

## **BACTA UK Country Report for Euromat**

### **Introduction**

There have been two main focuses for BACTA over the last year – securing an uprating of stakes and prizes for all-cash AWP machines and working with the Government and Gambling Commission on the implementation of the Gambling Act 2005. Alongside this, we have been working closely with the Treasury on its gambling taxation reforms and helping our members to prepare for the introduction of smoking bans in Wales, Northern Ireland and England. We have also closely followed the ongoing debate about the new casinos provided for under the Gambling Act.

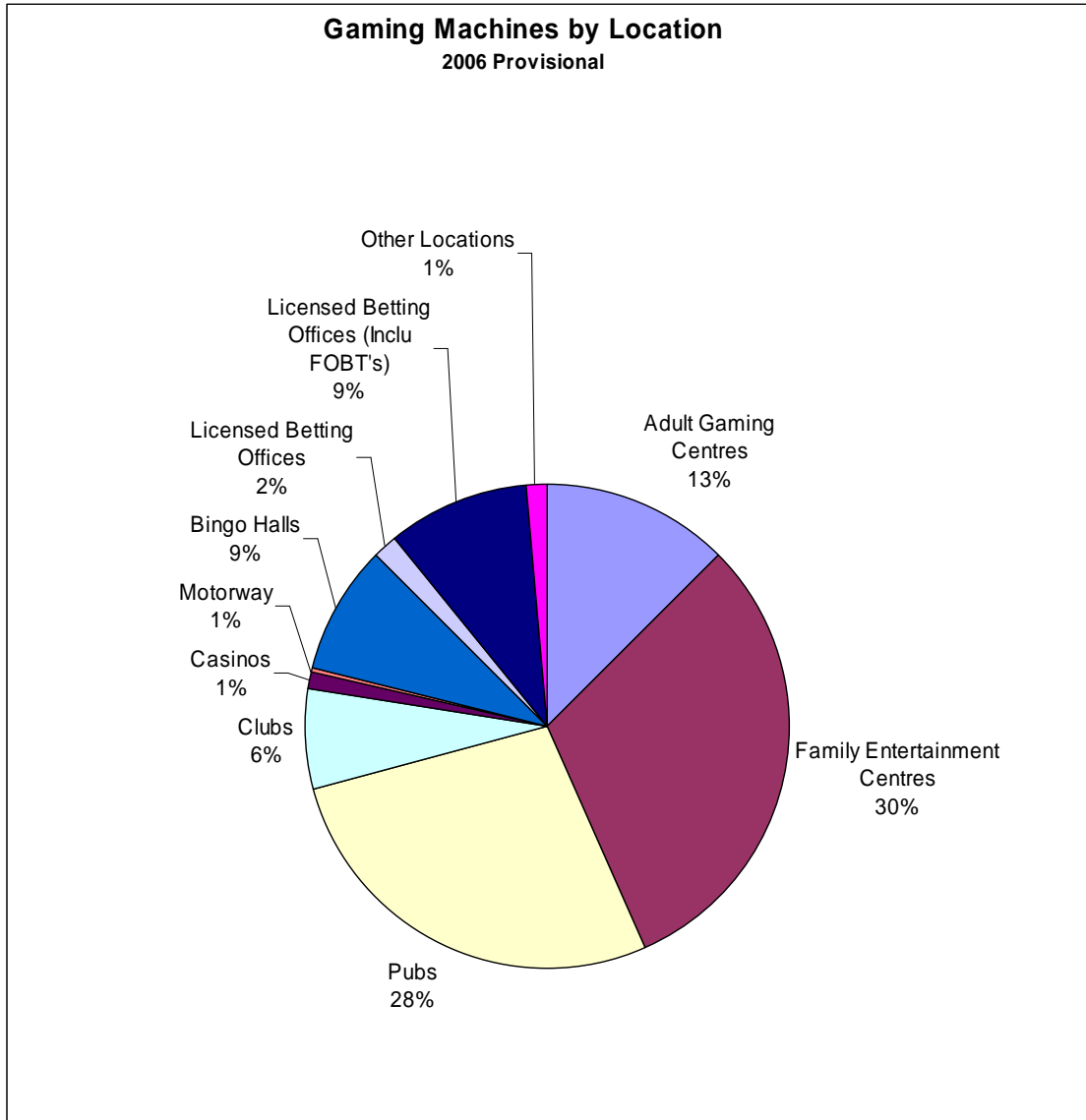
### **Size of Industry**

BACTA estimates that there were 234,322 Gaming Machines in the UK in 2006, in addition to 24,508 Fixed Odds Betting Terminals located in Licensed Betting Offices (LBO's).

In 2006 there were 234,322 gaming machines of one type or another sited in Great Britain. These consist of around 177,562 AWP machines, whether all cash or cash/token machines, 17,458 Section 16 & Section 21 machines, 21,606 club or jackpot machines and 17,696 pinball, pusher and crane grab machines.

Gaming Machines by Location 2006 (Including FOBTs)

<b>Locations</b>	<b>Machine Numbers</b>
Adult Gaming Centres	32,640
Family Entertainment Centres	79,490
Pubs	71,410
Clubs	16,802
Casinos	2,804
Motorway	1,370
Bingo Halls	22,156
Licensed Betting Offices	4,300
Licensed Betting Offices (Inclu FOBT's)	24,508
Other Locations	3,350
<b>Total</b>	<b>234,322</b>
<b>Total Including FOBTs</b>	<b>258,830</b>



## **New Legislation**

### ***Gambling Act 2005 – Implementation***

Over the last twelve months, BACTA has been working constructively with the Department for Culture, Media and Sport (DCMS) and the Gambling Commission on the implementation of the Gambling Act, which is due to come into full force on 1 September 2007. We have sought to ensure that the new regulatory framework is measured and appropriate, and implemented in an effective and practical way.

Much of the fine details of the new regime are being implemented through secondary legislation. This has required ongoing and detailed discussions with the DCMS and Gambling Commission, and responses to a large number of consultations from both, on a broad range of issues including:

- Codes of practice
- Operator and premises licence conditions, fees and procedures
- Gambling machine regulation and standards
- Licensing Authority policy statements
- Continuation of current entitlements
- National occupational skills
- Gambling Commission guidance
- Advertising standards
- Online and casino regulation

Our members are currently in the process of applying for new licenses in preparation for full implementation of the Act on 1 September 2007. This process has been extremely challenging for industry participants as a number of critical elements of the new regulatory regime have still not been finalised, leaving operators unclear in some cases about which licenses they need to apply for. Operators are also not fully aware of some of the important obligations that they will have to comply with from 1 September. Of particular concern in this respect are the new technical standards for gaming machines required under the Gambling Act. Regulations covering this issue will not be introduced until August – only four weeks before full implementation of the Act.

BACTA is liaising closely with the DCMS and Gambling Commission on these issues in an effort to minimise the potential for serious disruption to the industry in September. In parallel, we have been discussing our more general concerns about the implementation process with the Cabinet Office's Better Regulation Executive.

### ***Gambling Act 2005 – New Casinos***

The Gambling Act includes provisions for the introduction of seventeen new casinos in the UK: one 'regional', eight 'large' and eight 'small' casinos. An independent committee of experts – the Casino Advisory Panel (CAP) – was established to assess bids for the new casinos from Local Authorities. The Panel made its final recommendations to the Culture, Media and Sport Secretary on what it judged to be the most appropriate locations in January 2007.

In spite of significant Parliamentary opposition to the Panel's recommendations, particularly that the regional casino should be located in Manchester, the Secretary of State sought Parliamentary approval for all 17 recommended locations through a single Parliamentary Order in what was a 'take it or leave it' vote in both Houses of Parliament. The Order was passed by the House of Commons, but narrowly defeated in the House of Lords. This result will cause a delay to the Government's casino proposals. It is currently considering the way forward.

### **Taxation**

BACTA has been closely engaged with the Budget process over the last year. Securing a favourable tax settlement for the coin-op industry was particularly important in the current tough economic climate.

In advance of the Chancellor's Budget Statement on 21 March 2007, BACTA made presentations to the Treasury which, amongst other things, called for no increase in Amusement Machine License Duty (AMLD) for Category C machines, to help arrest the decline in the industry's core product. BACTA also called for a revised AMLD definition of Category C machines to be implemented so that machine operators could fully take advantage of the machine prize increase announced in Autumn 2006 (to £35) following a hard-fought BACTA campaign (see *Other Industry News* below).

In the event, Budget 2007 announced a freeze in AMLD rates, and a realignment of the AMLD categories with immediate effect to fully reflect the new Category C machine stakes and prizes levels – a positive outcome for BACTA members.

Following the Budget, the new AMLD machine categories are being revised as follows:

A	A gaming machine that does not fall into any other category.
B1	A gaming machine where the amount required to play the game once does not exceed £2, and the value of the prize that may be won in any one game does not exceed £4,000.
B2	A gaming machine where the amount required to play the game once does not exceed £100, and the value of the prize that may be won in any one game does not exceed £500.
B3	A gaming machine where the amount required to play the game once does not exceed £1, and the value of the prize that may be won in any one game does not exceed £500.
B4	A gaming machine where the amount required to play the game once does not exceed £1, and the value of the prize that may be won in any one game does not exceed £250.
C	<p>A gaming machine where the amount required to play the game once does not exceed 5 pence</p> <p><b>and</b></p> <p>A gaming machine where the amount required to play the game once does not exceed 50 pence, and the value of the prize that may be won in any one game does not exceed £35.</p>

Budget 2007 froze AMLD at the following rates:

Months for which licence granted	Category A	Category B1	Category B2	Category B3	Category B4	Category C
1	£435	£220	£170	£170	£155	£65
2	£875	£435	£345	£345	£310	£130
3	£1310	£655	£515	£515	£465	£195
4	£1750	£875	£690	£690	£625	£255
5	£2185	£1095	£860	£860	£780	£320
6	£2625	£1310	£1030	£1030	£935	£385
7	£3060	£1530	£1205	£1205	£1090	£450
8	£3500	£1750	£1375	£1375	£1245	£515
9	£3935	£1970	£1545	£1545	£1400	£580
10	£4375	£2185	£1720	£1720	£1555	£645
11	£4810	£2405	£1890	£1890	£1715	£705
12	£5000	£2500	£1965	£1965	£1780	£735

## **Other Industry News**

### ***Gaming Machine Stakes and Prizes***

Following the non-implementation of the 2004 triennial review of gaming machine stake and prize levels, BACTA undertook a vigorous political and parliamentary campaign calling for the DCMS to sanction an increase in stakes and prizes at the earliest opportunity. BACTA met with Gambling Minister Richard Caborn, who sought reassurance that any increase would be matched by measures to ensure social responsibility.

BACTA and other trade associations in the sector agreed to the introduction of a new voluntary code at the same time as a stake and prize increase, which was eventually granted by the DCMS, effective from 27 October 2006. This was the first increase for six years and provides an important boost to amusement machine manufacturers and operators at a time when machine volumes have been declining sharply.

A subsequent amendment to machine definitions in UK taxation law was required for machine operators to be able to take advantage of the increased prize level for all-cash AWP machines. As noted above, BACTA worked closely with the Treasury to ensure that the necessary amendment was made in Budget 2007.

### ***Smoking Ban***

A big challenge over the last year has been preparing for the introduction of the smoking ban in enclosed public spaces. A ban was introduced in Scotland in March 2006, and recently came into force in Wales and Northern Ireland during April 2007. The ban will be implemented in England from 1 July 2007. Nearly 200,000 pubs, arcades, clubs, restaurants and other leisure establishments are affected by the changes.

It is too early to assess what the long-term impact of the ban will be but initial results in Scotland, which show a 10% decline in AWP machine income with shared income product down by as much as 15%, are a cause for concern. BACTA is seeking assistance from government to help our members through what will be a difficult transitional phase. We have issued practical advice to members on implementing the ban.

**Keith Smith**  
**BACTA**