



department for
**culture, media
and sport**

Consultation

The Draft Categories of Gaming Machine (Amendment)
Regulations 2009

and

The Draft Gambling Act 2005 (Limits on Prize Gaming)
Regulations 2009

Second consultation

December 2008

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Section 1: Introduction

Summary

1.1 Section 236(4) of the Gambling Act 2005 (“the Act”) provides that regulations made by the Secretary of State for Culture, Media and Sport to define the different categories of gaming machine can include monetary limits on stakes and prizes applying to the different types of machine. The Categories of Gaming Machine Regulations 2007 (SI 2007/2158) were the first use of these powers, and set stake and prize limits on gaming machines which are currently in force.

1.2 On 25 June 2008 Gerry Sutcliffe MP, the Minister with responsibility for gambling, announced that principally in order to provide economic assistance to family entertainment centres (such as seaside arcades) and to pubs and clubs, the Department would bring forward a review of Gaming Machine Stakes and Prizes planned for 2009 to this year, in respect of low-stake, low-prize Category C and D machines only. A review of Category B machines will follow in 2009, and all categories will be reviewed again in 2012.

1.3 The Minister also announced that the Department would adopt a fast-track process so that any changes following the review would not be delayed. To that end, the Minister and officials wrote on 25 June to a range of trade bodies and organisations with an interest in problem gambling to invite them to submit their suggestions for appropriate revised stake and prize limits. Following the end of this initial phase of consultation, and on the basis of suggestions received, the Department formed a view on what revised stake and prize limits would be appropriate and proportionate. These formed the basis of a Consultation Document which was issued in late August 2008. This consultation was entitled “The Gambling Act 2005 (Variation of Monetary Limits for Gaming Machines) Order 2008”.

1.4 The consultation document suggested a range of options for what stake and prize limits should apply until 2012. For Category C machines, these were:

- 50p/£35 (no change)
- 50p/£50
- 60p/£60
- £1/£70
- £1/100

1.5 The consultation document also presented arguments in favour of the Government’s favoured options, which were:

Category C machines

- Increase the stake limit to 60p and the prize limit to £60

Category D machines

- No change to money prize machines;
- Increase the maximum stake and the maximum prize value for non-money prize machines to 50p and £30 respectively (would apply to ‘crane grabs’ only);
- Maximum stake of mixed cash prize/non-cash prize machines to remain unchanged, but the prize value for ‘penny falls’ or ‘coin pushers’ to increase to £15 (of which a maximum of £8 could be cash)

1.6 The consultation closed on 31 October 2008 and 15 organisations responded. A summary of responses is at the Annex to this document.

1.7 A large majority of the consultation responses did not support the Government's proposals. Just 4 out of 15 felt that a stake limit of 60p and a prize limit of £60 on Category C machines would provide the necessary level of relief to seaside arcades, pubs and other venues, or to machine manufacturers and suppliers; and only 5 out of 15 felt that the Government's proposals would provide greater benefits than the *de minimis* alternative increase, to 50p and £50. A clear majority of responses argued that 60p/£60 limits were not viable, preferring instead a minimum stake of £1 and a maximum prize of £70 or £100.

1.8 Around half of those who responded (8 out of 15) felt that the Government's proposals for adjustments to stake and prize limits on Category D machines, and for prize gaming, would provide the necessary level of relief. However, there were some important dissenters including the principal trade bodies for family entertainment centres. Whilst agreeing to the Government's proposals in relation to cash Category D machines ("fruit machines"), and whilst recognising that increases should apply only to "crane grabs" among non-cash machines and to "penny falls" (also known as coin pushers) among mixed cash/non cash machines, they called for a £1 stake and £50 prize value limit for crane grabs.

1.9 Trade bodies made some highly persuasive representations, in their consultation responses and in subsequent meetings, in favour of these higher limits and to explain why the Government's preferred options would fail to have the desired effect of providing relief to the seaside arcade and pub sectors (whilst not posing any greater risk in terms of the licensing objectives). These representations, which were supported by market research, are set out in full below but their main themes were as follows:

- It would be very difficult for manufacturers to design workable machines;
- It would entail punters putting at least two coins in the slot, or being unable to retrieve the 40p residue from a pound – neither option would be attractive;
- Moving away from the present stake to prize ratio would also deter punters;
- Market research indicates that for these reasons, not enough players would want to play such machines for them to be worth ordering in large numbers from manufacturers. They would therefore benefit neither the manufacturers nor the operators to the extent that we hoped.

1.10 The Government is always open to persuasive argument supported by evidence. On the basis of the representations made by Business in Sport and Leisure and two trade associations, the Department now accepts, in relation to Category C machines, that the fourth option in the first consultation document (a £1 stake limit and £70 prize limit), would bring a number of benefits and is the best way forward. This does not go as far as the £1/£100 option above, which was recommended by the main arcades trade association but which would in the Government's view go too far in blurring the distinction between low-stake, low-prize machines and higher categories of machine.

1.11 The benefits are set out below, but it is important to note here that the £1 stake would be a maximum only: most players of Category C machines are expected to bet considerably less. Moreover, the Gambling Commission as the Government's statutory adviser on gambling issues has advised that £1/£70 would not give rise to concerns in terms of the Gambling Act objectives, i.e. it does not pose a significant risk of creating increased problem gambling or criminal behaviours. The Commission is presently consulting on amendments to its technical standards which would set "speed of play" and "repeat features" on machines so as to minimise their potential addictiveness.

1.12 In relation to Category D machines, the Government accepts that for crane grabs only, stake and prize value limits higher than the 50p and £30 levels initially proposed, are required to address the extremely difficult economic position in which seaside arcades presently find themselves. The Department now feels that limits of £1 and £50 are appropriate. Its reasoning is set out below.

1.13 In relation to penny fall machines, the Government confirms its view as set out in its previous consultation, namely that an increase in the maximum prize could be permitted without any risk to the licensing objectives in the Gambling Act. It therefore maintains its proposal that whilst the maximum stake for these machines remain at 10 pence, the maximum prize should be increased from £8 (of which no more than £5 can be a money prize) to £15 (of which £8 can be a money prize).

1.14 Lastly, in relation to prize gaming, the Government is convinced, following representations in response to the August consultation, that an increase in the maximum participation fee from 50 pence to £1, and increase in the maximum money prize from £35 (£50 in Adult Gaming Centres) to £70 may be introduced consistently with the licensing objectives.

1.15 Draft Statutory Instruments implementing these proposals are attached and a draft Impact Assessment will follow shortly. Depending on the results of this consultation, the Department's intention would be to lay the Statutory Instrument dealing with gaming machines in Parliament for Affirmative Resolution as soon in the New Year as logistically possible, with a view to the new limits coming into force no later than the beginning of the Easter holiday season 2009. Likewise, depending on the outcome of the consultation, the Department would propose to lay the Regulations dealing with prize gaming in time for them to come into force within the same timescale.

1.16 We anticipate that this second consultation will be of particular interest to faith groups and organisations with an interest in problem gambling.

1.17 For comments, feedback or further information please contact:

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1.18 The consultation period will run from 22 December 2008 to 19 January 2009.

1.19 A summary of responses will be published shortly after the closing date. Please note that all information in responses, including personal information, may be subject to publication or disclosure under the Freedom of Information Act 2000. Confidentiality cannot be guaranteed to any correspondents, and will only be possible if considered appropriate under the legislation.

Section 2: Proposals for Consultation

Background

2.1 Detailed background on the four categories of gaming machine authorised under the Gambling Act 2005, and on the campaigns of trade bodies including the British Amusement Catering Trades Association, the British Association of Leisure Parks, Piers and Attractions and the British Beer and Pub Association for assistance from the Government to help their operators in the arcade and pub sectors withstand the present downturn in revenues, was included in the Department's first consultation dated August 2008 and is not reproduced here.

2.2 On 25 June 2008, Gerry Sutcliffe MP (the Minister with responsibility for gambling) announced that in order to respond to concerns about the economic situation of family entertainment centres (such as seaside arcades) and pubs and clubs, the Department would bring forward by a year a review of Gaming Machine Stakes and Prizes planned for 2009, in respect of low-stake, low-prize Category C and D machines only..

2.3 To coincide with his announcement the Minister and Department wrote to a range of trade bodies and organisations with an interest in problem gambling inviting them to suggest what stake and prize levels should apply to Category C and D gaming machines until 2012, which is the date of the next review. Representations were made by operators of seaside arcades, bingo halls, pubs and manufacturers, many of whom had reported difficult trading conditions. Following the end of this initial consultation, and on the basis of suggestions received, Ministers accepted that some increases in stake and prize levels could be made, although they took the view that these increases should not go any further than what was appropriate to ensure the promotion of the licensing objectives (especially protecting children and vulnerable adults from the potential harm that may be caused by gambling).

2.4 Subject to that overriding priority, Ministers also had regard to the following considerations:

- The need to ensure that operators were not being unnecessarily disadvantaged by stake and prize levels that were lower than the promotion of the licensing objectives would allow; ;
- The need to ensure that the ratio of stake to prize limit enabled machine manufacturers to develop games that customers would enjoy;
- The trend of previous changes in stake and prize limits when compared against inflation, and the need to ensure that any new stake and prize levels would provide some proofing against inflation until 2012, the date of the next review; and,
- How the stake and prize levels for Category C and D machines would fit with the current level of stake and prize levels for Category B machines, which will be reviewed next year although again with no presumption of any increase; and
- The importance of preserving relatively soft gambling environments that provide a viable and attractive alternative to harder environments such as licensed betting offices and casinos with unlimited stakes gambling or indeed online gambling, by maintaining the distinction between the characteristics of category B machines and those of Category C and D machines established in 2007 by the Act and regulations.

2.5 With all these factors in mind, in July and August 2008 the Department considered carefully what level of increases would be appropriate for both Category C and Category D machines.

Category C

2.6 Many respondents to the initial consultation had suggested an increase in the maximum stake limit for Category C machines to £1 (from the current limit of 50p) and an increase in the maximum prize limit to £70 or £100 (from the current limit of £35). In its consideration during the summer the Department recognised that increases on this scale were likely to have the most beneficial impact for the industry, and would provide maximum flexibility for manufacturers to develop new games which appealed to customers. DCMS also noted that an increase in maximum stake levels less than £1 could fail to provide a sufficient incentive for operators to replace 'legacy machines', and could alienate players interested in multi-stake and multi-prize machines, thus tempting operators of soft gambling environments such as family entertainment centres and bingo halls to split existing premises in order to gain an increasingly high proportion of Category B machines.

2.7 The Department also recognised that prize levels of these proportions would help make machines more attractive and so were likely to do most to increase operator revenues. It accepted that the availability of higher prize machines was more likely to encourage operators to replace legacy machines with new ones, which would invigorate the manufacturing market and provide an attractive alternative to Category B machines.

2.8 All the factors described at 2.6 and 2.7 have remained relevant and have contributed to the Department's subsequent decision to revise its position (see below). Nevertheless, Ministers decided in the summer that increases at the higher levels suggested were inappropriate, for a number of reasons:

£1 stake

- An immediate 100% increase in stake levels was hard to reconcile with the precautionary approach that the Department had taken to the implementation of the Gambling Act as a whole;
- Such an increase would be far in advance of what the industry could reasonably expect to keep pace with inflation; and
- It would bring the maximum stake (although not the prize) for Category C gaming machines in line with those for Category B3 machines, and Ministers did want to take Category C machines in the direction of 'harder' gambling.

£70 or £100 prize

- Increases in prize levels to £70 (100%) or £100 (nearly 200%) were incompatible with the precautionary approach that the Department had taken to the implementation of the Act;
- Such increases were significantly in advance of what the industry could reasonably expect to provide a degree of proofing against inflation; and
- A £100 prize in particular would take Category C gaming machines in the direction of harder gaming machines *unless accompanied by additional restrictions on game speed and features*, and could begin to erode the important distinction between 'harder' and 'softer' machines.

2.9 In the light of these considerations, the Department was attracted to the suggestion made by one operator that the maximum stake limit should remain unchanged at 50p whilst the maximum prize limit should be increased to £50. However, it recognised that an increase in prize level only might prove insufficient to assist the industry. Therefore, although no suggestion of maximum stake level between 50p and £1 had been received, DCMS formed a view that a maximum stake limit of 60p and an increase in the prize limit to £60 would be appropriate and proportionate in that it would offer sufficient economic support to the industry whilst posing minimal risk to children and vulnerable adults.

2.10 The August 2008 consultation document therefore listed a range of options for what stake and prize limits should apply until 2012 for Category C machines – 50p/£35 (no change); 50p/£50; 60p/£60; £1/£70 and £1/100 – but stated that the Government's favoured options, which were to increase the stake limit to 60p and the prize limit to £60.

Category D

Cash prize machines

2.11 The Department considered the responses to the initial consultation against the criteria set out in 2.3 and 2.4 above. All-cash Category D machines, with current stake and prize limits of 10p and £5 respectively, include the only form of fruit machines that children are currently permitted to play, and this point weighed heavily in the consideration of this issue. The great majority of responses, from both the industry and faith and problem gambling bodies, recognised this sensitivity and suggested that the current stake and prize levels should remain unchanged.

Non-cash prize machines (e.g. teddy bear crane grabs)

2.12 There is a broad consensus that non-cash prize gaming machines such as crane grabs pose no real risk to children or the wider public. They are a common sight at seaside arcades around the country and Ministers have been clear that they are keen to assist such arcades. The current stake and prize limits for non-cash prize gaming machines have been in force since 1997 and trade bodies argued in the initial consultation that significant increases were necessary to increase the attractiveness of the prizes that operators are able to offer. They proposed an increase in the maximum stake to £1 and in the prize value limit to £50.

2.13 Ministers accepted that it was necessary to increase the appeal of these machines, and felt that a significant increase to take account of inflation between 1997 and 2012 would be possible without prejudicing their principal priority to protect the public by upholding the licensing objectives. However, they concluded that the proposed increases went too far: a £1 stake could erode the important distinction between low and high stake and prize gaming machines. Moreover it would be right to agree a lower increase in the maximum prize value and monitor the impact of that before making any higher value prizes possible.

2.14 Ministers were concerned that the availability of far higher stake and non-money prize values may prompt some manufacturers to seek to develop fruit machine style games which offered non-cash prizes. There would be nothing to prevent children from playing such games under the legislation as it stands, possibly raising concerns in terms of the licensing objectives. They therefore decided to propose limiting this increase to crane grabs only, and that for all other non-cash machines the current stake and non-cash prize values should remain the same.

Mixed cash prize/non-cash prize machines

2.15 Similar considerations applied as for non-cash prize machines. The trade associations proposed an increase in the prize levels that such machines may offer of up to £15, of which £8 could be a cash element and £7 non-cash. This would enable penny falls to offer a £5 note as a prize, allow for an additional £3 coin “spillage”, and enable a range of non-cash prizes to be offered. The stake level would remain the same at 10p.

2.16 Ministers noted that while such an increase would be well ahead of inflation, the current prize levels had been the same since 1997 so an increase was overdue. They therefore decided to accept the industry’s proposals, but again to limit them to penny falls/coin pusher machines for the reason given at 2.14.

2.17 The Government’s favoured options in the August 2008 consultation document were therefore as follows:

- No change to money prize machines (typically the lowest category of fruit machines) – the current 10p maximum stake and £5 maximum prize would remain unchanged;
- Maximum stake and maximum prize value for non-money prize machines to increase to 50p and £30 respectively. This change would apply to crane grabs only;

- Maximum stake for mixed cash prize/non cash prize machines to remain unchanged at 10p but maximum prize value to increase to £15, of which a maximum of £8 could be cash. This change to apply to penny falls/coin pushers only.

Prize gaming

2.18 Prize gaming was not within the scope of the initial consultation. However, a number of stakeholders submitted proposals in this area and prize gaming was therefore included in the August consultation. It was proposed to equalise stake and prize limits in Adult Gaming Centres, Family Entertainment Centres and other venues permitted to offer prize gaming with those for Category C machines, i.e. the maximum participation fee would be 60p, and the maximum cash prize would be £60 in both types of arcade. The maximum aggregate prize in all cases would remain unchanged at £500.

Results of the August 2008 consultation

2.19 The consultation closed on 31 October 2008 and 15 organisations responded. A summary of responses is at the Annex to this document. The majority of respondents welcomed the government's decision to bring forward the review in order to provide economic assistance to certain areas of the sector, and most emphasised the importance of having any new limits in place for the Easter 2009 holiday season. However, a large majority of the consultation responses did not support the Government's proposals. In particular, trade bodies made some highly persuasive representations (supported by market research) in their responses and in subsequent meetings, in favour of the higher limits referred to in the August 2008 consultation.

Category C

2.20 A majority (8 out of 15) of responses, including all those from operators and trade bodies, were highly critical of the proposed 60p/£60 limit, arguing that it would not provide adequate tangible benefits to family entertainment centres, pubs or clubs. The principle reason for this is that machines with these limits would not be attractive to players:

- It would entail them putting at least two coins in the slot, or being unable to retrieve the 40p residue from a pound – neither option would be attractive;
- Moving away from the present stake to prize ratio (1:70) would also deter punters.

They also felt that these levels would not generate adequate new business for machine manufacturers and suppliers. As well as being unattractive to punters, the limits would be too low to provide an incentive for manufacturers to develop new machines and for operators to replace legacy machines.

2.21 Two responses, from faith bodies (see below), took a neutral position and only 4 supported the Department's approach. Only 5 out of 15 felt that the 60p/£60 option would provide greater benefits than even the *de minimis* alternative option of 50p/£50.

2.22 The clear majority of responses argued instead for a minimum stake of £1 and a maximum prize of £70 or £100, in order to re-invigorate the market. Many picked up on the point made by the Gambling Commission and included in the consultation document, that a £1 stake would not pose any significant threat to licensing objectives or increase problem gambling provided appropriate controls were put in place.

Category D

2.23 Around half of those who responded (8 out of 15) felt that the Government's proposals for adjustments to stake and prize limits on Category D machines would provide the appropriate level of increase, consistent with the licensing objectives. However, there were some important dissenters, including the principal trade bodies for family entertainment centres. Whilst agreeing to the Government's proposals in relation to cash Category D machines (fruit machines) and mixed

machines (penny falls/coin pushers), and accepting that increases should apply only to crane grabs among non-cash machines and to penny falls among mixed machines, these bodies argued for a £1 stake and £50 prize value for crane grabs. Bingo clubs also disagreed with the proposals, arguing that they did not give operators the scope to develop new products, and faith groups expressed some reservations (see below).

Prize gaming

2.24 Three responses, from organisations representing the bingo industry, commented on the Government's proposals for prize gaming. They did not support the linking of prize gaming limits to those applying to Category C machines. They argued instead that a greater increase would be a harmless way of assisting bingo halls and other areas of the industry by giving operators the scope to develop new products and become more competitive.

The Government's new proposal

2.25 The Government is always open to persuasive argument supported by evidence. The Department has therefore revised its view of what would constitute appropriate levels of increase for Category C and D gaming machines. These are set out below.

Category C

2.26 On the basis of the representations made by trade associations (and supported by the leisure industry lobby group Business in Sport and Leisure), the Department now accepts, in relation to Category C machines, that the fourth option in the first consultation document (a £1 stake limit and £70 prize limit), would bring a number of benefits and is the best way forward. It is important to note that this does not go as far as the fifth option (£1 and £100), which was recommended by the main arcades trade association but which would, in the Government's continuing view, go too far in blurring the distinction between low-stake, low-prize machines and higher categories of machine and might lead to could lead to increased problem gambling risks.

2.27 The arguments in favour of this new approach are as follows:

- Market research strongly suggests that increases on this scale would make machines much more attractive to players than the 60p/£60 option (for instance by retaining the present stake to prize ratio, the proposed limits being simply double the present limits);
- This would therefore have a more beneficial impact across operators and manufacturers;
- A 60p game might be unfair to players. With players predominately use a £1 coin and low denomination notes to play, a 60p game would leave a residual amount, requiring multiples of £3 to be inserted before the residual is used up. This could encourage players to spend more than they wished. A £1 stake would be one way of preventing this problem.
- By not alienating players interested in multi-stake and multi-prize machines, the measure would not tempt operators of soft gambling environments to split existing premises in order to gain an increasingly high proportion of Category B machines;
- The availability of higher prize machines is more likely to encourage operators to replace legacy machines with new ones, invigorating the manufacturing market and providing a range of appealing games as an alternative to Category B machines.
- The £1 stake would be a maximum only: the increasing development of multi-stake, multi-line machines means that customers are likely to stake significantly less on each spin (for Category B3 machines, with a maximum £1 stake, the average staked in 67p);
- The Gambling Commission as the Government's statutory adviser on gambling issues has advised that £1/£70 would not give rise to concerns in terms of the Gambling Act objectives, i.e. it does not pose a significant risk of creating increased problem gambling or criminal behaviours;
- The Commission is presently consulting on amendments to its technical standards which, by limiting the speed of play and the potential rate of loss through repeat features, will minimise machines' potential addictiveness.

Category D

2.28 In relation to Category D machines, the Government accepts that for crane grabs only, stake and prize value limits higher than the 50p and £30 levels initially proposed would enable operators to offer more attractive prize items (such as Playstation and X Box games, mobile phones and iPod Shuffles). Tastes have grown more sophisticated over the last decade and allowing seaside arcades to offer prizes such as this would go a long way to addressing the difficult economic position in which they presently find themselves. The Department now feels that limits of £1 and £50 are appropriate.

2.29 Raising the limit to £1 would not be a price increase in the conventional sense. Operators would continue to offer a range of stakes and prizes, 10p stake/ £1 prize upwards, with the average likely be a 33p stake or less. The Department accepts that this would give operators the opportunity to offer the degree of choice that customers expect.

2.30 The Government did not, during the August-November consultation period receive any further representations specifically relating to penny fall machines that would warrant it to change its view on these as described in the previous consultation. It therefore maintains its proposal that whilst the maximum stake for these machines remain at 10 pence, the maximum prize should be increased from £8 (of which no more than £5 can be a money prize) to £15 (of which £8 can be a money prize).

Prize gaming

2.31 The Department has heeded the views of certain trade bodies, but does not feel a sufficient case has been made for the Government to reconsider the position it took on this issue in the August 2008 consultation. Therefore, the Department proposes to equalise stake and prize limits in both Adult Gaming Centres, Family Entertainment Centres and other venues permitted to offer prize gaming with those for Category C machines, i.e. the maximum participation fee would be £1, and the maximum cash prize would be £70 in both types of arcade. The maximum aggregate prize would remain unchanged at £500 in all cases.

Next steps

2.32 Draft Statutory Instruments that would give effect to these revised proposals are attached, and there will now be a period of formal consultation. This has been reduced to four weeks, on the basis that trade bodies are unlikely to have substantial further objections to revisions which they have themselves requested. The Department is also mindful of the need to introduce the new limits with a minimum of further delay.

2.33 However, the Department recognises that these proposals are of interest to many bodies with an interest in problem gambling, including faith groups. In response to the August consultation, the Methodist Church and Quaker Action on Alcohol and Drugs both proposed no change to the current 50p/£35 stake and prize limits for Category C gaming machines. Their concern centred on the potential effect of the increased prize levels on children and vulnerable people on low incomes. Whilst accepting the Gambling Commission's view that the higher increases now proposed do not in fact give rise to legitimate concerns in relation to the objectives of the Gambling Act, the Department understands these concerns and has therefore determined that it would be appropriate that faith groups and others with similar concerns have the opportunity to comment again.

2.34 Following conclusion of the present consultation, Ministers will again consider the best course of action. If the decision is taken to proceed as proposed, it will be first be necessary to allow the European Commission the statutory 12 week period to comment on the proposals in so far as they constitute technical standards in relation to gaming machines. The Department would then intend to lay the statutory instrument concerning gaming machines in Parliament for Affirmative Resolution (this means the instrument will be debated in, and have to receive the approval of, both Houses of Parliament) as soon as logistically possible in early 2009, with a view to the new limits coming into force no later than the beginning of the Easter holiday season. The instrument concerning prize gaming would need to be laid under the negative resolution procedure, and in the event that the current proposals go ahead, the Department envisages that both instruments would come into force at the same time.

Section 3: Consultation Questions

3.1 You are invited to comment on any aspect of this consultation document. However, you may find it useful to refer to the questions below, which cover the main points on which we would particularly welcome views. Please be as specific as possible in your response.

Question 1: Do you consider that the Government's revised proposals for adjustments to stake and prize limits on Category C machines, to £1 and £70 respectively, will provide an appropriate level of increase (consistent with the licensing objectives) to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

Question 2: Do you consider that the Government's proposals for adjustments to stake and prize limits on Category D machines, as revised, will provide an appropriate level of increase (consistent with the licensing objectives) to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

Question 3: Do you believe that the Government's proposals, taken together, could have adverse consequences in terms of problem gambling, criminality and the effect on minors?

Summary of responses to August 2008 consultation

Background

On 25 June 2008 Gerry Sutcliffe announced that the Department would bring forward a review of Gaming Machine Stakes and Prizes in respect of low-stake, low-prize Category C and D machines only. The review was originally planned for 2009, but brought forward to 2008 in order to provide economic assistance to family entertainment centres (such as seaside arcades), pubs and clubs.

The Department adopted a fast-track process so that any changes resulting from the review would not be delayed. Minister and officials wrote to a range of trade bodies and organisations with an interest in problem gambling to invite them to submit their suggestions for appropriate revised stake and prize limits by 25 July 2008. On the basis of the suggestions received, the Department formed a view on what revised stake and prize limits would be appropriate and proportionate. These were:

Category C machines

- Increase the stake limit to 60p and the prize limit to £60;

Category D machines

- No change to money prize machines;
- Increase the maximum stake and the maximum prize value for non-money prize machines to 50p and £30 respectively (would apply to 'crane grabs' only);
- Maximum stake of mixed cash prize/non-cash prize machines to remain unchanged, but the prize value for 'penny falls' or 'coin pushers' to increase to £15 (of which a maximum of £8 could be cash).

The Department's intention is to lay the statutory instrument in Parliament for Affirmative Resolution as soon as logistically possible, with a view to the new limits coming into force no later than the beginning of the Easter holiday season 2009. The consultation closed on 31 October 2008 and the views of the 14 organisations which responded are summarised below. The summary is followed by an analysis section and some headline points emerging from the consultation.

Summary

There were 15 responses. These were received from:

Bell-Fruit Group (BFG)
The Bingo Association (BA)
British Amusement Catering trade Association (BACTA)
British Association of Leisure Parks, Piers and Attractions Ltd (BALPPA)
British Beer and Pub Association (BBPA)
British Casino Association (BCA)
Business in Sport and Leisure (BISL)
Danoptra Ltd (DL)
Gala Coral Group (GCG)
Games Warehouse (GW)
London Borough of Merton (LBM)
The Methodist Church (MC)
Punch Taverns (PT)
Quaker Action on Alcohol and Drugs (QAAD)
Rank group (RG)

Q1: Do you consider that the Government’s proposals for adjustments to stake and prize limits on Category C machines to 60p/£60 respectively will provide the necessary level of relief to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

BFG	No – BFG assert that the proposals would ‘detract from the customer experience’ and would not achieve the removal of ‘legacy’ machines.
BA	No - BA asserts that the proposals will not benefit licensed bingo clubs, or help them tackle other issues facing the industry (e.g. the smoking ban, double taxation, removal of machines).
BACTA	No – the proposal does not provide a ‘compelling consumer offer’.
BALPPA	No
BBPA	Yes, but BBPA would prefer to see a proposed increase to £1/£60 or £1/£70
BCA	Yes
BISL	No – BISL argue that the proposals are not high enough to stimulate the British game manufacturing industry or create customer satisfaction.
DL	No – DL argue a 60p stake would be off-putting to customers.
GCG	Yes
GW	No
LBM	No objection/opinion
MC	No objection/opinion
PT	Yes
QAAD	No – QAAD is concerned that such a significant increase in prize limits should occur so soon and that ‘wider policy goals’ of assisting seaside and pub operators are being given preference over the precautionary principle.
RG	No – RG argue that the proposals would be off-putting to players and fail to provide an incentive for operators to replace legacy machines.

Q2: Do you consider that the Government’s proposals for adjustments to stake and prize limits on Category C machines to 60p/£60 respectively will provide greater benefits when considered against the alternative option of 50p/£50?

BFG	No – BFG argue for a £1/£100 limit, or failing that a £1/£70 limit.
BA	Yes, but BA contend that 50p/£50 should not be the only point of comparison. They propose a £1/£60 option in order to give bingo clubs the ability to respond to current market conditions.
BACTA	No – BACTA argue that a £1/£70 limit or, preferably, a £1/£100 limit are required in order to deliver tangible benefits.
BALPPA	No – BALPPA see £1/£70 as the minimum increase to achieve any tangible benefit for the industry.
BBPA	Yes
BCA	Yes
BISL	No – BISL argue for a £1/£70 limit instead.
DL	No – DL argue instead that £1/£100 limit only would provide realistic benefits, but would accept £1/£70 limit as an interim measure.
GCG	Yes – although GCG would rather see a £1/£70 limit in order to make machines more attractive and invigorate the manufacturing market.
GW	No – overall GW argue for a £1/£100 limit.
LBM	No – LBM do not agree to the proposals. They see a rise in prize to £60 as too much of an inducement to patrons of licensed premises, especially when linked to consumption of alcohol.

MC	No - MC do not agree to the proposals. They are concerned that such an increase would set a precedent for future above-inflation increases and that a prize limit of £60 would change the nature of the games and attract vulnerable people on low incomes.
PT	Yes, although PT believes there is scope to increase the stake to £1.
QAAD	No – QAAD find the lower limit preferable, but would prefer to see no change or one proportionate to inflation only.
RG	No – RG argue instead for a £1/£100 limit.

Q3: Do you consider that the Government’s proposals for adjustments to stake and prize limits on Category D machines, and for prize gaming, will provide the necessary level of relief to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

BFG	No objection/opinion
BA	No: BA considers the proposals unrealistic and wishes to see higher limits. They argue that as prize gaming is an important part of the mix of products available in a bingo club the proposals do not give operators the scope to innovate and develop new products.
BACTA	No – BACTA argue there is a strong case for a £1/£50 prize for cranes and does not believe there is any logic in linking cat. C and prize gaming concepts.
BALPPA	Yes with regards to ‘the pusher machine’, no with regards to ‘the Crane’.
BBPA	No objection/opinion
BCA	Yes
BISL	Yes
DL	No objection/opinion
GCG	Yes
GW	Yes
LBM	Yes – LBM are content with some of the proposals, but are concerned that increases to crane grab and coin pusher stakes may induce children to use these machines more frequently.
MC	Yes – MC are content with the proposals but continue to call for children not to be allowed to use cat. D fruit machines.
PT	No objection/opinion
QAAD	Yes – QAAD are content with the proposals but remain concerned about children’s access to cat. D machines.
RG	No – RG’s concern here is with bingo halls and they do not support the proposals. RG do not think the proposals will allow bingo clubs to develop new products to attract new customers and retain existing ones.

Analysis

Q1: Do you consider that the Government’s proposals for adjustments to stake and prize limits on Category C machines to 60p/£60 respectively will provide the necessary level of relief to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

Agree: 4	Disagree: 8	No objection/opinion: 3
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Q2: Do you consider that the Government’s proposals for adjustments to stake and prize limits on Category C machines to 60p/£60 respectively will provide greater benefits when considered against the alternative option of 50p/£50?

Agree: 5	Disagree: 10	No objection/opinion: 0
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Q3: Do you consider that the Government's proposals for adjustments to stake and prize limits on Category D machines, and for prize gaming, will provide the necessary level of relief to seaside arcades, pubs and other venues that are set to benefit, and to machine manufacturers and suppliers?

Agree: 8	Disagree: 3	No objection/opinion: 4
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Alternative/Additional Suggestions

Category C: The majority of responses argued that a 60p/£60 limit was not viable, preferring instead a minimum stake of £1 and a maximum prize of £70 or £100.

Category D: The majority of responses agreed with the proposals but BACTA and BALPPA called for a £1/£50 limit instead for 'crane grabs'.

Key Points

General

- The majority of respondents welcomed the government's decision to bring forward the review in order to provide economic assistance to certain areas of the sector;
- Three respondents – MC, QAAD and LBM – objected to all or significant elements of the proposals. Their main concern centred on the increased prize levels and the effect this might have on children and vulnerable people on low incomes;

Category C

- The majority of operators and trade bodies who responded to the consultation welcomed the review, but were critical of the proposed 60p/£60 limit. They argued that it would not provide tangible benefits to family entertainment centres, pubs or clubs;
- Many of the respondents picked up on the point made by the Gambling Commission and included in the consultation document that a £1 stake would not pose any significant threat to licensing objectives or increase problem gambling provided appropriate controls were put in place;
- Some of the respondents representing pubs made the point that they would not support any game restrictions which might change the nature of machines in pubs and potentially negate the benefits resulting from an increase to stakes and prizes;
- Three respondents argued a 60p/£60 limit would have a negative effect on the manufacturing market. It was too low to provide an incentive for manufacturers to develop new machines and for operators to replace legacy category C machines. They argued for either a £1/£100 or £1/£70 limit to re-invigorate the market;
- Most of the respondents iterated the importance of getting any new limits in place for the Easter holiday season 2009.

Category D

- Most respondents agreed with the proposals for category D machines;
- BACTA and BALPPA agreed with the proposals for 'coin pushers' but argued instead for a £1/£50 limit for 'crane grabs';
- Respondents representing bingo clubs disagreed with the proposals, arguing that they did not give operators the scope to develop new products.