

Directors:
Michael R. Thomas
Michelle R. Thomas

Members: Showmen's Guild of Great Britain
Members: British Amusement Catering Trades Association
Member: Norfolk Chamber of Trade & Commerce

01485 532377
01485 532470
01485 532652
FAX: 01485 534462
e-mail: mike@thomaseent.co.uk

Thomas's Entertainments Limited

CENTRAL PROMENADE
HUNSTANTON • NORFOLK • PE36 5BQ

Henry Bellingham MP
Congham Lodge
Hillington
Kings Lynn
Norfolk
PE31 6BZ

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Dear Henry

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 7 April 2004.

A recent report, produced by the Henley Centre (in association with consumer trend experts BrandDriver), 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 in most need.

The Henley Report highlights:

- The nation will gamble an extra £1 billion a 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

As you are aware, we operate seaside amusement arcades. We have various concerns about the Bill in its current format, which I have listed below.

1. 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 gambling) 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 £400 million per annum in tax revenue. Businesses range from large multi-national subsidiaries to third or fourth generation family businesses that provide pleasure and entertainment to millions and form an important part of the UK's social infrastructure.

Company Registration No. 387076 ENGLAND : VAT Registration No. 106070809

Registered Office, Prospect House, 11-13 Lonsdale Gardens, TUNBRIDGE WELLS, Kent, TN1 1NU

2. Social and Economic Consequences

a) 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 short to medium terms. The recently published Nera report, based upon research from the USA and Australia into casino gaming, predicts a figure of one 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 fifty thousand 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.

b) Economic impacts

Seaside resorts

New style casino resort complexes will be so vastly superior in terms of size, range of product, offering etc that new and existing visitors will naturally gravitate towards these "emporiums", slowly destroying much of the existing seaside economy. Resort and large casinos will be adult gambling environments providing scant impetus for social and tourism led regeneration.

Town/city centres

Casino operators will site the new casinos on the edge of prosperous towns rather than the areas 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 table and machines) could herald the demise of city centre businesses including 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 resort 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.

3. 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 machines being operated in public houses) could be left to the discretion of Local Authorities which 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.

4. Traditional seaside businesses

Family Entertainment Centres (FECs)/Category D machines

The bill allows discretion to introduce an age restriction for Category D machines by way of secondary legislation. * Such a move would appear likely to wipe out the seaside entertainments industry. There are no grounds for this measure, as our research (ORB) has shown. This potential change will make any future investment in the industry an unrealistic prospect. This position is totally unacceptable to BACTA as it will significantly affect many members who have for many years provided much needed investment in the coastal resorts.

*The draft currently contains wide discretion for the introduction of many restrictions that would fundamentally undermine the industry and appear not to be the subject of consultation.

Remedy: Remove the enabling clause, allowing an age restriction for Category D machines only through Primary Legislation with full consultation, should evidence from research prove that change is required.

5. Stakes and prizes

The Bill reduces stakes and prizes for Section 34 machines from 30p stake/£8 prize to 10p stake/£5 prize with the exception of cranes (and predominantly skill ticket redemption machines), which will be allowed to retain the 30p stake. In the case of the latter machines paying out only non-monetary prizes BACTA believes that it is illogical to allow the stake to remain at the same level (30p) but reduce the prize from £8 to £5. This will erode established customer value. BACTA believes that there is a good case for operating non-monetary prize machines on a marginally higher stake and prize tier. The ORB survey shows strong customer support for the existing Family Entertainment product.

Remedy: Allow Category D machines paying out non-replayable, non-monetary prizes to operate on 30p stake/£8 prize.

“Trading Up”

The practice of saving individual prizes won from, for example, a crane machine and trading them in/exchanging them for a larger prize is known as “trading up”. A test case in the 1990’s established it as a legitimate practise. The DCMS and the Gaming Board have consistently stated that this issue will not be revisited but, on page 36 of the Policy document, paragraph 4.54, crane machines on 30p appear to be prohibited from paying out exchangeable prizes.

Remedy: Amend policy to allow machines in this category to pay out non-money and non-replayable prizes that may be exchangeable (but not for money).

6. Licensing requirements/costs

To date we do not know precisely the combination of licenses 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 operationally 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 an inordinate, unwarranted and costly bureaucracy.

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

7. 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 safe guards 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 and 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 on the Human Rights Act and European Commission of Human Rights.

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

I hope you will feel able to make representation on our behalf to 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 Ministers and members of the Scrutiny Committee and I look forward to hearing from you in due course.

Thank you once again for your efforts on our behalf.

With my kindest regards

Yours sincerely

Michelle

Michelle Thomas
Director

cc Leslie MacLeod-Miller (BACTA)
cc Tim Batstone (BACTA)