

## **William Hill's Response to the Triennial Review**

**The Government is right to be concerned about the prevalence of problem gambling and with the protection of children and the vulnerable; we entirely agree with this approach. However, decision making should be born from empirical evidence and not anecdote and sentiment as often expressed by campaign groups, Local Authorities, sector competitors and the media. We also accept the theoretical need for the operation of the 'precautionary principle' but, this principle is reserved for policy makers where, there is the possibility of harm when, extensive scientific knowledge is lacking; this is simply not the case in this particular situation.**

### **Executive Summary**

- There is no conclusive evidence which would justify a B2 stake cut. Existing staking behaviour does not appear to be influenced by current limits and stake size is neither the B2 behavioural marker nor one of a limited set of behavioural markers for problem gambling. See independent study by Decision Technology (appended).
- Over the past three years, the retail betting industry has made great strides in its commitment to providing data for research and developing a transparent harm reduction programme including better messaging, increased opportunity for interaction, more effective self-exclusion and the introduction of ground breaking player awareness systems (algorithms).
- A number of sources (including "ground breaking" RGT research) has found that focusing on one element of gambling alone—such as the reduction of stake size—will not provide a better prediction of problem gambling nor decrease the rates of gambling harm.
- Problem gambling exists at all staking levels and across all gambling products. Problem gambling is most prevalent in spread betting and poker in public houses.
- Disproportionate emphasis should not be placed upon isolated research where it has been heavily caveated. e.g. the RGT loyalty card research was not representative of the entire player base and prevalence study secondary research suggested that higher B2 problem gambling prevalence rates were not statistically significant.
- A stake reduction in relation to the B2 product may have unnecessary negative effects such as the displacement of problem gambling activity to the illegal market or, other forms of gambling (such as AGCs or casinos) where players would be currently less protected.
- The significant progress made (and roadmap ahead) around gaming machines in the retail betting sector should provide a socially responsibility requirement for other sectors. Gaming machines operators (regardless of sectoral location) should facilitate the setting of limits (financial and time), incorporate automated pop-ups and time-outs and have algorithmic underpinning to enable messaging.
- One consequence of cutting B2 stakes in areas where there are casinos will be to drive customers into an environment where there is ready access (most casinos no longer operate membership schemes) and even higher stakes are available on tables and through electronic roulette. In Newham, William Hill has seen a reduction in B2 profits because many customers now use Aspers casino at the Westfield shopping centre. This is a "walk in" environment where alcohol is freely available to the same customer base.
- Whilst policy makers, under pressure from campaigners and the media may be tempted to act on a precautionary basis, due consideration must be given to the negative social effects of

cutting stakes and the potential serious economic consequences to a responsible industry. Any precautionary measures must be proportionate, reasonable and objectively justifiable with due weight given to ALL factors.

- A significant maximum stake reduction on B2 gaming machines, leading to a disproportionate and unjustifiable impact on the retail betting industry (including many shop closures and job losses) would significantly disrupt the progress of the responsible gambling agenda which, has been primarily supported and funded by the betting industry.
- Levels of public concern around the issue of B2 gambling machines have been amplified by campaign groups and politicised by certain local authority and other political groups. Much of the campaign activity is funded by commercial interests (specifically the Campaign for Fairer Gambling and the APPG on FOBTs) whose objective is to make B2 gaming machines less attractive to customers - to the benefit of their sectors.
- For most of the 400 local authorities, gambling hardly touches the regulatory radar (in terms of public complaints) and those who are vociferous on this issue have generally failed to provide any empirical evidence of wider community harm.
- Any properly constituted regulatory and financial impact assessment will demonstrate the negative impacts of a reactive and un-evidenced retreat behind precautionary principles, which may be expedient but, have nothing to do with gambling related harm.
- The racing industry is dependent upon retail betting both in terms of media rights and levy income. [redacted]
- It is only within the last three years that the RGSB and the RGT have provided a clear strategic lead in this area with published strategies. The retail betting industry has responded positively to these strategies and aligned with them. Simply because the pace of research or the findings do not suit anti industry campaigners or certain media outlets does not mean that progress is slow. There is no evidence that the retail betting industry is dragging its heels in this area, nothing could be further from the truth.
- There are far more effective regulatory interventions than stake reduction which are currently being trialed and developed by the retail betting industry and any changes should be progressed by way of structured and properly evaluated trials.

## **Introduction**

William Hill is a major operator of retail betting shops with some 2,300 betting shops across Great Britain and Northern Ireland. Within this retail estate there are around 2.9 billion transactions per annum, with gaming machines now providing over 50% of betting shop revenue. A total of 13,000 colleagues are employed within our retail division; 52% of all colleagues are female and 24% are between 18 and 24 years old.

Betting shops were legalised in 1961 and, are primarily located in inner city areas where there is density of population, footfall and a demonstrable demand for gambling. Betting shops were legalised to ensure that demand for gambling was met by regulated operators (as opposed to an illegal market) and this fundamental principle still holds good today. The ability to capture a transactional based tax was also a natural consequence of legalisation.

The Gambling Commission have evidence which clearly demonstrates that even in areas where some contend there are “too many” betting shops, that illegal supply still partially satisfies demand. For

example, illegal gaming machine seizures (including B2 type machines) in inner London Boroughs such as Haringey and Hackney prove out this point.

Gambling is primarily demand led. When an additional betting shop is opened by a rival operator, this does not necessarily create new demand; rather, profits are simply watered down between the greater number of shops in a particular location.

Until the inception of the Gambling Act 2005 (operable from September 2007) operators, like William Hill had to provide evidence to Magistrates Courts (who were responsible for premises licensing) that latent demand existed to justify the granting of an additional betting shop licence. The removal of the demand test provided some market liberalisation and, an opportunity for new companies to enter the market but, there is now clear evidence of declining overall shop numbers within the sector. This is evidence of a properly functioning demand side market.

Betting shops and betting shop products meet customer demand and in that sense, are no different to any other retail offering. The growth in popularity in digital gaming machines reflects a natural societal shift towards digital entertainment and away from the traditional sports dominated over the counter products.

It is important to note that over recent years, growth in betting shop profitability has been relatively flat. Whilst OTC profits have declined, they have been replaced by the increasing popularity of both B2 and B3 content. Although B2 remains popular (60% of gaming machine revenues) current gaming machine growth is being driven by category B3 content.

**Whilst inner city Britain has changed in nature, betting shops and betting shop products simply meet demand for gambling in areas where generally there is a rising level of population. In the William Hill estate, over 70% of our betting shops have been in the same location for over 20 years; they are an integral part of local community life.**

***Q1: What, if any changes in maximum stakes and/or prizes across the different categories of gaming machines support the government's objectives set out in this document? Please provide evidence to support this position.***

In answering this and other questions, we have in mind the following issues

- The Government objective in striking a balance between supporting betting sector growth (or avoiding disproportionate commercial damage) and the need for a socially responsible betting sector that is focussed on protecting customers and communities.
- The Government's position that, following the 2013 Triennial review, the industry must make further data available for research and co-operate with the ongoing research programme
- The requirement for the betting industry to satisfactorily develop harm reduction measures and submit them to evaluation
- The tightening of regulation concerning B2 gaming machines in terms of the so called "£50 journey" that introduced a supervision requirement for stakes above £50.
- The developing research and evaluation relating to the effectiveness of industry harm reduction measures (primarily developed by the betting sector).

“Fixed Odds Betting Terminals”, which primarily allowed customers to make fixed odds bets on a digital representation of a roulette have been present in betting shops since 2002.

Stakes and prizes (maximum £100 stake - £500 prize) were originally controlled by a self-regulatory code agreed by members of the Association of British Bookmakers. The Gambling Act 2005 categorised games with a £100 stake and £500 prize as category B2 games and permitted such games in betting shops and casinos. Casino uptake on these machines has been limited, because the regulatory framework allows casinos to operate “electronic roulette” terminals with unlimited stakes and prizes (linked to table games); this is in addition to casino gaming machine allowances/ratios.

Despite liberalisation in other sectors (increases in B3 gaming machine allowances in Adult Gaming Centres and Bingo halls and linked jackpots in casinos) as well as stake increases on category B1 machines in casinos, there has been no rise in the B2 stake since 2002. In reality, the introduction of the £50 journey has already halved stakes on the B2 product; with only 1% stakes now levied at the B2 maximum.

It is important to note that a rise in category B1 stakes in casinos (£2 to £5) increased casino house win by an average of 7% but, evidence surrounding possible increasing harm was inconclusive<sup>1</sup>.

The Reno model<sup>2</sup> (a science based set of strategic principles for developing, implementing and maintaining responsible gambling activities) provided a number of warnings in this area. The article describes how in the absence of empirical evidence, gambling operators, regulators and public policy makers rely on “scientific data” which, often rests on face validity, opinion and partial or inconclusive research. Policy makers then respond to public pressure by adopting the adage of “something has to be done, this is something, therefore this has to be done”.

This could apply to the un-evidenced suggestion that stake cuts (or a resistance to increase stake limits) would have any positive effect on the levels of gambling related harm. Schaffer<sup>3</sup> (conceptual Risks in Addiction) argues, that “.... When something seems so obvious that it goes without question, it is probably not that obvious”. This tends to mitigate against the idea of an un-evidenced precautionary approach involving arbitrary stake reduction. Whilst there is no conclusive evidence base to suggest that stake reduction reduces overall levels of gambling related harm, equally, the importance of socially responsible provision/operation is fully accepted<sup>4q</sup>.

The structure of B2 gaming play also needs to be considered; because of the stake cap (£500), the maximum amount that can be staked on any single number is £13.85. This means that customers, at whatever stake level, generally cover a number of other options on the board. This reduces both risk and volatility. Very few, if any players bet simply on black/red or odd/even when deploying a maximum £100 stake.

The return to player (RTP) percentages on B2 games are also material; the RTP (being the operator’s effective gross win) is set at less than 3%. It is also therefore right in this context, to consider that

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<sup>1</sup> Evaluating the impact of the uplift of stakes and prizes on B1 gaming machines in casinos Authors: David Forrest, Ian McHale, Heather Wardle Date December, 2015.

<sup>2</sup> Evaluating the Reno model: Responsible gambling evaluation guidelines for Gambling operators, public policy makers and regulators: Gaming Law review and economics 2016 - Ladouceur, Blaszczynski, Shaffer and Fong

<sup>3</sup> Schaffer: Conceptual crisis in the addictions: substance treatment in addictions 285, 286 (1986)

gaming machine players' churn their stake and recycle winnings, around five times on average, thereby demonstrating that this is primarily an entertainment product (at whatever the staking level). In considering any proposed changes to B2 stakes, there are two major pieces of evidence to be considered. Firstly, the RGT research into gaming machines in betting shops and secondly the effect of the so called "£50 restriction", which has already effectively halved the maximum stake.

#### **RGT Research**<sup>4</sup>

Briefly summarised, this established the following:

- The researchers 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. Problem gambling is complex and all interventions must be evaluated and tested for efficacy.
- There are significant gaps in knowledge around what patterns of harm are most likely to suggest that someone is experiencing harm. However, the research provided a useful starting point by identifying what might be measured using industry data and making suggestions about what else is needed.
- In looking at staking patterns for gaming machines in betting shops between September 2013 and June 2014, researchers had access to data from 8297 shops, 32,650 machines, 6.7 billion individual bets and 178 million machine gambling sessions. Regional analysis revealed that machine use was most prolific in London.
- Most bets were placed in the afternoon on Fridays and Saturdays.
- The greatest number of bets were placed on sessions which involved B3 category games only (which have a maximum stake of £2); more than 2.5 billion over this time, compared to sessions involving B2 category games only, where 1.9 million bets had been placed.
- London had the highest mean stake size per bet at £6.91, followed by the North West and West Midlands (both £5.04). The lowest mean stake size was in the East Midlands (£3.92).
- Mean stake sizes were higher in the most densely populated areas in Great Britain; £5.81 compared to £4.70 in less densely populated areas.
- Staking in deprived areas was lower.
- There were sharp increases in the mean stake size in the evening; stake sizes slowly rose throughout the day to £5.76 at 8pm then rose to £6.57 at 9pm.
- Sessions lasted 11 minutes on average. Session length was longer when people played both B2 and B3 games (around 23 minutes on average).
- It is evident that identifying harm is likely to require a more holistic approach to understanding behaviour and consideration of several different behavioural markers at the same time.
- Caution was urged in applying discovered problem gambling rates for loyalty card holders (23%) across the entire cohort of gamblers. Loyalty card holders were highly engaged in gambling and gambling across multi products.
- Machine gambling behaviour is clearly dynamic and changes over time, with people starting, stopping and switching between machine and sports gambling. This means there is a likely to be a diverse range of experiences among machine players at any given time. Responsible gambling interventions and communications should reflect this diversity and reach needs to cover as many different types of people as possible.

**This research is the largest scientific study of gaming machine data that has taken place in the world to date and, it is conclusive in a significant number of areas. The fact that it did not associate staking levels with problem and at risk gambling cannot simply be ignored.**

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<sup>4</sup> RGT Research – Gaming machines in betting shops 2014

## **Evaluation of the £50 Journey**<sup>5</sup>

The second major piece of evidence that needs to be considered is the DCMS evaluation of the “£50 Journey” in January 2016. Having evaluated this regulatory restriction, it was concluded that players were likely to be taking a more considered approach to their gambling.

There is little doubt that introducing an effective cap on player stakes has influenced player behavior. Whereas the RGT research found that around 2-3% of players were staking at £100 only c1% of the player base now reach this level.

Stakes from those players staking above £50 have now reduced from 41% to 14% and greater levels of staking is now derived from players staking between £40-£50.

Despite efforts to raise the levels of loyalty card use the majority of customers do not want cards and are averse to the bureaucracy of a disrupted journey for machine gambling.

The introduction of this journey resulted in a significant financial impact for the industry (a 6% reduction in gaming machine revenues). To impose the same sort of restriction on the £40-50 staking band would create a much greater level of disruption for non-problem leisure customers.

## **Where B2 sits in the Regulatory Pyramid**

B2 gaming machines have been described as “outliers” in comparison to other gaming machine categories but, when one looks at “actual” play patterns (as opposed to theoretical play patterns) revealed by the RGT research then, this is proved not to be the case.

At £50 stakes, hourly loss rates on B2 gaming machines (spin speed 20 seconds) are £243 (almost the same as the theoretical hourly loss on B3 gaming machines). When one looks at the hourly loss rate based on the William Hill average stake of £18 (higher than the RGT assessed average) then the loss rate is £88. It should be remembered that the average session length was found to be 11 minutes.

It is also relevant to consider the effect of spin speeds in terms of real data as opposed to the theoretical 20 second spin speeds. Industry analysis shows that the average game cycle duration in seconds for roulette (the most popular B2 game) is 37.3 seconds.

It is also important to note that over 51.55% of all roulette spins are greater than 30 seconds in length and over 72.3% are over 25 seconds in length. We understand that the industry average is currently 37.3 seconds having shown no significant change as a result of the introduction of the £50 journey. Therefore, when looking at actual play rather than theoretical loss and with due consideration of spin speeds, B2 gaming machines are not outliers.

## **Behavioural Analytics**

There is clear evidence to demonstrate that problem gambling is a complex subject. That said, William Hill has been using behavioural analytics (algorithmic detection of at risk players and messaging) for over 12 months; this data and the output of this work has been shared with and will be referenced by the ABB in their own submission.

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<sup>5</sup> Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/493714/Evaluation\\_of\\_Gaming\\_Machine\\_Circumstances\\_of\\_Use\\_\\_Amendment\\_Regulations\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493714/Evaluation_of_Gaming_Machine_Circumstances_of_Use__Amendment_Regulations_2015.pdf)

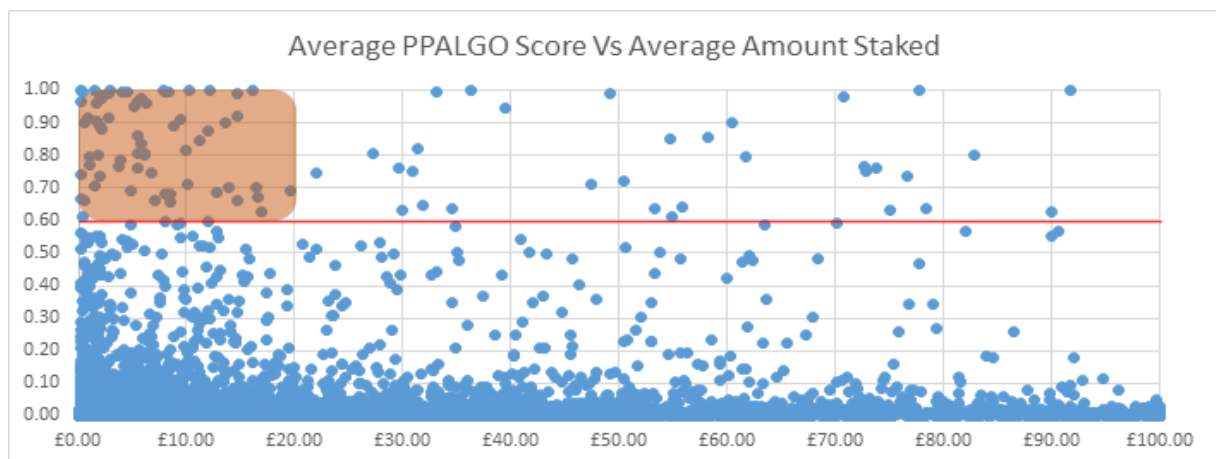
By using terminal based messaging, player behaviour can be positively nudged typically by 5-8%. Similarly, messaging of this nature results in: -

- A 13% and 8% reduction in stakes per visit and staking per spin respectively.
- A 7% reduction in the time per session.

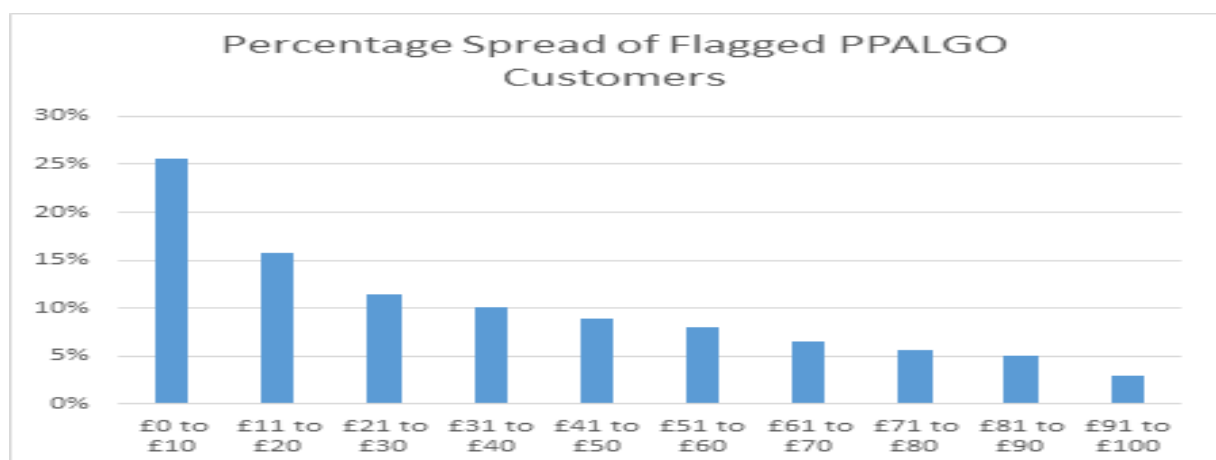
The William Hill player protection algorithm (PPALGO) is based on a number of markers of harm and has been subject to academic review by Decision Technology who are experts in the area of social intervention.

In simple terms, the algorithm is used to flag play where a customer might be considered 'at risk' and if this behaviour persists, then the player will be messaged on his next return to a gaming machine within the WH retail estate.

Analysis of the William Hill player protection interventions is presented in the graph below. This demonstrates that interventions are triggered at all staking levels and that stake is not a strong factor in determining problem gambling behaviour.

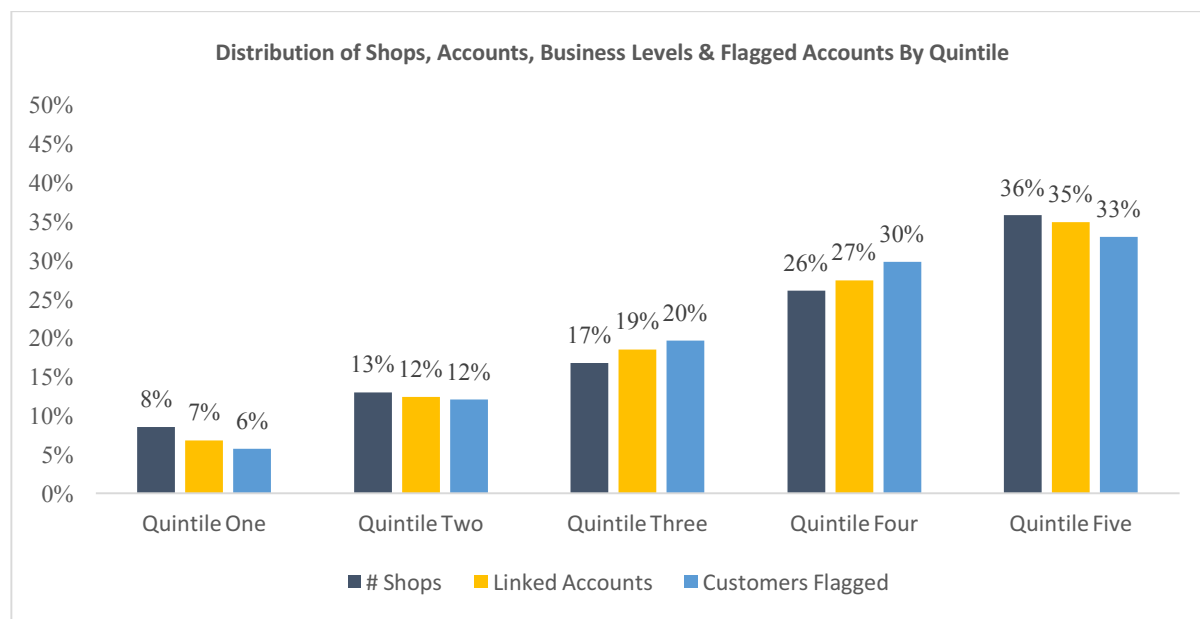


This data can also therefore be used to better understand the staking bands of those players who are identified as being at risk, as per the graph below:



As is readily apparent, by far the highest number of flagged players occurs within the lower staking bands; further evidence that stake cuts will not meet the social aims of the government's objectives.

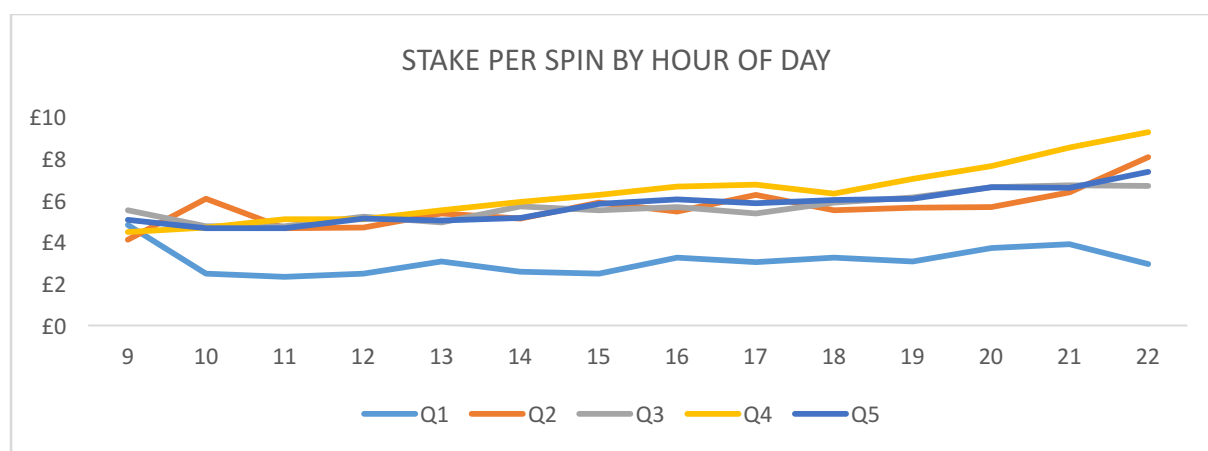
In conjunction with this work, we also tag our retail estate by way of the quintile of deprivation<sup>6</sup> that each shop is located within. This methodology therefore allows comparisons between quintiles.



As is demonstrated in the graph above, the profile of betting shops is weighted to areas of high population density and, it can therefore be no surprise that this is reflected in the quintile analysis. However, this is not about targeting the vulnerable in society, this is about the location of shops being demand led by the socio demographic group who, are likely to use them. In truth, this is no different to the likes of CTNs, convenience stores and food take-away establishments.

Importantly however, what is clearly apparent, is the fact that the take-up of account based play and the number of customers flagged by the Gaming Machine algorithm are broadly consistent across all five quintiles of deprivation. Interestingly, in the least deprived quintile (1) where high stake play is likely to be more prevalent, customers flagged as 'at risk' are significantly less when compared to the number of shops in that quintile.

It is also possible to consider typical stake by hour of the day by individual quintiles of deprivation as per the graph below (for combined B2/B3).



<sup>6</sup>Quintiles of Deprivation – as defined by England - <https://tools.npeu.ox.ac.uk/imd/>  
 Scotland - <http://www.gov.scot/Topics/Statistics/SIMD> (Postcode to SIMD rank)  
 Wales - <https://statswales.gov.wales/Download/File?fileId=513>



Average stakes do not change dramatically through the day.

### **Decision Technology**

Appended to this consultation response is an independent expert study by Decision Technology which addresses the question “B2 Staking Limits – How effective are they for controlling problem gambling?”

In short and with significant statistical evidence to demonstrate their conclusion, they are not.

In summary: -

- **Whilst the profile of shops is weighted to the more deprived areas (for reasons already stated) the account take-up and customers flagged by the algorithm are all broadly consistent.**
- **A stake cut is a blunt instrument that could have unintended consequences. At risk gamblers may simply alter their playing pattern or displace to other products or worse, move into unregulated markets. There is clear evidence that these outcomes could occur.**
- **The data demonstrates that customer behaviour is similar regardless of the location of the betting shop (as defined by quintiles of deprivation).**
- **Behavioural analytics will make a substantive difference. This is ground breaking technology (and messaging) and it needs time to be properly and exhaustively developed. The protection of the vulnerable will be best achieved by an holistic approach.**
- **Licensed betting shops are a safe (over 18s) environment where shop staff are trained to spot the signs of at risk gambling and to act accordingly.**

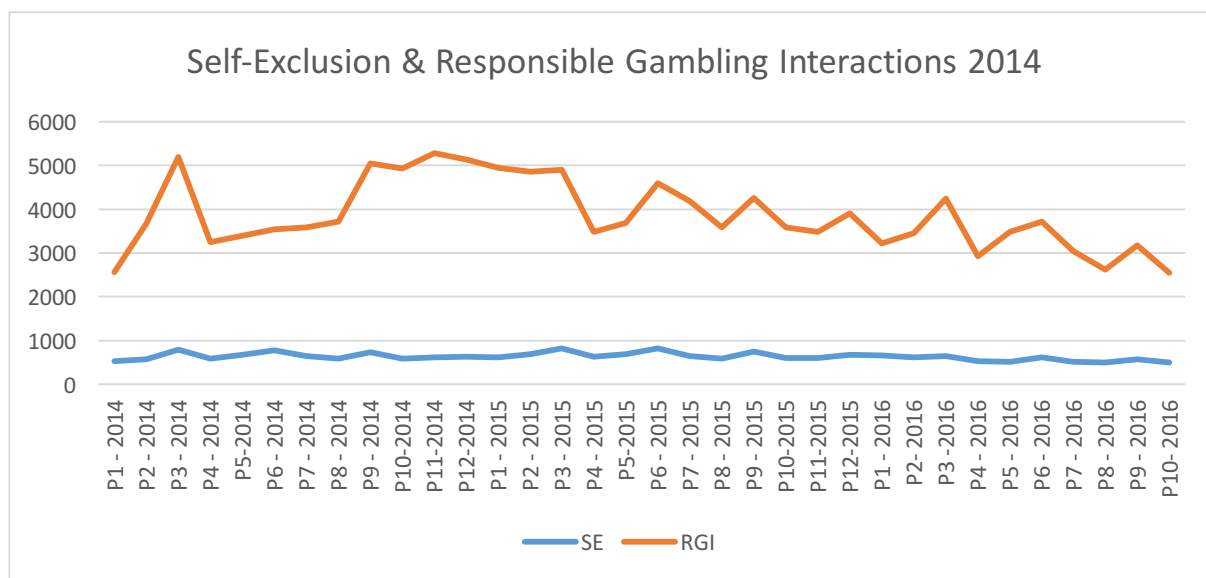
***Q2: To what extent have industry measures on gaming machines mitigated harm or improved player protection to consumers and communities? Please provide evidence to support this position.***

Prior to an exposition of additional measures that have been taken by the industry to protect players and wider communities, it is prudent to remind ourselves of the effective protections already in place in relation to gaming machines.

William Hill are currently carrying out around 700 self-exclusions per month across our retail estate, having seen a rise in self-exclusion of around 20% since the inception of the cross operator scheme. Under the management of a general industry steering group, the cross operator scheme was incubated within the William Hill Compliance team before transfer to Senet (currently staffed by expert seconded compliance staff). LBO customers are able to avail themselves of both William Hill and cross operator options and self-exclusion is generally offered as a part of the responsible gambling interaction (RGI) process which, also includes signposting to information and treatment providers.

William Hill carries out around 4,500 RGIs per month and these RGIs are recorded in narrative form and then quality assured by William Hill’s Central Compliance team. Relevant actions are then tasked to retail line management, including further customer contact and tailored interaction.

Detailed below is a graphical plot of both the number of RGIs and SEs over the last 3 years.



Whilst this data represents the cumulative position (being the total for over the counter sports betting and gaming machines) it is clear that significant efforts are made by retail colleagues to signpost assistance to those who might be at risk or problem gamblers. However, it is equally important to contextualise this data:-

- The scale of the numbers is not indicative of the scale of the problem. They simply demonstrate the level of time invested in ensuring that protection is in place for potentially vulnerable gamblers. Colleagues are actively encouraged to intervene if they are in any way concerned that a customer is displaying either, signs of at-risk or problem gambling. These include longer dwell times, increased frequency of visits, increased spend pattern and demonstrating signs of anxiety.
- The 'spikes' in the RGI numbers are indicative of an increased level of training and should not be linked to a perceived change in the levels of problem gambling.

Having centrally managed and quality assured narrative RGI's (such as those detailed below), demonstrates the real value to customers:

*"An occasional gaming machine customer was becoming increasingly agitated whilst playing a gaming machine. I decided to go and speak to him to confirm he was in control of his gambling. He confirmed he had lost £500 and was getting increasingly frustrated. I suggested he take a break away from the machines to give himself time to think and reminded him there was no guarantee that he would win his money back and things in fact could get worse. He lost a further £20 and then decided to take my advice and take a break". [redacted]*

*"Gaming machine customer (named) was getting agitated and shouting and swearing at the gaming machine. He was hitting the buttons hard and other customers in the shop were complaining. I went onto the shop floor and asked him if was ok and he said he wasn't. I gave him a leaflet and explained about self-exclusion and he said he would come back with a photo and do it. He came back 10 minutes later and filled out a self-exclusion form. [redacted]*

*Spoke to (named customer) a regular customer who I noticed had been staying longer in the shop playing the machines and also coming in more regularly and has been looking stressed and agitated. He agreed he had been struggling with his gambling. I explained to him the process of self-excluding and also spoke to him about responsible gambling and issued him with a leaflet. He said he was crossing to the shop for (sic) to get his photograph taken as he wanted to self-exclude straight away. (named customer) returned and we went through the self-exclusion process. [redacted]*

*A customer entered LBO @ (sic) about 0950 am. Greeted him and he went to play GM2. Within a few minutes he started to play both GM1 and 2 inserting £20 a time. The cash started to build up quickly and I called the buddy shop (lone working) to tell them I was going on the shop floor as I wasn't getting his attention from behind the counter to ensure the customer was aware that he had spent £150 as he hadn't set any limits. He was aware and was ok. At approx. 1020, I noticed he started sighing and machine taps were getting harder. I took a coffee to him and suggested a break as he had a cigarette behind his ear. He left @1025 and by then had spent £200 and collected £170. He re-entered @1045 and when possible he was playing between two GMs. His behavior traits were fine and he was calm when he came in second time (sic). My concern was/is that he was playing between 2 GMs and spending quite a lot within a short timeframe. I showed him how to set limits which he took on board and started doing. Will continue to monitor spend limit and share with team. Total spent £1800 and collected £1837. Left at 1.50 pm team will monitor. [redacted]*

Whilst these are just a very small sample of what we could provide, what they admirably demonstrate is the impact of a one to one conversation. Similarly, the Central compliance team also provide regular reports to retail line management and, if they are in any way concerned, they can insist on a shop visit in order to obtain further clarity.

In addition, William Hill is also a member of the Senet Group (a self-regulatory body under the direction of an Independent Standards Commissioner). Through this group, the members have agreed not to advertise gaming machines in betting shop windows and to fund responsible gambling messaging (including top screen messaging and videos on gaming machines). Senet will be making a submission which includes detail of the evaluation of impact. The fact that there is no gaming machine advertising in betting shop windows is further evidence that the business model is demand led and, that the subject of responsibility is taken very seriously. This is not the case in other sectors.

William Hill, together with other operators, have recently carried out customer surveys<sup>7</sup> relating to the display of new and direct messages on the top screens of gaming machines. There was a stage 1 (prior to implementation) and, a stage 2 evaluation (post implementation) customer survey.

At stage 2, awareness of the alerts remains high and significantly more customers now say that they do read the alert messages than at stage 1. Detailed below is a summary of the headline findings: -

- Gamers now seem more satisfied with the higher frequency of alerts, with significantly fewer feeling that the alerts 'do not appear often enough'.
- Most gamers feel the alerts encourage them to reflect and to act more responsibly towards their gambling behaviour.
- Impact on behavior is limited, but this is primarily because the large majority of customers are leisure gamblers; with the messages contributing to them staying within the boundaries of self-control.

Leveraging the RGT work on identifying "markers of harm", (and as referred to in the response to question 1) William Hill has been able to develop an algorithmic approach (player protection) for registered gaming machine play. This has already been described in the answer to question 1.

Finally, the industry (co-ordinated by the ABB) has also agreed a 2-year timetable of additional measures including: -

- Co-ordinated/consistent and improved algorithms and messaging across all operators.
- In-session algorithms to provide on-screen responsible gambling prompts/messages.
- Cross-industry debit card blocking, and

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<sup>7</sup> Customer research by Join the Dots – November 2016

- In shop session linking for known customers.

As is apparent, significant work has already been undertaken and (more importantly) further substantive work has been promised and, will be delivered. The introduction of MOSES has resulted in an industry wide increase in self exclusion of over 25% in the last 6 months and behavioural analytics empirically demonstrate that player behaviour can be favourably changed. William Hill recognise that the optimum solution is not as yet available but, strongly believe that after a slow start (at the time of the last Triennial) there is now considerable impetus and funding to create an holistic solution.

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

Despite the introduction of “FOBTs” in 2002, there has been no demonstrable rise in problem gambling levels. This information cannot be readily dismissed.

The British Gambling Prevalence study of 1999 through to the British Health survey of 2012 has evidenced a DSM and PGSI aggregate percentage which has varied between 0.45% and 0.36%. This constitutes no more than some 300,000 problem gamblers.

Heath Surveys conducted in 2012 (England & Scotland) show problem gambling associated with GMs and LBOs are relatively low (7.25%) compared with spread betting (20.9%) and poker in pubs/clubs (20.9%). Coupled with the fact the problem gamblers typically use 5 or 6 different gambling products, a restrictive move in relation to one product is unlikely to have a positive impact on problem gambling rates or, vulnerable players. In reality, it will only drive problem gamblers to different products or, to the illegal market.

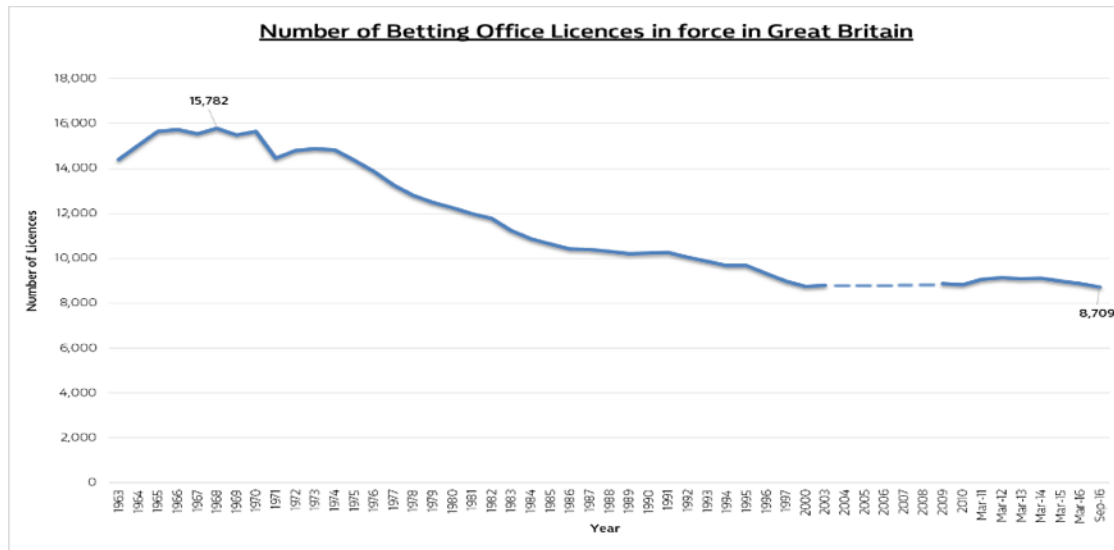
It is clear that levels of problem gambling in society are low (below 1%) and stable. Communities are not undermined by gambling activity although, it is accepted that individual problem gamblers and their dependents can be impacted. Rates of pathological (addictive gambling) are very low (0.1% of population) but, there is a larger cohort of “at risk” gamblers who may spend too much time and money on gambling although, this behaviour is often transient. The Scottish Health Survey (2012) suggests that 5% of regular bettors and gamers may be problem gamblers and, it is not counter intuitive to accept that there are higher levels of problem gambling (compared to society in general) within dedicated gambling establishments.

Despite campaign assertions to the contrary, prevalence or any other data (with any degree of statistical significance) **does not** suggest that B2 content on gaming machines in betting shops is any more addictive than any other product. Whilst research suggests that 8-13% of people who play on gaming machines in betting shops maybe problem gamblers, those individuals also play on a wide range of betting shop and non- betting shop products. There are greater levels of problem gambling in respect to other products e.g. playing poker in pubs (where stakes are meant to be low) but in reality are impossible to control. When data is considered in the round (as opposed to being taken out of context), there is simply no evidence that gaming machines in betting shops are any more addictive than any other gambling product.

Equally, there is no evidence to support an over restrictive approach (such as stake reduction) to B2 gaming machines particularly, in light of RGT findings (and previous Gambling Commission findings) 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”.

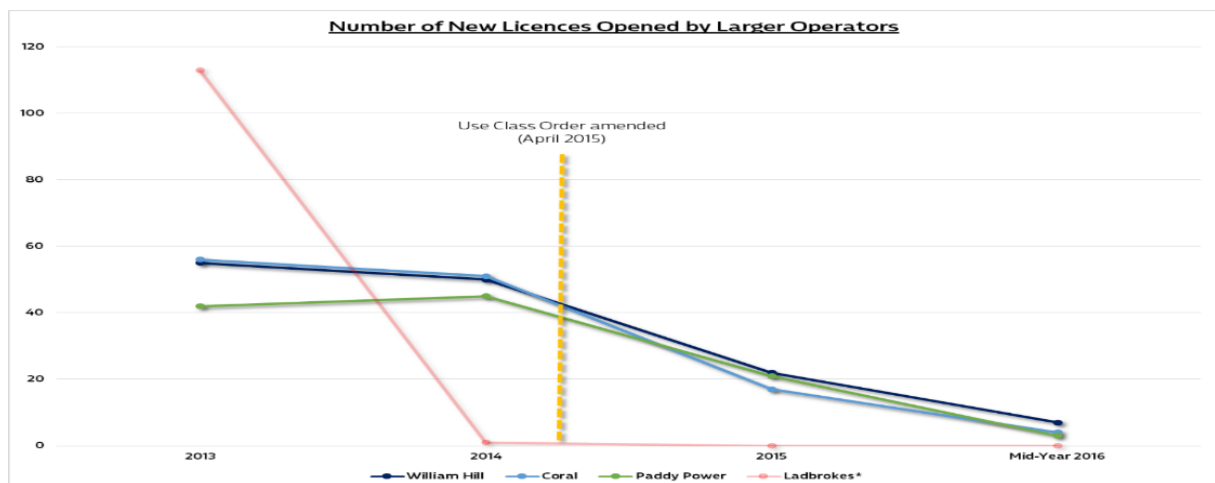
In order to strike the correct balance government must recognise the fact that gambling is a properly functioning demand led market; betting shops and betting shop products meet customer demands.

Whilst some commentators have argued that there has been a proliferation of betting shops since the introduction of the Gambling Act (in 2007), as is demonstrated below, nothing could be further from the truth.



Betting shops numbered c16,000 in 1970 and numbers are now sub 9,000 and falling.

In reality, the position is even more stark over the last 3+ years where the major operators have opened even fewer shops; the change in planning legislation (April 2015) is having a significant drag on new shop openers.



Under the 1963 Betting, Gaming & Lotteries Act, it was necessary to prove demand for a betting office in order that a premises licence was granted by local magistrates. Since the enactment of the Gambling Act 2005, in September 2007, the demand criteria has been expressly removed from the decision making process, which is now implemented by local authorities.

Under both licensing regimes, application of the respective legislative frameworks, was and is, implemented in different ways by different magistrates and Local Authority Licensing Committees, meaning that in practice, it was and is, more difficult to obtain a premises licence in certain locations. This has the effect of restricting the provision of betting offices within those locations.

In locations where more stringent application of the principles was applied under the 1963 Act, it can be seen that when the demand test was removed in 2007, LBO numbers initially increased, as the latent demand was met, followed by a levelling off when the appropriate market level was reached.

This was the situation within the London Boroughs of Brent and Newham. In 2007, under the 1963 Act there were 68 LBOs in Newham and 71 in Brent. This readjusted for market conditions to 85 in Newham and 91 in Brent, by the end of 2013. However, it can be seen that in 2015, there were still 85 in Newham and only 89 in Brent. This clearly demonstrates that the provision of betting offices, which at one point was artificially restricted, is demand led and not supply driven.

There is a clear downward trend in the number of betting shops and given the fragility of retail more generally, this trend shows no signs of abatement.

**Whilst some campaigners advocate a reduction in betting shop numbers (and therefore a reduction in regulated supply), betting shops create local employment. In making an assessment of the correct balance for gaming machine regulation, context is required. William Hill directly employs 13,500 colleagues in its retail estate (52% female and 24% in the 18-24 age range) in locations which are an integral part of the community. By context, problem gambling rates are low and as is readily apparent, significant progress has (and continues) to be made in assisting vulnerable and at risk gamblers through:-**

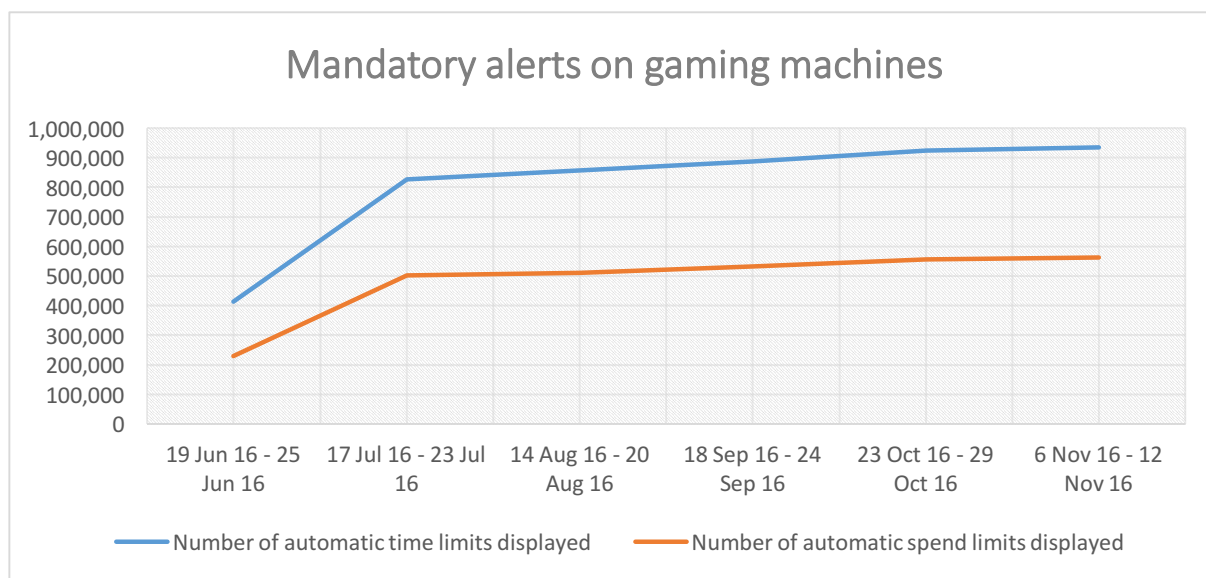
- **Colleague training leading to substantive numbers of regular RGIs.**
- **The recently introduced multi operator self-exclusion scheme (MOSES).**
- **Behavioural analytics and messaging.**
- **A 2-year industry timeline of further innovation, testing and evaluation all focused on protecting the vulnerable within our society.**

***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.***

B2 gaming machines are the most highly regulated (and self-regulated) machine category across all retail gambling sectors.

Only gaming machines in betting shops force customers to make a decision about setting limits. Whilst the percentage of customers setting limits is low, those that avail themselves of this functionality generally stick to those limits and this customer journey is capable of further refinement. Pre-commitment can be an effective tool for both leisure and at risk gamblers; although, forcing pre-commitment for all, would be disruptive to the customer journey.

In addition, the industry has recently reduced the level at which mandatory limits for both time and money are now provided to customers (£250 down to £150 and 30 minutes down to 20 minutes). This has led to a doubling of customer alerts on gaming machines. The change in alerts is clearly demonstrated in the data below: -



Source: Association of British Bookmakers data

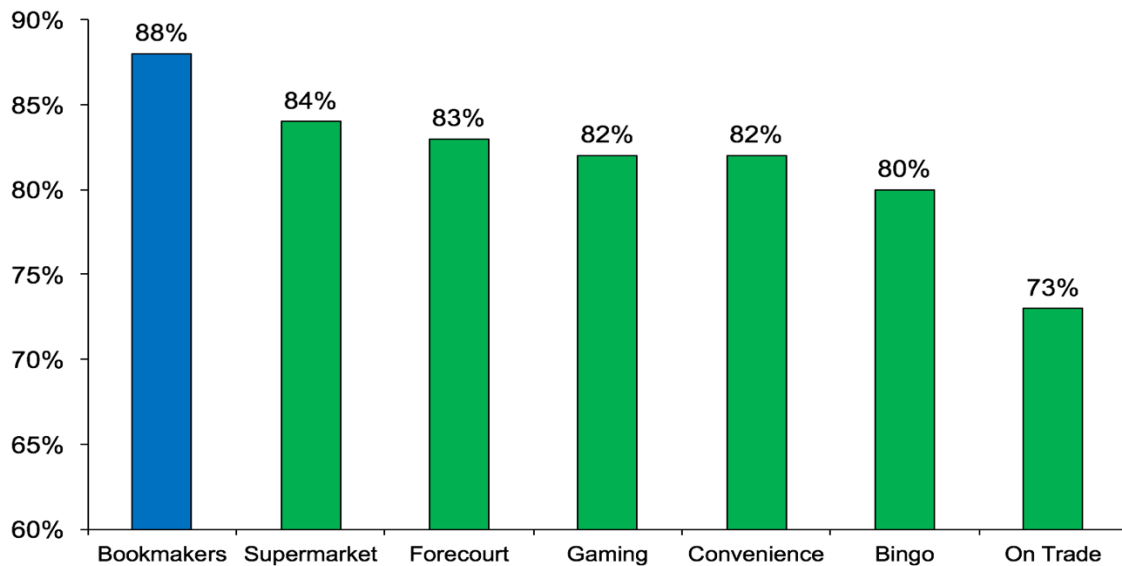
Whilst it has not been possible to link this directly to RGIs, betting shop colleagues have reported that this provides them with an additional source of information to help determine whether and at what point, an interaction should be made.

Whilst other sectors have seen liberalisation in B3 gaming machine numbers (particularly bingo and AGCs), gaming machine numbers in betting shops have continued to be restricted to 4. Whilst bingo clubs tend to be specific destination events, AGCs are, like betting shops, accessible high street venues. AGCs also engage in window advertising of gaming machines.

Whilst potential stakes on gaming machines in betting shops are *prima facie* higher than in other retail sectors (save for casinos where electronic roulette is prevalent) the level of regulatory and self-regulatory measures (as detailed) imposed on B2 gaming machine needs to be given significant weight.

B2 gaming machines are made available in locations where there is no access to alcohol (unlike Casinos or Bingo establishments) and, where operators are not permitted to serve customers who are under the influence of alcohol. Neither is alcohol allowed on the premises.

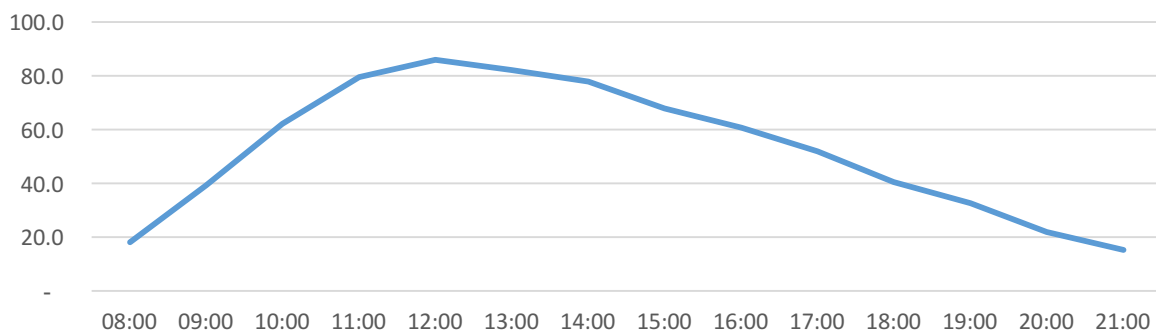
Despite un-evidenced assertions to the contrary, betting shops are compliantly operated with high levels of age verification compliance (challenge rate on third party testing well above 85% and challenge on entry well above 70%). These rates are highly competitive with other age restricted sectors as demonstrated in the graph below: -

**Pass / Fail UK Retail Sectors 2016 TD**

Therefore, the statistics admirably demonstrate that betting shops do not present a major risk to children and young persons; whereas lottery products (including scratch cards) which are freely available in high street CTNs and supermarkets can, be accessed by 16 year olds. Category D machines in Family Entertainment Centres which are accessible to children and accordingly, are far more likely to foster an early age association with gambling.

Some commentators have suggested that betting shops have inadequate numbers of staff in order for then necessary and proper supervision of four machines; again, this is simply not the case.

The graph is a typical representation of a WH betting shop through a full daily profile (by hour) and deploys the same assumptions/methodology as deployed in our retail staffing model. The major assumption is that retail colleagues are able to individually undertake c. 120 transactions per hour and, as is readily apparent from the graph (which includes over the counter and gaming machine data) on average, no shop would ever require more than a single member of staff on duty with significant additional capacity during the morning and evening periods.

**Total Transactions by Hour**



Our view, is that 4 gaming machines per betting shop is the right number (considering utilisation rates). Any less than this number would mean, as we see in some betting shops at peak times, that customers would be waiting for machines to come free which can result in supervision challenges and again drive customers to the unregulated market. Gaming machine numbers are driven by demand (as outlined above) and in some localised cases, the market would legitimately support more than 4 gaming machines, in particular in betting shops. Trying to control demand through restricting supply would not be a sound policy.

**In summary, we recognise the challenge faced but, believe that the current status quo represents an equitable balance between a functioning supply and demand side market in an environment (in the case of betting shops) that enables proper supervision to ensure protection of vulnerable**

***Q5: What has been the impact of social responsibility measures since 2013, especially on vulnerable customers and communities with high levels of deprivation. Please provide evidence to support the position.***

Please see our response to question 2 which sets out detail in this regard.

Betting shops are primarily concentrated in areas of the greatest population density. Therefore, whilst betting shops are located to attract footfall (town centres or secondary shopping parades) they are likely, because of the nature of inner city areas, to be located at or near areas of deprivation.

Betting shops also primarily cater for socio economic groups C2, D and E and it is a clear policy imperative that even in deprived areas, demand for gambling (including digital gaming) is catered for by regulated betting operators.

The risks around gaming machines (in a locational sense) are also now dealt with by the obligation of betting operators to have a premises risk assessment relating to gambling related harm and, the protection of the three Licensing Objectives.

In conjunction with their statements of gambling policy, local authorities are developing local area profiles which assist operators to refine premises based risk assessments to accommodate locally identified risks.

Properly constituted and operated, these risk assessments allow licensing authorities the opportunity to agree or impose additional risk reduction measures where, there is evidence of specific risk. This is in addition to the extensive planning and licensing powers already granted to local authorities which, cater for licensing reviews, where necessary.

Whilst the majority of betting shops maintain high regulatory standards, William Hill is aware of two separate reviews concerning betting shops in Newham and Westminster where additional licence conditions have been imposed following licence reviews. Whilst licensing authorities, rightly so, have no power to vary machine numbers, they can impose operational conditions, such as supervisory levels or reporting requirements.

In the past 4 years, William Hill have had 4 premises licence reviews, resulting in the local authorities imposing additional conditions to those premises licences. The reviews were initiated by 4 different London Boroughs, Westminster, Newham, Brent and Hillingdon. Each review was specific to the locality in which the betting office is situated, and the resultant conditions, were imposed to mitigate potentially increased risks to the licensing objectives, in those specific areas.

The number of additional conditions, attached to each, varied between 6 and 20 and although case specific, there was some commonality, relating to provision/enhancement of CCTV coverage,

minimum staffing levels, enhanced security measures, staff training and undertaking a 'Think 21' approach.

The conditions imposed on each occasion, were arrived at following a substantive hearing, but in conjunction with a number of responsible authorities.

Conditions can be added to a premises licence at any application stage (initial application, variation, or review) and William Hill trade a further 35 betting offices, which have additional and non-standard premises licence conditions attached to them. This clearly demonstrates that where there are increased risks to the licensing objectives, or concerns, local authorities have the ability to act.

Betting shop clustering (a natural consequence of market liberalisation) may be aesthetically displeasing to some, but as demonstrated above, betting shops have a positive impact on the health of the high street driving both footfall and reducing illegal gambling supply.

There is a strong reliance placed by campaigners on gaming machine turnover metrics (broadly irrelevant) and gross win/customer loss figures relating to gaming machines. Customer loss figures (and industry profit figures) are only relevant where the entertainment and utility value of game play is disregarded and the activity is characterised as unworthy, immoral or wasteful. The Gambling Act specifically discounts moral objection, but does allow objection where, there is substantive evidence of harm.

If Government were to pursue a policy of limiting gambling in deprived areas, then bingo halls (which cater for the same socio economic groups as betting shops), adult gaming centres and National Lottery scratch cards (even the National Lottery itself) would also have to be considered for geographical or demographic restriction. In trying to limit the use of B2 gaming machines (or reducing their attractiveness through stake reduction), the Government would be engaging in competitive distortion between different gambling products.

Finally, we are aware that the Association of British Bookmakers will be responding on the evaluation measures related to the social responsibility roadmap which is being co-ordinated alongside the various aspects of the RGSB strategy for harm reduction. We are fully supportive of their submission and will therefore not comment further in this regard.

**In summary, our experience is that, whilst a number of London Boroughs and other inner city councils have been vocal about the effect of betting shops on communities, the evidence they provide is generally anecdotal and not empirical. Whilst they may find it frustrating, few local authorities have been able to evidence harm during formal licensing hearings and there is not so much a lack of powers here (powers are substantial), but a lack of evidence. This is not a reason to introduce additional restrictions nor, evidence to suggest that the significant work is not assisting.**

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

Since 2013, the industry, including William Hill, has placed a major focus on reducing gambling related harm. As described above, we have devoted significant internal, financial and external resources to this exercise as well as providing significant data for research and evaluation. This has included commissioning our own academic research around the development of gaming machine player awareness systems and a focus on identifying harmful gambling behavior.

We are now seeing the first shoots of a genuine partnership between regulators, treatment providers, academics, policy makers and other stakeholders in the area of reducing gambling related harm. The

RGT commissioned research into gaming machines in betting shops was landmark research which, has provided a catalyst for incremental improvement in many areas.

This is also underpinned by tightening regulation which includes more emphasis on risk assessment, harm reduction and tighter governance frameworks (e.g. annual assurance statements relating to gambling related harm).

**However, campaigners and some local and national politicians have continued to denigrate the actions and efforts of a sector which is proving out its commitment to social responsibility. Some local authorities have also sought to politicise this issue without producing any cogent evidence, save for anti- industry rhetoric which, is certainly neither representative nor statistically significant.**

**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?**

William Hill is a member of the Senet Group, the ABB and the RGA. We have input into the submissions made by those organisations.

There is virtually no (if any) advertising of retail gambling on television. Competition law prevents there being any agreement between undertakings (operators) to limit the advertising market for gambling services. Therefore, if restrictions are to be introduced, then they have to be imposed by law or regulation.

**This does not prevent the industry agreeing to further socially responsible measures regarding responsible gambling messaging or a standard industry approach to vulnerable groups.**

**Q8: Are there any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7**

As the Government has an objective of permitting socially responsible growth then it is material to consider the effect of arbitrary (in the context of not being underpinned by firm evidence) stake cuts on B2 gaming machines.

A number of financial analysts follow the retail betting sector and in carrying out its regulatory impact assessment the Government should consider the following analysts' notes which are summarised below:

**Morgan Stanley sector note, 28 October 2016** – "The government recently announced the launch of its Triennial Review of stakes and prizes, which will also look at rules on where machines can be played, the effectiveness of operators' social responsibility measures and the "appropriate gaming machine allocations across all gambling premises". Our Retail bear case assumes a 30% drop in machine revenues and 500 William Hill shop closures, leading to a c.40% or £60m hit to Retail EBIT."

**HSBC sector note, 31 Oct 2016** – "Triennial review could have a damaging impact on revenues" .... "We would expect to see shop closures as well as attempts to extend session length, etc." .... (page 6-7).

**Barclays WMH note, 24 Oct 2016** – "Ultimately, if the government taxes the gambling companies above the optimum amount, government revenues may diminish as the companies will close shops due to a large increase in unprofitable shops. WMH has not recently disclosed the variability in shop profitability across the estate but we think it is fair to assume a significant number of the company's

2.4k shops may close if taxes increase or if there is a major change in machine regulation. It is worth noting too, that the closure of shops would have a negative impact on the UK.

Horse Racing industry (a reduction in levy fees from gambling companies). We expect to have clarity around when the Triennial review in stakes and prizes will begin soon and we expect more discussions around this issue thereafter.” (page 4)

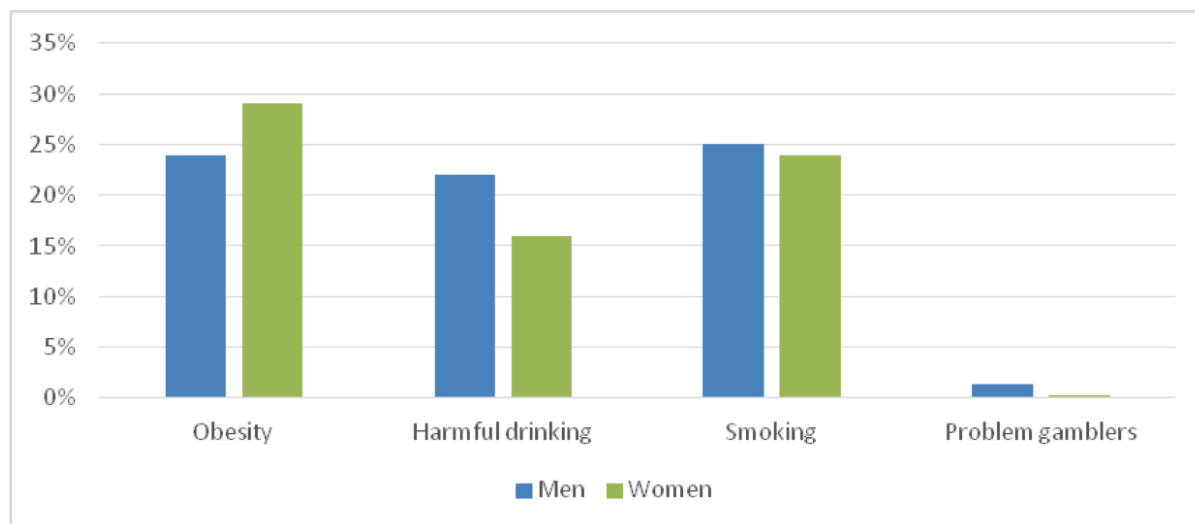
**Shore Capital LAD note, 21 Oct 2016** – “Therefore, any further Draconian regulations could materially impact profitability.” (page 3)

It is clear that regulatory restrictions which impact on the customer base will have a detrimental effect on future revenues. This can be clearly demonstrated by the implementation of the £50 journey where industry revenue was hit as a result of customer behavior change and more bureaucratic process (see above- answer to Q1).

An arbitrary stake cut (or the imposition of a supervised play at a lower level than £50) would not be a benign measure that could easily be absorbed by the retail betting industry. It is likely to reduce the attractiveness of the B2 product for many leisure customers without reducing gambling related harm.

Each betting shop supports the equivalent of x5 FTE and provides horse racing with media/content payments of x3-4 income levels relative to racing’s income from the Levy. These are very significant factors which need to be taken into account in the government’s financial impact assessment which, will no doubt be undertaken in conjunction with this consultation.

Problem gambling is not a major public health issue when compared with smoking, harmful drinking and obesity where levels are very significant. See graph below:-



*Source: Scottish Health Survey 2012*

Reference has previously been made to the likelihood of a movement from the regulated to the non regulated market and again this can be contrasted with tobacco and alcohol where this is significant counterfeit and smuggling activity. See article (Ref; Telegraph 14<sup>th</sup> Nov. 2016) noting the loss of £31bn to Treasury.

Finally, it should also not be forgotten that the Treasury has just consulted on the implementation of the 4<sup>th</sup> Money Laundering Directive (implementation June 2017). If the retail betting industry is not granted an exemption, then this could leave the industry facing the double whammy of significant loss of profits from an enforced stake cut and/or other onerous regulatory measures in addition to having

to identify all customers at stakes and payouts of c £1300. A combination of these accumulated measures could fundamentally change the retail gambling experience and significantly increase illegal market risk as well as damaging the industry to an extent where revenue and tax yield falls significantly.

2<sup>nd</sup> December 2016.

Footnote – unless indicated to the contrary all data is from WH's own management and accounting information.