



Review of Gaming Machines and Social Responsibility Measures Call for Evidence

Response from the Hippodrome Casino, London

Summary

The Hippodrome Casino welcomes the Government's Review of Gaming Machines and Social Responsibility Measures and this opportunity to respond to the Call for Evidence. Like the Government, the Hippodrome strongly supports providing a healthy gambling industry that generates investment and employment, provides safe entertainment to many people, including a lot of tourists, but that also works for all. We strongly support the review's objective of ensuring the right balance between socially responsible growth and the protection of consumers and wider communities.

By way of background, I am CEO and chairman of the Hippodrome Casino in London. I am also Chairman of the casino association NCF, a trustee of Gamcare, a past President of BACTA and have held a number of other roles in the gambling industry. I am also a director of the Heart of London Business Alliance and am on 2 police liaison groups. I have a good deal of experience in the many sectors of the gambling industry, including bingo halls, AGCs and casinos, and I support a strong, but responsible, gambling industry which is operated both fairly and safely.

The Hippodrome is an excellent example of how the gambling industry can lead to regeneration, renovation, job creation and inward flow of money into the country, whilst providing gambling opportunities to customers in an appropriate environment. The project started in 2006, and during 3 years over £45 Million was invested restoring and developing 2 dilapidated grade 2 listed buildings in the centre of Westminster, turning them into a world class destination venue, with 3 casino floors, a live poker deck, one of London's top restaurants, 6 bars, a cabaret theatre where stars like Prince and Dionne Warwick have performed, chill out lounges, smoking decks, conference facilities, meeting rooms and more. The Hippodrome now employs over 670 people and entertains 33,000 customers a week, of which around a third are tourists. The Hippodrome gave the Chinese Community Centre a free home in the building and has over 140 events a year where charities or organisations such as Westminster Council, the Metropolitan Police, community associations, are allowed free use of the meeting rooms and conference facilities, demonstrating the extra amenity value that has been created.

Professors Eadington and Collins did a study 'Managing the social costs associated with casinos: Destination resorts in comparison to other types of casino-style gaming' which is appended to the NCF submission. The Hippodrome, whilst not a full integrated resort, is an excellent example of the value that casinos can create, with a very high ratio of benefits to costs.

This review comes at an important time. The gambling industry is in a time of stress and is out of balance. Opportunities are being missed, and customers are being harmed. The online industry is developing rapidly. There is excessive gambling advertising on TV. British casinos, whilst recognised as the appropriate places for harder gambling, are generally still



restricted to only 20 slots, so people are being deprived of an entertainment that people in other countries are allowed and so being deprived of a pleasure enjoyed by others. Tourists are coming to British casinos and not finding the products they are used to playing. Customers are confused by the various types of British casino, and do not understand why some are allowed 80 or 150 slots, but most just 20. And at the same time the industry has come into disrepute due to issues around the high-stakes, hard gambling that can now be found in the low supervision environment of a bookmaker on a B2 machine, commonly known as a Fixed Odds Betting Terminal (FOBT).

My proposals to correct the situation are to allow casinos to have an evolutionary increase in numbers of slot machines in casinos, to remove the FOBTs from the high street and to ban gambling advertising on TV. This will go some way towards the normal situation of it being easier to regulate fewer, larger gambling premises, than the current situation of lots of small ones.

I detail my reasoning below.



Response to 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.

There should be no changes to the basic stakes and prize levels on B1 machines. There should be a change in their progressive linked jackpot. Some changes are needed to the conditions of use of casino slot machines.

The maximum stake on a B2 machine should be reduced to £2, consistent with all other machines on the high streets in the UK, and indeed across the world. This would effectively remove B2 machines from betting shops, leaving them with B3 games and below, the same as other low supervision, easy access high street venues.

B1 machines.

There was an uplift in 2014 to £5 stake / £10,000 prize, with 2 machine's jackpots being allowed to be linked for a progressive jackpot of £20,000.

We have now had nearly 3 years to assess the impact of this and the recent studies by Professors McHale and Forrest have been useful. They confirm that the increase in stake and house win was broadly as predicted, with modest increases in both, and the vast majority of customers continued to spend and enjoy their gaming as before, and that there was no evidence of extra harm. The studies compared carded play and uncarded play and concluded the play was similar. They also concluded that extreme gaming behaviour was rare on B1 machines with no sessions of greater loss than £1,000 or longer than 6 hours, which reduces possible risk. The median expenditure was £22 a visit, less than 1 in 5 visits incurred a loss greater than £100 and over half were for less than 1 hour. This all demonstrated that the nature of B1 machines means they are appropriate for casinos at their current staking levels.

The studies did note that the late-night players played more, and there was some increased play from young males in more deprived areas. Studies of gambling behaviour have consistently confirmed that young males are more vulnerable to gambling harm, and clearly in deprived areas the impact will be more severe. Whilst casinos generally attract more mature customers, we are cognisant of this fact. Our door control is effective in keeping out underage people and have always trained the staff to be particularly aware of the concern of the younger male customers. We have also further increased staffing levels in the slots areas at the busier later night hours to ensure the supervision is appropriate.

I met with the 2 Professors to discuss their findings face to face, and hosted a session at the Hippodrome inviting other casino companies as well. Professor Forrest saw no reason to roll back on the current B1 stake. He noted the concern in deprived areas, particularly from young males, but also noted the age profile of casinos was higher than other gambling venues and the level of supervision much greater. He also said the UK did not have a modern casino sector, and often started his presentations in foreign countries by saying 'British casinos only have 20 gaming machines', as a way of getting people's attention as it



was so unusual. He was very supportive of more machines in casinos. We discussed the various harm prevention measures and broadly are happy that we are doing the right things. He further noted that algorithms to detect problematic play may have value but there 'is a long way to go'.

Casinos are currently allowed to link the jackpots of 2 machines to create a 'progressive linked jackpot' of £20,000. The evidence of operating this over the last 3 years, is that it does not increase staking behaviour or lead to any increase in harm. The studies referred to in the NCF submission show the average stake per game in 2016 on progressive linked machines and non-progressive linked machines was the same, 90p. Casinos worldwide have wide area progressive (WAP) linked jackpots going into the millions. I support the proposal that the number of jackpots allowed to be linked on machines in UK casinos, should be increased from 2 to 10, giving a potential progressive linked jackpot of £100,000, and that this should be available on a wide area network to make it commercially viable.

And finally there is a condition of use on B1 machines that players have to deposit funds, and winnings go into, a credit bank, and then players have to press a button to transfer funds into a play bank before they can play it. This was introduced as an additional socially responsibility measure. We are probably unique in the world to have this feature and it causes us issues with machine manufacturers as they have to further customize product for the UK market. Given the number of decisions a player has to make, and hurdles a player has to get past to play a machine in a British casino, it is probably unnecessary and can safely be dropped. But if not, the transfer amount needs to be raised to reflect the increase in stake in 2014. Currently the transfer amount is only £20. This was to allow 10 games at £2 under the previous maximum stake. With a maximum stake now of £5, this means that for players playing at this level, they have to press the transfer button every 4 games, which frankly is irritating and unnecessary. Equally if the player puts in a £50 note, they have to transfer it into the credit bank in three goes, £20, £20 then £10, which again is irritating, before they can then transfer it into the play bank again in three button presses, before they start playing. If the requirement cannot be removed completely then it needs raising to an appropriate amount of at least £50 reflecting 10 games as before, or preferably higher.

Casinos have strong social responsibility policies and practices, including 24/7 self exclusion. The changes proposed above, and the changes in numbers of machines proposed below, are all more than covered by existing social responsibility measures. Casinos are not generally situated on the "High Street" and customers have less opportunity to enter on impulse when passing. They are generally slightly out of town or on retail parks where it requires a specific decision to travel there. In any case, they are viewed by customers as "destination" venues, where there is a conscious decision to visit, and generally customers decide on a budget before the visit.

Casinos are required by law to have trained and licensed door staff to monitor entry and they also have a reception area to further control entry. Their staff numbers are very high, with dedicated staff monitoring each aspect of the business. All gaming staff are personally licenced by the Gambling Commission and trained individuals are responsible for controlling each of the gaming tables, and others supervising the terminals and machines, monitoring customer behaviour in the premises at all times. Additionally casinos have layers of



management on the gaming floor ensuring everything is run correctly. All staff are trained in problem gambling awareness. Staff numbers in casinos are not just very high; the staff are on the gaming floor amongst the customers where the supervision is more effective.

Casinos also have independent, unannounced and random age verification testing of entrance to casinos. The latest testing showed an over 98% pass rate, the highest score of any UK land based gambling sector by a considerable margin. Given the age profile of casinos is older than other gambling venues, (with the possible exception of Bingo), and the standards they operate to, the concern of underage gambling in casinos is negligible

B2/FOBT Machines

Since their introduction and the provision of a legal basis for them in the 2005 Gambling Act, the problems associated with FOBTs have grown exponentially. There is now a clear case for the very high stakes which can be wagered on these machines to be addressed.

As the Government is aware, FOBTs can be found in bookmakers across the country, on Britain's high streets. Last year £1.7bn was spend on FOBTs often by the most vulnerable in our society and those who can least afford it. As the Call for Evidence sets out, we now have 34,807 high stake FOBTs located in Britain's bookmakers. These machines are directly linked to problem gambling with the RGT research saying 4 out of 5 FOBT gamblers exhibiting problem gambling behaviour at stakes in excess of £13 a spin, compared to 1 in 5 at stakes £2 and under.

Before FOBTs were introduced, bookmakers were relatively benign, providing part of the social fabric of a high street. The level of crime, anti-social behaviour and gambling problems associated with machines in bookmakers was low. Since the introduction of FOBTs, bookmakers have become a major problem with rising crime levels, anti-social behaviour and gambling problems related to them. The situation is almost like a controlled experiment where just one variable is changed, in this case, the FOBT machines, so the effect can only be as a result of them. Since their introduction, FOBTs have also become harder and more sophisticated.

FOBTs are very lucrative for bookmakers. Ladbrokes' half yearly results noted an average profit per machine of £1,022 per week. FOBT profits at Ladbrokes are up 11.9% on last year with 55% of their profits derived from FOBT machines.

Bookmakers are restricted to having up to four FOBTs per site. To get around this they have opened multiple sites on Britain's high streets, and opened for 50% longer hours. There is a disproportionate clustering of betting shops in more deprived areas and local councils are calling for greater control. There are twice as many betting shops in the poorest 55 boroughs of the UK, typically working class and urban, compared with the most affluent 115, even when accounting for population size, so 4 times the density.

Below, I set out the reasons why further regulation of FOBTs is required and why it is of paramount importance that the maximum stake that can be wagered on them is substantially and materially reduced. In particular:

1. Fixed Odds Betting Terminals do not fall within the scope of the licensing objectives set out in the 2005 Gambling Act which are:
 - (a) Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
 - (b) ensuring that gambling is conducted in a fair and open way, and
 - (c) protecting children and other vulnerable persons from being harmed or exploited by gambling.
2. Industry measures to reduce harm and improve player protections have not worked
3. There is a clear economic case for stake reduction

Given the clear evidence of harm the Government should act on a precautionary basis to reduce the stake. In fact, there is a strong case for the presumption being that FOBT machines are causing harm and the onus should be on the bookmaker industry to prove otherwise. The bookmakers have a lot of relevant information, such as the numbers of their machines being smashed each year, a demonstrable sign of loss of control, a strong marker for harm, that they are withholding, and they should be forced to reveal the facts.

Reducing the stake to £2 will effectively remove FOBTs from betting shops as they will switch to operating B3 machines, the same as other high street venues. The actual change will not cost anything as the B2 terminals already have B3 games as well, and the machines are all networked. So to remove the B2 games is as simple as adding or reducing a new game as happens frequently now on the network.

The bookmakers will no doubt 'cry wolf' as they have done before whenever threatened with increased regulation or taxation, claiming it will close most of the bookmakers etc. The reality is it will close some bookmakers, but only the unwelcome ones that have been opened in clusters in deprived areas. Bookmakers will return to being the welcome betting venues they were before FOBTs. DCMS is aware of the Landman and Nera research papers, which confirm a limited number of bookmakers will close as a result of correcting the FOBT maximum stake. This will not only be welcomed by councils campaigning for it, but equally will lead to improvements on the high street. The money currently spent on FOBTs will not disappear, but will either be spent within the bookmaker, returning to over the counter betting, which will support the horseracing industry through increased levy, be spent on the bookmaker's B3 machines, which the bookmakers state already are responsible for a third of their machine income, or will be spent elsewhere on the high street, on more labour producing jobs, and overall numbers of people employed on the high street will increase. Crime and antisocial behaviour associated with the machines in betting shops will also decrease.



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.

Casinos are at the top of the regulatory and supervisory pyramid. The reasons listed above demonstrate why they are already mitigating harm and providing player protection commensurate with the level of gaming offered. Casinos are not scrabbling around now to try to look like they are being responsible, and coming up with untested and unproven 'harm mitigation' measures to try to justify continuing with products that are not appropriate. Casinos introduced a pan industry self-exclusion scheme well ahead of it being a requirement, building on its existing self-exclusion measures.

Casinos have increased staff numbers supervising the machines, and have integrated CRM facilities, where slot hosts have an Ipad with live data from all the machines, so they can actively monitor which player is doing what as they supervise their area. The close human interaction is valuable in supervising players correctly and mitigating any harm

Casinos willingly participated in the research by Forrest and McHale and further are working with Focal research, to explore if they can develop algorithms that help identify at risk play. The limited number of machines does make the analysis harder, but the work is progressing.

Bookmakers are lower in the regulatory and supervisory pyramid, but their FOBT machines provide gambling materially harder than you get in a real casino. Casino games like roulette are played in Bookmakers at 20 seconds a game, with no supervision. In a real casino the roulette games are supervised, and last an average 100 seconds giving more time for reflection between games. Slots in a real casino are limited to £5 a spin, yet in a betting shop they can be £100 a spin. It is both illogical and very lucrative for the bookmakers.

The solution to harm minimisation is to remove the FOBTs and return the bookmaker to being a bookmaker, not a casino. The measures devised by the bookmaker industry to address 'harm minimisation' are clearly a smokescreen, designed to delay action against the FOBTs. The RGT evaluations have concluded there is no evidence of any benefit from them. The industry likewise knows that pop up messages and limit settings are ignored by players, and are only useful to try to show regulators that something is being done. Equally the £50 soft cap regulations have proved ineffective, and had further negative consequences with the bookmakers using any contact details obtained, to heavily market to customers, rather than for any meaningful harm minimisation measures. They all miss a substantial point in any case. Rather than try to identify harm when it has happened, it is better to have stopped the harm happening in the first place, by having the appropriate level of gambling available in the appropriate venue.



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

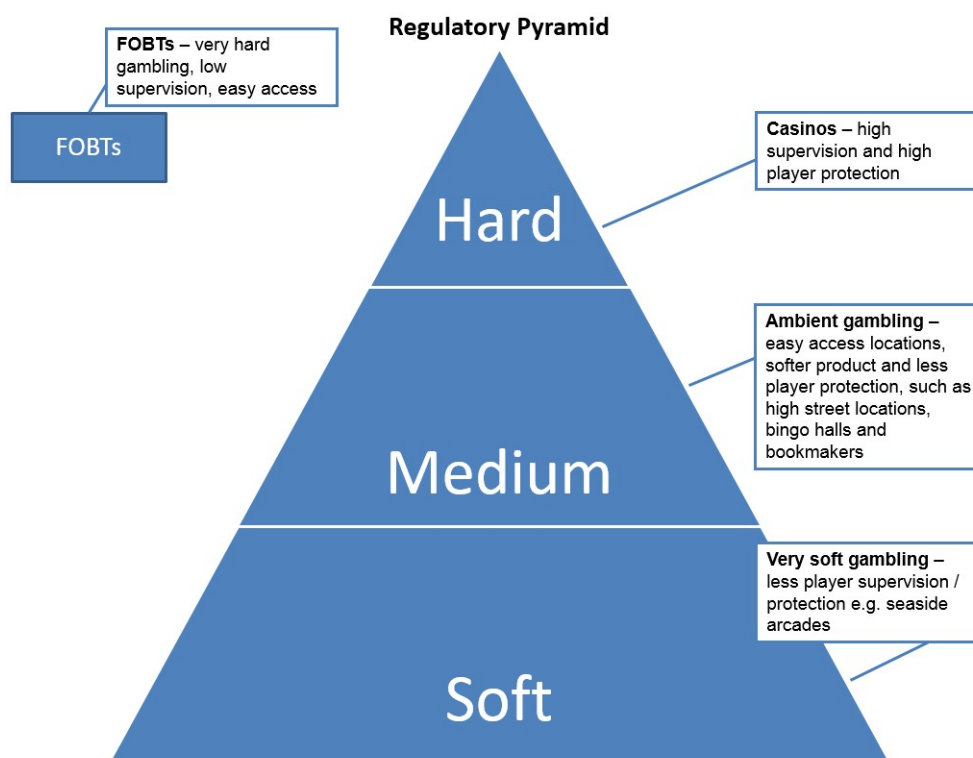
B1 Regulation

Prior to the 2005 act, casinos were permitted to have Section 21 machines. There was no limit and casinos were free to have any number, depending purely on demand. Casinos did not choose to operate huge numbers or create 'machine sheds'. Instead they chose to operate a sensible number that supplied customer demand, but maintained the character of the casino. Around 1,900 were installed. There was no regulatory concern, no increase in problem gambling, anti-social behaviour or increased harm. Rather this is good evidence that both the operators were sensible, and that increased numbers of machines in casinos worked.

If anything B1 machines are low stake and prize compared to machines in casinos worldwide. We compete in a global market and so regulations should be changed to allow more B1 machines in casinos.

B2 Regulation and comparisons between casino and bookmakers.

There is a strong case for further regulation of FOBTs since these fall well outside the generally agreed principles of gambling regulation which are used worldwide. The 1968 Gambling Act put in place a regulatory pyramid with harder gambling at the top, in strictly regulated Casinos with very high levels of player protection and supervision. The middle tier, general high street ambient gambling, was planned to be fairly soft gambling with lower levels of player supervision, in places like bookmakers, arcades and bingo halls. At the bottom are seaside arcades which have relatively trivial gambling and the lowest levels of supervision. Sir Alan Budd agreed with this when he proposed the structure and basis for the 2005 UK Gambling Act.



The proliferation of FOBTs has taken place outside this regulatory structure. They allow very hard gambling in easily accessible locations with very low supervision levels.

It is important that policy makers continue to appreciate the distinction between the hard gambling on FOBTs which is undertaken in betting shops with low regulation and very low levels of supervision and that which is undertaken in casinos where there are very high levels of supervision and player protection.

In bookmakers, betting shop staff are failing to intervene when gamblers are exhibiting signs of problem gambling. They do not have the training, time or capacity to deal with the problem.

If FOBTs are located anywhere they should be located in casinos, although, to note, the Hippodrome casino chooses not to have any FOBT machines.

Of the 147 casinos operating, only four are permitted more than 20 machines, with maximums set based on table to machine ratios, with 80 allowed in the small category casino at 2:1 or 150 in the large casino at 5:1. There are three large casinos and one small casino currently in operation. The majority of the estate comprises 143 casinos, these are only permitted to have a maximum of 20 machines of Category B1 to D. There is an average of only 2,833 machines in use in casinos across the UK. Casinos, in the main, choose to have B1 machines (with a maximum stake of £5 & jackpot of £10,000 - this type of machine is permitted solely for casino use). Casinos can choose to include B2 machines (FOBTs - max stake £100) within their allowance of twenty machines but in general to date they do not; play on B2s is not of significant interest to our customer base, and therefore B2s do not generate more income than B1 machines. However there are around 180 B2 machines in casinos, generally to give more player choice.



There are many differences between the operation of casinos and bookmakers:

- Bookmakers are generally small shops mainly situated on the “High Street” and access is simple. They are ambient, easy access gambling environments.
- Bookmakers have no membership or door entry control. There is no dedicated reception area or door staff to monitor entry. Doors are directly off the street. Staff are generally behind a counter, many with bandit screens. Staff numbers are usually very low with only one or two members of staff on duty in a Licenced Betting Office (LBO) at any one time. The gambling Commission statistics show how many under 18 year olds get into bookmakers.
- Casinos are not generally situated on the “High Street” and customers have less opportunity to enter on impulse when passing. They are generally slightly out of town or on retail parks where it requires a specific decision to travel there. In any case, they are viewed by customers as “destination” venues, where there is a conscious decision to visit, and generally customers decide on a budget before the visit.
- Casinos are required by law to have trained and licensed door staff to monitor entry and they also have a reception area to further control entry. Their staff numbers are very high, with dedicated door staff monitoring the entrances, and highly trained individuals are responsible for controlling each of the gaming tables, and supervising the terminals and machines, monitoring customer behaviour in the premises at all times. Staff numbers in casinos are not just very high; the staff are on the gaming floor amongst the customers, where the supervision is more effective.
- Casinos have independent, unannounced and random age verification testing of entrance to casinos. The latest testing showed an over 98% pass rate, the highest score of any UK land based gambling sector by a considerable margin.
- Casinos also provide a wide range of leisure facilities, including bars, restaurants and often live entertainment in addition to table gaming, poker and machines. Some casinos also provide space for social community centric gatherings, which often does not include gambling with the club.
- Casinos provide stable employment; with an average of 100 FTEs directly employed per Casino, as well as benefits to local communities as part of a vibrant day and night time economy.
- All casino gaming staff are fully licenced by the Gambling Commission and receive continual responsible gambling training. Again, this is independently audited. Staff retention in casinos is also extremely high and universally accepted as a ‘career’ not just a job.
- Casinos introduced and operate the first national multi cross-operator, voluntary self-exclusion scheme ‘SENSE’, across the UK.
- Therefore, whilst Bookmakers and casinos are both legally “gambling premises”, the above overview shows that, in reality, they operate completely different environments.

This is acknowledged by the Former Minister for Gambling Richard Caborn MP, who said in



his evidence to DCMS: “casinos are the safest place to gamble” (12 January 2012), and the former CEO of the Gambling Commission Jenny Williams said when addressing the Bermuda Gaming Commission May 2016:

“When our legislation went through to enable more casinos across the country, there was an incredible uproar about casinos,” she said. “And it’s nonsense because if there is an issue about gambling, and you can debate about how much there is, casinos are the most supervised, controlled places for gambling environments in the world. There’s a mythology about money laundering in casinos, but it’s not an obvious place to launder money when you have your picture taken and recorded at every point....”

It is recognised that gambling issues come from a combination of product, person and location/supervision. Where casinos have FOBT machines, there has not been any increase in crime, damage to machines nor violence or threats to casino staff. This demonstrates that casinos are an appropriate environment for higher stake gaming machines such as B2 machines.

To our knowledge there has never been an issue or media interest regarding B2s in casinos. The level of monitoring and control (including much more widespread use of casino loyalty cards and membership) is also significantly higher than can be achieved in high street bookmakers. Customers see Casinos as a destination, and they go as a conscious decision with a planned budget in mind.

No other country in the developed world has £100 stake gaming machines other than in highly supervised casino environments. They properly regulate all high stakes gambling and recognise hard gambling must be in highly supervised premises that customers recognise as such. Where allowed at all, the normal for machines in low supervision, ambient gambling high street locations worldwide is around £2 a spin, as other high street machines are in the UK.

Effective regulation of FOBTs

The most effective way to deal with FOBTs is to substantially reduce the maximum stake that can be gambled in one spin, correcting it to a stake appropriate for the location. This would provide sufficient levels of protection for those that can least afford to lose and ensure adequate protection for the most vulnerable in our communities.

It is important that policy makers continue to appreciate the distinction between the hard gambling on FOBTs which is undertaken in betting shops with low regulation and very low levels of supervision and that which is undertaken in casinos where there are very high levels of supervision and player protection. High stake casino gambling is simply inappropriate in a betting shop.

Traditional horse race betting would benefit from limiting the stakes on FOBTs as money would return to over the counter betting, returning bookies to their traditional place as a valued part of the high street, and benefitting the horse racing industry through increased levy.

Bookmakers have been part of the high-street entertainment for decades and hitherto were welcome without any major issues, providing appropriate relatively slow betting opportunities



in an ambient environment. The advent of high speed, high stake FOBT casino machines has turned them into mini casinos, but without the necessary levels of supervision and control.

The Government has set out a few measures to deal with FOBTs but these have been shown to be ineffective. The bookmakers themselves also established a 'code of conduct'. The Responsible Gambling Trust has published a report on this code which shows how ineffective it has been.

Regulations were introduced last year, by the Government, to require players to open an account in a bookmaker, or stake the money over the counter, if they want to stake over £50 a spin. A recent evaluation of this measure by the Department of Culture Media and Sport has shown that few players are opening an account and that players are getting around this by playing more frequently at stakes of £40-£50. This is still very high stakes gambling. The report notes:

- “Despite marketing campaigns there has been a relatively low uptake of verified accounts. Prior to implementation approximately 4% of stakes were linked to a player loyalty account. Following implementation, the percentage of stakes linked to a “verified account” has been between 8% and 11%.
- Following implementation, the percentage of sessions linked to a “verified account” has been between approximately 5% and 7%. This is despite significant marketing.
- The other mechanism for authorisation of over £50 stakes is over the counter (OTC) authorisation with trained staff. This appears to happen in a very low percentage of sessions (approximately 1%) so the direct impact may be Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 Department for Culture, Media & Sport 3 limited in terms of the number of people affected by this mechanism.
- All players staking over £50 are required to authorise through one of these two mechanisms. The evidence shows a large number of players opted to stake below £50 and increase the duration of their session in response to the regulations.
- There has been a consequent fall in the two quarters since the regulation was implemented of about £6.2bn in the amount bet in stakes over £50 from 2014 to 2015 for Q2 and Q3. There has also been a £5.1bn increase in the total amount staked at the £40-£50 range for the two quarters since the regulation was implemented. This is an overall decrease of approximately 10.1% in the amount staked over £40 in 2015 Q2 and Q3 compared to 2014 in nominal terms.”¹

Anecdotal evidence suggests that some players are now also playing two machines simultaneously to ensure they can play at £100. The regulations still enable players to stake up to £100 a spin and simply introduced a £50 staking threshold above which players are required to identify themselves to staff or sign up to a loyalty card. This means players can still stake up to £100 and it appears that the bookmakers are in fact using this change as an

¹ Department of Culture, Media and Sport, Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 January 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493714/Evaluation_of_Gaming_Machine_Circumstances_of_Use_Amendment_Regulations_2015.pdf



opportunity, where anyone signs up for a card, to further market products to them using the contact information.

Ladbrokes latest half-year report shows they gave away £3.7 million in free plays to FOBT users in the last 6 months compared to just £1.9 million to those participating in traditional over the counter betting.

Protecting the Young and Vulnerable

There is now a growing evidence base setting out the need to reduce the stake on a FOBT to protect the young and vulnerable from being harmed or exploited by FOBTs. As the Call for Evidence notes, “The combination of high stakes and natural game volatility means that players can win or lose significant amounts of money in a short space of time”.

A report has just been published by the eminent academics Professor Peter Collins, former professor at the University of Salford, Professor Graham Barr, Professor of Statistical Sciences and Economics at the University of Cape Town and Dr. Leanne Scott, also from the University of Cape Town.²

Using innovative quantitative and qualitative research including focus groups and statistical analysis from computer simulations to accumulate evidence, the report:

- Identifies a new quantifiable measure to estimate the effect of lowering the stake on peoples vulnerability called “Vulnerability to Large Losses” or VLL;
- Finds that reducing the maximum stake on a FOBT would more than halve the likelihood of unaffordable losses by those who are most vulnerable to being, or becoming, problem gamblers;
- Concludes that the Government should, in the interest of protecting the vulnerable, and in line with its policy of prioritising mental health issues, impose a substantial reduction on the maximum stake currently permitted on a FOBT in betting shops; and
- Finds that a substantial stake reduction was also strongly supported by the general public with 65% concluding that the current £100 stake was “Significantly too high” and 63% suggesting that they should be banned altogether in order to protect the young and vulnerable.

Professor Collins further comments that:

*“Our conclusion from this whole study is that substantially reducing the maximum stake permitted on B2 machines would make little difference to the majority of consumers who mostly stake less than £10 anyway. One clear impact of reducing the maximum permitted stake would be on those few players who like to stake more than £10 **after** they have already won a significant sum. This may be negative in terms of player enjoyment. On the other hand, such a reduction would demonstrably diminish greatly (i.e. by more than half on*

² ‘Report on results of research into the likely effects of substantially reducing the maximum permitted stake of £100 per 20-second spin on category B2 electronic gambling machines in UK betting shops’, November 2016, Professor Peter Collins, Professor Graham Barr and Dr. Leanne Scott.



average) the vulnerability to large losses of those who can reasonably be identified as being vulnerable to being or becoming, problem gamblers. As such, it would afford significant additional protection to those vulnerable to gambling excessively or compulsively and so to causing substantial harm to themselves, to those close to them and to society as a whole.”

He summarises that:

“All the evidence we have gathered cumulatively supports the view that the Government should, in the interest of protecting the vulnerable and in line with its policy of prioritising mental health issues, impose a substantial reduction on the maximum stake currently permitted when playing FOBTs in betting shops. This view is strongly supported by the general public, by those who have worked for bookmakers and in betting shops, by problem gambling treatment professionals and by regular B2 (FOBT) players. Cumulatively all the evidence converges in support of a substantial reduction in the maximum allowable stake on FOBTs in betting shops.”

Professor Collins’ report is particularly powerful in the context of the Government’s last review of stakes and prizes where the Government “sought quantifiable evidence that a reduction in B2 stake and/or prize would have an effect (positive or negative) socially, in terms of increased or decreased risk of gambling related harm, or economically, in terms of the impact on high street betting shops, investment and employment. The consultation indicated that if there remained no clear evidence following the consultation, the Government would retain the current stake and prize limits for B2 machines as part of this review and await the conclusion of longer term research.” The bookmakers in response also claimed that there was “no empirical evidence existed suggesting a reduction in stake and prize levels has any positive effect in reducing problem gambling or minimising gambling related harm”. Professor Collins’ detailed report clearly demonstrates that this is not the case and provides clear empirical evidence of the net positive impact of stake reduction.

At the launch of this Report on Friday 18 November, Sir Alan Budd, the author of the Budd Report, which underpinned the 2005 Gambling Act, commented:

“FOBTs are not in the spirit of our report. We agreed that betting shops should have gaming machines but not of this type. We also believed that local authorities should have a larger role in licensing premises.”

He went on to say that gambling of this sort is not appropriate in betting shops and should be reserved for specific highly regulated casino premises and that it was an important part of the Review team’s recommendations that its proposed changes should be monitored closely.

In addition to this, the Responsible Gambling Trust has produced research, which identifies that around 80% of FOBT gamblers exhibit problem gambling behaviour at stakes in excess of £13 a spin. Analysis shows that FOBTs use is the most common activity for problem gamblers.



Two thirds of the calls to Gamcare, the country's main problem gambling charity are from bookmaker customers, with about half of these citing the FOBTs as the issue. Anecdotal evidence suggests that many were previously involved in more benign forms of gambling such as horseracing and experienced few problems and saw this as a fun recreational pastime. They then started playing the FOBT machines and their gambling became more problematic.

Moreover, since their introduction, FOBTs have also become harder and more sophisticated, playing all versions of casino games to maximise income. Using a legislative loophole, bookmakers can also offer lower stake slot games (known as B3 content), capped at £2 per spin, but players can seamlessly switch to higher stakes FOBT gambling at stakes up to £100 per spin, a dangerous option allowing chasing of losses.

Indeed, it is imperative that any research that is now being undertaken is able to separate games that are initially played as a B3 from those that the player then elects to transfer winnings from playing the B3 to a B2 high-stakes game.

Economic and social impact

There is also a strong economic evidence base for reducing the stake on FOBTs. There has been a 43% increase in numbers of betting shops located in town and city centres, and they are opening materially longer hours, around 50% longer. This is destroying the health and vibrancy of our high streets. The impact of the machines can be most heavily seen in London. In 2013, people lost £459m on FOBTs and many of these would have been the most vulnerable in society. Research published last December found that London stood out from other areas as the place with 'most bets placed, at the highest stake values and the most money was lost'.

The lucrative returns from FOBTs, the addictive nature of their high-speed roulette content and a limit of 4 FOBTs per premises has resulted in the clustering of betting shops in areas of high social deprivation. Research commissioned by Westminster Council and Greater Manchester Council found that there was a disproportionate amount of bookmakers located in areas with the highest minority population. Bookmakers seem to be actively targeting those that can least afford to lose; the poor and more financially vulnerable that are more likely to use them.¹

Research for the Guardian newspaper also revealed that there are twice as many betting shops in the poorest 55 boroughs of the UK, typically working class and urban, compared with the most affluent 115, even when accounting for population size, so 4 times the density. Newham has one of the highest number of bookmakers of any London Borough with 87 currently in operation.

The problem in communities up and down the country has led to local authorities taking matters into their own hands. A recent Sustainable Communities Act petition led by Newham Council has been supported by 93 local councils in England and Wales, calling for the Government to take action against FOBTs. However, this petition, despite being the largest ever SCA submission, was blocked by Government and the decision is currently under appeal.

The demographic that plays the lower-stake, lower-risk, less volatile Category C machines in community pubs are the same who use FOBT machines in betting shops. With betting shops



proliferating near to pubs, their higher-staking, more addictive FOBT gambling machines, are drawing custom away. With this income diminishing, pubs are no longer able to use their machine income to help pay towards their costs, increasing the rate of their closure.

Theories put forward by bookmakers that curbing FOBT machines would cause thousands of LBOs to close at the cost of many jobs are unfounded. Two useful pieces of research on the impact on businesses confirm the view that replacing FOBTs with £2 stake (B3) machines would in fact be revenue neutral and benefit the high street, as some of the money would still be spent on the machines, albeit at a less problematic maximum £2 a spin (and noting the bookmakers have said already over 30% of their income is from these low stake slot games), some would go back to traditional betting, and excess money otherwise being spent on FOBTs would be spent elsewhere on more labour intensive pursuits.

The first report published last year by Landman Economics found that because expenditure on FOBTs supports relatively little employment compared with consumer expenditure elsewhere in the economy, that £1bn of “average” consumer expenditure supports around 21,000 jobs across the UK as a whole, whereas £1bn of expenditure on FOBTs supports only 4,500 jobs in the UK gambling sector.

This implies that, other things being equal, an increase of £1bn in consumer spending on FOBTs destroys over 16,000 jobs in the UK. The results of the report suggest that, if current rates of growth of FOBT expenditure are maintained, gross industry revenues from FOBTs will double in real terms over the next ten years, resulting in a gain of around 5,000 jobs for the gambling sector by 2025/26 but a reduction of around 25,000 jobs for the economy as a whole. At the end of the ten-year period, the total annual wage bill in areas where FOBTs are established will be around £700 million lower (in today’s prices) than if FOBT use remained at its 2015 level.

At the end of the ten-year period net tax receipts will also be around £120 million per year less, due to the expansion of FOBTs. Revenue from Machine Games Duty is forecast to increase by around £280 million but this is more than offset by reduced receipts from income tax and National Insurance contributions (due to lower employment) and reduced VAT receipts (due to lower consumer spending on other goods and services).³

The second report, by NERA Economic Consulting, assessed bookmakers’ claims of shop closures and job losses. It concluded that ‘cutting the stake on these machines would reduce numbers of bookmakers by about 800, primarily where clusters have developed - just 5 to 10 per cent fewer shops than before the introduction of B2 machines in 2000’, (which is probably expectable anyway with so much of the bookies business now being on-line). Moreover, it found that ‘the move would create a net positive 2,000 high street jobs as money returned to other more labour-intensive and productive high street shops.’⁴

Crime

³The Economic Impact of Fixed Odds Betting Terminals, Landman Economics, 2015 <http://fairergambling.org/wp-content/uploads/2016/02/The-Economic-Impact-of-Fixed-Odds-Betting-Terminals-20151.pdf>

⁴ The Stake of the Nation, Balancing the Bookies, NERA, April 2014, <http://fairergambling.org/wp-content/uploads/2014/04/nera-report-040414.pdf>



A recent Freedom of Information request to the Gambling Commission has revealed that FOBTs are responsible for a 20 per cent rise in crime at betting shops as addicted gamblers turn violent.

New figures show that betting shops across the country were forced to call out police officers 9,083 times last year, an increase of 1,600 incidents on the previous year.

The London borough of Newham has recently reported at a hearing of the Fixed Odds Betting Terminals All Party Parliamentary Group that there is more than one police call out per day to a bookmaker, often due to violence caused by a FOBT⁵

Newspaper reports of over 7,000 FOBTs being smashed up each year by players who lose control after losing their money, have not been refuted by the bookmakers. In the recent Panorama program on FOBTs, an ex Ladbrokes official said that 5,000 machines are smashed up annually in their estate alone. This indicates the actual number is materially more than 7,000 a year. Any smashed machines are clear evidence of problems related to FOBTs

Lord Beecham recently spoke in a House of Lords Debate introduced an amendment for the Policing and Crime Commissioners Bill on FOBTs and noted that ““Ladbrokes is now purchasing chairs to go into these shops weighing 35 kilograms, making them too heavy to be used by customers to damage the premises or injure the staff”⁶

We have seen a number of violent crimes inflicted on betting shop staff following on from the murder of the manager in a Ladbrokes in Morden. There have been numerous thefts and enormous numbers of machines being smashed by customers who have lost control, as well as an attempted murder, a very disturbing assault on a lone female employee in a bookmakers in Leicester and an armed robbery in Redhill.

Such crimes are directly linked to FOBTs as they are driving addictive gambling behaviour yet the bookmakers see FOBTs as requiring lower levels of supervision that are in place for other forms of betting such as horse racing. As a result, they are often operating premises with just one member of staff present when horseracing has ended for the day, just to supply the FOBTs. Lord Beecham also noted in the Policing and Crime Commissioners Bill that:

“in some shops with fixed-odds terminals the staff member—it is usually only one person now in many of these shops—is not permitted to leave what is called his or her “cage” until 6.30 pm. They are confined to that space. That is supposed to enhance their security. Your Lordships may think it is a peculiar way of doing so, and an unsatisfactory one.”

Money laundering

Unlike casinos, bookmakers are not currently required to comply with European Anti Money Laundering Directives. There has been an increase in the number of reported incidences of money laundering associated with FOBTs. This is because in bookmakers FOBT activity is largely unsupervised, and it is therefore relatively easy for fraudster to ‘clean’ their money.

⁵ Fixed Odds Betting Terminals, All Party Parliamentary Group Inquiry session on 14th September 2014

⁶ House of Lords Hansard, 10 November, 2014



They also use their TITO tickets to transfer money between them.

It is absolutely essential in any case, to ensure that bookmakers, stated as high risk entities by the Gambling Commission, are included as soon as possible within the scope of the Fourth Money Laundering Directive which has now being transposed into UK law.

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 regulations between Small and converted 1968 act casinos should be harmonized, with a new machine to table ratio of 3:1. This would allow these casinos to have up to 80 machines, whilst adding amenity benefits to the area, and providing casino slot gambling in an appropriate venue.

This is consistent with the road map discussions that have been ongoing between DCMS, the Gambling Commission and NCF and it is understood there are no regulatory concerns.

This is consistent (actually a little less) than the recommendations of the CMS select committee report 'A bet worth taking' which recommended that the 1968 act casino should be given the same freedoms as the new ones, and at a ratio of 5:1. The full recommendations were:

- ***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.***

This will also benefit the UK Treasury with much of the resultant investment coming from overseas, and much of any increased income coming from tourists. You have already had the EY report giving the details.

Besides the case study of S21 machines in casinos showing larger number of machines worked healthily in a casino, there are now 2 small casinos operating with up to 80 machines, with no evidence of any regulatory issues as a result. Both were 1968 act casinos that got a Small casino license and upgraded their facilities. Both demonstrate that increased machine numbers lead to investment in the property, increased amenity benefit to the area, and no regulatory problems.

The Hippodrome itself is a good example of what a casino can be. It works despite the lack of slots, purely by the location being so outstanding. With more slots, other casinos would invest and improve their facilities to support the improved offering, and move towards the fully rounded entertainment offering of the Hippodrome.

Everyday however in the Hippodrome, all the gaming machines are occupied, with people queuing to play them, and tourists questioning why we have so few gaming machines, as we



are after all, a casino.

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

For all the reasons given above, casinos are correctly at the top of the regulatory pyramid. The reason they are there is the supervision, player protection, regulatory and social responsibility measures are appropriate for the nature of the operation. These measures are constantly improving and evolving. The NCF submission goes into detail, but a summary of the recent improvements include:

Mystery shopper, showing our door control is effective

Playing Safe. Providing best practice in SR

ACE our evaluation panel, ensuring we operate to the code

SENSE the first national self-exclusion scheme

Meanwhile Bookmakers are playing a lobbyists game. Making loud but hollow platitudes to social responsibility with no value behind it. If they were serious they would reduce the stake voluntarily on FOBTs, rather than continuing with the high stake that causes harm in their environment, and then adding measures discussed above, to show they are doing something, even though it has no merit.

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 casino industry will continue to develop and improve its social responsibility measures. The NCF response details the current projects that are underway

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?

It is illogical to say gambling advertising can only happen after 9pm to prevent children seeing them, but allow advertising on TV around sporting occasions when children can see them. It is further clear that the public do not want the weight of gambling advertising. Advertising of gambling products on TV should be banned to ensure the vulnerable are not exposed to them, and to reflect public views.

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?

Cashless society.

We are moving inexorably towards a cashless society. Dialogue should start now to develop an agreed way of paying for gambling in a cashless world. I believe it may also allow new SR controls to be added, so there will be benefits as well

Comparisons with online gambling regulations.



Having the presence of relatively unregulated gambling online, is not an excuse for not regulating gambling off line. They are quite different businesses and need regulating separately. To gamble online you have to go through various hurdles, including registration, identification and electronic transfers of funds. Research by the Financial Inclusion Commission has found that almost two million adults in the UK are currently without a bank account.... Around 60% of those in the UK who do not have a bank account did have one previously, but it was forcibly closed due to debt problems or other financial challenges.

<https://www.buddyloans.com/news/banking/nearly-two-million-adults-in-the-uk-do-not-have-a-bank-account-11134/#sthash.2jRUgDk2.dpuf>

So there are 1.2 million people who had their bank account taken away, and 800 thousand who do not have a bank account (and possibly more with recent immigrants). These are the most vulnerable people who can only play with cash and cannot go online. They cannot be used as an example for the 'stop FOBTs' and they can gamble on their phone argument. These people will be found in the most deprived areas, where the concentration of bookmakers is highest, and no wonder these people lose control when they lose their money. They are vulnerable and harmed.

Problem gambling and harm

Some sectors of the industry try to confuse things by claiming the average rate of problem gambling has not changed, so there is no issue with their product. Averages are often misleading and we need to focus on the extremes, not the averages, and on the particular products. In a betting shop the nature of the FOBT product and the environment means the 'extremes' are quite a large amount of the players.

Equally the issue is not problem gambling, but harm. The man who is walking down the street with £200 in his pocket for his week's wages, and pops in to a bookmaker to put £5 on a horse race, and then plays the slot machine to find it is a hard casino gambling machine, and gets sucked in with no supervision and finds he has lost everything, is not a problem gambler but is harmed, and people like this need better protection from harm.

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
B1	£5	£10,000/£100,000 WAN	See EY report
B2	£2	£500	See NERA and LANDMAN reports



- 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?

For the Hippodrome casino

Machine Categories	Additional number of machines				Projected cost (£)
	2017	2018	2019	Total	
B1	60	0	0	60	£1,200,000
B2					
B3					
B3A					
B4					
C					
D (complex)					
D (non-complex)					

If machine numbers are increased, the Hippodrome will buy 60 new machines costing approximately £20,000 each, it will expand its premises into an old AGC adjacent, refurbishing it and parts of the exterior at a cost of approximately £500,000, and increased rent of £980,000, and rates of £700,000, employ 20 more staff. The expectation is that the machines will bring in an increased income as we cannot meet current demand, of approximately £4,000,000 a year, paying an extra £800,000 in duty

Conclusion

The Government can safely allow casinos to have larger numbers of gaming machines. This can be done by Statutory instrument. The changes will allow casinos to become more rounded entertainment venues, meet the demand from players, offer harder gambling in the correct environment, with greater amenity value to the community and increased income to the Treasury.

The Government must take urgent action to regulate FORTs and reduce the stake which can be gambled from £100. This is the only way to effectively tackle the growing problems which these machines are inflicting on our communities and those who can least afford it. A substantially



lower stake should bring FOBTs into line with machines in other low supervision environments like adult gaming centres and bingo halls. There is strong political backing for this change as has been seen in the extensive political activity in recent years on FOBTs. There is also strong popular support as has been evidenced in polling studies including that recently conducted as part of Professor Peter Collins' report, as noted above.

Previously both the Gambling Commission and the RGSB advised that there was a 'serious case to answer in relation to B2 machines'. Since 2013, the case for action on FOBTs has grown exponentially. The Gambling Commission has also said that if staking levels were being set now, they would advise against the £100 stake on a precautionary basis. The previous Government said a £2 stake for high street machines would bring 'adequate public protection'. Both are correct.

Simon Thomas, Chairman and CEO, the Hippodrome Casino, December 2016