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26 February 2004

Mr C Bone
Department for Culture Media and Sport
3rd Floor
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acknowledge of 27/02

Dear Mr Bone

I am pleased to be sending you Carlton Clubs plc's response to the draft Gambling Bill.

Carlton Clubs plc is a member of the Bingo Association and fully supports the Association's position in relation to the draft Gambling Bill.

In the interests of brevity we would wish to adopt the position of the Bingo Association in full, except in areas where we believe further comment is necessary, or where the Association has not adopted a position.

I must at this stage make comment on the difficulty, which I am sure must be shared by your department, that we have had with the rolling release of clauses and policy statements. For example, the clauses published in early February only came to our attention a week ago and, as such, have not yet had our full attention.

We have yet to see the complete draft and must reserve our position to enable further comment when the Bill is in a complete form and we are able to consider the entire text.

Yours sincerely

PETER L. PERRINS
MANAGING DIRECTOR



RESPONSE TO DRAFT GAMBLING BILL

Introduction

Carlton Clubs is an indigenous Scottish company with licensed bingo club operations in Scotland and England.

Carlton Clubs has been supportive of Government's efforts to modernise gambling legislation but are concerned about prospective changes which, we believe, will not benefit the consumer in the mid to long term and provide potential advantage to only one sector in what is a multi faceted industry

In the same vein we subscribe totally to the Secretary of State Tessa Jowell's comments, when introducing the draft bill in November 2003, in which she states, in relation to gambling, "Today, almost three quarters of the adult population participate in gambling of one kind or another. Most people regard it as an enjoyable and predominantly harmless leisure activity".

However, statements like this apart, we find that far from being treated as a normal leisure activity, in the future we will still bear the burden of a different tax structure to the rest of corporate Great Britain, the not insignificant costs of the Gambling Commission and legislation that appears to be anti competitive in two regards. Firstly by allowing casinos to include bingo and betting in their offering while preventing the quid pro quo. And secondly by setting artificially high hurdle rates which are only attainable by the very largest operators.

In our opinion the principles of fairness and equity must apply allowing opportunities and controls equally for all sectors.

1. Taxation

In paragraph 2.10 of the draft gambling bill policy document under Aims of Reform, The Government states it's belief that gambling should be seen as part of the mainstream leisure industry. Carlton Clubs support this belief and understand the need for regulation. We do not believe, however, that The Government has a case for a different taxation regime. There is huge competition for the leisure pound and there is no case for one sector of the industry to pay VAT, Gross Profit Tax and Corporation Tax while other sectors pay only two out of the three.

The bingo sector, recognised as the softest form of gambling, currently has the most punitive tax regime.

2. Bingo In Casinos

Carlton Clubs stance on Bingo in Casinos mirrors that of the Bingo Association. We would, however, like to emphasise that if the current Government policy is pursued, problem gambling will initially increase significantly as players from soft gaming environments are introduced to hard gaming. A degree of player immaturity and unfamiliarity will clearly accentuate the incidence of problem gambling. The instant reaction from Government will be to call for more funding,

a call which the bingo sector, a sector likely to be under significant competitive pressure, will not be able to respond to.

The distinction between the two forms of gambling should remain as they have done over the past 34 years and Government should be acting in a socially responsible manner in the drafting of new gaming legislation, which it does not seem to be doing, in mixing both forms of gaming.

We believe that as Government has a significant interest in the gaming sector by way of the tax take, it should state clearly and unequivocally how much of these taxes it intends to spend on research and treatment of problem gambling on an ongoing basis.

The Government makes clear in paragraph 3.14 of the policy that “some kinds of gambling” “present higher risks to individuals” “and that it is important for the public to know, when they see different kinds of premises where gambling is available, what they might expect if they decide to go in and start spending.” This statement does not fit with the steps taken in the bill to mix soft and hard gaming. In the new regime the public will not know what to expect when they go to bingo and find themselves in a casino!

3. **Bingo Provisions**

Clause 74 of the Draft Bill has no place in this bill, we can see no similar clauses applying to other sectors. Market forces are the true determinant of cost to play

and we do not believe this is a matter for primary legislation or regulation. introduction of this clause may find the industry in a worse position than that which it currently occupies. We are astonished to find that clause 74 has 5 parts and 19 subsections whereas clause 73, which applies to casinos, the hardest form of gambling, has 5 parts and only 4 subsections. This does not fit the view that bingo is a softer form of gambling than casinos.

The exemption in clause 227 applies to commercial and members clubs even if they are established wholly or mainly for gaming. The logic of this escapes us. The purposes of the bill are clearly stated in chapter one of the policy, to exempt something established wholly or mainly for gaming does not meet objectives.

Similarly in clause 67 (9) the exemption from personal licensing issued to a members' club a commercial club or a miners' welfare institute defies logic. Given the particular management and operational structures of clubs and institutes where the expertise in gaming matters is likely to be severely limited we would consider it vital that the obligation for a suitably licensed person is met. We would expect the Gambling Commission to automatically refuse to issue a bingo operating licence where the personal licence criteria are not fulfilled.

4. Casinos

The policy, as stated in 3.53, that there will be no expansion of the gambling permanently available in normal social spaces, like hotels, pubs and restaurants,

does not seem to be reflected in the bill. As we understand it any of the above named could apply for an operators licence.

We have considered carefully the statements put forward by The Government on minimum gaming areas and number of permitted machines as a measure to prevent proliferation. We remain unconvinced. The proposals are, we believe, unworkable and totally artificial. We note that the Chairman of the Gaming Board in his evidence to the scrutiny committee also has reservations.

The Government has stated that the balance between consumer choice and public interest has been judged carefully with the guiding principle being safety first. We believe this is right and proper, however, we consider that the principles of fairness and equity must also be considered.

The Governments' artificial floor and machine limits for large casinos are only attainable by a handful of existing British casinos and the very large U.S. operators. Most British operators are now faced with operating "small casinos" with the limited number of machines rendering them vulnerable to the "Casinos". The existing British operators reward for 34 years of "crime gambling, excellence and integrity" is to see their industry neatly packaged and passed to U.S., Australian and South African operators who, by virtue of having had years of low tax and limited regulation, have significant finance available.

The question must be asked, will the Government insist that reciprocal arrangements are in place before allowing foreign nationals to take control of the British gambling industry?

In conclusion, we would advise that as the bill is as yet incomplete we would wish to comment further when the draft is in a complete form.

February 2004