



2nd December 2016

Gambling, Licensing and Lotteries Team
Department of Culture, Media and Sports
4th floor
100 Parliament Street
London SW1A 2BQ

By email: callforevidence@culture.gov.uk

Dear Sir/Madam

Response to the Call for Evidence: Review of Gaming Machines and Social Responsibility Measures

On behalf of The Bingo Association, I am writing to you to set out our response to the Department for Culture, Media and Sport's Call for Evidence: Review of Gaming Machines and Social Responsibility Measures. We have set out our key points below and included the detail response in the appendix to this letter.

Who we are

The Bingo Association (BA) represents 359 traditional retail bingo clubs (99% of all licensed retail bingo premises) as well as over 204 Bingo Extra and Holiday Park bingo premises (being a combined representation of 90% of all licensed bingo premises, Bingo Extra and Holiday Park bingo premises).

The response here is made on behalf of all licensed bingo premises although the high-volume, low stakes and socially-based traditional bingo clubs generate the majority of all bingo gross gaming yield.

The Bingo Association does not represent online bingo.

Bingo: a different type of business to the rest of gambling

The gambling industry in Great Britain is not a single industry, but is shaped by the legislation and regulation to be separate sectors within the gambling industry and distinct from one another, with different entitlements and permissions relating to the perceived level of risk. What is true for one part of the industry does not always translate to the other parts. Each sector has a different customer demographic, hours of operation and its own areas of responsibility. Not all sectors offer the same type of gaming machine and, while B2 machines have attracted much comment and attention, it is only Licensed Betting Offices and some Casinos that have them. It is in everyone's interest that there is no confusion about the type and location of certain machines and the environments in which they operate.



Bingo clubs operate a significantly different business model to other gambling premises:

“ Bingo itself is a pari-mutuel game, driven by volume which in turn drives prizes.

“ Licensed retail bingo clubs bring together large numbers of players at one time to play a shared gambling experience, with the attraction of a central prize.

“ Bingo is the primary activity in a club: it is the reason people choose to visit a bingo club rather than any other gambling venue.

“ The customer profile is significantly different from other gambling sectors, in age range, gender and socio-economic grouping.

In particular, gaming machines are just one product in the overall mix on offer to players. Operators are careful to offer the right balance of products to meet the expectations of their particular player profile. Machines are not the dominant activity . research indicates that only 28% of bingo players choose to play them.

Machines are mainly played during the intervals between bingo sessions. This generates significant peaks and troughs in machine play found in a bingo club, not found in any other gambling premises and which tend to create natural breaks in play. As a result, the number and range of machines installed is likely to be very different from that found in other gambling premises and machines are likely to lie empty except during intervals or just prior to or after sessions of bingo.

A proactive approach to addressing the small risks of problem gambling

In 2016, the BA initiated and then supported independent research (commissioned by GambleAware and undertaken by IpsosMORI) on levels of problem gambling in retail bingo. We were keen to have hard facts so that we could understand the true level of problem gambling in bingo and adapt the Social Responsibility programme as needed. To the knowledge of the BA, this is the first piece of research of its type undertaken by a single sector of the gambling industry. The Ipsos MORI study supports the Gambling Commission/DCMS requirement for evidence around which to make policy. The research suggests that 2.5% of regular bingo players have a problem with their gambling. Whilst this is broadly in line with expectations and probably much lower than in other sectors, the bingo industry prides itself on its sense of community and safe environment and therefore any level of problem gambling is an area of focus.

Specific initiatives in this area include:

“ An industry-wide national self-exclusion scheme. In its first year of operation, and with some imperfections to be addressed, the BA believes that this scheme will have prevented over 100 customers from breaching their self-exclusion agreement. A year ago this could not have happened.

“ Similarly Gala, Mecca and Castle Leisure (together over 70% of the retail industry) have carried out almost 2,000 know your customer interventions in 2016.

“ The BA is currently in its third year of an industry-wide Age Verification programme on behalf of its members. All retail bingo clubs exercise member-only protocols through choice.

Recommendations

In conclusion, the BA believes that the sector is operating in a responsible manner, adopting positive changes to address risk, while planning ahead to become even more responsible. With that in mind, despite the rationale for inflationary increases in stakes and prizes for category B3 machines, the BA is not, at this time, proposing an increase in stakes or prizes for Category B3 or C gaming machines, instead preferring for such increases to be introduced once social responsibility measures have been seen to have taken root and have proved themselves to be effective. In addition, the BA proposes to maintain the stakes and prizes for Category D but would welcome the opportunity to discuss a simplification of the Cat D classifications with a view to simplifying alignment with MGD rates.

Indeed, rather than requesting above inflationary increases in stakes and prizes, we recommend that the Government looks to enable the adoption of new payment technologies, which themselves will improve transparency as well as improving the customer experience and reducing running costs for clubs.

The BA would be delighted to provide more information as needed.

Yours faithfully



Appendix A: Consultation Questions

Question 1: 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.

Category B3 machines

There have been no changes to the highest jackpot available in a licensed bingo club (£500 on a B3 Gaming Machine) since April 1998 (i.e. over 18 years) and the £2 maximum stake has not increased for five years. During these two periods, retail prices have increased by more than 60% and 10% respectively. Given that duties are generally revalorised with inflation, an inflationary increase would not appear unreasonable especially with the next review likely to be in 2021. However, despite this rationale, the BA is not seeking any changes to prize and stake levels at this time as we believe that a freeze in this review will allow the evidence to build that the social responsibility provisions are operating effectively.

Category C machines

BA recommends that the current maximum prizes and stakes for Category C machines should be maintained for the same reasons.

Category D machines

The BA proposes to maintain the stakes and prizes for Category D machines, but would welcome the opportunity to discuss a simplification of the Cat D sub-classifications with a view to simplifying alignment with MGD rates.

Prize Gaming

The 1968 Gaming Act restricted bingo clubs to games of chance: in effect, bingo. It is often cited as an important and valuable part of the product mix, particularly because it provides the opportunity for bingo to innovate and develop new products. For this reason the principles behind Sections 16 and 21 of the 1968 Act were retained in ss288-294 of the Gambling Act 2005 under the prize gaming provisions. It is now the only gambling activity not played via machine that is subject to stake and prize limits. The last time the stake was increased was in 2010 and the maximum total prize was last increased in 2002. Again under the inflationary principle the BA would feel an uplift in maximum stakes for prize bingo would not be unreasonable. Despite this, the BA will not be proposing any increase at this time, but would welcome the opportunity to discuss this further.

Question 2: To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Work to date

The BA has initiated and then actively supported research into problem gambling behaviours in retail Bingo Clubs in order to provide ample evidence to support this kind of question. When considering the impact of harm prevention measures it is crucial to understand existing levels of harm. The IpsosMORI research indicates that 2.5% of regular bingo customers have a problem with their gambling. Given that there are approximately 435,000 regular customers (average once a month or more) in Bingo Clubs in 2016, the likely number affected could total 11,000 unique people. Alternatively, applying this to the 200,000 unique customers who have visited at least once a month for each of the last 12 months would indicate that the number could be as low as 5,000. The answer is probably somewhere in the middle. Whilst the industry seeks to combat all problem gambling and is not complacent, such a level is broadly in line with expectation following previous surveys and, relative to other sectors, is low. The most recent Gamcare statistics show that Bingo (including machines) made up only 2% of the 56,369 calls they received in a year.

The IpsosMORI research suggests that those playing machines and bingo combined are more likely to be at risk of harm than those playing bingo alone. Since the research was undertaken, awareness of problem gambling in the bingo industry has heightened and guidance on customer interventions are included in Section A (Social Responsibility) Sub-section 9 (staff training) of The Bingo Association's Operators' Handbook. Over 2,000 Know Your Customer interventions have been carried out since November 2015 to establish whether a customer has a problem with their gambling or to determine the source of funds.

These interventions have led to just under 50 suspensions or exclusions to members.

In 2016, IBAS (the ADR provider to all members of The Bingo Association) has received over 7,000 valid requests for arbitration from across all the gambling sectors that it adjudicates. The licensed bingo share of this figure is just two valid requests.

The IpsosMORI research suggests that those in licensed bingo clubs needing help are not sure where to find it and the BA is taking a leading role in piloting different types of behavioural messaging in conjunction with the IGRG GambleAware work streams on General Play and Product messaging.

We have invested in an industry-wide National Self-Exclusion scheme which has been in place since March 2016. Over 800 customers will have chosen to self-exclude and, of those, at least 100 will have been prevented from breaching their self-exclusion in a calendar year. There is resulting evidence that two thirds of self-exclusions from bingo premises are from customers experiencing difficulty with their machine play and hence this is the core focus of our social responsibility measures.

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

A key strength of the GB regulatory regime is that such gambling regulation is introduced based on evidence. We agree that where there is clear and quantifiable evidence that entitlements or stake and prize limits are causing disproportionate harm, the government should act.

Contactless payments

Unfortunately, the current rules restricting use of contactless to certain products, (being bingo and food and beverage) act to restrict the information that is available to both operators and regulators. The enablement of contactless payments for electronic terminals and gaming machines would hasten the end of anonymous cash payments and increase the level of player tracking data that could be collected, particularly if linked to a card account. This in turn informs the Know Your Customer programmes that are being increasingly adopted in the industry. Such a change will also benefit the industry, as it will reduce the significant costs of cash handling, which, together with the time take to count cash, has been estimated to cost the wider retail industry £9 billion annually.

In addition to increasing the availability of evidence for deciding on future stakes and prizes changes, such a system would also greatly assist with the source of funds interventions around anti money laundering legislation. Transactions via contactless cards currently represent 14% all retail transactions and the volume of these transactions is growing with 38% of all retail customers having the capability to use contactless. We believe that it will be mandatory by 2020 for all retailers to offer contactless payment and the bingo industry needs to keep up or be at a competitive disadvantage.

There are already at least eight bingo clubs using contactless payments for bingo book and food and beverage payments. Contactless is responsible on average for 14% sales in these clubs (similar to the retail average), double that of 2015, with the highest use being 21%.

A further benefit of contactless payment would be to somewhat insulate the industry from significant costs of future changes in monetary units. The move to the new £1 coin may cost the industry over £15 million due to the 250,000 cash bingo slots in bingo clubs and the requirement for machines to be altered, a cost which could be avoided by the use of contactless payment.

Finally, contactless would enhance the additional security of customers who currently carry cash sums. The BA would be happy to meet with the regulator to discuss how this might be achieved in a way that protects the consumer (for example, through the adoption of a code of conduct for the use of contactless). It is inequitable to deny the bingo industry the ability to adopt money saving technologies available to the rest of the commercial world if players can be protected against an increase in the risk of problem gambling.

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.

The Bingo Association recommends no changes with regard to numbers and location of B3, B4, C, and D machines. The current allocations operate effectively and we see no need to adjust.

On the wider matter of machine income, we would note however that the Call for Evidence document states:

"Gaming machine revenue now accounts for 43% of revenue for [all licensed] bingo premises, growing by 3.5% from £294m to £304.5 since 2013/4."

In contrast, the annual bingo club survey data show that gaming machine revenue accounted for 34% and 35% of revenue for bingo premises in 2014 and 2015 respectively, representing a smaller and relatively steady proportion of income from gaming machines.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation?

We believe, based on Problem Gambling surveys previously conducted, that levels of problem gambling in licensed bingo are stable and have not increased in the last five years and may possibly have reduced. Whilst measurement and evaluation of Social Responsibility measures is relatively new, the BA is well placed to monitor the future effectiveness of measures as a result of its commissioning of independent research to establish problem gambling levels in retail bingo (which was published in July 2016). We have committed to an independent review of our self-exclusion scheme in early 2017 and a review of problem gambling levels in 2017/18.

In 2014 The Bingo Association introduced a membership-wide age verification scheme to test members procedures to ensure compliance with the over 18s policy. This helps ensure the protection of young people and stops them from entering a bingo club to gamble. Across all licensed bingo premises the pass rate has been an average of 82% over the three years. Licensed retail bingo clubs are membership only and operate with other licensed bingo premises to create a multi-operator self-exclusion scheme which was introduced in April 2016. A customer who self-excludes at a retail bingo club will be excluded from all retail bingo clubs in Great Britain and from Bingo Extra premises on postcode based locality of their choosing. Based on current statistics it is anticipated that up to 800 customers will choose to request self-exclusion and 100 of them will be successfully prevented from breaching that exclusion. With 3 million active members, the number of self-exclusions in retail bingo alone is 0.03%.

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

Future work

The industry intends to use the self-exclusion evidence, and that from the IpsosMORI research, to evaluate social responsibility messaging and the introduction of machine-led interventions to the bingo industry machine estate, including time spent on machine, limit setting, and notification of spend. The BA will be examining the most recent intervention strategies across the gambling sector and the possibility to introduce these targeted messages to new cabinets and existing cabinets which have the capability to do so. Indeed, the BA facilitated a special meeting in November on the future of gaming machines in licensed bingo premises across key operators.

In addition the Bingo Association looks forward to contributing to, and supporting, the recommendations from the IGRG/GambleAware work streams on best practice messaging and training. We will be asking GambleAware to revisit the Problem Gambling survey in late 2017/early 2018 to measure progress. We would also welcome an independent review of our Self-Exclusion scheme in early 2017.

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?

The BA has no evidence on this in so much as it does not represent online gambling, or lotteries, around which the highest volume of gambling advertising appears. The licensed retail bingo industry rarely advertises on TV.

Q8 Do 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 question 1-7?

The bingo industry, like other retail premises, is facing huge cost increases through recent changes to the national minimum wage and the introduction of new currency, specifically the £1 coin (which may cost over £15 million due to the 250,000 cash bingo slots in licensed bingo premises) and the introduction of different denomination polymer banknotes over the next few years. We believe that, following discussions with the regulator as to how to mitigate any resulting risks, the bingo industry should be allowed to adopt the same money saving technologies available to the rest of the commercial world.

Outside the licensed bingo Industry, a review of maximum stakes for other products may go some way to reducing reputational damage done to other sectors including Bingo. The potential still remains for other sectors to offer the same game play, but with a higher stakes and therefore greater product capability. B3 games are available on B2 machines but B2 players can play what is essentially a B3 slot machine under B2 stake and prizes limits, allowing players to play these games with enhanced features at higher stakes than £2.

The most common phrase used for these games is Fortune Spins. Fortune Spins are available on nearly all of the slot content on B2 machines. When a player opens up a game it appears as a B3 machine exactly as it would in a licensed bingo premises, however there is a tab at the bottom of the screen saying "Fortune Spins". When a player presses this, it offers them a chance to play the B3 game under B2 stake and prize limits and for a higher stake per spin than is available on B3 machines in a licensed bingo premises. The most common offer on this is "Play 4 Spins for £20", therefore allowing the customer to play a B3 game at a £5 stake. Some games offer Fortune Spins at £10 a stake per spin, but most are aimed at £5 (probably to keep beneath the 25% MGD threshold). The player is playing an exact replica of a B3 game but with enhanced payout percentage and features which would make the game more exciting to play than it is at a £2 stake.

For the player, although there is a message saying you are switching to a B2 machine, for all intents and purposes customers think they are playing the same B3 game that they can play in the bingo club but they are being exposed to gamble at much higher stakes than they would be able to in a licensed bingo premises. It is unclear why this practice is allowed to take place.

Finally with regard to innovation, the BA believes that product innovation within the bingo industry should not be influenced by challenges elsewhere in the sector.