

Annex D - Review of Gaming Machines and Social Responsibility - Submission template

Name:

Organisation: Les Ambassadeurs Club Limited.

Les A is a single high end Mayfair casino that caters for high net worth international casino players. The casino is in the heart of Mayfair in one of the highest cost per square foot real estate locations in the world. We are one of three or four casinos in a very small area of London that cater to this bespoke market and each high end casino is effectively a membership club with strict controls on entry and tight due diligence requirements for participation in gaming. Integrity policies ensure that each game is watched by a dedicated inspector, at least one further supervisor is present where gaming is taking place, a manager is on the premises and a 24 hour trained and licenced surveillance team ensure oversight with independent reporting arrangements.

Our customers play in the VIP rooms worldwide where they enjoy VIP treatment, 30 day payment arrangements so that they can finish their trip before settling their account, huge table maximums so that they can enjoy gambling at their level and of course unlimited stakes and prizes on slot machines. We are able to give them some VIP treatment although the high tax rate considerably reduces our ability in that regard, we are able to offer high stakes on tables, but we are not allowed to offer a Gaming Machine experience that is relevant and we are not allowed to make sensible trip payment arrangements due to the credit restriction that was presumably brought in to protect more vulnerable players who might spend more than they can afford.

We are finding it more and more difficult to sustain a high end business and we would respectfully ask DCMS to look at introducing a high end category B1 machine to help us to offer a Machine Gaming experience to our customers that is relevant to them and which might help to increase footfall and thus revenues and prevent the top casinos simply turning into retail casinos. If this were to be the case it is likely that ultimately the business would be unsustainable and investment would stop.

For all respondents:

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.

There is a particular part of the casino sector that has been ignored with respect to machine gaming and this has resulted in the complete absence of any relevant machine gaming for a whole section of customers. High End Mayfair casinos offer gaming to high net worth individuals, the majority of whom are international players who are used to a completely different type of gaming experience in almost all other jurisdictions. The restriction of stakes and prizes for VIP players coming to the UK is an anomaly and in our view an unnecessary and counter intuitive restriction. 'Anticipation and Surprise' are the elements of pleasure common to most leisure activities (Johnathan A Morell), this includes casino machine gaming and it is a common pursuit at different levels of play. The problem with the low restrictions on casino (B1) machine gaming, presumably applied as a protection measure for players who play in what can be described as retail casinos, means that the high net worth players are denied the pleasure of playing gaming machines and Mayfair operators are denied the opportunity to offer a meaningful product that is available to all other players. At £5 per spin, a multi-millionaire looking to enjoy his leisure time is unable to achieve any anticipation of the outcome and at £10k max prize he/she is unexcited by the potential prize. With no such restrictions online, the player is more likely to pursue his pleasure by picking up his iPhone and playing unlimited slots online rather than sit at his equivalent of a penny slot.

We would propose that either Category A slots are permitted in selected Mayfair casinos as a trial or that a subcategory of B1 allows for the increase of stakes and prizes to a level that might be interesting to high net worth customers. Our proposal would be to introduce a higher level at £50 stake and £100k jackpot. As a comparison, on live table games it is not uncommon for high net worth players to stake £50k to £100k on a single spin at a roulette table and achieve in excess of £500k payout.

If this were to be considered we would not expect to have any more than the existing allocation of 20 slots at this increased level. Currently no High End Mayfair casino uses its full allocation of 20 slots and some have none at all, judging the current B1 offer to be irrelevant to their business.

In terms of qualifying as a High End Mayfair category of casino and thus the cat A or sub category B1 machine allowance, the high end sector and the Gambling Commission could work at the appropriate metric. We believe that it is possible to restrict the higher category B1 machine through restrictive conditions on the Gaming licence. In any event, this level of play, not to mention level of risk is not likely to be attractive to regular casino players or to casinos outside of Mayfair.

We believe that, if allowed to look at this market there would be a benefit to Treasury with very little if any risk of increased social harm.

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.

At Les A we already have fully tracked, cashless play on the 6 slots that we have and this would continue if we were allowed to have the requested changes. We would anticipate a similar commitment from the other operators and would be comfortable making fully tracked play a licence condition. Les A and other Mayfair operators operate membership casinos (or ID on entry approaches to CDD). This allows us to identify every gaming machine player, which results in perfect recorded and granular data from which to measure dwell times and spend. Additionally we currently carry out Enhanced Due Diligence on all of our machine players and would propose to make this a condition for high end slot use so that we are certain that no player is playing above that amount that he/she can afford to spend.

We are currently able to trigger output alerts to managers for both metrics (dwell time and spend) based on known customer play patterns. This prompts a manager interaction with customers when necessary and we record those interactions on our bespoke Compliance Evidence Locker app. Such integration across the few Mayfair casinos would provide excellent research data (albeit on very few machines) and allow us to develop further protections and harm minimisation interaction.

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

Balancing the availability of gaming machine play so that all customers are able to enjoy this form of gaming, as well as table gaming, in casinos with the highest levels of supervision in the world, seems to us to be a sensible and proportionate step. We are able to offer the level of scrutiny that is not achievable in most other gambling premises, where customers are known very well to the casino management and business decisions about the customer are made with Enhanced Due Diligence and the customer's risk information in sharp focus.

We would propose to report back to the Gambling Commission regularly with detailed statistical data and social responsibility information so that the tiny increase in availability to the wealthy players can be measured in terms of impact.

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.

A reasonable increase in stakes and prizes for these few high end casinos in this specific and unique area of London, catering mainly to high net worth international customers may increase the availability of machine gaming to those specific individuals only. Putting the customer first, it appears obscure to deny one section of casino players, what other players already have. The scrutiny and supervision at this end of the casino world is exactly the right model for higher stakes and prizes 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?

At the high end, there has been little or no impact on social responsibility for those casinos that offer B1 Machines currently since the levels of play and amount of machines in use are minimal. The nature of the customer base and limits on the machines means that if the casino members want to play slots they do so online, on slots without limits using credit (a credit card) that is also uniquely unavailable to them when they visit the UK.

[In most other jurisdictions, overseas VIP players are permitted to use lines of 30 day credit (a marker) with a satisfactory level of customer knowledge, which shows that they have the wealth to support their play at that level. It is a severe business restriction in London that we are not able to offer a marker system to this group of high net worth players and thus compete for international business].

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

Les A and other high end Mayfair casinos offer gaming facilities to the very rich. Any changes proposed will have no impact at all across the industry as a whole. If permitted to offer high net worth customers with a machine gaming option that is in a live environment with customer facing supervision and not online, on a phone and unlimited, the Enhanced Due Diligence and fully tracked play would provide for harm minimisation measures that are among the best in the world.

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?

Les A and other high end casinos are ID on entry clubs with strict controls about membership. The advertising of these casinos, when done at all, is in a measured way and targeted at wealthy adults (expensive hotel literature etc.). In statistical analysis of visitation in the different age bands the highest category is between 45 and 54 and the lowest categories are at 18 to 24 at less than 4% of the total visits. Further analysis shows that the majority of these visited as guests of family members and either did not play or played very little. The High End Casino environment is not attractive to young people and is unavailable to children.

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?

If the balance is corrected and high net worth individuals allowed this opportunity to play on live gaming machines with relevant stakes and prizes, the increase in machine numbers would be minimal and currently estimated at around 30 machines. The number of premises that this involves is likely to be less than 5 casinos. The social responsibility impact is also likely to be minimal and in fact may in some circumstances reduce the impact of those that currently find live machine gaming irrelevant and turn to unlimited online play or other forms of unlimited gambling instead. We anticipate that there will be a measurable amount displacement from table gaming to the upgraded Machines. This would genuinely put the player first by simply giving the player an alternative, allowing those that happen to be rich and enjoy the excitement of casinos to play with the same excitement that other players experience on the same product.

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:

Machine Categories	Proposed Stakes	Proposed Prizes	Estimated revenue change
B1H	£50	£100,000	We estimate 30% increase in year 1. We expect revenue to grow year on year once we have had a chance to grow the international VIP slot player business. As international players generally visit for between 4 and 10 days a year they have limited time to play and so we are unable to estimate how much of this new revenue on machines will be taken out of table games. Without any relevant high end historical slot data, we are also unable to estimate what the actual revenue might look like.

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- 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:

Operator (end user)

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

Machine Categories	Additional number of machines				Projected cost (£)
	2017	2018	2019	Total	
B1					
B2					
B3					
B3A					
B4					
C					
D (complex)					

D (non-complex)					
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- 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?

Gaming machine manufacturers/suppliers

Can you provide details on the costs and revenue per unit of supplying gaming machines in a format similar to the table presented below? Please provide details if your unit costs/revenue vary depending on the quantity supplied (note that X,Y and Z are different quantities supplied).

Machine Categories	Cost per unit (£)			Revenue per unit (£)		
	0 - X	X - Y	Y - Z	X - Y	Y - Z	Y - Z
B1						
B2						
B3						
B3A						
B4						
C						

D (complex)						
D (non-complex)						

- Are you a manufacturer or supplier?
- Will there be any additional costs associated with changes to stake and/or prize?
- Will there be any costs for software upgrades/kits/replacement machines were there to be a change in stakes/prizes?
- Do you operate on a profit share model? Can you provide further details on your business model, e.g. what ratio machine income is split etc.
- If you operated on a profit share model, how much did it cost you for game/kit upgrades or replacement machines in the last stake/prize uplift in 2013?