

2<sup>nd</sup> December 2016

## **NCF response to 'Call for Evidence: Review of Gaming Machines and Social Responsibility Measures'**

## Introduction

The National Casino Forum (NCF) is the sole trade association which represents all land based casino operators in Great Britain; in total there are 148 casinos operating. We support the Government's objective at 1.4 of this review, and fully agree that striking the correct balance between socially responsible growth and the protection of consumers and wider communities must be a fundamental tenet of gambling policy.

The NCF agrees with the intention at 1.26 that casinos remain at the pinnacle of regulation with the 'hardest forms of gambling' on offer including 'gaming machines with the highest stake and prize limits'. This is in keeping with the long-accepted principle (the regulatory pyramid) established by Sir Alan Budd in his government commissioned 2001 report on the broader gambling industry.

In response to the Call for Evidence, NCF is proposing changes to the machine regime that will allow the casino sector to respond to customer demand, boost tourism, match global competition and keep up with technological advances whilst remaining at the vanguard of socially responsible gambling. Our proposals would lead to increased revenues for HM Treasury, boosting jobs in the sector and contributing to economic growth.

These proposals, which can be achieved by Secondary Legislation, have been subject to Gambling Commission scrutiny and are reflective of recommendations made by the Culture, Media and Sport Select Committee (see below).

## Legacy of the 2005 Gambling Act

The 2005 Gambling Act made many welcome improvements but, as the sponsoring Ministers later conceded<sup>1</sup>, the legislation also had unintended consequences for the UK casino industry. Indeed, it has limited the development

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<sup>1</sup> Oral Evidence to Culture, Media & Sport Select Committee, 12<sup>th</sup> January 2012

Q603 **Damian Collins**: I want to ask a couple of questions about machines in casinos. Under the provisions in the Act, why is it that a small casino needs more gaming tables than a large casino to maximise its allowance of machines?

**Tessa Jowell**: The ratio between gaming totals and machines was something that we considered carefully on the basis of advice, which would ensure that the casino regime complied with the three licensing objectives of the legislation.

Q604 **Damian Collins**: So a small casino has to have 40 gaming tables to maximise its machine allowance and a large casino only 30. What advice did you receive that led people to believe that that was the best outcome?

**Richard Caborn**: When I reflect back on it, there were areas where we could have applied more common sense. I must admit that this is one of the areas. It is something that needs to be revisited in my view. You take a view in light of five years' experience. I really do welcome this Committee, because I think you can have a look both in terms of dealing with people's concerns about harm but equally about fairness within the industry. I hope that you will look at some of these areas because I think they do need revisiting.

Q605 **Damian Collins**: Did you consider having one ratio but limiting the number in smaller or large casinos and operating at the same ratio?

**Richard Caborn**: You got into this argument not just about casinos, but about pubs and clubs. We had a big argument about whether the limit for working men's clubs should be £500 or £250. It was a much bigger picture than that. It was all about how many machines were going to be in the nation for gambling at the end of it. The pubs and clubs were arguing that the FOBTs in betting shops were a totally different animal. Then you have the new casinos-the £1,500 and so on. It was not an exact science. Let me put it that way.

Q606 **Damian Collins**: Did you consider setting a maximum number of machines for a small or large casino, but operating the same ratio between machines and tables? Is that something you considered?

**Richard Caborn**: I think it was. I would have to go back and check all that to be quite honest. I don't know all the detail now. I just can't recall it all. What I am saying is that it wasn't just about casinos and machines. There was a wider impact on machines in a lot of establishments, including casinos. As Tessa said, we were under this pressure about casinos and how many there would be anywhere. Would there be a mass proliferation because you were going through the permitted areas? That all came into it.

**Tessa Jowell**: ... But I think Richard is absolutely right. It is a very fair question. It may be that perverse effects were created by that. It would be good for the Gambling Commission to review that within the licensing objectives set out in the Act.

Q623 **Damian Collins**: Only one new casino has been built following the Act. Would you think, with hindsight, that it would have been better to allow existing casino operators to apply for the new licences?

**Richard Caborn**: I think so. My personal view is I think I would. If we actually got to revisit that, I would. But I would revisit a number of areas on the casino issue, although not the Gambling Commission; I think that's sound. This casino issue got highly politicised. When you look at the amount of gambling in casinos, compared with the rest of gambling, it is minute, relatively speaking.

of new and innovative gaming products found elsewhere around the globe and fell short of many of the reforms needed to allow casinos to grow and compete in a rapidly evolving marketplace.

The NCF is predominantly concerned about the disparity between the number of gaming machines permitted and licensed under the 1968 Gaming Act “converted casinos” and the 16 licensed under the 2005 Act “2005 Act casinos”.

By way of context, only four of the 2005 Act casinos have actually opened in the nine years since the Act became law in 2007. A primary reason for this is the commercially impractical ratios of machines to tables anticipated in the Act, as well as the designated locations of the new licences being geographically and economically inappropriate.

By creating a three tiered licensing regime (or four if the currently redundant Regional casino licence is included) based in large part on the allocation of machines the Act has introduced confusion into the casino landscape which benefits neither consumers nor operators and which, as evidence set out below demonstrates, does not advance social responsibility objectives.

Ongoing tri-partite discussions have therefore been taking place between DCMS, Gambling Commission and NCF since the Select Committee report in 2013 to consider how this, and other anomalies from the Act (including the ban on providing direct access to on-line gambling in casinos despite the evolution of ‘smart’ phone technology), could be addressed. The aim was to bring converted casinos up to date and operating on a level playing field. At the heart of these discussions was the desire to harmonise the number of machines permitted in converted casinos with that of the Small 2005 Act concept and, in doing so, also to address the impracticality of the 2:1 ratio within that format.

Our proposals and evidence in this submission are given in response to the current 3 tiered licensing regime and are reflective of specific and particular circumstances that apply in each case. A summary of NCF’s key proposals are set out below.

### **Core Proposals:**

- **Allow Small 05 Act casinos to move from a 2:1 machine to table ratio to a 3:1 ratio capped at 80 machines.**
- **Allow converted casinos the same ratio of 3:1 for machines with a minimum, grandfathered, allowance of 20 machines regardless of the number of tables, capped at 80 machines.**
- **Increase the machine numbers cap for Large 2005 Act casinos in accordance with the existing 5:1 machine to table ratio up to 500 from 150.**
- **The NCF would welcome the opportunity to increase the prize value of Progressive Linked Jackpots (PLJ) to a sum equivalent to the total of 10 machines (i.e. £100K) whilst retaining the maximum stake at £5. To make this commercially viable would**

**also require a change in regulation by extending the linked progressive offering across a wide area casino network (WAN).**

**Additional Proposals:**

- **No further increase to the basic stake and prize for B1 machines in this review, believing that the more pressing matter is to address the anomaly of machine numbers between 2005 Act and converted casino licences.**
- **Give further consideration to the Roadmap proposals around remote gaming (on-line) machines in casinos.**
- **We would wish to see the issue of higher stake and prize machines for high-end casinos considered as part of the current Call for Evidence or, if it is out-with its scope, as part of on-going consideration of casino policy.**
- **NCF proposes an amendment to the Gaming Machine (Circumstances of Use) Regulations 2007 to reflect the impact of the previous triennial regulatory increase by increasing the transfer value from £20 to £50 on B1 machines. This to maintain the x10 stake principle, both to accommodate £50 notes being deposited and amounts transferred between the bank and play meters.**

**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.**

The casino industry was granted an increase to the stake and prize limits on B1 machines in the last review (February 2014) from £2/£4000 to £5/£10,000.

- **We are not seeking a further increase to the basic stake and prize for B1 machines in this review, believing that the more pressing matter is to address the anomaly of machine numbers between 2005 Act and converted casino licences as mentioned above.**

The NCF gave a commitment during the 2013 Triennial review to improve data collection of player behaviour. We provide evidence in this response that the previous increase has been implemented without causing regulatory concerns. We therefore believe that it should be, and can safely be, maintained at the current level.

There are also a few broader aspects in the area of stake and prize limits that we would like to be considered, as below.

Casinos have robust social responsibility policies and practices in place and pioneered the first national multi-operator Voluntary Self-Exclusion (VSE) programme which operates 24/7 well before regulation required it. Through the NCF Playing Safe forum, the Department is aware that the sector unites in working towards common best practice and shared initiatives (including the VSE scheme).

Members have provided NCF with their 'B1 Machine Data'. **(Addendum 1)** prior to and post the uplift of stake and prize for category B1s in 2013. This data, over three years, provides insight into the socio economic impacts since the uplift was introduced.

The data below reflects averages for machine play spend, machine win and machine cash out, return to player data and social impact data.

*The average stake on B1 machine bet per game has increased from .81p in 2013 (pre uplift) to .89p 2014, & .90p 2015 & 2016.*

Machine Category	Gaming Machine Total Bet Oct-Dec 2013	Games Played Oct-Dec 2013	Average Bet (per Spin) Oct-Dec 2013
Category B1 - Progressive	£ 94,896,997	129,563,184	£ 0.73
Category B1 - Non Progressive	£ 331,540,350	396,563,221	£ 0.84
Category B1 - Total	£ 426,437,347	526,126,405	£ 0.81

Machine Category	Gaming Machine Total Bet 2014	Games Played 2014	Average Bet (per Spin) 2014
Category B1 - Progressive	£ 802,815,846	861,105,083	£ 0.93
Category B1 - Non Progressive	£ 1,469,371,081	1,677,998,619	£ 0.88
Category B1 - Total	£ 2,272,186,927	2,539,103,702	£ 0.89

Machine Category	Gaming Machine Total Bet 2015	Games Played 2015	Average Bet (per Spin) 2015
Category B1 - Progressive	£ 774,221,443	850,965,176	£ 0.91
Category B1 - Non Progressive	£ 1,348,536,632	1,505,982,979	£ 0.90
Category B1 - Total	£ 2,122,758,075	2,356,948,155	£ 0.90

<b>Machine Category</b>	<b>Gaming Machine Total Bet 2016</b>	<b>Games Played 2016</b>	<b>Average Bet (per Spin) 2016</b>
Category B1 - Progressive	£ 185,382,818	206,765,294	£ 0.90
Category B1 - Non Progressive	£ 339,187,239	377,311,477	£ 0.90
Category B1 - Total	£ 524,570,057	584,076,771	£ 0.90

*B2 average stake has increased from £9.80 in 2013, decreased to £9.59 in 2014 and increased to £11.80 2015 and currently stands as at Q2 £12.81.*

As expected, the result of the 2014 stake and prize changes have provided a modest upturn in net B1 revenue of 5-7%. Our data shows similar figures to those also reported by independent research commissioned by the Responsible Gambling Trust (RGT) 'Evaluating the impact of the Uplift of Stakes and Prizes on B1 Gaming Machines in Casinos' published December 2015 (**Addendum 2**). The conclusions of this independent report were largely very positive in terms of any concerns that the increases might have impacted on problem gambling in casinos. Research by Forrest and McHale 2016 (**Addendum 3**) which looked at data on 85,000 loyalty card users who played B1 gambling machines between 2010 and 2015 showed that the typical (median) player plays for about an hour on a visit and loses around £25. Forrest and McHale comment that this level of expenditure is similar to other leisure pursuits and that regulation about the specification of machines appears to have little effect on typical players. These independent reports provide the necessary reassurance for retaining the stake and prize uplift for B1 machines.

### **High End Casino Stake and Prize Limits**

The land based casino sector predominantly offers a mainstream retail approach. Generally, high visitor volume with a lower spend per head is common across most of the sector. This is in contrast to the high-end Mayfair casinos which have a low visitor volume but much higher spend per head. The high-end Mayfair casinos are few in number, 10, and offer few, or even no machines at all, on their premises. This is predominantly due to the lack of interest shown by their "high roller" international clientele in wagering stakes of no greater than £5 with a prize no larger than £10k. These international customers are used to significantly higher stakes and prizes on machines in other jurisdictions. This limited number of high-end casinos, their customers and HM Treasury would all benefit if the stake and prize on a version of B1 machine was higher, in keeping with machines in competing jurisdictions, at £50 maximum stake and £100k maximum prize.

- **We would wish to see the issue of higher stake and prize machines for high-end casinos considered as part of the current Call for Evidence or, if it is out-with its scope, as part of on-going consideration of casino policy. We recognise a solution may only be possible through the creation of a sub-category of B1 and perhaps categorised as (B1H), exclusively to these high end casinos and where strict membership obligations apply. We would therefore like to place it on the table for discussion and seek**

**government opinion, but without distracting from our key ambitions to harmonise machine numbers more broadly.**

- **The NCF is otherwise not seeking a further uplift in B1 stake and prize within this review but would like to discuss the practicalities/possibilities of setting a different scale of stakes and prizes (and/or machines) for the exclusive high-end casinos in Mayfair alone.**
- **The NCF agrees with Government that casinos should continue to remain at the top of the regulatory pyramid in regards to machine stake and prize.**

## **Machine Regulation**

There is a further anomaly we would also like to raise which has otherwise been out of step on a practical level since the 2013 increase in B1 stake and prizes.

The machine regulations for the Gambling Act 2005 incorporated a responsible gambling (RG) feature on casino B1 machines from the outset. This RG feature is unique to the UK market and not implemented in any other regulated casino jurisdiction. The RG feature requires the customer to first place monies and winnings into the machine 'bank' and, in order to then play from these funds, requires the customer to then 'move' the funds across from the bank to the play option in stages. Funds may only be deposited into the bank at £20 a time (i.e. a £20 note). Whilst this was seen as inconvenient by customers before the 2013 uplift (having to press the transfer button multiple times) it has become more so since the increase in stake from £2 to £5.

The previous maximum £2 stake meant that a customer would obtain a maximum 10 x £2 wagers for every deposit of £20 into the 'bank'. However, when the stake was increased to £5, this was reduced to a maximum four plays per £20 transfer. We believe it is simply a matter of practical common sense to increase the transfer value from £20 to £50 in line with the 2013 stake increase to restore the previous multiple to a maximum ten wagers per deposit. £50 notes are a common currency in casinos and the principle of having to deposit funds from a £50 note fed into the bank in three instalments (£20, £20 and £10) and then moved across again to the play meter is very cumbersome.

Machine manufacturers would prefer the British casino industry to be in step with the rest of the world in regards to the 'bank' feature, which has to be specifically built into UK casino machines, restricting flexibility of available products. They too see little practical benefit for the customer.

The NCF agrees with the manufacturer's position that this RG feature is largely seen to be something of a nuisance to customers and out of kilter with the rest of the world. However operators are mindful that this RG feature is long established and could provide a 'pause' in play. Therefore whilst the industry is not calling for the removal of this feature altogether, albeit there is a case to do so, NCF would ask that this review at least bring the feature into denominational relevance. We would welcome the opportunity to discuss the viability of this

issue, which has otherwise been discussed at the tri-partite Roadmap discussions.

- **NCF proposes an amendment to the Gaming Machine (Circumstances of Use) Regulations 2007 to reflect the impact of the previous triennial regulatory increase by increasing the transfer value from £20 to £50 on B1 machines. This to maintain the x10 stake principle, both to accommodate £50 notes being deposited and amounts transferred between the bank and play meters.**

### **Progressive Linked Jackpot (PLJ)**

- The precedent of increasing the value of a Progressive linked jackpot to the maxim jackpot prize equal to 2 machines (£20k) was implemented in the last review in 2014 and has applied to date. This change has been popular with some customers but has not led to an increase in staking levels as identified by the RGT research. This feature is internationally well established across regulated casino jurisdictions albeit with much higher prize levels and not confined to a local area network (LAN) within the same casino.
- **The NCF would welcome the opportunity to expand the prize value to a sum equivalent to the total of 10 machines (i.e. £100K) whilst retaining the maximum stake at £5. To make this commercially viable would also require a change in regulation by extending the linked progressive offering across a wide area casino network (WAN).**

### **Q2. 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.**

It has been widely ignored that B1 machines already have a depositing RG feature previously mentioned above. Operators have made significant financial investment in both technology and human resources employing new integrated customer relationship management (CRM) systems and loyalty features to help 'flag' different types of play and record logs are showing greater staff to customer interactions. Employing dedicated responsible gambling personnel such as 'slot hosts' who interact with players and data scientists focusing on player behaviour and markers of harm.

Rank participated in research which reanalysed tracked play (Forrest and McHale, 2016 - University of Salford Manchester & University of Liverpool - RGT Tracked Play on B1 gaming machines in British casinos. Although this work found that levels of typical play were modest, they identified that 11% of visits lasted over 3 hours, and that 8% of visits resulted in a loss of £200. They note that larger losses often result in a delay returning to the casino but identified a small number of players (2% of the total sample) who seemed to be 'chronic loss chasers': they tended to be younger males whose overall spend on



machines was higher. They also noted that the later the visit finishes the more intense the gaming. This study therefore supports the assumption that operators need to focus on identifying and intervening with a small number of players whose play may be causing them harm. It also demonstrates that models need to be sophisticated in order to be beneficial:

The report has provided useful insight into typical and atypical behaviour of casino customers' machine play. For example, the report found that "spending above £1,000.00 is very rare and there are no cases of a player losing as much as £1,500". Forrest and McHale conclude that "much work needs to be done before the approach can be confirmed to have worthwhile payoffs" (p62).

NCF and several member operators have also been participating in additional research conducted by Focal Research, a Canadian research company with considerable expertise in developing algorithms that identify problem or at-risk machine play. Whilst it has been difficult to get data sets to progress this work, given the relatively small number of machines in this sector, Focal is confident that models can be developed for the UK casino sector. The advantage of their approach is that it builds on considerable prior work in other jurisdictions but can be customised for each UK operator (or even for different types of casino run by one operator). It will allow targeted interventions with customers that the model indicates have a high probability of risky/problematic behaviour. Focal Research report 'Using Player Loyalty Data to Detect Risk for Problem Gambling' (**Addendum 4**).

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

Prior to the 2005 Act the then permitted 10 "jackpot" machines sat alongside lower stake and prize machines (which carried a prize of £500) then classified as section 16 & 21 terminals under the 1968 Gaming Act. These machines were unlimited in number and a casino could deploy as many of them as its business required which was based on the principle of customer demand. It should be noted that casinos did not, despite the opportunity to do so, create "slot sheds" with huge numbers of so-called "section 21" machines, but simply employed sufficient machines to meet customer demand, depending on the size of the premises and number of customers.

The Gambling Act 2005 re-categorised all gaming machines and, in so doing allowed casinos to again double the number of high stake and prize machines from 10 to 20 per venue as mentioned earlier in our response.

Conversely, however, the Act essentially removed Section 21 machines from the equation so the casino sector had to forfeit all lower stake and prize machines in order to benefit from this change. The Act specified for casinos that they may have 20 x Category B machines **OR** unlimited category C and D. Unlike bingo clubs and arcades, which sensibly are allowed a restricted number of Category B in addition to unlimited Category C and D, casinos have to choose "either / or".

In real terms – given that casinos could not realistically justify having no Category B machines at all, circa 1,900 of the casino machine estate was depleted overnight by removal of the Section 21 machines. Prevalence studies conducted between 1999–2007 had showed no increase in problem gambling during the periods when Section 21 machines had been employed. There are currently only 3,013 machines across the whole casino sector of 148 venues, which accounts for less than 2% of the total number of machines across all gambling sectors, despite annual attendances of over 20 million (Gambling Commission Industry Statistics, November 2016).

In addition to the pure mathematical anomaly of so few machines being available to so many customers, there is then the confusion caused when customers see more machines in 2005 Act casinos where these are located near to converted casinos. They cannot understand why they have to queue to get onto the smaller number of machines in one venue without having to do so in the other. To the untrained eye, both types of casino are exactly the same.

This review seeks to ensure the right balance of sector growth and social responsibility. For the casino sector, the current arrangements could be described as unbalanced in terms of sustainable economic growth and customer expectations. For that reason, as detailed earlier and in response to Q4, we are seeking to redress the anomaly of different machine numbers being allocated to converted casinos and 2005 Act casinos when they are essentially the same type of premises.

The NCF understands that the Gambling Commission is the main stakeholder and advises Government on matters related to question 3. From NCF's own discussions with the Gambling Commission we understand that it does not have any objections in principle to an increase in machine numbers.

The pyramid of gambling regulation in Britain is not contested. The decision by Government to distinguish between casino B2 provision and the restrictions imposed on B2 play outside the casino (1.34) we feel was an appropriate response to our sector.

**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.**

Despite the removal of the 24 hour rule and no longer needing to provide ID on entry, visits to a casino still tend to be a conscious decision planned in advance as part of a night out. Much like going to the theatre or other social events, the restriction of venue numbers and location makes a casino visit a 'destination' experience. In order for casinos to be relevant and offer modern products the industry will need to keep pace with technology and customer expectations.

The NCF evidence provided in this response supports the Government's objectives. Changes to the number of machines and their allocation in the casino industry are possible. If Government takes the opportunity to allow the casino industry to evolve in an understandable and organic manner and removes the anomalies introduced in the Gambling Act 2005 to allow the industry to

harmonise then modest growth will be forthcoming, as explained in the EY report 'Stimulating Growth in the UK Casino Industry'. (**Addendum 5**)

The EY report, previously submitted to DCMS and HM Treasury (amongst others), anticipates the following key benefits:

- An additional **£100 million** of Gross Value Added (GVA) to the UK economy, rising to **£150 million** when indirect factors are included.
- Harmonisation would also increase jobs; the EY report identifies that an extra **1,000 jobs** could be created. Notably, more than 75% of these jobs will be created outside of London.
- These changes would boost revenues for casinos by an extra **£175 million**
- GVA growth as a result of these changes will not just be centred on London. The North of England will see a **£35 million** increase in GVA whilst the Midlands and Wales would see a **£25 million** boost.
- Once indirect and induced factors are included the proposed changes will result in extra **£65 million** tax revenue for HM Treasury.
- A key area identified by the report is the changes will require capital expenditure to accommodate extra machines, EY estimates that this investment could be worth **£115 million** to the UK economy.
- NCF expects that as a result of the changes casino operators will seek to upgrade their existing estate leading to greater investment.

We also respectfully ask Government to consider the recommendations of the 2013 Culture Media and Sport Select Committee report (The Gambling Act 2005 - A Bet Worth Taking) in respect of casinos:

- ***5. Gambling is now widely accepted in the UK as a legitimate entertainment activity. While we recognise the need to be aware of the harm caused by problem gambling, it seems to us that the rather reluctantly permissive tone of gambling legislation over the last 50 years is now an anomaly. Our general approach in this report has therefore been to support liberalisation of rules and delegation of decisions to those most knowledgeable about their likely impacts, local authorities, while keeping national controls to the minimum commensurate with protection of the vulnerable, in particular children.***
- ***48. We were told by the Gambling Commission and by DCMS that gambling policy must be evidence-based. It is apparent, however, that the allocation of gaming machines under the 2005 Act is complex and was not made on the basis of solid evidence about the risk of problem gambling.***

- **53. Casinos are the most highly-regulated sector and they are therefore the most appropriate venue for hard, high-stake forms of gaming. This is not reflected fully in the current allocation of machines. We believe that it is illogical to restrict the games available in highly regulated land-based casinos when B2s, with high stakes and prizes, can be accessed in betting shops.**
- **163. We believe that the stated aim of the Government—to test the impact of the new casinos—would be almost impossible to implement in a timely and cost effective manner due to the impracticality of identifying whether any increase in problem gambling was caused by the new casinos as opposed to the presence of any other forms of gambling including online. The Government should reconsider its plans to test the impact of the new casinos. Given that casinos have some of the most comprehensive measures for tackling problem gambling and in the light of some of our other recommendations we believe that casino operators will already be doing enough to enable the industry to grow safely.**
- **169. The Act has created a situation where the Small Casino model is not considered financially viable. This is partly because a Small Casino must possess a larger floor-area for table play than a Large Casino in order to maximise its machine allowance. We note that not one Small Casino has been developed. It was not Parliament's intention in 2005 to make Small Casinos completely unviable. Given the fact that all casinos are highly regulated and access is limited regardless of the size, we see no rationale for the different gaming machine allowance. As 5:1 is the ratio presently in the legislation, we recommend that the Government introduce a single ratio of five machines to one table for both Small and Large Casinos. Local authorities should have the power to increase the number of machines permitted per table if they wish to do so and an operator requests it.**
- **172. There is now a two-track system for casinos, with existing 1968 Act Casinos unable to modernise and take advantage of the allowances granted to new Small and Large Casinos. However, as the development of these new casinos has been so slow following the Act—with only one Large Casino having opened to date and two more having been permitted—there is currently no way of assessing what impact allowing 1968 Act Casinos the same freedoms would have. In principle, we see no logical reason for maintaining different regulatory regimes and believe that 1968 Act Casinos should be given the same freedoms as new ones.**

Since the implementation of the Gambling Act 2005 only 3 of the 8 large 2005 Act casinos are operating. A further large casino (Victoria Gate Leeds) is currently in development and is expected to be operational early 2017. It is not possible to estimate if or when the other four designated sites will emerge.

Only 2 of the 8 Small 2005 Act casinos have opened. Luton in August 2015 and the Rubicon in Wolverhampton in November 2016. Both are effectively an upgrade of an existing 1968 Act converted licence.

As mentioned at the start of this response, the net effect of the Luton casino Small licence coming into operation, from a customer perspective, was that one day they walked into the casino where there were 20 machines and the next day they walked into the same, now refurbished and slightly extended, casino where there were up to 80.

Existing competitor casinos in the same towns or cities as the Large and Small 2005 Act premises are left at a commercial disadvantage and having to explain the inexplicable to their customers as to why they do not have as many machines to meet demand by comparison. It is quite common for customers to have to queue to gain access to a machine in busy casinos.

There is, however, one advantage in having the Small casino in Luton operating for over a year in the same venue where it was previously a converted casino. It has allowed us to provide clear evidence in this response to show that the impact of adding the additional machine allowance to what is, essentially, the same converted casino premises as it was before, has not impacted adversely on customer behaviour or problem gambling. It has simply addressed the anomaly of supply and demand.

It should be noted that the Luton Small casino only has 60 machines compared to the 80 it is now permitted. The reasons are two fold - one is that it is not commercially viable to operate the 40 tables needed on a 2:1 ratio and the other is that the operator, Grosvenor Casinos Ltd, believes that, at this particular venue, 60 machines is sufficient at present to meet customer demand.

The new Small casino in Wolverhampton has, however, elected to install 40 tables at the outset in order to achieve the 80 machines but it is too early to tell whether this will prove commercially viable in terms of table numbers. If not, regardless of whether there is demand for the 80 slots, the number of machines would need to be reduced if table numbers could not be sustained.

The size criteria for a Small and Large casino are between 500m<sup>2</sup> and 1000m<sup>2</sup> of table gaming area. The 2005 Act "Small" casinos have a ratio of 2:1 machines to gaming tables. This was intended to meet the core principles set in both the Budd review report in 2001 and the Government white paper that followed in 2002 to preserve the integrity of UK casinos as predominantly leisure venues with a mix of facilities rather than be "slots sheds". However, the Small ratio was set with a maximum of 80 machines, requiring 40 gaming tables to achieve this number using the 2:1 ratio.

By contrast, "Large" casinos were set a ratio of 5:1 and a maximum of 150 machines – requiring only 30 tables to achieve the maximum allowance (within what is essentially twice the floor space permitted for a Small casino).

A "Large" casino needs at least 1,500m<sup>2</sup> to allow for non-gaming areas, and overall cannot exceed 3,500m<sup>2</sup>.

It would clearly make more sense for the Small ratio to be increased, and we would suggest that a modest increase to 3:1 would be advisable. To obtain the

maximum of 80, a small casino would then need 27 tables rather than 40. That is still only three less than a Large casino would need, but is a step forward.

Whilst there is a case to argue that this ratio should be higher than 3:1 to balance the anomaly with Large casinos (and, as mentioned earlier, the CMS Committee recommended a uniform 5:1 for all casinos), we are only proposing this modest increase because we believe it is more important (given the number of businesses involved) to then align the converted casino machine allowance to the same, Small casino ratio.

This proposal has been discussed at length in the tripartite discussions between NCF, DCMS and the Gambling Commission. This produced the Casino Road Map paper which NCF believes helps support our request for change and is relevant to this Call for Evidence.

In addition, evidence from the Luton Small casino illustrates the lack of impact on customer behaviour or problem gambling. The increase in machines brought about by implementing the Small licence has simply addressed the demand needs of a casino with an attendance of 600 people per day. For example, the average stake before becoming a Small casino was 0.91p and after rose to 0.92p. Meanwhile the average spend from those using cards fell from £117.71 to £108.83 and the average dwell time, again from those using cards, fell from 12 minutes 12 seconds, to 10 minutes 45 seconds.

There are, however, some very small casinos where a 3:1 ratio would adversely impact on the 20 machines currently permitted, notably being small electronic casinos which only operate electronic gaming terminals rather than “live” tables, and these do not fit within the ratio calculation.

We therefore request that converted casinos be allowed the same ratio of 3:1 for machines with a minimum, grandfathered, allowance of 20 machines regardless of the number of tables, capped at 80 machines.

- **Allow Small 05 Act casinos to move from a 2:1 machine to table ratio to a 3:1 ratio capped at 80 machines.**
- **Allow converted casinos the same ratio of 3:1 for machines, with a minimum of 20, capped at 80 machines.**

### **Large 2005 Act Casino allocation**

Whilst the alignment of Small Casinos and Converted casino machine allocation is our principle request within this review, we are conscious that the Large casino allocation has proven to be insufficient in the busiest Large casino currently open, being Aspers in Stratford, London. Here, the casino has experienced demand for as many as 63 tables and that the 150 machines permitted as a maximum is not sufficient for the 4,000 people who visit each day. Whilst it is untested in terms of whether a higher ratio of tables to machines than 5:1 is appropriate or viable at this time, given the limited number of other Large casinos operating, there is logic in simply increasing the overall maximum to 500 (i.e. needing 100 tables to achieve) 500 machines. Such

premises cannot relocate and are limited to an overall maximum size of 3,500 square meters, so the overall number is restricted by available space for tables.

We should stress that this is, and would be, only applicable to the biggest and busiest Large casinos, at present just Stratford. Leeds is yet to open but the operator is optimistic of large volumes of customers. In any event, increasing the maximum to 500 would allow for such cases of very high demand without affecting the overall ratio ambition in the Act of 5:1. It is also still proportionate to the 1250 maximum that would (and still legally could) be permitted in a Regional Casino.

- **Increase the machine numbers cap for Large 2005 Act casinos in accordance with the existing 5:1 machine to table ratio up to 500 from 150.**

By comparison data from the European Casino Association demonstrates the machine numbers which exist in casinos across Europe.

**Caps or minimum amounts of electronic gaming machines (slots) per casino: Data taken from July 2014 UK survey of ECA members**

<b>Country</b>	<b>Response</b>
Austria	Maximum of 350 per venue
Belgium	Number of electronic gaming machines is determined by the hours the gaming tables are open: 15 machines per 5 hours
Czech Republic	No limit
Denmark	No general restrictions, but stipulated in each licence
Estonia	Minimum of 5 tables or 40 slots; usually operators operate just 40 slots per location. No cap
Finland	Not mandatory or limited
France	Limit of 500 slots (possible to have more after special testing by the gaming commission)
Germany	No overall regulation about number of slot machines, but specified in each licence
Italy	Not mandatory or limited in casinos
Lithuania	Minimum of 30 slots per casino
Luxemburg	Neither mandatory or capped
Poland	Minimum of 5 and maximum of 70
Portugal	Not mandatory or limited in casinos
Serbia	Not mandatory or limited in casinos
Slovakia	No limit
Slovenia	Not mandatory or limited
Spain	No limit
Sweden	Ration of table games and slots: 1:70 Maximum amount of slot machines per casino: 150-400
Switzerland	Dependant on licence under A-Licence: No limit and B-Licence: 250

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

Casinos are recognised by the Gambling Commission as being at the top of the regulatory pyramid, and therefore the safest place to gamble in the UK. Casinos pride themselves on providing a safe, fun, multi-entertainment destination.

There is clear evidence that under 18s are being kept out of casinos from the 'mystery shopper' reports which have been conducted annually since 2013, showing 98% success rate in 2015. In each case where breaches have been identified there is a record of the action that the casino operator has taken to address the issue.

NCF has always been committed to promoting responsible gambling, the most recent example of which is an enhanced responsible gambling programme, Playing Safe, which formally launched in 2013, to which all members are signed up. Playing Safe's principles (a code of best practice) define the way the UK casino industry conducts its business and is the flagship industry-led responsible gambling programme in the UK. The Playing Safe Accreditation, Certification and Evaluation Panel (ACE) has developed a methodology for evaluating company practices against this code, and evaluations have been conducted of the four largest casino companies, all of which were judged to have been compliant with the code. The evaluations have revealed some examples of best practice which are in the process of being shared across the sector as well as some more problematic issues which are shaping the next strands of Playing Safe's work (see Q6). The Playing Safe code of best practice is currently being revised to incorporate principles in relation to AML as it relates to problem gambling as well as business ethics. The review process is also being extended to the smaller operators.

As discussed below, Q7, the ACE reviews have indicated that casino operators have robust systems to ensure that all advertising and publicity material is not aimed to appeal to under 18s. This includes procedures for contacting customers through social media such as Facebook.

In August 2015, NCF launched a national self-exclusion system called SENSE™ (Self-Enrolment National Self-Exclusion), an industry first. Initial evaluation of SENSE and the statistics from the SENSE database suggest that SENSE is a robust system for alerting and identifying, to casino staff, those customers who have identified themselves as vulnerable because they have signed up to be self-excluded. This is important as all the research on self-exclusion suggests that self-excluders frequently attempt to continue to play and therefore having dynamic real-time alert systems is essential to the integrity of these schemes.

In addition, the casino industry has been subject to a variety of qualitative research over the years: the Government's White Paper in 2002 'Safe Bet for Success' is often cited, as well as the Eadington Collins report 'Managing the Social Costs Associated with Casinos: Destination Resorts in Comparison to Other Types of Casino – Style Gaming' (**Addendum 6**) and more recently the Roehampton Report 'A case study exploration of the social impacts of a UK local, provincial casino on key stakeholder groups' (**Addendum 7**) which examined



the impact of a casino on the local community (which used the Luton Casino), commissioned by Southland Methodists.

Through Playing Safe, operators continue to improve responsible gambling training; this also incorporates targeted messaging and workshops; such as with the Alzheimer's Society raising staff awareness and recognising signs of poor mental health and cognitive impairment in customers.

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

NCF's moral compass on improving and keeping under review its social responsibility policies and practices within the land-based casino sector is fully embedded in the Playing Safe principles. We are also committed to evaluating major new initiatives in line with RGT's Evaluation protocol, working within the RGSB strategy and collaborating as appropriate with cross industry groups such as IGRG.

Playing Safe projects that are currently underway include:

- A training package for PMLs to help them recognise and respond appropriately to customers with mental health issues that may affect their gambling behaviour. This is a follow up to a workshop held for senior casino managers run by the Alzheimer's society.
- Work looking at improving transparency about the volatility of different games on B1 machines.
- Work looking at how messaging about responsible gambling can be improved and particularly made relevant to particular groups of customers, eg young adults.
- Collaborating with Kings College Policy Institute on cultural and community research into gambling behaviour.
- Developing dynamic training modules that can be easily shared across the business.
- Ensure policies are in place which facilitate and support staff communications.
- Establish focus groups that are demographically relevant to the business.
- Ongoing research and evaluation of voluntary self-exclusion policies and practices.

All operators across industry should be encouraged to invest in and improve appropriate data gathering methods.

**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 land-based casino sector rarely engages in terrestrial TV and radio advertising, however, through our Playing Safe programme we engage with reputable national and international academics and researchers. The Call for Evidence may wish to consider the recent research findings, which were presented at the European Association for the Study of Gambling, (EASG).

Casinos mostly communicate through direct marketing to members. The ACE evaluations have checked that operators have processes to ensure social media messages are not directed at children. Marketing departments work very carefully with Compliance on messages in all publicity and advertising and tight controls are in place with standardised company-wide marketing materials and again the ACE evaluations check this.

SENSE has robust systems to ensure that customers who self-exclude are removed from all marketing databases. The evaluation process is checking that this is happening and to date there have been no indications of problems.

- **NCF is not opposed to a ban on TV advertising of gambling products.**

**Q8. 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?**

The NCF is mindful that this review appears to be looking at changes that would not involve Primary legislation and the legal advice we have been given is that our proposals and recommendations can all be achieved via Secondary legislation. The changes that we seek would deliver modest growth and along with that the innovation to employ better responsible gambling tools.

**Future Proofing - Methods of Payments**

Regulation states that payment to play a machine cannot be made by means of a debit or credit card on the machine. We understand the concerns in allowing a customer to deposit funds directly from a debit card into a machine without any apparent restriction. However, it is clear that payment technologies now exist that were not envisaged at the time that the regulations were laid in 2007. The concept of "contactless payment" now exists whereby a payment of up to £30 can be made quickly without use of a PIN for various small purchases in shops or other facilities. Whilst introduced fairly recently, we understand that use of these cards is growing rapidly with growth of a further 43% expected by 2020<sup>2</sup>. The following statistics outline the speed of growth:

- As of August 2016, there were a total of 97.1 m contactless cards issued in the UK. This is an increase of 30.4% over the year.
- £2.4bn was spent in the UK in that month using a contactless card. This is an increase of 269.1% for the year.

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<sup>2</sup> Source – Global Payment Card data and forecasts to 2020.

- 260.7m contactless transactions were made in that month. This is an increase of 192.8% over the year.
- 400,034 bank-owned terminals are available in the UK where contactless cardholders can make a contactless transaction. An increase of 44.0% over the year.

It is clear that this level of growth could lead to regulations being very out of step with society trends by the time of the next review in three years or more. By then, payments by contactless card, mobile phone etc may well have made significant inroads towards a cashless society that makes cash redundant. We would therefore recommend that a cautious step be taken by Government to embrace this increasingly common payment method and keep British gaming machines in casinos relevant to modern banking developments.

**We recommend that a maximum of £100 per day be accepted on casino B1 machines via a contactless card, but on condition that this only be permitted where a loyalty card is used on the machine. This will allow tracking of play and ensure that multiple payment cards are not used to exceed the £100 limit.**

We do not believe that such a step would pose a risk to problem gambling as it would only be of use to casual customers playing for relatively small amounts. This is the way that the contactless payment method was designed and is used in the retail environment for small purchases.

## **Online Gaming**

Following the theme of ensuring legislation moves with the times to ensure land-based casinos stay relevant and reiterating previous points in the Road-Map discussion paper to address the area of online gaming; with over 1/3 of all UK gaming being online and in contrast to 10 years ago, it is vital that UK casinos are allowed to contemporise their offer to meet the needs of the new “digital customer”.

At present a customer can enter a casino, connect their own device, be it smart phone or tablet to the casino’s WIFI and then play for unlimited stakes and prizes on tables, slots or sportsbook with any operator of their choosing; our well managed highly responsible environment can in no way offer them any protection.

The NCF believes that allowing casinos to offer their online products in venues to customers via dedicated tablets in areas supervised by slot hosts and by managers constantly watching real-time customer data is a way to help the UK casino business grow and stay competitive whilst significantly enhancing social responsibility mechanisms. This activity would be recorded, tracked and monitored via internal systems; their play by stake level, session duration, win/loss, deposits/withdrawals would all be recorded in real-time.

The proposed tablets would not fall into any of the UK machine categories; it is simply a case of providing a tablet via which the customer can access their online account. All customers would have been registered, would have passed all of the required checks and all play would be associated to them.

For industry respondents, we specifically request industry data to support any proposals under Q1. We suggest using the following table format and request answers to the accompanying questions:

**The NCF refers to Addendum 5.**

<b>Machine Categories</b>	<b>Proposed Stakes</b>	<b>Proposed Prizes</b>	<b>Estimated revenue Change</b>

- Please provide details on the variables used to calculate revenue changes (return to player, speed of play, stake and / or prize sizes etc.) and your methodology.
- Can you outline any assumptions made and on what basis you believe these to be correct (e.g. based on market data or past trends)
- We anticipate that there will be an element of technological response to stake and prize limits that will occur naturally in line with planned investment. Can you provide any statistical information on the physical box and / or software turnover rate experienced by different categories of machine, and how this rate might interact with changes to stake and prize limits?

For industry respondents we suggest using the following table format and accompanying questions for Q4:

**NCF refers to Addendum 5.**

**Operator (end user)**

- Can you provide an estimate of additional investment created by any new machines allocation over the next three years?

<b>Machine Categories</b>	<b>Additional number of machines</b>				<b>Projected cost (£)</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>	
B1					
B2					
B3					
B3A					
B4					
C					
D (complex)					
D (non-complex)					

- Can you outline the evidence and assumptions used to make these projections?
- Do you expect there to be an increase in spend or the same spend across a greater number of machines?
- Please provide details on how the changes in stakes and prizes contributed separately to the changes in spend and can you outline any assumptions made and on what basis you believe these to be correct (e.g. based on market data or past trends)
- Can you provide the average machine earnings varying by places (e.g. public houses) not licensed by the Gambling Commission? Can you provide current and projected earning over the next three years?
- Do you own the gaming machines or do you rent them from a supplier? If owned, how much did it cost you for game/kit upgrades or replacement machines in the last stake/prize uplift in 2013? If not applicable can you estimate how much it cost to replace/upgrade?