



Department
for Culture
Media & Sport

Review of Gaming Machines and Social Responsibility Measures

Call for Evidence

Launch date: 24/10/16

Respond by: 04/12/16

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Foreword

By Tracey Crouch MP, Minister for Sport, Tourism & Heritage



The 2005 Gambling Act was introduced by the then Labour Government with the aim of liberalising the gambling market in Great Britain. Nine years on from the Act's implementation, the gambling industry has evolved significantly. The gaming machine market has grown, gambling products are being advertised on a greater scale than ever before, and there has been a shift towards online gambling which is now the industry's largest sector.

The Government supports a healthy gambling industry that generates investment and employment. But we must also be mindful of building an industry and wider economy that works for all - families and individuals cannot contribute to the wealth of the nation while they are rebuilding lives affected by problem gambling.

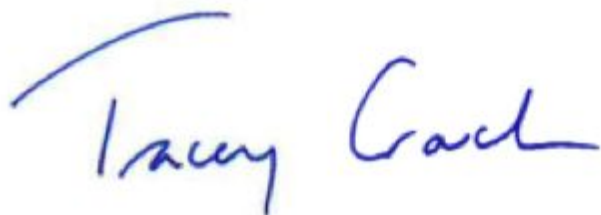
Though the rate of problem gambling is less than 1% of the adult population, this may still equate to as many as 600,000 individuals who face deep personal consequences from their relationship with gambling. And crucially, these individual cases of harm spill over into not just the lives of families and friends, but more widely to employers and communities who are also adversely impacted by the gambler's activities.

I therefore welcome the work of the Responsible Gambling Strategy Board (RGSB) to renew its responsible gambling strategy. This will help us all to focus our resources towards research which will have a real and immediate impact on policy - be that in determining best practice in preventative measures, effective treatment, how it is provided and by whom, or, of course, targeted legislative intervention by Government.

In launching this review I am seeking to ensure that we have the right balance between a sector that can grow and contribute to the economy, and one that is socially responsible and doing all it can to protect consumers and communities, including those who are just about managing. This will include a close look at the issue of sub-category B2 gaming machines (more commonly known as Fixed Odds Betting Terminals - FOBTs) and specific concerns about the harm they cause, be that to the players themselves or the local communities in which they are located.

I am interested in reviewing evidence across all types of gaming machines, looking at whether the stake and prize limits set out in legislation and the rules on where these machines can be played are right. I am also keen to receive evidence on the effectiveness of social responsibility measures across industry, including requirements around gambling advertising.

I look forward to hearing from you in regards to the questions set out in this document and about how we might achieve our objectives in relation to the gambling sector.

A handwritten signature in blue ink that reads "Tracey Crouch". The signature is written in a cursive style with a large, sweeping initial 'T'.

TRACEY CROUCH MP
Minister for Sport, Tourism and Heritage
Department for Culture, Media and Sport
October 2016

Introduction

- 1.1. The Gambling Act 2005 sets out how gambling in Great Britain should be regulated, including arcades, betting, bingo, casinos, gaming machines, society lotteries and remote gambling operations. The Gambling Act 2005 came fully into force on 1 September 2007. The Gambling Commission was set up under the Gambling Act 2005 to regulate gambling in Great Britain. It shares the job of regulating gambling with local authorities (and licensing boards in Scotland), who concentrate on localised issues.
- 1.2. The British gambling industry is a significant part of Great Britain's leisure economy and gambling an important leisure pursuit. It employs over 100,000 people and in 2015 contributed £10.3bn to the economy, 0.6% of GVA (Gross Value Added).
- 1.3. In 2013 the Government re-established the Triennial Review of the maximum stakes and prizes for gaming machines. This resulted in changes across several different categories of gaming machines to allow for healthy growth in the gambling industry, balanced with player protections. Following this, and recognising specific concerns with sub-category B2 gaming machines, in 2015 the Government took action to introduce a new requirement that those accessing higher stakes (over £50) must load cash via staff interaction or use account-based play.
- 1.4. The Government's objective for this review is to look across the industry and determine what, if any, changes are needed to strike the right balance between socially responsible growth and the protection of consumers and wider communities.
- 1.5. Government is aware of concerns, particularly at the local level, about the proliferation of gaming machines, as well as industry calls for further freedoms on the machines they can offer. So in addition to stakes and prizes, Government will also consider evidence-based proposals on the appropriate gaming machines allocations across all gambling premises. In looking at this issue, we are seeking views as to whether current allocations strike the right balance between socially responsible growth and the protection of consumers and the communities in which the machines are located.
- 1.6. It is essential that we have the necessary safeguards to ensure vulnerable individuals are protected. We are also therefore inviting views on current social responsibility requirements of industry, including a review of gambling advertising, to understand whether we have the right measures in place to ensure that the young and vulnerable are protected.

- 1.7. We welcome views from all parties with an interest in the way that gambling is regulated in Great Britain. Gambling is a reserved issue but devolved in Northern Ireland. In addition, as of 23 May 2016, under the Scotland Act 2016, the Scottish Parliament and Scottish Ministers have the power to vary the number of B2 gaming machines¹ authorised by a new betting premises licence in Scotland (existing licences remain the responsibility of the Secretary of State).

¹ Defined in the Scotland Act as gaming machines for which it is possible to stake more than £10 in respect of a single game; at present, this is possible only with sub-category B2 gaming machines. It was defined as such to future-proof the powers against any potential changes to gaming machine categories, a power retained by the SoS

Terms of Reference

- 1.8. The Government is reviewing the maximum stakes and prizes for gaming machines across all premises licensed under the Gambling Act 2005; the number and location of gaming machines across all licensed premises; and social responsibility measures to protect players from gambling-related harm.
- 1.9. We are reviewing these areas with the aim of striking the right balance between enabling socially responsible growth across the industry and the protection of consumers and communities, including those who are just about managing. The Gambling Act 2005 allows for regulations to be updated by secondary legislation to reflect developments in the industry.
- 1.10. Through this call for evidence, the Government is seeking views on the following areas:
 - 1.10.1. Maximum stakes and prizes for all categories of gaming machines permitted under the Gambling Act 2005;
 - 1.10.2. Allocations of gaming machines permitted in all licensed premises under the Gambling Act 2005; and
 - 1.10.3. For the industry as a whole, including but not limited to gaming machines, social responsibility measures to minimise the risk of gambling related harm. This includes looking at gambling advertising to understand whether we have the right measures in place to ensure that the young and vulnerable are protected.
- 1.11. This call for evidence will close on 04/12/16, following which the Government will consider proposals.

Gaming machine maximum stakes and prizes

- 1.12. Gaming machines are divided into categories depending on the maximum stake and prize available, the nature of the prizes and the nature of gambling for which the machine may be used (see Annex A), as well as the premises where it may be used. Certain categories of machines are limited to fewer types of gambling premises e.g. category B1 machines are only permitted in casinos; B2 machines are permitted in casinos and bookmakers etc.
- 1.13. Prior to the Gambling Act 2005, a “Triennial Review” of the maximum stake and prize limits across different types of gaming machines became established, with the Gaming Board of Great Britain advising Government on proposals from the gambling industry. The review mainly considered whether increases were required to keep stake and prize levels in line with inflation.
- 1.14. As part of its drive to create the conditions for growth in the gambling industry, the previous Government decided to implement a more coherent approach to stake and prize regulation based on the previous triennial review system. As part of this new approach, the Government asked industry and other stakeholders to put forward proposals for changes to stake and prize limits for consideration in 2013. The following changes were implemented following the last review in 2013.

Table 1. Changes made under Triennial Review 2013

Category	Change to maximum stake	Change to maximum prize
B1	£5 (up from £2)	£10,000 (£20k if progressive jackpot) (up from £4000)
B3A	£2 (up from £1)	£500 (no change)
B4	£2 (up from £1)	£400 (up from £250)
C	£1 (no change)	£100 (up from £70)
D (coin pusher/penny falls)	20p (up from 10p)	Maximum prize value of £20 (up from £15) of which no more than £10 (from £8) may be a money prize

- 1.15. As per the previous review, this Government invites evidence-based proposals from all interested parties on changes to maximum stakes and prizes across all gaming machines listed at Annex A. Requirements for submissions and supporting evidence are set out on page 16 of this document.

B2 gaming machines

- 1.16. Category B2 gaming machines offer the highest maximum stake of any gaming machine in Great Britain (up to £100). They are predominantly found in Licensed Betting Offices (LBOs), which are often located on high streets and other relatively accessible locations. The combination of high stakes and natural game volatility means that players can win or lose significant amounts of money in a short space of time.
- 1.17. The previous review in 2013 concluded that whilst it was clear that reducing stakes on B2 machines would have an adverse economic impact on the betting industry, it was not clear how great an impact a reduction would have on problem gambling, given that problem gamblers typically gamble in a variety of ways.
- 1.18. The Government made clear at the time that the industry must lead in making data available on player behaviour in order to support robust, independent research into B2 gaming machines. It also set industry the immediate challenge of making progress on developing harm mitigation measures. The Government made clear that if this challenge was not satisfactorily addressed, a reduction of maximum stakes on B2 machines could be considered on a precautionary basis.
- 1.19. Some progress has been made on these issues, including industry codes on social responsibility and the publication of research by the Responsible Gambling Trust (RGT) utilising industry data on B2 gaming machines in December 2014 and secondary analysis of this research in May 2016.² Whilst the research made clear that problem gambling can occur at all stake levels, there is some evidence to suggest higher stake sizes can increase the risk of gambling-related harm through spending more money or time than intended.
- 1.20. This Government has made consistently clear that it recognises the public concerns around B2 gaming machines and that they would remain firmly under review. To that end, in 2015 Government took action to introduce a new requirement that those accessing higher stakes (over £50) on B2 gaming machines must load cash via staff interaction or use account-based play.
- 1.21. The evaluation of these measures, published in January 2016,³ found that there was a drop in stakes above £50, but a corresponding increase in stakes between £40-50. What the evaluation was not able to tell us was the extent to which the measures had an effect on gambling-related harm or problem gambling rates.

² <http://www.responsiblegamblingtrust.org.uk/research/research-publications/>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493714/Evaluation_of_Gaming_Machine_Circumstances_of_Use_Amendment_Regulations_2015.pdf

- 1.22. Given the availability of new evidence on B2 gaming machines, as well as attempts by industry to tackle the issue of gambling-related harm, it is timely to look again at the issue of B2 gaming machines within the wider review of stakes and prizes across all gaming machine categories, to ensure that we achieve the correct balance in gaming machine regulation. To that end, we would be interested to hear from you on the following questions:

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

Gaming machine allocations

- 1.23. A gaming machine is defined by the Gambling Act 2005 as a machine that is designed or adapted for use by individuals to gamble (whether or not it can also be used for other purposes)⁴. Most gaming machines are of the reel-based type, also known as fruit, slot, or jackpot machines.
- 1.24. The Gambling Act 2005 defines where and in what number certain categories of gaming machines can be operated. This is set out by sector in Annex B. It is fundamental to the control of machine gambling under the Act that particular categories of machines may only be provided in particular numbers and in particular types of premises.
- 1.25. By linking the availability of gaming machines to the type of the premises they are located in, a graduated regulatory framework has been created by the Act. At the lowest tier are unlicensed family entertainment centres and pubs. They are subject to minimal regulation (a simple permit from or notification to the licensing authority) but offer comparatively low risk facilities for gambling. Family entertainment centres (FECs) are the only premises type where children are permitted to gamble.

⁴ The 2005 Act makes provision for certain exceptions to this general rule.

- 1.26. Bingo, adult gaming centres and betting premises in turn offer gambling activity of increasing ‘hardness’ and are consequently subject to increasing levels of regulation. Casinos remain the gambling environment with the ‘hardest’ forms of gambling, with unlimited stake and prize table gaming, and gaming machines including the highest stake and prize limits available in Great Britain.
- 1.27. Adult Gaming Centres (AGCs) are allowed to offer sub category B3 and B4 gaming machines, but only as a maximum of 20% of the total number of gaming machines which are available for use on the premises. There is no limit on the category of C or D machines which may be made available for use on the premises. Family Entertainment Centres (FECs) are permitted unlimited C or D machines. Neither premises are permitted sub-categories B1, B2 or B3A machines.
- There are 1,429 AGCs in Great Britain, making available a total of 50,934 gaming machines⁵ across categories B3-D, down from 53,482 in 2013/14.
 - B3 gaming machines account for 20% of the total number of machines in this sector, but 50% of machine revenue.
 - AGCs are entirely dependent on gaming machine GGY which has increased by 1.6% from £311m to £316m since 2013/14.
- 1.28. A general betting (standard) operating licence, together with a betting premises licence, allows for up to four gaming machines in categories B2 to D (except B3A).
- There are 8,809 licensed betting offices in Great Britain with a total of 34,807 gaming machines from across categories B2-D, up from 34,673 in 2013/4.
 - Gaming machine revenue now accounts for 56% of revenue for LBOs, growing by 8.5% from £1.57bn to £1.7bn since 2013/4.
- 1.29. Bingo premises are allowed to offer sub category B3 and B4 gaming machines, but only as a maximum of 20% of the total number of gaming machines which are available for use on the premises. There is no limit on the category of C or D machines.
- There are 599 licensed bingo premises in Great Britain with a total of 59,539 gaming machines across categories B3-D, up from 50,464 in 2013/4.
 - B3 gaming machines account for 16% of the total number of machines in this sector, but 57% of machine revenue.

⁵ All figures quoted in this section are taken from the latest Gambling Commission industry statistics <http://www.gamblingcommission.gov.uk/Gambling-data-analysis/statistics/Industry-statistics.aspx>. The statistics cover the period April 2011 to March 2015. To note - there is no adjustment for inflation in any of the GGY figures quoted in this section.

- Gaming machine revenue now accounts for 43% of revenue for bingo premises, growing by 3.5% from £294m to £304.5 since 2013/4.

1.30. Land-based casinos are entitled to provide a certain number of gaming machines from each category depending on the type of operating licence they hold. Large 2005 Act casinos are permitted a machine/table ratio of 5:1 up to a maximum of 150 machines. Small 2005 Act casinos are permitted a machine/table ratio of 2:1 up to a maximum of 80 machines. In both cases, this can include any combination of machines in categories B-D (except B3A). Casinos established under the Gaming Act 1968 have no machine/table ratio but are limited to a maximum of 20 machines (categories B-D), or any number of C or D machines instead.

- There are 147 land-based casinos in Great Britain at the date of publication (4 of which are 2005 Act casinos), with a total of 2,833 gaming machines across categories B-D, down from 2,866 in 2013/4.
- Gaming machine revenue now accounts for 19% of revenue for land-based casinos, growing by 15% from £155.9m to £179.5m since 2013/4.

1.31. Clubs or miners' welfare institutes are allowed to offer a maximum of 3 machines in categories B3A or B4-D, only one of which may be a B3A machine. Qualifying alcohol-licensed premises can offer up to 2 machines of category C or D upon notification, and more with a licensed premises gaming machine permit (up to the number of machines specified on the permit). Travelling fairs are entitled to provide gaming machines from category D.

1.32. We are inviting evidence-based proposals from all interested parties on changes to the allocation of gaming machines across all licensed premises listed above. The Government's objective is to understand whether current allocations strike the right balance between socially responsible growth and the protection of consumers and the communities in which the machines are located. We would be interested to hear from you on the following question.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Social responsibility measures

- 1.33. In its response to the review in 2013, the Government sought to encourage the industry to make demonstrable progress on player protection and social responsibility in order to accommodate uplifts in stake and prize limits. Although focused initially on gaming machines, the social responsibility agenda within the industry has expanded beyond this to include wider measures contained in sector specific codes.
- 1.34. Some progress has been made on these issues, including industry codes on social responsibility which introduced: improved staff training on social responsibility issues; measures on marketing of gambling products, specifically gaming machines; improved age verification testing; cross industry self-exclusion schemes; and enhanced player monitoring, including time and spend limit options for players of B2 gaming machines. The Gambling Commission also introduced a number of new social responsibility requirements in May 2015 which all licensed operators have to meet.
- 1.35. Although there has been a lot of activity in this sphere, we would be keen to hear evidence as to how effective these measures have been in achieving their objectives,⁶ and whether consideration should be given to further measures in this area.
- 1.36. As part of this, we are keen to receive evidence on the issue of gambling advertising. A review in 2014 by the gambling industry and its regulators broadly found that the Codes that regulate gambling advertising remained effective in protecting from people from harm. Following the 2014 review the industry strengthened its voluntary code, including ending sign-up offers on television before 9pm, a measure which came into effect earlier this year.
- 1.37. The Gambling Act 2005 removed longstanding restrictions, allowing for the televised advertising of all gambling products. In addition the gambling industry collectively devised its own gambling industry code – the Gambling Industry Code for Socially Responsible Advertising. The Industry Code includes a 9pm television watershed for all gambling advertising, with exceptions for bingo, lotteries and the advertising of sports betting around televised sporting events. The Industry Code has been in place since 2007. The number of gambling adverts on television increased from 90,000 in 2005 to 1.4m in 2012.

⁶ Given the scale and variety of measures in this area, introduced by both industry and regulator, there is a corresponding variety of objectives including reducing gambling-related harm, improving player control, improving player awareness etc.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation? Please provide evidence to support this position.

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

How to respond

- 1.38. We welcome views from all parties with an interest in the way that gambling is regulated in Great Britain. The Call for Evidence will close on 04/12/16. Please send responses to callforevidence@culture.gov.uk.
- 1.39. If you do not have access to email, please respond to:
- Review of Gaming Machines - Call for Evidence
Gambling, Licensing and Lotteries Team
DCMS
4th floor
100 Parliament Street
London SW1A 2BQ
- 1.40. This Call for Evidence is intended to be an entirely written exercise. Please contact the Gambling, Licensing and Lotteries Team if you require any other format or languages.
- 1.41. For enquiries about the handling of this Call for Evidence, please contact the DCMS Ministerial Support Team at the above address or email using the form at www.gov.uk/contact_us heading your communication "Review of Gaming Machines - Call for Evidence".
- 1.42. Information provided in response to this Call for Evidence, including personal information, may also be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 ("FOIA"), the Data Protection Act 1998 and the Environmental Information Regulations 2004).
- 1.43. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, please identify, and provide explanation for, any information that you consider confidential and do not wish to be disclosed.
- 1.44. If we receive a request for disclosure of the information, we will take account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. It would need to be considered appropriate under the relevant legislation. You should note that many email messages carry, as a matter of course, a statement that the contents are for the eyes only of the intended recipient. In the context of this consultation such appended statements will not be construed as being requests for non-disclosure unless accompanied by an additional specific request for confidentiality.

Supporting evidence

- 1.45. As part of the review in 2013, the Government published an impact assessment which set out an analysis of the economic impact of Government proposals. There was significant concern about the quality of evidence that the industry were able to provide to inform this assessment, which led the previous Government to conclude that future reviews must be informed by evidence of the likely impact, both socially and economically, of the changes recommended. It also made clear that it was incumbent on the industry to provide this data to enable consideration of future proposals and that if industry were unable to do this, there would be no guarantee of any changes.
- 1.46. The Responsible Gambling Strategy Board (RGSB) also made clear that the development of a data framework was necessary in order to understand the impact of any changes in stake and prize limits, allowing benchmarking and evaluation of changes to take place.
- 1.47. In the absence of any progress made on this data framework, it is of the utmost importance that we receive the relevant data in the format that we require, as well as the underlying assumptions and methodology used to support these figures. Without this, we cannot guarantee that proposals will be considered as part of any proposals following this call for evidence period.
- 1.48. Annex D sets out a template for the information that we will require from respondents in order to effectively consider proposals.

Next steps

- 1.49. During the 6 week call for evidence period, we request that respondents submit evidence-based proposals in response to the questions we have asked in this document.
- 1.50. Views are invited on any or all of the areas referenced, or any other issues that are felt to be relevant. Responses should be sent by 04/12/16. Following this, Government will consider proposals.

Annex A - Gaming machine maximum stakes and prizes

Machine category	Maximum stake	Maximum prize	Allowed premises
B1	£5	£10,000 (with the option of a maximum £20,000 linked progressive jackpot on a premises basis only)	Large Casino, Small Casino, Pre-2005 Act casino and Regional Casinos
B2	£100	£500	Betting premises and tracks occupied by pool betting and all of the above
B3	£2	£500	Bingo premises, Adult Gaming Centre and all of the above
B3A	£2	£500	Members' club or Miners' welfare institute only
B4	£2	£400	Members' club or Miners' welfare club, commercial club and all of the above.
C	£1	£100	Family Entertainment Centre (with Commission operating licence), Qualifying alcohol licensed premises (without additional gaming machine permit), Qualifying alcohol licensed premises (with additional LA gaming machine permit) and all of the above.
D (money prize)	10p	£5	Travelling fairs, unlicensed (permit) Family Entertainment

			Centre and all of the above
D non-money prize (other than crane grab machine)	30p	£8	All of the above
D non-money prize (crane grab machine)	£1	£50	All of the above
D combined money and non-money prize (other than coin pusher or penny falls machines)	10p	£8 (of which no more than £5 may be a money prize)	All of the above
D combined money and non-money prize (coin pusher or penny falls machine)	20p	£20 (of which no more than £10 may be a money prize)	All of the above

Annex B - Gaming machine allocation by sector

Gaming machine allocation for Adult Gaming Centres (AGC)

	Machine category			
	B3	B4	C	D
Adult gaming centre (AGC)	Maximum of 20% of the total number of gaming machines which are available for use on the premises sub-categories B3 or B4 ⁷		No limit on category C or D machines	
Family entertainment centre (FEC)(with premises licence)			No limit on category C or D machines	
Family entertainment centre (FEC)(with permit)				No limit on category D machines

Gaming machine allocation for betting premises and tracks occupied by pool betting

	Machine category				
	B2	B3	B4	C	D
Betting premises and tracks occupied by pool betting	Maximum of 4 machines in categories B2 to D (except B3A)				

⁷ AGC premises are entitled to make available a number of category B3/B4 gaming machines not exceeding 20% of the total number of gaming machines which are available for use on the premises. Premises in existence before 13 July 2011 are entitled to make available four category B3/B4 gaming machines, or 20% of the total number of gaming machines, whichever is the greater. AGC premises licences granted on or after 13 July 2011 but before 1 April 2014 are entitled to a maximum of four category B3/B4 gaming machines or 20% of the total number of gaming machines, whichever is the greater. New AGC premises licensed for the first time after 1 April 2014 will be entitled to make available category B3 and B4 gaming machines amounting to no more than 20% of the total number of gaming machines made available.

Gaming machine allocation for bingo premises

	Machine category			
	B3	B4	C	D
Bingo premises	Maximum of 20% of the total number of gaming machines which are available for use on the premises sub-categories B3 or B4 ⁸		No limit on category C or D machines	

Gaming machine allocation for land-based casinos

	Machine category					
	B1	B2	B3	B4	C	D
Large casino (machine/table ratio of 5-1 up to maximum)	Maximum of 150 machines Any combination of machines in categories B to D (except B3A), within the total limit of 150 (subject to machine/table ratio)					
Small casino (machine/table ratio of 2-1 up to maximum)	Maximum of 80 machines Any combination of machines in categories B to D, within the total limit of 80 (subject to machine/table ratio)					
Casinos established under the Gaming Act 1968 (no machine/table ratio)	Maximum of 20 machines categories B to D, or any number of C or D machines instead					

⁸ Bingo premises are entitled to make available a number of Category B3/B4 gaming machines not exceeding 20% of the total number of gaming machines which are available for use on the premises. Premises in existence before 13 July 2011 are entitled to make available eight category B3/B4 gaming machines, or 20% of the total number of gaming machines, whichever is the greater. Bingo premises licences granted on or after 13 July 2011 but before 1 April 2014 are entitled to a maximum of eight category B3/B4 gaming machines or 20% of the total number of gaming machines, whichever is the greater; from 1 April 2014 these premises will be entitled to 20% of the total number of gaming machines only.

Gaming machine allocation for clubs or miners' welfare institutes and qualifying alcohol licensed premises (inc commercial clubs)

	Machine category		
	B4	C	D
Clubs or miners' welfare institute (with permits)	Maximum of 3 machines in categories B3A or B4 to D. Only one of which may be a B3A machine		
Qualifying alcohol-licensed premises		1 or 2 machines of category C or D automatic upon notification	
Qualifying alcohol-licensed premises (with gaming machine permit)⁹		Number as specified on permit	

⁹ In addition to their automatic entitlement, pubs and other alcohol licensed premises may apply to their local licensing authority for a gaming machine permit which allows the provision of additional machines. The number of machines allowed will be specified on the permit.

Annex C - Market overview - Gaming Machines

- The Categories of Gaming Machine Regulations 2007/2158 defined four classes of gaming machine for the purposes of the Gambling Act 2005, known as Categories A, B, C and D, subdividing Category B into five sub-Categories (B1, B2, B3, B3A and B4).
- Gaming machines have become an increasingly important source of revenue across the whole gambling industry, now accounting for just under half of the Gross Gambling Yield (GGY)¹⁰ of the non-remote industry. Gaming machines on which sub-category B2 content could be played (or fixed odds betting terminals as they are more commonly known) generated £1.7bn in GGY, equating to 66.7% of the total gaming machine GGY across all sectors licensed by the Gambling Commission for 2014/15. However, players can [generally] also access other gaming content on FOBTs, and we estimate that between 30-40% of B2 machine revenue now comes from consumers playing sub-category B3 content, which would equate to £480m-640m, so these figures may understate the growing importance of B3 content.
- The overall number of B2, B3, B4 and C machines have each increased since the last review in 2013 (see table 4), whilst category B1 and D machines have declined during the same period. Category B3 and C have seen the greatest increase (16% and 19% since 2013/14)¹¹, and numbers of B2 gaming machines have remained broadly the same whilst still making up the largest number of machines in the market (over 34,000). Although these machines are permitted in Licensed Betting Offices (LBOs) and land-based casinos, over 99% are located in LBOs.
- In terms of gaming machine revenue (see table 3), whilst B2 gaming machines generate the majority of gaming machines GGY (£1.7bn in 14/15), B3 gaming machines (on which it is not possible to play games in other categories i.e. stand alone machines in Adult Gaming Centres and bingo halls) are the fastest growing source of revenue across the wider gaming machine market, generating £333m in GGY in 14/15, up from £302m in 2013/14 - a 10% increase.

¹⁰ GGY is defined as the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation (e.g. fees and betting and gaming duty).

¹¹ This may be explained by the change in Bingo and AGCs from a fixed total of B3 machines to a permitted percentage of B3s, coupled with gaming machine content being made available on handheld machines in bingo clubs permitting larger numbers to be offered in the same space.

Table 2: Average gaming machine numbers across all gambling sectors

Machine Category	Apr 2011-Mar 2012	Apr 2012-Mar 2013	Apr 2013-Mar 2014	Apr 2014-Mar 2015	Oct 2014-Sep 2015
B1	2,788	2,675	2,676	2,646	2,646
B2	33,350	33,467	34,717	35,067	34,890
B3	13,496	15,653	17,303	18,210	20,109
B4	256	232	214	260	242
C	46,377	49,835	61,915	71,594	73,637
D	65,021	65,751	54,040	40,487	39,611
Total	161,287	167,614	170,866	168,264	171,134

Table 3: Gaming machine GGY across all gambling sectors (£m)

Machine Category	Apr 2011-Mar 2012	Apr 2012-Mar 2013	Apr 2013-Mar 2014	Apr 2014-Mar 2015	Oct 2014-Sep 2015
B1	126.27	130.11	145.88	156.53	163.63
B2	1,458.45	1,547.83	1,576.40	1,686.62	1,712.76
B3	192.10	262.56	302.82	321.21	333.38
B4	1.68	1.43	0.94	0.80	0.71
C	173.08	229.93	220.63	219.04	220.63
D	95.17	105.42	101.98	97.45	94.93
Aggregated categories	187.01	57.53	48.30	43.23	43.55
Total	2,233.77	2,334.81	2,396.94	2,524.88	2,569.59

Annex D - Review of Gaming Machines and Social Responsibility - Submission template

Name:.....

Organisation:.....

For all respondents:

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation?

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

Q8. Any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7?

For industry respondents, we specifically request industry data to support any proposals under Q1. We suggest using the following table format and request answers to the accompanying questions:

Machine Categories	Proposed Stakes	Proposed Prizes	Estimated revenue change

- Please provide details on the variables used to calculate revenue changes (return to player, speed of play, stake and / or prize sizes etc.) and your methodology.
- Can you outline any assumptions made and on what basis you believe these to be correct (e.g. based on market data or past trends)
- We anticipate that there will be an element of technological response to stake and prize limits that will occur naturally in line with planned investment. Can you provide any statistical information on the physical box and / or software turnover rate experienced by different categories of machine, and how this rate might interact with changes to stake and prize limits?

For industry respondents we suggest using the following table format and accompanying questions for Q4:

Operator (end user)

- Can you provide an estimate of additional investment created by any new machines allocation over the next three years?

Machine Categories	Additional number of machines				Projected cost (£)
	2017	2018	2019	Total	
B1					
B2					
B3					
B3A					
B4					
C					
D (complex)					
D (non-complex)					

- Can you outline the evidence and assumptions used to make these projections?
- Do you expect there to be an increase in spend or the same spend across a greater number of machines?
- Please provide details on how the changes in stakes and prizes contributed separately to the changes in spend and can you outline any assumptions made and on what basis you believe these to be correct(e.g. based on market data or past trends)
- Can you provide the average machine earnings varying by places (e.g. public houses) not licensed by the Gambling Commission? Can you provide current and projected earning over the next three years?
- Do you own the gaming machines or do you rent them from a supplier? If owned, how much did it cost you for game/kit upgrades or replacement

machines in the last stake/prize uplift in 2013? If not applicable can you estimate how much it cost to replace/upgrade?

Gaming machine manufacturers/suppliers

Can you provide details on the costs and revenue per unit of supplying gaming machines in a format similar to the table presented below? Please provide details if your unit costs/revenue vary depending on the quantity supplied (note that X,Y and Z are different quantities supplied).

Machine Categories	Cost per unit (£)			Revenue per unit (£)		
	0 - X	X - Y	Y - Z	X - Y	Y - Z	Y - Z
B1						
B2						
B3						
B3A						
B4						
C						
D (complex)						
D (non-complex)						

- Are you a manufacturer or supplier?
- Will there be any additional costs associated with changes to stake and/or prize?
- Will there be any costs for software upgrades/kits/replacement machines were there to be a change in stakes/prizes?
- Do you operate on a profit share model? Can you provide further details on your business model, e.g. what ratio machine income is split etc.
- If you operated on a profit share model, how much did it cost you for game/kit upgrades or replacement machines in the last stake/prize uplift in 2013?



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