

December 1st 2016.

A response to the Department for Culture Media and Sport's call for evidence relating to their;

Review of Gaming Machines and Social Responsibility Measures.

The Gambling Business Group is pleased that the DCMS has formally opened up the debate on gaming machines stakes and prizes and welcomes the fact that all stakeholders have been given an opportunity to contribute. It is a well-known fact that gaming machines are prevalent in most sectors of the UK Gambling Industry and as such we do not intend to be sector specific in our response. However, we and our members individually have contributed to their respective gambling sector Trade Association submissions and the call for evidence where appropriate.

The Gambling Business Group.

The Gambling Business Group (GBG) is a representation of gambling organisation members from all sectors of the UK Gambling Industry, along with other Industry support services that include product manufacture and development, legal and audit, finance and consultancy organisations. Our members account for a majority of the UK's Gross Gaming Yield (GGY) making the GBG the most significant representation of Gambling Businesses in the UK.

A large proportion of our membership are also members of their respective gambling sector Trade Associations and they have subsequently contributed to their calls for evidence and supported their submissions where appropriate. It would therefore be an unnecessary duplication and potentially counter-productive for the GBG to produce additional, separate Industry evidence. Hence, the GBG have chosen to take a collaborative approach to this review.

The Economic Case.

There are a number of cost factors that have affected the Gambling Industry in the UK over recent years, some unique, but most are generic factors that apply to many industries. The difference with the gaming machine industry is that the locking into regulation of the maximum stakes and prizes values for machines prevents businesses from reacting to external factors as others are able to do. Some of these cost factors are as follows;

- The introduction of Machines Games Duty (MGD) or gross profits tax to machine income in 2013. This change brought with it the inability to offset VAT on machines related purchases effectively increasing all purchasing costs by 20% overnight.
- The introduction of the National Living Wage. Whilst this was only introduced in April this year, there are further increases planned through to 2020 that are an additional cost to the business. Many organisations are passing on this additional cost (either in part or in full) onto their customers via their pricing structures. This industry is unable to do this as explained above.
- The introduction of new coins and notes. We have recently seen a new polymer £5 note introduced and we are about to see a new shape and material £1 coin to replace the current design. As the gaming machine industry is largely regulated around the acceptance of cash, these introductions require all machines and related products to be upgraded to accept the new designs. This is a huge cost to the industry that again cannot be recovered through price adjustments.
- In the last five years there has been a steady increase in new and additional regulations and requirements introduced by the Gambling Commission via the Licence Conditions and Codes of Practice (LCCP). These new regulations require effective compliance, which requires additional resources to ensure that compliance is delivered. Individually these additional changes may not seem a huge burden. But when regarded collectively and cumulatively, they are considerable. Compliance with regulations is not and shouldn't be negotiable, but the frustration for the industry is that these additional compliance costs cannot be recovered in the same way they can in other industries.

It is the view of the Gambling Business Group that these cost factors provide a reasonable case for an increase in stakes and prizes on machines, despite the fact that inflation continues to creep upwards in the background.

It is also relevant to point out that we are aware of no evidence what-so-ever, anywhere in the UK, that says that previous reviews of stake and prize levels on machines have caused harm or have increased the incidents of problem gambling.

We believe that the above provides a backdrop to a positive review of Gaming Machines and Social Responsibility measures.

Innovation and Product Development.

The Gambling Act 2005 was introduced in 2007 as an 'enabling Act', designed to be flexible and able to keep up with technology and changes in consumer demands. In the event the Act has fell way short of this description, leaving the Industry frustrated that it can't develop and/or innovate effectively. Furthermore, this restriction also prevents the development and innovation of gambling products that may have additional social responsibility characteristics, such as multi-player games with inherent peer supervision.

This review should therefore consider introducing a facility that gives the ability to carry out controlled testing and evaluation of new products and innovations that sit outside of the current regulatory restrictions. Testing can be carried out under the supervision of the

Regulator. Evaluation should be carried out to the requirements of the Responsible Gambling Strategy Board's recently agreed evaluation protocol to ensure that no additional harm can be created and that the three Licensing Objectives are maintained.

We see this being enabled in one of two ways;

- Introduce a new sub-category of each current machine category that allows for a limited number of controlled tests and evaluations of new developments and/or innovations or,
- Provide separate dispensation that allows a small number of products (not only machine products) to be sited, tested and evaluated as described above.

This is an opportunity for the industry to work with the DCMS and the regulator in developing gaming machines and other products that are more entertaining and engaging, that at the same time carry with them inherent responsible gambling characteristics.

In the event that a new product is proven to be acceptable, there will also need to be a route of passage for these products to be accepted into legislation without having to go through the resource heavy processes that exist with changes to primary legislation.

Introduction of Linked Jackpots.

The Gambling Business Group propose that full consideration be given to allow Licenced Operators to offer linked jackpots on their B3 products in a similar way to that in casinos. Casinos have been providing linked jackpots for some time now with no evidence to say that there has been any adverse effect on the Licencing Objectives.

B3 products are provided in similarly over 18 establishments with proven high levels of age controls (think 21) and customer knowledge/care.

Being able to offer linked jackpots up to the same level as the statutory maximum prize permitted on a B3 machine (currently £500), would enable Operators to provide an additional level of playing entertainment to their customers.

Linked jackpots are funded through the accumulation of a small percentage of each stake (from the linked machines) into the jackpot total, which would be won at random by anyone playing those linked machines at the time. The winning player receives the amount advertised as the jackpot at that time, which may not have reached £500. Within the jackpot mechanism there is a reserve jackpot (also being fed by a percentage of each stake) so that in the event that the jackpot is won, the next (reserve) jackpot does not have to start from zero.

This proposal can be achieved through a small amendment to the Gambling Act 2005 s.244(2), adding the words 'and Category B3 gaming machines', after 'casino premises licence'.

Catching up with the Pace of Change.

Research from Payments UK confirmed that 2015 was the first year that cash was used for more than 50% of payments made by consumers.

In September of this year, the number of contactless transactions in the UK increased by a shuddering 270% year-on-year. Great news for all of us who seek simplicity and speed of transaction but a looming disaster for an industry which has mostly been predicated and regulated around players using their cash to be entertained on a gaming machine.

The use of debit cards and credit cards for the playing of gaming machines is currently prohibited in legislation. However, whilst we agree that the prohibition of the use of credit cards should be continued, the use of and controls around debit cards and their enabling products (such as the likes of ApplePay) should be considered in a different light.

A first reaction to the concept of using debit cards with machine play might understandably be a vision of unrestricted spending, but the reality would actually be the contrary. Bringing with it improved controls and harm preventions, the opportunity for additional player interventions, along with a lifting of some of the anonymity around machine play - debit card payments and the technology that sits round it has a great deal of value to add to harm prevention and responsible gambling.

At the moment it is possible to use a debit card to pay for machine play to a chosen value by making a payment through a member of staff for example; over a counter or at a cash desk. It is also legal for ATMs to be located in gambling establishments, although the ATM must be located far enough away from the machine(s) so as to create a break in play when used. An individual can therefore readily access cash from their bank account up to their agreed ATM limit today.

Giving due consideration to the above changing consumer demands and the inherent protections that it can provide, it seems logical to allow a customer to access their cash through the use of a debit card when using a gaming machine. The current process employed when using an ATM or cash could be improved upon if the use of a debit card in a gaming machine was allowed. For example;

- Tracking the total spend drawn from a particular card - currently anonymous with an ATM and/or cash.
- Application of limits per withdrawal – currently set by the banks at the ATM.
- Application of daily limits – again, currently set by the banks at the ATM.

We would recommend that these types of restrictions should be applied to gaming machine activity and that they should be built into machine technical standards or a similar mechanism/control, that can be reviewed and optimised after evaluation with the regulator - without having engage in resource heavy Parliamentary processes.

For the purposes of potential consultation, we suggest that the use of a debit card with a gaming machine should follow due process;

- a) A player inserts their debit card into a machine or engages the card/device with a contactless reader.
- b) The machine acknowledges the insertion of a card/detection of device in a screen message and requests the player to confirm that they wish to pay for machine plays.
- c) Upon confirmation, the player is asked to enter the amount they wish to transfer.
- d) The player is then asked to confirm and accept the amount they wish to transfer to the machine's bank.
- e) The machine then confirms the transaction and then displays relevant responsible gambling messaging
- f) If there is a card inserted the player will be asked to remove it before machine play can begin.

Through the algorithm work being undertaken with remote gaming customer accounts and with B2 machine play, we are aware that it is theoretically possible to identify certain markers that indicate potentially harmful behaviours that could lead to an intervention with the player - questioning their playing behaviour. This principle of harm prevention could be applied in the exact same way to machine play using debit cards.

Winnings incurred in machine play would be paid back to the source, thus removing any potential for money laundering activity.

Enabling the use of debit cards with gaming machines requires a change to the Circumstances of Use Order, which would simply remove the reference to debit cards in Clause 4. Similar to the restriction on transactions, the details of the process for debit card usage should be agreed with the Gambling Commission in a regulatory mechanism such as the machines Technical Standards.

Response to the Questions.

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

- B2 machines – no change, based upon the ABB submission. However we are mindful that this is a call for evidence and it is therefore important that the DCMS considers all of the evidence made available to them in order that the best possible outcome is achieved.
- B3 machines – increase stake to £2.50 based upon the Bingo Association's and BACTA's evidence and submission.
- Category C machines - increase stake to £2 and the max prize to £150 as per the ALMR and BBPA evidence and submissions.
- Category D Cranes - increase the maximum stake to £2 and the maximum prize to £75 based upon the evidence and submission made by BACTA for this specific product.
- Category D Pushers - increase the maximum prize to £22 which is a technical increase to ensure that operators remain compliant as per BACTA's evidence and submission for this specific product group.

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;

There are numerous work streams in place with regard to measures to mitigate harm and improved player protections on gaming machines. Work being carried out through the Industry Group for Responsible Gambling (IGRG) in conjunction with the detail within the National Responsible Gambling Strategy includes;

- Product and In-play Messaging.
- Staff Training
- Social Messaging.

The initial stages of this work needs to be completed, evaluated and improved upon and is likely to be an on-going set of work streams.

Further to this work there have been a series of measures applied to Licensed Betting Shops and B2 machines as follows;

- Increased staff awareness and training (encouragement to 'floor walk')
- Mandatory gaming machine reminders (after £150 spend/20 minutes of play)
- Facility to set personal 'voluntary limits' on time and spend
- Removal of all ATM cashpoint terminals from betting shops
- No gaming machine advertising in betting shop windows
- 20% of betting shop windows dedicated to RG messaging
- 10% of all TV end frames dedicated to RG messaging
- 10% of press advertisements dedicated to RG messaging
- Top screen of gaming machines showing RG messages for at least 25% of the time
- Player transactional statements available at the gaming machine (for account-based play)
- Player analytics introduced to support behavioural 'triggers'

The GBG would support the sharing of such best practices where they are proven to be beneficial in reducing harm and/or protecting players from harm, and where the technology facilitates these functions.

The GBG would support the roll-out of any harm minimisation and player protections measures that are proven to be beneficial and proportionate.

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

No comment.

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 current situation in regulation that limits Category B3 machine to 20% of the total machine numbers in an Adult Gaming Centre or Bingo premise is an arbitrary stipulation that

has no evidential foundation. The GBG propose that the 20% rule is illogical and should be reviewed in line with market forces.

It is difficult for customers to understand why a particular gaming machine which is available exclusively for the provision of machine playing for adults should be limited in number. If a customer enjoys playing a particular type of gaming machine then why should they be denied access when they chose, just because one isn't available at a busy periods due to an arbitrary restriction.

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

We refer the Department to evidence provided by GambleAware and by the Responsible Gambling Strategy Board in answer to this question.

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

The GBG contributed to the formulation of National Responsible Gambling Strategy 2016-2018 and we are of the view that content of the final strategy document is the right strategy to follow for the next three years. As we learn more over the duration of the next three years the strategy will need to adjust, but only through a structured, informed, evidence led process.

We do not believe that anything further to this would be complimentary, and the introduction of other things would only lead to confusion over what is working/effective and what isn't.

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?

No comment.

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?

There are three additional issues that we bring to the attention of this review;

1. In the section 'Innovation and Product Development' above we identify the need to facilitate the introduction of products that could well bring improved Social Responsibility characteristics, but sit outside of the current regulations.
2. We refer also to our comments in the section 'Catching up with the Pace of Change' above where it is requested that debit cards be removed from the regulations that prevent their use with gaming machines.
3. We also refer to the section 'Introduction of Linked Jackpots' above where it is requested that Jackpots be allowed on B3 machines in adult environments, as they are in Casinos with no detrimental impact on the Licensing Objectives.