



HJM Caterers Limited

Scala House • 122 Abbey Street • Nuneaton • Warwickshire CV11 5BZ
Telephone: (024) 7638 5008 • Fax: (024) 7637 5309

25th March 2004.

Mr Bill Oler MP
67 Birmingham Road
West Bromwich
West Midlands
B70 6PY

Dear Mr Oler MP

PROPOSED GAMBLING BILL – The Henley Report predicts more losers than winners.

I am sure you are aware that the proposed Gambling Bill was recently published by DCMS and the All Party Scrutiny Committee are due to deliver their recommendations to the Government by the 7th April 2004.

A recent report, produced by the Henley Centre (in association with consumer trend experts Brand Driver), analyses the "Economic and Social Impacts of the proposed new Gambling Bill" and raises a number of serious questions.

The Henley Centre Report indicates that the Bill as currently proposed fails to achieve the balance of necessary safeguards both socially and economically. It benefits two new market sectors (Vegas style casinos and new media) but hugely disadvantages much of the existing traditional UK market, will damage communities, limit customer choice and do nothing to regenerate areas most in need.

The Henley Report Highlights:

- . The Nation will gamble an extra £1 billion per year by 2010
- . The Government will gain at least an extra £400 million in tax
- . New style 'Vegas' type casinos will form a significant part of the UK market
- . Internet, interactive and mobile phone gambling will grow

BUT

- . Thousands of traditional family owned businesses will disappear
- . Social clubs, pubs, Bingo halls, seaside and inland arcades will all suffer
- . Significant redundancies in community based established businesses will offset employment gains in new sectors
- . The number of problem gamblers will grow to over 700,000 by 2010

We are operators of amusement and gaming machines in the adult gaming centre environment nation-wide and employ 250 people. As my local MP I have decided to write to you to express both some general and specific concerns that I have with the proposed Bill in its current format and that have been highlighted by the Report. My concerns are as follows:-

Fairness and Equity

We believe that opportunities and controls should be equally applied between the market sectors and not, as is currently being proposed, only favour the new emerging

sectors (large casinos and remote gambling). Many of the existing traditional machine market sectors (seaside arcades, inland arcades, pubs, bingo etc.) are facing restrictions relating to machine numbers, stakes and prizes, whilst new sectors (casinos and remote) will be able to offer a multiplicity of gaming products with virtually unlimited stakes and prizes

It should be remembered that whatever the new entrants may generate in terms of economic benefits and jobs, the existing machine marketplace employs in excess of 22,000 people directly and generates circa £400M per annum in tax revenue. Businesses range from large multi-national subsidiaries to third or fourth generation family businesses who provide pleasure and entertainment to millions and form an important part of the UK's social infrastructure.

Social and Economic Consequences of the Bill

Problem Gambling:

The existing gaming industry has evolved successfully and responsibly over many years and the current measured regime is key to the relatively low levels of problem gambling experienced in the UK. The 0.8% quoted in the 2001 prevalence study is one of the lowest rates in the world.

The Bill imposes insufficient restriction upon the expansion of the new style casinos producing a very real risk of over-supply to the market in the short to medium terms. The recently published Nera Report, based upon research from the USA and Australia into casino gaming, predicts a figure of 1 million problem gamblers in the UK as a result of the likely increase in the number of casinos once the Bill becomes law. Apart from a multiplicity of gambling and leisure activities all being on offer under one roof, conservative estimates suggest that an additional, 50,000 machines with unlimited stakes and prizes will enter the market. (This compares with the circa 235,000 limited stake and prize machines on offer today). Negative publicity ensuing from the likely increase in problem gambling will fall disproportionately upon the existing traditional machines market.

Town/city centres

Casino operators will site the new casinos on the edge of prosperous towns rather than the area needing urban regeneration. These large casinos sited on the outskirts of towns and cities have the ability to transform the night-time economy of local town centres. Large casinos offering food, drink, entertainment and several forms of gambling under one roof (betting, bingo, gaming tables and machines) could herald the demise of city centre businesses. This would include, adult gaming centres, clubs, pubs, restaurants and bingo halls, in exactly the same way that large out of town supermarkets have damaged the vibrancy of town centres for retailing.

Remedy: Follow a cautious approach and allow the phased introduction of a limited number of new style resorts and large casinos within a controlled number of designated areas where a clear economic and social benefit is deemed likely. This compromise would allow this exciting new product to be market tested in the UK without risking the potentially disastrous social and economic consequences illustrated above.

Grandfather Rights

The Bill does not include measures reflecting the assurances given by Lord McIntosh in his speech to the BACTA Convention 2003 that the existing industry would not be endangered. In most cases the future of these businesses (whether they be seaside amusements, adult gaming centres or machine being operated in public houses) could be left to the discretion of Local Authorities. These may unilaterally decide not to grant permits to businesses that may have been operating for generations and

there is no right of appeal. This would be totally unacceptable to BACTA and we seek confirmation that the final draft will incorporate these matters.

Remedy: Grant 'grandfather rights' to existing businesses in perpetuity, providing they operate within all relevant legislation and codes of conduct.

Fixed Odds Betting Machines

Fixed Odds Betting Machines (FOBM's). In a recent agreement between the Bookmakers, the DCMS and the Gaming Board betting shops have been given the right to operate up to 4 machines per shop with stakes of up to £100 and prizes of up to £500. In "A Safe Bet for Success" the DCMS established the principle that AGC'S and Bookmakers should be entitled to operate the same tier of machine types, either Category B or C. The recent agreement with FOBM's goes completely against this principle, and hugely disadvantages AGC's and Bingo Halls.

This agreement gives Bookmakers a massive immediate and ongoing advantage over the other providers of machine gambling on the high street, notably AGC's and Bingo Halls. BACTA members have for the past 18 months adhered to the Gaming Board's repeated request not to aid the proliferation of FOBM's whilst the Gambling Board pursued its court case to establish the definition of FOBM's as gaming machines. Whilst the Gaming Board still state that they believe FOBM's to be gaming machines they have decided to suspend their case and clarify the position via the new Gambling Act. The net effect of this is that the number of FOBM's on the high street could well double to over 20,000 before the new Bill becomes law.

Adult gaming centres and Bingo Halls sited within close proximity of bookmakers have seen their machine turnover decline substantially since the introduction of these machines. Proliferation at the scale now envisaged could well prove terminal for many businesses.

Remedy: We understand that the position following the Bill will be that FOBM's will be defined in the new Act as Category 'B' + and AGC's Bingo Hall and Bookmakers will have the same entitlement to machine numbers, stakes and prizes. This will achieve the principle of product parity between these outlets applied within the Government's White paper.

Pre the Bill becoming law

BACTA has concerns regarding the current situation and for information purposes we advise the Joint Committee that we believe this inequality of stake and prize levels should be addressed in the industry's Triennial Review before the Bill becomes law.

Licensing Requirements/Costs

To date we do not know precisely the combination of licences that will be required in any given outlet (personal, operating, premises etc.), but are deeply concerned that the potential requirement for excessive categories of personal licenses will be proportionally invidious. Further, the Gaming Board has efficiently administered the current regulatory regime minimising costs and we fear that the proposed changes via the Gambling Commission and Local Authority licenses will represent and inordinate, unwarranted, and costly bureaucracy.

Remedy: To identify licensing requirements and costs without delay so that businesses can plan accordingly and ensure that the cost are properly attributed to those industry sectors benefiting from the new regime.

Powers of the Gambling Commission and Local Authorities

We are seeking to ensure that the present well-structured and clear operational environment is retained to protect the current industry and encourage forward investment. The safeguards identified in "A Safe Bet for Success" (including guidance and advice which Local Authorities should be obliged to follow) are enshrined in the new regulatory scheme. We would like to see as much as possible included in the Act to prevent arbitrary or inconsistent applications of the legislation. Where there is such a lack of detail or objective criteria, then those who fall within the legislation will be uncertain when their action might lead to criminal liability, infringing the HRA and the ECOHR.

Remedy: To define powers very precisely, including via the Gambling Commission, the statutory guidelines and role of the Local Authorities.

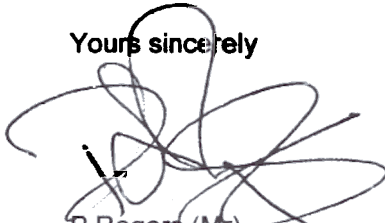
Machine Testing

BACTA fully supports the need for new standards of testing and protocols to be devised for Category 'A' machines. The draft Bill appears to offer the possibility that the existing successful testing regime agreed with the Gaming Board for Category B/C/D machines could also be subject to change, contrary to previous assurances by the Gaming Board and DCMS. This would be undesirable as the additional unnecessary bureaucracy could impede investment in and speed of product innovation and development.

I hope that you will be able to make representation to the Rt. Hon Tessa Jowell MP, Cabinet Minister ultimately responsible, Lord McIntosh of Haringey, the Minister with responsibility for the Bill, and John Greenway MP, Chairman of the Scrutiny Committee.

I do hope that you are able to help us by contacting the Minister and members of the Scrutiny Committee, and I look forward to hearing from you in due course.

Yours sincerely

A handwritten signature in black ink, appearing to be 'P Rogers', written over a circular scribble.

P Rogers (Mr)
General Manager