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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.⁸ 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.

⁸ 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 survey¹³ 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

¹³ 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.