betting. Spread betting is viewed by many as being very much a minority betting medium, particularly in terms of the proportion of all bets placed, and the number of bettors involved.⁷⁰ However, data published on turnover for the whole IG Group show strong upward trends. In 1998, turnover was nearly £6m, doubling in 1999 to £12m and almost doubling again in 2000 to £23.6m.⁷¹ This compares to a total market turnover of around £528m on telephone betting and £6,190m in licensed betting offices in 1997.

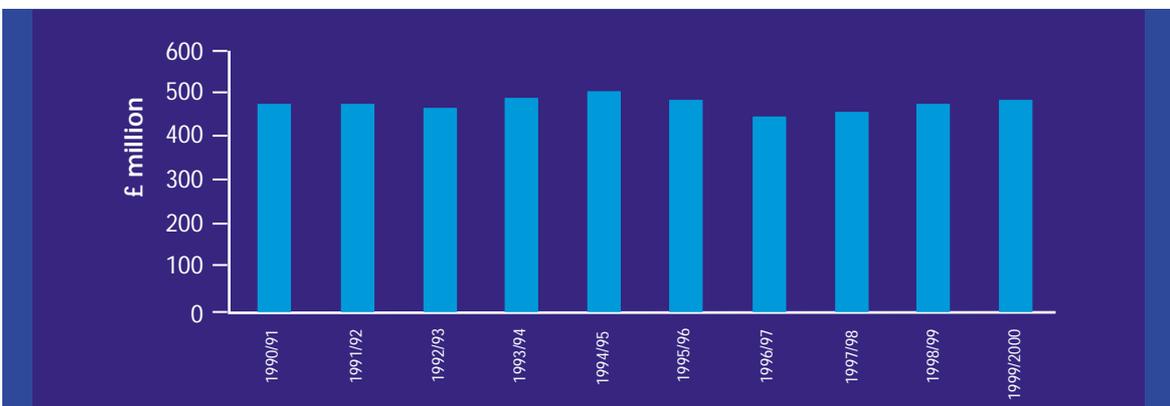
Regulation

- 9.53 Spread betting started out as a method of speculating on financial instruments. Subsequently all spread betting – financial and sporting – is subject to

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
General Betting Duty (£m)	479.1	481.6	473.7	494.9	508.6	489.3	453.5	462.4	479.9	492.3
Year on year % change		0.5	-1.6	4.4	2.8	-3.8	-7.3	2.0	3.8	2.6

Source: Customs & Excise

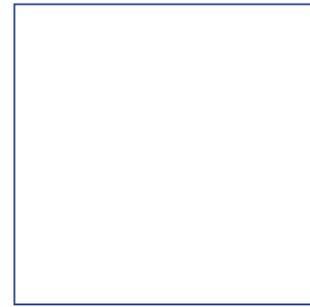
Figure 9.v: Receipts from Betting Duty, 1990-2000



Source: Customs & Excise

Figure 9.vi: Receipts from Betting Duty, 1990-2000

65- Example by IG Index (2000) 2 66- IG Index (2000) 3 67- Ibid, 2 68- Ibid, 2 69- Financial Services Authority (2000) 2



investment regulation and is regulated by the Financial Services Authority.⁷² The Financial Services Act 1986 covered spread betting where it is defined as a contract for differences.

- 9.54** Spread betting has a much higher level of risk attached to it because of the potential losses to the punter. Firms that wish to undertake spread betting have to be authorised by the Financial Services Authority prior to setting up in business. The authorisation process aims to establish that the firm and its key staff are fit and proper, that there is sufficient capital to support the business and that its controls are adequate. Spread betting firms are also subject to the FSA's "prudential and conduct of business rules." These address such things as the financial resources needed by the firm, as well as the fitness and propriety of its management.⁷³

Betting Duty

- 9.55** Only spread betting and off-course betting are subject to duty; on-course betting is not. In 1990, around £479m was paid in betting duty. By 1994-95 this had increased to £509m but decreased to £492m in 1999-00. Figure 9.v contains more details. The rate of duty has varied over the last decade. In the March 2001 Budget, it was announced that the duty would be replaced with a gross profits tax of 15%.
- 9.56** Spread betting has been taxed at 6.75%, the same rate as fixed odds betting. The tax is levied on the unit stake. In March 2001, Customs and Excise announced that spread betting firms would be subject to a gross profits tax: 3 per cent for financial spread bets and 10 per cent for other spread bets, including sports bets.⁷⁴ The level at which they are taxed will be different from the tax rate applied to general betting. IG Index estimated that had the gross profits tax been applicable in the calendar year 2000, they would have paid somewhere between £1.55m and £1.7m instead of the £625,000 which was actually paid in betting duty.⁷⁵

Illegal Betting

- 9.57** Not surprisingly, there are no precise figures available on the amount of illegal betting in Britain. Illegal bookmakers are reportedly still operating in pubs, clubs and factories. They are thought to account for about 10 per cent of betting turnover.⁷⁶ Customs and Excise estimate the value of the illegal untaxed market in betting to be worth approximately £500 million per year.⁷⁷
- 9.58** Illegal betting has partly been a response to general betting duty and the levy, which amounts to a 9% deduction on the stake in the betting shop. The

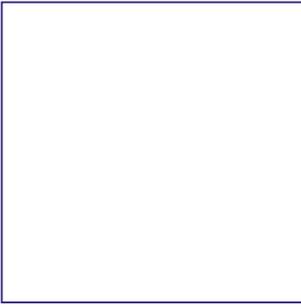
abolition of betting duty will remove this discrepancy (although legal betting will still be subject to a 15% tax on gross profits).

Disputes

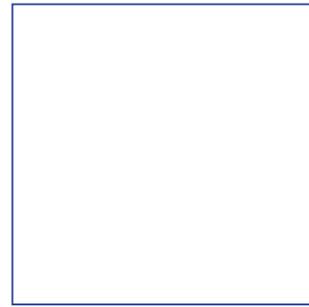
- 9.59** The Independent Betting Arbitration Service (IBAS) was formed in autumn 1998. IBAS offers an intermediary service between bookmakers and punters, "offering effective dispute resolution procedures free of charge to customers of bookmakers registered with the scheme." IBAS also works towards preventing disputes based on the number of common errors that occur and other general experience. It is funded by Trinity Mirror and Satellite Information Services (SIS). Previously the Mirror Group newspaper, *Sporting Life*, had provided the "Green Seal Service" but the paper was closed in May 1998 when the Mirror Group acquired the *Racing Post*.⁷⁸
- 9.60** According to IBAS, over 90% of UK bookmakers have registered with the service. These bookmakers must accept the ruling of the IBAS arbitrators. Failure to do so results in a bookmaker being publicly de-registered from the scheme. This has happened only once.⁷⁹
- 9.61** In its first year of operation (November 1998 to October 1999), IBAS responded to 923 requests for arbitration forms of which 670 were completed and returned. In its second year, IBAS received 1,124 requests for forms and 707 completed forms, an increase of 21% in requests and 6% in completed forms.
- 9.62** Most disputes related to horseracing (41%) and football (28%). Greyhound racing accounted for 9%. In relation to turnover, football and general sports were responsible for a disproportionate number of disputes. The main cause of horseracing and greyhound disputes was ambiguous bet instructions (17% and 26% respectively). In the football sector, it was coupon betting (31%).⁸⁰

Employment

- 9.63** The main area of direct employment resulting from off-course betting is the number of people employed in betting shops. Europe Economics reports that about 37,000 people are employed in the nation's betting shops.⁸¹ This does not take account of the number of people employed by the telephone betting sector, said to be worth 10% of turnover, and betting on the internet. The main areas of employment in betting on-course are bookmaking and totes. The BISL report estimated that there are 700 on-course bookmakers and nearly 1,300 people employed by totes at horse racecourses and greyhound tracks.⁸²



9.64 About 90% of betting is on horse and greyhound racing. According to the BGRB, greyhound racing itself employs 9,500 people in breeding, rearing, training and on the track.⁸³ The BHB estimate that horseracing and breeding supports 60,000 jobs.⁸⁴



chapter ten

Lotteries

- 10.1 A lottery is a distribution of prizes by chance. A player makes a payment or consideration in return for the chance of winning a prize. There are a number of different styles of lottery but three are most common. In the first, a player chooses his or her own numbers from a selected range. In the case of the current National Lottery, a player chooses six numbers out of a possible forty-nine. The lottery operator then draws the numbers at a selected date and time to determine the winners. In the second, a player purchases a numbered ticket, with or without a counterfoil. Again, the operator then conducts a draw of counterfoils or numbers, or 'raffle', to determine the winner or winners. The third type of lottery is an instant lottery in which a player buys a ticket and scratches off the cover or removes the seal. The revealed numbers or logos show instantly whether the ticket is a winning ticket.
- 10.2 The National Lottery operate both draws and other products. Where a distinction between the draws and other products has been made in representations to us or in the information we have used, we have reflected that difference.

Types of lottery

- 10.3 Five types of public lottery are legal in Great Britain:
- small, or one-off lotteries;
 - private lotteries;
 - societies' lotteries;
 - local authority lotteries; and
 - the National Lottery.
- 10.4 Small lotteries at one-off events, with prizes up to the value of £250, do not need to register with any statutory body. These would include, for example, raffles at events such as sports days and fetes. Private lotteries are not-for-profit lotteries, which may be run by an employer or society. Again there is no need for registration with any statutory body. Only societies which wish to run public lotteries with proceeds in a single lottery over £20,000 or cumulative annual proceeds of more than £250,000 need to register with the Gaming Board who publish their statistics annually. Societies intending to operate public lotteries with proceeds under £20,000 register instead with the local authority. These are to be distinguished from the local authority lotteries, which are run by and for local authorities, and are required to register with the Gaming Board. The National Lottery has been licensed

and regulated by the National Lottery Commission since 1 April 1999 and prior to that was regulated by OFLOT, the Office of the National Lottery. The National Lottery is the only type of lottery that is taxed.

Free lotteries

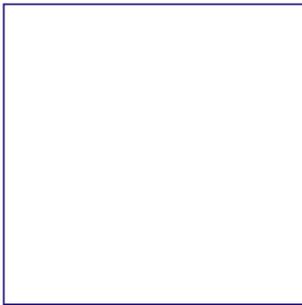
- 10.5 Lotteries where no payment, or "consideration", is made are also lawful and are subject to no regulatory conditions or controls. They are commonly used as a sales promotion or marketing device. We received evidence from websites offering free lotteries and promotions run by newspapers. As there is no legal requirement to register promotional or free lotteries, there are no data available on the numbers that are operated. Most consumers will be familiar with the common type of promotional lottery – 'no purchase necessary' – used by businesses to attract custom. However, merely offering a "no purchase necessary" option is not sufficient to make a lottery free if nobody uses it.

Premium phone line lotteries

- 10.6 There have also been cases of lotteries using premium phone lines as a method of entry. The legal status of many of these is questionable. There is anecdotal evidence about them but no comprehensive data.

Punters

- 10.7 Figures from the Prevalence Survey show that 68% of men and 62% of women surveyed had bought a National Lottery ticket in the past year. The latest survey by the National Lottery Commission shows that 82% of households had played in the National Lottery draw at some time since its launch in 1994. Data on those respondents who had played in the week before the interview showed that 71% had played in one or other of the midweek or Saturday draws and 41% had played in both.¹ The National Lottery report also found that 6% of respondents had played one of their instant lottery scratchcards in the seven days prior to interview. In comparison, the Prevalence Survey reported that 22% of both men and women had bought a scratchcard in the previous year, and 9% of men and 8% of women participated in other lotteries.²



10.8 A person must be over 16 to buy a chance in a lottery lawfully. According to the Prevalence Survey, the lowest levels of participation in the National Lottery Draw were found among the oldest (75+) and youngest (16-24) respondents (45% and 52% respectively). The youngest age group was the most likely to purchase scratchcards (36%).³ The highest level of participation in the National Lottery Draw was 72% and was found among respondents aged 35-54.⁴ The highest level of participation in lotteries other than the National Lottery was 9% and was found among 25-34 year olds and those aged between 45 and 64.⁵

10.9 Social class I scored the lowest level of participation for all types of lottery surveyed by the Prevalence Survey. It also had the lowest level of participation in the National Lottery at 56%. The highest level of participation was in social class IIIM. For other lotteries, participation levels average 8% but vary between 4 and 10%. The social class of those that had played scratchcards within the last year also shows a similar pattern: classes IIIM, IV and IIINM scored 24%.

Average spend

10.10 Figures produced by the National Lottery Commission suggest that the average household expenditure on the Saturday and Wednesday National Lottery draws was £5.37 among households that had played both draws in the last 7 days (past week players). Nine out of ten households spent £10 or less.⁶

10.11 The Prevalence Survey calculated the mean stake for those respondents who had played a lottery in the last seven days. The average stake was £2.80 on the National Lottery draw and £3 for any other lottery. It found that 89% of past week gamblers had spent £5 or less on both the National Lottery draw and all other lotteries. Only 2% of past week players had spent more than £10 on the National Lottery draw and all other lotteries. The Prevalence Survey also found that the mean past week stake was higher among men than women; £3.10 and £3.30 by men on the National Lottery draw and other lotteries respectively, and £2.50 and £2.70 by women.⁷

Type of activity	Age, %							Total
	16-24	25-34	35-44	45-54	55-64	65-74	75+	
National Lottery draw	52	71	72	72	69	61	45	65
Another lottery	8	9	8	9	9	8	6	8
Scratchcards	36	32	23	17	16	11	6	22
Any gambling activity in past year	66	78	77	78	74	66	52	72

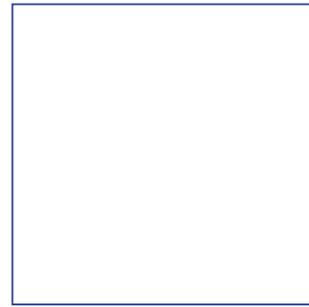
Figure 10.i: Participation in lotteries in the past year, by age

Type of activity	Social class %						Total
	I	II	IIINM	IIIM	IV	V	
National Lottery Draw	56	64	66	69	68	64	65
Another lottery	4	7	9	10	10	8	8
Scratchcards	17	20	24	24	24	19	22

Figure 10.ii: Lottery participation, by social class

Source: Sproston, Erens & Orford (2000)

Source: Sproston, Erens & Orford (2000)



- 10.12** According to the National Lottery Commission, the highest income households (over £25,000 pa), spent the most and the lowest income households (under £4,500 pa) spent the least on the National Lottery. Those in the lowest income bracket, spent £3.68 on average on the two weekly draws which is compared with £5.97 spent by those in the highest income bracket.⁸
- 10.13** The National Lottery Commission reported that the average expenditure by people who had played their instant lottery game in the last 7 days was £2.64. 92% had spent £5 or less.⁹

The Industry

Trade Association

- 10.14** The Lotteries Council is the main representative body for lotteries other than the National Lottery. It is a not-for-profit association which represents, regulates and instructs its member organisations. Membership is open to any person or organisation engaged in activities connected with the promotion of lawful lotteries.¹⁰ The Council told us that it currently has 137 members.

Small lotteries

- 10.15** Small lotteries are lawful provided they are incidental – not the main attraction – to an entertainment. Small lotteries, possibly more commonly known as ‘raffles’ or tombolas, are frequently found at school fetes, bazaars, dinners, dances or sporting events. The promoter can spend up to £250 on prizes and tickets must only be available at the event. There is no registration requirement so no information is available on the numbers operated. We did not receive any evidence questioning the validity of such arrangements.

Private lotteries

- 10.16** Private lotteries are currently legal as long as they are run by and for the promoter. They are confined either to society members, or to people who work or reside at the same premises. There are no limits on stakes, but every chance must cost the same, and there are no limits on prizes. There is no allowance for expenses other than printing and stationery costs, so all the proceeds, after expenses, could be spent on prizes. Again there is no legal requirement to register so no data are available on the numbers being operated.

Societies’ lotteries

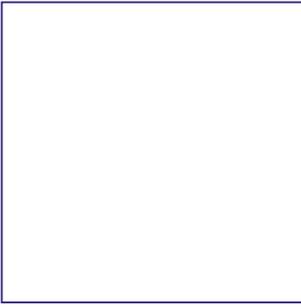
- 10.17** The operators of societies’ lotteries tend to be registered charities or sports clubs, particularly football clubs. Organisations can run the lotteries themselves or employ external lottery managers, who are registered with the Gaming Board. There are six companies and one individual registered with the Gaming Board as external lottery managers, together with 644 societies.¹¹ According to the Lotteries Council, the funding of an important number of good causes is crucially dependent on the ability of society lotteries to compete effectively in the market place.¹² Income from such lotteries may form virtually all, or only part, of a society’s income.

- 10.18** Societies which wish to run lotteries with proceeds in a single lottery of over £20,000, or cumulative annual proceeds of more than £250,000, must first be registered with the Gaming Board. There was a change in the arrangements for society lotteries at the time of the introduction of the National Lottery. This caused a discontinuity in the figures, particularly for numbers of lotteries. Looking only at the latter half of the decade, there is an upward trend. A peak in registrations in 1999-00 was largely due to the returns of the rapid draw Pronto games, which were later withdrawn from the market. In 1999-00, 4,321 lotteries were registered with the Gaming Board. This is a reduction on the previous two years but still a 75% increase on the number registered in 1996-97. Figures 10.iii and 10.iv show the numbers and turnover of societies’ lotteries.

- 10.19** Societies intending to operate lotteries with proceeds under £20,000 must register with the local authority. However, the hundreds of local authorities receiving the registrations are not required to maintain statistics, making it virtually impossible to obtain reliable information on the number of small society lotteries being operated.¹³

Societies’ Lotteries Turnover

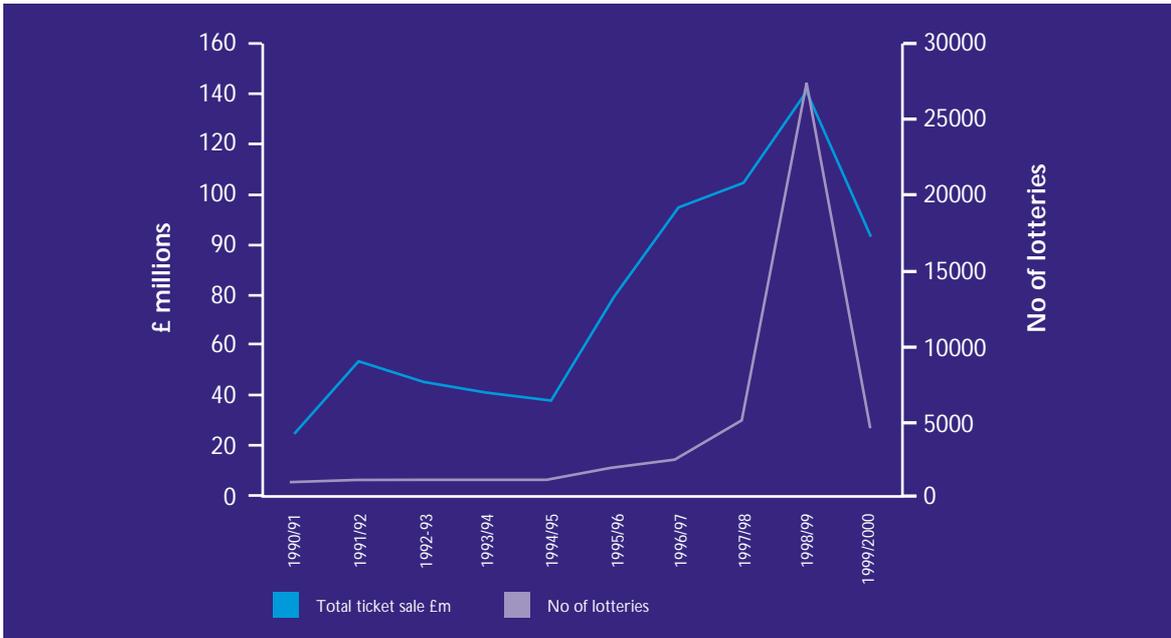
- 10.20** The turnover of the Gaming Board registered societies’ lotteries follows a very similar pattern to the overall numbers being operated. The amount taken by societies’ lotteries doubled from £24.4m in 1990-91 to £53.7m in 1991-92. After a fall, they doubled again to £78m in 1995-96 and continued to increase to £160m in 1998-99 but fell by more than a third in 1999-00 to £103.5m. DCMS report that in 1999-00, for every £1 spent on the National Lottery draw, only 2 pence was spent on societies’ lotteries.¹⁴



		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Societies' Lotteries	Total ticket sales £m	24.4	53.77	45.34	41.62	38.01	78.96	115.08	124.66	160.99	103.5
	No of lotteries	806	1049	1061	1086	1084	1862	2443	5070	27,334	4321
Local Authority Lotteries	Total ticket sales £m	2	2.11	1.14	1.33	0.73	0.6	0.26	0.21	0.11	0.08
	No of lotteries	148	149	106	85	60	47	18	11	8	4
TOTAL	Ticket sales £m	26.4	55.88	46.75	42.95	38.74	79.56	115.34	124.87	161.11	103.58
	No of lotteries	954	1198	1167	1171	1144	1909	2461	5081	27,342	4325

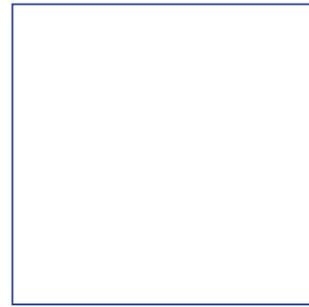
Source: Gaming Board for Great Britain

Figure 10.iii: Societies' & Local Authority lotteries



Source: Gaming Board for Great Britain

Figure 10.iv: Societies' lotteries



Local Authority lotteries

10.21 Over the last decade, the number of local authority lotteries has shown a consistent downward trend. Two local authorities were registered to operate schemes in 1999-2000. The Gaming Board reports that the total number of local authority lotteries fell from 148 in 1990 to four in 1999-2000. Trends in turnover have followed a similar pattern to that of local authority lottery numbers. In the decade between 1990 and 2000, proceeds dropped from £2m to £80,000. The period between 1990-91 and 1991-92 was the only year that saw an increase when turnover rose from £2m to £2.11m. Figures 10.iii and 10.v show the numbers and turnover of local authority lotteries.

The National Lottery

Industry structure and size

- 10.22** In 1978, the Rothschild Commission recommended "a single national lottery for good causes". The National Lottery was finally established in 1993 following a private members' bill in 1992 and a government White Paper – A National Lottery: Raising Money for Good Causes.¹⁵ The first draw was held on 19 November 1994.
- 10.23** The current operator of the National Lottery in the United Kingdom is Camelot plc, who have run it since it started. Camelot currently run two types of lottery: on-line lottery draws in which the player can choose his own numbers and can win in a variety of ways, and Instants, an instant lottery in which a player rubs off a seal to reveal if he has won a prize.

10.24 Draws are held twice a week, on Saturday and Wednesday (the first midweek draw was on 5 February 1997). The cost of entry has been £1 since the launch. A player chooses 6 out of a possible 49 numbers, or plays a 'lucky dip' when the computer randomly selects 6 numbers. A player wins when he or she matches between 3 and 6 numbers. A 'rollover' occurs if no-one matches all six numbers; the jackpot will rollover to the prize pool for the following draw. Superdraws have to be approved by the National Lottery Commission but are guaranteed minimum jackpots. The National Lottery now includes other games such as Thunderball, a third type of draw played on Saturdays with a maximum prize of £250,000, and Lottery Extra, which is only open to those playing the National Lottery game.

10.25 The National Lottery instant scratchcards, *Instants*, were launched on 21 March 1995. It is described by Camelot as "the UK's leading impulse brand".¹⁶ New games are launched regularly and offer different levels of prizes, prize structures, game designs and odds of winning. The odds of winning are normally around 1 in 5. They now represent around 96% of the scratchcard market.¹⁷

10.26 The latest figures available from Camelot state that there are 24,600 National Lottery retailers and 10,800 Instants only retailers.¹⁸ The retailers are a mix of large and small outlets but include a variety of shops, newsagents, supermarkets and garage forecourts. About two thirds of the retailers are independents and one third are multiples. Choosing the retailers is a matter of commercial judgement for the operator who has the discretion to decide how to meet local patterns of demand.¹⁹

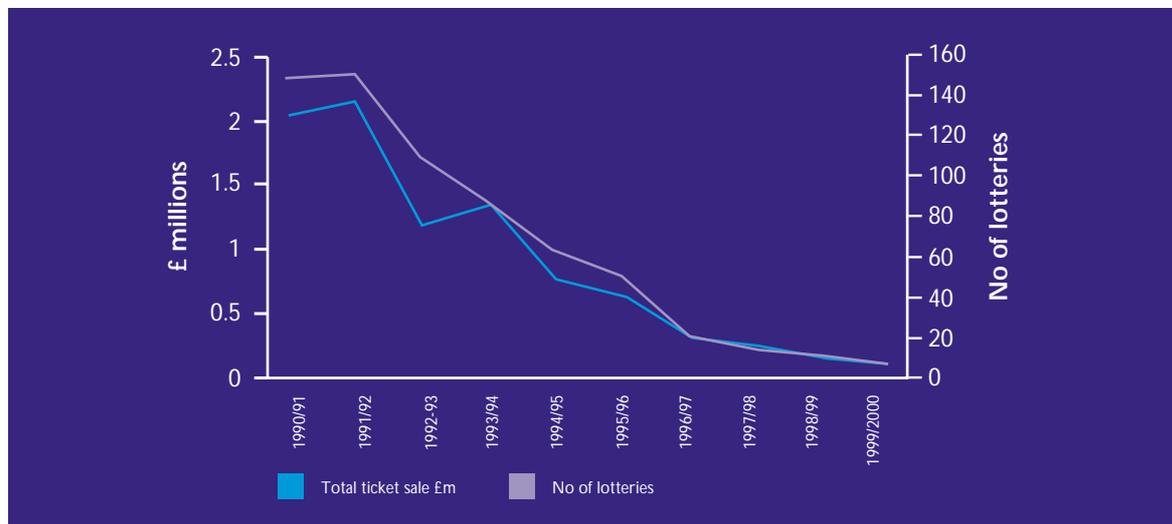
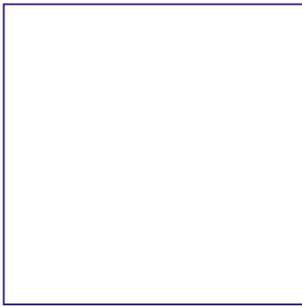


Figure 10.v: Local Authority lotteries

Source: Gaming Board for Great Britain



National Lottery Turnover

- 10.27** Between the first draw in November 1994, and the following April, the National Lottery took £1,157m. Proceeds increased for the next three years, to a peak of £4,713m in 1997-98. The greatest percentage increase was in 1996-97, the launch year of the Wednesday draw, when turnover increased by 22.5%. Turnover has fallen slightly since then.²⁰
- 10.28** Turnover on National Lottery instant scratchcards peaked the year after their launch in 1995/96 at £1,523m but has since declined every year. The steepest loss occurred in 1996/97 when proceeds fell

by 42% to £877m.²¹ Figures 10.vi & 10.vii show the National Lottery data.

- 10.29** Retailers selling National Lottery tickets receive commission linked to sales. Retailers receive 5% of ticket sales plus 1% commission on prizes paid out above £10 and below £200. The average annual commission for an on-line independent retailer is £8,187.²² The total amount paid out in commission peaked in 1997-98 when retailers received £282m. Since the launch, retailers have received £1,373m in commission.²³ According to Camelot, 94% of the population live or work within a couple of miles of a lottery outlet.²⁴

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
On-line Draw £m	1,157	3,694	3,847	4,713	4,536	4,532
Year on year % change			4.1	22.5	-3.8	-0.1
Instants £m	34	1,523	877	801	669	562
Year on year % change			-42.4	-8.7	-16.5	-16.0

Source: National Lottery Commission

Figure 10.vi: National Lottery Sales figures

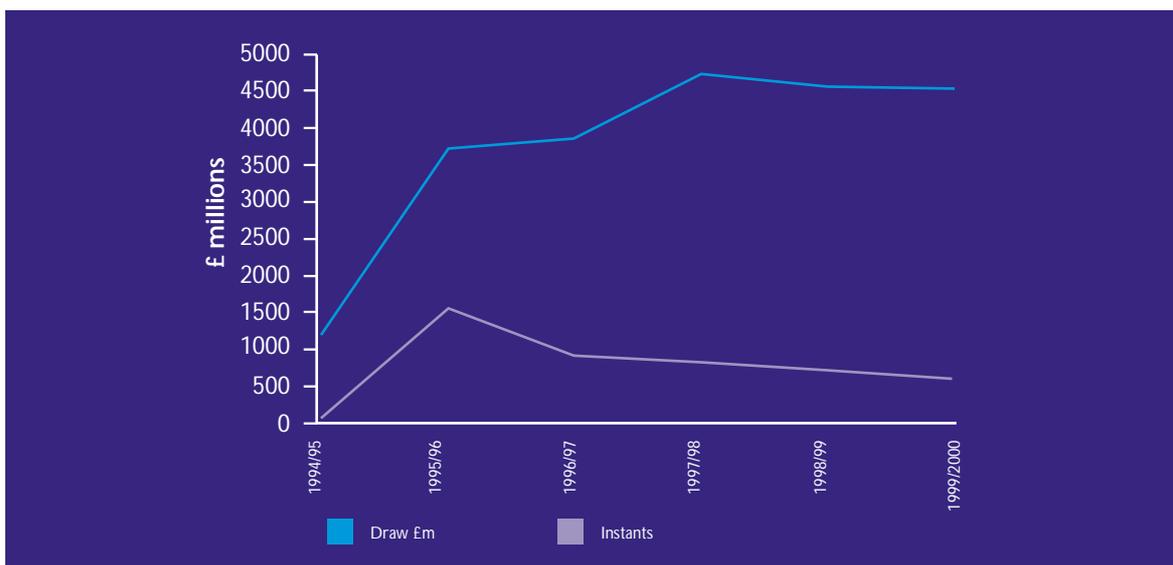
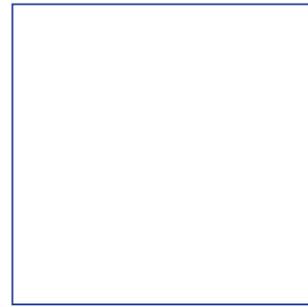


Figure 10.vii: National Lottery Sales figures



10.30 The National Lottery is the only type of lottery that is subject to excise duty. It is currently taxed at a rate of 12% of the amount staked.²⁵ The details can be found in figure 10.viii. Data from Customs and Excise show that until April 1995, in its first few months of operation, the National Lottery paid £103.9m in duties. The amount paid peaked in 1997-98 at £674.5m and declined in the following years. It paid duties of £609.2m in 1999-00. Since the first full year of play, duties from the National Lottery have made up between 39-43% of all gaming and betting duties.

Cost of Licences and Registration

10.31 Licence fees are payable on Gaming Board registered lotteries. In April 1990, fees for the registration of a society or local authority scheme ranged between £120, for those with a turnover below £10,000 and £420 for those with a turnover over £10,000. The fee for each lottery promoted ranged between £36 and £90.²⁶ In 1999-00, the fee for a society registration was £650 and £70 for a renewal. Lottery fees ranged between nil for those with a turnover less than £2,000 and £585 for those with a turnover exceeding £200,000.²⁷ The cost of registration and renewal for local authority registered schemes has been £35 and £17.50 respectively since December 1991.

Lottery Limits and Good Causes

10.32 Lottery legislation sets limits to ensure that good causes receive a significant percentage of money raised by societies' and local authority lotteries, and thus maintains the purpose of the lottery as being for a deserving cause. Current regulation specifies that up to 55% of proceeds may be spent on prizes for society lotteries registered with the Gaming Board, although prizes donated or free of charge do not count towards the 55%. No prize may exceed £25,000 or 10% of total ticket sales in value, whichever is greater. Lotteries with proceeds up to £20,000 may use up to 35% for

expenses although those with proceeds over £20,000, may use only 15% as of right, but more if approved by the Gaming Board, again up to 35%. More importantly, at least 20% of proceeds must go to the deserving cause. Figures for Gaming Board registered lotteries show that deserving causes received 47% of proceeds in 1999-00.²⁸ There is no legally prescribed amount that must go to good causes from the National Lottery. The amount is agreed between the operator and the National Lottery Commission. Good causes received £1,671m in 1998-99 and £1,581m in 1999-00 (nearly 31% of proceeds).²⁹ This is subdivided between the New Opportunities Fund (health, education and environment), the arts, sport, heritage, charities and formerly millennium projects, and distributed by independent organisations.

10.33 Society lotteries are also subject to upper limits. The total value of tickets sold in a single lottery must not exceed £1m and the total raised by a charity in any one calendar year must not exceed £5m. No such limits apply to the National Lottery.

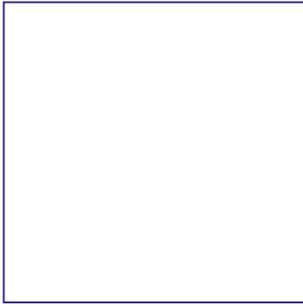
Employment

10.34 There are virtually no data available on the number of people employed in the lotteries sector or the indirect employment created by the money raised by lotteries. There are two main reasons for this. Firstly, in the case of many lotteries there is no requirement to register with a statutory body, and in the case of local authority registrations the data are not collated. Secondly, societies' lotteries are often a fundraising mechanism. In the case of the largest charitable lotteries, a promoter or team of people may be employed but volunteers often operate lotteries. The Henley Centre estimated that the National Lottery would generate or secure 110,000 jobs in its first seven years of operation in areas such as construction, retailing, and managing and staffing new complexes which are being built with the help of lottery grants.³⁰

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Duty rate	12%	12%	12%	12%	12%	12%
Duty collected, £m	£103.9	£611.9	£557.8	£674.5	£627.6	£609.2

Figure 10.viii: National Lottery duty rate and amount collected

Source: Customs & Excise



chapter eleven

Pool Competitions

- 11.1 Pool competitions involve pooling the stakes of the participants, deducting a proportion of the stakes to cover expenses, tax and operator's profits, and, when the result is known, sharing the remainder of the prize pool among the winners.
- 11.2 The most common form of pools, or pool competition in Great Britain is the football pools. The horseracing Tote and the totalisators at greyhound tracks are forms of pool betting and are discussed in the chapter on betting.
- 11.3 Regulation of pools competitions is governed by the Betting, Gaming and Lotteries Act 1963. Only people who are registered pools promoters can run pool competitions. The promoter must be registered with the local authority, which appoints an accountant to supervise the promoter's operations. The 1963 Act also outlines the requirements for conduct of the business, including that stakes and winnings should be wholly in money. Once a person is registered, the registration continues until revoked although a continuation fee becomes payable each year.¹
- 11.4 Football pools are often collected by door-to-door collectors and submitted by post. Under the 1963 Act, no premises could be used to retail pool competitions. This restriction was widely ignored by local shops. Section 56 of the National Lottery Act 1993 and a deregulation order in 1997 amended the 1963 Act to allow pools competitions to be sold in retail premises, although they are required to feature at least four association football matches. Only pools based on football were given this allowance which was intended to help reduce the impact of the introduction of the National Lottery. The 1993 Act also enabled rollovers. If no player wins the first prize, then the pool promoter can roll over the prize to the next competition.

Pool Competitions Act 1971

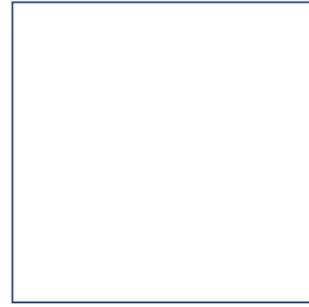
- 11.5 Before the legalisation of small lotteries, some promoters ran small pool competitions in a very similar way with entrants keeping the same numbers for each draw. Many were designed to raise money for charities, clubs and sporting associations.² Even when lotteries were legalised, a few continued to operate as pool competitions because there was no limit on turnover or the size of the prizes that could be offered. Those that were running pools competitions in this particular way in 1970 were permitted to continue to do so under the Pool Competitions Act 1971, which was given an initial life of five years. When the Rothschild Commission reported in 1978, there were only seven organisations operating under the Act. The Rothschild Commission could not see a case for allowing the Act to continue.³ It finally expired in July 1987.⁴

Types of pool competitions

- 11.6 Pool competitions operate on a pari-mutuel basis. The entry fee or stake goes into a pool. Once the issue on which the money was staked has been determined, the prize pool, minus a deduction for expenses, duty and profit, is divided between the winners. The level of individual prizes depends on the number of winners and cannot be predicted with any accuracy in advance. Players must be 16 and over.
- 11.7 Most weekly competitions are based on the results of football matches. All football pools work in a similar way, operating a point system. Most points are awarded for score draws (three points for example), then no-score draws (two points) and then a win (one point). The weekly pools coupon lists 49 football matches which have yet to be played. There are variations but simply, the player decides how many matches he or she would like to pick as likely to end in a score draw. In 1998, the cost of a standard entry ranged from 60 pence for ten matches to £85.80 for 15 matches. The matches are played and the entry is scored. If at least eight matches end in score draws that week and a player scores 24 points, he wins the jackpot.⁵ If several people have picked the correct eight, the jackpot is shared. If fewer than eight score draws result that week, the jackpot can be won with fewer points.

Punters

- 11.8 The Prevalence Survey found that around 9% of those asked had played the pools in the past year, which was slightly more than bingo and scratchcards.⁶ The ONS survey produced a similar figure of 7%. Both surveys found that pools were twice as popular among men than women: the Prevalence Survey reported a larger disparity between men (13%) and women (5%).
- 11.9 Both the Prevalence Survey and the ONS survey found the lowest levels of participation in the youngest and oldest age groups. The highest level of participation was 13% of those aged 55-64 years according to the Prevalence Survey and 13% of those aged 21-24 years according to the ONS survey.
- 11.10 According to the Prevalence Survey, those in social classes I and V were less likely than average to play the football pools. It was most common in social class IIIM.⁷



11.11 Participation by region ranged between 3% and 9%. The ONS survey found that those living in London were the least likely to play the football pools. They were most popular in Scotland (9%).

Number of players

11.12 Littlewoods Pools is currently the largest pools operator in Britain with an 80% share of the pool competition market. It has around 1.4 million entries per week. Littlewoods told us that prior to the introduction of the National Lottery, it received around 8 million entries per week.⁸

Average spend

11.13 The Prevalence Survey examined the amount staked on gambling activities in the last seven days. The average amount spent on football pools or fixed odds coupons was £3 per week. On average, men spent more (£3.30) than women (£2.00). Over 90% of people spent less than £5, 3% spent between £10.01 and £20 and 1% of men spent more than £50.⁹

The Industry

Trade Association

11.14 The Pools Promoters Association was established in the 1930s. Its members are Littlewoods Promotions Limited, Vernons Pools Limited and Zettlers International Pools Limited.¹⁰

Industry size and structure

Turnover and duty

11.15 The total amount staked on football pools in 1996 was £493m. The gross gaming yield was £363m.¹¹ By 1998, the amount staked had decreased by about a quarter to £370m with a gross gaming yield of £255m.¹²

11.16 Pools have been subject to some of the highest levels of gambling taxation. In 1990, pools were subject to a duty rate of 40% which yielded £304m in that year. In the last decade, tax yields peaked in 1993-94 at £347m but have declined every year since. By 1999-2000, the tax rate had been reduced to 17.5% and tax yield was an eighth of its level ten years earlier, at £38m.

11.17 The Pool Promoters Association told us that the introduction of the National Lottery had a huge impact on the UK gambling industry, particularly the football pool betting sector.¹³ Following the launch of the National Lottery, the pool competition duty rate was reduced from 37.5% in 1994-95 to 27.5% by December 1995. Even though the duty rate was reduced by around a quarter, duty yield fell by around 45% suggesting a significant fall in pool competition stakes.

Good causes

11.18 A number of the original small pool competitions were operated for good causes, sports and charities. This fact was credited with bringing about the Pool Competitions Act 1971. Despite the expiration of the 1971 Act, pools continue to be associated with sports and good causes and have raised a significant amount of money for them over the years. The Football Trust, now the Football Foundation, was originally founded by Littlewoods in the 1970s. The Football Trust was established to encourage and develop involvement in football. The Foundation for Sports and the Arts is another UK discretionary trust, established by Littlewoods in 1991, with the aim of encouraging and developing involvement in general sports activities and the arts. The Moores Family Charity Foundation is a charitable trust established in 1968.

11.19 In 1999, the Football Trust and Foundation for Sports and The Arts both received £6.1m from the Littlewoods Organisation. In the previous year, the Football Trust received £8.4m and the Moores Family Charity Foundation received £1.1m.¹⁴ Littlewoods told us that it had raised over £450m for football at all levels from its own contributions to the Trust and from fixture payments and sponsorship to the football authorities. The Foundation for Sport and the Arts has received over £270m in funding from the company's football pools.¹⁵

Employment

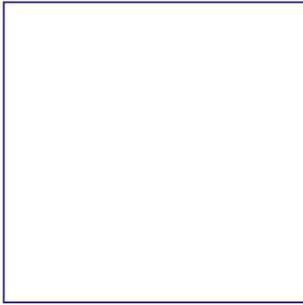
11.20 Littlewoods told us that there are 30,000 self-employed collectors handling Littlewoods Pools products in addition to office and call centre staff.¹⁶ BISL estimated that around 1,140 people were directly employed in the football pools industry.¹⁷

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Duty rate %	40	37.5	37.5	37.5	37.5	27.5	26.5	26.5	26.5	17.5
Duty collected	£304m	£314m	£318m	£347m	£342m	£191m	£127m	£97m	£70m	£38m

Figure 11.i: Duty rates, 1990-2000

Source: Customs & Excise

8- Information supplied by P Hughes, Littlewoods Leisure plc, 23 May 2001 9- Sproston, Erens & Orford (2000) 35 10- Pools Promoters' Association (2000) 11- Data provided by the Centre for Gambling & Commercial Gaming, University of Salford 12- BISL (2000) 61 13- Pool Promoters Association (2000) 1 14- Littlewoods Organisation plc (1999) 42 15- Littlewoods Leisure (2000) 5 16- Ibid, 4 17- BISL (2000) 65



chapter twelve

On-line Gambling

12.1 We have used the term on-line gambling to refer to gambling services that use a telephone connection. This includes services that are accessed via the internet, interactive television and mobile phones. Much of the current focus tends to be directed at gambling on the internet and increasingly via interactive television. The terms that others have used to describe the same activities include internet gambling, virtual gambling, interactive gambling and so on, as well as on-line gambling.

12.2 Generally on-line gambling is characterised in two ways: on-line betting and on-line gaming. Betting, pools and (some) lotteries which receive entries on-line but where the event, draw or competition occurs off-line are referred to as on-line betting. The gambling event actually takes place and the result is independently verifiable i.e. the on-line system does not generate the result, it is used simply as a conduit for communicating information. The internet is often an alternative to other means of entry such as the post or telephone. On-line gaming is used to refer to gambling services conducted purely on-line which rely upon some kind of random number generator. It may appear as virtual casinos, (some) lotteries and electronic gaming machines.

Regulation

12.3 As the Gaming Board has stated, gambling legislation – apart from that setting up the National Lottery – is all over a quarter of a century old and was enacted at a time when the power of the internet could not have been imagined. The legislation therefore impinges on on-line gambling in ways which were unintended and are erratic.¹

12.4 The current legislation is thought to apply as follows:

- casino, bingo and machine gaming. It is illegal to set up on-line sites in Great Britain. Operators licensed by the Gaming Board to offer casino gaming, bingo and gaming machines must do so on licensed and registered premises. In particular, the persons taking part in the gaming must be on the premises at the time gaming takes place. The Gaming Board have advised that no licence could be obtained by an operator wishing to offer on-line gaming services and that to set up such a site would be illegal.
- betting. A bookmaker may accept bets on-line. Some bookmakers have chosen to operate offshore to avoid paying general betting duty, rather than because there is any legal difficulty in operating

on-shore. Since bookmakers are able to take bets via the telephone, it is accepted that they can take bets on-line.

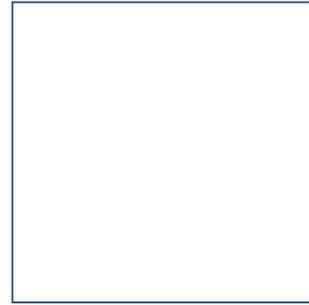
- lotteries. Tickets for lotteries can be sold almost anywhere other than the street, however they cannot be sold by machine. The Gaming Board has approved two applications to run lotteries on the internet, having satisfied itself in those cases that the sale of tickets would be effected by sales staff and not machine
- pool competitions. Football pools accept entries by post and can therefore also use e-mail.
- National Lottery. The National Lottery Act allows the sale of tickets from an attended machine.
- punters. Although operators are restricted by current legislation, no regulation prevents players accessing gaming or betting sites anywhere in the world. Nor is it illegal for overseas operators to offer on-line gambling to British residents (though there are restrictions on advertising).

Punters

12.5 The data available suggest that to date, only a tiny percentage of people have gambled on-line. The Prevalence Survey found that less than 0.5% of respondents had gambled over the internet.² Similar percentages have been reported overseas. Australian data suggest that in 1998-99 about 0.6 per cent of adults, nearly 90,000 Australians, gambled on the internet.³ It has also been reported that of the 90 million web users in the United States, some 5% have gambled on-line.⁴

12.6 Identifying the type of person likely to gamble on-line is highly speculative. The betting industry told us that the profiles of telephone punters and betting shop punters are different so it would not be surprising if a typical on-line gambler also differed from his off-line counterparts. The profile of an on-line gambler may be similar to that of a current e-commerce customer which is in turn based on analysis of internet users. The typical e-commerce consumer in the UK is said to be a 34 year old male, in social class ABC1, who lives in the South East and has at least one degree.⁵ Industry analysts have commented on the ability of interactive television to reach novice punters, such as women, younger people and ABC1s who would not normally enter a betting shop.⁶

1- Gaming Board for Great Britain (2000) 109 2- Sproston, Erens & Orford (2000) 11 3- Senate Select Committee on Information Technologies (2000) 13
4- Sutherland, J. (16 April 2001) 5- Retail E-Commerce Task Force (2000) 6 6- Broadband Media (9 April 2001) 5



- 12.7 There are varying estimates of the current number of people with on-line access via a PC, mobile phone or digital television, or likely to have access in the next few years. About 34% of households in the UK have internet access and around 30% of households have digital television, though only 10% of these use it for internet access and 15% for e-mail.⁷ Current mobile phone penetration exceeds 70% though most phones are not internet enabled.^{8,9}
- 12.8 Forecasts of the growth in on-line users are highly speculative but suggest that by 2005 mobile phone penetration could exceed 80% (and most of these phones will be able to access the internet) and penetration of digital TV could reach over 60%. In addition, individuals are already able to access the internet from their workplace and public locations, such as internet cafes and libraries and this is likely to become more commonplace. The availability of on-line services is likely to increase rapidly over the next five years such that anyone who wishes to access them should have no trouble in doing so.

Number of users

- 12.9 There are limited data available on the number of people registered with on-line gambling sites. Blue Square, which was launched in May 1999, reportedly has about 110,000 users registered on its onshore internet site.¹⁰ Over the Grand National weekend, it is thought that it received over 70,000 (worldwide) bets on-line.¹¹ By March 2001, the interactive television site Open, had signed up more than 20,000 betting customers.¹² On-line betting sites apparently rank among the most visited entertainment sites.¹³

The Industry

- 12.10 On-line gambling services accessed by consumers over the internet, via a mobile phone or digital TV network are a relatively new development. In the latter two cases bespoke gambling services may be offered instead of or in addition to services available on the internet. In time, other devices such as games machines, personal digital assistants (PDAs) etc will provide connectivity to the internet and so potential access to gambling services.

- 12.11 Whilst the telephone is readily available, it is only suitable for transactions (e.g. placing bets or buying lottery tickets) in situations where the gambler already has a considerable amount of information about the gambling event. The interactive transmission of text and visual information offered by other networks/devices, in particular the internet, allows a much wider range of gambling services, including gaming as well as betting, to be provided.

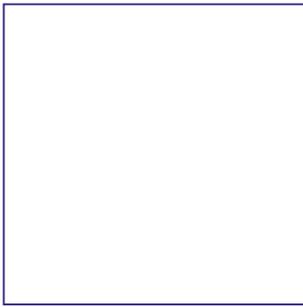
Operators

- 12.12 It is difficult to say how many on-line operators exist because there is no requirement for registration. Theoretically all on-line sites are accessible by punters based in Britain. Many betting operators with bookmaking permits have offshore sites. Currently, they may use British-registered web addresses and divert the punter to an offshore site.
- 12.13 Although on-line casino gaming is not legal in the UK, British residents have access to the sites wherever they are. Some estimates suggest that there are around 1,500 on-line casinos in the Caribbean alone.¹⁴ Overall, there are already hundreds and possible thousands of gambling websites around the world, all potentially accessible by British punters with internet access.

Estimated Turnover

- 12.14 Present and future on-line gambling revenues are difficult to estimate because of the lack of verifiable public data.¹⁵ Europe Economics estimated the value of the UK internet betting market to be in the region of £100m in 1999. This compares to a betting office turnover of £6,563m and telephone betting of £729m onshore and £250m offshore.¹⁶ BSKyB announced that it made £33m from gambling in the second half of 2000, generated by the Surrey Group internet site and via Open, the TV-based e-commerce platform, which currently carries Blue Square.¹⁷ Reports suggest that less than 5% of betting in the UK has gone on-line.¹⁸ Other commentators have suggested that on-line betting now makes up 2-3% of the UK gambling market.¹⁹ It is possible that very few people are betting on-line but it is the higher spending punters doing so.

7- Ofitel (2001) 8- Mobile Communications (20 March 2001) 9- It is conceivable that mobile phone penetration could go over 100% in time particularly as it includes pre-pay phones no longer used. 10- Broadband Media (9 April 2001) 5 11- Racing Post (13 April 2001) 12 12- Broadband Media (9 April 2001) 5 13- Ibid, 5 14- Sutherland, J. (16 April 2001) 15- Kelly, J. M. (2000) 16- Europe Economics (2000) 28 17- Broadband Media (9 April 2001) 5 18- Ibid, 5 19- Merrill Lynch (2001)



12.15 The National Gambling Impact Study Commission (NGISC) Report on gambling in the United States quoted estimates that internet gambling revenues were \$651 million (£434 million²⁰) for 1998, more than double the estimated \$300 million (£200 million) from the previous year.²¹ The Netbets report stated that approximately 14 corporations were involved in on-line gambling in Australia in March 2000 and that much of their turnover was generated by overseas gamblers. One of the corporations reported a turnover of \$100 million (£40 million²²) in 1998-99.²³

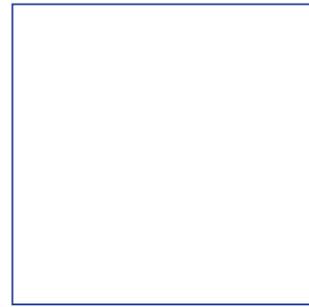
12.16 Commentators suggest that there will be a massive growth in revenues from internet gambling in the next few years but predictions of the likely size of the market vary enormously. A report produced by the National Office for the Information Economy in Australia estimated that the global market could be worth between \$11 billion (£7.3 billion) and \$110 billion (£73 billion) in annual turnover.²⁴ In their evidence to us, Christiansen Capital Advisors LLC estimated that internet gambling expenditure would be in the region of \$2.2 billion (£1.5 billion) in 2000 and \$6.4 billion (£4.3 billion) in 2003, as in figure 12.i. Whatever the exact figure, there is a significant internet gambling market both globally and in the UK.

	1999	2000	2001	2002	2003
US Dollars, millions (£ equivalent) ²⁵	\$1,167 (£778)	\$2,207 (£1,471)	\$3,119 (£2,079)	\$4,546 (£3,031)	\$6,346 (£4,231)

Source: Christiansen Capital Advisors LLC (2000)

Figure 12.i: Estimated Actual Internet Gambling Expenditures 1998-2003

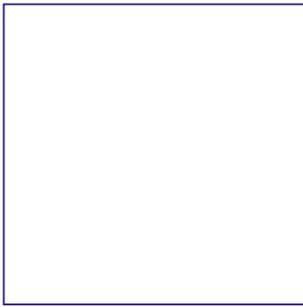
20- Using a conversion rate of (US)\$1.50 to (GB)£1. 21- National Gambling Impact Study Commission (1999) 22- Using a conversion rate of (AUS)\$2.50 to (GB)£1. 23- Senate Select Committee on Information Technologies (2000) 3 24- National Office for the Information Economy (2001) 25- Using a conversion rate of (US)\$1.50 to (GB)£1.



chapter thirteen

Relationship with the Underlying Activities

- 13.1 Our terms of reference require us to concentrate on gambling; they do not require us to consider the health or prosperity of the activities on which gambling may be based. The Rothschild Commission¹ was particularly required to consider
- The contribution made from the proceeds of gambling towards the support of other activities (including sport), the means by which this might be enhanced, and the conditions to be imposed.
- 13.2 One might suggest that the change between the two sets of terms of reference reflect the changes that have taken place in the view of the appropriate role of the state over the past twenty or so years.
- 13.3 Despite this injunction, the Rothschild Commission reflected a robust attitude to the issue. It is worth quoting their arguments in relation to horseracing at some length:
- The proposition that bookmakers and punters ought to contribute to racing is widely regarded as self-evident. In a joint submission from a number of racing organisations we were told that one of the main problems confronting racing was “whether the proceeds of gambling can be made to supply a large enough injection of finance into horseracing”. The Tote went even further. It declared that “so long as bookmakers are allowed to extract huge sums of money every year from the horseracing industry, the industry will never be healthy”. The implication is that the profits of bookmakers belong in some sense to racing.*
- We do not agree with this approach. Racing and betting are separate economic activities. Of course the one is dependent on the existence of the other, but then so are many economic activities. The fact that bookmakers have chosen to make their living in a way which depends upon other people being willing to run horse races means that prudent self-interest might lead them to make a contribution to the maintenance of the sport. But it cannot create a moral obligation. If the bookmakers prefer to see racing decline and take the consequences, that is their business. The same goes for the punters. They may wish to help racing but they are under no obligation to do so.*
- 13.4 We find it hard to improve on those conclusions and believe they apply generally. We make no recommendations directed at regulating the relationship between gambling and the underlying activities. We believe that should be a matter for bargaining and negotiation between the gambling industry and the related activities, subject to the normal concerns of the competition authorities. We note that the Tote will be transferred to the horseracing industry and that it will be allowed to retain its monopoly of pool betting. That implies a public policy decision on which we do not comment although we have commented on its effects on the punter.
- 13.5 The greyhound racing industry has, understandably, asked for parity with horse-racing in terms of a levy paid by the bookmakers. It claims that less than 0.4% of all greyhound bets were returned to the greyhound industry via a voluntary levy, compared to around 1.5% of all horseracing bets.² As we have already said, it is not for us to make recommendations regarding the relationship between gambling and the underlying activities. The relationship is a commercial one and therefore any levy should be voluntary. Notably, the Home Office has already signalled its intention to abolish the horserace betting levy scheme, having “identified no overriding reason why the assessment, collection and apportionment of a levy on horserace betting should be a proper function of the public sector”. Similarly, there is no statutory basis for the relationship between the football pools and the money it donates to the Football Foundation (formerly the Football Trust), as a discretionary trust, and the Foundation for Sports and The Arts, which is also a discretionary trust.³
- 13.6 There is a related issue on which we have received a number of submissions, namely the welfare of greyhounds. Although we believe that this too lies outside our terms of reference, we have some sympathy for the arguments. We were told that of a minimum of 10,000 greyhounds retired or discarded each year, only some 1,800 are re-homed. There are many documented instances of the inhumane fate of the remaining 8,500 dogs. It is the responsibility of the industry to put its own house in order. However, they are no doubt aware that there are pressures on the government to act on animal welfare issues which can evoke strong public emotions.



chapter fourteen

Attitudes To Gambling

Historical perspective

- 14.1 Much of the existing legislation in the UK reflects an attitude that gambling is, at best, something to be grudgingly tolerated and contained, rather than allowed to be encouraged. This attitude is based either on the belief that gambling is bad in itself (the moral argument) or that it can lead to serious harm (the danger argument). It is for this reason that the concept of “unstimulated demand” (enshrined in the 1968 Betting and Gaming Act) has such a central role.
- 14.2 In considering the historical background, it is worth noting that when, prior to the 1960s, many forms of gambling were illegal in the UK, a great deal of illegal gambling took place. The legislation of the 1960s was introduced at least in part to regulate a form of activity that the law was unable effectively to suppress. Consequently, the UK is unusual in that the primary purpose of its existing gambling legislation is social control. In other jurisdictions, such as the US and Australia, gambling has been used as a tool for economic regeneration. But in the UK, at least until the advent of the National Lottery in 1994, commercial and economic interests took a secondary place in determining the nature of legislation.

Have attitudes to gambling changed?

- 14.3 The argument that attitudes towards gambling have changed, and that it is no longer generally the subject of disapproval, is an argument widely used in written submissions to us. It is based on the fact that so many people in the UK now gamble by means of the National Lottery. Yet the effect of the National Lottery on social attitudes to gambling is hard to determine, and may be readily exaggerated. So while it is often repeated that social attitudes to gambling have changed in the UK, we have not been presented with any firm evidence to this effect. Whilst most of those making submissions shared the view that attitudes had changed, there were dissenters. One submission claimed that suggestions that attitudes have changed were based on self-serving industry wishful thinking¹ and another that gambling should not be thought of as part of a wider leisure industry.² We decided to test the assertion that attitudes have changed by commissioning a survey by the Office of National Statistics (ONS), the results of which are discussed below. We also wanted to test the general assumption that the

advent of the National Lottery had revolutionised attitudes towards gambling, and to test whether our emerging views were in tune with those of the general public.

Sources of information

- 14.4 We have used a number of other sources to complement the data about attitudes in the ONS survey. We derived information from the Prevalence Survey,³ the MORI survey in the BISL report “The Economic Value and Public Perceptions of Gambling in the UK”⁴, a survey conducted for the Home Office on attitudes to the controls on gambling and drinking⁵, and several surveys conducted for contributors to the review about their areas of activity. We also looked at surveys conducted abroad.

Survey on Attitudes to Gambling commissioned by the Gambling Review Body

- 14.5 The survey was conducted by the ONS over two weeks in January and one week in February 2001 as part of their January omnibus survey. A random sample of 3,000 private households in the Great Britain was selected and stratified by region, by the proportion of households renting from local authorities, and by the proportion in which the head of the household is in Socio-Economic Groups 1-5 or 13 (that is a professional, employer or manager). 1,678 face to face interviews were conducted with people aged 16 or over. Details of the methodology of the survey and tables of the data collected are annexed to this report.
- 14.6 The survey aimed to measure public attitudes in four areas:
- changes in attitudes towards gambling
 - attitudes towards the availability of fruit machines in places not usually associated with gambling
 - attitudes towards allowing children to play on the type of fruit machine commonly found in seaside arcades
 - whether people considered the National Lottery to be a form of gambling.



Do people think the National Lottery is gambling?

- 14.7 So that they were not prompted into considering the National Lottery as a form of gambling, respondents were asked by the ONS whether they had played the National Lottery before they were asked about their views on gambling. People were asked if their attitudes had changed over the past 10 years, because we wanted to use a period which would include the introduction of the National Lottery without making it obvious that this was one of the aims of the question. 80% of people surveyed thought that doing the National Lottery was gambling. 73% had bought a lottery ticket or scratch card in the last year.

Have attitudes to gambling changed in the last 10 years?

- 14.8 The results of the ONS Survey seem to indicate that the National Lottery has not changed attitudes to gambling. The vast majority (80%) said that their attitude was unchanged over the last 10 years. The percentage of people who said their attitude had become more negative towards gambling over the last 10 years (15%), was higher than the percentage who said their attitude had become more positive (6%). The percentage of those who said their attitude had become more negative towards gambling over the last 10 years (21%) was higher in London than anywhere else in Great Britain. The percentage of those who said their attitude had become more positive (11%) was higher in Scotland than anywhere else in Great Britain.
- 14.9 Early in 2000, the Home Office commissioned an ONS omnibus survey to look at attitudes to the regulation of gambling and drinking – both areas in which the legislation was under review.⁶ That survey involved 1,753 interviews. Respondents were asked if they thought they knew what the controls on gambling were, and if they replied that they did, they were asked whether they thought the controls should be relaxed. 27% of those questioned thought that they knew what the controls were. Of that 27%, 96% did not want the controls relaxed. In the light of this result, it is interesting to note Dr Rachel Volberg told us that surveys in the U.S. show that although gambling participation has increased, attitudes have not changed very much. She referred to a 1999 Gallup survey which revealed that 47% favoured the status quo on regulation, 29% a reduction or ban on gambling, and 22% expansion.⁷
- 14.10 We asked those making written submissions to us to comment on whether attitudes to gambling had changed since the 1960s. The views of those who answered this question differed from the results of the

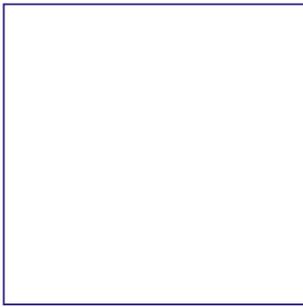
ONS Survey. 38% of those who made written submissions responded to this question. Of those, 98% thought that attitudes had changed. Their comments suggested that they thought gambling had become more acceptable. This difference could be accounted for by one or more of the following factors:

- the periods of time covered by the questions are different
- people may have answered the question on the basis of their impression of attitudes in general rather than their personal attitudes
- the sample was smaller and self-selecting, and the majority of those contributing to the review who answered the question on attitudes were from the gambling industry.

- 14.11 If gambling participation rates are any indicator of attitudes towards gambling, a comparison of the results of the survey conducted for the Rothschild Commission in 1978⁸ with the ONS Survey in 2001 would indicate there has been very little change. The 1978 survey reported that over 94% of adults (some 39 million people) had engaged in some form of gambling. The ONS Survey reported that 90% (some 41 million people) had participated in an activity which they regarded as gambling over the past 12 months. (The Prevalence Survey⁹ in 2000 reported a lower participation rate of 72%, but it did not include categories such as premium bonds which were included in the surveys of 1978 and 2001.)

Attitudes to gaming machines

- 14.12 The ONS Survey found a high level of disapproval for fruit machines in places like cafés and taxi cab offices. 66% would like to see either none or fewer in such places. 33% would like to see the same number, and only 1% would like to see more. This finding illustrated an interesting correlation with the results of the MORI survey for BISL¹⁰. MORI asked people about their perceptions of the social acceptability and seriousness of gambling activities. The least acceptable activities were fruit machines in cafés and takeaways.¹¹ Local authorities have the power under the 1968 Gaming Act¹² to impose blanket bans on machines on unlicensed premises. A report in 1993 (the most recent information available) indicated that over 100 local authorities had chosen to impose blanket bans, in premises including fish and chip shops, taxi cab offices and launderettes.¹³
- 14.13 The ONS Survey sought views on children playing on fruit machines with a prize limit of £5, which are most commonly found at the seaside. 42% of respondents disapproved of children playing on these machines.



41% approved so long as an adult accompanied the child. 13% neither approved nor disapproved and only 4% approved of children playing on these machines. There was a higher level of disapproval in Wales (54%) and Scotland (56%) than in England (40%). The percentage of the youngest respondents (16-20 year olds) who approved so long as the child was accompanied by an adult was 49% – a higher percentage than the average, and the highest of all the age groups. The percentage of the youngest respondents who disapproved of children playing on these machines was commensurately lower – at 24%, the lowest of all the age groups.

14.14 In assessing how these perceptions should affect our recommendations, we have considered how changes in the law could affect seaside towns where family amusement centres with these machines are located. We therefore also took into account a survey of visitors to seaside towns and amusement arcades commissioned by BACTA and BALPPA.¹⁴ In a survey of 1,000 visitors to seaside resorts and 1,000 people who had visited seaside amusement arcades, just under 62% of the visitors considered amusement arcades to be either quite important or very important to seaside towns.

14.15 The MORI survey revealed that if machines in cafés and takeaways were the least socially acceptable form of gambling, the next least acceptable form of gambling was fruit machines in inland arcades. This lack of public enthusiasm is similar to the results of a national survey commissioned by the Australian Productivity Commission.¹⁵ In response to the question “should numbers of gaming machines be increased, decreased or stay the same?”, 51% thought they should be decreased, 41% thought they should stay the same and 1.7% thought they should be increased.

Social aspects of gambling

14.16 There seemed to be some conflict in the evidence about the extent to which sociability is an important feature of gambling. MORI¹⁶ found that one of the key benefits felt by gambling participants was the sociability associated with gambling. The Bingo Association commissioned a survey of the views of the public and of bingo players.¹⁷ 69% of the public and 83% of bingo players agreed with the statement that “playing bingo in a bingo club was more of a social activity than gambling”. However, according to the Prevalence Survey,¹⁸ the reply to the statement, “I have made good friends through gambling” was:

- 63% never
- 5% rarely and
- 5% sometimes.

It is of course possible that the respondents to the Prevalence Survey did not have bingo in mind when they answered the question. Moreover, for 35% of respondents in the Prevalence Survey, their only gambling activity was the National Lottery, and buying a National Lottery ticket is not an activity which we would expect to be conducive to making good friends.

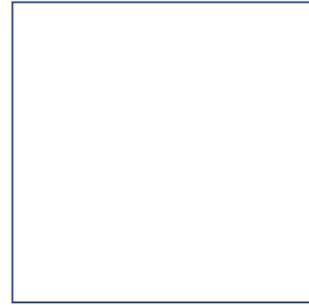
Gambling to benefit charity

14.17 The ONS survey revealed that the vast majority of the 90% of people who gambled in the past 12 months had participated in the National Lottery and bought raffle tickets. 73% of people played the National Lottery, and 58% bought raffle tickets. The next highest level of participation in a gambling activity (buying scratch cards) was much lower at 20%. Gambling which mixes public benefit with potential private gain is clearly the most prevalent form of gambling. By comparison, a far smaller proportion of people bet on horses and greyhounds (15%) play bingo (14%) and play on fruit machines (13%). MORI reported that small lotteries were perceived as the most acceptable and least serious form of gambling, closely followed by buying premium bonds and doing the National Lottery. The fact that so many people do the National Lottery¹⁹ does not lead us to conclude (as some have argued) that people would welcome exposure to other forms of gambling in all places where the National Lottery is available.

Range of attitudes in submissions to the Review Body

14.18 We received over 200 written submissions covering a broad range of views from individuals, representative organisations and the industry. Most thought the time had come for change, but there were considerable differences in the degree of change advocated. Only one submission proposed that legislation should be introduced to prohibit all forms of gambling.²⁰ At the other end of the spectrum, one submission put the case for radical change in forthright terms, “current anachronistic restrictions should be lifted to enable the industry to access untapped markets of potential gamblers”.²¹ 20% of those who made submissions answered the question “what influence should a change in attitudes towards gambling have on the regulatory structure?” Just over half thought that regulation should reflect current attitudes and just under half thought caution should be exercised in regulation.

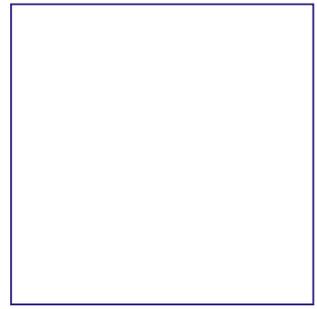
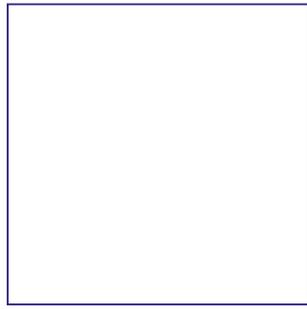
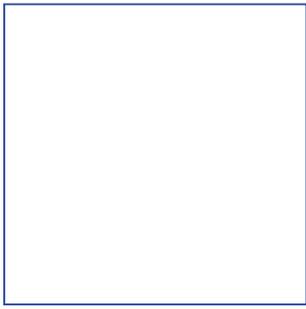
14.19 We do not believe that there is any indication in any of the surveys we have seen that the attitude of the public to gambling has undergone radical change since the introduction of the National Lottery. Attitudes about the acceptability and seriousness of the various forms of gambling do not lead us to believe that there is a



public desire for unrestricted access to gambling. The survey which the ONS conducted for us indicates that most people would prefer less accessibility to fruit machines in non-gambling locations. We think that public attitudes should play a part in our recommendations, and we interpret the survey data as encouragement for our view that there should be a cautious approach to relaxing the controls on gambling.

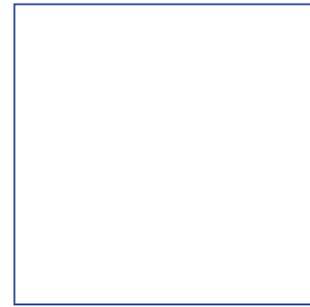
14.20 We have noted that in Australia radical change to gambling legislation resulted in a rapid proliferation of gambling opportunities. The Australian Productivity

Commission reviewed the effects. Among the surveys it commissioned was a national survey on community attitudes to gambling, which found widespread concern about the expansion of gambling. Around 70% of respondents (including a majority of regular gamblers) considered that gambling does more harm than good.²² At 2.3%, the rate of problem gambling in Australia is the highest noted in the international comparisons given in the British Gambling Prevalence Survey. We think that the Australian experience offers reinforcement for a cautious approach.



part three

why regulate?



chapter fifteen

Keeping Crime out of Gambling

15.1 It is a theme of this Report that we should provide greater freedom for adults who want to gamble, particularly in the tightly regulated conditions of casinos. We wish them to retain their current freedom to bet at racecourses or in betting shops. We believe this freedom should be balanced by ensuring, as far as we can, that gambling is crime free, for the benefit of the citizen in general and the punter in particular. In this section we examine the question of the type and scale of regulation that may be necessary to achieve this end. All commercial activities are vulnerable to criminal infiltration and activity, involving potential loss to the employer or the customer. In most cases the remedy lies in the criminal law and in systems designed to deter or prevent criminal activity. We consider whether gambling requires specific regulations that go beyond the normal criminal law.

15.2 The following aspects of gambling suggest that there may be particular problems:

- gambling involves the circulation of large sums of money, mainly anonymously
- that in turn provides opportunities for money laundering
- punters can be vulnerable and may be easily cheated
- games can be rigged and improper attempts can be made to influence the outcomes of events
- the profitability of gambling can encourage attempts to enforce control over potential suppliers to keep out competition.

15.3 It is also important to note that gambling is wholly or partly illegal in many countries. Thus those who provide gambling in such countries to meet the demand for it are themselves committing criminal offences and may be involved in other criminal activities. Since the activity is illegal the debts that arise cannot be enforced through the courts, and other means, including violence, can be used to retrieve them. History in this country and elsewhere shows that gambling attracts criminals and that the criminal law by itself may not be sufficient to deal with the problem.

15.4 The Gaming Act 1968 was itself a response to widespread criminal involvement in gambling that occurred following the 1960 deregulation of casinos. New regulations and the establishment of the Gaming Board were designed to make gaming crime free. The overwhelming majority of submissions to us, including

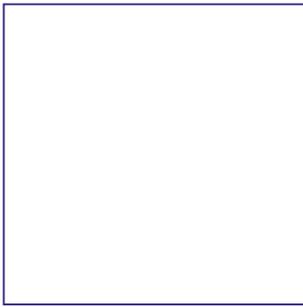
those from the police service and the gambling industry, agree that the 1968 Act has been a success and that we need to retain a strong and effective central regulator. It is evident that the Gaming Board has been successful in tackling criminality and in doing so it has developed an industry with an enviable international reputation for integrity.

15.5 Whilst the Gaming Board has been extremely successful there have been occasions since 1970 when parts of the industry have succumbed to criminal behaviour and the Gaming Board has been able to act swiftly to eliminate the problem. Improper use of credit, corruption to obtain new clients, skimming of the take and illegal loans have required the intervention of both the Gaming Board and the police. We have no doubt that the appropriate use of Gaming Board powers has enabled the problems to be dealt with administratively in relation to certification as well as criminally. The use of administrative rather than criminal powers has been successful in finding solutions to such problems, often resulting in corporate restructuring and new appointments so as to regain the trust of the Board.

15.6 The evidence of the police service reminds us that where the industry operates in unregulated parts of the world criminal groups are attracted to and influence the organisation of gambling. We have been given specific examples of activities and involvement of individuals in unregulated jurisdictions that would not be tolerated in our domestic industry. We conclude that the reasoning that led to the 1968 Act and its regulation is still appropriate today. Criminals and criminality still pose a threat to an unregulated industry. The types of controls which already apply to casinos, bingo and lotteries should remain in place. Our recommendations for the type of regulator and the regulations that are warranted are set out in Part 4 of this report.

Betting

15.7 A major question for us has been whether the risks of criminal involvement in betting justify a tightening of regulation for this section of the gambling industry, which under current arrangements is subject to a rather different, and generally lighter, regime. Bookmaking is not regulated by the Gaming Board and bookmaker's permits are granted by local licensing magistrates. We do not doubt that the great majority of the betting industry operates perfectly legally and honestly and we would not add to the regulatory burden upon it unless we believed such a move was justified.



15.8 Several of the features listed in paragraph 15.2 above apply to bookmaking and it would appear that it is vulnerable to criminal involvement. However the fact that bookmaking was not included in the 1968 Act suggests that the type of criminal involvement that had become rife in casinos was not widespread in bookmaking. We have no reason to believe that it was.

15.9 Nevertheless, a number of the submissions we have received suggest that bookmaking should be more tightly regulated. The Metropolitan Police told us “practices and relationships have developed over the years which range between the highly questionable and the overtly corrupt”. As we describe in chapter 26 we believe that there are shortcomings in the current system of permits, risks of corrupt relationships between bookmakers and those involved in sports, and worries about opportunities for money laundering which justify a centralisation of the licensing of individuals and tighter controls over bookmaking activities. We do not believe that the proposed changes are unduly onerous and we believe that the bookmaking industry would benefit from the enhanced reputation that such regulation would bring.

Gaming Machines

15.10 The lack of enforcement powers against the operators of illegal gaming machines is something that frustrates both the legitimate industry and regulators. By illegal gaming machines we mean those that are unlicensed or those that are situated in premises in which they are not permitted. We have been told that illegal machines are sometimes fixed to operate in a manner that is not fair and honest. Even if they are operated fairly, they may be situated in such a place that children are attracted to play on machines to which they would not otherwise have access. To address these concerns, we are making recommendations about the licensing of arcade operators, the siting of gaming machines and the powers, including confiscation, of the regulator to deal with illegal and unlicensed machines.

On-line Gambling

15.11 On-line gambling is becoming increasingly popular, but is regulated in few jurisdictions. We have seen press reports and heard anecdotal evidence that there are parts of the world where internet gambling sites are run by or for the benefit of criminals. This is bad for the punter and for the regulated industry. We cannot regulate every on-line gambling site that British punters could access, but we believe it is possible to regulate on-line gambling operating from Great Britain. We discuss that in chapter 30.

Illegal Gambling

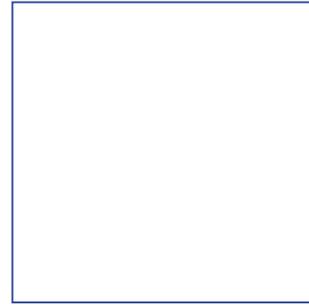
15.12 Our attention has been drawn to the existence of gambling enterprises that operate illegally and outside of the relevant legislation. The police told us of the problem, and the Gaming Board in its evidence reported “there is evidence of considerable illegal gambling throughout the country in respect of which the Gaming Board has no powers and the police little resources to take action”.

15.13 Illegal betting is difficult to quantify but we have heard evidence of such activity on racecourses and in pubs and clubs.

15.14 We are aware that illegal gambling takes place in a variety of locations and is often confined to particular communities. It may be stretching the description of a casino to apply the word to this activity. Perhaps the best known example is that of illegal Chinese gaming houses in some cities. That activity is often quite overt; the obvious example is in parts of Central London. Elsewhere illegal gambling takes place in cafes, pubs and clubs.

15.15 We understand that enforcement of the existing law against such enterprises is at best patchy and often non-existent for a number of reasons:

- the Gaming Board has no powers to detect or prosecute such offences
- unless the activity is accompanied by other criminality or disorder the police see prosecution as being low in their list of priorities
- the police often prefer to know of such locations rather than to drive them underground, in order to maintain contact with those who participate
- detection of the real beneficiary is at best difficult and often disproportionately expensive in time and resources
- as a result, those prosecuted as organisers are often at the low end of offending level
- there are no powers to ‘close down’ the facility
- the courts often impose very low penalties
- the communities in which such activities occur are often supportive and might not complain about their existence
- in some communities the process of dealing with offenders may cause more discord than the original offence itself



- as a consequence police are keen to balance their activity in the overall interest of the local community

15.16 We sympathise with many of these points and understand the fine judgements that have to be drawn in making decisions in the best interest of a particular community. Nevertheless we agree with Rothschild that the "law ... should not be allowed to fall into disrespect and disuse". Our recommendations in this difficult area are set out in chapter 33.



chapter sixteen

Fairness to the Punter

16.1 Our terms of reference require us to have regard to:

- the need to protect the young and vulnerable from exploitation and to protect all gamblers from unfair practices.

This chapter considers the part that regulation can play in ensuring that players are protected as consumers, are aware of the characteristics of the product and that there is fair dealing in the way the product is offered.

16.2 It is an inescapable feature of reviews of this type that there is a large volume of well-documented evidence from the producers (from individual companies and trade associations) and relatively little from the consumers (in this case, the punters). We regard it as our duty to redress this balance, as best we can, by considering the interests of the consumers. We have already discussed some of the reasons why restrictions on the freedom of the gambler to bet when, where and how he wishes may be justified. In this chapter we are more concerned with the relationship between the punter and the gambling industry. The regulation that concerns us here is therefore more related to restrictions on the providers of gambling than on the punters themselves. We have described the need to keep crime out of gambling and to ensure that the punter is protected from theft and fraud. Here we turn our attention to two further objectives, namely that punters

- are not over-charged
- are well informed.

16.3 As far as the first objective is concerned we must recognise that we face another dilemma. The avoidance of crime generally requires restrictions on those who supply gambling services. It is necessary to ensure, as far as possible, that they are fit and proper to undertake these activities. Current regulations also place significant restrictions on the number and location of gambling outlets. That is a means of reducing the risk of criminal activity but it is also considered as a way of protecting the vulnerable. But any limit on who enters the industry or on the number of outlets must reduce the degree of competition. And competition is an extremely effective way of holding down prices. So we have to try to balance the desirability of competition against the arguments for limiting supply.

16.4 There is also a dilemma which is implied by the evidence of Professor Collins¹. If we simply regard gambling as a commercial activity like any other, we shall be concerned to ensure that profits are not excessive. But if there is, in effect, a partnership between the supplier of gambling and the state (as is the case with the National Lottery or with the Jockey Club in Hong Kong, where profits are used for good causes) then effective competition may not be the most desirable outcome. In general the State may want to encourage monopoly rather than competition as long as it owns or can tax heavily the supplier.

16.5 We accept that the prime responsibility for helping to ensure competitive conditions for gambling, as for other industries, lies with the competition authorities; but we believe that we have the responsibility for considering the effects on competition of regulation introduced for other purposes.

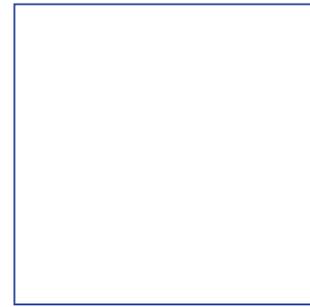
The price of gambling

16.6 On average, those who take part as punters in commercial gambling will lose money. Individuals may believe that they will win, either through luck or skill, but the iron law must hold overall. It is the punters' losses that pay for the salaries of those employed in the industry and for the returns to those who provide capital for it. They will also contribute towards any taxation on gambling and may contribute towards good causes. We cannot attempt to revoke the iron law but we can at least ask whether, despite the inevitability of loss, the punter is getting a fair deal.

16.7 The margin of loss for the average punter can be thought of as a price. In other industries we might ask whether the price is fair; in the case of gambling we have to consider whether the margin of loss (more generally known as the gross gaming margin) is fair. Another way of asking the question is to consider whether the activity of gambling brings excessive returns to those who provide it.

16.8 There are three ways in which excessive returns might occur

- fraud or dishonesty
- inadequate competition
- inadequate information.



We have considered the question of fraud and dishonesty in chapter 15. We start here by considering the question of competition.

Effective competition

- 16.9 Gambling as a whole competes with other forms of household expenditure. Within gambling, one form competes with another and, within one form, suppliers compete with each other. Competition between suppliers helps the punter by holding down costs and profit margins. This may result in better odds, or where returns are fixed by law, as in the case of some forms of gaming, in better facilities.
- 16.10 As mentioned above, regulation can have the effect of reducing competition, either deliberately, as in the case of the National Lottery, in order to maximise the proceeds for good causes, or as a side effect of measures aimed at keeping out criminals, limiting gambling opportunities, or preserving local amenities.
- 16.11 The demand test for licensed betting offices, bingo clubs and casinos and the permitted areas rule for casinos clearly restrict competition. By limiting the supply of gambling services they are likely to raise profit margins for those who acquire gambling sites. Additional betting shops, for instance, will increase the number of outlets competing for the punter's pound. The result of the increased competition will either be experienced in better facilities for the punter or in more favourable odds. The auctioning of bookmakers' pitches at racecourses certainly had the effect of improving the return to the punter, presumably because the newcomers were willing to attract business by offering better odds.
- 16.12 The Betting, Gaming and Lotteries Act 1963 states that an application to grant or renew a betting office licence may be refused on the ground

that the grant or renewal would be inexpedient having regard to the demand for the time being in the locality for the facilities afforded by licensed betting offices and to the number of such offices for the time being available to meet that demand.

- 16.13 Section 18 of the Gaming Act 1968 states:

(1) The licensing Authority may refuse to grant a licence under this Act if it is not shown to their satisfaction that, in the area of the authority, a substantial demand already exists on the part of prospective players for gaming facilities of the kind proposed to be provided on the relevant premises.

(2) Where it is shown to the satisfaction of the licensing authority that such a demand already exists, the licensing authority may refuse to grant a licence if it is not shown to their satisfaction –

(a) that no gaming facilities of the kind in question are available in that area or in any locality outside that area which is reasonably accessible to the prospective players in question, or

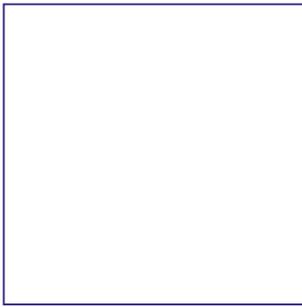
(b) where such facilities are available that they are insufficient to meet the demand.

These rules apply to casinos and bingo halls. The establishment of casinos is also limited to permitted areas. Thus betting shops, casinos and bingo halls have to pass what is known as the "demand test."

- 16.14 As described in chapter 3, the demand test was endorsed by the Rothschild Commission because it helped to avoid social excess. Our terms of reference require us to consider the wider social impact of our recommendations. We believe that, despite an assumption in favour of allowing adults to behave as they wish, concern with the wider social effect does justify the continuation of much of current regulation. However we do not accept the principle of "unstimulated demand." We believe, for example that regulation itself should not limit the number of betting shops on a particular street. There may be other local reasons for restrictions but we do not believe that applicants for licences should need to prove an unsatisfied demand as a condition for opening a new outlet. We discuss this in chapter 20.
- 16.15 Our proposals should have the effect of increasing the extent of competition in the gambling industry and should thereby reduce the price of gambling, ie. the expected loss to the average punter. In the case of casino table gaming there may appear to be less scope for improving the odds paid to punters since there are either industry norms or rules laid down by regulation. Where this is the case competition will take the form of improved facilities for punters.
- 16.16 Our proposals for increased competition have been balanced by our recognition that increasing the availability of gambling is likely to increase the number of problem gamblers.

Bookmaking and racecourses

- 16.17 We believe that increasing the potential number of suppliers is one way of providing better terms for the punter. There is the slightly different issue, which causes some concern, of the links between those who provide betting facilities and those who operate racetracks for dogs and horses. Bookmakers own four



greyhound racetracks. Under the proposals for the Tote, the horseracing industry will own the Tote. Owners of greyhound tracks own the tote betting that is provided within them. In addition the bookmaking industry organises greyhound racing (through the BAGS system) for the purpose of providing a betting opportunity. Finally the two largest bookmakers are the main shareholders in Satellite Information Services Ltd (SIS) which broadcasts pictures of horse and greyhound races to betting shops. It has been suggested that these direct links between racing and bookmaking are unfair to the punters and race-goers. The main implication must be that the "price" offered to the punter or the race-goer (or both) is higher than it would be if these links were broken. It is also argued, particularly in the case of greyhound racing, that the arrangements are unfair to the independent racetracks (ie. those not owned by bookmakers).

16.18 Our main concern is that the ownership of tracks should not affect the deal for the punter. The following example was put to us. Suppose that a punter stands to make a considerable return from the last leg of an accumulator bet and that the race is being run at a track owned by the bookmaker. The bookmaker may be tempted to fix the race so that the backed dog does not win. We do not take that seriously; but it illustrates the kind of suspicion that arises. Consider the position of a punter placing a bet on a BAGS race at a bookmaker-owned dog track. The race is being run for the bookmakers. Bookmakers own the track. The information related to the race is provided by SIS (which is owned by the bookmakers). The tote facilities are owned by the track (and therefore by the bookmakers). There may be a few on-course bookmakers present, but the punter may feel that he has nowhere to turn. Everything is run by and owned by the bookmakers. What chance does he have?

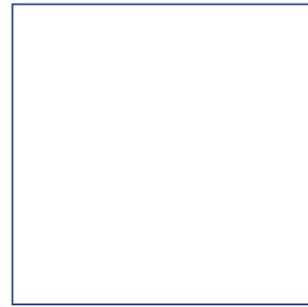
16.19 During the period earlier this year in which horseracing was affected by the Foot and Mouth outbreak, extra attention was directed at the BAGS races since they provided an alternative outlet for punters. The on-course market at BAGS races can be extremely thin and it was said that the returned starting prices gave unusually favourable returns to the off-course bookmakers. It was further suggested that those tracks that provide BAGS races were required to offer these favourable returns in order to retain their contracts. It appears to be generally true that BAGS races offer unfavourable returns to the punter compared with other types of race, including evening dog racing events.

16.20 The result of these linked ownerships is that parts of the betting industry have become more like the gaming industry with the same organisation providing both the event and the opportunity to bet on it. In

greyhound racing the event is a race between six dogs; in roulette it is the turn of a wheel. In gaming the operator both conducts the event and takes the bets. The same thing happens at bookmaker-owned racetracks, except that independent bookmakers offer some competition to the totalisator. It also happens, indirectly, in the case of BAGS races, where the bookmakers are paying a fee for the event to be run. The question is whether competition and regulation are sufficient to avoid over-pricing in bookmaker-owned tracks. (The over-pricing could appear at the track or in the off-course betting offices.) The ownership of tracks does not necessarily matter. What matters is that there should be adequate competition within the betting industry. Our proposals should help to improve competition between betting shops. There is also potential competition, as far as the punter is concerned, between one dog track and another. If a bookmaker-owned course provided consistently worse odds than an independent one, the punters can, in principle, go elsewhere, though dog tracks undoubtedly enjoy a local monopoly.

16.21 Although, as we have said, these are matters for the competition authorities rather than for regulation of gambling itself, we believe there is one means of improving the terms offered to the punter as far as greyhound racing is concerned. It is generally true that profit margins on, for example, forecasts and tricasts are much larger than those in simple bets. This is part of the general tendency for punters to accept poorer odds if there is a chance of a large pay-out (the National Lottery and the football pools are prime examples). However the British Greyhound Racing Board (BGRB) has pointed out to us that gross profit margins on these bets are about 25 per cent higher in betting shops than at the on-course totes. They recommend that the law be changed to allow off-course betting into on-course totes. We discuss this in chapter 26.

16.22 Another area of concern relates to competition between the Tote and the fixed odds bookmakers on racecourses. There is a conflict here which will become more apparent when the ownership of the Tote is shifted to the horseracing industry. The Tote's profits will accrue directly to racing while the on-course bookmakers will be operating independently. Since the on-course bookmakers compete for business with the Tote they may feel that they are at risk of being unfairly treated. As the Independent Members of the Horserace Betting Levy Board² pointed out in their submission to us, there are discrepancies in the control of sites. Approval for the siting of the betting ring and other on-course betting facilities (including the Tote Bookmakers) must be obtained from the Levy Board. But the provision of Tote pool betting facilities is entirely a matter between



the racecourse and the Tote, and is not subject to Levy Board approval. Until recently, bookmakers' pitches were restricted to the traditional Tattersalls and Silver Ring Enclosures. As from October 1998, the Board is prepared to consider the siting of bookmakers' pitches in Members' and Paddock areas but so far this has only happened at Cheltenham. Tote outlets are more conveniently available to race-goers, particularly those who are in the hospitality boxes.

- 16.23** Despite the convenient location of Tote outlets, bookmakers take 78%³ of the money staked at horse racecourses. The charge to bookmakers is currently fixed by regulation at five times the public entry charge. The bookmakers fear that if this control were abolished, the racecourse owners would attempt to discourage them (thereby reducing competition with the Tote) by a significant increase in charges. We discuss this in chapter 26 and conclude that, subject to safeguards, the control on entry charges should be abolished.
- 16.24** The Tote has a monopoly in providing pool betting for horse racing. As far as the consumer is concerned the presumption is that monopoly arrangements are against the public interest as they allow excessive profits and reduce the incentive to control costs. The Tote argues that its monopoly is necessary to ensure a large enough pool to ensure that individual bets do not have significant effects on the odds. In its submission, Arena Leisure⁴ criticises the Tote monopoly and argues that because of it the Tote is inefficient and has not been innovative. Arena Leisure also questions the legality, under European Union Law, of the statutory monopoly. We cannot comment on these issues but note that the Tote provides another example of the conflict between the desire to maximise income for the racing industry and the interests of the punter. We limit ourselves to the regulation of gambling and note that we do not recognise a regulatory case for maintaining the Tote's monopoly.

Starting prices

- 16.25** The majority of bets on horse and greyhound racing staked through betting shops are at starting prices, ie. the odds available from on-course bookmakers just before the race begins. The reasons for this practice are partly that odds may not be available at the time the punter bets and even if they were that it would be difficult for the off-course punter to discover the best available odds before the race began. (He would have to run from betting shop to betting shop and could still not be sure that there was not a better price somewhere else.) The arrangements for on-course betting make it easier for there to be something close to a perfect market in which a number of boards can be observed at the same time. It is possible that

technical developments could make it easier for betting shops to have current market information, but that is not our immediate concern.

- 16.26** There are two issues relating to starting prices which have given rise to concerns. The first concerns the *setting* of starting prices at the racetrack. The second concerns the *reporting* of the starting prices which determine the odds at which off-course bets are settled.

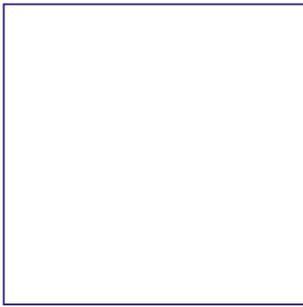
Setting starting prices

- 16.27** On-course bookmakers are receiving bets from race-goers and from other bookmakers. The other bookmakers include those taking bets off course. It has been suggested to us that off-course bookmakers can manipulate odds at the racecourse, and therefore the starting prices, in their favour and that this is unfair. Some on-course markets are very thin and a relatively small bet can alter the odds significantly. Thus the claim is that off-course bookmakers can, for example, easily reduce the odds on a race favourite and thereby greatly reduce the potential gains of those who have backed the winner at the starting price. We have considered two questions. First is it true that off-course bookmakers can and do affect starting prices by placing money on course and if so, is this unfair to the punter?
- 16.28** We raised both questions with several of those who gave oral evidence to us, including BOLA and BBOA. The practice of laying-off bets at the racecourse was concentrated among the big three off-course bookmakers. The scale of the operation is indicated by the following figures, which were provided by BOLA. The figures were based on information from Ladbrokes, William Hill and Coral and cover the first six months of 2000.

Off-course turnover on horseracing:	£2.6 billion
Number of race meetings:	581
Number of races:	3808
Average turnover per race:	£682,773
Number of races hedged on:	1200
Average amount hedged:	£5,157

The amount hedged represented 0.3% of total turnover. If the races on which hedging took place were typical of all races, hedging was about 1% of the stake on the races which were hedged.

³-see paragraph 9.34. ⁴-Arena Leisure plc (2000)

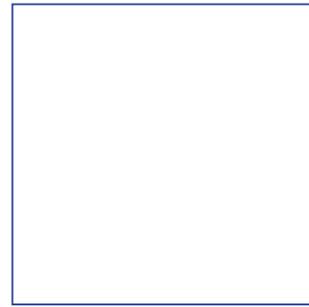


- 16.29** The setting of starting prices was examined in the Report by the Monopolies and Mergers Commission on the merger between Ladbroke Group PLC and the Coral betting business⁵. It was also described briefly in the Commission's Report on the merger between Grand Metropolitan plc and William Hill Organisation Limited⁶. The 1998 Report states that in 1997 the amount laid off by Ladbroke represented about 1 per cent of total on-course turnover but perhaps 5 per cent of total turnover on the races concerned.
- 16.30** It is accepted that off-course bookmakers could affect on-course prices and hence starting prices. In their oral evidence to us BOLA agreed that off-course bookmakers could affect the starting price particularly where the local market was thin.
- 16.31** As the 1998 Report describes, off-course bookmakers place bets with on-course bookmakers for two purposes: to hedge their liabilities and to alter the on-course odds, and hence the starting prices. The NJPC, in its oral evidence to us said that this "laying-off" of bets was largely restricted to the big three bookmakers. One did it largely to reduce the price of the favourite; one did it to reduce the price of the first three favourites and the third did it "to win."
- 16.32** No-one could question the right of bookmakers to balance their books, or at least reduce their risk of loss, by laying-off bets on horses or dogs which could cause them to make an overall loss on their book if they won or were placed. This is a familiar form of hedging and consists of backing favoured horses to win with other bookmakers. Off-course bookmakers can also hedge by laying-off bets with other off-course bookmakers, just as on-course bookmakers can lay-off bets at the racecourse. These activities of hedging might alter the odds; but that would not be the main purpose of the exercise.
- 16.33** Where markets are thin, particularly at greyhound races, small sums can alter the odds significantly. This is the process which is felt to be unfair to the punter since it is argued that bookmakers alter the odds to reduce the punters' potential winnings. The off-course bookmakers say that it is legitimate to affect the odds in this way where on-course odds are out of line with those implied by the money staked in betting shops, since on-course betting represents only about 10 per cent of the money staked on horse and greyhound racing. They also pointed out that the punter did not have to bet at starting prices. In addition, while the odds on the favourite may be shortened by this activity, the odds on other horses and dogs will tend to increase.
- 16.34** There is no evidence that profits are higher on those races on which the off-course bookmakers have laid

off bets at the track. We can sympathise with those punters who feel that the bookmakers have an opportunity to reduce the odds of the horse or dog they have backed but we do not believe there is a problem here which can be solved by the regulation of gambling.

Reporting starting prices

- 16.35** If starting prices are to be used to settle bets in betting shops there has to be an acceptable way for starting prices to be reported. A full account of the history of the reporting of starting prices at horse racecourses is provided in the report by Arthur Andersen⁷ (October 2000). Since 1985 starting prices have been reported by starting price returners at the racecourse, employed by the Press Association or Mirror Group Newspapers. The system has been funded since 1987 by Satellite Information Services Ltd (SIS). The operation is overseen by the SP Executive.
- 16.36** There are seven full time staff and a number of freelance returners. Two SP returners usually attend a race meeting. A selection of bookmakers to be monitored in determining the SP is made depending on their strength (ie their willingness to lay a decent bet). A minimum of five bookmakers are monitored by each SP returner. The prices of the chosen bookmakers are recorded when the betting opens and any changes are documented. Immediately after the "off", the SP returners, a SIS representative and the NJPC betting ring manager meet at a designated point. The final decision on the SP is made by the senior SP returner.
- 16.37** There have been a number of reviews of the SP system. A new system was introduced in May 2000 in response to perceived weaknesses in the previous system. In particular there had been no move to introduce specific uniform guidelines and consistency to the process. The previous system was said to lack an audit trail and was open to abuse.
- 16.38** The principal changes made in the May 2000 guidelines included:
- prices from a minimum of five bookmakers for each returner to be used in compiling the SP
 - the price offered by the majority of bookmakers being monitored by each returner will prevail and will be used to determine the SP
 - preference will be given to bookmakers that meet the criteria of the NJPC's rules and also bet each way.



16.39 There is also a rule that any bookmaker whose prices are used in determining the SP must have spent at least twelve months operating as a racecourse bookmaker in his own right. Rails bookmakers can also be included in the SP monitoring provided they meet the specific criteria and are offering prices on all runners in the race.

16.40 After the introduction of the new system in May 2000, it was said that it had increased the profitability of off-course bookmaking. Arthur Andersen considered whether this was so. They concluded that the changes increased the "margin per runner" (their preferred measure of the gross profit of the bookmakers) by up to 5 per cent. They provide four reasons why this might be the case:

- the new guidelines required returners to seek a price available on a majority of boards whereas previously certain SP returners appeared to have identified the "best price generally available to money"
- prior to May a minority of returners would occasionally produce anomalous SPs for example by returning an SP from only one bookmaker's board
- the May 2000 reforms sought to give preference to well-established bookmakers and may thereby have excluded newer entrants who offered keener prices
- the May 2000 guidelines gave preference to bookmakers who offer each-way bets. There is anecdotal evidence that such bookmakers in certain cases offer slightly less favourable odds.

The Report accepted that there might have been some effect from the weakening of the impact of the 1998 on-course bookmaker pitch reforms but the timing of the change in margins suggests that the majority of the change was due to the May 2000 reforms.

16.41 The Arthur Andersen Report makes a number of proposals based on the following principles:

- since the May 2000 reforms were not intended to alter margins, as near an approximation as practicable to the previous consensus should be re-established
- where there is not a consensus, a definition should be created based on the previous practices adhered to by the majority of SP returners
- any definition of the SP should be fair, acceptable to both the betting industry and the betting public, and supportive of a transparent and workable SP system.

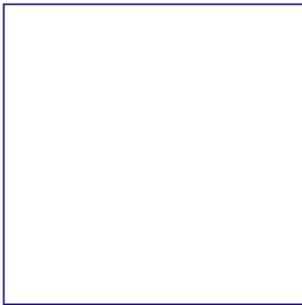
16.42 Their recommended definition is "the price generally available at the off to good money". They propose that the sample of bookmakers should usually be twelve. For a price to be returned as SP it must be available on at least one third of the boards sampled and available on the stronger boards. They suggest a decision tree for establishing the SP.

16.43 The December 1998 operating rules and procedures requires the SP returners to inform the SIS staff of which on-course bookmakers they are monitoring. It has been suggested that the off-course bookmakers are thereby enabled to target their on-course hedging activities more easily and thereby shorten the price. SIS also take part in the "huddle" when the SP is set. Arthur Andersen do not recommend changes in the role of SIS except that they should only contribute in the huddle when asked to do so.

16.44 Arthur Andersen also make a number of recommendations to improve the transparency and accountability of the process and to reform the organisation and management of the SP.

16.45 The proposals for starting prices also have to be seen in the context of the proposed abolition of the Horserace Betting Levy Board and the licensing of racecourse betting and pool betting on horseracing. The Home Office consultation paper⁸ raises particular questions about the SP system. Its proposals are put forward without prejudice to our Review's conclusions. It sees a good case for appointing a statutory on-course betting regulator, with clear enforcement powers, to achieve a number of aims, including support for a fair, transparent system of returning starting prices for use by off-course bookmakers. We do not believe that a gambling regulator should lay down the rules for setting starting prices but we do accept, as the consultation document proposes, that it should have responsibility for ensuring that the system in place is fair and transparent. Although it may be regarded as strictly outside our remit we do support the proposals of the Arthur Andersen report.

16.46 We note the considerable gap between the attention which has been paid to setting starting prices for horse races and the attention paid to the same process at dog tracks. Comments have been made to us about late reporting of starting prices and apparent discrepancies between reported starting prices and the odds available at the track. Again, although we do not believe that a gambling regulator should set the rules for the starting price system we do believe that it should satisfy itself that the system in place is fair and honest.



Honesty in sport

- 16.47** The return to the punter will reflect some combination of luck and skill. Skill is most likely to be involved in betting on sporting and other events where the punter may apply skill to the analysis of legitimately obtained information. "Professional" punters may claim that they can win on average because they can take advantage of odds which may be responding to ill-informed bets. The caveat "legitimately obtained" is important, though not always easy to define. The extreme cases are those in which participants agree to produce a particular-and unexpected-outcome.
- 16.48** It has been suggested to us that the increased televising of sport together with the rise of spread betting has encouraged corruption. An event like a football or cricket match can be converted from one in which there is simply a result when the game is over to a series of events, all of which can be the subject of a bet. For example the time before the first corner kick or the number of balls before the first wicket. These events particularly lend themselves to spread bets. Fixing the outcome of a match may require a considerable degree of collusion, possibly involving players on both sides, but some events may be in the hands of an individual player (for instance, the number of wides in an over).
- 16.49** In horseracing it may be profitable to know which horses are going to lose. Bookmakers, for example, will be happy to attract bets on a no-hoper. The information can be valuable to punters. Hence attempts to bribe jockeys to hold back horses or the actual use of dope to slow a horse down.

16.50 It is clear that corrupt actions to affect the outcome of a sporting event are wholly unfair to the innocent punter and bookmaker. However we believe that the responsibility for preventing such actions lies with the individual sports. They have a strong motive for doing so. Spectators will not attend an event where they believe that the outcome has been fixed in advance. (Professional wrestling is cited as a counter-example; but in that exceptional case spectators are presumably deriving some pleasure from the acting ability of the performers.) Where the activity depends principally on betting to provide financial support, honest gamblers will refuse to participate.

16.51 We would mainly expect the punter (and the non-betting spectator) to be protected by rules and disciplinary procedures imposed by the sports themselves. However there is the question of whether the law needs changing to allow greater scope for criminal prosecutions. We discuss that in chapter 26.

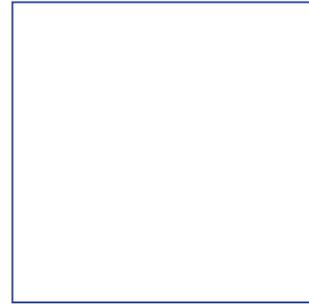
Informing the punter

16.52 We believe that the punter should be fully informed about the odds that he is facing and the proportion of stakes retained by the operator. The Rothschild Commission interpreted its terms of reference as requiring it to make known to the public the odds against winning in the principal forms of gambling in Great Britain. It published a short chapter and a long annex on the matter. At that time the percentage of the stake returned as winnings, after tax, ranged from 97.5 for casinos to 30 for football pools. We have not repeated that exercise but we do believe that the providers of gambling should inform punters fully of the payouts of the various activities. Figure 16.i is an

Main forms of gambling	Approximate percentage of money staked returned as winnings (after tax)
Table gambling	97.5% ⁹
Licensed cash bingo	68% ¹⁰
On-course betting - horses	89% ¹¹
On-course betting - dogs (bookmaker)	80% ¹²
On-course betting - dogs (tote)	77% ¹²
Off-course betting	78% ¹³
Spread betting - financial	83% ¹⁴
Spread betting - sports	88% ¹⁵
Gambling machines - single sites	78% - 82% ¹⁶
Gambling machines - other	85% - 95%
National Lottery	46.8% ¹⁷
Societies' lotteries	27% ¹⁸
Football pools	33% ¹⁹

Figures 16.i: Rate of Payout

9-BCA (2000) 7 10-Supplied by the Bingo Association (15 June 2001). Figure includes participation fee. 11-Supplied by the NJPC (15 June 2001) 12-Supplied by the BGRB(18 June 2001) 13-Supplied by the Betting Office Licensees Association (11 June 2001) 14-Supplied by IG Index (12 June 2001) Figure for IG Index only,2000 15-Supplied by IG Index (12 June 2001) Figure for IG Index only,2000 16-Supplied by BACTA (12 June 2001) 17-National Lottery Commission, www.natlotcomm.org.uk, viewed 19 February 2001, figures for 1999/2000 18-Gaming Board (2000) 19-Supplied by Littlewoods Leisure (11 June 2001) Figure for Littlewoods Leisure only.



up-dated version of a table that appeared in the report of the Rothschild Commission. This is easier for gaming and for tote betting than it is for fixed odds betting but we believe that more information should be provided on the latter. We have pointed out earlier that punters are more prepared to accept unfavourable odds where the maximum payout is large; but they should still be well informed.

- 16.53** We were provided with leaflets issued by the Department of Gaming and Racing of New South Wales. They covered gaming machines, lottery-type games (Lotto, Powerball, Keno etc) and table games. The following words from the leaflet on machines show their style:

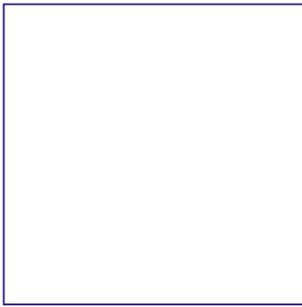
Poker or slot machines are designed to make a profit for the venues licensed to operate them. In NSW, those venues are hotels, registered clubs and the casino. While poker machines can also be a fun way to spend money, they are not designed to help people add to their income. While you may win money in the short term, in the long term it is virtually impossible to come out ahead.

- 16.54** The leaflet describes the “player return” on gaming machines as set by the NSW Government with a required minimum of 85% and an average in practice of about 90%. The odds of winning a maximum payout (requiring five correct symbols) are given as 1 in 52,500,500. It also states that the chance of winning on a gaming machine at any one time will always be the same. The leaflet on lotteries lists the odds but does not describe the average payout. The leaflet on casino

games lists the house margin on each game (from 1.2% for baccarat to 16.2% for a specific triple on the dice game Sic Bo). The leaflets also carry information for those who may need help with problem gambling. We are proposing in various sections of this report that gambling operators should make similar information available to punters in Great Britain.

Rule books

- 16.55** Gambling is conducted under rules which determine such matters as payments, determination of outcomes, settlement of disputes etc. The rules should protect both the punter and the provider of gambling. We have some concerns about the transparency of the rules, particularly in relation to bookmaking. Most bookmakers operate with maximum payouts but punters may feel that they are unfairly treated. The problem mainly relates to multiple bets where the payout for a winning combination may exceed the maximum. Punters may be unaware of the maximum. They can therefore find themselves in a position in which they have money at stake which they can only lose (since they have already exceeded the maximum) or where the potential gain is far below the market odds. They argue that if they cannot win they should not be allowed to lose. We sympathise. At the very least, maximum payouts should be clearly displayed at the point at which bets are taken. We make recommendations about this in chapter 26.



chapter seventeen

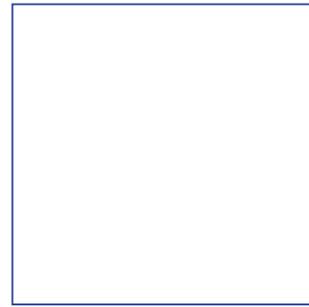
Protecting the Vulnerable

Introduction

- 17.1 In chapter 3 we explain briefly why our concern with problem gambling leads us to maintain some limits on the freedom of individuals to gamble how, where and when they wish and to proceed cautiously with the process of deregulation. This chapter provides a fuller justification for this approach. It is a very long and rather technical chapter and much of it will not be of interest to the casual reader. However we have assembled a great deal of information in the course of our Review and felt it would be useful to present it here primarily for reference. We must also emphasise here, as we do elsewhere in this Report, that problem gambling remains an under-researched phenomenon, and the research that has been undertaken does not produce much in the way of definite conclusions. Finally we should emphasise that the length of this chapter is not intended to imply that problem gambling is a major feature of gambling in the UK. According to the Prevalence Survey,¹ 1.2 % of those who gamble can be defined as problem gamblers. For the remainder it is an enjoyable and harmless activity.
- 17.2 To help the reader we start with a summary of the chapter's findings.
- 17.3 The terms of reference require us to have regard to the need to protect the young and vulnerable from exploitation. We take that as requiring us to identify the vulnerable or the conditions which are particularly likely to give rise to problem gambling in those who participate. The general conclusions of research are that problem gambling can arise from some combination of personal factors, the social and physical environment and the type of gambling activity.
- 17.4 The first section provides a general account of why people gamble and what they get out of it. The major part of the chapter, starting in Section 2, deals with problem gambling. It provides the widely accepted definition of problem gambling as *"gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits"*. It discusses the characteristics of problem gamblers. Although there is some evidence of a role for genetic factors, there does not seem to be a single personality type that produces a pre-disposition to problem gambling. Problem gamblers, like forms of gambling, come in many types. But most share the tendency to chase losses: to stake more and more in the attempt to remedy the loss. The Prevalence Survey suggests that problem gambling is associated with being male, having a parent with gambling problems

and being in the lowest income category. Young gamblers are particularly vulnerable.

- 17.5 As far as the social and physical environment is concerned it is well established that alcohol reduces inhibition. Evidence suggests that alcohol increases the likelihood that people will gamble, go on gambling or gamble more than they intended. We believe that these risks justify our conclusion that the opportunities to mix gambling and alcohol should not be increased. It has also been argued that computer-based machines are more likely to lead to problem gambling. This has influenced our proposals for the regulation of on-line gambling.
- 17.6 It is clear that some forms of gambling are more addictive than others. The more addictive forms involve a short interval between stake and payout, near misses, a combination of very high top prizes and frequent winning of small prizes, and suspension of judgement. We believe that gaming machines are potentially highly addictive and this conclusion together with the evidence about the vulnerability of the young, explains our proposals that access to gaming machines by children and adolescents should be more limited and more strictly controlled than at present.
- 17.7 A central question for us has been whether increasing the availability of gambling will lead to an increase in the prevalence of problem gambling. The weight of evidence suggests that it will do so. We therefore propose that deregulation proceeds cautiously and that it is accompanied by increased social responsibility by those who provide it.
- 17.8 We were asked to consider the social impact of gambling and the costs and benefits. The third section of the chapter discusses the costs and benefits. We describe the personal and social costs that have been identified and the monetary estimates of costs that have been produced elsewhere. The benefit of gambling is the recreational enjoyment that punters derive from it. They are willing to pay a price – in terms of losses – which supports the labour and capital allocated to the industry. We do not attempt to provide our own estimates and do not think that such an exercise would be useful. We do, however, have to judge as best we can what is the balance between the costs and benefits of our proposals. We believe that the benefits of providing greater freedom to the punter outweigh the costs that may be associated with increased availability of gambling.



Section 1

Why do people gamble?

- 17.9 Gambling can be represented as involving three main elements: the people who gamble, the social and physical environment in which the gambling takes place, and the gambling opportunities which are presented. Given the wide variation in all three elements, it is no surprise that no simple explanation can be given of why people gamble. Here we take each of the three elements in turn.

Personal Factors

- 17.10 A number of individual motivations have been cited which may lead people to gamble:²
- financial return (possibly life-transforming)
 - social interaction
 - excitement (including overcoming boredom)
 - intellectual challenge
 - pure leisure/relaxation
 - escapism
 - ability to identify oneself as a 'gambler' (with all its dashing and daring connotations.)
- 17.11 Some of these motivations are more appropriate for some forms of gambling (and for some age/peer groups) than others. They reinforce the point that for the majority of gamblers, gambling is perceived as a leisure activity on a par with any other. Charitable motives may play some part at least in participation in the National Lottery and other lotteries.
- 17.12 It is common for human beings to take risks. Risk-taking is reinforced by the emotional experiences that follow, such as relief from boredom, feelings of accomplishment and the "rush" associated with seeking excitement.³
- 17.13 There is also a strong competitive urge in gambling, whether this be against fellow punters or against institutions. The MORI poll conducted for the BISL Report revealed that, for some, gambling was undertaken as a test of strategy and skill. For those gamblers, the key motivators were: beating the big institutions, the competitive nature of the activity, winning the big prize, and applying their knowledge and skill.⁴
- 17.14 Trusting to chance in gambling terms appears to transcend any desire to want to take into account a realistic perception of what the odds are. The

possibility of winning a sufficiently large sum for it to effect a life changing experience seems to encourage a suspension of judgement in terms of making a balanced evaluation of the expenditure. The literature on gambling suggests that there is a suspension of belief while people gamble.

Social and Physical Environment

- 17.15 Gambling venues are diverse in nature, offering different types of experience, and thus may be attractive to different types of people for different reasons.
- 17.16 Casinos are usually thought of as glamorous places. We visited casinos in Great Britain which ranged from the spectacular to the ordinary. The enduring impression was of people involved in a quite solitary activity - concentrating without much communication with their fellow gamblers.
- 17.17 The Bingo Association suggests that bingo halls, especially in rural areas, are a useful community asset in providing somewhere warm, safe and sociable, particularly for older patrons. We visited a number of bingo clubs ranging from huge, recently purpose built premises, to a Grade 1 listed former theatre. The ONS survey showed that that bingo is most popular with young women and older women, and that was borne out by our own observations.
- 17.18 BALPPA, the trade association for seaside amusement arcades, has emphasised the fun and family nature of the activity its members operate. It suggests that children gambling in the company of their parents learn good gambling habits. BACTA has underscored the fact that people enjoy using gaming machines. Local authorities, which license amusement arcades, identified a seamier side associated with some of these places. They created the AAAG in 1982 to take united action on problems of loan sharking, paedophilia and prostitution. Many of these problems have since been reduced. Local authorities already have the power to impose blanket bans on amusement machines in non-arcade premises, and in 1993 (the latest statistics) over 100 of them had chosen to do so.⁵
- 17.19 The BBOA say that betting shops too provide a useful community service. They told us "banter in betting shops adds to the social event; it is part of British life; it keeps pensioners lucid due to mental exercise and provides a warm haven in winter".⁶ Interestingly, the only reference to gambling in reports listed on the DSS website, appeared in a report on elderly people and their lifestyles. Betting shops appeared as a place where elderly men go to spend some time. Our visits to betting shops left us with the impression that betting was a fairly solitary activity.



17.20 The atmosphere of a racecourse on a race day is a good example of the increased level of involvement with the activity that people feel if they are watching the event and betting on it. There is a strong sense of social occasion and we experienced that at horse racecourses and greyhound tracks.

Types of gambling opportunities

17.21 Gambling opportunities vary a great deal, from the “penny-pusher” machine to the high stake roulette wheel. Although the primary elements of stake, chance and payout are universal, secondary factors may vary greatly. These include such things as the length of time between stake and payout, opportunities for re-staking, the physical ease or difficulty of making the gamble, the real or apparent opportunity to use skill and the “glitz” of the table or machine.

17.22 Although some people may be attracted to many different types of gambling, it is well documented that those who favour one form may have little interest in the others. A significant number of people, for example, play the National Lottery, but do not engage in any other form of gambling.⁷ It may even be that a person is prepared to say, gamble on a fruit machine in one environment, but not in another.

17.23 Research on social influences shows that people's behaviour typically conforms to that of others in the situation, particularly where behaviour is public and unambiguous. Adults as well as adolescents and children are influenced by their peers. If individuals are exposed to settings in which people gamble, then behavioural norms (what most people in the situation actually do) will influence their gambling attitudes and behaviour.⁸ Thus the environments of, for example, casinos and arcades are likely to have a reinforcing effect on an individual's gambling activity, whereas buying lottery tickets in a newsagent's shop commonly would not.

Section 2

Why do some people gamble to excess?

17.24 There can be many reasons for investigating problem gambling.⁹ For example, each of the following may be a legitimate reason for wishing to identify particular groups:

- to identify those who have problems so severe that they are in immediate need of professional help

- to identify those especially at risk of developing severe problems, and to prevent this from happening. (This may include people who at present do not even gamble, such as the children of problem gamblers)
- as part of an exercise to determine the total economic and social costs and benefits of gambling as a whole.

These different goals may determine different ways of drawing the distinction between problem and non-problem gambling.

What is problem gambling and how is it measured?

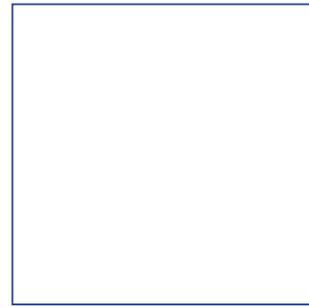
17.25 The Prevalence Survey¹⁰, in common with much other literature, defines problem gambling as “gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits”. This defines problem gambling in terms of its effects, and is neutral on the question of whether problem gambling is an addiction. For our purposes, it is not important to know whether gambling can be an addiction in any strict sense. We shall, however, suggest that some forms of gambling are potentially more addictive than others, using the term in a popular, rather than a clinical sense. Professor Jeffrey Gray has produced a very helpful paper on the nature of addiction and this appears at Annex G.

17.26 The definition in the Prevalence Survey highlights the fact that gambling can become problematic for people in a variety of ways. Gambling is not unique in its ability to cause problems of this nature; any obsessive pursuit of a hobby could have similar effects. However, gambling is distinctive in that:

- it allows individuals to get into very serious financial difficulties very quickly, and attempts to extricate oneself, by chasing losses, typically make the situation even worse
- the activity does not trigger its own termination by way of satiation (unlike biological rewards such as food etc) or limiting physiological reactions (unlike alcohol or drugs)
- an industry exists which promotes and profits from gambling opportunities and has an incentive to make its products as enticing as possible.

This is enough to make problem gambling of special concern.

17.27 A number of different terms are used to describe problem gambling, which can make comparisons between different parts of the literature very



confusing. A discussion of the terminology and screening instruments is included in Annex H. Here we will follow the Prevalence Survey in using the term “problem gambler”. (Where we have referred to studies which have used different terminology, we have quoted the terms used in the studies.)

17.28 Problem gamblers typically exhibit many of the “moderate problems” and at least some of the “severe problems” identified in figure 17.i. (This diagram is reproduced from the Australian Productivity Commission Report.)¹¹

The nature of problem gamblers and problem gambling

17.29 We have explained that there are three elements to the decision to gamble: personal factors, social and physical environment and type of gambling opportunity. These elements may also be relevant in explaining why some people gamble to excess.

Personal factors

17.30 Clinicians report that although money is important, male pathological gamblers often say they are seeking action, an aroused euphoric state that may be similar to the high from cocaine. Although there are other kinds of intense physiological reactions, clinicians also report that some pathological gamblers are less interested in the excitement or action and more interested in escape. They are seeking to numb themselves and report a quest for oblivion. These

reactions are reported by many women gamblers as well as many slot and video poker machine players. Many pathological gamblers report experiencing amnesiac episodes, trances, and dissociative states.

17.31 The literature suggests that, if there is one thing that problem gamblers have in common it is a tendency to chase losses: to stake more and more in the attempt to remedy the loss.¹⁴ Beyond this, it is increasingly recognised that, just as there are many different types of gambling, there are many different types of problem gambler.¹⁵ A high paid city trader who loses a fortune on sports betting may apparently have little in common with a young single mother gambling away her social security money on slot machines in a café.

Who is vulnerable to becoming a problem gambler?

17.32 Assessment of an individual's liability to develop problem gambling under given conditions (e.g. specific type of gambling activity) would be greatly helped if one knew which, if any, personality factors contribute to such liability and the genetic, neurobiological and psychological mechanisms underlying their operation. There is some evidence of a genetic predisposition towards a range of forms of addictive behaviour.¹⁶ (See also annex G). However, data in this area are as yet sparse and often contradictory. No clear picture has yet emerged of a type or types of personality specifically associated with problem gambling and considerable further research is necessary before any firm conclusions can be drawn.¹⁷

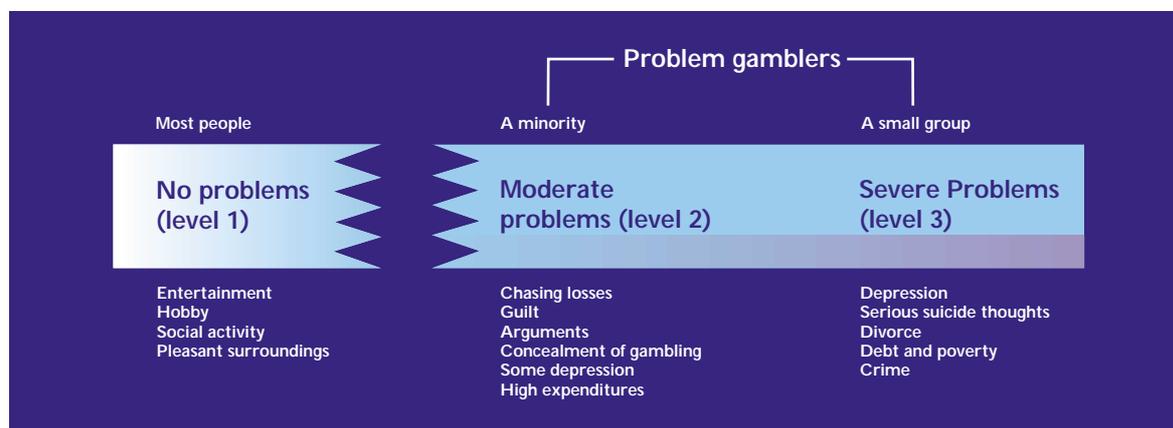
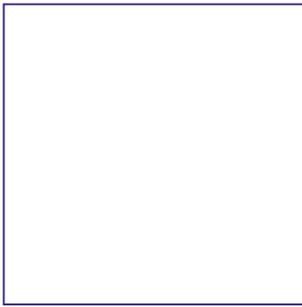


Figure 17.i: The gambling continuum

11-Productivity Commission (1999) para 6.20 12-National Research Council (1999) p28 & 125
 'Brain Imaging studies: With evidence that gambling and drug abuse represent similar subsets of addictive behaviour' (Jacobs 1989 Gupta and Deverensky 1998), methods for detecting brain changes among substance abusers can be applied to pathological gamblers. In the mid 1980's Hickey and colleagues measured changes in mood state in gamblers as they simulated winning at gambling. The resultant euphoria was indistinguishable from that produced by psychoactive stimulants'.
 13-National Research Council (1999) p29 14-Lesieur, H.R., (1984) 15-Griffiths, Mark in conversation; Elster, J.; Blaszczynski A.P (2000) 16-Comings et al (1997)
 17-cf. Jacobs (1989); Lefevre (1990); Leary and Dickerson (1985); Vitaro et al. (1997); Blaszczynski et al. (1997); Toneatto (1999); Blaszczynski (1999) De Caria et al (1998)



The risk factors

- 17.33** The Prevalence Survey states: *“analysis revealed that problem gambling was statistically associated with the following socio-demographic factors: being male, reporting that a parent was or had been a problem gambler, and being in the lowest income category. An additional factor, being separated or divorced, was significantly associated with being a “problem gambler” as measured by the SOGS (but not DSM-IV).”*¹⁸ Men are much more likely to be problem gamblers than women. The Prevalence Survey gives a prevalence rate of 0.9% for men and 0.3% for women.
- 17.34** Research has also found a higher incidence of problem or excessive gambling among offenders. In a 1992 survey of young offenders, 12% of those asked were classified as excessive gamblers¹⁹. A study in 2000 was carried out among offenders on probation. 4.5% of respondents were identified as problem gamblers which is over six times the rate reported in the general population²⁰. Disproportionate prevalence rates among those in prison have also been reported overseas. Further studies of problem gamblers indicate between one half to two thirds have criminal charges pending as a result of engaging in illegal activity to fund their gambling or pay off their debts.²¹
- 17.35** In their analysis of 120 prevalence surveys carried out between 1976 and 1996, Shaffer et al²² argued that *“being young, male, in college, having psychiatric co-morbidity, or a history of anti-social behaviour are factors that represent meaningful risks for developing gambling-related problems.”* The recent surveys in New Zealand and Sweden suggest that those most at risk for gambling problems are the groups most disadvantaged and marginalised by economic changes: young, unemployed male members of minority ethnic groups. The results of several other studies, including recent prevalence surveys in Louisiana, Montana and Oregon, as well as the national survey in Australia, suggest that gambling problems are increasingly likely to affect women.

Age

- 17.36** There are particular risks for young gamblers. The Prevalence Survey indicated that the proportion of problem gamblers among adolescents in Britain could be more than three times that of adults. 1.7% for the 16-24 age group against 0.5% for adults 25 and over²³. This ratio is consistent with studies from abroad. Whether problem gambling in young people tends to follow a progressive course or whether many of them are involved in a short-term pattern of behaviour which does not persist are questions that have yet to be adequately addressed.

- 17.37** Gamblers Anonymous and GamCare told us that they had provided help for children with gambling problems. Gamblers Anonymous said that they had noticed a rise in the number of children aged 13 and upwards who were brought along by their parents because the child had a gambling problem.
- 17.38** Compared with drug and alcohol, rates of past year pathological and problem gambling combined among adolescents in the US are comparable to rates of monthly alcohol use among adolescents and with rates of adolescents ever having had a problem with alcohol.

Why are children more vulnerable than adults

- 17.39** In her study of under age gambling,²⁴ Dr Sue Fisher says: *“Research shows that children who gamble are more likely than other children to come from home backgrounds where at least one parent is a regular gambler”*. Moreover, retrospective studies have shown that adults who are problem gamblers are significantly more likely than other people to have started gambling in childhood or adolescence and to have a parent/step-parent who is/was a problem gambler.
- 17.40** It is interesting to note that studies from many countries point out that adult problem gamblers have a high propensity to have started gambling in childhood or adolescence. However this does not allow us to conclude that if we remove the opportunity for children to engage in commercial gambling in the UK we will reduce the incidence of adult problem gambling. After all, this correlation exists overseas, where it is already illegal for children to take part in commercial gambling. Many of the examples cited are of gambling in the home, with parents and grandparents, or at school or university.
- 17.41** With regard to adolescent problem gamblers, Mark Griffiths says they are more likely to:
- be male
 - have begun gambling at an early age (as young as 8)
 - have had a big win earlier in their gambling careers
 - to chase losses consistently
 - have begun gambling with their parents or alone
 - be depressed before gambling
 - be excited and aroused during gambling
 - be irrational (i.e. have erroneous perceptions) during gambling



- have bad grades at school
- engage in other addictive behaviours
- come from the lower social classes
- have parents who have a gambling (or other addiction) problem
- have a history of delinquency
- steal money to fund their gambling
- truant from school to go gambling²⁵

17.42 We are persuaded by the weight of evidence that children and young people are especially vulnerable to the risks of becoming problem gamblers. This has led us to make recommendations that would reduce their opportunities to gamble, or to see others gambling.

Social and physical environment

17.43 Some research suggests that “having started gambling with parents or alone”, was a risk factor for underage gamblers. This contrasts with “having started gambling with peer group”. There is some evidence that peer group pressure can act as an inhibiting factor, censoring patterns of behaviour that other members of the group find foolish. This factor is also noted in the National Research Council’s Report on Pathological Gambling.²⁶ On the other hand, there are anecdotal claims that peer group pressure can draw people into problem gambling. Paul Bellringer claims that both mechanisms exist.²⁷ This seems broadly consistent with Mark Griffith’s suggestion that there is more than one type of adolescent problem gambler. We can distinguish what we might call the show-off, who would not gamble alone, and the withdrawn character who befriends the fruit machine. This has implications for solitary gambling, especially in relation to on-line gambling.

Alcohol and gambling

17.44 It is well established that alcohol reduces inhibition. This applies to all forms of behaviour, including gambling. Professor Orford told us there was a need for much more information about the link between alcohol and gambling, and that two types of study suggest there is a link. The first type consists of studies of gamblers and whether their gambling is influenced by drinking. The second type consists of studies asking drinkers about their gambling. There is circumstantial

evidence that when people have been drinking they are more likely to gamble, to go on gambling or to gamble more than they intended²⁸. In a study of 500 heavy drinkers in Birmingham, 24% of men and 9% of women said yes to the question: “In the last year whilst or after drinking, have you gambled more than you would normally have done?”²⁹

17.45 Researchers have found that heavy alcohol use is highly associated with increased gambling spending and multiple gambling problems.³⁰ In a United States study of 4,000 adults,³¹ problem gamblers were found to be at least three times as likely to meet criteria for depression, schizophrenia, alcoholism and anti-social personality disorders than non-gamblers.

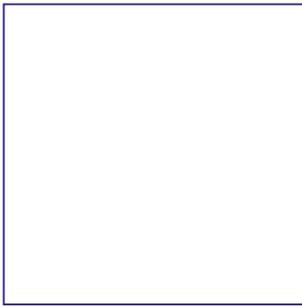
17.46 The New Zealand Gambling Survey reported that recent studies of the effects of alcohol consumption on the gambling behaviour of regular continuous gamblers, underline the importance of examining alcohol intake patterns as predictor or risk factors for problem gambling in epidemiological studies. These studies found a link between acute alcohol intake and both increased duration of gambling and impaired control of gambling behaviour.³² In both the Australian and New Zealand Gambling Surveys, strong associations were found between probable pathological gambling and hazardous use of alcohol.

17.47 Whilst we recognise that there already exists a range of premises where alcohol and gambling co-exist, we think that there is adequate evidence of the risks involved for us to advocate that the opportunities to mix gambling and alcohol should not be increased.

Technology

17.48 Mark Griffiths and Sue Fisher have argued that computer-based game machines are more likely to lead to pathological gambling than any other form of gambling, because they can be designed and programmed to encourage frequent gambling better than other technologies.³³ Research suggests that distinctive types of gambling organisation and technology cause systematic changes in pathological gambling.³⁴ Dr Rachel Volberg has also expressed concern at the prospect of the introduction of even more rapid on-line forms of gambling.³⁵ As we have noted earlier, on-line gambling may pose particular risks for the type of adolescent problem gambler who gambles alone and is a withdrawn character who befriends the machine. The National Research Council report makes the point that, in evaluating the impact of

25-Griffiths & Wood (forthcoming) 26-National Research Council (1999) p.239 27-Bellringer (1999) 28-Baron & Dickerson (2000) and Giacopassi, Stitt & Vandiver (1998) 29-Orford, Dalton et al (1998) 30-Smart & Ferris (1996); Spunt et al (1995) and a review by Crockford and El-Guebaly (1998). The review found that rates of lifetime substance disorder among pathological gamblers in both community and clinical samples ranged from 25%-63% Cited in the National Research Council (1999) p.130 31-National Research Council (1999) p.129. Citing National Institute of Mental Health Epidemiological Catchment Area (ECA) study, a landmark of psychiatric disorders. 32-Baron & Dickerson (1998) and Kyndon & Dickerson (1998). Cited in the New Zealand Gambling Survey p.113 33-Fisher & Griffiths (1995). Cited in National Research Council (1999) p.255 34-Griffiths M (1999) Gambling Technologies: Prospects for Problem Gambling. Griffiths M (1995) Paper examines the concept of addiction, defines technological addictions and assesses whether technological addictions are bona fide addictions. 35-Volberg RA (2000)



technological change on pathological gambling, predictions cannot be made on technical features alone.³⁶

- 17.49** On-line gambling has the potential to increase accessibility to gambling on an unprecedented scale. We consider it essential that it should be regulated according to the same principles as terrestrial gambling. We discuss this in chapter 30.

What features make gambling addictive?

- 17.50** Some forms of gambling are more addictive than others. Mark Griffiths suggests that the following features are key:

- event frequency; i.e. short interval between stake and payout, allowing rapid restaking
- the “near miss”
- win-probability and pay-out ratio; i.e. the combination of a very high top prize and frequent winning of small prizes
- suspension of judgement, i.e.:
 - where the total money staked in a period is paid over in many trivial amounts, creating the illusion that little money has been staked; and
 - belief that one can control or influence odds through the exercise or perceived exercise of skill.

- 17.51** Just as a distinction is made between hard and soft drugs it is also commonplace to make a distinction between hard and soft gambling. Casino table games are the paradigm of hard gambling, and perhaps the National Lottery is the paradigm of soft gambling. This terminology is problematic in that there are two key differences between casino table games and the National Lottery:

- casino table games often allow people to run considerable financial risk in a very short period of time, whereas this is rarely the case for the National Lottery
- casino table games allow rapid re-staking, and thus the constant opportunity to recycle wins and chase losses. This is patently not so with a weekly National Lottery.

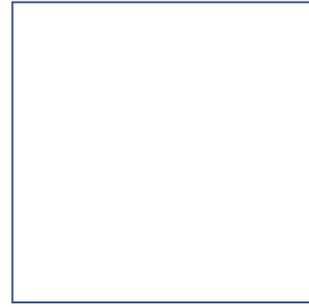
- 17.52** However, it is quite possible to have one of these features without the other. For example, low stake/low prize gaming machines allow rapid re-staking, but, for most adults, no chance of rapid financial ruin. The question then is whether this should be considered a hard or soft form of gambling.

- 17.53** It has been suggested by researchers that any form of gambling which allows rapid re-staking is potentially very addictive (at least in combination with other design features). This would include casino table games, slot machines and scratchcards. Betting on horses and dogs share many of these features. These features arise from the basic psychology of reward/reinforcement, common at least to all mammals and birds, and the gambling industry is particularly adept at exploiting them. This is the reason why anyone who partakes in these forms of gambling is running the risk of becoming addicted in the behavioural sense of doing the same thing over and over again.

- 17.54** It has been put to us that any gambling opportunities with these features, and thus even low-stake gaming machines, should be considered hard gambling. One suggestion is that hard gambling is gambling which involves significant risk either of great loss of money or great loss of time. Thus any gambling opportunity which is potentially addictive also becomes “hard”, on such a definition. Some within the industry find this way of using the terminology hard to accept.

- 17.55** We are reluctant to try to redefine existing terminology, inadequate though it seems. Elsewhere in this report, the term “hard gambling” is used to mean gambling which involves high or rapid staking. This is the generally accepted sense of the term which was used by the Rothschild Commission in 1978. However, for the purposes of this chapter, we shall avoid the unhelpful hard/soft distinction, and refer to some forms of gambling as high-stake (recognising that this must be relative to each individual's resources) and others as potentially addictive. Casino table games will typically be both, the weekly National Lottery neither, and gaming machines potentially addictive but not currently high stake for most adults (although they may be for children). Scratchcards are another example of a potentially very addictive product, which currently may be purchased at the age of 16 (although there is, as yet, little firm evidence that they are giving rise to the anticipated level of problems). If the National Lottery were to be repeated often enough it would become potentially addictive. Theoretically there could also be high stake betting which is not potentially addictive, but examples may be controversial. In this chapter we are especially interested in the problems associated with potentially addictive gambling.

- 17.56** In seeking to understand the link between problem gambling and particular types of gambling we discovered that there has been little research on problem gambling, either in general or in its varieties in this country (Sue Fisher's casino study is one exception).³⁸ A great deal more research on problem



gambling has been done in the United States and Australia. It is difficult to draw precise parallels from studies of problem gambling conducted in those countries, as they present different gambling opportunities from those available in Great Britain. However, there are fundamental principles governing human behaviour, and we believe we can draw reasonable conclusions about the relevance of features which appear to cause problem gambling in other countries.

- 17.57** Some investigations suggest that a growing proportion of individuals with gambling difficulties prefer to bet on gaming machines and their difficulties develop far more quickly than in the past.³⁹ The media and some clinicians have even labelled gaming machines the “crack cocaine” of gambling.⁴⁰
- 17.58** In the Australian and New Zealand surveys, respondent preferences for gaming machines, track betting and casino gambling (which also includes machines) are consistently associated with problem gambling. These findings parallel those from problem gambling treatment services in both countries.⁴¹ The recent Swedish gambling prevalence study⁴² found that the highest prevalence of problem gambling was associated with arcade machines, cards and restaurant casinos. The British Prevalence Survey associates the highest percentages of problem gambling with table games in a casino, betting and fruit machines. GamCare has noted that in excess of 50% of calls to its helpline concern problem gambling on fruit machines.
- 17.59** The question of the impact of gaming machines on the evolution of problem gambling is especially salient because of the growing reliance of the gaming industries on these devices. Depending on the jurisdiction, these machines can be located in casinos, social clubs, bars, restaurants, amusement arcades, take-away food shops and many other places. Gaming machines appeal to young people familiar with video games played on computers at home and school. Recent data from surveys in the United States indicate that internet gambling may quickly overtake gaming machines as the fastest growing segment of the international gambling market.⁴³
- 17.60** Nationwide prevalence surveys have indicated strong gender differences, with men far more likely to be problem gamblers than women. However, in jurisdictions where electronic gaming machines are widespread, such as Montana, Oregon and South Dakota, prevalence studies show that problem gamblers are just as likely to be women as men.⁴⁴ In Queensland, Victoria and South Australia, where

gaming machines are widely distributed in clubs, hotels and casinos, there are similar numbers of men and women seeking treatment from problem gambling treatment services.⁴⁵

- 17.61** We believe that there is sufficient evidence to show that gaming machines are potentially highly addictive and pose problems on a par with casino gaming and betting. That has led us to make recommendations about access to gaming machines by under 18s. This is discussed in chapter 23.

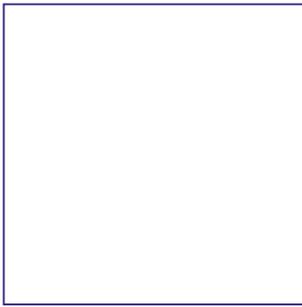
The risks of increasing availability/ accessibility

- 17.62** Researchers and clinicians have long argued that the increased availability of gambling leads to increases in the prevalence of gambling problems. It is generally acknowledged in submissions to us that widening the availability of gambling may lead to increasing prevalence of problem gambling. Although some submissions claim that it is possible to increase the availability of gambling without increasing problem gambling, the weight of the evidence is the other way. Sue Fisher's studies of adolescent gambling show higher rates of problem gambling in seaside towns, where access to commercial gambling is far easier for children. However, correlation does not establish causation, and more sophisticated research is required to tease out the relationships and allow stronger causal inferences to be made.
- 17.63** There are a number of North American jurisdictions where repeat surveys of problem gambling have been carried out. Some of these comparative studies suggest a linkage between increased availability of gambling and the prevalence of problem gambling.⁴⁶ A small number of studies have not found an increase in problem gambling following increasing availability, and in some cases prevalence has actually decreased. However, where this has been observed there are typically strong systems in place to provide problem gambling services.⁴⁷ This has implications for the role which treatment services might play in limiting problem gambling and we refer to it again in chapter 32.

The prevalence of problem gambling

- 17.64** The evidence on the prevalence of problem gambling may cast further light on its causes. The Prevalence Survey suggests that between 0.6 and 0.8 per cent of the adult population are problem gamblers. The prevalence of problem gambling in Britain appears to

39-Abbott & Volberg (1992); Abbott, Sullivan, & McAvoy (1994) 40-Bulkeley (1992). Cited in the New Zealand Gaming survey, p.109 41-Abbott et al 1994; Dickerson, McMillen, Hallebone et al, 1997; Cited in the New Zealand Gaming survey p109. 42-Ronnenberg et al (1999) 43-Volberg R (2001) 44-New Zealand Gaming survey p109 (cited Polzin et al 1998; Volberg 1997; Volberg & Stuefen 1994) 45-New Zealand Gaming survey p109 (cited Dickerson, McMillen, Hallebone et al 1997) 46-Emerson & Laudergeran (1996) and Volberg (1995) cited in the New Zealand Gaming Survey; Volberg R. (1996) cited in the New Zealand Gaming Survey: Gambling and problem gambling in the community p108 47-Volberg R (2001) 48-Sproston, Erens & Orford (2000)



be relatively low compared with other countries which have used similar screening methods: Australia (2.3%), the United States (1.1%), New Zealand (1.2%) and Spain (1.4%)⁴⁸.

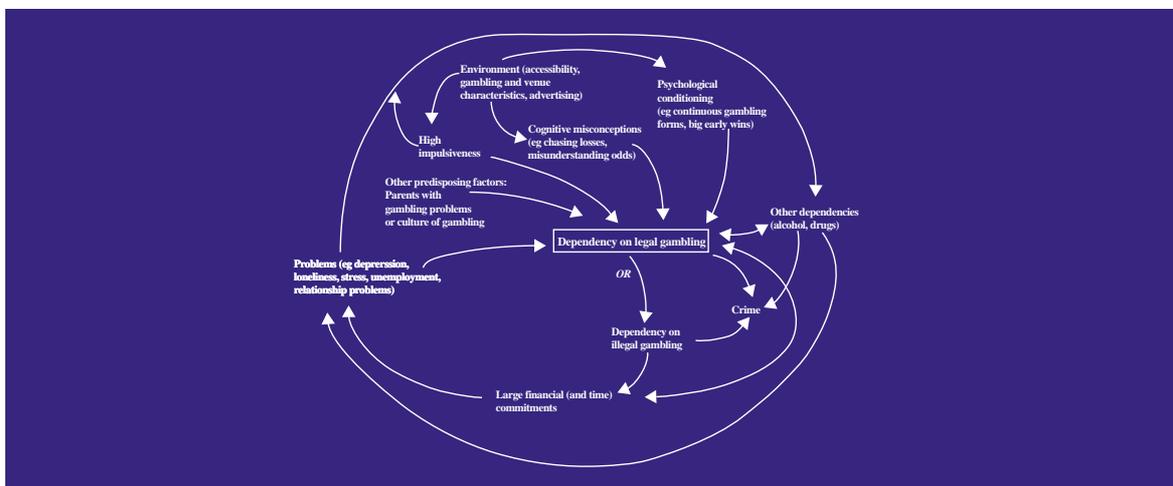
17.65 The little evidence we have indicates that the rate of problem gambling tends to vary with the type of gambling opportunities available, and their proliferation, rather than with the percentage of the population who participate in gambling. For example, in Sweden, where there is 89% participation rate but the prevalence rate is 0.6%, there are no dog racetracks, no off-track betting (although there is sports pool betting) and at the time of the survey, no casinos. In the United States a recent study estimated that 63% of adults had gambled in the past year⁴⁹. In New Zealand the participation rate is estimated to be 90%,⁵⁰ and in Australia 82%.⁵¹

17.66 The Australian Productivity Commission concluded that, while problem gambling may in some cases be precipitated by prior conditions or problems, many of the harms experienced by problem gamblers can be traced to gambling itself. *“Literature on problem gambling shows that while prior problems can precipitate problem gambling for some people, there are many pathways which go the other way. In some cases the problems stem from behaviour conditioned by the nature of the rewards offered by gambling. In others, problems stem from the misconceptions about the chances of winning or recouping losses. In yet others, the problems occur because of boredom, social isolation, depression or cultural factors. What seems clear, is that for those for whom prior problems or disorders are contributory factors, gambling appears to exacerbate their problems in ways that would be hard to achieve through alternative outlets (alcohol and drug abuse being the exceptions.)”* The Australian Productivity Commission report produced a very helpful diagram to

illustrate the causal pathways of problem gambling. This is reproduced at figure 17.ii.⁵²

17.67 It is universally acknowledged that some gamblers have problems of the kind outlined above. They exhibit behavioural signs of addiction and their lives are severely disrupted. However, it is sometimes said that these are not so much problem gamblers, but “people with problems who gamble”. Here the thought is that people may find themselves expressing their problems through gambling, but if gambling were not possible they would express their problems some other way. The presence of other problems, “the co-morbidities”, is sometimes cited as evidence for this, or for the more cautious claim that observing a relation between gambling and problems does not show that gambling causes the problems: some people are prone to problems. This is said both about adult and under-age problem gambling. It is true that observing a relation between gambling and problems shows nothing about causation.

17.68 However, there is no doubt that the gambling industry can profit from the existence of problem gamblers. In the Australian Productivity Commission Report it is claimed that a third of the industry's total revenue comes from problem gamblers. On this basis the industry might well not be profitable if it were not for problem gamblers. It is not clear, however, whether this also applies to Great Britain. In general, figures of this nature have not been collected. However, Sue Fisher's study on Gambling and Problem among Casino Patrons⁵³ indicates that 65% of the turnover of the casinos she studied was generated by 7% of gamblers. That study excluded London casinos at the top end of the market, because it is recognised that they attract especially high-rolling clients.



Source: BISL (2000)

Figures 17.ii: Causal pathways of problem gambling

48-Sproston, Erens & Orford (2000) 49-Gerstein et al (1999) 50-Policy Research Unit, New Zealand Department of Internal Affairs (1995) 51-Productivity Commission (1999) 52-Productivity Commission (1999) Exec Summary p.28 53-Fisher S. (1996)



17.69 We have heard suggestions to the effect that the British problem gambling rate is low in terms of international comparison, because it is characteristically British to gamble responsibly. We do not think that this assumption has any basis in fact. With the exception of the National Lottery, the opportunities to gamble have been limited by the concept of “unstimulated demand”. Given the findings of research which has taken place in other countries, where the opportunities have been considerably expanded, there is a risk that problem gambling could increase as we move away from the current regulatory framework and increase availability. That has led us to suggest that a duty of social responsibility should be formally incorporated into the regulation of the industry, and that there should be a safety net of education and treatment based upon appropriate research.

Section 3 Individual and social costs of problem gambling

The nature of the costs of problem gambling

17.70 Given the definition of problem gambling it is no surprise to find that adult problem gamblers are claimed to suffer the following effects (to a greater degree than non-problem gamblers):⁵⁴

- job loss
- absenteeism
- poor work/study performance
- stress
- depression and anxiety
- suicide
- poor health
- financial hardship
- debts
- assets losses
- exposure to loan sharks

- bankruptcy
- resorting to theft
- imprisonment
- neglect of family
- impacts on others
- relationship breakdown
- domestic or other violence
- burdens on charities
- burdens on the public purse

17.71 The costs of problem gambling have been put to us by individual former problem gamblers from Gamblers Anonymous and Gordon House. They have described how the need to find money to feed the compulsion to gamble overrode loyalty to family, colleagues and employers. Written submissions from GamCare, Gordon House and GamAnon largely corroborate these claims in the UK context.

17.72 The effects spill over into costs for society through recourse to health and social services and the criminal justice system. We have been able to find little reference to research in the UK into the cost implications of problem gambling for society, and have had to rely on data from overseas research.

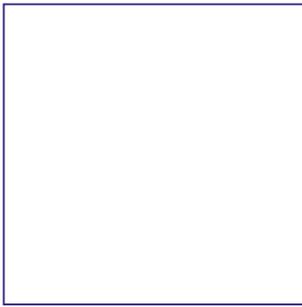
17.73 Our remit requires us to consider the social impact of gambling and the costs and benefits. The Departments of Health and Social Security have no information about the costs and treatment of problem gambling, and do not appear to recognise problem gambling as a health issue. This is a point which concerns the charities dealing with problem gambling and the psychologists who have given evidence to us.

Difficulties in identifying the costs of problem gambling

17.74 One difficulty in drawing conclusions about the costs implied by these statistics is that research indicates that problem gamblers tend to have other psychological or biological traits, which create a complex web from which it is difficult to disentangle the effects attributable to problem gambling.

17.75 Research found that there was higher correlation between gambling and at least one other impulse

54-Productivity Commission (1999) para 7.3



control disorder in a group of pathological gamblers in treatment, than in a control group from the community.⁵⁵ The essential feature of an impulse control disorder as defined by DSM-IV is "the failure to resist an impulse, drive or temptation to perform an act that is harmful to the person or to others".⁵⁶ Alcoholism and drug abuse are examples. The finding that the incidence of anti-social behaviours and a history of criminal offences among pathological gamblers also suggests tendencies to disinhibited behaviour.⁵⁷ Research suggests that disinhibited behaviour also relates to the risk of alcoholism. The presence of this trait may contribute to the high rate of alcoholism, estimated to be 33% among pathological gamblers.⁵⁸ Some financial problems may not therefore be attributable to pathological gambling, but to alcoholism. The cost may represent a transfer from one problem category to another. The question that should be asked is perhaps, how much more debt is incurred because of problem gambling, rather than how much debt do problem gamblers incur.

Costing the effects of problem gambling

- 17.76** Researchers in other countries have attempted to put a financial figure on the costs of problem gambling. The literature is a frustrating read; there is no shared methodology, estimates vary widely and are full of controversial assumptions.⁵⁹ However, by its nature this is a dubious exercise, at least in the present context, for the following reasons. Many costs of problem gambling are qualitative rather than financial: divorce, depression, unhappiness, attempted suicide, and so on. Although all of these may involve some financial cost, this is secondary to the non-financial costs in most cases. Attempting to put a cash value on such costs has no firm basis, and is a way of losing important information. These costs are more accurately given in descriptive terms.
- 17.77** Even if it were possible to translate all costs into financial terms, this would only be of interest to a cost/benefit analysis of gambling. Such analyses have been used in the context of making decisions in the United States and Australia about the creation of resort casinos. But that is not the point of our exercise. Rather we need to try to understand how possible changes will lead to future costs, and to try to identify and suggest strategies for mitigating present and future costs. There is no need to try to put a single total cost figure on problem gambling. However, we do understand that there may be a need to put a marginal

cost figure for each additional problem gambler to see if the benefits of changes outweigh the costs, and to provide some ball park figure of the costs of the existing number of problem gamblers.

- 17.78** It is said that we need to put a cost on problem gambling so that we know whether spending money to treat problem gamblers represents good value. Thus in its evidence to us, Gordon House (which offers residential treatment for problem gamblers) pointed out some figures which it suggests show that it is worth spending money on the treatment regime it provides (which costs approximately £5,772 for a 6 month therapy programme per problem gambler). However, its calculation of the costs of problem gambling (ranging from just over £6,000 to £35,000 per problem gambler per year) is not based on research in the UK and must be treated with extreme caution.
- 17.79** It is useful for illustrative purposes to show the range of costs which researchers have produced. We must emphasise that none of this research has been carried out in the UK, and therefore it is not possible to draw direct comparisons because of differences between jurisdictions in the provision of social and health services and the civil and criminal justice systems.
- 17.80** One widely cited recent study from the U.S. by Thompson et al 1996⁶⁰, gave a figure of US\$9,469 (£6,312) per problem gambler per year and a total cost of US\$307 million (£204.6 million) per year in Wisconsin alone. The cost element for therapy was calculated at US\$360 (£240) per problem gambler per year. The Thompson study used information from 98 Gamblers Anonymous 'Chapters' and focused on employment costs, bad debt, civil court costs, thefts, criminal justice system costs, therapy costs and welfare costs.
- 17.82** Other studies in the U.S. have produced higher figures, ranging from £8,800 to £35,300 per problem gambler per year.⁶¹ Conversely, the NORC report produced a much lower range of £373 to £700 per probable pathological gambler per year.⁶² These figures excluded 'transfer costs' – costs that represent a shifting of resources from one individual to another, such as bankruptcy, unemployment insurance and welfare benefits. They also excluded the cost of treatment (estimated in the NORC report to be in the region of £600 per problem gambler.) These massive variations in figures simply reflect the different

55-Specker et al (1996) found that a significantly higher proportion of pathological gamblers had at least one other impulse control disorder 35% versus 3.3%. Cited in National Research Council (1999) p.33 56-The American Psychiatric Association (1994) classifies pathological gambling as one of 5 different impulse disorders under a category called 'Impulse control Disorders Not Elsewhere Classified'. Cited in the National Research Council (1999) p.31. 57-National Research Council (1999) p.33 58-National Research Council (1999) p.34 59-For an example see 'The Social costs of Gambling:An Economic Perspective' Douglas M Walker and A H Barnett, Journal of Gambling Studies (2000) 60-Thompson, Gazel & Rickman (1996) 61-Goodman £8,800; Grinols & Ormerov £10,000 - £22,300 and Kindt £35,300 per problem gambler per year. Goodman R. 1995; Grinols E.L. & Ormerov 1996 and Kindt J.W. 1994;1995 all cited in Walker D.M. & Barnett A.H. 1999 The Social Costs of Gambling:An Economic Perspective. 62-National Opinion Research Center, Report to the National Gambling Impact Study Commission (1999) Chapter 3 Table 19

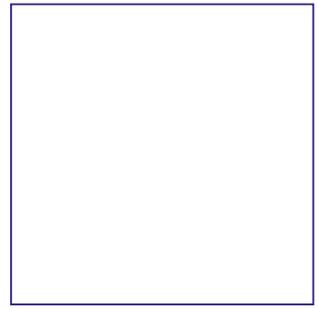
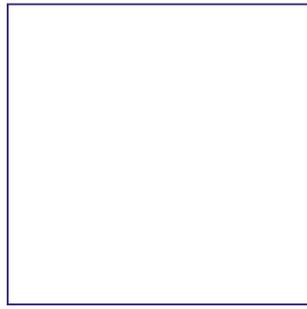
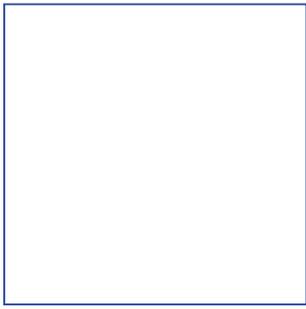


underlying methodologies of the studies, such as the way in which factors such as health, family and work problems are translated into cash terms. In her evidence to the Gambling Review Body, Dr Rachel Volberg estimates that problem gamblers cost around £2.6 billion per year in the US.⁶³ If 'transfer costs' and treatment costs are included, this sum rises to £6.6 billion a year for an estimated 5.4 million problem and pathological gamblers.⁶⁴

- 17.83** There is no question that problem gambling imposes economic and social costs. Similarly, legalised gambling has brought economic benefits in the form of employment, income, increased tax revenue, and recreational opportunities. The task of drawing up a balance sheet between the costs and benefits of gambling has been tried not only in Australia, but also in several US states, and the balance has generally been in favour of the industry.⁶⁵
- 17.84** Since we have no data on cost/benefit analyses in the UK, the best impression of costs we can give is by drawing on research from abroad. As we have shown, the range of costs per problem gambler covers a broad financial spectrum. The NORC report provides the lowest estimate (of £373 per probable pathological gambler) and the Kindt study the highest estimate (of £35,300 per pathological gambler.) If we apply these costs to the number of problem gamblers in Britain (estimated by the Prevalence Survey to be between 275,000 and 370,000 people) the annual cost

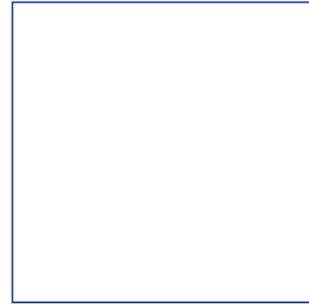
of problem gambling in Britain would lie between £100 million and £13 billion.

- 17.85** As has been noted, we are sceptical about many of these attempts to put a quantitative figure on the costs of problem gambling. It is clear, however, that for those people who become problem gamblers, and their families, problem gambling can cause extreme misery and distress. Whatever the results of the financial cost/benefit analysis for providing treatment for problem gamblers, we must remember that the personal costs of problem gambling are considerable.
- 17.86** In the Thompson study, the cost element for therapy per problem gambler was calculated to be US\$360 (£240). Clearly this will vary according to treatment regime and other factors including the severity of the individual's problem – the more severe the difficulties, the harder it is to complete treatment successfully, avoid relapse etc. However, given that GamCare, the current main provider of UK gambling counselling services, has an annual income of £350,000, the spend per problem gambler by GamCare is around £1 per problem gambler per year. We also note that GamCare is funded as a charity. There is virtually no public money spent on the treatment of problem gambling in the UK. In comparison with the estimated cost of therapy in the US, the current spend per gambler in the UK looks both absurd and paltry. Our recommendations on the treatment and funding of treatment for problem gambling appear in chapter 32 of this report.



part four

discussion and recommendations



chapter eighteen

Regulation Introduction

18.1 We have set out earlier the principles that we believe should govern the regulation of gambling:

- gambling should be crime-free, conducted in accordance with regulation and honest.
- players should know what to expect and be confident that they will get it and not be exploited.
- there should be some protection for children and vulnerable persons.

18.2 Lord Haskins, of the Better Regulation Task Force (and many others) reminded us of the principles of good regulation¹. In brief, these are that regulation should be transparent, accountable, targeted, consistent and proportionate. Those considerations have been at the front of our minds in reaching the conclusions set out in the following chapters.

Should there be one regulator?

18.3 In our request for evidence we asked “should there be a unified body to license and regulate gambling?” There were differences in how respondents viewed the likely responsibilities of such a body and this makes a simple statistical analysis of the responses quite difficult. Many of those who said that they were in favour of a single regulator also mentioned the need for local involvement in decision-making. Some of those who said “no” did so because they believed a single regulatory body would mean that there was no local involvement in any aspect of licensing. About half of those who submitted evidence did not comment on this question at all. Of the 100 who did comment, 72 were in favour of a single regulator; 11 were against; and 17 put more emphasis on a mix of central and local licensing. We conclude that most respondents would like to see a single regulator take on responsibilities for the whole of the gambling industry, including sections that have hitherto escaped such scrutiny, but there should be local decisions about the location and number of gambling premises in a particular area.

18.4 Those who supported a single regulatory body argued that it would be logical to bring licensing under the auspices of a single regulator. There are strong arguments, over and above administrative tidiness, to favour one regulator over several. We believe that it could lead to better and quicker decisions, and be more efficient. The Levy Board² suggested that a single body would ensure a common underlying

philosophical approach, which would lead to consistent regulatory standards.

18.5 We have heard that differences in the approach of licensing magistrates currently lead to inconsistencies. The evidence is anecdotal only, but the concern seems largely based on the failure of the magistrates’ court to make sufficient enquiries to make an informed judgement on whether an applicant is fit and proper. We have received no evidence to indicate that decisions on premises’ licences are a cause for concern.

18.6 Those who said they were opposed to the establishment of a single regulatory body argued that it would be remote from local feeling and could be unnecessarily bureaucratic. These are real concerns.

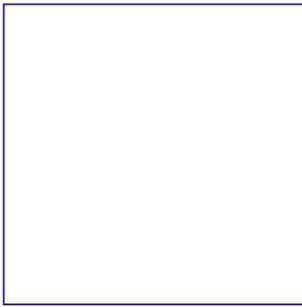
Licensing individuals and corporate bodies

18.7 Two of the key principles underlying regulation are to keep criminals and crime out of the industry and to ensure that the punter has a fair and transparent deal. The key to achieving these objectives is a rigorous licensing system for the individuals who manage gambling activities. It is essential that decisions about the suitability of gambling operators and the operation of the fit and proper test should be consistent throughout the country.

18.8 As well as a consistent test being applied across the country, we believe that the same basic “fit and proper test” should apply across gambling. Although more enquiries may be made, the standardisation of procedures and the increased expertise of staff should bring efficiencies of scale and a professional service.

18.9 Gambling is big business and some operators have a hand in different activities in different parts of the country. That means that the same individuals and companies are currently regulated by a number of different bodies. It would be more efficient to maintain a central record and avoid this duplication.

18.10 A single regulator should achieve better economies of scale, dealing with the same companies across gambling activities. In oral evidence to us, the Betting Office Licensees Association (BOLA) noted that in addition to local licensing, bookmakers were regulated by the Gaming Board (in relation to gaming machines in betting shops). We were told that BOLA members did not find this dual licensing onerous. In its written



submission, BOLA suggested that a single regulator was unnecessary³. It argued that a central body would be remote and that local decisions were important because bookmakers work in a micro-environment. We find that argument difficult to sustain, particularly in the case of the larger bookmakers who operate across the country on the basis of a locally issued betting permit. During oral evidence, BOLA said that it was simply not convinced that a case had been made out for a central body and its principal concern was that it would be wrong to add an unnecessary layer of bureaucracy that would slow things down. We note those concerns, but would counter that the single body would be a different authority not an additional one.

- 18.11** We are mindful that more multi-function venues may develop as a result of our recommendations, and we believe that it would be unnecessarily and increasingly bureaucratic to require an operator to seek approval from a number of regulators.
- 18.12** Some respondents have also argued that different gambling activities bear little relation to each other and should therefore be regulated separately. We do not accept that view. Whether or not a prospective operator, for example, is honest, competent and financially sound is relevant across gambling activities. The nature and level of competence in relation to different gambling activities may change, but the basic elements of the test should be the same.
- 18.13** **We recommend that a new single regulatory authority (Gambling Commission) should license all gambling operators and key workers.** The functions of the Gambling Commission in this respect are discussed in chapter 19. The Gambling Commission will also have responsibility for regulating the operation of gambling: those functions are discussed in chapter 33.
- 18.14** Several of those who gave evidence to us argued that the Gaming Board's remit should be widened so that it could take on the role of a single regulatory body. The Gaming Board for its part did not advocate this approach, but instead recommended that a new body should be set up into which it would be subsumed. We have earlier commented on the success achieved by the Gaming Board in carrying out its responsibilities since it was set up in 1970, and on the enviable reputation for integrity enjoyed by the industry as a result of that. It is important that these benefits should not be lost.
- 18.15** Whilst it would be possible to expand the Gaming Board's duties to encompass the broader role, we favour the creation of a new statutory body – which

we have called for convenience the Gambling Commission – to reflect the fact that it will have significantly wider areas of responsibility and new functions and powers. We envisage the Gaming Board being subsumed into the Gambling Commission (as the Gaming Board contemplated), and we would expect the Gambling Commission to take advantage of the practices and procedures successfully developed by the Gaming Board and to build on them.

Licensing premises

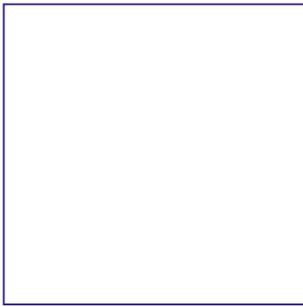
- 18.16** Licensing Magistrates currently have a role to play in granting licences for premises used as casinos, bingo clubs and betting offices. Local authorities license amusement arcades and other single locations with amusement with prizes machines.
- 18.17** We have noted with interest that the Government's Liquor Licensing White Paper⁴ says that the Better Regulation Task Force favoured moving to local authorities responsibility for decisions on liquor licensing premises, because licensing is not a judicial function. The White Paper acknowledges that issues relating to the premises licence are mainly local issues. It points out that "local authorities plan town and city centres with an eye to the range of social and entertainment facilities available for residents and tourists, encouraging a social environment which all can enjoy". The Paper concludes that local authorities should be the licensing authority for premises serving liquor.
- 18.18** The White Paper says:
- There are... compelling reasons in favour of giving the local authority (at district level) the responsibilities...*
- *Accountability: we strongly believe that the licensing authority should be accountable to local residents whose lives are fundamentally affected by the decisions taken;*
 - *Accessibility: many local residents may be inhibited by court processes, and would be more willing to seek to influence decisions if in the hands of local councillors.*
- 18.19** We consider that the same arguments apply to gambling premises. Several operators have suggested to us that "small-town" politics could adversely influence some decisions by local authorities. We recognise that risk, but do not find it a substantial one. The increased freedom of gambling operators to exploit opportunities to their commercial advantage must not outweigh the ability of local residents to help shape the community in which they want to live.



- 18.20 Since some gambling premises may also want to apply for a liquor licence, there is additional value in ensuring that the issues can be considered at the same time by the same authority.
- 18.21 **We recommend that the licensing of premises should remain a local decision, but that responsibility should transfer from magistrates to local authorities.** The role of local authorities is discussed in chapter 21.

Nature of the legislation

- 18.22 It seems clear that the current legislation has worked well and that the Gaming Board has performed a very useful service but that the arrangements need review. One major difficulty has been that the legislation has been stuck in the form it acquired thirty years ago and that it has failed to evolve in keeping with market and technological changes. This is not surprising since regulation is dominated by primary legislation and requires considerable parliamentary and government time to change it. That has been a major frustration for the industry.
- 18.23 We are not competent to offer advice on how our recommendations should be given legislative effect. But our working assumption has been that the existing Acts will be repealed and replaced by a single Act. We hope that lessons will be learned from the inflexibility of the current arrangements and that, as far as possible, discretion will be given to the Gambling Commission to adjust regulation to respond to new demands and to fill any loopholes that may be exposed. For example, the level of stakes and prizes should not be enshrined in primary or secondary legislation. **We recommend that future legislation should be in the form of an enabling act which delegates the detailed provisions to subordinate regulation and to codes issued by the Gambling Commission.** The “accountability” of decision making would arise from putting regulations before Parliament and by the Gambling Commission’s Annual Report to Parliament. Such an approach would allow gambling regulation to remain appropriate to prevailing conditions whilst operating within the broad guidelines of primary legislation.
- 18.24 Whilst we have tried to pay attention to the experience and practices of other jurisdictions, it seems unlikely that there can be any early harmonisation of regulatory arrangements in Europe or across the gambling countries. The UK must therefore develop its regulatory arrangements within its own context.
- 18.25 Gambling is, nevertheless, an international business, both by reason of the cross-jurisdictional reach of many operators and because of the Internet and other new technologies which respect no jurisdictional borders. We are aware that two international associations of gambling regulators have been formed in recent years to facilitate co-operation and improve regulatory practice across jurisdictions. They are the International Association of Gambling Regulators and the Gaming Regulators European Forum. We understand that the Gaming Board has played a prominent role in these organisations and we expect the Gambling Commission to follow suit.



chapter nineteen

Licensing of Individuals and Corporate Bodies

- 19.1 We have set out in chapter 18 our recommendation that a single regulatory authority (Gambling Commission) should license the individuals and corporate bodies that are involved in the provision of gambling. This chapter sets out our views on who should be regulated in relation to each activity and touches on the nature of the checks that might be carried out. For convenience we refer to “people” throughout this chapter, but the same principles apply to operating companies and staff.

The fit and proper test

- 19.2 We want to ensure that those who run and work in gambling are honest and competent and, where relevant, are financially sound. The intensity of the checks that may be carried out will depend, amongst other things, on the role that an individual will perform and the nature of the business he will conduct. The scope for criminal infiltration and the scale on which it may be carried out is very different for a casino than, say, for a society lottery. The Gambling Commission will need to undertake a risk assessment in relation to each gambling activity and determine what level of checks is appropriate for each. That assessment may change with time. We intend that whatever procedures are put in place should be sufficiently flexible to change as and when the assessment of risk alters. As well as any routine enquiries that may be made, there must be the facility to make ad hoc enquiries in addition to or instead of routine checks. The following paragraphs set out our thoughts on what may be included in the fit and proper tests. We have not attempted to prescribe the nature or level of checks that may be appropriate for each category of applicant.
- 19.3 In brief, we envisage that there will be two parts to the fit and proper test. First, a measure of the applicant's suitability to play a key role in the gambling industry, based on his character and, where relevant, financial status. Second, a test of the individual's knowledge and competence in the gambling activity for which he wishes to be licensed. A casino operator, for example, could choose to demonstrate his competence in table games, machine gaming, bingo and betting and knowledge of the current regulations, and seek premises on which he could offer all those activities.
- 19.4 In addition to those working in gambling premises, certification should extend to all those working on the sale, supply and maintenance of gaming machines.

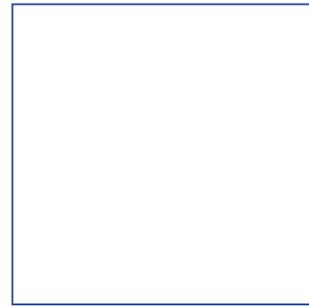
Criminal records

- 19.5 Perhaps the most basic test of honesty is a criminal records check. The Criminal Records Bureau has recently been established under Part V of the Police Act 1997 and is expected to begin issuing disclosures in autumn 2001. Employers and regulatory bodies will not have direct access to criminal records or information, but individuals will be able to apply for a certificate containing criminal records and other information, or a statement that nothing of the kind is recorded. There are three levels of certificate:
- basic disclosures, which cover only unspent convictions
 - standard disclosures, which cover spent and unspent convictions, including any cautions and
 - enhanced disclosures, which include the information at standard level and relevant information from police forces.
- 19.6 The Act provides for enhanced disclosures to be appropriate for applicants for licensing or registration under:
- section 19, 27(1) or (5), or schedule 2 of the Gaming Act 1968
 - schedule 1A, 2 or 2A of the Lotteries and Amusement Act 1976 or
 - section 5 or 6 of the National Lottery Act 1993.

We recommend that these provisions are retained in any new legislation (and extended to include betting) and that the Gambling Commission should be a “registered body” under the Police Act 1997 and so authorised to receive information arising from enhanced disclosures.

Financial probity and resources

- 19.7 In addition to the honesty of an applicant, it is important to establish whether, in the case of those who will run a business, they have the financial resources to cover their maximum pay-outs and liabilities. For example, in applications for gaming certificates of consent or for certification as a lottery manager the Gaming Board already asks searching questions about the applicant's financial stability, existing business connections, and assets and liabilities. In considering applications for bookmakers' permits,



magistrates are encouraged to examine the applicant's financial probity', although we heard concerns from the National Joint Pitch Council that this is not always done. The NJPC has introduced procedures to confirm evidence of funds available to on-course bookmakers (£10,000 for the ring, and £25,000 for the rails) and this has proved to be a (fairly modest) hurdle that some bookmakers have been unable to jump.

- 19.8 We are not recommending a formal system of bonding, but we do believe that financial checks are essential to ensure that businesses can be properly run, debts can be met, and organised crime can be prevented from gaining a foothold by "bank rolling" new businesses. The Gambling Commission must be able to determine exactly who are the financial backers for new applicants, and to have an on-going role in examining the finances of gambling businesses.

We recommend that the Gambling Commission should make comprehensive financial checks on those persons who operate gambling businesses, both to keep out organised crime and to ensure that potential liabilities can be met. This is particularly important in the case of casino gaming, bingo and betting, where the liabilities may be considerable.

- 19.9 Casino and bingo operators are currently required to apply for a certificate of consent in relation to particular premises, before seeking a licence from the magistrates to operate in those premises. Although we are not proposing that there should be a formal link between the licensing of people and the licensing of particular premises, it is plain that the scale of the gambling operation an individual wishes to run will be relevant to his fitness to do so. Running one casino, bingo hall or betting shop is very different from operating a large number, both in respect of the financial backing and the business acumen that is required. The Gambling Commission must take account of these considerations in its licensing practices and procedures.

Competence

- 19.10 The Gaming Board currently interviews applicants for certain certificates. Applicants for a casino executive certificate of approval who are new to the industry are interviewed, as are re-applicants for certificates of approval after revocation and first-time applicants for certificates to act as casino or bingo managers. In addition, directors and senior staff of new entrant casino and bingo companies are interviewed (usually as a group). In 1999/00, there were 109 such interviews.² In the case of bookmakers' permits, Home Office advice is that applicants should be encouraged to attend the hearing and magistrates are encouraged to

make enquiries to determine the applicant's experience and breadth of knowledge. We have no information on the percentage of hearings at which applicants attend and are questioned. The fact that neither need occur as a matter of course is something that concerns us.

We recommend that senior executives and key employees are interviewed to ensure that they have the knowledge, and are otherwise competent, to carry out their functions. In practice this will have the effect of extending the Gaming Board's current procedures to applicants for bookmakers' permits.

- 19.11 For operators of amusement arcades and family entertainment centres, as well as less senior gaming employees, we do not consider that there is a need for a specific competence test before a licence is granted. But such people should be knowledgeable about the legal constraints within which they are working. The Gambling Commission must have the ability to make ad hoc enquiries or to investigate such individuals in response to concerns about their behaviour. If it is found that they are not fit and proper to work in the industry because they are not competent to carry out the task for which they are licensed/registered, the Gambling Commission should have the ability to take action up to and including revoking the licence/registration. **We recommend that the Gambling Commission should have the ability to interview on entry and, in addition, to make ad hoc enquiries to confirm that all those licensed or registered to work in the gambling industry are competent to carry out the task for which they are licensed/registered, and to take action if they are not.**

- 19.12 In addition to those people who are licensed by or registered with the Gambling Commission, we consider that employers should have a duty to check that their employees are fit and proper. The employer should clearly be liable for the actions of his employees. If he has knowingly or negligently employed someone who is incapable of carrying out the work for which he is employed, or the employee has criminal convictions relevant to that employment, the Gambling Commission should take that into account in considering whether the operator is fit and proper to engage in regulated activity. **We recommend that there should be a formal duty on gambling operators to ensure that appropriate checks are made on employees who are involved in the gambling, but are not otherwise regulated by the Gambling Commission.** This could include a requirement to require criminal record checks, say, every five years on employees who have remained in the same position, or been promoted to a



position below manager in the same company, and would not otherwise face any on-going examination. We have used the description “involved in the gambling”, because the categories of staff which our recommendation would cover will vary between different gambling activities and types of premises. The Gambling Commission should issue guidance on the types of employees who should be the subject of such checks.

- 19.13** Of course, assessing whether a person is fit and proper is not a one-off exercise. We discuss in chapter 33 the functions and powers of the Gambling Commission. But it is worth mentioning here that they must include the ability to exchange information with the police, Customs and Excise, the Inland Revenue, the Financial Services Authority and other regulators. **We recommend that gateways are established to ensure that this free exchange of information can take place, both for licensing and investigative purposes.**

Social responsibility

- 19.14** As part of the competence test, we envisage that applicants may be tested about their knowledge of problem gambling and the help that can be offered to people who get into difficulty. At the very least, some awareness training should be built into the training that operators give their employees. This need not be in-depth; we are not suggesting that staff should try to take on counselling functions, but they should be able to spot people who do have problems and to point them in the right direction for help. When we received oral evidence from a small group of croupiers they said that they would not be encouraged by their employers to show concern about gambling patterns that appeared to suggest there was a problem. During our visits, casino operators have repeatedly said to us that it is not in their business interests to have problem gamblers in their casino. They want happy punters spending an amount they can afford, who then come back another day. It does make good business sense to encourage people not to gamble more than they should, but we believe that operators should do more to demonstrate that they are socially responsible. We note that the Home Office proposals on liquor licensing require that an applicant for a personal licence will undergo a test of knowledge of licensing law and social responsibilities. We envisage a similar combination of gambling law knowledge and social responsibilities.
- 19.15** There are some interesting examples of socially responsible gambling in other jurisdictions. The Nevada State Gaming Commission has introduced

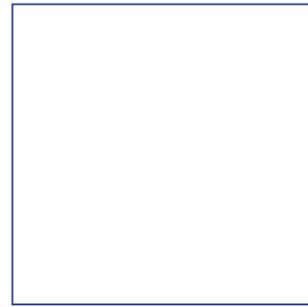
regulations to provide for the posting of notices about problem gambling, and the training of all employees who come into contact with customers. The regulations³ state:

That training shall, at a minimum, consist of information concerning the nature and symptoms of problem gambling behavior and assisting patrons in obtaining information about problem gambling programs. This subsection shall not be construed to require employees to identify problem gamblers.

- 19.16** During our visit to the “Holland Casino” at Scheveningen, we learned that floor managers are trained to identify and offer help to problem gamblers. This very proactive approach is possible only because of the casino monopoly in Holland, which enables the company to be more aware of an individual customer’s visits and transactions. A requirement on operators to try actively to identify problem gamblers in this country would not work and would, perhaps, be an over-reaction to the problem. But all gambling staff must certainly be alert to the dangers of problem gambling and feel competent to offer advice on where to seek help to those who need it. **We recommend that the licensing procedure should include provisions relating to socially responsible gambling. At the highest level, this might encompass details of the company’s policy statement and training programme, and on an individual basis it should test the applicant’s awareness of their responsibilities arising from those programmes.**

How long should the personal licence be valid?

- 19.17** Some Gaming Board licences are valid for particular periods; others (such as certificates of approval) are not. That can mean that the Gaming Board does not have up-to-date information about those it regulates. The Gambling Commission will be able to make routine checks on licensed persons, and will require up-to-date criminal records checks when an individual moves employer. That will enable it to keep track of some licensed people, but that may not be sufficient to ensure that a reliable and up-to-date record is maintained. **We recommend that personal licences should be renewable at intervals to be determined by the Gambling Commission.**



How might our proposals apply to each sector of the industry?

On-line gambling

- 19.18** The principles we have described apply to all gambling operators, including those offering interactive services. For convenience, we discuss all the issues relevant to on-line gambling in chapter 30.

Casinos

- 19.19** Certificates of consent are currently issued in relation to specific premises to enable an operator to seek a gaming licence from the local magistrates. We are recommending the removal of the direct link between the certificate and particular premises, although as set out in paragraph 19.9, the certificate will need to reflect the scale of the business the operator is authorised to run. The local authority will need to satisfy itself that the operator has obtained the authority to establish a gambling business of the kind he is seeking permission for.
- 19.20** In 1999-00, the Gaming Board dealt with 19 applications for new certificates of consent for casinos in England, Wales and Scotland.
- 19.21** There are currently five types of certificate of approval issued in relation to casino employees. The type of certificate and to whom they are issued, together with statistics relating to their issue are set out in figure 19.i.
- 19.22** The number of certificates issued by the Board was lower in 1999-00 than in the previous five years, when it had remained reasonably constant at around 5,000. In chapter 34, we make some assumptions about the likely workload of the Gambling Commission. We are

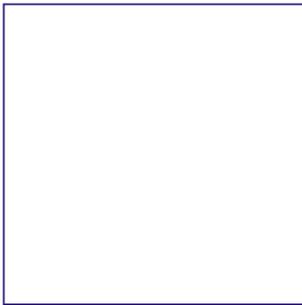
not proposing that additional categories of casino workers need to be checked, although the total number of employees who need to be investigated could increase substantially if a large number of new casinos start to operate as a result of our recommendations.

- 19.23** In its report "The Gaming Board: Better Regulation"⁶, the National Audit Office recommended that the Gaming Board should consider whether there was scope to devolve some certification work to employers – for example, in relation to those employees who are promoted or move posts within the industry. In addition, the NAO suggested that the Gaming Board should consider the scope for rationalising the number of certificates that are issued.
- 19.24** The Gaming Board has been discussing with the British Casino Association whether the number of certificates of approval should be reduced. The Board proposed that the certificates for dealers should be amalgamated with inspectors and the certificates for supervisors with managers. We understand that the Gaming Board considered that the significant step up in responsibilities occurred on promotion to supervisor (who can act as manager for up to 25% of their time) and therefore that a test of fitness was needed at that point. If such a change were made, the interview that the Board currently conducts on promotion to manager would be conducted on promotion to supervisor.
- 19.25** We understand from the Gaming Board that the British Casino Association has made an alternative suggestion. The BCA proposes that the dealers, inspectors and supervisors certificates should be amalgamated. The BCA believes that promotion to manager is the major step up and the right time, as now, to interview to assess fitness. The consequence of

Type of certificate	Issued to	New applications	Transfers	Promotions	Re-issues	Total
White	Casino	5	-	3	5	13
	Executive	(6)	(4)	(2)	(-)	(12)
Grey	Casino	-	21	47	7	75
	Manager	(-)	(45)	(62)	(10)	(117)
Green	Casino	-	12	88	5	105
	Supervisor	(-)	(27)	(116)	(6)	(149)
Yellow	Casino	15	695	447	88	1,245
	Inspector	(21)	(1,096)	(564)	(98)	(1,779)
Blue	Casino	1,881	601	-	83	2,565
	Dealer	(2,061)	(748)	(-)	(78)	(2,887)
Total issued						4,003 (4,994)

Source: Gaming Board for Great Britain (2000)

Figure 19.i: Section 19 Certificates issued 1999-00⁴ (1998-99 figures in brackets)⁵



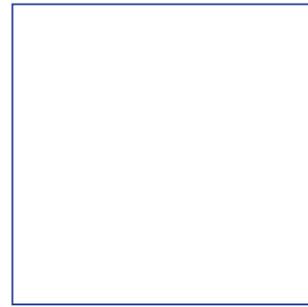
such a change would be that supervisors could no longer act as managers. The BCA is content with that on the basis that casinos in any case require at least one manager on the premises all the time. The Gaming Board is content with this approach.

- 19.26** We agree that there is merit in reducing the number of different certificates. The casino sector is more heavily regulated than any other part of the gambling industry and it is right that should be the case, but it is important to remove any unnecessary burdens and to reduce bureaucracy. We agree with the British Casino Association that the line could sensibly be drawn between managers, who should be subject to more intensive checks and should be interviewed, and less senior employees who should be investigated by the regulator on entry to the casino industry. **We recommend that the number of casino certificates of approval should be reduced from five to three, and that the existing certificates for dealers, inspectors and supervisors should be amalgamated.**
- 19.27** The other recommendation from the National Audit Office⁷ was that some checks should be devolved to employers. We have already suggested in paragraph 19.12 that employers should be required to carry out regular checks on employees who are not otherwise examined by the Gambling Commission. We believe that there is more scope to encourage employers to take responsibility for the good character and calibre of the staff they employ. In the light of the amalgamation of certificates for dealers, inspectors and supervisors, **we recommend that employers should be required to obtain a certificate from the Criminal Records Bureau each time a person is promoted and there should also be a requirement (on the employer) to notify the Gambling Commission about the change in the individual's status and to send it a copy of the certificate.**
- 19.28** Under current regulations the certificate of approval is not portable between employers: that can be a barrier in an industry in which staff tend to move around quite frequently. The movement of staff between different employers, and around the country, is likely to increase as more casinos come on stream. It should not be part of the regulator's function to approve the transfer of qualified staff. **We recommend that the certificate of approval should be valid throughout Great Britain, subject only to a requirement that an employer should require an up-to-date certificate from the Criminal Records Bureau when taking on someone who is transferring**

from another employer. There should be a requirement (on the employer) to notify the Gambling Commission about the change of employment and send it a copy of the certificate.

Bingo

- 19.29** Some of the issues we have discussed in respect of casinos apply equally to bingo.
- 19.30** In 1999-00, the Gaming Board dealt with 17 applications for new certificates of consent for bingo halls in England, Wales and Scotland. **As with casinos, we recommend that certificates of consent for bingo should not be related to particular premises, but should be required by the local authority before an application in respect of a premises licence is entertained.**
- 19.31** Bingo Managers are currently issued with a pink certificate. Statistics relating to the issue of pink certificates are contained in *figure 19.ii*.
- 19.32** We have recommended that the number of casino certificates of approval should be reduced, and that the more intensive level of investigation should continue to apply from the post of manager upwards. In relation to bingo, it would be right to continue to require managers to obtain a certificate of approval and to be interviewed in the course of that application. We have received no evidence to suggest that the current level of regulation is inappropriate. **We recommend that bingo managers should continue to apply for a certificate of approval; that they should be interviewed; and that the certificates should be portable between companies in Great Britain (subject to the requirement that the new employer should seek an up-to-date certificate from the Criminal Records Bureau and should notify the Gambling Commission of the change of employment and send it a copy of the certificate).**
- 19.33** As with casinos, bingo operators should be responsible for vetting employees who are involved with the gambling and are not otherwise regulated by the Gambling Commission, and should be liable if they are knowingly or negligently employing individuals who are not fit and proper for the job.



Type of certificate	Issued to	New applications	Transfers	Promotions	Re-issues	Total issued
Pink	Bingo Manager	43 (45)	20 (55)	- (1)	40 (11)	103 (111)

Figure 19.ii: Section 19 Certificates issued 1999-00⁸ (1998-99 figures in brackets)

Source: Gaming Board for Great Britain (2000)

Betting

Bookmakers

19.34 In contrast to casinos and bingo halls, bookmakers are currently very lightly regulated. As set out in earlier paragraphs, magistrates have the ability to ask searching questions of would-be bookmakers, but there is anecdotal evidence to suggest that this does not happen as often as it should. From the punter's perspective, it is desirable that similar standards are applied to all forms of gambling. No one has suggested to us that bookmakers should not be regulated to the same extent as other gambling operators. Views have differed on how this should be achieved. Ladbroke, amongst others, has suggested that casino-style certification should apply to bookmakers.

19.35 The Levy Board⁹ told us that it had encountered numerous problems arising from the current arrangements for licensing bookmakers. It mentioned that on a regular basis it found:

- permits are held by people who do not have the necessary expertise to conduct the betting business for which they are responsible
- some people are under capitalised
- some people play no part in the business for which they are licensed – for example, a wife holding a permit for her husband, who runs the betting business but would not qualify in his own right
- some businesses in practice are controlled by inappropriate persons.

The Levy Board suggested that magistrates often were forced to take licensing decisions in a vacuum and tended to give applicants the benefit of the doubt.

We recommend that the Gambling Commission should regulate all bookmakers who, as with other gambling operators, should undergo a fit and proper test and be investigated in relation to their competence and knowledge as well as honesty and financial probity.

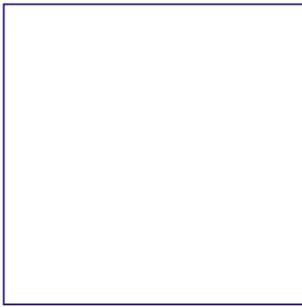
Betting shop managers

19.36 On 31 May 2000, there were 3,791 bookmaker's permits in force in Great Britain (of these, according to the annual report of the National Joint Pitch Council, some 890 are authorised by the NJPC to operate at racecourses.) On the same date there were 8,732 betting office licences in force.

19.37 The fact that large bookmaking companies need only one bookmaker's permit to operate across Great Britain is something that has concerned us. It also concerns the Levy Board, who pointed out that the drafters of the 1963 Act would not have foreseen the advent of large corporate bookmakers, employing a large number of people who are themselves not regulated. The Levy Board suggested that each betting shop manager should hold a bookmakers' permit in his own right, or should otherwise be approved by the gambling regulator in the same way as casino managers. We have considered whether casino-type licensing should be introduced for betting shop managers. In principle we are sympathetic to the proposal.

19.38 We have mentioned that there are some 8,700 betting shops and, given the extended opening hours that most shops operate, we may assume that there are at least two managers for each of those shops. Therefore, we could be contemplating a new licensing regime for up to perhaps 20,000 people. Overall, that could be a heavy burden for the Gambling Commission and could be a significant new regulatory burden on business. However, any licensing requirements could be gradually applied to those currently employed as betting shop managers; they could apply as they moved employer, with a requirement in any case to be licensed within five years of the Gambling Commission being established. The burden need not be onerous, and this is not a reason to reject licensing betting shop managers.

19.39 We have considered what the mischief is that we wish to prevent and what similarities there are between casino and betting shop employees. In betting shops, the price is generally set elsewhere and the manager and his staff are essentially selling a priced-up product. If a member of staff is behaving dishonestly it is usually



to the detriment of the bookmaker, rather than the punter. On the other hand, we have heard about money laundering through betting shops and we are recommending in chapter 22 that money laundering regulations should be applied to betting. Punters should be confident that betting shop staff are honest and well trained. The Levy Board mentioned that the absence of a licensing system places a great responsibility on the company to have the right procedures in place and to ensure that their managers follow them. That is undoubtedly true, and some bookmakers have said to us that they would welcome additional checks on staff to help them weed out the dishonest ones. Other bookmakers have pointed out that theirs is an industry that employs many temporary and part-time staff and they were concerned that statutory checks could be cumbersome and time-consuming.

- 19.40 On balance, we have concluded that betting shop managers should be licensed by the Gambling Commission. Other staff employed in betting shops need not be so licensed. **We recommend that the licensing of betting shop managers should be at a similar level to casino dealers** – essentially an enhanced criminal records check. In addition, **we recommend that bookmakers should be required to require certificates from the Criminal Records Bureau for other key staff and that these may be examined by the Gambling Commission.** As with casinos and bingo halls, if bookmakers are found to be knowingly or negligently employing individuals who are not fit and proper for the job, the Gambling Commission may take that into account in determining whether the bookmaker is fit and proper to be engaged in gambling activities. We discuss in chapter 26 whether gambling debts should be enforceable and whether bookmakers should continue to be able to shelter behind the palpable errors rule. If our recommendations on those issues are accepted, the extent to which bookmakers are liable for the actions of their staff will be significantly enhanced. In turn, we suggest that this should lead to better training and enforcement of high standards by the operator.

Betting brokers

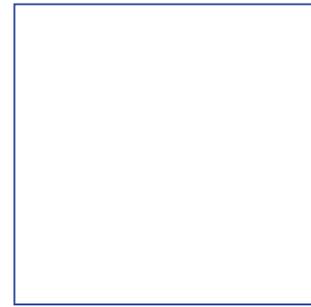
- 19.41 We have also considered whether betting brokers, or operators of bet exchanges as they are sometimes known, should be required to be licensed as bookmakers. At least one of the larger on-line operators is so licensed. Brokers bring together people who want to bet one-to-one rather than through a bookmaker, and take a commission for making the match. As they are acting as stakeholders for bet makers and takers and are not receiving bets, they do not require a bookmakers licence.

We believe that the number of such firms may still be in single figures. As part of the recent changes to General Betting Duty, it was announced that bets placed with brokers will be brought within the scope of the Gross Profits Tax.

- 19.42 It has been put to us that if brokers are not regulated punters will not know whether they are truly acting only as brokers. They may be laying bets themselves, or allowing an individual to offer unlimited bets using their service and thus effectively to operate as an unlicensed bookmaker. Brokers have emerged as a result of the Internet and the service they offer could not have been envisaged when the 1963 Act was drafted. It is clear is that they are offering a gambling product. In those circumstances, it is right that punters should be confident about their honesty and their financial stability. **We recommend that betting brokers should be licensed and regulated in the same way as bookmakers.**

On-course bookmakers and employees

- 19.43 The National Joint Pitch Council currently regulates the activities of bookmakers on racecourses. As we have mentioned, 890 bookmakers are currently approved by the NJPC to work on racecourses. To apply for approval by the NJPC, an applicant must provide:
- three recent passport photographs
 - a certified copy of his bookmakers' permit
 - a certificate of discharge of levy liabilities and
 - three written references (including one financial reference), as to his suitability to conduct business in a betting ring.
- 19.44 Where the applicant is a body corporate, all betting business must be conducted on its behalf by a nominated officer approved by the NJPC. No Authorised Bookmaker may have more than two Nominated Officers and each must hold a bookmakers' permit or a betting agency permit in his own right.
- 19.45 Where the Authorised Bookmaker is not a body corporate, betting business must be carried out by the bookmaker himself or by no more than one Authorised Representative. An Authorised Representative must hold a bookmakers' permit or betting agency permit in his own right.
- 19.46 These additional licensing controls on on-course bookmakers were necessary because of the light regulation on bookmakers generally. Our recommendation that a more intrusive fit and proper test should be applied to all bookmakers may mean



that these additional controls on those who operate on-course are no longer necessary. Unlike in a betting shop, those with whom the punter is dealing are bookmakers in their own right, not simply representatives of a bookmaker: that is essential in the market place of the racecourse where quick and binding decisions must be made. **We recommend that the Gambling Commission should take over the NJPC's duties of approving bookmakers who operate on-course, though this may in practice not require a significantly different approach from the licensing of off-course bookmakers.** No one should be employed to negotiate bets on a racecourse unless he has a bookmakers' permit in his own right.

19.47 The NJPC deals only with horse racecourses, not with greyhound tracks or point-to-point. We are recommending in chapter 26 that regulation of betting at those events should be brought within the remit of the Gambling Commission. Similarly, **we recommend that bookmakers and their representatives working at greyhound tracks and point-to-points should be licensed and regulated in the same way as bookmakers on racecourses.**

19.48 The NJPC currently authorises bookmakers' "workers". Workers are employed by bookmakers to carry out tasks such as operating the computer and doing paperwork. They may also act as "runners" conveying bets from established credit clients at the racecourse to the bookmaker in the ring. Workers are not permitted to negotiate bets. We do not think that it is necessary for the Gambling Commission to license workers in the betting ring. However, the Commission may wish to set some guidelines about the number of people a bookmaker may have working for him in the ring, to prevent a proliferation in the numbers. As with other employers, we recommend that there should be a duty on the bookmaker to ensure that he is employing staff on the racecourse, greyhound track or at the point-to-point who are fit and proper to be employed in duties related to betting.

19.49 The NJPC also authorises public tic-tacs at racecourses. (In addition, bookmakers employ private tic-tacs as workers. This section does not relate to private tic-tacs.) Public tic-tacs earn a living by selling their "twist card" (a card that can be used to interpret the tic-tac that day) to bookmakers in the betting ring and then acting as a conduit for bets between bookmakers. Tic-tacs are not allowed to lay bets on their own account and the NJPC makes checks to ensure that they are passing on bets laid to them and not taking them themselves. There are seven public tic-tacs currently authorised by the NJPC and we understand that a number of them have been found to

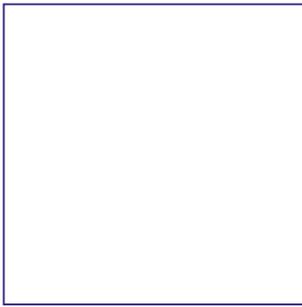
have taken bets illegally. In relation to the temptation to act as an illegal bookmaker, tic-tacs are not dissimilar to betting brokers. If tic-tacs were not authorised by the NJPC, the only sanction currently available would be to report suspicions of illegal bookmaking to the racecourse and have them removed from the betting ring.

19.50 It is arguable that tic-tacs need not be regulated because they are providing a service only to bookmakers, not directly to punters. If they act as illegal bookmakers, they are breaking the law and appropriate action can be taken. However, another view is that tic-tacs are working in the betting ring on their own account and if the Gambling Commission is to regulate the ring successfully all those who work there must be accountable, in their own right or to an authorised bookmaker. Given that there is evidence that tic-tacs have succumbed to temptation and taken bets illegally, we think that it would be right for them to be regulated by the Gambling Commission so that enforcement action can be taken if the Commission's rules are breached. **We recommend that the Gambling Commission should license public tic-tacs.**

Racecourses, point-to-points and greyhound tracks

19.51 We have considered whether the Gambling Commission should be responsible for licensing those who operate racecourses, point-to-points and greyhound tracks. This is an issue because the Levy Board is currently responsible for approving racecourses for betting purposes, including point-to-points. Greyhound tracks are licensed by local authorities.

19.52 We have discussed in chapter 13 the relationship between gambling and the underlying activities. An operator of a racecourse or greyhound track will determine on commercial grounds who is able to take bets on his track and where they are able to do business. The Gambling Commission will want to lay down some rules about the conduct of betting on-course and these must be enforceable. Regulation will be toothless if it has to rely on the goodwill of racecourse operators to create the right environment. In the same way that bookmakers must be fit and proper, so must racecourse operators, especially in the case of the greyhound totes where they may be the same individual or company. **We recommend that the Gambling Commission should be responsible for issuing certificates of approval to the operators of horse racecourses, point-to-points and greyhound tracks to authorise them to allow betting on their premises.** In addition, the operator will need to obtain a premises' licence from



the local authority to use those premises for betting, and will have to meet the normal conditions for a public venue. The Jockey Club and the National Greyhound Racing Club may also have a licensing role if the operator wishes to race under their rules.

- 19.53** Gambling is central to horse racing and even more so to greyhound racing: the link between gambling and most other sports is much less direct. Other tracks do currently have to hold track betting licences to permit, for example, betting at football and cricket matches, but the track operator generally has no active role in the betting. However, the considerations outlined in paragraph 19.52 equally apply to such tracks. It is unlikely that anything other than a light regulatory touch would be necessary for these tracks, but the Gambling Commission should certainly know where betting is being conducted and there should be an obligation on the track operator to ensure that only licensed bookmakers are operating. **We recommend that the Gambling Commission should license track operators, but we do not see the need for such tracks also to be licensed for betting by the local authority.**

Tote

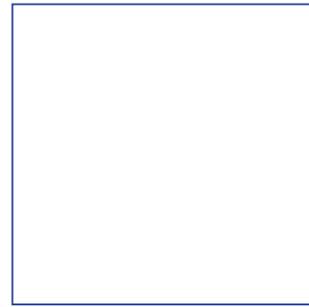
- 19.54** The Home Secretary announced in March 2000 that the Horserace Totalisator Board (the Tote) would be sold to a consortium of racing interests. The Tote has, and will continue to have, an exclusive licence to conduct or authorise others to conduct pool betting on horseracing. It also currently owns a number of betting shops, a credit betting business and an internet betting site.
- 19.55** The Tote is a public body and responsible for its own regulation. That will change once it passes into private ownership. Thereafter, it would be wrong to treat the operators of the Tote differently from other corporate bookmakers. The Home Office¹⁰ has suggested that the Tote's racecourse operations should be brought within the regulatory framework covering all types of on-course betting. The Home Office has also suggested that special conditions should be applied to the Tote's pool betting licence to reflect the exclusive rights that the Tote has and the responsibilities that come with that. The proposals set out in the Home Office consultation paper sit comfortably with the recommendations we have made about the licensing of bookmakers generally. **We recommend that the Tote and its employees should be licensed by the Gambling Commission in the same way as other bookmakers and that its licence should, in addition, reflect the special status it enjoys as an exclusive provider of pool betting.**

Lotteries

- 19.56** There are seven External Lottery Managers currently registered with the Gaming Board. **We recommend that External Lottery Managers should be licensed by the Gambling Commission.** Such individuals offer their commercial services to charities and other societies and it is right that they should have to demonstrate that they are fit and proper to carry out those functions.
- 19.57** Chapter 28 sets out our proposal that all societies lotteries should be registered with the Gambling Commission, rather than some registering with local authorities as is the case now. Similarly, local authority lotteries should be registered with the Commission. We have considered what level of regulation would be appropriate for these activities. We have not received evidence to suggest that such lotteries give rise to fraudulent activity on a scale that would justify anything other than a light touch. In any case, the sheer number of lotteries probably precludes anything else. **We recommend that societies and local authorities who wish to run lotteries should have to register with the Gambling Commission and provide evidence that they are what they profess to be. The Gambling Commission should require promoters to provide a certificate from the Criminal Records Bureau, should make random checks to ensure that lotteries are being conducted legally, and should require returns to be made in respect of lotteries above a certain size.**

Amusement arcades and Family Entertainment Centres

- 19.58** Amusement arcades are currently licensed by the local authority. The grounds for refusal contained in schedule 9 to the Gaming Act 1968 relate only to the suitability of the premises and conditions applying to them. There are no grounds to refuse on the basis that the proposed occupier is not fit and proper to engage in gambling activities. We are proposing in chapter 23 that amusement arcades (with anything more than low stake/low prize machines) should be open to over 18s only. It is essential that the Gambling Commission should have the ability to take action against the operators of licensed premises who breach the rules and also against those who operate illegal machines. We believe that all those who offer gambling should be fit and proper to do so. **In the case of amusement arcades, we recommend that the operator should be licensed by the Gambling**



Commission and should be liable to enhanced criminal records checks. Existing operators should have to seek a licence within, say, two years of the Gambling Commission beginning work. The level of checks that are carried out should be on a par with those carried out on applicants for licences to sell, supply or maintain gaming machines. As with other operators, it should be a condition of registration that the arcade operator takes steps to ensure that his key staff are fit and proper for the job.

- 19.59 The local authority should not entertain an application for a premises licence unless the operator is registered with the Gambling Commission.
- 19.60 We have considered whether the operators of family entertainment centres should be required to register with the Board. **If a family entertainment centre includes a restricted area containing machines to be played only by adults, we recommend that the operator should be required to register in the same way as someone operating an amusement arcade dedicated only to over 18s.**
- 19.61 If a family entertainment centre does not contain a restricted area, we do not believe that registration can be justified on the basis of the level of the gambling that is offered. However, given that such places are designed to attract children, local authorities may wish to impose their own controls to ensure that children and vulnerable adults are not exposed to other dangers. During our deliberations, we have heard accounts of paedophiles targeting arcades, particularly in Central London, and local authorities will no doubt want to take account of concerns of that nature. We do not consider that it is within our competence to make any recommendations in this respect.

Machine suppliers/ manufacturers

- 19.62 Under section 27 of the Gaming Act 1968, a person must have a certificate if he wishes to sell, supply or maintain a gaming machine. **We recommend that the Gambling Commission should license all those who sell, supply or maintain gaming machines (except low stake/low prize machines).** This is particularly important if our recommendation on profit sharing is accepted (chapter 23). We have specifically referred to "all those" who supply machines, because there are currently some exceptions to the requirement to obtain a section 27 certificate and we recommend that those should be ended.
- 19.63 Manufacturers are not currently licensed. We have considered whether they should be. There is perhaps a

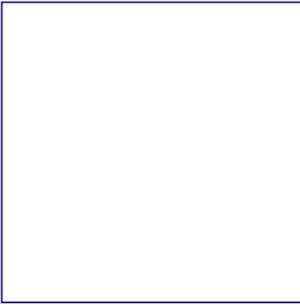
case for licensing manufacturers to ensure that machines are not developed that are designed to breach the Gaming Commission guidelines. The loss of a licence would be an effective sanction against a manufacturer. We note that some other jurisdictions license manufacturers. On balance, we have concluded that it is not necessary to introduce such licensing here. The Gambling Commission will be licensing those who sell, supply, maintain and operate the machines. The Commission will also be able to test machines and, in particular, will want to approve all casino slot machines (which would be permitted in Great Britain for the first time as a result of our recommendations) before they are installed. In addition, the Gambling Commission will have the power to take action in respect of any non-compliant machine wherever it is situated. With these provisions in place we do not consider that, in addition, it is necessary to licence manufacturers.

Pools

- 19.64 Those who operate pools competitions should be licensed by the Gambling Commission. There are currently only three companies offering pool competitions in Great Britain. **We recommend that pools operators are subject to licensing by the Gambling Commission.**

Appeals

- 19.65 There is currently no statutory right of appeal against licensing decisions by the Gaming Board. There is a requirement on the Board to ensure that there is a fair hearing. Prospective bookmakers currently have a right of appeal from the Magistrates Court to the Crown Court if an application for a permit or licence is refused.
- 19.66 We have considered whether there should be a statutory right of appeal against decisions by the Gambling Commission. We believe that it would be good practice to make provision for appeals against refusal or revocation. The decisions the Commission will be making will affect an individual's livelihood and in those circumstances we believe that it would be indefensible not to allow a right of appeal. In the case of bookmakers in particular, we would find it very hard to justify removing such a right simply because of changes in the way the licensing system is administered. **We recommend that there should be a statutory right of appeal against licensing decisions by the Gambling Commission. The appeal should provide an opportunity for mistakes in law to be put right rather than for the case to be reviewed from scratch and for the review body to substitute its own judgement for that of the Gambling Commission.**



19.67 We have considered to whom the appeal should be made. We do not consider that reference back to the Crown Court from a central licensing authority would be appropriate.

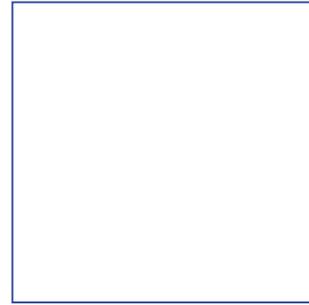
19.68 It is difficult to assess how many appeals there might be, but we believe that the number may be small. In 1999-2000, the Gaming Board did not refuse any first time applications for section 19 certificates (casino executive, manager, supervisor, inspector, dealer or bingo manager), although it revoked 58 certificates. In the same period, there were no appeals against the grant or renewal of bookmakers' permits. As the numbers of appeals may well be small, one possibility would have been to propose using part-time High Court Judges to adjudicate on an ad hoc basis.

19.69 On the basis that something more formal may be preferred, we have looked at precedents from other regulatory bodies. Individuals who are found not to be fit and proper by the Securities and Futures Authority may appeal to the SFA Authorisation Appeal Tribunal. Membership of the Tribunal will include:

- a legally qualified chairman
- at least one member who is not a registered person or other employee of a firm
- at least one member who has practical experience of the area of business relevant to the case.

This Tribunal will be replaced by a new FSA Tribunal when the Financial Services and Markets Act 2000 is fully implemented.

19.70 We believe that a tribunal along these lines would be appropriate to hear appeals against decisions by the Gambling Commission. A legally qualified chairman would be essential, and we believe that it would be helpful for industry representatives to have a role. Appointments to the Tribunal should be advertised in the normal way, and we hope that punters, amongst other people, may be encouraged to apply to serve as lay people. **We recommend that a Gambling Appeals Tribunal should be established.** The Tribunal might also deal with appeals against disciplinary measures taken by the Gambling Commission: we discuss this in chapter 33.



chapter twenty

Licencing of Premises: General Issues

20.1 This chapter discusses some issues that are common to gambling premises. It covers permitted areas for casinos, the demand criterion for casinos and bingo halls and the demand test for betting shops. In chapter 21 we discuss our recommendations on the role of local authorities in the licencing of gambling premises.

Permitted areas

20.2 Casinos may operate only within the 53 areas defined by the Gaming Clubs (Permitted Areas) Regulations 1971 and the Gaming Clubs (Permitted Areas) (Scotland) Regulations 1971. Within a permitted area, the licensing authorities are able to refuse a licence for a casino if they consider that there is insufficient unmet demand for the gaming facilities. The system of permitted areas was originally introduced to reduce the number of casinos to a manageable amount: there were around 1,000 casinos in the 1960s and, as discussed in earlier chapters, there was widespread abuse and criminal infiltration was not uncommon.

20.3 Permitted areas were first introduced in 1969. The areas were chosen on a subjective basis and this led to disputes. The 1971 Regulations included a formula under which any county borough outside Greater London with a population of 125,000 became a permitted area. When county boroughs were abolished in 1974, an amendment was made to the formula to bring in those former county boroughs which had a population of 125,000 or more at any time between December 1970 and October 1973. The list has remained frozen ever since. In summary, this means that casinos are permitted only in:

- parts of inner London
- county boroughs in England and Wales with populations in the 1970s of over 125,000
- certain seaside resorts in England and Wales
- Scottish cities of Aberdeen, Dundee, Edinburgh and Glasgow.

20.4 The Home Office issued a consultation paper on casino and bingo clubs in 1996¹. This suggested that abolition of permitted areas was not a realistic option, because there could be a massive increase in the number of casinos bringing "unmanageable vetting and regulating difficulties".

20.5 The consultation paper proposed new criteria for permitted areas. These were areas with a population of

at least 300,000 (150,000 in resort areas) within a 20 mile radius of the centre of the area; and at least 20 miles from the centre of another permitted area (10 miles in London). At that time, the Gaming Board was said to "strongly oppose" the abolition of permitted areas. We understand that this objection may have been principally on resource grounds.

20.6 The Gaming Board² now takes a very different view of permitted areas. It does not believe that permitted areas need to be retained for casinos, although it argues that safeguards will be required to ensure that this does not lead to a plethora of small, unregulatable casinos.

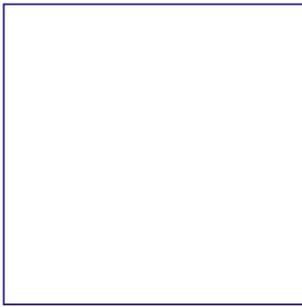
20.7 The British Casino Association³ and a small number of other respondents suggested to us that the concept of permitted areas should be retained and that the proposals floated by the Home Office in 1996 should be implemented. This would result in thirteen more permitted areas.

20.8 We believe that several of those who have suggested modifying the criteria rather than abolishing them, may have done so in the expectation that this would be more favourably received than a call for abolition. The British Casino Association acknowledges in its submission that a minority of its members favours the abolition of permitted areas.

20.9 The criteria suggested by the Home Office in 1996 are complicated, and re-drawing the areas would be an unsatisfactory and temporary solution. The population density of a particular part of the country is not a good test of the likely demand for a casino. As a number of respondents have pointed out to us, in many areas the potential customers for new casinos are likely to be domestic and foreign tourists and not local residents.

20.10 We believe the constraints that permitted areas introduce are artificial and we are not persuaded that they are the only, or best, way of controlling numbers. **We recommend that permitted areas should be abolished.** We are, however, conscious that a sudden huge increase in the number of casinos could be difficult to regulate and damaging to the industry. There are ways to avoid this.

20.11 One of the problems of the 1960s was the proliferation of small casinos. That is a problem we must avoid recreating. In addition, the new work for the Gambling Commission must be manageable. The British Casino Association suggested to us that, as an interim measure, the number of permitted areas could be gradually increased. We are not attracted to that



idea: as discussed earlier, it would be very complex and could be out of step with the commercial judgement of would-be operators. We have considered what alternatives there may be: any that explicitly restrict the number or location of casinos inevitably look like a reintroduction of permitted areas under another guise. We think that we can better achieve our objective by regulating the minimum size of a casino. We do not want, for example, nightclubs simply adding one or two gaming tables in a back room.

We recommend that the Gambling Commission should set a minimum size for a casino. To begin with, the size should be larger than the smallest casinos currently operating - say 2,000 square feet (185.8 square metres) for the gaming floor devoted to table games - with an exemption for existing casinos. Over a period of some five years, and as the demand for new licences becomes clearer, the minimum size could be altered.

20.12 In terms of the minimum number of tables that would be required, a table gaming area of 2000 square feet, would mean that there were at least eight tables available for play in any new casino licensed by a local authority. The Gaming Board issues advice to local authorities on the floor layout and minimum floor area for table games. We envisage that the Gambling Commission would continue to offer such advice. To help illustrate what may be provided in 2000 square feet, the following are some of the current floor areas (per gaming table)

- American Roulette 200sq.ft
- Baccarat 200sq.ft
- Blackjack 90sq.ft
- Casino Stud Poker 90sq.ft
- Chemin de fer 150sq.ft
- Craps 250sq.ft
- Punto Banco (7 places) 90sq.ft
- Super Pan 9 150sq.ft

20.13 In the long term, we suggest that the minimum size should not fall below the size of the smallest casinos that currently exist, to ensure that the number of casinos does not become uncontrollable. The smallest casinos currently have a gaming floor of around 1600 square feet (148.6 square metres).

20.14 Another factor determining the growth of casinos is the mix of activity that they are required to provide. We discuss that in detail in chapter 22, but in brief we

are ruling out slot-machine only casinos of the kind seen in some places overseas.

The demand criterion

20.15 Under schedule 2 to the Gaming Act, licensing authorities can refuse to grant or renew licences for gaming facilities where they consider that there is insufficient unmet demand. The Act does not distinguish between casinos and bingo clubs, but in practice there are differences. For example, in considering applications licensing authorities must take account of the advice of the Gaming Board in relation to casinos, but the Gaming Board does not advise on bingo clubs.

Casinos

20.16 The 1996 Home Office consultation paper said the demand criterion had prevented the proliferation of casinos and identified the benefits as:

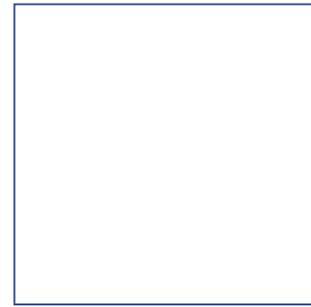
- ensuring that the number of establishments does not itself stimulate demand
- keeping the number of casinos down to a scale which can be supervised effectively by the Gaming Board
- avoiding excessive and damaging competition

20.17 The paper argued that removal of the test would lead to a rapid increase in numbers. Competition would encourage casinos to break the rules and rapid expansion could mean that organised crime would get a foothold.

20.18 In its submission to us the Gaming Board said that it did not believe that the demand criterion should be retained. It argues that the "test has largely become an academic exercise, involving sometimes convoluted, lengthy and artificial arguments about the meaning of particular figures and over witness evidence."

20.19 In its submission the British Casino Association did not discuss the demand criterion. It states that it recognises that "casino demand and location issues" would still need to be determined locally, which we take to be support for the status quo. In their oral evidence to us, the BCA spoke of a "desirability test", but as they described this to us it appeared to be a demand test under another name. The BCA is alone in suggesting a test of this kind should be retained. The Ritz Club⁴ and others argued for the demand criterion to be abolished on the grounds that it is out-dated.

20.20 We agree that the demand criterion is out-dated. It reflects an era when gambling was not something people were expected to want to do, and the

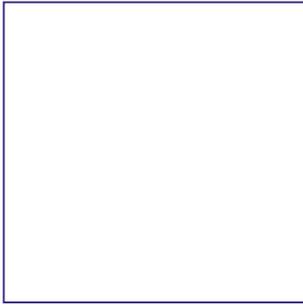


legislation was guided by a wish to restrict opportunities. The experience of those who have had to operate this system is that it is difficult convincingly to separate responding to demand and stimulating it.

- 20.21 We are not unsympathetic to the second “benefit” identified by the Home Office, as set out in paragraph 20.16, of keeping the industry to a size that can easily be regulated. It must be the Government’s responsibility to ensure that the regulator has the resources and the power to regulate the industry: the resources of the regulator should not be an artificial restriction on the growth of the industry. However, we have recognised in paragraph 20.11 that the speed of expansion should be controlled to ensure that the ability of the Gambling Commission to regulate the industry can grow with the market. Of course, the ability of the regulator to keep pace with market forces must be matched by the willingness of the industry to pay for the service it receives. We discuss the funding of the Gambling Commission in chapter 34.
- 20.22 We have no sympathy with the third “benefit” identified in the Home Office paper. It is not a purpose of regulation to restrict competition. We were reminded by Lord Haskins, and by a number of other respondents who quoted from Better Regulation Task Force guidance, that regulation should promote competitive markets.
- 20.23 It has been suggested to us that the demand test is necessary because operators may behave inappropriately if supply begins to outstrip demand. We note that concern, but think that this should be controlled by regulation, not by rationing of supply. If there are complaints about operators, the regulator should intervene. The situation in 2000 is very different from that in the 1960s, when casinos had been operating in an unregulated environment. We are starting now from a position of a strong Gaming Board and an industry run by people who are fit and proper.
- 20.24 As with permitted areas, we are not persuaded that numbers should be controlled by an artificial demand criterion. Demand is best assessed by operators’ commercial instincts. Some operators will be prepared to run on smaller margins than others.
- 20.25 That is not to say that there should not be local input to decisions about the locations of casinos. The premises will be assessed as suitable for gaming by the local authority acting on good practice guidelines from the regulator (see chapter 21), and the local authority will take into account planning requirements to ensure that the development is appropriate to the area.

Bingo

- 20.26 The 1996 Home Office consultation paper proposed that the demand criterion should no longer apply to bingo. The reasons were:
- *traditional bingo carries a low social risk and it is not necessary in the public interest to prevent the stimulation of demand caused by the number of premises*
 - *market forces, combined with the requirement for operators to obtain certificates of consent from the Gaming Board and gaming licences... would keep premises to a manageable number*
 - *within an effective regulatory framework, greater competition between bingo clubs is likely to bring benefits to players.*
- 20.27 The proposal to remove the demand criterion for bingo was not adopted, but the reasons put forward in support of it hold good today.
- 20.28 In its submission to us, the Bingo Association⁶ stated that the demand criterion should be retained, because it enables magistrates to consider local issues that might otherwise be ignored. The Association argued that licensing responsibilities should not be transferred to local authorities because they are not independent. In its oral evidence to us, the Bingo Association amplified its concerns that planning authorities allow political considerations to influence their opinions and they were also concerned that, in the absence of any measure of demand, market forces could mean that bingo clubs were forced to close. The Association suggested that this would be undesirable because bingo clubs “are part of the social fabric of this country”. As discussed in chapter 18, we do not agree that licensing should remain with magistrates and we consider that local authorities are better placed to reflect the opinions of local people. We cannot agree with the Bingo Association that the demand criterion serves to highlight any particular local issues that might otherwise be overlooked and, whilst, we might sympathise with its wish to retain the status quo, we cannot agree it is a purpose of regulation to stifle competition. **We recommend that the demand criterion should be abolished for both casinos and bingo clubs.**

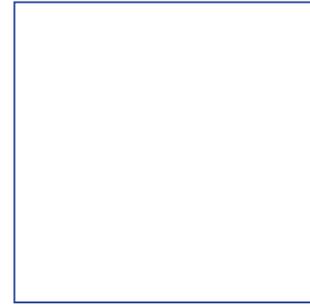


Betting shops: the demand test

- 20.29** The issuing of licences by the magistrates for betting shops is subject to the demand test in the same way as the issue of licences for casinos and bingo halls. There was a provision in the Horserace Totalisator and Betting Levy Boards Act of 1972 to exempt Tote Board applications for betting shop licences from the demand test, but this provision has never been enacted⁷.
- 20.30** We received contradictory evidence from the bookmaking associations about the value of the demand test. BOLA told us that it should be retained, because larger bookmaking firms could squeeze out smaller ones. It argued that if smaller bookmakers were driven out of business, it would lead to an increase in illegal betting. BOLA also argued that it would simply not be desirable to allow a number of betting shops in close proximity. In contrast, the BBOA (representing independent bookmakers) argued in favour of the abolition of the demand test. It told us that the test does not protect small bookmakers. The

BBOA noted that in 1968 there were some 16,000 betting shops, but there are now about 8,800, about half of which belong to the "big three". In the BBOA's experience, if a small bookmaker tries to open a shop near to one of the major bookmakers, the larger companies do what they can to prolong the licensing decision and make it difficult for the small bookmaker to retain the lease. The BBOA's view is that the demand test has served the major bookmakers well, because they have the financial resources to ensure it works to their advantage.

- 20.31** As with casinos and bingo halls, we think that demand is best assessed by potential operators on commercial grounds alone. The evidence we have received suggests that the demand test is currently employed by bookmakers to drive away competition. This restricts new trade and is not good for the punter. **We recommend that the demand test should be abolished for betting shops.**



chapter twenty one

Licencing of Premises, Role of the Local Authority

21.1 We have set out in chapter 18 our recommendation that the licencing of gambling premises should be carried out by local authorities rather than by licencing justices. Licencing of gambling premises should run parallel to planning controls. Planning considerations will determine whether the premises may be used for commercial purposes, and the gambling licencing procedures will determine whether they are appropriate as a gambling venue.

21.2 We have been particularly conscious that one outcome of our proposals on, for example the abolition of permitted areas and the demand test, could be a proliferation of gambling venues in areas where local people consider them to be inappropriate. That is something we are very anxious to avoid. We are concerned that planning controls alone may not bring the accountability and accessibility that we think this licencing system should provide. More specifically, we believe that if a local authority considers that no gambling premises, or none of a particular category, are appropriate in an area the local authority should be able to pass a resolution to that effect. This chapter sets out how we envisage local authorities might perform their licencing functions.

21.3 Prospective operators who wish to open gambling establishments will first have to obtain an authority (or, for example, be licenced as a bookmaker) from the Gambling Commission. As set out in chapter 19, this permission will not be specific to particular premises. Before entertaining an application for a premises' licence, the local authority will have to satisfy itself that the applicant has the necessary authority from the Gambling Commission.

21.4 It is important that there is some consistency in the manner in which applications are dealt with. In the White Paper on Liquor Licencing it is proposed that the Home Secretary should take powers to lay down procedural rules to ensure that there is reasonable consistency in procedures across England and Wales. The rules would include:

- the form of the application
- notice of hearings
- the conduct of the hearings themselves
- the right to hear and comment on objections in good time

- notification of decisions (particularly reasons for refusals)
- time limits for decisions.¹

We recommend that the Gambling Commission should circulate procedural rules to deal with issues of the kind mentioned in the Liquor Licencing White paper.

21.5 **The Gambling Commission should also issue guidance, which local authorities should be obliged to follow, for example, on the minimum floor space for gambling areas in casinos.** We have described in chapter 20, our intention that small casinos should not proliferate and our recommendations about the minimum size of gaming floors.

Which premises?

21.6 Local authorities would be responsible for licencing all gambling premises in their area. This would include:

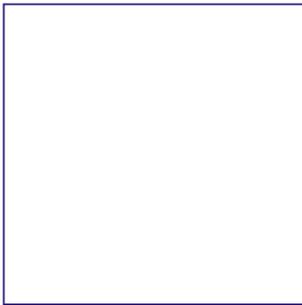
- casinos
- bingo halls
- betting shops
- amusement arcades
- racecourses
- greyhound tracks

21.7 One fundamental requirement should be that the primary purpose of premises licenced for gambling should be gambling. Thus, a cinema or supermarket could not seek to establish a casino as a secondary activity on the same premises. **We recommend that the local authority should ensure that gambling is the primary purpose of premises licenced for gambling.** This would not, of course, apply to premises, such as racecourses, greyhound tracks or other tracks (within the meaning of the 1963 Act) where betting takes place on events which themselves are plainly the primary purpose of the premises.

Number and location of gambling establishments

21.8 We have noted with interest the provisions in the Local Government (Miscellaneous Provisions) Act 1982² relating to the control of sex establishments.

1-Home Office (2000) 2-Local Government (Miscellaneous Provisions) Act 1982, Schedule 3, paragraphs 12,13



Much of what follows is based on those provisions. We are not suggesting that gambling premises are the same as sex establishments, but they do perhaps excite a similar kind of reaction from local communities who face the prospect of gambling venues appearing in close proximity to their homes, schools or churches. That is not to say that we are suggesting moral judgements alone should determine where gambling is permitted. The local authority, of course, must take a balanced and reasonable view of all the facts.

- 21.9 In the case of sex establishments, a local authority can decide that the number of such premises that should be permitted in a particular area should be nil. The variety of gambling establishments that a local authority may be required to licence is perhaps much wider than the variety of sex establishments covered by the 1982 Local Government Act. An authority's reasons for wanting to prevent a casino opening may well be very different from their reasons for wanting to prevent a racecourse or a betting shop. Local authorities already have the power to say that they will not licence amusement machines outside arcade premises and, as reported in chapter 17, we understand that in 1993 over 100 authorities did operate a blanket ban. On the other hand, betting shops are already a common sight on most high streets, and our feeling is that it would be rare for a local authority to want to impose a blanket ban on all gambling premises in their area. But we would not want to prevent that.

Although the power may be rarely used, we recommend that local authorities should have the power to institute a blanket ban on all, or particular types of, gambling premises in a specified area. The local authority should have wide discretion to determine what is "appropriate" taking into account any objections of the local community. By "area", we mean the whole area under the control of the local authority, or an area within it as specified by the local authority.

- 21.10 In the context of what is appropriate in a particular area, it may be that whilst a single gambling establishment would not change the character of an area, two or more such premises would do so. Conversely, in other places local authorities may think it desirable for gambling premises to be gathered together in a discrete area. What is right for a particular location is something that can only be determined locally.
- 21.11 Determining how many gambling premises are appropriate in an area is not the same as making a judgement based on demand. We have made clear in chapter 20 our view that the main effect of the existing demand tests is to stifle competition. That is not

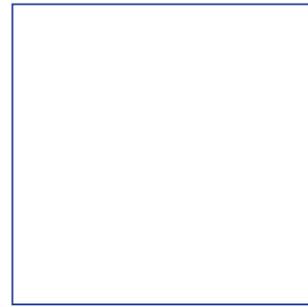
desirable and it would not be a proper role for a local authority. The local authority is not there to second-guess the commercial judgement of the operator. Its role here is to ensure that local people can help shape the environment in which they live. We have considered whether, as with sex establishments, the local authority should have the ability to determine what number (apart from nil) would be an appropriate number of gambling premises in an area. We think the argument is strong for allowing them to say no such premises are appropriate, but we do not think that it would be right to allow local authorities to set, what could only be, an arbitrary limit above that.

We recommend that, unless a local authority has determined that the number of gaming premises of a particular type in its area should be nil, each application for a licence should be considered on its own merits. The authority should have regard to the existing gambling provision, but that should not by itself be a valid reason for refusal.

- 21.12 Other jurisdictions recognise that some locations are unsuitable for gambling premises, for example, because they put undue temptation in the way of young people or impinge on activities with which they are not compatible. The Regulations of the Nevada Gaming Commission³ state that a gaming licence may be denied if the location is unsuitable for the conduct of gaming operations. In particular:

... premises located within the immediate vicinity of churches, schools and children's public playgrounds. The Board may recommend ... that premises located in the vicinity of churches, schools (etc) ... are nevertheless suitable upon a sufficient showing of suitability by the applicant ... including but not limited to whether the premises have been used previously for licensed gaming or are located in a commercial area.

- 21.13 The Local Government (Miscellaneous Provisions) Act 1982 allows the local authority to have regard to the character of the relevant locality and the use to which any premises in the vicinity are put. No doubt this would allow them to take account of circumstances of the kind explicitly set out in the Nevada Regulations. **We recommend that in determining whether the location for gambling premises is appropriate the local authority should have regard to the general character of the locality and the use to which buildings nearby are put. In addition, the Gambling Commission should be able to offer more specific advice on how this provision may be interpreted and local authorities should be obliged to take any such advice into account.**

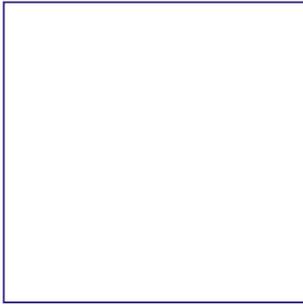


Conditions that may be attached to the licence

- 21.14** One issue raised in many submissions to us is opening hours. Currently, there are different rules applying to different types of premises. For all gambling premises, we have reached the conclusion that opening hours should be determined as one of the conditions attached to the premises' licence. This is not something that legislation should determine centrally. In some places, 24-hour opening may be both commercially viable and not a nuisance or otherwise inconvenient to the local community. In other places, commercial considerations alone may make long hours desirable, but the location of the premises may mean that this is not appropriate. The local authority should decide and the conditions should not be set in stone. If experience shows that the premises are a nuisance late at night, the local authority should be able to take speedy action to remedy this. Alternatively, if the operator can demonstrate a trouble-free track record, the local authority may want to relax restrictions on opening, at least on a temporary basis. The manner in which the conditions are applied should be sufficiently flexible to achieve this.
- We recommend that opening hours should be regulated as one of the conditions of the premises' licence.**
- 21.15** The local authority should have discretion to apply other conditions as it sees fit, with the obvious caveat that they should always be reasonable. The Gambling Commission will set rules and guidelines about what may be permitted within gambling premises. What these might be are discussed in the chapters devoted to each activity. Some of the rules will relate to the operation of the gambling and generally will be enforced by the Gambling Commission itself. Other rules will be more relevant to the fabric of the premises, and so may better be enforced by local authorities. Where the demarcation line lies between the two is not something on which we can be precise in this report.
- 21.16** One example of an issue that will require a joint approach is advertising. The Gambling Commission will set guidelines about what is acceptable in terms of content and location; the local authority will have a view on what is appropriate on the face of the premises; and other regulators will want to consider issues, for example, of taste and decency. Advertising is discussed in more detail in chapter 22.

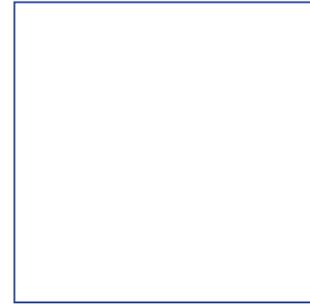
Appeals against decisions by the local authority

- 21.17** We have considered what the avenue of appeal should be against decisions made by local authorities on the licensing of gambling premises. We have considered whether local magistrates could have a role to play, but having removed the licensing decision from magistrates to try to make it more accountable, we consider that it would be inappropriate to bring magistrates back into the decision-making process to hear appeals. We are anxious that the views of a local community should properly be taken into account.
- 21.18** The basis of our proposals on the licensing of premises has emerged from the Home Office proposals on liquor licensing. Having taken that line, we have looked at the proposals for appeals on liquor licensing premises. We note that the White Paper on liquor licensing said⁴:
- Appeals should be possible where the business concerned, the police, local residents or any other interested party considers that the licensing authority has acted outside its powers, unfairly or unreasonably in granting or refusing a licence or in relation to the conditions attached to it. The appeal process should therefore provide an opportunity for mistakes in law to be put right rather than for the body dealing with the appeal to review the case from scratch and substitute its own judgement for that of the licensing authority on the merits.*
- 21.19** The White Paper proposed that appeals should be to the Crown Court. We had been minded to suggest that gambling premises' appeals should be dealt with in the same way, but the Government announced on 2 May⁵ that it had concluded that appeals against decisions by the local authority should be to the magistrates' court. As we have said, we are concerned that the local community should have a full opportunity to be heard and we are not persuaded that the magistrates' court is the best forum for this. We have considered what alternatives there might be.
- 21.20** We are proposing that a Gambling Appeals Tribunal should be created to hear appeals on personal licences. That Tribunal could be given responsibility for hearing premises appeals also, but there would be drawbacks to this approach. The people appointed to hear personal licence appeals would not necessarily be qualified to determine issues relating to premises and the Tribunal would have to expand to bring in different expertise. Perhaps more crucially, the process would be further removed from local interests than we would like. We have rejected this option, principally on the grounds that any appeal should be heard more locally.



21.21 We are attracted to a proposal that premises' appeals might be dealt with in the same way as appeals against planning decisions. Similar considerations apply, with the addition of some gambling-specific requirements, and the personnel involved are familiar with handling the types of issues that are likely to be raised. The main

advantage would be that the local community would have an opportunity to be heard throughout the appeal process. **We recommend that appeals against decisions made on the licensing of gambling premises should be dealt with in the same way as planning appeals.**



chapter twenty two

Gambling Activities: Common Issues

22.1 There are a number of issues that are common to several, or all, gambling activities. This chapter introduces some of them, rather than dealing with them in each chapter relating to the specific activity. It discusses membership, the 24-hour rule, age limits, advertising, credit and action to prevent money laundering. It also summarises the mix of activities, including the provision of alcohol, that may be permitted in gambling premises.

Membership and the 24-hour rule

- 22.2 During its oral evidence, the BCA confirmed that the majority of its members wanted to retain a membership scheme. The BCA argued that it helps customers who want to self-bar, aids protection against under-age play, provides information to combat money laundering and brings the other marketing benefits of a membership scheme. The BCA also took the view that membership had to have a statutory basis to comply with money laundering regulations. We do not accept that the regulations need underpinning with a statutory membership requirement, but we understand why casinos might be more comfortable using the membership system as a means of discharging their money laundering responsibilities. We are also aware from their evidence to us that the police service is concerned that guests in casinos may be a source of money laundering. The fact that guests may be signed in by members without having to produce adequate proof of identity means that this leaves a significant loophole. We discuss that in more detail in paragraph 22.7 and in chapter 24, where we recommend that there should be a requirement to positively identify customers entering casinos.
- 22.3 The BCA wanted membership to be easier and quicker to obtain. It also argued that the 24-hour rule is unnecessary. We were told that visitors to London, in particular, find the 24-hour rule very restricting and means that opportunities are lost. The BCA wants instant membership/admittance on positive proof of identity.
- 22.4 The Bingo Association suggested that membership was part of the social activity of bingo. Retaining membership also enables operators to control entry and enforce age limits. However, the Association did not want to retain the 24-hour rule.
- 22.5 We agree that the 24-hour rule serves no useful regulatory purpose. It was originally intended as a cooling-off period (of 48 hours until 1996) to allow gamblers to reflect on their intention to gamble. We

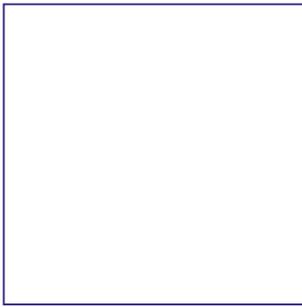
believe that, having taken the decision to gamble, an adult need not be delayed further by an impediment of this kind. **We recommend that the 24-hour rule should be abolished.**

- 22.6 We fully accept that there are benefits to a membership scheme, but that does not mean that it has to be a statutory one. Other clubs, such as fitness clubs, often operate on a membership basis that allows them to exclude undesirable individuals, control the access to their property and market their product to an interested audience. Abolishing the statutory requirement would not preclude gambling businesses from operating as members' clubs if they so wish: this should be a commercial matter.
- 22.7 For casinos, the statutory requirement should be to comply with money laundering rules, which would mean that positive proof of identity is required and proper records are maintained of all visitors and transactions. This would resolve the current problem of guests being signed in and not properly identified. No one should be able to play unless he can produce adequate proof of identity. We have not been provided with evidence to suggest that systematic controls of this kind are necessary in establishments that offer only bingo and/or betting, although unusual or large transactions, of course, should be reported. We discuss the positive identification of customers in more detail in chapter 24. **We recommend that the statutory membership requirement for casinos and bingo clubs should be abolished, but there should be a statutory requirement on casinos to require positive identification of all those who enter the casino.**

Age

Age of participants

- 22.8 We have set out in chapter 17 some of the evidence we have considered which suggests that there are particular risks arising from gambling by young people. The results of several studies suggest that adult problem gamblers have a high propensity to have started gambling in childhood or adolescence. One possible response to such evidence would be to prevent all gambling by under 18s. Certainly, if it were the position in the UK (as it is in so many other countries) that under 18s (or under 21s) could not gamble, we would not be suggesting that the policy should be relaxed. We would be recommending that much more research was necessary before any



consideration should be given to allowing young people access to gambling products. But that is not our starting point.

22.9 One of the questions we asked people submitting evidence to us to address was “if a single age limit is appropriate, what should it be?” About half of those who submitted evidence replied to this question. Of those, 56% thought that the minimum age for all gambling should be 18, 4% thought that it should be 16, 1% thought that it should be 21, and 38% thought that it should vary according to the activity. The latter group encompassed a range of views. It included those who thought children should be able to play in seaside arcades, those who believed that the age of 16 was right for lotteries but not other activities, and a small number of respondents who thought that a higher minimum age of 21 was desirable for casino gambling only.

22.10 It is interesting that, in general terms, the industry agree that gambling is not an activity in which under 18s should engage. There are exceptions. The gaming machine industry wants children to be allowed to play on (what it describes as) trivial machines, but otherwise it accepts that only over 18s should play. We discuss that in chapter 23. The Lotteries Commission argue that buying a lottery ticket is soft gambling and that it would be wrong to take away the ability of 16 and 17 year olds to buy tickets. Littlewoods and the Pools Promoter’s Association were both content with the age of 16 for football pools, but agreed that if a single minimum age were thought appropriate it should be 18, provided that it applied also to the National Lottery. Significantly, in its submission to us Camelot said that it would be content with a minimum

age of eighteen for the National Lottery because it would aid enforcement.

22.11 We are persuaded by the weight of evidence that children and young people are especially vulnerable to the risks of becoming problem gamblers. **With two limited exceptions, we recommend that there should be a minimum age of 18 for all gambling.** The first exception is that the age for buying lottery tickets should not be increased from 16 unless the minimum age for purchasing National Lottery tickets and scratchcards is increased to 18 as well (we discuss this in chapter 28). This caveat is necessary because we are excluded from making recommendations on the National Lottery. Second, we have accepted that until there is more research on the subject it would be difficult to justify preventing children playing on all “coin-in/coin-out” gaming machines. We have suggested in chapter 23 that they should not be excluded from low stake/low prize machines, but that otherwise under 18s should be banned from playing gaming machines. One effect of our proposal would be that the minimum age for entering pool competitions would increase from 16 to 18.

Age of workers in the gambling industry

22.12 There is some variety in the minimum age requirements for those employed in gambling. These inconsistencies, and the differences in age between participants and workers, is not something that has been highlighted in submissions to us. On that basis we could conclude that there is no pressing need to alter the status quo. Figure 22i sets out some examples of the current age restrictions.

Minimum Age	What is permitted?
16	<ul style="list-style-type: none"> • Selling a chance in a society or local lottery • Selling a chance in the National Lottery
18	<ul style="list-style-type: none"> • Obtaining a certificate of approval to work on the gaming floor (by virtue of the ban on under 18s being present in a room in which gaming takes place) • Working in an arcade to which no under 18s are admitted (by virtue of the general restrictions on under 18s) • Working in a betting shop (by virtue of the general prohibition on under 18s)
21	<ul style="list-style-type: none"> • Obtaining a bookmaker’s licence • Obtaining a bookmaker’s permit • Obtaining a betting agency permit • Receiving or negotiating bets “as a servant or agent to another bookmaker or Totalisator Board” • Obtaining a gaming certificate of consent

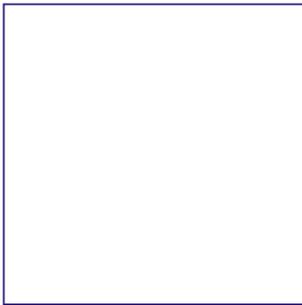
Figure 22.i: Minimum age for employees or licensing



- 22.13 There are other activities that appear to have no statutory age limits. These include obtaining a certificate to sell, supply or maintain gaming machines; obtaining a permit to operate an amusement arcade; registering as a pool promoter; and operating a totalisator on a dog track.
- 22.14 We have considered whether these differences matter. We hope that one benefit of our recommendations on the minimum age for gambling will be to make the law clearer and easier to enforce. We cannot see that there is a logical argument for saying that the age of the people who are employed in the gambling industry must be higher than that of their patrons. If such differences were to be preserved, it seems likely that they would at some point be challenged on grounds of age discrimination. Arguably, a fit and proper test (of the type described in chapter 19) is a much better measure than age of an employee's suitability, but that will not cover everyone.
- 22.15 We have concluded earlier in this chapter that under 18s are not sufficiently mature to take part in gambling. It is logical to conclude further that under 18s should not be exposed to gambling as workers. Adopting 18 as a universal minimum age would have little practical effect on the examples we have given above. The exception is lotteries. Here the minimum age to sell tickets is 16 - presumably because the minimum age to buy is 16. It has been suggested to us that 16 should remain the minimum age for selling lottery chances, because many younger teenagers work in supermarkets and small shops where the tickets are sold. We are not unsympathetic to that.
- 22.16 We do not see the need to retain 21 as the minimum age for some forms of employment in gambling. **We recommend that the minimum age for working in a gambling establishment or otherwise being approved to work in the gambling industry should be 18, with the exception that lottery chances may be sold by 16 and 17 year olds.**

Advertising

- 22.17 In the past, the advertising of gambling products has been tightly restricted as part of the overall desire not to stimulate demand. In recent years, there has been some relaxation. Figure 22.ii sets out the current position.
- 22.18 The Advertising Standards Authority's code includes rules on betting and gaming. The ASA told us that they had received no complaints about gambling advertising since the restrictions were lifted.¹ The ASA took the view that provided there were adequate controls on gambling activities, any advertising could effectively be regulated by the advertising industry's system of self-regulation. The fundamental principle of the ASA's code is well-known – "All advertisements should be legal, decent, honest and truthful". The ASA also has specific rules relating to betting and gaming. These are:
- *the gaming industry and the advertising business accept responsibility for ensuring that advertisements contain nothing that is likely to lead people to adopt styles of gambling that are unwise*
 - *advertisements and promotions should be socially responsible and should not encourage excessive gambling*
 - *care should be taken not to exploit the young, the immature or those who are mentally or socially vulnerable*
 - *advertisements should not be directed at people under 18 through the selection of media, style of presentation, content or context in which they appear. No medium should be used to advertise betting and gaming if more than 25% of its audience is under 18 years of age*
 - *people shown gambling should not be, nor should they look, under 25.*



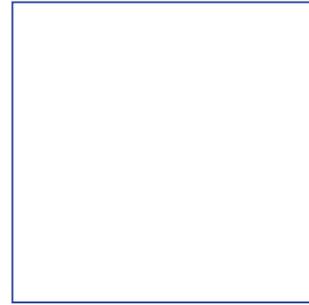
Activity	Advertising restrictions
Casino gaming	Limited advertising in newspapers, magazines. Can only give factual information – name, address, logo, contact numbers and limited details about the facilities, ownership, admission and method of membership.
Bingo	No restrictions on bingo advertising – removed in 1997 – but clubs cannot advertise their AWP or jackpot machines. Matters of content and scheduling for television adverts is addressed through broadcasting codes. Can advertise facilities and prize money on television and radio.
Betting	Betting shops may advertise in material form (newspapers, journals, posters), but not on radio or television.
Gaming machines	Prohibited, except amusement arcades, fun fairs and an incidental activity at a non-commercial entertainment can be advertised.
Lotteries	There are various restrictions according to the type of lottery. The advertising of small lotteries is restricted to the confines of the event. Private lotteries may not be advertised outside the club/work premises in which they are promoted. There are no restrictions on societies' or local authorities' lotteries. Overseas lotteries cannot be promoted in the UK.
Pools	No restrictions; removed in 1995
Spread betting	Can advertise under auspices of Financial Services Authority, as an investment advertisement.
National Lottery	No statutory restrictions. There is a National Lottery Advertising Code of Practice to control advertising so that it does not "attract children or encourage excessive playing".

Figure 22.ii: Advertising restrictions

22.19 The Independent Television Commission has a Code of Advertising Standards and Practice (as does the Radio Authority). That prohibits the advertising of betting and gaming, except football pools, bingo, the National Lottery and lotteries permitted under the Lotteries and Amusements Act 1976². The Code reflects the current legal position, but in addition prevents telephone, internet and interactive-based credit betting services from advertising. Such services are not explicitly covered in legislation, but the ITC's position reflects Home Office policy that broadcasts should not stimulate demand for gambling. The ITC pointed out to us that there is an anomaly with teletext services, which do carry advertisements for credit betting services, because in 1980 the Home Office took the view that teletext differs from the main broadcasting services because it is a service that is under much more control by individual viewers.

22.20 The ITC advised us that its current prohibition on advertising interactive betting services is likely to be challenged. It pointed out that if the advertising of all gambling is to be prohibited, that ban should be explicit in legislation and not left to individual media regulators to implement.

22.21 The ITC also drew attention to the uncomfortable relationship between banning advertising and permitting sponsorship. It rightly pointed out that "viewers view sponsorship credits, which are allowed to include an explanation of their business, as part of television's "commercial clutter"". We note that, as well as the sponsorship of programmes, the names of gambling operators are often emblazoned on the screen as sponsors of individual races. We share the ITC's view that allowing sponsorship and prohibiting advertising is "a distinction without a difference".



22.22 The National Lottery, of course, is the most widely advertised gambling product. In addition to the industry codes of practice, advertising of the National Lottery is governed by the National Lottery Advertising Code of Practice. This includes specific provisions relating to the prohibition of advertising aimed at or likely to appeal to, under 16s.

22.23 The preceding paragraphs set out some of the confusion that surrounds the advertising of gambling products. The boundaries of the current restrictions are being increasingly tested by the introduction of the internet and interactive services through television. It is important that the law should be clear about what is and is not permitted, and that it should be consistent across gambling sectors.

22.24 We share the ASA's view that if the underlying activity is properly regulated, there should be no objection in principle to the product being advertised. There are particular considerations that should apply to gambling. Some of these are touched on in the various codes that currently control advertising, such as not directly advertising at children, restrictions on the times adverts are broadcast and not encouraging excessive gambling. We believe that the Gambling Commission will have a role to play in bringing these issues together in an advertising code of practice for the gambling industry.

We recommend that advertising of gambling products and premises should be permitted, subject to an advertising code of practice to be issued by the Gambling Commission. Breach of the code may be subject to enforcement action by the Commission up to and including the revocation of a licence.

22.25 Perhaps most importantly, advertising of gambling should not exaggerate or otherwise misrepresent the chance of winning. We have seen in our visits abroad some of the "health warnings" that are attached to gambling advertisements, or made available in premises. In Holland, punters are warned "Life is a gamble, but don't gamble with your life". Australia tells punters "Gambling can be addictive", "Excessive gambling can lead to the loss of your home and other assets". What the impact of such slogans may be and how effective they are is not something we are competent to judge, but clearly some other jurisdictions feel that their use is justified. Government health warnings in this country tend to be restricted to tobacco products. **We recommend that the Gambling Commission should monitor the impact of relaxing the restrictions on advertising and, if it seems appropriate in the light of that monitoring, it should have the power to require a warning of the kind mentioned above to be displayed on advertisements.**

Credit

22.26 In discussing the provision of credit it is helpful to distinguish between credit provided by the supplier of the gambling service and credit provided by a third party. The current position is that, broadly, credit of the first type may be used for betting (in limited cases) but not for gaming. There are also some restrictions on the use of the second type of credit for either betting or gaming.

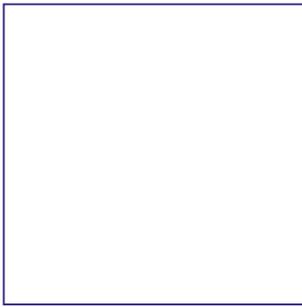
22.27 Bookmakers can provide credit to punters who deal with them by telephone or on-line. Whether they do so and the amount of credit they advance are matters of commercial judgement. They may not provide credit on their own account in betting shops. Spread betting can also be conducted on credit. Spread-betting debts are enforceable. We would not want to remove these credit facilities, of which we have heard nothing to concern us, but equally we would not want to see the ability of operators to offer credit to be extended to any other types of gambling.

22.28 The provision of credit by a casino operator is forbidden under the Gaming Act 1968. Payments for chips must be by cash, cheque or debit card. Cheques can also be exchanged for cash (without any discount). Cheques must not be post-dated and must be presented for payment within two banking days. Under current regulations, gaming machines must be operated only by coins or tokens.

22.29 There is nothing, in law, to stop punters from obtaining credit from third parties with which to gamble. Cheques used to pay for betting or gaming may be using overdraft facilities provided by banks. (We understand that debts to banks arising from gambling are enforceable.) Similarly, punters can use credit cards to withdraw cash from Automated Teller Machines (ATMs).

22.30 Credit cards can be used to finance internet gambling and betting through interactive television. The normal process is that funds are transferred from the credit card account to the punter's balance with the bookmaker or on-line casino. Credit cards cannot be used directly in casinos, arcades or betting shops, but we have noticed that ATMs are increasingly being installed in arcades. ATMs that accept only debit cards are currently installed in bingo clubs, and we understand that the Gaming Board has been in discussion with the British Casino Association and has agreed guidelines about the installation of such machines in casinos.

22.31 The British Casino Association suggested that credit cards should be acceptable in casinos. It argued that it is inconsistent to allow a player to gamble with funds



available to him from his bank but not with the funds available on his credit card. In addition, a credit card transaction will be rejected if the credit limit has been reached, whereas a casino has no immediate means of checking a player's credit-worthiness with his bank if he is paying by cheque for a sum beyond the guarantee card limit. The BCA did not want any changes to the existing rules on the provision of credit by operators or on payment by cheque. Neither BOLA nor BBOA requested any change to current regulations on the use of credit.

- 22.32 There seem to be two reasons for the current limits on the use of credit. The first relates to the need to discourage criminal involvement. The Rothschild Commission stated that before the 1968 Act the granting of credit had been associated in some cases with dangerous abuses. "Since gaming debts are irrecoverable at law, resort was sometimes had to private means of recovering them." The second relates to protection of the vulnerable. The provision of credit makes it more likely that some punters will gamble to the point of harm.
- 22.33 Since we are proposing (in chapter 26) that gambling debts be enforceable it may be said that the criminality argument is weakened. Violence or the threat of it is an alternative to the courts as a means of seeking payment of all kinds of debts, but there is no reason to suggest that properly regulated gambling will be particularly prone to it.
- 22.34 On balance we believe that the arguments favour permitting the use of credit cards as a means of paying for gambling. Many people rely on using their credit card for most purchases and we find it difficult to argue that, say, using them to purchase chips in casinos is something that should be prohibited. We note that credit cards can generally be used in casinos abroad and they are the natural currency for on-line transactions.
- 22.35 As we discuss more fully in chapter 23, we are concerned that gaming machines present special opportunities for fast and repetitive play: adding credit cards directly to that mix would add further to the risk. With that in mind, we do not believe that credit or debit cards should be approved for direct payment on gaming machines. **With the exception of direct use in gaming machines, we recommend that credit cards should be permitted for gambling.**

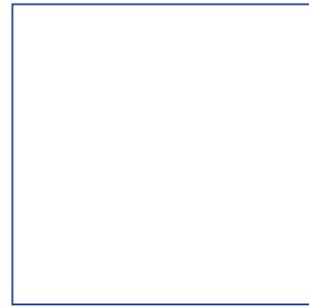
Automated Teller Machines

- 22.36 We have mentioned that ATMs are increasingly being installed in gambling areas. This does concern us, because the ready availability of machines may encourage players to draw out more than they initially

intended. We have noted recent press reports that ATMs are being withdrawn from the gaming floor in some other countries to ensure that players have to break from gambling to obtain more funds. We should learn from the experiences elsewhere that have caused such a change of policy. **We recommend that the location of ATMs should be required to be such that players have to take a break from gambling to obtain more funds. The Gambling Commission should issue guidelines setting out the restrictions on where ATMs may be situated.**

Money Laundering Regulations

- 22.37 Money laundering as currently defined in the draft EU 2nd Directive on Prevention of the Use of the Financial System for the Purpose of Money Laundering is:
- *the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or assisting any person who is involved in the commission of such activity to evade the legal consequences of his action*
 - *the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such activity*
 - *the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such activity*
 - *participation in, association to, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned in the foregoing paragraphs.*
- 22.38 The draft 2nd EU Directive will amend a Directive which came into force in 1991. That imposed obligations on credit and financial institutions, and the 2nd Directive will extend those obligations to a range of other activities and professions including casinos. In the UK, provisions relating to casinos will be given effect in revisions to the Money Laundering Regulations.
- 22.39 Although the Directive has not as yet been finally concluded, it seems likely that the Regulations will require casinos to identify all customers at the point of entry (or identify those who purchase, exchange or sell gaming chips above a certain value), monitor transactions, maintain records, train staff to spot money laundering, and have procedures in place to report suspicious transactions. Our recommendation



that casinos should require positive identification of customers is likely to be sufficient to comply with the entry requirements under these Regulations.

- 22.40 The EU Directive does not extend to betting. This is perhaps because other EU members do not have a betting industry of the same kind or scale as the UK. There may not be a perceived problem at EU level, but that does not mean that the UK cannot go further in domestic legislation if there is evidence to suggest that this should be done. The Jockey Club recommended to us that "betting organisations should be required to adopt money laundering compliance regulations". The National Criminal Intelligence Service told us that there was intelligence to suggest that betting was a medium for money laundering, both on and off-course.
- 22.41 We are satisfied that there is evidence of money laundering in betting and that the mischief is sufficient to recommend that, at least, there should be a statutory requirement to report suspicious transactions. The obligations placed on bookmakers could not reasonably be the same as those on casinos. For example, a requirement to positively identify all

customers would simply be impractical on a racecourse or in a betting shop and such an obligation would be out of proportion to the problem. But, for example, there could reasonably be an obligation to positively identify punters who place individual (or cumulative over a short period) bets above a specified limit. **We recommend that money laundering compliance measures should be extended to betting.** We suggest that this could most conveniently be done in the revised Money Laundering Regulations to be introduced to implement the 2nd EU Directive. If such measures were separately included in gambling legislation, there is a danger that they would not keep pace with relevant changes to subsequent regulations.

- 22.42 We have received no evidence to suggest that anti-money laundering measures should be introduced for other gambling activities or premises.

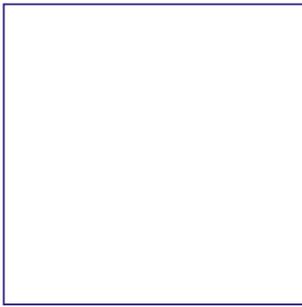
Mix of activities in gambling premises

- 22.43 Many of the submissions made to us suggested that there should be a hierarchical approach to licensing. Amongst those who promoted this view, it was generally accepted that casinos sat at the top of the pyramid, but below that

Venue	Members only	Positive ID to enter	Over 18s only	Table games	Casino slots	Jackpot Machines	All-cash Machines	Low stake low prize machines	Bingo	Betting	Alcohol	Live Entertainment
Casinos		✓	✓	✓	✓				✓	✓	✓	✓
Bingo Halls			✓			✓ (up to 4)	✓*		✓		✓	✓
Betting Shops			✓			✓ (up to 4)				✓		
Arcades			✓				✓*					
Family Entertainment centres								✓				
Pubs							✓ (up to 2 with liquor licence)				✓	✓
Racecourses and dog tracks on race days							✓ (up to 2 with liquor licence)				✓	✓
Private Members' Clubs (Miners' Welfare)	✓			✓			✓ (up to 2 with liquor licence)		✓**		✓	✓
Proprietary clubs	✓						✓ (up to 2 with liquor licence)		✓**		✓	✓

* Number of machines to be regulated by the local authority, subject to health and safety considerations.
 ** Not currently prohibited. Will be required to be licensed if bingo is carried out on a commercial scale.

Figure 22.iii: Summary of recommended permitted activities by premises



level it was hard to say how the other activities fitted together. We considered whether a hierarchy could be established, but it became clear that such an approach could not be sustained. In our recommendations we have sought to remove some of the inconsistencies that do exist, but we have concluded that below the level of casinos gambling activities should not be further mixed than they already are.

22.45 Key points to note are:

- the toughest regulatory regime and the widest range of activities will apply to casinos. Bingo and betting will be new options
- with one minor exception (casino gaming floor), we are not proposing that the mix of alcohol and gambling should be more readily available
- under 18s will have access to only one type of gambling (excluding lotteries).

22.46 Casinos will be subject to the toughest regulation and will have strict admission controls. In that environment, we are relaxed about mixing gambling activities, even though this may tempt some punters to try a different activity that they might otherwise not come into contact with. Punters will have made a specific decision to attend a place where there are table games and perhaps casino slot machines. Allowing bingo and betting under the same roof will add to the diversity in this controlled environment, but will not have other implications for, say the level of regulation or the availability of alcohol. Our recommendation to allow entertainment is consistent with casinos being able to offer a more rounded social environment.

22.47 We set out in chapter 20 our view that new casinos should have a minimum gaming floor dedicated to table games of 2,000 square feet. Table games must always be offered in casinos. An operator could not, for example, seek a casino licence and then offer only betting, but with alcohol and entertainment. We also want to avoid creating casinos that can offer only, or predominantly, gaming machines. To ensure that this does not occur **we recommend that the maximum number of gaming machines in a casino is determined by the number of gaming tables that are available for play. We suggest that the maximum should be determined by a ratio of eight machines to each table, but that where the number of tables exceeds eighty there should be no maximum on the number of gaming machines.** We consider that once a casino is so large that it can contain eighty tables and 640 machines, the focus of the gambling activities would not noticeably be affected by adding more machines.

22.48 We should make it clear that a casino operator need not offer anything other than table games. Other activities are options, and he would need to demonstrate that he was competent to offer each of the additional activities he chose to apply for.

22.49 Having determined that a mix of activities should be permitted in casinos, we then considered whether bingo halls should be able to offer betting. The current premises-based approach to regulation has produced some fairly clear distinctions between different types of gambling venue. Casinos, betting shops and bingo halls differ from each other physically and in terms of what they provide. They also tend to attract different clienteles and to have different social atmospheres. (This was particularly the case when betting shops were required to be stark and uninviting.) It has been proposed to us that the regulations that produce these differences are unnecessary and that the mixture of gambling activities provided should be a matter of social judgement. The result might still be that we would have some premises largely devoted to bingo, for example, and others devoted to betting but that would be for the market to decide. A similar argument has led to the proposal that betting should be permitted in pubs.

22.50 We recognise the force of these arguments and do not lightly interfere with commercial judgements. However, as we describe in chapter 3, two related principles cause us to propose a system that is close to the present one. The first is that we do not wish to increase the availability of ambient gambling. As far as possible, gambling should only be available at places dedicated to it. Second, we wish to limit the extent to which gambling can be combined with the consumption of alcohol. Both principles lead us to reject the proposal that betting be permitted in pubs. The second principle leads us to reject the proposals that alcohol be provided in betting shops and that betting be allowed in bingo halls.

Alcohol in betting shops and betting in pubs

22.51 The bookmaking associations told us that they did not want to introduce alcohol to betting shops, but said that if we were minded to allow betting in pubs they would want to be allowed to serve alcohol so that they could compete. The racing fraternity asked for betting to be allowed in pubs, because they saw it as a way of increasing income for their sport. The Brewers and Licensed Retail Association did not support betting in pubs in its first submission to us, but later suggested that it should be an option in the future. To support its proposal that there should be betting in pubs (and other places) the British Horseracing Board commissioned a survey of people's attitudes to betting in pubs.³



22.52 Of course, betting and alcohol do already mix in some circumstances. The following arguments have been put to us.

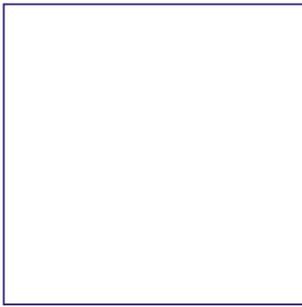
- *It is possible to bet and drink at a racecourse.* We accept that betting and alcohol do mix at racecourses. These are sporting and social events, at which betting occurs, but betting is not the only or main draw. There are only 59 racecourses and racing takes place at each of them on only a few days a year. That does not compare to a constant presence of 8,700 betting shops and 78,000 pubs and bars. We accept that racing and drinking mix more often at greyhound tracks, but again this is very different from betting in a pub.
- *It is possible to use a bookies' runner at a pub.* We note that using a bookies' runner is illegal and this does not necessarily reflect a demand that should be satisfied.
- *It is possible to go next door from the pub to the bookmakers (bookmakers and pubs are historically sited conveniently close to one another).* The fact that pubs and betting shops are located near each other does not itself make the activities compatible. Our

view is that gambling should generally take place in premises in which it is the principal purpose.

- *It is possible to make a bet in a pub using a mobile phone.* There is nothing unique about using a mobile phone in a pub: telephone bets can be made on the train, in the office or any number of places and there can be no serious argument that betting should be legally permitted in those places as a result.

22.53 Research into problem gambling indicates that people may gamble more than they intended and take more risks when they mix alcohol and gambling. Research also indicates that increased accessibility to gambling increases both the number of gamblers and the number of problem gamblers. Consistent with our wish to proceed cautiously, the further mixing of betting (or any other gambling) and alcohol is not something that we could recommend.

22.54 Allowing betting in pubs would also have considerable implications for the regulation of betting and the resources required to police it. We have not found it necessary to explore those consequences given our more fundamental objection to such a change.



chapter twenty three

Gaming Machines

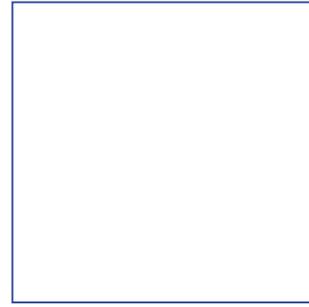
- 23.1 We have found the issue of gaming machines to be one of the most difficult we have tackled. In the first place the complex nature of the current regime has resulted in a number of different types of machines being sited in many different types of location under different degrees of regulatory control (or none). The current system is incoherent and full of anomalies. In addition, the policy issues – concerning both children and adults – have provoked a range of responses among our members and those who have submitted evidence to us.
- 23.2 Chapter 6 sets out the facts about gaming machines. There are at present about 250,000 legally sited gaming machines in Great Britain.
- 23.3 The regime governing gaming machines is both more and less restrictive than that typically applying in other developed countries. It is more restrictive in that permitted machines are limited to three specified types – up to £1,000 jackpot, £15 all-cash and £5 cash/£8 token – and there is no provision for the unlimited prize “casino slots” which are widely available in casinos overseas. It is less restrictive in that:
- machines are allowed in many places not specifically licensed as gambling premises and
 - children (under 18s) are allowed access to £5 cash/£8 token machines, and even to jackpot machines in certain circumstances.
- 23.4 Of the large number of premises in which gaming machines are situated, only two - casinos and bingo clubs - currently come under the jurisdiction of the Gaming Board. The Board has no right to inspect the great majority of machines, which are sited elsewhere.
- 23.5 Some overseas legislators have decided to limit machines to a relatively small number of clearly identified (and highly advertised) licensed areas. In Great Britain, the policy has been to avoid stimulating demand and to prevent excessive gambling by imposing controls on the numbers of, and stakes and prizes for, machines in particular locations. It is arguable that this objective has been defeated in view of the sheer number of locations with machines.
- 23.6 The maximum limits originally set by the 1968 Act for what is now the £5 cash/£8 token machine were the pre-decimalised equivalents of a 5p stake, a 10p cash prize and a 25p token prize. To convert these 1968 values into today's terms we have to multiply them by a factor between 10 and 11. That demonstrates to us that the maximum cash and token prizes have risen

well ahead of general inflation, though the maximum level of the stake (30p) has fallen behind.

- 23.7 We have also received evidence relating to illegally sited machines. The Gaming Board has no powers to deal with these and the police have other priorities. This is unsatisfactory and it undermines the integrity of the regulatory structure. We have recommended in chapter 33 that the Gambling Commission should have powers of entry and confiscation to tackle the problem of illegal machines, and should be able to call on the police for assistance to prevent a breach of the peace.
- 23.8 Our consideration of the social and psychological aspects of gambling on gaming machines has been hampered by the lack of research in Great Britain. With the exception of Dr Sue Fisher's casino study, the varieties of problem gambling in the UK have barely been studied. Other studies of problem gambling from the US and Australia do not translate well into the UK context, as the regulatory framework is different and many problem gamblers use types of machines which are not available in the UK. However, we have considered whether there are lessons we should learn from, for example, the proliferation of machines in Australia and from the Atlantic City experience. In doing so, we were particularly aware that gaming machines have characteristics which make them likely to encourage addictive behaviour, such as event frequency, reward/reinforcement etc. GamCare told us that 50% of the calls to their helpline concern gaming machines.

Ambient gambling

- 23.9 We have adopted the term “ambient gambling” to mean gambling which is incidental to another, non-gambling activity. In relation to gaming machines, we are concerned at the ability to locate machines in places like cafés and taxicab offices. The lack of supervision and ready accessibility of these machines is particularly worrying in relation to children. We asked the ONS to test public opinion on whether gaming machines should be placed in locations of this kind¹. Of the 1622 people interviewed, 66% thought that there should be fewer or no machines in places like this. Local authorities currently have the ability to pass a resolution effectively banning gaming machines from non-arcade premises, but we think we should go further and adopt a consistent approach across Great Britain.
- 23.10 Machines in, what are currently, unregulated environments such as cafés are not easy to supervise. Anecdotal evidence suggests that a significant



proportion of such machines are illegal, because they are unlicensed or because they are the wrong machines (all-cash or jackpot). The Gaming Board has no powers to enter premises and investigate complaints. As well as the regulatory problems, the reputation of legitimate operators is also damaged as many complaints relate to illegal operators.

- 23.11 One of the principles we have established is that gambling should generally take place in gambling-specific premises. We see no benefit in making an exception for premises to which children have free access. In addition, banning machines from such premises would make enforcement action very much easier, as breaches of the law would be more readily detectable. By their nature, we do not know how many unlicensed machines there are. In its report "Revenue from Gambling duties"², the National Audit Office noted the main risks to revenue on licence duty:

Traders may underpay the amount of amusement machine duty by, for example:

- *only licensing some of their machines. On an unannounced visit to a trader officers found that only two out of three amusement machines had a licence. Other sites owned by the same trader were also visited and the same situation was found. The department collected £275,000 in licence duty, including £92,000 in penalties*
- *intermittently licensing machines, whilst continuing to operate them. A club purchased intermittently one month licences for each of their amusement machines but continued to operate them for a 14 month period. The Department collected licence duty of some £1300*
- *purchasing a licence for a lower band of duty than that applicable to the machine*
- *operating machines without first obtaining a licence.*

- 23.12 We do not consider that gaming machines should be permitted in premises such as cafés and taxicab offices. **We recommend that gaming machines should be banned from premises other than those on which they are specifically permitted pursuant to our other recommendations.**

- 23.13 Under section 33 to the 1968 Act, gaming machines are permitted at non-commercial entertainments such as bazaars, sales of work, fetes, dinners, dances, and sporting or athletic events. This permission is similar to the exemption in the 1976 Lotteries and Amusements Act relating to small lotteries at exempt entertainments. We have concluded that small lotteries should continue to be exempt from regulation. However, we believe that gaming by machine is very different in character from the paper-

based raffles that normally take place at such events. In the light of our recommendation to ban machines in all except specifically permitted premises and to prevent ambient gambling, we do not consider that it is appropriate to allow machines to be provided at exempt entertainments. **We recommend that the provisions in section 33 of the 1968 Act that allow machines at exempt entertainments should be repealed and not replicated in new legislation.**

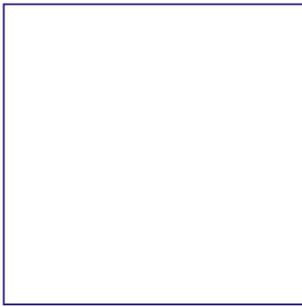
Machine gaming by children

- 23.14 We have discussed elsewhere our approach to gambling by children. Machine gaming by children is perhaps of the greatest concern, because of its relatively easy availability and the lack of supervision in some sites in which machines are located, such as cafés. We believe that children are a vulnerable sub-set of the community for whom it is right to prescribe special rules in relation to gambling, just as it is right to do so in relation, for example, to alcohol or smoking or cinema-going. Gaming machines are undoubtedly a form of gambling – and one which has notably addictive characteristics.

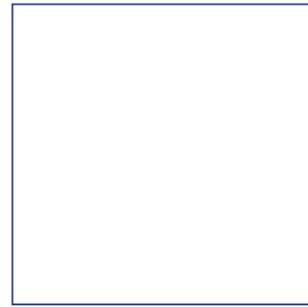
- 23.15 BACTA have told us that banning under 18s from playing arcade machines would have a devastating effect on the seaside resort business. We have not undertaken any independent research on the economic effects of changing the regulations, but we accept that any tightening of restrictions would harm that business sector to a greater or lesser extent.

- 23.16 However, it is interesting to note that in one of the other jurisdictions we have visited "family arcades" do flourish despite a ban on the playing of "coin-in/coin-out" machines by children. We saw a number of very busy family arcades during a visit to Holland on a cold February afternoon. The regulators and operators there were clear that gaming machines were strictly for adults, as they are in Las Vegas for example. As a result of this, we do have some doubts about how badly affected the UK seaside family amusement centres would be by new restrictions that limited children to amusement-only (non coin-out) machines.

- 23.17 One of the questions asked in the ONS survey related to attitudes to children playing on fruit machines for prize money up to five pounds. Only 3% of people unconditionally approved of children playing on such machines. 41% approved so long as the child was accompanied by an adult and 42% disapproved of children playing on the machines at all. Those views broadly echoed our own. One of our main concerns is about unaccompanied children playing machines. We acknowledge that the BACTA code of practice requires that children should not be permitted in arcades during school hours, but the code is silent on non-school hours and, moreover, BACTA does not cover every operator and has no enforcement powers.



- 23.18 There are a number of options for controlling access to AWP machines by those under 18. These range from complete prohibition at one extreme to permission to play if accompanied by an adult at the other. We have considered whether children should be banned completely from arcades. Leaving aside the economic arguments put forward by the seaside operators, we think this would be a rather extreme solution to the perceived mischief. Allowing children in, but forbidding them to play the machines is another option we have considered and rejected on the grounds that it would be impossible to police.
- 23.19 We acknowledge that there is a long tradition of children playing on such machines and the vast majority has come to no long-term harm. For many children, playing small stake machines is a part of the seaside experience. In saying this, we do not seek to diminish the research carried out by Dr Fisher about the harm that can be caused in seaside arcades, particularly to children who live at the coast. Dr Fisher's work aside, there is a woeful absence of research and we do not feel that there is sufficient evidence to suggest that, on balance, a complete ban could be justified. **We recommend that further research should be commissioned to examine the impact of machine gaming by children and that the government should formally review the position in five years time to determine whether any such gaming by under 18s should continue to be permitted, or whether Great Britain should come into line with other jurisdictions and ban it.**
- 23.20 Should children playing machines be accompanied by an adult? This was clearly an option preferred by a large number of those to whom ONS spoke during our survey. It is an option we would favour, but we have to acknowledge that there are practical difficulties in enforcing it. It would be necessary to define "accompanied": is it enough to be in the same arcade as the child, or to be in the same general area, or would the adult have to be in close proximity at all times? Could one adult accompany, for example, a group of children on a school trip? Would it be acceptable for an under 18 to be accompanied by an over-18 friend? We believe that considerations of this kind militate against what on the face of it appears to be a simple solution to a difficult problem. When they came to give oral evidence to us, BALPPA expressed concern at the control problems that such a requirement might place on operators. They pointed out that most younger children are already accompanied by parents or grandparents; and that parents would be reluctant to supervise older children and would be annoyed if expected to do so. We accept that the practical problems of requiring children to be accompanied rule out this proposal.
- 23.21 Although we have concluded that children should be at liberty to enter, what we have termed, family entertainment centres, we remain uneasy about encouraging children to gamble. Most will come to no harm, but some will. The ONS survey reveals that a significant minority (42%) of those people interviewed do not believe that children should play on fruit machines. A majority of those who commented on this issue in submissions to us (56.5%) believed that the minimum age for all gambling should be 18.
- 23.22 BACTA and others suggested to us that low stake/low prize machines should not be regarded as gambling. We reject that argument. The stake and prize may affect the degree of financial harm caused to the player, but the game is the same as gambling for bigger stakes and prizes, and for some children it will be addictive.
- 23.23 If we were creating the regulations for the first time, we would certainly recommend that no gaming machines should be played by under 18s. But starting from where we are now, and with the imperfect evidence that is available to us, we believe that our role must be to make recommendations that will limit the damage such machines cause. We have noted in paragraph 23.6 that prize limits have far exceeded inflation since 1968 and we believe that tide must now be stemmed for machines accessible to children. We accept that low stake/low prize machines to which children may have access are here to stay (at least in the short term pending the research we have recommended should be commissioned), but low stake/low prize is exactly what they must be. We have been advised that a large majority of family amusement centres offer machines with a 5p or 10p stake only. Higher stake machines are less popular with children and tend to be confined to adult-only restricted areas. The predominance of machines with stakes of 10p or less has been confirmed by our own observations as we visited arcades around the country.
- 23.24 When GamCare gave oral evidence to us, Paul Bellringer told us that even small stakes could get people into trouble and if a stake resulted in only a five second spin of the wheel a child could get through a fair amount of money in a short time. He noted that for a machine to be classed as trivial, the stake should be trivial. For most children, thirty pence could not be regarded as trivial. He explained:
- The reason for limiting the stake is a significant factor where children are involved as it bears directly on the amount of money they can lose. The reel on a machine spins for five seconds. If a further five seconds is allowed for pressing feature buttons and entering more money it is very possible to play five or six games a minute. On this basis the potential loss with a 10p stake is 60p per minute or £3 in five minutes. With a 30p stake, however,*



the potential loss is £1.80 for one minute and £9 in five minutes. An important difference when put alongside disposable income.

- 23.25 When BALPPA gave evidence to us, we asked what impact reducing the stake in unrestricted areas would have. As a result BALPPA conducted a survey of its members: 27 members replied, of whom 12 used machines with higher than a 10p stake outside the restricted area. BALPPA calculated that the removal of such machines would mean that aggregated profits across the 12 businesses would be reduced by £295,000 per year, which translated into a loss of 80 seasonal jobs. BALPPA argued that a variety of machines in the unrestricted area was important to attract families. We note these figures, but we have not studied the methodology on which they are based or otherwise attempted to verify them. We accept that further restricting the type of machines that may be available in unrestricted areas may affect profitability. Nevertheless, we believe that it would be wrong to continue to allow children access to other than low stake/low prize machines. As we have made clear, our preference would be that children should not have access to any kind of gaming machines until there is evidence to support the industry assertions that it is not harmful. We believe that our proposal strikes the right balance pending further research on the subject. **We recommend that “coin in/coin out machines” in family entertainment centres (outside any restricted area) should have a maximum stake of ten pence.** We have used the term “low stake/low prize” to describe the machines that may be played by children.
- 23.26 As far as the prize level is concerned, it has been suggested to us that token prizes entice further play. In particular, that should be discouraged on machines to which children have access. **We recommend that low stake/ low prize machines should be limited to cash prizes only.**
- 23.27 The cash prize of £5 greatly outstrips the level anticipated when these machines were first regulated in 1968. **We do not recommend that the prize limit on low stake/low prize machines should be reduced, but we do recommend that it should be frozen, together with the level of the stake, at £5 and ten pence respectively.** We do not pretend that limiting the prizes and stakes in this way would necessarily make the machines any less addictive, but we believe that this would be a pragmatic solution and would limit the potential harm. Freezing the stake would mean that, in time, these machines genuinely become little more than amusement machines. The impact on the market of a sudden change would be avoided and family amusement operators, if they so wish, will have time to introduce other attractions suitable for children.

- 23.28 Our proposals are not intended to affect the stakes relevant to machines such as cranes, where a maximum stake of ten pence would mean that such machines were not viable. The proposals set out above relate only to machines that give money prizes. Other amusement machines (non coin-out), such as cranes, do not have the same addictive tendencies as fruit machines or “pushers”. The action to play them is much less repetitive. **We accept that machines such as cranes should not fall in the category of gaming machines and we recommend that the legislation should make that clear.** Without attempting to draft the actual legislation it is difficult to be precise about the machines we are intending to cover in this section. The machines we intend to be exempt from control are those which – if they give a prize at all – only deliver a physical (non-cash, non-token) prize. Where there is doubt about the nature of a particular machine, the Gambling Commission should have discretion to decide where it sits in the framework we have outlined.

Machine gaming by adults

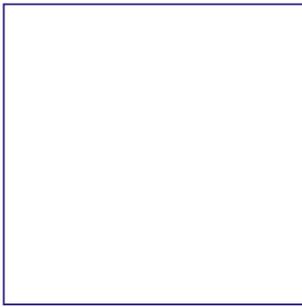
- 23.29 We know a little more about problem gambling, and the addictive nature of machines, than did any of our predecessors in examining and proposing gambling legislation. But we do not know as much as perhaps we should. That has led us to be cautious about relaxing existing controls or imposing new ones.

Types of machine

- 23.30 As explained in chapter 6 there are currently three types of gaming machine in the UK: jackpot machines; all-cash machines; and £5 cash/£8 token machines. We are proposing that there should be four categories, as follows:

Casino slot machines

- 23.31 We do not currently have, in the UK, casino slot machines with unlimited stakes and unlimited prizes such as are to be found in casinos elsewhere in the world. We have received evidence from a number of bodies and individuals suggesting that such machines should be permitted in the tightly regulated environment of a casino. We have seen machines of this kind operating successfully in other countries and we see no barrier to introducing them into casinos here. **We consider that in the strictly regulated environment of a casino, slot machines with unlimited stakes and prizes should be permitted. The legislation should make it clear that under 18s may not play casino slot machines.**
- 23.32 Whether there should be controls on the maximum numbers of such machines is something that we have



discussed at great length. There is concern that opening the way for unlimited numbers of machines will give rise to a much higher level of problem gambling than we now have (vide Australia). There is also the view held by some people outside our group that the playing of machines is devoid of merit, mindless and dehumanising. We have tried to reconcile different strands of opinion and to find a solution that would allow the market to develop, but would be in keeping with our wish to proceed carefully. We do not want to go too far, too fast. As discussed in chapter 22, we have concluded that casinos should be required to offer a balance of gaming activities and that the maximum number of slot machines should be determined as a ratio to gaming tables available for play. We have recommended that the ratio should be eight machines for each gaming table for the first eighty tables; and where more than 80 gaming tables are available for play there should be no restriction on the number of slot machines.

- 23.33 Issues relating to linked machines, variable staking and multi-player machines are discussed later in this chapter

Jackpot machines

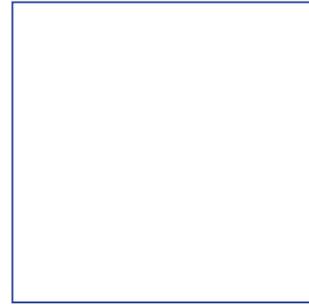
- 23.34 Jackpot machines with a maximum stake of 50 pence are currently located in casinos (maximum prize £1000); bingo halls (maximum prize of £500); and private clubs (maximum prize of £250). If our recommendations are accepted, only the second of these limits will be relevant. We have not received evidence to suggest that there is pressure to increase the limits in bingo halls. We believe that it would be preferable for there to be a single prize limit for jackpot machines, rather than a confusing mix of the kind that currently exists. **We recommend that the maximum prize for jackpot machines should be £500 in all premises in which they are installed.**
- 23.35 We understand that, as part of the 2001 triennial review of stakes and prizes, The Gaming Board has recommended to the Home Office that the maximum stake for jackpot machines should be increased from 50 pence to £1. It had been our view that the maximum stake should remain at 50 pence. In the light of the Gaming Board's recommendation we recognise that a higher stake could be justified in the restricted categories of premises in which we are recommending that jackpot machines should be located. **We recommend that the maximum stake for jackpot machines should remain at 50 pence, but that it should be increased to £1 when our proposals are implemented.**

- 23.36 Jackpot machines currently represent the highest level of gaming machine played in the UK. We think it is right that machines with high prize limits should only be available in gambling specific premises to which children do not have ready access. We have received representations from the bookmaking industry that jackpot machines should be permitted in betting shops. All-cash machines (with a maximum prize of £15) have been permitted in betting shops only since 1996. In their evidence to us BOLA³ suggested "it is remarkable that betting offices are not least on a par with bingo and social clubs". We agree: betting shops are gambling specific premises, children are not admitted, and the higher stakes and prizes available on jackpot machines would be comparable with the level of gambling already available. **We recommend that betting shops should be permitted to have jackpot machines.**

- 23.37 It is plainly a loophole that the 1968 Act does not explicitly prohibit children from playing jackpot machines, wherever they are located. We recommend that the legislation should make it clear that under 18s may not play jackpot machines, wherever located.

- 23.38 We have some concern that clubs registered under Parts II and III of the 1968 Act are allowed to have three jackpot machines (we discuss clubs in chapter 31). Clubs are not gambling specific premises and children may be admitted to them. Indeed, in some clubs under 18s may be members in their own right. Moreover, the 1968 Act does not prohibit children from playing on jackpot machines, and there is anecdotal evidence to suggest that they do. We are anxious to ensure that children are not exposed to high stake/high prize machines and our preferred option would be to remove jackpot machines from private clubs. **We recommend that jackpot machines should be removed from private clubs. Such machines should be restricted to gambling specific premises. Private clubs should have the same entitlement to all-cash machines as pubs and other premises licensed for the on-sale of alcohol.**

- 23.39 We turn to the question of numbers of jackpot machines that may be permitted. In a deregulation order laid by the Home Office on 26 March 2001, it was proposed that bingo clubs should be able to have four jackpot machines in addition to all-cash machines. That was not approved by the Deregulation Committee. The Committee was concerned that children were not prohibited from entering bingo clubs and could have access to such machines. The position therefore remains that bingo clubs may have four jackpot machines only, or a larger number of all-cash machines. Betting shops may currently have two all-cash machines. It is confusing for the maximum permitted number of gaming machines to vary



between premises. As with maximum prizes, we think that it would be preferable for there to be a single limit on the number of jackpot machines that may be permitted in a bingo hall or betting shop. **Subject to minimum space restrictions, we recommend that no more than four jackpot machines should be permitted in any bingo hall or betting shop.**

All-cash machines

- 23.40** The maximum stake/prize for all-cash machines is 30p/£15. These limits were set in 1998 and are being reviewed as we report. We understand that the industry has suggested to the Gaming Board that the maximum stake should be increased to 50p and the maximum prize to £25. These would be significant increases, but in the context of the other changes we are recommending we do not think that they are unreasonable – particularly in the light of our recommendation in respect of much lower stake and prize machines in the unrestricted areas of family entertainment centres. **We recommend that the maximum stake for an all-cash machine should be fifty pence and that the maximum prize should be £25.**
- 23.41** The reasons given by the Deregulation Committee for not approving the Home Office Deregulation Order allowing bingo halls to have all-cash machines in addition to jackpot machines were that children could have access and that no proper account had been taken of the impact of the proposed changes on vulnerable persons. We have fully addressed those issues in this report and we are content that bingo halls should be permitted to have all-cash machines in addition to four jackpot machines. There must, however, be some limit on the overall number of machines that may be permitted in any premises and we think that limit is best judged by local authorities in the context of the licensing of individual premises. We discuss this in more detail in chapter 21. **We recommend that subject to any limits imposed by local authorities, bingo halls should be permitted to have all-cash machines in addition to a maximum of four jackpot machines.**
- 23.42** We have considered whether betting shops should also be able to have all-cash machines in addition to jackpot machines. It is arguable that betting is harder gambling than bingo and so should be entitled to similar ancillary activities and certainly it would be in line with our wish to keep the rules as simple and as consistent as possible. But the two activities do not start from the same position. There are some 8,300 betting shops, as opposed to 700 plus bingo clubs. Bingo has historically operated in a club environment. We are suggesting that need no longer be a requirement, but it is likely that the environment will not change significantly as a result of that recommendation.
- Alcohol is served in bingo halls, but not in betting shops: we are not recommending that this should change. Key differences will therefore remain and while we are content to see all-cash machines remain in bingo halls, and sometimes in quite large numbers, we are reluctant to see possibly large numbers of machines introduced into betting shops. The bookmakers have not asked for this and we do not think that such a change would be in keeping with our desire to proceed cautiously. **We recommend that betting shops should not be permitted to have all-cash machines in addition to a maximum of four jackpot machines.**
- 23.43** A number of respondents have said to us that licensing justices around the country are inconsistent about the number of all-cash machines they will permit in premises with an on-licence for alcohol. This is clearly an issue that frustrates pub licensees and brewers. In general, we are anxious to find the right balance between laying down standards to be applied across Great Britain and allowing some local discretion. We believe that this is an area in which local discretion simply leads to unnecessary inconsistency rather than having any sound basis in good regulatory practice. When we met the Brewers and Licensed Retailers Association to hear its oral evidence, the BLRA suggested to us that pubs which wanted to offer any gambling (including all-cash machines) should have to apply for a gambling licence. We accept that if pubs do want to expand their activities to offer gambling they should be able to apply for a licence to do that in the same way as any other operator – providing that the nature of the outlet changes and gambling becomes the focus of those premises. However, by themselves all-cash machines in limited numbers are an ancillary activity for pubs and we do not think that it is necessary to insist that a separate licence should be obtained for them. The checks that already exist in relation to the granting of liquor licences are adequate for this purpose.
- 23.44** We have discussed elsewhere our view that commercial gambling should in principle be confined to premises which are specifically licensed for gambling and where that is their main purpose. On this principle we have concluded in chapter 22 that betting should not be permitted in pubs.
- 23.45** Strict application of the principle would lead us to recommend banning all-cash machines from pubs, particularly as these are more and more promoting themselves as family-friendly venues. If we were starting from scratch that is what we would recommend, but we are not, and a complete ban now would be disproportionate and harsh.
- 23.46** The BLRA told us that there are 77,000 machines in pubs, with an average density of 1.28 machines per pub. The vast majority of pubs have two machines or



fewer. Pubs are currently allowed up to two machines per bar. That means that, subject to the approval of the licensing justices, a large pub with several bar areas could have a higher number of machines.

- 23.47 In these circumstances we believe that the right way forward is to impose a limit on machine numbers rather than a ban. **We recommend that up to two machines should be permitted in premises as an adjunct of a liquor on-licence. There should be an exception in favour of those premises which at the date of publication of this report carry an entitlement to more than two machines. In cases where premises have both a liquor on-licence and a gambling licence, no entitlement to machines should arise as an adjunct of the liquor on-licence.**
- 23.48 Another oddity of the 1968 Act is that it does not prohibit under 18s playing all-cash machines in pubs. The industry readily accept that children should not play on such machines and successfully operate a voluntary code of practice to ensure that this does not happen. **We recommend that the legislation should be explicit that under 18s may not play on all-cash machines, wherever they are located, and that this restriction must be enforced by the operator. Failure to observe this requirement should be a ground for revocation of, or refusal to renew, a licence.**
- 23.49 All-cash machines are also located in the “restricted areas” of most amusement arcades, to which under 18s are not admitted. The majority of inland arcades voluntarily operate an over-18 rule for the whole premises. We applaud that initiative. We would like to see more arcades restricted to over 18s only, and we have considered whether it would be possible to find a definition of “inland arcade”, which would allow us to restrict children’s activities to the seaside or leisure parks. We sense that the industry generally would be content with such a change, but we do not think that legislation could be framed to cover what are effectively inland arcades in seaside towns. We have concluded that the operator must be free to attract the audience that he wants to, provided that under 18s are not given access to all-cash machines.
- 23.50 How successful an individual operator is at ensuring that young people do not play these machines depends on the level of supervision operating in the arcade and the access controls to it and to the restricted area. As we have travelled around the country, and abroad, we have seen some very good and some bad examples of supervision. In Holland, for example, some arcades issue tickets at kiosks on entry to the restricted area and these can be inspected at any time to ensure that an individual has been checked on entry. We would not suggest that any arcade in the UK should go that far,

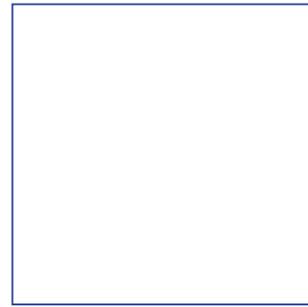
but we are concerned that, at the other end of the scale, CCTV supervision alone is not always sufficient and a line of gaming machines should not be the only physical barrier delineating the restricted area.

We recommend that the Gambling Commission should set out guidelines for the delineation and supervision of restricted areas in arcades to ensure that a consistent standard operates across the industry. Subject to industry consultation, we suggest that by itself CCTV should not be a sufficient control.

- 23.51 Some concerns have been put to us about the location and size of amusement arcades. We do not think that it would be right to set a national limit on the size of arcades or the number of machines they may contain. This must be an issue for local determination. We discuss this more fully in chapter 21. **We recommend that local authorities should set the limit on the number of machines that an arcade may have, in tandem with considerations about the size of the arcade that may be determined in the planning process.**

Low stake/low prize machines

- 23.52 As discussed in paragraph 23.27, low stake/low prize machines should have a maximum stake of ten pence and a maximum prize of £5. Such machines may be located in family amusement arcades and played by children. They should not be placed in any unlicensed premises such as fish and chip shops.
- 23.53 Low stake machines are currently permitted at travelling showmen’s pleasure fairs. There is no limit on the number of machines and the only restriction is that the machines must not be the only (or only substantial) inducement to attend the fair and the fair must be temporary. We have received no submissions about this, but we have considered whether as part of the rationalisation process, machines at such fairs should be prohibited. We have decided against that on the basis that if low stake/low prize machines only are permitted, the emphasis is on entertainment rather than gambling (though we do not pretend that these are not gaming machines). Showmen’s fairs are different from the exempt entertainment discussed in paragraph 23.13, because games of chance are an integral part of the activities that go on at such fairs and they are of a trivial nature. “Gambling”, in the broadest sense, is what visitors will expect to see there and this is very different from unexpectedly coming across a higher stake/prize gaming machine at a charity dinner. Perhaps the principal reason for not withdrawing this facility is that the fairs move on regularly and do not return frequently to the same place: the scope for hooking children (or adults) on to repeat play is small. **We recommend that travelling showmen’s pleasure fairs should be**



permitted to have, what we have termed, low stake/low prize machines and that the machines should be exempt from regulation provided that the machines should continue to be subject to the criteria relevant to such fairs currently contained in the 1968 Act.

Other Considerations

Increases in stakes and prizes

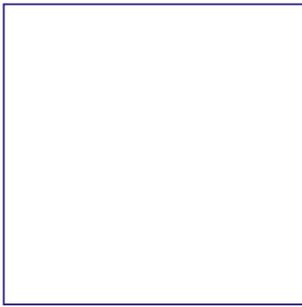
- 23.54 We recommend that the maximum stakes and prizes for jackpot machines and all-cash AWP's should be increased only in line with inflation, as and when agreed with the Gambling Commission. The amount specified for these limits should not be set in legislation, but we do believe that the principle of inflation-only adjustment should be enshrined in law. The regulator should have some discretion to agree commonsense roundings with the industry, on the footing that if there is a rounding up in one review it will be compensated for on a subsequent occasion. For example, the introduction of the Euro, if that occurs, could be the trigger for a special review by the Gambling Commission of the limits that should apply.

Methods of playing machines

- 23.55 The Home Office issued a consultation paper in March 2001⁴ which proposes modifying the Gaming Act 1968 (using the Deregulation and Contracting Out Act 1994) to change the ways in which money can be paid into gaming machines and prizes paid out.
- 23.56 The proposal would:
- allow players to use bank notes and electronic "smart cards" in gaming machines
 - allow winnings to be stored in the machine's money bank to be used for further plays without the player having to reinsert money into the machine
 - allow machines to be set to pay out winnings in cash (notes or coins), by printing a cheque, by adding credit to the player's smart card, or by means of a credit note or token redeemable by the operator.
- 23.57 The proposals apply only to jackpot machines and all-cash machines in adult environments. It is not proposed that payment into the machine by credit or debit card should be permitted.
- 23.58 If coins are used to play machines, players must take a separate decision each time they commit a further sum of money to play. The Home Office proposals replicate that break in play for players who use smartcards and

banknotes. Whatever the value of the card or note they put into the machine, they will have to make a separate decision to play each sum of £1 or £2.

- 23.59 It is proposed that machines taking smart cards or banknotes will have separate "play" and "bank" meters. The only money committed to play at any one time will be the money shown on the "play" meter. The rest of the money owing to the player - including any winnings - will appear on the "bank" meter and players will be able to retrieve this at any time. The consultation paper suggests that the maximum denomination of banknote to be used should be prescribed through a code of practice to be drawn up between the Gaming Board and the industry.
- 23.60 We understand that the use of cards, notes and cheques as against large quantities of coin will help the industry to improve its money-handling and security arrangements. It will also help the industry better with a changing monetary environment in which the volume of coin in circulation is liable to be reduced in favour of modern electronic payment methods.
- 23.61 We are broadly content with the proposals circulated by the Home Office, but we would caution against going further than this. In particular, although we have been relaxed about the use of credit cards for some gambling activities, such as buying chips in casinos, betting and in this case purchasing smart cards, we could not support the use of credit cards or debit cards directly in gaming machines.
- 23.62 We heard of developments in Australia relating to methods of payment that have caused us some concern in relation to these proposed changes. Some manufacturers there have chosen not to upgrade machines to accept notes of a lower denomination. The machines do not give change or winnings in cash, but give only a credit note that must be redeemed at a booth. This has the effect of encouraging players to play on when they might otherwise stop, rather than go to the trouble of queuing to redeem the \$3-\$4 dollars they have left on the play meter. We would not want to see a situation in the UK where, for example, machines accepted only £20 or £50 notes and because of the perceived difficulty of collecting change, players were encouraged to stay on the machine until the whole amount was exhausted. **We recommend that the proposals contained in the Home Office consultation paper "Gaming machines: Methods of Payment" should be implemented, but the use of methods of payment should be monitored by the Gambling Commission to ensure that winnings and change can always be easily redeemed, so as not to encourage extended play.**



Randomness

23.63 At present there is no requirement that gaming machines should be random. No one who has submitted evidence to us has disagreed with the principle of randomness for casino slot machines and it has been suggested to us that we might recommend that such machines should be required to be random. The main argument against randomness is that customers do not like the machines to be so unpredictable that there may be long gaps between payouts. We note that customers in Las Vegas, where machines are random, do not appear to have those reservations and it was put to us that this was because of the much higher prizes that are currently available there. The introduction of unlimited stakes and prizes here will mean that much higher prizes than we have hitherto seen are offered: the customer will want to be assured about the fairness of the game. We understand that in some jurisdictions, there have been arguments about whether random operation means that the display of results must also be random. For example, a random display of results would prevent the machine being programmed to display regular "near misses". **We recommend that casino slot machines with unlimited stakes and prizes should be required to be random and that the display of results must be random.**

23.64 In view of the lower prize limits on jackpot and all-cash machines, we do not insist they should be random, but the customer should be made aware that they are not.

Linked Machines (progressive jackpots)

23.65 Progressive slot machines linked together increase the jackpot prize available on a single slot machine by taking a percentage of the money paid into the slot machine and adding it to a communal jackpot available to a number of other machines.⁵ We have seen linked machines in operation during our visits overseas. Our concern about linking machines is that this may encourage problem gambling. We believe that people gamble differently when the stake and prize are out of kilter. There are big reinforcing influences at work: small stake, regular rewards (in the form of small paybacks), and a big prize. We also recognise that casino slot machines will already provide bigger prizes than we have previously experienced in this country and that linking machines may be an important factor in the viability of such machines.

23.66 We have received evidence from operators of smaller casinos, who have argued that linked machines should not be permitted because smaller casinos will be unable to compete with larger ones. We recognise this concern, but do not think it can be a determining factor in our decision. Smaller casinos would, of course, be

able to link to a network of slot machines in other casinos and so could benefit from such a development. In fact, linking with other small operators could be the most effective way for a small operator to compete with a big casino, which could on its own offer very large prizes without linking with others.

23.67 From the player's point of view, progressive jackpots are attractive because of the big prize on offer, but it must be made clear to them that the chances of winning the big prize are slim and the chances of winning a small prize are less than on unlinked slot machines.

23.68 In the adult-only environment of a casino, where we are suggesting that slot machines with unlimited stakes and unlimited prizes should be permitted, it would not be logical to argue that the (even) higher prizes likely to accrue on linked machines should not be permitted. **We recommend that casino slot machines only may be linked to provide bigger prizes.**

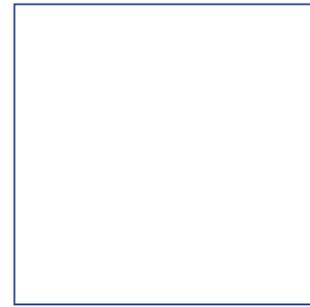
Variable staking

23.69 We understand that variable staking can mean two things:

- a multiple stake on a single line. On these machines the player can increase the stake to increase the size of the win, or in the case of linked machines, must put in the maximum stake to qualify for the linked prize.
- a stake on multiple-lines. On these machines the player can play on one or more lines, and is encouraged to play on more than one line because of the possibility of near misses on the other lines.

23.70 We understand that there are all-cash machines in bingo clubs in the UK that offer multiple lines. The player can choose to play one line for 10p, two for 20p or three for the maximum stake of 30p. There have also been AWP's that allow multiple staking up to the maximum of 30p, but these have not been very popular with operators.

23.71 Multiple-staking relates to the size of the stake on a single game (in the case of a machine a "game" means each complete play cycle of the machine). Allowing multiple staking is in essence no different from putting a larger bet on a horse or more chips on a table game. We do not believe that this is something that need unduly concern us. In the case of all-cash and jackpot machines, the stake will be subject to the overall limit of 50 pence/£1 and the maximum prize of £25/£500. Within those limits we believe that operators should have the ability to vary the stake. In casinos, multiple staking would be entirely consistent with the other



gambling on offer. **We recommend that multiple staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines with unlimited stakes and prizes.**

23.72 We are more concerned about multiple-line machines, because they encourage players to bet simultaneously on several lines. This increases the speed of play and the repetitive nature of the game, and thus may lead to obsessive play and encourage the player to stake more than he might really want to. We understand that the incitement to bet on more lines often comes from the near misses that appear on the lines on which bets have not been placed: in the next game the player feels that he must also cover those lines in case the near miss becomes a hit. On all-cash and jackpot machines, the maximum stake for each game is limited to 50 pence/£1 and perhaps it does not matter whether the player has one line or five lines for that price. On casino slots, our concern would be assuaged if near misses occurred randomly and were not manufactured to lure players into gambling on more lines. **We recommend that multiple-line staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines, subject to such machines operating on the random basis described in paragraph 23.63.**

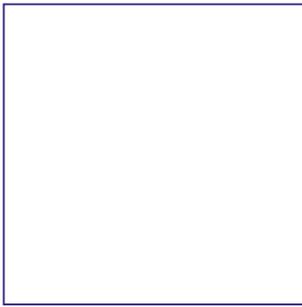
Multi-player machines

23.73 Multi-player machines are starting to appear in this country. These enable a number of players to play at different terminals, but on the same machine. Currently, gaming machines with more than one position count against machines numbers according to the positions. Thus a six-player pusher machine counts as six machines. Another example of such a machine would be electronic roulette. There is a particular problem with these because electronic roulette games in casinos are not gaming machines as defined in the 1968 Act and so are not currently subject to any statutory control on numbers. **We recommend that electronic roulette and any other similar machines should be caught by the definition of gaming machines in new legislation, and that the Gambling Commission should have discretion to determine the legal status of any new machines that may be developed.**

23.74 Our central interest in multi-player machines is that if a limit is placed on the number of gaming machines that may be installed in particular premises, it may be argued that a multi-player machine should count as one machine. However, common sense must prevail and **we recommend that on multi-player machines, each playing position should count as a machine.**

Venue	Casino Slot machines Unlimited stake/ Unlimited prize	Jackpot machines Maximum 50p stake/ £500 prize	All-cash machines Maximum 50p stake/ £25 prize	Low stake/ low prize machines Maximum 10p stake/ £5 prize
Casino	✓			
Bingo hall		✓	✓	
Betting shop		✓		
Arcade			✓	
Pub			✓	
Club			✓	
Family Entertainment Centre				✓
Showmen's Fair				✓

Figure 23.i: Summary of recommendations on machines



Machine testing

- 23.75 The Gaming Board has suggested to us that there should be machine testing for all machines, except low stake/low prize machines. BACTA has accepted that testing of casino slot machines would be justified, but has resisted the proposal to test jackpot machines and all-cash machines. We understand that the Gaming Board's concerns are principally (but not wholly) related to a possible future world in which there might be significantly more machines with much higher stakes and prizes than at present. BACTA rests its argument on the fact that there is no evidence that the current system has failed, but this will have less force as the emphasis shifts away from amusement towards harder gambling as a result of the higher proposed prizes.
- 23.76 Some of the concerns raised by BACTA are of a practical nature related to the present pattern of machine replacement in Britain. We do not feel that this is an area in which we are, or could become expert. Our concern is that games should be fair and that the gambling regulator should have the powers available to ensure that they are. That may require some machines to be tested randomly and, for others, it may require a more systematic inspection. During discussions with us, the BLRA (who equally did not claim to be experts in this field) suggested that casino slot machines should be tested routinely and jackpot machines should be subject to random testing. Ensuring that the games are fair must be balanced against the need not to impede market developments unnecessarily. We are sure that this is something to which the gambling regulator will be sensitive.
- We recommend that the Gambling Commission should have powers of machine testing sufficient to satisfy it that the machines**

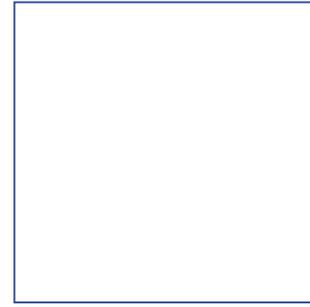
are fair and otherwise comply with regulations. The Gambling Commission should consult the industry before determining the appropriate level of testing. In particular, casino slots should be tested and approved prior to installation (as they are elsewhere in the world.)

Inspection, impounding, fines and prosecution

- 23.77 As discussed in more detail in chapter 33, we consider that the regulator should be given appropriate powers to inspect and impound machines, to fine and to bring prosecutions. There will be a distinction between premises licensed for gambling and premises not so licensed. So far as the former are concerned, the regulator should have powers of entry, including access to machines. As regards premises not licensed for gambling, the regulator should be given powers both to inspect legally sited machines and to act against illegally sited machines.

Profit sharing

- 23.78 A number of respondents suggested to us that profit sharing on machines should be permitted. They argued that the original reasons for prohibiting this practice have been removed by the 1968 Act. Before that Act, there was evidence of strong-arm tactics being used to enforce "sharing" arrangements. Under our recommendations, all those involved in the supply, maintenance and operation of machines will be licensed, and the scope for mischief in profit sharing will be limited. We are minded to agree that the contractual arrangements between the manufacturer, supplier and operator should be for them to determine. **We recommend that profit sharing on machines should be permitted.**



chapter twenty four

Casinos

- 24.1 A number of issues we have discussed in earlier chapters affect casinos. This chapter deals with issues that are unique to casinos. Chapter 19 deals with the licensing of corporate bodies and individuals and chapter 21 with the licensing of premises.
- 24.2 In chapter 20 we have recommended that permitted areas and the demand test should be abolished. Recognising that this could lead to a significant increase in applications for casinos, we have suggested that, at least initially, there should be a specified minimum size for a casino. We have recommended that the gaming floor devoted to table games should be at least 2,000 square feet.
- 24.3 In chapter 22 we have set out our recommendations that membership and the 24-hour rule should be abolished; credit cards should be permitted to be used for gaming; and advertising restrictions may be relaxed. We also propose in that chapter that casinos should be able to offer bingo and betting in addition to table games and gaming machines (subject to the operator obtaining the necessary licences).
- 24.4 In chapter 23 on gaming machines we have suggested that in the strictly regulated environment of a casino, slot machines with unlimited stakes and prizes should be permitted. We are concerned that there should be a mix of gambling activities in casinos and we have recommended that there should be a ratio of no more than eight gaming machines to each gaming table for the first eighty tables; but where more than eighty tables are available for play there should be no restriction on the number of gaming machines that are allowed. We have recommended that casino slot machines may be linked and that multiple and multiple-line staking should be permitted, subject to the machines operating on a random basis.

Positive identification

- 24.5 We have recommended in chapter 22 that the statutory membership requirement for casinos should be abolished. That would not preclude casinos from choosing to continue to operate as private clubs should the operators wish to do so. For casinos, we recommend that instead of membership there should be a requirement to positively identify all those who enter the casino. We have been advised by the police that guests are not always properly identified and that this is a significant loophole in terms of money laundering requirements. When they gave oral evidence to us, we asked the British Casino Association what impact the abolition of guest status would have. They

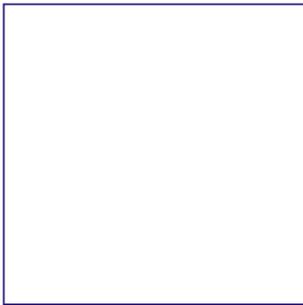
were concerned that, for cultural reasons, some visitors would prefer not to seek membership of a casino, but would like to attend occasionally as a guest. We have suggested that membership should be a matter for individual casinos and we do not think that need confuse the issue of guests. If the casino chooses to operate on a membership basis, guests should also be required to produce positive identification.

- 24.6 We are aware that casinos in some other jurisdictions insist that all visitors are positively identified and the absence of a membership system does not inhibit them from doing so. In Holland, for example, (where the casinos, of course, operate in accordance with the same EU Money Laundering Directive as UK casinos) the following are accepted as positive proof of identity:
- passports
 - tourist cards
 - driving licences (with photo)
 - national identity cards
 - military passports or ID cards
 - pensioners' ID cards
 - student travelcards
 - Government and corporate ID cards (but only if they carry a photo, first names, surname, date of birth, name of issuing body, issue number and signature of the bearer)

- 24.7 Several of the items of identification used in Holland will not be available to UK residents, although visitors to UK casinos could rely on identification of this kind. The UK will need to produce its own list of acceptable means of identification, in consultation with the police. **We recommend that the Gambling Commission should issue a list of the documents that are acceptable as positive proof of identity and should specify the details that should be recorded by the casino and for what period they should be retained.**

Present in the casino

- 24.8 Chapter 30 sets out our proposals in relation to virtual gaming on-line. In legislative terms, that will require the removal of the requirement (in section 12 of the Gaming Act 1968) that gaming may only be carried out by a person who is present on the premises. We have



considered whether the removal of this requirement should have any consequences for anything other than virtual gaming. It would, for example, be possible for a punter to view a casino game broadcast from a casino somewhere in Great Britain and then game over the telephone or via e-mail. Effectively, there would be a third category between gambling on premises and virtual gaming, of gaming in casinos but remotely.

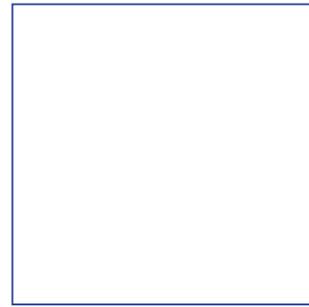
- 24.9 We do not think there is any reason of principle or practice to prohibit casinos from offering on-line gambling based on a real live game. Operators wishing to do so (like operators wishing to offer virtual gambling) would have to obtain a licence from the Gambling Commission before doing so. The Commission would need to satisfy itself that the games were fair, including that they were broadcast live. If it were the case that the Commission could not be satisfied that a game based on a live casino would be conducted fairly, it would not be approved.
We recommend that gaming remotely on the outcome of "live gaming" should not be prohibited.

Opening hours

- 24.10 We have recommended in chapter 21 that the local authority should determine a casino's opening hours as one of the conditions attached to the premises licence. It is perhaps worth setting out the current position in relation to casino opening hours.
- 24.11 Since 14 August 2000, casinos have been able to open from 2pm until 6am on weekdays. Before that date, they closed at 4am. In its press release, the Home Office said the *"new closing time will also benefit staff who may see more flexible shift patterns and higher earnings."* When we met a group of croupiers, they told us that there had not been adequate consultation with staff before this change was introduced and that many were unhappy about the changes in their working conditions. They also mentioned to us a number of other concerns about the health and safety of gaming staff, including, for example, exposure to passive smoking. The welfare of gaming staff is not within our terms of reference and we made this clear to the croupiers who came to see us. We were, however, concerned about the health and safety issues they raised with us and we have put them in contact with the Local Authority Unit at the Health and Safety Executive, who are responsible for such matters in relation to casinos. We understand that consulting casino staff as a group may not be easy, because generally they are not unionised, but we would encourage casino operators to ensure that there is consultation with their staff before they seek to extend their opening hours further as a result of our recommendations.

What games should be permitted?

- 24.12 The Bankers Games Regulations currently permits eight games to be played in casinos in Great Britain: American Roulette, French Roulette, Punto Banco, Blackjack, Casino Stud Poker, Craps, Baccarat and Super Pan 9. Casinos are also able to allow other games to be played, such as mah jong or backgammon. A fee may be levied on players, or rooms are made available as an ancillary attraction at no extra charge.
- 24.13 Only three written submissions to us commented on the need to relax the procedures for approving new games, or asked for specific changes in relation to particular games. However, this was a recurrent theme in the discussions we had during our visits to casinos. The industry is clearly frustrated that it cannot respond more flexibly to customer requests or have the ability to test a wider range of games before deciding whether to offer them on a more permanent basis. During our visit to Scheveningen, we noted that "Holland Casinos" could offer games from a selection of thirteen approved by the regulator. On the evening we visited, five different games were being offered and the manager suggested that this was the maximum he would offer at any one time. We note that the Ladbrokes Internet Casino (operating from Gibraltar) offers thirty-five games. There is clearly scope to increase the number of games currently approved under the 1968 Act.
- 24.14 We do not think that it is necessary for approved casino games to be specified in legislation. What is important is that the Gambling Commission should set the parameters for the development of games. Essentially, what is offered should be fair and transparent; any equipment that is required should be tested; staff should be properly trained; and punters should be fully informed about the returns. The Gambling Commission should publish a list of approved table games from which casino operators could select the games they would like to offer. Each casino should maintain a list of the games that it makes available for play, and as part of the inspection process the Gambling Commission should satisfy itself that there are staff who are properly trained to run the games that are on the list. The Gambling Commission should be open to requests for new games to be added to the list that it publishes, provided that they meet the criteria for acceptance. **We recommend that the Gambling Commission should set out guidance on the standards required for table games and should maintain a list of games that have been approved for play in Great Britain. Games may be added to, or removed from, the list at the Gambling Commission's discretion.** We do not consider that this should be an issue for secondary legislation.



Entertainment

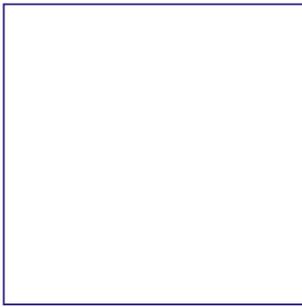
- 24.15 Casinos in Great Britain cannot offer live entertainment. Most other countries do permit live entertainment: as we saw for ourselves during our visits overseas. On those occasions, we felt that the provision of entertainment greatly added to the lively atmosphere in the casinos and that was in stark contrast to hushed tones in several of the UK casinos we visited. We are making other proposals that will further increase the availability of hard gambling in casinos and possibly attract new punters, who are tempted to visit following the removal of the membership requirement. Overall, we think that it would be desirable for casinos to be able to offer a more rounded experience, with entertainment in addition to dining and gambling.
- 24.16 No doubt the commercial objective of introducing entertainment would be to get punters to spend more time in the casino. An interesting comment made by a casino manager during our visit to Holland was that in his experience UK casinos wanted to attract gamblers, whereas Holland Casinos wanted to attract people for a night out that might involve some gambling. We were told that the average spend of customers in the Scheveningen casino is about £55 per visit, including food, drink and the £7 (about £2) entrance charge. That is lower than many of the examples of average spend given to us during our UK visits, and it may reflect the more relaxed environment in which customers appeared to be spending at least as much time socialising as gambling.
- 24.17 Not all casinos would want to introduce entertainment. The submissions we have received suggest that the aspirations of the current operators are fairly modest in relation to the entertainment they hope to offer. The example often quoted is of a desire to provide a piper to pipe in the New Year. Nevertheless, we have received two submissions from smaller operators opposing such a change on the basis that they could not compete with larger companies. We think that these concerns may be unfounded for two reasons. First, there will always be customers who prefer to gamble in quiet surroundings and would not welcome a change of the kind we are proposing. Second, we have made it clear that gambling must be the primary purpose of gambling premises. The minimum size for new casinos will also mean that there could not be an explosion of nightclubs offering gaming as a sideline. **We recommend that casinos should be permitted to offer live entertainment.**

Alcohol on the gaming floor

- 24.18 In Great Britain, alcohol is not taken on to the gaming floor. That is unique amongst the 25 countries compared in a table provided to us by Ladbrokes as part of its submission¹. The industry clearly appear to be of the view that there is a statutory prohibition, but the Home Office has assured us that the current position is the result of custom and practice. Certainly some casinos have a liquor licence that is valid for the whole premises, and some have a licence that specifically excludes the gaming floor. Whatever the legal position, there is a de facto ban on alcohol on the gaming floor. We have considered whether this should change. Alcohol and gambling do already mix in Great Britain. For example, punters may drink while playing bingo. Within casinos, the current restrictions are rather artificial. The croupiers we met told us that many customers nip to the bar while cards are being shuffled and race back in time for the next hand. Interestingly, the croupiers were divided about whether alcohol should be allowed at the table. They were conscious that people could spend more at the table if they were drinking and could take more risks as a result.
- 24.19 In general we are anxious that gambling and alcohol should not mix more than they do already. In the case of casinos, we do not think that allowing alcohol on the gaming floor would be a substantial change to the current position, where alcohol may be readily available a few feet away. **We recommend that the current restrictions on alcohol on the gaming floor should be lifted.**

Tipping

- 24.20 Those who gave evidence to us were divided about whether the tipping of gaming staff should be permitted. Only six submissions commented specifically on this issue; of which, four were in favour of tipping and two against. The casino workers to whom we spoke were also divided.
- 24.21 Those who favour tipping point out what they regard as the iniquitous position that currently exists whereby the staff who serve dinner, bring drinks and look after coats may be tipped, but the staff who are actually providing the principal service that the customer wants (gaming) may not be tipped. Those who are opposed to tipping argue that it would change the relationship between the dealers and the punters and that punters would feel obliged to tip and may be pressured into doing so. There was also a concern that if tipping were introduced, wages would fall and take home pay would be unpredictable. Those may be real fears, but they are certainly not unique to gaming.



24.22 We believe that to justify a statutory ban, there would have to be reason to think that tipping would lead to dishonesty. We have not received any evidence to suggest that this is a serious danger, although some operators have said that it could lead to abuse and collusion. If that did occur and was detected, the member of staff would certainly risk losing his Gambling Commission licence and thus his livelihood. Dealers are generally not in a position to influence the outcome of a game.

24.23 Tipping is common in other jurisdictions and we have not been made aware of difficulties arising as a result. **We recommend that tipping of gaming staff should not be prohibited.** Individual casinos may, of course, choose not to allow tipping, or may decide to operate a tip pool for distribution to all staff. That should be a matter of negotiation between casino operators and their staff.

Inducements

24.24 Casinos already offer small “rewards” to valued customers. For example, they can take the form of free meals or cars home after an evening’s gambling. Staff are encouraged to point out customers to whom such perks should be offered.

24.25 Casinos in some other jurisdictions can offer much more than this. At the most extreme, casinos can attract high rolling punters by providing private jets to bring them to the casino, lavish hotel suites while they stay at the resort, meals and entertainment fashioned to their preferences, and a discount on gambling losses. It is perhaps difficult to comprehend the sums that must be routinely gambled by these punters that still allow the casino to profit from the visit. At the lower end of the market, punters can collect loyalty points. Such loyalty cards were a common sight during our visit to Las Vegas. A typical loyalty scheme might offer:

- cash back each time a certain level of points is reached
- complimentary suites and dining
- reserved check-in lines at the hotel and immediate entry to restaurants
- discounts in local shops
- preferred parking facilities

The objective is to keep the customer and encourage him to spend more to earn more points to get, what may seem to be, extra benefits at no cost.

24.26 We have said that one of our principles is to proceed cautiously. We are proposing changes that may make

casino gambling much more accessible to punters who have not previously entered a casino. We are proposing that a mix of activities may be offered in ways that have not previously been permitted in this country. The counter-balance is that regulation on the industry will remain tight. We are concerned that allowing casinos to offer inducements to gamble may be a step too far at this stage.

24.27 We are uncomfortable about recommending that this area should be liberalised for two reasons. First, we have concerns that competition in offering inducements would inevitably descend into activities bordering on the criminal. It was the experience of the 1960s and 1970s that offering better incidental attractions was one way of attracting custom from rival casinos and dubious means were employed to identify and poach customers. We do not want to encourage this particular kind of competition and believe that it would be incompatible with the desire to keep gambling free from crime. Casinos must compete on the basis of the gambling products they offer, the quality of the service they provide and the ambience they create.

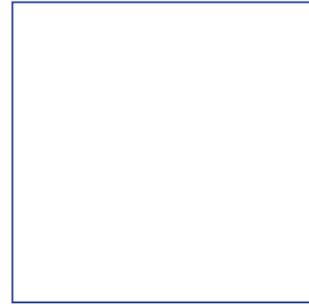
24.28 Second, we have concerns on problem gambling grounds. We are concerned about punters who cannot afford to lose a great deal of money and are encouraged by loyalty card inducements to gamble more than they might have intended. **We recommend that no more inducements than are currently available should be permitted. The Gambling Commission should issue guidance on what inducements are acceptable.**

Resort casinos

24.29 A resort casino is a complex which includes hotel rooms, restaurants, bars, performance space, possibly conference facilities and, most important, a range of gambling facilities. The gambling facilities usually include large numbers of casino table games, fruit machines (slot machines with unlimited stakes/prizes), some form of bingo and sports betting. Resort casinos are the main feature of, for example, Las Vegas.

24.30 Resort casinos are not permitted under present regulations, since, for example, live entertainment cannot be provided in casinos and the number of machines in casinos is strictly limited. Our proposed changes would permit them. The development of a resort casino or resort casinos in a particular location would depend on local authority planning decisions and on the commercial judgement of businesses that wished to provide them.

24.31 We have received a submission from Leisure Parcs Ltd, London Clubs International Plc and Blackpool Challenge Partnership which seeks to develop a



gambling centre with a number of resort casinos in Blackpool as a means of regenerating the town. A group of us also visited Blackpool.

- 24.32** It is claimed by that consortium that the success of their project depends on Blackpool having a virtual monopoly, within the United Kingdom, of this type of resort. As they stand, our proposals would not guarantee that outcome. There are some 120 casinos in Britain. We assume that our proposals will result in an increase in the number of casinos which would also be able to offer the range of activities to be found in a resort casino. The British situation is therefore very different from the one that produced Atlantic City, for example, or Biloxi. In those cases the starting point was an existing ban on gambling of any type which was then relaxed for a particular region with the objective of regenerating it. A local monopoly was created deliberately to ensure the profitability of the operation and to attract commercial operators. A similar approach is currently being followed in South Africa where the right to establish a gambling resort, with a local monopoly, is auctioned (with the bid terms including evidence on local regeneration).
- 24.33** It is possible that a small number of resorts (or even possibly just one) would emerge as a response to free market conditions in a deregulated environment. Unless special conditions were imposed, a venture such as that proposed for Blackpool could not be sure in advance that it would enjoy a monopoly. That would require legislation which would grant the exclusive right to develop a gaming resort, with a number of resort casinos, in one location.

24.34 Our terms of reference require us to consider

- The desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness maximise the UK's economic welfare.

It is clear that under current regulations suppliers of gambling in the UK cannot compete with the facilities offered by Las Vegas, Biloxi or Atlantic City. Citizens of the UK may therefore take holidays in those resorts because nothing similar is available here and we cannot attract foreign visitors seeking that kind of experience. The UK is at a regulatory disadvantage.

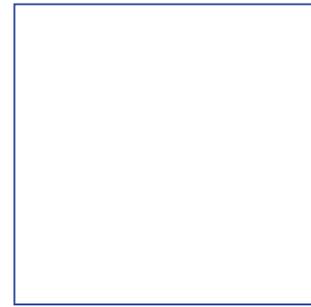
- 24.35** Our proposals reduce that regulatory disadvantage while still meeting the social objectives of current legislation. They therefore both increase consumer choice and provide additional opportunities for UK suppliers to expand their activities. They should therefore help to improve the UK's economic welfare.
- 24.36** We believe that the case for Blackpool (or for another resort) to be given monopoly rights goes beyond our terms of reference. The core of the case is that the Blackpool economy will thereby be regenerated. While we can completely sympathise with that objective we cannot claim to be able to decide whether the granting of a monopoly to Blackpool to establish a gambling resort is an appropriate way of achieving it. That is a matter of public policy extending beyond our terms of reference.
- 24.37** Our proposals would make resort casinos a legal possibility. Whether they would be an economic proposition in Blackpool or anyway else is a matter of commercial judgement.



chapter twenty five

Bingo

- 25.1 A number of issues relating to bingo have been discussed in earlier chapters. This chapter deals with the issues that are unique to bingo.
- 25.2 Chapter 19 deals with the licensing of corporate bodies and individuals, and chapter 21 with the licensing of premises. In chapter 20 we have recommended that the demand test for bingo halls should be abolished. In chapter 22 we have set out our recommendations that membership and the 24-hour rule should be abolished; credit cards should be permitted to be used for gaming; and advertising restrictions may be relaxed (although, of course, bingo is already free to advertise widely). That chapter also discusses the mix of activities in gambling premises: we have recommended that casinos should be able to offer bingo (subject to the operator obtaining the necessary licence). Chapter 23 sets out our recommendation that individual bingo halls should be permitted to have both four jackpot machines and a number of all-cash machines (the maximum number to be determined by the local authority). In chapter 30 we have recommended that on-line gambling should be permitted and regulated. The implication for bingo operators in Great Britain is that they would be able to offer on-line bingo on regulated sites
- Bingo games**
- 25.3 The Bingo Association told us that it would like to be able to offer much greater variety in the games its members can provide, together with much higher prizes. Bingo was badly hit by the National Lottery and bingo halls continue to see the National Lottery as a principal competitor. The bingo industry is also concerned about the impact on its market of unlicensed bingo in pubs and clubs.
- 25.4 Bingo is widely regarded as soft gambling. We have noted in Chapter 17 that a soft form of gaming can be transformed into a far more addictive activity by changes to the frequency with which staking can take place. Opportunities for rapid re-staking when the stakes are high allow people to run considerable financial risk in a very short period of time. Games where the total money staked in a period is paid out in many trivial amounts may create the illusion that little money has been staked. If bingo operators were to be able to offer unlimited stakes in combination with unlimited game frequency and computer terminal based games, we think that the nature of the game could be changed into a much harder variety.
- 25.5 The Bingo Association has made clear its view that bingo should remain soft gaming, and should not be mixed with harder forms of gambling which could encourage punters to trade up to those harder forms. However, we note that bingo halls already rely on a harder form of gambling - gaming machines - for 25%-30% of their profits.¹ According to the MORI poll for BSL, the average spend of bingo patrons on gaming machines (£6.05) is only a little lower than the average spend on bingo of £8.44 per night².
- 25.6 We have also noted the number of submissions from bingo operators that have emphasised the social framework in which bingo is played. Bingo is said to have a place at the heart of many communities and companionship and the chance to make and meet friends are often cited as reasons why people play. We have been told that bingo is regarded as a good night out for a modest outlay. Including food, drinks and other games, such as mechanised cash bingo or machine games, the spend is around £15-£20³. Bingo clubs are viewed as safe and comfortable, particularly for women.
- 25.7 The current rate of problem gambling among bingo players ranges from 2.0% to 2.6% according to the Prevalence Survey. According to the research commissioned by the Bingo Association, 31% of the public and 27% of bingo players thought that bingo tended to appeal to those with some form of gambling addiction. We think there are real risks in intensifying the addictive potential of the activity.
- 25.8 We understand the bingo operators' wish to offer a greater range of games and variations on the current game and we are content to make recommendations that would provide for this. However, we are concerned that there should be safeguards which would enable the Gambling Commission to assess whether new games and variations of the bingo game, by changing both the speed and the amount which can be staked, change the nature of bingo. **We recommend that any new games should be approved by the Gambling Commission. The Gambling Commission should also be able to intervene where games which are currently approved are so altered as to change their nature to become harder in their operation.**
- 25.9 In this context, we have been concerned to note the introduction of the "Electronic Dauber" (TED). This enables players to play simultaneously as many electronic bingo tickets as the memory capacity of the machine will permit. We believe that this fundamentally



changes the nature of the game. TEDs are not yet widely available and we understand that clubs have restricted TED's players to 30 or 40 tickets a time, although each machine has the capacity to read many more tickets. Most players are still limited to the number of tickets which they can register manually – six is usually the maximum, although some people can play up to twelve.

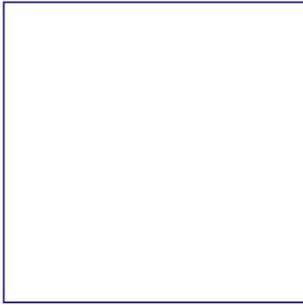
- 25.10 The use of TEDs increases the speed of the bingo game, and increases the number of games which can be played in any session, thus significantly increasing the average spend. More importantly, the introduction of TED means that there is an imbalance amongst the players. Those playing manually are dependant on their own ability to keep up with the game on all their cards, but they are playing head-to-head with others who are relying on a machine to read the cards for them. We question whether it is fair to mix the two systems. It is perhaps arguable that a player who chooses not to hire a TED machine to play against others in the same bingo hall can properly assess the odds against them and take a chance. But if TEDs are used by people playing linked bingo or the National Game, the inequality is greater and cannot be assessed by individual players.
- 25.11 In our view, using TED significantly alters the nature of bingo. We understand that the Gaming Board believes that it has no power under the existing legislation to prevent the introduction of TED. Certainly, if this system were not permitted under the current law, we would have reservations about its introduction alongside traditional bingo games. This is one of the reasons we have recommended that the Gambling Commission should have the power to intervene if the nature of the game is fundamentally altered.

Stakes, prizes and frequency of games

- 25.12 Smaller bingo companies have expressed concern about higher stakes and prize limits, because this could affect their ability to compete with larger companies who will offer bigger prizes. This is similar to the concern expressed by smaller casinos about the stake and prizes on casino slot machines. In the case of slot machines we have argued that the prospect of more competition should not artificially restrain stakes and prizes, and noted that smaller casinos could link together to offer bigger prizes. The same can be said about bingo. We recognise that more competition may adversely affect smaller bingo companies, but we do not consider that it is part of our remit to take specific steps to preserve any particular part of the industry. **We recommend that there should be no statutory limits on the stakes and prizes in bingo games.** We consider that the market should determine these limits. We note that the Bingo Association has reported that higher ticket prices are not popular with players and this will be the main restraint to big increases. Our proposal will mean the removal of the principle that prize money must only come from stake money.
- 25.13 There are currently restrictions on the number of times the National Game or other multiple bingo may be played. We do not think that such restrictions are necessary. The Bingo Association has argued that multiple games will never entirely replace mainstage bingo and our own observations during our visits lead us to accept that view. **We recommend that there should be no restriction on the frequency of multiple bingo games.**
- 25.14 The Bingo Association has asked that the principle of rollovers should be applied to bingo. This would operate by means of retaining a proportion of the stake on each game to generate a rollover to add to the prize on another game. The National Lottery is permitted to "rollover" three times. It would be difficult to apply a similar limit to bingo, but the Bingo Association has suggested that the money levied from any particular game should be paid out as an increased prize within one year. We think that such a system could be very complicated to administer, if the retained stake from every game had to be separately identified and accounted for. But that may nevertheless be the most simple solution. **We recommend that rollovers should be permitted.**

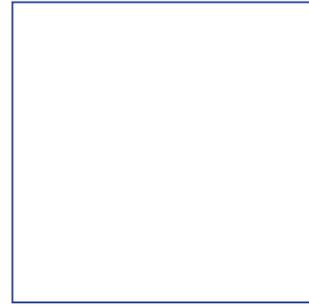
Pubs and clubs

- 25.15 The Bingo Association has proposed that all premises licensed for the sale of alcohol which intend to offer bingo should be registered in the same way as bingo halls. Bingo played in pubs and clubs is not liable for duty and is not regulated.
- 25.16 We understand that there are plans to introduce linked bingo to working men's clubs, to be run by a commercial company with prizes of up to £20,000. The Gaming Board has told us that it has been consulted about this proposal, but that it is not within its remit.
- 25.17 In our view, the exemptions in the Gaming Act 1968 were intended to provide for occasional gambling on a small scale, conducted primarily for entertainment rather than commercial gain. It is difficult to reconcile that with a linked game offering a big prize. If such a scheme were pursued, it would appear to evade current regulation. That cannot be right. We cannot have rigorous assessment of bingo on commercial premises, but no regulation at all of those offering similar prizes on private premises through the medium of a commercial company.



25.18 We do not think that the Gambling Commission should concern itself with the level of exempt bingo envisaged in the 1968 Act, but it should certainly have the ability to regulate all bingo conducted on a commercial scale. **We recommend that where the**

size of prizes for equal chance gaming (such as bingo) in pubs or clubs is beyond a limit of £1,000 per week, it should be regulated by the Gambling Commission in the same way as other commercial bingo.



chapter twenty six

Betting

- 26.1 The regulation of betting is quite different from that of the other gambling activities we have been examining. That does not, of course, mean that it needs to be changed. It was forcibly put to us by a number of those who submitted evidence that there was no need to change a system which worked perfectly well. We have considered whether that claim is correct. We believe that while most of it works well there are shortcomings in the present system which should be remedied.
- 26.2 The most significant difference is that betting does not have the equivalent of the Gaming Board to oversee its activities. Spread betting is regulated by the Financial Services Authority; on-course betting at racecourses tracks is supervised by the National Joint Pitch Council; off-course betting has no regulator. Licensing of bookmakers is undertaken by licensing magistrates. Apart from age, there are no controls on those who work in betting shops. Permission to provide betting at racecourses is given by the Horserace Betting Levy Board through the issue of Certificates of Approval and licences to provide betting at greyhound tracks are issued by local authorities.
- 26.3 Our proposals on certain aspects of gambling which are relevant to betting are presented in earlier chapters. This chapter concentrates on the issues that are unique to betting. Chapter 19 deals with the licensing of corporate bodies and individuals and chapter 21 with the licensing of premises. We have proposed that the Gambling Commission license betting shop managers, brokers and public tic-tacs. In chapter 20 we have recommended that the demand test for betting shops should be abolished. In chapter 22 we have set out our recommendations that credit cards should be permitted to be used for gambling and that bookmakers may continue to offer credit. We have also recommended that advertising restrictions may be relaxed. We have proposed that money laundering compliance measures should be applied to betting. That chapter also deals with our proposal that casinos should be able to offer betting in addition to other activities, but that betting shops should not be able to offer any other gambling apart from a limited number of gaming machines. We have also proposed that alcohol should not be served in betting shops and that betting should not be permitted in pubs. Chapter 23 sets out our recommendation that betting shops should be permitted to have a maximum of four jackpot machines.

Betting shops

Opening hours

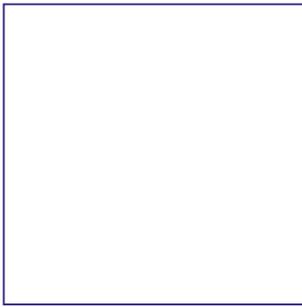
- 26.4 Chapter 21 sets out our view that the opening hours of gambling premises should be determined as a condition of the premises licence. It may be helpful to set out the current position on betting shops. Opening hours were restricted under the 1963 Act, but over the years the restrictions have been relaxed, particularly with the introduction of Sunday racing. However, betting shops cannot open on Good Friday or Christmas Day and opening hours are shorter in winter than in summer, when evening race meetings are held. Under our proposals, opening hours will be a matter for the local authority to determine.

Alcohol and amenities

- 26.5 In chapter 22 we discuss our reasons for not recommending that alcohol should be permitted in betting shops (and for not allowing betting in pubs). There are, however, other restrictions on the facilities that can be offered in betting shops. Any non-alcoholic drinks may be sold, but only pre-packaged food such as sandwiches, biscuits or cakes may be offered. Clearly the ban on anything other than non-alcoholic drinks must stay, but otherwise we see no need to retain these other restrictions. There are also restrictions on the material that may be displayed or broadcast in betting shops. We do not think it is unreasonable that such material is restricted to subjects on which bets may be made. **We recommend that betting shops should be able to offer any food as well as any non-alcoholic drinks.**

Betting on the National Lottery

- 26.6 The National Lottery Act prohibits bookmakers from taking bets on the UK National Lottery. This is the only event, subject to exclusions on grounds of bad taste, on which bookmakers are prevented from taking bets. Bookmakers in Great Britain do offer betting on the Irish National Lottery.
- 26.7 Bookmakers want to be able to offer betting on the UK National Lottery. Such a bet is likely to be attractive to some punters because a winning bet would pay very much more than the National Lottery for a correct prediction of, say, three numbers. It has been suggested to us that people would continue to buy their lottery ticket in addition to betting on the same numbers, because the risk of missing a very big win on the National Lottery would be too great to



bear. We note that the Culture, Media and Sports Select Committee recommended that betting should be allowed on the National Lottery. We recognise that any change could have an impact on National Lottery income, but that should not by itself rule out the possibility.

- 26.8 The National Lottery is outside our remit, but betting is within it. We regard this as a question about the regulation of betting and as such, **we recommend that betting on the UK National Lottery should be permitted.**

Betting tracks other than racecourses and dog tracks

- 26.9 The 1963 Act defines the term “track” very widely as “premises on which races of any description, athletic sports or other sporting events take place”. All such tracks on which there is regular betting (and those who operate them) would need to be licensed as we have described in chapters 19 and 21. Tracks with a “betting track licence” are most usually dog tracks, although this type of licence would also apply to betting at, for example, football and cricket matches.
- 26.10 Under the 1963 Act there is an exemption for tracks at which there is betting on no more than seven days a year. This is intended to allow bookmaking at occasional events, such as gymkhanas, without the need to obtain a track betting licence. In addition to the frequency of the event, a condition is that the police should be given seven days notice that betting will be taking place. An exemption of this kind should be carried over into new legislation, so that occasional betting can take place without the need for an operator to be licensed by the Gambling Commission, or the track to be licensed by the local authority. All the bookmakers operating at the event, of course, would be licensed. **We recommend that bookmaking should continue to be permitted on tracks on not more than seven days in any 12 months without the operator being required to seek a licence from the Gambling Commission or local authority. Seven days notice of the betting should be given to the police.**

Racecourses and greyhound tracks on non-race days

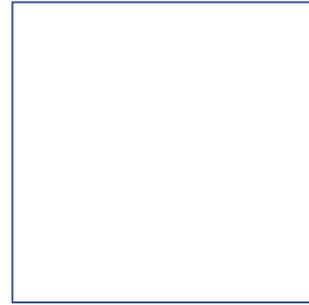
- 26.11 The use of racecourses for betting on non-race days is not currently permitted. The BHB takes the view that racecourses are under-utilised facilities. They would

like to be able to offer betting on non-race days on events other than horseracing, and gaming such as gaming machines. Similarly, the BGRB would like to offer dining and betting at a greyhound track on days when there is no racing at that track.

- 26.12 We understand the wish of racecourse and track operators to make greater use of their resources. However we are reluctant to propose a set of rules to cover this contingency. If the operators of racecourses wished to offer betting, alcohol, gaming and entertainment on non-race days we believe that they should be able to apply for a casino licence for such events, under our proposed licensing rules.

Restrictions on the entry charge racecourses may make to bookmakers

- 26.13 The horseracing industry would like to see the restrictions on the amount they can charge bookmakers for entry to racecourses lifted. The HBLB and the BHB have strongly recommended that section 13 of the 1963 Act, which limits the amount racecourses or dog tracks can charge bookmakers to five times the entry charge for the public, should be repealed. They argue that charges to bookmakers should be dictated by the market and not by legislation. The Rails Bookmakers Association and the National Association of Bookmakers are opposed to such a change. The NAB believes that Racecourses would try to price out bookmakers in order to benefit the Tote. The Rails Bookmakers assert that the five times rule protects the punter, and if it is abolished and bookmakers have to pay more for admission, the cost will have to met by the punter.
- 26.14 The presence and bustle of activity of on-course bookmakers at a racecourse is an integral part of the event, and we do not believe that it would be in the commercial interests of racecourses to price them out of the market. However, we do believe that the “five times” rule is an anachronism, and that racecourses and bookmakers should make their own commercial arrangements. At the same time we recognise the force of the bookmakers’ arguments and we would expect the competition authorities to intervene if racecourse owners acted unfairly. **We therefore recommend that the rules restricting charges for the entry of bookmakers to racecourses or dog tracks should be abolished.**



Ownership of tracks

- 26.15 Chapter 16 sets out our arguments for believing that competition, competition regulation and our proposed regulatory framework provide sufficient punter protection to obviate the need for any recommendations concerning the ownership of racecourses by bookmakers, the BAGS arrangements and the role of SIS. As far as the Starting Price system is concerned, we consider that the recommendations to reform the organisation and management of the starting price returners, made in the Arthur Andersen report¹, combined with our own proposals for the regulation of on-course betting, will provide adequate safeguards for the punter.

The Horserace Totalisator Board and totalisator betting on greyhound racing

- 26.16 A totalisator is a mechanised device for pool betting. It aggregates the total stakes paid into a pool. A predetermined percentage of the pool is deducted to cover the expenses of the operator and his profit. When the result of the race is known, the remainder of the pool is divided equally among the winning punters in proportion to their stakes. Totalisators offer a choice of pools on any one race or combination of races. There are differences between the operation of the totalisator run by the Horserace Totalisator Board (the Tote), which takes off-course as well as on-course stakes, and the totalisators run by licensed greyhound tracks (which take only on-course stakes.)

The Horserace Totalisator Board (Tote)

- 26.17 No pool betting at horse racecourses may take place unless it is authorised or conducted by the Tote. The Tote also has a monopoly on the conduct of off-course pool betting on British horseracing. It acquired the power to extend its pool betting activities to events other than horseraces in 1972, and to engage in bookmaking on any sporting event². Tote profits are devoted to the improvement of racing. The Home Secretary has announced that the Tote will be sold to a consortium of racing interests. This will coincide with the disbanding of the Horserace Betting Levy Board and the abolition of the statutory betting levy on horseracing. We understand that it is intended that the Tote should retain its monopoly position for a limited time after the sale, although the bookmakers have indicated that they might mount a challenge under competition law.

Totalisator betting on greyhound racing

- 26.18 The situation with regard to greyhound totalisators is rather different. Under the Betting, Gaming and Lotteries Act 1963, no pool betting on dogs may take

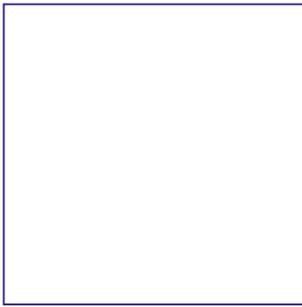
place except by way of on-course totalisator betting on a licensed dog track. Only the operators of licensed tracks (licensed by local authorities) may operate their own tote, or authorise someone else to operate it. The operation of on-course totalisators is governed by the Dog Racecourse Totalisator Regulations, which lay down a number of requirements including the display of information, the running of the totalisator and the statement and audit of accounts. There is no statutory betting levy on greyhound betting, although there is a voluntary levy.

- 26.19 The British Greyhound Racing Board recommended that the greyhound totalisator should have parity with the horserace totalisator and be permitted to accept off-track wagers. Section 16 of the 1963 Act restricts betting on greyhound totalisators to punters at the track while racing is taking place, or to punters at another track where there is racing going on at the same time (under the inter-track betting scheme). In chapter 16 we commented on the rather unsatisfactory arrangements for off-course and on-course fixed odds betting at greyhound racetracks where starting prices can be set by a very thin market. Off-course access to the tote would introduce a welcome element of competition and we believe this development should be encouraged. **We recommend that there should be off-course access to greyhound totalisators.**

Bookmakers rules

- 26.20 One of the major complaints of punters is that bookmakers make their own arbitrary rules, which are not clearly displayed, and are only pointed out to a punter when he goes to claim winnings – which may then not be paid or not paid in full. Certainly, during our visits to betting shops, we have seen bookmakers' rules displayed in such a way that they are not prominent or in print so small that they are difficult to read. The Independent Betting Arbitration Service (IBAS) gave the example of a punter who might bet £10 on a six horse accumulator at big odds, who could reach the shop's limit after the first four of his selections had won. Whatever happened to the final two selections his winnings could not increase, but if one of the two were beaten, his whole bet would be lost. IBAS have proposed that shops should be obliged to list their maximum payouts along with their rules. In the longer term, IBAS propose to produce model rules, adherence to which, they suggest, could be a statutory requirement.

- 26.21 We have heard from bookmakers that there are punters who engage in scams such as deliberately writing ambiguously on a betting slip so that they may claim a win on any one of several runners. It is reasonable that bookmakers should protect



themselves against dishonest activity by punters and against collusion between their staff and punters. We have noted that off-course betting shops do not produce computer generated printouts for the punter immediately the bet is laid, in the same way that many on-course bookmakers do. We understand the difficulty of doing that, given the complexity of the bets and the number of sporting events involved. The bet at a racetrack is usually a much more straightforward affair. However, a printout would ensure that there is no difference in perception between the bookmaker and the punter about the bet being laid and accepted. Such clarity could prevent a number of current disputes. We understand from IBAS that the use of technology in betting shops is being developed to produce a bet capture system, based on the Electronic Point of Sale (EPOS) process. That would certainly remove much of the basis of the disputes that currently occur. **We recommend that bookmakers' rules, and specifically the rules relating to the completion of betting slips should be clearly displayed. The Gambling Commission should have the power to scrutinise bookmakers' terms and conditions to ensure that they are fair and reasonable.**

Enforceability of gambling debts

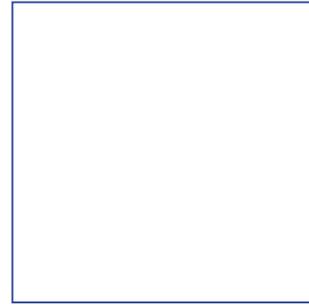
- 26.22 The Gaming Act 1845 (section 18) made contracts or agreements by way of gaming or wagering void and unenforceable, whilst making other betting transactions binding legal agreements. There are anomalies as a result of this legislation. For example, whereas betting debts are not generally enforceable, spread-betting debts are enforceable, and casinos can sue for payment of a cheque (but not on a contract).
- 26.23 We heard from the former officers of the, now defunct, National Association for the Protection of Punters and a number of punters who all stressed that betting transactions should be enforceable. Professor David Miers suggested that making debts enforceable would underline the responsibility of the individual and the importance of player protection.³
- 26.24 Some bookmakers, on the other hand, told us that the lack of enforceability worked more often to the punters' advantage, because they were not pursued through the courts for debts owed to the bookmaker as a result of gambling on credit; and because more money is owed to bookmakers by punters than by bookmakers to punters. They suggested that if debts were enforceable, bookmakers could be tempted to allow customers to run up big debts in the knowledge that they could sue for payment. We consider that if bookmakers were inclined to do that, the remedy could better lie in curtailing their ability to offer credit. We have not suggested that need be done, because we

do not think there is a real risk, in a regulated market, of bookmakers enticing customers to take more credit than they can afford.

- 26.25 We agree that the lack of enforceability of betting debts is an anachronism and should be remedied. **We recommend that all gambling debts should be legally enforceable.**
- 26.26 A further possible source of unfairness to the punter is what is known as the "palpable error rule." Bookmakers refuse to pay out winnings in cases where an employee has made an error during a betting transaction. An example would be where the employee has failed to photograph the betting slip. We fully understand that bookmakers wish to protect themselves from criminal collusion between punters and betting shop employees, but we do not believe that bookmakers should be able to protect themselves in this way from negligence by their employees. As a result of our recommendation that gambling debts should be legally enforceable, we assume that gambling contracts will be deemed to be consumer contracts, in the same way that other commercial transactions are.

Dispute resolution

- 26.27 The Independent Betting Arbitration Service (IBAS) currently deals with disputes concerning off-course betting and internet betting. IBAS told us that around 90% of the disputes it has dealt with were resolved in the bookies' favour. It believes this to be so because IBAS has had to rule on disputes according to the bookmakers' own trading rules, and bookmakers knew their own rules infinitely better than the customers. Many customers did not realise that they were tacitly agreeing to the bookmaker's own trading rules when they placed a bet in a betting office. IBAS considered that most disputes were due to a lack of information.
- 26.28 IBAS suggested that it should be compulsory for bookmakers to be members of an arbitration body, such as IBAS. The NJPC also said that punters should be confident that bookmakers would play by the rules and would comply with the findings of an independent body to resolve disputes. On-course betting disputes are currently resolved by the betting ring manager appointed by the NJPC. Resolution of these is assisted by the use of technology through the issue by the bookmaker of computerised betting slips at the time the bet is made, and by an audio recording of the transaction.
- 26.29 We do not think that there should be a statutory scheme for the arbitration of betting, or any other gambling disputes. That should be a matter for the industry. We recognise the good work that IBAS has carried out and we hope that the industry will



continue to support it, or a similar body. Our recommendation that betting debts should be enforceable should help to focus minds on the importance of resolving disputes without resort to the courts.

Corruption

26.30 Submissions received from the Jockey Club, the Metropolitan Police and the National Criminal Intelligence Service (NCIS) expressed concerns that bookmaking is an unregulated sector and offers money laundering opportunities. All three organisations, along with the Horserace Betting Levy Board, were concerned that there is considerable difficulty in identifying appropriate charges for those accused of corrupt activity such as doping, and recommended that there should be new, more substantive criminal offences relating to criminal offences in sport.

26.31 As we have discussed in chapter 16, the question of corruption in sport arising from collusion between bookmakers or punters and sporting participants is not limited to the sporting organisations which have given evidence to us. Concerns about relationships between bookmakers and sporting participants have recently had a high profile in cricket. Lord Condon heads the team appointed by the International Cricket Council to carry out an inquiry into corruption in cricket. He is investigating malpractice in England, but also co-ordinating investigations in other countries, and he told us that because of the opportunities to bet not only upon the final outcome of a sporting event, but upon individual events within it, there are increased temptations for participants to fix the outcome of those events. Fixing “an event within an event” is much easier than fixing the overall result, which it need not affect. This can be done alone or with the collusion of only one or two other participants. We note that Lord Condon’s interim report, published in May 2001 said that “*there are indications that some players and other are still acting dishonestly and to the order of bookies*”.

Criminal Offences

26.32 The general criminal law of corruption is contained in the Prevention of Corruption Acts 1889-1916, which cover both the public and the private sectors. The Home Office is committed to proposals for legislation which will reform the law and will contain a statutory definition of what is meant by “acting corruptly”. The proposals were set out in the White Paper issued by the Home Office last year “Raising Standards and Upholding Integrity: The Prevention of corruption”, which built on recommendations from the Law Commission of England and Wales.

26.33 The Jockey Club⁴ recommended that more specific criminal offences be introduced directly related to criminal behaviour in sport and related betting, for example:

- the doping of a racehorse or greyhound
- bribery of sports participants or officials
- corruption in connection with horseracing and other sports events, or in connection with betting on horseracing or other sports events.

The Jockey Club also recommends the establishment of a dedicated Police unit to cover gambling matters and corruption in sport.

Insider Trading

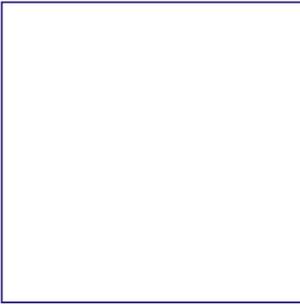
26.34 There is a grey area which has presented us with difficulties. In relation to most sporting events punters can seek to gain an advantage through obtaining and analysing information. But fairness should mean that all information is potentially available to all punters, should they wish to obtain it. If punters wish to bet by sticking a pin into the list of runners or because they like the horse’s name that is up to them but those who rely on information should be confident that information is accurate and available to all. That does not appear to be the case in a number of sports, most notably horse racing. We have considered whether it is possible to apply the rules relating to insider trading in financial assets and we sought advice from the Financial Services Authority (FSA).

26.35 The FSA pointed out that insider dealing is a criminal offence under the Criminal Justice Act 1993. That legislation applies only to securities. The Financial Services and Markets Act 2000 will give the FSA the power to introduce a new Code of Market Conduct which will inter alia deal with the misuse of information (that is, information which the market would expect to be made available to it), the creation of false and misleading impressions, and distortion.

26.36 The FSA considered the case where jockeys/trainers are passing on information to bookmakers that is relevant when assessing odds and the bookmakers are factoring this information into their odds, or where jockeys/trainers are placing bets themselves. They consider whether this could be analogous to insider trading, with odds being equivalent to the price of an asset. Insider dealing legislation indicates that there should be restrictions imposed where the information in question:

- has not been made public; and
- is specific and precise.

⁴Jockey Club (2000)



The restrictions that by analogy would be imposed would include not using the information (ie. trainers not putting on bets themselves), not disclosing the information and not encouraging others to use the information. The Jockey Club raised a number of concerns with us concerning relations between jockey and trainers on the one hand and punters and bookies on the other. Under Jockey Club rules, jockeys are not allowed to place bets but they can pass on information which can prove profitable to punters or bookies.

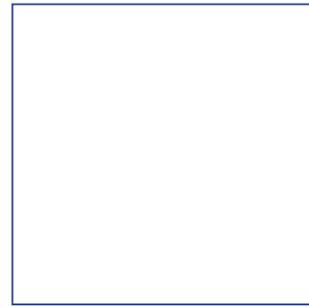
- 26.37** The FSA pointed out that debts relating to financial transactions are enforceable whereas gambling debts are not, hence the greater need to avoid insider trading in the former case. Our proposal to make gambling debts enforceable removes that difference. The FSA also questioned whether, in practice, betting on a sporting event at particular odds is analogous to dealing in a specific security. They comment that the insider dealer relies, in essence, on trading at a false price, to his advantage, ahead of his private information becoming public and moving the price. They suggest that, by contrast, the only information that would provide such a direct result for betting is that of match fixing, which would involve orchestration. We accept the argument but still believe that a similar principle can apply. The insider dealer, even when acting illegally, cannot be sure of making a profit, since his inside information might be offset by other news which moves the asset's price in the opposite direction. If we assume that our concern here is not with event fixing (which should clearly be prohibited and penalised) but with unfair access to information, the person who has or uses the information is dealing with probabilities and odds. He can make or lay bets at odds which do not reflect the probabilities. The outcome may not be certain; but repeated use of inside information would be profitable. Others (who may be bookmakers or other punters) would be cheated.

- 26.38** It could be argued that punters know this and are either resigned to the losses or hope that every now and then they will have inside information. But we believe that more rigorous steps should be taken to ensure fairness. (It is worth recalling that insider trading used to be prevalent in securities markets and is no longer tolerated.) We have some sympathy with the comment in the KPMG report for BISL⁵:

What is required is legislation that makes illegal the acquisition and use of privileged information by bookmakers and their staff. There has to be an impermeable membrane separating flows of privileged knowledge between those who take bets on and those who participate in the underlying activity on which betting takes place.

- 26.38** We consider that measures to improve the conduct of sportsmen, sporting officials or of punters are outside our remit. We do not think it should be the role of the Gambling Commission to monitor the behaviour of sportsmen. We can, however, propose measures to tackle the issue of the integrity of those who take the bets from punters. If, for example, the Jockey Club were to ban jockeys from making bets and a bookmaker knowingly accepted a bet from a jockey, we consider that the Jockey Club should deal with the jockey and the Gambling Commission should take action against the bookmaker. In our view, that would be the right division of responsibility.

- 26.39** We are not recommending that new criminal offences should be created for two reasons. Although we are not unsympathetic to the case that has been put to us, for example that there should be a specific offence of doping a horse, we do not consider that it is properly within our remit to make recommendations relating to such an issue. We have had to concern ourselves with matters that are more directly linked to the actual activity of gambling, although our proposals for the licensing of bookmakers would mean that swift action could be taken against any licensed person who became involved in attempting to influence the outcome of a race in such a way. Secondly, we consider that sports bodies could do more to regulate the participants in their sports, and they should not always look to the criminal law to enforce their regulations. We agree that the law on corruption could be clearer and suggest that the Home Office should consider whether the law could be clarified to meet the concerns we have heard. But overall, we consider that more could be done within the current framework to ensure that betting is fairly conducted. **We recommend that the Gambling Commission should work closely with the Jockey Club, and others, to ensure that betting is conducted in a fair manner and that there is not unfair access to information.** Areas they may wish jointly to consider might include whether the ban on betting should be extended to more people (for example, trainers).



chapter twenty seven

Spread Betting

27.1 As set out in chapter 9, the Financial Services Act 1986 and rules made under it govern spread betting. The Financial Services and Markets Act 2000 will govern the regulation of spread betting once it is fully in effect.¹

27.2 We received only two submissions primarily about spread betting – from the Financial Services Authority and from IG Index, currently the largest spread betting firm in the UK. Neither suggested that there should be changes to the regulation of spread betting. The key issue for us was whether the Gambling Commission should take over the regulation of spread betting from the FSA.

27.3 The FSA's main aims are to:

- maintain confidence in the UK financial system
- promote public understanding of the financial system
- secure an appropriate degree of protection for consumers and
- contribute to reducing financial crime.

These are not dissimilar from the reasons for regulating gambling of preventing crime and ensuring fairness to the punter.

27.4 There are three options for the future regulation of spread betting:

- transfer responsibility to the Gambling Commission
- split the different types of spread betting between different regulators
- leave responsibility with the FSA .

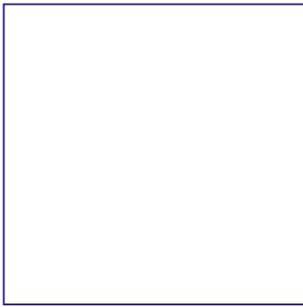
27.5 We considered whether the regulation of spread betting should transfer to the Gambling Commission for the sake of consistency, as it is undoubtedly a form of gambling. However, it is a specialised form of gambling because of the financially speculative nature of many of the transactions. It is clear that the FSA has

the appropriate expertise to regulate spread betting. The Gambling Commission would have no difficulty in testing the probity of operators, but it would take a little time to acquire the expertise and skills to understand the specialised financial markets in which spread betting is conducted. That is not to say that the people with those skills could not be transferred from the FSA to the Gambling Commission, at least in a transitional period. It is clear that the Gambling Commission could do this job if required to do so.

27.6 An alternative would be to split the regulation of spread betting between the FSA, which would regulate financial spread bets, and the Gambling Commission, which would regulate other spread bets. However, we think that this would be messy, and however closely the two bodies worked there would be inconsistencies between them. We are not attracted to this option.

27.7 The third option is to leave regulation of spread betting with the FSA. We have received no evidence to suggest that the current regulatory framework is unsatisfactory. Spread betting originated as an alternative method of speculating on financial instruments and a significant amount of spread betting continues to be financial betting.

27.8 There are no strong arguments which would favour regulation by the Gambling Commission over regulation by the FSA. In time we think that it would be neater for all spread betting to be dealt with by the Gambling Commission, in line with other betting. Indeed, several of the spread betting firms are already licensed bookmakers. But any transfer of responsibilities should certainly wait until the Commission is well established. In any case, we expect that the two regulators will want to work fairly closely together on matters of mutual interest and to that end we have recommended, in chapter 33, that there should be formal gateways between them. **We recommend that spread betting continues to be regulated by the Financial Services Authority, at least until the Gambling Commission is well-established when the issue should be reviewed.**



chapter twenty eight

Lotteries

- 28.1 As described in chapter 4, the Lotteries and Amusements Act 1976 states that all lotteries which do not constitute gaming are illegal, subject to a limited number of exceptions. Lotteries are not defined by the Act. The exceptions largely relate either to private lotteries or to charities for good causes. The Act also prohibits certain types of competitions.
- 28.2 We understand why the legislation is drafted in this way, but it does mean that a great deal of time and ingenuity is devoted to inventing competitions which are not defined as lotteries and which escape the prohibitions on competitions. (For example by demonstrating that success depends to a substantial degree on the exercise of skill.) We have considered the purpose of these prohibitions. We believe they go beyond our standard three principles of regulation and are intended primarily to preserve lotteries for the exclusive purpose of good causes. We recognise that is enshrined as a matter of public policy and do not propose changing it. However, we believe that the preservation of that objective is consistent with some simplification and relaxation of the present regulations and our recommendations have been made accordingly.

Definition of a lottery

- 28.3 There is no statutory definition of a lottery. The following criteria were set out by Lord Widgery:¹
- A lottery is the distribution of prizes by chance where the persons taking part, or a substantial number of them, make a payment or consideration in return for obtaining their chance of a prize.*
- 28.4 There is currently no appetite to prosecute those who run, what seem to be, lotteries masquerading as prize competitions. The operators who are currently regulated under the 1976 Act have made it clear to us how unsatisfactory this situation is.
- 28.5 We believe that in the minds of most people, lotteries are associated with charities and good causes. We accept that some prize competitions may be lotteries within the terms of the criteria set out above, but we do not believe that the customer makes a connection between the two. The argument that a customer would make a choice between buying a charity lottery ticket and entering a free draw or ringing a premium phone line is not one we find persuasive.
- 28.6 We are told by ICSTIS (Independent Committee for the Supervision of Standards of Telephone Information Services) and others that prize competitions are very

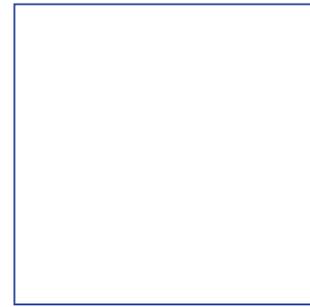
popular with the general public. Where a competition is plainly an illegal lottery, ICSTIS will take action on the basis that the service is in breach of their requirement that services must comply with the law. In the greater number of cases where the nature of the service is less clear-cut, ICSTIS refer complainants to enforcement agencies such as the police, Gaming Board or Trading Standards.

- 28.7 We think that the argument of what is or is not a lottery is a sterile one. We do not believe that there is a case for banning prize competitions, but there must be some acknowledgement that they are different from lotteries. A statutory definition of a lottery would clearly be helpful, which would distinguish between "lotteries" and prize competitions or prize draws. We consider that, of these categories, only lotteries should be the concern of the gambling regulator.

Small lotteries incidental to an exempt entertainment

- 28.8 We received no submissions relating to small lotteries and, because of their nature, we have little solid information about them. Anecdotal evidence suggests that they are very common, popular with the public who participate and an essential fundraiser for many organisations. We see no reason to recommend substantial changes to the existing legislation. We recommend that small lotteries should continue to operate as they do now. If there were any complaints about the way in which a particular lottery had been operated, the Gambling Commission or the police could investigate a potential breach of the gambling legislation.
- 28.9 The limit on expenditure on prizes for small lotteries is currently £250, although prizes above that level can be donated. As we discuss elsewhere, we do not think that specific figures should be included in primary legislation: the Gambling Commission should advise on the limit for prizes, and it should be contained in regulations that can easily be amended. That is not to say that the current limit is wrong. These are one-off unregulated events and we suggest that it would be wise to maintain a relatively low ceiling on expenditure on prizes to guard against abuse.
- 28.10 One provision which we do believe is now out-dated is the ban on money prizes contained in section 3(3)(b) of the 1976 Act. Given the low prize limits and the limited scope for abuse, we consider that this is an unnecessary restriction. **We recommend that the**

¹Lord Widgery CJ, Readers Digest Association Ltd v Williams, 1976, 1 WLR 1109 at 1113



ban on money prizes for small lotteries should be removed.

Private lotteries

- 28.11 As with small lotteries, we have very little information about private lotteries because they are not regulated. Private lotteries are confined to society members, or to people living or working on the same premises. There are no limits on stakes or prizes, but there are restrictions on advertising. The lack of control on stakes and prizes makes the restrictions that do exist all the more important. There would clearly be scope for abuse by unscrupulous operators of such lotteries, although no examples of this have been brought to our attention. We do not know how many private lotteries are operating, but our own experience of such activities leads us to believe that there is a great number.
- 28.12 We do not think that the potential for mischief is great enough for us to recommend that private lotteries should be regulated by the Gambling Commission, but as with small lotteries, if there are complaints the regulator should certainly have the ability to investigate them. **We recommend that legislation should make it clear that private lotteries should not be run for private or commercial gain.**
- 28.13 In its evidence to us, Littlewoods² suggested that there should be two changes to the provisions in the 1976 Act.
- First, societies may currently advertise a private lottery only within their premises. Littlewoods suggested that that this restriction should be lifted, subject to advertising guidelines and regulations. One objective of this restriction is to distinguish private lotteries, which are unregulated and intended to target specific groups, from societies' public lotteries, which are regulated and can be sold more widely. In the unregulated environment of private lotteries we believe that this is a reasonable restriction. Advertising opportunities should be curtailed to ensure that a wider audience is not targeted in competition with societies' public lotteries.
 - Second, Littlewoods suggested that private lotteries should not be confined to a single club. Section 4(2) of the 1976 Act requires that each local or affiliated branch of a society is treated as a separate society. Littlewoods pointed out that removal of this restriction would, for example, allow the British Legion to link lotteries in their clubs. Again this seems to impinge on societies' public lotteries (which, of course, the British Legion could and do run) and we believe that it would be

undesirable to allow such unrestrained growth in an unregulated system.

- 28.14 We recommend that the current restrictions on private lotteries should remain.

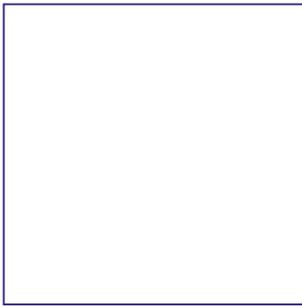
Societies' lotteries

- 28.15 Societies' lotteries are public lotteries which are (S.5, 1976 Act):
- promoted on behalf of a society which is established and conducted wholly or mainly for one or more of the following purposes, that is to say*
- (a) *charitable purposes;*
- (b) *participation in or support of athletic sports or games or cultural activities;*
- (c) *purposes which are not described in paragraph (a) or (b) above, but are neither purposes of private gain nor purposes of any commercial undertaking.*

- 28.16 We have noted earlier that lotteries are generally conducted only on behalf of good causes and not-for-profit organisations. We recognise that, in strict terms, this may not be compatible with sub-section (b) of section 5 set out above. Football, cricket and other sporting clubs, which are plainly commercial organisations, currently run societies' lotteries. We are uncomfortable with this and if we were starting with a fresh sheet, there is no doubt that we would want to define "good causes" more narrowly than section 5 of the 1976 Act. But, as in other areas we have considered, we are not starting from that happy position. We have to acknowledge that many smaller clubs may have come to rely on income from their lotteries, and we imagine that Parliament would find it difficult to justify closing off that avenue of income. Perhaps what is more important here is that the supporters who subscribe to such lotteries should be clear what the proceeds are used for. In the light of these considerations, **we recommend that "good causes" should be interpreted so as not to exclude the purposes currently set out in the 1976 Act.**

Local Authority Lotteries

- 28.17 The number of local authority lotteries has declined over the years. At 31 March 2000 there were only two local authority schemes registered with the Gaming Board and in the previous year only four lotteries were run under such registration. This may be due to a lack of interest on the part of local authorities, may be part of the ebb and flow of the fortunes of lotteries, or it may be that there is simply too much competition.



The Lotteries Council has suggested to us that the limit on expenses has driven local authorities out of the market.

- 28.18** We note that the Rothschild Commission³ was not keen on local authority lotteries:

None of us are enthusiastic about them and it would appear from the report of the public opinion survey we commissioned that the public has little real enthusiasm for them either. The fact that up till now some local authority lotteries have been successful has little relevance. In the main they have simply benefited from the new public interest in lotteries.

- 28.19** It may be that the lack of public enthusiasm the Rothchild Commission detected in 1978 is what lies behind the steady decline of local lotteries in the last few years. We have received no evidence relating to local authorities, and we wonder whether there could be a resurgence in their popularity, particularly if the market becomes even more competitive. Given the attractions of the National Lottery, we do have doubts that the fortunes of local authority lotteries will be revived. However, we recognise that those that do survive are for good causes (as broadly defined) and the only good reason for recommending their cessation would be administrative and legislative convenience. **We recommend that legislation should provide for the continuation of local authority lotteries, which should be registered with the Gambling Commission.**

External Lottery Managers

- 28.20** There are currently seven External Lottery Managers (ELMs) registered with the Gaming Board. ELMs are employed by societies and local authorities to run their lotteries and such persons have only been licensed since 1994. We have no evidence to suggest that there are any regulatory problems arising from the functions they carry out on behalf of charities. We would only make the point that, given the scope for the commercial exploitation of charities by individuals offering a service of this kind, it is important that their activities should continue to be carefully regulated. This comment is not intended to reflect on the integrity of those currently operating in this field, but simply to highlight the potential that there may be for abuse. **We recommend that legislation should continue to provide for the regulation of External Lottery Managers by the Gambling Commission.**

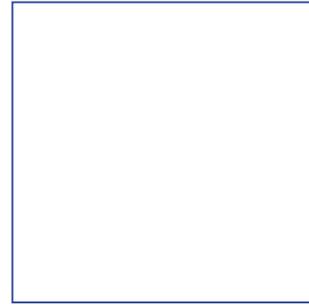
General issues

Age

- 28.21** We have discussed elsewhere our view of what should be the minimum age for gambling. It has been put to us by the Lotteries Council that the minimum age both for buying and selling lottery tickets should remain at 16. The majority of those who have commented on age limits take a different view that the minimum age for all gambling should be 18. That is also the line that Camelot has taken in its evidence to us. We are sympathetic to that view, but overriding that is our concern that charity lotteries should not be treated differently in this respect from the National Lottery. As set out in chapter 22, our recommendation is that the minimum age for buying and selling lottery tickets should be 18, but the age should only be increased if the change applies equally to the National Lottery.

Regulation

- 28.22** Under the 1976 Act, a society operating a lottery must be registered with a local authority or with the Gaming Board. As we discuss in chapter 19, we are recommending that there should be a fit and proper test for all gambling operators that is consistently applied. In pursuit of that, **we recommend that all societies wishing to promote societies' lotteries should register with the Gambling Commission, whatever the size of the proposed lottery.**
- 28.23** This recommendation may result in a large influx of work in the first year, though it is difficult to assess what the numbers might be. Our enquiries suggest that local authorities generally do not maintain any statistics about the societies they have registered. Moreover, whereas societies that register with the Gaming Board currently pay a fee on registration and a renewal fee every three years, societies registered with local authorities pay a fee each January to maintain their registration. So that the Gambling Commission is not overwhelmed with applications in the first year, some administrative action to extend registrations while applications are being processed may be necessary.
- 28.24** We do not believe that the primary legislation should be prescriptive about the conditions that the Gambling Commission must apply to every lottery or society. The regulator may, for example, conclude that returns do not have to be submitted for lotteries involving ticket sales up to a specific level, but they may be subject to random checks. What is more important is that the integrity of those operating lotteries is properly tested and that the Gambling Commission has the ability to investigate and take action in relation to any complaints, for example, of misappropriation.



Stakes, prizes and expenses

- 28.25** The price for a society lottery ticket must not exceed £1, and there is a limit on proceeds of £1 million for a single lottery or £5 million for all lotteries run by a society in a calendar year.
- 28.26** The limit on prizes is £25,000 for a single prize, or 10% of the proceeds whichever is higher. Not more than 55% of proceeds may be used for prizes. No more than 35% of proceeds may be used for expenses. The combined prizes and expenses limit is 80% of lottery proceeds, leaving at least 20% for the good cause.
- 28.27** Both Littlewoods and the Lotteries Council have told us that the 35% limit on expenses makes it very difficult for lottery operators to cope with their rising expenses. They have suggested that the overriding principle should be that no less than 20% of proceeds of the lottery should go to the beneficiary. The Gaming Board has no objection to this.
- 28.28** We have recommended that all lottery operators should be subject to a fit and proper test. In the light of that we have considered whether there would be any scope for abuse if we were to adopt an overriding principle that 20% of proceeds should go to the good cause, but otherwise abandon the existing limits. In its oral evidence to us, the Lotteries Council made the point that in charity lotteries the level of the prize is often unimportant: the player regards the stake as a donation and the prospect of winning is not a material consideration in the decision to buy a chance. That may suggest that there would be room for unscrupulous operators to maximise expenses and reduce prize levels without damaging the customer base. Provided that there is a requirement for expenses to be reasonable, and that the Gambling Commission can check this is so, we consider that this is not a serious danger. There are clear benefits to the operator of giving more flexibility in how proceeds are divided between expenses and prizes; and no detrimental effect on the proceeds to good causes.
We recommend that the limits on expenses and prizes as a percentage of proceeds should be removed, subject to an overriding requirement that no less than 20% of proceeds must go to the good cause.
- 28.29** In addition to this overriding principle, the Lotteries Council has asked for an increase in the maximum proceeds of a single lottery to £2m; and an increase in the value of the maximum single prize to £200,000. However, it suggested that the annual maximum of £5m for all lotteries promoted by a society should be retained, but index-linked. Littlewoods, on the other hand, suggested that the market should determine the level of (stakes and) prizes. The Gaming Board has

taken the view that limits on prizes are not necessary for societies' lotteries. We agree. **We recommend that the limits on the size of prizes and the maximum annual proceeds should be removed for societies' lotteries.**

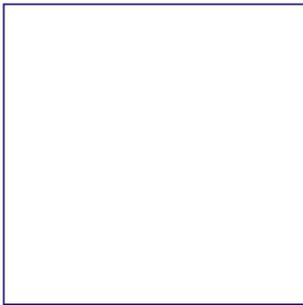
- 28.30** The price of individual chances must currently be no more than £1. The Woodland Trust⁴ made the point to us that many people are happy to spend £5 on a book of tickets and it would reduce costs if the value of each ticket could be up to £5. The Lotteries Council suggested that an increase to a maximum of £2 per chance would be appropriate.
- 28.31** We consider that what the market may stand would be better judged by each lottery operator. Those customers who regard buying a lottery ticket as a donation to charity may be happy to pay £10 for a ticket. Others may be more attracted by a book of 10 chances for the same price. Smaller lotteries might want to offer more modestly priced tickets and prizes. The important principle should be that the price of each chance in the same lottery should be the same.
We recommend that restrictions on the size of the stake in societies' lotteries should be removed, subject to the overriding principle that the price of every chance in the same lottery should be the same.

Rollovers

- 28.32** Both Littlewoods and the Lotteries Council ask for rollovers. Subject to the minimum of 20% of the proceeds of each lottery going to good causes, there seems little reason to object. **We recommend that rollovers should be permitted for societies' lotteries.** We note that this recommendation (and one on relaxing limits on stakes and prizes) was also made by the Culture, Media and Sport Committee of the House of Commons in March 2001⁵.

Geographical restrictions

- 28.33** Under section 2 of the 1976 Act, societies' lotteries are restricted to Great Britain, and lotteries registered or licensed in other countries may not be promoted in Great Britain. We are aware that other countries protect their lottery market in much the same way. For example, where national lotteries can be entered on the internet, there are usually controls to ensure that only residents/nationals can purchase tickets to ensure that the sales are limited to that territory and to appease neighbouring countries who want to protect their own market.
- 28.34** However, restricting sales to Great Britain prevents the promotion of societies' lotteries in Northern Ireland, the Channel Islands and the Isle of Man. That



restriction seems odd, particularly in relation to societies that may operate across the United Kingdom. Subject to the views of those territories, we consider that it would be right to remove the provisions restricting sales and promotion only to Great Britain. We note that the National Lottery operates across the United Kingdom – most recently extending to the Isle of Man in December 1999 – but that sales outside the UK are not permitted (with some exceptions for British Forces).

We recommend that societies' lotteries should be able to promote and sell chances throughout the same territory as the National Lottery.

- 28.35 The proceeds of such lotteries are used in the United Kingdom, although the focus of the charities that benefit may be in other parts of the world. We have noted that, as a matter of public policy, the UK takes steps to protect its lottery market and the same is true of other countries. This has the added benefit of making lotteries more easily regulated. We want to ensure that the UK lottery market is regulated and regulatable. **We recommend that societies' lotteries should not be promoted or sold outside the United Kingdom (with the exception of British Forces) and, that the law should continue to prohibit the promotion of overseas lotteries here.**

Sale of lottery tickets by machine and frequency of draws

- 28.36 The 1976 Act prevents the sale by machine of chances for societies' lotteries. There is no such restriction on private lotteries. Both the Lotteries Council and Littlewoods argue that terminals may be an ideal medium for dispensing lottery chances. On the face of it, this seems to be a reasonable request: the Act simply pre-dates the technology. But the decision is more complex than that. It is complicated by issues relating to the frequency of draws, the type of machine used and the location of machines. The consequences of vending by machine and of on-line lotteries can be looked at separately, but it is clear that their potential use also binds them together.
- 28.37 There are currently no limits on the number or frequency of lotteries that may be held. That was exposed by the activities of Pronto, which we discuss briefly below.

Pronto

- 28.38 Interlotto, an External Lottery Manager, started to run Pronto in 1997-98. It was a fast-draw on-line lottery designed to run in pubs. Each participating pub had a terminal, and there were draws every few minutes for

which customers could buy tickets from the bar staff. Customers could choose the numbers or have a 'lucky dip'. The amount they could win - up to £25,000 - depended on how many numbers they chose and how many came up in the draw. The results of each draw appeared on a large screen in the pub, and the pub paid out the smaller prizes over the bar.

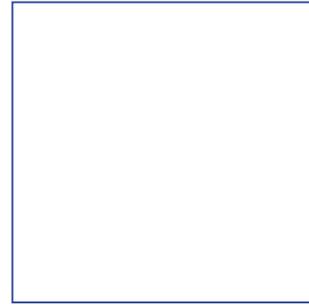
- 28.39 Pronto signed up several charities as beneficiaries. About 50% of receipts were paid in prizes and some 30% related to expenses, including payments to the pubs. The remaining 20% (of a potential £5m in annual ticket sales) went to charity.
- 28.40 The Government objected to the scheme. They recognised that on-line lottery draws of this kind presented several hard gambling features. There were rapid draws and opportunities for repeat play every few minutes, no limit on entries, a continuous sequence of draws throughout the day, and there were immediate payouts.
- 28.41 The Home Office published a consultation document in January 1998 on a draft Lotteries (Frequent Draws) Bill, to "prevent repetitive, frequent on-line lottery games". The Bill would have limited the frequency of on-line draws in societies and local authority lotteries to one a day in particular premises. Ministers announced in July 1998 that they would go ahead with the Bill at an early legislative opportunity. Pronto collapsed soon afterwards and the Bill was not taken forward.

Frequency

- 28.42 We share the concerns expressed by the Home Office in its consultation paper about the problems that rapid draws could create. Our reservations may be increased if lotteries remain available to 16 and 17 year-olds, for whom the attraction of repetitive play may be more crucial. We do not believe that permitting only one on-line draw a day would have an adverse impact on the established lottery market. We do accept that it would impede the growth of the on-line market, but gradual change of this kind is in keeping with our general wish to proceed carefully.
- 28.43 We acknowledge that a daily draw would be more frequent than the National Lottery, but these are draws restricted to particular premises and we do not anticipate that they will achieve a similar scale. **We recommend that the frequency of on-line draws should be restricted to one a day in any particular premises.**

Location of on-line terminals

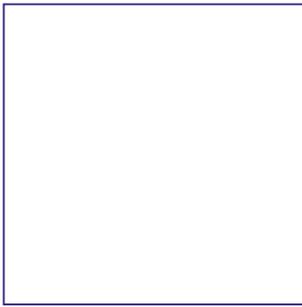
- 28.44 We have set out elsewhere our view that, in general, gambling should be restricted to premises where



gambling is the principle purpose. We recognise that societies' lotteries are an exception to this, because of the wide variety of places where tickets are already sold. We have said that we do not favour extending the gambling opportunities available in pubs and we have to acknowledge that lottery chances are already lawfully sold there. The Home Office consultation paper noted that this practice does not give rise to concern and, therefore, it ruled out making a regulation banning the sale of society and lottery tickets in premises selling alcohol. The Home Office also expressed concern at the prospect of on-line lottery draws operating in places such as airport lounges, railway stations, shops and cafes. The Home Office concluded that the balance lay in permitting on-line draws in any premises, but restricting their frequency to prevent players gambling excessively and chasing losses. **In the light of the proposed controls on the frequency of draws, we agree that it is not necessary to restrict the premises in which on-line terminals for the sale of individual chances may be provided.**

Vending chances by machine

- 28.45 There is no restriction on the sale of private lottery tickets by machine. We understand that such machines do currently exist in some private clubs. It is clear that the 1976 Act did not envisage the use of machines, since the expenses of private lotteries can relate only to printing and stationery. Where machines of this kind are being used, to remain within the law the club will have had to buy or rent the machine from club profits and provide it free for the sale of lottery tickets. The lesson here is that if something is undesirable, the law must rule it out unequivocally.
- 28.46 Societies' lotteries chances cannot be sold by machine: there must be human intervention. What would be permitted under the current law would be for a player to buy a smartcard (which holds data on whether it is a winner) from, say, the bar in a pub and to play it on a machine which would disclose whether it was a winner. The machine would have the appearance of a gaming machine, but because the element of chance is provided elsewhere than the machine on which the person is playing, that machine is not caught by Part III of the 1968 Act.
- 28.47 Permitting vending by machine could mean that machines of the kind described above (without the smartcard) could proliferate in pubs and other venues. These "automated lotteries" have more to do with gaming machines than they do with lotteries, and they would have the same attraction as gaming machines. Elsewhere we have set out our proposals to ensure that gambling opportunities are restricted in pubs and other non-gambling specific venues, and we are keen
- to ensure that there are not loopholes that would quickly undermine the principles on which we have tried to build.
- 28.48 Vending tickets by machine also raises other questions about maintaining the integrity of age controls and changing the nature of the gambling in such a way that removes any justification for a lower minimum age of 16. The Lotteries Council and others are keen to exploit new technology and, in principle, we would be happy to see them do that. But it must not be in a way that circumvents other restrictions designed to protect the vulnerable. As the Home Office noted in its 1998 consultation paper, *"the benefits to individual charities cannot be the overriding consideration in determining the controls necessary over gambling"*.
- 28.49 We hope that there is a balance to be found here. We would be content to see National Lottery-type terminals in pubs and elsewhere and for society lottery chances to be sold on the internet and interactive TV. But we are unhappy at the prospect of machines being placed in pubs (in addition to their two all-cash machines) that would, to the customer, look like rapid-play gaming machines. A restriction on the frequency of on-line draws may not affect such machines, as machine sales would still allow the downloading of large numbers of pre-determined lottery chances once a day in the manner of automated scratchcards.
- 28.50 We know from experience in some US states that a wide definition of a lottery, together with no restrictions on sales by machine, has resulted in large numbers of so-called Video Lottery Terminals (which are in reality gaming machines) being sited in all sorts of premises, including convenience stores. We would not want that situation to develop in the UK.
- 28.51 As far as the internet and inter-active TV sales are concerned, we are satisfied that adequate controls could be put in place to regulate societies' lotteries sales. The Gambling Commission will be regulating on-line gambling sites and will be registering the society. The basic controls should include a requirement to register players, to ensure that those under-age are not playing, and to have measures in place that prevent excessive play by individuals. **We recommend that the selling of individual lottery chances by machine or on-line (as opposed to what amounts to gaming for good causes) should be permitted, subject to regulation by the Gambling Commission.**
- 28.52 Any interactive or electronic lottery play that is not the straight sale of a ticket will look, to the layman, like gaming (whether on a gaming machine in a pub or club, or virtual gaming on the internet). We believe that it



will be essential for such activity to be subject to the same approval and regulation as gaming machines and virtual gaming. The only real difference between the two is that the proceeds of the lottery games go to good causes rather than for commercial profit.

We recommend that the Gambling Commission should approve interactive lottery games in the same way as other virtual gaming and should approve lottery gaming machines, with the proviso that they should be permitted only in premises where gaming machines may be sited, and are instead of not in addition to any entitlement to such machines.

Processing of returned tickets

- 28.53 One other issue mentioned to us by the Lotteries Council is that the Gaming Board's rules on record keeping should be relaxed. We consider that this is an administrative detail, which should be left to the Gambling Commission to determine in due course.

Prize Competitions and Commercial Lotteries

- 28.54 We have considered whether commercial lotteries should be permitted. They could, in theory, operate in the same manner and compete with charitable lotteries, including the National Lottery. Although there are no grounds, under our general principles, for banning them, we recognise that, as a matter of public policy, lotteries are reserved for good causes, broadly defined. We do not wish to challenge that policy.
- 28.55 Other examples of commercial lotteries involve the use of expensive phone lines: these run only for the profit of the operator. We discuss these in more detail later in this chapter. In brief, we believe that a distinction should be made between such lotteries and promotional competitions, or prize competitions that genuinely involve skill. **We recommend that commercial lotteries should not be permitted.**
- 28.56 Prize competitions are currently defined in section 14 of the 1976 Act:

(1) *it shall be unlawful to conduct in or through any newspaper, or in connection with any trade or business or the sale of any article to the public –*

(a) *any competition in which prizes are offered for forecasts of the result either –*

(i) *of a future event; or*

(ii) *of a past event the result of which is not yet ascertained, or not yet generally known;*

(b) *any other competition in which success does not depend to a substantial degree on the exercise of skill.*

- 28.57 Subsection (1)(b) causes particular problems. It is used as a somewhat flimsy figleaf to conceal what are, in effect, lotteries in all but name. The exercise of skill required can be utterly trivial. "What is the capital of France?" would be a particularly challenging example. Success depends, in practice, on luck in being picked from the large number of people with the right answer.

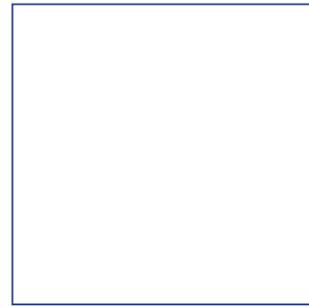
- 28.58 As we have made clear in paragraph 28.5, we do not think that it is helpful to prolong arguments of this kind. Lotteries are generally the preserve of good causes, but that does not mean that other activities, such as prize competitions or promotional draws, should not exist alongside them. The Lotteries Council, and others, are concerned about the proliferation of such competitions on the grounds that it blurs the distinction between games of chance for charity and games for commercial gain. Although their concern to preserve the good reputation of lotteries is understandable, it is difficult to imagine that "illegal lotteries" really do have a detrimental effect on charitable income. Do customers choose between – or even make a connection between – buying a charity lottery ticket and making a premium rate phone call?

- 28.59 In its Code of Practice ICSTIS currently identifies five kinds of telephone competition services: lotteries; competitions; other games with prizes; entry mechanisms into a draw; and services offering information about prizes. Competition services form about one third of the UK's £280million per year premium rate industry.

- 28.60 More generally, there are possibly four main types of competitions that may involve a draw:

- promotional competitions linked to a product (price of a stamp or cheap phone call to enter)
- competitions which, for example, are linked to TV and radio programmes. Some are entered using cheap calls or entry by post, and some involve premium lines. The latter are means of paying for the prizes offered in the show and in the competition
- skill competitions, such as crossword or chess competitions, which may involve a draw to identify a winner from a large number of eligible entries
- competitions run principally for commercial gain, most usually using premium lines advertised in magazines and in direct mail shots.

We address each of these categories below.

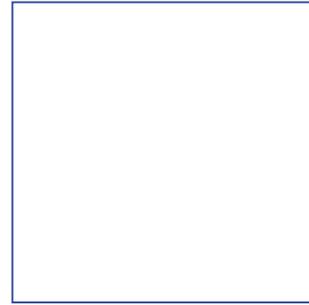


- 28.61 Promotional competitions.** We understand that in New Zealand it is now legal to operate “promotional lotteries” provided that the customer has to pay no more for the product than he would without the offer. In similar circumstances in the UK, the operator has to demonstrate the “free” nature of the competition by ensuring that entries can also be made without a purchase. In reality few people take up the “no purchase necessary” option and this itself throws doubt on whether the competitions are really free. **We recommend that the New Zealand model should be adopted here, for what we would prefer to call promotional draws or competitions, rather than lotteries.**
- 28.62 Competitions which, for example, are linked to TV and radio programmes.** Such competitions are very popular and we see no grounds to ban them. What is more important is that the real cost of entering so-called free competitions should be transparent. We believe that the key element of a prize competition or draw should be that entry is genuinely free (as with the New Zealand promotional competitions) or that the cost of entry is minimal. We have discussed what “minimal” should mean in today’s currency. We note that the cost of premium rate calls can be reasonably low: we have seen examples of 25p calls of which 15p has been for charity. That suggests that there is a great deal of profit to be made from more expensive lines.
- 28.63** The experience of the 1976 Act is that the courts have not regarded the cost of postage as a significant factor in “free” competitions. That suggests that a call cost of 50p might currently be regarded as minimal. At the top end of the scale we would suggest that a total cost of more than £1 per call could not be described as minimal. Given the analogy of the postage stamp, a link to the cost of a stamp might be a good measure for determining the cost of what would be reasonable for a premium-rate competition. Accepting that phone calls may be more expensive than postage, twice the first class rate could be appropriate: that would currently result in a cost of no more than 54p. **We recommend that the cost of premium-rate competitions should be minimal, possibly linking the maximum cost to no more than twice the cost of a first class stamp.** The Gambling Commission should keep the limits under review.
- 28.64** We recognise that some people may choose to maximise their chances by making a large number of telephone calls to the same competition line. It would be wrong to try to restrict the freedom to do that: it is akin to buying more than one lottery ticket. We do note with concern that considerable debts could be incurred as a result of repeated calls. That perhaps reinforces the desirability of maintaining a minimal entry fee.
- 28.65 Skill competitions.** As set out earlier, the reference to “skill” in the 1976 Act tends to cause some confusion. **We recommend that there should be a category of prize competition that involves “the exercise of a substantial degree of skill”, which may at some point in the competition involve a draw.** The entry fee for such competitions need not be minimal, in the same way as other prize competitions, not involving skill.
- 28.66** In the context of skill competitions, our attention has been drawn to another sub-section of section 14 to the 1976 Act. This relates to competitions involving prizes for forecasting future events. It is arguable whether such competitions would amount to betting: bookmakers would no doubt say that they do. Associated Newspapers’ have suggested to us that newspapers should be able to run competitions won on the results of future events such as the Grand National. As their evidence points out, newspapers are able to run competitions to forecast share prices at a particular date on the basis that this is not a specific event, but is the aggregate of a larger number of events. We accept that this is anomalous. We assume that the object of this section was to try to maintain a distinction between lotteries and betting. In the light of our recommendations on prize competitions, we think that this would be difficult to sustain. **We recommend that the restrictions in section 14(1)(a) of the 1976 Act should be removed.** Competitions involving forecasting would, of course, be subject to the requirements governing skill competitions.
- 28.67 Competitions run principally for commercial gain.** This is the category in which there is most scope for abuse. The cost of a premium-rate call can be very high and a “guaranteed prize” relatively worthless or non-existent. It is interesting that ICSTIS has told us that complaints about competition services have been a significant proportion of all complaints received by them in the last four years, and that the majority of those complaints “can be attributed to a string of similar services connected by the identity of the individual concerned in operating them”.
- 28.68** The Metropolitan Police⁸ told us of a fraud involving premium rate calls costing £9 for the chance to win a top prize of a BMW and several thousand other prizes of mobile phones. Anyone winning a mobile phone was obliged to sign up to an expensive tariff and high call costs to make any use of the prize. What worried the police most about the competition was that the operator had established the premium rate service by providing nothing more than a mobile phone number and an accommodation address.



28.69 We consider that such competitions amount to commercial lotteries. It would be very odd to allow competitions of this kind to continue, having recognised that the public policy is to reserve lotteries for good causes. Moreover, we are recommending that the restrictions that currently exist to protect the lottery market should be preserved (for example, preventing the promotion of overseas lotteries in Great Britain). In

this context, we have noted that it is frequently reported that many of the “lottery scams” to which people fall prey originate from outside the UK. **We recommend that prize draws that are run only for commercial profit should be prohibited.** We recognise that enforcing such a ban may not be easy, but it would greatly assist the enforcement agencies to have the law clarified in this way.



chapter twenty nine

Pool Competitions

- 29.1 As set out in chapter 19, we are recommending that all gambling operators should be licensed by the Gambling Commission. That will apply to companies which promote pools competitions. There are currently three such companies. The largest of which is Littlewoods, which has an 80% market share.

Products

- 29.2 Following the introduction of the National Lottery, the 1963 Act was amended to allow pools coupons to be delivered to, for example, newsagents and betting shops, to be forwarded to the pool promoter. The only coupons that may be administered in this way are those relating to competitions which feature at least four association football matches. In its submission, Littlewoods said that these restrictions were anti-competitive and should be lifted.¹
- 29.3 The prize pool system means that there are similarities between pool competitions, which generally use a points system and are based on the outcome of multiple matches or games, and pool betting which is based on the outcome of a single event. There is sense in requiring pools competitions to be limited to a series of events, but we do not think that there is any justification (on regulatory grounds) to connect the use of retail premises only to coupons related to association football matches. **We recommend that pool competitions on any sport should be permitted to operate through retail premises, rather than be restricted to four association football matches.**

Method of sales

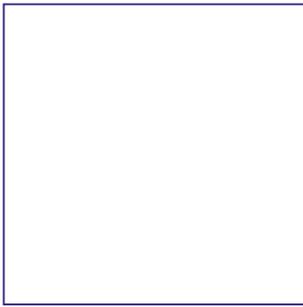
- 29.4 We understand that the Home Office has advised pools companies that the transmission of pool entries must be by physical coupon. This means that on-line sales, for example using the internet, are prohibited. As discussed elsewhere, it is already legal for bookmakers and spread betting firms to receive bets by other channels, including telephone and internet. As long as the event is conducted offline, **we recommend that on-line pools entries should be permitted.** This is also discussed in chapter 30.

Rollovers

- 29.5 The pools industry has pointed out that the Tote, which conducts pool betting, is able to enjoy unlimited rollovers which allow it to build up substantial prizes. In comparison, pool competitions are limited to three consecutive rollovers. The National Lottery is also restricted to three rollovers, apparently to prevent huge jackpots accruing. We have suggested that bingo and lotteries should be permitted to roll over prizes and we see no reason why pools competitions should not enjoy greater freedom. **We recommend that pools competitions be allowed to offer unlimited rollovers.**
- 29.6 Submissions from the Pools Promoters Association and from Littlewoods suggested that there should be a separate rollover facility for different aspects of a single event such as the half-time result jackpot. We concluded that once the principle of offering rollovers on a fragment or part-event had been established, there would be no limit to the variety that could be offered. Therefore, we are recommending that the rollover facility is available only on events in their entirety, and not on part events.

Prize payout

- 29.7 The pools companies must pay out centrally all winnings on pool competitions. They have suggested that the outlet to which the punter delivers his entry should be permitted to pay small winnings, in the same way as National Lottery retailers. If our earlier recommendation is accepted, more entries may be made through retailers and it would be convenient if the punter could be paid any winnings from those premises. **We recommend that retail outlets should be permitted to pay out winnings to a similar level as National Lottery retailers.**



chapter thirty

On-line Gambling

30.1 Our terms of reference require us to

- consider the state of the gambling industry and the ways in which it may change over the next ten years in light of the growth of e-commerce and technological developments, and make recommendations for the kind and extent of regulation for gambling activities in Great Britain.

30.2 The development of on-line gambling, whether through the internet or television or some other medium, presents a particular challenge to the system of regulation. The basis of the present system is that regulation is related to the physical premises on which certain types of gambling are permitted and where the punter must be physically present. On-line gambling removes that basis. People can gamble in a wide variety of ways in any location provided they can communicate with the provider. That has long been true of telephone betting but now it extends to all forms of gambling. And it presents us with a particular dilemma: certain features of on-line gambling suggest it should be more heavily regulated than premises-based gambling; but its very nature makes it more difficult to regulate. We are not alone in trying to grapple with these problems and during the course of the Review, we have watched with interest the developments in Australia and in the United States in particular. Some US states seem to have concluded that banning internet gambling is not a practical proposition, or a sensible one in terms of the potential loss of revenue and the loss of opportunity for the domestic industry. Australia still hopes that it can ban internet gambling for its citizens, to prevent a further increase in problem gambling, but can allow its industry to offer gambling on the internet to people outside Australia. We shall be interested to see whether this can be achieved.

30.3 We are clear that it would not be right to try to ban on-line gambling in the UK, and it would not, in any case, be feasible to do that. Where relevant, our recommendations try to replicate for on-line services the regulation that will apply to UK casinos.

What is on-line gambling?

30.4 Most of the submissions to us, and indeed the proposals made in other jurisdictions, have concentrated on gambling on the internet. But there are other ways to gamble on-line. Interactive television is becoming more common and on-line gambling can also be carried out using mobile phones. In this chapter (and elsewhere in this report), we have used the term "on-line gambling" to refer to gambling services that

use a telephone connection, including gambling services accessed via the internet, interactive television and mobile phones. The terms that others have used to describe the same activities include internet gambling, virtual gambling, interactive gambling and so on, as well as on-line gambling. These are visual services; we do not include traditional credit betting via the telephone in this category. More specifically, we use the term "on-line gaming" to refer to gambling services conducted purely on-line which may appear as virtual casinos, (some) lotteries and electronic gaming machines. Betting, pools and (some) lotteries which receive entries on-line but where the event, draw or competition occurs off-line are referred to in this chapter as "on-line betting".

Current position in the UK

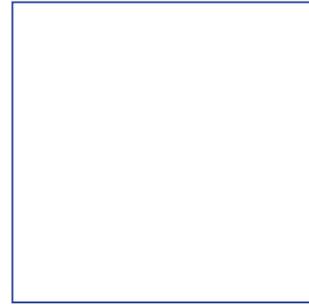
30.5 Gambling legislation pre-dates on-line gambling. This has different effects on different activities. The provision of on-line gaming, for example, is not legal in Great Britain because, under the 1968 Act, the punter must be present in the room in which the gaming takes place. Lotteries can be sold by machine, but there must be some human intervention: so they could be sold by e-mail, but not interactively. In summary, the rules are:

- casino, bingo and machine gaming. It is illegal to set up on-line sites in Great Britain
- betting. A bookmaker may accept bets on-line
- lotteries. Societies lotteries must not be sold by machine
- National Lottery. The National Lottery Act does not preclude the sale of tickets by machine, as long as the machine is attended
- punters. It is not illegal for British residents to gamble on-line. Nor is it illegal for overseas operators to offer on-line gambling to British residents (though there are restrictions on advertising).

Overseas

30.6 Those in other countries who have concluded that on-line gambling should be permitted have done so for the following reasons:

- banning on-line services would not necessarily deter punters, because gambling is socially acceptable and individuals would not accept this restraint on their



behaviour. Prohibition would be unlikely to be effective in controlling problem gambling

- prohibition would be impractical and costly to enforce. Enforcement could be through the user's Internet Service Provider (ISP) putting a block on prohibited sites (identified by the domain name) or by blocking messages based on the source address. Neither approach is likely to be fully effective. Encryption and tunnelling can overcome source address blocks, and monitoring of messages would be expensive and could lead to a significant slowdown of all internet transmissions. Blocks on domain names can be avoided by the service provider changing its numerical address
- a ban could not be enforced through the option of banks not honouring payments to illegal gambling sites. This is because banks would find it difficult to identify such sites and if the sites were legal in their host country then the bank's actions would be difficult if not impossible to defend
- punters could get round the ban by registering with an ISP located outside their own country and/or using an off-shore account to pay for their gambling
- prohibition would lead to a loss of consumer and producer benefits and potentially a rise in criminal activity.

The United States

- 30.7** The US National Gambling Impact Study Commission (NGISC) recognised the difficulties of prohibition, but did not regard them as sufficient to permit on-line gambling. The NGISC recommended that because of the lack of sound research on the effects of on-line gambling on the population and the difficulty of policing and regulating to prevent participation by minors, states should not permit the expansion of on-line gambling into homes.¹
- 30.8** To implement this ban, the NGISC recommended that the relevant federal authorities should develop enforcement strategies that involved ISPs, credit card providers, money transfer agencies, makers of wireless communications, and others who might intentionally or unintentionally facilitate internet gambling transactions. The NGISC also asked the federal government to encourage foreign governments not to harbour internet gambling organisations which "prey on US citizens".
- 30.9** The threat of prosecution by the US government is a deterrent, but this has not stopped internet gaming sites outside the US continuing to accept bets from US citizens even in cases where the site owner has been

prosecuted. However, there are now signs that prohibition is giving way to regulation. A bill has been introduced to the Las Vegas Assembly which would allow casinos in Nevada to conduct internet gaming under licence. The bill makes recommendations for stringent regulations on security, under-age gambling and taxation. We understand that there are moves to introduce a similar bill in New Jersey.² The final direction of US policy regarding on-line gambling therefore is not yet clear.

Australia

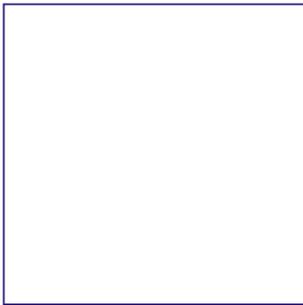
- 30.10** In Australia, the state governments initially chose to license internet gambling operators. A working party of state regulatory officials issued a report on internet gambling in May 1997. It recommended the introduction of a state licensing and inspection scheme as the best response to illegal gambling.³ A programme of state approval and legislation followed, but the Australian federal government has since become concerned about the level of problem gambling arising from the accessibility of both off-line and on-line gambling.
- 30.11** This growing concern led the federal government to introduce a moratorium on interactive gambling services which took effect on 22 December 2000.⁴ The government subsequently undertook a study into the feasibility and consequences of banning interactive gambling. The report was published on 27 March 2001, and concluded:

... there are several technical methods that could potentially be used to implement a ban on interactive gambling based on internet content control. However:

- ... all of these methods can potentially degrade general internet performance;
- ... none would be 100 per cent effective in preventing access by residents to interactive gambling services; and
- ... implementation would take at least six to twelve months and would require consultation with the gambling industry, telecommunications carriers and internet service providers.⁵

- 30.12** The Australian Government has said that it remains concerned about the potential of interactive gambling to increase problem gambling in Australia and is committed to fully exploring the option of a ban.⁶ In April 2001 it introduced to Parliament the Interactive Gambling Bill 2001. The legislation is designed to ban Australian interactive gambling suppliers from offering their services to people located within Australia, but Australian on-line gambling suppliers would still be

1-National Gambling Impact Study Commission (1999) 2-Casino International (2) (April 2001) 3-Kelly, Joseph. M. (2000) 4-National Office for the Information Economy (1) website viewed 30 March 2001 5-National Office for the Information Economy (2) (2001) 6-National Office for the Information Economy (1) website viewed 30 March 2001



able to offer their services to people outside Australia. All gambling services are included in the Bill.⁷

Why should on-line gambling be regulated?

30.13 On-line gambling should be seen as just another way of delivering a service. We have set out in chapters 15 to 17, the principles that should govern the regulation of gambling and these apply as much to on-line gambling as to any other type of gambling. In addition, there are particular characteristics of on-line gambling that may make regulation even more desirable:

- on-line gambling is available 24 hours a day. Gambling in premises may be restricted to certain hours
- there is greater continuity of gambling activities. Most forms of gambling can be made continuous by breaking events into a series of mini-events, by betting on events all over the world, or simply by running games more frequently.
- stakes can be lower. More low value gambles may be feasible because the cost of providing them is low
- it is easier to use: the gambler can learn on-line (sometimes through free practice sessions) at his own pace
- entry conditions are negligible. No dress or other physical requirements apply
- social barriers are easier to overcome. Services are offered in many languages and can be consumed in a safe environment; people may be able to bet while at work.

30.14 A recent report by the National Office for the Information Economy (NOIE) in Australia found that key social concerns surrounding gambling on the internet were:

- internet gambling will greatly increase the accessibility of gambling. Research shows a significant relationship between accessibility and the prevalence of problem gambling;
- the special attributes of interactive gambling, such as its ease of use and the type of products available may exacerbate the prevalence of problem gambling;
- interactive gambling will expose new audiences, such as young people to gambling, thereby increasing the potential for an overall increase in problem gambling.⁸

30.15 The last point is important, because under 25s tend to use the internet more than older people and that is the age group with the highest incidence of problem gambling. Continuous forms of gambling that are accessible to young adults (especially males) have been found to be likely to result in increased problem gambling.

30.16 Our conclusion is that on-line gambling should be regulated. The following paragraphs suggest how that might be done.

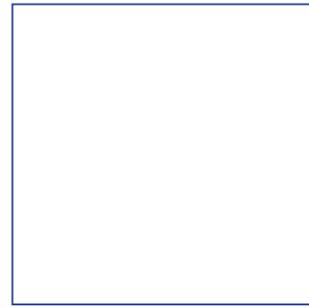
Which sites should be regulated?

30.17 Total control and regulation of on-line services around the world is not likely to be achieved. It would need to rely on co-operation from other countries and the on-line gambling industry, including internet service providers. The UK government has worked with the internet industry on issues such as child pornography, where there is a common interest in banning criminal activity across national boundaries. Such concerted action in relation to gambling could not be justified and we know from the developments in other countries that it would be hard to reach agreement on a common approach.

30.18 A punter gambling in Great Britain will be able to access gambling sites operating from anywhere in the world. We cannot hope to regulate all those sites, but what we can do is regulate those based in Great Britain, so that the punter has the choice of gambling in a regulated environment or taking a chance with an overseas operator (who may, of course, be regulated in another jurisdiction). Recent newspaper reports have suggested that over a third of on-line casinos fail to pay winnings⁹ and in some parts of the world there are reports of criminal activity clearly being linked to on-line gambling. Antigua has earned a reputation as one of the world's internet gaming capitals, but it has been reported that:

...plans to attempt to regulate the internet companies in Antigua have been met with hostility from many operators. Last year plans to introduce a "black box" system, which would enable regulators to track financial transactions led to many operators threatening to pull out of Antigua all together and saw... the Antiguan Director of Offshore Gaming receiving death threats.¹⁰

30.19 Punters using regulated sites will be reassured that they are playing fair games, that they will receive their winnings and that their banking details and money are being handled by a legitimate business and not funding criminal activity. Although we may be concerned about the integrity of some of the gambling services offered by operators in other countries, and accessed by UK



residents, it cannot be the Gambling Commission's responsibility to regulate them all.

30.20 We have considered what should be the criteria for an operator to be regarded as being based in Great Britain. The difference between on-line gambling and terrestrial forms is that no premises in this country need be used to carry on the business. If an on-line operator is to be regulated by the Gambling Commission, we believe that it is essential that it should be providing a service that is readily identifiable with the UK. **We recommend that an on-line gambling operator seeking a licence from the Gambling Commission should, at the minimum:**

- be registered as a British company
- locate its server in Great Britain and
- use a UK web address for its gambling site.

30.21 We do not believe that these requirements will prevent overseas companies from seeking a licence, and, in any case, we think that it is important to distinguish between being licensed by the Gambling Commission and being able to operate in Great Britain. It will not be an offence for punters in Britain to use unlicensed sites, but they will do so at their own risk. Similarly, it will not be an offence for unlicensed operators to allow UK punters to use their sites, although we are suggesting that there should be a prohibition on advertising such sites in this country.

30.22 We believe that there will be strong incentives for operators to apply for on-line licences, particularly if we are one of the first European countries to offer them. The kudos of the Gambling Commission's approval is likely to be attractive to a large number of operators and this makes it all the more important to set some boundaries on the Commission's jurisdiction. The Gambling Commission will not have the resources to license companies based outside Great Britain, and attempting to do so could mean that its monitoring and enforcement functions were difficult to carry out.

30.23 The location of the operator, as well as being central to regulation, is also relevant to any tax liability. This has been an issue in relation to betting duty. It was announced in the 2001 pre-Budget report that the General Betting Duty of 6.75% on total stakes would be replaced with a 15% tax on bookmakers' gross profits. This makes it possible for bookmakers to absorb the tax, meaning that punters will not pay a separate duty (though they may face poorer odds). The intention is that bookmakers will be encouraged to come back from overseas and benefit from the UK's good reputation in betting. There is a lesson here for the taxation of on-line

gaming. We simply note that, although the prestige of being regulated by the Gambling Commission will attract operators, unless the rate of tax is set at a sufficiently low level it may be a disincentive to on-line operators to base their sites in Great Britain. As we note in chapter 36, the mobility of on-line operators makes it difficult to impose what might otherwise be thought desirable, namely higher tax rates for harder forms of gambling.

Nature of the regulation

30.24 Some of the issues we have discussed in earlier chapters will be relevant to on-line gambling. For example, chapter 19 deals with the licensing of people and corporate bodies. On-line operators will have to show that they are fit and proper and financially sound in the same way as terrestrial operators. They will need to show that they are competent in the type of gambling they wish to offer, as well as having the skills necessary to operate on-line.

30.25 As mentioned in paragraph 30.4, we envisage that operators will be licensed to provide on-line betting or on-line gaming. The distinction is that:

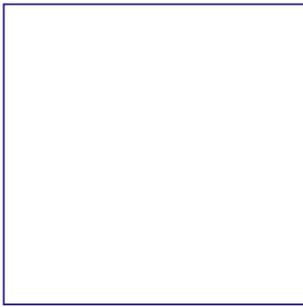
- on-line betting, using the internet or interactive television is simply a means of placing bets on real-time events
- on-line gaming requires the stake to be made on-line and the gambling to be generated on-line by a random number generator of some kind.

Some gambling activities, particularly lotteries, can fall into either category depending on the exact nature of the game. Where there is doubt, the Gambling Commission should have the authority to make a binding ruling.

On-line betting

30.26 On-line betting raises no new regulatory issues. It is no different from using a telephone. We can see no need to add another layer of regulation specific to this activity, although the Gambling Commission will want to pay particular attention to the measures taken to ensure that bets are not accepted from under 18s.

30.27 In addition, we see no reason why on-line services should not be used for purchasing a lottery chance or entering a pools competition. Operators wishing to use the internet or interactive television as a mechanism of entry, or even the only mechanism of entry, will need to be licensed as a pools or lottery operator and the same regulations will apply as if the entry was made off-line. **We recommend that on-line betting (including pools and lotteries) should be permitted on "real-time events" taking place off-line.**



On-line gaming

- 30.28 On-line gaming may include virtual casino gaming, lotteries, gaming machines or scratchcards. Such activities raise new challenges for regulation, because the punter has no way of independently verifying that the gambling is honestly and fairly conducted. The Gambling Commission will need to ensure that the software used for the gaming operates on a random basis and that there are controls to ensure that the outcome of the games cannot be influenced. There is clearly scope for abuse in operating a service of this kind, but the stringent requirements with which all gambling operators will need to comply lead us to believe that such abuse is unlikely to occur and if it did, it would quickly be identified. **We recommend that on-line gaming should be permitted.**

Testing on-line gaming sites

- 30.29 On-line gaming sites may well appear in a variety of formats, but they are likely to be based on random number generation. The software should be made available for testing and inspection by the Gambling Commission. **We recommend that on-line gaming software systems are tested and inspected by the Gambling Commission and that the software should operate on a random basis.**
- 30.30 There are already hundreds of on-line casinos offering a variety of games that are similar to those played in off-line casinos. Unlike land-based casinos, there may be no limit on the design and type of virtual games. But, as far as possible, there should be parity between on-line and off-line gaming. For off-line casinos the Gambling Commission will list the games it has approved and operators will select from that list. For on-line casinos the Gambling Commission will need to set the parameters within which games can be developed to ensure that they are fair and transparent to the punter. Given the speed with which on-line games may change, we do not consider that it would be reasonable to require each new game to be separately approved, and the Gambling Commission's random inspections should identify problems. **We recommend that the Gambling Commission should set the parameters for the development of on-line games.**

Information to the punter

- 30.31 It is important that punters should be able to make an informed choice about the games they play. As with off-line gaming machines, information on the return, game rules and nature of the game should be clearly displayed or accessible to the punter. Punters should have ready access to this information whilst they are playing. **We recommend that punters are made**

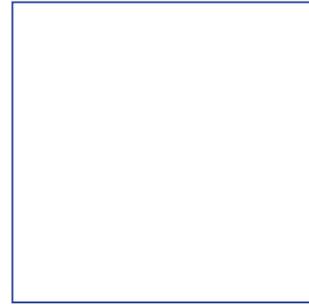
aware of the game rules and terms and conditions of play on on-line gaming sites before play commences.

Identifying punters

- 30.32 It is possible to win and lose very large sums of money by gaming on-line. In this respect, on-line gaming is no different from terrestrial casinos and equally vulnerable to attempts to launder money. We have recommended that all those visiting casinos should be positively identified to reduce the risks of money laundering and to keep out underage players. The same conditions should be placed on on-line gaming operators. On-line gaming is relatively anonymous, because there is no face-to-face contact with the punter. **We recommend that all punters who register to play on-line should be properly identified before they are permitted to play. The Gambling Commission should issue guidelines to ensure that identification standards are comparable with those of off-line casinos.**
- 30.33 As an anti-money laundering measure, it is essential that punters should be paid any winnings or the balance of their account in the same way in which the money was originally deposited. Punters gambling on-line will generally use debit or credit cards, although an account could be opened with a cheque (as long as it is from an account held by the person opening the on-line account). Operators should pay any money back on to the card from which the original payment was made or send a cheque in the name of the account holder. **We recommend that on-line operators should make any payments only to the debit or credit card used to make deposits into the punter's account, or by cheque to the punter.**

Protecting the vulnerable

- 30.34 On-line operators will need to take measures to ensure that children do not gain access their sites. If they do not take adequate steps, the Gambling Commission may take enforcement action against them. But in addition to any action that may be taken against the operator, we consider that there should be a disincentive for children to attempt to gamble. **We recommend that any prizes won by minors should be forfeited.**
- 30.35 We are not recommending that any limit should be placed on the amount of money that a punter should be able to gamble on-line, or on the time that he spends on a particular site. However, we consider it essential that individual punters should have the ability to self-impose a maximum level of stakes or daily expenditure, or to self-ban. **We recommend that**



on-line operators should be required to set up facilities that enable players to set maximum stakes and limits, and to self-ban.

- 30.36 On-line gambling is easily accessible and it may increase the risks of problem gambling. Players may become engrossed in the game and, unlike in gambling premises, there may be no distractions to draw attention away from the screen. It would be a simple matter to keep players informed about their gambling by installing counters which show how much they have won and lost and how long they have been playing. These "reality checks" would help to reduce the risk of problem gambling. Clocks and counters could be on screen at all times, be accessible with one click, or appear at regular intervals, perhaps every thirty minutes. Of these options, we suggest that it would have most impact if the clock and counters were displayed automatically at regular intervals.
We recommend that on-line operators set up clocks and counting systems that are displayed on the screen at regular intervals.

- 30.37 It is essential that punters who develop problems as a result of their gambling should have ready access to information and services which can help them. In time, we envisage that punters may be able to access a range of information on-line and benefit from the accessibility and anonymity associated with on-line services.
We recommend that on-line gambling sites provide information about problem gambling treatment and services, and links direct to those services.

The Gambling Commission's kitemark and advertising

- 30.38 A number of submissions to us recommended a kitemark system so that punters could identify licensed sites. Alternatively, it was suggested that the regulator should establish a portal through which players could gain access to licensed sites. We propose to adopt both suggestions.
- 30.39 The Gambling Commission will have its own website. Simply listing the sites it has licensed will create a portal (a gateway) because of the nature of hyperlinks. This will be an easy way for punters to ensure that they are gambling on a regulated site.

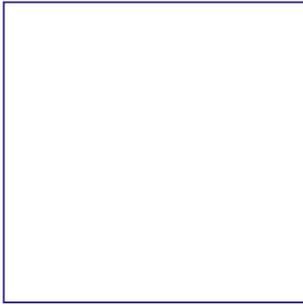
- 30.40 In addition, we recommend that the Gambling Commission should authorise licensed sites to display its kitemark, to demonstrate that the Commission regulates it. **We recommend that the Gambling Commission establishes a portal on its website, by listing licensed on-line gambling providers. In addition, regulated sites should display the Gambling Commission's kitemark. It should be an offence for an operator to claim falsely that a site is licensed by the Gambling Commission, or to make unauthorised use of the kitemark.**

- 30.41 There are currently restrictions on the advertising in Great Britain of overseas lotteries or betting services. We have recommended that such restrictions should continue to apply and these restrictions should also apply to on-line services. **We recommend that only on-line gambling sites that are licensed by the Gambling Commission should be permitted to advertise in Great Britain.**

- 30.42 We would not expect a hyperlink to be regarded as advertising. However, if it became clear that a regulated site was, in fact, diverting much of its business to another, unregulated, site offshore, the Gambling Commission should have the power to take enforcement action. The Gambling Commission should have a clear code of practice to prevent licensed sites diverting most of their British custom to an overseas site in order to avoid regulation or paying tax.

Access to on-line gambling in public places

- 30.43 We cannot, and would not want to, prevent people from gambling on-line in their homes or at work. We recognise that the internet, and therefore on-line gambling, is already accessible in many public places. Even if we were minded to do so, it would be impossible to enforce an absolute ban on any gambling being accessed or viewed via a public access internet terminal, or other similar facility. However, this is difficult to reconcile with one of our over-riding principles that gambling generally should be restricted to regulated premises in which gambling is the principal purpose. We recognise that there is a risk that some unregulated premises could try to circumvent regulation by offering internet terminals or other on-line facilities directly linked to gambling sites or provided primarily for the purpose of accessing gambling sites. **We recommend that the Gambling Commission should have the power to take action in relation to premises, not licensed as gambling premises, in which terminals or other facilities are supplied primarily for accessing on-line gaming or on-line betting services.**



chapter thirty one

Clubs

31.1 Gambling in members' clubs and miners' welfare institutes is treated in a unique way in the Gaming Act 1968. There is a great variety of clubs: local sporting and social clubs, Conservative clubs, Royal British Legion clubs, working men's clubs etc. A members' club is a private, social environment run for the benefit of its members. It is a key criterion for registration as a club under the Gaming Act that gaming is not the principal purpose (unless the gaming is restricted exclusively to the playing of bridge and or whist.¹) Any gain the club may make from charging members for participating in gaming must be used for the benefit of the club.

31.2 The treatment of clubs in the 1968 Act reflects their special role in the community. Clubs are not-for-profit organisations and are private rather than public institutions. Therefore they retain some of the protection from regulation which is accorded to a private residence. There are three consequences of this that are particularly noteworthy:

- clubs can offer gambling opportunities which are more favourable to the punter than those provided in commercial establishments
- there is an opportunity for under-age gaming
- clubs are not regulated by the Gaming Board and so not subject to inspections in the same way as other gambling providers.

31.3 Annex I contains background information on gaming in clubs.

Membership and under 18s

31.4 People under 18 can be members of clubs registered under the Gaming Act. But under 18s must not be present in the room when equal chance gaming takes place. Restrictions relating to children on licensed gambling premises do not apply to premises registered as clubs under the 1964 Liquor Licensing Act. There is thus no legal restriction on the access of children to places in registered clubs where jackpot machines are located, and no law to prevent them playing on them.

The Working Men's Club and Institute Union

31.5 The Working Men's Clubs and Institutes Union Ltd (WMCIU) is a federation of 3,000 clubs with 4 million

members. The WMCIU² supported the maintenance of a tight regulatory structure, but suggested that there should be differences between the regulation of hard and soft gambling. The WMCIU told us that it would like to be able to offer more card games without the complexities of registration under Part II of the Gaming Act and noted:

any measures to simplify and rationalise the law inasmuch as it relates to the unique position of Working Men's clubs, (which are essentially private in character) should be aimed at promoting participation in gambling as a recreational activity within the family context of clubs. ... Moreover, as all members are equally entitled to any surpluses on a solvent distribution there can be no risk of commercial exploitation of members for the pecuniary advantage of any particular individual unlike the position which obtains in a proprietary club.

Enforcement of gaming legislation in clubs

31.6 Under Part II of the Gaming Act 1968 the Gaming Board is charged, in particular, with keeping under review the extent, character and location of gambling facilities which –

(a) are for the time being provided on premises in respect of which licences under this Act are for the time being in force, or in respect of which clubs and miners' welfare institutes are for the time being registered under this part (ie Part II) or under Part III of the Act, or,

(b) are the subject of applications for the grant or renewal of such licences or such registration."

There is a practical hurdle for the Gaming Board in fulfilling this duty with respect to clubs and miners' welfare institutes. Gaming Board Inspectors have no right of entry to clubs registered under the 1968 Act. Section 43 of the Act gives the Board rights of entry to premises and to inspect documents solely in relation to premises licensed under the Act. The Board therefore has no right to monitor or inspect registered clubs. Similarly, the police have no rights of admission except under the authority of a warrant issued on suspicion of offences being committed.

¹-There is a distinction between gaming, which consists exclusively of playing bridge or whist (taking place on a day on which no other gaming other than gaming by machines is available), and other non-banker equal chance games. Much higher special charges are permitted in the case of bridge and whist under section 40 of the 1968 Act. The distinction arises because of the very considerable element of skill involved in the two games. Since there is also a significant element of chance in both games, both fall within the legal definition of gaming when played for money or money's worth. Smith & Monkcom (1987) p367 2-WMCIU (2000)



31.7 The Gaming Board told us:

Given this situation, it is very difficult for the Gaming Board to comment on whether gaming is being properly conducted in these clubs or whether there are problems or significant issues of concern. From time to time we hear accusations and rumours about fears that those running some clubs are using revenues, particularly from machines for improper purposes, or may even be embezzling the monies.

31.8 There is self-regulation by clubs. Clubs which are registered under the Friendly Societies Acts and the Companies Acts have to appoint an auditor, submit annual financial returns and comply with a specified framework governing their constitution. Most clubs serve intoxicating liquor and are therefore subject to the provisions of the 1964 Liquor Licensing Act, which contains general directions about club rules for clubs registered under the Act.

31.9 We are content that non-commercial gaming of the kind currently allowed should be permitted to take place in clubs without the need for the club operators to be licensed by the Gambling Commission, or the premises to be licensed for gambling by the local authority. However, the Gambling Commission should have the ability to monitor the gaming that is carried on in clubs and to investigate and prosecute illegal gambling together with the necessary powers of entry and seizure. **We recommend that the Gambling Commission should have the power to inspect clubs where gaming is carried out.**

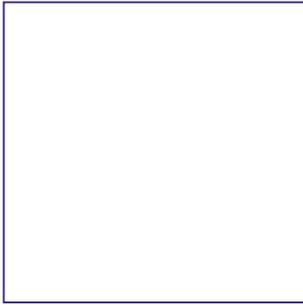
Bingo in clubs

31.10 During our visits to clubs, we learned that there were plans to introduce linked bingo, to be run by a commercial company with prizes of up to £20,000. The Gaming Board confirmed that it had been consulted about this proposal, although it was outside its remit. We understand that the Bingo Association is concerned about the competition posed to bingo clubs by this development.

31.11 If these plans for offering linked bingo in clubs were to be pursued it would be difficult to justify the rigorous assessment of the fitness of people offering bingo on commercial licensed premises. Under current legislation, there would be no regulation at all of those offering similar levels of prizes on private premises, even though a commercial company would be running the game. Bingo is classed as equal chance gaming and clubs offering bingo as their only gaming activity are not required to register under the Gaming Act. We think big prize bingo should come within the ambit of regulation and have therefore recommended in chapter 25 that where the size of prizes for bingo in clubs is beyond a limit of £1,000 per week it should come within the scope of regulation by the Gambling Commission.

Jackpot and other gaming machines in clubs

31.12 The Gaming Act 1968 enables Clubs registered under Parts II and III to have 3 jackpot machines with a maximum prize of £250 and stake of 50p. In chapter 23 we have recommended that jackpot machines should be limited to highly regulated gambling specific environments such as casinos, bingo halls and betting shops, which are clearly out of bounds to the under 18s. We therefore do not think it appropriate that jackpot machines should be accessible to children in clubs. We have suggested that clubs should have the same entitlement to all-cash machines as pubs and other premises licensed for the on-sale of alcohol.



chapter thirty two

Researching, Limiting and Treating Problem Gambling

32.1 Our terms of reference require us to:

- Consider the availability and effectiveness of treatment programmes for problem gamblers and make recommendations for their future provision, potential costings, and funding.

32.2 It is estimated that there are between 275,000 and 370,000 problem gamblers in the UK. The recommendations in this report will increase access to gambling, at least for adults. We accept that this is likely to lead to an increase in problem gambling, even though many of our recommendations are framed with the intention of keeping such an increase to the minimum.

32.3 Accordingly we need to face the questions, first, of whether current facilities are adequate to deal with the current level of problem gambling, and second, whether facilities are available, or could be made available, to deal with any possible increase.

32.4 We note that the Rothschild Commission's first recommendation was that the "Government should establish a Gambling Research Unit to monitor the incidence, sociology and psychology of gambling". As this recommendation was not acted upon, our task in this respect has been made that much more difficult. In chapter 17 we point out how little research has been conducted in the UK on the nature of problem gambling. We have also had to rely on our own researches to establish what measures exist in the UK to limit and treat problem gambling, and we cannot be confident that we have uncovered the entire picture. Nevertheless, as detailed below, we strongly believe that current provision is woefully inadequate.

32.5 The task of limiting and treating problem gambling falls into a number of categories:

- recognition by regulators and by the gambling industry of the dangers of gambling and its social impact
- incorporation of socially responsible practices into regulation and the gambling industry
- education aimed at preventing problem gambling in the first place, including increased awareness of the dangers of excessive gambling
- reasonable availability of properly evaluated treatment programmes.

Regulation and Social Responsibility

32.6 We have been encouraged that many members of the gambling industry already accept that they have a social responsibility towards the vulnerable. Members of trade associations, BACTA for example, sign up to an industry code of practice which requires them among other things to display posters advertising help for problem gamblers. However, as things stand, this is an informal and voluntary practice, and operators who are not members of trade associations have no incentive to comply with any such codes.

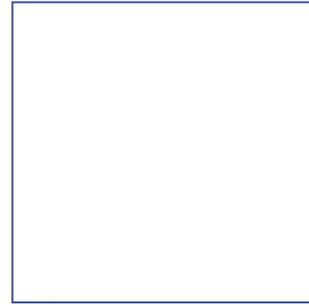
Education

32.7 To our knowledge it is not part of the standard school curriculum to advise children of the dangers of gambling, unlike the situation with regard to tobacco, drugs, alcohol and irresponsible sex. This is significant both because evidence suggests that adolescents have a higher incidence of problem gamblers than adults, and that, in general, the younger a person starts gambling the more likely he is to become a problem gambler. Gambling does not come with a health warning, and the incidence and nature of problem gambling, and the existence of facilities for problem gamblers, are not widely known.

Treatment

32.8 At the present time it seems that very little help exists for problem gamblers in the UK. Of course those who suffer financial difficulties and family breakdown have access to social services, bankruptcy laws, and other measures, in the same way as anyone with similar problems, but there is very little specifically directed to helping people overcome gambling addiction. The main organisations are GamCare, Gamblers Anonymous, and Gordon House. GamCare seems to have high status and regard within the industry, but operates on a small scale. It has a telephone helpline (handling 3,152 calls in the course of 2000) and a small counselling service in London. It has also financed the development of counselling services within existing substance misuse projects in Cumbria, Tyneside, Wales and Northern Ireland under the title "Breakeven project". The London and Breakeven counselling services counselled a total of 183 new clients in 2000, making them the largest providers of counselling services to problem gamblers nationally.

32.9 GamCare does not advertise and does not have a very high public profile. It sees a need to develop training

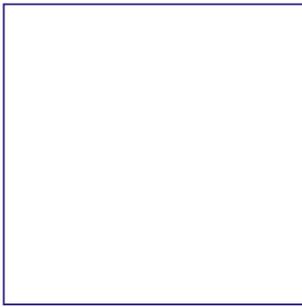


and courses for counsellors; to be better known through use of the broadcast media; to expand its care provision; to expand its helpline; to develop family counselling and to develop a regional structure in England, Wales, Scotland and Northern Ireland.

- 32.10** Gamblers Anonymous (GA) has a higher public profile; it has a telephone helpline and with over 200 groups is the most accessible help available. At GA meetings, members talk (anonymously) about their problems and how they are dealing with them. The GA term for problem gambling is "compulsive gambling", and GA believes that total abstinence must be the goal. Their approach is encapsulated in a twelve-step recovery plan, which has a strong spiritual accent. Gordon House has two residential centres which, together, deal with around 20 individuals a year. None of these organisations receives public money for the treatment of problem gambling. Private clinics offering addiction treatment deal mainly with alcohol and drug abuse. The National Health Service (NHS) provides very limited direct input to problem gambling nationally, with clinical psychologists and behavioural psychotherapists providing assistance on an ad hoc basis. We have been able to identify only two NHS clinics where specialist treatment for problem gambling is available, one in London and the other in Sheffield.¹ Individual therapists and the help available from some addiction centres (most of which do not treat problem gamblers) do not significantly change the picture of very little help in total.²

Current treatment regimes

- 32.11** A range of approaches has been tried or is in use. But it seems that very little has been done to study the variety of types of addictive gambling, its causes and the effectiveness of possible treatments. The methods of treatment for problem gambling are varied, "ranging over the psychoanalytical, psychodynamic, behavioural, cognitive, pharmacological, addiction based, multimodal and self-help".³ The pharmacological approach is relatively new. Results suggest medication may be of some benefit, but more systematic, randomised trials are needed.⁴ Counselling is used by Gamcare and counselling manuals exist (e.g. Bellringer 1999). The National Council on Problem Gambling in the US has been certifying gambling counsellors since 1989. However, little has been published on the explicit use of counselling for problem gambling.⁵
- 32.12** Gamblers Anonymous offers self-help, using techniques such as autobiography and aftercare planning. It is unclear how effective that help is, given that it has a huge drop-out rate (around 90% on the evidence of one study in which only 8% of the sample were abstaining one year after their first attendance).⁶ GA do not collect or publish data for themselves. However, GA has been a major source of help for
- problem gamblers for over 30 years, since its introduction in the UK in 1964. There is a trend for higher abstinence rates for gamblers whose spouses were present at meetings. Spouses and children of problem gamblers often suffer from depression and have problems of their own that are in need of therapy. GamAnon is the self-help organisation for the families of problem gamblers.
- 32.13** In 2000 there was a review of all randomised controlled trials of psychological and pharmacological treatments for problem gambling from both published and unpublished scientific reports (a Cochrane Review, by Oakley-Brown, Adams and Moberly). This concluded that cognitive behavioural therapy (CBT) approaches to treatment were the most promising in terms of outcome, and recommended further randomised trials.⁷
- 32.14** As far as we have been able to ascertain, the only NHS-funded research project relating to the treatment of problem gambling is a pilot project which has provided an assessment and treatment service for problem gamblers in the Sheffield area. It has received funding of around £28,000 per year over a three-year period. During the past three years, the project has included assessing the effectiveness of CBT; providing training and advice to health, social services, probation and voluntary sector staff; and research into the extent of gambling problems among the probation population in South Yorkshire. The report on this project has yet to be published.
- 32.15** Dr Ricketts, who has been running this project, has said in his evidence that clinical psychologists and others using a CBT approach are likely to be able to offer services, but there are barriers to treatment, in the form of waiting lists and referral processes which may reduce take-up by problem gamblers. He suggests that a stepped care approach to gambling difficulties may enable immediate access to support, whilst ensuring that more specialist input was available to those who did not improve with help from the voluntary sector. He proposes that the first level would be immediately accessible telephone advice (such as that provided by GamCare and GA). The second level would be voluntary sector counselling, which he believes would serve the needs of the majority of problem gamblers and is relatively inexpensive. The voluntary sector could receive support, training and supervision from NHS Clinical Psychology and Psychotherapy services in providing this service. The third level would be NHS treatment for individuals with more complex difficulties which do not respond to less specialist input. This model would provide for the use of limited NHS resources and collaboration with the voluntary sector in the form of referral, training and supervision.



Current funding

32.16 In the United States, Canada, Australia, and Sweden, there is public funding to support the treatment of problem gambling.

- In the United States, where the prevalence rate of problem gambling is 1.1%, at least 17 States provide funding of between US \$100,000 (£70,000) and US\$1,500,000 (£1m) per state.⁸
- In Canada, where problem gambling prevalence varies from province to province, funding per year per province ranges from C\$150,000 (£75,000) to C\$10 million (£5m).⁹ The overall annual amount allocated to funding the social impact of gambling is in the region of C\$40 million (£20m)¹⁰. Canada has an estimated problem gambling rate of 1.6% representing approximately 500,000 problem gamblers¹¹.
- In Australia, funding is provided from taxation, levies on gross profit and from voluntary industry contributions. The annual funding is approximately Aus\$17,044,000 (£11.3m)¹². The estimated prevalence rate of problem gambling is 2.3%, representing approximately 430,000 problem gamblers.
- In Sweden, where the problem gambling rate is 0.6%, representing approximately 54,000 problem gamblers, the Swedish Government has allocated a budget of £125,000 a year to finance research into the treatment of problem gambling.¹³

32.17 There are voluntary funding arrangements in New Zealand and in South Africa.

- In New Zealand, where the problem gambling rate is estimated to be 1.3%¹⁴, (about 36,000 people) funding of just over NZ\$5.6million (£1.6m) per year¹⁵ is provided by the gaming industry.
- In South Africa, where the gambling industry is in its infancy, a voluntary funding programme for problem gambling was launched in 2000. It aims to raise a total of £2.5 million, with a contribution from each company of around 0.1% of gross gambling revenue.¹⁶

32.18 In Great Britain, the one project (in Sheffield) supported by public funding receives approximately £28,000 per year (see paragraph 32.14). This seems an extraordinary state of affairs, given the extent and impact of problem gambling. GamCare depends upon voluntary contributions, and, as we noted in chapter 17, its entire annual income is equivalent to £1 per

problem gambler. Gordon House is also funded by charitable donations. It lost its government grant several years ago and is now struggling.

32.19 Gamblers Anonymous is funded by its members, and does not accept funding from elsewhere.

Recommendations

32.20 We are concerned that:

- so little is known about the nature of problem gambling
- there are so few initiatives addressed to limiting and treating problem gambling in Great Britain
- so little is known about the relative effectiveness of possible treatments
- there is so little current funding for problem gambling in Great Britain.

We address each of these in our recommendations.

Monitoring the effects of implementing our recommendations

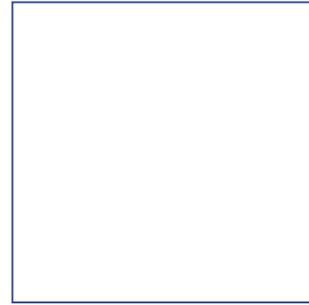
32.21 Although we anticipate a modest rise in problem gambling as a result of the implementation of our recommendations, we cannot be sure. Consequently **we recommend that research is carried out to monitor the effect on problem gambling of changes in regulation.** (The nature of the body that would commission and fund such research is set out below.)

32.22 It is possible that the research on monitoring the effect of changes would have a surprising result. We could find an explosion of problem gambling, or, conversely, no significant increase, or, indeed, a decline.

We recommend that the Gambling Commission should have a duty to respond to findings concerning changes in problem gambling. In the light of those findings, it should make appropriate adjustments to the regulations it governs, and should advise the Government on other changes that are necessary but are outside its control.

Research into gambling and problem gambling

32.23 Understanding problem gambling calls for a variety of research projects. In particular the development of problem gambling, and its risk factors, needs to be understood. This will go hand in hand with the need for



research into normal, responsible gambling, for it will be important to understand where the controls exercised by the vast majority of responsible gamblers fail in the case of problem gamblers. **We recommend that research is carried out to understand the nature of normal, responsible, gambling behaviour; and research is carried out to understand the development of, and risk factors for, problem gambling.**

Research into problem gambling treatments

- 32.24 It would be wrong to say that there is no knowledge at all about the relative effectiveness of possible treatments. Studies have been undertaken abroad, and small studies are in process in the UK. Nevertheless, much work remains to be done. In the light of the limited state of current knowledge, **we recommend that research is undertaken to evaluate which forms of treatment for problem gambling are the most effective. Such research should include the development of treatment programmes and should build on existing knowledge.**

Limiting problem gambling

- 32.25 As remarked above, much of the industry has embraced the idea of offering gambling in a socially responsible way. **We recommend that the Gambling Commission should issue formal codes of social responsibility to which operators should adhere as a condition of the licence.**

Treatment

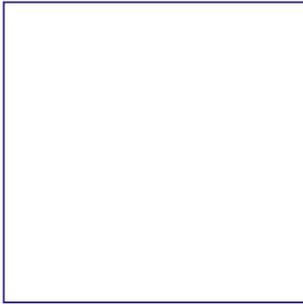
- 32.26 We have admitted that not enough is known about the effectiveness of forms of treatment for problem gamblers. Nevertheless current provision exists in a small, and, we believe, highly inadequate form. We have noted in chapter 17 that problem gambling is often associated with behavioural disorders and substance abuse, for which treatment is more accessible. One contributor to the review suggested that the number of problem gamblers was comparable to the size of the hard drug problem.¹⁷ £15 million per year is spend on research concerning drug misuse¹⁸ and £328 million per year is spent on the treatment of drug misuse.¹⁹ We see a need for a mixture of NHS and voluntary funding for the treatment of problem gambling. Proposals on how the interface between the two sources of funding might work were contained in Dr Ricketts' submission and are outlined in paragraph 32.15 above. **We recommend that increased funding should be made available by the NHS for the treatment of problem gambling; that**

problem gambling should be recognised as a health problem by the Department of Health; and that Health Authorities should develop strategies for dealing with problem gambling.

Funding and infrastructure

- 32.27 Many of those who gave evidence to us from the industry accepted that they had a responsibility to limit the extent of problem gambling even if they did not necessarily accept that their own activities contributed to it. As we describe in chapter 17, we believe that the evidence suggests that the incidence of problem gambling increases with gambling opportunities. That in turn leads us to conclude that the industry has a duty to finance measures to limit and treat problem gambling.
- 32.28 We have heard arguments from the industry that they already contribute significant amounts to the public purse in taxation (the six excise duties relating to gambling activities raised £1,513 million in 1999-2000). Their question why they should be required to contribute more. We think they can afford to do so. Our recommendations will provide the gambling industry with the opportunity to expand its operations, and consequently the potential to increase its turnover and profit. The gambling industry already has an estimated turnover of £42 billion.
- 32.29 Our remit asks us to consider implications for the current system of taxation. Our views on taxation are set out in chapter 36. We considered whether we should make any recommendations linking the levels of duty to the level of danger or addictive potential of the gambling activity. There are parallels: in the case of alcohol and tobacco, tax levels are used as a disincentive to consumption. We decided against that course and against recommending hypothecation of taxes as a means of funding the research and treatment of problem gambling. Instead, we decided to recommend that the industry should be given the opportunity to participate in a voluntary scheme. We take the view that if the industry is unable to formulate a framework that provides a level of funding of approaching £10 per problem gambler, (amounting to around £3 million) then the Government should impose a statutory levy. We think this sum looks modest in comparison to New Zealand, Canada and Australia, where the funding per problem gambler equates to about £44, £40 and £26 respectively.

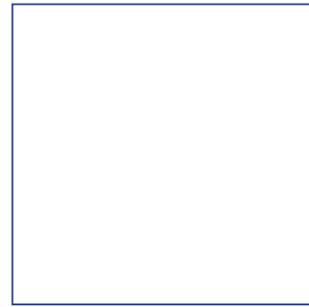
In seeking models for a funding structure we have been influenced by recent developments in South Africa and New Zealand. Accordingly **we recommend that the**



industry should set up a voluntarily funded Gambling Trust. We recommend that the government should reserve powers to impose a statutory levy, possibly linked to gross profit, if such a Trust is not established or subsequently ceases to operate.

32.31 The Gambling Trust should:

- secure funding of not less than £3 million a year, for at least three years.
- provide for possible renewal of the scheme thereafter (amount to be adjustable in the light of experience)
- have a governing body which includes representation from the industry, problem gambling service providers, the medical/scientific funding councils and the Gambling Commission, with an independent Chairman
- allocate funding for the types of research and treatment outlined above (without limitation)
- report to the Gambling Commission, advising on adjustments to regulation in the light of considerations concerning problem gambling.



chapter thirty three

Powers and Functions of the Gambling Commission

33.1 In chapter 18, we have set out our proposals that a single regulatory body - the Gambling Commission – should be established. This chapter considers the powers and functions of that body.

33.2 The Gambling Commission will have to deal with the following:

- threshold controls
- ‘fit and proper’ tests on operators and employees
- controls over the conduct of gambling
- monitoring to ensure compliance
- illegal gambling.

33.3 Some of this is new, but much will build on the current functions and procedures of the Gaming Board for Great Britain.

33.4 We have said in earlier chapters that it is important that those who run and work in the gambling industry should be honest and competent. That means that the hurdle should be sufficiently high to weed out those who do not meet the criteria. The Gambling Commission must have the ability properly to test the probity and competence of applicants. This means that the Commission’s staff must between them possess a broad mix of skills including investigation, law, administration, specialist skills, such as finance and information technology, and knowledge of the individual sectors of the industry. In chapter 34, we make some assessment of the likely workload of the Commission.

Exchanging information

33.5 The exchange of relevant information is central to the ability of the Gambling Commission properly to assess the suitability of applicants for licences and to monitor the conduct of gambling. We have been concerned to learn that, following implementation of the Police Act 1997, there appears to be some doubt as to whether the Gaming Board can be regarded as a “law enforcement agency” within the terms of section 2 of the Act and that is impeding their ability to give and receive information. The status of the Gaming Board is not something on which we can make recommendations, but it is essential that the Gambling Commission should be authorised to exchange information with law enforcement and regulatory bodies, both in the United Kingdom and overseas.

33.6 The organisations with which the Gambling Commission will need to communicate freely include the National Criminal Intelligence Service, individual police forces, Customs and Excise, the Inland Revenue, the Stock Exchange, the Financial Services Authority and local authorities (in relation to their licensing and enforcement duties). It is crucial that the Gambling Commission should have access to intelligence information as well as factual information relating to applicants for licences, and their associates. In our view, it would be absurd if another agency held information to suggest that gambling was not being, or would not, be conducted in a fair manner and free from crime and could not share it with the Gambling Commission. **We recommend that the Gambling Commission should be empowered to share and receive information with all relevant law enforcement and regulatory bodies.**

33.7 In addition to these domestic agencies, the Gambling Commission will be the natural port of call for its equivalents in other jurisdictions. Gambling is an increasingly international business and it is likely that some operators will be licensed in several countries. In those circumstances it is important that relevant information is shared. The need for probity transcends national boundaries. **We recommend that the Gambling Commission should be able to exchange information with, and make enquiries (on a reciprocal basis) on behalf of, gambling regulators in other jurisdictions.**

33.8 We have recommended in chapter 19, that the Gambling Commission should be regarded as a registered body under the Police Act 1997, so that it can receive information arising from enhanced criminal records disclosures. In addition to the checks made at the time a licence is granted, the Gambling Commission must be able to make ad hoc criminal records checks. For example, there could be information to suggest that a worker or associate had subsequently been convicted of a relevant offence; or an individual may stay in the same place for a long time and unless there was a free-standing power to conduct criminal records checks a request for up-to-date information would never be triggered. **We recommend that the Gambling Commission should be able to make criminal records checks on individuals at periodic intervals or when concerns arise.**

33.9 The enquiries that may be made in relation to prospective gambling operators or workers are intrusive. As with the financial services industry, this is



something that applicants must accept as a necessary part of regulation. It goes without saying that every applicant must co-operate fully with the Gambling Commission and that failure to do so would result in the application being rejected. We would not expect such a requirement to cause problems and we understand that no difficulties have been experienced by the Gaming Board. The gambling industry is, we believe, peculiar in that it is an industry that wants to be regulated, because it recognises the commercial benefits of operating in an area that is proven to be well run and free from crime.

Monitoring to ensure compliance

33.10 The Gambling Commission will subsume the duties of the Gaming Board in relation to inspections of casinos, bingo clubs, gaming machine suppliers and lotteries; and will take over the regulatory functions of the National Joint Pitch Council. In addition, it will take on responsibility for off-course bookmakers, betting at greyhound tracks, pools competitions and lotteries currently regulated by local authorities, and will be regulating on-line services.

33.11 The Gaming Board currently carries out inspections of casinos, bingo clubs, some gaming machine suppliers and lotteries. The National Audit Office¹ recommended:

The Gaming Board should develop more formal, systematic techniques for assessing risk in the different sectors of the industry. In deciding on the frequency of regular inspections, it should take into account, for example, the outcome of previous inspections, the results of the operator's own compliance activities where these are available, any significant changes in turnover, and the quality and experience of the operator's management and staff. Over time, the frequency of regular inspections should also take into account the coverage provided by the Board's introduction of major reviews, thematic inspections and head office inspections.

33.12 Risk assessment will be important in ensuring that the Gambling Commission's resources are properly directed, particularly if the industry expands significantly as the result of our recommendations. It will not be possible to inspect operators purely on a routine basis: the Commission's resources will not be unlimited.

33.13 We envisage that the Gambling Commission would carry out intelligence based inspections, including head office inspections. This will mean that Commission staff will need to have skills such as accountancy and knowledge of the industry to carry out these duties effectively.

33.14 As far as on-course betting is concerned, the NJPC currently employs some twenty field staff, including

three intelligence officers. There is at least one (and more usually two) NJPC betting manager at each race meeting. As well as their regulatory functions, they carry out what may be regarded as administrative tasks, such as instructing bookmakers where to stand. The Home Office has already suggested² that administrative duties of this kind need not be carried out by a regulator: we agree. In addition, it will not be appropriate, or practical, for the Gambling Commission to be present at every horse and greyhound race meeting. The racecourse or track operator will have an obligation to ensure that the right environment exists for betting to be carried out in a proper manner and, of course, every bookmaker will be licensed by the Gambling Commission. Much the same recommendation as the National Audit Office made in relation to the Gaming Board's inspections could be made in respect of on-course betting. The risk assessment may take a little longer to develop because there is no background of regulation of this kind in racing. **We recommend that the Gambling Commission should develop techniques for assessing risk and target its resources appropriately.**

33.15 In addition to its proactive role in inspecting operators, the Gambling Commission will also have to be able to respond to public complaints. We do not think that the Gambling Commission should have a formal role in resolving complaints from the public about, for example, disputes on individual bets. The Independent Betting Arbitration Service exists to help resolve betting disputes, and we would hope that other sectors of the industry would be prepared to help develop and to support similar initiatives. However, in some cases the nature of a complaint may go to the heart of the conduct of the gambling and may cast real doubts on the operator's suitability to retain his licence. In those circumstances, it would be wrong for the Commission not to take account of the complaint and to take enforcement action if that is appropriate. In many cases, a complaint of this kind may be the only warning that something is amiss, particularly if the gambling activity is one that is less tightly regulated such as a lottery. There is also a role here for local authorities to pass on details of persistent complaints, for example about the poor management of gambling premises. It is important that the public should be aware that they are dealing with a regulated industry and that there is someone to whom comments can be made about an operator's suitability. **We recommend that the Gambling Commission should take steps to ensure that the public, and in particular punters, are made aware of its role and responsibilities.** It could, for example, require operators to display a notice saying that they are regulated by the Gambling Commission and giving a contact address and telephone number.



33.16 To enable the Gambling Commission to carry out its functions it will need to have more powers than the Gaming Board has currently. The Gaming Act gives the Board only limited powers of investigation and it cannot prosecute offences in the courts. A number of those who have submitted evidence to us have pointed out that the police do not have the resources or the expertise to investigate gambling offences, whether they be technical breaches of the regulations or blatantly illegal activities. The police themselves acknowledge these difficulties.

33.17 The Jockey Club suggested that the solution was a specialised police unit. We do not think that is a realistic option. Police officers are an expensive resource and there are many other demands on them. That is not to say that the police should not have a role to play in investigating gambling offences. We envisage that police officers could be seconded to the Gambling Commission for a term of duty and the Commission could include amongst its staff former police officers, who can bring with them a wealth of investigative experience. Although, we should again emphasise that investigative skills are just one of the many skills that the staff will require between them.

33.18 As far as prosecutions are concerned, the NAO report describes how the Gaming Board had consulted ACPO and the Superintendent's Association about seeking authority to investigate and prosecute offences under the Gaming Act 1968. Neither offered any objections in principle. The NAO suggested that the CPS would need specific statutory authority to prosecute cases investigated by the Gaming Board. **We recommend that the Gambling Commission should have powers to commence a prosecution – that is, to apply for a summons at the magistrates court or charge, if the police had arrested the offender, and to prepare a prosecution file – before passing the case on to the CPS to conduct the prosecution.**

33.19 To enable the Gambling Commission to come to the point where a prosecution can be commenced, it will need to have powers to investigate offences under gambling legislation. Specifically, Gambling Commission "inspectors" should have powers of entry, search and seizure. **We recommend that (a specified category of) Gambling Commission staff should have powers of entry, seizure and search.**

Illegal gambling

33.20 The powers of entry, seizure and search are relevant not just to those operators who have chosen to work within the regulatory framework, but also to combat illegal gambling. We have set out in chapter 15, our understanding that the enforcement of the law is

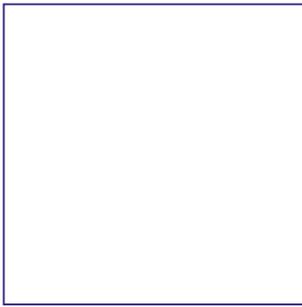
patchy or, more often, non-existent. The powers we have recommended in the previous paragraph would, for example, allow the Gambling Commission to take action against illegal bookmakers who operate on or off-course, or to confiscate illegal or unlicensed gaming machines.

33.21 As far as illegal gaming is concerned, we note that the Rothschild Commission paid particular attention to the fact that the games played illegally were not usual casino games. It encouraged the Gaming Board to accommodate such gaming within its approval for casino games. **We endorse the Rothschild Commission's eagerness to accommodate particular types of illegal gambling in order to bring the activity within the law.** Our recommendations in chapter 24 relating to the authorisation of casino games would enable a much broader range to be approved and this may help to reduce the allure of illegal gaming.

33.22 The Rothschild Commission also paid particular attention to the nature of Chinese gaming. Indeed the report includes an interesting explanation of Chinese gaming. We acknowledge that it is much easier to accommodate a particular game than it is to accommodate the type of gambling that is organised within a community, often in the back room of a café or club. We think it is unlikely that prosecuting this kind of illegal gambling will become a police priority. Indeed we acknowledge that taking enforcement action against such activity may make other community policing efforts more difficult. But we think some adjustment must be made to the present arrangements to ensure that the law does not fall into disrepute.

33.23 Elsewhere in this report we have advocated that the Gambling Commission should have the necessary powers to investigate and prosecute those who operate illegal gaming machines, including the power of entry and seizure. We believe that the Gambling Commission should have similar powers in relation to other illegal gambling. **We recommend that the Gambling Commission should have the responsibility to detect and prosecute illegal gambling together with the necessary powers of entry and seizure.**

33.24 We acknowledge that the practical investigation of such offences and in particular the identification of the organisers is often difficult and sometimes requires the arrest of those involved in order to ensure true identification and facilitate prosecution. We have considered whether a power of arrest should be given to the staff of the Gambling Commission but have decided that it is not appropriate to do so.



33.25 We are also aware that in some circumstances it is necessary for force to be used in entering premises and in order to keep the peace during such activities. We believe that the Gambling Commission should have the opportunity to call on police support where arrest powers or the use of force to gain entry are necessary. The Gambling Commission should have a duty to consult the police in those circumstances. Such consultation will be necessary to ensure that the overall interests of a local community are taken into account.

Penalties

33.26 The Gambling Commission must have available to it a range of penalties in addition to the two extremes currently available. The options open to the Gaming Board are that it can take no action, other than a warning letter, or can object to a licence or revoke a certificate. In contrast, the Gambling Commission will need to have available a range of administrative penalties to deal with regulated operators. In addition, prosecution will be the usual sanction for illegal operators and for other breaches of such magnitude that criminal prosecution is the only appropriate course of action.

Penalties following convictions under gambling legislation

33.27 As far as illegal gambling is concerned, we understand that under the present arrangements the courts are often loath to impose more than small penalties, particularly if they believe that the ultimate beneficiary of the illegal activity has evaded prosecution. We also recognise the inalienable right of the courts to impose penalties according to their own discretion. Nevertheless we can see that in some cases derisory penalties do not assist the enforcement of the law and may play an important role in bringing the law into disrepute. **We recommend that the Gambling Commission and the courts should engage in a dialogue to ensure the proper and effective use of prosecution.**

33.28 We are aware that there is no current power to “close down” premises where illegal gambling takes place. As a result the powers of the authorities are less than effective. It is often the case that after a sometimes lengthy and costly investigation and prosecution, the premises continue to operate requiring a repeat of the expensive process. We believe that after conviction it would be appropriate to declare that the premises must not be used for gambling of any type. This would be similar to the power that has been introduced in the Criminal Justice and Police Act 2001 which enables the court to close down premises used for illegal drinking.

We recommend that the courts should have the power to close down premises used for illegal gambling.

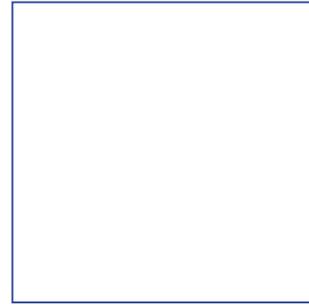
Administrative penalties

33.29 To operate successfully the Gambling Commission must be able to impose effective sanctions. Losing a gambling licence is a very heavy penalty. It may amount to a loss of livelihood. Ultimately the regulator must be able to resort to this sanction, but that should be reserved for the worst kinds of breaches; no penalty should be imposed lightly. One of the regulator's functions must be to offer advice on compliance to help operators understand their responsibilities and, where necessary, to work with them to resolve problems. That is not to say that it should be the Gambling Commission's role to carry out the industry's compliance work for them: but rather that enforcement action should not be the first time that an operator is aware there is a problem.

33.30 We were interested to learn that in relation to its functions under the Data Protection Act, the Office of the Information Commissioner operates a system of formal cautions. In such cases, the individual must agree to accept the caution and accept that they have breached the regulations. If a further breach is committed, the formal caution is admissible in court. We suggest that the Gambling Commission could introduce a similar system. This would be more effective than a simple warning letter, because in addition the operator or licence holder would be required explicitly to accept that there had been a breach. If that understanding and acceptance were not forthcoming, that would itself suggest that more serious enforcement action was justified.

We recommend that the Gambling Commission should, as the lowest sanction, adopt a system of formal cautions. The caution (allowing time for it to be “spent”) could be cited subsequently if higher sanctions are employed, up to and including prosecution.

33.31 As the next step up in enforcement action, we have considered whether the Gambling Commission should be able to impose fines on those it regulates. We asked the British Casino Association for their views on this when they came to give oral evidence. Having considered the issue, the BCA told us that they would not support fines, because the factors involving quantum would be complex and the regulator would be in constant dispute in relation to the fairness of the fine. They instead suggested that there should be a formal endorsement procedure, similar to traffic offences, with time expiring sanctions and a right of appeal. The BCA objections to a fine system have some force, but we do not think they are insurmountable.



We are, however, attracted by the suggestion that there should be a system of endorsements. Such a system need not be incompatible with fines and formal cautions. It would also be similar to the “three strikes and you are out” system proposed for liquor licences. **We recommend that the Gambling Commission should develop a system of endorsements, which if breaches persisted could lead up to removal of a licence.**

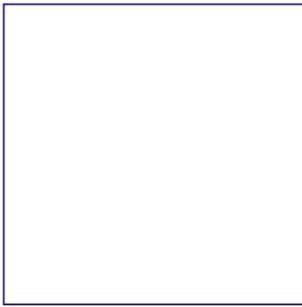
33.32 Gambling regulators in some other jurisdictions may levy fines. For example, in Nevada the State Gaming Commission may impose fines. In doing so they must take into account a number of factors including: the nature of the breach; previous disciplinary action; any mitigating factors; the size of penalties imposed on other operators for similar violations; and the extent to which the amount of any fine imposed would punish the respondent for the conduct and deter future violations³.

33.33 In the United Kingdom, the Financial Services Authority has the power to impose financial penalties on regulated persons whom the Authority considers to have contravened a requirement imposed on them under the Financial Services and Markets Act 2000⁴. In determining the amount of the penalty the Authority must have regard to:

- the seriousness of the contravention in relation to the requirement contravened
- the extent to which that contravention was deliberate or reckless and
- whether the person on whom the penalty is to be imposed is an individual⁵.

33.34 We consider that financial penalties would be a valuable addition to the range of sanctions available to the Gambling Commission. We accept that establishing such a system would not be straightforward and we would not expect the Gambling Commission to have to levy a fine on anything other than an exceptional basis. The fact that there is a high hurdle to entry to the industry; that thereafter advice on compliance will be issued; and that other less drastic measures may first be employed will mean that fines would be rarely used, but nonetheless valuable. **We recommend that the Gambling Commission should be empowered to impose financial penalties on regulated persons who fail to comply with the requirements of gambling legislation.**

33.35 Clearly any penalty (of whichever kind) that is imposed by the Gambling Commission should be just, transparent and subject to appeal. We have discussed in chapter 19, the appeal procedures that might be introduced in relation to decisions on the grant of personal licences and we have proposed that a Gambling Appeals Tribunal should be established to hear those appeals. **We recommend that the same body (the Gambling Appeals Tribunal) should determine appeals against penalties imposed by the Gambling Commission for disciplinary matters.**



chapter thirty four

Funding the Gambling Commission and its Likely Workload

34.1 In its report “The Gaming Board: Better Regulation”,¹ the National Audit Office identified a number of problems about the current funding of the Gaming Board. In our recommendations about the funding of the Gambling Commission we have drawn on that report and on the subsequent proceedings of the Public Accounts Committee. It is clear that its funding regime has restricted the Gaming Board’s ability to respond to the changing circumstances of the gambling industry. Our fundamental objective must be to ensure that the Gambling Commission has the resources it needs to carry out its regulatory and enforcement functions properly and to provide a good service to the industry in dealing efficiently with licence applications.

34.2 This chapter examines the current costs of licensing and enforcement. It makes recommendations for the funding of the Gambling Commission and estimates its likely workload.

Government supervision of the Gambling Commission

34.3 Before discussing costs, it may be helpful to comment on an issue that is linked to the way in which the Gambling Commission may be funded, that is the question of which government department should supervise gambling. We would not claim any special knowledge in this area, but we would make some observations.

34.4 Following the general election, responsibility for gambling has been transferred to the Department for Culture, Media and Sports. Before that occurred, it had been our intention to recommend that the Gambling Commission should report to the Home Office. It seemed to us that “supervision” is rather a broad and ambiguous word which could cover a range of tasks. In particular we would distinguish between regulation and sponsorship. We can readily accept that gambling is part of the leisure industry and that it would be appropriate for DCMS to sponsor it. However our concern has been with the regulation of gambling and, among other things, with the prevention of crime and harm to the vulnerable. That would appear to fall squarely with the responsibilities of the Home Office.

The cost of licensing and enforcement

34.5 The disparate nature of current gambling regulation makes it difficult to quantify the current costs of regulating the gambling industry in Britain. Although the funding of the Gaming Board is documented, it regulates only part of the industry.

34.6 The current costs of regulating the gambling industry include:

- the cost of the Gaming Board
- some local authority costs related to the registration of lotteries and the issue of licences for tracks and racecourses
- court costs, including administration and hearings, for betting and gaming sectors (in England & Wales)
- local authority Licensing Board costs (in Scotland)
- police costs.

There are also the compliance costs borne by the industry itself.

34.7 Apart from the cost of the Gaming Board, there is very little published information on costs of regulating gambling. The total cost of the Gaming Board’s operations, including the salaries and other expenses of the Board members, was £3.6m in 1999-2000. Local authority and Licensing Board costs are specific to each authority and no statistics are collected centrally. There is no reliable information on court or police costs.

34.8 Whatever those costs currently are, we can say that in general we would expect the overall cost of regulating gambling to be higher than it is at the moment as a result of our proposals. Some existing costs will be redistributed, and in addition there will be new expenditure as a result of an increased level of enforcement activity by the Gambling Commission and the new regulation of bookmaking and on-line gambling.

Funding mechanisms

34.9 In considering funding arrangements for the Gambling Commission we were mindful of our terms of reference which require us to

- recommend new machinery appropriate for carrying out that regulation which achieves a more consistent and streamlined approach than is now possible and which is financed by the gambling industry itself.

34.10 We also took note of the recommendations made by the NAO in its report on the Gaming Board². The NAO report was critical of aspects of the Gaming Board’s funding arrangements and said:



- the Gaming Board was failing to meet the Treasury's policy of full cost recovery. The Home Office (as the Gaming Board's sponsor department) should discuss with the Treasury action to recover the deficits on fee income incurred in previous years
- there was a lack of reliable data, particularly in relation to the recoverable costs of licensing justices and police authorities, so it was impossible to say exactly the extent of under-recovery. A reliable basis should be found for determining the costs of licensing and police authorities to be recovered from the gaming industry
- immediate action should be taken to eliminate the cross-subsidy of lotteries
- the cross-subsidy of the bingo and machines sector of the gaming sector by the casino industry should be eliminated.

34.11 We understand that, in terms of what is permitted within Treasury rules, there are three options for funding the Gambling Commission: grant-in-aid, trading fund or net running costs.

34.12 The Gaming Board has been operating on the basis of grant-in-aid from the Home Office. Over recent years the Gaming Board has made clear to the Home Office its unhappiness about the way it is funded and its strong desire to move to a more efficient method of funding. Although the Board seeks to recover its expenditure through the fees charged for certificates, registrations and licences, the money is surrendered to government and is not taken into account in setting the grant. Instead, the grant has been set by the Home Office by reference to what it can afford from its overall budget, meaning that the Gaming Board has had to compete against other demands on the Home Office. This has meant that some deregulation measures have not been able to be taken forward in part because the necessary resources could not be found.³ We are anxious that the Gambling Commission should not be inhibited by similar constraints.

34.13 A trading fund is described as "a means of financing the trading operations of a Department, although a trading fund may also be a department in its own right".⁴ The Forensic Science Service is an example of a trading fund. Organisations funded in this way normally operate in commercial or competitive environments. We do not consider that this would be appropriate in relation to the regulatory functions of the Gambling Commission.

34.14 Organisations that operate on the basis of net running costs tend to be those that provide a service, but do not operate in an open market. An example is the Passport Agency, which has sole responsibility for

issuing passports. We consider that net running costs would be the appropriate form of funding for the Gambling Commission. Income from licensing fees and renewals will need to equal or exceed the total running cost of the Gambling Commission. Although the Commission will need to have a strong efficiency regime, this method of funding should mean that it has some flexibility to take a longer-term view in developing its functions and more readily to respond to changing circumstances.

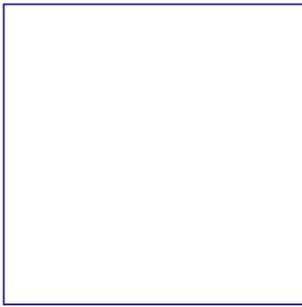
34.15 Operators applying for licences or renewals would be charged a non-refundable application and licence fee to cover the cost of the process and the cost of their licence. Each sector would be self-funding, and the licence fees would need to include a charge to cover the policing of the system. This would pay, for example, for investigating and prosecuting unlicensed traders. **We recommend that the Gambling Commission should be operated on a net running cost basis.**

Devolution implications

34.16 The principles underpinning the regulation of gambling are the same across Great Britain. It would clearly be desirable for the Gambling Commission to operate across Great Britain, though regional offices may need to be set up from which to make visits and inspections. Regional offices could mean that there were differences in staff or accommodation costs around the country. However, we do not consider that such regional differences should be reflected in different fees being levied in different parts of Great Britain. That could adversely affect the central functions of the Gambling Commission and moreover, there can be no stronger a case for setting different fees in Scotland than there is in the north of England. The fees therefore should be set centrally. Some of the economic efficiency of establishing a single regulatory body would be lost if a similar Commission had to be established in Scotland on a much smaller scale. **We recommend that the Gambling Commission should have responsibility for regulating gambling throughout Great Britain. Fees should be set centrally and not devolved to Scotland.**

Likely workload

34.17 We have tried to make some broad estimates of the Gambling Commission's likely workload. They are based largely on the existing number of registrations or licence holders. We have not attempted to refine the figures quoted below and they should be regarded as no more than a very general assessment of the likely numbers.



Casinos

- 34.18** There are currently 123 casinos in Great Britain. Without prejudice to any recommendations we might make, we asked the Gaming Board⁹ for its best estimate of how numbers might increase. The Board told us that in 1995, when the Home Office was considering whether to increase the number of permitted areas, Rank plc commissioned research which indicated that, assuming there were no other changes to the regulatory environment, a population of just over 100,000 was needed in the area surrounding a casino to make it commercially viable. Using that criterion and based on population statistics from ONS, the Board suggested that about 100 new casinos might open. That would give a total of some 220 casinos.
- 34.19** The Gaming Board surmised that if advertising and casino slots were permitted and the demand test was also abolished, that would be a major boost to the industry. They suggested that it would be reasonable to suppose that the number of casinos might double. That would mean there would be some **450 casinos** in Great Britain. We have used that figure to consider how many individuals the Gambling Commission might need to license.
- 34.20** The Gaming Board currently licenses some 5,000 dealers, inspectors and supervisors. We have proposed that the number of categories of licence should be reduced and we have assumed that that might reduce this figure to around 3,000. Adjusting that figure to take account of the assessment of 450 casinos would suggest that around **9,600 dealers, inspectors or supervisors** would need to be licensed. In addition, there might be about **800 casino managers** and a more modest increase in **casino executives to, say, 50** (from the 12 currently licensed each year).

Bingo

- 34.21** There are currently about **740 bingo clubs** operating in Great Britain. We would not expect our proposals to make a big difference to that number. That would suggest that the number of bingo managers requiring a licence would remain at much the level it is now. There are currently about **100 bingo managers** licensed each year.

Betting

- 34.22** Rounding up, there are **8,800 betting shops** in Great Britain. We would not expect that number to change very much as a result of our recommendations. There are **59 racecourses, 61 greyhound tracks, and 119 point to points**. In addition, there will be other tracks that hold track betting licences issued by local authorities. The Gambling Commission will be licensing the operators of these tracks, and this will be new work compared with the Gaming Board.
- 34.23** There are **3,791 bookmakers** and we would expect that figure to remain fairly constant. **Betting shop managers** are not currently licensed and we have made an assumption that some **20,000** may need to seek a licence over perhaps a five-year period. There may be about **12 betting brokers** and **7 public ticcacs**, who need to be licensed for the first time.

Lotteries

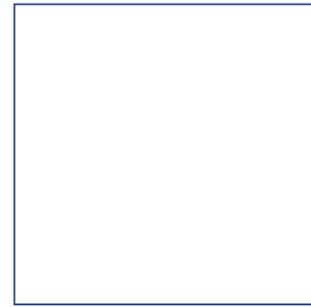
- 34.24** The Gaming Board currently licenses **7 External Lottery Managers** and registers **4,321 societies lotteries. 2 local authorities** are licensed to operate lotteries. We have no been able to make any assessment of the number of societies lotteries currently registered by local authorities, which under our proposals would be registered by the Gambling Commission. We assume that the number is high, and we have suggested in chapter 28 that there may need to be administrative action to extend registrations to avoid an unmanageable influx of work in the first year or so.

Pools

- 34.25** There are **3 pools operators**. We would not expect this to change significantly.

Gaming machines

- 34.26** No arcade operators are currently licensed by the Gaming Board. We expect that some **2,000 arcade operators** will need to be licensed by the Gambling Commission. The number of those who **sell, supply or maintain machines** is likely to remain at around the current level of **773**.



chapter thirty five

Implications for the National Lottery

35.1 Our terms of reference state the following:

- In conducting this review, the body should not consider changes to the National Lottery. But it will need to look at the impact on the Lottery of any proposed changes, including an assessment of the potential effect on the income to good causes.

35.2 We have not considered changes to the National Lottery but we have inevitably considered the effects that it has had on the gambling environment. The National Lottery is, by some margin, the most widely experienced form of gambling. It also differs in important ways in the regulation that controls it. In common with other lotteries, the minimum age for participation is 16 rather than 18. National Lottery tickets are available in unlicensed premises. (There are approximately 24,600 outlets.) It is widely advertised. It is also a legally protected monopoly. It is argued that this exceptional treatment is justified because

- the proceeds are for good causes
- the National Lottery is not really gambling and is not so regarded by those who participate in it.

35.3 The first argument is a matter of public policy which we do not question and, indeed, our proposals in relation to other lotteries recognise their special role in raising funds for good causes. For example, we assume that commercial lotteries will continue to be illegal. We can also understand why, despite a general preference for competition, the National Lottery operates as a monopoly (with competition for the right to provide the service). Evidence suggests that, given the attractiveness of a life-transforming win, a monopoly will provide an effective way of maximising proceeds for good causes since it increases the size of the prize fund.

35.4 We are less convinced by the second argument. The ONS survey suggests that people do regard the National Lottery as gambling.¹ Also it is noteworthy that the industry that suffered most from the introduction of the National Lottery was the football pools, which offered a similar (though inferior) opportunity for big prizes. We accept that the National Lottery, in its present form, is a soft form of gambling. However we also believe that it competes with other forms of gambling. That belief must also underlie the request to us to consider the effects of our proposals on the income to good causes. If the National Lottery were not gambling the issue would not arise. Although we have been asked to consider the effects on income

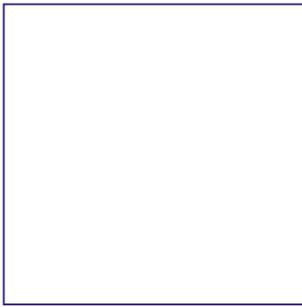
for good causes, we have not assumed that we should be inhibited from making proposals which harm it.

35.5 Apart from income, there are two other ways in which our proposals may have implications for the National Lottery. The first is that we are proposing a single regulator for gambling. If it were ever proposed that the regulatory role of the National Lottery Commission should be separated from its sponsoring and commercial roles, then it might also be argued that the regulation should be undertaken by the Gambling Commission. The argument would have greater force if, as appears possible, the National Lottery operator is permitted to provide games which more closely resemble those provided by other commercial operators. The second is that we have received considerable support in the submissions for the raising of the minimum age for all forms of gambling to 18. We sympathise with this view for the forms of gambling considered in this Review. If such a change were made it would presumably include the National Lottery.

35.6 The following proposals may affect income to good causes:

- permitting "free" lotteries
- allowing money prizes for small lotteries
- raising the prize limit for other lotteries
- allowing rollovers and removing prize limits for bingo
- allowing rollovers on football pools
- allowing unlimited prizes on casino slot machines
- allowing bets on National Lottery numbers
- allowing regulated provision of on-line gambling.

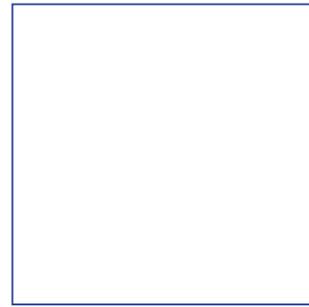
35.7 The general question for all these proposals is to what extent punters think of the various activities as substitutes for the National Lottery. If they are, a small change in their relative attractiveness may have a large effect on the proceeds of the National Lottery. We believe that the main characteristic of the National Lottery is that it offers the small chance of a life-transforming event. Those who would be content with a smaller prize would not rationally buy lottery tickets. In other words, there are far better odds available for the chance of winning £10 (the reward for picking three correct numbers in the National Lottery). If we are correct in this belief, the National Lottery will



suffer to the extent that our recommendations increase the opportunities to win large prizes. We recognise that for some punters the most important feature of the National Lottery is that its proceeds go towards good causes. To that extent the National Lottery will suffer if the relative attractiveness of other lotteries for good causes is increased. However in all this discussion it is important to remember that, according to the Prevalence Survey, 85 per cent of those who participated in the National Lottery Draw within the past year only participated in that activity.² That may suggest that National Lottery players are exclusively interested in the National Lottery and are not considering alternatives. It would take a big change to get them undertaking other forms of gambling. Camelot is proud of the fact that the per capita spend on the National Lottery is low relative to the total stake, compared with other countries. That does suggest that it has been able to tap a new set of punters (while diverting some spending from other forms of gambling). In brief, the National Lottery, as currently designed, is reasonably well insulated from other gambling activities.

- 35.8** In chapter 28, we discuss activities which resemble lotteries but which do not fall into the categories of permitted lotteries. The main types can be thought of as promotional lotteries (for which there is usually no charge) and “free” lotteries, which typically use premium telephone lines. Where the entry charge, including telephone charges, is trivial (which we define as being no more than about 50p), we propose that that the activities should not be subject to special regulation. These types of “lottery” already exist and we do not expect their numbers to increase significantly. Although they represent a form of gambling, widely defined, we do not believe that people regard them as a substitute for conventional lotteries and would not expect a significant effect on income for good causes. However where the entry charge (typically through a premium line) is above about 50p we believe that they constitute a commercial lottery and should be prohibited. This is because we believe that public policy seeks to preserve lotteries exclusively for good causes.
- 35.9** The second and third proposals may increase the attractiveness of other lotteries, however the effect on income for good causes is unlikely to be significant. The effect will largely be a shift from the good causes supported by the National Lottery to other good causes. The effect on total income for good causes will depend on any differences in the proportion of lottery proceeds paid out for this purpose. At the moment, about 31% of National Lottery receipts are paid out to good causes. Under our proposals at least 20% of lottery proceeds must go to good causes. The average will presumably be somewhat larger.

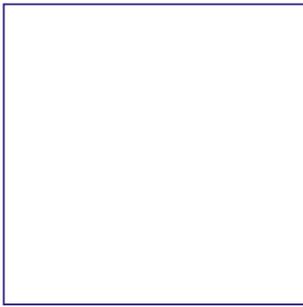
- 35.10** The fourth, fifth and sixth proposals increase the opportunities to gamble for large prizes. Our arguments suggest that they will therefore harm the income for good causes. We suspect that the opportunity to win larger prizes on bingo will have the largest effect. We note that the linked prizes for bingo are already advertised on television in much the same manner as used to be the case for the National Lottery. Although bingo prizes are unlikely to reach the level of National Lottery jackpots they will become a closer substitute. At the moment about 4% of the adult population plays bingo each week (7% of all gamblers). That proportion could be increased if bingo becomes more attractive, and existing players could be encouraged to spend more.
- 35.11** We have mentioned that the football pools were the main victim of the National Lottery. If larger prizes are available punters could be encouraged back. There could again be a loss to good causes.
- 35.12** As far as casino slot machines are concerned we have suggested that National Lottery players are predominantly only participating in one form of gambling. Although our proposals are likely to increase both the numbers of participants and total expenditure in casinos, we do not believe that the National Lottery is a close substitute for gaming machines. However we accept that there may be some loss of income for good causes.
- 35.13** Betting on National Lottery numbers is forbidden by the Betting, Gaming and Lotteries Act 1963 (as amended by the National Lottery Act 1993). We have proposed that it be permitted. (We regard this as a change to the regulation of betting rather than a change to the National Lottery.) It has been reported to us that there was a loss to the Irish Sweepstake of 20 per cent when betting on the numbers was permitted. We would not expect the same effect here for two reasons. The first is that, as already mentioned, National Lottery players do not, on the whole, participate in other forms of gambling and are unlikely to start going into betting shops etc. (Those who treat their purchase of a ticket as a form of charity would certainly not do so.) The second is that betting on numbers will not be a way of winning a National Lottery-style prize. It will improve the return from getting three or four numbers right, partly because of the better overall payout and partly because the structure of National Lottery prizes is weighted towards the jackpot. However we would expect betting on National Lottery numbers to complement rather than replace purchases of National Lottery tickets.



35.14 It is extremely difficult to predict whether the provision of regulated (and unregulated) gaming on the internet and other on-line services will significantly divert spending from the National Lottery. (We assume that National Lottery tickets will also be available on-line in due course.) It has been suggested that on-line gambling will increase participation in gambling, especially among women, who are reluctant to enter betting shops. We can probably deduce that there will be some substitution for the National Lottery and that there will be some reduction in

income for good causes. But the result will depend on how far Camelot is permitted to offer other types of games.

35.15 We have not attempted to quantify any of these effects. We regard the question of how far income for good causes must be protected as a matter of public policy. Should this be seen as a priority or even as an absolute constraint it will be possible to undertake specific studies of the effects of these proposals.



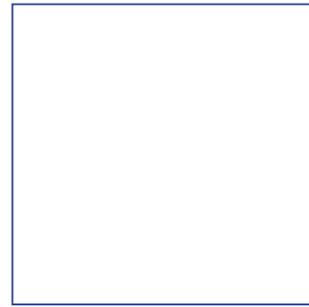
chapter thirty six

The Business Environment

- 36.1 This chapter considers the relationship between our proposals and the requirement in our terms of reference that we should have regard to
- the desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness, maximise the UK's economic welfare; and
 - the implications for the current system of taxation and the scope for its further development.
- 36.2 Our general approach in this report has been to concern ourselves mainly with the interests of the punters – the consumers of the services provided by the gambling industry. We believe that these interests are best met by allowing (adult) gamblers the maximum freedom of choice consistent with keeping the industry free of crime and protecting the vulnerable. We have sought to expand their choice by, among other things, proposing the removal of the permitted areas rule as it applies to casinos and bingo halls and the demand test as it applies to casinos, bingo halls and betting shops. We hope that the result will be greater competition between those who seek to provide gambling services. That is one of the means by which we believe that the UK's economic welfare will be maximised.
- 36.3 The consumer benefits from competition whether it be met by UK or overseas companies. It has not been our objective to seek to maximise the profitability of UK companies. That would be completely contrary to the spirit of free trade which also allows UK companies to prosper in overseas markets. We believe that much of the UK industry has a well-deserved reputation for efficiency, innovation and honesty which provides it with excellent opportunities to succeed here and elsewhere. What is important is that UK suppliers should not face disadvantages in competing with foreign suppliers. There are two areas in which disadvantage could arise: the first is taxation and the second is regulation. Both have become more problematic with technical change, particularly in relation to the internet.

Tax and the punter

- 36.4 The punter can choose between various types of gambling and between different suppliers of the same type of gambling. As we described in chapter 16, one can think of the gross gaming yield (the difference between the stake and the payout) as the price of a particular type of gambling. The higher the gross yield the higher the price (per £ staked). The gross yield is made up of costs, profits, taxes and any contributions to good causes or the underlying sport. Normally the punter will neither know nor care what the individual elements are. He will know, if he is interested, that the payout on table games, for example, is on average 97.5% of the stake; but he will not care how much of this is profits, how much is costs and how much is tax. The main exception to this general rule is the current system of general betting duty, which we discuss below.
- 36.5 Figure 36.1 shows the current position. It can be seen that specific taxes on gambling are levied either as a proportion of the stake, as a proportion of the gross margin or as a duty on the equipment used. Since taxes are an element of the price of gambling they will affect the demand for, or the supply of, particular types of gambling. (The extent to which taxes are actually paid by the punter rather than the supplier - the "incidence" of the tax - will depend on demand and supply conditions.) It may be possible therefore to use the tax system to discourage certain types of gambling, just as taxes can be used to discourage smoking. Alternatively it may be possible to use the tax system to raise revenue from activities which impose costs on society in order to reimburse those costs to the general taxpayer. It is not clear which, if either, of those two motives explains the current structure of gambling taxation. It is possible that it reflects the more familiar motive of raising revenue where it is easy to do so.



Duty	Type of Duty	Current Rate of Duty
National Lottery	% of amount staked	12%
General Betting*	% of amount staked	6.75%
Bingo	% of weekly stake and added prize money	10% of the price of the bingo card plus 1/9th of added prize money
Pool Betting	% of amount staked	17.50%
Gaming Duty**	A premises based tax on banded profits	2.5% of first £462K 12.5% of next £1,027,500 20% of next £1,027,500 30% of next £1,798,500 40% of remainder
Amusement Machine Licence	Licence for each machine or for premises based on machines in use	Licence value £250, £645 or £,1815 pa dependent on machine type and cost per play

*In March 2001, Customs & Excise announced their intention to replace the transaction based tax with a 15 per cent tax on bookmakers' gross profits (3% on financial spread bets and 10% for all other spread betting). Change anticipated from Jan 2002.

**Rate up to 31 March 2001

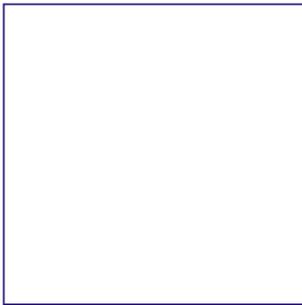
Source: Customs & Excise and NAO (2000)

Figure 36i: Duty rates

- 36.6 We do not interpret our terms of reference as requiring us to comment on the social effects, whatever they may be, of the current system of taxation, although if it could be done, we would support a system which identified and taxed more heavily forms of gambling which were most likely to cause problem gambling. We note that pool betting and the National Lottery (which are normally thought of as soft forms of gambling) are among the most heavily taxed. However there is a high and progressive system of taxation on gaming.
- 36.7 Even if there were agreement that social objectives should affect the design of the system of taxation it is not clear, as we discuss below, whether this is practical in the face of technical change. There is also the question of whether a tax or levy system should be used as a means of supporting the related activity – as is the case with the Horserace Levy. In chapter 13 we said that we did not believe that the question of whether betting should support the underlying sport was a matter for the regulation of gambling.
- 36.8 The tax system can also affect the choice of location for at least some punters (for example those who might fly to one resort or another). We do not believe that tax rates are a major factor in this choice.

General Betting Duty

- 36.9 While our review was in progress, Customs and Excise conducted a consultation exercise in relation to general betting duty. It was set up in response to the move to offshore sites of certain bookmakers who levied a deduction of 3% on telephone bets and nil deductions on internet bets, compared with the 9 per cent (for general betting duty and the Horserace Levy) deducted on UK-based off-course bets. Thus the issue was not one of the choice between one form of gambling and another but of choice between one supplier and another.
- 36.10 Customs and Excise said that the challenge was to create a robust tax regime that ensured:
- a fair challenge for UK bookmakers to compete internationally
 - a fair opportunity for horse racing to secure financial support
 - a fair contribution from the industry towards general tax revenues.



36.11 After the consultation exercise the changes to the taxation of betting announced in the 2001 Budget were presented as:

a radical reform of betting duty which will create the right competitive environment for British-based bookmakers to develop their business domestically and internationally, and give punters a better deal.¹

36.12 A new system of tax on bookmakers' gross profits (at 15%) will replace the current General Betting Duty of 6.75% on total stakes. Under the current system, off-course bookmakers charge a 'deduction' of 9% of the stake to cover general betting duty and the levy. (In fact the 9% is normally added as a charge to the stake so that a customer pays £10.90 for a £10 stake.) Since General Betting Duty only applies to bookmakers located in the UK, off-shore operators could offer better odds and attract punters.

36.13 We have said that the punter will usually be unaware of the tax rate he is facing. Taxation can be part of the wedge between the punters' stakes and the amount paid out as winnings. The other parts of the wedge consist of the operators' costs and profits. The punter may be aware of the average size of this wedge for a particular activity, but he will usually be unaware of, or uninterested in, its composition. General betting duty is unusual in that it was an identifiable charge or deduction (although it was combined with the levy). Thus the punter knew that for every £1.09 he paid at the betting shop only £1 was being staked on the horse he fancied. If the same odds were available without the deduction he would prefer to avoid it. Offshore betting appeared to provide this opportunity and local bookmakers were forced to "absorb" the duty to retain business which involved a squeeze on their profits and also tempted them to move offshore. As a deliberate encouragement to race going, on course bookmakers did not pay the duty. The duty could also be avoided through illegal betting.

36.14 The Government also made the following comments:

The reformed tax structure makes it possible to absorb the tax and to end the 9 per cent 'deduction' they currently charge on stakes which mean punters will pay no tax.

This reform will remove any incentive for illicit gambling and should help eradicate the illegal untaxed market in betting, which is currently estimated to be worth approximately £500 million a year.²

36.15 Both statements may be slightly optimistic. It is true that punters will not pay General Betting Duty in the way they do now; but if they do not pay the new tax,

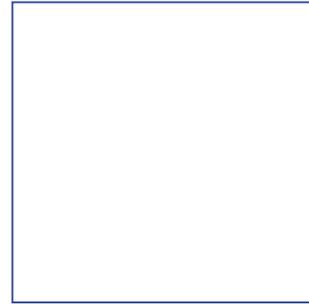
who will? If it is simply absorbed by the bookmakers they will find their profits reduced. One might expect some adjustment off the odds so that the gross profit (the difference between the stakes and the winnings) rises. The punter is likely to pay one way or another. The outcome will depend on the competitiveness of the industry. Under the starting price system it will continue to be true that the odds for most off-course punters will be set at the racecourse, where the bookmakers do not pay any form of betting tax (though they are subject to corporation tax). But they are all part of one market.

36.16 The illegal market will certainly lose its relative attractiveness if it offers bets at starting prices, since the same odds will be available at betting shops and there will be no general betting duty deduction. However it will be able to offer more favourable ante-post odds if it is able to avoid the tax on gross profits.

Tax and on-line gambling

36.17 General Betting Duty represents a good example of the type of problem generated by the internet or any other form of on-line gambling. Internet and telephone betting are close substitutes for placing bets in a betting shop, as is interactive TV betting. Apart from the possible question of the honesty of the supplier, the punter is indifferent as to whether the on-line bookmaker is located in the UK or elsewhere. Hence the vulnerability of the tax take. The Government's solution was to change the basis of the tax and to reduce its effective rate. When the new system is introduced there will be single tax system for all UK-based off-course betting. As now, on-course betting will have a competitive advantage. It will not be possible, in practical terms, to prevent overseas companies from supplying a "tax-free" betting service. However, as we propose in chapter 30, such a company will not be able to register with the Gambling Commission. The site will not have a kitemark and punters will use it at their own risk. It will not be an easy matter to fix the tax at the right level. If it is set too high, more punters will take the risk and deal with a non-registered supplier. As long as we continue (as we firmly believe we should) the present system under which the punter does not commit an offence by gambling on an unregistered site there is nothing to stop him moving.

36.18 At the moment, gaming sites cannot legally be provided on-line by UK-based companies. Under our proposals, companies will be able to register with the Gambling Commission to do so. We assume that registration will be limited to those companies based in the UK who can therefore be required to pay tax on the gambling transactions, as under the present

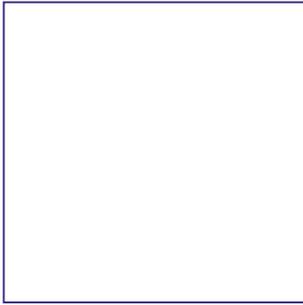


system. That will not prevent foreign companies from establishing subsidiaries based in the UK. The UK companies will therefore compete on level terms with overseas companies that are prepared to meet the requirements for registration with the Gambling Commission. As with betting it will not be possible to stop overseas companies that wish to avoid paying tax setting up on-line sites to which UK residents have access; but the punter will be running a risk. As with betting, if the tax is set too high, more will be tempted to move to unregistered sites. It is possible that the UK will find itself forced to reduce tax rates. That is an illustration of the general principle that it is difficult to tax highly mobile factors of production.

- 36.19** We find it hard to predict whether Customs and Excise will find an easy way to tax “virtual” machines in the way that it tackles physical ones. It may also find it difficult to retain the distinction between the taxation of bingo and the taxation of gaming that prevails under the present system when both are virtual, though the problem does not seem insoluble.

Regulation and international competition

- 36.20** Just as activities can shift in response to differences in taxation, so can they also shift in response to differences in regulation. Indeed the success of the City of London has often been attributed to its relatively light regulation. There are two types of risk. The first is that travellers may avoid gambling in locations where they find the regulation too oppressive. The second is that interactive services may be provided from locations where regulation is lighter. We believe that an incidental effect of our proposals will be that the physical UK gambling sites, especially casinos, will become more attractive to overseas visitors and to British residents who might otherwise travel abroad to gamble. The second, as with taxation, is a question of balance. Under our proposals it will be a virtue of on-line gambling sites registered with the Gambling Commission that they will meet very high standards of probity and knowledge. If these standards are excessive, suppliers and punters will migrate to unregistered sites. We believe that our proposals reach the right balance.



chapter thirty seven

Summary of Recommendations

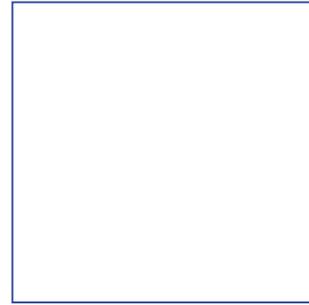
Regulation introduction

1. We recommend that a new single regulatory authority (Gambling Commission) should license all gambling operators and key workers. (18.13)
2. We recommend that the licensing of premises should remain a local decision, but that responsibility should transfer from magistrates to local authorities. (18.21)
3. We recommend that future legislation should be in the form of an enabling act which delegates the detailed provisions to subordinate regulation and to codes issued by the Gambling Commission. (18.23)

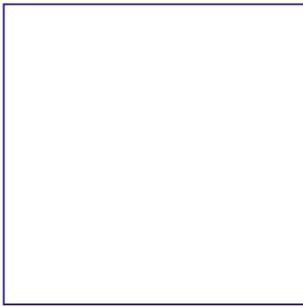
Licensing of individuals and corporate bodies

4. We recommend that provisions on the disclosure of criminal records are retained in any new legislation (and extended to include betting) and that the Gambling Commission should be a "registered body" under the Police Act 1997 and so authorised to receive information arising from enhanced disclosures. (19.6)
5. We recommend that the Gambling Commission should make comprehensive financial checks on those persons who operate gambling businesses, both to keep out organised crime and to ensure that potential liabilities can be met. This is particularly important in the case of casino gaming, bingo and betting, where the liabilities may be considerable. (19.8)
6. We recommend that senior executives and key employees are interviewed to ensure that they have the knowledge, and are otherwise competent, to carry out their functions. In practice this will have the effect of extending the Gaming Board's current procedures to applicants for bookmakers' permits. (19.10)
7. We recommend that the Gambling Commission should have the ability to interview on entry and, in addition, to make ad hoc enquiries to confirm that all those licensed or registered to work in the gambling industry are competent to carry out the task for which they are licensed/registered, and to take action if they are not. (19.11)
8. We recommend that there should be a formal duty on gambling operators to ensure that appropriate checks are made on employees who are involved in the gambling, but are not otherwise regulated by the Gambling Commission. (19.12)

9. We recommend that gateways are established to ensure that a free exchange of information can take place, both for licensing and investigative purposes. (19.13)
10. We recommend that the licensing procedure should include provisions relating to socially responsible gambling. At the highest level, this might encompass details of the company's policy statement and training programme, and on an individual basis it should test the applicant's awareness of their responsibilities arising from those programmes. (19.16)
11. We recommend that personal licences should be renewable at intervals to be determined by the Gambling Commission. (19.17)
12. We recommend that the number of casino certificates of approval should be reduced from five to three, and that the existing certificates for dealers, inspectors and supervisors should be amalgamated. (19.26)
13. We recommend that employers should be required to obtain a certificate from the Criminal Records Bureau each time a person is promoted and there should also be a requirement (on the employer) to notify the Gambling Commission about the change in the individual's status and to send it a copy of the certificate. (19.27)
14. We recommend that the certificate of approval should be valid throughout Great Britain, subject only to a requirement that an employer should require an up-to-date certificate from the Criminal Records Bureau when taking on someone who is transferring from another employer. There should be a requirement (on the employer) to notify the Gambling Commission about the change of employment and send it a copy of the certificate. (19.28)
15. As with casinos, we recommend that certificates of consent for bingo should not be related to particular premises, but should be required by the local authority before an application in respect of a premises licence is entertained. (19.30)
16. We recommend that bingo managers should continue to apply for a certificate of approval; that they should be interviewed; and that the certificates should be portable between companies in Great Britain (subject to the requirement that the new employer should seek an up-to-date certificate from the Criminal Records Bureau and should notify the Gambling Commission of the change of employment and send it a copy of the certificate). (19.32)



17. We recommend that the Gambling Commission should regulate all bookmakers who, as with other gambling operators, should undergo a fit and proper test and be investigated in relation to their competence and knowledge as well as honesty and financial probity. (19.35)
 18. We recommend that the licensing of betting shop managers should be at a similar level to casino dealers. (19.40)
 19. We recommend that bookmakers should be required to require certificates from the Criminal Records Bureau for other key staff and that these may be examined by the Gambling Commission. (19.40)
 20. We recommend that betting brokers should be licensed and regulated in the same way as bookmakers. (19.42)
 21. We recommend that the Gambling Commission should take over the NJPC's duties of approving bookmakers who operate on-course, though this may in practice not require a significantly different approach from the licensing of off-course bookmakers. (19.46)
 22. We recommend that bookmakers and their representatives working at greyhound tracks and point-to-points should be licensed and regulated in the same way as bookmakers on racecourses. (19.47)
 23. As with other employers, we recommend that there should be a duty on the bookmaker to ensure that he is employing staff on the racecourse, greyhound track or at the point-to-point who are fit and proper to be employed in duties related to betting. (19.48)
 24. We recommend that the Gambling Commission should license public tic-tacs. (19.50)
 25. We recommend that the Gambling Commission should be responsible for issuing certificates of approval to the operators of horse racecourses, point-to-points and greyhound tracks to authorise them to allow betting on their premises. (19.52)
 26. We recommend that the Gambling Commission should license track operators, but we do not see the need for such tracks also to be licensed for betting by the local authority. (19.53)
 27. We recommend that the Tote and its employees should be licensed by the Gambling Commission in the same way as other bookmakers and that its licence should, in addition, reflect the special status it enjoys as an exclusive provider of pool betting. (19.55)
 28. We recommend that External Lottery Managers should be licensed by the Gambling Commission. (19.56)
 29. We recommend that societies and local authorities who wish to run lotteries should have to register with the Gambling Commission and provide evidence that they are what they profess to be. The Gambling Commission should require promoters to provide a certificate from the Criminal Records Bureau, should make random checks to ensure that lotteries are being conducted legally, and should require returns to be made in respect of lotteries above a certain size. (19.57)
 30. In the case of amusement arcades, we recommend that the operator should be licensed by the Gambling Commission and should be liable to enhanced criminal records checks. (19.58)
 31. If a family entertainment centre includes a restricted area containing machines to be played only by adults, we recommend that the operator should be required to register in the same way as someone operating an amusement arcade dedicated only to over 18s. (19.60)
 32. We recommend that the Gambling Commission should license all those who sell, supply or maintain gaming machines (except low stake/low prize machines). (19.62)
 33. We recommend that pools operators are subject to licensing by the Gambling Commission. (19.64)
 34. We recommend that there should be a statutory right of appeal against licensing decisions by the Gambling Commission. The appeal should provide an opportunity for mistakes in law to be put right rather than for the case to be reviewed from scratch and for the review body to substitute its own judgement for that of the Gambling Commission. (19.66)
 35. We recommend that a Gambling Appeals Tribunal should be established. (19.70)
- Licensing of premises: general issues**
36. We recommend that permitted areas should be abolished. (20.10)
 37. We recommend that the Gambling Commission should set a minimum size for a casino. To begin with, the size should be larger than the smallest casinos currently operating - say 2,000 square feet (185.8 square metres) for the gaming floor devoted to table games - with an exemption for existing casinos. (20.11)
 38. We recommend that the demand criterion should be abolished for both casinos and bingo clubs. (20.28)



39. We recommend that the demand test should be abolished for betting shops. (20.31)

Licensing of premises: role of the local authority

40. We recommend that the Gambling Commission should circulate procedural rules to deal with issues of the kind mentioned in the Liquor Licensing White paper. (21.4)
41. The Gambling Commission should also issue guidance, which local authorities should be obliged to follow, for example, on the minimum floor space for gambling areas in casinos. (21.5)
42. We recommend that the local authority should ensure that gambling is the primary purpose of premises licensed for gambling. (21.7)
43. Although the power may be rarely used, we recommend that local authorities should have the power to institute a blanket ban on all, or particular types of, gambling premises in a specified area. (21.9)
44. We recommend that, unless a local authority has determined that the number of gaming premises of a particular type in its area should be nil, each application for a licence should be considered on its own merits. The authority should have regard to the existing gambling provision, but that should not by itself be a valid reason for refusal. (21.11)
45. We recommend that in determining whether the location for gambling premises is appropriate the local authority should have regard to the general character of the locality and the use to which buildings nearby are put. In addition, the Gambling Commission should be able to offer more specific advice on how this provision may be interpreted and local authorities should be obliged to take any such advice into account. (21.13)
46. We recommend that opening hours should be regulated as one of the conditions of the premises' licence. (21.14)
47. We recommend that appeals against decisions made on the licensing of gambling premises should be dealt with in the same way as planning appeals. (21.21)

Gambling activities: common issues

48. We recommend that the 24-hour rule should be abolished. (22.5)
49. We recommend that the statutory membership requirement for casinos and bingo clubs should be

abolished, but there should be a statutory requirement on casinos to require positive identification of all those who enter the casino. (22.7)

50. With two limited exceptions, we recommend that there should be a minimum age of 18 for all gambling. (22.11)
51. We recommend that the minimum age for working in a gambling establishment or otherwise being approved to work in the gambling industry should be 18, with the exception that lottery chances may be sold by 16 and 17 year olds. (22.16)
52. We recommend that advertising of gambling products and premises should be permitted, subject to an advertising code of practice to be issued by the Gambling Commission. Breach of the code may be subject to enforcement action by the Commission up to and including the revocation of a licence. (22.24)
53. We recommend that the Gambling Commission should monitor the impact of relaxing the restrictions on advertising and, if it seems appropriate in the light of that monitoring, it should have the power to require a warning of the kind mentioned above to be displayed on advertisements. (22.25)
54. With the exception of direct use in gaming machines, we recommend that credit cards should be permitted for gambling. (22.35)
55. We recommend that the location of ATMs should be required to be such that players have to take a break from gambling to obtain more funds. The Gambling Commission should issue guidelines setting out the restrictions on where ATMs may be situated. (22.36)
56. We recommend that money laundering compliance measures should be extended to betting. (22.41)
57. We recommend that the maximum number of gaming machines in a casino is determined by the number of gaming tables that are available for play. We suggest that the maximum should be determined by a ratio of eight machines to each table, but that where the number of tables exceeds eighty there should be no maximum on the number of gaming machines. (22.47)

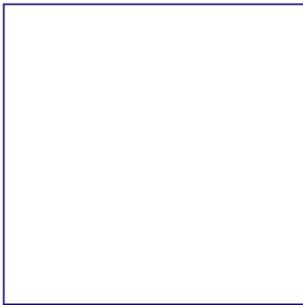
Gaming machines

58. We recommend that gaming machines should be banned from premises other than those on which they are specifically permitted pursuant to our other recommendations. (23.12)
59. We recommend that the provisions in section 33 of the 1968 Act that allow machines at exempt



entertainments should be repealed and not replicated in new legislation. (23.13)

60. We recommend that further research should be commissioned to examine the impact of machine gaming by children and that the government should formally review the position in five years time to determine whether any such gaming by under 18s should continue to be permitted, or whether Great Britain should come into line with other jurisdictions and ban it. (23.19)
61. We recommend that "coin in/coin out machines" in family entertainment centres (outside any restricted area) should have a maximum stake of ten pence. (23.25)
62. We recommend that low stake/ low prize machines should be limited to cash prizes only. (23.26)
63. We do not recommend that the prize limit on low stake/low prize machines should be reduced, but we do recommend that it should be frozen, together with the level of the stake, at £5 and ten pence respectively. (23.27)
64. We accept that machines such as cranes should not fall in the category of gaming machines and we recommend that the legislation should make that clear. (23.28)
65. We consider that in the strictly regulated environment of a casino, slot machines with unlimited stakes and prizes should be permitted. The legislation should make it clear that under 18s may not play casino slot machines. (23.31)
66. We recommend that the maximum prize for jackpot machines should be £500 in all premises in which they are installed. (23.34)
67. We recommend that the maximum stake for jackpot machines should remain at 50 pence, but that it should be increased to £1 when our proposals are implemented. (23.35)
68. We recommend that betting shops should be permitted to have jackpot machines. (23.36)
69. We recommend that the legislation should make it clear that under 18s may not play jackpot machines, wherever located. (23.37)
70. We recommend that jackpot machines should be removed from private clubs. Such machines should be restricted to gambling specific premises. Private clubs should have the same entitlement to all-cash machines as pubs and other premises licensed for the on-sale of alcohol. (23.38)
71. Subject to minimum space restrictions, we recommend that no more than four jackpot machines should be permitted in any bingo hall or betting shop. (23.39)
72. We recommend that the maximum stake for an all-cash machine should be fifty pence and that the maximum prize should be £25. (23.40)
73. We recommend that subject to any limits imposed by local authorities, bingo halls should be permitted to have all-cash machines in addition to a maximum of four jackpot machines. (23.41)
74. We recommend that betting shops should not be permitted to have all-cash machines in addition to a maximum of four jackpot machines. (23.42)
75. We recommend that up to two machines should be permitted in premises as an adjunct of a liquor on-licence. There should be an exception in favour of those premises which at the date of publication of this report carry an entitlement to more than two machines. (23.47)
76. We recommend that the legislation should be explicit that under 18s may not play on all-cash machines, wherever they are located, and that this restriction must be enforced by the operator. Failure to observe this requirement should be a ground for revocation of, or refusal to renew, a licence. (23.48)
77. We recommend that the Gambling Commission should set out guidelines for the delineation and supervision of restricted areas in arcades to ensure that a consistent standard operates across the industry. Subject to industry consultation, we suggest that by itself CCTV should not be a sufficient control. (23.50)
78. We recommend that local authorities should set the limit on the number of machines that an arcade may have, in tandem with considerations about the size of the arcade that may be determined in the planning process. (23.51)
79. We recommend that travelling showmen's pleasure fairs should be permitted to have, what we have termed, low stake/low prize machines and that the machines should be exempt from regulation provided that the machines should continue to be subject to the criteria relevant to such fairs currently contained in the 1968 Act. (23.53)
80. We recommend that the maximum stakes and prizes for jackpot machines and all-cash AWP's should be increased only in line with inflation, as and when agreed with the Gambling Commission. (23.54)



81. We recommend that the proposals contained in the Home Office consultation paper "Gaming machines: Methods of Payment" should be implemented, but the use of methods of payment should be monitored by the Gambling Commission to ensure that winnings and change can always be easily redeemed, so as not to encourage extended play. (23.62)
82. We recommend that casino slot machines with unlimited stakes and prizes should be required to be random and that the display of results must be random. (23.63)
83. We recommend that casino slot machines only may be linked to provide bigger prizes. (23.68)
84. We recommend that multiple staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines with unlimited stakes and prizes. (23.71)
85. We recommend that multiple-line staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines, subject to such machines operating on the random basis described in paragraph 23.63. (23.72)
86. We recommend that electronic roulette and any other similar machines should be caught by the definition of gaming machines in new legislation, and that the Gambling Commission should have discretion to determine the legal status of any new machines that may be developed. (23.73)
87. We recommend that on multi-player machines, each playing position should count as a machine. (23.74)
88. We recommend that the Gambling Commission should have powers of machine testing sufficient to satisfy it that the machines are fair and otherwise comply with regulations. The Gambling Commission should consult the industry before determining the appropriate level of testing. (23.76)
89. We recommend that profit sharing on machines should be permitted. (23.78)
91. We recommend that gaming remotely on the outcome of "live gaming" should not be prohibited. (24.9)
92. We recommend that the Gambling Commission should set out guidance on the standards required for table games and should maintain a list of games that have been approved for play in Great Britain. Games may be added to, or removed from, the list at the Gambling Commission's discretion. (24.14)
93. We recommend that casinos should be permitted to offer live entertainment. (24.17)
94. We recommend that the current restrictions on alcohol on the gaming floor should be lifted. (24.19)
95. We recommend that tipping of gaming staff should not be prohibited. (24.23)
96. We recommend that no more inducements than are currently available should be permitted. The Gambling Commission should issue guidance on what inducements are acceptable. (24.28)

Casinos

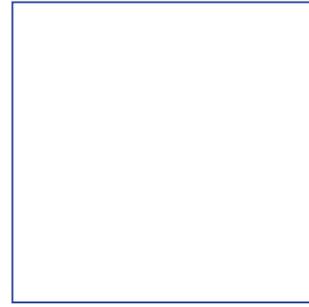
90. We recommend that the Gambling Commission should issue a list of the documents that are acceptable as positive proof of identity and should specify the details that should be recorded by the casino and for what period they should be retained. (24.7)

Bingo

97. We recommend that any new games should be approved by the Gambling Commission. The Gambling Commission should also be able to intervene where games which are currently approved are so altered as to change their nature to become harder in their operation. (25.8)
98. We recommend that there should be no statutory limits on the stakes and prizes in bingo games. (25.12)
99. We recommend that there should be no restriction on the frequency of multiple bingo games. (25.13)
100. We recommend that rollovers should be permitted. (25.14)
101. We recommend that where the size of prizes for equal chance gaming (such as bingo) in pubs or clubs is beyond a limit of £1,000 per week, it should be regulated by the Gambling Commission in the same way as other commercial bingo. (25.18)

Betting

102. We recommend that betting shops should be able to offer any food as well as any non-alcoholic drinks. (26.5)
103. We recommend that betting on the UK National Lottery should be permitted. (26.8)
104. We recommend that bookmaking should continue to be permitted on tracks on not more than seven days in any



12 months without the operator being required to seek a licence from the Gambling Commission or local authority. Seven days notice of the betting should be given to the police. (26.9)

- 105. We recommend that the rules restricting charges for the entry of bookmakers to racecourses or dog tracks should be abolished. (26.14)
- 106. We recommend that there should be off-course access to greyhound totalisators. (26.19)
- 107. We recommend that bookmakers' rules, and specifically the rules relating to the completion of betting slips should be clearly displayed. The Gambling Commission should have the power to scrutinise bookmakers' terms and conditions to ensure that they are fair and reasonable. (26.21)
- 108. We recommend that all gambling debts should be legally enforceable. (26.25)
- 109. We recommend that the Gambling Commission should work closely with the Jockey Club, and others, to ensure that betting is conducted in a fair manner and that there is not unfair access to information. (26.39)

Spread betting

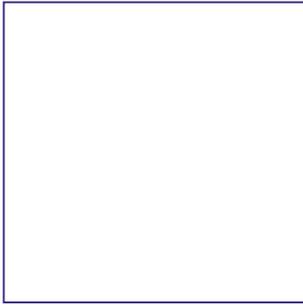
- 110. We recommend that spread betting continues to be regulated by the Financial Services Authority, at least until the Gambling Commission is well-established when the issue should be reviewed. (27.8)

Lotteries

- 111. We recommend that the ban on money prizes for small lotteries should be removed. (28.10)
- 112. We recommend that legislation should make it clear that private lotteries should not be run for private or commercial gain. (28.12)
- 113. We recommend that "good causes" should be interpreted so as not to exclude the purposes currently set out in the 1976 Act. (28.16)
- 114. We recommend that legislation should provide for the continuation of local authority lotteries, which should be registered with the Gambling Commission. (28.19)
- 115. We recommend that legislation should continue to provide for the regulation of External Lottery Managers by the Gambling Commission. (28.20)
- 116. We recommend that all societies wishing to promote societies' lotteries should register with the Gambling

Commission, whatever the size of the proposed lottery. (28.22)

- 117. We recommend that the limits on expenses and prizes as a percentage of proceeds should be removed, subject to an overriding requirement that no less than 20% of proceeds must go to the good cause. (28.28)
- 118. We recommend that the limits on the size of prizes and the maximum annual proceeds should be removed for societies' lotteries. (28.29)
- 119. We recommend that restrictions on the size of the stake in societies' lotteries should be removed, subject to the overriding principle that the price of every chance in the same lottery should be the same. (28.31)
- 120. We recommend that rollovers should be permitted for societies' lotteries. (28.32)
- 121. We recommend that societies' lotteries should be able to promote and sell chances throughout the same territory as the National Lottery. (28.34)
- 122. We recommend that societies' lotteries should not be promoted or sold outside the United Kingdom (with the exception of British Forces) and, that the law should continue to prohibit the promotion of overseas lotteries here. (28.35)
- 123. We recommend that the frequency of on-line draws should be restricted to one a day in any particular premises. (28.43)
- 124. In the light of the proposed controls on the frequency of draws, we agree that it is not necessary to restrict the premises in which on-line terminals for the sale of individual chances may be provided. (28.44)
- 125. We recommend that the selling of individual lottery chances by machine or on-line (as opposed to what amounts to gaming for good causes) should be permitted, subject to regulation by the Gambling Commission. (28.51)
- 126. We recommend that the Gambling Commission should approve interactive lottery games in the same way as other virtual gaming and should approve lottery gaming machines, with the proviso that they should be permitted only in premises where gaming machines may be sited, and are instead of not in addition to any entitlement to such machines. (28.52)
- 127. We recommend that commercial lotteries should not be permitted. (28.55)
- 128. We recommend that the New Zealand model should be adopted here, for what we would prefer to call



promotional draws or competitions, rather than lotteries. (28.61)

129. We recommend that the cost of premium-rate competitions should be minimal, possibly linking the maximum cost to no more than twice the cost of a first class stamp. (28.63)
130. We recommend that there should be a category of prize competition that involves “the exercise of a substantial degree of skill”, which may at some point in the competition involve a draw. (28.65)
131. We recommend that the restrictions in section 14(1)(a) of the 1976 Act should be removed. (28.66)
132. We recommend that prize draws that are run only for commercial profit should be prohibited. (28.69)

Pool competitions

133. We recommend that pool competitions on any sport should be permitted to operate through retail premises, rather than be restricted to four association football matches. (29.3)
134. We recommend that on-line pools entries should be permitted. (29.4)
135. We recommend that pools competitions be allowed to offer unlimited rollovers. (29.5)
136. We recommend that retail outlets should be permitted to pay out winnings to a similar level as National Lottery retailers. (29.7)

On-line gambling

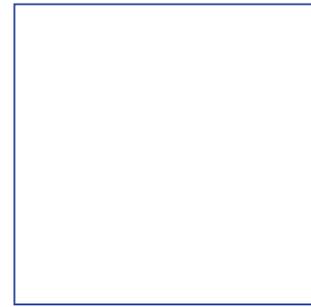
137. We recommend that an on-line gambling operator seeking a licence from the Gambling Commission should, at the minimum:
 - be registered as a British company
 - locate its server in Great Britain and
 - use a UK web address for its gambling site. (30.20)
138. We recommend that on-line betting (including pools and lotteries) should be permitted on “real-time events” taking place off-line. (30.27)
139. We recommend that on-line gaming should be permitted. (30.28)
140. We recommend that on-line gaming software systems are tested and inspected by the Gambling Commission and that the software should operate on a random basis. (30.29)

141. We recommend that the Gambling Commission should set the parameters for the development on-line games. (30.30)
142. We recommend that punters are made aware of the game rules and terms and conditions of play on on-line gaming sites before play commences. (30.31)
143. We recommend that all punters who register to play on-line should be properly identified before they are permitted to play. The Gambling Commission should issue guidelines to ensure that identification standards are comparable with those of off-line casinos. (30.32)
144. We recommend that on-line operators should make any payments only to the debit or credit card used to make deposits into the punter’s account, or by cheque to the punter. (30.33)
145. We recommend that any prizes won by minors should be forfeited. (30.34)
146. We recommend that on-line operators should be required to set up facilities that enable players to set maximum stakes and limits, and to self-ban. (30.35)
147. We recommend that on-line operators set up clocks and counting systems that are displayed on the screen at regular intervals. (30.36)
148. We recommend that on-line gambling sites provide information about problem gambling treatment and services, and links direct to those services. (30.37)
149. We recommend that the Gambling Commission establishes a portal on its website, listing licensed on-line gambling providers. In addition, regulated sites should display the Gambling Commission’s kitemark. It should be an offence for an operator to claim falsely that a site is licensed by the Gambling Commission, or to make unauthorised use of the kitemark. (30.40)
150. We recommend that only on-line gambling sites that are licensed by the Gambling Commission should be permitted to advertise in Great Britain. (30.41)

151. We recommend that the Gambling Commission should have the power to take action in relation to premises, not licensed as gambling premises, in which terminals or other facilities are supplied primarily for accessing on-line gaming or on-line betting services. (30.43)

Clubs

152. We recommend that the Gambling Commission should have the power to inspect clubs where gaming is carried out. (31.9)



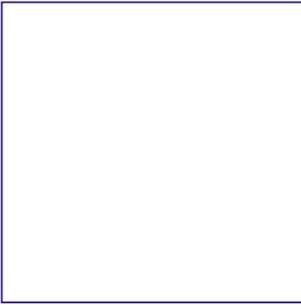
Researching, limiting and treating problem gambling

153. We recommend that research is carried out to monitor the effect on problem gambling of changes in regulation. (32.21)
154. We recommend that the Gambling Commission should have a duty to respond to findings concerning changes in problem gambling. In the light of those findings, it should make appropriate adjustments to the regulations it governs, and should advise the Government on other changes that are necessary but are outside its control. (32.22)
155. We recommend that research is carried out to understand the nature of normal, responsible, gambling behaviour; and research is carried out to understand the development of, and risk factors for, problem gambling. (32.23)
156. We recommend that research is undertaken to evaluate which forms of treatment for problem gambling are the most effective. Such research should include the development of treatment programmes and should build on existing knowledge. (32.24)
157. We recommend that the Gambling Commission should issue formal codes of social responsibility to which operators should adhere as a condition of the licence. (32.25)
158. We recommend that increased funding should be made available by the NHS for the treatment of problem gambling; that problem gambling should be recognised as a health problem by the Department of Health; and that Health Authorities should develop strategies for dealing with problem gambling. (32.26)
159. We recommend that the industry should set up a voluntarily funded Gambling Trust. We recommend that the government should reserve powers to impose a statutory levy, possibly linked to gross profit, if such a Trust is not established or subsequently ceases to operate. (32.31)

Powers and functions of the Gambling Commission

160. We recommend that the Gambling Commission should be empowered to share and receive information with all relevant law enforcement and regulatory bodies. (33.6)
161. We recommend that the Gambling Commission should be able to exchange information with, and make enquiries (on a reciprocal basis) on behalf of, gambling regulators in other jurisdictions. (33.7)

162. We recommend that the Gambling Commission should be able to make criminal records checks on individuals at periodic intervals or when concerns arise. (33.8)
163. We recommend that the Gambling Commission should develop techniques for assessing risk and target its resources appropriately. (33.14)
164. We recommend that the Gambling Commission should take steps to ensure that the public, and in particular punters, are made aware of its role and responsibilities. (33.15)
165. We recommend that the Gambling Commission should have powers to commence a prosecution – that is, to apply for a summons at the magistrates court or charge, if the police had arrested the offender, and to prepare a prosecution file – before passing the case on to the CPS to conduct the prosecution. (33.18)
166. We recommend that (a specified category of) Gambling Commission staff should have powers of entry, seizure and search. (33.19)
167. We endorse the Rothschild Commission's eagerness to accommodate particular types of illegal gambling in order to bring the activity within the law. (33.21)
168. We recommend that the Gambling Commission should have the responsibility to detect and prosecute illegal gambling together with the necessary powers of entry and seizure. (33.23)
169. We recommend that the Gambling Commission and the courts should engage in a dialogue to ensure the proper and effective use of prosecution. (33.27)
170. We recommend that the courts should have the power to close down premises used for illegal gambling. (33.28)
171. We recommend that the Gambling Commission should, as the lowest sanction, adopt a system of formal cautions. The caution (allowing time for it to be "spent") could be cited subsequently if higher sanctions are employed, up to and including prosecution. (33.30)
172. We recommend that the Gambling Commission should develop a system of endorsements, which if breaches persisted could lead up to removal of a licence. (33.31)
173. We recommend that the Gambling Commission should be empowered to impose financial penalties on regulated persons who fail to comply with the requirements of gambling legislation. (33.34)

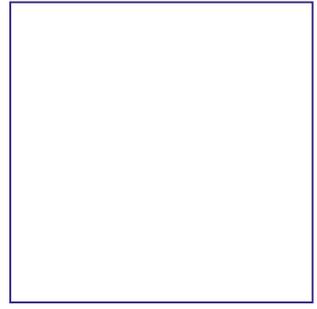
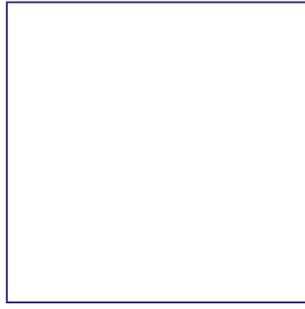
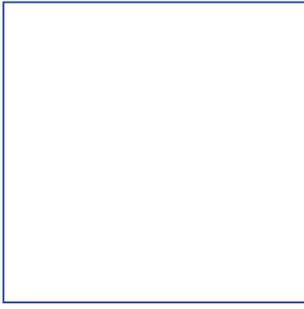


174. We recommend that the Gambling Appeals Tribunal should determine appeals against penalties imposed by the Gambling Commission for disciplinary matters. (33.35)

Funding the Gambling Commission

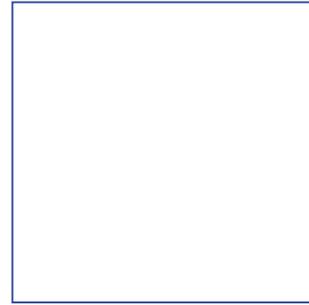
175. We recommend that the Gambling Commission should be operated on a net running cost basis. (34.15)

176. We recommend that the Gambling Commission should have responsibility for regulating gambling throughout Great Britain. Fees should be set centrally and not devolved to Scotland. (34.16)



part five

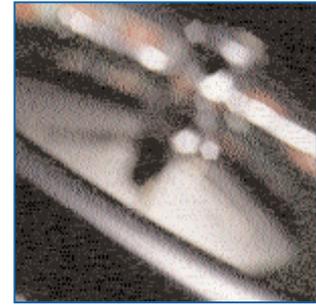
annexes



Annex A

Abbreviations and Glossary

AAAG	Amusement Arcade Action Group	GA	Gamblers Anonymous
ACM	All-cash machine	GBGB	Gaming Board for Great Britain
ACPO	Association of Chief Police Officers	HBLB	Horserace Betting Levy Board
AGIF	Amusement Gaming Industry Forum	HMCE	HM Customs & Excise
AWP	Amusement with prize machine	IBAS	Independent Betting Arbitration Service
BACTA	British Amusement Catering Trades Association	ICSTIS	Independent Committee for the Supervision of Standards of Telephone Information Services
BAGS	Bookmakers' Afternoon Greyhound Services	LBO	Licensed Betting Office
BALPPA	British Association of Leisure Parks, Piers and Attractions	NAB	National Association of Bookmakers
BBOA	British Betting Office Association	NAO	National Audit Office
BCA	British Casino Association	NCIS	National Criminal Intelligence Service
BGRB	British Greyhound Racing Board	NGRC	National Greyhound Racing Club
BGRF	British Greyhound Racing Fund	NJPC	National Joint Pitch Council
BHB	British Horseracing Board	NORC	National Opinion Research Center (University of Chicago)
BISL	Business in Sport and Leisure	ONS	Office of National Statistics
BOLA	Betting Office Licensees' Association	SFA	Securities and Futures Authority
BLRA	Brewers & Licensed Retailers Association	SIBA	Scottish Independent Bookmakers' Association
CBT	Cognitive Behaviour Therapy	SIS	Satellite Information Services
CPS	Crown Prosecution Service	SP	Starting price
DCMS	Department for Culture, Media & Sport	WMCIU	Working Men's Club & Institute Union
FES	Family Expenditure Survey		
FSA	Financial Services Authority		



Glossary of technical terms

All-cash machine (ACMs)

A gaming or slot machine with a maximum 30p stake, £15 prize. Commonly found in arcades, bingo halls, pubs and betting shops. Permitted under Section 35 of the Gaming Act 1968.

Amusement only machine

A slot machine which offers no advantage to a successful player other than the return of his money or the opportunity for further turns free of charge.

Amusement arcade

A premises or area used primarily for gaming machines, including all-cash machines and amusement-with-prize machines.

Amusement with prize machine (AWPs)

A gaming or slot machine restricted to 10p stake, £5 cash prize or £8 token prize. AWPs can sometimes refer to both amusement-with-prize machine and all-cash machines. Permitted under Section 34 & 35 of the Gaming Act 1968.

Baccarat

A card game belonging to a family of card games including blackjack, chemin de fer and punto banco. It is a house banker game.

Banker game/non banker game

A banker game involves staking against a bank held either by the house or by one of the other players. A non-banker game is one which does not. Many banker games provide the bank with an edge over the other players. All non-banker games are games of equal chance.

Better (or bettor)

Another name for a player or person who gambles.

Bingo

A game of equal chance between players in which each receives a set or sets of numbers. Each set differs as a whole from that of any other player. Numbers are then selected by chance and players eliminate from their sets the numbers selected. The winning player is the one who having eliminated all the numbers received, is the first to claim to have done so by shouting 'bingo' or by some other means.

Bingo club (or hall)

A commercial club which promotes equal chance gaming in the form of bingo. Permitted under Part II of the Gaming Act 1968.

Behaviour therapy

Treatment and modification of maladaptive behaviour by

principles based upon the theory of conditioning and learning.

Betting Office Licensees' Association Limited (BOLA)

One of the main bookmaker trade associations. Represents the big three bookmakers, among others.

(The) Big 3

The three largest bookmakers: Coral, Ladbroke and William Hill.

Bingo Association

The trade association for commercial bingo clubs.

Bookmakers' Afternoon Greyhound Services Limited (BAGS)

A consortium of bookmakers which arranges for the provision of greyhound racing primarily in the afternoons. The main purpose is to provide a betting product for betting shops.

Bookmakers' Committee (of the Horserace Betting Levy Board)

A statutory committee which recommends the levy scheme for horseracing that will operate during the next levy period. On 2 March 2000, the Home Secretary announced that the Government had decided to abolish the horserace betting levy and the Levy Board. Covered by the Betting Levy Act 1961.

British Amusement Catering Trades Association (BACTA)

One of the main trade associations representing the gaming machines industry including operators, manufacturers and suppliers.

British Association of Leisure Parks, Piers and Attractions (BALPPA)

A trade association representing the interests of gaming machine operators.

British Betting Office Association (BBOA)

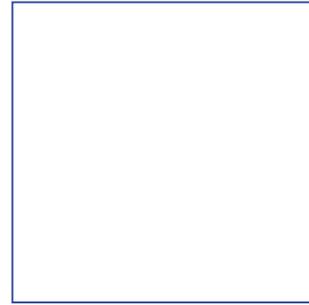
One of the main bookmakers trade associations. Often thought to represent independent bookmakers.

British Casino Association (BCA)

The trade association for casinos.

British Horseracing Board (BHB)

The BHB is the current governing authority for horseracing with responsibility for strategic planning and policy for racing, improving racing's financial position, representing racing, the fixture list race planning, nominating racing's representatives on the Levy Board and liaison with the betting industry among other duties.



Business in Sport and Leisure (BISL)

A trade association representing the interests of major leisure companies in the sport and leisure industry. BISL commissioned a report produced by KPMG in May 2000 on *The Economic Value and Public Perceptions of Gambling in the UK*.

Caller

The person who announces the randomly selected numbers in a bingo game.

Cash bingo

Bingo played for winnings in cash.

Casino

A commercial gaming club for the provision of table games other than bingo. Permitted by Part II of the Gaming Act 1968.

Certificate of approval

A certificate issued by the Gaming Board which certain categories of employees in casino and bingo clubs are required to possess. Covered by Schedule 5 of the Gaming Act 1968

Certificate of consent

A certificate issued by the Gaming Board which allows the holder to apply for a licence. Covered by Schedule 2 of the Gaming Act 1968.

Chemin de fer

A game belonging to the baccarat family in which the bank is not held by the house but circulates among the players. Chemin de fer and pontoon are the only bank games allowed in clubs.

Chips

Tokens used to represent money in the playing of casino games. Players buy chips from the casino. The total value of the chips sold in a given time by the casino is called the drop.

Cognitive therapy

Treatment of distressing psychological conditions by teaching the patient to challenge and alter the underlying maladaptive cognitive processes (e.g. distorted beliefs, automatic patterns of thought).

Cognitive-behaviour therapy (CBT)

Treatment of distressing psychological conditions (e.g., depression, anxiety) by a combination of techniques based upon behaviour therapy (q.v) and cognitive therapy (q.v.).

Commercial clubs

Clubs run on commercial lines for the profit of the owners.

Cranes

Type of amusement machine that has a grabbing mechanism. The player wins the toy or object by grabbing, lifting and dropping it down a chute.

Craps

This is a house banker game played with two dice. It is one of the games allowed in casinos.

Credit betting

The punter operates from an account with a bookmaker. It is known as credit betting because the punter may run up a bill over a period of time, i.e. bet on credit, before paying. Also known as telephone betting.

Croupier

An employee of a casino who conduct the games e.g. by spinning the roulette wheel, collecting the chips and paying out winnings.

Dealer

The person who distributes and collects the cards in card games in casinos. In card games which are house banker games, the dealer acts as banker.

Demand test

A hypothetical test of demand for bingo, casino or betting services in a local area. It is considered by the Licensing Justices or Licensing Authority prior to granting a licence for a bingo club, casino or betting shop. They must be satisfied that other local operators do not already fulfil the local demand for that particular type of gambling establishment.

Drop

The money the players in a casino exchange for chips.

Edge

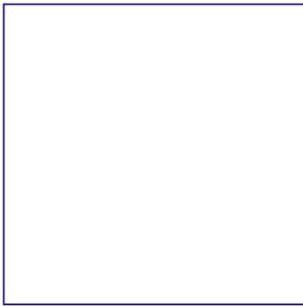
The margin by which odds in house banker games are set in favour of the house. The edge which the house enjoys in a particular game depends on the rules by which the game s are played. Rules for banker games are prescribed in regulations. Covered by the Gaming Act 1968

Expenditure

The amount spent minus winnings.

Family entertainment centre

A centre with a variety of rides and games including amusements machines and skills games. They often have funfair style rides, food and refreshments. Typically found at the seaside.



Features

Devices on a gaming machine such as hold, nudge and gamble which may give a player an increased chance of winning a prize.

Fixed odds betting

A bet where the odds are agreed prior to the bet being made, e.g. 2:1, 7:3 etc.

Football pools

A pool competition based on the result of football matches. The competitions are organised on a weekly basis.

Forecast bet

A forecast or straight forecast is a bet naming in correct order the first two dogs (or horses) to finish. A forecast double is a bet naming the correct order of the first two dogs to finish in two races.

Free competition

A prize competition which can be entered without payment.

Fruit machine

Another name for a gaming machine, jackpot machine, amusement-with-prize machine or all-cash machine. It is used because the combinations determining whether the player wins or loses are displayed on revolving reels in the form of symbols often depicting fruit.

Gambling Commission

Term used in this report to refer to a single, regulatory authority for gambling.

GamCare

A gambling neutral charity. GamCare has a commitment to promote responsible attitudes to gambling and to work for the provision of proper care for those who have been harmed by a gambling dependency.

Gaming

The playing of a game of chance (or a chance and skill combined) for winnings in money or money's worth.

Gaming Board for Great Britain (GBGB)

A statutory board with a duty of maintaining a general oversight of the extent and character of gaming in Great Britain. It has responsibility for the licensing and regulation of casinos, bingo clubs, some gaming machines and some lotteries.

Gaming duty

This duty administered by Customs and Excise is the principal form of taxation of casinos. It is levied on the drop.

Gaming machine

A game of chance machine which requires coins or tokens to be activated. A generic term used to refer to jackpot machines, AWP's and ACM's.

Gross gaming yield

The amount of money staked minus the amount paid out in winnings.

Hard gaming

A term used to describe those forms of gaming considered to carry greater potential risks than others because of the high or rapid re-staking associated with them, and the ability for the punter or player to chase his or her losses.

Hedging

A bet made by a bookmaker acting in effect as a punter. It is often done with the intention of offsetting the liability the bookmaker would incur if the same bet which has been made with him in his bookmaker capacity were to prove successful.

Horserace betting levy

A charge made by the Horserace Betting Levy Board on off-course bets on horse racing.

Horserace Betting Levy Board (Levy Board)

The Levy Board is a statutory body. Its function is to raise an annual levy on betting on horseracing and spend it on the improvement of horseracing, the improvement of breeds of horses and the advancement of veterinary science. The Board also has the power to grant certificates of approval to racecourses. In March 2000, the Home Office announced its intention to disband the Levy Board.

Horserace Totalisator Board (the Tote)

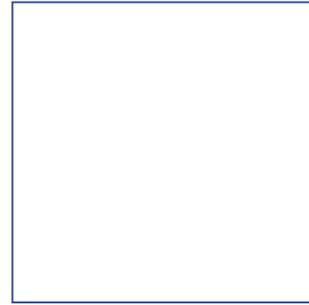
A statutory body with a monopoly of pool betting on horseraces both on and off course. The Home Office has announced its intention to sell the Tote to racing.

Internet gambling

Term used to refer to both internet betting and internet gaming.

Internet betting

The act of making bets using the internet as a conduit to place a bet. The gambling event takes place off-line and the result is independently verifiable ie. the on-line system does not generate the result, it is used simply for communicating information. The internet is often an alternative to other means of entry such as the post or telephone.



Internet gaming

A form of on-line gaming where the gambling event takes place via the internet and is probably based on a random number generator. The games may appear as virtual-casino style games, slot machine games or interactive lotteries.

Jackpot machine

A gaming or slot machine with a prize of £250 in clubs, £500 in bingo halls or £1000 in casinos. Also known as a club machine. Permitted under Section 31 of the Gaming Act 1968

Jai alai

A game that involves players hurling a hard ball against a wall and catching it with curved baskets in a venue called a 'fronton'. It accounts for less than 2% of pari-mutuel betting in the United States.¹

Jockey Club

A private club whose members are co-opted which has been responsible for the Rules of Racing since the 18th century. The club is largely responsible for running and controlling racing including such matters as discipline, determining fixtures, the registration of owners and others and the promulgation of regulations governing the conduct of the sport.

Licensed Betting Office (LBO)

In order to accept bets on premises and operate as a betting shop, section 9 of the Betting, Gaming and Lotteries Act 1963 prescribes that the premises must have a betting office licence.

Licensed clubs

Commercial clubs licensed to provide gaming which in a casino may include the authorised games of unequal chance but in bingo clubs is restricted to varieties of that game. Covered by Part II of the Gaming Act 1968.

Local authority lottery

A lottery run by and for a local authority. Currently required to register with the Gaming Board. It is different to lotteries which must register with the local authority.

Local authority licensing board or licensing justices

The authorities responsible for licensing clubs to promote commercial gaming; the licensing of betting offices; the granting of bookmakers permits and betting agency permits. In England and Wales, the authority is a committee of licensing justices. In Scotland, it is the licensing authority. Gaming is covered by Schedule 2 of the Gaming Act 1968. Betting is covered by Schedule 1 of the Betting, Gaming and Lotteries Act 1963.

Lottery

There is no statutory definition of a lottery but it is generally accepted to mean a distribution of prizes by lot or chance in which the participants buy a stake which contributes to the prize fund.

Mechanised cash bingo

A form of bingo played for winnings in cash in which the players are located round a mechanical or electric device and block off numbers as they are called with sliding shutters or tokens on panels in front of them.

Members' clubs

Clubs managed by and on behalf of the members and not for purposes of private gain.

Multiple bets

These are bets which include doubles, trebles and accumulators. The final payout depends on the outcomes of more than one event. The subsequent stake and any winnings from the first race are regarded as the stake for subsequent events. When the bet involved two events, it is called a double, with three events, a treble and with four or more events, an accumulator.

National Association of Bookmakers Limited (NAB)

One of the main bookmakers trade associations. The NAB is often associated with the representation of on-course bookmakers' interests.

National Joint Pitch Council

The NJPC was set up by the Levy Board in October 1998 and is responsible for the administration of the betting rings on racecourses.

National Lottery

A nationwide lottery currently operated by Camelot on behalf of the Government. It is regulated by the National Lottery Commission.

National Lottery Commission

Regulatory body for the National Lottery.

Off-course betting

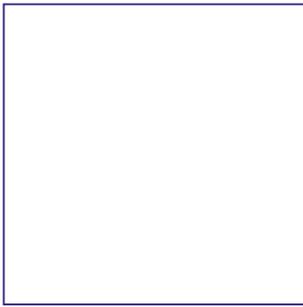
Betting conducted somewhere other than a racecourse or track where the race is being held.

On-course betting

Betting conducted at the racecourse or track where the race is being held.

One-armed bandit

Another term for a gaming machine.



Pari-mutuel

Pool betting, common in other European countries.

Payout rate

The rate of return from a gaming machine. Normally expressed as a percentage. If the rate of return, or payout is 85%, then the gaming machine pays out in winnings on average 85p in every £1 that it takes, over a period of time. As the payout rate is an average, not every player will receive an 85% return.

Permitted areas

The only areas in which casinos may be operated. There are at present 53 permitted areas. They were drawn up on the basis of former county boroughs with populations over 125,000.

Poker

An equal chance non-banker card game. Often played as a card room game.

Pontoon

A card game belonging to the baccarat family. The object is to assemble cards totalling as near as possible to 21. The bank is not held by the house but circulates among the players. Pontoon and chemin de-fer are the only two banker games allowed in clubs registered for gaming.

Pool betting

The participants in pool betting compete against each other with the promoter acting as stakeholder. The stakes are shared out among the winners after deductions to cover tax and the promoters expenses and profit. Main forms of pool betting include totes at dog tracks and horse races.

Private lottery

A lottery in Great Britain which is promoted for and in which the sale of tickets or chances is confined to either members of one society, people who work on the same premises or people who reside at the same premises.

Prize bingo

Games of bingo played for prizes.

Problem gambling

Gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits.

Proprietary clubs

Clubs with commercial ownership, rather than ownership by the members.

Punter

Another name for a player, better or person that gambles. It is the term we have chosen to use throughout this report.

Pushers

A type of amusement machine. They generally work on a basis of pushing coins along a shelf.

Raffle

A lottery in which the prizes consist of articles generally of small value and not money.

Rate of return

See payout rate.

Reel

The rotating wheel in a gaming machine, jackpot machine or AWP etc which has symbols, often fruit, on its rim.

Registered clubs

Clubs registered for equal chance gaming including pontoon and chemin de fer or for the use of gaming machines under the terms of Schedules 3, 4, 7 and 8 of the Gaming Act 1968.

Rothschild report

Report produced by the Royal Commission on Gambling in July 1978. Chaired by Lord Rothschild. The last review of gambling legislation before this Gambling Review.

Roulette

A house banker game in which players bet on which number or numbers from 0-36 are chosen at random by the spin of a roulette wheel. Players have several different sorts of bet available which pay out at different odds.

Single bet

This is a bet in which the payout to the punter depends on the outcome of only one selection.

Society lottery

A public lottery promoted on behalf of a society which is established for charitable purposes for participation in or support of athletic sports or games or cultural activities or for similar purposes not involving private gain.

Soft gaming

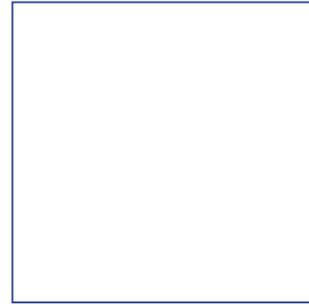
A term used to describe those forms of gaming considered to carry less potential risks than others because of the low staking associated with them, and the slow or infrequent nature of the activity.

Slot machines

Another name for a gaming machine, fruit machine, jackpot machine, amusement-with-prize machine or all-cash machine.

Spread betting

A type of betting which allows the player to bet on the variables or outcome of an event. Spread betting is typically conducted on sporting events or the future



movement of particular shares or the stock market as a whole. Different types of spread bets include total bets, supremacy bets and index bets.

Starting price

The price or odds supposedly prevailing on-course at the time a particular race begins. It is compiled by starting price reporters. It used by on-course bookmakers and off-course betting shops.

Tic-tac

A person who communicates bets, information on price changes and other betting information between bookmakers on-course.

Tote

See Horserace Totalisator Board

Tote Bookmakers Limited

Tote Bookmakers Ltd is a subsidiary company of the Horserace Totalisator Board which operates its off-course betting offices.

Track

Defined in the Betting, Gaming and Lotteries Act 1963 Act as "premises on which races of any description, athletic sports or other sporting events take place".

Twenty-four hour rule (24hr rule)

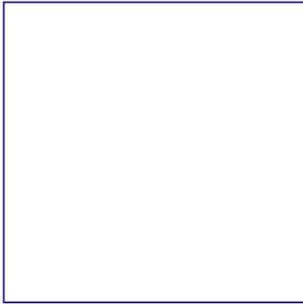
A rule whereby no-one may play in a casino or bingo hall until 24hrs have elapsed since he or she applied for membership. It was previously the 48hr rule.

Twist card

A card sold to bookmakers by tic-tacs, which contains the "code" for the tic-tac that day.

Working Men's Club and Institute Union

An association of *bona fide* members clubs.



Annex B

Our Procedures

Our recommendations are based on the following sources of information and evidence

- submitted written evidence
- plenary hearings of oral evidence
- other briefing hearings
- visits
- attendance at seminars and meetings
- studies of relevant publications

In early May 2000, the Gambling Review Body issued an open invitation to submit written evidence. We publicised this on our website and invited any individual, business or organisation with a view on the review of gambling to send us their comments. In addition, our secretariat sent letters to 230 individuals and organisations with a known interest in gambling to invite them to submit written evidence. The form of our invitation for written submissions is reproduced as *annex C*. We also prepared a leaflet along the lines of our letter, which we distributed during our visits in June and July 2000. In addition, GamCare kindly included copies of the leaflet in one of their regular mailings. We were keen to reach a wide audience.

We have received over 200 submissions. A list of those who sent written evidence is shown as *annex D*. We heard oral evidence from 23 organisations or individuals (listed at *annex E*). In addition, we had less formal meetings with other interested parties, such as Lord Condon, Mr John McCririck and Camelot. Before the Review Body's formal procedures began the Chairman met the following organisations and individuals for background briefing:

- GamCare
- British Casino Association
- British Horseracing Board
- Horserace Betting Levy Board

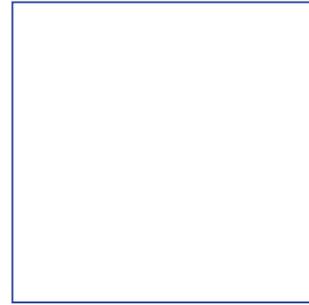
- Betting Office Licensees Association
- British Betting Office Association
- Bingo Association
- Gaming Board
- National Lottery Commission
- Roger Withers

There were 16 plenary meetings of the Review Body (between April 2000 and May 2001), and in addition we met over one weekend in November 2000. We divided ourselves into three study groups for the preparation of background material on:

- the economic structure of the gambling industry
- psychological and social aspects of gambling
- the regulatory framework.

In the early part of our proceedings we embarked on a programme of visits, to see gambling operations and to have an opportunity to talk to staff and punters. A list of our visits is at *annex F*. In addition to these visits, we have attended a number of seminars and other meetings over the last 12 months.

Annex G is a note on addiction by Professor Jeffrey Gray. *Annex H* is a note on problem gambling terminology and screens. *Annex I* provides some background on the regulations applying to clubs. A list of the publications we have studied, which are mentioned in the report, is at *annex J*. In addition, a search of the literature on problem gambling was undertaken for us by Ms Sue Chopping.



Annex C

Invitation to submit written evidence

May 2000

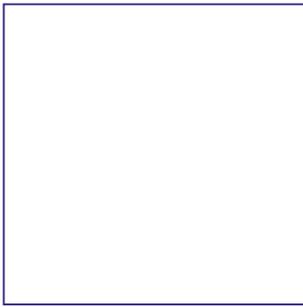
Dear Sir / Madam

The Home Secretary announced a wide-ranging review of gambling legislation in December 1999. I am now writing to formally invite you to submit written evidence to the Review Body.

The Review Body is chaired by Sir Alan Budd and has ten other members. Its terms of reference are attached for information. The Review Body would like to receive any evidence that you believe may be relevant to its work. In particular, it would welcome your views on the following twelve questions:

1. Should gambling be regulated?
2. Is gambling socially and economically important?
3. What are the social, psychological and economic costs of gambling? How could they be reduced?
4. Have attitudes changed to gambling as a leisure activity since the legislation of the 1960s? What influence should any such change have on the regulatory structure?
5. What would be the impact of increased accessibility to gambling?
6. Are there lessons from overseas which are relevant to the Review Body's work?
7. What impact does experience of gambling overseas have on the expectations of UK punters?
8. Are different age limits appropriate for different sorts of gambling? If a single age limit is appropriate, what should it be?
9. Are different levels of regulation appropriate for different sorts of gambling?
10. What influence would a relaxation of controls have on criminal infiltration, protection rackets, money laundering or other abuses?
11. What will be the impact of the Internet and new technologies on gambling? Should Internet gambling be regulated and, if so, how?
12. Should there be a unified body to licence and regulate gambling? What part should local licensing arrangements play in any revised regulatory structure?

These questions are intended to help you formulate your submission to the Review Body. They are not prescriptive: please add any other information or proposals you think may be helpful.



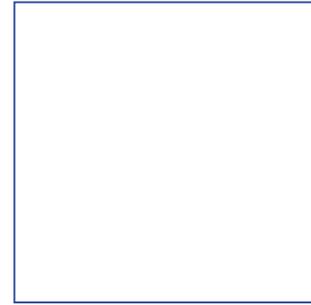
The deadline for written submissions is 21 July 2000. Thereafter, the Review Body will decide which individuals and organisations it would like to invite to give oral evidence or further written evidence.

Any submissions made to the Review Body will be assumed to be open, and may be published or placed in the Libraries of the Houses of Parliament. However, should you wish any part (or all) of your comments to be treated in confidence, you should make this clear, together with your reasons for requesting confidentiality, and we will consider treating them in confidence.

You may send your submission to us at the address at the head of this letter or, if you prefer, e-mail us at gambling.review@homeoffice.gsi.gov.uk.

More information about the Gambling Review can be found on our website: www.gamblingreview.gov.uk. It includes a list of those invited to submit evidence. If you are aware of others who might wish to make submissions, please let us know.

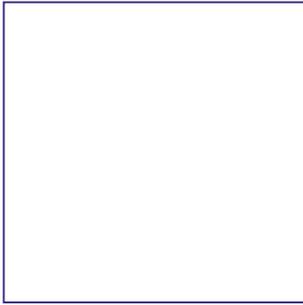
GAMBLING REVIEW BODY SECRETARIAT



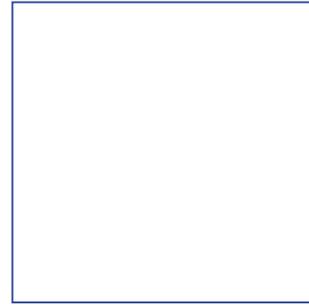
Annex D

List of those who submitted written evidence

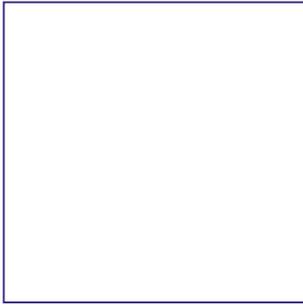
- A & S Leisure Group Ltd
- Advertising Association
- Advertising Standards Authority
- All-Party Betting & Gaming Group
- Amusement Arcade Action Group (AAAG)
- Amusement Gaming Industry Forum
- Arena Leisure Plc
- Associated Newspapers Ltd
- Association of Chief Officers of Probation
- Association of Chief Police Officers (ACPO)
- Association of Chief Police Officers in Scotland
- Atlas Property Consultants
- BALPPA
- BASS Taverns
- Bell-Fruit Games Ltd
- Better Regulation Task Force
- Betting Office Licensees Association (BOLA)
- Biddle
- Bingo Association
- Bingonet Limited
- Birchall, James
- Blackpool Borough Council
- Blackpool Challenge Partnership
- Blackpool Combined Association
- Blackpool Hotel & Guest House Association Ltd
- Brady MP, Graham, on behalf of Mr J Hatton
- Brewers & Licensed Retailers Association (BLRA)
- British Actors Equity Association
- British Amusements Catering Trades Association (BACTA)
- British Betting Office Association (BBOA)
- British Casino Association
- British Greyhound Racing Board
- British Greyhound Racing Fund
- British Horseracing Board (BHB)
- British Institute of Inn Keeping
- British Resorts Association
- British Tourist Authority
- Brooks, Derek A
- Bruce, Margaret
- Bunn, Nick
- Business in Sport & Leisure Limited (BISL)
- Butler MP, Christine
- Byrne, Peter
- Camelot Group plc
- Castle Leisure Limited
- Cherwell District Council
- Christiansen Capital Advisers, LLC & Gemini Research Ltd
- Church in Wales Social Responsibility
- Church of England Board for Social Responsibility
- Churches Together in Britain and Ireland
- City of Gloucester
- City of Westminster - (Planning & Transportation)
- Clelland MP, David
- Community Health (Sheffield) NHS Trust



Coral Eurobet plc	Gaming Board for Great Britain
Coupe, Karen	Gardner, Tim
Crockford, DA	Gibb MP, Nick
Crown Leisure	Gill-Donald, R
Cutts, Fred	Gittins, Peter
Davies, G K	Good Gambling Guide
Davis, Dr Paul E	Gordon House Association
Department for Culture, Media & Sport (DCMS) (Tourism Division)	Greene, Jennie
Dillon, David	Greyhounds UK
Directory of Social Change	Guild Appleton & Co
Donohoe MP, Brian H	Hancock MP, Mike
Dundee City Council	Harpers Leisure International Limited
East Renfrewshire Council	Highland Council
Elliott, Keith	Hopkins MP, Kelvin
Ellis, Ian	Horserace Betting Levy Board
English Tourism Council	Horserace Totalisator Board (the Tote)
Essex Leisure	Huddersfield Town AFC Limited
Evangelical Alliance	ICSTIS
Evans & Co	IG Index plc
Federation of Licensed Victuallers Associations	IGT - UK Limited (submitted by Barcrest)
Fife Council	Independent Betting Arbitration Service (IBAS)
Financial Services Authority	Independent Television Commission
Finers Stephens Innocent	Inner London Magistrates Courts Committee
Football Association	Interactive Gaming Council
Foss, Michael	International Casino Club
Friends of Blackpool Ltd	Jago, Charles
Gala Leisure Limited	Jennens, Anthony
Gam Anon	Jockey Club
GamCare	Justices' Clerks Society



Kunick	North Lincolnshire Council
Ladbrokes Limited	Nottingham Trent University
Lancashire County Council	Nottinghamshire Magistrates Courts Service
Lee, Archie	O'Callaghan, Terence
Lefley, John	P J Booth Partnership
Leisure Link Group Limited	Page MP, Richard
Leisure Parcs	Patak, Lee
Licensed Victuallers (Wales) Limited	Perth and Kinross Council
Littler, Lady	Police Federation of England & Wales
Littlewoods Promotions Limited	Pool Promoters Association
Llywd MP, Elfyn	Poppleston Allen (on behalf of Allied Leisure plc)
London Clubs International	Punch Group Limited
Lotteries Council	Racecourse & S.P. Bookmakers Association Ltd
Magistrates Association (The)	Racing Post on behalf of R. Hayter
Maygay Machines Limited	Rails Bookmakers Association Ltd
McLaren, Craig	RAL Services Limited
Metropolitan Police Service	Rank Group plc
Middlesbrough Council	Rapson BEM, MP, Syd
Miers, Professor David	Renfrewshire Council
Milton Keynes Council	Ritz Hotel Casino Limited
Morrill, John T	Rotary Club of the Nene Valley
National Association of Bookmakers	Rowley, G
National Canine Defence League	Royal Society for the Prevention of Cruelty to Animals (RSPCA)
National Council on Gambling	Sanders MP, Adrian
National Criminal Intelligence Service (NCIS) - UK Division	Scottish & Newcastle Retail Limited
National Debtline	Scottish Independent Bookmakers Association
National Joint Pitch Council	Shepway District Council
National Lottery Commission	Singer, Michael & Mr Andrew Grocock
North and South Westminster Betting and Gaming Committees	South Ayrshire Council



Southampton City Council

Speakman, Ken

St Giles Hospice (Promotions) Limited

Stanley Leisure

State of Guernsey - Gambling Control Committee

Stephenson Harwood

Swambo, Matthew

Taylor MP, Sir Teddy

Tendring District Council

Thomas Estates Limited

Topham, Neville

Transport & General Workers Union (TGWU)

Union of Muslim Organisations of UK & Eire

University of Birmingham

University of Plymouth

University of Salford

VIP Club

VPA Entertainment Technology

W. Underwood Amusements Ltd

West Dunbartonshire Council

West Lothian Council

Westcliff Casino Ltd & Waterfront Casino Club Ltd

Weston-Super-Mare Pier Company Limited

Whitbread plc

Wilson MP, Brian

Woodland Trust (The)

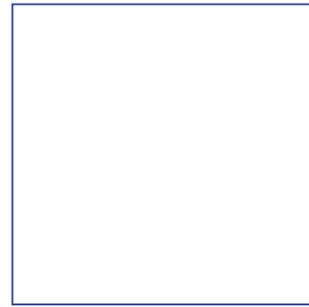
Working Men's Club & Institute Union Limited

World Trade Centre London

www.londoncasinoguide.com

Yorke, Stephen

(and two anonymous submissions from members of the public.)



Annex E

List of those who gave oral evidence

Association of Chief Police Officers (ACPO)

Amusement Arcade Action Group (AAAG)

Betting Office Licensees Association (BOLA)

Bingo Association

Brewers and Licensed Retailers Association (BLRA)

British Amusements Catering Trades Association (BACTA)

British Association of Leisure Parks, Piers & Attractions (BALPPA)

British Betting Office Association (BBOA)

British Casino Association (BCA)

British Greyhound Racing Board (BGRB)

British Horseracing Board (BHB)

Business in Sport & Leisure (BISL)

Churches Together in Britain & Ireland

GamCare

Gaming Board for Great Britain

Independent Betting Arbitration Service (IBAS)

Jockey Club

Lotteries Council

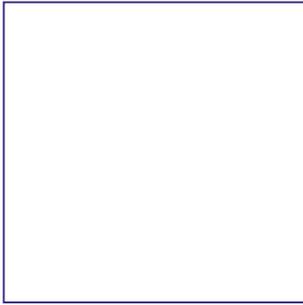
Metropolitan Police

National Criminal Investigation Services (NCIS)

National Joint Pitch Council (NJPC)

Professor J Orford, University of Birmingham

Transport & General Workers Union (TGWU)



Annex F

List of Gambling Review Body Visits

(Names in brackets are those bodies which helped with arrangements for the visit)

The visits listed here are those made officially by members of the Gambling Review Body or its Secretariat. In addition, we made a large number of other (private and unannounced) visits to gambling establishments around the country.

Arcades & Family Entertainment Centres

Brighton Palace Pier (BALPPA)
Blackpool – Various amusement arcades (Leisure Parc and Blackpool Challenge Partnership)
Harbour Park, Littlehampton
Jackpot Amusements, Newquay
Quiksilver Arcade, Clapham, London (BACTA)

Betting

Morrisons Betting shop, Loanhead, Scotland (Scottish Independent Bookmakers' Association)
Stan James Racing, Abingdon, Oxon
William Hill, London (BOLA)

Bingo

Beacon Bingo, Cricklewood, London (Bingo Association)
Gala Bingo, Tooting, London (Bingo Association)
Leo Leisure, Eastleigh, Hants (Bingo Association)
Lucky Numbers Bingo Club, Harrogate, North Yorks (Bingo Association)
Majestic Bingo Club, Middlesbrough (Bingo Association)
Mecca Bingo, Edinburgh (Bingo Association)
Mecca Bingo, Hayes (Bingo Association)

Casinos

50 St James (LCI), London (BCA)
China Palace, Birmingham (BCA)
Clermont Club, London (BCA)
Ladbroke's, Birmingham (BCA)
Ladbroke's, Cardiff (BCA)
Ladbroke's, Piccadilly, London (BCA)
Maxims, London (BCA)
The Rendezvous, London (BCA)
The Ritz, London (BCA)
Stanley Luton Casino, Luton (BCA)
Victoria Sporting Club, London (BCA)

Greyhound Racing

Manchester Greyhound Stadium (BGRB)
Poole Greyhound Track, Dorset (BGRB)
Romford Greyhound Track (BGRB)
Walthamstow Greyhound Track (BGRB)
Wimbledon Greyhound Track (BGRB)

Horseracing

Ascot Racecourse (BHB co-ordinated)
Ascot Racecourse (Tote)
Brighton Racecourse (BHB co-ordinated)
Cheltenham Racecourse (BHB co-ordinated)
Newbury Racecourse (BHB co-ordinated)
Newton Abbot Racecourse (BHB co-ordinated)
Sandown Racecourse (BHB co-ordinated)

On-Line Gambling

Open, London

Spread Betting

IG Index, London

Clubs

Bettws Social Club, Bridgend, Wales (WMCIU)
BMC club, Edinburgh (WMCIU)
Cardiff West End Club, Cardiff, Wales (WMCIU)

Overseas Visits

Atlantic City, United States (as part of a private visit)
Foxwoods Casino
(Division of Gaming Enforcement, State of New Jersey)

Jericho (as part of a private visit)
Jericho Casino

Sydney, Australia (as part of a private visit)
Star City, Sydney, NSW
Canterbury Leagues Club, Belmore, NSW
Empire Hotel, Leichardt, NSW
(Australian Casino Control Authority)
(NSW Gaming & Racing Dept)

Holland
Hommerson Arcades, Holland Casino Schveningen
(Netherlands Gaming Control Board)

Las Vegas, United States
Aladdin Casino (LCI)
Bellagio Casino
(Nevada State Gaming Control Board)



Melbourne, Australia (as part of a private visit)

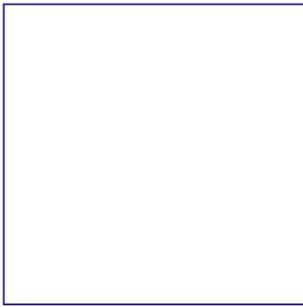
Victorian Casino

(Victorian Casino & Gaming Authority)

New Zealand (as part of a private visit)

Department for Internal Affairs

[Note: Of the overseas trips, the visits to Holland and to Las Vegas were funded by the Review Body. The other visits were made during private trips abroad.]



Annex G

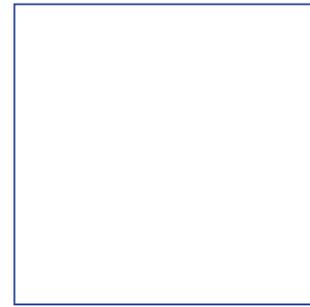
The Concept of Addiction

Note by Professor Jeffrey Gray

This essay is directed at the question: is it useful to apply the vocabulary of addiction to problem gambling?

Reinforcement

1. Prior to analysis of the concept of addiction, one needs to take on board some of the things that are known about how ordinary rewards, such as food, water or sexual partners, work. These and similar "primary positive reinforcers" ("primary" because all members of the species find them rewarding without additional learning; "positive" for reasons given in the next section) all act via a common neural pathway which organises behaviour directed to their attainment (termed "approach" behaviour, though much more may be involved than simply spatial approach). Primary reinforcers may confer upon initially non-reinforcing stimuli with which they are associated (by the process of classical or Pavlovian conditioning) the power to act as "secondary reinforcers". These act to produce approach behaviour via the same pathways upon which primary reinforcers act. Most approach behaviour, in animals as well as human beings, is directed towards secondary reinforcers, which then ultimately lead the individual to the relevant primary reinforcer. One secondary reinforcer can confer further secondary reinforcing properties on another, associated with the first, leading to long chains of responses followed first by one secondary reinforcer and then another and so on. It is typical for such long chains of behaviour to run off with the primary reinforcer being attained only occasionally. In human beings, the process of secondary reinforcement becomes even more important; and money is the strongest and most generalised secondary reinforcer known.
2. The pathways in the brain upon which reinforcers, primary and secondary, work are relatively well known. They include a step, important for the understanding of how drugs of abuse work, in which one particular set of neurones (nerve cells) release one particular neurotransmitter in one particular region of the brain: to wit, the mesolimbic pathway releases dopamine from its neuronal terminals in a structure known as the nucleus accumbens. Activation of this pathway is associated with an increase in the level of "arousal" (excitement plus energetic behaviour, often involving in animals forward locomotion) and may very well be associated with feelings of pleasure, euphoria or hopefulness (although it is difficult both conceptually and experimentally to make this kind of leap from neural activity to subjective sensation). To avoid the leap, the scientific terminology prefers the phrase for this kind of arousal, "incentive motivation".
3. At the behavioural level much is known about the parameters which influence the effectiveness of both primary and secondary reinforcers. A particularly important parameter is the interval between the making of a behavioural response (in a typical animal experiment, a pigeon pecking at a key or a rat pressing a bar: the similarity - it is much more than an analogy - with the behaviour of a punter on a slot machine will be obvious) and the delivery of the reinforcer. This has been demonstrated in experiments on electrical self-stimulation of the brain, in which e.g. a rat presses a bar to stimulate electrically the mesolimbic dopamine pathway mentioned above. If the interval between the bar-press is set at zero (the conduction time down the wire to the brain), such high rates of response are obtained that the animal will ignore all other reinforcers (food, water etc) and eventually starve itself to death. If the interval is very slightly increased (to half a second or so), rates of response fall off steeply and, unless this interval is filled with salient secondary reinforcers (lights, sounds etc), electrical self-stimulation of the brain will not be learnt at all. From this observation, there are two important lessons to be learnt. First, the mode of delivery of a reinforcer is of much greater importance in determining its power as a reinforcer than is its intrinsic nature. Second, to maintain behaviour, it is critical to have salient secondary reinforcers occur rapidly after the response you are trying to maintain. The razzmatazz of the fruit machine is a brilliant piece of behavioural engineering for this purpose.



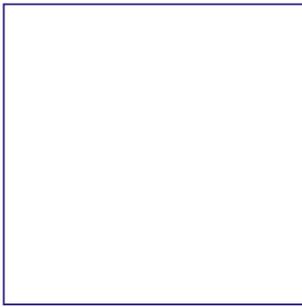
4. The size and quality of the reinforcer (a bigger or better piece of food, say) is of much less importance than these design features in determining the vigour and persistence of the reinforced behaviour. To be sure, other things being equal, the bigger the reinforcer, the stronger will be the behaviour and the greater the power to confer secondary reinforcing properties upon associated stimuli. However, if the reinforcer is primary, it is normally accompanied by a process of satiation (so that food, water and sex lose their attractions after one has had a certain amount of them), and the bigger the reinforcer, the sooner this happens. Secondary reinforcers have the great advantage that they do not undergo this kind of satiation.
5. A further important principle is that of intermittent reinforcement. One first establishes a response by following it rather regularly and rapidly by a relatively substantial reinforcer, but this is largely to let the animal know what it is that it must do. After that, you make delivery of the reinforcer less and less predictable and more and more sparse. A bar-press may be followed once every hundred times on average, but randomly within that constraint, by a light that has been associated with a tone, which is itself delivered, contingent still upon bar-pressing, once in every ten times on average (again, unpredictably) when the light occurs, with food being delivered only once every five times that the tone occurs. So the animal has to press the bar 5000 times for every small piece of food - and does so.
6. It is very easy, applying these principles in the laboratory (using the occasional delivery of a tiny piece of food, interspersed with the unpredictable delivery of a range of secondary reinforcers) to produce a rat or a pigeon (a standard one will do - no need to pick "an addictive personality") which will work for hours without stopping, for reinforcers of trivial value, to the extent that the animal's energetic balance from the behaviour is negative and (as in the electrical self-stimulation experiment, but using conventional reinforcers like food) it will gradually starve itself to death. The parallel - again, more than an analogy - with responding on slot machines is obvious. By the same criteria that one might describe an obsessive slot machine player as "addicted", so might one describe a pigeon trained in this way.

Drugs of Addiction: Heroin

7. The paradigmatic case of addiction is that of drug addiction, especially to opiates such as heroin. The trouble is that the heroin case is, in fact, a highly complex case. It involves at least the following features:
 - The drug acts as a primary positive reinforcer; in particular, it causes (rapidly after intravenous administration or smoking) the release of dopamine in the nucleus accumbens without prior learning. Subjectively, it causes a feeling of euphoria, the "high".
 - Tolerance develops to this reinforcing effect. In consequence, there is dose escalation as the user attempts to regain the initial "high".
 - After a few consecutive administrations of the drug, the user begins to feel in its absence unpleasant "withdrawal" symptoms (overall, rather like a particularly severe flu). These represent homeostatic attempts by the user's brain and body to counteract the direct effects of the drug. When the drug is present, these homeostatic changes are seen as tolerance (see above); when the drug is absent, they are felt as withdrawal symptoms. In consequence, the drug now acts like a "negative" reinforcer - that is, it is sought in order to alleviate an unpleasant state of affairs, as distinct from (or in addition to) being sought for its pleasant effects.
 - The need for heroin now becomes so great and so constant that the user is often driven into debt, crime etc.

Other Drugs of Abuse

8. The common public stereotype of addiction and addicts is based upon all of these features of the heroin case. But not all of them apply even to other drugs of abuse, let alone to purely behavioural obsessive behaviour such as gambling. For example, it is common at present to refer to cigarette smoking as an addiction and to the nicotine obtained from cigarettes as an addictive substance. If we run nicotine against the above bullet points, this is the result:
 - Nicotine does act as a primary positive reinforcer and does elicit dopamine release (without prior learning) in the nucleus accumbens (the latter is true of all drugs of abuse so far investigated). Note that, like gambling (see below), the capacity of nicotine to act as a strong reinforcer depends very much on the way in which it is delivered. Delivered rapidly contingent upon a response, as



in smoking, it is a powerful reinforcer; delivered slowly, as in nicotine skin patches, it is a very poor reinforcer. In either case, it does not cause a subjective feeling of euphoria or "high".

- Tolerance and dose escalation are much less prominent than in the heroin case.
- There is much less in the way of withdrawal symptoms (this is true also of cocaine). The symptoms most commonly described are consistent rather with absence of, and craving for, the positive reinforcing effects of smoking (triggered in particular by cues associated with smoking) than with strong negative reinforcement.
- It is rare for smoking to be associated with debt or crime.

Application of the Drug Addiction Model to Gambling

9. We can now run the same bullet points against gambling behaviour.
 - Gambling is, I suppose by definition, reinforced by money. Money, clearly, is a positive reinforcer, but secondary rather than primary. Since the relevant experiments have only been carried out in animals, no-one knows whether money elicits dopamine release in the nucleus accumbens. However, other secondary reinforcers studied in animals do have this effect (after appropriate learning experience has taken place); so (under the right circumstances, which gambling may very well provide) perhaps money does too.
 - I have not gained a clear sense from the literature or the submissions as to whether tolerance and "dose escalation" are features of gambling - that is, whether gamblers find it necessary to gamble for ever higher stakes.
 - In the effort to draw parallels between gambling and drug addiction, it has been alleged that, when deprived of gambling opportunities, gamblers suffer withdrawal symptoms. If so, they are certainly not like the withdrawal symptoms experienced by heroin users, either in kind or intensity, nor can they be caused by similar homeostatic mechanisms. Most commonly mentioned are feelings of depression, craving and agitation. These resemble the "withdrawal symptoms" described

for abstention from cigarettes. This is a personal hypothesis, but I suspect that this type of withdrawal symptom reflects only the absence of an accustomed source of positive reinforcement.

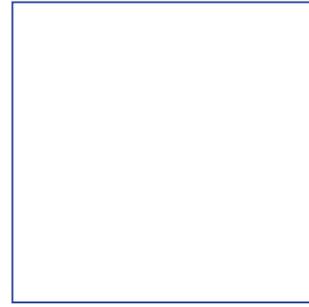
- Gambling is associated with debt, crime, divorce etc.

Conclusion

10. Is it useful to apply the vocabulary of "addiction" to gambling? Yes, if by this is meant obsessive behaviour directed towards a source of positive reinforcement (first section above); no, if it is intended to draw a parallel with drug addiction. Much of the research literature uses the term "addiction", and in order to use a consistent vocabulary, we have also used this term in our report. We would, however, wish to emphasise the point that it is used to cover the "driven" aspects of gambling behaviour.

Coda: Risk Factors

11. The above analysis, with its stress on the engineering of positive reinforcement, may be helpful in understanding the risk factors for problem gambling.
 - i. Reinforcers can work only after the relevant behaviour has first been emitted, and followed by the reinforcer. So there should be a positive correlation between the likelihood of the behaviour being emitted in the first place, and the subsequent generation of obsessive behaviour controlled by the reinforcer. We would therefore expect problem gambling to increase with the availability of gambling opportunities.
 - ii. Similarly, we can see the associations between problem gambling and both family history and friends who gamble as increasing the likelihood that a history of appropriate reinforcement will start up.
 - iii. The lack of strong personality influences upon problem gambling (in the data appearing in the literature review commissioned by the Review Body) is consistent with the ubiquity of the principles of reinforcement considered above.
 - iv. The effectiveness of a reinforcer is reduced if it has to compete with other reinforcers. This may account for the greater extent of gambling and problem gambling in lower socio-economic groups.



Annex H

Terminology and Problem Gambling Screens

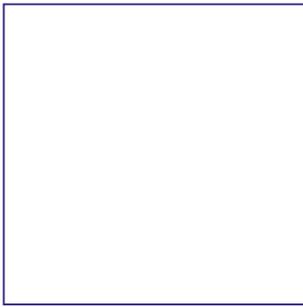
Terminology

1. *Compulsive gambling*
 - Gamblers Anonymous tends to use the term **compulsive** gambling, but this term is not generally used by professionals assessing gambling problems.
2. *Problem gambling*
 - The Prevalence Survey adopted the term **problem gambling**¹. People scoring five or more on the South Oaks Gambling Screen (SOGS) or three or more on questions based on the DSM-IV screen are collectively called problem gamblers in this survey.
 - "Problem gambling" is the term adopted in this report. However, where research results are reported, and the research has differentiated between problem gambling and pathological gambling, both terms are quoted.
 - The Prevalence Survey defines problem gambling as "gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits".
2. *Pathological gambling*
 - The American Psychiatric Association uses the term **probable pathological gambler** to apply to people scoring five or more on questions based on the DSM-IV screen, and the term **problem gambler** to apply to people scoring three or more. Thus US studies frequently use the terms "problem" and "pathological" gambler.
 - Pathological gambling was first included as a mental health diagnosis by the American Psychiatric Association in 1980, and recognised by the World Health Organisation in 1984. Pathological gambling was described as "a chronic and progressive failure to resist impulses to gamble, characterised by undesirable outcomes ranging from borrowing money from family or friends and losing time at work, to being arrested for offences committed to support gambling".²

Problem Gambling Screens

4. The screening instruments identified to measure "problem gambling" are the South Oaks Gambling Screen (SOGS, Lesieur and Blume 1987) and the DSM-IV (Diagnostic and statistical manual of mental disorders, 4th edition) by Lesieur and Rosenthal (1993).
5. The SOGS consists of 20 questions on gambling behaviour, such as "chasing losses", "lying to family or friends about the extent of gambling", and "feeling guilty about gambling". While the original thresholds for classification on the SOGS to indicate a "problem gambler" are three or four points, and five points or more to indicate a "probable pathological gambler", there has been recent consensus that these cut-offs are too low. Nevertheless, some studies continue to use a threshold of three or more to identify problem gamblers. The recent Australian Productivity Commission Report concluded that five or more is the most appropriate cut-off to indicate a problem gambler. The British Prevalence Survey follows the threshold advocated by the Australian Productivity Commission Report, with those who scored five or more being classified as problem gamblers. This has the advantage of allowing direct international comparisons, since it is the most commonly used cut-off in existing studies.³
6. The SOGS is the only screen for problem gambling evaluated with help-line callers, Gamblers Anonymous and clinic referrals as well as with the general population.⁴ We understand from Dr Rachel Volberg that only one of the screens based on the DSM-IV criteria – the NODS – developed for the US National Opinion Research Centre survey, was tested with a clinical sample before being used in the general population.⁵
7. The DSM-IV consists of ten diagnostic criteria, and a person meeting five or more of the ten criteria is classified as a pathological gambler.⁶ The cut-off used for the British Prevalence Survey is the same as that advocated by the American Psychiatric Association and Lesieur and Rosenthal: that is,

1- Sproston K., Erens B. and Orford R. (2000) Gambling Behaviour in Britain: Results from British Gambling Prevalence Survey, London: National Centre for Social Research, page 43
2- National Research Council: Pathological Gambling - a Critical Review, published by the National Academy Press (1999), pages 2 and 24 3- Sproston K., Erens B. and Orford R. (2000) Gambling Behaviour in Britain page 43 4- National Research Council: Pathological Gambling - a Critical Review page 43 5- Volberg R. Contribution to review of Chapter 17
6- National Research Council: Pathological Gambling - a Critical Review page 49



meeting three or more of the criteria represents a problem gambler.⁷

8. It is well-known that there are problems with these screens, among which are:

- It is not clear what one has identified unless the purpose for which one is attempting to identify problem gambling is made clear.
- There are substantial differences in the answers that problem gamblers give to questions about gambling problems at different points in time. The New Zealand longitudinal study established that even lifetime SOGS-based prevalence estimates are probably extremely low, given the rate at which problem and pathological gamblers deny behaviours which they acknowledged some years earlier. Many former problem gamblers claim that they would have lied to conceal their problems if surveyed, and dismiss such surveys as worthless. They may therefore under-estimate the prevalence of problem gambling.
- There is little agreement about the appropriate thresholds for problem gambling.
- Most early surveys used the "lifetime" version of the SOGS test.⁸ Critics have claimed that the "lifetime" SOGS gives misleading results, although recent evidence from New Zealand indicates that "lifetime" estimates may be low relative to "true" prevalence. It is true that the results of surveys using the "lifetime" SOGS cannot be compared with the "last 12 month" version of the SOGS test. Only the national surveys in Australia and Britain have been limited to the past year SOGS – in comparison, most US state-level surveys as well as the recent national surveys in New Zealand and Sweden have used the SOGS –R which includes both "lifetime" and past year items and permits comparisons of both life time and current problem gambling rates.

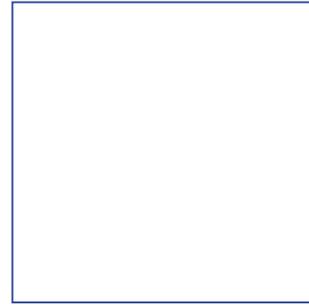
In brief conclusion, the existing tests may serve some purposes, but it is unsafe to place too much reliance on them.

The SOGS – South Oaks Gambling Screen⁹

9. The SOGS comprises the following set of questions (reproduced from the Prevalence Survey).

1. When you gamble, how often do you go back another day to win back money you lost?

2. Have you ever claimed to be winning money gambling when in fact you lost?
3. Do you spend more time or money gambling than you intended?
4. Have people criticised your gambling?
5. Have you felt guilty about the way you gamble or what happens when you gamble?
6. Have you felt like you would like to stop gambling but didn't think you could?
7. Have you hidden betting slips, lottery tickets, gambling money or other signs of gambling from your spouse or partner, your children or other important people in your life?
- 8a. Have you argued with people you live with over how you handle money?
- 8b. If yes, have these arguments centred on your gambling?
9. Have you missed time from work, school or college due to gambling?
10. Have you borrowed from someone and not paid them back as a result of your gambling?
11. Have you borrowed from household money to finance gambling?
12. Have you borrowed money from your spouse or partner to finance gambling?
13. Have you borrowed money from any other relatives or in-laws to finance gambling?
14. Have you borrowed money from banks, building societies, loan companies or credit companies for gambling or to pay gambling debts?
15. Have you made cash withdrawals on credit cards to get money for gambling or to pay gambling debts?
16. Have you received loans from 'loan sharks' to gamble or to pay gambling debts?
17. Have you cashed in stocks, bonds or other securities to finance gambling?
18. Have you sold personal or family property to gamble or to pay gambling debts?



19. Have you borrowed money from your bank or building society account by writing cheques that bounced to get money for gambling or to pay gambling debts?
20. Do you feel you have a problem with betting money or gambling?

In the British Gambling Prevalence Survey, the threshold for being classified as a "problem gambler" was a score of 5 or more positive responses to the above questions.

- For question 1 the positive answer options were: "every time I lost", "most of the time I lost" or "some of the time (less than half the time I lost)".
- For question 2 the positive answer options were: "yes most of the time" or "some of the time (less than half the time I lost)".
- For questions 3-20 the answer options were yes or no.

The DSM-IV - (Diagnostic and Statistical Manual of mental disorders 4th edition)

10. Reproduced below are the survey questions, based on the DSM-IV criteria, which appear in the British Gambling Prevalence Survey. The criteria themselves are also reproduced, as they appear in the Survey.

Questions

1. How often have you found yourself thinking about gambling (that is, reliving past gambling experiences, planning the next time you will play, or thinking of ways to get money to gamble)?
2. Have you needed to gamble with more and more money to get the excitement you are looking for?
3. Have you felt restless or irritable when trying to cut down on gambling?
4. Have you gambled to escape from problems or when you are feeling depressed, anxious or bad about yourself?
5. Have you lied to your family, or others, to hide the extent of your gambling?
6. When you gamble, how often do you go back

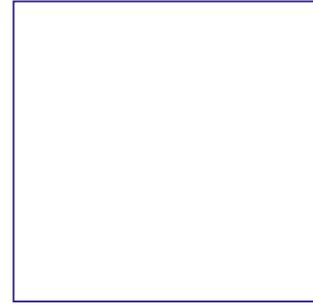
another day to win back money you lost?

7. Have you made unsuccessful attempts to control, cut back or stop gambling?
8. Have you committed a crime in order to finance gambling or to pay gambling debts?
9. Have you risked or lost an important relationship, job, educational or work opportunity because of gambling?
10. Have you asked others to provide money to help with a desperate financial situation caused by gambling?

The threshold for "problem gambling" was a score of 3 or over positive responses to the above questions. The positive response options were "very often", "fairly often" or "occasionally". The questions covered behaviour in the past year.

Criteria

1. A preoccupation with gambling
2. A need to gamble with increasing amounts of money
3. Being restless or irritable when trying to stop gambling
4. Gambling as escapism
5. Having tried to fail to cut back or to stop gambling
6. Chasing losses
7. Lying to people to conceal the extent of gambling
8. Having committed a crime to finance gambling
9. Having risked or lost relationship/job/educational opportunity because of gambling
10. Reliance on others to help a financial crisis caused by gambling



Annex I

Background information on gaming in clubs and miners' welfare institutes

1. The Gaming Act 1968 allows a club or miners' welfare institute to offer gaming, subject to restrictions, as long as it is registered. Registration under Part II of the Act allows clubs to offer gaming other than by way of machine. Registration under Part III of the Act enables the club to offer gaming by way of machine. The restrictions apply as follows:

- Members' clubs (not for profit) may register to offer gaming (Part II) or machines (Part III);
- Miners' welfare institutes may register to offer gaming (Part II) or machines (Part III);
- Proprietary clubs may only register to offer machines (Part III).

(Registration under part II brings an automatic right to three jackpot machines)

Eligible clubs and institutes

2. The word "club" is not defined in the Gaming Act 1968, but to be eligible for registration, the club must be a members' club and comply with the requirements set out in the Act. It must be:
 - i. a permanent, bona fide members' club
 - ii. have not less than 25 members, and
 - iii. gaming must not be the principal purpose for which the club is established or conducted (unless the gaming is restricted exclusively to the playing of bridge and or whist).¹
3. Miners' welfare institutes had to be identified separately in the legislation. Whilst they have many points in common with members' clubs and are regarded as synonymous with members' clubs for the purposes of the Act, they are not in fact members' clubs since they are run by committees of management.² Miners' welfare institutes are defined in the Act as:

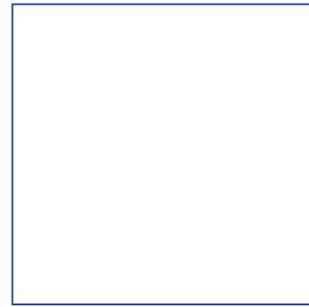
An Association organised for the social well-being and recreation of persons employed in or about coal mines', managed by a committee or board (composition

specified), or the premises are held on trust for charitable purposes.³

4. The limited charges that clubs and institutes can impose on members must be used to the benefit of the premises.⁴
5. Proprietary clubs (clubs with commercial ownership rather than ownership by the members) may only be registered under Part III of the Gaming Act. Following amendment to section 40 of the Act by the 1973 Gaming Amendment Act, they may also offer games of equal chance, such as bingo, and impose small charges to members for admission sufficient to recover the costs of the gaming. But they may not promote equal chance gaming at entertainments to which the public are admitted under section 41.
6. Clubs not registered under the Gaming Act 1968 may offer games of equal chance, such as bingo and impose small charges sufficient to recover the costs of gaming under the terms of section 40. Clubs can currently charge no more than 60p for admission to the gaming. Stakes and prizes are unlimited and all stakes must be returned in prizes.

Gaming permitted (Part II)

7. Clubs and institutes registered under Part II are able to offer to their members equal chance non-banker games. The only bankers' games permitted are pontoon and chemin de fer; the bank must either pass in turn among the players or is won and lost in the course of the game.⁵ No other bankers' games are permitted.
8. One of the most popular games offered is cash bingo. The advantage of registering under Part II is that clubs can charge higher participation fees than those permitted under section 40 (up to £2 a day in addition to the amount of up to 60p which can be levied under section 40).⁶
9. Higher charges can be prescribed for specialist whist and bridge clubs – currently up to £15 a day.



10. Section 41 enables members' clubs (but in this case not proprietary clubs) and miners' welfare institutes nor registered under Part II to promote equal chance gaming at entertainments to which the public are admitted and to take from each player £4 in participation charges and stake money combined, on condition that the money remaining after prizes have been distributed and costs recouped, goes to purposes other than private gain. Prizes are capped at £400 per entertainment.

Machines permitted (Part III)

11. Part III applies to "slot-machines which are constructed or adapted for playing a game of chance by means of machine".⁷ Clubs may install up to three jackpot machines with a maximum stake per play of 50 pence and a £250 prize.

Registration under Parts II and III

12. The licensing authority is the magistrates' court in England & Wales and the sheriff in Scotland.⁸

Part II

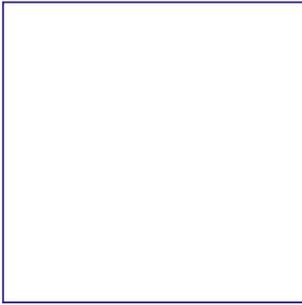
13. The registration process for Part II is laid down in Schedule 3 (England & Wales) and Schedule 4 (Scotland). There are detailed requirements for the advertisements of applications, the notification of the Gaming Board and the police, the public hearing of objections, which are modelled on those which apply to casinos and licensed bingo clubs, and the same right is given to the Gaming Board to appeal to the Crown Court if the justices have granted or renewed a certificate of registration against its advice. The object of the hearings is to establish that the club meets the requirements (the fitness of the secretary or other officers of the club is not at issue). In 1999-2000, the fees for registration were £195 and £95 for renewal.⁹

Part III

14. Registration under Part III is prescribed in Schedule 7 (England & Wales) and Schedule 8 (Scotland). The procedure for registration for the use of gaming machines is much simpler than in the case of registration for general gaming. An application may be made at any time by sending the prescribed form duly completed to the clerk to the justices. There is no requirement that the applications must be advertised; only the police have to be notified and they alone are given rights of objection. Registration can be refused if irregularities have occurred in the use of the machines. The provision for appeal against refusal and cancellation of registration is broadly similar to those applying to registration for the other types of gaming. The fees for 1999-2000 were £105 for an initial registration and £62 for renewal.¹⁰

Number of clubs

15. The keeping of a record of registration of clubs and institutes is one of the duties imposed on clerks to the licensing authorities under the Gaming Act. A survey of licensing authorities undertaken by the Gaming Board indicates that at 31 March 2000 there were 1,100 clubs registered under Part II of the Gaming Act and nearly 16,000 registered under Part III. The Gaming Board has no information as to how many clubs, which are not registered under Parts II and III of the Act, organise equal chance gaming with nominal charges for their members under the terms of section 40 of the Act, or promote equal chance gaming at entertainments to which the public are admitted under section 41, because there is no notification requirement.



Annex J

ONS Report commissioned by the Gambling Review Body

Attitudes to Gambling in Great Britain January 2001

A report by Social Survey Division for the Gambling Review Body using data from the National Statistics Omnibus Survey

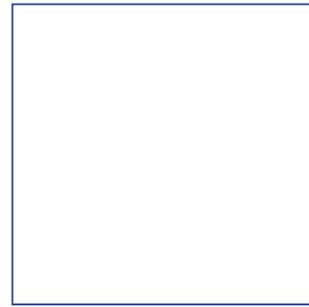
Summary

- Overall, 45% of respondents thought that there should be no fruit machines in places such as cafés, take-away food shops or minicab offices, 33% felt that the number of such machines was about right, whereas 21% felt that fewer machines would be more acceptable.
- 42% of survey respondents disapproved of children playing on fruit machines, with a similar proportion only giving approval if adults were with the children. With 13% of the population undecided, only 4% endorsed the activity of unaccompanied children playing on fruit machines.
- Nearly all respondents thought that horseracing, greyhound racing and gaming in a casino was a form of gambling. In addition, about 8 in 10 people thought that doing the National Lottery, buying scratch cards and spread betting was a form of gambling. About three quarters of the sample believed that doing the football pools was gambling and two thirds regarded bingo as a form of gambling. However, the proportion of people who thought that buying: premium bonds, raffle tickets, and stocks and shares were forms of gambling ranged from 44% to 55%.
- 36% of people thought that all the 11 listed activities were forms of gambling. Conversely 11% people thought that less than four of the listed activities were a form of gambling.
- 9 in 10 people had participated in at least one of the listed gambling activities over the last 12 months. Playing the National Lottery was the most popular activity (73%) followed by buying raffle tickets (58%). The least popular activity was spread betting; only 1% of people had participated in spread betting over the last 12 months.

- In the last year, over half of people had participated in one (25%) or two (27%) activities; around one fifth (19%) had participated in three activities, 11% in 4 activities and only 8% had participated in 5 or more gambling activities.
- Seventy-three per cent of adults played the National Lottery in the last 12 months.
- Despite the introduction of the National Lottery, most people (80%) said that they had not changed their attitude towards gambling over the past 10 years: 6% said that their attitude towards gambling had become more positive and 15% said that their attitude towards gambling had become more negative over the last 10 years.

Notes to Tables

1. Very small bases have been avoided wherever possible because of the relatively high sampling errors that attach to small numbers. In general, percentage distribution are shown if the base is 30 or more. Where the base is smaller than this, actual numbers are shown within square brackets.
2. A percentage may be quoted in the text for a single category that is identifiable in the tables only by summing two or more component percentages. In order to avoid rounding errors, the percentage has been recalculated for the single category and may differ by one percentage point from the sum of the percentages derived from the tables.
3. The row or column percentages may add up to 99% or 101% because of rounding.
4. Unless otherwise stated, changes and differences mentioned in the text have been found to be statistically significant.



1. Background and aims

This report is written on behalf of the Gambling Review Body. The Gambling Review Body was established in February 2000 by the Home Secretary to review the gambling legislation in Great Britain today, and is due to make recommendations on the nature and extent of regulation for gambling activities by summer 2001.

To feed into this Review the Gambling Review Body commissioned the National Statistics Omnibus Survey to measure public attitudes towards gambling. Specifically, the survey aimed to:

- Measure public attitudes to the availability of fruit machines in places not usually associated with gambling;
- Measure public attitudes to allowing children to play on the type of fruit machines commonly found in seaside areas;
- Measure attitudes towards gambling and participation in certain gambling activities;
- Identify whether people considered playing the National Lottery to be a form of gambling.

Demographic profiles of the responding sample are presented in tables, which enable the reader to examine the influence of socio-demographic characteristics.

Results are presented from the January 2001 cycle of the National Statistics Omnibus Survey. The Omnibus survey is a multi-purpose survey carried out 8 times per year, based on a representative sample of adults aged 16 or over, in Great Britain. Further details about the Omnibus survey are given in Appendix A and the questionnaire used in this study is included in Appendix B.

2. Availability of Fruit Machines

Overall, 45% of respondents thought that there should be no fruit machines in places such as cafés, take-away food shops or minicab offices, 33% felt that the number of such machines was about right, whereas 21% felt that fewer machines would be more acceptable. Attitudes to the availability of fruit machines in places such as cafés, take-away food shops or minicab offices varied according to age and sex, educational qualification, working status and marital status. **(Table 2.1)**

Age and sex

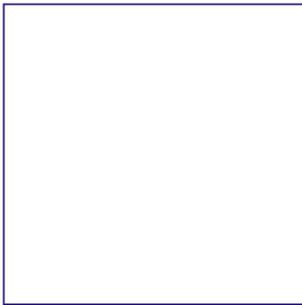
Older people were more likely than younger people to think that there should be fewer or no fruit machines available in such places. Seventy-three per cent of people aged 55 or over held this view compared with 52% of people aged 16 to 24 years. **(Table 2.1)**

Overall, women were more inclined than men to think that there should be fewer or no fruit machines available in such places (72% compared with 60%). However, the gender difference in opinion was most pronounced for the youngest age group. Forty per cent of women aged 16 to 24 years thought that there should be no fruit machines at all in cafés, take-away food shops or minicab offices compared with 22% of men of the same age group. **(Table 2.2)**

Level of educational qualification

People with no formal educational qualifications (53%) were more likely than those with a degree or equivalent (43%) to think that there should be no fruit machines at all in cafés, take-away food shops or minicab offices. **(Table 2.1)**

People's opinions on the availability of fruit machines did not vary significantly according to where they lived in the country, nor were there any significant differences between social class groups (non-manual/manual).



People aged 16 or over						January 2001*
Characteristic		None	Fewer	Same	More	Base = 100%
All	%	45	21	33	1	1,616
Sex						
Male	%	42	18	39	1	731
Female	%	48	24	27	1	885
Age						
16 to 20	%	31	15	46	7	64
21 to 24	%	33	25	41	1	64
25 to 34	%	38	22	39	0	280
35 to 44	%	45	23	32	0	303
45 to 54	%	46	20	34	0	264
55 to 64	%	51	23	25	0	250
65 to 74	%	54	21	26	-	251
75 or over	%	51	20	29	-	160
Region						
The North	%	50	22	27	1	394
Midlands and East Anglia	%	43	19	37	1	457
London	%	50	19	29	2	167
South East	%	38	25	37	-	227
South West	%	44	25	31	-	148
England	%	45	21	33	1	1393
Wales	%	48	25	27	-	79
Scotland	%	42	20	37	2	144
Social Classification						
Non-manual	%	45	23	31	0	901
Manual	%	45	21	33	1	608
Highest Educational Qualification						
Degree or equivalent	%	43	23	33	2	218
Below degree level	%	39	24	36	1	680
Other††	%	49	18	33	-	116
None	%	53	17	29	1	596
Working Status						
In paid work	%	41	22	36	1	883
Unemployed	%	47	16	37	-	48
Economically inactive	%	51	20	28	1	685
Marital Status						
Single	%	32	20	44	4	310
Married or cohabiting	%	48	21	31	0	923
Separated, divorced or widowed	%	49	23	28	-	383

* Weight a
† Non-manual - Professional, managerial, intermediate and other non-manual groups
Manual - Skilled, semi-skilled and unskilled manual groups
Excludes a few people in the armed forces or where there was an inadequate description
†† Includes foreign qualifications (outside UK) and other qualifications

Table 2.1: Attitudes to the availability of fruit machines in cafés, take-away food shops and minicab offices by socio-demographic characteristics



Characteristic		Attitudes to availability of fruit machines				January 2001*
		None	Fewer	Same	More	Base = 100%
People aged 16 or over	All	45	21	33	1	1,616
Men						
	16 to 24	22	15	57	6	56
	25 to 34	41	15	43	0	123
	35 to 44	42	16	41	0	144
	45 to 54	38	19	42	-	119
	55 to 64	50	26	24	1	129
	65 to 74	51	18	32	-	104
	75 or over	44	20	35	-	57
Women						
	16 to 24	40	23	33	4	72
	25 to 34	36	29	35	1	157
	35 to 44	48	28	24	0	159
	45 to 54	52	20	28	1	145
	55 to 64	54	21	26	-	122
	65 to 74	56	23	20	-	127
	75 or over	55	20	25	-	103

* Weighted

Table 2.2: Attitudes to the availability of fruit machines in cafes, take-away food shops and mini-cab offices by age and sex

3. Children Playing on Fruit Machines

The law allows people of all ages to play on fruit machines as long as the prize money is limited to five pounds. Machines of this type are most commonly found at the seaside.

People were asked whether they:

- Approved of children playing on these machines;
- Approved of children playing on these machines only if they were accompanied by a responsible adult;
- Neither approved nor disapproved of children playing on these machines; or,
- Disapproved of children playing on these machines.

Table 3.1 shows that 42% of survey respondents disapproved of children playing on fruit machines, with a similar proportion only giving approval if adults were with the children. With 13% of the population undecided, only 4% endorsed the activity of unaccompanied children playing fruit machines.

People's attitudes to children playing on fruit machines were similar to those about the availability of such machines. Although there were no gender differences, attitudes to children playing on fruit machines varied by age, region, and level of educational qualification. In

common with attitudes to the availability of fruit machines, people's opinions of children playing on fruit machines did not vary significantly between social class groups. (Table 3.1)

Age

Although age differences in attitudes to children playing fruit machines was not so pronounced as for attitudes to the availability of fruit machines, those in the oldest age group (75 or over) were most likely to say that they disapproved of children playing on fruit machines (59%) compared with 24% of people aged 16 to 20 years. (Table 3.1)

Region

There were differences by region and attitude to children playing on fruit machines. People living in Scotland (56%), Wales (54%) and London (51%) were more likely to disapprove of children playing on fruit machines compared with people living elsewhere in Great Britain (39%). (Table 3.1)

Level of educational qualification

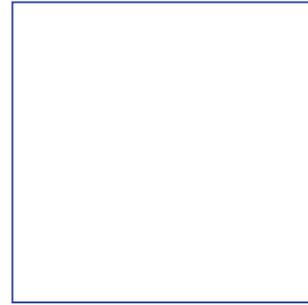
There was no clear relationship between attitude to children playing on fruit machines and level of educational qualification. People with a degree or equivalent (48%), and people with no formal qualifications (46%) were most likely to disapprove of children playing on these machines compared with people with qualification below degree level (37%). (Table 3.1)



People aged 16 or over						January 2001*
Characteristic		Approved	Approved with adult	Neither approved nor disapproved	Disapproved	Base = 100%
All	%	4	41	13	42	1,663
Sex						
Male	%	4	40	14	41	755
Female	%	3	42	13	43	908
Age						
16 to 20	%	8	49	20	24	65
21 to 24	%	4	36	14	46	66
25 to 34	%	4	43	13	40	290
35 to 44	%	5	45	11	39	312
45 to 54	%	2	39	17	42	272
55 to 64	%	2	39	13	46	255
65 to 74	%	2	46	9	42	234
75 or over	%	4	27	9	59	176
Region						
The North	%	4	44	11	42	394
Midlands and East Anglia	%	5	43	14	37	457
London	%	2	31	17	51	167
South East	%	4	47	15	34	227
South West	%	1	40	16	44	148
England	%	4	42	14	40	1438
Wales	%	2	32	12	54	79
Scotland	%	2	34	8	56	144
Social Classification†						
Non-manual	%	3	42	13	42	929
Manual	%	3	41	12	43	626
Highest Educational Qualification						
Degree or equivalent	%	3	34	15	48	218
Below degree level	%	4	44	15	37	686
Other‡	%	3	44	10	43	116
None	%	4	39	11	46	596
Working Status						
In paid work	%	4	43	15	39	911
Unemployed	%	10	35	7	48	48
Economically inactive	%	2	39	11	47	704
Marital Status						
Single	%	5	43	16	36	322
Married or cohabiting	%	3	42	12	42	946
Separated, divorced or widowed	%	3	34	14	50	395

* Weight a
† Non-manual - Professional, managerial, intermediate and other non-manual groups
Manual - Skilled, semi-skilled and unskilled manual groups
Excludes a few people in the armed forces or where there was an inadequate description
‡‡ Includes foreign qualifications (outside UK) and other qualifications

Table 3.1: Attitudes to children playing on fruit machines by socio-demographic characteristics



People aged 16 or over		January 2001*				
Characteristic		Approved	Approved with adult	Neither approved nor disapproved	Disapproved	Base = 100%
All	%	4	41	13	42	1,663
Men						
16 to 24	%	11	37	14	38	56
25 to 34	%	4	42	11	44	128
35 to 44	%	7	47	11	35	151
45 to 54	%	2	37	21	40	123
55 to 64	%	2	33	17	48	132
65 to 74	%	4	50	11	36	106
75 or over	%	2	28	11	60	59
Women						
16 to 24	%	3	49	19	29	74
25 to 34	%	3	43	16	37	161
35 to 44	%	2	43	12	43	161
45 to 54	%	2	40	14	43	148
55 to 64	%	4	45	9	43	126
65 to 74	%	1	43	7	49	126
75 or over	%	5	27	8	60	110

* Weight a

Table 3.2: Attitudes to children playing on fruit machines by socio-demographic characteristics

4. Activities considered to be a form of gambling

Respondents were shown a list of 11 activities and asked to identify which activities they considered to be a form of gambling.

- Buying raffle tickets
- Buying premium bonds
- Playing bingo
- Buying stocks and shares
- Doing the football pools
- Doing the National Lottery
- Playing on fruit machines
- Buying scratchcards
- Spread betting
- Betting on horse/greyhound racing
- Gaming in a casino

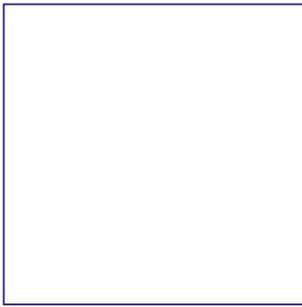
Not unexpectedly, nearly all respondents thought that horseracing, greyhound racing and gaming in a casino was a form of gambling. In addition, about 8 in 10 people thought that doing the National Lottery, buying scratchcards and spread betting was a form of gambling. About three quarters of the sample believed that doing the football pools was gambling and two thirds regarded bingo as a form of gambling. However, the proportion of people who thought that buying premium bonds, raffle tickets, and stocks and shares were forms of gambling ranged from 44% to 55%. (Table 4.1)

4.1 Types of gambling activity

As with the attitudes to the availability of fruit machines, and to children playing on fruit machines, there were differences in the proportion of people which rated each activity as gambling by socio-demographic characteristics. (Table 4.2)

Sex

Men were more likely than women to think that doing the football pools and spread betting were forms of gambling and to have considered the activities that are not immediately thought of as core gambling activities, such as buying raffle tickets, premium bonds and buying stocks and shares, as gambling.



Age

Young people aged 16 to 24 years were less likely than all other age groups to think that buying raffle tickets, premium bonds, playing bingo, buying stocks and shares, as well as spread betting, were forms of gambling.

Social class

People in professional occupations were significantly more likely than those in unskilled occupations to think that buying raffle tickets, premium bonds, playing bingo, and doing the football pools were forms of gambling. They were also more likely to think that playing on fruit machines, buying scratchcards and spread betting were forms of gambling.

Educational qualification

People with qualifications, particularly those with higher educational qualifications were more likely to have considered the non-core gambling activities as 'gambling'.

In summary, men, older people, those in professional occupations and those with higher qualifications were more likely than their counterparts to consider the non-core activities (i.e. raffle tickets, premium bonds, stocks and shares) as forms of gambling.

Looking at the variation in number of activities regarded as gambling by socio-demographic characteristics, two groups of respondents can be identified for comparative analysis: those who regarded all eleven items as gambling and those who thought that three or less activities were gambling. Results from the activity scale showed that 36% of people thought that all the listed activities were forms of gambling and that 11% people thought that less than four of the listed activities were a form of gambling. (Table 4.3)

The proportion of the sample who rated all activities as gambling was:

- Slightly higher among men than women (39% compared with 33%)
- Highest in the 55-64 year olds, 47%, and lowest among the 16-24 year olds, 18%
- Most prevalent in Wales, 46%, and the least frequent in London, 30%
- Highest among those in the "professional" social classification and lowest among those in the partly skilled and semi-skilled groups (44% compared with 28%)

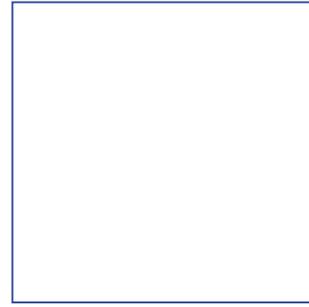
4.2 Number of activities

A scale was developed in order to investigate attitudes to these activities further. An activity score was assigned to each respondent, which represented the sum of the number of activities that they considered to be gambling.

Activity	January 2001* % **
Betting on horse/greyhound races	96
Gaming in a casino	96
Playing on fruit machines	88
Doing the National Lottery	80
Buying scratchcards	79
Spread betting	78
Doing the football pools	76
Playing bingo	68
Buying stocks and shares	55
Buying raffle tickets	54
Buying premium bonds	44
None of the above	0
Base = 100%	1,669

* Weighted
** Percentages may not add to 100% as respondents could give more than one answer

Table 4.1: Proportion of adults who considered different activities to be a form of gambling



People aged 16 or over													January 2001*
Characteristic		Horse or greyhounds	Casino	Fruit machines	National Lottery	Scratch cards	Spread betting	Football pools	Bingo	Stocks & Shares	Raffle tickets	Premium bonds	Base = 100%
Proportion who regarded each activity to be a form of gambling													
All	%	96	96	88	80	79	78	76	68	55	54	44	1,664
Sex													
Male	%	97	96	90	81	81	84	80	70	59	59	48	757
Female	%	96	95	87	79	78	74	73	67	51	50	39	912
Age													
16 to 20	%	92	94	87	82	74	69	76	57	32	46	19	65
21 to 24	%	95	95	88	79	74	72	74	55	49	37	29	66
25 to 34	%	98	97	92	77	80	84	74	68	51	50	38	290
35 to 44	%	97	96	93	84	84	82	81	74	60	58	46	312
45 to 54	%	97	97	89	78	77	83	76	70	57	55	45	272
55 to 64	%	98	94	88	80	83	77	80	73	63	62	57	259
65 to 74	%	96	97	82	80	77	75	72	66	51	51	49	234
75 or over	%	91	90	81	79	77	65	69	63	58	57	43	171
Region													
The North Midlands and East Anglia	%	96	96	91	80	82	78	77	68	52	53	42	408
London	%	96	94	87	80	77	79	75	68	54	53	41	466
South East	%	96	95	83	77	74	77	73	64	49	53	37	180
South West	%	97	97	92	83	81	84	77	72	61	58	51	236
England	%	99	98	86	79	80	77	75	68	61	57	50	154
Wales	%	96	96	88	80	79	79	76	68	55	54	43	1444
Scotland	%	97	97	93	85	85	80	83	74	59	60	51	80
	%	96	95	87	77	76	72	76	68	49	49	41	145
Social classification†													
Professional	%	99	98	92	85	89	91	86	76	61	71	55	82
Intermediate Skilled non-manual	%	99	98	92	83	85	87	81	73	65	59	49	486
Skilled manual	%	96	96	87	80	77	77	75	69	52	50	41	362
Partly skilled	%	96	96	90	79	80	77	76	64	54	58	44	280
Unskilled	%	93	92	84	76	72	68	68	64	43	46	37	260
	%	97	95	77	73	71	66	68	58	48	41	35	88
Highest Educational Qualification													
Degree or equivalent	%	100	97	94	87	90	90	86	75	62	63	52	230
Below degree level	%	97	97	89	78	78	82	76	68	54	53	41	704
Other††	%	95	96	93	87	87	77	80	70	53	57	45	120
None	%	94	93	84	77	74	69	71	66	53	51	44	614

* Weight a
† Non-manual - Professional, managerial, intermediate and other non-manual groups
Manual - Skilled, semi-skilled and unskilled manual groups
Excludes a few people in the armed forces or where there was an inadequate description
†† Includes foreign qualifications (outside UK) and other qualifications

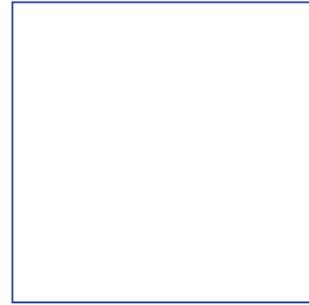
Table 4.2: Attitude to gambling related activities by socio-demographic characteristics



People aged 16 or over							January 2001*
Characteristic		11 activities	8-10 activities	4-7 activities	1-3 activities	None	Base = 100%
All	%	36	26	26	10	1	1,678
Sex							
Male	%	39	30	22	9	0	757
Female	%	33	26	30	11	1	921
Age							
16 to 24	%	18	37	36	9	0	131
25 to 34	%	32	30	30	7	1	291
35 to 44	%	38	31	22	8	1	314
45 to 54	%	39	27	25	9	1	273
55 to 64	%	47	23	17	13	-	259
65 to 74	%	37	22	27	14	0	235
75 or over	%	32	24	29	14	2	175
Region							
The North	%	35	27	28	9	1	411
Midlands and East Anglia	%	32	32	24	11	0	468
London	%	30	28	28	13	1	181
South East	%	42	28	22	8	0	237
South West	%	40	26	21	12	1	155
Country							
England	%	35	29	25	10	1	1452
Wales	%	46	20	27	5	3	81
Scotland	%	35	21	33	10	-	145
Social Classification†							
Professional	%	44	30	21	5	-	82
Intermediate	%	41	31	21	7	0	487
Skilled non-manual	%	34	28	28	9	1	363
Skilled manual	%	36	26	28	9	0	281
Partly skilled	%	28	24	31	15	2	264
Unskilled	%	28	26	23	24	-	88
Highest Educational Qualification							
Degree or equivalent	%	40	35	19	5	1	232
Below degree level	%	34	30	28	8	0	704
Other‡	%	39	26	28	7	-	120
None	%	35	23	26	15	1	620
Working status							
In paid work	%	36	31	24	8	0	914
Unemployed	%	38	27	27	6	2	48
Economically inactive	%	35	24	28	13	1	716
Marital Status							
Single	%	24	35	30	10	1	327
Married or cohabiting	%	38	26	26	9	0	951
Separated, divorced or widowed	%	40	26	20	13	1	400

* Weight a
† Excludes a few people in the armed forces or where there was an inadequate description
‡ Includes foreign qualifications (outside UK) and other qualifications

Table 4.3: Number of activities considered to be a form of gambling by socio-demographic characteristics



Conversely the proportions of those who deemed less than 4 activities as gambling were more prevalent among the over 65s, adults in partly skilled or unskilled occupations and those economically inactive.

Among those who considered just one activity as gambling, there was no clear consensus regarding what that activity was, however among those who considered two or three activities as gambling, 90% reported that two of those activities were betting on horse/greyhound races and gaming in a casino.

5. Participation in Gambling Activities

Respondents were shown the same list of activities that they had previously been shown and asked to identify which activities they had participated in over the last 12 months. 9 in 10 people had participated in at least one of the listed gambling activities over the last 12 months.

Playing the National Lottery was the most popular activity (73%) followed by buying raffle tickets (58%). The least popular activity was spread betting; only 1% of people had participated in spread betting over the last 12 months.

(Table 5.1)

5.1 Participation in each type of gambling activity

Table 5.2 shows how participation in gambling related activities varied by socio-demographic characteristics. There were differences in the proportion of people who participated in gambling related activities according to sex, age, region, social class, working status and marital status. There was no difference in rates of participation in gambling activities according to educational attainment.

Sex and age

There were differences in the types of activity that men and women took part in. As can be seen from Table 5.2, men were more likely than women to bet on horse/greyhound races, buy stocks and shares, play on fruit machines and do the football pools. Women, on the other hand were more likely than men to play bingo. (Young women aged 16 to 24 years, were just as likely to play bingo (23%) as women aged 65 years or over (22%) in the last year).

(Table 5.2)

Region

People living in London were less likely to play on fruit machines, play the National Lottery, play bingo, play the football pools and buy raffle tickets compared with people living elsewhere in the country.

Social class

Social class was also related to participation in gambling activities. Whilst there was no difference between manual and non-manual workers in the number of activities that they had taken part in, there were differences in what those activities were. Non-manual workers were more likely than manual workers to purchase raffle tickets, premium bonds and stocks and shares. Whereas manual workers were more likely than non-manual workers to play bingo, play on fruit machines and bet on horse/greyhound races.

5.2 Participation in the number of gambling activities

A measure of an individual's level of participation in gambling activities was developed in a similar manner to the activity scale in the previous section. A participation score was assigned to each respondent, which represented the sum of the number of activities that they had participated in over the last 12 months. Respondents could have: -

- Score of 0 (had not taken part in any activity);
- Score of 1 (had taken part in just one activity);
- Score of 2 (had taken part in two activities);
- Score of 3 (had taken part in three activities);
- Score of 4 (had taken part in four activities);
- Score of 5 (had participated in five or more activities).

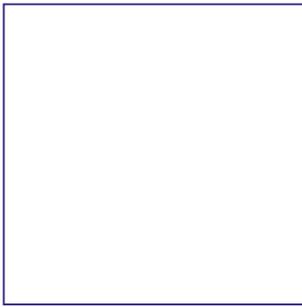
In the last year, over half of people had participated in one (25%) or two (27%) activities; around one fifth (19%) had participated in three activities, 11 % in 4 activities and only 8% had participated in 5 or more gambling activities.

(Table 5.3)

Among those who participated in only one activity, 59% reported that the activity was playing the National Lottery. Among those who participated in two activities, 82% reported that these activities were playing the National Lottery and 66% buying raffle tickets.

Sex and age

Men participated in a larger number of gambling activities than women. Men were more likely to take part in 5 or more activities than women (12% compared with 5% respectively). Women were more likely than men to take part in just one gambling activity (28% compared with 22%).



People at either end of the age spectrum were less likely to have taken part in any gambling activity. One in five (20%) young people aged 16 to 24 years and 18% people aged 75 or over reported that they had not participated in any gambling activity over the last 12 months. People aged 55 to 64 years were the most likely to have taken part in some form of gambling activity (95%).

Region

People living in Wales were less likely not to gamble at all (4%) compared with people in England (10%).

Marital status

Marital status was also related to participation in gambling activities over the last 12 months. Twelve per cent of single adults had taken part in 5 or more activities compared with 8% of those who were married or cohabiting and 6% of those who were divorced, separated or widowed.

5.3 Attitude to gambling and participation in gambling related activities

Those who were most likely to have considered all 11 activities to be a form of gambling were also most likely to participate in a higher number of gambling related

activities. This was most evident in men, young people, those who live in Wales and in those who were in paid work. The opposite effect was apparent with people living in London. People in London were less likely to have considered all activities as a form of gambling and were also less likely to have taken part in gambling related activities.

5.4 Those who did not participate in any gambling activity

One in ten adults did not participate in any gambling related activity over the last 12 months. Non-gamblers were most likely to be aged 16-24 years, single and live in London.

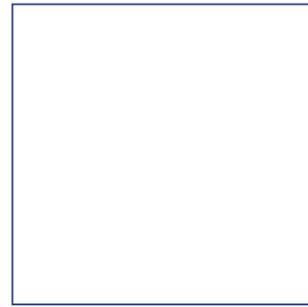
Non-gamblers were most likely to say that they felt more negative towards gambling over the past 10 years. Twenty three per cent of those who had not taken part in any gambling activity described becoming more negative compared with 14% of those who had taken part in at least one gambling activity.

People who had not taken part in any gambling activity over the last 12 months were more likely to say that they disapproved of children playing on fruit machines (62%) than people who had taken part in at least one or more gambling activities (40%). (Table 5.3)

Activity	January 2001* % **
Doing the National Lottery	73
Buying raffle tickets	58
Buying scratchcards	20
Buying stocks and shares	15
Betting on horse/greyhound races	15
Playing bingo	14
Playing on fruit machines	13
Doing the football pools	7
Buying premium bonds	7
Gaming in a casino	4
Spread betting	1
None of the above 10	
Base = 100%	1,671

* Weight a
** Percentages may not add to 100% as respondents could give more than one answer

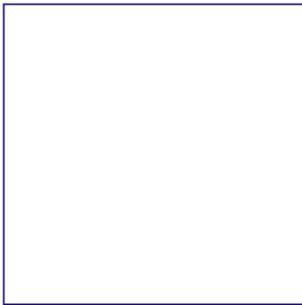
Table 5.1: Proportion of adults who participated in gambling related activities over the last 12 months



People aged 16 or over													January 2001*
Characteristic		Horse or greyhounds	Casino	Fruit machines	National Lottery	Scratch cards	Spread betting	Football pools	Bingo	Stocks & Shares	Raffle tickets	Premium bonds	Base = 100%
Proportion who regarded each activity to be a form of gambling													
All	%	15	4	13	73	20	1	7	14	15	58	7	1,671
Sex													
Male	%	22	5	18	73	21	2	10	9	20	57	7	757
Female	%	9	2	9	73	19	0	4	17	10	59	7	914
Age													
16 to 20	%	17	2	35	48	28	-	4	17	3	51	4	65
21 to 24	%	19	8	36	54	30	4	13	23	7	46	1	66
25 to 34	%	20	5	19	75	25	2	5	11	13	55	4	291
35 to 44	%	16	5	11	79	21	0	6	10	17	67	6	312
45 to 54	%	16	4	10	77	19	0	8	11	19	62	7	272
55 to 64	%	15	2	9	81	18	1	9	16	22	61	14	259
65 to 74	%	10	2	6	74	11	0	8	15	11	55	11	235
75 or over	%	8	-	2	60	13	-	4	20	8	46	7	171
Region													
The North Midlands and East Anglia	%	14	4	11	72	17	2	8	16	14	55	7	409
London	%	15	3	16	75	20	0	7	14	11	64	7	466
South East	%	20	3	8	64	16	1	3	6	17	43	8	180
South West	%	18	6	18	71	23	0	8	12	22	61	10	236
England	%	14	1	12	70	23	-	7	12	19	66	10	155
Wales	%	16	4	14	72	20	1	7	13	15	59	8	1446
Scotland	%	10	4	8	86	26	1	6	14	14	64	5	80
	%	17	3	13	79	20	2	9	20	11	46	2	145
Social Classification†													
Professional	%	12	3	9	57	8	-	6	3	40	63	12	82
Intermediate Skilled non-manual	%	16	4	13	72	18	1	7	8	24	65	10	485
Skilled manual	%	12	4	12	78	22	1	6	14	8	61	9	362
Partly skilled	%	23	4	17	79	25	1	11	14	10	53	5	280
Unskilled	%	16	2	15	72	20	1	5	18	8	48	4	262
	%	14	2	12	75	19	1	8	36	5	52	3	88
Highest Educational Qualification													
Degree or equivalent	%	17	5	10	59	14	1	5	5	32	62	10	230
Below degree level	%	16	4	18	74	22	1	7	12	16	64	7	704
Other††	%	20	3	11	66	15	2	9	15	15	49	9	120
None	%	13	3	9	78	20	0	7	19	7	50	6	616

* Weight a
† Non-manual - Professional, managerial, intermediate and other non-manual groups
Manual - Skilled, semi-skilled and unskilled manual groups
Excludes a few people in the armed forces or where there was an inadequate description
†† Includes foreign qualifications (outside UK) and other qualifications

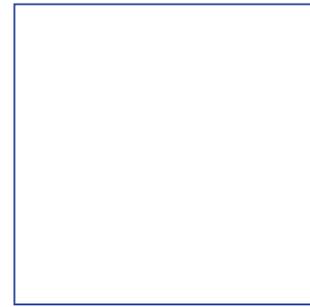
Table 5.2: Participation in gambling related activities by socio-demographic characteristics



People aged 16 or over		January 2001*						
Characteristic		None	1	2	3	4	5+	Base = 100%
All	%	10	25	27	19	11	8	1,671
Sex								
Male	%	10	22	26	19	11	12	757
Female	%	9	28	29	18	11	5	914
Age								
16 to 20	%	20	28	19	10	7	16	65
21 to 24	%	18	14	32	13	10	13	66
25 to 34	%	10	27	21	20	12	10	291
35 to 44	%	6	22	32	22	10	9	312
45 to 54	%	7	24	26	23	13	6	272
55 to 64	%	5	27	26	20	12	10	259
65 to 74	%	9	30	33	12	12	4	235
75 or over	%	18	28	31	14	5	3	171
Region								
The North	%	12	25	28	17	12	7	409
Midlands and East Anglia	%	7	25	30	18	11	9	466
London	%	17	32	21	15	7	7	180
South East	%	9	22	24	19	13	11	236
South West	%	10	19	30	20	14	7	155
England	%	10	25	27	18	11	9	1446
Wales	%	4	24	29	25	12	5	80
Scotland	%	6	31	28	23	5	8	145
Social Classification†								
Non-manual	%	8	24	29	19	12	8	929
Manual	%	11	27	26	18	10	9	630
Highest Educational Qualification								
Degree or equivalent	%	12	27	24	20	7	10	230
Below degree level	%	8	23	26	20	12	10	704
Other††	%	12	26	26	18	14	3	120
None	%	10	27	30	16	10	7	616
Working Status								
In paid work	%	7	24	26	20	12	11	912
Unemployed	%	18	18	30	19	11	3	48
Economically inactive	%	13	28	29	16	9	4	711
Marital Status								
Single	%	19	26	21	13	9	12	326
Married or cohabiting	%	6	24	29	21	12	8	947
Separated, divorced or widowed	%	14	28	29	17	6	6	398

* Weight a
† Non-manual - Professional, managerial, intermediate and other non-manual groups
Manual - Skilled, semi-skilled and unskilled manual groups
Excludes a few people in the armed forces or where there was an inadequate description
†† Includes foreign qualifications (outside UK) and other qualifications

Table 5.3: Number of gambling related activities people had participated in over the last 12 months by socio-demographic characteristics



6. Focus on the National Lottery

Seventy-three per cent of adults played the National Lottery in the last 12 months. (Table 6.1)

Age

Participation in the National Lottery was related to age. People aged 55 to 64 (81%) were most likely to buy a National Lottery ticket in the last 12 months and young people aged 16 to 20 years (48%) were the least likely to purchase a National Lottery ticket.

Region

There was regional variation in respondents' participation in the National Lottery. Those in Scotland and Wales were most likely to buy a lottery ticket (80% and 85% respectively) compared with those living in England (71%). People living in London were least likely to play the Lottery (64%).

Social class

Playing the Lottery also varied by social class. Although there was no difference between manual and non-manual workers, those in social class group 1 were less likely to play the National Lottery. Those who were unemployed (67%) or economically inactive (68%) were also less likely to play the National Lottery than those in paid work (76%).

6.1 Change in attitudes to gambling over the last 10 years

To what extent has the introduction of the National Lottery softened public attitudes to gambling and led to increased levels of participation in gambling activities? Although this survey did not attempt to directly measure this, respondents were asked whether their attitudes to gambling had changed over the past 10 years, a period which covered the introduction of the National Lottery in 1994.

The majority (80%) of people said that they had not changed their attitude towards gambling over the past 10 years. Only a small proportion (6%) said that their attitude towards gambling had become more positive and 15% said that their attitude towards gambling had become more negative over the last 10 years. (Table 6.3).

6.2 Whether people think of the National Lottery as a form of gambling

Respondents were asked whether they had played the National Lottery before they were asked about their views on gambling, so as not to prompt them into considering the National Lottery as a form of gambling.

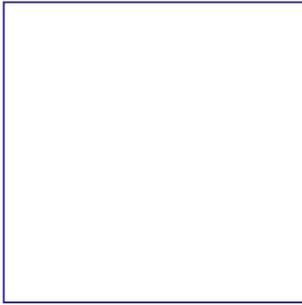
As previously mentioned there was a large group whose participation in gambling was restricted to playing the National Lottery (59%). The following analysis compared the views of people who only played the National Lottery with the opinions of people who participated in other gambling activities.

Both those who played the Lottery and those who did not play the Lottery said that they thought that the National Lottery was a form of gambling. Seventy-nine per cent of people who bought a Lottery ticket thought this compared with 82% of people who had not bought a Lottery ticket in the last year.

6.3 National Lottery and participation in other gambling related activities

People who played the National Lottery in the last 12 months were also more likely to have bet on horse/greyhound races, played on fruit machines, played the football pools, played bingo, bought raffle tickets and scratchcards than people who did not play the National Lottery in the last year. (Table 6.2)

People who bought a Lottery ticket in the last year were also less likely to have disapproved of children playing on fruit machines than people who did not purchase a Lottery ticket in the last year (40% compared with 48% respectively).



People aged 16 or over		January 2001*		
Characteristic		Played Lottery	Not played lottery	Base = 100%
All	%	73	27	1,678
Sex				
Male	%	73	27	757
Female	%	72	28	921
Age				
16 to 20	%	48	52	65
21 to 24	%	55	45	66
25 to 34	%	75	25	291
35 to 44	%	78	22	314
45 to 54	%	77	23	273
55 to 64	%	81	19	259
65 to 74	%	74	26	235
75 or over	%	58	42	175
Region				
The North	%	72	28	411
Midlands and East Anglia	%	75	25	468
London	%	64	36	181
South East	%	71	29	237
South West	%	70	30	155
England	%	71	29	1,452
Wales	%	85	15	81
Scotland	%	80	20	145
Social Classification†				
Professional	%	57	43	82
Intermediate	%	72	28	487
Skilled non-manual	%	78	22	363
Skilled manual	%	78	22	281
Partly skilled	%	72	28	264
Unskilled	%	75	25	88
Highest Educational Qualification				
Degree or equivalent	%	58	42	232
Below degree level	%	74	26	704
Other††	%	66	34	120
None	%	78	22	620
Working status				
In paid work	%	76	24	914
Unemployed	%	67	33	48
Economically inactive	%	68	32	716
Marital Status				
Single	%	58	42	327
Married or cohabiting	%	78	22	951
Separated, divorced or widowed	%	67	33	400

* Weight a
† Excludes a few people in the armed forces or where there was an inadequate description
†† Includes foreign qualifications (outside UK) and other qualifications

Table 6.1: Participation in the National Lottery in the last 12 months by socio-demographic characteristics



People aged 16 or over		January 2001*	
Activity	Played Lottery	Did not play lottery	All
	%	%	%
Raffle tickets	62	46	58
Scratchcards	25	5	20
Horse/greyhound races	19	5	15
Stocks and shares	14	16	15
Bingo	16	8	14
Fruit machines	14	10	13
Football pools	8	2	7
Premium bonds	8	5	7
Gaming in a casino	4	3	4
Spread betting	1	1	1
Base = 100%	1212	459	1,671

* Weight a

Table 6.2: Percentage of adults who participated in other gambling activities by participation in the National Lottery

People aged 16 or over		January 2001*
Attitude over last 10 years		% *
More positive attitude towards gambling		6
More negative attitude towards gambling		15
Attitude unchanged		80
Base = 100%		1,666

* Weight a

Table 6.3: Whether respondent's attitude towards gambling has changed over the last 10 years



Appendix A

The Omnibus Survey

The Omnibus Survey is a multi-purpose survey carried out by the Office for National Statistics for use by non-profit making organisations. Interviewing is carried out in two of the three months each quarter, and each month's questionnaire covers a variety of topics, reflecting different user's requirements.

The Sample

A random probability sample of 3,000 private households in Great Britain is selected (each month) using the small users' Postcode Address File¹ as a sampling frame. One hundred new postal sectors are selected and are stratified by region, the proportion of households renting from local authorities and the proportion in which the head of household is in Socio-Economic Groups 1-5 or 13 (that is a professional, employer or manager). The postal sectors are selected with probability proportional to size and within each sector 30 addresses are selected randomly.

Within households with more than one adult, one person aged 16 or over is randomly selected for interview. No proxy interviews are taken.

Weighting

As only one household member is interviewed at each address, people in households containing few adults have a higher probability of selection than those in households with many. Where the unit of analysis is individual adults, as it is for this module, a weighting factor is applied to correct for this unequal probability of selection. This weighting factor is referred to as 'weight a' and when applied, this is indicated in a footnote to each table and figure.

Significance

Any differences mentioned in this report are statistically significant at the 95% confidence level, unless otherwise stated.

Fieldwork

Interviews are carried out in respondents' homes, face to face, by interviewers who have been trained to carry out a range of National Statistics surveys. The Omnibus Survey uses computer assisted interviewing which has well documented effects on the quality of the data. Advance letters are sent to all addresses giving a brief account of the survey. Interviewers must make at least three or four calls at an address at different times of the day and week. As with all NS surveys, a quality check on fieldwork is carried out through recall interviews with a proportion of respondents.

Questions

The module of questions (shown in Appendix B) was developed in conjunction with the Gambling Review Body.

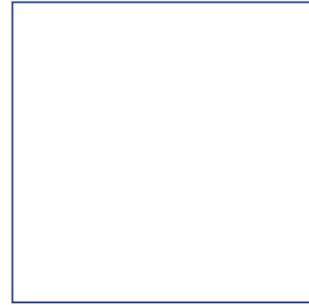
Response Rates

The small user's Postal Address File includes some business addresses and other addresses, such as new and empty properties, at which no private households are living. The expected proportion of such addresses, which are classified as ineligible is about 11%-12%. This figure is removed before the response rate is calculated.

The response rate for the January 2001 Omnibus Survey was 62%, as shown below:

	No.	%	%
Set sample	3,000	100	
Ineligible addresses	273	9	
Eligible addresses	2,727	91	100
Refusals	780		29
Non-Contacts	269		10
Achieved interviews	1,678		62

¹ An address which receives less than 50 items of mail each day.



Appendix B

The Questions

Have you bought a National Lottery ticket or a National Lottery instant/scratchcard in the last year?

- (1) Yes
- (2) No

Nowadays you may find fruit machines in places like cafés, takeaway food shops and minicab offices:

Do you think there should be:

- (1) More fruit machines in places like these,
- (2) Fewer fruit machines in places like these,
- (3) About the same number of fruit machines in places like these, or
- (4) No fruit machines at all in places like these?

The law currently allows children of all ages to play on fruit machines as long as the prize money is limited to five pounds. Machines of this type are commonly found at the seaside.

Do you:

- (1) Approve of children playing on these machines,
- (2) Approve of children playing on these machines only if they are accompanied by a responsible adult,
- (3) Neither approve nor disapprove of children playing on these machines, or
- (4) Disapprove of children playing on these machines?

Do you think your attitude towards gambling has changed at all over the last 10 years

Have you become:

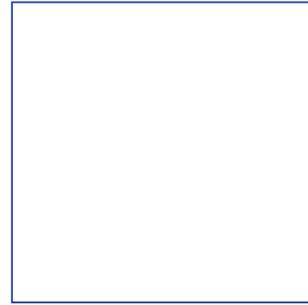
- (1) More positive towards gambling,
- (2) More negative towards gambling,
- (3) Or has your attitude towards gambling remained unchanged over that time?

Which, if any, of the following do you consider to be a form of gambling?

- (1) Buying raffle tickets
- (2) Buying premium bonds
- (3) Playing bingo
- (4) Buying stocks and shares
- (5) Doing the football pools
- (6) Doing the National Lottery
- (7) Playing on fruit machines
- (8) Buying scratchcards
- (9) Spread betting
- (10) Betting on horse/greyhound races
- (11) Gaming in a casino
- (12) None of the above

In the last year, which of these activities have you taken part in?

- (1) Buying raffle tickets
- (2) Buying premium bonds
- (3) Playing bingo
- (4) Buying stocks and shares
- (5) Doing the football pools
- (6) Doing the National Lottery
- (7) Playing on fruit machines
- (8) Buying scratchcards
- (9) Spread betting
- (10) Betting on horse/greyhound races
- (11) Gaming in a casino
- (12) None of the above



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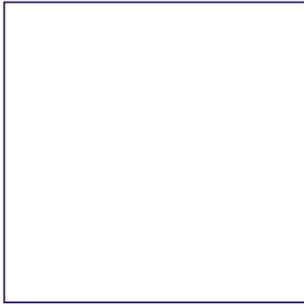
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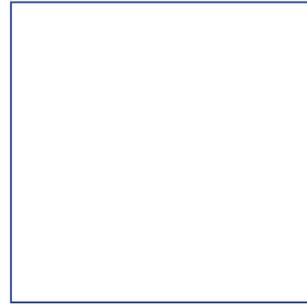
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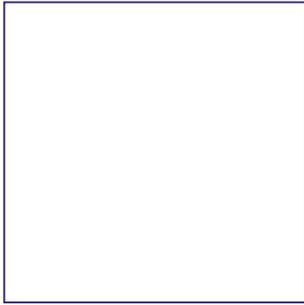
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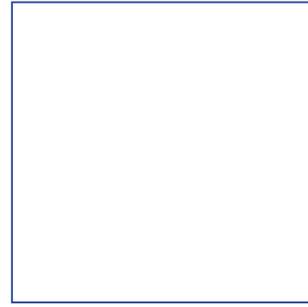
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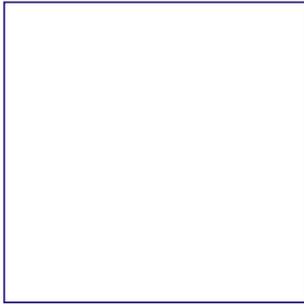
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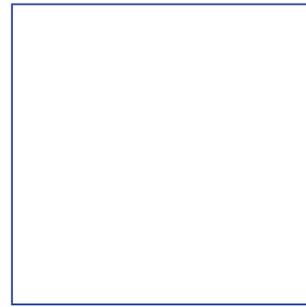
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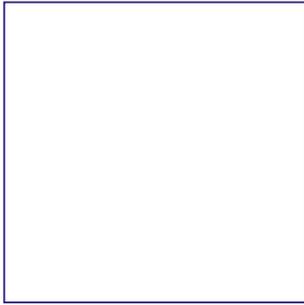
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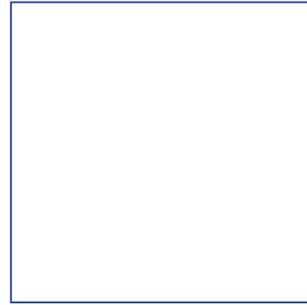
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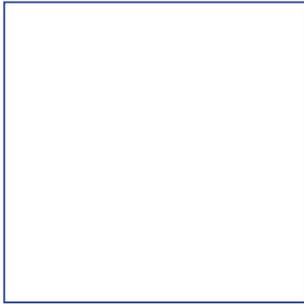
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