

Ladbrokes Coral Group response to the DCMS Call for Evidence: Review of Gaming Machines and Social Responsibility Measures

Executive Summary

As the largest retail bookmaker in the UK, Ladbrokes Coral employs over 20,000 people, operates over 3,500 shops and serves three million customers each year. Over two-thirds of our colleagues choose to work flexibly to accommodate childcare arrangements, studying or other existing commitments. The majority of our retail workforce are women and 60% of our Shop Managers are female. We also employ over 6000 young people under the age of 25 and 1000 apprentices, helping people get that often-needed first step onto the career ladder.

We are proud to have been a stalwart on many British high streets up and down the country since 1962. In fact, the average length of time our shops have been located in the same area stretches to almost 30 years. Our two brands are therefore part of the British heritage and we welcome more customers through our doors each year than the National Trust have members.

The wider betting industry pays over £1 billion in taxes and contributes £3.2 billion to the wider economy. Tax and regulation has risen dramatically in recent years due to the increase in Machines Gaming Duty, the introduction of Point of Consumption Tax and the £50 stake regulation, costing Ladbrokes Coral Group an estimated £190m per annum. A further tax increase on online gaming bonuses has been announced that will cost Ladbrokes Coral a further £19 million per annum from 2018.

A significant proportion of this additional burden has hit the profitability and viability of betting shops, which are already under economic pressure due to the migration of customers to online and cost inflation. Over the last 3 years (between 2012 and 2015) the profitability of Ladbrokes Coral betting shops has fallen by approximately 30%, [REDACTED] In the last three years alone, Ladbrokes Coral has closed almost 250 shops. This has inevitably led to job losses and a reduction in tax paid both locally and to the Exchequer.

As machine revenue provides just over 55% of our betting shop revenue, any reduction in maximum stake would lead to profitability falling even further. Without this revenue many shops would become unviable and we would be unable to provide as many jobs, support local high streets and invest in British sports, such as horseracing – which could not survive without the support it gets from media rights payments and the betting levy.



In addition to the above estimated economic impacts, there will be substantial job losses linked to any shop closures, particularly as we employ around 5 local people in each betting shop, many of whom, as we have outlined above, are young people under the age of 25 and women who work flexibly to accommodate other responsibilities.

We fully support the Triennial Review, particularly the Government's expressed intention to make this an evidence-based process. Throughout this response we refer to the Association of British Bookmakers (ABB) submission, to which we have contributed and support in its entirety.

However, we are concerned that maximum stake is a very misleading measure to compare one type of game with another. Spin speed and margin also have a significant bearing on the intensity of play. For example, whilst B3 games can only be played at a maximum stake of £2, the spin speed is 8 times faster than B2 games (every 2.5 seconds versus every 20 seconds) and the margin is around 3 times higher (8% versus 2.7%). Accordingly, the theoretical loss when playing B3 games at maximum stake and maximum spin speed, is just a little less than playing B2 games at £50. This was the basis of the £50 stake regulation, and it is our strong belief that 'average loss per minute at maximum stake and maximum speed' ought to be the guiding metric in any review.

Given the serious impact of any decision to further restrict B2 maximum stake, action should only be taken if these games are shown to be uniquely harmful drivers of problem gambling – but there is no such evidence to support this. The overwhelming majority of gaming machine players bet briefly and responsibly, as part of their leisure time and with minimal losses.

Problem gambling is also not linked to one product. Fixed Odds Betting Terminals (FOBTs, or B2 machines) were first introduced to the UK in 2001, but problem gambling levels have remained stable for 15 years, at less than 1% of the population. DCMS research has found that problem gambling levels on machines are lower or similar to levels on other forms of gambling. Further independent research into the prevalence of problem gambling amongst those taking part in different gambling activities found that playing machines in bookmakers' shops was only the fifth most problematic activity, with 7.2% of players classified as problem gamblers. This was behind:

- those who spreadbet (20.9%);
- those who played poker in pubs or clubs (13.2%);
- those who bet on other events (12.9%); and
- those who bet with a betting exchange (10.6%).

On average problem gamblers use up to nine gambling products and so unduly restricting any one product will have no meaningful impact on problem gambling overall.¹ Any attempt to restrict

¹ <http://www.gamblingcommission.gov.uk/PDF/British%20Gambling%20Prevalence%20Survey%202010.pdf>, p.99

staking levels on B2 machines would simply move problem gamblers to other forms of gambling. Problem gambling has to be tackled at the level of the individual, not by targeting types of gambling.

As outlined above, it is important that stake level is looked at in the round, including spin speeds, coverage of the board and loss rates, (which we cover in more detail in our answer to Question 1). In short, the maximum stake on a B2 machine is £100, and 95% of sessions played on B2 machines are roulette. The maximum bet per number is £13.80 and the average loss rates on B2 machines are very low:

- for B2 machine sessions containing a maximum £50 spin the average loss rate is £0.63 per minute; whereas
- for B3 sessions containing a maximum £2 spin the average loss rate is £1.06 per minute.

This is because in B2 game play (typically roulette) the majority of customers spread their stake across an average of 18 out of the 37 numbers, thereby increasing their chances of winning. Lower stakes could actually increase the volatility of roulette as players would spread their spend across fewer numbers.

Although the vast majority of customers use machines responsibly, we have ensured our shops provide the most protected gaming machine experience in the industry, as opposed to the much less controlled environments in casinos or AGCs. As well as measures that promote responsible behaviour across all forms of gambling, we have invested significantly in responsible gambling measures on B2 machines. These include:

- top screen responsible gambling messages occupying 25% of screen time;
- presenting customers with limit-setting choices as soon as they load cash;
- mandatory alerts highlighting play above 20 min or spends above £150, which our evidence shows are already working;
- customers playing at stakes in excess of £50 can only do so through account play or by loading their cash over the counter, ensuring an interaction with shop colleagues;
- customers playing while logged into their account have their transactions tracked and receive responsible gambling messages and advice when their behaviour changes. This Player Awareness System was introduced in 2015 to help identify customers at risk of gambling related harm, and is a focus for continuous improvement, including its extension to anonymous play;
- mandatory training for all our shop colleagues on spotting and helping to tackle problem gambling both when they join and as part of regular refresher courses; and
- a ratio of at least one trained colleague to four machines.

Gambling is a form of entertainment for our customers. Just as many people choose to spend money going to the cinema, a sporting fixture or the theatre, our three million customers choose to spend their money by visiting one of our shops. While we recognise that some people do not agree on the merits and benefits of gambling, the industry is already highly regulated and any further restrictions must be justified by evidence rather than a dislike of gambling.

Government should not unfairly penalise a pastime enjoyed responsibly by the vast majority of customers. By restricting a single product disproportionately, problem gamblers are likely to be simply displaced to other forms of gambling that have less in-built controls and harm minimisation measures. Rather than singling out a single product, problem gambling as a whole must be tackled through a strategic, joined up approach. The bookmaking sector, in particular, has already made significant advances and we are keen to work with government to take these further.

Myths and machines: an analysis

Despite all the evidence, there is a great deal of misunderstanding about machines and their role and impact.

This is understandable: gambling is controversial; machines are complex and not well-understood by non-experts; and there is always a temptation to hope that social problems can be solved by regulation.

Unfortunately, that is not the case here. The myths about machines have become so well entrenched that we would like to itemise the most common misconceptions here and deal with them one by one.

Do shops cluster?

88% of Coral shops and 90% of Ladbrokes shops have been in exactly the same location for over five years. However, following the scrapping of the demand test, and the general downturn of the high street (accompanied by falling rents), it is true to say that in a few limited locations around the country, shops have moved from the back streets onto the high streets where the footfall is higher.

To those who would like to see fewer betting shops on the high street, it is important though to note that, in reality, local areas are not choosing between having an artisan bakers or a betting shop – the choice is between a thriving betting shop with regular customers that pays local rates or a boarded up shop which benefits no-one.

Can people lose £18,000 an hour on a B2 gaming machine?

It is physically impossible to load a machine that quickly. The fact is that it takes a minimum of 40 seconds just to load £100 into the machine (and longer if you are a non-verified account customer and therefore have to load it at the counter with a colleague), let alone play the game itself, and so no one could bet £100 every 20 seconds for an hour.

Even if it were possible to load the cash, given that B2 games have a return to player of over 97%, the chances of losing the whole £18,000 is 11 million trillion to one. To put it in more stark terms, this is less likely than buying a single lottery ticket each week and winning the National Lottery jackpot three weeks in a row.

Do machines make £1,000 per week profit?

No. The average gross win per machine per week is about £1,000, but gross win is not profit. When you remove the interest and tax pro rata, alongside payments to supplier and promotions, the gross profit per machine is approximately £700. This equates to £8 per machine for every hour that the shop is open.

Of the £700 gross profit, only around 65% relates to B2 games, with the rest being B3 slots. B3 is in growth, whilst B2 is flat to declining (an unexpected fact in itself, if these games were really addictive) and so it is likely that B3 games will form the majority of gross profit in the near term.

Unfortunately gross profit does not go in the bank. There are significant operating costs associated with running a shop, including rent and payroll. So, on average, Ladbrokes Coral shops make only

£58k profit before interest and tax per annum. That means the **whole shop** makes around £1,000 profit per week.

Are young people more at risk of problem gambling?

Despite claims that the younger generation are the worst affected by problem gambling, a Nat Cen Social Research study into 'People who play machines in bookmakers' actually found that those who lost the most were more likely to be older and to have staked £100. The report confirmed, "those who lost the most money were more likely to be retired than those who lost less". Additional evidence was highlighted in the same study that those aged 18-34 had similar problem gambling scores to those aged between 34-54, further contradicting the claim that younger players are more at risk of problem gambling.

Ladbrokes Coral Group response to Call for Evidence 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.

1. Introduction

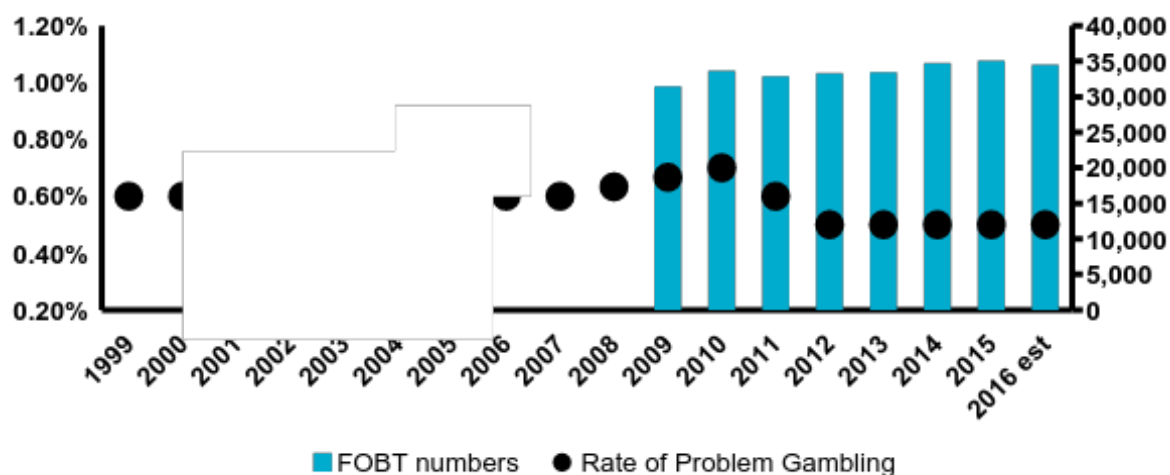
- 1.1 Ladbrokes Coral Group sees no evidence to support a change in the existing stakes and prizes on B2 and B3 gaming machines in order to achieve the Government's objective to "strike the right balance between socially responsible growth and the protection of consumers and wider communities". We are therefore advocating that the status quo be maintained for the reasons we set out below.
- 1.2 Our experience and evidence shows that the current stakes and prizes on B2 & B3 machines is appropriate.
- 1.3 Any reduction in staking levels on B2 machines would have an effect on shop numbers, government tax revenue, payments to horse racing and employment. It is therefore absolutely essential that such action should only be taken on the basis of evidence that B2 machines are uniquely harmful sources of problem gambling.
- 1.4 There is no such evidence. Player behaviour does not indicate it, independent problem gambling research does not show it and the mere assertions of harm from critics and media (many of whom are interested parties in other sectors of the industry) are not evidence. In fact, levels of problem gambling have not increased in the last 15 years.

2. Problem gambling levels have not risen

- 2.1 The levels of problem gambling in the UK have remained stable over the last 15 years, at between 0.5% and 0.7% of the adult population according to Government-commissioned research. This is low by international standards. In 1999, the Government's first Gambling Prevalence Survey measured rates of problem gambling at 0.6% of the adult population. There were no FOBTs in 1999, no online gambling and no TV advertising. According to the Department of Culture, Media and Sport in 2014, the problem gambling rate was 0.4% and

in March 2016, the Gambling Commission reported a figure of 0.5%.² So it can be seen that FOBTs, online gambling and TV advertising have had no effect on rates of problem gambling in the UK.

2.2 If, as campaigners suggest, FOBTs were the “crack cocaine of gambling” (which has been used to describe many forms of gambling since Donald Trump coined the phrase in the 1980s), we would have expected to see a steady rise in the number of people suffering from gambling-related harm over this period. This has simply not been the case. The graph below provides information on both the number of FOBTs and problem gambling levels over the last 15 years.



2.3 The volume of stakes and losses from B2 roulette has also remained stable over this period. The mix of lower stakes B3 slots now played on machines over this period has increased to c.40% and continued to grow, whilst B2 stakes are flat to negative. It is counter-intuitive to argue that B2 games are highly addictive when the evidence shows that, when B2 and B3 games are available on the same machine, B3 is growing at the expense of B2.

2.4 In the Department for Culture, Media and Sport’s own assessment of the £50 stake measures in early 2016, this fact was acknowledged. The report confirmed that: “the prevalence of problem gambling in people who use gaming machines in bookmakers is lower or similar to the levels of problem gambling found in some other forms of gambling, for example online gambling on slots, bingo or in casinos has a prevalence rate of 6.3%.”³ We are therefore concerned that any attempt to restrict staking levels on B2 machines would simply move problem gamblers to less regulated forms of gambling, without any impact on the overall level of harm. Problem gambling has to be tackled at the level of the individual, not by targeting specific types of gambling.

2.5 The Call for Evidence focuses heavily on B2 gaming machines and therefore we thought it would be useful to explain the background and make-up of both B2 and B3 games. This is of particular importance as we are concerned there are some misconceptions about B2

² Gambling Commission (2015), Participation in gambling and rates of problem gambling
<http://www.gamblingcommission.gov.uk/Press/2016/Gambling-statistics-paint-picture-of-gambling-in-Great-Britain.aspx>

³ DCMS evaluation of £50 stake – Evaluation of Gaming Machine (Circumstance of Use) (Amendment) Regulations 2015, p. 8

machines in the Call for Evidence, namely that: “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”. In practice, this is not the case.

3. What is a FOBT?

- 3.1 A Fixed Odds Betting Terminal (FOBT) is a gaming machine which provides both B2 games and B3 games (and occasionally lower game categories). B2 games account for 55%-60% of the amount betting shops win from FOBTs.
- 3.2 While the maximum stake on a B2 game is £100, stakes above £50 can only be played by our verified account customers (using either a Connect or The Grid card), or by physically loading money over the counter, requiring a one-to-one interaction with a member of staff. For all other players, the maximum stake is now £50.
- 3.3 The spin speed for B2 games is restricted to a minimum of 20 seconds (but it should be noted that the average is c.30 seconds). The main B2 game played on FOBTs is roulette (95% of B2 play). This has a Return to Player (RTP) rate (the proportion of the stake paid back to players) of 97.3%, therefore providing a 2.7% gross win margin for the bookmakers / machines suppliers (out of which we pay a tax contribution to the Government). For every pound staked the bookmaker therefore retains 2.7p on average (of which 0.7p is then directly paid to the Treasury in MGD) and the player receives 97.3p back. This also helps to explain the high volume of stakes due to the constant recycling of winnings during roulette play.
- 3.4 In comparison, a B3 game (typically slots) has a maximum stake of £2 with a spin speed of 2.5 seconds. The typical RTP on these games is much less at 92%, equivalent to an 8% margin. For every pound staked the bookmaker therefore retains 8p on average.
- 3.5 For clarity, it is worth noting that spend is not the same as a player’s initial wagering value. Understanding volatility and customer spend rates (not stakes) on both B2 roulette and B3 slots is vitally important for the purpose of this Call for Evidence. Indeed, our submission shows that looking at either stakes or spin speeds in isolation is inherently flawed and misleading. Maximum stake, spin speed and margin all have a significant bearing on the intensity of play. For example, whilst B3 games can only be played at a maximum stake of £2, as explained above, the spin speed is 8 times faster than B2 games (every 2.5 seconds versus every 20 seconds) and the margin is around 3 times higher (8% versus 2.7%). Accordingly, the customer’s theoretical loss when playing B3 games at maximum stake and maximum spin speed, is just a little less than playing B2 games at £50. This was the basis of the £50 stake regulation, and it is our strong belief that ‘average loss per minute at maximum stake and maximum speed’ ought to be the guiding metric in any review.

4. The difference in game play and therefore Volatility of B2 v B3

- 4.1 As roulette is the main B2 game played on FOBTs and the maximum pay-out on a B2 game cannot exceed £500, the maximum bet on a single roulette number is £13.80. The majority of players like to spread their stake across multiple numbers (indeed, they are forced to do so if staking over £13.80). On average players place bets on 18 out of 37 (0-36) numbers on the board for every spin, or they bet on even-odds outcomes such as red or black. Our own analysis shows that players normally prefer to cover up to 22 numbers in any one spin. This

dramatically reduces the volatility of their play – in effect the customer is able to control the volatility of their play by choosing how far to spread their risk.

5. Average customer use of B2

- 5.1 The evidence demonstrates clearly that the claim that machine players typically lose large sums of money in extremely short and intense sessions is simply untrue. In real life, the overwhelming majority of machine players bet briefly, responsibly and with small losses. The average B2 session length is 10.6 minutes, the average loss is £8.17 per session and the average stake per spin is just £4.13. This demonstrates that the vast majority of our customers play B2 games as part of their leisure time.
- 5.2 The availability of higher stakes on a machine does not mean players immediately play the product at the highest stakes. In fact, less than 2% of customers play B2 games at stakes above £50.

6. Loss rates on B2 and B3

- 6.1 Session loss rates further highlight that in fact B3 games can often be more volatile than B2 games. Actual loss rates for all roulette sessions is £1.06 per minute, compared to £0.80 per minute for B3 slots. However, if we look only at roulette sessions containing some play at £50 per spin, the average loss rate is just £0.63 per minute, lower than the loss rate on a B3 game.
- 6.2 To put this in perspective, the average spend for roulette sessions that contain some £50 play is £13.02 and the amount staked is £1,543 (due to recycling of winnings). The average spend for B3 slot sessions that contain some play at £2 per spin is £16.54 and the amount staked is £219. This clearly shows that focusing on stakes is not the right approach to assist the small minority of people who have gambling-related issues. The headlines about high stakes do not represent the evidence or offer an understanding of the player's actual spend.

7. Stake size is not linked to problem gambling

- 7.1 There is clear evidence that problem gambling is not connected to stake size, nor is it associated with one type of product. The Responsible Gambling Trust's (now Gamble Aware) programme of research into Category B gaming machines, conducted in December 2014, concluded that "focusing on one element of gambling alone—such as the reduction of stake size—will not provide a better prediction of problem gambling or decrease the rates of gambling harm."⁴ In essence, if government wishes to intervene with problem gamblers while allowing non-problem gamblers to continue recreational play, reducing stake size will not be an effective way of achieving this. One of the corresponding RGT research reports cautioned against a stake cut as this could have "unintended consequences". The basis for this argument was that: "the relationship between the stake size and harmful play is not straightforward. Focusing too much on stake size might give false hope that problem gambling has been addressed and therefore the opportunity to explore and deploy far more effective tools will not be taken. This research, conducted independently of the bookmaking industry, suggests that a reduction in the stake on B2 machines is not a proportionate or effective way of tackling the issue of problem gambling.

⁴ David Excell, Heather Wardle and Georgiy Bobashev (2014), "Report 2 and 3: Identifying problem gamblers: results from a survey and analysis of industry data" (machines summary collection) , p. 2

8. Problem gambling is not confined to one product

8.1 This approach is validated by the evidence on problem gambling and products. In a NatCen study of loyalty card holders in December 2014, “participants took part, on average, in 4.8 different forms of gambling...and 11% took part in more than 9 different forms of gambling”.⁵

8.2 A study by Wardle et al analysed problem gambling prevalence rates for different activities undertaken in the previous year, and found that machines in bookmakers were one of, but not the most, popular activity for problem gamblers. Problem gambling prevalence was highest among those who spreadbet (20.9%); second highest amongst those who played poker in pubs or clubs (13.2%); third highest among those who bet on other events (12.9%); fourth highest among those who bet with a betting exchange (10.6%); and fifth highest among those who played machines in bookmakers (7.2%).⁶

9. Customers adapt their behaviour to remain anonymous

9.1 There is evidence from the recent DCMS evaluation into £50 staking that customers adapt their behaviour to avoid bureaucracy and additional verification. Following implementation, stakes above £50 fell by around 70%, with now less than 2% of customers playing at high stakes – as the evaluation reported: “the percentage of all player sessions with a stake over £50 was between 6% and 7% in 2014 and 2015 ahead of implementation of the new regulation and fell to below 2% following implementation.”⁷ This suggests that, as with other retail loyalty cards, customers like to choose the path of least resistance for their retail spend and therefore changed their behaviour to remain anonymous and avoid having to sign-up.

9.2 Additionally, we are concerned that any further reductions in stakes and prizes could drive customers to unlicensed or less regulated environments that have little or no checks and balances to ensure the safety, security and enjoyment of their customers. In a recent paper, the IEA found that “over-regulation would push customers to the less regulated online market and would probably lead to a surge in the black market”⁸. Not only would this have a negative impact on tackling the issue of problem gambling, but it would also have a detrimental economic impact on the complicated and fragile eco-system of betting shops.

9.3 Machine revenue provides one element of a betting shop’s income stream and profitability. If this were dramatically reduced it becomes harder for shops to employ as many local people, contribute to local charitable and community projects and pay their way locally through taxes and business rates – the cost of which is set to rise as we have to pay the top rate of business rates to operate in higher conurbations and cities like London. DCMS estimated that net revenues as a result of the £50 stake reduction would fall by £17 million in their initial impact assessment. However, the recent evaluation confirmed this would be

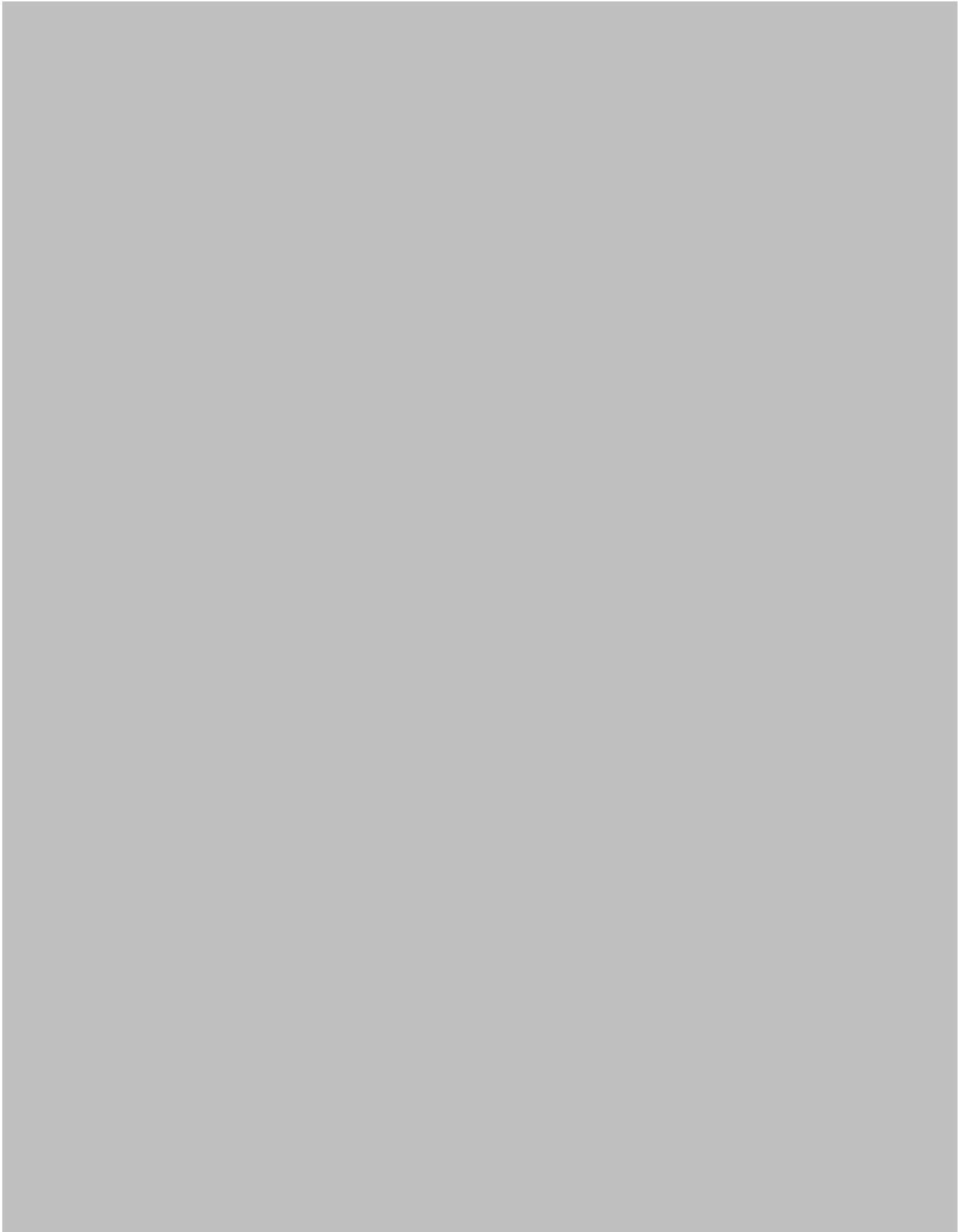
⁵ Wardle, Excell, Ireland, Llic, Sharman (2014), “Gambling machines research programme: Report 2: Identifying problem gambling – findings from a survey of loyalty card customers”

⁶ Wardle, H., et al. (2014). “Gambling behaviour in England and Scotland: Findings from the Health Survey for England 2012 and Scottish Health Survey 2012, prepared for the Gambling Commission.”

⁷ DCMS evaluation of £50 stake – Evaluation of Gaming Machine (Circumstance of Use) (Amendment) Regulations 2015. P. 13

⁸ Snowden, Christopher, *The crack cocaine of gambling? Gambling machines in the UK*, Institute of Economic Affairs, April 2013

closer to £66-78 million in the 12 months following implementation, perfectly in line with the predictions made by the industry before the measure was introduced.



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

1. Introduction

- 1.1 The Government's objective in this review is to ensure the correct balance in gaming machine regulation. This includes the need to offer protection to the small minority of customers who may be at risk of harm, whilst ensuring that other customers are able to enjoy their play with as little impediment as possible. Importantly, both of these aims require betting shops to be financially viable in order to ensure that investment is available for player protection and that gambling facilities are available for customers to enjoy.
- 1.2 Ladbrokes Coral Group believes that the balance between the protection of the vulnerable and the freedom of the majority to enjoy their gambling is currently being met through the combination of a number of industry initiatives. As well as highlighting the responsible gambling systems and processes we have in place, and the static levels of problem gambling in the UK, we focus in this section on the positive impact of voluntary and mandatory limits and the role played by responsible gambling messages in reducing visit frequency and amounts staked on a machine. Additionally, we show that there is no difference in the levels of harm by deprivation quintile.
- 1.3 We would also note that the range of responsible gambling measures we have implemented since the last Triennial Review apply to all gaming machine content in our shops (including B3 games). This is not the case in any of the other sectors of the land-based gambling industry where B3 gaming machines are widely available, including Adult Gaming Centres, bingo halls, motorway service areas and casinos.

- 1.4 Given the range of player protection measures in our shops and the number of interactions with customers, we believe our colleagues are the most trained and skilled in the industry. Not only do our colleagues have to present excellent customer service skills, but also be adept at managing and maintaining our machines as well as spotting behavioural indicators of problem gambling. Our initial training and refresher courses in these areas ensure our colleagues are confident to fulfil this range of activities to the highest standards. This is why we can confidently claim that betting shops offer the safest responsible gambling environment to play gaming machines in the UK today.

2. Industry-wide responsible gambling practices

- 2.1 We are proud to be a founding member of the industry self-regulatory body The Senet Group. This is an independent body set up to promote responsible gambling standards across the industry. As a member, we have signed up to several responsible gambling commitments, some of which are directly related to machines. We would encourage the government to recognise that this level of protection does not exist elsewhere for machine players. These include:

- A voluntary TV advertising ban on sign-up offers (free bets and free money) before 9pm
- Withdrawing all advertising of gaming machines from betting shop windows
- Dedicating 20% of shop window advertising to responsible gambling messages
- Delivering a national responsible gambling advertising campaign
- Running responsible gambling messages in all our print advertising and across our websites.

We are also leading participants in the Association of British Bookmakers (ABB) and have worked with other members to formulate work focussed purely on player protection:

- | | |
|--|----------|
| • ABB Code of conduct | Sep 2013 |
| • Revised Code of conduct | Nov 2014 |
| • National Gamble Aware Week | Jan 2015 |
| • Enhanced measures for £50+ machine play | Apr 2015 |
| • Scottish Gamble Aware Week | Jul 2015 |
| • Player Awareness Systems (PAS) | Dec 2015 |
| • Independent review of PAS | Mar 2016 |
| • National Gamble Aware Week | Jul 2016 |
| • Refreshed top screen (of FOBTs) responsible gambling messaging | Jul 2016 |
| • Reduced mandatory time and spend alerts on gaming machines | Jul 2016 |
| • Roadmap for Player Protection in response to revised RGSB Strategy | Aug 2016 |

While we know that the vast majority of customers that use machines do so without experiencing any harm whatsoever, we want to provide the most protected gaming machine experience in the industry for our customers. Relying on research and listening to concerns raised, we set out to establish ground-breaking and significant protection measures. These include:

- Top screen responsible gambling messages occupying 25% of screen time
- Customers presented with limit setting choices as soon as they load cash
- Mandatory alerts highlighting play above 20 min or cash-in above £150
- £50+ staking only through logged account play or following an interaction with shop colleagues, enabling play to be tracked and analysed for indicators of harmful play.

3. Leading the sector on responsible gambling

- 3.1 Responsible gambling is a non-negotiable part of the way we do business at Ladbrokes Coral and we are proud to be demonstrating this commitment through two significant new areas of innovation outlined below:

EPOS system

Our new EPOS system is designed to capture customer play, whether they are registered account holders or anonymous. By seeking to link together various data on our customers we will gain a better understanding of their gambling patterns. Where relevant this can include information from their account card, but even when the customer is playing anonymously we will be able to use wi-fi, Bluetooth beacons and information from colleagues, as well as facial recognition in certain circumstances, e.g. for self-exclusion and Think 21.

- 3.3 The new EPOS system will alert our colleagues when action is required from them as well as providing instant access to advice and any necessary authority from other parts of the business. This is just one example of how technological advances will ensure we can offer a targeted approach to problem gamblers, without affecting the enjoyment of other customers. Whilst still under development, early prototypes have already been shared with the RGT, RGSB and the UK Gambling Commission.

YGAM Level 2 Qualification in Safeguarding and Harm Minimisation

- 3.4 Ladbrokes Coral is one of the key supporting members of the Young Gamblers Education Trust, a charitable organisation founded by a former problem gambler, to inform, educate and safeguard young people about problem gambling. We are proud to be working in partnership with YGAM to develop the UK's first set of nationally recognised qualifications around Safeguarding and Harm Minimisation for colleagues who work in the gambling industry. This qualification will be Level 2 and equivalent to a GCSE (A* to C) or BTEC. The course will cover a variety of elements including:

- identifying problem gambling behaviours;
- safeguarding measures for colleagues and customers; and
- understanding the motivations to gamble.

- 3.5 We are also supporting the charity in its broader schools, youth groups and university curriculum work. This work with YGAM is in addition to the mandatory internal training and refresher courses we run with our colleagues on harm minimisation. We hope others in the industry will follow suit.

GamCare Youth Hubs

- 3.6 As part of our commitment to responsible gambling we recently agreed to donate £180,000 to the national problem gambling support charity, GamCare, to help fund their Youth Programme. This funding will assist GamCare in establishing three 'youth hubs' across the UK, in Bristol, Birmingham and the North West, providing information, advice, early interventions, and links to treatment for young people.

- 3.7 The programme was first piloted in Bristol during 2015 and showed positive results. Professionals trained indicated that they have a better understanding of recognising and dealing with gambling problems in young people, and young people who took part in the programme fed back that they planned to reduce either the time or money that they spend on gambling.
- 3.8 Our donation will provide resources for additional regional youth outreach workers to provide free of charge workshops and training in their local areas, as well as materials and screening tools to assist local youth services professionals and teachers in identifying young people at risk. Each youth hub will also provide a structure for referrals to treatment for youth and young people who are vulnerable to gambling related harm.

4. Voluntary and Mandatory Limits on Time & Spend

- 4.1 In July this year we committed to strengthening the mandatory time and spend limits on FOBTs. Previously these were set at 30 minutes of play or £250 of cash inserted, but were revised down to 20 minutes and £150 respectively. We are confident these measures have already been effective in changing player behaviour, as is evident from our customer surveys and the analysis we have undertaken.
- 4.2 A *Your Say* panel survey of Ladbrokes customers in October 2016, specifically on gambling machine alerts, showed that single session per day customers mainly play for 20 minutes or less. However, 93% are aware of the messages that appear on screen and most importantly, two-thirds of customers have reflected on their playing behaviour as a result of these mandatory alerts. This includes, 'thinking about my gambling habits', 'reduced the amount I spend', 'reduced the amount of time I play' and 'reduced the number of times I play'. More than 70% of respondents said that they had changed their behaviour as a result of the messages.
- 4.3 In addition, we know from our own data that voluntary alerts are also a very effective way of players controlling their own behaviour on B2 machines. Typically, we have approximately 180,000 customers choosing to set limits on a weekly basis throughout the Ladbrokes Coral shop estate. Voluntary limits impact positively on player behaviour with around 85% of customers who set a voluntary limit stopping when they reach it. Of the remainder, around 50% go on to set another limit and will receive an interaction from a member of the shop team.
- 4.4 The headline numbers regarding voluntary limit setting and mandatory alerts cannot simply be looked at in isolation. Whenever customers receive an alert message, our shop colleagues are similarly notified. Flagging customer alert messages to shop colleagues gives them the opportunity to intervene directly with the customer if they judge it necessary. We therefore train our shop colleagues to both spot and deal with customers who are experiencing difficulty. All our colleagues are subject to mandatory training in this area, both when they join the company and as part of regular refresher sessions.

5. Player Awareness Systems (PAS)

- 5.1 The Responsible Gambling Trust research published in December 2014 showed that it was possible to identify 'markers of harm' when historic machine player data related to problem gamblers was analysed. As a result of this, Player Awareness Systems were launched on an industry-wide basis across all UK betting shops in December 2015.

- 5.2 Ladbroke's and Coral have been developing bespoke PAS over the past two years and, following the recent merger of the two companies, we will now be evaluating all the lessons learnt before deciding how best to proceed. It is already clear, however, that PAS will offer an important improvement in the way we can focus our support on players identified as being at a heightened risk of developing problems with their gambling.
- 5.3 We have, for example, been involved since November 2016 in an industry trial of responsible gambling messaging to assess the impact of different types of messages. The aim is to have industry-standard messaging across all operators.

Ladbroke's

- 5.4 Ladbroke's' approach to player awareness systems began in 2013 with the early development of an algorithm designed to identify problem play. Using seven markers of harm across both OTC and machine transactions, the model was built using the past behaviours of a known group of problem gamblers. A pilot was launched in 2014, before the process was rolled out across all regions: in autumn 2015 on machines; and OTC in spring 2016. To date, this is still the only OTC player awareness system in the industry.
- 5.4 Ladbroke's had its PAS independently evaluated at the start of 2016 using our chosen partner Bet Buddy which helped identify a number of short, medium term and strategic improvements.
- 5.5 Bet Buddy was also asked to explore the possibility of identifying problem behaviours relating to anonymous machine play and we are currently discussing the best way of obtaining further insight and incorporating the findings into our algorithms.
- 5.6 In addition to tracking account-based play through our PAS system, we also track exceptional occurrences of anonymous play, using a series of exception reports. The reports are generated by our Responsible Gambling Player Awareness Team based at our Gateshead audit centre:

Monitored Customer Report

The report provides running totals of losses by monitored customers over the past 12 months and an investigation report is completed on customers who have losses in excess of a defined threshold. The objective is to establish that all necessary steps have been taken by retail management on a Know Your Customer (KYC) basis including the source of their funds and whether we should warn them about their gambling levels.

High Cash OTC Report

The report provides details of any shops that have experienced a sudden increase in weekly turnover against the average of the previous four week period. Checks are completed to establish the reasons for the increase: in particular if this is down to an individual customer, and if so, are there any problem gambling indicators such as an increase in staking levels, and/or money laundering indicators.

High Cash Machines Report

The machine cash exception report provides details of any shops that have experienced an increase in the amount of cash inserted into their machines on a single day against the daily average for the

previous seven day period. Checks are completed to establish the reasons for the increase on the same basis as the High Cash OTC Report.

Debit Card Transaction Report

The debit card report provides details of OTC and machine pre-pay transactions funded by an individual debit card. Checks are completed to identify any problem gambling indicators such as increase in stake levels and/or proceeds of crime indicators, and to highlight possible non-compliance with the responsible gambling code.

- 5.7 Importantly, all these reports allow us to spot changes and trends in shops regardless of whether the customer is using their loyalty card (called The Grid) or not. Once an issue is identified, the Regional Manager is required to assess the situation and identify the customer concerned before recommending a course of action which will typically include action on problem gambling and an investigation of possible money-laundering or criminal activity.



Retail Algorithm

- 5.8 As previously described, the Retail Algorithm has been live across all Ladbrokes regions since the autumn of 2015 and generates messages on a weekly basis to customers whose behaviour is flagged. Customers are flagged when their behaviour changes against their own past behaviour. If a customer continues to demonstrate behaviour outside of their personal norm, then they will receive further messages which reflect their specific behaviour. These communications escalate over time, becoming more direct in tone, and result in them being removed from marketing communications:

- Week one – light-touch message encouraging the customer to gamble responsibly and set limits
- Week three – more direct; the message references their most problematic feature, e.g. spending more time or staking-up, and points to sources of help
- Week four - most direct message, referencing past messages and continuation of behaviours and mentioning sources of help and self-exclusion

At week four the customer is also the subject of an in-depth report compiled by the responsible gambling PAS team. Reports assess every aspect of the customer's activity in shop (and digitally if relevant); and includes examining shop CCTV to see how the customer behaves in a shop.



Coral

- 5.9 Coral has worked with a specialist company called Featurespace (a Cambridge University associated & Cambridge Science Centre based company) on its bespoke Player Awareness System.
- 5.10 PAS is one of three broad strategies which Coral uses to identify and assess when a customer may be vulnerable or at risk from gambling.
- *Behavioural* - Behavioural triggers are outward behaviours exhibited by a customer such as chasing losses, displaying anti-social behaviour, anger at their losses or a belief that the games are fixed. The display of any of these types of behavioural triggers should alert shop colleagues that the customer may be developing a gambling problem. This then prompts a discussion with the customer, the result of which is recorded electronically on our Customer Management System (CMS).
 - *Physical* - Physical triggers are defined measures. Once these are reached they will be highlighted by a system alert which is identifiable at the counter to shop staff. These require

a mandatory customer interaction. The triggers are as follows and all subsequent interactions are recorded:

- Customer exceeds voluntary (time/spend) limit
 - £500+ in a single debit card transaction and every card transaction thereafter
 - £500+ of Manager Loaded Cash (MLC) in a single transaction and every MLC transaction thereafter
 - Five debit transactions, and every transaction thereafter
 - Debit card declines following a successful transaction.
- *Analytical* – These triggers are connected with PAS. Our PAS analyses:
 - Connect Card play – Connect is Coral’s loyalty card scheme
 - DCMS £50+ play - customer accounts created as part of the DCMS regulations requiring customers to be verified in order to stake over £50 on machines in bookmakers
 - ‘Nom de Plume’ (NDP) session data – non-account based machine play can be tracked by linking the play to a profile for monitored customers created behind the counter by shop colleagues. Customers can be monitored for trading reasons or if responsible gambling concerns exist. Staff link the customer’s machine sessions to their NDP to enable their play to be analysed in the same way as account-based play.

5.11 The PAS produces a customer score based on twelve defined markers of harm that were identified and validated as part of the RGT machines research. These can be summarised under the following headings: Loss; Chase; Session Length; Frequency; Deposits; Stakes.

5.12 Based on the customer’s score, the customer will be sent an automated email or text (as appropriate) with responsible gambling advice and support information. In extreme cases, and where the customer is identifiable only by a NDP and so cannot be contacted outside the shop, there will be a review between Coral’s central Player Protection Team and the area manager. This review may then lead to a shop colleague making direct contact with the customer. The three levels of communication are:

- Level 1 text/email - light touch signpost to available tools, e.g. setting personal limits
- Level 2 text/email - stronger message with signpost to a dedicated microsite which includes self-assessment tools, budget calculator, self-exclusion options and further Responsible Gambling advice
- Level 3 will initiate a manual review by the Player Protection Team and area manager. Where overall gambling activity is identified as harmful colleagues speak directly to the customer on his/her next visit to the shop.

5.13 Coral’s PAS has unique features:

- It is able to highlight a sub-category of customers who would not normally be identified by their behaviour or staking patterns as it is not tied specifically to absolute staking levels.

- Coral is able to assign problem gambling indicator scores to NDP session data and thus interact with the customer if necessary. As part of the next development phase the Coral PAS will be able to send customer-specific communications to the screens of the FOBT that the customer is playing. As such, a much larger proportion of customers, whether they choose to play via an account or not, will benefit from these warnings tailored to their individual playing behaviour.

8. In summary

- 1.1 As a result of our recent merger, we have provided some data from our individual shop estates above, however there are a number of similarities in the output of our measures. We have highlighted the positive impact of both voluntary and mandatory limits and the role played by responsible gambling messages in helping customers who are at risk to self correct and begin to control their gambling. We have also highlighted the extent of measures we have in place to monitor and engage with customers who may be showing signs of gambling-related harm. Our systems and highly trained colleagues provide one of the safest responsible gambling environments to play gaming machines in the UK today.

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

1. Introduction

- 1.1 As we explain in our answer to previous questions, Ladbrokes Coral Group firmly believes that the current regulatory system in place for gaming machines is entirely appropriate, and should not be altered because of unfounded suggestions that machines have a particularly harmful impact on levels of problem gambling. There is no evidence to suggest that machines are any more harmful than any other form of gambling.

- 1.2 In this section we look at the adverse consequences that would result from regulatory change in a series of other areas: tax, employment, communities and sport.

2. Tax

- 2.1 The betting industry pays over £1 billion in tax each year to the Exchequer. The sector pays much more tax in relative terms than other industries, being subject to specific betting duties and irrecoverable VAT, unlike most businesses. Our tax bill represents 41.9 percent of GVA (compared to a 33 percent average) and 32% of revenue. This includes almost £80 million a year in business rates paid direct to local councils to support community regeneration and other facilities.
- 2.2 This tax burden has been rising in recent years with the increase in Machines Gaming Duty and the introduction of Point of Consumption Tax. Additional taxation on gaming bonuses has been announced that will cost Ladbrokes Coral Group alone a further £19 million per annum from 2018.
- 2.3 Substantially as a result of the introduction and subsequent increase of MGD, as well as the introduction of the DCMS £50 stake regulations, the EBIT of Ladbrokes Coral betting shops has reduced by 30%, despite 249 weaker shops being closed over the last 3 years which would tend to improve the average of the remaining shops. Nevertheless, despite the recent tax increases, we still continue to invest in our colleagues, our communities, local and national charities and sporting levies and sponsorship.
- 2.4 Ladbrokes Coral pay the higher rate of MGD on 100% of our gaming machines income due to B2 games being available for our customers, although B3 slots represent over 40% of the amount we win from our customers.

3. Employment benefits

- 3.1 As the largest retail bookmaker in the UK, we are proud to say we employ over 20,000 colleagues across the UK, who are hard-working, dedicated members of both our team and the local community in which they serve. Two-thirds of our colleagues choose to work part-time, to accommodate childcare arrangements, studying or other personal responsibilities. We are a flexible employer that enables people to work around their existing commitments.
- 3.2 Our CEO started his working life in a betting shop and we are committed to helping the next generation of young people get on the career ladder and build up their experience. In fact, over a third of our workforce are young people, under the age of 25. We also employ over 1,000 apprentices in the business, mainly in our retail estate, but also in our head office functions. We do not pay them the lower apprentice wage but treat them as equal members of the team. We have an excellent Females in Leadership programme too which supports and promotes successful women to managerial roles within the business. More than half of our retail workforce and 59% of our Shop Managers and Deputy Managers are female.
- 3.3 We also have a long tradition of celebrating the long service of our colleagues. A quarter of our colleagues have service of between ten to over thirty years. Each year we award over 100 of those who have reached the milestone of 20, 30 or 40 years with us, and a handful for over half a century. These long-serving colleagues are mainly in our retail estate rather than our head office, demonstrating that we are a key part of the local communities in which we have a licence to operate.

- 3.4 We reward our colleagues financially with annual bonuses, discounted travel and an average salary for retail colleagues at 17% above the Living Wage. Our ability to continue employing the number and range of colleagues outlined above would be dramatically reduced if we were to face further tax or regulatory measures as a result of this Call for Evidence.

4. Regenerating local High Streets

- 4.1 Ladbrokes Coral Group is present in nearly every town and major city across the UK. We have invested nearly £130 million in our local high streets since 2013 through a variety of shop refurbishments, refitting, updating technology and additional security measures in shops. This is part of our commitment to ensure we remain a viable part of the high street.
- 4.2 A recent survey by ESA retail found that 89% of betting shop customers combine their trip with visits to other local businesses, and more than half of the respondents said they usually spent more than £10 in other local shops during these trips. This provides strong evidence that the presence of bookmakers has a positive impact on local high streets, with nearly 40% of customers suggesting they would visit the area less frequently if their local bookie closed down.
- 4.3 Contrary to popular misconceptions that bookmakers have flooded the high street in recent years, Ladbrokes and Coral have closed 249 shops over the last 3 years. This compares to 86 over the previous 3 years. In addition 88% of Coral shops and 90% of Ladbrokes shops have been in exactly the same location for five years or more, dispelling the myth that bookmakers have clustered together in order to accommodate for customer demand on B2 gaming machines.

5. Supporting charitable partnerships

- 5.1 Our impact on local communities goes beyond commercial operations and demonstrates our intention to be a powerful force for good in the communities in which we operate.
- 5.2 The Ladbrokes Charitable Trust has donated over £8 million since its inception in 2003. In the last three years we have donated to approximately 300 charities, mainly of a small and local nature, that have a particular link with colleagues in their local shop. Examples of this include donations to the Teenage Cancer Trust after our colleague in Wales sadly lost her life to cancer at the age of 23. Two other colleagues who have worked for Ladbrokes for 36 years have raised £177,500 for Bloodwise after they sadly lost their daughter to leukaemia in 1997. Their fundraising efforts have included charitable football days, local dances and quiz nights. These are only a few of the excellent causes our colleagues support every year.
- 5.3 We also work with larger charity partners each quarter, including CRUK (Race for Life, Pink Week and the Bobby Moore Fund), raising nearly £300,000 in recent years as well as Starlight Children's Charity (£70,000 donation) and Barnardo's (£50,000 donation).
- 5.4 In our Coral shops, following a staff vote, we began our partnership with Children With Cancer UK, with the initial aim of raising at least £500,000 before the end of 2015. We soon exceeded this target, and aimed for £1 million. We are proud to say that in September this year we reached £2 million for this great cause and the total continues to rise.

- 5.5 It is not only through our Charitable Trust that we partner with good causes. We have also been a long-standing partner of the Coalfields Regeneration Trust since 2013, helping to facilitate the Dearne Valley Family Employment Initiative. This programme helps those who are furthest from the job market get into education, training or work through the help of a specialist and dedicated support worker. So far the programme has assisted over 200 people locally in the former coalfield area. We have also committed to establishing an apprentice placement in every former coalfield area, to further assist those looking to enter the job market at an entry level.
- 5.6 Our charitable activity can directly tackle social problems in our communities which are of concern to policy-makers, for example public health. Most recently, we have extended our partnership with Cancer Research UK (CRUK) through the creation of Community Boards in 100 of our shops, which promote health messages to our customers, in conjunction with CRUK. We believe this partnership is a great fit for us as many of our customers are of a demographic that fits with their at risk profile. By raising awareness in our shops we are hoping to remove the stigma of seeking help for medical problems.
- 5.7 We have included a variety of testimonials from our charitable partners, which we think powerfully highlights the work we do in conjunction with good causes across the country:

“The Ladbrokes Charitable Trust is an absolute delight to work with and a fabulously rewarding partnership. In our first project together, the team was quick to respond, professional and very supportive to everyone at Starlight. Always positive and can-do, they enthusiastically got involved whenever the opportunity arose and promoted our Christmas appeal so effectively that the financial target was exceeded by over 40 per cent. In addition to this, the Ladbrokes team gamely stepped up to the plate at the 11th hour when we asked for a large team of volunteers to help run our Starlight Summer Party for 800 poorly children and their families. Their dedication has been second to none and we very much appreciate everyone's generosity which is helping to transform the lives of very many seriously and terminally ill children across the UK.” **Neil Swan, CEO of Starlight, who we supported in December 2015.**

“The support of The Ladbrokes Charitable Trust made a valuable difference to The Silver Line early on in our history (we were founded in November 2013). As their Christmas charity partner in 2014 we were able to raise awareness of our service to older people (particularly men who are harder to reach) through their network of branches across the country. We were delighted to see staff so engaged with the partnership and the donation of £75,000 made a real difference to The Silver Line enabling our helpline to answer thousands of calls from lonely and isolated older people.” **Sophie Andrews, CEO, The Silver Line**

“At Cancer Research UK, we're delighted to be a long standing charity partner of Ladbrokes, with the company's support of campaigns such as Breast Cancer Awareness, Stand Up to Cancer, Race for Life and the Bobby Moore Fund raising more than £500,000 for our life saving research. We are also pleased to be working on a health partnership pilot with Ladbrokes; it is a great opportunity for us to gain a deeper understanding of their customers' attitudes and awareness of cancer, so that in the future we can work together to help tackle cancer inequalities in communities across the country. Cancer Research UK is the world's leading cancer charity dedicated to saving lives through research. Cancer survival has doubled over the last 40 years and we have been at the heart of that progress. But there's still so much more to be done. Our ambition is to accelerate progress to 3 in 4 people surviving cancer by 2034, but this will only be possible thanks to partnerships with supporters like Ladbrokes who help to fund the crucial lifesaving work of our 4000 doctors, nurses and scientists who

work tirelessly to bring forward the day when all cancers are cured.” **Frances Milner, Executive Director of Philanthropy & Partnerships**

“Thank you so much to all Coral shops for hosting a World's Biggest Coffee Morning and raising a fantastic £86,976.68 for Macmillan Cancer Support. This is a fantastic achievement for everyone involved in baking cakes, dunking biscuits and raising mugs. You've all made time for what really matters; helping people living with cancer have the best team in their corner. From all of us at Macmillan, thank you.” **Macmillan Cancer**

“We have to say a huge thank you so much to Coral staff for your incredible support of Children with Cancer UK. Our fantastic partnership is the biggest and most successful partnership both the company and charity have ever had, showing just how engaged Coral staff are in our cause. The money they have raised has and continues to help children and young people throughout the UK fighting for their lives. I have loved working with your dedicated team and look forward to continuing our partnership together until the end of 2017.” **Jayne Falconer, CWC UK Major Relationships Manager.**

“The Trust is extremely proud of our collaborative relationship with Ladbrokes. Many of our former mining communities are amongst the most deprived nationally and the £126,000 received from Ladbrokes over recent years has been invaluable in sustaining our employment project in South Yorkshire. Without this funding this project would have ceased.

“The area targeted through this work has extremely high levels of adults without qualifications and who are out of work on benefit. Our project provides bespoke support to individuals, often breaking down many of the barriers they face, to help them back into work. To date, the Ladbrokes funding has helped us provide tailored support to 306 people of which 128 have secured a job and 68 have taken up training or education opportunities. This makes a huge difference to their lives, the lives of their families and the wider community.

“Our team has also worked closely with the HR team at Ladbrokes in helping to shape a community module of their apprenticeship programme. It embraces Ladbrokes ambition to connect with the communities it serves. We welcome the apprenticeship opportunities being created for our young people in the coalfields and to our continued partnership with Ladbrokes moving forward.” **Gary Ellis – CEO, The Coalfields Regeneration Trust**

6. Support for British sport

- 6.1 We are proud supporters and sponsors of British sports, particularly horseracing with which we have been linked for our entire existence. Horseracing relies heavily on both the Levy and payments for media rights. However, this revenue is closely linked to the number of betting shops. Payments from the high street betting industry to the UK horse racing industry could be expected to decline significantly if a reduction in B2 stake/prize levels resulted in the closure of numerous betting shops.
- 6.2 The most significant impact on horse racing would be from the inevitable reduction in payments for media rights which currently stand at an average of over £30,000 per shop per annum. Any reduction in LBO shop numbers will lead to a loss of media rights payments to the racing industry in direct proportion to the number of shops closed. A recent report for DCMS by Frontier Economics placed the value of media payments paid to horse racing by betting shops at £127.8 million in 2014.

6.4 In addition to our Levy and media rights payments, we sponsor a number of classic British, Irish, Scottish and Welsh races throughout the year, not to mention the Welsh Grand National, Scottish National, Punchestown Festival and the Sandown Eclipse, totalling several million pounds.

6.5 Our colleagues have a real passion for sports and we know our customers love to follow great national sporting events. That is why we committed to sponsoring both the RFL Challenge Cup in 2015 and the Scottish Premier Football League, as well as recently becoming one of the official partners of the Football Association. In both of these cases, the sports were struggling to find a sponsor, but knowing our customers enjoy betting on their favourite sports, we realised it would be a great fit for us. However, we are also determined to support grassroots sporting clubs too. That is why we stepped in and saved East Stirlingshire FC from financial disaster by agreeing to become their official shirt sponsor for the 2016-2017 season. This decision reflects our recognition of the importance of sport in local history (as East Stirlingshire was Alex Ferguson's first club) and highlights our commitment to be more than just a betting business. However, we would be severely restricted in the amount we could continue to invest in sport if we were to face any further changes to the existing balance on gaming machine regulation.

7. Displacement and illegal gambling

7.1 Any regulatory decision affecting our machines is likely to have negative consequences for levels of problem gambling, apart from being unjustified on an evidential basis. Machines are popular with our customers, who will look elsewhere: perhaps to less well-supervised alternatives, perhaps to illegal options.

7.2 We know from the DCMS £50 evaluation report that many customers simply change their behaviour to avoid bureaucracy. Therefore, the more we restrict their ability to play in bookmakers, the more this is likely to drive them to other channels which do not have the same level of supervision or intervention as high street bookmakers.

7.3 As an example, casinos offer far higher stakes and prizes on games than are available in bookmakers. Casinos also permit the sale of alcohol and, in all cases, are open for business much later into the evening. The combination of alcohol and time of day were shown to be linked to higher incidences of problem gambling by the RGT research. This was the reason that bookmakers voluntarily restricted their opening hours to no later than 10pm. Adult Gaming Centres (AGCs) have less staff to machine ratios than betting shops and many motorway service stations have no colleagues to monitor behaviour at all, but rely instead on CCTV.

- 7.4 In contrast, betting shops are limited to 4 machines, with a minimum of one trained colleague (and, mostly, at least two) always present and able to intervene with any customers who show signs of problem gambling. Also, betting shops are not permitted to sell alcohol. The Government must ensure that any suggested changes to the existing balance of gaming machine regulation does not encourage a race to the bottom, away from the tightly supervised and regulated environment of a betting shop.

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.

1. Introduction

- 1.1 We believe the current allocation of gaming machines is appropriate and would therefore not support any reduction or increase in the number of machines across the industry. In fact, a reduction in the number of machines in betting shops would have unintended and unwelcome consequences.

2. Displacement of problem gambling

- 2.1 The Government must consider the displacement effect of restricting the availability of machines in a single sector of the industry. As above, betting shop are the most highly supervised and tightly regulated place to play machines in the UK. Displacing customers to other land-based facilities, online or, worst of all, into the illegal market would have precisely the opposite effect of the one that the Government seeks to achieve. Problem gamblers use multiple products and attempting to tackle the issue by restricting a single product unlikely to have any impact.
- 2.2 The RGT 2015 report concluded that there is no single marker of harm when it comes to problem gambling and therefore that targeted, incremental intervention is needed. It concluded that more will be achieved by a strategic approach compared to a fragmented, disjointed and potentially costly policy that would fail to achieve its objective, and "that a focus on a single factor such as reduction of stake size will not effectively prevent or reduce gambling harm."⁹

3. No international evidence linking machines and problem gambling levels

- 3.1 There is no international evidence to suggest that reducing the number of machines actually leads to a decline in problem gambling. In New Zealand, for example, between 1991 and 1999, the problem gambling rate declined considerably despite gaming machine numbers doubling and gaming machine expenditure trebling. In contrast, between 2006 and 2010 the problem gambling rate increased, despite a significant fall in number of gaming machines, and between 2010 and 2012 the problem gambling rate stayed the same, despite a continual decline in gaming machine numbers.¹⁰

⁹ David Excell, Georgiy Bobashev, Daniel Gonzalez-Ordóñez, Heather Wardle, Tom Whitehead, Robert J. Morris, Paul Ruddle (2014), Report 3: Predicting problem gamblers: Analysis of industry data Gambling machines research program, p. 5

¹⁰ Gaming Machine Gambling Statistics and Research Paper, September 2016

- 3.2 As already highlighted above, rates of problem gambling in the UK today are the same as (actually slightly lower than) the rate in 1999, when there were no FOBTs (and no online gambling or TV advertising).
- 3.3 There is absolutely no evidence of which we are aware that suggests a causal link between problem gambling and the number of gaming machines.

4. Economic impact

- 4.1 We would highlight the economic impact of any reduction in the number of gaming machines in betting shops. Betting shops have seen significant EBIT erosion in recent years (in the case of Ladbrokes Coral, down 30% in the last 3 years), driven by a combination of declining stakes in core sports, increased taxes as outlined above and increased regulation (particularly the reduction to £50 stakes for non-account customers). EBIT per shop is now under further pressure with negative revenue growth, driven by online migration and further responsible gambling measures. This is leading to a decline in betting shop numbers as it is increasingly difficult to keep unprofitable shops afloat. At Ladbrokes Coral we have closed 249 shops in the last three years, compared to just under 90 in the previous three years. The tax changes and increases in regulation have also led to a sharp rise in M&A activity, industry consolidation and job losses. This is evidenced in the merger of Paddy Power Betfair, our own merger (Ladbrokes Coral Group) and the ongoing industry activity, both confirmed and speculated on other proposed tie ups.

5. Existing local regulation

- 5.1 Local Authorities have an existing range of powers to ensure betting companies meet the requirement to protect the vulnerable from gambling related harm. These include, but are not limited to, the powers under Article 4, planning laws and the recently updated Gambling Act statement of principles. Section 1 of the Gambling Act 2005 determines the grounds on which an application for a premises license should be judged:
- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
 - Ensuring that gambling is conducted in a fair and open way
 - Protecting children and other vulnerable persons from being harmed or exploited by gambling
- 5.2 The Gambling Commission's guidance states that a licensing authority cannot make decisions based on moral or ethical objections to gambling: "In deciding to reject an application, a licensing authority should rely on reasons that demonstrate that the licensing objectives are not being, or are unlikely to be, met, and such objections do not relate to the licensing objectives. An authority's decision cannot be based on dislike of gambling, or a general notion that it is undesirable to allow gambling premises in an area (with the exception of the casino resolution powers)."
- 5.3 Suggestions that local authorities should have powers to determine the number of machines in betting shops in their areas, or should be able to prevent machines being installed in new betting shops, lack any justification, and would damage our right to operate, and our customers' right to enjoy gambling. Machines are not more or less harmful simply by being in one local authority or another. A national system offers predictability, fairness and allows

all the evidence to be analysed dispassionately by Government and the Gambling Commission.

- 5.4 It should also be noted that, following recent changes to planning laws, local authorities now have the ability to determine whether new betting shops open in their areas. Betting shops are now treated as sui generis under planning law, which gives local authorities the highest level of discretion they have ever had on controlling shop numbers.

6. Effective control of machines in bookmakers

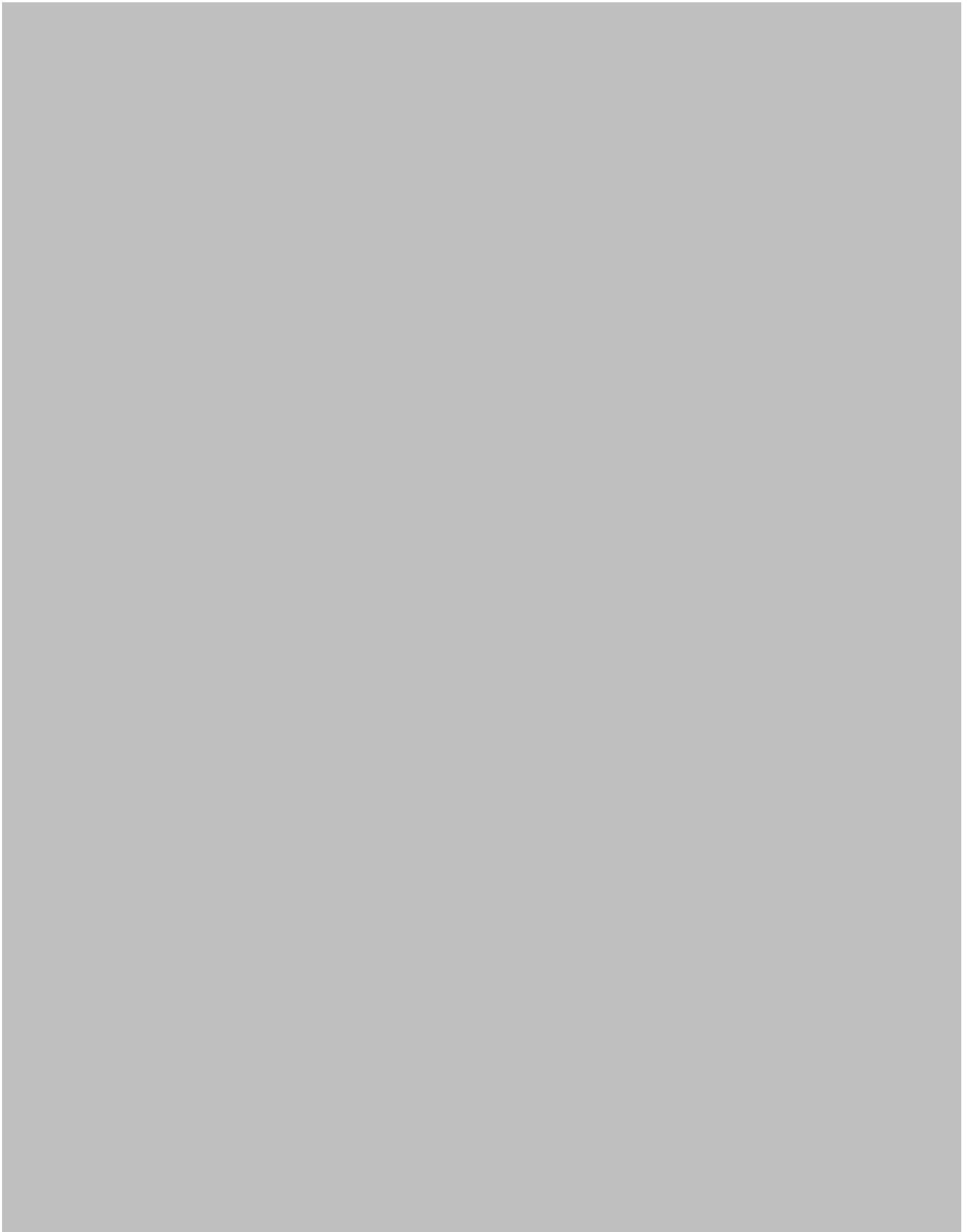
- 6.1 Betting shops mandate customer tracking / interaction for staking above £50 per spin consistent with the DCMS regulations. As we have outlined above, staking at £50 on B2 roulette has a loss rate broadly equivalent to staking £2 on a B3 slot. It is therefore appropriate to compare directly the supervision in betting shops with other parts of the industry, particularly AGCs which can have up to 20% of their machine numbers as B3 machines.
- 6.2 If we compare the level of colleague interaction and control measures in a betting shop to an Adult Gaming Centre (AGC), the difference is stark. In our shops, we have a minimum of one member of staff monitoring a maximum of 4 machines, whereas the number of staff per machine ratio is lower in many AGCs.
- 6.3 Quiet apart from staff ratios and the far superior harm prevention measures in place in betting shops, betting shops are physically small spaces, ensuring that our colleagues constantly monitor customers for signs of problem gambling, something that simply cannot and does not happen in other gaming venues. Customers using machines in betting shops are more protected than machine players in any other gambling venue.

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.

1. Introduction

- 1.1 As set out in our response to Question 2, we have implemented a number of social responsibility measures since 2013, including mandatory and voluntary alerts on FOBTs, a multi-operator self-exclusion scheme and Player Awareness Systems. Each of these measures has helped customers to change their gambling habits. Some techniques seem to work better in areas of higher deprivation.

¹¹ IMD quintiles as defined by the Government,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464430/English_Index_of_Multiple_Deprivation_2015_-_Guidance.pdf



¹² Please see our above response to Question 2, section 5.10 for further detail

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

We fully accept that there is always more that can be done in the area and support the ABB's response to this question. We would however suggest that all customers using machines to gamble, irrespective of the venue or category of machine should have the safeguard of consistent player protection tools to encourage them to gamble safely, sensibly and in a controlled manner. We would be happy to share the technology developed within our sector to improve player protection across the industry.

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?

1. Introduction

1.1 As founder members of Senet, we acknowledged the concern felt over the issue of advertising of gambling.

2. Evidence-base

2.1 While we support the Senet answer to this question that there is no evidence that gambling advertising is having a harmful impact on children or vulnerable people, we do believe it was right to have voluntarily put a number of measures in place to promote responsible gambling through this median (via the Senet code commitments which we outlined in answer to question 2).

3. Level playing field

3.1 We do have some sympathy with both the public and the Secretary of State about the perception of there being too much industry-wide advertising on television. Although a lot of this advertising is not related to sports betting (encompassing things like the National Lottery), we think it right that there is a discussion on the existing codes suitability. However, it is important that any further regulation strikes the right balance in promoting a competitive environment for the benefit of the consumer, creates a level playing field across the wider gambling sector and does not unfairly hit some of our great British sports which benefit from these advertising links, namely horseracing. We would therefore strongly encourage the Government to exempt horseracing from any potential crackdown on advertising restrictions.

3.2 Ladbrokes Coral Group is open to a wider discussion with the Government on advertising, to ensure that proactive companies are not penalised at the expense of other competitors.

Conclusion

Throughout this submission we have tried to meet the Government's requirement to provide answers supported by evidence.

In our view the data demonstrates that B2 games are both popular and played responsibly in all but a tiny minority of cases. As such, they are precisely the same as every other gambling product in every location, whether a betting shop, casino, AGC or online. We do take the tiny minority of problem gamblers very seriously, but public policy must also take into account the freedom of the vast majority of customers to enjoy gambling.

The demonisation of FOBTs has resulted from a combination of factors: disapproval of gambling per se; pressure from competitors; well-funded (in some cases by competitor sectors) campaigners armed with eye-catching but misleading statistics; and a false nostalgia that sees some forms of gambling as acceptable and others, in particular non-sports betting, as unacceptable.

In particular, two misleading statistics have been at the centre of anti-machine campaigns: the claim that £18,000 can be lost per hour; and that the gross staking levels in a given community are a

reflection of gambling losses. This use of statistics seeks to deliberately distort the reality. In addition, problem gambling levels have remained stable since the introduction of B2 machines, therefore negating any claims that this product is more addictive than any other form of gambling.

However, responsible gambling is a non-negotiable part of the way we do business and whilst we have taken great strides in this area since the previous Triennial review, we have committed to continue our work in this area, as part of the ABB roadmap.

We must reiterate that while campaigners attempt to mislead, the jobs, shops and tax payments derived from machines are absolutely real and under threat. Disproportionate regulatory intervention would put people out of work, add more boarded-up premises to decaying high streets, leave the Treasury with less money at a time when protecting public revenues is essential and have a potentially cataclysmic impact on the finances of the horseracing industry.

On that basis and the fact that there is no empirical evidence to suggest a change to the existing regulatory framework would assist the small number of people who suffer from gambling-related harm, we would respectfully request that the Government maintains the status quo, whilst allowing the industry to continue to implement targeted, technological and face to face interventions, where needed.

On advertising, we would support a co-ordinated discussion on the ability to address public concern with the proliferation of advertising on TV.

Glossary of terms for Ladbrokes Coral Triennial Review response

- **FOBT** is a Fixed Odds Betting Terminal, or gaming machine that uses software randomly to determine the outcome of games. They are electronic machines that play a variety of games, including roulette. Each machine accepts bets for amounts up to a pre-set maximum and pays out according to fixed odds on the simulated outcomes of games.¹³
- **B2 gaming machines** are Fixed Odds Betting Terminals. They have a maximum stake of £100 and a maximum prize of £500.¹⁴ Players can place a new bet every 20 seconds on a B2 machine.
- **B3 gaming machines** are more commonly known as slots machines. They have a maximum stake of £2 and maximum prize of £500.¹⁵ Players can place a new bet every 2 seconds on a B3.
- **The Speed of play** is the time allowed for each game cycle, or on roulette each spin. This is 20 seconds on B2 machine, 2 seconds on a B3 machine.
- **A spin** is one spin of the roulette wheel.
- **Roulette play** is the most popular game played on a B2 machines. Winnings are derived from spinning a wheel where players can place bets on a range of numbers, colours and columns.

¹³ <https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/social-protection/fixed-odds-betting-terminals/>

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/73077/Con_Doc_Triennial_review.pdf

¹⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/73077/Con_Doc_Triennial_review.pdf

- **Account based play** allows players to access up-to-date and accurate information in the form of activity statements and real time information about their session of play.¹⁶ Only players with registered accounts are able to stake more than £50 on a FOBT without supervision from a shop manager.
- **Stake** is the sum of money gambled on a single play of the machine. For example, on roulette a player may bet £10 on red, £5 on the number 7 and £5 on the number 12. Here the total stake would be £20.
- **Spend** is the amount of money a customer puts into the machine or loads onto their card.
- **Problem gambling** is gambling that disrupts or damages personal, family or recreational pursuits.¹⁷
- **Session length** is the total duration of time spent gambling in one given period.
- **Session loss rate** is the total amount of money lost per minute during a gambling session.

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¹⁶

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493714/Evaluation_of_Gaming_Machine__Circumstances_of_Use___Amendment__Regulations_2015.pdf

¹⁷ <http://www.rcpsych.ac.uk/healthadvice/problemsdisorders/problemgambling.aspx>