



LONDON CLUBS INTERNATIONAL

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ESOS Grant 25/3

9th March 2004

Rt Hon Tessa Jowell MP
Minister of State
The Department of Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

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A McInerney

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Dear Minister,

THE GAMBLING BILL

Now that the Parliamentary Scrutiny Committee has almost concluded its hearings and we have had some time to digest the various submissions, indeed including your own, LCI plc asks that you consider the following issues.

The Original Intent

Our first point is that the original and primary purpose of this Bill was – as a response to the Budd Review and the proposals in A Safe Bet – to modernise Britain's *existing* gaming industry. The regulator, the Gaming Board for Great Britain, and *every* existing operator have said clearly and unambiguously that the current law is anachronistic and increasingly – in the face of technological developments, including the Internet and electronic forms games – simply unworkable. It would be nothing short of a tragedy for the existing industry if this Bill were to be derailed by confused policy objectives.

We strongly urge that, whatever new objectives others might encourage, the modernisation of the existing industry should remain the primary objective and be assured progress.

Proliferation

The issue of proliferation has clearly and quite properly exercised the Scrutiny Committee. Proliferation has been a significant concern since Professor Sir Alan Budd first discussed it. However, over time, the perception – I hesitate to say definition – of what amounts to proliferation has changed. Initially, the issue was about the availability of slot machines in unregulated environments, like cafés, pubs, bars and betting shops, and the need for new legislation to prevent the so called 'corner-shop casinos'. The measures proposed by your Department (Small 5000+ and Large 10000+) confront and deal more than adequately with

this issue. Now the 'proliferation' label is being inappropriately applied to any 'non-resort' casino. This is simply not right and once again we need to return to the initial objectives.

Fair Competition and Gambling as an Engine of Regeneration

We were very pleased to hear Lord McIntosh reiterate his previous position in relation to the importance of the free market. We believe that to be right. We hope you recognise that the climate of honesty and compliance that has provided the confidence for deregulation has been generated *solely* and at cost by the existing industry. It would therefore, in our view, be grossly unfair – and, consequently, strongly and vociferously resisted – if, at the expense of the existing domestic industry, proposed legislation disproportionately favoured international companies purporting to offer regeneration.

If investors are prepared to put capital at risk, in areas requiring *genuine* economic revival, to provide truly unique attractions and amenities on a previously unachievable scale then it is right and proper that the government, on behalf of poorer communities, avails itself of that opportunity. But, we remain very concerned that 'regeneration' is becoming a flag of convenience under whose protection huge developments in prime locations are planned. For example, as London operators, we do not see much of London or the prosperous South East as 'in need of regeneration'.

It follows that we are also hugely suspicious of the emerging proposition that: 'exclusion zones' and other forms of protection from normal market forces are crucial in an equation that promises 'regenerative benefit'. Whether there is a *de jure* exclusion zone provided by gaming or planning legislation or a *de facto* exclusion zone created by imposing such conditions on non-resort/destination casinos that their economic survival is doomed, we find the proposition completely unacceptable. We believe there to be overwhelming evidence that if the project is big enough and good enough the market will guarantee its success.

The draft Bill must reflect the concerns of the UK constituency of operators and shareholders on this point. Budd was right when he drew the clear distinction between what happened in the USA in Atlantic City and Biloxi and what is happening here. In the American examples an existing policy which enforced a wholesale ban on gambling was relaxed and local monopolies were created. There was no existing industry to be concerned about: here there is and government needs to ensure it is not damaged.

We hope that there is coherence across government and the vision to recognise the distinction between altruism and protectionism. The idea that the 'stunted infant' that is the UK gaming industry should be further disadvantaged by preferential treatment intended to attract foreign operators just adds insult to injury and would be strongly resisted.

Drawing The Line

In the main, we also welcomed, following your own, the comments by Yvette Cooper. If a fourth category of casino (Destination or Resort) is thought desirable, the definition and *gaming advantages* could be set out quite simply in legislation. We see no need to substantially amend the existing categories of Small and Large Casinos (and Grandfathered).

As a principle, conditions for approval should be left to Local Planning Authorities acting within the pre-defined Regional Spatial Strategy. We do not believe it is for the Gambling Bill to be used to promulgate planning issues.

Where a project offers genuine and significant regenerative benefits in an area where the RDA has identified need, we see an argument for offering advantage. But that advantage need not and should not be delivered solely through the Gambling Act, after all, the facilities promised are by no means simply or *even substantially* gambling facilities. It may be that legitimate encouragement can be given in other ways, for example by reduced Business Rate and development grants. That said, we see sense and balance in offering some gaming advantage by only allowing unlimited slot machines to Destination/Resort casinos approved by Local Authorities in accordance with RDA approved Regional Spatial Plans.

It ought to be the additional (to a Large casino) space given over to non-gaming facilities that provides the criteria for the definition of destination casinos. It ought to be relatively straightforward to apply the kind of square footage requirements applied to large retail and leisure developments found outside major cities as a basis for this definition. Such a model would ensure that proper non-gaming amenities and facilities were guaranteed.

The Slots Ratios

We are extremely concerned that a discussion is emerging about a single fixed ratio of 3 machines per table applicable to *all* casinos, Small and Large, regardless of size, with only Resort/Destination casinos benefiting from unlimited slots numbers. In our view the application of such a formula, would first polarise the existing industry, discouraging local investment and effectively killing off the existing UK industry, whilst at the same time providing the most enormous unfair competitive advantage to foreign operators developing Destination casinos.

The UK gaming landscape would soon be dominated by a few vast foreign owned slots palaces and corner shop betting offices with gaming machines and FOBTs offered in uncontrolled environments: the absolute antitheses of what Budd and A Safe Bet anticipated.

We see and understand the argument that seeks to avoid the so called 'cliff edge phenomenon' between Small and Large casinos, i.e. where a very small existing casino has, at best, only modest increase in machines and at worst a reduction (assuming that certain variations of automatic roulette are re-defined as slot machines) and a Large 40+ table casino in an urban environment has thousands

of slot machines. We believe *in these limited circumstances* the ratio of three machines per table to be unrealistic and urge the Department reassess this issue, but on balance we would be content with a ratio for Small casinos (SCR) of between three and five machines per table.

We believe that unlimited slot machines for all Large casinos is unnecessary and could lead to the kind of 'slots halls' that are inconsistent with the policy objectives of the legislation and undesirable in the UK gaming market. We also believe that beyond 40 tables the continued linkage of slot numbers to tables is likely to lead to artificiality in staff numbers and unused facilities.

Our view is that a simple ceiling of somewhere between say 500 and 750 machines should be placed on Large casinos. Such a ceiling would leave significant headroom for clear market segmentation between Large and Destination/Resort casinos with all the additional facilities such premises should be required to offer.

In summary we favour:

Four kinds of Casino

Grandfathered Casinos: no comment

- **Small Casinos:** five thousand square feet of table gaming area. **Slots in accordance with the Small Casino Ratio.** (The *minimum* size of these *premises* is likely to be around 25 thousand sq ft.)
- **Large Casinos:** ten thousand square feet of gaming space, a minimum of 40 tables: **a maximum of say 500 –750 slot machines** without any ratio. (The *minimum* size of these *premises* is likely to be around 40 - 50 thousand sq ft.)

Destination/Resort Casinos: Large Casino premises with additional (to be decided by ODPM) 'n' thousand square feet of *non-gaming* amenity jointly **intended** to impact on the development of key environmental factors like housing, education, transport, infra structure and the economy of an area, in such a manner that a LA needs to ensure compatibility with the RSS: **unlimited slot machines without any ratio.** (The *minimum* size of these premises is likely to be in excess of 200,000 sq ft.)

Given that Budd suggested a minimum gaming area of just 2000 sq ft and the cost of developing both the new Small and Large casinos, there is, with this formula, absolute protection from the proliferation of the so called 'corner-shop casinos'.

The Social Impact of Gambling

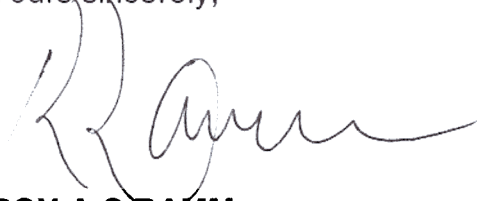
We welcomed your statements in relation to problem gambling. We have been concerned at some of the comment the Committee has received in relation to the social impact of gambling. We feel that 'the problem' remains ill-defined,

quantified by anecdote and laid disproportionately at the door of the casino industry. It was the casino industry that established Gamcare. It was the casino industry that developed the Code of Conduct on Responsible Gaming and it is the casino industry that still leads the way on social impact issues. We believe this legislation offers a real opportunity to bring gambling *and* any associated problems there may be, visibly into the public arena and to provide support for those who need it, whilst retaining the principle of personal choice. In so doing, the opportunity to hide problems, either corporately or personally will be greatly reduced and there will be opportunity to make proper assessments of the true social and economic impact of gambling.

Finally, as responsible operators we do not wish to undermine our commercial success or opportunity by damaging or being perceived to damage our customer base by promulgating policies that encourage problem gambling. It follows that we applaud and totally support the gambling industry's charitable trust and the introduction of real independence in the process of determining the scale of the problem, the availability of solutions and the amount the industry should fairly contribute. We believe this to be the right way forward and are confident that the industry will meet its obligations without you, as Secretary of State, ever needing to revert to a statutory levy.

I am sorry this letter is rather long but you will understand these are crucial issues for the future of our company and for the people we employ.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Roy A C Ramm', written in a cursive style.

ROY A C RAMM
Compliance and Security Director