

Regulator clamps down on slot machine loophole

Firms bending new laws to raise the number of lucrative jackpot slot machines they operate face a clampdown by the Gambling Commission.

The regulator's actions come as the industry awaits a promised package of measures from the government to address the financial crisis facing the bingo industry and seaside amusement arcades – both of which were forced to remove thousands of jackpot machines last autumn.

The commission has warned the industry it will not tolerate „unscrupulous operators“ artificially or temporarily subdividing their premises to secure multiple licences and thus circumvent limits on machine numbers. It has also promised to clamp down on arcade operators opening betting shops with „the barest minimum of betting facilities“, again to raise the number of slots they can install.

The controversy centres on machines offering GBP 500 jackpots. Under regulations brought in last September this level of prize money can be offered on a maximum of four machines in an adult amusement arcade, bingo hall or betting shop. Only casinos offer higher slot prizes.

High-jackpot machines offer gambling firms a lucrative mix of steady revenue streams and low operating costs. In other countries experts have linked their proliferation with problem gambling and addiction. Ministers have insisted they will stamp out „machine sheds“.

The commission's crackdown focuses on arcade operators, but some of the industry's biggest names, including Rank, Gala Coral and Ladbrokes, have been planning or doing trials of adult gaming centres located within or very near existing

properties. Rank told investors this month it had developed 23 AGCs „within our Mecca Bingo portfolio“.

The commission also wants to stop arcade operators running betting shop licences with little or no betting facilities. Bookie machines are permitted to take bets of up to GBP 100 – 50 times the highest stake on an AGC machine. They have been described as the „crack cocaine“ of gambling and a Gambling Commission study last year found one in nine of those who played them were problem gamblers.

Several arcade operators have ignored warnings from the commission and received their own legal advice on what constitutes a legitimate betting shop.

Many privately owned arcades have simply kept their machines and erected a token barrier – in one case a set of parallel chrome rails divides two premises, with an opening through which customers can easily pass. A poster on another arcade window reads: „10 GBP 500 jackpot machines now available“.

In its latest letter to the industry, the commission last month said: „We will not hesitate to recommend additional regulations ... required to underpin the clear policy intentions of the act.“

Following the smoking ban and the September rule change, many operators have been pushed into financial crisis. Gala Coral last month went to its private equity investors for a GBP 125m cash injection and negotiated a relaxation of banking covenants. In December, Rank cancelled its final dividend and cut capital expenditure to remain within its covenants.

Leslie MacLeod-Miller, chief executive of the British Amusement Catering Trade Association, said adult gaming centre revenues had dropped 21% since the new rules came into force. „Many of these arcades will be boarded up after the summer and will not reopen because their business model has been decimated.“