part two
background

chapter four

Legislation on Gambling

Historical background

4.1 The current gambling legislation in Great Britain in the main dates back to the 1960s. While the criminal law did not seek to interfere with private gambling between individuals, it did seek to place strict controls on, or to prohibit altogether, gambling for commercial gain. It was thought that if such activities were unregulated they would give rise to crime, or cause social problems to gamblers and their families.

Gaming

4.2 As with betting, commercial gaming was similarly suppressed prior to 1960 either by prohibiting altogether the playing of certain games or otherwise outlawing gaming houses and gaming in public places. The Betting and Gaming Act 1960 sought to liberalise the law on gaming so as to allow those persons who wanted to game to do so, whilst at the same time continuing to prohibit commercial exploitation. To achieve its desired objective the Act imposed three conditions: no charges were to be made for gaming, no levies were to be taken from the stakes and, if the games were not of equal chance, then the chances were to be equalised by the method of play (for example, by rotating the bank between players). Despite these restrictions, commercial gaming was able to obtain a foothold because of what was thought to be a minor concession which allowed clubs to impose a charge to recover the costs of the gaming facilities they provided. There was no requirement that the amount of such a charge should be limited to the true cost of providing such facilities. Nor was the concession limited to genuine members' clubs and as a result a great number of commercially operated clubs emerged.

4.3 By the mid-sixties, the development of commercial gaming was out of control. There were around 1000 casinos operating in the UK. Unscrupulous operators were taking advantage of customers, and criminal involvement in gambling was rife. The profits to be made from slot machines were being exploited by criminals who used strong-arm tactics to enforce "sharing agreements". "It was impossible for the police and the courts to stem the tide without radical reform of the law."[1] The Gaming Act 1968 was passed to restore order. The Act recognised that commercial gaming could no longer be suppressed, but instead sought to bring it under strict controls. The Rothschild Commission[2] replicated the Home Office's "Introduction to the Gaming Act" produced in 1968:

> *The main purpose of the Act is to curb all forms of gaming which are liable to be commercially exploited and abused. It recognises that commercial gaming cannot now be suppressed, but seeks to bring it under strict controls. The principle on which it proceeds is that no one can claim a right to provide commercial gaming: it is a privilege to be conceded subject to the most searching scrutiny, and only in response to public demand.*
>
> *The controls have as their common object to purge this activity of its criminal elements, to cut out excessive profits, and to ensure that gaming is honestly conducted in decent surroundings. Beyond that the intention underlying the Act is to reduce drastically the number of commercial clubs providing games other than bingo; to restrict bingo to a neighbourly form of gaming for modest prizes; and to check the proliferation of gaming machines and machines used for amusement with prizes.*

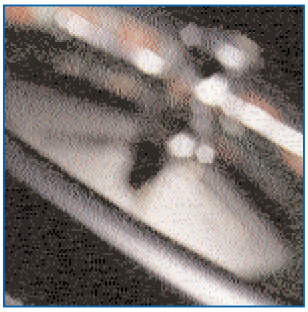
4.4 It is generally acknowledged that the Gaming Act 1968 has achieved its main purpose; although there have been examples dating from the 1970s and up to as recently as 1991 of casinos breaking the law.[3]

Betting

4.5 Professional bookmakers began to make their appearance in the late eighteenth century. In 1845, the Gaming Act made wagering contracts unenforceable in law, thus preventing bookmakers from recovering forfeited stakes in cases where the betting had been conducted on credit terms. As a result, bookmakers insisted on receiving cash in advance and there followed a rapid growth in betting houses to meet the demand for cash betting. This was regarded as an unwelcome development and a Betting Act was passed in 1853 to suppress betting houses. The effect of the 1853 Act was simply that bookmakers operated on the streets. Consequently a further Act of 1906 made betting in the streets and other public places unlawful.

4.6 Betting continued to be conducted lawfully on-course and credit betting remained lawful off-course provided the bets were placed by post or telephone. The 1853 and 1906 Acts could not, however, suppress the demand for off-course cash betting, which consequently continued unlawfully. The Betting and Gaming Act 1960 swept away the 1853 Act and made it lawful for a bookmaker to run a cash betting office provided both he and his office were licensed.

1-Smith & Monkcom (1987) **2**-Rothschild Commission (1978) **3**-Metropolitan Police (2000)



Lotteries

4.7 An Act of 1698 laid down the principle, which is still operative, that all lotteries not expressly authorised by statute were unlawful. After 1698, state lotteries continued to be authorised by Acts of Parliament until 1826 when the practice was stopped, principally because lotteries were no longer an efficient means of raising Government revenue and because of the abuses associated with the lottery system. The 1698 Act remained in force until the Betting and Lotteries' Act 1934 legalised private lotteries and small public lotteries incidental to an entertainment, such as a bazaar or sale of work. The Small Lotteries and Gaming Act 1956 introduced societies' lotteries, that is small public lotteries conducted by societies established for charitable or sporting purposes, but not for commercial gain. Finally, the Lotteries Act 1975 made provision for local authorities to promote lotteries on the same footing as societies. The law on lotteries was consolidated in the Lotteries and Amusements Act 1976.

4.8 The National Lottery Act 1993 introduced the National Lottery.

The Statutory Provisions

Impact of Devolution

4.9 Legislative responsibility for betting, gaming and lotteries is reserved. The Home Secretary determines the policy on gambling and, in doing so, consults the Scottish Executive.

4.10 Some powers to make secondary legislation have been devolved to the Scottish Parliament. The Scottish Parliament has responsibility for such matters as betting and gaming fees, gaming hours and casino permitted areas in Scotland.

Gaming Board

4.11 The Gaming Board regulates gaming and larger societies' lotteries in Scotland. The Board has a regional office in Glasgow and one of the Board members has particular responsibility for gaming and lotteries in Scotland. The Board has a regional office in Bristol, from which its responsibilities in Wales are carried out.

Application of the current law

4.12 Differences between the legal systems in England and Wales and in Scotland mean that there are some differences in procedures between the jurisdictions. For example, in Scotland the Local Authority Licensing Board carries out the functions of the Licensing Justices in England and Wales. As set out in chapter 2, we have written this report from the perspective of law and practice in England and Wales, and we have not sought to highlight the consequences of our recommendations in Scottish law.

Gaming

4.13 The principal statute on gaming is the Gaming Act 1968. Gaming is defined as playing a game of chance for winnings in money or money's worth. With the exception of gaming machines, commercial gaming is confined to clubs and is subject to a mixture of local and national controls.

Casino gaming

4.14 Casino gaming is confined to licensed premises, which are required to operate as members' clubs. Before an applicant can apply for a gaming licence from the licensing justices, he must first obtain a certificate of consent from the Gaming Board for Great Britain. Certificates are only granted if the applicant is a fit and proper person and would be capable and diligent in ensuring compliance with the Act. An application for a gaming licence may be refused on the grounds that there is insufficient demand for the gaming facilities. In addition, casinos are permitted only in certain designated areas of the country, known as permitted areas. Only certain games can be played and a maximum of ten jackpot machines is permitted.

Bingo

4.15 Bingo is a game of chance, determined by a random selection of numbers, which are not chosen by the player. Small amounts of stake are accumulated from large numbers of people to create a main prize.

4.16 Commercial bingo is allowed in bingo clubs licensed under the 1968 Act. Unlicensed bingo is played in places such as working men's clubs. Clubs not registered under the Gaming Act 1968 may offer games of equal chance, such as bingo, and impose small charges sufficient to recover the costs of gaming. Stakes and prizes are unlimited and all stakes must be returned in prizes.

Gaming machines

4.17 The 1968 Act made provision for two types of gaming machine: jackpot machines and amusement-with-prizes (AWP) machines:

- Jackpot machines are confined to clubs licensed (i.e. casinos and bingo clubs) or registered (e.g. working men's clubs) under the 1968 Act.

The maximum stake is currently 50p and the maximum payout £1000 in casinos, £500 in bingo clubs and £250 in registered clubs.

- AWP machines need permits from the local authority to be located in places to which the public has access, e.g. arcades and cafés. Permits are required from the liquor licensing justices for machines in pubs. The maximum stake for an AWP machine is 30 pence, and the maximum prize is limited to either £5 in cash or £8 in tokens. In addition, since June 1996 all-cash AWP machines which pay out a maximum of £15 cash have been permitted in liquor licensed premises, adult arcades, bingo clubs and, for the first time, in betting offices. Under 18s may not be admitted to an area in an arcade in which all-cash machines are located. (Many arcades operate as adult arcades and exclude under 18s completely.)

4.18 The sale, supply and maintenance of machines is controlled separately through a scheme of certification run by the Gaming Board.

Betting

4.19 The law on betting is to be found in the Betting, Gaming and Lotteries Act 1963. Betting is not defined by statute, but is generally regarded as entering into a contract by which each party undertakes to forfeit to the other, money or money's worth, if an issue in doubt at the time of the contract is determined in accordance with that other party's forecast. Unlike a lottery, a bet may involve skill or judgement.

Bookmaking

4.20 No person may act as a bookmaker without the authority of a permit issued (in England and Wales) by the licensing justices. The essential test applied by the licensing justices in considering an application, is whether or not the applicant is a fit and proper person. A bookmaker operating from a betting office requires a licence for the premises issued by the licensing justices.

On-course betting

4.21 Horserace courses must be approved by the Horserace Betting Levy Board. Greyhound tracks require a local authority licence. Pool betting can only be operated by the Horserace Totalisator Board (for horseracing) and by the track management (for greyhound racing).

The Horserace Betting Levy Board and the Horserace Totalisator Board

4.22 The Horserace Betting Levy Board was established, by the Betting Levy Act 1961, to assess and collect a levy on bets on horse races and distribute it for purposes conducive to the improvement of breeds of horses, the advancement or encouragement of veterinary science and education, and the improvement of horseracing.

4.23 The Horserace Totalisator Board was first established, as the Racecourse Betting Control Board, by the Racecourse Betting Act 1928. It was given its present official name in 1961, but has always been known as the Tote. It was founded to enable racegoers to bet by means of a totalisator (ie pool betting), and to raise money for racing.

4.24 In March 2000 the Home Secretary announced that the Government had decided to abolish the horserace betting levy and the Horserace Betting Levy Board. The Government had also decided that the Horserace Totalisator Board (the Tote) should be sold to a consortium of racing interests. The aim was to bring to an end the Government's direct involvement in the administration and financing of racing, so enabling racing to take responsibility for its own affairs and finances.

4.25 Detailed proposals for addressing the practical implications of abolishing the Horserace Betting Levy Board and selling the Tote were published by the Home Office in November 2000. Its "Consultation Paper on the Proposed Abolition of the Horserace Betting Levy Board and the Licensing of Racecourse Betting and Pool Betting on Horseracing" put forward some key proposals relevant to this Gambling Review:

- horseracing's governing body, the British Horseracing Board (BHB), would succeed the Levy Board as the central funding body for racing
- a new statutory regulator should be established with responsibility for approving and monitoring all racecourse betting operations – including the Tote
- the Tote itself would continue to enjoy an exclusive, but time-limited licence to conduct horserace pool betting
- the Tote would be expected to provide a pool betting service at all meetings, and would also be required to make its products available to third parties (e.g. bookmakers).

Greyhound Racing

4.26 The law governing betting on greyhound tracks is contained in the Betting, Gaming and Lotteries Act 1963. There is no statutory body for greyhound racing. The industry body, the National Greyhound Racing Club (NGRC), controls the conduct of racing. Unlike horseracing, track owners are allowed to operate their own totes for private gain. There is no statutory levy on greyhound bets but bookmakers are encouraged to contribute 0.4% of bets on greyhound racing to the independent British Greyhound Racing Fund.

4.27 In January 1996, the law was relaxed to allow inter-track tote betting and to remove certain other restrictions.

Pool Competitions (including football pools)

4.28 Pool competitions are also governed by the 1963 Act. The promoter must be registered with the local authority, which appoints an accountant to supervise his operations. The promoter has to submit to the accountant detailed information about each competition, showing, among other things, the stakes, the proportion paid in winnings and the expenses apportioned to each competition.

Lotteries

4.29 All lotteries except the National Lottery are regulated under the Lotteries and Amusement Act 1976 and the Lotteries Regulations 1993. The 1976 Act contains no definition of a lottery, but case law holds that the essential ingredients are that there is a distribution of prizes by lot or chance and that the chances should be secured by some payment or contribution by those who take part. Regulation of lotteries is essential to combat fraud, since the player has no independent means of knowing either the total amount paid in or that the promised prizes have been paid out. The 1976 Act makes all lotteries (including foreign lottery operations here) unlawful except those provided for by the Act.

4.30 An important aim of the 1976 Act is to ensure that lotteries contribute to good causes rather than operate solely as gambling operations. The lotteries that are permitted are:

- small lotteries incidental to certain entertainments
- private lotteries
- society lotteries and
- local authority lotteries.

The National Lottery

4.31 The 1976 Act made no provision for major lotteries conducted on a national scale. In 1978, the Rothschild Commission recommended that there should be a single national lottery for good causes. But it was not until 1993 that Parliament passed the National Lottery Act.

4.32 28% of proceeds go to the National Lottery Distribution Fund to be allocated to good causes.

4.33 Under section 18 of the Act, betting on the outcome of the National Lottery is prohibited.

The Regulators

The Gaming Board for Great Britain

4.34 The Gaming Board was created by the Gaming Act 1968. The Board's main purpose is to keep criminal elements out of commercial gaming and to help ensure that where commercial gaming takes place it is properly managed and conducted fairly and in accordance with the law.

4.35 In particular, the Board:

- investigates the trustworthiness of all applicants for licences for casinos and bingo clubs and issues to them certificates of consent
- issues certificates of approval to casino gaming managers, supervisors and operatives, and managers in bingo clubs
- issues certificates to people selling or supplying gaming machines
- advises the Secretary of State on all regulations made under the Act
- advises the justices on the demand for gaming, the suitability of premises and any restrictions to appear on licences
- appears before the justices to object to the grant or renewal of licences or to move for their cancellation, in appropriate cases
- assists the police in the enforcement of the Act through the Gaming Board Inspectorate.

4.36 The Gaming Board also agrees codes of conduct with the industry, which set out principles of good practice where the law is insufficiently clear or is silent.

Financial Services Authority

4.37 The Financial Services Authority (FSA) regulates spread betting under the Financial Services Act 1986. Spread betting traders are authorised as principal traders. The FSA must establish that the firm and its key staff are fit and proper, that there is enough capital and that controls are adequate. Firms are subject to the Securities and Futures Authority (SFA) prudential and conduct of business rules. These cover the financial resources needed, the fitness and propriety of the management, and set standards to protect customers.

National Joint Pitch Council

4.38 The Levy Board issues Certificates of Approval to racecourses, including point-to-points. These are effectively licences that, subject to certain conditions, allow betting to take place on the course. Using this authority the Levy Board determines where betting (excluding Tote pool betting) is allowed and has issued a set of rules which govern how the betting ring is run. The National Joint Pitch Council (NJPC) was established to enforce those rules and administer the betting ring. The NJPC is a limited company whose board is made up of Levy Board appointees and representatives of the racecourses and bookmakers.

4.39 The NJPC's role is to administer, promote and regulate activities in the betting ring. It is self-funding, through charges to bookmakers.

National Lottery Commission

4.40 Part I of the National Lottery Act provides for the Lottery to be regulated by the National Lottery Commission. The Act places a duty on the Secretary of State for Culture, Media and Sports and the Commission to ensure that the Lottery is run with all due propriety, that the interests of participants are protected, and, subject only to these, to maximise the revenue to good causes.

Magistrates

4.41 In England and Wales, the authority for the grant of bookmakers' permits, betting agency permits, betting office licences, bingo licences and casino licences is a committee of not less than five nor more than fifteen of the justices acting for each petty sessions area (the licensing justices).

4.42 The licensing justices also register members' clubs and miners' welfare institutes for the use of jackpot machines and issue permits for Amusement with Prizes machines in pubs.

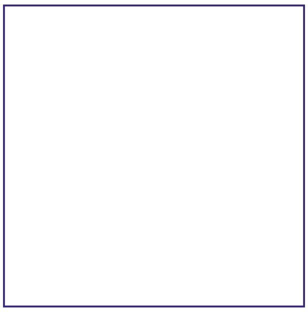
Local Authorities

4.43 In England and Wales, District councils or London boroughs:

- issue licences for greyhound tracks
- register pool promoters
- register societies that are promoting small society lotteries
- issue permits for AWP machines in locations other than premises with a liquor licence.

Police

4.44 Enforcing gambling legislation is a responsibility of the police, though currently it comes low down on the list of police priorities. Nationally, the police do not claim to have very much expertise in dealing with gambling offences, although there are pockets of expertise, such as in the Metropolitan Police Clubs and Vice Unit.



chapter five

The British Gambling Industry

5.1 This chapter examines the British gambling market in terms of player, most popular activity and spend. It also looks at the turnover of the industry compared to other countries and the contribution that gambling makes in terms of tax revenue. The following chapters look at each gambling activity in greater detail.

Punters

Gamblers worldwide

5.2 A Prevalence Survey by the National Centre for Social Research (referred to hereafter as the Prevalence Survey) found that in the UK almost three-quarters (72%) of the population – that is about 33 million adults – took part in some gambling activity within the past year and over half the population had gambled in the past week. This is higher than participation in the United States, said to be around 63%, but lower than that in Sweden, where nine out of ten adults gamble.[1] It is also lower than participation levels in Australia, where about 80% of adults participate in gambling[2] and New Zealand, where between 85% and 90% of the adult population (those aged 15 and over) gamble.[3]

Most popular gambling activity

5.3 In the UK, the Prevalence Survey shows that in terms of participation, the three most popular gambling activities are lotteries, more specifically the National Lottery (65%) and scratchcards (22%), followed by fruit machines (14%) and betting (13%).[4] In an Office for National Statistics (ONS) survey which we commissioned, similar or slightly higher percentages were reported (although bingo recorded 14%, substantially higher than the Prevalence Survey's 7%). Lotteries are the most popular gambling activity in a number of countries. In New Zealand, over a third of adults report weekly Lotto participation, followed by Telebingo and Instant Kiwi (6%). Lotteries were also the most popular activity for past-year gamblers in the United States (52%), followed by casinos (29%), horseracing (7%) and bingo (6%).[6]

Player profile

5.4 The likelihood of participating in gambling, the type of activity and the number of activities are related to gender, age and social class. As figure 5.i shows, the National Lottery, scratchcards and lotteries are equally popular with men and women. Men, however, are much more likely than women to have participated in football pools, fruit machines, betting and table games in the last year. Bingo is the only gambling activity that women are more likely to have played.[7]

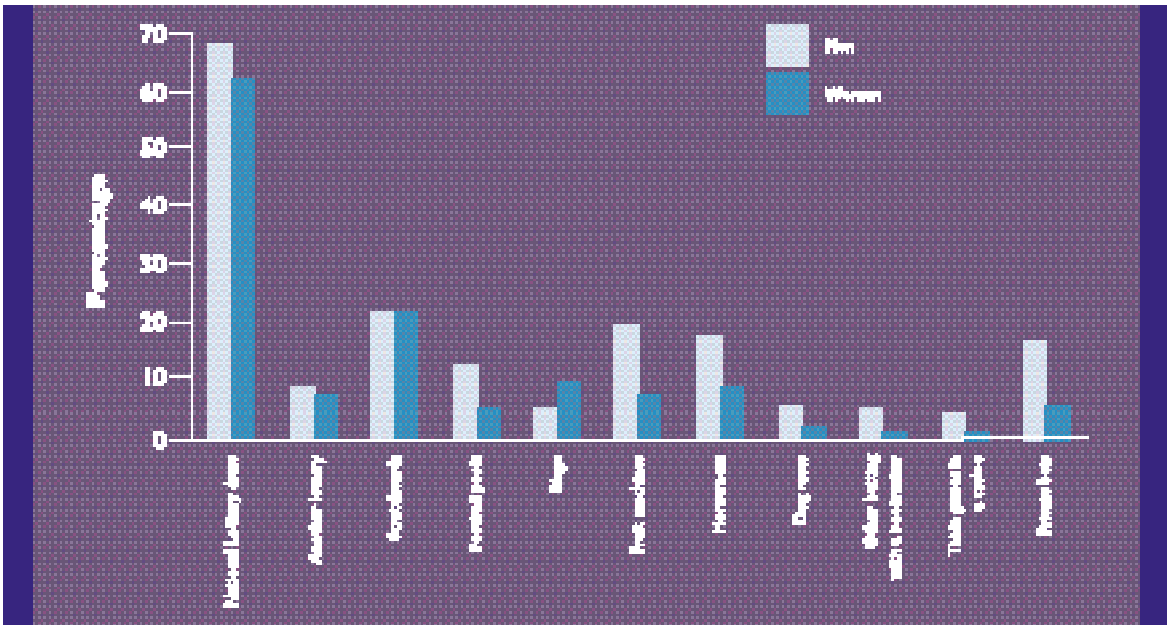
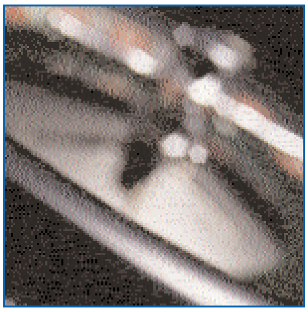


Figure 5.i : Gambling activities participated in within the past year

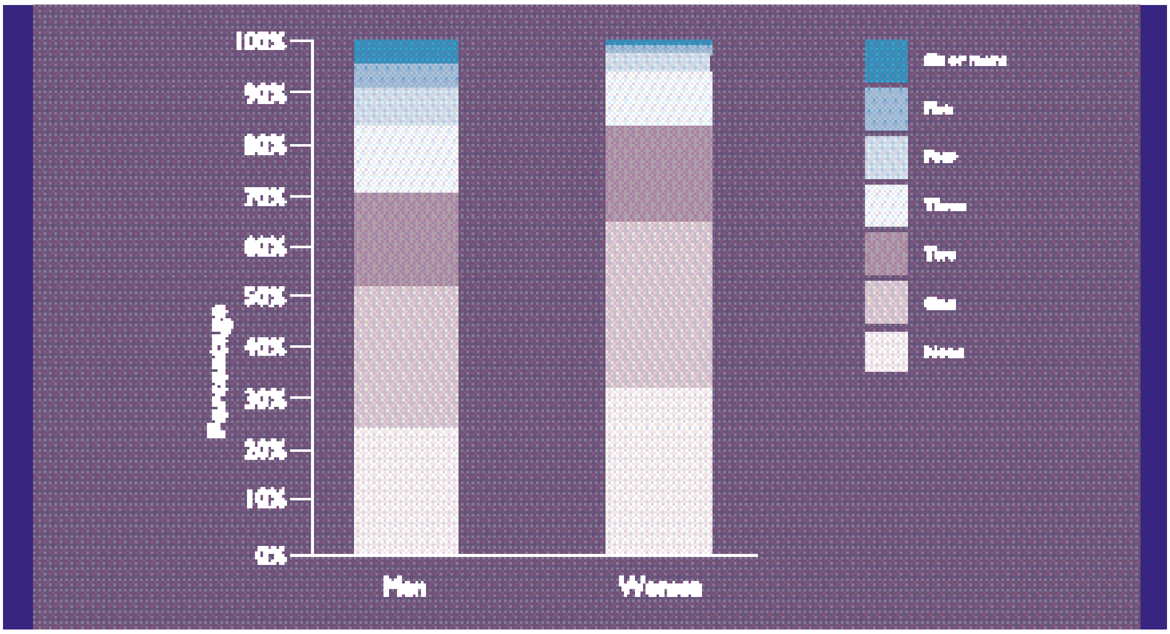
Source: Sproston, Erens & Orford (2000)

1-Sproston, Erens & Orford (2000) i 2-Productivity Commission (1999) 3.1 3-Abbott, Wenden & Volberg (2000) 14 4-Sproston, Erens & Orford (2000) i
5-Abbott, Wenden & Volberg (2000) 4 6-National Opinion Research Center (2000) 7 7 Sproston, Erens & Orford (2000) 18



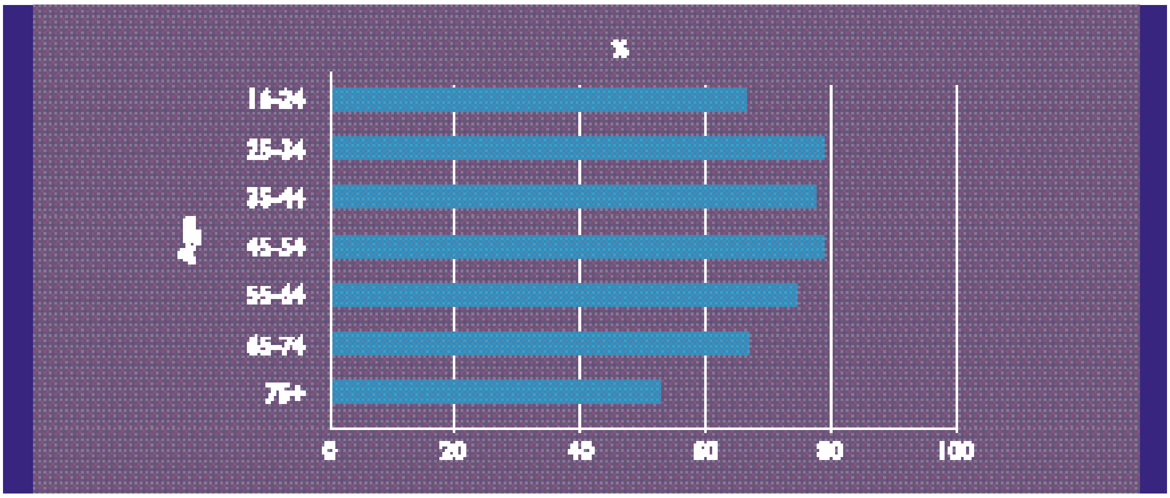
5.5 More men than women participate in multiple gambling activities. Twice the numbers of men as women have participated in more than four gambling activities. More women than men have not gambled. This is shown in figure 5.ii.

5.6 Age also appears to play a part in how much people gamble and on what. People aged 25-54 had the highest participation levels, at nearly 80%. People in the manual social classes (III Manual, IV and V) were more likely to have gambled in the past year, and to have participated in more activities[8]. (See figures 5.iii and 5.iv.)



Source: Sproston, Erens & Orford (2000)

Figure 5.ii : Number of gambling activities participated in within the past year, by gender



Source: Sproston, Erens & Orford (2000)

Figure 5.iii : Participation in gambling activities within past year, by age

8-Sproston, Erens & Orford (2000) 23

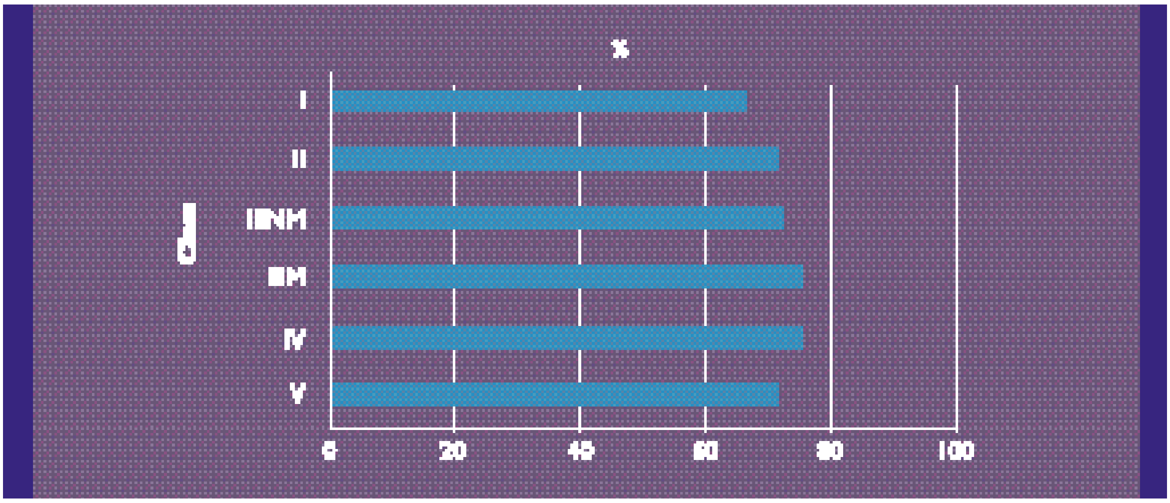


Figure 5.iv: Participation in gambling activities, by class

Source: Sproston, Erens & Orford (2000)

Expenditure on gambling

Overall spend

5.7 The average amount spent by players on each activity is dealt with in the individual activity chapters. This section examines the total amount spent on gambling and gambling products and changes over the last decade when compared to other types of spending.

5.8 The Family Expenditure Survey (FES) is a continuous survey of household expenditure and income. Information for the FES is collected from people living in private households. The survey publishes information on the average weekly expenditure, by household, in terms of total gambling spend and separate sectors.[9]

5.9 As figure 5.v shows, weekly gambling payments were relatively static between 1990 and 1993 at £1.45, although they fell in real terms. There were large increases for the next three years and spending peaked in 1997-98 at £4.30.

All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Football pools	0.48	0.52	0.98	0.58	0.57	0.37	0.30	0.2	0.1	0.1
Bingo	*	*	*	*	0.39	0.42	0.40	0.5	0.4	0.4
National Lottery and scratchcards	*	*	*	*	0.82	2.20	2.20	2.7	2.2	2.2
Other lotteries & scratchcards	*	*	*	*	*	0.05	0.08	0.1	0.1	0.1
Other betting (inc. betting, bingo, raffle)	0.97	0.92	0.47	1.34	–	–	–	–	–	–
Betting	*	*	*	*	0.74	0.69	0.71	0.6	0.7	0.7
Total gambling payments	1.45	1.44	1.45	1.92	2.51	3.81	3.82	4.30	3.50	3.50
Total gambling payments: Year on year % change		-0.7	0.7	32.4	30.7	51.8	0.3	12.6	-18.6	0.0

– Indicates recording stopped – counted in a different way
* Years prior to new counting method

Figure 5.v: Average weekly expenditure on gambling, by household

Source: ONS, Family Spending

9-Office of National Statistics (18th May 2001)

5.10 The amount spent by the British is similar to the amount spent by gamblers in New Zealand where those who had gambled in the six months prior to the survey had spent an average of $9.46 (£3.15[10]) a week.[11] Both spend substantially less than Australians who are said to be the heaviest gamblers in the world. They spend $800 each a year which equates to $15.38 (£6.15[12]) a week.[13]

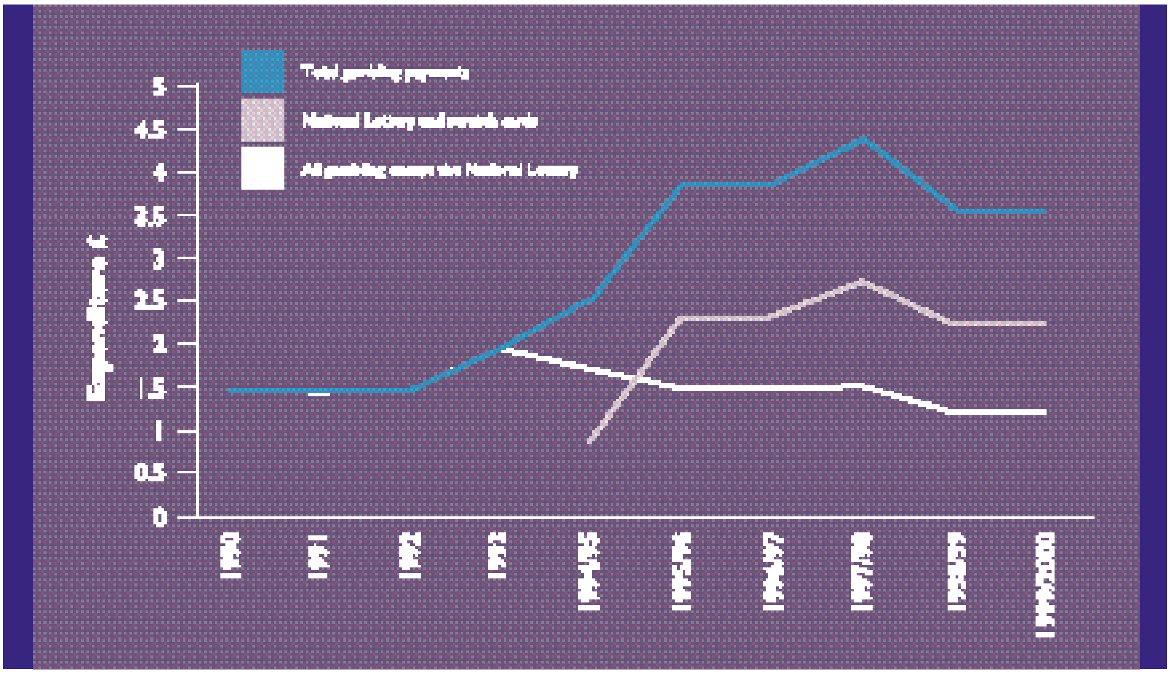
Sector spend

5.11 The gambling categories in FES have altered over the last decade which can make comparisons between sectors difficult. The survey is also believed to underestimate the average expenditure on lottery draw tickets by about 30% and other forms of gambling even more.[14]

5.12 Data from FES show that weekly expenditure on football pools was static or increasing up to 1994-95 but has fallen since then by around 80%, or more in real terms. An initial downward trend in spending on bingo, betting and lotteries was reversed between 1992 and 1993 when expenditure reached £1.34 per week. After 1994-95, spending on bingo was relatively static but peaked in 1997-98 at £0.50 and then decreased. Betting has shown the same trend, peaking in 1997-98 at £0.80 and then decreasing. Spending on lotteries other than the National Lottery has increased from £0.05 in 1995-96 to £0.10 in 1997-98. Expenditure on the National Lottery and scratchcards increased for the first three years and peaked at £2.70 in 1997-98. It has now dropped to a level lower than that of 1995-96.

5.13 Commentators differ on whether the introduction of a new gambling product, such as the National Lottery, will result in an increase in overall expenditure on gambling or displace spending on other gambling activities. Expenditure on all gambling products other than the National Lottery only increased significantly once in the last decade when it increased by 32% from £1.45 in 1992-93 to £1.92 in 1993-94. Before 1993, there had been little change in money terms. (See figure 5.vi)

5.14 The National Lottery data for 1994-95 only reflect the spend from November to April. Expenditure between 1995 and 1997 was static, and then increased in 1998. Expenditure on both the National Lottery and other gambling has remained static since 1998. In terms of National Lottery spend, this follows a pattern similar to that witnessed in other countries. Experience in the United States has been that within a few years of the introduction of state-sponsored lotteries, turnover begins to fall and it becomes necessary to maintain revenue levels by introducing new gambling media such as video lottery terminals that allow participants to stake money continuously.[15]



Source: ONS, Family Spending

Figure 5.vi: Average weekly expenditure on gambling, by household

10-Using a conversion rate of (NZ)$3 to (GB)£1 **11-**Department of Internal Affairs (2001) 16 **12-** Using a conversion rate of (AUS)$2.50 to (GB)£1
13-Productivity Commission (2000) xxi **14-**King (1997) cited in Grun & McKeigue (2000) **15-**Miers (1996) in Grun & McKeigue (2000)

All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
All gambling except the National Lottery	1.45	1.44	1.45	1.32	1.70	1.46	1.44	1.50	1.20	1.20
National Lottery and scratchcards	-	-	-	-	0.80	2.30	2.29	1.70	2.20	2.20

*First National Lottery draw - 19th November 1994

Source: ONS, Family Spending

Figure 5.vii: Average weekly expenditure on gambling

The Industry

Market size comparisons

5.15 In the UK, the annual turnover, or the amount wagered, on gambling activities is estimated to be in the region of £42 billion. Expenditure or gross gaming yield (amount wagered minus winnings paid out) was around £7.3 billion in 1998. Even though casinos have the largest share of turnover (44%), their share of the gross gaming yield is only 6.5% of the total. The National Lottery has the largest share of the gross gaming yield (37%) followed by betting (25%).

5.16 Gaming machines (not including those in casinos or bingo halls) ranked third in terms of amount wagered in Great Britain, but in countries such as Australia and New Zealand gaming machines have the largest share of turnover. In 1997-98 Australians lost about $11billion on gambling (£4.4 billion)[16], rising to $12.4 billion, (£4.9 billion) in 1998-99.[17] Of that:

- 52% was on non-casino gaming machines
- 20% was in casinos
- 15% was on racing
- 11% was on lottery products
- 3% was on other activities.

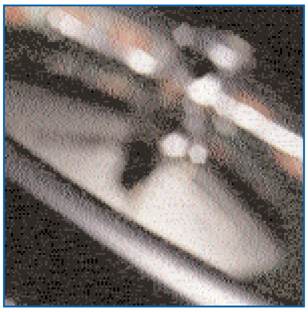
5.17 This equates to an average of about $800 (£320) per person over the age of 18, or 3 per cent of household disposable income.

1998	Amount wagered £m	%	Gross gaming yield £m	%
Casinos (exc. machines)	10,547.3	44	478.5	6.5
Betting	8,484.3	20	1,856.5	25.3
Gaming machines	6,322.8	18	1,304.6	17.8
National Lottery	5,375.7	12.8	2,647.9	36.4
Bingo (inc. machines)	2,480.7	5.8	670.1	9.2
Football pools	372.1	0.9	233.0	3.3
Small lotteries	133.9	0.3	88.4	1.2
Premium Bonds	517.1	1.2	–	–
Total	42,120.9		7,340.0	

Source: BISL (2000)

Figures 5.viii: Market share by sector, 1998

16-Using a conversion rate of (AUS)$2.50 to (GB)£1 **17-** Australian Institute for Gambling Research (2000)

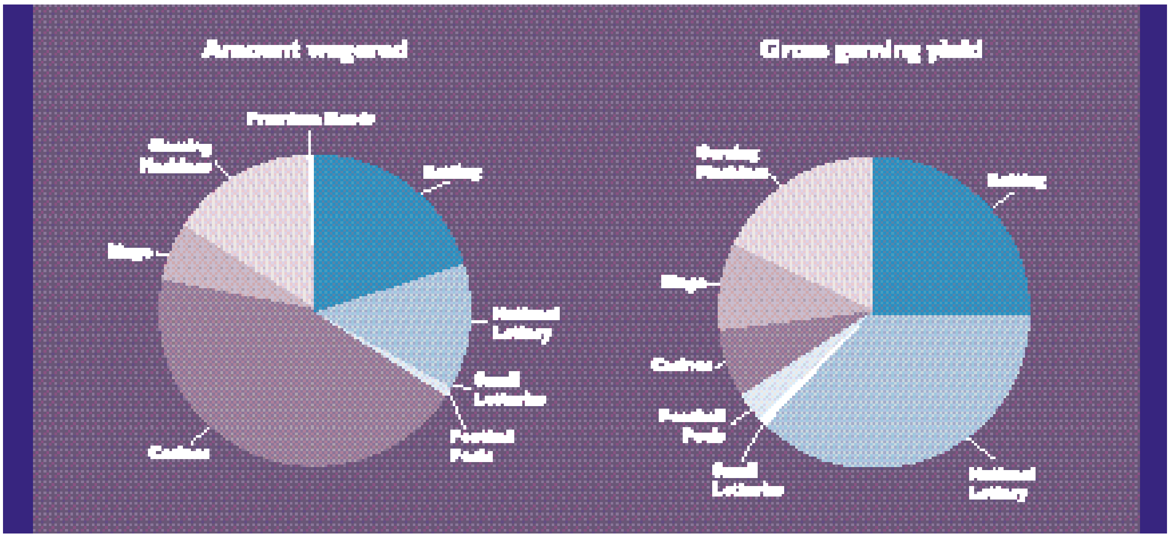


Figure 5.ix: Market share by sector, 1998-UK gaming activity

Source: BISL (2000)

5.18 In New Zealand in 1998, gaming turnover was approximately $7 billion (£2.33 billion)[18] and gross gaming yield exceeded $1 billion (£0.33 billion). By 1999-2000, turnover exceeded $8.4 billion (£2.8 billion) and gross gaming yield was nearly $1.3 billion (£0.43 billion). Of the $8.4 billion turnover:

- 45% was on non-casino gaming machines
- 34% was in casinos
- 15% was on race and sports betting
- 7% was on lottery products

5.19 Those that had gambled in the last six months typically spent $41 per month which equates to $492 (£164) per year.[19]

5.20 The gambling market in the United States is thought to be one of the largest. In 1998, people gambling in the US lost $50 billion (£33.3 billion)[20]. In 1997, lotteries in 37 states and Washington DC garnered $34 billion (£22.6 billion) in sales. Casinos are legal in 28 states and the largest casino market is in Nevada. It has 429 full-scale casinos, 1978 slots-only casinos and one Indian casino. Its gross gaming revenues for 1997 were $7.87 billion (£5.25 billion). Despite its popularity, sports betting is illegal in all but two states (Nevada and Oregon).[21] In 1998, sports betting reached $2.3 billion (£1.5 billion) in Nevada's legal sports book. Estimates of the scale of illegal sports betting in the United States range from $80 billion (£53 billion) to $380 billion (£253 billion) annually, making sports betting the most widespread and popular form of gambling in the US.[22]

Gaming and betting duty

5.21 In all, there are forty different excise duties of which six relate to gambling. There are duties on the National Lottery, pool betting, bingo, gaming and general betting, and amusement machine licences. Some activities are not subject to duty including cash bets taken by on-course bookmakers, bingo promoted by all member clubs or at travelling fairs, and lotteries (other than the National Lottery).[23]

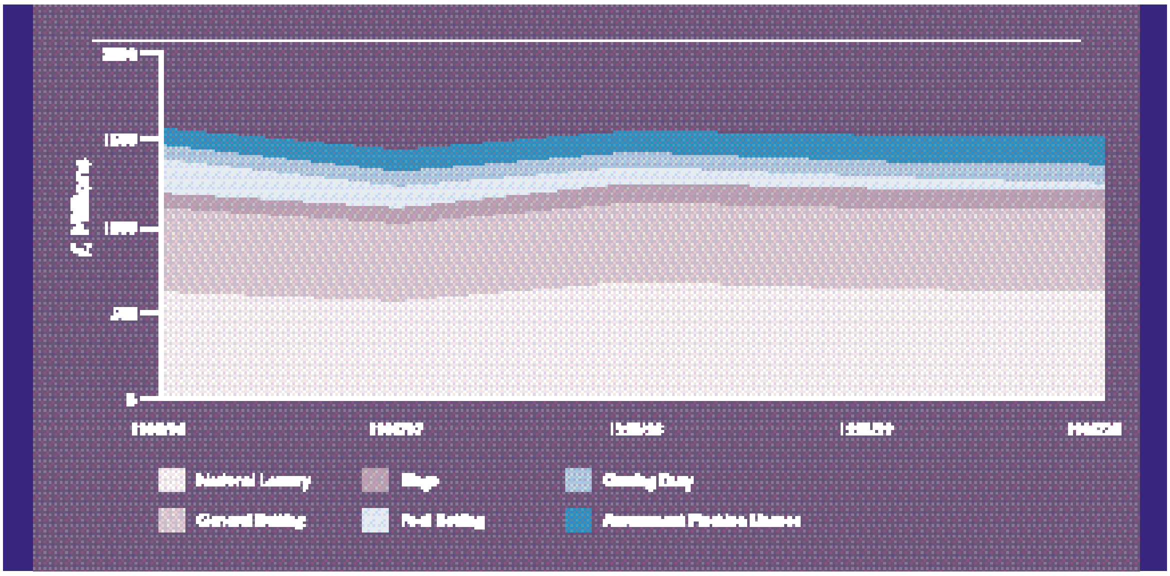
5.22 The individual activity chapters examine tax and duty rates that apply to each activity in more detail. Figure 5.x shows the amounts of gambling duty collected from 1995 to 2000 and the share of gambling taxation each sector contributes. Overall since its launch, the National Lottery has contributed around 40% of all duty collected - the largest share of duty. Betting contributes the second largest share at around 30%. The largest change has been in football pools. The duties collected from pools have fallen from £191m to £38m in the last five years.

18-Using a conversion rate of (NZ)$3 to (GB)£1 **19-**Department of Internal Affairs (2001) 16 **20-**Using a conversion rate of (US)$1.50 to (GB)£1 **21-**Sports betting refers to betting on the outcome of a contest. People bet on the outcome of many events, whether the outcome of the Academy Awards, individual athletic performances, or teamplay. For the purposes of this section on sports betting in the US, the term does not cover pari-mutuel activity which is legal in many states. **22-**National Gambling Impact Study Commission (1999) 2-14 **23-**National Audit Office (2000) 11

	1995-96	1996-97	1997-98	1998-99	1999-00
National Lottery	£512m	£558m	£671m	£628m	£609m
% of duty	34.9	38.7	43.3	41.0	40.2
General Betting	£499m	£453m	£461m	£480m	£492m
% of duty	31.1	31.4	29.7	31.4	32.3
Bingo	£91m	£96m	£102m	£105m	£107m
% of duty	5.8	6.7	6.5	6.9	7.1
Pool Betting	£191m	£127m	£97m	£70m	£54m
% of duty	12.1	8.8	6.2	4.6	3.5
Gaming Duty	£84m	£79m	£92m	£91m	£107m
% of duty	5.3	5.5	5.9	5.9	7.0
Amusement Machine Licence	£107m	£128m	£131m	£157m	£160m
% of duty	6.8	8.9	8.4	10.3	10.6
Total betting, gaming & lottery duties	£1,578m	£1,441m	£1,553m	£1,530m	£1,513m

Source: Customs & Excise

Figure 5.x: Sector share of total gambling duty revenues



Source: Customs & Excise

Figure 5.xi: Sector share of total gambling duty revenues

5.23 According to a National Audit Office (NAO) report on revenue from gambling duties, in 1998-99 Customs & Excise collected £1,530 million in gambling duties; an increase of some 22% over the £1,256 million of gambling duties collected in 1993-94. During this period gambling duties have provided some 1.6% of the total annual revenue, including VAT, collected by the Department. In 1998-99, this represented an average rate of 22% of the £7 billion net amount spent on gambling in the United Kingdom, which was nearly 1.3% of consumer expenditure or £284 for every household.

chapter six

Gaming Machines

6.1 The 1968 Gaming Act permits three types of gaming machine:

- Jackpot machine (section 31, 1968 Act). These are permitted only in casinos, bingo halls and in clubs. The maximum stake is 50 pence and the maximum prize is £1000 (in casinos), £500 (in bingo halls) or £250, (in clubs).
- Amusement with Prizes machine (AWP) (section 34(1), 1968 Act). AWPs are most commonly found in arcades, but can be located in other premises, such as fish and chip shops, with the consent of the local authority. The maximum stake is 30 pence and the maximum prize is £5 cash or £8 tokens (or a non-cash prize).
- All-cash machine (section 35 (5(e), 1968 Act)). These are located in arcades, bingo halls, pubs and betting shops. The maximum stake is 30 pence and the maximum prize is £15.

6.2 Most gaming machines are of the reel-based type, also known as fruit machines. Although machines have a variety of other game features, the player wins by matching the symbols, possibly fruit, on the central line of the three reels. Some machines – including most jackpot machines – spin four reels.

6.3 In this report we have used the descriptions outlined above. Confusingly, both amusement with prizes and all-cash machines are often referred to as "AWPs". When we have quoted directly from the industry, we have used their terminology. Games using skill, including quiz machines, are not classified as gaming machines and are thus not subject to the limits as listed above. Other types of machines, which do fall to be classified as gaming machines under the 1968 Act, include pinball machines, pushers (penny falls) and cranes (or grabbers). Figure 6.i summarises some of the current siting restrictions.

Location	Jackpot	£15 all-cash	£5 cash/£8 token
Casinos	✔ 10 max. jackpot £1000		
Bingo clubs	✔ 4 max. jackpot £500	or ✔**	✔
Licensed betting offices		✔ 1 only	
Clubs (Working Men's, Sporting Society, Political Party)	✔ 2 max. jackpot £250		
Inland arcades		✔*	✔
Seaside arcades		✔*	✔
Pubs		✔**	✔
Restaurants & dog tracks (ie liquor licensed premises)		✔**	✔
Other liquor licensed premises (inc. leisure centres, roadside services, railway stations)		✔**	✔
Motorway services		✔*	✔
Cafés, minicab offices, fish and chip shops			✔
Travelling Fairs			✔***

* Designated area
** Numbers can be controlled by licensing justices discretion
*** But must not be the only, or substantial, inducement to attend. Must only remain temporarily in one area.

Figure 6.i: Summary

Age group	% of gaming machine players
16-24	32
25-34	22
35-44	15
45-54	8
55-64	6
65-74	3
75+	1

Source: Sproston, Erens & Orford (2000)

Figure 6.ii: Gaming machine participation within the past year

Designated areas

6.4 Premises with a local authority licence to site all-cash machines (usually amusement arcades) operate a designated area. This is an area which is fenced off from the rest of the floor, separating the all-cash machines from the AWPs. It is open only to those over the age of 18 and access to the area must be supervised. Some operators choose to restrict entry to the whole premises to those over 18, effectively making the entire venue a designated area.

Punters

6.5 Overall, gaming machine players are likely to be from younger age groups and male. The Prevalence Survey found that 14% of people surveyed had played on gaming machines in the past year. However, gaming machine play was one of the gambling activities with the biggest differences between the sexes; 20% of men and 8% of women had played on a gaming machine in the past year. The highest levels of participation were found among the two youngest age groups in the survey: 16-24 year olds and 25-34 year olds. The lowest levels of participation were found among the oldest age groups.[1] There was little variation in gaming machine play between people in different social classes.[2]

Average spend

6.6 The Prevalence Survey did not distinguish between the location of gaming machines when calculating the net expenditure (the amount a player started with minus the amount he finished with) of people on gaming machines. However, it found that for those who had played on a gaming machine in the last seven days, 27% had broken even or won, 10% had lost less than £1 and 41% had lost £1-£5. 3% of people had lost more than £20 and one-third of those lost more than £50.[3]

6.7 The report for Business in Sport and Leisure (BISL), conducted by KPMG, separated the spend by location and asked respondents to report the average amount they had spent on the most recent occasion.[4] As figure 6.iii shows, they found that the highest reported spend was on gaming machines in casinos, £118.65, and the lowest in cafes, £2.78.

6.8 In 1997, the Brewers and Licensed Retailers Association (BLRA) commissioned MORI to carry out a survey on gaming machine playing among pub visitors. It found that 19% of pub visitors played on AWPs or all-cash machines and spent about £2-3 each time.[5]

6.9 Thomas Estates submitted information about its bingo operations. It calculated that in its highest play bingo club, the spend on machines averaged less than £2.50 per head.[6] The overall average spend per head of those who entered bingo clubs was £2.41 which translated to £7.23 for each gaming machine player because "…about 35% of people entering the club actually play the machines".[7] However, in its evidence to us, the Bingo Association stated that the numbers playing on the machines have fallen from around 36% to about 28%.[8]

The Industry

Trade Associations

6.10 Trade associations involved in the gaming machine industry fall into two categories. First, those which have a primary focus on gaming machines, and which represent the manufacturers and users of gaming machines. Second, those which represent trade organisations, such as pubs, and which have interests in addition to gaming machines.

6.11 The largest gaming machine trade association is the British Amusements Catering Trades Association (BACTA). BACTA consists of four divisions and represents the manufacturers, operators and owners of coin-operated gaming and amusement equipment. It has 585 members, who are responsible for the operation of 90% of machines in the UK (though they do not necessarily represent 90% of the gaming

1-Sproston, Erens & Orford (2000) 19 **2**-Ibid, 24 **3**-Sproston, Erens & Orford (2000) 37 **4**- BISL (2000) **5**-BLRA (2000) 2/3 **6**-Thomas Estates (2000) 2 **7**-Thomas Estates (2000) 2
8- Bingo Association at the GRB Oral Evidence Hearing, 20/11/2000

Location of gaming machine	Average spend £
Casino	110.48
Inland arcade	9.33
Seaside arcade	6.29
Bingo hall	6.08
Pub	4.90
Club	4.48
Betting shop	3.20
Cafes & Takeaways	2.78

Source: BISL (2000) 50

Figure 6.iii: Gaming machine average spend, by location

machine operators in the UK).[9] BACTA and the Gaming Board have a working group which, amongst other things, has produced a Unified Code of Practice and guidelines for machine control.[10] Operators of gaming machines, such as bingo halls, clubs and pubs, have trade groups representing their issues in general which include gaming machines among them.

Industry size, structure and turnover

6.12 Information on the size of the gaming machine sector relies, almost entirely, on information provided by the industry. Whilst those who wish to sell, supply or maintain gaming machines need a Gaming Board certificate, these certificate holders are not required to submit to the Board details of the numbers of machines they handle. Therefore the Gaming Board does not hold statistics on machine numbers and locations.[11] Although some parts of the sector are required to register with the Gaming Board or local authority, other parts operate without reference to any statutory body so very limited data are available.

6.13 We received evidence from two industry groups: BACTA and the Amusement Gaming Industry Forum (AGIF). The detailed evidence and data submitted by BACTA have been quoted where no official data are available.

6.14 The industry has a number of different layers: the first level consists of the gaming machine manufacturers who supply both domestic and export markets; the second is the machine suppliers, and the third is the locations or premises where the machines are sited. In some cases, particularly with large pub chains, site owners act as intermediaries between the suppliers (level 2) and eventual locations (level 3). This is shown in figure 6.iv.

Machine manufacturers

6.15 Gaming machine manufacturers are involved in both the design and manufacture of machines. Most manufacturers are owned by public limited companies or major leisure corporations.[12] A number of major manufacturers and smaller companies are also involved in the conversion and rebuilding of used equipment for which there is a significant market, and the export of machines. We received evidence from BACTA and from a number of individual UK machine manufacturers.

6.16 The industry told us that machine manufacture has been characterised by "roller coaster trading" trends in the UK over the last thirty years. Sales of AWPs (and all-cash machines) rose to 80,000 units in the mid 80s, but declined to some 50,000 units in the year 2000.[13] More specifically, BACTA states that in 1999, UK gaming machine manufacturers produced and sold approximately 107,000 new gaming machines worth about £180m.[14] The domestic market took 68% of the new machines. Of the total manufactured, 62,000 were all-cash machines, 4,000 were AWPs and 7,000 were jackpot machines. The remaining 34,000 were exported to places such as Holland, Belgium, Germany, Spain, Eastern Europe, Africa and the USA.[15] Figure 6.v shows the percentage breakdown. Bell Fruit Games alone sold a total of 23,000 gaming machines to the UK and overseas. Total sales were worth £36m and the UK market share was about 22%.[16]

6.17 According to BACTA, manufacturers sell most of their new machines directly to the larger machine suppliers or through a network of certified machine distributors.[17]

Machine suppliers, operators and distributors

6.18 Gaming machine suppliers are third party operators who supply and service machines for the many retail outlets, pubs, bingo halls, leisure centres and motorway service stations. They buy gaming machines from manufacturers and then offer the machines on a rental basis to site owners and operators, with a full back-up

9- BACTA (2000) 11 **10-**Gaming Board for Great Britain (2000) 46 **11-**Ibid, 45 **12-**Maygay Machines Ltd (2000) 4
13- Ibid **14-** BACTA (2000) 51 **15-** Ibid, 51/55 **16-** Bell Fruit Games Limited (2000) 2 **17-**BACTA (2000) 52