

The Society For The Study Of Gambling

Newsletter

Spring 2002, Number 35

Editor:

Position Vacant

Chairman:

Paul Bellringer OBE
GamCare
Suite One, Catherine House
25/27 Catherine place
London SW1E 6D
[Email: Paul@gamcare.org.uk](mailto:Paul@gamcare.org.uk)

Honorary Secretary:

Lucilla Evers
46 St Dunstan's Road
London W6 8RB
[Email: lucilla.evers@orr.gsi.gov](mailto:lucilla.evers@orr.gsi.gov)

Honorary Treasurer

John Beard
16 Egerton Road
Lymm
Cheshire WA 13 OPA

Tel: 01925 758398

Executive Committee

Christopher Hill
Susanna FitzGerald
Faith Freestone
Bill Galston

The Society For The Study Of Gambling

The society for the Study of Gambling was formed in 1977 to provide a forum for those concerned with research into gambling; to promote its scientific study, especially as far as the psychological, social and economic aspects are concerned; and to inform the public about these matters. In more recent times the Society has broadened its focus to include a wide range of issues relevant to the field of gambling.

The membership of the Society is drawn from a wide circle of people who have an interest in various aspects of gambling. They range from those that deal with problem gambling to members of the commercial gambling industry. It is a condition of the Society that there should be freedom of opinion and practice among its members. Consequently, the Society does not take any particular stance in relation to gambling.

Talks and papers presented at Society meetings are often reproduced in the Newsletter. They are published at the invitation of the Editor and with the permission of the author. They are not intended to be an alternative to publication in a learned journal. The Editor welcomes unsolicited manuscripts, correspondence, book reviews and other items which are of interest to SSG members.

The Society holds regular meetings twice a year in London. **The next meeting will be held on Tuesday 14th May 2002.** For further details please contact the Treasurer.

Information about the Society and a précis of the articles that have been published in recent Newsletters can be found on the Society's website:

www.societystudygambling.co.uk

NEWSLETTER

Contents

Spring 2002, Number 35

1	Editorial	Paul Bellringer
2	The rise of mobile phone gambling	Dr Mark Griffiths
7	Gambling Industry Forum Transcript	Rt. Hon. Richard Caborn
11		John Kelly
14		Simon Thomas
18		Andrew Burnett
21		Tom Kavanagh
24		Julian Harris
28		Paul Bellringer
31		Paul Talboys
34		Graham White
36		Chris Bone
39		Peter Collins
42		Keith Smith
45		David Beeton
47		Trevor Beaumont

Editorial

Paul Bellringer

Members of the Society for the Study of Gambling will know that finding a Newsletter Editor to replace Christopher Hill has been difficult. In fact the two most recent appointees to the post have slipped through our fingers and currently the post is vacant. However, I am pleased to report that a candidate has been found who has the necessary skills and is willing to undertake this important task.

The regrettable consequence of this has been an extended delay in publishing this, the thirty fifth edition of the Newsletter. In this edition we have an extremely interesting feature article by Dr. Mark Griffiths on the rise of mobile phone gambling.. Although mentioned in the Gambling Review Body report, it was not an issue that received much attention, probably because of the currently relatively small numbers of players. But if Dr Griffiths is correct, it will inevitably assume greater importance in the near future.

The period from July 2000, when Sir Alan Budd's Gambling Review Body began to consider the volume of evidence submitted to it, through to the present has been one of the most momentous in the history of the gambling industry. In July 2001 the GRB produced its report, containing 176 recommendations for reform. This was followed by several months of strenuous activity as interested parties prepared their responses. This activity shows no signs of slowing down and we are in for a further prolonged period of lobbying and debate now that the Government have announced which of Sir Alan's Budd's recommendations it wishes to enact, how it will do it (i.e. by primary legislation, deregulation, guidelines or codes of practice) and when it expects to start and complete the process. This review of Britain's gambling laws has been the major concern for everyone who has any involvement with gambling and clearly this interest is set to continue for some time to come.

The remainder of this Newsletter reflects this focus of attention and the fact that recent meetings of the Society have concentrated on similar issues. You will find views from many parts of the gambling spectrum, not all of them favourable to the Gambling Review recommendations. Everyone, however, accepts that there will be significant change and maintaining the status quo is not an option.

The Society would like to thank ATE Ltd, the Gambling Consultancy and, in particular, the individual contributors for permission to reproduce an edited version of their speeches given at the Gambling Industry Forum on 31st October 2001.

The rise of mobile phone gambling

Dr. Mark Griffiths

Psychology Division, Nottingham Trent University

It is often claimed by marketers that online gambling makes commercial sense (i.e., the combining of gambling and the Internet into one convenient package). Gambling looks like it might make another step towards convenience with the advent of mobile phone gambling. This is gambling on the move, whenever, wherever, with the wireless world of mobile gambling. Since it is unnatural to be always near a computer, it makes the medium of wireless the perfect medium for online gambling. Whenever a gambler has a few minutes to spare (at the airport, in traffic etc.), they can occupy themselves by gambling. Merrill Lynch predict that online gambling will jump to \$58billion by 2004 and that mobile gambling will lead the way (Kriz, 2001). Robert Lezec (the CEO of the mobile gambling company *Indiqu*) claims that "mobile gambling will undoubtedly be the most lucrative of all m-commerce segments over time".

Conventional wisdom says that two things have the power to drive any new consumer technology-pornography and gambling. These activities helped satellite and cable television, video, and the internet. It has been claimed in the media that interact gambling and adult (pornography) sites are about the only e-businesses not laying people off these days. The wireless world of the mobile phone may not be too different. So will gambling compete with pornography for dominance of m-commerce? Along with pornography, gambling sites are one enterprise that should have little trouble reaching profitability especially if this is combined with sports events. Sports are huge on the Internet. There are thousands of communities on the Internet built around sports teams or leagues, and even more "unofficial" team sites set up by fans. The most successful of those communities will look to "mobilize" and then "monetize".

Gamblers are risk-takers to begin with, and may be less cautious with new forms of technology. Mobile phones are ideal for bet placing, and gamblers will be able to check on their bets, and place new ones. Furthermore, it is anonymous, and can provide immediate gratification, anytime, anywhere. Anonymity and secrecy may be potential benefits of mobile gambling as for a lot of people there is still stigma attached to gambling in places like betting shops. Mobile gambling is also well suited to personal (i.e., one-to-one) gambling, where users bet against each other rather than bookies (see Flutter.com for examples, where people bet on anything and everything).

So what types of gambling will work best on mobile phones? Internet gambling lends itself most naturally to "casino-style" games like slot machines, blackjack, roulette, poker, etc. These games require more in the form of graphics, sounds and interactivity.

They are not really suitable for mobile devices that (currently) cannot really support these as well. Basically, mobile phone graphics and technology cannot compete with internet web browsers. Mobile phone gambling is best suited for race and event betting. With mobile phone betting, all that is required is real-time access to data about the event to be bet on (e.g., a horse race, football match), and the ability to make a bet in a timely fashion. Such facilities are easily provided by the web-enabled third generation (3G) mobile phones, and the appropriate software. At the present time, WAP phones' biggest influence will be on sports betting. The placing of the bet is not the driving motivation in event wagering. Since being the spectator is what sports fans are really interested in, the sports gambler does not need fulfillment from the process of gambling. People betting on sports will use mobile phones because they are easy, convenient and take no time to boot up. Once they have their sports book registered as a bookmark on their phone, they However, things could well change over time. Some people have compared WAP mobile protocol as the 'BASIC' programming language of wireless internet. It is predicted that with fourth generation (4G) mobile phones, customers will be able to play typical "casino style" games like blackjack, poker and slots. Within the next few years, the limitational aspects of the technological and protocol demands of mobile gambling (graphics, sound and displays on mobile and personal digital assistants (PDA) devices - will be largely resolved, with the advent of 3G and 4G mobile devices (Kriz, 2001).

Advances will allow punters to watch sporting events live on their phones while wagering in real time. Consider the following scenario. A betting service that knows where you are and/or what you are doing, has the capacity to suggest something context-related to the mobile user to bet on. For instance, if the mobile phone user bought a ticket for a football match using an electronic service, this service may share this information with a betting company. If in that match the referee gives a penalty for one team, a person's mobile could ring and give the user an opportunity (on screen) to bet whether or not the penalty will be scored. On this type of service, the mobile phone user will only have to decide if they want to bet, and if they do, the amount of money. Two clicks and the bet will be placed. Context, timeliness, simplicity, and above all user involvement look like enough to convince also people that never entered a bet-shop.

So who will be inclined to pay to play? The penetration of wireless gambling will mostly be contingent upon the market penetration of wireless web users in general. The mobile phone market is already large in many parts of the world. According to *International Data Corporation*, there are 100 million mobile phone users in Asia and 60 million in Europe (Kriz, 2001). The US is behind but catching up fast. By 2004, *International Data Corp* predicts there will be close to 1.3 billion web-enabled cellular phones globally. *Motorola* predicts that by that same year, more consumers will be accessing the Internet from a wireless device, than a wired one (Kris, 2001). If these numbers are combined with the popularity of gambling, it could be speculated that there is the basis for a very profitable enterprise.

The expected market share of the mobile gambling industry remains to be seen. At present, casinos that operate out of the Caribbean constitute 75% of the Internet gambling market (Kriz, 2001). The estimated revenues of that market are currently \$2.6 billion with Americans making up 65% of the Internet gaming market (*Merrill Lynch*, 2001 cited in Kriz, 2001). If the focus shifts from Internet to mobile phone gambling, the American share of the market will drop as the uptake of mobile phones has been. Mobile phone gambling is being pioneered in some places already. For instance, the Hong Kong Jockey Club has combined forces with a number of local mobile phone companies to create an SMS-based 'Telebet' account. Telebet accounts have a facility for placing instant bets. Furthermore, the technology allows money transfer between the customer's bank account and their Telebet accounts. To facilitate and maintain interest, mobile phone gamblers are given wireless broadcasts of racing reports, racing commentaries, betting odds and the latest racing and lottery results. In the first five months, the Jockey Club signed up 22,000 users - a number it took eight years to reach with their previous remote-betting device attempts (Longhino, 2001).

As with all new forms of technological gambling, ease of use is paramount to success. In the early days of WAP phones, programming the phone to use the protocol was very difficult. However, mobile phones are becoming more user-friendly. Pricing structures are also important. In Europe, internet access and mobile phone use has generally been paid for by the minute. In other places (e.g., Asia, North America), there are one off payment fees (e.g., unlimited use and access for a monthly rental fee). The latter would appear to facilitate leisure use as consumers would not be worried that for every extra minute they are online, they are increasing the size of their bills. In Europe, the way the pay structure works means that gamblers can pay more for the phone bill than to gamble. This means that (initially) mobile phone gambling will be more readily embraced in Asia and North America, rather than Europe. Europeans also have a different behavioral history with credit cards than North Americans. At present, Europeans feel less secure using credit cards over the phone and internet because they generally have to sign something before commercial transactions are processed.

Sports/Mobile gambling

Manchester United has transformed itself into a powerful media company. It has launched its own digital TV channel, signed up a host of big-name technology partners (including *Vodafone*, *Sun*, *Lotus*, *Informix*), and started an ISP service. Their partnership with *Vodafone* is perhaps a sign of the shape of things to come. In addition to sponsoring United's kit, Vodafone will also get the chance to develop co-branded mobile services with the club. This will offer users WAP access to content similar to United's Web site (receiving real-time scores and team news via SMS). What they are

heading towards is their ultimate goal - live video of matches, straight to mobiles, ~~anywhere in the world~~ *YouTube* predicts that within four years, users will be able to subscribe to the matches (much like pay-per-view television), on their mobile phones and devices. While watching them, users will be able to view statistics, player biographies, and order merchandise. So what does all this have to do with gambling? Mobility will facilitate an increase in "personalized" gambling, e.g., the types of service offered by *Flutter.com* or *Eurobet's Match* service, where bettors gamble against each other, rather than the house. *Match* even allows people to raise the stakes during an event which is a perfect application for when someone is at a match or watching it in the pub and cannot get to the betting shop.

Gambling will become part of the match day experience. A typical scenario might involve a £10 bet with a friend on a weekend football match. The gambler can SMS their friend and log on to the betting service to make their gamble. If the friend accepts, the gambler has got the chance to win (or lose). Football clubs will get a share of the profits from the service. Manchester United already has a relationship with *Eurobet*, and betting shops are easily found in and around most all football stadiums. Clubs are keen to get fans using branded mobile devices where they can simply hit a "bet" button and place a wager with the club's mobile phone partner.

There are already some inroads being made into this area. The British company *Worldzap* and Finnish telecommunications company *Sonera* are testing a service to beam football highlights to PDAs using high-speed circuit-switched data (HSCSD) phones. The HSCSD system allows users to receive SMS alerts of key moments during the game. Video highlights are then processed in *Worldzap's* production center and uploaded to a *Sonera* server, where it can immediately be seen by users. The current delay time is only two minutes.

Mobile phone gambling: Concerns

As with all new forms of technology- especially when used for gambling-there are some areas of potential concern. These are briefly outlined below.

Access and convenience- It could be argued that mobile phones make "impulse betting" easier. It is also another example of convenience gambling. Mobile phone access is now commonplace and widespread, and can be anywhere. Given that prevalence of behaviours is strongly correlated with increased access to the activity, it is not surprising that the development of regular mobile use is increasing across the population. Increased accessibility may also lead to increased problems. Research into other socially acceptable but potentially addictive behaviors (drinking alcohol) has demonstrated that increased accessibility leads to increased uptake (i.e., regular use) and that this eventually leads to an increase in problems (although the increase may not be proportional).

Youth gambling - It has also been said that promoters of mobile phone gambling think it will attract a younger breed of gambler. In fact some companies are deliberately targeting the under-16 market with mobile phones specially designed for them (e.g. the *Nokia 3300*) although they are not targeting gambling per se. This is something that needs to be monitored. Mobile phones that do not implement a user ID programme will be very hard to trace and check - in particular when it comes to under-age customers trying to place a bet. Market research by *Ericsson* said that almost 10% of Swedes would prefer to gamble by phone and that among younger mobile users the percentage would be higher.

Legal concerns - Another problem with mobile phone gambling concerns the legalities. Currently, the legal framework for mobile gambling has yet to be operationalized. As with most technological forms of gambling, e-gaming regulations and laws are in a state of flux. Furthermore, the privacy afforded by mobile phone gambling, creates a whole new set of problems for law enforcement and taxation issues. With internet gambling there are a number of ways that a person's nationality can be determined. For instance, some sites use Internet protocol addresses to determine a user's tax jurisdiction, some call for user's bank addresses, and others require social security numbers. As mentioned above, mobile phones that do not implement a user ID programme will be very hard to trace and check. Industry analysts say it will be about two to three years before governments and technology providers around the world can agree on a consensus for a verifiable ID system, and encryption (Kris, 2001).

As can be seen, the introduction of widespread mobile phone gambling may come at a price. As with other new forms of gambling (such as internet gambling), the social impact of such activities needs to be rigorously monitored.

References

- Kris, H. (2001). Betting on wireless gambling. Are we ready for mobile gambling - to make money through mobile devices? April 17. [TheFeature.Corn](#)
- Longino, C. (2001). The Beautiful Game. January 22. [TheFeature.Com](#)

Edited transcripts of speeches made at the Gambling Industry Forum 31st October 2001

Rt Hon Richard Caborn MP
Minister for Sport, Department for Culture, Media and Sport (DCMS)

The 31st October is a key date in the timetable following the release of Sir Alan Budd's Gambling Review report, being the final day for the submission of responses. Whoever set the date for this conference has considerable foresight, without any doubt.

Comments were requested from interested bodies and the general public to be with my department today. Numbers of submissions received are already considerable and if some are a little late we will nevertheless still accept them and incorporate them into governmental discussions. Our next step will be to consider very carefully all the points that have been made and then to decide how best to proceed. I can say that we intend to make an announcement on our deliberations and consultation early in 2002.

From the DCMS point of view I think this has been a successful period of consultation. I know many of my officials have learnt quite a lot through the dialogue with industry representatives during the past few weeks and months.

I want to underline very clearly that this consultation process is a real one. I made clear when publishing the report that we owe many thanks to Sir Alan Budd and his colleagues for examining gambling law and policy with the care they did. They also carried out considerable research in producing the review. We should therefore give serious consideration to the recommendations that the Gambling Review Body have presented. But they would, I think, not claim a monopoly of wisdom and it is right there should be an opportunity for debate on issues which will affect us all.

Whether we gamble ourselves or are in the minority of the population who don't, this country must have a system of law and regulation which the public can understand and have confidence in. That is not the position at present.

Whilst opinions may differ- and there has been a divergence of views about the recommendations in the Budd Report - few would challenge the conclusions that the present law is deeply unsatisfactory and needs to be modernised and brought into the 21st Century.

I cannot today set out a firm timetable for implementation, because much will depend on our conclusions as a result of the consultation process. Some of the proposals in the Budd Report will need primary legislation to be enacted. Others could be taken forward more quickly. The Government needs to decide not just what changes to bring forward, but also how to effect them.

Many in the gambling industry are urging rapid progress and I believe that outdated restraints should be removed as quickly as possible. But primary legislation does take time and there are undoubtedly changes we can make within the present law, which I have said in previous ministerial jobs at the DTI and before that at the DTR that uncertainty in business is a very expensive commodity. It can be very frustrating and we are therefore determined to complete the changes as quickly as we can and remove that uncertainty. I think that must be right for an industry as important as gambling, which has a multi-billion pound turnover and is a major employer, as well as a significant wealth creator.

But we need to make sure that whatever we do maintains the necessary safeguards and a proper balance. The Budd proposals are interconnected and I am anxious that we should not unnecessarily delay changes which could bring benefits. For example by helping tourism and enlarging consumer choice.

Gambling is a large industry which makes a very important contribution to the national economy and the public finances which the Treasury is always grateful to receive. But I'm equally concerned that we do not risk the protection of vulnerable groups or threaten the integrity which the British gambling industry rightfully enjoys and both at home and internationally. The Government will therefore ensure that our decision document sets out a very clear strategic vision and the framework for legislative change. I should like to highlight some of the key considerations which we believe ought to be in such a framework.

We need to be clear about the objectives and purpose of regulation. Those responsible for regulating or licensing gambling operations need to have robust criteria for making decisions in the individual cases that they consider. At the same time, the regulatory framework needs to be flexible enough to take account of technological and other changes. We all know that the present law has been overtaken by a number of events, the internet being a prime example. We need to avoid falling into the same trap again. It is also very clear that the gambling industry has shown itself to be very smart, innovative and creative in developing new products and the new media to sell them. We should take note of that when we are framing laws and regulations to make sure that the industry's creativity can truly flourish and develop.

There should be no more regulation than is necessary to achieve the required purpose. As a government, as I hope many of you know, we are committed to removing unnecessary burdens on business and making the regulatory machinery fast and efficient. The gambling business for its part must take social responsibility seriously. Indeed I think it needs to look at the whole issue of corporate governance. Gambling, I think as many of us know, can seriously damage some people as well as bringing pleasure to many millions of others. Therefore I hope the steps which the industry leaders have

begun to take regarding problem gambling will ensure that more is known about its prevention and treatment and that effective help is offered to those who need it. The more assurances the Government has in this area, the easier it becomes to determine. So in framing a new policy for gambling in Great Britain, we need to look at the whole picture. The needs of the industry, the needs of the consumers it serves and the needs of the local community where gambling takes place.

As part of this overall picture, we must also take into account also the position of the National Lottery. Many of you will know the terms of reference we established for the gambling review. We said that Sir Alan Budd and his colleagues were not being asked to examine the regulation of the National Lottery itself, but they were being asked to look at the likely impact of their recommendations on National Lottery income. Their report did so and the consultation process will help us to confirm and add to that assessment. The National Lottery has overall been a huge success in terms of the amount of money that has been raised for good causes. All around the country communities have benefited and continue to benefit in all types of ways. Indeed without National Lottery funding, many charities would have been unable to carry out such a wide range of activities and there are many sporting and artistic initiatives, which clearly would not have happened had it not been for the National Lottery.

The Budd Report rightly poses the question of how much protection the National Lottery should receive from competition with other forms of gambling. That was not a question of gambling and regulation, but rather of wider public policy. It is the government's responsibility to address that issue and come up with an answer in reaching its conclusions on the Budd Report and we shall do so.

But it would be wrong to assume that the National Lottery, as it now operates, is a fixed point about which the rest of the planets of the gambling industry should revolve. Last December, Chris Smith the then Culture Secretary announced that the arrangements for licensing the lottery would themselves have to be reviewed. That was in light of the experience of the last licensing round. In carrying out that review we should naturally have the Budd proposals in mind.

In conclusion it is very clear that we needed the gambling review which has been the first serious examination of the industry leading to change which has been undertaken for 30 years. It gives the gambling industry the opportunity to come into the 21st Century, to take its role as a major part of the British leisure and entertainment sector. As I said previously, the attraction in terms of inward investment and in terms of tourism is immense. We want to ensure that gambling comes into the leisure and entertainment mainstream, so we can build this industry which I think has an international credibility which I did not appreciate until I took this ministerial job at the DCMS.

So it's my job to make sure that we do steer the course that is going to deliver a modernised industry. One that can grow and use all its innovatory skills to make sure that build further success. But I do reflect on the experiences in some other countries who have gone down the road of reforming their gambling laws and regulations. I do see that mistakes have been made. I think we must learn from those mistakes and ensure that in Britain we build a solid framework of regulation and law so that you are enabled in the future to maximise the assets of your industry.

That is my intention and I will be looking very carefully at all the review submissions that have been sent to the Department. I think Tessa Jewell, the Secretary of State, and myself have made it clear that we will move as quickly as we can. As I said previously, procrastination and delay creates uncertainty which can be a very expensive commodity for any industry.

I want to thank everyone who has contributed to the consultation process. We will seriously consider all contributions and will continue to debate the issues as we evolve our conclusions to the report's recommendations. I want to emphasise that the end objective is to enable the gambling industry to expand and be more effective than it is today.

John Kelly CEO

Gala Group

I'm going to make an assumption; namely that Budd is going to be delivered. But how much of it and which parts of it are going to be delivered by deregulation and which parts by primary legislation, who knows? But my assumption is that Budd will happen.

Clearly we have over some weeks exhausted what we can say on those issues that have most energised the industry. Local authorities versus licensing magistrates etc. So I'm not going to re-rehearse those for you again. I hope that we can rise above the parapet of the minutiae and begin to think about what is going to happen.

So let us move to the implications of Budd. The agenda I should like to employ is that of "the changing landscape" and what it means; e.g. more casinos, blurring of definitions, more innovation, changes in the sales mix and changing corporate dynamics. We need to think about more participants in gambling, as a percentage of the population. We have to come completely out of the undergrowth on this and begin to talk realistically about the implications in terms of economic impact on the industry. There will be new entrants and increased competition. There will be a growing focus on taxation yields. There could be a rationalisation of industry associations and more capital commitment.

Let us consider the changed landscape. More casinos. Lot's has been talked about more casinos. Numbers have been bandied about. Are we going to have 500 casinos within a year of the implementation of Budd? Of course we aren't. That is not my view at all and I think I have made that view perfectly clear before.

Are we liable to get an increase in the number of casinos? Sure we are. Will it be up to 150-180 casinos within two to three years of Budd? In my view that is a realistic estimate, but once again is it going to be 500 casinos with a casino on the corner of every high street? For a number of reasons, which I hope I will cover, I don't think that's going to be the case.

We've had a historically static number of casinos within the UK ranging between 114-121 licences since 1968. There is within the Budd Report a view that there must be 2,000 square feet of gaming area minimum to qualify for the application of a licence under the new rules. Licensing is an enormous issue and probity issues are absolutely crucial. We at Gala welcome the fact that probity is going to play a continuing and increasing part in qualifying people to run gaming establishments.

If you come to think about it there are 6,000 employees within the casino business at the moment who are licensed to participate in the gaming end of casinos. That is not a huge reservoir of employees and these are issues which are going to an extent constrain the

growth of casinos in the UK and of course the competitive environment. You don't put a business where you can't make money.

The blurring of definitions. The most asked question I think I have had over the past weeks is how many of Gala's bingo clubs are going to turn into casinos? Well first and foremost I'm not going to tell you. Secondly, it makes an implication that a casino is by definition a more profitable enterprise than a bingo club, which is just practically wrong. Secondly it begins to make considerations about the existing definitions of gaming. Is it going to be a bingo club? Is it going to be a casino? Should we not be thinking about numbers gaming because I think that's what we're going to be considering in terms of total propositions.

Sports betting again is going to become part of an overall offer. Machines are no longer separate under Budd, and if we develop our interests properly and with due diligence there is no longer just going to be a distribution outlet for one particular element of gaming.

The one-stop proposition so often talked about where whether you call it a gaming shed or you call it whatever you will, these blurred definitions will begin to take us away from the existing defined measurement of what a particular gaming activity is.

New games opportunities. If you're specific within Budd then new games opportunities will be considered by the Gaming Commission and of course there are then all the on-line issues which have already blurred the definitions of what gaming is called depending on what landscape you're choosing.

More innovation. If we don't have innovation we are dead anyway Budd or no Budd. But does it not mean that there has to be through the linking of machines significantly greater innovation from suppliers and from manufacturers?

What about the migration from on-line to retail, from retail to on-line? These are issues which again through the Budd proposition are going to cause issues for organisations and of course new delivery mechanisms. Which maybe we haven't even thought of at the moment or maybe we've thought of them but have not yet had the opportunity to implement them.

Change in sales mix. Machines, slots. In casinos at the moment you may know that about 8% or 9% of income in casinos comes from machines. In France, 92% of income in casinos comes from machines. Are we going to turn into a France? We are not. But should we anticipate that machines are going to form a greater part of our sales mix? Clearly we should. Will it be 30, will it be 40%?

Sports betting also is going to move and migrate sales mix from one area to another and of course then there is the whole question of on-line expenditure. Will on-line expenditure have an impact on the retail sales mix?

A change of corporate dynamics, the use of capital, public and private. The refocusing of core activities within large and small organisations and of course JB relationships. Is this going to create a new opportunity within those who we know so well within the industry to create different kinds of commercial entities to fully exploit the opportunities and the consumer demand for the issues that we have.

So new entrants increase competition. Has the franchise for casinos disappeared under Budd? In my view it has. Is that a bad thing? It is for some. Is it a good thing? It is for new entrants. But there's absolutely no doubt that we should anticipate increased competition. That should be in the interest of the consumer. We should not be frightened of that. We should be robust and strong enough commercially and in management terms to deal with that and exploit that.

Increased focus on taxation yields. Already the Treasury has implied that they are anticipating £2bn of additional tax revenue as a result of deregulating the gaming industry. This is not going to be a one-way piece of traffic for the gaming industry. The rationalisation of industry associations is an interesting one. It seems to me that if you blur the definitions of gaming you begin to question whether particular sectors of the gaming industry should be represented in the way they currently are. I would argue that they can't, particularly when we're talking about how we represent corporate social responsibility as an industry and the need for probity checks and the need for one concerted view to government and regulators about how this business should be managed.

Finally, more capital commitment. This is all going to take money. It doesn't mean to say however, that the larger corporations are going to be the only ones who can take opportunity. That was what was said in the 1968 Gaming Act. I remember it. In 1974 I remember the debates about how the large organisations and large operators would dominate the space. They have not dominated the space. Many people operate commercially within the existing environment and an enlarged gaming landscape should be an enlarged opportunity for all.

Simon Thomas, Managing Director

Thomas Holdings Ltd.

Sink or Swim. What an apt title. The reality is that as the Budd Report goes through, the majority of people will do one or the other. Treading water is not an option. This is a change of such magnitude, it is a tidal wave, and you have either got to get on it and ride it, or be drowned. We're likely to experience more change in the next thirty months than we have the last thirty years. And many will not be able to either cope with it, or want to cope with it.

Now I am sure a lot of us are not against change, provided however that it is for the better. And quite frankly, if as a Company we have to, we have a number of properties that we will turn into casinos. However, I want to present the position of the independent operators and illustrate why this proposed change could be disastrous to this Industry and to the country.

Assuming that the principal points of the review go through and being blunt, the reality of this review is not that it is a gaming review ...but more specifically that it is a gaming machine report. This whole review is about slots. The principal result will be the introduction of large numbers of high stake, high jackpots, slot machines throughout this country. I must say I disagree with John Kelly saying that a casino will be 30% to 40% slot revenue. I think we are going to be heading for 90% slot revenue.

The slot machines proposed can be linked so can have jackpots worth millions of pounds, and anyone who can show identification to show they are over eighteen, can go in off the street, into a casino and play them, Not only that, they can drink at the same time. These casinos will be numerous. They will be widespread and no doubt, very attractive to the punter. And why not? The punters will not be forced to play them, but they will no doubt play them. Indeed, these new venues with all types of gambling from traditional casino games, to sports betting, to bingo, to large numbers of high jackpot slots, with restaurants, live entertainment, bars are going to be very attractive... far more attractive than the existing entertainment venues. The reality is that traditional venues will not be able to compete and many pubs, clubs, arcades, bingo halls, will close. But that's what competition's all about. The customers are adults and they are making informed choices. Large numbers of casinos competing for the business will also ensure the punter gets good odds and a good deal. And equally these new casinos and the new Industry around them will employ lots of people and the argument that this sort of change does not produce any new jobs, with the same consumer's money paying for the job wherever they happen to be, works both ways. So the changes should not lead to any net loss of jobs. Now this is scant recompense for many in the independent sector who will lose their jobs but all in all, from a corporate viewpoint, it's very defensible. And also from the international viewpoint it will open up our market to the major overseas manufacturers

and operators many of whom I would agree are better than us ...and I think that's very considerate of us as a country.

One proposal however could dampen things a bit, giving Councils the power to control gaming licences and the ability to blanket ban gambling or types of gambling. But then again, why shouldn't Councils have that power? They are, after all, elected by the people of that area to represent them. The regretful history of corruption at local Government level should not be overlooked, but on the whole, Councillors are honest. It does however introduce uncertainty and inconsistency exacerbated by shifting political objectives and electoral change in the membership of the Councils and Licensing Committee every few years. The reality is, under these proposals, at any stage Councils could make a new policy and for example, close down all casinos in the area. Naturally this will have an impact on investment in new venues or even existing traditional ones, so we will have to make our investment decisions based on our knowledge of the local Council's policy and any potential future policies that Council may have, depending on which colour it is at the time.

Now this all bodes particularly badly for inland Arcades and LBO's, as, whilst it is accepted that that sort of gambling is a valid minority interest, many Councils simply do not like it and they will seize this as an opportunity to, in inverted commas - "clean up their area" You will notice how Budd links that sort of gambling with sex shops. They will make policies not to renew licences, but that's democracy ...so, tough. And equally, if you just spend millions on a fabulous new casino and the Council changes and decides they don't like them now and no licences are to be renewed ...that's tough too. And this all has a potential knock-on effect on crime. Gambling is like risk-taking, a natural human trait. If this were to be totally prohibited in areas it would have the same sort of effect as prohibition did in the States where illegal drinking joints and Speak Easys were set up. So Councils and blanket-bans do dampen things a bit. So anyway, continuing on with the independent sector if competition from the new glossy casinos does not shut you down, and if the Councils have not adopted blanket bans to get rid of you anyway, then there's the Government. And one of the principal reasons for this review is taxation.

The Government's after another £2billion from this Industry in tax. Now some of that is going to come from the new Industry in Internet gambling but the rest, well, the difficulty for the independent operator is, from the Government's viewpoint, it is preferable to collect tax from fewer, larger corporates than the plethora of independence. So, whilst we have little idea of the way taxation is going to work, the chances are it will not favour the independent. It is always going to be more efficient to have a number of easy-to-tax-and-regulate large casinos and operators, get rid of the small operators, small gambling venues - maybe even replace the pub and club fruit machines with nice easy-to-tax-and-regulate National Lottery terminals offering pseudo games, video scratch cards, etc. So we should not expect it to be easy going.

All in all, it could be said that the independent future looks bleak. And a lot of what I have said so far is logical and defensible, provided of course that it is good for the country and that's where it all starts to be questionable. The gaming Industry or the regulation of the gaming Industry in this country is the envy of most countries in the world. It has been very tightly controlled and has been allowed to evolve slowly and sensibly, and we need to be certain that any changes made, only improve on this.

Sir Alan Budd is an instinctive De-Regulator and Free Marketeer, and many feel that his proposals have gone way too far, ignoring many of the reasons why this Industry needs strong regulation. Perhaps we have been lulled into a sense of false security by the previous success of the regulation. The principal rationale to regulate in the Gaming Industry differently to other Industries, relates to promoting consumer protection, minimising the potential for criminal and unethical activity and reducing the risks and costs of problem gambling.

Taking these in order, the Home Office, in their submission to the GRB, said the success to date is partly a result of keeping the Industry to a manageable size. If the proposals go through, the rate of growth of this Industry will far outstrip the regulator's ability to manage it and this has to open opportunities for abuse, either of the consumer or the Industry itself.

Looking at crime, there would undoubtedly be a difficulty controlling the potential numbers of venues. This will make money-laundering control more difficult, and as the business becomes very lucrative, inevitably there will be some who will resort to legal activities to better their position. You only have to look at our own current restrictive regime and the past abuse by Playboy and Ladbrokes, to imagine what could happen in a less regulated time. Equally, the reality of a totally new regime with untried and untested regulations and regulators, and new players from the world over, is bound to lead to problems. Criminal activity tends to occur when pressures or incentives to break the law are not matched by enforceable or enforced restrictions.

Finally then, the question of problem gambling. One of the terms of reference of the GRB was to protect the young and vulnerable from exploitation. However, in the Report they admit the proposals are likely to lead to an increase in problem gambling. The problem here is the only way to find out the extent of the problems that could result is to do it ... then monitor the effect and put in counselling services to monitor and help those effected. This is certainly what is proposed ...but many people are, to say the least, uncomfortable with this. It is reminiscent to opening Pandora's box. Australia and New Zealand both fit this, and both are now trying to find ways to contain the problems caused. New Zealand has recently announced an immediate ban on new casinos being opened due to rising concern about the extent that problem gambling is being reported and in particular, problems caused by gaming machines.

Similarly, Australia is considering a reduction in the number of gaming machines available as a result of the problems there. The Australian example is interesting. There was widespread de-regulation there in the 1990's on gaming machines. They now have nearly two hundred thousand available to play in a wide variety of locations for any adult ... no membership, come off the street and play. They also have a problem gaming rate of 2.1% of the population, with 1% said to have severe problems. They say the prevalence of problem gambling is related to the degree of accessibility of gambling, particularly gaming machines.

Their Government has been slow to react, and most of all because of the large amount of tax they earn from the industry. This is a fundamental rule that we must avoid in any new regulation. The objectives of the gambling regulations must be heavily skewed towards social ... not economic objective. And if we do go the same route, it seems inevitable that it will lead to similar, social problems that can only result in restrictions on the industry being reintroduced ... to late perhaps to help people negatively effected, but also potentially damaging for all in the Industry as it adds to further uncertainty.

In conclusion, independent operators are entrepreneurs and will no doubt try to make the best of whatever is the outcome. But for them, the best is probably to hope that common sense prevails and that the proposals are not progressed on block ... but rather, the proposals are split into sections and progressed accordingly. Urgent measures such as Internet gaming regulation should be dealt with first, but any major, structural changes, only made when we are convinced they are correct. Why gamble with the best gaming situation in the world?

There is however one certainty that will come from this review. A massive increase in the numbers of reports and research studies on the Industry. If the worst happens, the independent operators will have to move into the new growth Industry of researching this Industry!

Andrew Burnett, City Leisure Analyst

Merrill Lynch

Now is a good time to be raising money for gambling ventures, but only certain selected gambling ventures. The events of the 11th September were shocking to all of us but what has happened to the market since that date has shown the underlying stability and cash flow generation of the UK gambling industry. It is no surprise that in the leisure sector the stocks that have outperformed the market since the 11th September have been domestic pub companies and gambling companies. Stanley Leisure has been the best performer in the sector at performing the market.

We recently published a report into this and we looked at gambling stocks and a host of other leisure stocks and something called Operational Gearing which is just a split between fixed costs and variable costs. I won't go into it in any detail but if you get a shift of 1/2 of 1 % in GDP then what actually happens to your earnings per share as a result of that? Basically they are resilient to just about whatever happens in the world economy and the UK economy. I think that's going to persist for a while.

I think that investor's attitudes to taking risks and getting back into pharmaceutical stocks and telecom stocks and others is going to persist for a while also, so now is a good wind of opportunity. How long is it going to go on for? If we were just arguing it on the back of security and visibility of cashflows which is not a bad reason for investing in stocks or bringing stocks to the market, it could last six months, it could last twelve months. But that's only half the story. The big story is the structural change that comes out of Budd.

We think that a lot can be put through in deregulation within the next eighteen months. We think that quite a bit is going to need that primary legislation, things like resort style casinos. I hope that there are resort style casinos in this country and I hope the first one is at Blackpool because I think it is a great project. But we think things like the abolition of membership, betting on the National Lottery, if it is going to happen, is probably going to take primary legislation.

The rest we could have in place I suppose theoretically by the end of 2002. That would be my reading of it and that could lead to some very significant changes. I mean, an example I like to quote is what happens when you drop the membership principle and you drop the 24 hour rule or you drop the 24 hour rule to a two minute rule or however they are going to get round it? And you look at the example of the Illinois River Boat Market in the 1990's. It's not a perfect example to apply to the UK but what happened in Illinois, very briefly, is that these river boats would cruise up and down the river. Then the Local Authorities said to the operators, look, you don't have to cruise up and down if you don't want to. You can basically anchor your river boats here but you've got to stick to the allotted cruising times, so people can board your ships to game at 10 o'clock and 2 o'clock and 4 o'clock, and so on.

But you still had a kind of a barrier to entry. When they dropped that restriction so you had what American analysts would call free ingress and egress, straightaway, turnover went up 30%. Now I am not saying that if you drop the 24-hour rule membership is going to go straight up 30%. But, I think there's a lot of people in my industry, in my walk of life in Liverpool, who would be attracted to going into a Casino if they were offered a membership of a Club and they didn't have the restriction of having to turn up 24 hours in advance. So I think we could be looking at some quite meaningful changes to turnover and operating profit in the next couple of years, before we even start thinking about the opportunities of gambling machines.

If you look at the situation in France, and this is often quoted, it is a good example of what happens in a market when you take away restrictions and give people access to gaming. They don't feel intimidated about, or embarrassed, or not quite sure what to do, or how to play or what the rules are. They put money into slot machines and from 1987 onwards, after the introduction of the law passed by the French Interior Minister, revenues doubled within a year, quadrupled within five years and then nine-fold increase within ten years.

Trying to compare the French Casino industry with the UK Casino industry is difficult as these are entirely different markets. The French have had different opportunities and different chances to show their managerial skill and their commercial flow. And I think that trying to compare the French Casino market in the past with the UK Casino market in the past, is like taking someone on at tennis and asking them to play with one hand behind their back. So, with that in mind, let us look at some of the upside that may be available to UK Casinos. If a typical provincial casino has got 20 gaming tables, Budd says well you could have up to 160 machines. If we assume that most provincial casinos have got space for half that, we can put in an additional 80 machines. They are going to be wide area progressives - some of them, bigger jackpots certainly - all of them, so we are going have to have a higher revenue per slot. Now at the moment the UK average is about £27,000 per slot per year. It is three times that in France, it is over two times that in Atlantic City.

Looking at the increase in the number of machines and the increase in revenue per slot. You have got to take a higher labour cost off that and you have got to take a lot of other expenditure off that including a threefold increase in promotional costs, because you have got to really push this brand. But we are not assuming resort style casinos nor are we assuming 40-50,000 square foot gambling sheds with food and beverage and interactive sports lounge with waitress, sports, gambling and other such things. We are just assuming slots coming in on a wide area of progressive models and we get a threefold increase in operating profits for a provincial casino operator. Numbers are going to be similar for bingo; it is a different model but there are great opportunities to put elements

of a casino in a bingo club, keep the bingo character but effectively get slot machines in there. And we think the upside is going to be great for bingo clubs as well.

We think this is a unique opportunity, a unique point in time, when those of you thinking of raising money would certainly have a receptive audience in the city. Certainly given the inherent stability of this industry which is very attractive to investors at the moment.

In summary we think this is a particularly good time, if not a unique time to be looking to raise money. But I think time is running out. I mentioned earlier there is probably a window, six to twelve months, when you have investment attention before the market for all things e-commerce and pharmaceutical and telecom related starts coming back. I think you need to take advantage of that window. It is time to get your track-suits on.

Tom Kavanagh, Secretary

The Gaming Board for Great Britain

Starting with the Gambling Commission's role the Review Report recommends a single regulatory authority, which would licence all gambling operators and key workers. The Commission would be expected to take advantage of the practices and procedures successfully developed over the years by the Gaming Board. There are really two elements to what it is going to do; it is going to take on the Gaming Board's current role in respect of Casinos, Bingo, Gaming Machines and Lotteries and it is going to take on a wider range of other functions and roles which I will come on to in a while. I will start by running through what the implications are in terms of the Board's current role:

Casinos - These will be regulated by the Gambling Commission probably in very much the same way as the Board does now, but the proposed relaxations in controls will inevitably mean there is going to be a greater number.

We have heard speculation already about the number, the Gambling Review Body itself suggested the number might go up to about 450. Some people have doubted that and we will see who is correct. But there is clearly going to be an increased role just in terms of numbers and along with it, there is going to be an increase in the number of people that are going to need Certificates of Approval or Personal Licences. These will increase in proportion to the increase in the number of Casinos.

Secondly the Commission is going to take on **Bingo** and the Certification of bingo operators and managers. The changes proposed in the Review Report for Bingo are generally more modest than they are for casinos and the number of clubs has declined and is currently around about 700. It is our feeling that the workload for the Commission, in terms of bingo, might stabilise at that number.

Gaming Machines - Currently there are about 700 suppliers of gaming machines certificated by the Gaming Board: these would also in future be certificated by the Gambling Commission. Apart from the recommendations about slot machines in casinos, we suspect the changes are not going to have a major impact on the number of machines that are in the country and therefore we think the numbers of suppliers may stay broadly the same. The introduction of casino slots will inevitably attract the major international manufacturing companies. Although the number of these is not great, the major change the Gambling Review does recommend is that the Commission should have a formal machine testing regime which the Board does not have at the moment. This will involve a fairly substantial programme of work for the Commission Inspectorate and I should just add that the Board does believe, contrary to what is said in the Report, that it is probably right that machine manufacturers should themselves be certificated.

The final area that the Board currently deals with is **Lotteries**. The big impact here is that the Review Body recommends that all societies wishing to promote lotteries should be registered with the Gambling Commission. At the moment only those running large lotteries are registered with us, those running small lotteries are registered with their Local Authorities. This would involve a massive increase in numbers to be registered by the regulator. We currently have about 600 societies registered with us. Although the Review Body gave no numbers, we understand that there may be as many as 40,000 societies registered by Local Authorities. The Gaming Board has raised with the DCMS whether there should be a minimum limit below which registration is not necessary at all.

The Review Body goes on to recommend new areas of responsibility for the commission. The first of these is **betting**. Bookmakers and betting shops are not currently subject to central regulation. They obtain a permit or license from the Local Licensing Justices in the areas in which their premises are situated. The Review Body recommends that the current, 4,000 Bookmakers and the Managers of the 9,000 Betting Shops in the country should be certificated by the Gambling Commission. In addition, there are 200 horse, greyhound and **point-to-point racetracks**, along with certain venues such as **football grounds**, which need to be licensed for betting. Currently licensed by Local Authorities, they would also in future be certificated by the Gambling Commission. **Gaming machine arcades**, operate under permits issued by Local Authorities. In future, estimated by the Gambling Review Body as 2,000 in number, they would be certificated by the Gambling Commission.

The Report is silent about whether key arcade managerial staff, as well as owners, should be certificated, which they do recommend in respect of betting shops. This is something that we have raised in our response to the Review Body Report as we believe the managerial staff probably should be certificated in the same way that it is proposed that betting office managers should.

It is also recommended that the Gambling Commission should certificate and regulate the three football pools companies currently in Britain. There are two other major responsibilities which should fall to the Gambling Commission. These are illegal gambling and on-line gambling which have not been previously within the ambit of any regulatory body and where considerable resources are likely to be needed for the Commission. Currently, for understandable reasons, the investigation of illegal gambling comes low down on the list of police service priorities. It is sensible that the responsibilities should be transferred to the Gambling Commission, but it is an area fraught with enforcement difficulties. The regulation of on-line gambling is new to any jurisdiction around the world and it is not yet entirely clear what it will involve. There are raft of issues that it brings with it that are different to terrestrial gambling-it is a major new area for any regulator.

It is not quite clear yet what size of organisation will be required for these expanded roles. We are currently attempting to prepare some estimates for the DCMS.

Moving on to the influence of the Gambling Commission there are two major aspects which I would like to mention where the Commission will have powers not available to the Gaming Board, which will enhance its ability to work with the industry. The first relates to the inflexibility of the current legislation. The report says that there is a major difficulty in that the legislation has been stuck in the form it acquired thirty years ago. It goes on to express a hope that lessons have been learnt from that inflexibility and that as far as possible discretion will be given to the Gambling Commission to adjust regulations to respond to changing demands. They recommend therefore that future legislation should be in the form of an enabling act which delegates the detailed provisions to Gambling Commission Codes. We believe such an arrangement would be a major advantage over where we are at the moment. It will benefit both the industry in allowing flexibility to meet evolving needs and it will help the regulator because old out-of-date controls are the hardest to enforce.

The second area of influence I would like to mention is the extended range of powers which the Gambling Commission would be given to undertake its regulatory duties. The Gambling Review has suggested the Commission should have powers to commence a prosecution; wider and extended powers of entry, search and seizure; and a range of sanctions including fines, endorsements and cautions. It is easy to see why such a range of extended powers would be attractive to the regulator, but what is in it for the industry? I think there are two benefits. The powers of entry will undoubtedly enable the Gambling Commission to better undertake the duties it is going to be given in respect of illegal activities, and that can only benefit the legitimate industry. Secondly the flexibility in sanctions will mean that the Gambling Commission is better able to deal proportionately with regulatory breaches.

Finally, I would like to say a few words on funding. I suppose the bad news for the industry, although it won't be a surprise, is that the Commission, like the Gaming Board, will be required to be self-financing through the fees it charges and therefore the industry is going to have to pay.

It is suggested that the Commission should run on what is known as a net running cost basis. Putting it simply, this means that the fee income would accrue directly to the Gambling Commission. It can then use the monies to fund its work rather than the current position where the fee income goes straight to the Exchequer and the Gaming Board has to bid for its funds in competition with all the other priorities and Departments. To give an example of the futility of the current arrangement, it has led over the last few years to the situation where the industry has wanted regulatory change, both the Board and the Government have been happy to support it, the industry has been willing to foot the cost, but the proposal has floundered simply because the Home Office (as it was then) did not have the money to afford the regulation that went with it. That wouldn't occur under the proposed system.

Julian Harris, Partner**Pinsent Curtis Biddle**

I should perhaps précis my remarks, as I guess any lawyer would, by saying that the views that I am going to express today are not necessarily those of either my firm, or of individual clients of the firm. Having got that legal disclaimer out of the way, what I propose to do is to address just two issues. Firstly, will the Gambling Commission be too powerful and secondly what role will Local Authorities play under these proposals. As to this second question I really propose to answer the question what roles should they play, which is more controversial and therefore with due deference to the Budd Committee I hope more interesting.

The background to all of this is the question does gambling need to be regulated? Well obviously I don't need to dwell on this, because I think almost everybody in the industry agrees generally that it does. The fundamental purpose of regulation which hasn't changed and probably never will, is that gambling should be crime free and honest, that players should know what to expect and be confident that they will receive that and there should be protection for children and vulnerable persons - that hasn't changed. What has changed is the perception of gambling since the Gaming Act was originally passed in 1968.

At that time gambling was regarded as a vice which couldn't be stamped out and should therefore be tolerated but subject only to the strictest controls. The Review Body Report endorses the more modern view that gambling is now a legitimate, predominantly harmless adult recreation for the great majority of participants. Against that theme and background they have sought to make gambling more amenable, provide more choice to create greater opportunities for gambling and simplify the regulation of it. At the same time they have sought to ensure that the purpose of regulatory control remains effective. The corollary therefore of liberalisation is the resulting increased opportunities for gambling is more consistent with tighter controls over operators. So in true British tradition what we have here is a compromise and I think probably a sensible one.

The recommendation for a Gambling Commission reflects that strategy of tighter regulations in the respect that it is going to have a very much bigger job to do that follows from the increased opportunities for gambling and from the fact that it will be a larger industry. It will take on the responsibilities of the existing Gaming Board, but these will be extended to other forms of gambling and notably betting. Casino Operators of course are familiar with the role of the Gaming Board and its powers to approve operators and key workers in the industry. Those powers we have heard, will be extended to the rest of the industry and frankly it shouldn't have anything to fear, Casino Operators are not that terrified of the Gaming Board, although plainly they watch how they operate. However, in addition the new Gambling Commission is going to have extended powers to address certain gaps which are apparent in the existing powers of the Gaming Board. I suspect

that when the question was posed; is it going to have too much power, this is really what was in mind. The powers of investigation of possible offences, the power to prosecute, the powers of entry, seizure and search, which often frighten people and of course the power to produce it's own regulatory codes of practice and so on. Well do these in fact make it too powerful? In my opinion they don't. The Gambling Commission is going to be charged with the responsibility that the Board currently has, which is to ensure that criminals or other undesirable persons are kept out of gambling. Let's not forget that this is vital, not only for the regulators but for the industry as well. George Raft may well have been deported in 1962, a very long time ago indeed, but there is still frankly a section of the public that believe the mob and gaming are synonymous. So it is vital, it seems to me, that a legitimate industry with a reputation which has been earned over a long period of time and well earned, is protected from infiltration from all criminal elements -and that is the function of the Board. The Board needs these additional powers to exercise that function properly and shouldn't always have to rely on the police with the other responsibilities that they have.

At present the Board is restricted, as is its access to the information from the police and other authorities. Delays are caused by their having to ask police to investigate and prosecute and they have no search and seizure powers, which nowadays even Environmental Health Officers have. These will simply facilitate the Gambling Commission's ability properly to do it's job and are long overdue. We should also remember that the current law is extremely rigid. For example to introduce a new game into a Casino requires a change in the law and that can take a long time. Operators will therefore benefit from the Gambling Commission having power to authorise new games and to regulate the industry in other ways and to respond to the needs of the industry. It seems to me that only the bad guys are going to have something to fear from these increased powers and that's probably no bad thing.

Turning to Local Authorities I have to admit to rather less enthusiasm for the proposal that responsibility for issuing licenses be transferred from Local Licensing Justices to Local Councils. One suggestion is that the reason for my opposition, and for the opposition of other lawyers, to this proposal is that we will lose all those fees from contested five-day hearings for new Casino licences. Well all I can say is that all those who believe that the new proposed proposal is going to be cheaper is profoundly optimistic. The Review Body has been influenced here by the Government White Paper on liquor licensing which also proposed moving responsibility to Local Authorities on the grounds that it is not a judicial function - rather it is for Local Authorities to plan towns with an eye to the range of social facilities available.

It was also said to lead to accountability by local residents and accessibility to the various Authorities by residents who maybe somehow inhibited by the court process. The Review Body thought the same arguments would apply to gambling premises. Now in most respects I consider that this Report is a very fine piece of work and I certainly agree with most of what it proposes. In this respect I think this is probably a 'Friday afternoon'

proposal and I don't think it has been terribly well thought through. Perhaps because of the inevitability that Government will simply throw all this off to Local Authorities along with liquor licensing.

Although at first blush the recommendation is perhaps consistent and logical and certainly has the significant factor of tidiness, always a factor, it ignores an important fact, which is accepted elsewhere in the Report that hard gaming is a very different category from liquor licensing. Furthermore, it seems to me that there is an acceptance that is inevitable without sufficient regard to whether this would be desirable and it is not really covered satisfactorily in the Report. The Review Body has said that the issue of licences is not a judicial function, but have recommended determination of applications in a judicial manner. It is right that there should of course be local determination of applications which has hitherto been done, I think pretty satisfactorily, by local licensing justices, who are of course as we know much more experienced in acting in a fair and judicial manner. They are not politically motivated and they are therefore less likely to be influenced by local politics or local big business interests.

The basis set out in the Liquor Licensing White Paper for transference to local authorities seems to relate to planning considerations. Those could be addressed perfectly well by Local Planning Committees, as indeed they are at the moment. I believe that if Local Authorities exercise this role in gaming, there is a real danger that decisions will be made on the basis of prejudice or financial muscle and not on merit. There may be less regard for the provision of appropriate facilities in the area or for the wishes of the users of the Casino or other venue, and more for the unrelated benefits to the area. I hesitate to say this but there is also the scope for corruption. That is not a criticism of Local Authorities, it simply I think follows, and I am not talking here about corruption by existing operators by the current industry, but possibly by those who may seek to gain entry. The industry needs to be protected from the wrong people coming in. In any event I consider that local people are more likely to trust Local Licensing Justices. Some people may I suppose be intimidated by court hearings, but this is not our experience. Local Casino players and those who wish to object to gambling establishments are generally more than willing to give evidence on licence applications. I said at the beginning that the Review Body set out to achieve a balance between liberalisation on the one hand and greater regulation on the other and it seems to me that this recommendation may upset that balance. Local Authorities would have the power to impose a blanket ban on all or particular types of gambling in their area, but not to restrict numbers.

For Casinos it is almost certainly time that the existing criteria went, but the idea here is that applications should be decided solely on their merit. What merits are to apply? We are not told. If every application that offers better facilities, making more bars and restaurants, whatever is granted, there is at least a danger that a proliferation of Casinos in an area could cause unscrupulous operators, and again I am thinking of new entrants, to indulge in the sort of tactics to retain or gain business that lead to the spate of closures and cancellations of licences in the late 1970s and the early 1980s in London.

I will finish with a brief word on the apparent absence of criteria for Local Authorities in determining applications. Without parameters in the law, much is going to be left to chance and to politics and that will inevitably cause uncertainty and expense - that is not a good thing for any of us.

Paul Bellringer, Director

Gamcare

The Right Honourable Richard Caborn MP has said that

"Good corporate governance means that companies involved in the industry deal with the issue of problem gambling upfront. Any liberalisation, relaxing of controls, needs to be accompanied by clear public confidence that the industry recognises the potential downside of its product and is dealing with it. The public and parliament could have that confidence if they saw that resources and practical measures were already in place. "

Well not surprisingly, as Director of the National Centre that addresses the social impact of gambling, I warmly welcome the Minister's remarks. It seems clear that the government are looking to the gambling industry to respond to the Budd Review recommendations regarding funding the social impact of gambling and, if it fails to do so, deregulation and legislative changes will be delayed, thinned down or will not occur.

As there appears a likelihood of some deregulation being introduced prior to the introduction of fresh primary legislation there is, I would suggest, the need to take the initiative now. Some people and sectors within the gambling industry have already begun to move in this direction with the formation of a charitable trust. Now Gamcare, of course, greatly welcomes this initiative. However, we expect that if there is to be real public and parliamentary confidence in the initiative to establish a voluntary scheme and to provide adequate resources to fund the social impact of gambling, it must as Budd points out be properly constituted and seen to be independent. For there to be confidence in the charitable trust the composition of its Board must be as envisaged by Budd and there must be representation covering the breadth of the gambling field and led by a Chairman who is independent of any vested interest. Should it be dominated or seen to be dominated and controlled by the gambling industry it will provide an unacceptable opportunity for its Board to unduly influence the work of prevention, treatment and research and to suppress the response to demand for services. That is quite a different issue from the necessity for social impact organisations themselves to be accountable, effective and to provide value for money.

A further crucial aspect of ensuring that the Trust Funds are fairly and appropriately allocated is that of assessing the quality of applications. The best means of achieving this requires the involvement of an independent assessor who can advise the Board of salient factors. The assessor would need to possess the skills and understanding of the issues together with an ability to evaluate bids against clear criteria such as need, effectiveness and value for money. Should the current initiative avoid these pitfalls and manage to secure and distribute substantially greater funding than is currently contributed by the

gambling industry it could well provide the foundation for a voluntary funding scheme as outlined in the Budd Report. The test for this is going to include two clear elements: Firstly, does it have that public and parliamentary confidence and secondly, does it contribute a sufficient level of funding towards the cost of prevention, treatment and research? Should either or both of these tests not be met, the Minister for Sport has indicated that the alternative suggestion of a statutory level as recommended by the Budd Review will be considered. As he put it:

"The Budd Report suggested that the government should step in with a compulsory levy if the industry do not provide what it saw as the right kind and level of support and we therefore wait to see with interest how the industry will respond. "

I believe we are being given a very clear message. The mechanics for introducing a statutory levy is not difficult as once the Gambling Commission is in place it can simply become an element in the cost of the licence. I am aware that whilst the general consensus is that a voluntary scheme is preferable, some people in the industry believe a statutory levy will be the only way to ensure sufficient money is raised. The statutory scheme applied to the issue and renewal of the licence would mean that everyone would be obliged to contribute and thereby spreading the cost more equitably.

The Budd Review has also recommended that the National Health Service become involved with the provision of treatment and research to a far greater degree than they are at present. In sharing that view, I believe that problem gambling is a health issue and the department should commit itself to the provision of services regarding the social impact of gambling. However, we are all aware of the pressures placed on the Health Service and it is to be expected that there is likely to be great reluctance to allocate precious resources to this particular area. Neither do I have any clear sense of any other organisation within the statutory sector that will willingly, or indeed be appropriate to, pick up this issue. Should that prove to be the case it does not in my opinion remove the principle established by Budd that the government should also contribute to the cost of addressing the social impact of gambling. In that eventuality the government should support the creation of a voluntary sector lead body that would have the responsibility to develop a national network of appropriate prevention and treatment provision; set, monitor and enforce high standards; evaluate effectiveness; provide value for money and facilitate research.

As Budd states, research is crucial to informed debate and influence within decision making. The dearth of high quality independent research was highlighted in the Review as, with the exception of the National Gambling Prevalence Study, all we have to rely on in this country is overseas research, questionable data and anecdotal evidence. There is a clear need for research to determine social gambling behaviour patterns, cause or factors that lead to problem gambling, trends in gambling prevalence and preference, and the effectiveness of treatment and prevention approaches. No one with the possible

exception of a few researchers would want the money available for the research to be a bottomless pit. Priorities for research will need to be identified and it seems the most suitable body to do that is likely to be the Gambling Commission. However, as there is a need for research now and the Commission might not begin its work for some years, I would suggest we reconvene the steering group that successfully guided the prevalence study. I do not think that the industry should solely shoulder the cost of research either. The government should contribute to the cost of certain research projects and it is an area where matched funding from research councils can also be sought.

That said, Budd rightly identified research alongside prevention and treatment as an area that should be supported by the Gambling Trust. As the industry is acutely aware the Review said that commercial gambling enterprises should contribute a figure of £3million a year to the Trust Fund. Unsurprisingly, I am in total agreement with this figure, as it would certainly provide the basis to ensure an adequate level of service provision to prevent harm and to treat those affected by a gambling dependency. Budd indicated that this roughly works out at £10 per problem gambler and suggested that this is a reasonable cost per head. Now whilst I agree with what Budd has said, I would like to point out that the problem gambler does not suffer the consequences of his or her excessive gambling in isolation. Studies suggest that up to 15 other people are adversely affected by an adult problem gambler and around half that figure for a younger gambler who has no family ties and lesser responsibility. If you take an average of 10 which takes into account that there are more young problem gamblers than older people, the figure of 370,000 problem gamblers becomes 3.7million being adversely affected by a gambling dependency. The per capita figure then reduces to around £1 per head. All these figures of course are open to challenge and as far as I am concerned the exact number is not really relevant. The fact is a significant number of individuals and society as a whole are damaged through a gambling addiction. It is not, however, my expectation that the gambling industry should immediately stump up £3million; it will of course take time to convince companies and indeed sectors of the industry of the necessity to pay their share. However, as Richard Caborn has indicated the DCMS will look for evidence of the industry's willingness to substantially increase its contributions before further deregulating existing legislation, let alone before fresh legislation is put in place.

So what needs to be raised next year is I would suggest, between £750,000 and £1million. Now if this still feels like a large chunk to swallow, let me express it differently using mainly figures drawn from the Budd Report. If you divide this amount into 8 identified sectors it breaks down to £93,750 per sector which is a little easier to swallow. Alternatively you could look at the contribution in unit terms per casino, bingo club, LBO or machine. It is, in fact if you look at it that way, a fairly small cost to pay for covering prevention, treatment and research.

I acknowledge that it will not be easy to achieve, but I do not think there is any substance in the argument that the industry cannot afford to do it. In fact, the question the industry must ask itself is, can we afford not to do it?

Paul Talboys, Chief Executive

The Bingo Association

In order to address this subject, one has to assume that Her Majesty's Government will declare its intention to implement all or most of the recommendations at the Review Body. In this respect the Bingo Association accepts the need for a powerful Gambling Commission and indeed welcomes it. There are areas where the present Gaming Board have no powers, for example over bingo played in unlicensed premises. Where such games are for substantial prizes, we believe that they should be regulated and subject to the Gambling Commission's control.

As to whether the Commission will be too powerful, this will depend on the exact terms of reference and the necessary legislation, but perhaps equally importantly upon the consultation and co-operation between the Commission itself and the various parts of the gambling industry. Over the years a good relationship has developed between the Bingo Association and the Gaming Board and we would not want to see this deteriorate. It is clear that in the new environment foreshadowed by the Report much of the detail will be decided by the Commission.

This would seem to call for Codes of Conduct which would be enforceable. In this case it is essential the industry be consulted so that an acceptable position can be reached rather than the Commission merely laying down its dictat.

In relation to the proposed role of the Local Authority, this Association has many concerns. To begin with we do not accept that the changes recommended are necessary, in our view there are numerous examples to indicate that local authorities are not always ready to respect local opinions and when they are there is always the danger of those opinions being a minority.

The question of political judgment also has to be considered and with the contraction of power in local authorities either to one person, an elected Mayor or a small cabinet will be the decision makers. Then it is more, not less, likely to be subject to the judgments that we fear. The availability of a blanket ban on all gaming in specified areas is also open to abuse. So all in all the Bingo Association opposes removal of licensing from Magistrates to Local Authorities but if the Government pursue this proposal which at the moment it seems keen to do, then there is a clear need for certain requirements to try to see that such a system works fairly. There would need to be clear notes of guidance for Local Authorities issued by the DCMS on behalf of the Government which councils would be expected to follow.

There would also seem to be a need for a clear appeals procedure against refusals of licences or any unreasonable conditions put upon them and this should include blanket

bans. We therefore believe that it is not just the DCMS or the Gambling Commission that should be concerned with an appeals structure, but also the judicial system. There is also clearly a need to protect grandfather rights to existing gambling businesses.

One of our particular concerns is that a Local Authority might decide that having granted a licence for an all-embracing Casino which allows a variety of activities, it could decide that no Bingo Hall or Arcade would be allowed in adjoining areas. This would be seen as anti-competitive but to take action against this using competition law would almost certainly bring a very slow means of redress.

Turning to responsible gambling, the Bingo Association accepts its obligations, we have supported Gamcare and Gordon House, helped to finance the prevalence study and are founder members of the new Gambling Industry Charitable Trust. However, we do question the figure of £3million suggested by the Review Body. We have no objections to the proper funding of direct help for problem gamblers and also for research specifically carried out making this help more effective. We are only too aware, however, that there are a host of academics licking their lips at the opportunity to research, if that is the correct word, all aspects of gambling and the £3million figure is an open invitation to them.

We believe that gambling is endemic in human nature; if there were no gambling industries, men and women would still gamble. Therefore our view is that the Government does have a responsibility and should share in the social cost as it does in the fields of drug and alcohol abuse. As to the actual funding, we understand that the industry is an obvious source but as I have mentioned previously, gambling is widespread and as far as I am aware, no one has suggested that the Stock Exchange or Golf Clubs should have to be levied to help problem gamblers. The Bingo Association would prefer a voluntary charitable body because in this way the industry would be able to have an effective voice in the vetting of research projects and so ensure that there were really needed or useful.

There are however problems in implementation. Firstly, the Trust is not widely enough spread. A handful of associations are contributing sums but nowhere near the amount the Body suggests. Therefore there must be a much wider base and I would like to take this opportunity to appeal to all organisations or companies who agree that a voluntary trust is a better way forward, to join us and provide funding.

Secondly, to finance the trust through trade associations means that extra contributions will be needed from their members in one way or another. The difficulty is that members who do not wish to contribute could just resign, leaving the total contributions to come from more socially responsible members. The question is how a voluntary scheme could be enforced.

Thirdly, a clear basis for contributions is also needed and one possibility would be a charge upon machines. From the figures available a charge of £10 per annum per machine would raise approximately £2.5million and if such a scheme was subject to higher amounts for jackpot and link machines, then the £3million, if that is what is really needed, could be attained. However this could possibly mean that the betting industry would be paying proportionally a smaller share compared to other sectors and this would need to be addressed. The problems are considerable and the challenge has now been thrown down to the gambling industry as a whole. Either we make the voluntary system work or we shall have a statutory levy. Our influence on the rate of increase in that levy and how it is spent will be minimal.

This brings me to the last topic in this section, as to what the Treasury expects. One of our problems is that we are now being asked to comment on or support the Gambling Review's proposals, yet we have no idea of the taxation levels that will prevail after the proposals come into effect. What does the Treasury want, the short answer is a lot. We have heard the figure mentioned about an additional Million being raised from the gaming industry, Customs and Excise are already looking at schemes for common methods of taxation. We understand this but there are problems. A Profits Tax as in Betting and Casinos presupposes a quick ploughing back of winnings. This does not happen with Bingo or lotteries. Given that there is clearly going to be a deficit in the Treasury's finances, whether it is a result of foot and mouth, the war against terrorism, the need to put more into the NHS or education, our industry is the obvious target for more taxation. If the government keeps to the pledge of not increasing income tax the extra revenue will have to come from somewhere.

Gambling is obviously a more popular source than other options such as petrol or VAT. It would indeed be ironic if the implementation of the Gambling Review's proposals owed less to the arguments for modernisation and deregulation than the need for the Treasury and its revenue. All the indications are that we have been warned and I hope the industry understands that warning.

Graham White, Chief Inspector

The Gaming Board for Great Britain

I am going to comment on firstly, if the report is accepted, as to how soon will responsibility shift to the Gambling Commission. I have absolutely no idea. I think, however, the transitional phase is of absolute paramount importance. I would see some sort of shadow commission being appointed very early next year, to enable the Gambling Commission to function immediately from the operative date, whenever that is.

The second matter I would like to address is what role will the Gaming Board play in the interim legislative process? Well, quite simply - as we do now, by dialogue with the industry which I personally find extremely stimulating and I welcome it. It will be of paramount importance as we go forward to continue to listen and discuss issues. I welcome the proposed powers of entry, seizure and prosecution. Obviously the Inspectorate will need different skills and expertise to cope with these challenges. In particular, a high level of audit and technical expertise, given the dynamic nature of on line developments. The Budd Report makes it clear that the Gambling Commission should have the responsibility to detect and prosecute, but not arrest those involved in illegal gambling. This will, in my opinion, necessitate closer liaison with the police and a multi-agency approach.

A fundamental issue for the Gambling Commission is the ability to receive information from wherever and from whoever. To store, analyse and exchange that information with other government agencies and regulatory bodies both here and abroad. The present system is severely constrained by various legislation and limits the effectiveness of the present Inspectorate. However, the subject is being vigorously addressed by the DCMS at a high-level working party.

The third question I shall consider is do you think that the Commission will regulate lotteries in the future? My personal view is that there are of course, considerable resource implications for the Commission anyway. Certainly in respect of lotteries in the first year, when dealing with initial registrations. At a recent meeting of the DCMS and the Lottery Council, it was estimated that there are about 40,000 lotteries registered with Local Authorities. The present lottery section of the Board comprises four case workers to deal with 646 societies and 7 external lottery managers. You can see the resource implications if we jump from those figures to 40,000. The Lotteries Council has also expressed concern that the extra administrative burden and the cost of registering with the Gambling Commission may put many smaller societies off running a lottery. In implementing the recommendation the Gambling Commission may consider that very small lotteries need not register at all and that the rest operate on a tiered system with a lighter regulatory touch - and a smaller registration fee being applied to smaller lotteries.

In some cases this may involve no more than noting the name of a lottery and possibly carrying out a criminal records check on the promoter. Those are my personal views.

Finally, a word about problem gambling- a subject very close to my heart. I very much welcome the recommendation that the Gambling Commission should issue formal codes of social responsibility, to which its operators should adhere as a condition of the licence. I would like to see adherence to these codes as part of the grant and indeed the renewal of an operating licence. And if those codes were adopted ladies and gentlemen, I would be very keen to include the adherence of them in any future inspection process.

Chris Bone, Policy Adviser

Gambling and National Lottery Licensing Division, DCMS

First of all Mr Caborn has set out the basic framework within which we will be operating in the next few months. I too have no announcements to make. The bottom line is that we know what the Budd Review has said, but no decision has been made by Government as to how it is going to be implemented, or indeed when.

We have had the consultation period. What I can talk about is the general subject of how and when the recommendations are going to be implemented. I have to speculate to some degree, because as I say no decisions have been made.

The consultation process has been very helpful to us in terms of the discussions we have had with industry and we are very grateful to the people that have come along to see us at these discussions. I know Mr Caborn is grateful to people who have come along to see him personally as a number of people have.

In taking forward the Budd Review, as this department is determined to do, we have to take account of a number of things. The needs of the gambling industry, a very important sector of the economy; the needs of the British economy generally; the needs of customers; the needs of the communities within which the gambling operations function and finally from the DCMS point of view, we also have to consider the position of the National Lottery.

The 31st October 2001 was the last day for consultation and we have received a stack of responses to that consultation. Over the next few weeks and indeed months, officials, Ministers, not just at DCMS but other government departments with an interest, will be involved. The Treasury is an obvious one, Home Office, Department of Health, others we can mention, will need to consider all the points which are being made in these submissions with a view to ministers working up a statement - an overall statement of how they intend to carry on with the Budd Review. On current plans the statement will be available in the first quarter of next year. Let us say that a working date is around about March. I can't say any more than that as it may be that the timetable will slip.

Now, the fact that there may be an announcement in March about the whole process of taking forward how we are going to deal with Budd does not mean there might not be other announcements or other issues or other sub-issues earlier than that. People have mentioned the Triennial Review and we are very much aware within Government of the importance which the Triennial has to the industry, so there will be an announcement about that as soon as we can possibly make it. It is not necessarily constrained by the March timetable.

Now, in this March statement, if indeed it is March, we will make it clear which of the 176 odd recommendations in the Gambling Review report the government accepts, which it has decided it is not going to accept and which ones it says 'well, perhaps we might accept it, but we need to do some further research'. So we will be dividing the recommendations in that way. Beyond that, it will talk about how Government sees the future shape of gambling regulation in the UK. Such as are we going to have a Gambling Commission? What will it do? What will its powers be?

Also as part of the statement I think it is important that the Government sets out some sort of overall vision of where it thinks that gambling is going to be in five or ten years' time as a result of the Budd changes.

And finally, of equal importance, certainly to parliamentarians is the question of how the Government plans to get there, to get to this overall vision position, in terms of legislation which it might use, the types of legislation it might use and in terms of time. We realise this is of vital importance to people interested in the outcome but let me stress again that no decision has been made about any of this yet. It is all still to play for within Government.

I would like to conclude with a word about the options for legislation. It could be a Parliamentary Bill, a new Gambling Act or something of that sort. That could well be necessary. No decisions have been made, as I say, but that could well be necessary to set up a Gambling Commission, or if the government decides to go down the route of transferring local responsibility from the magistrates to Local Authorities for the licensing of local gambling outlets. It could well be necessary, and in my view it definitely will be necessary, to allow for Internet gaming regulation in the UK. There is also the other quite interesting proposal made in the Budd report that we might effectively do away with the entire existing body of legal regulation of gambling, a separate Betting Act, a separate Gaming Act, a separate Lotteries Act, have a single mega-Act covering all gambling. Now that is plainly a matter for an Act, a Bill.

The second type-Regulatory Reform Orders. More limited, perhaps more effective from an industry's point of view in terms of delivering within a reasonable timetable. Subjects that might be suitable for that are payment methods in gaming machines, bank notes, smart cards, that sort of thing.

Finally as a third category, orders under the existing legislation to change stakes and prizes, for example, or to allow for casino entertainment, to change the rules on society lotteries - the rules under which charity lotteries are run at the moment.

Now these types of legislation have different time scales. A Bill, a major piece of government work requiring a major commitment of parliamentary time, maybe two or three years down the track to put out. A Regulatory Reform Order, quicker, we are

probably talking about months and the same applies to the third category, the orders under existing legislation, some of which are already to some degree, on the slipway already.

In conclusion what we have in Budd is a balanced package - people take issue with certain parts of it - some people think it could be stronger in some ways, weaker in others - that is a matter of opinion, but it is a balanced package. It balances new freedoms for industry, new freedoms for consumers against the importance of ensuring that, as we all agree, crime is kept out of gambling, games are fair, that there are sufficient measures in place to deal with problem gambling. I would like to stress that this is very much the Government's view as well, and that as the Government pushes forward the post-Budd reforms it will ensure that we do deliver a balanced package, balanced at all times. If there are new freedoms, there must be obligations to go with them, and so on. There must be a balance in the legislation we put through.

Professor Peter Collins, Director

University of Salford Centre for the Study of Gambling

I would just like to make a few points that seem to me to be relevant about trying to understand how politicians and Government are likely to see this process in the future.

I can begin with a general remark. It seems to me that the people who are going to win in this process over the next couple of years, are the companies which are not asking themselves the question 'what is in my interest, and how can I persuade government by good arguments, or bad, to do what I want?' There are other people who are asking 'what does government want, and how can I adapt my interest so that they coincide with what government wants to do anyway?'

It is very important, it seems to me, for the private sector to try and get inside the mind of government. It is clear that Government is not going to press forward with the Budd reforms or anything like them, if they believe they are going to be highly controversial and one thing that would make them very controversial would be if politicians have no defence against the charge of allowing problem gambling to increase. In fact politicians won't proceed with the liberalizing of gambling law if they are not bullet-proof in parliament on the issue of problem gambling.

My advice to the industry, therefore, would be: "Don't think about whether three million is too much, don't think about it as something you need to wrestle with our conscience about. Make a straightforward calculation of your own interests, and understand that unless something like what Budd recommends is in place, to give politicians ironclad defensibility on problem gambling, nothing is going to go forward. Now some of you might like that, in fact maybe it is a way to sabotage reform. But if you want Budd to go forward, then as a matter of self interest you've got to do as Budd proposes with respect to problem gambling because otherwise government will be in an impossible position.

Secondly, as I have said on other occasions, it seems to me that what Government does in the end, will depend on the view it takes, unsurprisingly, about the potential benefits to Government. It is not going to sit around thinking 'wouldn't it be nice to do this particular company a favour, or that particular sector of the industry a favour' - Government is going to think 'what's in it for Government?' And the sorts of things that are in it for Government are not the votes of gamblers. You don't win future general elections because you have liberalised gambling law. So what else could be in it for Government? If it is not votes, it will be money. For that reason, I think it is very important that both government, and for that matter the private sector, engage in some really serious research. They need to find out how much of anticipated future gambling revenues could be secured for public interest projects - for funding government sponsored projects via taxation in cash or kind without crippling the industry with excessive taxation. I don't know what the right levels of taxation are for the gambling industry in

this country. I don't know what good taxation policy would be, but I think Government badly needs to find that out as objectively and dispassionately and accurately as possible. To find that out it will be necessary not only to work out what is the percentage at which you tax gambling abnormally, in the same way as you tax liquor and cigarettes abnormally - it will also be crucial to know what new gambling spend it is going to be displacing. That is, is the money simply going to come into the casinos from other forms of gambling? Or is it going to come into the gambling industry from other spending on leisure or luxury? Or are people going to be spending money which they ought to be spending on household necessities and looking after their children? Or saving? Are they going to spend that money on gambling or is the money going to come from tourism spend?

The answer is that it is going to come a bit from each of those. But we need an accurate estimate of how much is going to come from each of those categories of source. So I think that before government moves it really needs to have a very accurate sense of what is going to happen to the size of the industry. What is going to happen to consumer spending habits and what are the implications of all that for taxation.

Until Government has decided what it wants to do about the money which it can secure for the public purse, i.e. about taxation policy and rates, it will not be able to proceed with reform in a sensible and coherent manner. The question of timing of implementation also depends on the extent to which things can be changed under the existing law as opposed to needing primary legislation.

Now the over-arching policy question, which it seems to me is still unresolved has to do with the fact that Government, or at least the Budd report, suggests that Government should be committed to two rather different things. One is free markets and increased competition, and the other is all sorts of things that inhibit free markets. And these intrusions into market freedom are not all about problem gambling and keeping crime out. Take the example that there must be one table for every eight machines - that's not a problem gambling issue, that's not a keep-crime-out issue. What sort of an issue is that? That is a protect-the-legitimate-interests-of-the-existing-industry issue. That's what that's about. And government, I think, is quite right to say that we have got to protect the legitimate interests of the existing industry. What are those legitimate interests? Their interests are in not being forced to compete with new entrants into the market, including foreign companies, on unfairly disadvantageous terms, and that could happen. On the other hand government is determined not to protect the illegitimate vested interests of the existing industry and what are those? They are desires to be able to continue to compete on unfairly advantageous terms. In other words, to be protected from competition. What Budd has done, and I think done with great subtlety in many ways, and without being overt about it, is to steer a line between protecting the legitimate interests of existing industry and not protecting the illegitimate interests in being protected from competition.

What I think is outstanding is really what is going to happen to the casino industry. I don't think for a moment that 450 casinos within a couple of years is a high figure. I think it is far too low. I think everybody is going to want a casino licence. I think that within the first year there are going to be 800 projects minimum, seeking casino licences. Because why would anyone not seek a casino licence? Why would betting companies not seek to be developing Internet sports cafes combined with casinos, where they could offer all sorts of betting as well as standard casino games? Why wouldn't every bingo club in the country seek a casino licence just so that it could add to its existing bingo operations the opportunity of offering unlimited prize jackpot machines?

I want to conclude by suggesting that actually we are going to have an enormous amount of people wanting casino licences and we haven't yet resolved the question of what you do about it. Do you just say 'well, everybody who gets through probity and who meets planning permission can have a casino licence, and we will leave it to free market competition to see which projects go bankrupt.' If you do that, and there is a case for doing that, you need to understand that you won't have any resort casinos and you won't achieve beneficiation of local economies through the licensing process. Or do you say we will only award licences for projects which confer significant benefits on the region where they are located? If so, how do you decide who gets the licences? The choice I think, remains unresolved and as Budd himself says, the whole question of to what extent there needs to be exclusivity in this business is a matter of public policy.

Keith Smith, President

BACTA

How has the machine sector responded to the Review? BACTA does acknowledge that the Report is well written. Good conceptual document, outlines a blueprint for gambling going forward in the UK.

We welcome many of the proposals- a single regulatory authority, making it illegal for under 18s to play Jackpot and All Cash machines. They're good improvements. Gambling Commission's right of entry. Codes of Conduct. Clearly defined designated areas. Fairness to the punter. Protecting the vulnerable. Simplifying regulation. Acceptance of the Triennial proposals. Acceptance of the methods of payment and last but not least, removal of illegal machines.

However, the devil is in the detail and we have to express our concern of a few key areas. The first one is Local Authorities being able to apply blanket bans on gambling activities within part or all of their areas. We think this would be chaotic. Local authorities already can apply blanket bans for cafes and takeaways etc and yet the Report is recommending machines have to be removed from those. That is because the Council's can't get it right. They've had the right to do it for years.

Now all trade associations should be concerned with this area because it will affect investment and it could also be applied retrospectively. Quite clearly there should be grandfather rights and there should be guidelines drawn up between the Gambling Commission, the industry and Local Authorities if this is the way that it will go. I have to confess I think it will go this way because the government is committed to local democracy and this is putting power into the hands of local people. We must have an independent appeals procedure.

Another area we're totally opposed to is the principal of ambient gambling. The biggest example of ambient gambling in the country is the National Lottery. Now surprise, surprise there are no plans to ban them and stop the sale of National Lottery tickets and scratch cards in any outlets whether they be garages or whether they be in the paper shops.

How can the Gaming Review Body seriously consider taxi cab offices and cafes and compare these with pubs, clubs, bowls etc? I mean it's ridiculous. Over 40% of the current traditional gaming machines in operation in this country are in ambient gambling areas. That is over 100,000 machines and those 100,000 machines are potentially at risk with these proposals. Lose these and the gaming industry as we know it, is gone.

Now the Report you may say doesn't say they're going to lose them. However there are significant hints that there is a long-term aim. Let's have a look at the Report. Capping pubs at two machines we totally disagree with. That takes out 12,000 machines from the

market. Removing Jackpot machines from clubs - the Club Associations reckon that could close up to 50% of clubs. I've already mentioned removing machines from cafes and taxi cabs. Then they are proposing the All Cash machine will be only linked to inflation in terms of stakes and prizes. So whatever happens in the marketplace in terms of other competing products, whatever happens on taxation, the product will gradually die. It will lose its attractiveness over time.

So if you add all those reasons together and then look at what the GRB said in their report and I will quote. *"They would ban them from pubs if they were starting from scratch but they are not and a complete ban now would be disproportionately harsh"*. Now I think the key word there is now because I think their aim, if they can get away with it, is to ban them.

Now the BBPA, which is the British Beer Pub Association, have undertaken some research with MORI. It shows the general public just basically don't agree with these recommendations. There are 72% in favour of gaming machines in pubs and it is interesting to note, 81% believe that local authorities should not have the power to ban machines in pubs.

We question the double standards: What is the logic of alcohol, gambling, credit, unlimited stakes and prizes in casinos, yet limiting the payout from All Cash machines which at the moment is £15 pay out. It is illogical.

There is a general lack of research. It has been said the Report was all based on research. That is a load of rubbish. Remember the UK has one of the lowest levels of problem gambling but this doesn't seem to count. Let's take a look at another area. The family amusement area. Now traditional seaside amusements, holiday camps, theme parks, etc. A new category of machines is talked about. Coins in, coins out. Reel base fruit machines considered along with penny falls, derby races etc. Well that just shows a lack of understanding of the machines and what the general public will say in terms of those machines. They're all classed together. It isn't logical.

Elimination of tokens in family amusement centres and I quote *"because someone said they entice further play"*. That's a lot of research isn't it?

However that isn't enough. The Report further proposes the reduction and freezing of stakes and prizes and on what evidence-absolutely none. No research.

Now we in BACTA have conducted some research through ORB which is an omnibus study and we asked them why people visit resorts and theme parks; and the second most popular reason was family amusements. So if the general public are really against family amusements, it wouldn't have come second would it?

ORB then asked: What do you think are the three most harmful activities that young people under 18 can participate in our society today? Totally unprompted, not any ideas given to them and I quote some of the figures. Drugs 67.2%, alcohol 56.6%, smoking 24.7%, crime 17.2% and, right down the bottom 12th out of 13 - 0.6% gambling. The general public are really panicking on gambling aren't they? We've really got a major problem. We've got gambling under control.

ORB then asked how addictive for under 18s do you consider the following to be, scale 1-10? So they were asked to give a mark: Drugs 8.3, cigarettes 8.25, alcohol 7.9, computer games 7.9, text messaging 7.7, eating junk food 7.5, spending on fashion trends 7.4, sex 7.2 (that's gone down these days hasn't it?), internet and chat rooms 7.1; at last we come to fruit machines 6.5. Just above TV soaps at 6.3 and seaside amusements at 6.2. Ban the bloody lot because they're all a problem!

Why are they picking on seaside amusements and fruit machines when these figures show the public do not perceive them as a problem? We have them under control. That's research.

If you read the report with regard to family amusements, you could assume the GRB have made their mind up. In fact I'm convinced they have made their mind up. They've already decided that coin in, coin out machines in five years time are going out the window. We are not going to have them. That's a further 55,000 machines, another 20% reduction. So added to the 100,000 we've already lost, that's quite a lot-60% reduction. Now that's ridiculous to lose 60% of the potential market.

We note the LBOs and bingo are being allowed four Jackpot machines and we think that is quite sensible, quite reasonable. But what about other over 18 licensed gaming centres and areas? Why are they not being allowed to have four Jackpot machines? What is the logic? They're controlled. They're over 18 and they're licensed. One simple answer-prejudice. That's all you can say. There's no logic in it.

Take all these aspects into account, 60% reduction in AWP's and All Cash machines, pushers going out as well and the outlook for UK manufacturing is bleak. Reductions in auxiliary machines will follow because the gaming machine supports some of the other machines. But don't worry, please don't worry, because we will import the vast majority of casino slots and let the foreigners eliminate our manufacturing base.

BACTA is totally opposed to the attack on soft gaming whilst other harder gambling expands and we are totally against change not supported by research.

David Beeton, Director General

British Casino Association

I've actually got something new to say. I'm not going to talk about casinos, I'm going to talk about something which I believe will affect everybody in the gambling industry and it's something which the Budd Report hardly touched on at all.

I speak of course about profits. We've heard all about the business opportunities but what about the profits? There is one subject, or two subjects actually, which I believe can affect the profits of all of us, in some cases even more than anything else in Budd, and that is the duty regime and the odds regime. Let me explain why.

In casinos that is the actual situation. It doesn't take much to work out that pretty small changes to either the odds or the duty can have a dramatic effect on our profits. Now these differences can only exist at present because by law an operator can only offer one type of gambling in one venue and as a result of course, customers are not aware of these differences. But Budd is relaxed about mixing gambling activities. It talks about allowing table games, casino slot machines, bingo and betting all under the same roof. Now if that happens, just think again about figures. Wouldn't it be inevitable that you as operators thinking properly of your bottom line, you're going to promote those gambling opportunities which pay the least duty and VAT. Wouldn't the wisest of you fill your gambling palaces with on-line machines? Why should VAT be applied to a casino machine when it is not applied to automated roulette? In other words there is going to be considerable pressure if we move to this new regime to level the playing field.

Now I realise of course that the quality of your marketing, the quality of your brands, will of course affect the way the gambler spends his gambling pound. Those are to a degree within your control - duty, and for some of you, odds are not in your control at all.

The same situation applies if you look at odds. Now Budd is ominously silent on this. In some sectors they're controlled by law. In others odds are left to market forces. Now it is obvious that when various gambling activities are available in the same place, the customer is far more likely to gravitate to those where the odds are best for him. Why play machines when you can get better, much better, odds playing automated roulette? So again there will be pressure, considerable pressure I suggest, to level the playing field. If you buy a loaf of bread at Harrods you expect to pay more than if you buy it in a corner shop in Great Yarmouth. But why should the most up-market casino in the most expensive part of Central London have to offer exactly the same price product as the smallest casino in Great Yarmouth? That's not free and open competition. What is wrong for example with a casino being able to offer a happy hour? It is not allowed and yet I suggest that commercial pressures will make those sort of considerations far more to the front of people's minds.

It is of course the internet and interactive gaming that will ultimately be the greatest force of change. Budd could be the watershed that leads into this new world. Now let us not kid ourselves, of course the Treasury and Customs and Excise are thinking very carefully about this. They won't admit it. It seems to me that somebody told the Budd Review Body not to cover this subject. Why else would Sir Allan Budd with his particular background make no reference to it?

Of course it has been thought of The key question is are we thinking about it and are we thinking about the implications for our own businesses? Now it has been suggested that the betting tax, or betting duty changes were test run on the quiet by Customs and Excise. But if the betting sector's tax regime was applied across the whole of the gambling industry then, using KPMG figures, the government's tax take would fall by 0.5bn a year. It is not on.

Of course it is not going to happen but how long can the government continue to take more than 25% of some sectors' gross gaming yields? In fact over 30% of some, whilst it is only taking 15% from the betting sector and zero of the on-line sector? That is why I think change is inevitable and that is why I think these matters could have as much, if not greater effect on our profits than Budd. That also is why I believe it is essential that we press the government to consider these issues, to involve us all in discussions about their implications, and to announce conclusions, before Budd is set in aspic.

I will finish with the analogy that what Budd has given us is only half the plan. How on earth can any of us draw up any sensible business plans until we know how the duty and tax regime is going to apply?

Trevor Beaumont, formerly MD

Eurobet

At long last there is this tremendous list of opportunities. There are a few little hints here of potential dangers advertised. Yes, Bookmakers would want to advertise on Radio and TV. Again, in terms of, will this just be an advantage for the corporate Bookie? I would say no, but it will be perceived I'm sure by some people with a little nervousness. But the point in betting is, that so long as there is an advertisement out there for some odds, and so long as your location is correct, whether you are online or offline people will find you. There is also the wonderful concept here of accepting credit cards. Well that's fine and dandy, but getting the banks to accept the fact that you can accept credit cards is an issue that would need to be resolved. One other thing that has created a little bit of debate at least in the betting world is the ability to pursue punter debt ... or the other way round... punter to pursue his winnings. I'm actually very much a supporter of this as a move. I'm happy to have a debate but I believe at long last we do need to move on this area.

Offering food? Well, yes, ok, when I was an operator in Birmingham in the early 1970's we were doing this anyway, so I don't really see this is a great step forward ... bacon and eggs, 9.30 in the morning.

Expanding the shoppers' estate with no demand pressure. I have worked in that environment in Ireland where that is very much the norm. Again I believe that is a major benefit for good businesses and certainly a major benefit to the customer.

At last having a gambling commission I believe, gives great clarity which is certainly what is required. Financial checks and competent Bookies ... that's a good one, isn't it? There are a few competent Bookies before anyone has another word against them. But under Budd, they would be applying a fit and proper test, which goes through criminal records, financial probity, competence and the area of social responsibility.

Coming from a background where my previous company was acquired by venture capitalists, I am well aware of what investors are looking for, and certainly all of these items ... increased commercial activities, anti-money laundering are all issues that have been raised, were raised, are constantly raised, and I believe that bringing in the recommendations of Budd into these areas does actually enhance the value of the business... so long as business can pass these tests, and I am sure that the majority of them in the IJK anyway, certainly would.

But it also takes us to the online market, and online growth. The point I'm trying to get across is that, no matter which way you cut it, there is a tremendous growth opportunity

out in the wide world for online gambling and I wrap in Casino with Sports betting. The reason I do that ... whether this is controversial or not I don't know ... but online ... the online operator who operates pure sports will struggle. The online operator, who operates pure sports, racing and gaming, won't.

But what currently are the barriers to growth in online gaming? At least with us we are in a position of clarifying the position in the UK, as opposed to moving into prohibition ... which is obviously the case in many States in the US, and certainly Germany ... and of course there are plenty of territories around the world where nothing has happened. It has been a case of 'let's wait and see'. France, Spain, Portugal. There is a whole series of them that are out there. But at least we are moving forwards, and about time too, I think many of us would say.

The perceived lack of credibility and security. Again that has been clarified in the Budd Report, and eventually with success being achieved, a kite mark would appear on the site. I would imagine there will be a lot of kite marks that fly around the world, looking extremely like the British one, but that's the gambling world and certainly the betting world.

There are currently few strong gambling brands online internationally, and possibly (although I have no shares in this man at all) I would think Victor Chandler would be one that is continuing to grow and making his name and the name of the business known, internationally. I'm not saying that is the model to go forward with, but there are few brands known worldwide.

How do we obtain a licence from the Gambling Commission? Well, these three points ... Register the British Company ... Locate the Server in Great Britain... which is a little bit of a change from current practice, and certainly using a UK address is most certainly so. Then of course one has to meet the criteria under the fit and proper test. But what does this do for the foreign competition? Why would foreign competitors in betting move into the UK?

There are plenty of them around. I think there were 711 at the last count, but it has probably changed now. Why move if you're in this business, from a tax-free environment, to pay 15% GPT? Why move from low to zero corporation tax into 30%? Why take on board VAT at 17%? ... then take on a saturated UK market?

Now the proposition against that is that you will be able to advertise in the UK. My personal view is that not many international online companies will come into the UK. But competition will come, and it will come as the legal situation clears up throughout Europe, and that can drive people to the UK. I've already had discussions with companies from Australia, South Africa, America, some others in Europe, who are

looking to find big brand companies, because on the Internet it is the big brands that will win out ultimately and their presence will be felt. For example, casino operators coming out of Vegas all be looking for sports books. Media moguls; who is not to say that Kerry Packer for example wouldn't decide "I'll move into this market"... and the danger for betting in this market with those sort of people moving in ... is that they may be offering odds where they are not interested in the bottom line margin. Rather similar to sports books in Vegas - is there something else we can get them on to on-line and use betting as a way of keeping them there?

I believe moving forward consolidation will be the model. The big brands and visionaries as I say, will win, and the visionaries will include a lot of entrepreneurs. This is not the death knell for the small operator, but I think the small operator will have to move and keep on the move, developing games and gaming as well as their sports bet product.

In conclusion, I believe the Budd is a very welcome report ... very necessary timing as well. There is, obviously, as most people who have read it will see, an enormous amount of work to be done - formulating guidelines, software. They will also need an enormous amount of money, in my view, to run the Commission ... but on balance I believe it is good news for bookmakers and bettors in the UK. The jury I think is still out with regard to international competition. But I would just have a plea to Government which is ... action it, and please don't water it down too much.