

**EXPLANATORY MEMORANDUM TO
The Gambling Act 2005 (Transitional Provisions) (No.2) Order 2006**

2006 No. 1758

1. This explanatory memorandum has been prepared by the Department for Culture, Media and Sport and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The Order makes transitional provision in connection with the commencement of the Gambling Act 2005 (“the 2005 Act”). That Act when in force will regulate betting, gaming and lotteries. For these purposes it will replace the Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976. The Order provides for the automatic renewal of certain licences and permits under those Acts where the licence or permit expires in the 12 month period leading up to the intended repeal and replacement of those Acts by the 2005 Act on 1st September 2007. The Order also restricts the circumstances in which gaming machine permits under section 34 of the Gaming Act 1968 (“the 1968 Act”) may be granted or renewed where the application for the permit is made on or after 1 August 2006.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Background

Automatic renewal of track betting licences

4.1 Schedule 3 to the Betting, Gaming and Lotteries Act 1963 (“the 1963 Act”) makes provision for the grant of track betting licences. A track betting licence is required under that Act where facilities for betting are provided on a track other than a horse racecourse. Under paragraph 8 of Schedule 3 to the 1963 Act a track betting licence lasts for 7 years.

4.2 Article 2 of the Order is concerned with those cases where a track betting licence is due to expire in the 12 month period beginning on 1 September 2006 and ending on 30 August 2007 (referred to below as “the transition period”). Article 2 provides that, where a track betting licence expires in that period, a new track betting licence is to be treated as having been granted to the holder of the previous licence. The new licence is to have effect until 31 August 2007. This is the day immediately before the date on which it is expected that the relevant provisions of the 1963 Act will be repealed for all material purposes.

4.3 The licensing authority must provide a copy of the new licence on receiving a request in writing from the licence holder. Where a person has made an application for the grant of a new licence, that application is to be treated after the time when the new licence is granted as a request for a copy of that licence.

Automatic renewal of licences under the Gaming Act 1968

4.4 Schedule 2 to the 1968 Act makes provision for the grant and renewal of licences under that Act. Licences under the 1968 Act are required to authorise the provision of gaming in casinos and bingo halls. Under paragraph 52 of Schedule 2 a licence, unless renewed, expires at the end of the period of one year from the date of grant or renewal. Article 3 of this Order provides for the deemed renewal of licences under the 1968 Act which are due to expire in the transition period. Licences renewed in this way are to have effect until 31 August 2007.

4.5 Article 4 provides for an exception from automatic renewal in the case of licences under the 1968 Act. The provisions for automatic renewal in article 3 do not apply where the holder of the licence makes an application for renewal in accordance with the relevant provisions of the 1968 Act. The reason for this is to enable a person to apply for conditions attached to the licence to be varied.

Automatic renewal of permits under section 34 of the Gaming Act 1968

4.6 Schedule 9 to the 1968 Act makes provision for the grant and renewal of permits under section 34 of that Act. Section 34 provides for the making available of gaming machines in amusement machine premises (ie amusement arcades), premises licensed to supply alcohol and other non-gambling premises.

4.7 Article 5 of this Order provides for the deemed renewal of a section 34 permit granted in respect of amusement machine premises (but only this type of premises) where the permit is due to expire in the transition period. The permit as renewed is to have effect until 31 August 2007. The appropriate authority must provide a copy of the permit as renewed on receiving a request in writing from the permit holder. Where the permit holder has made an application for its renewal, that application is to be treated after the time when the permit is deemed to have been renewed as a request for a copy of the permit.

Automatic renewal of permits under section 16 of the Lotteries and Amusements Act 1976

4.8 Schedule 3 to the Lotteries and Amusements Act 1976 (“the 1976 Act”) makes provision for the grant and renewal of permits under section 16 of that Act. Section 16 is concerned with permitting amusements with prizes where those amusements constitute a lottery or gaming.

4.9 Article 7 of this Order provides for the deemed renewal of permits granted under section 16 where the permit is due to expire in the transition period. The permit as renewed is to have effect until 31 August 2007. The appropriate authority must provide a copy of the permit as renewed on receiving a request in writing from the permit holder. Where the permit holder has made an application for its renewal, that application is to be treated after the time when the permit is deemed to have been renewed as a request for a copy of the permit.

Reason for providing for automatic grant or renewal

4.10 It is expected that betting, gaming and lotteries will be regulated under the Gambling Act 2005 from 1 September 2007. On and after that date those holding the licences and permits to which the automatic renewal provisions etc. relate will require a premises licence or permit granted under the 2005 Act. It is expected that such persons will have to make an advance application for the necessary 2005 Act permission in order to be able to continue to operate on and after 1 September 2007.

The Order is intended to ensure that, where the permission under the existing legislation expires in the period from 1 September 2006 to 30 August 2007, they are not required to apply to renew their licence or permit under the existing legislation at the same time as having to obtain the equivalent permission under the 2005 Act.

Restrictions on applications for the grant or renewal of section 34 permits

4.11 As indicated above, section 34 of the 1968 Act provides for the making available of gaming machines in amusement machine premises, premises licensed to supply alcohol and other non-gambling premises (such as chip shops and taxi offices). The 2005 Act, when it comes into force, will continue to allow gaming machines to be made available in the first two types of premises, but not in the third. Article 6 makes transitional provision in connection with this change. In particular, it restricts the circumstances in which, during the period between the coming into force of the Order and the date on which the 1968 Act is repealed for all relevant purposes, the appropriate authority may grant or renew a section 34 permit. Where the application for the grant or renewal of a permit is made on or after 1 August 2006 the appropriate authority may only grant or renew the permit if it relates to premises licensed to supply alcohol or amusement machine premises.

4.12 Article 6 also provides that, where a permit in respect of other non-gambling premises is granted or renewed on or after 1 August 2006, it is to have effect until 31 July 2009 (instead of for a minimum period of 3 years). Although it is expected that gambling will be regulated under the 2005 Act on and after 1 September 2007, section 34 permits in respect of non-gambling premises such as chip shops and taxi offices will continue to have effect under that Act for a transitional period up to 31 July 2009.

5. Extent

5.1 This instrument applies to England, Wales and Scotland.

6. European Convention on Human Rights

The Minister of State for the Department for Culture, Media and Sport, Mr Richard Caborn, has made the following statement regarding Human Rights:

In my view the provisions of the Gambling Act 2005 (Transitional Provisions) (No.2) Order 2006 are compatible with the Convention Rights.

7. Policy background

Automatic grant or renewal

7.1 The government has previously announced that the formal implementation date for the Gambling Act 2005 will be 1 September 2007. On this date, the majority of permissions issued under the existing legislation will expire and be replaced by new licences and permits issued under the 2005 Act.

7.2 Under the proposed transitional arrangements for the commencement of the 2005 Act, those holding licences or permits falling within the scope of this Order will be required, if they wish to continue operating on and after 1 September 2007, to make advance applications between 1 January and 27 April 2007 for the equivalent permission under the 2005 Act.

7.3 Many operators will have existing permissions which expire in the 12 month period leading up to 1 September 2007, when their new 2005 Act licences will take effect. The government took the view that it would be unduly burdensome to require operators in this position to go to the expense of applying for a relatively short extension to their existing permission at the same time as they were applying for the new permission under the 2005 Act.

7.4 They have therefore proposed granting operators in this position an automatic extension of their existing permission until 31 August 2007. No application would be necessary, and a renewal of an existing permission would not attract a fee.

Restrictions on applications for the grant or renewal of section 34 permits

7.5 One of the three objectives of the 2005 Act is to protect children and other vulnerable people from being harmed or exploited by gambling.

7.6 Section 34 of the Gaming Act 1968 provides for the making available of gaming machines in arcades, premises licensed to supply alcohol and other non-gambling premises. This last category includes premises such as chip shops and taxi offices which are able to apply under Section 34 for permits for gaming machines with a maximum stake and prize limit of 30p and £5 respectively.

7.7 The Gambling Review Body recommended in its 2001 Report that gaming machines be banned from unlicensed premises like chip shops and taxi offices so that children in particular should not be exposed to ambient gambling, often with little supervision. This conclusion was subsequently endorsed by the Joint Committee on the Draft Gambling Bill. The government accepted this recommendation and, as a result, the provision allowing for the grant of gaming machine permits for chip shops, taxi offices and similar premises was not replicated in the 2005 Act.

7.8 This Order gives effect to this policy by preventing any further applications under the existing legislation from 1 August 2006. The Order also provides for any permits granted or renewed after that date to cease to have effect on 31 July 2009.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this memorandum.

8.2 The change will have a minimal cost impact on the public sector. Licensing authorities, licensing magistrates in England and Wales, and licensing boards in Scotland will incur some administrative costs as a result of the automatic renewal, which we are not proposing be reimbursed.

8.3 In response to representations from LACORS and licensing boards in Scotland, the government has modified the approach to ensure that the administrative burden on authorities is kept to a minimum:

- the Order has been modified so that it now only places an obligation on the relevant authority to issue a renewed permission on request or on an application being made. Authorities will not be required to conduct a search of their records and issue renewed permissions to all premises that qualify.
- the government has also undertaken to provide authorities with a template letter, which authorities will be able to use when responding to requests for a copy of the renewed permission.

9. Contact

David Fitzgerald at the Department for Culture, Media and Sport (telephone: 020 7211 6479) can answer any queries regarding this Order.

Department for Culture, Media and Sport

Regulatory Impact Assessment

1. Title of proposal

The Gambling Act 2005 (Transitional Provisions) (No. 2) Order 2006

2. Purpose and intended effect

Objectives

The Order makes two transitional provisions in connection with the commencement of the Gambling Act 2005:

- i. it provides for the automatic grant or renewal of certain existing permissions (for tracks, casinos, bingo halls, arcades, Section 16 permits) which expire on or after 1 September 2006;
- ii. it prevents any further applications under the existing law for the grant or renewal of a permit authorising gaming machines in chips shops, taxi offices and similar premises from 1 August 2006.

Background

i. Automatic renewal

The Gambling Act 2005 introduces a new system of regulation for gambling in this country, which will replace the current system of regulation set out in the Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976.

The government has previously announced that the formal implementation date for the Gambling Act 2005 will be 1 September 2007. On this date, the majority of permissions issued under the existing legislation will expire and be replaced by new licences and permits issued under the 2005 Act.

Under the transitional arrangements for the commencement of the 2005 Act, holders of premises based permissions under the existing law (including arcade and prize gaming permits) and who wish to continue to operate after 1 September 2007, will be required to make advance applications:

- between 1 January and 27 April 2007 to the Gambling Commission for an operating licence;
- between 31 January and 27 April 2007 to their licensing authority for a premises licence.

Many operators will have existing permissions which expire in the 12 month period leading up to 1 September 2007, when their new 2005 Act licences will take effect. The government took the view that it is unnecessary to force operators in this position to go to the expense of applying for a relatively short extension to their existing permission at the same time as they are applying for the new permission under the 2005

Act.

They have therefore proposed granting operators in this position an automatic extension of their existing permission until 31 August 2007. No application would be necessary, and (except for track betting permits) the renewal would not attract a fee.

The attached Order would give effect to this policy. It modifies existing legislation so that certain permissions which expire between 1 September 2006 and 30 August 2007 are automatically granted or renewed so as to continue to in force until the end of 31 August 2007. The Order covers holders of the following permissions:

- track betting licences issued under Schedule 3 to the Betting, Gaming and Lotteries Act 1963;
- licences issued under Schedule 2 to the Gaming Act 1968 (these licences relate to casinos and bingo halls);
- permits issued under Section 34 of the 1968 Act in respect of amusement machine premises (arcades); and
- permits issued under section 16 of the Lotteries and Amusements Act 1976 (prize gaming permits).

ii. Chip shop etc permits

One of the three objectives of the Gaming Act 2005 is to protect children and other vulnerable people from being harmed or exploited by gambling.

Section 34 of the Gaming Act 1968 provides for the making available of gaming machines in arcades, premises licensed under the Licensing Act 2003 and other non-gambling premises. This last category includes premises such as chip shops and taxi offices which are able to apply under Section 34 for permits for gaming machines with a maximum stake and prize limit of 30p and £5 respectively.

The Gambling Review Body recommended in its 2001 Report that gaming machines be banned from unlicensed premises like chip shops and taxi offices so that children in particular should not be exposed to ambient gambling in premises where there may often be little supervision. This conclusion was subsequently endorsed by the Joint Committee on the Draft Gambling Bill. The government accepted this recommendation and, as a result, the provision allowing for the grant of gaming machine permits for chip shops, taxi offices and similar premises was not replicated in the 2005 Act.

This Order gives effect to this policy by preventing any further applications under the existing legislation from 1 August 2006. The Order also provides for any permits granted or renewed after that date to cease to have effect on 31 July 2009.

Rationale for government intervention

i. Automatic renewal

The intention behind this proposal is simply to reduce the cost and administrative burden on industry and regulators alike during the transition to the new Act.

ii. Chip shop etc permits

The rationale behind this proposal is to prevent children and other vulnerable people from being exposed to ambient gambling on gaming machines in unlicensed premises, where there may be little in the way of supervision.

3. Consultation

Within government

The Department cleared its proposals with the Treasury, DCA, Scottish Executive and Gambling Commission prior to publishing the formal consultation paper in February 2006.

Public consultation

The Department published a formal consultation paper on the transitional arrangements for the implementation of the Gambling Act in February 2006, and a first draft of the Order in March 2006. The formal consultation period ended on 3 June 2006.

The Department subsequently decided to prioritise these two elements of the original draft Order and deal with them separately, partly because these are the most urgent, and partly to help reduce the complexity of the Order. The remaining elements of the transitional arrangements will be covered by a separate Order which will follow later this year.

A number of respondents to the consultation paper commented on the elements of the transitional arrangements covered by this Order, and the Department has made a number of modifications to the approach it originally proposed in response to these comments:

(i) Variations to conditions attached to existing casino and bingo licences

The British Casino Association and a number of casino and bingo operators expressed concern that an automatic extension may deprive some operators of the opportunity to seek variations to conditions attached to their existing permissions, which they would normally deal with on renewal.

In response to these concerns, the government agreed to modify the Order so that any bingo or casino operator in this position could apply to the licensing justice for a variation. In such circumstances, the normal application procedures and fee would apply, and there would be no automatic renewal.

No conditions can be attached to the other permissions covered by the automatic renewal, so there was no need to extend this concession to those permissions.

(ii) Potential costs to licensing authorities and licensing boards

LACORS and a number of licensing authorities and Scottish licensing boards expressed concerns that the proposal to waive the fee for an automatic renewal would mean that local authorities would not be reimbursed for the administrative costs associated with granting an automatic renewal.

The government was sympathetic to these concerns, and has modified the approach it originally proposed to reduce further the administrative burden on authorities:

- the Order has been modified so that it now places an obligation on the relevant authority to issue a renewed permission only on request. Authorities will not be required to conduct a search of their records and issue renewed permissions to all premises that qualify;
- the government has also undertaken to provide authorities with a template letter, which authorities will be able to use when responding to requests for a copy of the renewed permission.

In the light of these changes, the government believes that the administrative costs are likely to be so small as to make them uneconomic to collect. It is also important to note that the scale of the task facing licensing authorities will be limited: we estimate that around 670 arcades will benefit from the automatic extension nationally - an average of around 1.75 arcades per authority.

(iii) Ability of licensing authorities to deal with problem premises that benefit from automatic renewal

A number of authorities also expressed concern that an automatic renewal would deprive them of the opportunity to address local concerns about a particular arcade. While again the government was sympathetic, under the current law local authorities have very little discretion to refuse applications for renewals of arcade permits. The government took the view that it was disproportionate to put all arcade operators to the expense of applying for a new permit, when there was little prospect of dealing satisfactorily with a small number of problem premises. Once the new Act takes effect in September 2007, licensing authorities will have much tougher powers to review the licences of premises that are causing problems in their area.

(iv) Allowing existing chip shop etc permissions to remain in force beyond 1 September 2007

A number of licensing authorities suggested that, rather than allow existing permissions for gaming machines in chip shops etc to expire naturally, it would be preferable simply to ban all gaming machines in such premises from the date of formal implementation of the new Act.

Ministers carefully considered this option when framing its original proposals. While this option would have enabled Ministers to achieve their policy objective at an earlier date, it was discounted because:

- on balance it was thought better not to interfere with rights that had already been granted, and therefore to allow permits that had already been granted to run their course; and

- a single cut off date would have meant that the Gambling Commission and licensing authorities would have been confronted with an immediate and potentially large additional enforcement challenge from day one of the formal operation of the new Act.

4. Options

i. Automatic renewal

Option 1 - Require operators with existing permissions that expire between 1 September 2006 and 30 August 2007 to apply to renew their permission in the normal way

As noted in the background section above, the government took the view that it was unnecessary to put businesses to the cost of applying for a renewal of their existing permission for a relatively short period, at broadly the same time as they were making advance applications for operating and premises licences under the 2005 Act.

Option 2 - Automatic renewal with small fee to cover licensing authority costs

Providing an automatic extension would help reduce the administrative and costs burden on the industry. It would also help reduce the administrative burden on licensing authorities during the transition period, by reducing the number of applications they are required to consider.

As noted above, the government was sympathetic to concerns raised by licensing authorities that they should be reimbursed for any administrative costs in dealing with the automatic extension. It has modified its approach to reduce the likely administrative burdens on licensing authorities.

When considering whether a small fee would be appropriate, the government concluded that charging a fee would undermine its desire to reduce the costs burdens on industry. It also concluded that, since any fee could only be charged on a cost recovery basis, the amount of work involved in dealing with an automatic extension was likely to result in a fee that was so small that it would be uneconomic to collect.

Option 3 - Provide for an automatic extension, without a fee

This option would have the advantages of Option 2, but would avoid the disadvantages associated with levying a small fee to cover the administrative costs associated with an automatic extension.

ii. Chip shop etc permits

Option 1 - Do not set a cut off date for applications - allow applications up to 31 August 2007

Under the 1968 Act, permits for gaming machines in chip shops etc are currently granted for up to three years. Any application that was granted in August 2007 would therefore not expire until August 2010, over five years after the

passing of the Gambling Act. There has been a clear consensus in Parliament that gaming machines should no longer be permitted in such premises, and Ministers concluded that it was undesirable to delay the implementation of this measure for a year.

Option 2 - Provide that all existing permits should cease to have effect on 1 September 2007

Under this option no gaming machines would be permitted in chip shops etc on or after 1 September 2007. Any existing holders of permits would be required to remove their machines from this date.

This option would deliver the policy outcome more quickly, and would create a clearer picture for enforcement purposes. However, as noted above, this option raised an immediate and potentially large additional enforcement challenge from day one of the formal operation of the new Act. In addition it seemed preferable not to interfere with rights that had already been granted, and therefore to allow permits that had already been granted to run their course. The usual period for such permits is 3 years. This option would also prevent any new premises obtaining gaming machines on and after 1 August 2006. This restriction would not apply with a simple 1 September 2007 cut-off date.

Option 3 - Cut off further applications from 1 August 2006, and allow existing permissions to run their course

This option will deliver the policy objective more rapidly than Option 1. No new applications would be allowed after 1 August 2006. The fact that these permits usually last for 3 years means that this would be consistent with an end date of 31 July 2009.

5. Costs and benefits

Sectors and groups affected

The automatic renewal proposal will affect the following operators:

- around 170 casinos and 650 bingo halls with licences that are renewable on an annual basis;
- an estimated 18 tracks whose existing permissions expire between 1 September 2006 and 30 August 2007 (track betting permits are granted for seven years. This figure assumes that one seventh of the 120 tracks will need to renew their permission during this period.)
- an estimated 670 arcades whose existing permissions expire between 1 September 2006 and 30 August 2007 (arcade licences are granted for three years. This figure assumes that a third of the 2,000 arcades nationally will need to renew their permission during this period.)
- an unknown (but generally considered to be small) number of premises with prize gaming permits.

The chip shop etc proposal will affect an estimated 6,000 businesses which are currently offering gaming machines.

Benefits

The proposal to waive the fee for the automatic renewal will save the industry around £2.9m. There will also be savings for industry arising from the administrative and legal cost of making applications. We estimate these to be in the region of £42,000 for casinos, bingo halls and tracks.

The chip shop etc proposal will have significant social benefits in ensuring that children and young people are not exposed to ambient gambling opportunities in unregulated premises.

Costs

Licensing authorities, licensing magistrates in England and Wales, and licensing boards in Scotland will incur some administrative costs as a result of the change, which we are not proposing be reimbursed.

As noted above, we have taken a number of steps to modify our original proposal to keep the likely burden on authorities to a minimum. In essence their responsibilities will be limited to sending a copy of the automatically renewed permit (the

Department will provide a template) to any operator that requests one.

While the number of premises will vary from area to area, on average each licensing authority will be required to deal with 1.75 arcades. Renewals of the other permissions are currently dealt with by licensing magistrates (licensing boards in Scotland).

The chip shop etc proposal will result in lost profits to those businesses that currently offer gaming machines. An assessment of the impact of the change was included in the regulatory impact assessment that accompanied the Gambling Act 2005. However, it was not possible to make a reliable estimate of the likely costs to businesses of losing these machines.

The National Federation of Fish Friers stated that many of its members relied on the profits from these machines. A Henley Centre study (commissioned by BACTA) estimated that up to 600 premises may be so reliant on profits from machines that they may be forced to close. However, this estimate did not take account of the fact that such premises could install an alternative non-gambling machine (eg a video game or quiz game) in place of a gaming machine.

6. Small firms impact test

i. Automatic renewal

There are a significant number of small businesses that are likely to benefit from this change, particularly in the arcade sector. Around 15 casinos are single casino operations, and so may fall within the business definition.

The proposed change should result in significant cost savings to these businesses, both from the lack of renewal fee (currently up to £250 for arcades, £9,395 for casinos and £1,778 for bingo halls) and from the administrative and legal costs associated with the renewal application. The costs to small businesses are included in the national figures given above.

The lead industry bodies which represent small businesses in the sector were consulted on the transitional arrangements, and they had no adverse comments on the automatic extension aspect of the proposals.

ii. Chip shop etc permits

A significant number of small businesses will be affected by this change. We estimate that around 6,000 premises will be affected, and many of these will be small businesses for whom revenue from gaming machines will constitute an additional source of revenue.

An assessment of the impact of the Act on machine gambling included in the regulatory impact assessment that accompanied the Gambling Act 2005. However, as noted above, it was not possible to make a reliable estimate of the likely costs to businesses of losing these machines. Ministers took the view

that the social benefits in protecting children and other vulnerable people from the risk of being exposed to ambient gambling opportunities of this sort outweighed any adverse impact on small (and larger) businesses.

This proposal to introduce a cut off date for applications from 1 August 2006 will only affect that proportion whose machine permits will expire in the period to 1 September 2007. This proposal also allows most of those who hold permits to enjoy the full period of the permit (which they would not have done had the government decided to impose a single 1 September 2007 cut-off date).

7. Competition assessment

i. Automatic renewal

A simple competition assessment of this proposal has been undertaken in accordance with BRE/OFT guidance.

The casino and bingo industries are dominated by a relative small number of operators with a significant market share. The arcade sector is more dominated by smaller operators, although again there are a number of larger players.

The proposal will benefit all operators equally, and is unlikely to have any adverse impact on existing firms of any size, or on the structure of the industry. The measure relates only to existing operators and will not apply to new operators who seek to establish themselves in business after 1 September 2006.

ii. Chip shop etc permits

A competition assessment of the impact of the Act on machine gambling was included in the regulatory impact assessment that accompanied the Gambling Act.

The change will have a negative impact on certain chip shops, taxi offices and other business which currently offer gaming machines. However, the government believes that this negative impact is outweighed by the positive social benefits to be gained from removing gaming machines from premises of this sort.

The option that the government has proposed for the purposes of this Order is fair to businesses in that it will not force them to remove machines for which they have obtained permits until the permit is due to expire.

8. Enforcement, sanctions and monitoring

The automatic extension will not impact on monitoring and enforcement costs under the existing legislation. The relevant authorities (Gambling Commission or licensing authority depending on the permission) will continue to undertake their current functions as now until 1 September 2007.

The Gambling Commission will have overall responsibility for monitoring compliance with the requirements of the Gambling

Act 2005 from 1 September 2007. The Commission will also advise and work closely with licensing authorities in the exercise of their own monitoring and enforcement functions under the Act.

9. Implementation and delivery plan

DCMS will notify all licensing magistrates, licensing authorities and licensing boards of the changes in writing, and provide them with guidance on the implementation of the changes prior to their taking effect. This will include providing authorities with a template letter for dealing with requests for copies of automatically renewed permissions.

The Department will also seek to raise awareness of the changes in the industry through its normal industry and licensing authority networks.

10. Post-implementation review

We will monitor how the automatic renewal is working in practice through three main formal mechanisms: the DCMS Industry Liaison Group; the DCMS Premises Licence Working Group; and, the LACORS Gambling Reform Policy Forum. These fora, which include key representatives from industry and licensing authorities, will also be involved in debating and disseminating any further guidance or remedial measures that may prove necessary as we move forward.

The Gambling Commission will monitor the impact of the removal of gaming machines from chip shops and similar premises as part of its wider role in monitoring the prevalence of gambling and problem gambling.

11. Summary and recommendation

i. Automatic renewal

Option	Benefits	Costs
1 Normal application process	<ul style="list-style-type: none"> No diminution of regulatory scrutiny No cost burdens on local authorities 	<ul style="list-style-type: none"> Industry will be required to pay approx £2.94m in fees in addition to fees for 2005 Act licence applications Unquantifiable administration and legal costs associated with applications
2 Automatic renewal with small admin fee	<ul style="list-style-type: none"> Reduces cost and administration burden on industry and regulators during 	<ul style="list-style-type: none"> Would undermine objective of reducing cost and administrative burdens on industry and

	<p>transition period</p> <ul style="list-style-type: none"> • No cost burden on local authorities 	<p>regulators during the transition period</p> <ul style="list-style-type: none"> • Fee is likely to be so small as to be uneconomic to collect • May involve some diminution of scrutiny under existing legislation, offset by scrutiny in same year of applications for operating and premises licences under new Act
<p>3 Automatic renewal with no fee</p>	<ul style="list-style-type: none"> • Least burdensome option for industry 	<ul style="list-style-type: none"> • Licensing authorities will incur some costs. However, proposals have been framed to ensure these are kept to a minimum

ii. Chip shop etc permits

Option	Benefits	Costs
<p>1 No cut off date until 31 Aug 2007</p>	<ul style="list-style-type: none"> • Businesses would be able to gain profits from machines for a year longer 	<ul style="list-style-type: none"> • Would delay implementation of a key protection measure for children by a year

<p>2 All existing permits cease on 1 Sep 2007</p>	<ul style="list-style-type: none"> • Would deliver policy objective more quickly • Clear picture for enforcement purposes from that date 	<ul style="list-style-type: none"> • Would interfere with rights which had already been granted • Could create practical problems in terms of scale and immediacy of enforcement challenges
<p>3 No further applications after 1 Sep 2006</p>	<ul style="list-style-type: none"> • Delivers desired protections in a timely manner • Ensures fairness for operators who have secured permissions for these machines under existing legislation 	<ul style="list-style-type: none"> • Puts implementation on a slower track than Option 2

12. Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Richard Caborn
Minister of State

Date

13. Contact point

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