



Department
for Culture
Media & Sport

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

Government Response to Consultation on Proposals for
Changes to Maximum Stake and Prize Limits for Category B, C
and D Gaming Machines

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Contents

Chapter 1: Foreword	4
Chapter 2: Executive Summary	5
Chapter 3: Introduction	7
Chapter 4: Government Response	8
Chapter 5: List of Unique Respondents	36
Chapter 6: Summary of Final Proposals	38

Chapter 1: Foreword



The British gambling industry is a significant part of Great Britain's leisure economy and gaming machines are an important source of revenue for the betting, bingo, casino, arcade, pub and club sectors. As Britain recovers from the worst economic crisis in history, the Government is acting to establish a more coherent and systematic approach to reviewing the regulatory controls on the maximum stake and prize limits permitted for gaming machines covered by the Gambling Act 2005, in order to support jobs and investment in the industry

As part of this arrangement, the Government recently consulted on proposals to alter stake and prize limits for gaming machine categories B, C and D to encourage growth while maintaining consistency with the consumer protection objectives of the Gambling Act 2005. This document sets out the Government's response.

The objectives of the Government's review reflect our commitment to promoting socially responsible growth, and to ensuring that robust regulation of the gambling industry continues to minimise instances of gambling related harm. In particular, the Government is clear that creating the conditions for growth and development of the gaming machine market, which is important in creating jobs and supporting economic recovery, should only be done to an extent consistent with player protection.

Achieving this balance remains crucial in ensuring industry growth while minimising the potential for gambling related harm. We believe the package of measures set out in this document can realise this ambition.

A handwritten signature in black ink, appearing to read 'Helen Grant'.

Helen Grant MP
Minister for Sport and Equalities

Chapter 2: Executive Summary

1. In response to concerns from the British gambling industry that some of its sectors are continuing to struggle in the current economic climate, the Government is acting to establish a more coherent and systematic approach to reviewing the regulatory controls on the maximum stake and prize limits permitted for gaming machines covered by the Gambling Act 2005.
2. The Government is clear that growth cannot be pursued at any cost. The Government attaches great importance to the public protection objectives of the Gambling Act 2005. Our review of gaming machine stake and prize limits seeks to stimulate the conditions for socially responsible growth and development of the gaming machine market in order to support economic recovery and create jobs, but only to an extent consistent with player protection.
3. Over 9,500 consultation responses were received from a wide range of interested parties, although the majority of these were made up of identical responses from employees or customers of bookmakers. 66 unique responses were received with representations from trade associations, businesses, faith and community groups, academics and think tanks, local authorities, charities, sports bodies and members of the public.
4. In addition the Gambling Commission published its formal advice on the triennial review in June 2013. This advice was informed by the Responsible Gambling Strategy Board's own assessment of some of the issues raised by the consultation, and also follows consideration of the consultation responses by these organisations.
5. In summary, the Gambling Commission supports the Government's overall approach to provide strong encouragement to the industry to make demonstrable progress on player protection in order to accommodate significant uplifts in stake and prize limits. In that context, the Commission considers there is scope to increase stake and prize limits for some categories of gaming machine, including B1 machines, provided any additional risk is mitigated through the development, trialling and evaluation of improved harm mitigation measures. It also sees no regulatory reason why the Government should not proceed with its proposals to increase limits for category B3A, B4 and C machines.
6. Equally, the Commission advises that there are good regulatory reasons to further mitigate harm arising from machine gambling. The Gambling Commission advises that the industry must make rapid progress in developing better targeted harm mitigation measures in order to build the public confidence needed to support growth and innovation in the gambling industry. The Government agrees with that assessment.
7. The Government is grateful to all those who responded to the consultation and, in preparing this response, has reflected on any concerns or issues articulated. Responses can be summarised as follows:

- The re-introduction of a triennial review was supported by the majority of respondents, representing a breadth of interests.
- 63% of respondents agreed that the Government should reject proposals to maintain existing stake and prize limits for all categories, primarily on the grounds that it would continue to force the decline of some sectors.
- Proposals to increase stake and prize limits in line with inflation were strongly rejected, with 74% of respondents agreeing with the Government's assessment that this would not create sufficient conditions to encourage growth and development of the gaming machine market.
- Around 50% of respondents agreed with the Government's assessment of industry proposals to increase stake and prize limits, while 20% disagreed and a further 16% had mixed views. Many respondents felt the proposals had some merit but concerns were expressed about the social impact of some changes.
- The Government's preferred option was supported by a wide range of respondents. In particular, an increase in maximum prize to £100 for category C was strongly supported, while there was also majority support for increases to category B1, B3A and B4 machines.
- Respondents had mixed views on the benefit of the Government's proposed increases to category D machines, and concerns were raised about the potential risk to children of adopting the industry's preferred option for this category.
- There remains a serious case to answer in relation to the potential harm caused by category B2 gaming machines and we consider their future to be unresolved pending further work, which is already underway.

8. We consider that the Government's final proposals, which are summarised at page 38, will secure continued public protection while encouraging growth. This assessment is made on the basis that the industry delivers against the commitments it has made to improve its social responsibility and player protection measures.

9. The Government intends to lay a draft regulation in Parliament in autumn 2013 in order that the amended stake and prize limits set out in this document are implemented by early 2014, subject to Parliamentary approval. As we made clear at consultation, this timetable does not necessarily include consideration of the evidence on B2 machines which may take longer.

Chapter 3: Introduction

10. This chapter provides a summary of responses to the public consultation, which closed in April 2013. It does not provide an exhaustive account of all consultation submissions, but rather focuses on key points and themes which emerged from the responses. A copy of each unique response to the consultation will be made available on the DCMS website.

11. In addition, this document reflects formal advice from the Gambling Commission and the Responsible Gambling Strategy Board which was submitted to the Department in June 2013, following consideration of the consultation responses by these bodies. The provision of such advice is in accordance with section 26 of the Gambling Act 2005 which places a duty on the Gambling Commission to provide advice to the Secretary of State on matters relating to gambling and its regulation and was published as a contribution to the public debate.

12. The consultation ran from 15 January to 9 April 2013. We received approximately 9,500 responses from a wide range of interested parties, although the majority of these were made up of identical responses from employees or customers of particular organisations. A full breakdown of responses received is provided below:

Category of respondent	Number of responses	Number of unique responses
Gambling & Leisure Industry – Individual Company, Manufacturer or Supplier	26	26
Gambling & Leisure Industry – Trade Association	9	9
Faith & Community Groups	5	5
Academics & Think Tanks	1	1
Local Authorities	6	6
Charities and not for profit organisations	7	7
Sports Bodies	1	1
Bookmaking industry campaign responses	9435	1
Responses supportive of BACTA submission	58	1
Responses supportive of ‘Stop the FOBTs’ submission	34	1
Other (individuals)	8	8
Total	9590	66

Chapter 4: Government Response

Frequency of future reviews of gaming machine stake and prize limits

13. The consultation sought views on how often Government should hold gaming machine stake and prize reviews, and given the way technology and the industry has changed since the last full review, we asked if a three year cycle remained the best approach.

14. Of those respondents who expressed a view on the frequency of future reviews, around 70% favoured the reintroduction of a review process on a triennial basis. However, there was a variation of views on what form such a review should take. The industry tended to argue that stake and prizes needed to be reviewed on a triennial basis to provide further incentives for business growth, while providing sufficient lead time for product development and implementation to take place between reviews. Faith and community groups argued that a triennial period was appropriate, and that reviews should take place shortly after the results of surveys into problem gambling are known.

15. Other respondents, such as the National Casino Industry Forum (NCiF), argued that the current review process should be abandoned in favour of a process “where the regulator or an expert panel assesses the player protection measures applied within casino premises – against an agreed standard – and allows proportionate commercial freedoms subject to the regulator’s discretionary parameters”.

16. Some respondents, argued in favour of more frequent reviews, including GRASP, who argued that reviews “should be held on a biennial basis, so as to enable greater opportunity for intervention should evidence of a disproportionate impact upon problem gambling arise, as a result of previous increases in stakes/prizes”. The Chinese Information and Advice Centre argued that reviews “should be held on a biennial basis, to identify problems and apply corrective actions at an early stage”.

Gambling Commission/Responsible Gambling Strategy Board Advice

17. The Responsible Gambling Strategy Board (RGSB) has made clear that the development of a data framework is necessary in order to understand the impact of any changes in stake and prize limits, allowing benchmarking and evaluation of changes to take place. The RGSB has further advised that such a data framework would be enhanced if it included data from play sessions that could be “linked to other demographic information, allowing an assessment of the impact on those most likely to be at risk of harm” and could be “linked within the same operator and across operators”.

Government Response

The Government considers that the reintroduction of a triennial review system is appropriate, and anticipates that the next formal review should conclude by 2016. The Government is clear, however, that future reviews must be informed by evidence of impact, both socially and economically, of the changes recommended as part of this review. The Government is equally clear that it is incumbent on the industry to provide this data to enable consideration of future proposals.

The Government agrees with advice from the RGSB that the successful development of a suitable data framework is critically important in allowing for robust analysis of the impact (social and economic) of any changes made by this review. The Government also agrees that it is of great importance to the development of such a framework that the industry realises its commitment to trial, and ultimately deliver, new social responsibility measures.

The Government would like to make clear that reviews of stake and prize limits are an opportunity to consider whether levels are appropriate across all categories. There is no presumption of routine increases in limits, and decreases in stake and prize levels may be considered. Further, the reintroduction of a triennial review process does not preclude the Government from adjusting stake or prize limits between reviews where there is a case for doing so.

With some limited exceptions (for example in relation to category C machines), the industry has provided less economic data than we would have expected in support of the proposed stake and prize changes. In future triennial reviews the industry is likely to substantially harm the prospects of achieving outcomes it would consider positive unless it can underpin its case with more robust data. We expect the industry to begin now to implement plans for the collection and analysis of data for any future review.

Category B1 gaming machines

18. The consultation proposed a rise in the maximum stake from £2 to £5, and sought views on a range of limits from £4,000 (current limit) to £7,000, £10,000 and £15,000. This range was provided in order to test what level might offer the most practical and beneficial outcome to the casino sector and the manufacturing and supply sector in terms of reinvigorating the B1 machine offer. We made clear that the level of increase would ultimately depend on how far the industry is willing to commit to trialling new and enhanced forms of harm mitigation measures, and that any further increases under future stake and prize reviews would depend on the extent to which progress was made with this issue during the current review.

Industry response

19. The casino industry favoured an increase in stake and prize limits to £5 and £10,000 respectively on the basis that this would allow operators to access a wider choice of games and attract new customers. NCiF argued that it would be costly to develop games at a £5 -

£7,000 ratio because it would require manufacturers to develop new and unique software specifically for the UK market, while a £15,000 maximum prize was appealing but not preferable to the industry. The casino industry preferred a maximum limit of £50,000 for linked progressive jackpots.

20. The majority of casino operators felt the most effective player protection programmes currently available involved trained floor staff intervening when players appeared to be in trouble. The industry argued that player identification measures (such as loyalty or members cards) were less effective because of the inconvenience to customers of carrying cards or because problem players prefer to remain anonymous and will simply migrate to more anonymous forms of gambling. However, they also noted that anecdotal evidence in other jurisdictions showed that hard or problem gamblers were *more likely* to obtain cards than recreational or casual players. It is further noted by the industry that more sophisticated player protection technology which identifies risky patterns of play is available but is expensive to procure, and may not be cost effective for businesses with a small number of machines. This point was reinforced by the claim that while the B1 market remains restricted to twenty machines per casino (1968 licences) the industry has less influence over manufacturers or capacity for trialling and experimentation.

21. More generally, the casino sector and wider industry argued that an uplift in stake and prize limits to category B1 machines would not on its own provide sufficient benefit to the sector. The industry submitted that wider reform including relaxing the limits on machine numbers in 1968 Act casinos would be necessary to drive growth in the sector and to make more sophisticated player protection technology a cost effective proposition. It was argued that relaxing restrictions on the maximum number of gaming machines in casinos for a specified period – and permitting players to use debit cards on gaming machines – would allow the sector to generate sufficient data to better understand machine gaming behaviour. Amending the law governing remote gambling terminals in casinos, and relaxing restrictions on the number of linked jackpots that can be offered, were also advocated by the industry, while some casino operators called for machine to table ratios to be normalised to 5:1 for all casinos.

22. Other operators and trade bodies outside of the casino sector including bookmakers, the Bingo Association, the British Amusement & Catering Trade Association (BACTA) and Business in Sport and Leisure (BISL) tended to support the proposal to increase B1 stake and prize limits to £5 and £10,000 respectively on the basis that it would provide some benefit to the casino and manufacturing and supply sectors while remaining consistent with the licensing objectives.

Faith and Community Groups

23. While many respondents in this group agreed that casinos were the most appropriate location for higher stake and prize machine gaming, they argued that this position should be restored by reducing stake and prize limits elsewhere. Others argued that no stake and prize limits should be increased until research had demonstrated that such increases would not

cause harm. Some respondents argued that higher stake gambling was significantly associated with problem gambling risk and that increases should be resisted on that basis. The Salvation Army said they would like to see evidence that staff in casinos do intervene when consumers display problem gambling behaviour.

Academics and Think Tanks

24. The Institute of Economic Affairs supported proposals to increase category B1 stake and prize limits to £5 and £10,000 on the basis that this would better align casino machines with international competitors and provide greater incentives for product innovation.

Local Authorities

25. Knowlsey Borough Council, Westminster City Council and Medway Council all signalled their opposition to an increase. It was argued that no increases should be permitted until trials of consumer protection measures had been completed with successful results. It was further claimed that trained floor staff who were on hand to spot signs of problem gambling at table games were “not in place” on gaming machines. Additionally, some respondents argued that increased stake and prize limits were more likely to encourage problem gambling or crime and disorder, and also claimed that smaller amounts won were more likely to be reinvested in the local economy than larger amounts, although no evidence was submitted to substantiate this claim.

Charities and not-for-profit organisations

26. GRASP argued that although an increase in stake needed to be approached with caution, and viewed in the context of the player protection strategies available, an increase in stake in this environment was not objectionable because casinos are associated generally with higher stake gambling and are subjected to generally effective protection. In relation to prize limits, GRASP said they would only agree with increases on the basis that highly effective player protection methods were established. Gambling Watch UK opposed proposals to increase stake and prize limits on category B1 machines on the basis that the effect of large percentage increases on gambling related harm could not currently be known.

Manufacturers and Suppliers

27. Respondents in this category were supportive of an uplift to £5/£10,000 on the basis that B1 stake and prize limits had not been increased for some time, during which new games and pay tables offering higher limits had been developed and successfully implemented in other jurisdictions. However, it was argued that an uplift in stake and prize limits should be implemented alongside relaxed limits on overall machine numbers permitted in casinos in order to maximise benefits to the sector.

Gambling Commission/Responsible Gambling Strategy Board Advice

28. The Commission’s advice in relation to category B1 machines reflects both the advice of RGSB and the approach set out in the triennial consultation document. In summary, the

Commission advised Government that there is scope to increase stake and prize limits on B1 machines, provided potential risk is mitigated through the development, trialling and evaluation of improved harm mitigation measures. The Commission noted that, in its view, the casino sector is well placed to take a leading position in this sphere given that many operators are multi-national, and have experience of operating in a range of jurisdictions with different approaches to social responsibility. In relation to linked progressive jackpots, the Commission noted that the same principle should apply to the industry's proposals in this area as for machines generally (that is to make a judgement based on the industry's capacity to manage the potential for increased harm to arise as a result). The Commission considered that the onus was on the casino industry to make a persuasive case on its commitment to leading the way on player protection.

Government response

The Government recognises that access to higher stake and prize gaming machines can support socially responsible growth in the casino sector. We welcome the industry's commitment to explore and ultimately deliver enhanced player protection measures which will help build public confidence in the casino sector and its commitment to minimising the harm caused by its products. The Government notes the foundations being laid by NCiF and its members in this regard through the development of the Playing Safe code. We also note the recent launch of the industry led 'P3' initiative which represents cross-industry efforts to explore harm minimisation, and includes some of the UK's largest casino operators among its members. It will, however, be important to see these proposals move from aspiration to reality, driving operational change in businesses. We would also reiterate the importance of the industry starting to gather proper data now to inform consideration of impacts at any future triennial review.

The Government also notes the advice of the RGSB and Gambling Commission which supports the Government's view that there is scope to increase stake and prize limits on B1 machines, provided the potential risk is mitigated through the development, trialling and evaluation of improved harm mitigation measures. Subject to final confirmation from the industry over the mechanics of implementing enhanced protection measures, and agreement on robust mechanisms for monitoring the effectiveness of those going forward, the Government is prepared to increase stake and prize levels for B1 machines to £5 and £10,000 respectively, with an option for casinos to offer a linked progressive jackpot prize up to a maximum of £20,000 within a premises basis.

Category B2 gaming machines

29. The consultation document acknowledged the importance of B2 machines to the economic viability of many betting shops, and associated economic investment and employment. However, it also made clear that Government could not ignore the real

concerns from many stakeholders and local communities about these types of gaming machines and their potential impact on problem gambling. Despite these concerns, the consultation also acknowledged the lack of evidence on whether B2 gaming machines in themselves have had any significant effect on the level of problem gambling in Britain. The consultation sought quantifiable evidence that a reduction in B2 stake and/or prize would have an effect (positive or negative) socially, in terms of increased or decreased risk of gambling related harm, or economically, in terms of the impact on high street betting shops, investment and employment. The consultation indicated that if there remained no clear evidence following the consultation, the Government would retain the current stake and prize limits for B2 machines as part of this review and await the conclusion of longer term research.

Industry Response

30. The Association of British Bookmakers (ABB) supported a position of no change to stake and prize levels for B2 gaming machines. They argued that problem gambling is concerned with the individual rather than any specific gambling product or products and referred to research supporting this assertion. The ABB further referred to analysis they had undertaken which suggested that:

“over 70% of B2 machine players play once a month or less, the average session of play is around 9 minutes and the average spend per session is £7.55.”

31. In addition, the ABB claimed that “no empirical evidence existed suggesting a reduction in stake and prize levels has any positive effect in reducing problem gambling or minimising gambling related harm”. The ABB felt that the very wide range of staking behaviour that a £100 stake allows did not give rise to or encourage a particular risk of harm for people who cannot manage their gambling behaviour effectively, suggesting there was no evidence to support such a claim.

32. The industry did agree there were 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 and referred to a voluntary code for responsible gambling in Licensed Betting Offices which it was seeking to implement. The industry suggested that “bespoke (player led) measures tailored to a gambler’s actual machine play, might be more effective in preventing and/or mitigating harm than the current across the board regulatory controls”. The ABB indicated that its responsible gambling code would include:

- Age verification processes
- Sports integrity
- LBOs as part of the local community
- Advertising standards (use of GambleAware website domain on screen)
- Staff safety/The Safe Bet Alliance

33. The ABB asserted that any interventions should not “impinge upon the rights of informed adults to decide how, where and when they spend their money” and indicated that its code would focus “on player information and assisting players in learning how to self-regulate”. Suggested measures for ensuring this included the following:

- Automated player information
- The ability to set time and/or cash limits on a session of play
- Staking and deposit limits
- Withdrawal of winnings as a default setting
- Responsible gambling information and access to “help” and counselling
- Self-exclusion
- Automatic time reminders/session clocks

34. In terms of the economic impact of any reduction in stake and/or prize limit for B2 machines, the industry argued that any reduction would have serious consequences for the bookmaking industry. It was claimed that if the level of B2 stake was reduced to £2 then around 7,880 (92%) of shops and 39,031 (86%) of jobs in LBOs would be at risk. It was further noted that around 2,685 LBOs make on average around £15,200 per annum and between them employ around 11,300 people. It was suggested that these premises would be most at risk from any reduction in limits.

35. Betting companies tended to refer to the ABB’s submission and argued that B2 stake and prize limits should be maintained. They reinforced points around the absence of any evidence that B2 gaming machines give rise to a particular risk of harm over and above that of other gambling products. Other bookmakers referred to research that indicated staking behaviour alone does not suggest an association with problem gambling. Finally, one bookmaker drew attention to the claim that 70% of all play on fixed odds betting terminals was on B3 content rather than B2, and that the average stake per spin on B2 content on fixed odds betting terminals for the month of February 2013 was £15.01.

36. Around 9,500 near identical responses were received from employees or customers of bookmakers arguing in favour of retaining the status quo in relation to B2 gaming machines. However, these responses failed to engage with the specific questions posed in the consultation document.

37. Some parts of the industry (including BACTA) not currently permitted to offer B2 gaming machines suggested that no sector of the industry should be permitted to offer products that undermine the licensing objectives, but that if there is no cause for use of the precautionary principle in relation to B2s, then they should be made available in all adult gaming centres with immediate effect.

Campaign for Fairer Gambling

38. The Campaign for Fairer Gambling (CFG) argued that “B2 content should be removed

from fixed odds betting terminals, which could result in the removal of the B2 machine classification in its entirety". The CFG argued that only data from bookmakers could allow for a proper assessment of staking behaviours and an understanding of whether B2 characteristics gave rise to particular risks of harm and urged for this to be made available immediately. They suggested however that a body of evidence linking B2 gaming machines with an elevated risk of problem gambling already existed. In particular, the CFG indicated that play on B2 machines was likely to be associated with higher loss rates for the player than other Gambling Commission licensed activity, and argued that a reduction in maximum bet size to £2 (the maximum stake for B3 machines) could reduce harm. However, the Government notes that a reduction in stake to £2 for B2 games would restrict the amount that consumers can stake significantly further than B3 games, given differences in speed of play. A £16 stake is a more comparable figure when comparing B3 and B2 maximum stakes over an equivalent time frame given that spin cycles for B3 games operate at faster rate of 2.5 seconds compared to 20 seconds on a B2 game.

39. The CFG further referred to a study by Landman Economics which suggested that that expenditure on gaming machines in betting shops supports relatively little employment compared with consumer expenditure elsewhere in the economy. Additionally, the report referenced secondary analysis of the British Gambling Prevalence Survey undertaken by NatCen which indicates that the demographic attracted to Fixed Odds Betting Terminals (FOBTs) is disproportionately young males (16-34), either unemployed or on low income, and more likely to be in poorer areas.

Faith and Community Groups

40. Respondents generally argued in favour of limiting the maximum stake on these machines to £2, in line with other gambling machines found outside casinos. In particular, respondents argued that particular characteristics of B2 gaming machines were likely to increase risks to players by encouraging the chasing of losses due to the availability of multiple lines of play and the use of near wins. Secondary analysis of the 2010 British Gambling Prevalence Survey which indicated 23% of revenue from B2 machines came from problem gamblers was also referred to by QAAD and the Salvation Army among others, although we note that this survey is based on a very small sample size and so it is difficult to draw robust conclusions on this evidence alone. Some respondents argued that providing local authorities with greater powers to refuse planning and licensing permission would constitute effective harm mitigation measures.

41. The Salvation Army claimed that the following examples of evidence provided "sufficient proof that problem gambling particularly caused by FOBTs was a major issue in the UK":

- Research shows that FOBTs are the third largest source of problem gambling amongst those who have gambled in the past year. Over 13% of those who gamble monthly on these machines are problem gamblers.
- The estimated number of FOBT users who have a gambling problem has increased by nearly 30,000 individuals in three years, from about 198,000 in 2007 to over

227,000 in 2010.

- According to Dr. Henrietta Bowden-Jones, lead consultant psychiatrist at the NHS National Problem Gambling Clinic, nearly half of all the clinic's patients reported FOBTs as "particularly problematic."
- Every year in the UK people lose over £1 billion on FOBTs, whilst problem gamblers lose nearly £300 million a year.

42. It was further argued that research undertaken by NatCen in 2013 based on prevalence survey data from 2010 suggested B2 machines are "particularly associated with a preoccupation with gambling, a need to gamble for larger and larger sums, and with chasing losses".

43. Finally, the Methodist Church referred to a 'clustering' of hard gaming machines in poorer areas and argued that B2 machines brought a casino environment to local communities. The Methodist Church argued that it was inappropriate for the gambling industry to "target" gaming machines at poor neighbourhoods.

Academics & Think Tanks

44. The IEA acknowledged that evidence on the effect of the latest generation of gaming machines was sub-optimal but argued that this in itself did not justify using the precautionary principle in relation to B2 gaming machines. Although their response did not engage specifically with the questions posed in the consultation document, the key arguments made included:

- The phrase 'crack cocaine' of gambling has been applied to a range of gambling products over many years and its application in relation to B2 gaming machines is not novel.
- There has been no proliferation in betting shops in recent years and in fact betting shop numbers have declined significantly since their peak during the 1960s.
- The 2010 prevalence survey found that four per cent of the adult population had played a FOBT in the past year – up from three per cent in 2007 – but there appears to have been little or no growth since then.
- The 2010 survey also shows that of those people who gamble every month, rates of problem gambling are not exceptionally high amongst those who play FOBTs (13.3%), and is lower than those who gamble on dog races (19.2%), non-sports events (13.8%), casino games (13.9%), online slot machines (17%) or among those who play poker in a pub or club (20.3%).
- The amount lost on gaming machines is frequently exaggerated due to a failure by some to distinguish between money staked and money spent.

Local Authorities

45. Local Authorities referred to anecdotal evidence from betting shops and local residents

which suggested that the particular characteristics of B2 gaming machines did give rise to particular problems. Although some Councils acknowledged they did not have any evidence to prove this at the moment, they did refer to reports which had been received of customers damaging machines in anger and making threats to shops staff after using B2 machines in betting shops. It was further suggested that a reduction in stake and prize limits may make these machines less appealing to problem gamblers. Other respondents suggested that further research into player characteristics or behaviours associated with problem gambling should be undertaken. One authority requested that DCMS consider whether FOBTs should be restricted and not automatically permitted as ancillary to a premises licence, while another suggested that clustering of betting shops had occurred within its area and suggested this was in order to circumvent limitations on the number of B2 machines permitted per premises. Other councillors, and some MPs, referred to a clustering of B2 machines in areas of deprivation and suggested this was in order to attract customers likely to display addictive gambling behaviours. Finally, one local authority claimed that a recent survey in their area had revealed that 20% of people surveyed had a gambling addiction problem in relation to B2 machines, from a sample size of 138 people and requested that action be taken to reduce the number of machines per premises or lower the stakes and prizes available.

Sports Organisations

46. The British Horseracing Authority suggested that the “Government should await more detailed reviews on the impact of category B2 machines from the Responsible Gambling Trust before proposing to amend maximum stakes and prizes”. The BHA noted that the impact of any reduction in stake on licensed betting offices and their economic contribution to British horseracing could be substantial.

Charities and not-for-profit organisations

47. GRASP argued that there was sufficient evidence for a reduction in B2 stake and prize limits. They claimed that a disproportionately high percentage of contact with their organisation related to people who have experienced problems with regard to B2 machine gambling. GRASP further claimed that the ‘repeat bet’ function available on B2 gaming machines contributed significantly to problem play and suggested that if this feature were removed the player would have more opportunity to think rationally about their stake on each ‘transaction’ prior to play. Other charities providing residential treatment for problem gamblers such as Gordon Moody Associates observed that some of their clients had found that B2 machines provided the player with the possibility of winning a lot of money very quickly, thus feeding the illusion that these machines offered a quick solution to financial problems. The Gambling Concern Group, London Chinatown, claimed there was a disparity, based on evidence from the 2010 British Gambling Prevalence Survey, in problem gambling rates between B2 players and players of other gaming machines with lower stakes, and also suggested that problem gambling symptoms among B2 players were higher than sports betting or horse racing.

48. Gambling Watch UK argued that maximum stakes for B2 machines should be reduced to £2 to bring them in line with other gambling machines located in highly accessible venues such as betting shops. It was further claimed that there was “sufficient evidence to suggest that B2 machines in their present form and location may be particularly harmful, with evidence of harm falling into three categories:

- The suggestion that B2s combine a number of features which would lead to an expectation that they should be particularly dangerous including rapid play and programming to pay out on a schedule designed to encourage continued play.
- The 2010 British Gambling Prevalence Survey showed a high percentage of B2 players to have gambling problems and roughly a quarter of all takings from B2s to come from people with such problems.
- People who have developed addictions to B2 machines, and their families, are increasingly making themselves known to treatment agencies and through media and website channels.

49. Finally, it was suggested that harm caused by B2 machines could be reduced by confining them to casino premises only.

Manufacturers and Suppliers

50. Respondents in this category tended to refer to the ABB’s submission and argued that existing limits should be retained in respect of B2 machines.

Gambling Commission/Responsible Gambling Strategy Board Advice

51. Both the Gambling Commission and RGSB advise that a precautionary reduction in stakes is currently unsupported by the available evidence. However, both are equally clear that there is a serious case to answer in relation to B2 machines. The RGSB have set out a number of significant knowledge gaps that must be filled, and note that the current lack of transparency around the impact of B2 gaming machines is something that the industry must address. The Commission and RGSB were clear that if this did not happen, the Government might reasonably act on a precautionary basis anyway.

52. The Gambling Commission advise that it is vitally important for the betting sector to drive the development and implementation of better harm mitigation measures. The Commission note this need is particularly acute in relation to B2 machines because of the potential of the high stake limit and volatility to expose players to potentially harmful rates of loss whether or not they would be classified as problem gamblers. Given the vast majority of B2 games are server-based with the potential for sophisticated data capture, the Gambling Commission note that B2 machines lend themselves well to trialling improved, data-based player protection measures such as dynamic feedback of information and the setting of time and spend limits.

Government Response

The Government sought quantifiable evidence on the extent of the impact that a reduction in B2 stake and/or prize might have (positive or negative) both socially and economically. While we have a clearer understanding of the likely economic impact of a reduction in stake by different degrees - which vary depending on the level of stake reduction - the likely social impact remains less clear. Much of the data received from the industry refers to averages (both in terms of time and money spent) but it is activity at the extremes that is likely to indicate the extent of any problematic behaviour. Equally, there was little material based on robust evidence received from those concerned about the social impact of B2 machines. However, while the information obtained is not sufficiently robust, detailed or relevant to address the existing knowledge gaps identified prior to consultation, we consider that there remains a very serious case to answer in relation to potential harm caused by B2 machines and are exploring what precautionary measures might be needed and when.

The Government recognises that a number of points are clear in relation to B2 machines. Firstly, we recognise that the operating parameters of the B2 machine are such that the potential for harm, even among players who are not problem gamblers, is high. Second, we recognise that some problem gambling charities have indicated that a significant proportion of those presenting have experienced problems with B2 machines. Third, it is clear that B2 machines have given rise to very significant public concern and have generated a degree of controversy associated with gambling that has not improved conditions for growth. However, while it is clear that reducing stakes on B2 machines by varying degrees would have an adverse economic impact on the betting industry, it is currently not clear how great an impact a reduction would have on gambling related harm.

In the immediate term, we expect the betting industry to make real and rapid progress on understanding harm and on developing much better harm mitigation measures. It is a priority for the Government that the knowledge gaps identified by the RGSB, including staking behaviour on B2 machines and its impact, are addressed. The Government is clear that the industry must lead in closing these knowledge gaps by making data available on player behaviour, patterns of play, spend and stake distribution in order to support robust, independent research which is representative in scale and informed by current data.

We note that analysis by the Gambling Commission of betting industry data made available so far shows that both B2 and B3 products experienced growth between 2010 and 2012, with B3 revenue growing faster than B2 in both percentage and absolute terms, although some operators have reported a potentially significant slowdown in machine growth in 2013. The analysis also shows that over a third of gross gambling yield from B2 machines is generated from players that stake between £50 and £100, which indicates that, all else being equal, a cut in stakes is likely to

have a commercial impact. It further shows that a small but significant proportion of gaming sessions on these machines result in losses or wins of over £100. Sessions that are characterized by B2/B3 combined play are more likely to result in a win or loss of over £100 (5.9% and 9.2% respectively), than are sessions characterized by B2 play only or B3 play only.

The available data does not however explain the relative drivers behind this income growth or to what extent it is being sustained by problem gambler activity. Importantly, the analysis underlines the knowledge gap that exists in relation to the link between machine gaming and player behaviour, and highlights the need for further work to be undertaken by the industry in this area. In summary, the industry must consider the future of the B2 machine in its current form as unresolved.

The Government expects to see an immediate and demonstrable commitment from the industry to share data, as outlined, and strengthen player protection. The Government notes that the ABB has now developed a social responsibility code of practice in relation to licensed betting offices which will be implemented from October 2013 and includes measures designed to strengthen player protection and bring about a step change in performance on social responsibility. The Government expects the industry to carefully evaluate the effectiveness of these measures, and will look to the success of the code in reducing harm as a demonstration of the industry's commitment to the licensing objectives.

The next instalments of problem gambling prevalence data will be available by the end of 2013. The Scottish Health Survey reported in September while the English Health Survey will report in December. In spring 2014, the Gambling Commission will produce a combined report drawing on this data to present an overall problem gambling rate for Great Britain. This will be a detailed report allowing for direct comparisons to be made with the 2010 British Gambling Prevalence Survey. These findings will be of great importance to this issue. Additionally, the Government supports the Responsible Gambling Trust's research into category B gaming machines which aims to describe and understand patterns of gaming machine play in various locations; to explain the impact on player behaviour of various factors; and to identify where there is robust evidence that consumers may be experiencing problems. This work should further our understanding of the extent to which problem gambling activity is associated with these machines. In addition, we will continue to take into account all relevant research exploring the association between B2 machines and an elevated risk of gambling harm.

Finally, we noted at consultation the concerns raised by a range of stakeholders about the proliferation or 'clustering' of betting shops within some local areas, which some feel might be being driven by operators looking to capitalise on the apparent

demand for B2 gaming machines. The triennial review returned some references to clustering from Councillors, MPs and from the Methodist Church in particular. However, these responses tended to indicate that the problem of betting shop clustering affects local areas in different ways depending on local circumstances.

The Government recognises concerns about the concentration of betting shops in some local communities and considers that local authorities are best placed to manage this in their local areas. Local authorities already have powers under gambling legislation to ensure necessary public protection and under planning legislation to manage the overall retail diversity, vitality and viability of town centres. In respect of gambling legislation, local authorities must consider a range of factors in issuing licenses for betting shops, and in any inspection or enforcement matters relating to those licensed gambling premises. These include the licensing objectives of the Gambling Act, namely; preventing gambling from being a source of crime or disorder, ensuring that gambling is conducted in a fair and open way, and protecting children and other vulnerable people from being harmed or exploited. Local authorities have the power to reject an application for a premises licence or to grant one with additional conditions should that be necessary. Further, they have the power to review a premises licence after it has been granted and impose licence conditions after review.

Licensing authorities must also have regard to other certain principles of the Gambling Act when determining premises licence applications or inspecting gambling premises. These include, in particular, the Codes of Practice published by the Gambling Commission which specify a number of requirements related to social responsibility issues such as the protection of the young and vulnerable. The Gambling Commission is also required to issue guidance to licensing authorities on the manner in which they are to exercise their functions, and the principles to be applied by them. The Commission consulted on revisions to this guidance in 2012, intended to help local authorities utilise their existing powers more effectively. The Government encourages local authorities to use this guidance in order to maximise the effectiveness of the existing powers available to them. Local authorities are also required to set premises licence fees at a level that recovers the reasonable costs of compliance and enforcement work.

From a planning perspective, local authorities have powers to tackle localised problems and target specific areas where the cumulative impact of betting shops or other specific type of premises might be problematic. Local authorities have tools like article 4 directions which they can use to restrict national permitted development rights if they are not suitable for their local area. This has to be taken forward in consultation with the local community. The Government's planning reforms strongly promote the involvement of local people in the development of local and

neighbourhood plans which reflect their vision for the future of their area. Where planning permission is needed for change of use the local authority will primarily be focusing on the land use impact.

Category B3 gaming machines

53. The consultation proposed maintaining existing stake and prize limits for category B3 machines, because raising limits so soon after the previous uplift in 2011 could not be justified on regulatory or economic terms. The consultation also made clear that the impact of the recently adjusted limits for B3 machines would need to be monitored to ensure their consistency with the licensing objectives before any further changes could be considered.

Industry response

54. Responses revealed a lack of consensus within the industry firstly on the need for an uplift in prize levels for B3 machines, and secondly on what the extent of any uplift should be where it was favoured. For example, while BACTA and the Bingo Association argued in favour of an increased in prize level from £500 to £1000 while maintaining stake at £2, BISL argued that more time was required to establish the impact of the 2011 changes. More specifically, BISL claimed that although a £1,000 prize would not significantly change the nature of the B3 product, it was important that more time was taken to understand the impact of the 2011 changes before a further uplift could be considered. BACTA argued instead that there was already sufficient data to justify a higher maximum prize for B3 machines, but that it should not be incumbent on industry to provide this data to support its case. The Bingo Association argued for an uplift in prize on the basis that B3 machines underpin the economics of small community Bingo premises, and that a higher prize limit would provide increased value for players and invigorate the machine offer.

55. Bookmakers submitted that there was a strong case for an increase in stake on B3 games from £2 to £3 and argued for an increase in the maximum available prize from £500 to £1000. The ABB argued that such measures could provide some incentive for growth in the coming years and referred to evidence since the last increase was implemented which suggested that the average stake on B3s had increased by around 10%. Moreover, the ABB suggested that increased stake and prize levels for B3 machines could increase the proportion generated by B3 machines against B2 machines, as well as providing more opportunities for small and medium-sized pay-outs which they argue are popular with customers.

Faith and Community Groups

56. These groups were generally supportive of retaining current maximum stake and prize limits on category B3 machines, on the basis that the impact of the 2011 rise was not yet fully understood. Others questioned whether the 2011 rise should be retained at all.

Academics and Think Thanks

57. The IEA felt there was scope to increase prize levels as per the industry's preferred option.

Local Authorities

58. Respondents tended to argue that no further increase could be justified in the absence of a more informed understanding of the 2011 uplift.

Manufacturers and Suppliers

59. Respondents tended to argue that an uplift in category B3 gaming machines should be pursued in order to rebalance the playing field against B2 gaming machines, and to restore parity between adult gaming centres and licensed betting offices in respect of gambling opportunities. Additionally, it was argued that the 2011 changes to stake limits did not need to be monitored since this simply restored the original position prior to the Gambling Act's introduction. It was further argued that B3 machines were particularly important to the viability of Bingo and Adult Gaming Centres (AGCs), and that without further increases to stake or prize levels the B3 product would continue to be stifled in comparison to B2 gaming content.

Gambling Commission/Responsible Gambling Strategy Board Advice

60. The Commission noted that significant changes to B3 stake and prize limits had been introduced relatively recently but pointed out the difficulty the industry had encountered in quantifying either the economic or the social impact of those changes. Under these circumstances, the Commission agreed with the Government's assessment that no further change be permitted until the impact of the recent changes are better understood.

Government Response

The Government proposes to maintain stake and prize limits at existing levels. To date, the industry has not provided any data that measures the impact of the 2011 uplift in stake, and it would not be appropriate to change existing limits without this information. Responses to the consultation also revealed a lack of consensus within the industry on both the need for an uplift in stake and prize levels for B3 machines, and on what the extent of any uplift might be.

The Government notes that whilst there has been a reduction in the number of B3 machines overall, income per machine has remained relatively stable, which suggests B3 is able to offer a compelling product at existing levels. Further work on exploring the relationship between B3 and B2 play on B2 terminals will also provide further evidence and greater understanding in this area. The Government also notes that the loss rate on a B3 machine can be higher than a B2 (depending on the amount staked on B2) given the much more rapid speed of play of B3 games. It will also be important that the industry is willing to share data on B3 play. The Government is also mindful of the on-going programme of Category B research. Given the above, the Government remains minded to maintain B3 stake and prize limits at the current levels, pending the emergence of the further evidence above.

Category B3A/B4 gaming machines

61. The Government's preferred option for B3A was to consider bringing forward an increase in the maximum stake level from £1 to £2 on the basis that such an increase could benefit clubs and was unlikely to be detrimental to other sectors.

Industry response

62. Although there was no consensus across the whole industry in support of this rise, those sectors which actually offer B3A machines were consistently supportive of an increase. The Bingo Association argued that an uplift would erode the differentiation between B3 machines, which primarily feature in Bingo Halls, and B3A machines which are located in private members' clubs. However, BISL agreed with the government's proposals and argued that the uplift would provide members clubs with a more attractive product that would not impact other sectors of the industry. BACTA highlighted the importance of B3A gaming machines to clubs and noted that gaming machines invariably provide the second largest income source for a club after bar takings, however no firm evidence was submitted to support this claim. BACTA further claimed that anecdotal evidence suggests B4 machines generate £200 to £500 per week for club funds, although no data was submitted in support of this claim. In many cases, the industry argued that aggregated sales data for B3A/B4 machines across the sector was simply not available because resource constraints precluded clubs from developing aggregated data sets. The ABB were supportive of the Government's position on B3A/B4 machines.

Faith and Community Groups

63. Faith groups tended to argue that clubs did not provide safe environments for gambling on the basis that they were less well controlled and that adults were frequently accompanied by children and young people. They argued that any increase in stake should be limited to inflation but preferred maintaining the status quo. Other groups argued that benefits from a proposed rise were based on the assertion of a business case without figures or robust evidence, and argued that revenue from gaming machines should not be used to shore up community ventures like clubs.

Academics and Think Tanks

64. Some academic respondents felt that a rationale for increasing limits based on the fact that these machines are largely confined to clubs ignored the fact that children and young people visiting such premises may be exposed to gambling. It was also suggested that clubs may be less well controlled gambling than other environments. The IEA supported the Government's proposals for this category and felt that a stake limit of £2 for all B3 content (including B3A) should be implemented.

Charities and Non-Profit Organisations

65. The Gambling Reform and Society Perception Group (GRASP) argued against an increase on the basis that members' clubs did not provide sufficient controls to prevent children accessing these machines.

Gambling Commission/Responsible Gambling Strategy Board Advice

66. The Commission agreed with the Government's assessment of proposals to increase limits for these categories of machine and saw no regulatory reason why the Government should not proceed with its preferred options. However, the Commission noted that the proposed uplifts are taking stake and prize limits on such machines closer to the margins at which the effectiveness of "peer regulation" and social responsibility provisions in members clubs should be tested before future uplifts can be given serious consideration. The Commission advised that it would expect to see establishments offering these machines demonstrating actively to local authorities that there is effective supervision and enforcement of restrictions on under-age gambling.

Government Response

The Government is persuaded that raising stake and prize levels on category B3A/B4 machines in line with package four of the consultation document will provide support to the club and manufacturing sectors while remaining consistent with the licensing objectives. We note the points raised through the consultation about underage play and acknowledge advice from the Gambling Commission that the proposed increases take stake and prize limits closer to the margins at which peer regulation is effective.

However, we also note that members clubs operate codes of practice which preclude non-members from entering the premises and require children to be accompanied by adults. We expect these clubs to continue to ensure that social responsibility measures are consistent with the Gambling Commission's "Gaming Machine Permits Code of Practice for Club Gaming Permits, Club Machine Permits and Alcohol Licensed Premises Permits and Permissions" guidance. We also expect these clubs to evaluate the effectiveness of these measures in the context of increased stake and prize limits.

Category C gaming machines

67. The consultation proposed an uplift in prize from the current £70 maximum limit to £100. In the consultation document we recognised concerns across the industry about the performance of this machine category and its importance to the gaming machine market overall, which forms the bulk of the machine estate in AGCs, bingo clubs and pubs. We also noted that although the previous increase in 2009 gave some short term benefit to the arcade and pub sectors, the industry had put forward a strong case at that time for a £1/£100 stake/prize ratio which has remained the industry's preferred option.

Industry response

68. There was strong support across the industry for an uplift in prize limits to £100, while retaining the stake limit at £1. The BBPA argued that an uplift in prize levels would provide important respite to licensees in the face of difficult wider economic conditions, and support job creation on the basis that pubs would become more profitable again. In addition to bar

staff, it was argued that investment in machine numbers could create skilled jobs in account management within pub operating companies. It was further argued that a £100 prize would allow manufacturers to develop games offering a greater variety of gaming/entertainment experiences for a customer whose choices have increasing competition from competing leisure offers, and it was pointed out that many smaller prizes within the increased limit would continue to be offered.

69. The BBPA argued against the introduction of player protection technology on category C gaming machines on the basis that players would simply avoid the machines rather than entering their details to play, and also because the cost of implementing player protection technology would be prohibitively expensive. They further argued that the introduction of statutory Gambling Commission Codes of Practice had strengthened the industry's social responsibility and highlighted the success of BBPA members in restricting underage play.

70. The ALMR argued that "there is now evidence that community pubs choose to restrict machine numbers or remove them altogether as the income they attract does not compensate for the additional costs and red tape". For this reason they argued a further uplift was necessary. This was based on a review of ALMR members which concluded that machine density within pubs had declined from an average 2.4 AWP (amusement with prize) machines per pub in 2001, to 1.5 in 2008/9 and 1.36 in 2013. The research also suggested that the density of SWP (skill with prize) machines had also declined to just 0.58 machines per pub, with the proportion of the overall estate with gaming machines also falling by 3% to 68% of outlets. More broadly, the pub sector estimated an increase in revenue of 10% over two years from an increase to a £100 prize. If achieved, this would reverse a general declining trend of 46% in revenue from gaming machines across the industry since 2002.

71. The ALMR also presented evidence suggesting that the 2009 rise in stake and prize limits from 50p/£35 to £1/£70 had been successful in generating increased revenue across the licensed retail sector, with the increased limits coinciding with a 7% increase in average weekly AWP income and an 8% increase in average contribution per pub. The results also showed that the benefits of the 2009 increase were felt most quickly in the managed sector of the market, where there is greater investment in management resources to respond to regulatory change, but profits were slower to be realised in leased/tenanted outlets. This suggests that challenges in raising revenue to purchase machines with new software might delay the benefits of uplifted limits to those elements of the pub sector that need assistance most. It also suggests that is a greater role for industry in raising awareness of any regulatory change.

72. Other industry respondents such as Greene King and Enterprise Inns suggested that an uplifted prize limit would lead to increased yield, allowing increased investment which would support jobs and UK manufacturing. The ABB also offered support to this option and indicated that a £100 prize would be likely to provide the incentives for growth for the pub and machine manufacturing sectors.

73. BACTA were supportive of the Government's preferred approach to increase prize limits for category C machines and referred to previous research undertaken by Brand Driver which claimed that a £1/£100 stake and prize ratio "would serve the AGC industry and its customers to the highest satisfaction".

74. BISL provided data from its members showing machine weekly income averages (MWA) from January 2008 to January 2013 to demonstrate the effect of the 2009 uplift on revenue. BISL further referred to a review completed in October 2012 which implied that even small change in machine characteristics (e.g. technical standards rather than stake and prize limits) will invigorate product churn and machine sales, and deduced from this that an increase in revenue of around 5% could be expected from the associated product development that would follow an uplift in prize to £100.

Faith and Community Groups

75. These groups were generally against an uplift in prize levels on the basis that stake and prize levels were doubled relatively recently (2009) and that further increases should not be implemented until more time has elapsed to quantify the impact. It was further argued that such a rise would blur the boundaries between casual gaming and harder gaming environments, and expose children to gaming machines. The risk of increasing co-morbidity between alcohol and gambling problems was also cited as a reason to restrict gambling in public houses. More generally, it was argued that any proposals to increase limits should be preceded by detailed study of machine distribution and demographic information about users.

Charities and Non-Profit Organisations

76. GRASP argued against an increase to category C machines on the basis that they are highly accessible and were subject to a rise in 2009. It was argued that a prize of £100 would risk incentivising participation to an extent whereby impact upon problem gambling would be significant.

Gambling Commission/Responsible Gambling Strategy Board Advice

77. The Commission sees no reason for the Government not to proceed with its preferred option for this category (to increase the maximum prize from £70 to £100). The Commission noted the presence of industry supplied economic data which, although limited, supported the case for an uplift. In addition, the Commission's own secondary analysis of prevalence survey data suggests that belonging to the group of pub-only gamblers (the largest market for Category C machines is pubs) tends not to be predictive of problem gambling.

78. However, the Commission also noted that it will be very important for the pub sector to demonstrate its active commitment to social responsibility if it is to generate the public confidence it will need to support future changes. In particular, the Commission indicated that the industry will wish to ensure that Category C remains on the whole primarily an entertainment product as opposed to primarily a gambling product.

Government Response

The Government continues to support an increase in prize limit to £100. The evidence suggests that while the 2009 increases provided some respite to the industry, the benefits of an additional increase would help support various sectors through continuing difficult economic conditions without risking the licensing objectives. The Government considers that the difference in prize limit of category B and C machines is still sufficiently wide after any rise to maintain a distinct appeal. Additionally, the injection rate for category C gaming machines is relatively high compared to other gaming machine categories, which suggests that the economic benefits of an uplift will be felt more widely across the manufacturing and retail sectors than might be the case with other machine categories as new investment takes place.

However, the Government notes the concerns of some respondents to the consultation regarding this machine category. In addition a very significant part of the category C market is found in pubs, which are not licensed by the Gambling Commission. For those reasons the Government looks in particular to the industry (including the pub trade) to ensure that there are robust social responsibility codes and measures in place, can demonstrate their impact, and that these are evaluated effectively with the results made available to DCMS and the Gambling Commission. The Government welcomes the pledge by the British Beer and Pub Association to overhaul its code of practice on preventing underage use of gaming machines, disseminating information about sources of help for gambling problems and ensuring staff are trained in the effective deployment and control of category C machines from a social responsibility point of view. The Government will look to the industry to evaluate the success of these measures to inform future reviews.

Category D gaming machines

79. The Government's preferred option in the consultation document proposed some uplift to certain types of category D machines in order to ensure the commercial viability of these products but rejected proposals from the industry for significant increases on the grounds that they could not provide sufficient assurances on public protection in relation to the level of change being proposed. Slightly above inflation increases were proposed to coin pusher machines primarily on the basis of enhancing player enjoyment, while increases broadly in line with inflation were proposed to reel based and crane grab machine prize limits. The Government was prepared to support a 100% increase in stake for reel based and crane grab machines. Stake and prize limits for other types of category D machines were to be maintained.

Industry Response

80. The industry tended to take varying views on the amount by which stake and prize limits should be increased for certain types of category D machines with some signalling contentment at the rises set out in the Government's preferred option, while others were in favour of larger increases. BACTA argued that the perception of value of category D

machines to the player had been eroded recently meaning that the arcades and family entertainment sector could not compete with other products for time and discretionary spend of young people. BACTA argued that increases to category D machine stake and prize levels in line with the industry's preferred package were proportionate and reasonable due to increases in spending power for young people, who are increasingly technologically savvy and who often operate sophisticated communication devices without parental supervision.

81. BACTA further argued that increases to stake and prize levels as per package four "would not be considered by the player to be of value and would therefore represent no benefit either to the player or the operator". In particular, with relation to the value of crane grab prizes, BACTA argued that an increase in stake from £1 to £2 should be accompanied by a proportionate rise in prize value from £50 to £100, rather than the £60 proposed, although BACTA indicated that a £75 maximum prize would be of some assistance. With regard to money prize games, it was argued that "it is not possible to create a game based upon a 20p/£6 stake to prize ratio that will be appealing to players" and the industry therefore continue to pursue a rise from £5 to £10 money prize, commensurate with a rise in stake from 10p to 20p. Finally, BACTA argued that combined monetary and non-monetary limits (currently 10p/£8 of which £5 may be cash) should be doubled, again on the basis that such increases are required to retain appeal and compete with other products for young people's attention. In return for an increase to these limits, BACTA indicated that the industry would be prepared to offer an enhanced social responsibility code and assist to take forward benchmarking research in relation to children playing these machines and not seek a further increase for a minimum of 10 years.

82. BISL argued in favour of raising prize levels beyond those contained in the Government's preferred option for crane grab machines and reel based machines, but did not indicate support for a doubling of limits on combined money & non-money prizes as proposed in the BACTA submission. BISL further argued that crane grab machines were distinct from spinning reel or cash prize machines insofar as they offered prizes that could not be re-played. It was argued that crane grab machines should be considered in a retail, as opposed to gambling, context.

83. The Bingo Association tended to support the Government's preferred approach for category D machines with the exception of increases to 20p/£6 for reel based machines where an increase to 20p/£10 was sought instead. The Bingo Association and BACTA noted that Machine Gaming Duty levels would need to be amended to ensure the benefits of any uplift would not be negated by increased tax liabilities.

84. BALPPA indicated support for a combination of packages three and four. On crane grab machines, BALPPA supported a rise in non-cash prize levels to £75 as a compromise between the £100 originally sought by the industry and the £60 preferred by the Government. BALPPA noted that in other jurisdictions such as USA, Canada and some European nations there was no limit on prize value for cranes, but the Government notes that the opportunity to play these machines in other jurisdictions is generally restricted to over 18s so direct comparisons are difficult. On money prize games, BALPPA indicated their

strong support for an increase to 20p/£10 and noted that if this rise was agreed they would not seek another rise for a 10 year period. BALPPA additionally sought an increase in stake and prize levels to combined money and non-money categories of gaming machine (other than coin pushers) to 20p/£16 (of which no more than £10 may be a cash prize).

Faith and Community Groups

85. Respondents tended to be strongly opposed to any increase in stake and prize limits within this category – and were particularly opposed to any rises for reel based machines – with many arguing that the “continued availability of gaming machines targeted to and accessible by people under 18 is fundamentally incongruent with the licensing objective to protect children and vulnerable people from exploitation through gambling”. Some respondents noted that there might be a case for altering stake and prize limits if such machines were restricted to over 18s. Opposition to category D gaming machines was on the basis that gambling at an early age was more likely to lead to misuse in later life, and respondents argued that Government should seek to delay the onset of gambling for as long as possible. Research was referred to which concluded that “adolescents who gamble show higher rates of gambling problems” and that “the prevalence rate of problem and pathological gambling amongst young people is higher than amongst adults and represents an emerging public health issue”.

86. Some respondents referred to an increase in prize limits for this category in 2009, and suggested that if these had proven to be insufficient then this was more likely to be because consumer taste had moved away from these products. It was argued that Government should not seek to artificially reverse this trend by increasing stake and prize limits. More generally, it was argued that category D gaming machines should remain a form of amusement rather than an encouragement to gamble, and on that basis any increases in stake and prize limits should be resisted.

Academics and Think Tanks

87. The IEA favoured stake and prize increases in line with the industry proposals under package three, in order to incentivise product innovation.

Local Authorities

88. Responses were mixed with regard to any increases in this category. Some Local Authorities argued that data on the impact of increased limits on the public would need to be provided before any increases were permitted. Further general claims were made that higher stake and prize limits tended to increase the risk of problem gambling prevalence among players. However, some local authorities supported the increases as outlined in package three on the basis that they would assist seaside trading resorts, while others supported the Government’s preferred option in package four.

Charities and not for profit organisations

89. GRASP did not agree with any proposals to increase stake and prize limits for category D machines and argued that they gave rise to a great amount of concern on the basis that no gaming machine was free from risk. Anecdotal evidence was also presented which suggested that many problem gamblers claimed that category D slot machines were their “first rung on the ladder of problem gambling”. GRASP further argued that the removal of gaming machines from locations such as takeaways, cafes and taxi ranks was on the basis of preventing children from engaging in unsupervised machine play but it was claimed that some venues offering category D gaming machines continued to operate with insufficient supervision despite this.

90. Gambling Watch UK were opposed to any rises in this category of machine, and were particularly opposed to any rises in reel-based category D machines because of their similarity to adult gaming machines. It was asserted that adolescents are a high risk group for problem gambling – based on research carried out over a number of years in the UK and several other countries – and that starting gambling early in childhood or adolescence puts young people at greater risk of subsequent gambling problems.

Gambling Commission/Responsible Gambling Strategy Board Advice

91. The Commission noted that the industry’s proposals on category D are based on the argument that that economic benefits (jobs, investment etc) will flow from an increase in cash stake and prize. It also acknowledged that the evidence on harm to young people from playing category D machines is inconclusive – there is no evidence of causal link to the development of gambling problems, but on the other hand there is an association between early gambling and problem gambling, and young adults (16-25) are more likely to be classed as problem gamblers than those over 25. The Commission noted that the industry anticipates growth in revenue to come from the improved ability to compete for teenage disposable income, and suggested that the Government considers whether growth on the back of encouraging real money gambling by teenagers was desirable and might in fact put at risk the public’s tolerance of children’s access to category D machines.

Government Response

As outlined in the consultation document, the Government is keen to ensure that category D gaming machines remain commercially viable to operators while continuing to exercise caution. On this basis, package four proposed increases to certain types of category D products while maintaining existing levels for other machines. As part of these proposals, the Government was prepared to support 100% increases in staking limits for crane grab, money prize (reel based) and coin pusher/penny fall machines, alongside more modest increases in prize levels. However, the consultation responses revealed a prevailing view within the industry that most of the increases outlined in package four would provide no economic benefit to players or operators and that, in the case of reel based machines, new games at the proposed ratios would in fact be more expensive to develop and less

appealing to the player than is currently the case. In addition, a number of respondents to the consultation were strongly opposed to any increase in stake and prize limits within this category – and were particularly opposed to any rises for reel based machines – arguing that the availability of gaming machines to people under 18 was harmful.

Given this, and following advice from the Gambling Commission which notes both an association between early gambling and problem gambling and the potential risk of harm that may follow from pursuing growth on the back of encouraging real money gambling by children, the Government considers that maintaining existing stake and prize limits for all types of category D gaming machines, with the exception of coin pusher/penny fall machines, is the most appropriate course of action. The Government considers that an increase in stake and prize limits for coin pusher/penny fall machines is justified on the basis that these machines are distinct from the reel-based category D machines which might present a higher risk to the licensing objectives given that they often replicate (in terms of appearance and mechanical performance) adult gambling products.

Prize Gaming

92. As part of the pre-consultation exercise the industry also submitted proposals covering prize gaming. Apart from gaming machines, this is the only other form of gambling under the Gambling Act to have centrally set maximum stake and prize limits. These proposals are set out below:

Premises	Current				Proposed			
	Max stake	Max prize	Max aggregate amount or value of prizes	Max aggregate total staked in any one game	Max stake	Max prize	Max aggregate amount or value of prizes	Max aggregate total staked in any one game
AGCs/FECs:	£1	£70	£500	£500	£1	£100	£2,000	£2,000
Licensed bingo premises (where under 18s present):	£1	£70	£500	£500	£1	£100	£2,000	£2,000
Licensed bingo premises (over 18s only):	£1	£100	£500	£500	£2	£500	£2,000	£2,000

93. The Government signalled its willingness to consider these proposals, but unfortunately not enough data was provided to allow a proper assessment to be undertaken prior to the consultation. During the consultation, the Government asked which sectors in addition to Bingo currently provided gaming under prize gaming rules. We further asked whether changing existing limits (including aggregate limits) would encourage more operators to offer prize gaming, and what type of products the industry would look to offer as a result of the proposals.

Industry Response

94. In its response to the review the Bingo Association argued that the Government should 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. They noted that in bingo clubs prize gaming is primarily an interval activity designed to appeal to the widest possible range of player profile. However, they argued 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”.

95. The Bingo Association 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. They suggested that an uplift of at least 10% was realistic, but no evidence was submitted to substantiate this claim.

96. BACTA argued that if the industry's proposals in respect of prize gaming were adopted bingo operators and those who would wish to increase the product mix in Family Entertainment Centres (FECs) and Adult Gaming Centres (AGCs) by using prize gaming would benefit. They similarly argued that current stake and prize limits are stifling operators' ability to offer prize gaming in a way which is appealing to customers.

97. BACTA also argued that prize gaming has historically been more popular in smaller, traditional clubs. It argued that the limit on player numbers disadvantaged many of these small businesses. BACTA estimated that on a per club basis the average contribution of prize gaming to total revenues has decreased from 9.8% in 2008 to 7.2% in 2009, then recovered to 9.7% in 2010. They argued that with admissions at this level, the limit on maximum aggregate stake has less impact. However, for traditional clubs with 1-2,000 admissions per week (still regarded as a small club), it was argued that the contribution has declined steadily from 9.8% in 2008 to 9% in 2009, then to 8.4% in 2010.

Faith and Community Groups

98. Faith groups were generally opposed to increases in stake and prize limits on the basis that the industry was seeking large increases which would be made in premises to which children have access. They argued that watching parental gambling is a risk factor for later problem gambling and suggested that increasing prizes to the degree sought by the industry risked turning bingo into a harder form of gambling than it has been hitherto.

Gambling Commission/Responsible Gambling Strategy Board Advice

99. The prize gaming provisions for bingo (section 291) operate by exempting those with a bingo premises licence from the offence of making gambling facilities available in respect of any prize gaming which is offered from those premises. Bingo operators may offer any form of gaming as long as it meets the prize gaming requirements within their premises (not limited to bingo games). This essentially continues the position under the 1968 Gaming Act where operators could offer gaming for prizes. The provisions allow bingo operators some freedom in the types of game they may offer, whilst ensuring that prize gaming remains relatively low level in terms of the stakes and prizes that may be offered. Stake and prize levels for prize gaming on bingo premises are restricted by conditions attached to bingo operating licences. Adult gaming centres and licensed family entertainment centres can also offer prize gaming with restrictions on stake and prize levels and the conduct of prize gaming conferred by section 293 and regulations.

100. Previous revisions to prize gaming stake and prize levels have maintained the maximum aggregate stakes and prizes at £500, to maintain the character of prize gaming itself. Increases in the maximum individual and aggregate amounts might allow a move away

from the lower-level gaming that the provisions were designed to permit, and begin to negate the separation between gaming that is permitted on bingo or arcade premises on the one hand and casinos premises on the other, where higher level gaming can take place. The Commission notes that the industry has provided little substantive evidence to support the case for such a significant uplift in prize gaming stake and prize levels.

101. Conversely, the Commission notes that the changes to prize gaming stake and prize limits in 2009 and 2010 narrowed the ratios between the maximum individual stake and the maximum aggregate of stakes (i.e. stakes increased from 50p to £1 but aggregated stakes remained at £500). The same applied to individual prize levels and aggregate prize levels. Subject to robust monitoring and evaluation of any change, the Commission sees no substantial regulatory risk in reinstating the original individual stake and aggregate stake ratio, and the individual prize and aggregate prize ratio, via an uplift to both aggregates (stake and prize) from £500 to £1,000 (while maintaining the existing maximum individual stake at £1, and the maximum individual money prizes at £100 for adult-only prize gaming in bingo premises and £70 in adult gaming centres).

Government Response

The Government recognises that bingo halls and AGCs/FECs could benefit from an increase in limits and understands the argument that the current stake and prize ratio constrains the number of players who can participate in prize gaming, on the assumption that operators choose to charge the maximum stake. The Government is mindful that an aggregate prize increase was requested by the industry in 2009 and 2010 when prize gaming stake and prize limits were last amended. At that time, the Government felt that while increases to stake and individual prize were justified, the aggregate prize limit should be maintained in order to retain the character of prize gaming.

The Government recognises that conditions may be attached to the operating licence to prevent specific games from being played under these rules. The Government is prepared to explore, through separate regulations, a potential increase in the maximum aggregate prize limits for prize gaming of up to £1,000. However, the Government is keen to ensure that the type of gambling available in bingo halls, AGCs and FECs, and any other places where prize gaming may be offered, is consistent with the products generally offered in those venues and an increase will be subject to consideration of the mechanisms available to ensure that remains the case. Any changes brought forward in respect of prize gaming will run to a different timetable to gaming machine limits, in order to allow time for appropriate assessment of the impact, and in view of the fact that changes to prize gaming require amendment of separate regulations.

Chapter 5: List of Unique Respondents

1	Admiral
2	Association of British Bookmakers Ltd
3	Association of Licensed Multiple Retailers
4	Astra - Bell Fruit
5	Backhousebet
6	Betfred
7	Bingo Association
8	British Amusement & Catering Trade Association
9	British Association of Leisure, Parks and Piers Attractions
10	British Beer & Pub Association
11	British Horseracing Authority
12	Business in Sport & Leisure
13	Campaign for Fairer Gambling
14	Casino Operators Association UK
15	Chinese Information and Advice Centre
16	Christian Centre for Gambling Rehabilitation
17	Display World Limited
18	Enterprise
19	Evangelical Alliance
20	Gala Coral Group
21	Gambling Watch UK
22	Gordon Moody Association
23	Greene King
24	Haringey Council
25	Hillgate Travel
26	Hippodrome Casino Ltd
27	IGT UK Gaming
28	Inspired Gaming
29	Institute of Economic Affairs
30	Jennings Bet

31	Knowsley Metropolitan Borough Council
32	Ladbrokes plc
33	Licensing Advice Project - Westminster Citizens Advice
34	London Borough of Hackney
35	Medway Council
36	Mitchell and Butler
37	National Casino Industry Forum (NCiF)
38	Opera House Casino
39	Paddy Power
40	Punch Taverns
41	Quaker Action on Alcohol and Drugs
42	Responsible Gambling Trust
43	Roar Betting DF Ltd
44	Salvation Army
45	Satellite Information Services Ltd
46	SG Gaming
47	Shipleigh Estates/Shipleigh Brothers Limited
48	Softcat Limited
49	South Lanarkshire Council
50	Stephen Metcalf Ltd
51	The Baptist Union of Great Britain, The Methodist Church and the United Reformed Church
52	The Gambling Reform and Society Perception Group (GRASP)
53	The Rank Group Plc
54	Westminster City Council
55	William Hill

A small number of unique responses were received from members of the public. In order to maintain anonymity, these respondents are not listed here. In addition, a large number of identical responses were received as part of campaigns run by particular organisations. Similarly, names of respondents are not listed here but an outline of the number of responses received is provided at page 7.

Chapter 6: Summary of Final Proposals

Category	Current max stake	Current max prize	New max stake	New max prize
B1	£2	£4,000	£5	£10,000 (with the option of a maximum £20,000 linked progressive jackpot on a premises basis only)
B2*	£100	£500	£100	£500
B3	£2	£500	£2	£500
B3A	£1	£500	£2	£500
B4	£1	£250	£2	£400
C	£1	£70	£1	£100
D non-money prize (other than crane grab)	30p	£8	30p	£8
D non-money prize (crane grab)	£1	£50	£1	£50
D money prize	10p	£5	10p	£5
D combined money & non-money prize (coin pusher/penny falls)	10p	£15 (of which no more than £8 may be a money prize)	20p	£20 (of which no more than £10 may be a money prize)
D combined money & non-money prize (other than coin pusher or penny falls)	10p	£8 (of which no more than £5 may be a money prize)	10p	£8 (of which no more than £5 may be a money prize)
Prize Gaming **	£1	£500 (aggregate)	£1	£1,000 (aggregate)

*We consider the future of these machines to be unresolved pending further work which is already underway.

**Any changes to prize gaming will be pursued via separate regulations at a later date, subject to impact assessment.



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