

**The Gambling Act 2005: Triennial Review of Gaming Machine Stake and Prize Limits**

The Bingo Association welcomes the opportunity to respond to this long-awaited Triennial review. Such reviews, as the Consultation document concedes, are required in order to respond to ever-changing business needs. Piecemeal change does not help the sector to plan capital investment or develop new products. The re-introduction of the Triennial review will provide a coherent and systematic approach to reviewing stake and prize limits and will help both the industry and government to establish a collaborative approach.

The government’s objectives are expressed as an opportunity to:

* “Consider the relativities between different categories of gaming machine and ensure competition across the industry remains balanced within the context of the regulated market”
* “To establish a baseline against which proposals for future reviews can be assessed”
* “To encourage growth and development of the gaming machine market in order to support economic recovery and create jobs”
* “To do so only to the extent consistent with player protection and gambling-related harm minimisation”

This first review (since 2001) takes into account the information collected from harm prevention and treatment programmes and explores the scope for effective targeting of regulation by using new technologies and consumer information.

The more effective harm prevention and treatment is and the more opportunities there are to tailor interventions to individual circumstances, the more scope there should be for lessening blanket controls like centrally imposed stake and prize limits.

***Process:***

Question 1: How often should government schedule these reviews? Please explain the reasons for any timeframes put forward for consideration.

The triennial review has a long history with the last review was held in 2001. It has served the government and industry well. There has been no marked increase in the incidence of problem gambling over this period and the certainty of the review process has given the industry time to seek appropriate stake and prize limit changes and invest in the development new technologies accordingly. Customers are always price sensitive and the industry is acutely aware of the need to balance increases with attractive new products and returning value to the customer. A three year gap gives a reasonable time to for the industry to respond to changing customer demand, develop new products and new capital investment.

Question 2: The government would like to hear about any types of consumer protection measures that have been trialled internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions. The government would also like to hear views about any potential issues around data protection and how these might be addressed.

The Association believes that as a result of a number of years research, the Gambling Commission is in the best position to set out the latest machine based interventions and whether there is any evidence that they are effective. It would seem that there is pressure to use machine-based interventions rather than finding more effective ways of leveraging information on which gambling decisions can be rationally made.

The Bingo Association, along with the other trade associations representing the gambling industry is keen to promote an enhanced social responsibility code that the whole industry will support and promote to its members as best practice. The code would be voluntary demonstrating the industry’s good faith and belief in the importance of supporting and promoting responsible strategies and policies.

Question 3: The government would like to hear from gambling businesses, including operators, manufacturers and suppliers as to whether they would be prepared to in the future develop tracking technology in order to better utilise customer information for player protection purposes in exchange for potentially greater freedoms around stake and prize limits.

While we welcome research into different ways to implement an effective strategy towards reducing problem gambling, machine based interventions and player tracking can only be a part of this strategy. There is no evidence that tracking technologies developed in other countries are effective in controlling/limiting player behaviour and as far as we can see, there are no case studies available. In the experience of the bingo industry,while lots of energy and investment has gone into tracking technologies in bingo in recent years, high levels of penetration are very difficult to achieve and information produced is still notoriously unreliable. Subjective control measures are far less effective at informing and influencing behaviour than providing objective information and which allow players to make informed decisions about their gambling.

***Package 1:***

Question 4: Do you agree that the government is right to reject Package 1? If not, why not?

Yes

***Package 2:***

Question 5: Do you agree that the government is right to reject Package 2? If not, why not?

Yes

***Package 3:***

Question 6: Do you agree with the government’s assessment of the proposals put forward by the industry (Package 3)? If not, please provide evidence to support your view.

No

The joint response to the informal process leading to this Triennial Consultation was a well-considered view from the industry as a whole as required by DCMS. The response was discussed and formulated over a number of months from December 2011 to April 2012 and all of the views included therein were supported with all the evidence available.

***Package 4: Category B1***

Question 7: Do you agree with the government’s proposal for adjusting the maximum stake limit to £5 on category B1 gaming machines? If not, why not?

Yes, we agree with the proposals put forward by NCiF

Question 8: Do you consider that this increase will provide sufficient benefit to the casino and manufacturing and supply sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes, we agree with the proposals put forward by NCiF

Question 9: Do you agree with the government’s proposal for adjusting the maximum prize limit on B1 gaming machines?

Yes, we agree with the proposals put forward by NCiF

Question 10: If so, which limit would provide the most practical benefit to casino and machine manufacturers without negatively impacting on the licensing objectives of the Gambling Act?

Question 11: Are there any other options that should be considered?

Question 12: The government would also like to hear from the casino industry and other interested parties about what types of consumer protection measures have been trialled internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions.

***Package 4: Category B2***

Question 13: The government is calling for evidence on the following points: a) Does the overall stake and prize limit for B2 machines, in particular the very wide range of staking behaviour that a £100 stake allows, give rise to or encourage a particular risk of harm to people who cannot manage their gambling behaviour effectively?

The BA believes it is not in a position to answer any questions regarding risk and Cat B2 machines until such time as the findings of the research is available.

We support the ABB’s proposal that there should be no increase in stake or prize limits for B2s, but we contest the Government’s proposition that there should be a hierarchy of machines and that the B2 Stake and Prize limits should necessarily be higher than that of the B3 machine. This is not inconsistent with the regulatory framework and there is no evidence that this increase would change the nature of the B3 product. The BA would like to make reference to the fact that it has no B2 machines.

b) If so, in what way?

c) Who stakes where, what are the proportions, what is the average stake?

d) What characteristics or behaviours might distinguish between high spending players and those who are really at risk?

e) If there is evidence to support a reduction in the stake and/or prize limits for B2 machines, what would an appropriate level to achieve the most proportionate balance between risk of harm and responsible enjoyment of this form of gambling?

f) What impact would this have in terms of risks to problem gambling?

g) What impact (positive and negative) would there be in terms of high street betting shops?

Question 14: a) Are there other harm mitigation measures that might offer a better targeted and more effective response to evidence of harm than reductions in stake and/or prize for B2 machines?

The BA believes it is not in a position to answer any questions regarding risk and Cat B2 machines until such time as the findings of the research is available.

b) If so, what is the evidence for this and how would it be implemented?

c) Are there any other options that should be considered?

***Package 4: Category B3***

Question 15: Do you agree with the government’s proposal to retain the current maximum stake and prize limits on category B3 gaming machines? If not, why not?

We support the proposal to increase the maximum prize to £1,000. The proposed increase in maximum prize will offer good value for players and reinvigorate the machine offering. We also believe that there should be some upward movement in stakes to maintain the growth in B3 activity which underpins the economics of smaller marginal community premises and we feel that there should not be a “coupling” of the B2 and B3 products. We would remind the government that retail bingo is a highly regulated, responsible and secure soft gambling environment and that the incidence of problem gambling for bingo is extremely low

Question 16: Are there any other options that should be considered?

Please see our response to Q15 above

***Package 4: Category B3A***

Question 17: Do you agree with the government’s proposal for adjusting the maximum stake limit to £2 on category B3A gaming machines? If not, why not?

The government’s preferred option brings the B3A into parity with the B3 machines. While we support actions which will help the club sector, we note that one of the government’s stated aims in this consultation document is to retain differentiations between machines in different venues. This proposal would move the B3A machine to the same stake and prize limits as a B3 machine thereby contradicting the government’s own policy.

Question 18: Do you consider that this increase will provide sufficient benefit to members’ and commercial clubs, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Question 19: Are there any other options that should be considered?

***Package 4: Category B4***

Question 20: Do you agree with the government’s proposal for adjusting the maximum stake to £2 and maximum prize to £400 for category B4 machines? If not, why not?

The Bingo Association continues to support the pre-consultation joint submission on category B4 machines as set out in package 3.

Question 21: Do you consider that this increase will provide sufficient benefit to members’ and commercial clubs and other relevant sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes

Question 22: Are there any other options that should be considered?

***Package 4: Category C***

Question 23: Do you agree with the government’s proposal to increase the maximum prize to £100 for category C machines?

Yes. Category C machines form the bulk of the machine estate in bingo clubs, where they are offered with a range of stake and prize levels up to the maximum permitted in order to appeal to the widest range of players. Similarly, they form the bulk of the estate in AGCs and pubs. They are only offered in circumstances where there is supervision to ensure that children are not permitted to play, and there is no evidence of concern under the licensing objectives regarding the playing of these machines.

The last stake and prize review was carried out by the DCMS in 2009 and introduced an increase to £1 / £70. At the time, the industry had supported an increase to £1/£100 based on research by BrandDriver which was presented to DCMS officials which demonstrated that consumer approval was nearly twice that for £1/£70 (34% versus 20% approval rating). In addition, the research revealed that £1 / £100 would offer a significant ‘trade down’ option to Category B (65% as opposed to 48% for £1 / £70). The industry now argues that an increase to £100 is necessary to reinvigorate this machine category and to make them competitive in the machine and wider gambling marketplace. The principal argument in support of this relates to product development and the relationship between stake and prize: manufacturers indicate that a £100 prize would allow them to develop games offering a greater variety of gaming/entertainment experiences for a customer in an increasingly competitive leisure market. The industry believes that £100 would encourage innovation and introduce flexibility of game design, thus increasing consumer choice. The existing pattern of a range of stake and prize levels on offer, up to the maximum permitted, is likely to continue.

The industry submits that Category C revenues are expected to increase as the differentiation between Category C and B3 becomes clearer to the consumer. As a result, across all gambling sectors, it is anticipated that the proposed prize level will generate an increase in machine revenue of approximately 10%. In addition, the industry has indicated that additional income generated for many independent licensees would be invested in staffing (which have been reduced in response to the continuing economic crisis), generating business growth. Additional new machines being built as a consequence of an increase in machine income from a £100 prize would assist in securing and creating jobs in the manufacturing sector. This is because consumers have been slow to accept the new style games on offer since the last review, mainly because there is little or no perceived value in Category C games at the current prize level. This has depressed potential machine sales, leading to a lack of new product coming to market. The industry anticipates that an increase in prize level will assist in reversing this trend.

Question 24: Do you consider that this increase will provide sufficient benefit to industry sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes

***Package 4: Category D***

Question 25: Do you agree with the government’s proposal to increase the maximum stake to £2 and the maximum prize to £6 for category D crane grab machines?

If not, why not?

Yes

Question 26: Do you agree with the government’s proposal to increase the maximum stake to 20p and the maximum prize to £6 for category D complex (reel based) machines? If not, why not?

The Bingo Association contests the government’s proposal of an increase to 20p/£6 and reminds the government that the lower rate of 5% MGD applies only to machines where the maximum stake is 10 pence and the maximum cash prize is £8 or less. It is clear that the lower rate of MGD should be harmonised with the category D complex machine as any future changes in stake and prize limits could be limited by taxation legislation.

The Bingo Association supports the industry’s proposal to increase both the stake and prize limits for Cat D complex machines from 10p/£5 to 20p/£10 and are not adverse to the introduction of a condition that the machines that would offer this increase in stake and prize are located in adult only premises. The Bingo Association would like to reinforce its commitment to support new initiatives proposed by the industry to go beyond the regulatory consumer protection requirements set out in the LCCP and to introduce an enhanced social responsibility code. This proposal would introduce increases in staff training with an emphasis on the monitoring of machines and player behaviour.

Question 27: Do you agree with the government’s proposal to increase the maximum stake to 20p and the maximum prize to £20 (of which no more than £10 may be a money prize) for category D coin pusher machines? If not, why not?

Yes.

Question 28: Do you consider that the increases will provide sufficient benefit to the arcade sector, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes

Question 29: Are there any other options that should be considered?

***Costs and benefits:***

Question 30: Do you agree with the methodology used in the impact assessment to assess the costs and benefits of the proposed measures? If not, why not? (Please provide evidence to support your answer)

Question 31: Do you agree with the government’s approach to monitoring and evaluating the impact of changes to inform future reviews? If not, why not? (Please provide evidence to support your answer)

Question 32: What other evidence would stakeholders be able to provide to help monitoring and evaluation?

***Prize gaming:***

Question 33: Are there other sectors in addition to bingo that currently provide gaming under prize gaming rules?

As we set out in the industry joint submission in 2012, prize gaming has a long history in a number of venues, including bingo clubs and amusement arcades. Though the use of prize gaming has been less prevalent in the arcades and latterly AGS and FECs, playing bingo using Prize Gaming rules have a long and popular tradition in bingo clubs.

Prize Gaming provisions are set out in Part 13 of the Gambling Act 2005 and set out the meaning of “prize gaming” as being gaming when neither the nature nor the size of the prize is determined either by the number of persons present or the amount paid for or raised by the gaming. Under s.291 the conditions for prize bingo played in a bingo licensed premises are set out. Conditions may, for instance, be attached to the operating licence to prevent specific games from being played under these rules.

Bingo operators have more onerous conditions attached to their ability to offer prize gaming, due to the fact that broadly the same limits for prize gaming which apply to all other sectors of the gambling industry are, for bingo, set out in the mandatory conditions attached to every bingo operating licence. The penalty for breaching a mandatory condition of an operating licence is ultimately the loss of the operating licence.

Considering that the stake and prize limits for prize gaming are enshrined as a mandatory licence condition for bingo, logic would suggest that there must be a reason for this. The procedure to amend a mandatory condition is distinct and different from the usual method of the periodic review of stake and prize limits, it follows then, that bingo clubs are in a different position from that of other areas of the gambling industry which offer prize gaming. As this is clearly the position, The Bingo Association would urge the government to allow stake and prize limits for prize gaming in over 18 only bingo clubs to be increased to a maximum of a £2 stake, with an aggregate maximum par fee per game of £2,000, with a prize limit of £500, with an aggregate of prizes per game at £2,000, in accordance with our previous submissions.

In bingo clubs prize gaming is primarily an interval activity (one that takes place between the main bingo sessions). These games are regarded as important by the industry, as they offer customers the chance to remain in the club, taking advantage of a range of activities on offer: mechanised cash bingo, prize gaming, gaming machines, or food and drink. They enable the club to provide products that appeal to the widest possible range of player profile.

Bingo operators in particular argue that current stake and prize limits are stifling their ability to offer prize gaming in a way which is appealing to customers: without a sufficiently high total aggregate stake, they contend that any game, however innovative, will not appeal to players because their ability to take part is so limited. The limits work in several ways: they limit the individual stake per “chance” that can be charged, the maximum amount of prize in cash which may be offered; the maximum total amount in stake money which may be taken in any one game; and the maximum total amount in prize value which may be given away in any one game.

As an example, in a bingo club (over 18s only) if the cost to play is £1 per chance, then a maximum of 500 chances can be sold for that game. The cash prize offered cannot exceed £100. The value of any prize offered cannot exceed £500. The bingo industry argues that the current limits, in particular the maximum limits on stake and prize are acting to limit the viability of prize gaming in clubs. In AGCs and FECs, prize gaming has all but disappeared. The bingo sector also argues that the stated objective of retaining prize gaming provisions in the 2005 Act – the ability for the industry to innovate with games that are not of equal chance – cannot be achieved under limits which so severely limit the number of participants in any game.

Individual stake levels for prize gaming were increased to £1 in 2008, from 50p (set in 2002). At that time the industry had argued that in combination with the £1 stake, the aggregate value of prizes (cash and non-cash) and total money staked should rise from £500 to £1,000, and the maximum cash prize to £100. The Government chose only to increase individual stake levels and maximum cash prize. Maximum aggregate stake and maximum aggregate prize have therefore not increased since 1998.

The industry states that piecemeal increases, which make no connection between individual stake levels and maximum aggregate stake, severely limit the benefit of any change, and are perceived by players as poor value. It argues that for the £1 stake to be effective, a corresponding increase to £1000 in maximum aggregate stake (equating to 166 players) was essential. The impact of increasing the individual stake without a proportionate increase in the maximum aggregate stake was to halve the number of players who were able to take part. It argues that individual stake now needs to increase to £2: this will enable games offered at a stake lower than this maximum to increase the number of participants. In conjunction with this, it argues that there should be an increase in maximum aggregate stake (and maximum aggregate prize) to £2,000 in order to bring levels to where they should be, had the increase to £1,000 been implemented in 2008.

The Government was persuaded of the merits of the industry’s argument about Prize Gaming during the passage of the Gambling Bill. The 2005 Act was intended to allow and encourage operators to innovate and develop new products, and it is proposing increases in maximum aggregate and maximum cash prize limits in order to facilitate this.

In doing so, the existing variation in limits applying to different premises will be maintained. Bingo clubs that do not admit under 18s will continue to be permitted a higher stake and maximum cash prize than other premises, reflecting the fact that these limits are achieved through an operating licence condition, significantly more onerous in regulatory terms than for other premises. Government proposes that the maximum cash prize available for all other premises offering prize gaming, and bingo premises which admit under 18s, increase but to a lower level.

The industry calculates that the likely benefit of increased stake and prize levels will be an increase in the number of games offered, leading to an increase in turnover. It projects that if the ratio of individual stake and total maximum aggregate stake returns to that which prevailed pre-2008, an uplift of at least 10% is realistic. It also anticipates that there will be a wider benefit derived from the introduction of a greater variety of games that are not bingo, encouraging increased player participation in interval activity.

Question 34: Were the Government to change the stake and prize limits (including aggregate limits), would this encourage more operators to offer prize gaming?

The Bingo Association believes that an increase in Stake and Prize including aggregate limits would revive the Prize Gaming offer and allow its’ members to offer interesting and attractive games to their customers.

Question 35: What type of products would the industry look to offer as a result of the proposals?

As the Government has indicated that it wished to discuss Prize Gaming further with The Bingo Association, the timescale for any innovation has once again been delayed. There has been no development in any new or innovative prize gaming products as far as The Bingo Association are aware due to the uncertain conditions around the future of Prize Gaming. Support for this type of gaming from the government has been disappointing with the value of the product considerably eroded due to the inability of the DCMS to appreciate the importance of aggregate prize structures. The Bingo Association welcomes the further opportunity to make representations to the Government about Prize Gaming.

The Bingo Association

9th April 2013