

A Safe Bet for Success - modernising Britain's gambling laws

The Government's response to the Gambling Review Report. The report explains the Government's objectives in taking forward gambling reform.

A Safe Bet for Success (PDF 273kb)

Safe Bet - Appendices (PDF 278kb)

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Foreword: from Tessa Jowell

The modernisation of our gambling laws is long overdue. In asking the Gambling Review Body to undertake a comprehensive scrutiny of gambling and its regulatory framework the Government took an important step towards bringing those laws up to date. When I announced the publication of the Gambling Review Report last summer I expressed my hope that it would spark a debate. Thousands of you have written to let us have your views and to explain how the implementation of the report's proposals will impact on your businesses, your livelihoods, your families and your communities. This has been a vitally important stage in the development of the Government's response and the formulation of our proposals for reform; I am personally very grateful to all of the individuals and organisations who contributed to the process.

In this paper we set out our own vision for a modern regulatory system for the gambling industry. It draws not only on the excellent groundwork undertaken by Sir Alan Budd and his team but also on the ideas, comments and concerns expressed during the consultation period.

A Safe Bet For Success encapsulates our key objectives in taking forward these reforms. We want gambling to be safe, not only for those who take part in it, but also in the way that it impacts on wider society. Gambling must continue to be conducted fairly, remain free of criminal influence and infiltration, and operate within a regulatory framework that offers protection for children and vulnerable adults. We also, however, want to see a successful British gambling industry; one that is able to respond rapidly and effectively to technological and customer-led developments in both the domestic and global marketplace, building on its existing reputation for quality and integrity, and in the process increasing its already important contribution to the UK economy.

The balance between these two sets of objectives is a fine one, and in developing detailed legislative proposals we will continue to work closely with stakeholder interests to ensure that we get that balance right.



TESSA JOWELL

1. Introduction

- 1.1 This document sets out the Government's plans for modernising the laws governing gambling in Great Britain.
- 1.2 It has been clear for some time that these laws are in need of reform. They are very complicated, and hard for the general public to understand. They are also rigid, in the sense that a lot of regulatory detail is set out in statute, and so cannot readily be altered to take account of changed circumstances. They have failed to keep pace with technology, and do not make proper provision for gambling on the internet or through interactive television. And above all they were enacted or have their roots in an era when gambling was widely regarded as an activity which was at best morally questionable. The legal framework for gambling is one of grudging toleration.
- 1.3 Since that framework was put in place the social climate has changed. Almost three quarters of the adult population participate in gambling of one kind or another. It has become part of the main stream of leisure activity. There is a powerful case for lifting regulatory burdens on an industry which has built a world reputation for integrity.
- 1.4 But at the same time a careful judgment has to be made about where the new balance of regulation should lie. When people are asked if they know what the controls on gambling are, most say that they do not. But most also say that they believe that the controls are either about right or too loose rather than too tight. Experience from around the world suggests that over-enthusiastic deregulation can cause real social and economic problems from which it is hard to rein back. Gambling has characteristics which make it unusually open to the risk of exploitation and abuse, and attractive to those who have insufficient knowledge of or respect for the laws of probability. For many gambling is a source of pleasure; for a minority it is a source of the deepest distress for themselves and their families. Changes to the gambling laws could also have a powerful and enduring effect on what our towns and cities look like, and on how they feel to live in or visit.
- 1.5 To help work out a set of laws which best meets all these needs the Government set up in 2000 an independent review body, chaired by Sir Alan Budd. Its report, including 176 recommendations, was published in July 2001. The Government invited comments on the

report. Around 270 responses were submitted, together with over 4700 letters commenting on individual recommendations. A list of those who submitted responses together with a breakdown, by subject matter, of the letters received can be found at **Appendix E**.

- 1.6 The Government is very grateful to the review body for its comprehensive and well-argued report. It is also very grateful to all those who have contributed to the subsequent processes of consultation and debate, which have helped to clarify the issues.
- 1.7 Our consultations showed that there is broad support for the overall shape of the Review Body's reform package: managed relaxation of outdated restrictions and extension of choice for adult gamblers, balanced by a greater emphasis on social responsibility and protection for the vulnerable. The main areas of contention related to the impact of proposed restrictions on gaming machines, and to those recommendations that would reduce National Lottery sales. There was also widespread apprehension about the consequences of transferring responsibility for licensing premises to local authorities.
- 1.8 The publication of this document will not end the process of consultation, nor should it. But the time has now come for the Government to make clear the conclusions which it has reached and the measures which it proposes to take, with Parliament's agreement, to bring the laws on gambling up to date. The prize for success will be a system of law and regulation within which the gambling industry can flourish but which also sets the highest standards of social responsibility. The law should command the confidence of the public, regardless of whether they win, lose or choose not to play.
- 1.9 Against this background the Government endorses the principles set out in the review body's report as the key objectives of gambling law and regulation:
- gambling should be crime-free, honest and conducted in accordance with regulation
 - players should know what to expect and be confident that they will get it and not be exploited
 - there should be adequate protection for children and vulnerable persons.
- 1.10 These objectives are not new, but the current law provides only an approximate fit with them. In some respects it imposes unnecessary controls; in others it ensures too little protection. The Government believes that the best new test of its proposals will be the extent to which these objectives are achieved in practice.

- 1.11 The Government, of course, recognises that a considerable amount of detailed work remains to be done before individual recommendations can be translated into practical legislative proposals. We are, however, anxious to provide stakeholders with an early indication of our conclusions and intentions. The Table at **Appendix B** therefore records the Government's response to each of the Review Body's 176 recommendations in the light of the consultation exercise. It also indicates which would require changes to primary legislation before they could be implemented. In the remainder of this document we set out our broad approach to the main themes and proposals identified by the Review Body.
- 1.12 These proposals will impact in different ways on the three devolved administrations. So far as Northern Ireland is concerned gambling is a wholly devolved matter, although historically Northern Ireland law has closely followed the British model. For Scotland gambling is a reserved matter. However, certain limited functions have been devolved to the Scottish Executive. These include casino opening hours, casino permitted areas (i.e. where they can be set up) and the setting of certain betting and gaming licence fees. In addition the licensing system in Scotland is different to the system in England and Wales. For Wales gambling is wholly reserved to Westminster. Each of the administrations has been consulted on the proposals set out in this paper, and we will continue to work closely with them as we develop the legislation.

2. A New Legislative Framework

- 2.1 As the Review Body pointed out, most of the legislation governing gambling dates back to the 1960s. While it has stood the test of time remarkably well, and in the process has made a significant contribution to the health and integrity of the British gambling industry, there is a broad consensus that it needs to be updated and streamlined.
- 2.2 The legislation is also extremely inflexible and has not enabled regulation to keep pace with either technological advances, or customer expectations and the ability and desire of the gambling industry to meet them. In the Government's view it makes no sense to perpetuate a situation in which even quite minor adjustments can require amendments to primary legislation. Parliament itself has described the current statutes as a mess, and in a recent report the Commons Deregulation and Regulatory Reform Committee noted as follows: *"...repeated piecemeal amendment of the law relating to gambling has been an unwelcome feature of the deregulation procedure. Now that the report of the Gambling Review Body has been published, we look forward to the early introduction of a Bill which will obviate the need for any further such amendment"*.¹ These sentiments were universally echoed during our consultations.
- 2.3 The Government therefore agrees that all gambling legislation should be consolidated into a single Act of Parliament covering all categories of gambling activity.² This Act should be up to date, simple to understand and sufficiently flexible to meet changing circumstances without the need for frequent amendment. It should provide a more flexible framework within which appropriate adjustments can be made via subordinate legislation or regulations. As a number of those responding to the consultation pointed out, the process for implementing changes to regulations must be transparent and fair, and the legitimate interests of all parties should be taken fully into account before they are made. We will also want to ensure that the many tried and tested legal and regulatory principles enshrined in the current statutes and related case law are not undermined as a result of consolidating and modernising the legislation.

¹ Report of the House of Commons Deregulation and Regulatory Reform Committee on the Draft Regulation (Bingo and Other Gaming) Order 2002.

² Excluding the National Lottery Acts.

3. Modern Regulation for a Modern Industry

3.1 In Chapter 1 we have set out the broad objectives that will continue to underpin Government policy on the regulation of gambling. We will, of course, consider carefully, in consultation with industry and other stakeholder interests, the extent to which the need for regulation can, in particular circumstances, be met by self-regulatory mechanisms, such as industry-enforced codes of practice and conduct. But we are in no doubt that there remains a need for effective, statutory regulation of the gambling industry at both the corporate and operational levels.

3.2 In deciding how the above objectives should be put into practice our benchmark will be the five principles of good regulation³:

- Transparency
- Accountability
- Proportionality
- Consistency
- Targeting

Operators and staff

3.3 The current arrangements whereby different regulatory responsibilities are exercised by, variously, the Gaming Board, licensing magistrates, local authorities, the Horserace Betting Levy Board and the Tote do not fit today's market, where operators are frequently providing services and products across a variety of gambling sectors. In the interests of fairness and efficiency there is, we have decided, a need to bring all operators of commercial gambling within a single system of licensing and regulation⁴. This should allow entry and compliance controls to be applied consistently and proportionately across all sectors of the industry.

3.4 The Government therefore accepts the Review Body's recommendation that there should be a single statutory regulator: the Gambling Commission. The Commission will assume responsibility for all of the regulatory and licensing functions currently undertaken by the Gaming Board. It will also take over responsibility for licensing and regulating bookmakers

³ Better Regulation Task Force 1997/2000.

⁴ Except, for the time, being spread betting, where the Financial Services Authority as regulator has developed its own expertise: once the proposed Gambling Commission has been established and begun its work the division of regulatory functions will need to be looked at again.

and betting exchanges, totalisator operators, pools promoters and other suppliers of commercial gambling. The consultation exercise confirmed that there is widespread support for this approach, although there were those (notably bookmakers) who suggested that the current system worked well for them and saw no particular need for change. The Government is not, however, persuaded that it is necessary for all society lotteries to be treated in the same way, and intends to retain a turnover threshold below which those promoting society lotteries may continue to register them with local authorities.

- 3.5 The Commission will operate controls on entry to the industry, issuing operators' and personal licences on the basis of an assessment of honesty, competence and, in the case of operators, financial means. This will build on the arrangements that are already in place for casinos and bingo, and will bring bookmakers and their key staff within the personal licensing regime (although we are not persuaded that a sufficient case has been made for all betting shop managers to be individually licensed by the Commission, and will be undertaking further discussions with interested bodies on the detailed implementation of the new personal licensing regime).
- 3.6 We also agree with the Review Body that the Gambling Commission should have powers to impose penalties on licensed operators. We envisage, as in the case of the new alcohol licensing arrangements, a sliding scale of sanctions ranging from cautions and endorsements, through to fines and, in the most serious cases, the withdrawal of operating licences.

Licensing Gambling Premises

- 3.7 Responsibility for licensing or certificating gambling premises is currently shared between licensing justices and local authorities.⁵ The Review Body recommended that premises licensing should remain a local function, but exercised solely by local authorities. In reaching this conclusion they were influenced by the views of the Better Regulation Task Force and the Government's own proposals for the reform of the alcohol licensing system.
- 3.8 Local authorities already have an important role to play in this area; but the consultation exercise raised various concerns about their ability to take on an enhanced role. Significant misgivings were also expressed about the suggestion that they should have the power to impose "blanket bans" on all or certain types of gambling premises, and about what was

⁵ Although the Horserace Betting Levy Board is currently responsible for issuing certificates of approval, which are the equivalent of premises licences, to horse racecourses; while the Horserace Totalisator Board (the Tote) is authorised to approve its own on course tote betting facilities.

perceived to be an overall level of local discretion that might lead to considerable inconsistency between authorities dealing with similar licence applications.

- 3.9 As a general principle the Government is very much in favour of local authorities having responsibility for local licensing matters. The Government wants local people to have a say in decisions that affect their lives. And licensing authorities should be accountable to the electorate for the decisions they take. Local authorities are also best placed to integrate policy on premises licensing with wider community strategies such as crime prevention and planning. The criminal courts should essentially be focused on dealing with crime. It makes no sense for law-abiding business people to have to go before the magistrates repeatedly in order to be able to carry on their businesses. This is not in any way intended as a reflection on the way in which licensing justices have carried out this work over many years, but rather is recognition that the context in which licensing decisions are now taken is very different from when the current legislation was enacted.
- 3.10 It follows from this that the Government supports the Review Body's recommendation that local authorities should be responsible for licensing all gambling premises, including those currently licensed by magistrates. The Government does, however, accept that it would not be appropriate to give local authorities unfettered discretion to determine whether or not a premises licence should be issued or on the conditions attached to licences, such as those relating to opening hours. The Review Body recommended that the Gambling Commission should issue guidance and advice, which local authorities should be obliged to take into account, on premises licensing matters (such as the minimum size for casino gaming floors and the interpretation of other detailed provisions arising from their recommendations). A large number of those who responded to the consultation identified these as essential safeguards in any local licensing system. The Government agrees, and while it will be important to ensure that we do not undermine the rationale for placing premises licensing responsibility with local authorities there will be a need for clear statutory criteria against which all premises licensing decisions should be made. The criteria will need to reflect the objectives of gambling regulation; and we propose to involve interested bodies, including local authorities, in drawing them up. It follows that we do not accept the Review Body's recommendation that there should be provision for locally imposed blanket bans on gambling premises.
- 3.11 It will also be important to ensure that there are standard procedures for making and processing applications, and that applicants have a clear understanding about how and when decisions will be taken. We envisage that there should be provision for statutory procedural

rules governing the way in which local authorities deal with premises licence issues, ensuring that decisions are taken fairly and objectively. As with alcohol licensing⁶, these are likely to include:

- the form of application
- notice of hearings
- conduct of hearings
- the right to hear and comment on objections in good time
- notification of decisions and reasons for refusal
- time limits for decisions

Enforcement

- 3.12 The Gambling Commission will, as envisaged by the Review Body, have primary responsibility for inspecting licensed gambling premises to ensure that licensed activities are being conducted fairly; and for investigating and taking action against illegal gambling. The Commission should not, however, try to undertake this task alone: it will be able to look to other bodies, including local authorities, the police and HM Customs & Excise, to provide information and assistance. This cooperation will need to run in both directions since local authorities will be responsible for ensuring that conditions which are specific to premises which they will in future license, for example covering opening hours or limits on machine numbers, are being observed. This responsibility will extend not only to premises which are specifically licensed for gambling but also to other premises where gaming machines are installed.

Appeals

- 3.13 For operators and their staff, the Review Body recommended that there should be a dedicated tribunal to consider appeals against Commission decisions to refuse or revoke licences. This tribunal would also consider appeals against decisions to impose financial penalties on licensed persons. The Review Body further recommended that rights of appeal should be limited to mistakes in law, and not extended to include the merits of the issue under determination. The Government agrees that there should be a right of appeal against Commission decisions of this kind, but wishes to see a full right of appeal on issues of both law and merits. Whether the number of appeals against Commission decisions would be sufficient to justify a dedicated tribunal is unclear. There are currently very few refusals by either the Gaming Board or the

⁶ Time For Reform: proposals for the modernisation of our licensing laws: Home Office, April 2000.

licensing justices; but the anticipated expansion of the gambling industry, the introduction of a penalty regime and the wider range of information and associated powers available to the Commission could contribute to an overall increase in the number of adverse decisions taken.

- 3.14 Possible alternatives to a dedicated tribunal include the use of an existing, but related tribunal, or the courts . We intend to give this further consideration, and in doing so will be taking into account any relevant proposals emerging from the Government's Tribunals for Users Programme.
- 3.15 The Review Body proposed that premises appeals should be dealt with in the same way as planning appeals. The consultation indicated that there is widespread opposition to this approach. Concerns were expressed about the cumbersome nature of the process, the potential for delay, high costs and the lack of a real local focus on decisions. The Planning Inspectorate itself identified a number of practical and procedural differences between its basic appeals function and that likely to be needed to handle licensing appeals. Having considered all of this, the Government is minded to reject the Review Body's recommendation in favour of an appeals route to local magistrates' courts – consideration of appeals being a proper judicial function. This would provide the appropriate level of independent oversight, combined with the local awareness and knowledge that magistrates are able to bring to bear. Once again this would be a full right of appeal on the law and merits of the application.

Regulation - Costs and Benefits

- 3.16 It will be important that both the Gambling Commission and local authorities are properly resourced to undertake the full range of responsibilities allocated to them, and in a position to respond effectively and speedily to changing circumstances. The Review Body concluded that the best means of achieving this would be for the Commission to operate under a net running costs regime, funded by licence fee income. The Government agrees with this approach, and will be undertaking detailed work on how the Commission's costs might be allocated across the various gambling sectors and between the three main licence regimes: operators; personal; and premises. Local authorities will also be funded from licence fees; these will need to cover the costs of issuing premises licences and related administration, including the reasonable costs of inspection and enforcement action. The costs of the appeals arrangements will, of course, be heavily dependent on the numbers of decisions that are challenged, but we have made provisional estimates based on two scenarios of 50 and 250 cases a year respectively. Indicative figures for all of the above are set out in the Partial Regulatory Impact Assessment (**Appendix C**). These show that the annual regulatory burden borne by the gambling

industry might increase from around £5.5 million at present to between £11.3 and £17.7 million if all of our proposals are implemented.

- 3.17 The unit costs of regulation will not significantly change under our proposals, although the total cost of the Gambling Commission will be greater than those of the current Gaming Board. A significant proportion of this additional expenditure would come from operators taking advantage of new business opportunities, such as those in the casino and on-line gambling sectors, and others (including bingo clubs, betting shops, and adult gaming centres) who will have access to higher value, and potentially more profitable, gaming machines (see Chapter 4). Integrating bookmakers and their operations into the central regulatory arrangements will also cost money, although we do not expect the charges for individual permits and licences to increase significantly. There will also be new licensing requirements for adult gaming centres and a tighter regulatory regime for other venues providing gaming machines in the interests of protecting children and other vulnerable persons. We also want to see the Gambling Commission resourced to tackle illegal gambling in its various forms.
- 3.18 The potential financial benefits for the industry as a whole substantially outweigh necessary additional regulatory costs. A conservative estimate based on projections from a range of consultancy studies suggests that our proposals could lead to an increase in net consumer expenditure on commercial gambling of £500 million a year over the five year period beginning in 2004-05. Licensing on-line gambling will also enable British operators to compete for the first time for a share of a global market that some estimates suggest could double to around £10 billion per annum by 2005. But for this potential to be fully realised it is absolutely essential that our industry retains its reputation for both quality and integrity, and this in turn is dependent on the maintenance and development of an effective regulatory regime in which customers, both here and overseas, and the public at large can have the fullest confidence. Chapter 7 below sets out the measures which we propose to take to ensure that the expansion of gambling opportunities does not lead to an increase in problem gambling.

4. The Benefits for Consumers and Business

- 4.1 The keynote of the Government's approach to the regulation of the gambling industry is that it should be confined to what is necessary to keep crime out, protect the vulnerable, and ensure that gambling products are fair to the consumer. As the Review Body has clearly shown, many of our current controls are irrelevant to these aims. Remodelling them will offer significant benefits for consumers, businesses and all those who work in the gambling industry, without jeopardising the three key objectives.
- 4.2 This chapter outlines the major gains for customers and for business which will arise from the changes which we propose to make. The starting point is that we will remove unnecessary barriers to customer access to gambling. We will abolish the legal requirement that bookmakers, casinos and bingo operators must demonstrate unmet local demand for their product before being granted a licence to operate in a particular location. The 'permitted areas' restrictions under which casinos are confined to certain limited parts of the country will go, as will the requirement that bingo and casino customers must have been granted membership at least 24 hours before playing.
- 4.3 Whilst endorsing the Review Body's conclusion that harder gambling products should, as a general principle, be confined to premises in which gambling is the principal activity, we recognise that there is a legitimate demand for gaming machines to be available in other types of adult leisure venues, and will provide a regulatory framework that caters for this. Like the Review Body, we are not persuaded that there is a case for permitting other forms of gambling, such as betting, in pubs or other premises which are not there specifically for people to gamble. We will, however, expect the Gambling Commission to keep such matters under review and, where appropriate, make recommendations for regulatory adjustments in response to changing circumstances.
- 4.4 We will remove the present confusing array of legal restrictions on the advertising and promotion of gambling products, enabling them to become more visible and accessible and creating a fairer and more competitive operating environment. In the process we will work with the gambling and advertising industries and with advertising regulators to establish a code of practice to ensure that advertising is honest and fair and does not exploit children or vulnerable adults.

- 4.5 The consultation exercise indicated that there is broad support for deregulation of this kind, provided that effective arrangements are put in place to monitor both the way in which gambling is conducted and the impact of making it more accessible to a wider audience. Both of these will be the responsibility of the Gambling Commission, supported at the local level by local authorities. As already discussed above, we are determined to ensure that the British gambling industry retains and indeed enhances its reputation for integrity and quality, and that any adverse social consequences are identified and addressed at an early stage.

Payment for gambling

- 4.6 We will abolish most of the current legal restrictions on the use of credit cards for gambling, apart from direct use in gaming machines. As the Review Body observed, machines present particular opportunities for fast and repetitive play. Allowing the direct use of credit cards in machines would, we think, add unacceptably to that danger. The Government will, however, relax current restrictions on the use of bank notes and smart cards in machines.⁷
- 4.7 The Government also agrees that all gambling debts should be enforceable in law, through the courts, in the same way as other consumer contracts. We will repeal the provision of the Gaming Act 1845 which currently prevents this. This will work both ways – not only will the casino or bookmaker, for example, be able as a last resort to sue punters who owe money, but punters themselves will be in a position to pursue businesses through the courts to obtain payment. We do not expect such cases to occur frequently, but the current position is open to abuse and exploitation.

Gaming machines

- 4.8 The Review Body highlighted concerns about certain features of gaming machines which can lead to repetitive and compulsive play, in particular among children.
- 4.9 The changes we intend to introduce will create an environment in which there is more choice for adult gamblers and new opportunities for business, within a regulatory framework that provides better protection for children and other vulnerable persons and more effective controls on both the location of different categories of machines and the numbers permitted in individual premises.

⁷ A Home Office consultation document, *Gaming Machine Payment Methods*, proposing the relaxation of such restrictions, was issued in March 2001.

- 4.10 The Government's proposals involve drawing a clear distinction between gaming machines and machines which can properly be seen as essentially for amusement but which may also offer small prizes. Under the present law all machines which offer prizes for stakes are classified as gaming machines. There is a category of gaming machine – the amusement-with-prizes (AWP) machine – which pays out up to £25 for a 30 pence stake. On any account this is gambling. The Government proposes a new definition of AWP machines, which would include machines with a maximum stake of 10 pence and a maximum prize of £5 (whether in cash or equivalent). These stakes and prizes would be frozen for the indefinite future. Many of the machines now found in family entertainment centres and in places freely used by children fall within this definition.
- 4.11 Machines with higher stakes or prizes would all be classified as gaming machines proper. The Government envisages, following the Review Body's approach, three categories of gaming machines. Category A would comprise casino slot machines. These machines, allowed only in casinos, would offer unlimited prizes and there would be no statutory limit on the size of stakes. Category B would comprise jackpot machines, with a maximum prize of £500 for a £1 stake. Category C would comprise all other gaming machines, with a maximum prize of £25 for a 50 pence stake.
- 4.12 Premises which are licensed for gambling or for the sale of alcohol, or are bona fide members' clubs will be able to install AWP machines in consequence of their licensed or club status. Local authorities should, in the Government's view, retain their current discretion to decide whether or not they wish to allow AWP machines in other premises in their areas.
- 4.13 Gaming machines, however, should be installed only in defined categories of premises (or designated areas within premises) to which children are not allowed, whether or not accompanied by an adult. To make an exception for accompanying adults would be to open the door to erosion of the controls which gambling operators and their staff might in practice have only a slight ability to prevent.
- 4.14 It follows that, subject to the exceptions set out in paragraphs 4.16 – 4.18 below, gaming machines could only be installed in premises which are specifically licensed for gambling: casinos, bingo clubs, betting shops and adult gaming centres – arcades from which children are barred and which will be brought clearly within the arrangements for licensing and inspecting gambling premises to ensure proper adherence to regulation and the safeguards which it brings.

- 4.15 In the special environment of casinos there will be no set upper limit on the number of machines (although paragraph 4.27 below deals with the Review Body's proposal that there should be a link between the number of machines and gaming tables). In other premises licensed for gambling the maximum number of category B machines will be set at 4, although it will be possible for operators of bingo clubs and adult gaming centres to add Category C machines subject to the local authority's decision about the maximum number to be allowed under the licence for these premises. The Government also intends to keep the limit of 4 Category B machines under review, in the light of the Gambling Commission's advice, so that this number can be varied if necessary.
- 4.16 Category C gaming machines should also continue to be allowed in adult-only areas of family entertainment centres that are licensed for gambling or in premises which are licensed for the consumption of alcohol, but subject to a new condition either that children are excluded from the premises or the machines are sited in an area within the premises to which children do not have access. The Government is separately proposing legislation to modernise the alcohol and public entertainment licensing laws, as part of which it would be easier for parents to bring children to pubs, with the aim of encouraging those pubs which wish to do so to develop a family friendly environment. There is no contradiction between these two sets of proposals. If licensees decide to cater for children, and operate under licence conditions which allow this, then they will not be able to site gaming machines where they wish. Gaming machines and children should not mix: if licensees want to install them then they will have to do so in an effectively controlled and clearly identified area. AWP machines, however, may be installed without such restrictions. By virtue of their premises licences for the consumption of alcohol operators will be able to install two Category C machines; but local authorities should have discretion to allow more in appropriate cases.
- 4.17 The Review Body proposed that members' clubs should lose their current entitlement to machines with a jackpot of £250, and have £25 top prize machines instead. The Government has decided not to accept this recommendation, recognising that well-run clubs should be able to regulate access to and the use of machines in an acceptable way, which provides full safeguards for children and the vulnerable. But to provide the necessary assurance that clubs' current entitlements should be maintained the regulatory arrangements will need to be aligned more closely with those that apply to the gambling-specific premises – bingo clubs, adult licensed gaming centres, and betting shops – that will be able to offer the same type of machine.

- 4.18 That means that clubs will continue to be able to have up to three jackpot machines with a top stake of £1 and a top prize of £250, or alternatively, up to three Category C machines. But all machines will need to be kept in a clearly identified area of the club, and children must not be able to play them. To ensure compliance the Gambling Commission will need to have powers of access and inspection, and the ability to take enforcement action in the event of non-compliance. Clubs that do not wish to be subject to this level of oversight will be entitled to AWP machines on a par with pubs and other on-licensed premises.
- 4.19 A summary of the current and proposed controls for machines can be found at **Appendix D**.
- 4.20 The Government is aware that particular points have been raised in Scotland about the location of what would, under the new regime, be Category C gaming machines in premises other than pubs or hotels. The Scotland Office is currently considering this matter in consultation with local Licensing Boards.
- 4.21 The Review Body recommended that stakes and prizes for gaming machines should be reviewed and adjusted by the Commission to take account of inflation only.⁴ The Government's view, however, is that these reviews, which might sensibly take place every three years, should take into account other factors, such as changes in the overall gambling market, and potential issues of problem gambling and consumer protection.
- 4.22 A new range of machines, commonly described as fixed-odds betting machines, has begun to appear in betting shops. They have many of the characteristics which justify controls over gaming machines. But under current law, they are not classed as gaming machines, and there are therefore no legal limits on their stakes and prizes. The Government certainly has no wish to stifle technological innovations of this kind, and indeed welcomes the application of new technologies right across the industry. It will, however, be necessary to ensure that new legislation is drafted in such a way as to enable the Gambling Commission to bring those betting machines which in reality involve gaming within the relevant controls for gaming machines; so that, for example, the prize limit outside casinos is £500.

⁴ Excluding those in the proposed new Category D, which would remain at 10p and £5 respectively.

Casinos

- 4.23 The Government agrees that there should be wide-ranging deregulation of casinos, which are currently subject to a number of controls which unnecessarily discourage innovation and restrict customer choice. It remains important, however – in fact vital to the development of British casinos – that they retain their reputation, built up over the last 30 years, for honesty and integrity, and that they continue to be free from money-laundering and other financial crime. This is a point that was emphasised during our consultation by both industry and other interests alike.
- 4.24 The main gains for casinos and their customers arising from our proposals are that they will be able to offer additional gambling products, including activities such as betting and bingo, and that gaming machines in casinos need have no limits on stakes and prizes and may be linked to enable the accumulation of very large jackpots. We will also be relaxing restrictions on the consumption of alcohol and the availability of live entertainment.
- 4.25 As already explained, we propose to abolish the statutory membership requirement⁹ and the 24 hour rule. In line with recent European Union controls on money-laundering, we will introduce a system of positive identification for all casino visitors.
- 4.26 Casino slot machines should, as the Review Body recommended, be random in operation (whether they are linked or not). With potentially very large sums of money at stake it is important that players can be confident that they have an equal chance of winning.
- 4.27 We agree that there should be objective criteria governing the number of gaming machines available in individual casinos. The Review Body suggested limits based on numbers of gaming tables, but there may be other ways of achieving an appropriate balance between machine and other types of gaming, and we will be giving this further consideration in consultation with interested parties, including the Gaming Board.
- 4.28 The Government agrees that permitted areas restrictions and the demand test for new casinos should be abolished. But, as the Review Body argued, it will be important that there is not an uncontrolled proliferation of small casinos (as happened following the deregulation of casinos in the early 1960s) and that growth in the number of casinos is managed in parallel with the capacity of the Gambling Commission to provide effective regulation of the sector. We

⁹ Although it will of course be open to casinos to retain membership requirements for their own purposes.

therefore intend to follow the Review Body's approach of setting a minimum size for casino gaming floors.

- 4.29 The overall impact of these changes would be to create a regulatory environment within which – commercial and planning considerations permitting – it would be possible to establish in Great Britain 'resort casinos' of the type seen elsewhere in the world, for instance in Las Vegas or Atlantic City.
- 4.30 The creation of resort casinos is not a specific policy objective of these changes. The extent to which schemes of this kind are promoted and taken forward will be primarily a matter for the private sector, subject to local authority approval. The Government will naturally be watching any such developments with interest, and will wish to ensure that any wider public policy considerations, for example, in relation to tourism or regional economic development, are properly taken into account. But we see no case for granting preferred or pilot status to any particular developer or area.

Bingo

- 4.31 Since publishing the Review Body's report last summer, the Government has taken forward a significant deregulation of bingo clubs which, amongst other things, allows clubs to mix up to four jackpot machines and a further number of £25 top prize machines (Categories B and C under the new classification set out in this paper). Previously, they were allowed to have either one or the other, but not both.
- 4.32 The Review Body also recommended that we should remove a number of other restrictions that apply to bingo clubs. Current gambling legislation contains an array of money controls on bingo games, such as limits on maximum prizes for linked and multiple games and the amount of money that clubs may add to players' stakes. We intend to abolish these and other restrictions as recommended by the Review Body. We will also implement their recommendation that rollovers should be allowed in cash bingo.
- 4.33 Prize bingo takes place in both bingo clubs and arcades. In the former it is a filler in the intervals between main stage cash bingo games. In the latter it provides a complementary product to the gaming and amusement machines. For bingo clubs we intend to abolish the statutory distinction between cash and prize bingo so that all games can take place under the same set of regulations and controls.

- 4.34 The situation in arcades is different, however, since these include family entertainment centres and seaside arcades to which children have access. We therefore intend to retain the £25 top prize limit for cash bingo games played there, but will abolish the current £90 limit on stakes for a single game.
- 4.35 These measures will provide greater choice and enjoyment for players, and more options for the industry in designing bingo games and meeting the needs of their customers. In implementing them we intend to ensure that bingo continues to operate to the same high standards of integrity and transparency as is currently the case.

Betting

- 4.36 The Government agrees that bookmaker and totalisator rules should be fair and reasonable, and that they should be clearly displayed where betting is taking place. That is clearly in the interest of both punters and the industry itself. We are not, at this stage, persuaded that the Gambling Commission should have a formal role in approving those rules, but the Commission will need to be satisfied that punters are made properly aware of the terms under which their bets are accepted and settled, and that they have adequate redress in the event of a dispute. Ultimately disputes would be a matter for the courts.
- 4.37 We intend to give further consideration to the proposal that current rules restricting charges for the entry of bookmakers to racecourses should be abolished. Currently, a bookmaker who wishes to operate on course on race day can be asked to pay no more than 5 times the relevant entrance fee. While this restricts the freedom of the racecourse and track owners to charge according to the market, it also ensures that bookmakers are not denied access by means of the entry price and plays a part in ensuring that there is a competitive on-course betting market.
- 4.38 We are, however, persuaded that it is right both to abolish the demand test for licensed betting offices and remove current restrictions on the sale of certain types of food and non-alcoholic drinks. As the Review Body recommended we will permit off-course betting into greyhound track totes and will also consider, in consultation with interested parties, how future licensing arrangements can allow operators of greyhound tracks and racecourses to make more efficient use of their facilities by providing betting services on non-race days.

Lotteries

- 4.39 The Review Body accepted that the law should continue to provide for four types of lottery (aside from the National Lottery) – that is, small lotteries (for instance at school sports days

and at fetes), private lotteries (confined to a club or workplace), society lotteries, and local authority lotteries. Society lotteries include charity lotteries and other types, in particular sports club lotteries.

- 4.40 The Government endorses this overall approach, and supports the recommendation that commercial lotteries should not be permitted. This will not rule out the ability of commercial operators to manage society, private or other lotteries on behalf of a club or charity on an expenses basis.
- 4.41 The Government agrees the broad deregulatory thrust of the Review Body's proposals in relation to society and local authority lotteries, in particular the suggestion that we should remove the limits on stakes (i.e. on the ticket price – currently a maximum of £1) and on expenses and prizes as a percentage of proceeds. We support the recommendation that the law should continue to provide that a minimum of 20% of the proceeds of each society or local authority lottery goes towards good causes (though it should be noted that the average good causes contribution from society lotteries is in the region of 47% of proceeds¹⁰). We do not however accept that the wider public interest would be served if, as the Review has suggested, we removed altogether the current limits on prizes and proceeds. The reasons for this are discussed further in Chapter 5.
- 4.42 The current limits on proceeds are: £1 million from an individual lottery; and £5 million per society or local authority in any year. We propose to double these to £2m and £10m respectively, and thereafter keep them under regular review. The current limit on prizes is £25,000 or 10% of ticket sales, whichever is the greater – so if the full £1m worth of tickets are sold, the maximum possible prize will be £100,000. Increasing the proceeds limit from a single lottery to £2m as we propose will increase the maximum prize to £200,000. We think that these changes will deliver significant benefits for lottery operators and their customers.
- 4.43 The Government agrees that on-line lotteries should continue to be allowed, and that there need be no restriction in the kinds of premises (including pubs) on which lottery terminals may be located. However, the frequency of draws should be no greater than one a day, and there should be effective safeguards in place (including payment controls) to prevent children under 16 from using them.

¹⁰ Gaming Board Annual Report 2000-2001.

Pools

- 4.44 The Review Body proposed that pools competitions should be allowed to have on-line entries and be able to operate through shops, with the latter able to pay out winnings to the same levels as the National Lottery. It also recommended that pools competitions should be allowed to offer unlimited rollovers. The Government agrees that these recommendations are entirely sensible, and intends to implement them.

On-line gambling

- 4.45 One of the most significant recommendations in the Review Body's report was to allow British based operators to offer on-line gaming products, whether via the internet, interactive television or other media.
- 4.46 United Kingdom consumers can already obtain access to a wide range of overseas-based internet sites offering casino and machine-type games, as well as a growing number, some of which are UK-based, that offer gambling products based on fixed odds betting but which have many of the features of gaming. The Government supports the Review Body's conclusion that the prohibition of on-line gambling by British consumers would be an entirely unrealistic objective, even if it were thought to be desirable.
- 4.47 Instead, we will as the Review Body has proposed, move towards legalising the provision of the full range of on-line gambling services by operators located in the UK, including gaming. The consultation exercise showed that there would be widespread support for such an approach, not only from those who would be seeking to take advantage of the commercial opportunities that would be created, but also from those who are concerned about the rapid proliferation of potentially under-regulated, non-UK gambling sites.
- 4.48 There is a potentially vast international market for which gambling operators based in this country will be encouraged to compete¹¹. Consumers, both here and abroad, will be able to access a full range of gambling sites licensed and located here, safe in the knowledge that the probity and integrity of the gambling operators and the products they offer are assured by the Gambling Commission.

¹¹ Some estimates suggest that annual global on-line gambling revenues could double to around £10 billion by 2005.

- 4.49 There will need to be an effective kitemark or other mechanism to ensure that prospective customers, wherever they are located, can distinguish between those sites that are licensed and regulated by the Commission and those that are not.
- 4.50 Licensing and regulating on-line gambling will present a number of challenges that do not necessarily arise through more traditional forms of gambling media. The Government is satisfied that these challenges can be met, not least by giving the Gambling Commission sufficient flexibility to respond promptly to any new technological advances that may undermine the regulatory regime.
- 4.51 One key priority will be to prevent children using on-line gambling sites through payment and other controls. As with other forms of gambling, the Commission will ensure that socially responsible policies are adhered to in the development, marketing and operation of on-line gambling products.
- 4.52 Against this background of deregulation and proportionate consumer protections, there is every reason to believe that Britain can establish a reputation for itself as a world leader in the field of on-line gambling, just as it has with other types of gambling. The Government will now be working with industry and other interests to develop detailed proposals.

Prize Competitions

- 4.53 As the Review Body recognised, the law on prize competitions of various kinds has failed to keep pace with market and technological developments. The Review Body made a number of recommendations in this context, and we agree with their broad approach which would see competitions defined more precisely and operated within tighter regulatory limits. The consultation, however, threw up a number of concerns, and we are not, at this stage, satisfied that all of the potential issues have been fully identified. We therefore intend to undertake a separate, detailed review of prize competitions and similar quasi-gambling products. One important objective of this review will be the removal of any potential for operators to circumvent the principle that lotteries should not be run for commercial gain, while at the same time ensuring that we do not affect companies' ability to undertake genuine and harmless sales promotions.

5. The National Lottery

- 5.1 The National Lottery is the only large scale lottery permitted in the UK. Since its launch in 1994 it has become an important part of our national life, with about two-thirds of the adult population playing on a regular basis. It has so far raised about £11 billion for a wide variety of good causes. The Government applauds this success, and is committed to ensuring that it continues. It is taking forward a number of initiatives intended to increase public support for the Lottery and understanding of what it achieves.
- 5.2 The Gambling Review Body were asked not to consider changes to the National Lottery, but to look at the impact of proposed changes to gambling regulation on the Lottery and on the income to good causes which it raises. The Review Body acknowledged that, while there was scope for argument about the extent to which other forms of gambling might substitute for the National Lottery, some of their proposals would probably reduce this income, and noted that how much protection it should receive was a matter of broader public policy.
- 5.3 While the National Lottery clearly involves gambling, the unique support which it provides for good causes has led the Government to conclude that it should not operate on the same playing field as other kinds of gambling. The maintenance of the National Lottery's current competitive position in broad terms must therefore provide a constraint on the extent of deregulation of other sectors of the gambling market.
- 5.4 Recommendations in the Review Body's report which consultations have identified as likely to have the most significant adverse impact on the Lottery are those which would allow bookmakers to take bets on the National Lottery and remove current limits on the size of society (including charity) lotteries. A large number of those who responded to the consultation raised significant concerns about the potential impact of these and other recommendations on future income for those good causes which are funded by the National Lottery.

Allowing bets on the National Lottery

- 5.5 Bookmakers offer bets on a number of other countries' national lotteries, as well as on their own numbers games. The only numbers on which they are not allowed to offer bets are the National Lottery results. The consultations expressed clear differences of view about the

extent to which removal of this restriction would result in people betting with bookmakers instead of, rather than as well as, playing the National Lottery itself. The evidence suggests that the introduction of side betting in Ireland coincided with, rather than contributed to, a substantial fall in Irish Lottery sales. The extent of the risk that side betting here would have a direct impact on National Lottery sales is uncertain. But given the lottery betting opportunities already available to bookmakers in Great Britain, the Government considers that the benefits of removing the remaining restrictions are not so great as to justify running that risk. It has therefore decided to reject the Review Body's recommendation.

Removal of annual sales and prize limits for society lotteries

- 5.6 The arguments for removing the current limits on the size of charity and other lotteries (£1m ticket sales with a maximum prize of £100,000) are stronger. These lotteries help support their own good causes; on average 47% of ticket revenue goes to the society on whose behalf the lottery is run.
- 5.7 But removal of the current limits would allow charities to compete head to head with the National Lottery; and large national charities, working with national retailers, might well choose to do so. Competition would probably reduce total income for good causes; prize pools would each potentially be smaller and therefore less attractive to people seeking a life-changing winning amount. This was exactly the argument for recognising the National Lottery as a natural monopoly in the first place; and it still holds good. There is also a clear risk that charities with the most direct popular appeal would benefit at the expense of smaller charities now supported by the National Lottery.
- 5.8 However, the Government recognises the valuable contribution to good causes made through these lotteries and accepts that the rules governing them need updating. As already discussed, it has therefore decided to retain controls over the size of these lotteries but to double the current limits on ticket sales and prizes. The effect on the National Lottery should not be significant, but the change will help charities to make more use of lotteries to raise income.
- 5.9 Commercial lotteries will continue to be prohibited.

Other recommendations

- 5.10 A number of other changes recommended in the Review Body's report might have some impact on National Lottery sales, including the proposal that the limits on prizes offered by bingo clubs should be removed and rollovers allowed. The Review Body concluded that none of these changes was likely to lead players to see bingo or other gambling activities as substitutes for the National Lottery, given the differences in their nature and the social context of participation. The Government accepts this view, and does not consider that the risks to the National Lottery from other changes recommended by the Review Body are so great as to justify rejecting them on these grounds.
- 5.11 The overall impact on the Lottery of the proposed changes set out in this document is hard to quantify, but could potentially involve some reduction in income for good causes, in a range from zero to £70m a year. But in the context of total forecast ticket sales of £5billion a year, this is well within the margin of normal forecasting uncertainty.
- 5.12 The Government has separately put in hand a review of the arrangements for licensing and regulating the National Lottery, with a view to publishing a consultation document shortly. This will include consideration of the scope for modifying the current arrangements to ensure that the Lottery is able to operate as successfully as possible in the gambling environment of the future, without compromising its core principles. It will also include consideration of the scope for bringing the National Lottery Commission's regulatory responsibilities into the Gambling Commission.

6. Keeping Crime Out

- 6.1 One of the prime objectives of gambling regulation must be to combat criminality. It is in the interests of both the public and the industry. That has traditionally been the case in this country and it will continue to be so. Quite rightly this is an area of gambling regulation on which all are agreed, as the consultation exercise clearly demonstrated.
- 6.2 However, the very nature of gambling, with its fairly free movement of large amounts of money, has always been an obvious target for criminals. Our record in keeping them out stands comparison with anywhere in the world, but we need to remain vigilant.
- 6.3 There is a clear deregulatory thrust behind the plans for gambling reform. Although this will offer great opportunities for the gambling industry, it also has the potential to make it easier for crime to grow.
- 6.4 As the world market opens up, the integrity of gambling operators and the products they offer will become more important than ever. Against this background it is essential that every reasonable step is taken to keep crime out.
- 6.5 This means having appropriate barriers to entry for those wanting to join the industry, and having effective mechanisms for policing new and existing gambling operations.
- 6.6 Both can be achieved through giving the new Gambling Commission sufficient powers and flexibility to address any current problems and those that have yet to arise.

These powers will include:

- statutory gateways to access and share information with other enforcement agencies both at home and abroad;
- access to criminal records;
- the application of a fit and proper test (including any necessary financial checks) for anyone (including the owners and directors of companies) seeking to take out an operating or

personal licence – the key changes here will see the inclusion of bookmakers, pools promoters and the operators of adult gaming centres and bet exchanges within the same licensing regime as casino and bingo operators;

- enhanced powers of entry, seizure and search for specified Gambling Commission staff; and,
- the ability, in collaboration with the police and other law enforcement agencies, to investigate and bring proceedings in connection with illegal gambling activity.

6.7 Measures will be put in place to prevent all forms of gambling from being used as a conduit for money laundering. We will also expect the Gambling Commission to liaise closely with industry representatives and sporting regulators to ensure, in their mutual interest, that both betting and the growing number of sports associated with it are corruption and crime-free. The Government announced plans to reform the criminal law on corruption in June 2000.¹²

¹² "Raising Standards and Upholding Integrity: The Prevention of Corruption", Home Office, June 2000.

7. Dealing with the Downside

Social responsibility: the industry's commitment

- 7.1 In the Government's view the law should no longer incorporate or reflect any assumption that gambling is an activity which is objectionable and which people should have no encouragement to pursue. It is an important industry in its own right, meeting the legitimate desires of many millions of people and providing many thousands of jobs.
- 7.2 But gambling also presents particular risks to children and the vulnerable which other forms of leisure do not. Too early exposure to gambling can be harmful; and for some people the temptation to gamble to excess is very hard or in practice impossible for them to control. While the law should be morally neutral to gambling, it should, as the review body recommended, also provide proper controls and protections for those who may be or already have been damaged. By international standards the incidence of problem gambling in Great Britain seems to be low. But there are no grounds for complacency. There is not yet a reliable run of figures; and even on the low rate of problem gambling suggested by a recent survey¹⁹ there are still between 275000 and 370000 problem gamblers at any time.
- 7.3 It is impossible to do away with problem gambling; and excessive controls could make matters worse by encouraging the growth of illegal gambling. The Government does not think that, at least for the time being, it would be sensible to try to put in place a numerical target for reducing problem gambling. But it is clear that the law should provide assurance that all parts of the industry will operate to the highest standards of social responsibility, recognising that the strength of the controls embodied in the law will need to be kept under careful review and adjusted if necessary.
- 7.4 There are therefore two sides to the issue: a set of statutory safeguards governing specific gambling activities, and – running alongside them – a commitment by all licensed gambling operators to conduct their business in a way which is socially responsible. The Government agrees with the Review Body's conclusion that the Gambling Commission should issue formal codes of practice in relation to social responsibility which should become part of the conditions of licences to operate. These codes should cover such matters as the avoidance of

¹⁹ Gambling Behaviour In Britain: Results from the British Gambling Prevalence Survey: Sproston, Erens and Orford: NCSR (June 2000).

encouragement of children to gamble; provision for players to bar themselves from gambling; the display of clear information about the probabilities of winning and losing; and the provision of information to customers about problem gambling and what people who think they might need help should do. The codes should apply as much to gambling provided on the internet or through interactive television as to traditional gambling outlets.

- 7.5 The Gambling Commission will be responsible for ensuring compliance with its codes, and more broadly for monitoring the social impact of the increased access to gambling products and services which new legislation will bring.

Protection of children

- 7.6 The Government agrees with the Review Body's conclusion that the minimum age for taking part in gambling should generally be 18, because of the risks that children may be damaged not just by losses which they cannot afford, but by exposure to pressures and temptations which they cannot handle. It should be an offence for children to gamble, and for adults to enable them to do so.
- 7.7 To this general rule the Government proposes two exceptions, both involving forms of gambling which provide the lowest risks of harm. The minimum age for buying (and selling) lottery chances (including the National Lottery) should remain 16, as should participation in pools competitions. To raise the minimum age to 18 would buy consistency at too high a price, paid amongst others by the many lotteries which involve young people and the shops in which they work part-time. The consultations produced no evidence to support a change in the law.
- 7.8 It is, however, very important that the age controls should be strictly enforced. Hard evidence is difficult to come by; but there are grounds for concern about children's access to gaming machines, dealt with more fully below. A general limit of 18 does not mean that a blind eye can be turned to young people approaching that age. The Government expects licensed operators to apply thorough controls on entry and play, and to seek proof of age where appropriate. Local licensing authorities and the Gambling Commission will both have a clear enforcement role: in the past there have been too many cracks into which enforcement has fallen. Operators who breach their obligations will face not just criminal sanctions but an enlarged range of licensing penalties, including loss of licence where appropriate.
- 7.9 The Review Body recommended, largely in the interests of protecting children, that gaming machines should be withdrawn from a wide range of premises which are not licensed for

gambling or the sale of alcohol, such as cafes and takeaways, to which children have ready access; and that research should be undertaken now with a view to putting in place in 5 years time a ban on children playing gaming machines of any kind on any premises. This recommendation proved one of the most controversial in the subsequent consultations. In commenting on the report some argued that it did not go far enough, and that if a ban was justified in 5 years time there was no reason to hold back from one now. Others questioned the logic of proposing a ban in the absence of the research evidence to support one, and drew attention to the serious damage which they believed the recommendation would do to small businesses, and in particular to those in seaside and other resorts where children and their families had enjoyed playing a wide range of low-value gaming machines for many years.

- 7.10 The Government endorses the Review Body's view that gaming machines can – depending on their features – potentially involve high risks of excessive and compulsive play for children, and indeed for adults too. It has concluded that research into these risks should indeed be put in hand; and the following section of this chapter outlines the next steps. But gaming machines, as classified under the current law, come in many different kinds; and on present evidence a double ban of the kind proposed by the Review Body would not be justified, whether with immediate or suspended effect. Of course if the evidence picture changes then the system of regulation will need to be reviewed.
- 7.11 Full details of the proposed new regime for machines are set out in Chapter 4 above. Under this regime children will continue to be allowed to play any AWP machines. But they will not be allowed to play gaming machines, wherever sited, in any circumstances. This is a clear and simple principle.
- 7.12 The Government believes that this will fully address the concerns articulated by the Review Body about access by children to potentially high-risk forms of gambling and about the proliferation of gaming machines in premises that are not subject to any kind of systematic licensing or regulation. But it will also avoid unnecessary interference with the ability of a wide range of businesses to provide amusements with prizes, and with the freedom of children to enjoy them.
- 7.13 Other measures aimed at protecting children from the potential downside of gambling will include: greater emphasis, in partnership with Local Education Authorities and organisations like Gamcare and the independent Gambling Trust (see below), on education and awareness programmes for children; specific provisions in advertising codes of practice to prevent

children being targeted; incorporation into licensing provisions of existing voluntary codes of conduct, such as those aimed at preventing children accessing family arcades during school hours, making them legally enforceable; and proximity to a school, for example, to be a relevant consideration in the determination by local authorities of premises licence applications.

Prevention and treatment

- 7.14 The Government fully endorses the Review Body's concern to see a long-term programme of research into the causes of problem gambling in Great Britain and into effective methods of counselling or treatment intervention. Studies from other countries can only take us so far. Too little is at present known about the features of gambling activities – for example, speed of play and programmed incentives to repeat play – which make them high-risk for which kinds of player. The absence of a strong evidence base of this kind is not a reason for leaving the status quo, unsatisfactory as it is known to be, in place; but it is necessary to start work on developing the knowledge that will guide decision-making by the Government and the Gambling Commission in future. It also underlines the Review Body's concern, which the Government shares, to adopt a cautious approach to the scale and pace of deregulation.
- 7.15 More research is also needed when it comes to helping people whose gambling is becoming or has already become a problem – which kinds of advice, counselling or treatment work best for which kinds of people. The frontline charities in this field are doing good work; but they are working more in the dark than they should.
- 7.16 The most serious cases of problem gambling involve crossing the borderline of mental disorder. The Government agrees with the Review Body's view that NHS mental health services should be prepared to offer assessment and appropriate support and treatment to those with severe problems. Mental health is a Government priority, but help for problem gamblers will need to develop within the wide range of demands on these services.
- 7.17 The Government also agrees with the Review Body's conclusion that the gambling industry should establish and fund an independent trust both to commission research into the prevention and treatment of problem gambling and to support treatment which does not engage the NHS. A useful start has already been made. Leading companies and trade associations have already set up a trust with a budget of £0.8m – well on the way to the target of £3m at current prices.

- 7.18 The Government welcomes this progress, and would be glad to work with the trust in establishing priorities. It would be in the industry's own best interests to show its commitment to social responsibility by sustaining the trust on a voluntary basis. In the event that this cannot be achieved, the Government intends to establish a reserve statutory power to secure funding for the trust via an identifiable contribution from the licence fees already paid by all businesses providing gambling products or services.

8. Joining up the Policy

- 8.1 The reform of our gambling laws has implications for a number of other public policy areas. In this paper we have already drawn attention to the potential links between gambling and crime, including money laundering. HM Customs & Excise are addressing the implications of the reforms proposed in this document for the management and administration of the gambling duty regimes. We have also noted the need for the NHS to respond effectively to severe cases of problem gambling, and for Government to work with the industry on the development of research and treatment programmes. Other relevant policy areas include the protection of children and young people, e-commerce, broadcasting (and communications more widely), tourism, planning reform and the separate modernisation programmes flowing from the Auld and Leggat reviews of the criminal courts and tribunals respectively. Mechanisms have therefore been put in place to ensure that significant cross-cutting issues are identified so that they can be addressed as an integral part of the policy development process.
- 8.2 We will also need to be alert to developments in Europe and more widely. Gambling is an increasingly global activity, and we cannot afford to operate in isolation from developments in the wider business and regulatory community. The Government will therefore be seeking to reinforce the arrangements for exchanging information with overseas jurisdictions, both direct and via the Gaming Board, and continue to develop its working relationship with stakeholder interests both domestically and internationally.

9. Implementing the Changes

- 9.1 The key elements of the changes which the Government wishes to make will require primary legislation: including the establishment of a new Gambling Commission, and the bringing of on-line gaming within the regulatory framework. In preparing detailed legislative proposals we intend to involve key stakeholders. We will also be looking to ensure that comprehensive transitional provisions are incorporated into the new legislation covering existing operators and activities.
- 9.2 We will bring a Bill before Parliament as soon as time permits. But we are keen to make progress in the meantime where this can be achieved within the existing gambling legislation. We therefore intend to bring forward over the next year, where necessary for Parliament's approval, a number of interim changes which will provide useful gains in terms of deregulation and consumer choice, and which will not disturb the overall balance of regulation which we propose.
- 9.3 The interim changes which we have identified would affect casinos, bingo, betting shops, gaming machines, society (including charity) lotteries, and football pools. In the casino area, the Review Body has proposed the lifting of the current understanding between the Gaming Board and the casino industry that customers may not consume alcohol on the gaming floor, and we would propose to pursue urgent discussions with the Board to bring that about. We also intend to lay before Parliament an Order removing the requirement that casino licences must always prohibit live entertainment.
- 9.4 Parliament has recently approved an Order which the Government has laid under the Deregulation and Contracting Out Act 1994 which relaxes some of the controls on bingo, and in particular allows bingo clubs to combine up to four £500 jackpot gaming machines with lower prize machines. The present law imposes monetary limits in some bingo games, and on the amount which operators can add to the prize pool. The Gambling Review Body has proposed removing these limits. In advance of the primary legislation which would be needed to achieve that, the Government proposes to make significant increases to these limits and will bring the necessary subordinate legislation before Parliament.
- 9.5 The Government also proposes to lay an Order to enable betting shops to serve all kinds of

refreshment (except alcohol) to their customers – current law restricts the shops to serving pre-packaged food only, and the change should enable them to become more attractive leisure venues. We will also take forward the Regulatory Reform Order proposal on which we consulted last year, and which the Review Body has endorsed, that would allow gaming machines to take banknotes and smart cards (but not credit cards).

- 9.6 We intend to lay an Order to double the current limits on ticket prices, prizes and sales in society lotteries. In the area of pools betting, we intend to clear up doubts that have been raised about the validity of on-line entries.
- 9.7 We also intend to take forward work on measures which will strengthen safeguards and provide greater protection for vulnerable customers. The Gambling Review Body has proposed that betting shops should be brought within the controls on money-laundering, and we will work with the betting industry, the police and the National Criminal Intelligence Service to ensure that this is brought about in practice. We will also work with the gaming machines industry, and the Gaming Board, on strengthening the joint code of practice which covers such issues as location of machines and measures to prevent access to adult machines by children.

10 Summary of Proposals

10.1 Consultation on the Gambling Review Report has shown that there is broad support for the Review Body's reform package. The main areas of contention were the impact of the proposed restrictions on gaming machines; those recommendations that might potentially reduce National Lottery sales; and the consequences of transferring premises licensing responsibility to local authorities.

10.2 The Government endorses the principles set out in the Report as the key objectives of gambling law and regulation.

A new legislative framework

10.3 The Government agrees that all gambling legislation (except that governing the National Lottery, which is subject to a separate review) should be consolidated into a single, simple to understand and flexible Act of Parliament.

Modern regulation for a modern industry

10.4 The Government accepts the Review Body's recommendation that there should be a single statutory regulator – the Gambling Commission – with responsibility for licensing and regulating gambling operators and their staff.

10.5 The Commission will operate controls on entry to the industry, monitor compliance and enforce licensing provisions.

10.6 Local authorities will be responsible for licensing gambling premises, subject to the establishment of clear statutory criteria against which individual decisions will be taken.

10.7 There will be a statutory right of appeal against the decisions of both the Gambling Commission and local authorities.

10.8 Although the overall cost of regulation will increase, unit costs are not expected to rise significantly, and the net annual benefit to the gambling industry is expected to be in the region of £500 million.

Benefits for consumers and business

- 10.9 Regulation will be confined to what is necessary to keep crime out, protect the vulnerable, and ensure that gambling products are fair to the consumer.
- 10.10 Unnecessary barriers to customer access and new entrants to the industry will be removed. Advertising restrictions will be relaxed, as will those on the use of credit cards, apart from in gaming machines. Gambling debts will be enforceable in law. The rule allowing casinos to be established only in designated parts of Great Britain will be abolished, as will the requirement that they and some other kinds of gambling premises must be operated as members' clubs and may be opened only if existing premises do not meet unstimulated demand.
- 10.11 The Government will establish a new regulatory framework for gaming machines in order to create an environment in which there is more choice for adult gamblers and new opportunities for business but which also provides better protection for children and vulnerable adults (see Appendix D).
- 10.12 A number of the current controls on casinos will be relaxed to enable operators to provide a broader and more accessible leisure experience for their customers. Casinos will be able to offer a variety of gambling products, including betting, bingo and linked slot machines with unlimited stakes and prizes, as well as more traditional table games.
- 10.13 A variety of money controls on bingo games will be removed, and rollovers will be allowed.
- 10.14 Licensed betting offices will be able to offer a wider choice of food and drinks (but not alcohol), and off-course betting into greyhound track totes will be permitted.
- 10.15 The Government intends to double the current limits on prizes and proceeds for society lotteries, and abolish the limits on stakes. Commercial lotteries will continue to be prohibited.
- 10.16 There will be further deregulation of pools competitions, including provision for unlimited rollovers.
- 10.17 The Government will legalise the provision of the full range of on-line gambling services by operators based in the UK, including on-line gaming. A kitemark or similar mechanism will be introduced to enable prospective customers to distinguish between those sites that are licensed and regulated by the Gambling Commission and those that are not.

- 10.18 On-line operators will need to meet the same entry standards as those in other gambling sectors, and their operations will be subject to approval and monitoring by the Commission to ensure compliance with regulations. Effective safeguards will be required to prevent children using on-line gambling sites.
- 10.19 There will be a separate review of prize and promotional competitions.

The National Lottery

- 10.20 The Government has concluded that the maintenance of the National Lottery's current competitive position in broad terms must provide a constraint on the extent of deregulation of other sectors of the gambling market. It has therefore rejected the Review Body's recommendation that side betting should be permitted on the National Lottery results, and as already indicated intends to double, rather than abolish, the limits on prizes and proceeds in society lotteries. The Government does not, however, consider that the risks to the National Lottery from other changes recommended by the Review Body justify their rejection on these grounds.
- 10.21 The Government intends to consider, in the context of its review of the arrangements for licensing and regulating the National Lottery, the scope for bringing the National Lottery Commission's regulatory responsibilities into the proposed Gambling Commission.

Keeping crime out

- 10.22 The Government is committed to ensuring that crime is kept out of gambling. A fit and proper test will be applied to all those seeking to take out an operating or personal licence. The Gambling Commission will also be able to access and share information, via statutory gateways, with other enforcement agencies; it will have access to criminal records; enhanced powers of entry, seizure and search; and the ability, in collaboration with other agencies, to investigate and bring proceedings in connection with illegal gambling. Measures will be put in place to prevent gambling from being used for money laundering, and the Commission will be expected to work with industry representatives and sporting regulators to combat corruption and criminal activity.

Dealing with the downside

- 10.23 The Government agrees that the law should provide assurance that all parts of the gambling industry will operate to the highest standards of social responsibility. The Gambling

Commission should issue formal codes of practice in relation to social responsibility which should become part of the conditions of licences to operate. The Commission will be responsible for ensuring compliance with its codes, and more broadly for monitoring the social impact of the increased access to gambling products and services which new legislation will bring.

- 10.24 The Government intends to retain the current minimum age limits for access to gambling products. A range of measures will be put in place to improve the level of protection for children. There will be more and better research into the risks presented by gaming machines. Age controls will be enforced more rigorously by both the Commission and local authorities. There will be greater emphasis on education and awareness programmes and specific provisions in advertising codes of practice to prevent children being targeted. The new regulatory regime for machines will also make it illegal for children to play gaming machines wherever sited, in any circumstances, while allowing them to use machines which are genuinely for amusement with low prizes.
- 10.25 The Government fully endorses the Review Body's wish to see a long-term programme of research into the causes of problem gambling and into effective methods of prevention and treatment intervention.
- 10.26 The Government also agrees with the Review Body's view that NHS mental health services should be prepared to offer assessment and treatment to those with severe gambling problems.
- 10.27 The Government welcomes the establishment by the gambling industry of an independent trust both to commission research into the prevention and treatment of problem gambling and to support treatment which does not engage the NHS. The Government will, as a precaution, establish a reserve statutory power to secure funding for the trust via the licence fees already paid by all gambling businesses.

Joining up the policy

- 10.28 The Government recognises that its proposed reform of our gambling laws has implications for a number of other public policy areas, and will ensure that all the appropriate links are made as detailed policy and legislative proposals are developed.

Implementing the changes

- 10.29 The key elements of the changes which the Government wishes to make will require primary legislation, and the Government will bring a Bill before Parliament as soon as time permits. In

the meantime the Government will bring forward, over the next year, a number of interim changes which will provide useful gains in terms of deregulation and consumer choice, but which will not disturb the overall balance of regulation.

Appendix A

The Gambling Review Body's recommendations

(Gambling Review Report paragraph references are shown in brackets)

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)
4. We recommend that these 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 this 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)
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)
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)
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 approved 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)
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)
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)
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)
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)
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 therefore 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)
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)

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)
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)
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)
152. We recommend that the Gambling Commission should have the power to inspect clubs where gaming is carried out. (31.9)
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)
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 same body (the Gambling Appeals Tribunal) should determine appeals against penalties imposed by the Gambling Commission for disciplinary matters. (33.35)
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)

Appendix B

Government's response to individual recommendations

Recommendation Number	Involves changes to Primary Legislation	Government Response				Notes
		Agree	Modify	Reject	Consider Further	
1	✓					
2	✓	✓				
3	✓	✓				
4		✓				
5		✓				
6		✓				Subject to further discussions with industry
7		✓				
8		✓				Subject to further discussions with industry
9	✓	✓				
10	✓	✓				
11	✓	✓				
12		✓				
13		✓				Subject to further discussions with industry
14	✓	✓				
15	✓	✓				
16	✓	✓				
17	✓	✓				
18	✓		✓			Accept need for additional personal licensing, but not persuaded that betting shop manager is the correct level. Further consideration needed
19		✓				Subject to definition of "key staff".
20	✓	✓				
21	✓	✓				
22	✓	✓				
23		✓				
24	✓	✓				
25	✓	✓				Consider further whether separate premises licence should be required
26	✓	✓				
27	✓	✓				Accept, subject to detailed consultation
28		✓				
29	✓			✓		Not persuaded all promoters need to register with Gambling Commission; will consider further
30	✓	✓				Need to consider licensing of managers
31	✓	✓				
32	✓	✓				Need to consider licensing of manufacturers
33	✓	✓				
34	✓		✓			Appeal should be on law and merits
35	✓				✓	Further detailed consideration required

Recommendation Number	Involves changes to Primary Legislation	Government Response				Notes
		Agree	Modify	Reject	Consider Further	
36		✓				
37	✓	✓				Accept in principle but further consideration needed on detailed mechanism to prevent proliferation
38	✓	✓				
39	✓	✓				
40	✓	✓				
41	✓	✓				All premises licensing decisions to be subject to national criteria and guidance from the Commission
42	✓		✓			Need to consider position of "premises within premises" and family entertainment centres, etc
43	✓			✓		See 41
44	✓		✓			See 41
45	✓		✓			See 41
46	✓		✓			See 41
47	✓			✓		Not persuaded that planning model is appropriate
48	✓	✓				
49	✓	✓				
50	✓	✓				
51	✓	✓				
52	✓	✓				But need to consider precise role of Commission in consultation with advertising regulators
53		✓				As 52
54	✓	✓				
55		✓				
56		✓				
57	✓	✓				Accept in principle but further work needed on appropriate formula
58	✓		✓			New regulatory framework to be developed for gaming machines
59	✓	✓				
60		✓				Accept need for research, but no pre-disposition to ban use of low stake/prize machines
61	✓	✓				
62	✓			✓		But review in light of research into machine gaming by under 18's
63		✓				As 62
64	✓			✓		Controls to be retained
65		✓				
66			✓			But £250 jackpot in members' clubs
67		✓				
68	✓	✓				And Licensed Adults Gaming Centres (LAGCs)
69	✓	✓				It will be unlawful for children to play anything other than AWP machines
70				✓		Clubs to retain current entitlement subject to enhanced licensing and inspection regime

Recommendation Number	Involves changes to Primary Legislation	Government Response				Notes
		Agree	Modify	Reject	Consider Further	
71	✓		✓			LBOs may have a mixture of machines up to a maximum of four; adult gaming centres a maximum of four jackpot machines
72		✓				Maximum prize proposal already implemented
73		✓				Implemented via deregulation order
74	✓	✓				See 71
75	✓		✓			Local authorities to have discretion to grant more permits (criteria to be developed in consultation with LAs and industry)
76	✓	✓				See 69 also
77		✓				
78			✓			See 41
79		✓				Separate arrangements required for theme and leisure parks.
80				✓		Criteria to be developed by Commission
81	✓	✓				
82		✓				
83	✓	✓				
84		✓				
85		✓				
86	✓	✓				
87		✓				
88	✓	✓				
89	✓	✓				
90		✓				
91	✓	✓				
92	✓	✓				
93	✓	✓				
94		✓				
95		✓				
96		✓				
97	✓	✓				
98	✓	✓				
99		✓				
100	✓	✓				
101	✓	✓				Accept in principle - further consideration of £1k limit and status of games
102		✓				
103	✓			✓		
104		✓				
105	✓				✓	Further discussions needed with racecourses and bookmakers
106	✓	✓				
107	✓	✓				Commission's role to be clarified
108	✓	✓				
109		✓				
110		✓				
111	✓	✓				
112	✓	✓				
113		✓				
114		✓				

Recommendation Number	Involves changes to Primary Legislation	Government Response				Notes
		Agree	Modify	Reject	Consider Further	
115		✓				
116	✓			✓		As 29
117	✓	✓				
118	✓		✓			Limits to be doubled not abolished
119	✓	✓				
120	✓	✓				Subject to controls on total sales - see 118
121	✓	✓				Subject to compatibility with Northern Ireland law
122	✓	✓				As 121
123	✓	✓				
124		✓				
125	✓	✓				Subject to regulation to prevent underage access
126		✓				
127		✓				Need for statutory definition of a lottery
128	✓				✓	The current law in this area is unclear and has not kept pace with technological advances. There is currently no clear consensus on the way forward, therefore further consideration and consultation are needed.
129	✓				✓	
130	✓				✓	
131	✓				✓	
132	✓				✓	
133	✓	✓				
134	✓	✓				
135	✓	✓				
136	✓	✓				
137	✓				✓	Accept that operators and their systems should be UK-based but need to consider position of third-party servers
138		✓				
139	✓	✓				
140	✓	✓				
141	✓	✓				
142	✓	✓				
143	✓	✓				
144	✓	✓				
145	✓	✓				
146	✓	✓				
147	✓	✓				
148	✓	✓				
149	✓	✓				
150	✓				✓	Accept in principle but need to consider further the extent to which this might apply to on-line advertising
151	✓	✓				
152	✓	✓				See 70
153		✓				
154		✓				
155		✓				
156		✓				
157	✓	✓				

Recommendation Number	Involves changes to Primary Legislation	Government Response				Notes
		Agree	Modify	Reject	Consider Further	
158			✓			For health services to prioritise and manage demand within total planned provision
159	✓		✓			Reserve powers to allow Commission to include specific problem gambling element in licence fees
160	✓	✓				
161	✓	✓				
162	✓	✓				
163		✓				
164		✓				
165	✓	✓				
166	✓	✓				
167		✓				
168	✓	✓				
169		✓				
170	✓	✓				
171	✓	✓				
172	✓	✓				
173	✓	✓				
174	✓				✓	
175	✓	✓				
176	✓	✓				

Appendix C

Partial Regulatory Impact Assessment for the Government's Response to the Gambling Review Report

1. Title

"A Safe Bet for Success—modernising Britain's gambling laws"

2. The issue and objective

(i) *Issue:*

Much of the law on gambling is more than 30 years old. These laws are now outdated and in need of reform and do not cater for modern technology or developments such as the internet. The Government therefore set up an independent review of gambling law under the chairmanship of Sir Alan Budd in 1999 to consider how gambling should be regulated in future. The Review's report *the Gambling Review Report* (the Report) made 176 recommendations for changes to the current system of control. The Report was published on 17 July 2001 and the Department invited comments. Around 270 formal submissions were received, together with more than 4700 letters about individual recommendations. A series of meetings was also held with industry representatives and other stakeholders.

(ii) *The objectives of gambling reform are to:*

- simplify regulation and ensure that it can respond flexibly to future technological and market developments;
- extend choice for adult gamblers;
- keep gambling crime free and honest, and ensure that it is conducted in accordance with the law;
- ensure that punters are fully informed about the products they use and the risks involved;
- ensure adequate protection for children and vulnerable adults, backed up by a sustainable programme of related research and effective programmes for the prevention and treatment of problem gambling;
- set up a system to regulate on-line gambling.

Key statistics about the industry are set out in Annex A

3. Risk assessment:

There are a number of risks involved in both implementing the proposals and in retaining the status quo.

Social issues

The main danger in extending choice and availability of gambling is that it could lead to an increase in problem gambling. It is estimated that there are between 275,000 and 370,000 problem gamblers in the UK. The Review Body recognised 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 the general public. They also recognised that their proposals would generally increase the gambling opportunities for adults, and concluded that children are a vulnerable part of the community for whom it is right to prescribe special rules. They were also concerned about the broader effect on communities through an increase in the number and size of gambling enterprises. These factors will be taken into account in the detailed regulations, codes of practice and other guidance to be issued by the Gambling Commission. The Commission will be responsible for monitoring the impact of gambling reform and reporting to Government. The Government also wishes to see a sustainable programme of research into the causes of problem gambling and into effective methods of counselling and treatment intervention; and supports the creation of an industry-funded Gambling Trust to take forward these and other programmes.

Crime

Relaxing gambling regulation could potentially increase the risk of criminal infiltration and money laundering. This will be addressed through an effective and universal system of licensing and regulation, and the creation of the Gambling Commission. The Commission itself will have wide-ranging responsibilities and powers, including:

- licensing, inspection and enforcement responsibility for all commercial gambling operators and their staff;
- access to statutory gateways to obtain and share information;
- access to criminal records;
- powers to support the effective investigation and prosecution of cases of illegal gambling.

More effective measures will also be implemented to prevent gambling from being used as a conduit for money laundering.

Commercial issues – general

The Review Body's recommendations, if implemented in their entirety, would impose commercial risks on certain sectors of the gambling industry. Some businesses would stand to lose revenue as a direct result of particular recommendations, and could (all other things being equal) cease to be commercially viable if they are unable or unwilling to adapt to the changed market conditions. These issues are dealt with in more detail below, but those that potentially stand to lose the most include:

- "ambient gambling" venues (i.e. premises where gambling – usually machine gaming – takes place which is incidental to the core business activity);
- licensed machine gaming venues, such as amusement arcades;
- private members' clubs.

The industry has also raised a number of concerns about the transfer of premises licensing responsibility to local authorities, and in particular has objected to the proposal that local authorities should be able to impose "blanket bans". Concerns have also been expressed about what is felt to be unnecessary and potentially burdensome tiers of regulation, for example the proposal to personally license all betting shop managers.

Gaming machines

Members clubs have argued that recommendation 70 (ie that jackpot machines should be removed from private clubs and that they should have the same entitlement to all-cash machines as pubs and other premises licensed for the on-sale of alcohol), will lead to the closure of clubs, loss of employment, and have a detrimental impact on local communities. More than 3400 individual representations were received on this proposal. The potential seriousness of this proposal is unknown, given the absence of reported statistics on the proportion of club revenue attributable to jackpot machines; but by way of example one club in Wales said that their income from machines for the half year ended June 2001 was over £12,000 out of a total income of just over £74,000 and that after the deduction of expenses a small profit was made of just over £10,000. Without income from machines, they would have made a loss. Another club in Devon made over £25,000 from their machines but still made a small net deficit for the year. Clubs argue that income from lower value gaming machines would not sufficiently offset the loss of their jackpot machines.

The National Federation of Fish Friers Ltd, which represents the interest of 8,500 fish and chip shop outlets, has similar concerns about recommendation 58 (ie gaming machines should only be

allowed in premises specifically licensed for gaming or the sale of alcohol). They say that many of their small outlets rely on the profits of these machines to maintain a "reasonable" standard of living and that there is often a fine line between profit and loss. Similar claims have been made on behalf of cafes and minicab offices.

A number of commercial organisations, for example snooker and pool clubs, also said that they were heavily reliant on the income from jackpot machines - up to 70% of their profits in some cases. This would, they said, inhibit investment and jeopardise the viability of individual clubs.

The British Beer and Pub Association have said that income derived from machines could represent up to 15% of gross profits in smaller premises and in larger ones 6-8%. They were concerned about the proposal to limit pubs and similar premises to no more than two machines per location, regardless of their size.

The machines industry and a number of related interests have drawn attention to what they see as the very serious threat to arcades, machine manufacturers and suppliers and a variety of ancillary commercial activities from a number of the other recommendations relating to gaming machines. Particular concerns were expressed about the potential impact on arcades and seaside resorts of the implied suggestion that children should, subject to a review in five years time, be banned altogether from playing machines. Similar concerns have been expressed by those representing theme parks, bowling alleys and other leisure venues.

Racing

Racing is concerned that the adjustment of gaming regulation will affect its profitability, particularly the proposals that will increase business opportunities for casinos, and those relating to the availability of jackpot machines and National Lottery side betting in LBOs.

The National Lottery

Implementing all of the recommendations would also have implications for the National Lottery and other related stakeholders - the Treasury, HM Customs and Excise, Camelot, and beneficiaries. The two most significant recommendations in this respect are that the limits on the size of prizes and the annual maximum proceeds should be removed for societies lotteries (117) and that side betting on the Lottery should be permitted (102).

Fiscal

Changes in the social law could impact on related revenue receipts. HM Customs & Excise are addressing the implications of the proposed reforms for the management and administration of the gambling duty regimes.

Summary of risks associated with retaining the status quo and implementing the full range of recommendations in the Gambling Review Report	Risk	
	Status quo	Full range
Hamper the growth of the gambling industry and the leisure sector in Great Britain	✓	
Maintain unnecessary burdens on business through outdated regulation	✓	
Hinder the development of gambling products in both the domestic and overseas markets and the speed at which they can be introduced	✓	
Restrict choice of gambling products for punters	✓	
Maintain law that is difficult and complex to interpret and which does not cater for modern technology which could lead to abuse and unfair practices.	✓	
Slow development in treatment of problem gamblers without a gambling Trust	✓	
Continued difficulty in sharing information with other law enforcement agencies	✓	
Danger of an increase in problem gambling		✓
Possible increase in crime		✓
Loss of business to premises with "ambient gambling" and possible closure of private members clubs		✓
Loss of revenue to the National Lottery		✓

4. Options

Three broad options have been identified

Option 1 - leave all of the relevant legislation unchanged (ie retain the status quo)

Option 2 - implement all of the recommendations set out in the Gambling Review Report

Option 3 - implement the majority of the recommendations, whilst rejecting or modifying the remainder.

Details of the Government's response to each of the recommendations is set out in Appendix B of the main paper. This shows that of the 176 recommendations that were made, the Government is minded to implement, either in full or in part, 157. Only nine have been rejected, with the remaining 10 to be the subject of further consideration and consultation. The key changes from the original package of proposals are as follows:

Gaming machines

- A new licensing regime for amusements with prizes (AWPs), gaming machines and related premises;
- A clear legal distinction to be drawn, in terms of stakes and prizes, between AWP and gaming machines;
- Children to be banned from playing gaming machines; and premises (or parts of premises) to which they have access, not to be allowed to have gaming machines;
- Licensed machine arcades to be separated into two distinct categories: family entertainment centres, which may have AWP but not gaming machines (unless they have a dedicated and secure adults-only area); and adult gaming centres, with an entitlement to the same range of machines as betting shops and bingo clubs;
- Pubs and other premises licensed for the consumption of alcohol to be allowed to apply for more than two gaming machines, subject to the provisions on access by children noted above;
- No immediate statutory ban on low stake/low prize machines in unlicensed premises, but local authorities to retain the power to decide whether other types of premises may install AWP machines;
- Members' clubs to retain current entitlement to jackpot machines, on acceptance by individual clubs of an appropriate level of external regulation;
- Increases in stakes and prize limits not to be limited to inflation;
- Research to be conducted into the risks presented to children by machine gaming, but with no presumption that this will lead to a ban;

Impact on the National Lottery

- Side betting will not be allowed on the National Lottery;
- The limits on the size of society lotteries prizes and the maximum annual proceeds will be doubled rather than removed altogether;

Licensing and regulation

- Reconsideration of the proposal that all betting shop managers should be licensed;
- Rejection of the proposals that all society lotteries and their promoters should register with the Commission;
- Rejection of the concept of local authority "blanket bans";
- Further consideration of the proposed abolition of "5 times limit" for racecourse and track bookmakers;
- Rejection of the planning appeals model for premises licensing decisions.

5. Identifying, quantifying and valuing the Benefits**(i) Identifying benefits**

The proposals set out in the Report would create a more open and internationally competitive gambling industry offering a wider choice for consumers and generating additional expenditure and demand for jobs in individual sectors.

The future size and structure of the market (and therefore the likely economic benefits and associated costs directly related to the Review Body's proposals) are, however, extremely uncertain. The way the industry responds to the changes will, to a certain extent, depend on the likely effects of substitution between different sectors and the way in which individual products are taxed.

Option 1 - will maintain the status quo.

The current system of regulation has worked reasonably well but is increasingly unable to cope with innovations such as internet gaming and the development of betting exchanges, and would not meet the full range of objectives identified in section 2(ii).

Taking a simplified view of the economic costs and benefits directly attributable to the gambling industry, it appears to make a modest contribution to the UK economy of between £5.2 - 6.6 billion per annum - equal to £7.3 billion gambling expenditure less the range of costs associated with problem gambling, of between £660 million - £2.1 billion.¹ Gambling also contributes to UK employment, by directly or indirectly employing around 124,000 full time equivalents. Under the status quo further modest increases in expenditure and employment would be expected over the foreseeable future.

¹ Care must be taken in interpreting this estimate as it excludes a number of impacts that are less readily quantifiable (eg gambling tax avoidance and evasion) and that gambling expenditure would be spent or saved elsewhere in the economy in the absence of a gambling industry.

Option 2 - would see implementation of all of the Review Body's recommendations.

UK gambling expenditure has grown significantly over the past decade, to an estimated £7.3 billion in 2000/01 and this is expected to increase further as a direct result of the proposed reforms. A range of responses to the Gambling Review Report suggests that gambling expenditure (ie. stake less winnings) in the UK gambling sector and its constituent parts including the National Lottery will increase by an annual average £567 million between 2004/05 and 2008/09, if all the proposals are implemented. This represents a small increase - around 7% - on current annual expenditure, thereby slightly increasing the sector's contribution to UK Gross Domestic Product.

The proposed abolition of permitted areas and demand tests are likely to reduce illegal gambling with an associated reduction in gambling tax evasion. The impact cannot however be quantified given uncertainty about current levels of such evasion, the exact specification of the proposals and the market response to the new regulatory regime.

Technology will play an increasingly important role in the future of the UK gambling market, via a diverse range of products such as digital television, traditional land-based and mobile telephones and the internet. The future impact of technology on the UK market place is however very difficult to accurately predict given the rapid changes taking place. The Henley Centre estimates that the internet betting and gaming market share will increase rapidly over the next few years, from 2% in 2001, to 9% of the total market in 2005.² By permitting on-line gaming sites to be based in the UK, a proportion of sites based overseas may decide to locate to the UK. If they do, this will increase domestically regulated UK and non UK resident gambling expenditure, and associated duty and tax receipts.

Gambling employment - currently estimated at 124,000 full time equivalents - would be expected to rise. But gains in the gambling sector may be offset by lower employment elsewhere in the economy, given the potential for displacement of expenditure.

Specific benefits attributable to Option 2 would be:

On-line gambling - the UK could potentially catch a significant proportion of the on-line gaming market with specific enabling legislation and control by the Gambling Commission. Sites would be trusted and players would be confident that the product was safe to use.

² Reported in *An Economic Analysis of the Options for Taxing Betting - a Report for HM Customs and Excise*, D. Paton, D. Seigel and L. V. Williams, September 2000.

Casinos - with the removal of the demand test and the system of restricting casinos to "permitted areas" the number of casinos seems likely to increase significantly from the current figure of around 120, much from new builds. There is likely to be a move towards a higher proportion of large casinos offering a wider range of gambling activities. Some will offer a larger range of gaming machines with jackpot gaming machines with unlimited stakes and prizes. There will be the ability to link machines offering large prizes. Casino turnover and employment are expected to grow strongly as a result of the Report. The Henley Centre thinks that the proposals would increase the frequency of visits and spending and an increase of about 60% in casino revenues.³ If, as some analysts have suggested, the number of casinos were to more than double, casino revenues would almost certainly increase at least proportionately.

Visiting a casino will be easier with the abolition of the membership and 24 hour rules, and casinos will be able to offer a more complete leisure experience, potentially appealing to a far wider range of customers from both the UK and overseas.

We are aware that a number of seaside resorts, such as Blackpool, are looking to casino developments as a means of raising revenues for regeneration projects. The proposals in Option 2 would enable this to happen although licence applications for particular premises will be for local authorities to decide within the framework of guidance provided by the Gambling Commission.

Bingo - will be able to offer a greater range of games, with unlimited stakes, big prize rollovers and linked games offering a more attractive product to punters. Bingo clubs will also be able to have a variety of gaming machines. Some (particularly larger) clubs may opt to convert into casinos whilst retaining bingo as a core product. Relaxation of controls on the frequency of multiple bingo games and on stakes and prizes may put smaller businesses under competitive pressure.

Gaming machines - although aspects of the Report are widely seen as being unfavourable to gaming machine interests, the industry could potentially benefit from the increase in the numbers and range of casino machines (although there is some evidence that foreign-sourced machines are currently preferred), and from the proposal to allow jackpot machines in betting shops. The proposed changes to payment methods, which will allow the use of smart cards and bank notes in machines rather than coins as at present, will also help the industry by reducing the downtime on machines through faults caused by coin jams. The net benefits of the latter proposal - approximately £9.5m - are set out in the consultation document *Gaming Machines: Methods of Payment*.

³An assessment of the impact of the Gambling Review Body's proposals: A report for the British Horseracing Board.

Betting - licensed betting offices will be permitted to have a mix of gaming machines, including £500 jackpots, up to a maximum of four per office. This may attract more people to betting offices. The Henley Centre estimated that around 5% of those consumers who do not currently bet (around 2 million adults) might be attracted to an enhanced LBO at some point over the course of a year and they will spend around £45m net.⁴ Food and non-alcoholic drink will enable bookmakers to increase the attraction of their shops, space permitting. This may entice customers to stay longer. Allowing side betting on National Lottery results would, according to some analysts, increase net expenditure on betting by around 6.5%.

Lotteries - the Report presents significant opportunities for societies' lotteries, with the proposed removal of the limits on the size of stakes, prizes and maximum annual proceeds. There will be more flexibility as to how proceeds are divided between expenses and prizes and overall lotteries would become more attractive through being able to offer bigger prizes. Rollovers would also be permitted and lottery tickets sold on-line. The Henley Centre estimates that societies' lotteries would increase their sales by almost threefold over the five years to 2006-07 as a result of the proposed changes.

Pools - pools competitions will be permitted to operate through retail premises and on-line, and retail outlets would be able to pay out winnings to a similar level as National Lottery retailers, and unlimited rollovers will be permitted.

Gambling research - the setting up of a Gambling Trust and other treatment, educational and research programmes would provide a more systematic and effective way of giving real practical help to those who have become addicted to gambling and who are no longer able to help themselves. Education will raise the profile of the dangers of gambling to adults and to children, and research will enable a greater understanding of the problems posed by gambling activities and improve the evidence base for policy development.

Option 3 - would adopt most of Review Body's recommendations.

The majority of the business benefits identified for Option 2 would still be secured, but a number of the identified risks would be mitigated or eliminated altogether through the modification or rejection of particular recommendations (see Section 4 above). In particular the adverse financial implications for those businesses (including members' clubs) which, under Option 2, would stand

⁴An assessment of the impact of the Gambling Review Body's proposals: A report for the British Horseracing Board.

to lose their entitlement to either AWP machines or particular types of gaming machines would be either removed or significantly reduced. The implied threat of a ban, in five years time, on children playing machines would be removed, and the industry encouraged to gear machine products towards two distinct markets: adults-only and children/families. Pubs and other alcohol-licensed premises would not have an arbitrary limit placed on gaming machine numbers, while adult gaming centres would have the same entitlement to jackpot machines as bingo clubs and betting offices.

The modified premises licensing proposals would see a closer and more structured relationship between the Commission and local authorities and the creation of a standard set of premises licensing criteria against which all local licensing decisions should be assessed. The decision to reconsider the Review Body's detailed proposals for licensing staff should lead to a significant reduction in the burden of regulation.

Option 3 would also significantly reduce the potential adverse financial impact on the National Lottery - this is discussed in more detail in Section 9.

The overall impact on gambling expenditure and employment under this option may be a slight reduction in the growth expected under Option 2. But using projections from a range of independent analysts, the overall impact of the revised proposals under this scenario is likely to be growth in net expenditure on casinos, betting, bingo, machines, pools and society lotteries of at least £500m per year over the period 2004/05 to 2008/09.

6. Business sectors affected

The business sectors affected will be all of those in the gambling industry - casinos, bingo clubs, gaming machine arcades, family entertainment centres, travelling showmans fairs, gaming machine suppliers and manufacturers, other premises that have gaming machines (including pubs), bookmakers, racecourses, greyhound racing, lotteries, those conducting prize competitions including premium rate operators, proprietary and members' clubs and the tourist industry.

Charities and voluntary organisations will also, potentially, be affected by the recommendations on society lotteries and, indirectly, those that could have an impact on the amount of money available to good causes from the National Lottery.

7. Compliance costs

Option 1: retain the status quo (£5.6m)

The Gaming Board regulates casinos, bingo, gaming machines and lotteries in Great Britain. It is a non-departmental government body, funded by grant in aid, which for 2001/02 was set at £3.68 million. The costs of regulating these sectors are recouped from operators via licence fees and from those employees who require a "fit and proper" certificate under section 19 of the Gaming Act 1968.

Local authorities issue permits for tracks that provide betting and for arcades, family entertainment centres and other premises that have AWP gaming machines. They also regulate and audit greyhound track totes. Pools operators must be registered with their local authority, and incur accountancy and audit costs in relation to the integrity of their pools. Society lotteries below a certain size must also register with their local authority. Bookmakers require a permit from the local licensing justices and separate licences for their betting offices. The Horserace Betting Levy Board issues certificates of approval to racecourses, and on-course bookmakers pay for the regulation and administration of their activities by the NJPC. Clubs, pubs and other premises with an on-licence must have a licence from local justices to site gaming machines. Current regulatory costs are summarised, on an annualised basis, in the following table:

	Number	Annual Cost (£m)
Gaming Board costs ¹		3.7
Gaming machines arcades	2000	.17
Gaming machines in pubs	60,000 pubs	.64
Gaming machines in other locations with an on-licence	2000 premises	.02
Lotteries (registration fees)	40,000	.7
Bookmakers permit and betting office licences ²	1013 applications	.05
	1403 Renewals	.07
Pools ³	3	.06
Tracks (greyhound and others)	180	.13
Tracks (horse) ⁴	60	.06
Total		5.6

¹ Annual figure based on an estimate of the number of licences to be issued in 2001/02. Gaming Board costs include certificates of consent issued by the Gaming Board to bingo clubs and casinos, the National Game, certificates to those employed in casinos and bingo halls and those who sell, supply or maintain gaming machines and registration of certain societies' lotteries. They also include licences issued by local licensing magistrates to bingo clubs, casinos and members clubs.

² Home Office Statistical Bulletin, Betting Licensing, June 1999 - May 2000.

³ Fees set by local authorities not to exceed £464. Figure includes cost of local authority accountancy service to the operator.

⁴ Includes estimated costs of Levy Board certificate of approval system.

Option 2: with all recommendations accepted (£12.8 - £19.2m)

The Gambling Review Body proposed that betting, gaming and lotteries should be regulated by a new body, the Gambling Commission. The Commission will license individuals and corporate bodies who manage gambling activities (including bookmakers, betting exchanges and tote operators) to keep out organised crime and to ensure that financial liabilities are met. It will also certificate key workers. It will have wider powers than the Gaming Board including, for example, the ability to commence a prosecution and enhanced powers of entry, seizure and search.

The Commission will not be responsible for licensing premises. These will be local decisions with responsibility transferring from magistrates to local authorities.

The report recommends that the Commission should operate on a net running cost basis and that those applying for licences and 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 funded and licence fees would include a charge to cover administration and enforcement of the system, the investigation and prosecution of, for example, unlicensed traders and the cost of appeals.

Costs of licensing and regulation by the Gambling Commission

If the Gambling Commission takes on the full range of responsibilities envisaged in the Report costs of regulating the industry, enforcing compliance and tackling illegal gambling could be in the range: £11.5 - £14.5 million per year. This assumes an approximate doubling in the number of casinos (to around 250); no change in the total number of bingo clubs (c750); up to 50 machine manufacturers but little change in suppliers (c700 - 800); 20,000 society lotteries and their promoters to be registered; 4000 bookmakers and 8000 betting shops (with the personal certification of c20,000 shop managers); and at least 50 licensed on-line gaming operators. An important variable will be the renewal intervals for particular categories of operators and personal licences; further work will be undertaken on this, in consultation with the industry.

Costs of licensing premises by local authorities

Local authority costs will also be recouped from operators. With increases in business as a result of the report's proposals and with authorities expected to adopt a more proactive enforcement role in support of the Commission, these will inevitably increase. There will, however, be some offsetting savings through the transfer of responsibility for licensing greyhound tracks and pools companies to the Commission. We estimate that total local authority costs are likely to be between £1 million and £4 million per year.

Appeals against licensing decisions

The Report recommends that there will be a statutory right of appeal against licensing decisions by the Gambling Commission and that a Gambling Appeals Tribunal should be established.

There will also be a right of appeal against premises licensing decisions. Costs will depend on the complexity and length of individual cases, but could be in the region of £100k for 50 cases a year, to £500k for 250 cases a year. These estimates will need to be revisited in the light of final decisions on the structure of the appeals arrangements.

Criminal Records Bureau (CRB) checks by employers

The report recommends 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 industry (including bookmaking employees) but are not otherwise regulated by the Gambling Commission. How this should work in practice will be a matter for further consultation with the industry, but it could, for example, include a requirement for criminal records checks every five years on employees who have remained in the same position, or who have been promoted to a position below manager in the same company and who would not otherwise need to be re-licensed by the Commission.

The CRB will carry out criminal record checks for individuals, on application, in exchange for a fee. The CRB have said that basic, standard and enhanced disclosure fees will cost £12.⁸ On the assumption that 50% of staff not certificated by the Gambling Commission are required to obtain a CRB certificate, costs would be in the region of £130k per year (on an annualised basis). With additional administrative expenditure for employers of half that amount, the total cost under that scenario would be in the region of £200k per year.

Estimated regulatory costs for Option 2	(£m)
Gambling Commission	11.5 - 14.5
Local Authorities	1 - 4
Employers/employees costs for CRB checks	0.2
Appeals	0.1 to 0.5
Total	12.8 - 19.2
Net increase over current regulatory costs	7.2 - 13.6

⁸CRB web site www.crb.gov.uk

Option 3: adopting most of the recommendations (£11.3 - £17.7 million)

The compliance costs will be largely the same as option 2, but with reductions to reflect the modifications summarised in Section 4 above. It should be noted that these estimates assume a significant level of growth in certain sectors of the industry, and are not indicative of a substantial increase in the regulatory cost burden for existing businesses.

Estimated regulatory costs for Option 3	(£m)
Gambling Commission	10 - 13
Local Authorities	1 - 4
Employers/employees costs for CRB checks	0.2
Appeals	0.1 to 0.5
Total	11.3 - 17.7
Net increase over current regulatory costs	5.7 - 12.1

8. Small Business

Lower barriers to entry should limit the possibility of market dominance and monopoly profit taking. The Report's proposals lower the barriers to entry to the UK gambling sector, by eliminating the demand test (for casinos, bingo clubs and licensed betting offices) liberalising operating restrictions and facilitating the establishment of on-line gaming sites in the UK. This should make it relatively easier for competitors to enter the sector.

Some bingo operators are concerned that large bingo operators will get casino licences and run joint ventures, which will lead to structural changes and the downsizing of the existing bingo sector with smaller operators being unable to compete. This is however a matter for market forces to dictate.

Smaller bookmakers are concerned that with the removal of the demand criterion they could be put out of business if larger bookmakers obtain betting office licences in areas where they would currently be prevented from doing so. Of course bookmakers are concerned that the proposed abolition of the 5 times limit (whereby racecourses and tracks are required to charge no more than 5 times the normal admission fee), will lead to increases in charges that may force them out of the market.

Fish and chip shops, taxi cab offices etc, have said that income from gaming machines is an important element of their profits and that they will suffer or have to close if they were to lose their machines entitlement. Similar arguments have been put forward by proprietary members' clubs in relation to the proposed removal of jackpot machines.

The views of the Small Business Service have been sought as part of the consultation process. Trade organisations that have both large and small operators as members, have already been consulted about the report and will be consulted as detailed legislative proposals are developed. The Government's objective, within the overall framework for effective regulation, will be to minimise any disproportionate impact on small businesses, and a number of the specific recommendations that might have had such an effect have already been modified or rejected (see Option 3).

9. Other costs

Option 2: Under the new regime with all recommendations accepted

Money laundering - betting

Money laundering compliance will be extended to betting, which may involve staff in positively identifying punters who place bets over a certain level. Further discussion will be required with the industry before any costs can be accurately assessed.

Problem gambling

The Review Body called for more and better research into problem gambling and the creation of an independent, industry-funded Trust with an annual budget of £3m. They further recommended that should this figure not be achieved, the Government should impose a statutory levy. How this might be apportioned between the various sectors would, clearly, be a matter for further consideration and consultation, should it prove necessary; but on the basis of the Review Body's suggestion of a linkage to gross profit, costs might currently be apportioned as follows:

	£m
Casinos	£0.3
Bingo	£0.5
Gaming machines	£0.9
Betting	£1.3

A number of leading companies and trade associations have already combined to set up a trust, and have made encouraging progress towards meeting the target of £3m at current prices.

Their report also recommended 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 (shortly to be replaced by Primary Care Trusts) should develop strategies for dealing with problem gambling.

The National Lottery

Our central forecast scenario for National Lottery sales over the second licence period, which began at the end of January 2002, is £5 billion a year. It is not possible to forecast accurately whether action by the National Lottery operator to improve marketing and public awareness of what the Lottery achieves, and to improve the games available, will more than offset the effect of other changes in the gambling market, including taxation, on other gambling products.

The report proposed a number of regulatory changes for other forms of gambling which could have a consequential impact on National Lottery sales, the most significant being the proposals to allow bookmakers to offer bets on National Lottery results and to remove the limits on the size of charitable and other society lotteries.

Gaming machines

There will be some, as yet unquantified, costs associated with the conversion of 30p/£8 top prize gaming machines to 10p/£5 AWP's.

Policy implementation

The majority of the changes proposed by the report will require changes to primary legislation. Other changes might be made by secondary legislation. There will therefore be a cost in preparing legislation and in Parliamentary time.

Option 3: Under the new regime with most changes implemented as described in Section 2

The costs will be largely the same as for Option 2 but the impact on the National Lottery will be reduced with no side betting allowed on the National Lottery and the limits on the size of society lotteries prizes and the maximum annual proceeds only doubled. We do not think that this will hamper new opportunities. Maintaining the ban on side betting on the National Lottery will not, for instance, affect bookmakers' profits (compared with the status quo) as this would have been new business for them.

10. Compliance and enforcement

The Gambling Commission will ensure compliance. The report proposes that it should have enhanced powers to share and receive information from all relevant law enforcement and licensing bodies; have increased powers of entry, seizure and search by specified staff; the ability to take forward prosecutions for offences and impose financial penalties on regulated persons who fail to comply with the requirements of gambling legislation; and be authorised to test and

approve machines and on-line software and systems. There should be no additional burdens on the police arising from these proposals.

We also envisage an enforcement role for local authorities.

There will also be scope for the use of new technology as a tool for compliance and enforcement. Software is available that could be used, for example, to monitor internet gaming sites and gaming machines.

Implementation of these proposals will facilitate better cross-agency working and sharing of information between law enforcement bodies such as Customs and Excise, the Financial Services Authority and others, which will help to combat crime.

11. Summary and recommendations

Option 1 - no additional benefits other than those enjoyed as a result of the current legislation.

Option 2 - implementation is likely to create a more open and competitive gambling sector which offers a wider choice for consumers and will create a demand for jobs in parts of the industry. The creation of the Gambling Commission with new powers will provide for an effective regulation of the whole of the gambling industry and will, unlike now, cover bookmaking and on-line gaming. New appeal rights will be established, there will be enhanced protection for children and vulnerable persons and more effective measures for ensuring that the industry is crime free. It will also ensure that a Trust is set up to help problem gamblers. The industry told us during the consultation period that some of the proposals would however impose unreasonable costs on some sectors of the gaming industry. There could also be some loss of revenue to the Exchequer and good causes from the consequential impact on National Lottery sales.

Option 3 - should deliver the full range of benefits listed in Option 2 but will eliminate or ameliorate most of the associated risks, and in the process significantly reduce the potential cost burden on the industry. This is discussed in more detail in Section 5 above.

Additional regulatory costs for this option will be in the region of **£5.7m - £12.1m** per year, set against a projected annual average increase in net expenditure on gambling of at least **£500m** over the period 2004/05 to 2008/09.

The Secretary of State therefore favours this option.

Annex A

The Gaming Industry 2000/2001: Key Statistics¹²

Casinos:	Number operating	118
	Drop (money exchanged for gaming chips)	£3.3 Billion
	Number Employed	11,700
	Duty Paid	£129.5 Million
Bingo Clubs:	Number operating	705
	Money Staked	£1.12 Billion
	Number Employed	21,000
	Duty Paid	£114.2 Million
Private Clubs:	Number operating	1,100
Gaming Machines:	Number of Machines	250,000
	Marketers	679
	Pubs	60,000
	Arcades/Gaming Centres	2,000
	Private Clubs	29,500
	Money retained by suppliers and site owner	£1.5 Billion
	Number of employees	c23,000
	Duty Paid	£152.6 Million
Betting Licensing	Number of bookmakers' permits in force at 31 May 2000	3,791
	Number of betting office licences in force at 31 May 2000	8,732
	Employed in LBOs	37,000
	Employed on Totes	1,300
	Gross Profits Tax (from 6/10/01)	£487.4 Million
Racecourses	Number operating	59
Spread Betting Firms	Number operating	6
Football Pool Firms	Number operating	3
	Pool betting duty	£30.2 Million
	Employed	1,140
Charity Lotteries	Ticket Sales	£107 m
	Number of registered societies and local authorities	657
National Lottery	Retailers	24,600
	Duty	£596.3 Million

¹² Figures have been taken from the Gaming Board Annual Report 2000/01; the Gambling Review Report; Home Office Statistical Bulletin "Betting Licensing Great Britain June 1999-May 2000; The Economic Value and Public Perceptions of Gambling in the UK, KPMG (May 2000); industry submissions.

Appendix D

Gaming machines—current and proposed controls

Current controls

Jackpot machines

- maximum stake 50p
- maximum prize £2,000 (in a casino);
£500 (in a bingo club);
or £250 (in a registered club)

All-cash AWP¹

- maximum stake 30p
- maximum prize £25
- in bingo clubs, betting shops,
adults-only street arcades,
adult-only areas of family
and seaside arcades, pubs and
other premises with alcohol on licence

Coin or token AWP

- maximum stake 30p
- maximum prize of £5 in cash or £8
token (or other non-cash prize)
- can be found virtually anywhere, but
especially in seaside arcades and arcades
in bowling alleys and motorway services,
outlets such as cafes, fish & chip shops,
takeaways, taxicab offices

Proposed new controls

Casino slots - Category A

- unlimited stakes/prizes
- in casinos only
- may be linked

Jackpot machines - Category B

- maximum stake £1
- maximum prize £500 in a bingo club,
betting shop or adult gaming centre²;
or £250 in a registered club

Adult gaming machines – Category C

- maximum stake 50p
- maximum prize £25
- in bingo clubs, betting shops,
adult gaming centres,
adult-only areas of family entertainment
centres³, pubs and other premises
with an alcohol on-licence⁴

Amusement with prizes – Category D

- maximum stake 10p
- maximum prize of £5
(cash or non-cash)
- family entertainment centres (including
seaside arcades, bowling alleys,
motorway services and theme parks)
and outlets such as cafes, fish & chip shops,
takeaways, taxicab offices, etc

¹ AWP – amusement-with-prizes.

² Adult gaming centre – arcade to which children (under 18's) not admitted.

³ Family entertainment centre – arcade to which children are admitted – may have an area for adults (18 and over) only to which children may not be admitted.

⁴ Provided machines are located in an area to which children do not have access.

Appendix E

Consultation—list of respondents

Aberdeenshire Licensing Board	Blackpool Town Centre Methodist Churches
ACRE	BOLA
Addiction Today	Bottomley, Peter MP (on behalf of constituents)
Advanced Telecom	Bourne Leisure Limited
Advertising Association	Bournemouth Tourism Board
Alexander Automatics Limited	Boyce, Martin
All Party Parliamentary Group	Breen, Mike
ALMR	Bridgend County Borough Council
Amusement Arcade Action Group	British Beer & Pub Association
Amusement Trade Exhibition Limited	British Casino Association
APACS Cards Services	British Entertainment & Discotheque Association
Arena leisure plc	British Greyhound Racing Board
Armstrong, Stuart	British Holiday & Home Parks
Arts Council of Wales	British Horseracing Board
Associated Newspapers	British Psychological Society
Association of Chief Police Officers in Scotland	British Resorts Association
Association of London Government	British Sky Broadcasting Limited
Atlas Property Consultants	British Swimming Association
Bacon, Richard MP (on behalf of constituents)	British Tourist Authority
BACTA	Broad System
Baker, L	Brook, Peter
BALPPA	Bryant, Chris MP (on behalf of constituents)
Banff Town & Country Club	BT (British Telecom plc)
BBOA	CAARE
Bedford Borough Council	Cairns, David MP (on behalf of constituents)
Bell-Fruit Games Ltd	Camelot Group plc
Better Regulation Task Force	Carlton Clubs
Bingo Association	Casino Operator's Association
Birmingham Betting & Gaming Licensing Committee	Casino World
BISL	Castle Leisure
Blackpool Challenge Partnership	Cawsey, Ian MP (on behalf of constituents)
Blackpool Combined Association	Central Council of Physical Recreation
Blackpool Pleasure Beach	Centre for Research into the Social Impact of Gambling

CEO europe	Geeson, P.B.
Cherwell District Council	Georgica
Childline	GGs (E-Commerce)
Church and Society	Greater London Magistrates Courts Authority
City of Westminster	Greenland Interactive
Coleman, Tony MP (on behalf of constituents)	Griffiths, Caroline
Coinmaster	Gus Maclean
Community Fund	Hardy, Nicholas
Conquest Inns Ltd	Harrah's Entertainment
Cooksley, Mike	Harry Levy Amusement Contractors Ltd
CORALS	Havard, Dai MP (on behalf of constituents)
CORCA	HB Leisure
Cromptons Leisure Machines Ltd	Heritage Lottery Fund
Crown Leisure	Holland, Paul
Davies, J	Horserace Betting Levy Board
Davison, C.J.	Howarth, Alan MP (on behalf of constituents)
Developments.Ltd	Hubbuck, Lee
Dranfields	IBAS
Drug and Alcohol Foundation	ICSTIS
Durham, Petra	IGGBA
Edlin, Joanne	IGT - UK Ltd (Barcrest)
Energis (Interactive TV)	i-ludus consulting
English Golf Union	Inn Partnership (Pub Franchise)
English Tourism Council	Inn Spired Group Ltd
Enterprise Inns plc	Inn Spired Pubs Plc
Equity	Institute of Practitioners in Advertising
Evangelical Alliance	Institute of Sales Promotion
Federation of Racecourse Bookmakers	Inter Lotto Limited
Financial Services Authority	International Entertainment Corporation
Fisher, Sheena	Isle of Wight Tourism
Fonseca Jim (Iconoclastes)	Isomatrix
Friends of Blackpool	Jeffrey Green Russell
Fruitful Solutions	Jockey Club
Gala Leisure Ltd	Justices Clerks Society
Gamcare	Kellar, Robert
Gaming Board for Great Britain	K I Speakman F.C.A.
Garnham, Alan MP (on behalf of constituents)	Kossway
Gateshead Council	Kuit Stein Levy

Kunick	NCIS
Ladbrokes	NEO Products
Lady Littler	Netarget Limited
Langley P.J.	North and South Westminster PSA
Laws, David MP (on behalf of constituents)	North Lanarkshire Council
Laws, George	North West Tourist Board
Laurel Pub Company	Northern Ireland Federation of Clubs
Lee, Archie	Northern Racing Limited
Legal Committee of District Judges	Note from Casino Operators Association
Leisure Link	Nottingham Magistrates Courts Service
Leisure Link Group	Nottingham Trent University
Leisure Parcs	NTL Group Ltd
Lesurama	OFTEL
Lexington	Page, David
Littlewoods Leisure	Pontins
Local Government Association	Premium Rate Association
London Borough of Bexley	Punch Group
London Clubs	Punch retail
Lotteries Council	Quaker Action on Alcohol and Drugs
Luminar Plc	Racecourse Association Limited
Maclean, Gus	RAL
Mactaggart, Fiona MP (on behalf of constituents)	Rank Group plc
Maygay Machines Limited	Richards, Thomas
Megabowl	Rose Automatics
Metropolitan Police (MET)	Rudge, Ray
Miers, David	Sarum Training International Limited
Milliband, David MP (on behalf of constituents)	Scotscoup (The Bookies)
Monstermob Ltd	Scottish and Newcastle plc
Moore, Angela	Scottish Golf Union
Moto	Scottish Independent Bookmakers Association
Mumbles Pier	Scottish Licensed Trade Association
National Association for the Protection of Punters	Seven L. Limited (Lottery)
National Campaign for the Arts	Sharp, Steve
National Canine Defence League	Sheridan, Jim MP (on behalf of constituents)
National Federation of Fish Friers	Shipley Amusements
National Joint Pitch Council	SIS (Satellite Information Services)
National Lottery Commission	Six Continents plc
National Parliamentary Committee	Small Business Service

Smith, Kevin
 Smith, Richard
 Society of Independent Roundabout Proprietors
 South Ayrshire Licensing Board
 Southern Eastern Tourist Board
 Sports Council for Northern Ireland
 Spread Betting Association
 St Giles Hospice Promotions
 Stephenson Harwood (Peels Holdings)
 Strike Lucky Limited Games
 Sun International Network Services Ltd
 Szewach, E
 Taylor P.A.
 Taylor, Simon
 Tendering District Council
 Tenpin Bowling Proprietor Association of GB
 The Cambos Organisation
 The Church of Scotland
 The Churches of Britain and Ireland (Group)
 The District of Bolsover
 The Football Association
 The Industrial Buildings Preservation Trust
 The Jackson Consultancy
 The Magistrates Association
 The Methodist Church
 The Newspaper Society
 The Noble Organisation
 The Premium Solution
 The Pub Estate Company
 The Royal Borough of Kensington and Chelsea
 The Royal College of Psychiatrists
 The Westminster Society
 Theatrical Management Association
 Thomas Estates (J D Thomas)
 Thomas, Gareth MP (on behalf of constituents)

THUS plc (premium rate suppliers)
 TLC Lottery
 Topham, Neville
 TOTE
 Tower Casino Group Limited
 TPC Telecoms Limited
 Transport & General Workers Union
 Trinity Mirror Plc
 Tudor, Kevin
 University of Salford
 Ward, Claire MP (on behalf of constituents)
 Welcome Break
 Wellings, Kevin
 West Lothian Council
 Whitbread Group plc
 William Hill
 Wilson, Steven

In addition, by the end of February 2002, DCMS
 had received letters and other items of
 correspondence about individual (or particular
 groups of) recommendations as follows:

Jackpot machines in clubs: 3,454

Impact on arcades, seaside resorts and tourism:
 670

Gaming machines in pubs: 457

Blanket bans: 145