

Summary: Intervention & Options

Department /Agency:

Department for Culture,
Media and Sport

Title:

The Gambling Act 2005 (Gaming Machines in Bingo Premises)
Order 2008

Stage: Draft SI consultation

Version: 4

Date: 20 June 2008

Related Publications:

<http://www.>

Warwick Hawkins DCMS

020 7211 6475

What is the problem under consideration? Why is government intervention necessary?

Section 172(7) of the Gambling Act 2005 ("the Act") authorises a holder of a bingo premises licence under the Act to offer up to four Category B gaming machines for use on the premises. The Bingo Association has been campaigning since the autumn of 2007 to persuade the Government to take ameliorative action to address the economic difficulties the industry has been experiencing, and has been pressing for an increase in the number of category B3 gaming machines that bingo halls can make available.

Under current BERR guidance, no Impact Assessment is strictly necessary as this proposal is unlikely to result in any net increase or decrease in costs to the gambling industry. The measure will not result in any additional administrative costs for bingo clubs, or in any costs to the public sector. It is, however, broadly deregulatory in that it relaxes the current restriction on the number of category B3 machines that bingo clubs may offer, by increasing the number to eight. For this reason, and for the sake of completeness, an Impact Assessment has been undertaken in line with current BERR guidance.

Bingo clubs play an important social role in many localities. The 2007 Henley Report found that for many people, especially older and retired women, bingo is the main or sole leisure pursuit outside of the home; and that bingo clubs provide a unique social network for both members and employees.

The Government is persuaded that the bingo industry is now facing serious economic pressures. This is evidenced by closures in the industry. According to the Gambling Commission's annual report for 2006/07, there were 634 bingo clubs operating at 31 March 2007, a reduction of approximately 9% from the 696 clubs operating on 31 March 2004. 37 more clubs closed in Great Britain during 2007/08, around 6% of the total across the industry.

Its principle lobbying objective has been to persuade DCMS to adjust limits set out in Section 172(7) of the Act in order to increase the number of Category B3 gaming machines (maximum stake £1, maximum prize £500) which individual bingo clubs may offer customers. The Association has proposed that the B3 machine entitlement be linked to the size of the gaming area as defined in the premises licence, suggesting that up to 16 machines may be offered by the largest bingo clubs.

The Government believes that this goes too far, and that an increase of this proportion would be inconsistent with the precautionary approach that it has taken to gambling regulation.

Nevertheless the situation facing the bingo industry is sufficiently grave, and the circumstances surrounding bingo sufficiently distinct, to justify a smaller increase in the number of Category B3 machines. The Government believes that a more modest increase would not jeopardise its overall principal priority in gambling policy, which remains to protect the public.

What are the policy objectives and the intended effects?

Section 172(7) of the Gambling Act 2005 (“the Act”) authorises a holder of a bingo premises licence under the Act to offer up to four Category B gaming machines for use on the premises. The Categories of Gaming Machine Regulations 2007 determined that Category B3 or B4 machines were the Category B machines that could be offered under this provision.

Under Section 172(11)(a) of the Act, the Secretary of State is enabled to make an Order amending any provision of Section 172 so as to vary the number of machines authorised by a specified kind of premises licence. The Secretary of State proposes to exercise his power under this section by making an Order increasing to eight the maximum number of Category B3 gaming machines which individual bingo clubs may offer.

What policy options have been considered? Please justify any preferred option.

Another lobbying objective of the Bingo Association was to persuade HM Treasury to remove the apparent anomaly whereby bingo clubs are charged both VAT and gaming duty on participation fees. The 2008 Budget concluded that a tax solution was not appropriate.

The Government also considered whether there were any other deregulatory measures which might be possible within the new framework created by the Gambling Act 2005 to assist the industry. However, the new Act has already swept away many of the regulations that held the industry back under the previous legislation, and has also ensured that the administrative burdens on the industry have been substantially reduced (e.g. by removing the requirement for bingo halls to apply to renew their licence on an annual basis). It therefore concluded that there was limited scope for further action in this area.

The Bingo Association proposed that the B3 machine entitlement be linked to the size of the gaming area as defined in the premises licence, suggesting that up to 16 machines may be offered by the largest bingo clubs. The Government believes that this goes too far, and that an increase of this proportion would be inconsistent with the precautionary approach that it has taken to gambling regulation. However, it believes that a more modest increase would not jeopardise its overall principal priority in gambling policy, which remains to protect the public.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

One year after implementation.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.....Date:

Summary: Analysis & Evidence

Policy Option: Consult on draft SI

Description: Draft SI to double B3 entitlement for bingo clubs to 8 machines

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups': The Order will not impose any increased costs on the industry, as bingo clubs would not be obliged to take up their additional entitlement. Any increased costs associated with acquiring the additional machines – initial outlay, Amusement Machine Licence Duty, running costs and VAT – would be more than offset over time by increased revenue.	
	One-off (Transition)	Yrs		
	£ up to c£4k per club			
	Average Annual Cost (excluding one-off)			
	£ 8,120 per club (licence duty)		Total Cost (PV)	
			£ up to £15,000 per bingo club per year	
Other key non-monetised costs by 'main affected groups' None.				
BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The measure would potentially double bingo clubs' income from B3 machines. The average income per machine is £525/week.	
	One-off	Yrs		
	£ None			
	Average Annual Benefit (excluding one-off)			
	£ 105,000 per club		Total Benefit (PV)	
			£ c105,000	
Other key non-monetised benefits by 'main affected groups' None.				

Key Assumptions/Sensitivities/Risks

Some groups with concerns about problem gambling may argue that the proposed increase could increase the risk of problem gambling. We take this risk seriously, but believe that it will be mitigated by very stringent regulations and Gambling Commission technical standards and codes of practice governing the use of machines, all of which have been developed to protect the consumer. We will continue to monitor the position through the Gambling Commission's three-yearly prevalence study.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £ c90,000 per club		
What is the geographic coverage of the policy/option?			Great Britain		
On what date will the policy be implemented?			3 rd or 4 th quarter 2008/9		
Which organisation(s) will enforce the policy?			Bingo clubs		
What is the total annual cost of enforcement for these organisations?			£ none		
Does enforcement comply with Hampton principles?			Yes		
Will implementation go beyond minimum EU requirements?			Yes		
What is the value of the proposed offsetting measure per year?			£ n/a		
What is the value of changes in greenhouse gas emissions?			£ n/a		
Will the proposal have a significant impact on competition?			No		
Annual cost (£-£) per organisation (excluding one-off)		Micro none	Small none	Medium none	Large none
Are any of these organisations exempt?		No	No	No	No
Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)		
Increase of £	Decrease of £	Net Impact		£ Zero	

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Results of the specific impact tests are set out below.

Competition assessment

In line with OFT guidance we have considered whether the proposal would directly or indirectly limit the number or range of suppliers, and we have concluded that it would not. Indeed, the measure is intended to help ensure that bingo halls remain open so that existing levels of competition are at least maintained. We are also confident that it would not reduce suppliers' incentives to compete vigorously.

Increasing bingo clubs' entitlement to Category B3 gaming machines would not cause a problem in competition terms within the bingo industry as all bingo clubs would be able to offer the same number of these machines, and manufacturers and suppliers of the machines would be able to compete freely for the business.

A similar application for an increased entitlement to B3 machines was made by the trade body representing adult gaming centres (AGCs), which are currently permitted to offer up to four Category B3 or B4 gaming machines. It is possible that the AGC sector will suggest that AGCs operate within the same market as bingo clubs and that their ability to compete on equal terms could be impaired by this measure.

It is far from clear that this contention would be correct. Indeed there are a number of factors which would suggest that the ability of AGCs to compete would not be adversely affected. For example:

- AGCs and bingo halls offer a different experience and product range to customers, and machine gaming fulfils different roles in these different settings;
- the customer base of AGCs and bingo halls is unlikely to be identical – there are likely to be significant numbers of AGC customers who would never consider visiting a bingo hall and vice versa. This is unlikely to be significantly affected by the addition of four more Category B3 gaming machines in bingo halls.

Furthermore, there are no barriers to entry to the bingo sector. Anyone who wishes to operate a bingo hall can apply to the Gambling Commission and their licensing authority for the appropriate licences.

We will, of course, monitor the position carefully for any evidence of impact on competition. However, even if some evidence of adverse impact were to emerge, it is important to note that Ministers will need to weigh against this the policy rationale for bringing forward this proposal, and in particular the exceptional and distinct circumstances that apply to the bingo industry, which in the view of Ministers justify distinctive treatment. These include:

- Trading conditions in the bingo industry have been particularly acute, as evidenced by the level of closures across the industry which shows signs of acceleration: 62 bingo clubs closed between 2004 and 2007 (around 9% of the total number), and 37 more closed in 2007/08 – a further 6%.
- The 2007 Henley Centre report commissioned by the Gambling Commission demonstrated that bingo clubs fulfil an important social function in many communities, especially for older and retired women for whom bingo is the main or sole leisure pursuit outside of the home.
- Under the bingo industry's business model there is a high demand for machines during relatively short periods of the day, in between sessions of main game bingo, which may impair the fair and open conduct of gambling.

- As a result of the Gambling Act 2005, casinos, betting shops and AGCs all received an enhancement to their gaming machine entitlement in return for taking on the enhanced social responsibilities required by the Act, whereas bingo clubs retained the same gaming machine entitlement that they had under the previous legislation.
- Bingo halls provide a softer gambling environment in which the gaming machines they offer are ancillary to the game of bingo.

While Ministers considered carefully whether to extend the proposal to AGCs, they were not convinced on the basis of the evidence before them that the same exceptional and distinct circumstances applied to AGCs.

Small Firms

There are a number of small bingo operators (at least 50% are SMEs), and these would be able to benefit from the increased machine entitlement in the same way as larger operators like Gala and Mecca. The measure would therefore have no adverse impact on small firms.

Legal Aid

No impact.

Sustainable Development

No impact.

Carbon Assessment

There is little available data about the carbon footprint of an individual gaming machine, and the Department would welcome any such data that the industry is able to provide. However, the maximum number of new machines which could be introduced as a result of the proposal, i.e. if all clubs took up their increased entitlement, is around 2,400. It is likely that many clubs will choose to substitute the new machine for an existing machine of a lower category, reducing further the total number of new machines in the market. It is unlikely that this relatively modest increase in the number of machines will have a significant impact on carbon emissions.

Other Environment

No impact.

Health Impact Assessment

We have considered the health and well-being screening assessments in line with current DoH guidance and have concluded that a full health impact assessment will not be required. The proposed measure is unlikely to have a significant health impact, either on the whole population, a major sub group of the population, or in terms of severity of impact.

That said, one of the principal objectives of the Gambling Act 2005 is the prevention of harm from problem gambling and, as with all forms of gambling, the government takes the risks associated with gaming machines very seriously. Problem gambling exists and has links to wider health determinants, and there is some evidence to show that high-stake, high-prize gaming machines such as category B3s are attractive to problem gamblers. However, there are a number of factors which make it less likely that the current proposal would have a significant adverse impact:

- These machines are already available in bingo clubs, and higher stake, higher prize machines are available in other gambling premises e.g. casinos and betting shops;
- The machines are an ancillary activity – the main purpose of attendance at a bingo club is to play bingo;
- A range of measures are in place, through regulations and Gambling Commission technical standards, licence conditions and codes of practice, to protect vulnerable customers;

- The measure envisages only up to 2,400 additional machines in the British market and so the national impact of this change is likely to be limited;
- We will monitor the impact of the new machines carefully through the triennial Gambling Prevalence Study and wider research into problem gambling.

Race Equality

No impact.

Disability Equality

No impact.

Gender Equality

No impact.

Human Rights

The provisions of the Order are compatible with the European Convention on Human Rights.

Rural Proofing

Bingo clubs in rural areas would be able to benefit from the measure in the same way as their urban counterparts.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	✓	
Small Firms Impact Test	✓	
Legal Aid	✓	
Sustainable Development	✓	
Carbon Assessment	✓	
Other Environment	✓	
Health Impact Assessment	✓	
Race Equality	✓	
Disability Equality	✓	
Gender Equality	✓	
Human Rights	✓	
Rural Proofing	✓	

ALL RESULTS IN EVIDENCE BASE SECTION. (No annexes)