

Regulatory threat to Gala and Mecca bingo halls

The bingo operators Gala and Mecca are in a regulatory face-off with the government and the Gambling Commission over the number of lucrative GBP 500 slot machines allowed in their clubs.

Both operators have secured multiple licences for scores of bingo halls in order to boost the number of big-prize machines they are allowed to install. Their actions appear to circumvent limits set by the Gambling Act, which are designed to protect against problem gambling.

If the Gambling Commission closes this loophole it could threaten the future of many bingo halls and put hundreds out of work. The industry has already shrunk sharply – Gala has closed 19 clubs since late 2007, leaving it with 155 sites, and Mecca has 102 after 11 closures in the past two years.

The regulatory threat to bingo hall jackpot machines is just one of many pressures facing the heavily indebted Gala Coral. The group is owned by the private equity houses Permira, Cinven and Candover – each of which has written down the value of its investment to zero.

This summer the Gambling Commission will report to ministers on links between touch-screen roulette machines in betting shops and problem gambling. Any moves to curb these machines would be another blow to Gala Coral, hitting earnings from its Coral bookmaker business.

Bingo operators were furious when the Gambling Act capped the number of big-prize slots at four per club, forcing them to remove thousands of existing machines in September 2007. They told ministers that the regulatory crackdown was heaping pressure on an industry that was already struggling for

survival after being knocked by a smoking ban.

The government listened and last month doubled the limit on GBP 500 slots to eight per club. However, both Gala and Mecca had for months been operating with eight machines or more in many of their clubs through the multiple licences loophole. They are now using new legislative limits to further expand the number of machines in clubs.

Mecca, which is part of Rank Group, recently confirmed it had 63 additional licences at existing bingo halls, and had installed more than 1,000 GBP 500 jackpot machines. Gala would not disclose how many jackpot machines it has installed but last summer said it had 72 additional licences at 51 clubs. At one club in Morecambe, Lancashire, Gala has applied for five bingo licences, which would give it an entitlement to install 40 jackpot slots.

Both Gala and Mecca deny they are ignoring guidelines issued by the Gambling Commission on multiple licences. The guidance says: „There is no reason in principle why a single building could not be subject to more than one premises licence provided they are for different parts of the building and the different parts of the building can reasonably be regarded as being different premises. This approach has been taken to allow large multiple unit premises, such as a pleasure park, track or shopping mall, to obtain discrete premises licences, where appropriate.

„The crux of the matter is whether the proposed premises are genuinely separate premises that merit their own licence with, for example, the machine entitlements that brings and are not an artificially created part of what is readily identifiable as a single premises.“

While many bingo-players enjoy main stage bingo, machines and interval games provide the majority of profits for operators.