

# chapter twenty three

## Gaming Machines

- 23.1 We have found the issue of gaming machines to be one of the most difficult we have tackled. In the first place the complex nature of the current regime has resulted in a number of different types of machines being sited in many different types of location under different degrees of regulatory control (or none). The current system is incoherent and full of anomalies. In addition, the policy issues – concerning both children and adults – have provoked a range of responses among our members and those who have submitted evidence to us.
- 23.2 Chapter 6 sets out the facts about gaming machines. There are at present about 250,000 legally sited gaming machines in Great Britain.
- 23.3 The regime governing gaming machines is both more and less restrictive than that typically applying in other developed countries. It is more restrictive in that permitted machines are limited to three specified types – up to £1,000 jackpot, £15 all-cash and £5 cash/£8 token – and there is no provision for the unlimited prize “casino slots” which are widely available in casinos overseas. It is less restrictive in that:
- machines are allowed in many places not specifically licensed as gambling premises and
  - children (under 18s) are allowed access to £5 cash/£8 token machines, and even to jackpot machines in certain circumstances.
- 23.4 Of the large number of premises in which gaming machines are situated, only two - casinos and bingo clubs - currently come under the jurisdiction of the Gaming Board. The Board has no right to inspect the great majority of machines, which are sited elsewhere.
- 23.5 Some overseas legislators have decided to limit machines to a relatively small number of clearly identified (and highly advertised) licensed areas. In Great Britain, the policy has been to avoid stimulating demand and to prevent excessive gambling by imposing controls on the numbers of, and stakes and prizes for, machines in particular locations. It is arguable that this objective has been defeated in view of the sheer number of locations with machines.
- 23.6 The maximum limits originally set by the 1968 Act for what is now the £5 cash/£8 token machine were the pre-decimalised equivalents of a 5p stake, a 10p cash prize and a 25p token prize. To convert these 1968 values into today's terms we have to multiply them by a factor between 10 and 11. That demonstrates to us that the maximum cash and token prizes have risen

well ahead of general inflation, though the maximum level of the stake (30p) has fallen behind.

- 23.7 We have also received evidence relating to illegally sited machines. The Gaming Board has no powers to deal with these and the police have other priorities. This is unsatisfactory and it undermines the integrity of the regulatory structure. We have recommended in chapter 33 that the Gambling Commission should have powers of entry and confiscation to tackle the problem of illegal machines, and should be able to call on the police for assistance to prevent a breach of the peace.
- 23.8 Our consideration of the social and psychological aspects of gambling on gaming machines has been hampered by the lack of research in Great Britain. With the exception of Dr Sue Fisher's casino study, the varieties of problem gambling in the UK have barely been studied. Other studies of problem gambling from the US and Australia do not translate well into the UK context, as the regulatory framework is different and many problem gamblers use types of machines which are not available in the UK. However, we have considered whether there are lessons we should learn from, for example, the proliferation of machines in Australia and from the Atlantic City experience. In doing so, we were particularly aware that gaming machines have characteristics which make them likely to encourage addictive behaviour, such as event frequency, reward/reinforcement etc. GamCare told us that 50% of the calls to their helpline concern gaming machines.

### Ambient gambling

- 23.9 We have adopted the term “ambient gambling” to mean gambling which is incidental to another, non-gambling activity. In relation to gaming machines, we are concerned at the ability to locate machines in places like cafés and taxicab offices. The lack of supervision and ready accessibility of these machines is particularly worrying in relation to children. We asked the ONS to test public opinion on whether gaming machines should be placed in locations of this kind<sup>1</sup>. Of the 1622 people interviewed, 66% thought that there should be fewer or no machines in places like this. Local authorities currently have the ability to pass a resolution effectively banning gaming machines from non-arcade premises, but we think we should go further and adopt a consistent approach across Great Britain.
- 23.10 Machines in, what are currently, unregulated environments such as cafés are not easy to supervise. Anecdotal evidence suggests that a significant



proportion of such machines are illegal, because they are unlicensed or because they are the wrong machines (all-cash or jackpot). The Gaming Board has no powers to enter premises and investigate complaints. As well as the regulatory problems, the reputation of legitimate operators is also damaged as many complaints relate to illegal operators.

- 23.11 One of the principles we have established is that gambling should generally take place in gambling-specific premises. We see no benefit in making an exception for premises to which children have free access. In addition, banning machines from such premises would make enforcement action very much easier, as breaches of the law would be more readily detectable. By their nature, we do not know how many unlicensed machines there are. In its report "Revenue from Gambling duties"<sup>2</sup>, the National Audit Office noted the main risks to revenue on licence duty:

*Traders may underpay the amount of amusement machine duty by, for example:*

- *only licensing some of their machines. On an unannounced visit to a trader officers found that only two out of three amusement machines had a licence. Other sites owned by the same trader were also visited and the same situation was found. The department collected £275,000 in licence duty, including £92,000 in penalties*
- *intermittently licensing machines, whilst continuing to operate them. A club purchased intermittently one month licences for each of their amusement machines but continued to operate them for a 14 month period. The Department collected licence duty of some £1300*
- *purchasing a licence for a lower band of duty than that applicable to the machine*
- *operating machines without first obtaining a licence.*

- 23.12 We do not consider that gaming machines should be permitted in premises such as cafés and taxicab offices. **We recommend that gaming machines should be banned from premises other than those on which they are specifically permitted pursuant to our other recommendations.**

- 23.13 Under section 33 to the 1968 Act, gaming machines are permitted at non-commercial entertainments such as bazaars, sales of work, fetes, dinners, dances, and sporting or athletic events. This permission is similar to the exemption in the 1976 Lotteries and Amusements Act relating to small lotteries at exempt entertainments. We have concluded that small lotteries should continue to be exempt from regulation. However, we believe that gaming by machine is very different in character from the paper-

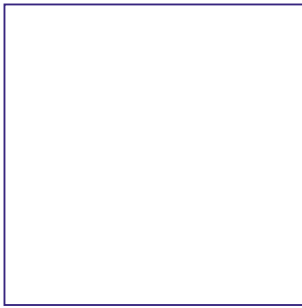
based raffles that normally take place at such events. In the light of our recommendation to ban machines in all except specifically permitted premises and to prevent ambient gambling, we do not consider that it is appropriate to allow machines to be provided at exempt entertainments. **We recommend that the provisions in section 33 of the 1968 Act that allow machines at exempt entertainments should be repealed and not replicated in new legislation.**

### Machine gaming by children

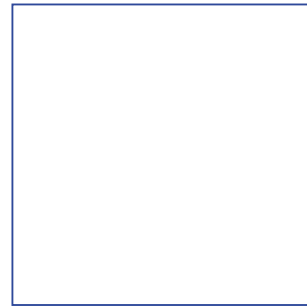
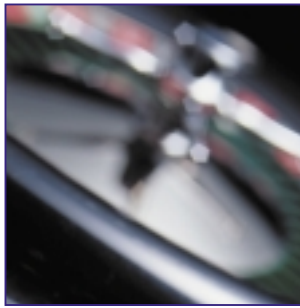
- 23.14 We have discussed elsewhere our approach to gambling by children. Machine gaming by children is perhaps of the greatest concern, because of its relatively easy availability and the lack of supervision in some sites in which machines are located, such as cafés. We believe that children are a vulnerable sub-set of the community for whom it is right to prescribe special rules in relation to gambling, just as it is right to do so in relation, for example, to alcohol or smoking or cinema-going. Gaming machines are undoubtedly a form of gambling – and one which has notably addictive characteristics.

- 23.15 BACTA have told us that banning under 18s from playing arcade machines would have a devastating effect on the seaside resort business. We have not undertaken any independent research on the economic effects of changing the regulations, but we accept that any tightening of restrictions would harm that business sector to a greater or lesser extent.
- 23.16 However, it is interesting to note that in one of the other jurisdictions we have visited "family arcades" do flourish despite a ban on the playing of "coin-in/coin-out" machines by children. We saw a number of very busy family arcades during a visit to Holland on a cold February afternoon. The regulators and operators there were clear that gaming machines were strictly for adults, as they are in Las Vegas for example. As a result of this, we do have some doubts about how badly affected the UK seaside family amusement centres would be by new restrictions that limited children to amusement-only (non coin-out) machines.

- 23.17 One of the questions asked in the ONS survey related to attitudes to children playing on fruit machines for prize money up to five pounds. Only 3% of people unconditionally approved of children playing on such machines. 41% approved so long as the child was accompanied by an adult and 42% disapproved of children playing on the machines at all. Those views broadly echoed our own. One of our main concerns is about unaccompanied children playing machines. We acknowledge that the BACTA code of practice requires that children should not be permitted in arcades during school hours, but the code is silent on non-school hours and, moreover, BACTA does not cover every operator and has no enforcement powers.



- 23.18 There are a number of options for controlling access to AWP machines by those under 18. These range from complete prohibition at one extreme to permission to play if accompanied by an adult at the other. We have considered whether children should be banned completely from arcades. Leaving aside the economic arguments put forward by the seaside operators, we think this would be a rather extreme solution to the perceived mischief. Allowing children in, but forbidding them to play the machines is another option we have considered and rejected on the grounds that it would be impossible to police.
- 23.19 We acknowledge that there is a long tradition of children playing on such machines and the vast majority has come to no long-term harm. For many children, playing small stake machines is a part of the seaside experience. In saying this, we do not seek to diminish the research carried out by Dr Fisher about the harm that can be caused in seaside arcades, particularly to children who live at the coast. Dr Fisher's work aside, there is a woeful absence of research and we do not feel that there is sufficient evidence to suggest that, on balance, a complete ban could be justified. **We recommend that further research should be commissioned to examine the impact of machine gaming by children and that the government should formally review the position in five years time to determine whether any such gaming by under 18s should continue to be permitted, or whether Great Britain should come into line with other jurisdictions and ban it.**
- 23.20 Should children playing machines be accompanied by an adult? This was clearly an option preferred by a large number of those to whom ONS spoke during our survey. It is an option we would favour, but we have to acknowledge that there are practical difficulties in enforcing it. It would be necessary to define "accompanied": is it enough to be in the same arcade as the child, or to be in the same general area, or would the adult have to be in close proximity at all times? Could one adult accompany, for example, a group of children on a school trip? Would it be acceptable for an under 18 to be accompanied by an over-18 friend? We believe that considerations of this kind militate against what on the face of it appears to be a simple solution to a difficult problem. When they came to give oral evidence to us, BALPPA expressed concern at the control problems that such a requirement might place on operators. They pointed out that most younger children are already accompanied by parents or grandparents; and that parents would be reluctant to supervise older children and would be annoyed if expected to do so. We accept that the practical problems of requiring children to be accompanied rule out this proposal.
- 23.21 Although we have concluded that children should be at liberty to enter, what we have termed, family entertainment centres, we remain uneasy about encouraging children to gamble. Most will come to no harm, but some will. The ONS survey reveals that a significant minority (42%) of those people interviewed do not believe that children should play on fruit machines. A majority of those who commented on this issue in submissions to us (56.5%) believed that the minimum age for all gambling should be 18.
- 23.22 BACTA and others suggested to us that low stake/low prize machines should not be regarded as gambling. We reject that argument. The stake and prize may affect the degree of financial harm caused to the player, but the game is the same as gambling for bigger stakes and prizes, and for some children it will be addictive.
- 23.23 If we were creating the regulations for the first time, we would certainly recommend that no gaming machines should be played by under 18s. But starting from where we are now, and with the imperfect evidence that is available to us, we believe that our role must be to make recommendations that will limit the damage such machines cause. We have noted in paragraph 23.6 that prize limits have far exceeded inflation since 1968 and we believe that tide must now be stemmed for machines accessible to children. We accept that low stake/low prize machines to which children may have access are here to stay (at least in the short term pending the research we have recommended should be commissioned), but low stake/low prize is exactly what they must be. We have been advised that a large majority of family amusement centres offer machines with a 5p or 10p stake only. Higher stake machines are less popular with children and tend to be confined to adult-only restricted areas. The predominance of machines with stakes of 10p or less has been confirmed by our own observations as we visited arcades around the country.
- 23.24 When GamCare gave oral evidence to us, Paul Bellringer told us that even small stakes could get people into trouble and if a stake resulted in only a five second spin of the wheel a child could get through a fair amount of money in a short time. He noted that for a machine to be classed as trivial, the stake should be trivial. For most children, thirty pence could not be regarded as trivial. He explained:
- The reason for limiting the stake is a significant factor where children are involved as it bears directly on the amount of money they can lose. The reel on a machine spins for five seconds. If a further five seconds is allowed for pressing feature buttons and entering more money it is very possible to play five or six games a minute. On this basis the potential loss with a 10p stake is 60p per minute or £3 in five minutes. With a 30p stake, however,*



*the potential loss is £1.80 for one minute and £9 in five minutes. An important difference when put alongside disposable income.*

- 23.25 When BALPPA gave evidence to us, we asked what impact reducing the stake in unrestricted areas would have. As a result BALPPA conducted a survey of its members: 27 members replied, of whom 12 used machines with higher than a 10p stake outside the restricted area. BALPPA calculated that the removal of such machines would mean that aggregated profits across the 12 businesses would be reduced by £295,000 per year, which translated into a loss of 80 seasonal jobs. BALPPA argued that a variety of machines in the unrestricted area was important to attract families. We note these figures, but we have not studied the methodology on which they are based or otherwise attempted to verify them. We accept that further restricting the type of machines that may be available in unrestricted areas may affect profitability. Nevertheless, we believe that it would be wrong to continue to allow children access to other than low stake/low prize machines. As we have made clear, our preference would be that children should not have access to any kind of gaming machines until there is evidence to support the industry assertions that it is not harmful. We believe that our proposal strikes the right balance pending further research on the subject. **We recommend that “coin in/coin out machines” in family entertainment centres (outside any restricted area) should have a maximum stake of ten pence.** We have used the term “low stake/low prize” to describe the machines that may be played by children.
- 23.26 As far as the prize level is concerned, it has been suggested to us that token prizes entice further play. In particular, that should be discouraged on machines to which children have access. **We recommend that low stake/ low prize machines should be limited to cash prizes only.**
- 23.27 The cash prize of £5 greatly outstrips the level anticipated when these machines were first regulated in 1968. **We do not recommend that the prize limit on low stake/low prize machines should be reduced, but we do recommend that it should be frozen, together with the level of the stake, at £5 and ten pence respectively.** We do not pretend that limiting the prizes and stakes in this way would necessarily make the machines any less addictive, but we believe that this would be a pragmatic solution and would limit the potential harm. Freezing the stake would mean that, in time, these machines genuinely become little more than amusement machines. The impact on the market of a sudden change would be avoided and family amusement operators, if they so wish, will have time to introduce other attractions suitable for children.

- 23.28 Our proposals are not intended to affect the stakes relevant to machines such as cranes, where a maximum stake of ten pence would mean that such machines were not viable. The proposals set out above relate only to machines that give money prizes. Other amusement machines (non coin-out), such as cranes, do not have the same addictive tendencies as fruit machines or “pushers”. The action to play them is much less repetitive. **We accept that machines such as cranes should not fall in the category of gaming machines and we recommend that the legislation should make that clear.** Without attempting to draft the actual legislation it is difficult to be precise about the machines we are intending to cover in this section. The machines we intend to be exempt from control are those which – if they give a prize at all – only deliver a physical (non-cash, non-token) prize. Where there is doubt about the nature of a particular machine, the Gambling Commission should have discretion to decide where it sits in the framework we have outlined.

### Machine gaming by adults

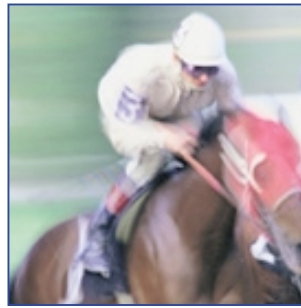
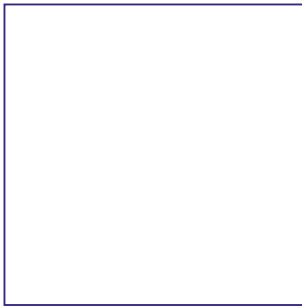
- 23.29 We know a little more about problem gambling, and the addictive nature of machines, than did any of our predecessors in examining and proposing gambling legislation. But we do not know as much as perhaps we should. That has led us to be cautious about relaxing existing controls or imposing new ones.

### Types of machine

- 23.30 As explained in chapter 6 there are currently three types of gaming machine in the UK: jackpot machines; all-cash machines; and £5 cash/£8 token machines. We are proposing that there should be four categories, as follows:

#### Casino slot machines

- 23.31 We do not currently have, in the UK, casino slot machines with unlimited stakes and unlimited prizes such as are to be found in casinos elsewhere in the world. We have received evidence from a number of bodies and individuals suggesting that such machines should be permitted in the tightly regulated environment of a casino. We have seen machines of this kind operating successfully in other countries and we see no barrier to introducing them into casinos here. **We consider that in the strictly regulated environment of a casino, slot machines with unlimited stakes and prizes should be permitted. The legislation should make it clear that under 18s may not play casino slot machines.**
- 23.32 Whether there should be controls on the maximum numbers of such machines is something that we have



discussed at great length. There is concern that opening the way for unlimited numbers of machines will give rise to a much higher level of problem gambling than we now have (vide Australia). There is also the view held by some people outside our group that the playing of machines is devoid of merit, mindless and dehumanising. We have tried to reconcile different strands of opinion and to find a solution that would allow the market to develop, but would be in keeping with our wish to proceed carefully. We do not want to go too far, too fast. As discussed in chapter 22, we have concluded that casinos should be required to offer a balance of gaming activities and that the maximum number of slot machines should be determined as a ratio to gaming tables available for play. We have recommended that the ratio should be eight machines for each gaming table for the first eighty tables; and where more than 80 gaming tables are available for play there should be no restriction on the number of slot machines.

- 23.33 Issues relating to linked machines, variable staking and multi-player machines are discussed later in this chapter

#### Jackpot machines

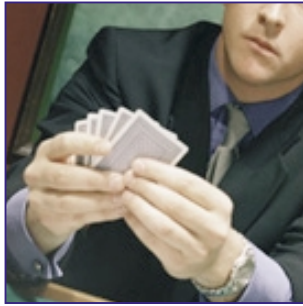
- 23.34 Jackpot machines with a maximum stake of 50 pence are currently located in casinos (maximum prize £1000); bingo halls (maximum prize of £500); and private clubs (maximum prize of £250). If our recommendations are accepted, only the second of these limits will be relevant. We have not received evidence to suggest that there is pressure to increase the limits in bingo halls. We believe that it would be preferable for there to be a single prize limit for jackpot machines, rather than a confusing mix of the kind that currently exists. **We recommend that the maximum prize for jackpot machines should be £500 in all premises in which they are installed.**
- 23.35 We understand that, as part of the 2001 triennial review of stakes and prizes, The Gaming Board has recommended to the Home Office that the maximum stake for jackpot machines should be increased from 50 pence to £1. It had been our view that the maximum stake should remain at 50 pence. In the light of the Gaming Board's recommendation we recognise that a higher stake could be justified in the restricted categories of premises in which we are recommending that jackpot machines should be located. **We recommend that the maximum stake for jackpot machines should remain at 50 pence, but that it should be increased to £1 when our proposals are implemented.**

- 23.36 Jackpot machines currently represent the highest level of gaming machine played in the UK. We think it is right that machines with high prize limits should only be available in gambling specific premises to which children do not have ready access. We have received representations from the bookmaking industry that jackpot machines should be permitted in betting shops. All-cash machines (with a maximum prize of £15) have been permitted in betting shops only since 1996. In their evidence to us BOLA<sup>3</sup> suggested "it is remarkable that betting offices are not least on a par with bingo and social clubs". We agree: betting shops are gambling specific premises, children are not admitted, and the higher stakes and prizes available on jackpot machines would be comparable with the level of gambling already available. **We recommend that betting shops should be permitted to have jackpot machines.**

- 23.37 It is plainly a loophole that the 1968 Act does not explicitly prohibit children from playing jackpot machines, wherever they are located. We recommend that the legislation should make it clear that under 18s may not play jackpot machines, wherever located.

- 23.38 We have some concern that clubs registered under Parts II and III of the 1968 Act are allowed to have three jackpot machines (we discuss clubs in chapter 31). Clubs are not gambling specific premises and children may be admitted to them. Indeed, in some clubs under 18s may be members in their own right. Moreover, the 1968 Act does not prohibit children from playing on jackpot machines, and there is anecdotal evidence to suggest that they do. We are anxious to ensure that children are not exposed to high stake/high prize machines and our preferred option would be to remove jackpot machines from private clubs. **We recommend that jackpot machines should be removed from private clubs. Such machines should be restricted to gambling specific premises. Private clubs should have the same entitlement to all-cash machines as pubs and other premises licensed for the on-sale of alcohol.**

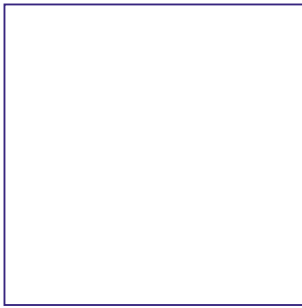
- 23.39 We turn to the question of numbers of jackpot machines that may be permitted. In a deregulation order laid by the Home Office on 26 March 2001, it was proposed that bingo clubs should be able to have four jackpot machines in addition to all-cash machines. That was not approved by the Deregulation Committee. The Committee was concerned that children were not prohibited from entering bingo clubs and could have access to such machines. The position therefore remains that bingo clubs may have four jackpot machines only, or a larger number of all-cash machines. Betting shops may currently have two all-cash machines. It is confusing for the maximum permitted number of gaming machines to vary



between premises. As with maximum prizes, we think that it would be preferable for there to be a single limit on the number of jackpot machines that may be permitted in a bingo hall or betting shop. **Subject to minimum space restrictions, we recommend that no more than four jackpot machines should be permitted in any bingo hall or betting shop.**

#### All-cash machines

- 23.40** The maximum stake/prize for all-cash machines is 30p/£15. These limits were set in 1998 and are being reviewed as we report. We understand that the industry has suggested to the Gaming Board that the maximum stake should be increased to 50p and the maximum prize to £25. These would be significant increases, but in the context of the other changes we are recommending we do not think that they are unreasonable – particularly in the light of our recommendation in respect of much lower stake and prize machines in the unrestricted areas of family entertainment centres. **We recommend that the maximum stake for an all-cash machine should be fifty pence and that the maximum prize should be £25.**
- 23.41** The reasons given by the Deregulation Committee for not approving the Home Office Deregulation Order allowing bingo halls to have all-cash machines in addition to jackpot machines were that children could have access and that no proper account had been taken of the impact of the proposed changes on vulnerable persons. We have fully addressed those issues in this report and we are content that bingo halls should be permitted to have all-cash machines in addition to four jackpot machines. There must, however, be some limit on the overall number of machines that may be permitted in any premises and we think that limit is best judged by local authorities in the context of the licensing of individual premises. We discuss this in more detail in chapter 21. **We recommend that subject to any limits imposed by local authorities, bingo halls should be permitted to have all-cash machines in addition to a maximum of four jackpot machines.**
- 23.42** We have considered whether betting shops should also be able to have all-cash machines in addition to jackpot machines. It is arguable that betting is harder gambling than bingo and so should be entitled to similar ancillary activities and certainly it would be in line with our wish to keep the rules as simple and as consistent as possible. But the two activities do not start from the same position. There are some 8,300 betting shops, as opposed to 700 plus bingo clubs. Bingo has historically operated in a club environment. We are suggesting that need no longer be a requirement, but it is likely that the environment will not change significantly as a result of that recommendation.
- Alcohol is served in bingo halls, but not in betting shops: we are not recommending that this should change. Key differences will therefore remain and while we are content to see all-cash machines remain in bingo halls, and sometimes in quite large numbers, we are reluctant to see possibly large numbers of machines introduced into betting shops. The bookmakers have not asked for this and we do not think that such a change would be in keeping with our desire to proceed cautiously. **We recommend that betting shops should not be permitted to have all-cash machines in addition to a maximum of four jackpot machines.**
- 23.43** A number of respondents have said to us that licensing justices around the country are inconsistent about the number of all-cash machines they will permit in premises with an on-licence for alcohol. This is clearly an issue that frustrates pub licensees and brewers. In general, we are anxious to find the right balance between laying down standards to be applied across Great Britain and allowing some local discretion. We believe that this is an area in which local discretion simply leads to unnecessary inconsistency rather than having any sound basis in good regulatory practice. When we met the Brewers and Licensed Retailers Association to hear its oral evidence, the BLRA suggested to us that pubs which wanted to offer any gambling (including all-cash machines) should have to apply for a gambling licence. We accept that if pubs do want to expand their activities to offer gambling they should be able to apply for a licence to do that in the same way as any other operator – providing that the nature of the outlet changes and gambling becomes the focus of those premises. However, by themselves all-cash machines in limited numbers are an ancillary activity for pubs and we do not think that it is necessary to insist that a separate licence should be obtained for them. The checks that already exist in relation to the granting of liquor licences are adequate for this purpose.
- 23.44** We have discussed elsewhere our view that commercial gambling should in principle be confined to premises which are specifically licensed for gambling and where that is their main purpose. On this principle we have concluded in chapter 22 that betting should not be permitted in pubs.
- 23.45** Strict application of the principle would lead us to recommend banning all-cash machines from pubs, particularly as these are more and more promoting themselves as family-friendly venues. If we were starting from scratch that is what we would recommend, but we are not, and a complete ban now would be disproportionate and harsh.
- 23.46** The BLRA told us that there are 77,000 machines in pubs, with an average density of 1.28 machines per pub. The vast majority of pubs have two machines or



fewer. Pubs are currently allowed up to two machines per bar. That means that, subject to the approval of the licensing justices, a large pub with several bar areas could have a higher number of machines.

- 23.47 In these circumstances we believe that the right way forward is to impose a limit on machine numbers rather than a ban. **We recommend that up to two machines should be permitted in premises as an adjunct of a liquor on-licence. There should be an exception in favour of those premises which at the date of publication of this report carry an entitlement to more than two machines. In cases where premises have both a liquor on-licence and a gambling licence, no entitlement to machines should arise as an adjunct of the liquor on-licence.**
- 23.48 Another oddity of the 1968 Act is that it does not prohibit under 18s playing all-cash machines in pubs. The industry readily accept that children should not play on such machines and successfully operate a voluntary code of practice to ensure that this does not happen. **We recommend that the legislation should be explicit that under 18s may not play on all-cash machines, wherever they are located, and that this restriction must be enforced by the operator. Failure to observe this requirement should be a ground for revocation of, or refusal to renew, a licence.**
- 23.49 All-cash machines are also located in the “restricted areas” of most amusement arcades, to which under 18s are not admitted. The majority of inland arcades voluntarily operate an over-18 rule for the whole premises. We applaud that initiative. We would like to see more arcades restricted to over 18s only, and we have considered whether it would be possible to find a definition of “inland arcade”, which would allow us to restrict children’s activities to the seaside or leisure parks. We sense that the industry generally would be content with such a change, but we do not think that legislation could be framed to cover what are effectively inland arcades in seaside towns. We have concluded that the operator must be free to attract the audience that he wants to, provided that under 18s are not given access to all-cash machines.
- 23.50 How successful an individual operator is at ensuring that young people do not play these machines depends on the level of supervision operating in the arcade and the access controls to it and to the restricted area. As we have travelled around the country, and abroad, we have seen some very good and some bad examples of supervision. In Holland, for example, some arcades issue tickets at kiosks on entry to the restricted area and these can be inspected at any time to ensure that an individual has been checked on entry. We would not suggest that any arcade in the UK should go that far,

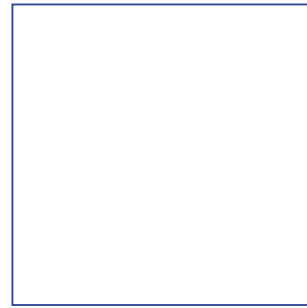
but we are concerned that, at the other end of the scale, CCTV supervision alone is not always sufficient and a line of gaming machines should not be the only physical barrier delineating the restricted area.

**We recommend that the Gambling Commission should set out guidelines for the delineation and supervision of restricted areas in arcades to ensure that a consistent standard operates across the industry. Subject to industry consultation, we suggest that by itself CCTV should not be a sufficient control.**

- 23.51 Some concerns have been put to us about the location and size of amusement arcades. We do not think that it would be right to set a national limit on the size of arcades or the number of machines they may contain. This must be an issue for local determination. We discuss this more fully in chapter 21. **We recommend that local authorities should set the limit on the number of machines that an arcade may have, in tandem with considerations about the size of the arcade that may be determined in the planning process.**

#### Low stake/low prize machines

- 23.52 As discussed in paragraph 23.27, low stake/low prize machines should have a maximum stake of ten pence and a maximum prize of £5. Such machines may be located in family amusement arcades and played by children. They should not be placed in any unlicensed premises such as fish and chip shops.
- 23.53 Low stake machines are currently permitted at travelling showmen’s pleasure fairs. There is no limit on the number of machines and the only restriction is that the machines must not be the only (or only substantial) inducement to attend the fair and the fair must be temporary. We have received no submissions about this, but we have considered whether as part of the rationalisation process, machines at such fairs should be prohibited. We have decided against that on the basis that if low stake/low prize machines only are permitted, the emphasis is on entertainment rather than gambling (though we do not pretend that these are not gaming machines). Showmen’s fairs are different from the exempt entertainment discussed in paragraph 23.13, because games of chance are an integral part of the activities that go on at such fairs and they are of a trivial nature. “Gambling”, in the broadest sense, is what visitors will expect to see there and this is very different from unexpectedly coming across a higher stake/prize gaming machine at a charity dinner. Perhaps the principal reason for not withdrawing this facility is that the fairs move on regularly and do not return frequently to the same place: the scope for hooking children (or adults) on to repeat play is small. **We recommend that travelling showmen’s pleasure fairs should be**



permitted to have, what we have termed, low stake/low prize machines and that the machines should be exempt from regulation provided that the machines should continue to be subject to the criteria relevant to such fairs currently contained in the 1968 Act.

## Other Considerations

### Increases in stakes and prizes

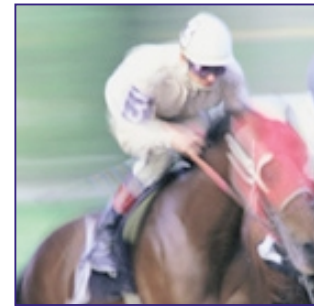
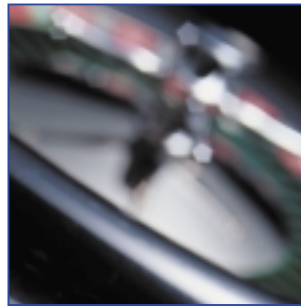
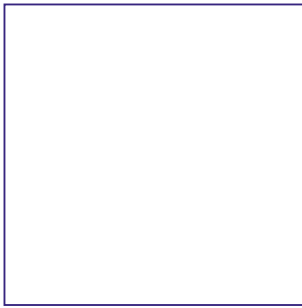
- 23.54** We recommend that the maximum stakes and prizes for jackpot machines and all-cash AWP's should be increased only in line with inflation, as and when agreed with the Gambling Commission. The amount specified for these limits should not be set in legislation, but we do believe that the principle of inflation-only adjustment should be enshrined in law. The regulator should have some discretion to agree commonsense roundings with the industry, on the footing that if there is a rounding up in one review it will be compensated for on a subsequent occasion. For example, the introduction of the Euro, if that occurs, could be the trigger for a special review by the Gambling Commission of the limits that should apply.

### Methods of playing machines

- 23.55** The Home Office issued a consultation paper in March 2001<sup>4</sup> which proposes modifying the Gaming Act 1968 (using the Deregulation and Contracting Out Act 1994) to change the ways in which money can be paid into gaming machines and prizes paid out.
- 23.56** The proposal would:
- allow players to use bank notes and electronic "smart cards" in gaming machines
  - allow winnings to be stored in the machine's money bank to be used for further plays without the player having to reinsert money into the machine
  - allow machines to be set to pay out winnings in cash (notes or coins), by printing a cheque, by adding credit to the player's smart card, or by means of a credit note or token redeemable by the operator.
- 23.57** The proposals apply only to jackpot machines and all-cash machines in adult environments. It is not proposed that payment into the machine by credit or debit card should be permitted.
- 23.58** If coins are used to play machines, players must take a separate decision each time they commit a further sum of money to play. The Home Office proposals replicate that break in play for players who use smartcards and

banknotes. Whatever the value of the card or note they put into the machine, they will have to make a separate decision to play each sum of £1 or £2.

- 23.59** It is proposed that machines taking smart cards or banknotes will have separate "play" and "bank" meters. The only money committed to play at any one time will be the money shown on the "play" meter. The rest of the money owing to the player - including any winnings - will appear on the "bank" meter and players will be able to retrieve this at any time. The consultation paper suggests that the maximum denomination of banknote to be used should be prescribed through a code of practice to be drawn up between the Gaming Board and the industry.
- 23.60** We understand that the use of cards, notes and cheques as against large quantities of coin will help the industry to improve its money-handling and security arrangements. It will also help the industry better with a changing monetary environment in which the volume of coin in circulation is liable to be reduced in favour of modern electronic payment methods.
- 23.61** We are broadly content with the proposals circulated by the Home Office, but we would caution against going further than this. In particular, although we have been relaxed about the use of credit cards for some gambling activities, such as buying chips in casinos, betting and in this case purchasing smart cards, we could not support the use of credit cards or debit cards directly in gaming machines.
- 23.62** We heard of developments in Australia relating to methods of payment that have caused us some concern in relation to these proposed changes. Some manufacturers there have chosen not to upgrade machines to accept notes of a lower denomination. The machines do not give change or winnings in cash, but give only a credit note that must be redeemed at a booth. This has the effect of encouraging players to play on when they might otherwise stop, rather than go to the trouble of queuing to redeem the \$3-\$4 dollars they have left on the play meter. We would not want to see a situation in the UK where, for example, machines accepted only £20 or £50 notes and because of the perceived difficulty of collecting change, players were encouraged to stay on the machine until the whole amount was exhausted. **We recommend that the proposals contained in the Home Office consultation paper "Gaming machines: Methods of Payment" should be implemented, but the use of methods of payment should be monitored by the Gambling Commission to ensure that winnings and change can always be easily redeemed, so as not to encourage extended play.**



## Randomness

**23.63** At present there is no requirement that gaming machines should be random. No one who has submitted evidence to us has disagreed with the principle of randomness for casino slot machines and it has been suggested to us that we might recommend that such machines should be required to be random. The main argument against randomness is that customers do not like the machines to be so unpredictable that there may be long gaps between payouts. We note that customers in Las Vegas, where machines are random, do not appear to have those reservations and it was put to us that this was because of the much higher prizes that are currently available there. The introduction of unlimited stakes and prizes here will mean that much higher prizes than we have hitherto seen are offered: the customer will want to be assured about the fairness of the game. We understand that in some jurisdictions, there have been arguments about whether random operation means that the display of results must also be random. For example, a random display of results would prevent the machine being programmed to display regular "near misses". **We recommend that casino slot machines with unlimited stakes and prizes should be required to be random and that the display of results must be random.**

**23.64** In view of the lower prize limits on jackpot and all-cash machines, we do not insist they should be random, but the customer should be made aware that they are not.

## Linked Machines (progressive jackpots)

**23.65** Progressive slot machines linked together increase the jackpot prize available on a single slot machine by taking a percentage of the money paid into the slot machine and adding it to a communal jackpot available to a number of other machines.<sup>5</sup> We have seen linked machines in operation during our visits overseas. Our concern about linking machines is that this may encourage problem gambling. We believe that people gamble differently when the stake and prize are out of kilter. There are big reinforcing influences at work: small stake, regular rewards (in the form of small paybacks), and a big prize. We also recognise that casino slot machines will already provide bigger prizes than we have previously experienced in this country and that linking machines may be an important factor in the viability of such machines.

**23.66** We have received evidence from operators of smaller casinos, who have argued that linked machines should not be permitted because smaller casinos will be unable to compete with larger ones. We recognise this concern, but do not think it can be a determining factor in our decision. Smaller casinos would, of course, be

able to link to a network of slot machines in other casinos and so could benefit from such a development. In fact, linking with other small operators could be the most effective way for a small operator to compete with a big casino, which could on its own offer very large prizes without linking with others.

**23.67** From the player's point of view, progressive jackpots are attractive because of the big prize on offer, but it must be made clear to them that the chances of winning the big prize are slim and the chances of winning a small prize are less than on unlinked slot machines.

**23.68** In the adult-only environment of a casino, where we are suggesting that slot machines with unlimited stakes and unlimited prizes should be permitted, it would not be logical to argue that the (even) higher prizes likely to accrue on linked machines should not be permitted. **We recommend that casino slot machines only may be linked to provide bigger prizes.**

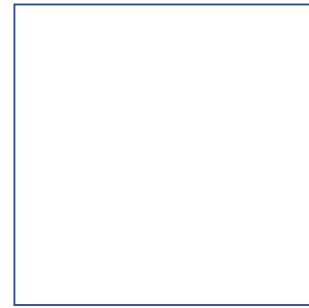
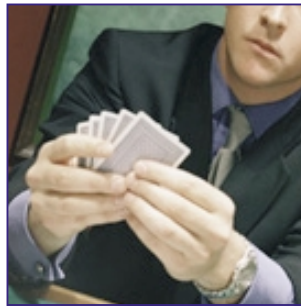
## Variable staking

**23.69** We understand that variable staking can mean two things:

- a multiple stake on a single line. On these machines the player can increase the stake to increase the size of the win, or in the case of linked machines, must put in the maximum stake to qualify for the linked prize.
- a stake on multiple-lines. On these machines the player can play on one or more lines, and is encouraged to play on more than one line because of the possibility of near misses on the other lines.

**23.70** We understand that there are all-cash machines in bingo clubs in the UK that offer multiple lines. The player can choose to play one line for 10p, two for 20p or three for the maximum stake of 30p. There have also been AWP's that allow multiple staking up to the maximum of 30p, but these have not been very popular with operators.

**23.71** Multiple-staking relates to the size of the stake on a single game (in the case of a machine a "game" means each complete play cycle of the machine). Allowing multiple staking is in essence no different from putting a larger bet on a horse or more chips on a table game. We do not believe that this is something that need unduly concern us. In the case of all-cash and jackpot machines, the stake will be subject to the overall limit of 50 pence/£1 and the maximum prize of £25/£500. Within those limits we believe that operators should have the ability to vary the stake. In casinos, multiple staking would be entirely consistent with the other



gambling on offer. **We recommend that multiple staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines with unlimited stakes and prizes.**

**23.72** We are more concerned about multiple-line machines, because they encourage players to bet simultaneously on several lines. This increases the speed of play and the repetitive nature of the game, and thus may lead to obsessive play and encourage the player to stake more than he might really want to. We understand that the incitement to bet on more lines often comes from the near misses that appear on the lines on which bets have not been placed: in the next game the player feels that he must also cover those lines in case the near miss becomes a hit. On all-cash and jackpot machines, the maximum stake for each game is limited to 50 pence/£1 and perhaps it does not matter whether the player has one line or five lines for that price. On casino slots, our concern would be assuaged if near misses occurred randomly and were not manufactured to lure players into gambling on more lines. **We recommend that multiple-line staking should be permitted on all-cash and jackpot machines (subject to the normal maximum stake and prize for each game) and on casino slot machines, subject to such machines operating on the random basis described in paragraph 23.63.**

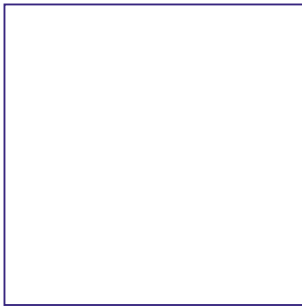
### Multi-player machines

**23.73** Multi-player machines are starting to appear in this country. These enable a number of players to play at different terminals, but on the same machine. Currently, gaming machines with more than one position count against machines numbers according to the positions. Thus a six-player pusher machine counts as six machines. Another example of such a machine would be electronic roulette. There is a particular problem with these because electronic roulette games in casinos are not gaming machines as defined in the 1968 Act and so are not currently subject to any statutory control on numbers. **We recommend that electronic roulette and any other similar machines should be caught by the definition of gaming machines in new legislation, and that the Gambling Commission should have discretion to determine the legal status of any new machines that may be developed.**

**23.74** Our central interest in multi-player machines is that if a limit is placed on the number of gaming machines that may be installed in particular premises, it may be argued that a multi-player machine should count as one machine. However, common sense must prevail and **we recommend that on multi-player machines, each playing position should count as a machine.**

Venue	Casino Slot machines Unlimited stake/ Unlimited prize	Jackpot machines Maximum 50p stake/ £500 prize	All-cash machines Maximum 50p stake/ £25 prize	Low stake/ low prize machines Maximum 10p stake/ £5 prize
Casino	✓			
Bingo hall		✓	✓	
Betting shop		✓		
Arcade			✓	
Pub			✓	
Club			✓	
Family Entertainment Centre				✓
Showmen's Fair				✓

Figure 23.i: Summary of recommendations on machines



### Machine testing

- 23.75 The Gaming Board has suggested to us that there should be machine testing for all machines, except low stake/low prize machines. BACTA has accepted that testing of casino slot machines would be justified, but has resisted the proposal to test jackpot machines and all-cash machines. We understand that the Gaming Board's concerns are principally (but not wholly) related to a possible future world in which there might be significantly more machines with much higher stakes and prizes than at present. BACTA rests its argument on the fact that there is no evidence that the current system has failed, but this will have less force as the emphasis shifts away from amusement towards harder gambling as a result of the higher proposed prizes.
- 23.76 Some of the concerns raised by BACTA are of a practical nature related to the present pattern of machine replacement in Britain. We do not feel that this is an area in which we are, or could become expert. Our concern is that games should be fair and that the gambling regulator should have the powers available to ensure that they are. That may require some machines to be tested randomly and, for others, it may require a more systematic inspection. During discussions with us, the BLRA (who equally did not claim to be experts in this field) suggested that casino slot machines should be tested routinely and jackpot machines should be subject to random testing. Ensuring that the games are fair must be balanced against the need not to impede market developments unnecessarily. We are sure that this is something to which the gambling regulator will be sensitive.
- We recommend that the Gambling Commission should have powers of machine testing sufficient to satisfy it that the machines**

**are fair and otherwise comply with regulations. The Gambling Commission should consult the industry before determining the appropriate level of testing.** In particular, casino slots should be tested and approved prior to installation (as they are elsewhere in the world.)

### Inspection, impounding, fines and prosecution

- 23.77 As discussed in more detail in chapter 33, we consider that the regulator should be given appropriate powers to inspect and impound machines, to fine and to bring prosecutions. There will be a distinction between premises licensed for gambling and premises not so licensed. So far as the former are concerned, the regulator should have powers of entry, including access to machines. As regards premises not licensed for gambling, the regulator should be given powers both to inspect legally sited machines and to act against illegally sited machines.

### Profit sharing

- 23.78 A number of respondents suggested to us that profit sharing on machines should be permitted. They argued that the original reasons for prohibiting this practice have been removed by the 1968 Act. Before that Act, there was evidence of strong-arm tactics being used to enforce "sharing" arrangements. Under our recommendations, all those involved in the supply, maintenance and operation of machines will be licensed, and the scope for mischief in profit sharing will be limited. We are minded to agree that the contractual arrangements between the manufacturer, supplier and operator should be for them to determine. **We recommend that profit sharing on machines should be permitted.**