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association of british bookmakers ltd

The Truth about Betting Shops and Gaming Machines – ABB submission to DCMS Triennial Review April 2013



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CHAPTER 1

EXECUTIVE SUMMARY

Introduction

- The Licensed Betting Office (LBO) sector has developed quickly over the last two decades to become a modern leisure entertainment business with 8 million customers
- The legislative and regulatory measures currently in place are founded on industry best practice and voluntary measures such as the ABB's Code of Practice.
- The ABB is committed to ensuring that the facts behind machine use, addiction and public attitudes to gambling in the UK are properly discussed and analysed in the consultation so that all decisions are made on the basis of evidence not anecdote.
- The review singles out B2 electronic gaming machines unfairly and gives rise for concern but we welcome evidence based policy making.
- We believe that a fair, open and evidence based consultation can only take place if unverified comments and opinions are disregarded and positive weighting is given to sourced and verified evidence which we provide in our submission.
- Our position is that if there is no evidence to support intervention, or evidence as to the intervention's likely outcome, it would be devastating to proceed with a course of action which would have negative impact on jobs, communities, high streets, sport sectors and the wider economy.
- The ABB welcomes the Government's call for an evidence based debate around electronic gaming machines and our members have agreed to give full access to NatCen as part of their machines research project for the Responsible Gambling Trust.

Economic and social benefits of LBOs

- The Centre for Economic and Business Research (Cebr)'s study reveals that betting shops contribute £3.2 billion to UK GDP, support 100,000 jobs and pay £1 billion in taxes.
- For every £1 of Gross Value Add (GVA) generated by betting shops, an additional £0.61 of GVA is generated in the wider economy through indirect and induced impacts.
- Betting shops also contribute to local services paying more than £58 million in business rates each year.
- Bookmakers have already invested about £2 billion in local economies through the opening of new and refitted betting shops.
- According to Cebr betting shops provide a total of 55,000 full and part time jobs, which equates to nearly one in ten jobs in the leisure industry.
- Some 31,000, or 56%, of those jobs are filled by women
- Betting shops employ 14,000 young people aged 18-24 (25%), an age group with 20% unemployment currently.
- Research by Basham and Luik also shows that gamblers tend to participate more in community and social activities than non-gamblers, and donate more to charity.
- By offering a diverse range of entertainment and a safe environment, betting shops contribute to social cohesion and are an integral part of the local community.

Our position is that if there is no evidence to support intervention, or evidence as to the intervention's likely outcome, it would be devastating to proceed as it would have a negative impact on jobs, communities and the wider economy.

Proliferation

- There is no proliferation ; there are currently around 8,700 betting shops in the UK and the number of shops has remained stable for 10 years.
- Bookmakers do not target vulnerable people in deprived areas.
- Betting is a high volume low margin leisure product and the number of shops per square mile directly correlates directly to the density of population per square mile.
- Bookmakers are predominately located in retail and commercial centres that best serve non-residential customers just like food outlets and convenience stores.

The reality of public attitudes to problem gambling

- The ABB are disappointed to read in the review that the Government claims it is acting on public concern when it does not define the level or degree of public concern.
- Although we acknowledge there is some public concern about proliferation and problem gambling we believe that this is unfounded, unjustified and exaggerated.
- Recent polling for the ABB ranked 13 social issues in order of “public concern” – “gambling on slot or fruit machines” was ranked 13th.
- Gambling Commission research shows that just 45 visits were made by local authorities following a complaint about a betting shop in 2011/12.
- The relatively high number of successful planning applications and supportive independent planning reports also highlight the lack of public concern.

Existing Empirical Research

- Although the British Gambling Prevalence Surveys in 1999, 2007 and 2010 were not set up to identify a causal link between problem gambling and electronic gaming machines these regulatory surveys did not provide any evidence for concerns that there is a correlation
- This was confirmed by secondary analysis of the BGPS 2007 conducted by Vaughan Williams, Page, Parke and Rigby in 2008. The ABB asked Vaughn Williams and Lionel Page to assess the causality question and replicate their methodology again for the 2010 BGPS. They conclude that they were unable to establish a causal link between B2 machines and problem gambling.
- NatCen recently undertook another secondary analysis of the 2010 Prevalence Study, which looked at machines in particular. The Gambling Commission (March 2013) concluded that the research: “is consistent with the earlier analysis in the BGPS 2010 which similarly highlighted the strong association between problem gambling and participating in a wide range of different gambling activities.”

Understanding the truth about problem gambling

- Problem gambling may be viewed as person-centric rather than product-centric.
- The pattern of participation in gambling activities shows a majority of gamblers participate infrequently in relatively simple and broadly popular activities.
- It is not possible to clearly single out some types of gambling activities as being specifically associated with problem gambling.
- Problem gamblers seem to differ from other gamblers by a higher frequency of participation in a variety of gambling activities rather than gambling on a particular product.

There is no empirical evidence of a causal link between problem gambling and electronic gaming machines

Individual responsibility/informed choice

- Governments elsewhere in the world focus on problem gambling prevention and customer interaction. With the exception of Norway, nowhere is the level of stakes and prizes for games machines used as the primary method for tackling problem gambling.
- The Norwegian example shows that even with a huge state involvement and a nationalisation of gaming machines, there is no evidence to show that using a cap on stakes and prizes has successfully reduced problem gambling, in fact, the evidence shows a slight increase since the introduction of money limits.
- This again demonstrates that problem gambling is about the individual and not the product and that a reduction of stakes and prizes will be an ineffective and very blunt instrument if applied to problem gambling.

Social Responsibility

- Whether working with other retailers to improve the local environment, making charitable donations or creating schemes to improve skills for the underprivileged, high street betting shops are responsible retailers, committed to working with the community in which they operate, and the community beyond that.
- The whole gambling industry voluntarily donates nearly £6 million to the Responsible Gambling Trust to help people who have developed problems with their gambling.
- Details about Gamcare services is displayed prominently in all betting shops
- The betting industry supports a wide range of charitable organisations and works with communities to address any local issues they have raised.
- The industry takes its responsibilities to protect children and young people very seriously and is committed to the ABB's High Street Betting Industry Action Plan and Supplementary Code of Practice on Age Verification.
- All operators enforce a rigid Think 21 policy
- In 2010 the ABB launched Safe Bet Alliance which is a voluntary code of shop safety and security, setting single national standards for bookmakers
- LBO robberies in London were reduced by 60% between 2010 and 2012

Responsible Gambling

- The ABB is firmly committed to the concept of responsible gambling, where customers are given the self-help tools to avoid excessive or irresponsible gambling and thus avoid gambling related harm to themselves or others.
- Current measures and codes adopted by ABB members go far beyond the current statutory requirements and it is now the ABB's intention to consolidate current best practice, and proven harm prevention measures, into a voluntary ABB code for responsible gambling in LBOs.
- The ABB have engaged a leading academic in this field to advise on the development of this code and will also seek advice and input from the Gambling Commission, RGSB, RGT and DCMS.
- The betting industry is also committed to funding a new independent BGPS undertaken by NatCen in 2014.

Regulatory Impact Assessment.

- New ABB data clearly shows that the industry would be significantly impacted by any negative

The ABB intends to consolidate current best practice, and proven harm prevention measures, into a new voluntary ABB "code for responsible gambling in LBOs".

- regulatory change due to a surprisingly high number of shops on very low margins.
- There are already 2,685 LBOs at risk from nay reduction in stake as they only make on average around £15,200 p.a. They employ around 11,300 people.
 - As a hypothetical example, if the level of B2 stake were reduced to £2, ABB commissioned analysis shows that:
 - 7,880 LBOs (91.7% of shops) and, 39,031 jobs (85.8% of jobs) would be at risk
 - LBOs would make a £58,900 loss per shop.
 - The Treasury stands to lose £650 million.
 - The closure of around 85% of shops would add thousands of square feet of empty premises onto the high street.
 - Nearly £60 million in business rates would be lost to local councils.
 - The loss of nearly 40,000 jobs – many amongst 18-24 year olds and part-time female workers - would add to unemployment rates and increase Treasury’s benefits bill.
 - There would be a significant impact on the horseracing and greyhound industries and lead to an increase of activity on the illegal gaming markets.
 - The LBO sector needs strong backing from Government, to maintain and grow its business. For this reason, we propose increasing the maximum stake for B3 machines from £2 to £3 and increasing the maximum available prize from £500 to £1000.

Concerns about consultation process.

- The ABB notes that the consultation process appears to expose a clear presumption against B2 machines in betting shops.
- We are seriously concerned about the bias and validity of the review’s questions on B2 machines contained in the consultation, in particular given the divergent approaches taken by the Government in relation to different categories of gaming machines.
- The ABB hopes that the Government will demonstrate that our concerns are unfounded, and ensure that the response to this consultation is carried out in an even-handed and transparent fashion.
- We note that any proposals to proceed with a precautionary reduction in B2 limits would require the Government to conduct a further consultation process and to publish a revised Impact Assessment clearly setting out the Government’s cost/benefit analysis for the proposal.
- Any reduction downward in the permitted stake/prize limits on B2 machines on LBOs would have disastrous consequences for betting shop operators.
- The ABB trusts that the Government would not further countenance any negative changes without compelling and incontrovertible evidence that this would result in public protection benefits which would outweigh the significant detrimental effect that such a move would have on the industry and local economies.

We are seriously concerned about the bias and validity of the questions on B2 machines contained in the consultation.

CHAPTER 2 INTRODUCTION

- **The legislative and regulatory measures currently in place are founded on industry best practice and voluntary measures such as the ABB's Code of Practice.**
- **The LBO sector has developed quickly over the last two decades to become a modern leisure entertainment business with 8 million customers**
- **The sector supports 100,000 jobs (directly and indirectly) and contributes £5 billion per annum in terms of gross value added.**
- **We welcome the Government's review and agree with its positions on stakes and prizes on all machines with the exception of B3 machines.**
- **Our submission is based on evidence which is sourced and verified.**
- **We believe that a fair, open and evidence based consultation can only take place if unverified comments and opinions are disregarded and positive weighting is given to sourced and verified evidence.**
- **Our position is that if there is no evidence to support intervention, or evidence as to the intervention's likely outcome, it would be devastating to proceed with a course of action which would have negative impact on jobs, communities, high streets, sport sectors and the wider economy.**

Introduction

The Association of British Bookmakers (ABB) is submitting this submission to the triennial review on behalf of Licensed Betting Offices (LBOs) in the Britain. The ABB is the leading trade association for bookmakers and represents the operators of around 7,000 betting shops in the Britain, including Coral, Ladbrokes, Paddy Power, William Hill and about 100 smaller independent bookmakers. Together our members operate 80% of the British betting shop market which is an important part of the retail leisure industry on the high street.

Nowadays the LBO is a modern leisure entertainment business, offering customers state-of-the-art video and audio systems, comfortable furniture, alcohol-free refreshments and friendly staff. Not only does betting remain a popular British pastime with 8 million people visiting our shops every year, the betting sector as a whole makes a substantial contribution to the UK economy. They support 100,000 jobs (directly and indirectly) and contribute £5 billion per annum in terms of gross value added. In chapter 3 we provide further details of the primary and secondary benefits to the UK economy.

As we will demonstrate in chapter 7 electronic gaming machines (B2 and B3 machines) have been in betting shops for over a decade – during which time no empirical evidence has ever been produced to support the anecdotal claims that they cause problem gambling. Quite the opposite in fact - the most recent peer reviewed and independently produced research, the 2010 Gambling Prevalence Study, shows that there has been a reduction in the number of problem gamblers who used gaming machines¹.

The Government proposes in the review's impact assessment to maintain B2 stakes and prize limits as they would represent no risk to player protection. Our position is that if there is no evidence to support

¹ British Gambling Prevalence Surveys (2007) table 5.4a page 95 / (2010) table 6.4 page 96

Nowadays the betting shop is a modern leisure entertainment business, offering customers state-of-the-art video and audio systems, comfortable furniture, alcohol-free refreshments and friendly staff.

intervention, or evidence as to the intervention's likely outcome, it would be devastating to proceed with a course of action which would have a disastrous impact on jobs, communities, high streets, sport sectors and the wider economy. This argument will be supported by evidence in Chapter 12.

However, the ABB does welcome the Responsible Gambling Trust's recent announcement about the biggest ever programme of academic research into Category B gaming machines in the UK's betting shops, bingo halls, adult gaming centres and casinos. There can be no question that we fully support the objective to understand better how our customers behave when playing these machines and what helps them to play more responsibly. No one backs the Government's call for an evidence based debate more than our members and they have pro-actively agreed to give full data access to NatGen as part of this project.

As we outline in chapter 11 the ABB is firmly committed to the concept of responsible gambling, where customers are given the self-help tools to avoid excessive or irresponsible gambling and thus avoid gambling related harm to themselves or others. Current measures and codes adopted by ABB members go far beyond the current statutory requirements and it is now the ABBs intention to consolidate current best practice, and proven harm prevention measures, into a voluntary ABB "code for responsible gambling in LBOs". The ABB have engaged a leading academic in the area of problem gambling and player protection to advise on the development of this code and will also seek advice and input from the Gambling Commission, RGSB, RGT and DCMS. The betting industry is also committed to funding a new independent BGPS undertaken by NatGen in 2014.

In chapter 13 we will be responding to all 35 consultation questions, although questions 1, 2, 3, 13, 14, 15 and 16 are of primary concern to the ABB and its members. Our submission is based on evidence which is sourced and verified. We believe that a fair, open and evidence based consultation can only take place if unverified comments and opinions are disregarded and positive weighting is given to sourced and verified evidence.

Finally, we are, concerned that the consultation process appears to expose a clear presumption against B2 machines in betting shops. We set out our observations and conclusions in this regard in Chapter 14 of our submission.

Gaming Machines in Betting Shops - A Brief History

Before we provide a review of the evidence on gaming machines we believe it's important to remember the historical developments. The National Lottery was launched in 1994 and acted as a catalyst for gaming machine innovation in LBOs worthy of a Queen's Award.

The Henley Centre found that in 1995 betting office profits were 35 per cent lower than they would have been in the absence of the Lottery. Government revenues from betting had fallen by £82 million, 400 betting shops had closed by the end of 1995, and more than 3,400 industry jobs had been lost. Needless to say, these were very challenging times for bookmakers.

In response the LBO sector introduced new products like 'magic numbers/daily draw' which allowed customers to bet on the outcome of the Irish Lottery. The Deregulation of Betting and Gaming Order 1996

permitted the opening of shop fronts, shop window marketing, the sale of snacks and refreshments and the introduction of Amusements with Prizes Machines (AWPs) – often referred to as Slot Machines or Fruit Machines. Prior to June 1996 no form of Gaming was allowed in betting shops. Although the industry had around 16,000 AWP's they were essentially a pub product and bookmakers had little influence over future development, so the search was on for a bespoke betting shop product.

In 1996 Global Draw was formed and this company developed a lottery style product 'the Global Draw'- a numbers draw on a dedicated screen or terminal with bets placed over the counter every hour. This innovative business expanded its range of products and random number events were delivered more frequently.

The replacement of turnover tax with Gross Profits Tax (GPT) in 2001 allowed the betting industry to introduce new lower margin products. The roulette game was introduced to the 16,000 terminals which became known as Fixed Odd Betting Terminals (FOBTs) and a number of new suppliers entered the market. They used software to randomly determine the outcome of games and the return to player rates were based on fixed odds. The products proved popular and fuelled further expansion and innovation.

This surge in customer demand preceded the Gambling Act 2005 and happened at a time when betting terminals were not subject to any specific legislation. ABB members realised that if they wanted to attract a wide spectrum of customers to their stores they could only do this by offering them a safe and responsible leisure experience. In 2003 ABB and its members produced a voluntary Code of Practice governing the supply and use of FOBTs in betting shops. The Code set limits governing the maximum permitted stakes and prizes, the number of machines per shop and the speed of play. And from 19 November 2003, ABB membership was only open to bookmakers who accepted and operated according to the conditions of the Code. The major machine suppliers also signed up to the ABB Code of Practice in 2003.

The ABB's code was accepted by the Department for Culture Media and Sport, the Gambling Board and the industry. Peter Dean, Chairman of the Gaming Board of Great Britain said, "It was the best example of commercial / regulator co-operation he had seen." The legislative and regulatory measures currently in place , most of which were formally introduced in the 2005 Gambling Act, are founded on industry best practice and voluntary measures such as the ABB's Code of Practice. And as a result today's gaming machines are a popular British leisure product enjoyed safely and responsibly by the vast majority of our customers and as we will show in Chapter 9 the UK now leads by example in regulatory terms.



² Gambling Commission Industry Statistics April 2009 to March 2012 table 18, page 19

In 2003 ABB and its members produced a voluntary Code of Practice setting limits governing the maximum permitted stakes and prizes, the number of machines per shop and the speed of play.

CHAPTER 3

THE LICENSED BETTING OFFICE MARKET

- Gambling is often portrayed in a negative light. However, there is clear evidence of the economic and social benefits of betting.
- Centre for Economic and Business Research (Cebr) study shows that betting shops contribute £3.2 billion to UK GDP, support 100,000 jobs and pay £1 billion in taxes.
- For every £1 of Gross Value Add (GVA) generated by betting shops, an additional £0.61 of GVA is generated in the wider economy through indirect and induced impacts.
- Between 87% (Wales) and 99% (London) of the economic benefits stay local too, enriching communities.
- Betting shops also contribute to local services paying more than £58 million in business rates each year.
- Bookmakers have already invested about £2 billion in local economies through the opening of new and refitted betting shops.
- According to Cebr betting shops provide a total of 55,000 full and part time jobs, which equates to nearly one in ten jobs in the leisure industry. Some 31,000, or 56%, of those jobs are filled by women, making betting shops one of the most female-friendly industries in the UK, much better than manufacturing and akin to food and beverage services.
- Betting shops employ 14,000 young people aged 18-24, an age group with 20% unemployment currently. This means that 25% of betting shop employees is aged 18-24, compared to 8% of employees across the economy as a whole.
- At a time when the Government is trying to tackle high unemployment rates and many unqualified and unskilled workers are finding themselves out of work another recent study commissioned by the ABB has found that the industry provides opportunities for those with few formal qualifications helping them to step onto the employment ladder.
- Research by Basham and Luik also shows that gamblers tend to participate more in community and social activities than non-gamblers, and donate more to charity. By offering a diverse range of entertainment and a safe environment, betting shops contribute to social cohesion and are an integral part of the local community.
- There is no proliferation; there are currently around 8,700 betting shops in the UK and the number of shops has remained stable for 10 years.
- Bookmakers do not target vulnerable people in deprived areas and any such accusations are both false and offensive. Betting is a high volume low margin leisure product and thus operators will locate more premises in areas with a high density of population. The number of betting offices per square mile directly correlates to the population per square mile. A new market review of betting shops locations by CACI (2012) shows that bookmakers are predominately located in retail and commercial centres that best serve non-residential customers. They have a very similar retail footprint to food outlets and convenience stores in these areas.

Background

To better understand the development of LBOs one has to go back to 1961 to remind ourselves why off-

³ <http://www.gamblingcommission.gov.uk/pdf/Licensing%20authority%20statistics%20April%202010%20to%20March%202011.pdf>

The betting industry provides a service to 8 million customers and around 1.5 billion bets are placed with LBOs every year.

course betting was introduced. The policy objective was to solve the problem of illegal gambling in inner city and urban areas. It was a big hit with consumers and, by the 1970s, their demand was sustaining as many as 15,000 betting shops. However, early legislation was highly restrictive. For example, closed shop frontages were required, and refreshments and live coverage of sporting events were prohibited.

Over the ensuing decades, parliament accepted that these restrictions were misplaced in a modern regulatory environment and a process of liberalisation occurred. In return, our industry became one of the most regulated gambling sectors in the world. Most recently, the Gambling Act 2005 which empowered the Gambling Commission to conduct a vigorous suitability investigation on every bookmaker and initiated a dual licensing regime. Operators require two licenses: an operator's licence from the Gambling Commission and a premises license from a local licensing committee. A license will not be granted if it can be proved that a betting shop would cause crime or have a negative impact on young and vulnerable people. Since the Gambling Act 2005 not one single betting shop operator has had their license revoked for a breach of the three licensing objectives. Bookmakers take their responsibility to the local communities in which they operate very seriously and want to offer their customers a safe and responsible leisure experience. That is why significant resources are invested into responsible gambling procedures and the training of staff.³

Economic Benefits

Gambling is often portrayed in a negative light. However, there is clear evidence of the economic and social benefits of betting. The ABB has not found any real recognition of the benefits from the LBO market to the wider economy in the consultation. That's why it commissioned the Centre for Economic and Business Research (Cebr) to carry out the first complete economic impact assessment of the industry and discovered its significant contribution to local employment, revenue and taxation². The full details can be found on our website www.abb.uk.com.

The Cebr study shows that betting shops contribute £3.2 billion to UK GDP, support 100,000 jobs and pay £1 billion in taxes. For every £1 of Gross Value Add (GVA) generated by betting shops, an additional £0.61 of GVA is generated in the wider economy through indirect and induced impacts.

In fact, betting shops are responsible for about 15 per cent of the economic contribution made by the aggregate Arts, Entertainment and Recreation sector, which itself contributes about 1.3 per cent of UK GDP. According to the Cebr report betting shops can be seen to be responsible for about 40 per cent of the contribution made by the gambling and betting services industry as a whole. This contribution can be seen on a region by region basis:

UK nation / English region	Direct GVA contribution (£m)	Direct contribution to regional GVA (%)	Total regional GVA impact (£m)*
North East	146	0.4%	205
North West	238	0.2%	346
Yorkshire & The Humber	168	0.2%	252
East Midlands	79	0.1%	122
West Midlands	144	0.2%	219
East of England	114	0.1%	174
London	420	0.2%	627
South East	180	0.1%	270
South West	138	0.1%	202
Total England	1,628	0.2%	2,588
Wales	75	0.2%	101

Betting shops contribute £3.2 billion to UK GDP, support 100,000 jobs and pay £1 billion in taxes.

Bookmakers have invested about £2 billion in local economies over the last decade through the opening and re-fitting of betting shops on the high street.

Between 87% (Wales) and 99% (London) of the economic benefits stay local too, enriching communities. Betting shops also contribute to local services paying more than £58 million in business rates each year. Bookmakers have already invested about £2 billion in local economies through the opening of new betting shops and the 'new-style' re-fitting of betting shops that already existed before the most recent changes in the industry.

Bookmakers have already invested about £2 billion in local economies through the opening of new betting shops and the 'new-style' re-fitting of betting shops that already existed before the most recent changes in the industry. Opening or resiting a betting shop usually costs between £150,000 and £250,000 depending on the bookmaker and region. Opening new betting shops often requires significant re-fitting, re-decoration and equipment purchases often undertaken by local tradespeople. Hence, openings support regional job creation and wages for retailers, decorators and carpenters. The Cebr estimate the total amount invested by betting shops in the regions at approximately £2.0 billion in today's money.

Betting shops are playing a key role in regenerating high streets. A report by Deloitte concludes that: "An increase in vacant retail space on the high street – due to the recession – has allowed the industry to benefit by moving to more prominent premises. There is evidence from planning experts that betting shops actually drive greater footfall on high streets than standard retail units ... and that the industry can act as a catalyst to generate critical mass effects – in particular the high footfall associated with retail betting shops can help increase the level of consumer activity within the surrounding area. Consequently the existence of betting shops in otherwise degenerating areas can increase the overall economic activity for nearby businesses."

According to Cebr, betting shops provide a total of 55,000 full and part time jobs, which equates to nearly one in ten jobs in the leisure industry. This contrasts with 3,000 FTE roles in the online betting sector.

Some 31,000, or 56%, of those jobs are filled by women, making betting shops one of the most femalefriendly industries in the UK, much better than manufacturing and akin to food and beverage services.

This is at a time when the female unemployment rate is 7%.

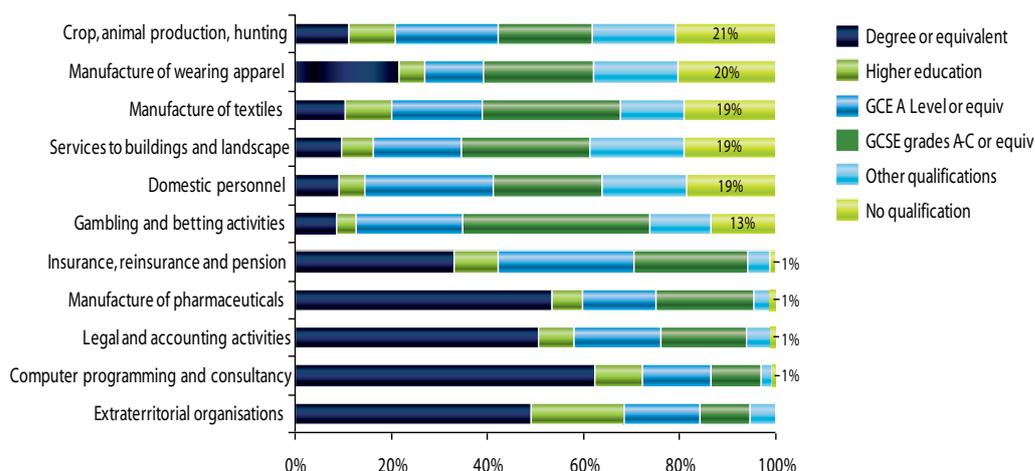
Betting shops also contribute substantially to youth employment in the UK. Cebr estimates that betting shops employ 14,000 young people aged 18-24. This means that 25% of betting shop employees are aged 18-24, compared to 8% of employees across the economy as a whole. Betting shops employ a higher proportion of young people than even the culture, media and sports sector, which has 18% of its employees in the 18-24 age range. Again, this is at a time when the youth unemployment rate stands at 20%.

At a time when the Government is trying to tackle high unemployment rates and many unqualified and unskilled workers are finding themselves out of work, another recent study commissioned by the ABB has found that the industry provides opportunities for those with few formal qualifications helping them to step on the employment ladder. A report by Deloitte says that "the industry provides flexible working in the form of entry level part-time roles requiring few or no formal qualifications. These jobs can fit around wider commitments, and many of these roles are taken by women."

⁴ The contribution of betting shops to the UK economy – Cebr (2012)

The Gambling and Betting industry has a relatively high number of its total jobs filled by employees with no qualifications, shown by the chart:

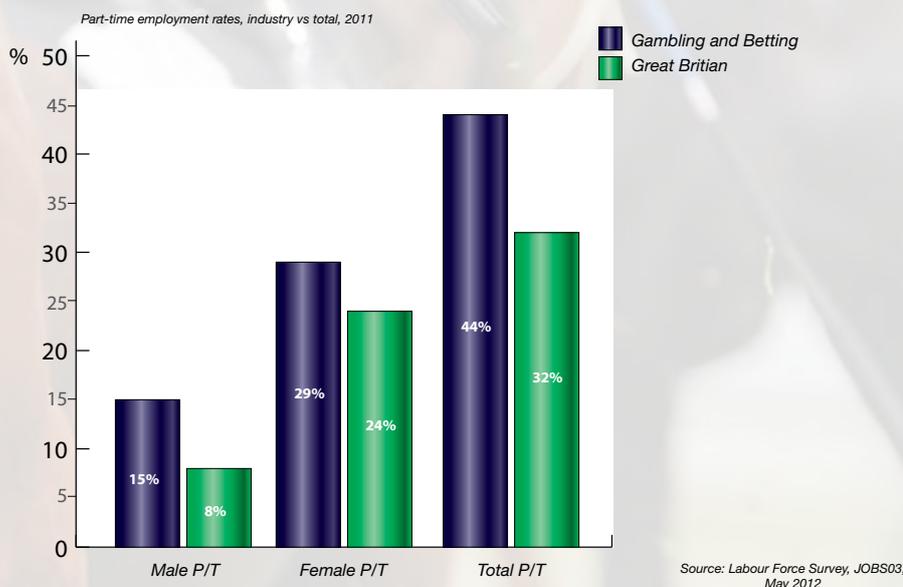
Industry employment, by qualification, 2012



Source: Quarterly Labour Survey, January - March 2012

Around 13% of those working in Gambling and Betting activities have no formal qualifications; this is twice the all industry average for the UK. This suggests that the industry can help to reduce unemployment and boost employment opportunities. An equal proportion (13%) hold a degree or further degree – this is much lower than all but 7 industries in the UK and has major implications for progression within the firms in the industry which is highlighted by the Deloitte report.

The industry also provides more part-time jobs for both male and females than the Great Britain average. In 2011, the percentage of jobs occupied by female, part-time workers across Great Britain was 24%, compared with 31% in the Gambling and Betting industries as is shown in graph below. This fits well with the Government’s stated aim of providing employment opportunities for females traditionally less likely to engage with the labour market in a full-time role.



The full details of the Deloitte report can be found on our website www.abb.uk.com.

Gambling tends to better the physical and mental health of their customers, helping them live longer and happier lives.

Social Benefits

It is sometimes forgotten that the betting industry provides a service to 8 million customers and around 1.5 billion bets are placed in LBOs every year. Why is betting so popular? In “Gambling – A Healthy Bet” (2011) Basham & Luik ask themselves why betting continues to be a popular pastime in the UK. They noted that most studies of gambling are marred by an anti-gambling bias, deriving from an obsessive focus on “problem” gambling. In fact, Basham and Luik concluded from their research that there are numerous significant personal and social benefits from gambling that deserve to be much more widely recognised. Gambling tends to better the physical and mental health of their customers, helping them live longer and happier lives.

Basham wrote that the principal benefit of gambling is the diversion and pleasure it provides to millions of people. To critics, gambling is an infuriating scam. But why, argues Basham, assume gamblers are being fooled? It is more reasonable to assume that they know they will probably lose but are happy to take that chance for the pleasure of playing and the chance of coming out ahead.

The uncomplicated truth according to Basham is that gambling is a terrific form of entertainment. Gambling is a leisure pursuit and a source of recreation that, like any other, is a legitimate part of capitalist enterprise in the authors’ view. Perfectly rational people play electronic gaming machines and bet on sports because they receive a leisure experience at a price they find reasonable.

Basham found that people who gamble do so voluntarily and, in return, receive intrinsic benefits from their own consumption. If consumers are gambling for entertainment, they are purchasing gambling just as they would purchase cinema or symphony tickets. This may be considered a relatively harmless form of entertainment that provides a recreational outlet for participants.

The bottom line is that gambling has become a widespread pastime for the simple and unassailable reason that it adds to the sum of human happiness according to Basham. British, American and Swedish government studies have all found that gamblers tend to be more sociable, more neighbourly, and more involved in community activities than their non-gambling peers.

Gambling – like other recreational leisure activities – also delivers many worthwhile benefits to the individual. Basham provides evidence: relief from stress and boredom, a sense of freedom, independence and autonomy as well as enhanced self-confidence and better ability to relate to others. Ultimately it can build a more positive outlook, greater joy from life and an enhanced perceived quality of life.

Basham found that evidence is mounting that the systems of social support and companionship inherent in gambling contribute to longer, more disease-free and higher quality life. For working class people in particular gambling helps them to relax from what is commonly a day of tiring physical work.

Gambling helps players by building creative skills and competencies such as memory enhancement, problem solving through game tactics, mathematical proficiency, concentration and hand-to-eye physical coordination. Basham wrote that sports betting encourages practice with analytical thought, and most sports bettors feel that a superior mind is an asset.

Dreaming about winners appears to sustain the psychologically vital quality of hope in Basham’s experience.

⁵ The Full Picture II: Measuring the economic contribution of the British Betting Industry (March 2013)

A person gambling for this reason does so not because he or she expects to win but because he or she hopes to win. Basham referred to Jon Fasman writing that ‘Gambling’s widespread and enduring appeal comes as much from the hope of imposing order on the fundamental randomness of the world as from the expectation of economic gain’

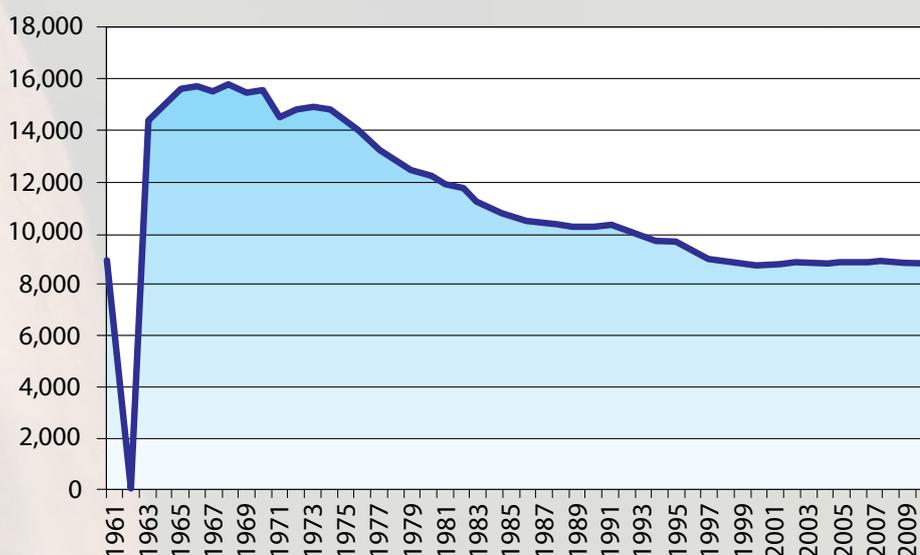
Older gamblers are less prone than non-gamblers to alcohol abuse, depression, bankruptcy and imprisonment according to Basham. Retired people who remain active in the community and who constantly engage in social activities live happier and healthier lives despite their age. The betting shop offers pensioners a place to socialise and interact with their peers. For people with few friends and little family, gambling can offer them a social contact that they otherwise might not have.

In addition to the social aspect of gambling, Basham believed that the most important benefit for pensioners is that gambling offers them an opportunity to continuously exercise their brain. Mental activity such as the pattern recognition involved in playing multiline bonus slots helps pensioners stave off the effects of mental degenerative diseases, such as Alzheimer’s, by keeping the brain active and developing new connections between brain cells. In this regard gambling is more beneficial than either crossword puzzles or board games, such as backgammon.

The Number and Location of Shops

The suggestion that the number of betting offices is excessive is itself entirely misplaced. In fact, there are far fewer betting offices currently than there were in former times. The number of betting office licences in force peaked in 1968 at 15,782. In 1987, when the new Use Classes Order was published, the number was 10,384. This number fell year on year until 2003, when it reached 8,804 in 2003. There has been practically no net increase since that date.

According to ABB member data there are currently around 8,700 betting shops in the UK and the number of shops has remained stable for 10 years. There is no proliferation. The following graph, using data provided by the Gambling Commission, shows the number of Licensed Betting Offices in the UK from 1961 to 2012 (data not available for 1962):



Number of UK Licensed Betting Offices 1961 to 2010 (data not available for 1962)

Planning experts at Gerald Eve LLP believe this pattern shows a mature market in the provision of outlets

There are currently around 8,700 betting shops in the UK and the number of shops has remained stable for 10 years.

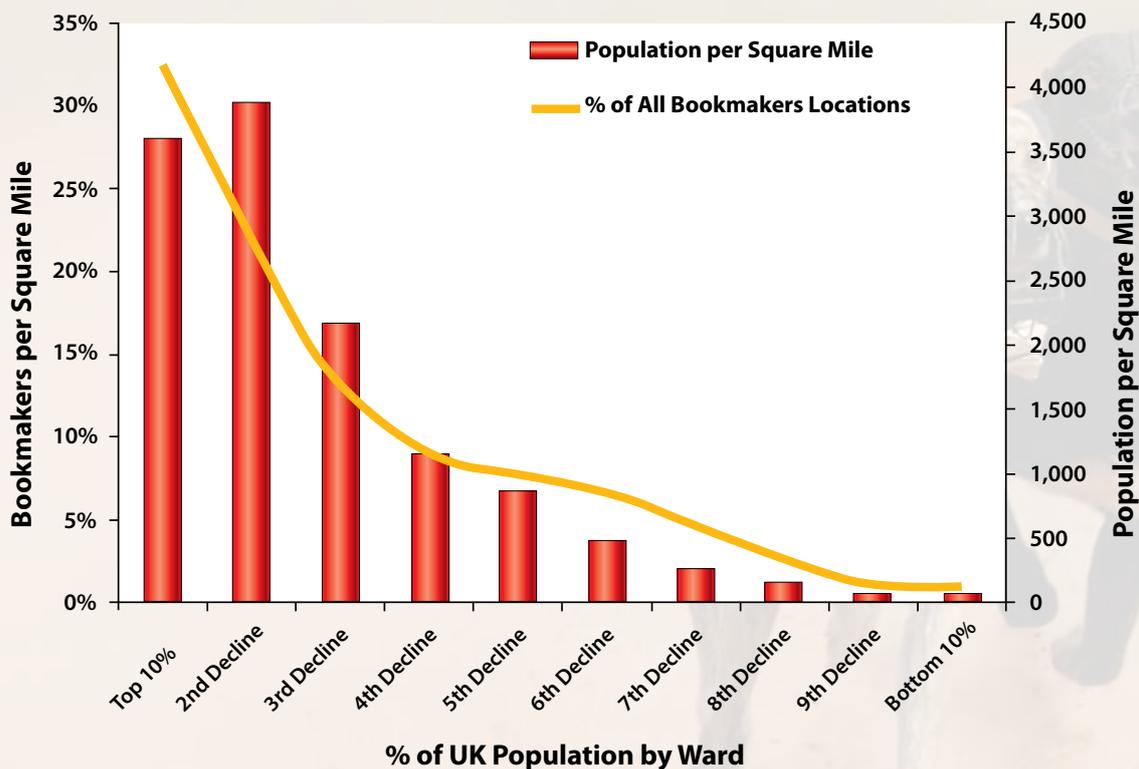
which, setting aside the effect of growth in on-line computer based trade is likely to remain in future.

Betting shops account for less than 4% of the country's 240,000 retail units. To put this into context, this representation is 22% less than bank branches, 25% less than charity shops and 60% less than fast food outlets⁴.

Even in areas which are commonly cited as having the most betting shops, they make up less than 3% of retail units. For example, betting shops make up less than 2.3% of retail units in Southwark, 2.7% in Lewisham, 2.7% in Hackney, 2.8% in Wood Green, 3.2% in Manchester, 3.3% in Birmingham and 3.5% in Leeds⁵.

It would therefore be wrong to say that bookmakers target vulnerable communities, as suggested by some pressure groups. Like any other retailer, key factors such as footfall, competitive presence, demand and overall cost of running an outlet help operators decide where to open new shops.

The number of betting offices per square mile directly correlates to the population per square mile. Betting is a low ticket high volume leisure pursuit and thus bookmaking chains will locate more premises in areas with a high density of population. This is illustrated by the graph (CACI 2013) below:



An independent market review of betting shops locations by CACI (2013) shows that:

- 84% of bookmakers are in retail and commercial centres not residential locations
- Bookmakers are located in places that best serve non-residential customers
- Bookmakers are just serving latent demand within the area and are not as highly concentrated as some other retail services
- Bookmakers have a very similar retail distribution to well known high street brands such as Greggs, Subway and Nisa Local

⁴ Gerald Eve LLP – Planning Research in the Location of Betting Offices (2012)

⁵ Gerald Eve LLP – Planning Research in the Location of Betting Offices (2012)

CACI demonstrate in their report that the LBO industry is servicing the number of people in localities, not the type of person, and has a strong presence in retail centres which are destinations for shoppers and workers. The existence of betting shops also boosts the level of economic activity by filling empty premises, generating footfall, creating jobs and paying local taxes.

According to Deloitte the betting industry can “act as a catalyst to generate critical mass effects – in particular, the high footfall associated with retail betting shops can help increase the level of consumer activity within the surrounding area. As such, other businesses can benefit from locating themselves near these hubs of consumer presence. Consequently, the existence of betting shops in otherwise degenerating areas can increase the overall economic activity for nearby businesses.”⁶

Deloitte also states that although industry employment data suggests the majority of Gambling and Betting firms are located within urban areas, there is also evidence to suggest that the industry contributes to employment in more rural areas. This is likely to occur particularly through links to the horseracing industry, which tends to take place in more rural areas.

Population in the gambling and betting industry in urban areas



Source: ONS and Deloitte Analysis

⁶ The Full Picture II: Measuring the economic contribution of the British Betting Industry (March 2013)

The number of betting offices per square mile directly correlates to the population per square mile.

CHAPTER 4

THE ELECTRONIC GAMING MACHINE MARKET

In this chapter the ABB reviews the Electronic Gaming Machine (EGM) market data which is available from the 2010 British Gambling Prevalence Survey (BGPS) commissioned by the Gambling Commission and other research, including data provided by ABB members.

There are currently around 140,000 gaming machines in operation in the UK across all gambling sectors. Approximately 35,000 of these gaming machines are in betting shops and the number has remained stable for 3 years.

Although we are proud to serve eight million customers this has to be put in perspective. Only 12% of the UK population visit a betting shop, 35% of betting shop customers only visit monthly and the vast majority of betting shop customers are occasional visitors according to Kantar Media data commissioned by the ABB.

And 89% of electronic gaming machine players are men, compared with 71% of men who have gambled on all products on offer in a betting shop. 11% of women are electronic gaming machine players, compared to 29% of women who have gambled on all products in a shop.

According to the 2010 British Gambling Prevalence Survey (BGPS), commissioned by the Gambling Commission, 4% of the adult population plays on B2 machines. This figure dropped to 3.4% in 2011-2012 according to the Gambling Commission Industry Statistics (2009-2012) which also stated that the number of people who have gambled on B2 machines in the previous month fell from 2.5% of gamblers in 2009 to 1.4% in 2012.

It is important to note that B2 is a popular but infrequently played product with 74% of B2 players play once a month or less according to the 2010 BGPS. Kantar Media data shows that B2 machine players gamble on a range of products. Only 24% of betting shop customers just play on gaming machines. In fact, 50% of machine players are also regular horse racing bettors and 57% of machine players are also regular football bettors.

Why do machine players visit a betting shop? According to Kantar Media data 22% visit LBOs to make money, 19% because it's fun, 15% to pass the time, 15% the thrill of winning, 8% meet friends, 8% for instant satisfaction, 6% watch sport and 3% to beat the bookie.

Consultation question 13 (c) asks who stakes where and what are the proportions on B2 machines.

According to 2010 BGPS B2 Gaming Machines players are more likely to be educated to degree level or higher than to have no formal qualifications, and the overwhelming majority had GCSEs, A-Levels or another professional qualification.

Furthermore, those who are unemployed are far more likely to participate in other forms of gambling than playing B2 Gaming Machines. Of those surveyed in the 2010 BGPS 53% said they gambled on the national lottery, 32% scratchcards, 23% slot machines, 21% Horse races, 18% private betting, 18% sports betting,

According to the Gambling Commission's latest data 3.4% of the adult population plays on B2 machines.

16% another lottery, 15% online gambling, 14% bingo and 12% said they played on B2 gaming machines.

Kantar Media data commissioned by the ABB also shows that

- More than half of gaming machine players are (56.7%) age 25 – 44, one in eight are age 18 – 24 (12.7%) and one in eight are older than 55 (12.7%).
- Four of every five gaming machine players (77.9%) work full or part time, one in twenty two (4.5%) are students, one in fifteen (6.5%) are retired, one in eighteen (5.7%) are not working but are not unemployed, and one in twenty (5.2%) are unemployed.
- Two of every five gaming machine players (40.9%) have supervisory or intermediate managerial level jobs, one in eight (12.2%) are semi or unskilled workers, one in fourteen (7%) have higher managerial / professional jobs, others make up 13.7% (retired, students, homemakers, unemployed etc.).
- Half of regular gaming machine players (48% - 52%) are social grade ABC1 (lower middle class, middle class, & upper middle class) and more than half (57%) of occasional players are ABC1.
- Gaming machine players earn £20,000 to £40,000 per annum – on average £33,300 – 6.7% more than those who participate in other forms of gambling. More gaming machine players earn over £40,000 per annum (30.3%) than those who earn less than £20,000 (26.7%) and one in ten earn (9.7%) earn more than £60,000 per annum.
- As outlined in Chapter 3 bookmakers do not target vulnerable communities. The number of betting offices per square mile directly correlates to the population per square mile. CACI research shows that 84% of bookmakers are in retail and commercial centres as bookmakers are located in places that best serve non-residential customers.



It is important to note that B2 is a popular but infrequently played product with 74% of B2 players playing once a month or less.

CHAPTER 5

REALITY OF PUBLIC ATTITUDES TO GAMBLING

- We welcome the Government's pledge to ensure that any policy changes it considers are based not on concern and anecdote alone, but are supported by firm evidence and factual foundation.
- Although we acknowledge there is some public concern about proliferation and problem gambling we believe that this is unfounded, unjustified and exaggerated as we explain in chapter 3, 6, 7 and 8.
- Recent polling conducted for the ABB ranked 13 social issues in order of "public concern". Gambling on slot or fruit machines" was ranked 13th and last behind violence on TV, the availability of cheap alcohol and the negative impact of supermarkets on traditional high streets.
- Gambling Commission's own research showing that only 45 betting shop complaints were received by local authorities during 2011/12 – a 33% drop from the previous year.
- This means local authorities only visited about 0.5% of betting shops in this context.
- The relatively high number of successful planning applications and supportive independent planning reports also highlight the lack of public concern.

It is often argued by a small but vocal number of anti-betting campaigners that electronic gaming machines in betting shops are a matter of huge public concern. Although we acknowledge there is some public concern about proliferation and problem gambling we believe that this is unfounded and unjustified as we explain in chapter 3, 6, 7 and 8.

Recent polling ranked 13 social issues in order of "public concern". Anti-social behavior, violent crime, illegal drugs, vandalism and obesity were the top 5 public concerns, "Gambling on slot or fruit machines" was ranked 13th and last behind violence on TV, the availability of cheap alcohol and the negative impact of supermarkets on traditional high streets.

The ABB also welcomes recently published statistics published by the Gambling Commission showing that only 45 visits were made to a betting shop by local authorities during 2011/12 in response to a complaint – a 33% drop from the previous year. This means local authorities only visited 0.5% of betting shops in this context. The statistics also show that 227 local authorities did not visit a betting shop at all. These statistics prove – once again – that there is no evidence at all of betting shops causing major problems in local communities.

Sector	Visits following a Complaint 2009/10	Visits following a Complaint 2010/11	Visits following a Complaint 2011/12	% change 2009/10 - 2010/11	% change 2010/11 - 2011/12
FEC	10	9	20	-10%	122%
Other	194	181	272	-7%	50%
AGC	32	47	43	47%	-9%
Betting	25	67	45	168%	-33%
Bingo	5	15	10	200%	-33%
Casino	1	0	1	N/A	N/A
Tracks	2	0	2	N/A	N/A
Totals	269	319	393	19%	23%
Totals minus other	75	138	121	84%	-12%

There is no widespread concern proliferation of betting shops. In 2012 betting operators applied for the opening or resiting of around 200 shops and were granted licenses without objections in around 90% of the cases. In planning cases where local authorities rejected the applications. Bookmakers often overturned the decision on appeal on the grounds that there was no evidence of harm to the community. To the contrary, independent DCLG planning inspectors have consistently reported that betting shops added to the vitality and vibrancy of the high street. They concluded that betting shops actually drive greater footfall than other comparable retail outlets except for pharmacies and post offices.

Through rigorous survey evidence it is repeatedly shown to be the case in planning appeals that customer footfall at betting offices, a key measure of vitality, ranks among the highest of all town centre uses, well ahead of most types of retail facility. Furthermore, the majority of those who visit betting offices do so as part of a wider shopping trip. This concept of linked trips means that betting offices are not only an important town centre use in their own right, but help in promoting the vitality and viability of town centres as a whole. In short, betting offices are repeatedly viewed by independent inspectors as modern shops, with interesting window displays and attractive interiors, frequented by a relatively high volume and variety of customers, young and old. The internal hub of activity, clearly visible from the street, also adds to the vibrancy of the high street.

CHAPTER 6 DISPELLING THE MYTHS

The high-street bookmaking industry has been shocked by the unfair and unsubstantiated campaigns being waged against gaming machines in LBO's which are operated by well-run and socially responsible businesses. Our members have been subjected to a vicious, unjustified and sustained attack over the past six months, and we would like to set the record straight. In this chapter we dispel seven myths commonly pedalled by anti-betting shop campaigners.

Myth 1: 'Too many betting shops are blighting the high street and an increase in the number of betting shops has detrimental effects on the other businesses that surround these clusters, even forcing some off the High Street'.

The Facts

The Centre for Economic and Business Research (Cebr) found that for every £1 of GVA generated by betting shops, an additional £0.61 of GVA is generated in the wider economy through indirect and induced impacts. Between 87% (Wales) and 99% (London) of the economic benefits stay local too, enriching communities. Betting shops also contribute to local services paying more than £58 million in business rates each year. Bookmakers have already invested about £2 billion in local economies through the opening of new betting shops and the 'new-style' re-fitting of betting shops that already existed before the most recent changes in the industry.

Whilst Mary Portas concluded in her report that betting shops are blighting the high streets, independent planning inspectors have also found that betting shops add to the vitality and vibrancy of the high street. They found that betting shops actually drive greater footfall on high streets than standard retail units, to the benefit of other retailers. More details can be found in Chapter 5.

Myth 2: 'You can lose £18,000 an hour on a B2 gaming machine'

The Facts

Statements such as "you can lose £18,000 an hour playing on a B2 machine" are a total fabrication.

Firstly, B2 Gaming Machines have a high return-to-player rate (RTP): 97.15% on Roulette Games. The RTP of all gaming machine content is tested and verified by Gambling Commission approved independent test houses.

Secondly, it is impossible to load a machine that quickly. Pre-pay (counter loaded credit) at levels greater than £100 must be credited in blocks not as a lump sum. Then the credit must be accepted by the player at the machine £20 at a time. It is also important to note that debit cards and credit cards are not permitted on gaming machines, but credit can be pre-paid over the counter by debit card. The machines themselves are cash only and are designed to restrict the amount of cash deposited at any one time.

For every £1 of Gross Valued Add (GVA) generated by betting shops, an additional £0.61 of GVA is generated in the wider economy through indirect and induced impacts.

Thirdly, the fact that it takes 40 seconds on average to load £100 into the machine and make a selection means that, you would only get a maximum 90 spins per hour, assuming of course that you had £18,000 in cash in your pocket.

A B2 machine has a return to player of circa 97%, and thus it is firstly physically impossible to stake £18,000 per hour and secondly if you did the odds of losing the whole £18,000 would be 11 million trillion to one or less likely than buying a single lottery ticket each week and winning the National Lottery jackpot three weeks in a row. The ABB is pleased to hear that some stakeholders now admit you can't lose £18,000 per hour on gaming machines in betting shops.

Myth 3: Gaming machines are 'highly addictive' and dubbed the 'crack cocaine of gambling'

The Facts

The ABB believes the words "highly addictive" and "crack cocaine" are denigratory and misleading. The words imply the machines are akin to drug or substance addiction. The implied association is unfounded whilst there is no substantiation, scientific or otherwise, presented to back up the opinion that the roulette content of EGMs is "highly addictive". These pejorative terms are damaging to the perceptions of a legitimate and responsible leisure sector.

The average amount spent by customers on a B2 gaming machine is around £11 per machine per hour. And 74% of B2 players play once a month or less which is hardly reflective of an addictive product. There is no evidence of a causal link between gaming machines and higher levels of problem gambling and the percentage of identified problem gamblers playing on B2 machines actually went down by 20-25% from 2007 to 2010.

Research commissioned by the Responsible Gambling Fund in 2011 (Disley – 'Map the Gap') found that there was a distinct lack of clear evidence linking electronic machines to problem gambling.

Research by Dowling published in 2005 said: "The empirical literature provides inconclusive evidence to support the analogy likening electronic gaming to crack cocaine. Rigorous and systematic evaluation is required to establish definitively the absolute addictive potential of gaming machines and the degree to which machine characteristics influence the development and maintenance of problem gambling behaviour."

Our betting shops take their responsibility to the local communities in which they operate extremely seriously. Betting shops want to continue to attract a wide spectrum of customers to their stores; they can only do this by offering them a safe and responsible leisure experience. That is why significant resources are invested into the training of staff members. This includes training all staff on customer safety, tackling under-age gambling and addressing instances of problem gambling.

The ABB has provided further evidence in Chapter 7.

Myth 4: Over £300million of EGM profits come from people with gambling problems and the industry gives just £5m to the Responsible Gambling Trust.

The Facts

***The odds of losing £18,000 would be
11 million trillion to one***

There is no credible evidence to support the claim that over £300 million of EGM profits come from problem gamblers. We are aware of a secondary analysis of the 2010 British Gambling Prevalence survey undertaken by Professor Orford, which attempts to calculate the percentage of days played and money spent by problem gamblers on a variety of products. However, the researchers themselves state that: “these estimates must be treated as approximations only” and “there are, of course, a number of limitations” including “relatively small numbers of problem gamblers”. The secondary analysis is based on a statistically, and thus totally misleading, meaningless sample of B2 machine problem gamblers of 25 people taken from the 2010 BGPS.

As the above facts show the vast majority of those who gamble do so responsibly. Indeed, overall less than 1% of those adults who do gamble have a problem across all gambling products and only a small proportion of gamblers play on a B2 gaming machine. Nevertheless, as a responsible industry we recognise that one problem gambler is one too many and therefore voluntarily raise nearly £6million each year for research, education and treatment of problem gamblers. Without this contribution, many charitable services would not be available to problem gamblers. To suggest that our level of contribution is inadequate is insulting to our members and those that continue to work hard and seriously, aided by that funding, to combat gambling.

Myth 5: ‘Betting shops attract crime and anti-social behaviour’

The Facts

It is important to remember that, like any other business, betting shops are the victims of crime not the cause. We take all incidents of violence extremely seriously. However, these cases are exceptional circumstances and not the experience of the vast majority of customers in betting shops across the country. Like any other business we do not want the actions of a very small number of less responsible people to affect the experience of our millions of very responsible customers.

Betting shop operators work pro-actively to tackle any issues in communities alongside the Gambling Commission, police, local authorities, other businesses and other organisations like Neighbourhood Watch and Crimestoppers. A recent example of this is Lewisham, where the major operators recently signed up to the Deptford High Street Charter. The charter aims to encourage everyone to play their part in tackling crime and grime. It sets out what Lewisham Council and Lewisham Police can do to support businesses in Deptford High Street, and how businesses themselves can help to keep the local area safe, clean, green and liveable. Other examples include William Hill’s recent campaign with Crimestoppers to tackle betting shop robberies in North London⁷ and Ladbrokes has been an official partner of Crimestoppers since 1998.

The betting industry has a strong safety and security record with the welfare of our staff and customers being our number one priority. The Safe Bet Alliance (SBA) is a voluntary security code of practice drawn up in 2010, in close consultation with the Community Union, Metropolitan Police and DWP among others. It is clear that these standards are paying dividends. For example, robberies have fallen by 60% over the last two years in London. The ABB is aiming to enhance the code and build new partnerships with police forces in other regions. Additionally, the industry’s efforts in addressing shop security through the SBA were recently recognised with a Home Office award. The large national operators also have CCTV, panic alarms and other crime prevention measures such as security doors and electro-magnetic locks.

⁹<http://www.crimestoppers-uk.org/media-centre/news-releases/2013/crimestoppers-and-william-hill-launch-campaign-to-tackle-betting-shop-robberies-in-north-london>

It is important to remember that, like any other business, betting shops are the victims of crime, not the cause.

Myth 6: ‘All betting shops are in breach of their Gambling Commission licenses on primary purpose’.

The Facts

The Gambling Commission and local authorities carry out regular compliance checks to ensure licensees are not in breach of their licenses. Industry compliance with the relevant Gambling Commission rules is very strong and this is illustrated by the fact that no bookmakers have had their operator or premise license revoked by the Gambling Commission on the basis of primary purpose since the 2005 Gambling Act came into force.

On the specific point of primary purpose, this is not a statutory concept, but a Gambling Commission developed concept to allow only bona fide betting operators to secure a betting premises licence. Under section 172 of the 2005 Gambling Act the holder of a betting premises licence is authorised to make up to 4 category B gaming machines ‘available for use’. The concept of primary purpose is not designed to regulate the nature and time of supply of product within a betting shop as long as when the premises are open, there is opportunity to bet as well as use gaming machines. For example, a bona fide betting shop could consist of 5 self-service betting terminals (SSBTs), with requisite supervision, and 4 gaming machines. This is made clear by a Gambling Commission note to licensing authorities in August 2012 which states: ‘the number of bets taken is one of a wide range of factors for consideration’.⁸

Myth 7: ‘Bookmakers “sneaked” fixed-odd betting terminals into their shops and “circumvented” the rules by introducing more casino games and facilitating debit card transactions’.

The Facts

This is simply not true; the industry provided the Government with accurate and fulsome information concerning these machines and on this basis a full and rigorous analysis was carried out by the Government.

As part of the process all operators agreed to a voluntary ABB code of conduct which amongst other matters set maximum machine limits at 4 and stakes and prizes at £100 and £500 respectively. Many of these conditions were then absorbed by the Government into the provisions of the Gambling Act. Under the Gambling Act so called fixed-odd betting terminals were designated as category B2 and B3 gaming machines.



¹⁰ Gambling Commission Licensing Authority Bulletin – Primary Gambling Activity (August 2012)

The vast majority of gambling in the UK does not take place in a betting shop.

CHAPTER 7

EXISTING EMPIRICAL RESEARCH

In this chapter we assess the existing empirical evidence around electronic gaming machines (EGMs).

- There is no consensus on whether the concern that EGMs cause our customers to become problem gamblers is valid.
- Although the British Gambling Prevalence Surveys (BGPS) in 1999, 2007 and 2010 were not set up to identify a causal link between problem gambling and electronic gaming machines these regulatory surveys are the most significant studies of gambling of its kind in the UK and they did not provide any evidence for concerns that there is a correlation
- This was confirmed by secondary analysis of the BGPS 2007 conducted by Vaughan Williams, Page, Parke and Rigby in 2008. The ABB asked Vaughn Williams and Lionel Page to assess the causality question and replicate their methodology again for the 2010 BGPS. The key findings of their independent report were:
- The authors say that care must be taken not to over-interpret particular findings. For example, the 2007 BGPS tended to suggest that a higher level of problem gambling was linked with spread betting, FOBTs and betting exchanges. Yet the authors' analysis of the 2007 BGPS indicated that using a technique which is more robust to small observations and a large number of covariates gave quite a different picture of the potential link between pattern of gambling activity and problem gambling. As they said in their 2008 report the results should invite caution about the order of activities linked with possible influence on problem gambling.
- Vaughan Williams and Page conclude that they were unable to establish a causal link between B2 machines and problem gambling.
- NatCen recently undertook another secondary analysis of the 2010 BGPS, the Gambling Commission (March 2013) concluded that the research: "is consistent with the earlier analysis in the BGPS 2010 which similarly highlighted the strong association between problem gambling and participating in a wide range of different gambling activities."

Research history

There have been three major pieces of research into gambling commissioned by UK regulators in the last fourteen years. The British Gambling Prevalence Survey (BGPS) has researched participation, products and amount of time gambled and it has tracked levels of problem gambling. The three surveys show a consistent level of gambling participation – 72% of adults aged over 16 in 1999 and 73% in 2010. In other words, gambling as a popular leisure activity remains at a stable level.

According to the Gambling Commission's data the vast majority of gambling in the UK does not take place in a betting shop. In the year to March 2011 / 2012 58.1% of 4,000 adults surveyed said they had participated in at least one form of gambling in the previous four weeks. The most popular gambling activity was National Lottery tickets (48.0% of respondents), followed by National Lottery scratch cards (13%) and tickets for society or other good cause lotteries (10.6%). Betting on horse races or virtual horse races with a

The Gambling Commission (March 2013) concludes that the new research: "is consistent with earlier analysis which similarly highlighted the strong association between problem gambling and participating in a wide range of different gambling activities."

bookmaker (4.3%), gambling on fruit or gaming machines (3.4%) and private betting with family, friends or colleagues (3.3%) were the next most popular activities.

There is very little relevant evidence from studies carried out on adult gamblers in Great Britain (Parke & Griffiths, 2006; 2007). And from the available research, there is no consensus on the extent to which gaming machines (including those considered the high-stake, high-prize gaming machines in Great Britain) cause gamblers to become problem gamblers (Griffiths 2008).

Furthermore, it is worth noting Professor Mark Griffiths' recent comments on B2 gaming machines in betting shops: "So, given all these data, should FOBTs be banned from British bookmakers' offices? In short, no. Even if the data were more robust, I would argue that FOBTs shouldn't be banned particularly because similar types of game can already be accessed far more easily via the internet and mobile phone in environments that are arguably less protective towards problem gamblers. My own stance is that to help overcome problems and addictions to FOBT, gaming companies should engage in the highest levels of social responsibility and introduce cutting edge protocols to ensure player protection."⁹

The causal link between problem gambling and B2 machines

To answer consultation questions 13 (a and b) the ABB has reviewed existing research on problem gambling and B2 machines. The question is does the overall stake and prize limit for B2 machines, in particular the very wide range of staking behaviour that a £100 stake allows, give rise to encourage a particular risk of harm who cannot manage their gambling behaviour effectively? If so, in what way?



The ABB assessed the causality, in particular the socio-demographic factors EGM B2 machine participation and potential links to problem gambling in the BGPS 2007 and 2010.

the British Gambling Prevalence Surveys in 1999, 2007 and 2010.

Although these comprehensive regulatory surveys were not set up to identify a causal link between problem gambling and EGMs these regulatory surveys did not provide any evidence for concerns that there is a correlation.

For example, BGPS 2007 (NatCen - Wardle et al, 2007) – commissioned by the Gambling Commission - examined problem gamblers' participation in gambling activities and reported that B2 Gaming Machines had the second highest prevalence among those who had gambled in the last year while slot machines ranked 11th. However due to the cross-sectional nature of prevalence surveys, no conclusions can be drawn in relation to causality. The 2007 BGPS also found that on average problem gamblers participated in over six forms of gambling. This means that it would be extremely difficult to use this survey to single out particular form(s) of gambling that are especially related to problem gambling.

¹¹ <http://drmarkgriffiths.wordpress.com/2013/01/13/terminal-cases-should-virtual-roulette-machines-be-banned-from-high-street-bookmakers/>

Vaughan Williams Page, Parke and Rigbye (2008) undertook secondary analysis of the 2007 BGPS data set and reported that when frequency of play is taken into account the ranking of the activities most associated with problem gambling is not the same, with slot machines featuring in the third position and B2 Gaming Machines considerably lower down in the ranking. They also concluded that there was no causal link between problem gambling and EGMs in the BGPS 2007.

The ABB looked at BGPS 2010 (NatCen-Wardle et al, 2010) – also commissioned by the Gambling Commission - and did not find any evidence of a causal link in this research either. This most recent regulatory survey found that problem gambling levels for the whole gambling industry have remained at less than 1% - which is low by international standards - and the percentage of identified problem gamblers playing on B2 machines actually went down by 22% from 2007 to 2010. The survey also shows that 74% of B2 players play once a month or less which is hardly reflective of an addictive product.

The ABB asked Leighton Vaughan Williams and Lionel Page to assess the causality question and replicate their methodology again for the 2010 BGPS. Their report included a set of exploratory findings in relation to B2 machine use, a set of inferential findings in relation to B2 machine use, a set of exploratory findings in relation to problem gambling in relation to B2 machine use, a set of inferential findings in relation to problem gambling in relation to B2 machine use, and an assessment of the causal link between B2 machine use and problem gambling. In this way, the Vaughn Williams research built upon and updated their 2008 BGPS Secondary Survey, with the central aim being to independently review the Gambling Commission's 2010 BGPS conclusions, notably but not exclusively in relation to a causal link between B2 machine use and problem gambling.

The key findings of the independent report were:

- Leighton Vaughan Williams and Lionel Page say it is important to look at frequency of participation in studying problem gambling. The gambling activities which seem on primary inspection to be most closely linked with problem gambling are horse racing, scratch cards and slot machines (B3 machines), although the authors says these findings must be interpreted very carefully. On closer analysis problem gamblers seem to differ from other gamblers by a higher frequency of participation in a variety of gambling activities rather than gambling on a particular product. For example, the authors say that the frequency of participation in FOBTs is not a particularly useful discriminator of a problem gambler and they did not find intense participation in FOBTs is a specific characteristic of problem gamblers. To this extent, problem gambling may be viewed as person-centric rather than product-centric.
- The authors say that care must be taken not to over-interpret particular findings. For example, the 2007 BGPS tended to suggest that a higher level of problem gambling was linked with spread betting, FOBTs and betting exchanges. Yet the authors' analysis of the 2007 BGPS indicated that using a technique which is more robust to small observations and a large number of covariates gave quite a different picture of the potential link between pattern of gambling activity and problem gambling. As they said in their 2008 report the results should invite caution about the order of activities linked with possible influence on problem gambling.
- Vaughan Williams and Page conclude that they were unable to establish a causal link between B2

Problem gambling may be viewed as person centric rather than product centric

machines and problem gambling.

NatCen recently undertook another secondary analysis of the 2010 Prevalence Study, also looking at machines in particular. The Gambling Commission (March 2013) concluded that the research: “is consistent with the earlier analysis in the BGPS 2010 which similarly highlighted the strong association between problem gambling and participating in a wide range of different gambling activities.” They concluded that “the report suggests that a joined up, cross venue/sector approach to the development of harm minimisation strategies and observation of player behaviour might be beneficial.”

National Gambling Telephone Helpline

The national gambling telephone helpline operated by GamCare has consistently shown that EGM gamblers account for a notable proportion of calls. However, numbers have remained relatively stable. During 2007 it was reported that 25% of all calls concerned B2 gaming machines and a further 20% concerned fruit / slot machines. In 2012 24% of calls concerned B2 gaming machines and a further 16% concerned fruit / slot machines. However, caution may be required as these results tend to provide an indication of an association between problem gambling and machines and not a definitive proof (Griffiths 2008). In addition information about further help or advice for gamblers may be more prominently displayed around some forms of gambling than for other forms (e.g. stickers on machines). For example, betting shops provide leaflets with helpline numbers in close proximity to the machines as part of their licence conditions and code of practice. Additionally stickers are often put on machines and there is information on the machines themselves, both via links from the home screen and via screen displays. This commitment to promoting counselling services is far greater than seen with other forms of gambling such as the National Lottery.



Summary

The above pieces of research clearly confirm that it is wrong and without evidential basis to single out LBOs and B2 machines as causing problem gambling or gambling related harm. No empirical evidence has ever been produced to support the anecdotal claims that EGMs cause problem gambling. Quite the opposite in fact - the most recent peer reviewed and independently produced research, the 2010 Gambling Prevalence Study, commissioned by the regulator, shows that there has been a reduction in the number of problem gamblers who used gaming machines. And the Government states in the impact assessment that no change to B2 stakes and prize limits “would represent any risk to player protection.”

The Responsible Gambling Trust has announced that it is to commission the biggest ever programme of academic research into Category B gaming machines in betting shops, bingo halls, adult gaming centres and casinos - to understand better how people behave when playing these machines and what helps people to stay in control and play responsibly.

The ABB welcomes an evidence based debate around electronic gaming machines in this context and our members and the major machine operators have agreed to give full access to NatCen as part of their research project for the Responsible Gambling Trust. We are as keen as anyone to see the outcomes of the research so that there can be a proper evidence based debate around gambling policy, particularly in respect of gaming machines.

We note that gambling industry rates of problem gambling have remained relatively low in the UK at under one per cent since 1999; one problem gambler, however, is one too many and we are very committed to tackling this issue.

The ABB welcomes an evidence based debate around electronic gaming machines and our members have agreed to give full access to NatCen as part of their research project for the Responsible Gambling Trust.

CHAPTER 8

UNDERSTANDING THE TRUTH ABOUT PROBLEM GAMBLING

As outlined in the previous chapter the ABB asked Professor Leighton Vaughan Williams and Lionel Page to independently review the Gambling Commission's 2010 BGPS conclusions, notably but not exclusively in relation to a causal link between B2 machine use and problem gambling.

- They concluded that the pattern of participation in gambling activities shows a majority of gamblers participate infrequently in relatively simple and broadly popular activities.
- It is not possible to clearly single out some types of gambling activities as being specifically associated with problem gambling.
- Problem gamblers seem to differ from other gamblers by a higher frequency of participation in a variety of gambling activities rather than gambling on a particular product. To this extent, problem gambling may be viewed as person-centric rather than product-centric.
- The BGPS describes problem gambling as “gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits.

As outlined in the previous chapter the ABB asked Professor Leighton Vaughan Williams and Lionel Page to build on the 2008 BGPS Secondary Survey, with the central aim being to independently review the Gambling Commission's 2010 BGPS conclusions, notably but not exclusively in relation to a causal link between B2 machine use and problem gambling.

The key findings of the independent report on problem gambling were:

- Participation findings were very similar to 2007 BGPS. The pattern of participation in gambling activities shows a majority of gamblers participate infrequently in relatively simple and broadly popular activities. A minority of gamblers have a higher frequency of participation and tend more often to be involved in more technical gambling activities. Less qualified individuals participate in a wider range of gambling activities, while individuals with a longer gambling history also participate in a larger range of gambling activities. For example, gamblers playing roulette online are more likely to engage with a wide range of other gambling activities than those engaged in other online activities.
- There is a large overlap between the patterns of gambling participation of problem gamblers and others. It is therefore not possible to clearly single out some types of gambling activities as being specifically associated with problem gambling.
- The 2007 BGPS showed that gamblers who are younger, male, from an Asian background, have lower incomes and are single or divorced are more likely to exhibit signs of problem gambling. These results were once again found in the 2010 BGPS. The only noticeable difference according to the authors is the inversion of the variable education with respondents with higher education being now more likely to be placed relatively high on the problem gambling scales.
- The authors of the report say it is important to look at frequency of participation in studying problem gambling. Problem gamblers seem to differ from other gamblers by a higher frequency of participation in a variety of gambling activities rather than gambling on a particular product. Problem gambling may therefore be viewed as person-centric rather than product-centric.

Vaughan Williams concluded that the pattern of participation in gambling activities shows a majority of gamblers participate infrequently in relatively simple and broadly popular activities

There is a similar analogy to an alcoholic who does not just drink one specific product. As the Nevada Council on Problem Gambling, in Las Vegas (where there are 200,000 gaming machines) notes:

“The cause of a gambling problem is the individual’s inability to control the gambling. This may be due in part to a person’s genetic tendency to develop addiction, their ability to cope with normal life stress and even their social upbringing and moral attitudes about gambling. The casino merely provides the opportunity for the person to gamble. It does not, in and of itself, create the problem any more than a liquor store would create an alcoholic.”

The vast majority of academics and clinicians in this area believe that problem gambling is about the person and not the product. They also believe stakes and prize limits are a blunt instrument. This is especially true when a gambler can bet £20,000 on a football match or a horse/greyhound race, or £2000 on a single roulette number in a casino or £20,000 on a hand of blackjack in a casino or bet £20,000 to win over £700,000 in an online casino.



Whilst machine stakes and prizes are limited a gambler can bet £20,000 on a football match, or £20,000 on a hand of blackjack in a casino or bet £20,000 to win over £700,000 in an online casino.

CHAPTER 9 INDIVIDUAL RESPONSIBILITY

In response to consultation question 14 (a) the ABB has reviewed common practice in other jurisdictions.

- **Broadly speaking, the focus is on problem gambling prevention and customer interaction. With the exception of Norway, nowhere is the level of stakes and prizes for games machines used as a method for tackling problem gambling.**
- **The Norwegian example shows that even with a huge state involvement, there is no evidence to show that using a cap on stakes has successfully reduced problem gambling, in fact, the evidence shows a slight increase since the introduction of money limits.**
- **This chapter again demonstrates that problem gambling is about the individual and not the product and that a reduction of stakes and prizes will be an ineffective and very blunt instrument if applied to problem gambling.**

UK leading by example

Consultation question 14 (a) asks : Are there other harm mitigation measures that might offer a better targeted and more effective response to evidence of harm than reductions in stake and/or prize for B2 machines?

To answer the question the ABB has reviewed common practice in other jurisdictions and concludes that the UK is leading by example. The UK's gambling industry is regulated through the Gambling Act and a dual licensing regime operated by the Gambling Commission and local authorities. There are detailed regulations in place governing and limiting the use of electronic gaming machines. UK operators also have in place detailed responsible gambling policies for helping problem gamblers. This strong combination of regulation and responsible business has led to less than one per cent of the UK adult population being considered to be a problem gambler which makes the UK's rates relatively low compared to the rest of the world. The table shows the different rates:

Country	Year	Screen	Timeframe	%	Confidence interval
Sweden ²³	2008/09	PGSI	Last 12 months	0.3	Not given
Norway ²⁴	2008	NODS	Last 12 months	0.8	0.6-1.2
Canada ²⁵	2003	PGSI	Last 12 months	0.5	Not given
New Zealand ²⁶	2006/2007	PGSI	Last 12 months	0.4	0.3-0.5
Great Britain	2010	PGSI/DSM-IV	Last 12 months	0.7/0.9	0.5-1.2
Germany ²⁷	2007	SOGS	Last 12 months	0.6	Not given
Switzerland ²⁸	2005	SOGS	Last 12 months	0.8	Not given
Iceland ²⁹	2005	PGSI	Last 12 months	1.1	0.7-1.5
South Africa ³⁰	2005	GA	Last 12 months	1.4	Not given
USA ³¹	2000	DIS	Last 12 months	3.5	Not given
Singapore ³²	2008	Chinese DSM-IV	Last 12 months	1.2	0.7-1.6
Macao ³³	2003	Chinese DSM-IV	Last 12 months	4.3	Not given
Hong Kong ³⁴	2005	Chinese DSM-IV	Last 12 months	5.3	Not given

The focus of other Governments around the world is on problem gambling prevention and customer interaction. With the exception of Norway, nowhere in the world is the level of stakes and prizes for games machines used as a measure for tackling problem gambling.

Having reviewed examples from around the world, the common thread for helping people who are or have developed a problem with their gambling is good staff training, with good processes in place to spot and then help problem gamblers. Apart from Norway nowhere is there a particular focus on electronic gaming machines and the mandatory setting of stakes and prizes levels as a method of preventing or helping problem gamblers.

The stakes and prizes in the UK on B2 machines are also low compared to other countries – Mexico's 100,000 gaming machines have no limits on either stake or prize, while in Slovakia and the Czech Republic, there are no limits to stakes.

The ABB also notes that the UK has one of the slowest spin cycles in the world, of 20 seconds on a B2 game. In Italy, for instance, there is no spin cycle – the game is played instantly, while in casino environments like Macau or Las Vegas, you can play slot machines at \$500 per spin every 2-3 seconds.

We highlight below some of the ways in which some other jurisdictions tackle problem gambling issues.



Norway

The only major developed country which has used a form of regulating stakes and prizes and player spending as a measure to tackle problem gambling is Norway. Until a few years ago electronic gaming machines were available in a range of places, including shopping centres, petrol stations or supermarkets. In 2009, the Norwegian Government introduced state control of gaming machines, creating a state provider – Norsk Tipping (which also runs the national lottery).

Norsk Tipping introduced a mandatory player card system which enables both Government and the individual to regulate a player's behaviour. There are spending limits for all players, set by the Government and regulator, and there is a mandatory break in playing after one hour. The card provides play summaries, money and time limits and an individual risk assessment. The system is cashless, but the cards are linked directly to a player's bank account and money is transferred by the Government between the card and the bank account.

The regulations set a maximum spending limit of NOK 400 (£45) per day, NOK 2200 (£250) per month, and in each game, the maximum that can be bet is NOK 50 (£5.69), with a maximum prize of NOK 1500 (£17.08). The minimum duration for a game is just 3 seconds.

A year after the system was introduced, 98.4% of players did not play the games long enough to reach the mandatory time limit, while only 1.1% of players felt a need to set a personal time limit. Just 15% of players ever reach the monthly maximum set by the Government.

The number of people classed as problem gamblers in Norway increased from 1.9% in 2008 to 2.1% in 2010. Although player limits and time reminders have their merits, there is no clear empirical evidence that a cap in stakes leads to a reduction in problem gambling.

Australia

Australia has the world's 53rd largest population, but has one fifth of all electronic gaming machines in the world. Known as "pokies", electronic gaming machines are located in bookmakers, pubs, clubs, hotels,

Since player limits were introduced in Norway the number of people classed as problem gamblers in Norway increased from 1.9% in 2008 to 2.1% in 2010.

bars and sports clubs. There are 100,000 pokies in New South Wales alone – three times the amount of B2 machines in the UK. Whereas EGMs in the UK are restricted to four machines per outlet there are no restrictions in Australia. And the speed of play on a machine in Australia is three seconds, compared to 20 seconds in the UK.

While there has not been a nationwide survey on gambling prevalence in Australia since 1999, when the problem gambling rate was 2.1%, regional studies in 2005 show:

Queensland:	0.83%
Tasmania:	0.73%
Northern Territory:	0.64%
South Australia	1.6%

Each individual Australian State operates their own particular rules and regulations, and the common theme is that as long as the applicant has followed the processes, as set out by the individual State, then the licence will be granted. A common approach for tackling problem gambling across the country is illustrated in South Australia.

There were 12,598 gaming machines operating in South Australia as at the end of March 2007. The state's Independent Gambling Authority has developed a responsible gambling code of practice for all venues where gambling takes place, from hotels and clubs with gaming machines to licenced race clubs, bookmakers and lotteries. In a similar way to the UK the key elements of the code include:

- All staff have to be trained about the effects of gambling, and the recognition and identification of problem gambling traits, and ensure that the approach, intervention, referral and follow-up processes are clear and well understood.
- The gambling provider will take all reasonable steps to ensure a patron who demonstrates difficulty in controlling their gambling has their attention to the name and telephone number of a gambling referral service.
- The provider will establish a reporting process in respect of the identification of a suspected problem gambler by staff and ensure a gaming manager reviews the records of suspected problem gamblers at regular (at least fortnightly) interval, and documents any steps taken to intervene in a suspected problem.



New Zealand

In New Zealand, there are 23,000 “pokies” in over 2,000 licence premises and the gambling industry is regulated by the 2003 Gambling Act and through the Gambling Commission.

Since 2009, pokies are required to have ‘Player Information Displays’, which let a player know how long they have been playing and how much they have won or lost, but they do not set limits on stakes and prizes.

Under the 2003 Act, all gaming machine licence holders are required to develop a policy for identifying problem gamblers, whom they have to offer information and advice about problem gambling. There are also two types of exclusion orders provided under the Gambling Act 2003:

- Self-exclusion: gamblers who believe they are developing a problem can exclude themselves from

In Italy there is no spin cycle – the game is played instantly, while in casino environments like Macau or Las Vegas, you can play slot machines at \$500 per spin every 2-3 seconds.

the gaming area or a number of venues

- Exclusion Orders – gambling providers have the opportunity to exclude from venue a person who they believe may have a problem

In both cases, exclusions can be issued for up to two years and once in place it cannot, under any circumstances, be revoked. However, the focus continues to be on staff training is because it is widely accepted that staff know their customers well and are trusted, and can see problems developing over time.



United States of America (USA)

In the USA 3.5% of the adult population are considered problem gamblers. While different States have different laws on allowing gambling in the first place, those states that allow it also have detailed “statutes” for helping problem gamblers.

There are 39 States which allow betting on electronic gaming machines and the common thread among all these statutes, alongside the American Gaming Association Code of Conduct of Responsible Gambling (2003), is based around key principles: ensuring staff are trained to understand and identify problem gamblers, and that venues and operators are publishing problem gambling information and the details of a free helpline. Operators also commit to explain to customers the probabilities of winning and losing and allow customers to bar themselves from the venue if they have developed a problem. The industry also provides funds for the National Centre for Responsible Gaming. The speed of play on machines is broadly every three seconds, and players can use credit cards instead of coins.



Canada

There are over 80,000 electronic gaming machines in Canada and EGMs can be located in bars, hotels, restaurants and clubs. Canada has a relatively low problem gambling rate of 0.5%. This is despite EGMs having a speed of play of between 3.5 and 5 seconds and allowing customers to transfer money directly from their bank account or credit card into the machines. The gaming industry in Canada has developed a set of standards for gambling with the Responsible Gambling Council.

While different provinces have different programmes for helping problem gamblers, they all adhere to basic principles:

- Always checking for identification and preventing minors from purchasing or accessing gambling products.
- Offering voluntary self-exclusion to players in casinos or other gaming centres.
- Incorporating a message about responsibility in all advertising, such as “know your limit, play within it”.
- Making sure players can easily find the number for a free problem gambling helpline.
- Having an annual or multi-year provincial strategy that guides operators and outlines the type of problem gambling programmes that will be funded and delivered.
- Participation in the Canadian Partnership for Responsible Gambling and/or the Interprovincial Lottery Corporation’s responsible gambling sub-committee.



South Africa

South Africa has a problem gambling rate of 1.4%. The law limits the number of machines to 50,000 and such machines can be located in restaurants, bars and tavern - the maximum number permitted on a particular site is 5 machines.

Canada has a low problem gambling rate of 0.5% despite machines having a speed of play between 3.5 and 5 seconds.

The National Responsible Gambling Programme was created in 2000, bringing together different representatives from the gambling industry. This became the South African Responsible Gambling Foundation (SARGF) in 2004. One of its key roles is the training division, which provides responsible gambling training to all gambling industry employees throughout South Africa. As well as an operator holding a licence for providing machines, each individual that has a role in their provision must also hold a licence.

A customer developing a problem can self-exclude themselves from a particular operator and once this is done, that person's details can be circulated to all other licensed venues within the area. It is possible for third parties to exclude a customer, through the courts. Once excluded, by whichever means, the onus remains on an excluded customer to stay away from the venue and the exclusion is effectively a contract between the excluded customer and the operator – if a customer is found in a premises from which they are excluded, they could be charged with trespassing.





Whether working with other retailers to improve the local environment, making charitable donations or creating schemes to improve skills for the underprivileged, high street betting shops are responsible retailers.

CHAPTER 10 SOCIAL RESPONSIBILITY

- **Whether working with other retailers to improve the local environment, making charitable donations or creating schemes to improve skills for the underprivileged, high street betting shops are responsible retailers, committed to working with the community in which they operate, and the community beyond that.**
- **The whole gambling industry voluntarily donates nearly £6 million to the Responsible Gambling Trust to help people who have developed problems with their gambling.**
- **Details about Gamcare services are displayed prominently in all betting shops**
- **The betting industry supports a wide range of charitable organisations and works with communities to address any local issues they have raised.**
- **The industry takes its responsibilities to protect children and young people very seriously and is committed to the High Street Betting Industry Action Plan and Supplementary Code of Practice on Age Verification.**
- **Operators enforce a rigid Think 21 policy**
- **In 2010 the ABB launched Safe Bet Alliance which is a voluntary code of shop safety and security, setting single national standards for bookmakers**
- **LBO robberies in London were reduced by 60% between 2010 and 2012**

This chapter gives some examples of the betting industry's best practice in social responsibility.

Helping problem gamblers

The whole gambling industry voluntarily donates nearly £6 million to the Responsible Gambling Trust to help people who have developed problems with their gambling. This money is allocated – independently of gambling operators - to fund a variety of programmes and support a number of charitable organisations. This includes GamCare, which operates a free telephone help line service and provides treatment for problem gamblers.

Details about this service is displayed prominently in all betting shops, whether at the counter, by gaming machines or on walls around the shop unit, and the details are displayed directly on the screens of some electronic gaming machines as well.

The ABB last year welcomed the Department for Culture, Media and Sport's statement to the BBC Panorama programme that the commitments of the gambling industry towards the costs of treating problem gamblers are "sufficient" and that they are "content with the current voluntary approach."

Charitable work

In addition to providing nearly 50% of the voluntary donations to the Responsible Gambling Trust , the betting industry supports a wide range of charitable organisations and works with communities to address any local issues they have raised.

The ABB and its members recently led a series of local engagement activities in London Boroughs:

- In Lewisham, the local betting shops have all signed up to the High Street Charter and the ABB has donated £1500 to the Lewisham Borough Community Football Club, sponsoring the team shirts.
- In the London Borough of Ealing, the ABB worked with local



councillors, enforcement officers and the police to organise a series of briefings. This followed the creation of a Bet Watch scheme in the town centre

- Over £10,000 has been donated to the Haringey Police Amateur Boxing Club which supports young people in the borough

The ABB has also donated £5,000 to the Southall Community Alliance to support a year-long project giving disadvantaged young people from differing backgrounds the opportunity to develop new artistic and creative skills; and £5,000 to the City and Hackney Carers Centre, which will cover half of the costs of providing support for people who care for relatives.

Age-restricted products

It is an offence for anyone under the age of 18 to enter a betting shop, let alone bet and the industry has been committed to ensuring this matter is taken very seriously by staff. A core part of staff training, most operators have a Think 21 policy in place, which means the LBO sector compares more favourably than the policies of some other age restricted products as indicated in this table:

Product	Age Limit
Volatile Substances/Solvents	18+
Fireworks	18+
Alcohol	18+
Offensive Weapons/Knives	18+
Lighter Refills containing Butane	18+
Crossbows	17+
Airguns & Pellets	18+
Tobacco	18+
Caps, Cracker Snaps, Novelty Matches, Party Poppers, Serpents and Throw Downs	16+
Lottery tickets / Scratch Cards	16+
Aerosol Paint	16+
DVD's, Videos, Computer Games - Check Classification:	12+, 15+, 18+

The betting industry is sometimes accused of low levels of compliance with the principle that children should be protected from gambling. However, the industry takes its responsibilities to protect children and young people very seriously and is committed to the High Street Betting Industry Action Plan and Supplementary Code of Practice on Age Verification.

In May 2009 the Gaming Commission conducted an age-verification test programme in which betting shops had a very low rate of compliance at just 2%. The industry responded by investing a considerable amount of resource towards addressing the issue: signing up to a new Code of Practice and Action Plan, which entailed introducing a board-level 'champion', new signage, staff training and commissioning further test-purchasing exercises. Later that year, a repeat exercise by the Gambling Commission showed considerable improvement with 65% rate of compliance.

All operators enforce a rigid 'Think 21' policy and the large national operators employ their own independent testing companies to ensure standards are maintained



Coral has raised over £2.5million for a variety of charities selected by staff.

at a high level. Recent results of independent test purchasing exercises prove that betting shop staff are highly vigilant about asking young-looking customers to provide proof-of-age. Last year alone operators turned away more than half a million people who were unable to prove their age.

Recently our members achieved a 100% success rate in a joint age-verification test purchase exercise undertaken by the Gambling Commission and Blackpool Council. Furthermore, a recent survey by CitizenCard of its cardholders revealed that betting shops were more likely to ask an 18 year old to prove their age than Bars, Pubs, Night Clubs and Tobacco Retail Sales.

Recently our members achieved a 100% success rate in a recent joint age-verification test purchase exercise undertaken by the Gambling Commission and Blackpool Council. Furthermore, a recent survey by CitizenCard of its cardholders revealed that betting shops were more likely to ask an 18 year old to prove their age than Bars, Pubs, Night Clubs and Tobacco Retail Sales.

Tackling crimes against betting shops

When betting shops are subject to criminal actions, the staff and customers are the victims, not the cause. The Safe Bet Alliance (SBA) was launched in 2010, after a series of robberies in betting shops in London. The Metropolitan Police Flying Squad had been tracking these incidents and worked with the industry, through the ABB, to put in place a set of guidelines and measures that would help reduce the robbery level.

The result was a voluntary code of safety and security, setting single national standards for bookmakers, covering shop safety and security for the first time. The document sets out clear guidance and agreed standards that can help reduce the opportunity for crimes to take place, and deal with the aftermath of any incident.

As well as the Police, the ABB and our individual members, the work on the SBA proposals also involved Community Union, the Institute of Conflict Management, the Department for Work and Pensions, all of whom are signatories to and supporters of the document. The Alliance is also endorsed by Crimestoppers, with whom we work closely.

This represented the first time the industry, and those involved in it, came together to tackle what was becoming a serious problem, affecting not just the businesses themselves but the staff working in the shops. At the end of the first year, the number of robberies of betting shops had dropped by 46% and by the end of the second year (2012) there were 60% fewer

Ladbrokes

The Ladbrokes in the Community Charitable Trust has donated over £6.2million to a range of charitable causes, including The Samaritans and Child Line and funded Christmas dinners for over 10,000 people for Age UK.

The number of robberies has dropped by 60% in two years in London

robberies. The Flying Squad noted that the situation had gone from an almost daily report of a betting shop robbery, to one a month at most. The detection rate for betting shop robberies now stands at 70%.



It has also led to localised action, for example in Ealing, several betting shops have created a Bet Watch scheme, where they all alert other operators to any incidents or people causing anti-social behaviour.

William Hill is supporting Project Africa, a long term programme in Kenya to build and develop a school, and in October 2012, William Hill staff helped build and kit out the library. William Hill also match-fund money raised by their staff for good causes.”

As a result of this, the SBA was awarded the Home Office Tilley Award at the end of 2011, the awards recognising innovative crime fighting projects where police, community groups and the public successfully work together to identify and tackle local crime problems.

While initially created in response to specific issues in London, the SBA has also been introduced in other parts of the UK, including Scotland and Manchester, and we are currently finalising plans to launch the document in Nottinghamshire, in co-operation with the police force, who are focusing on tackling business crime in a variety of areas. The SBA scheme also recently received ACPO accreditation, in effect meaning the SBA is endorsed by the country’s Chief Police Officers.

It is also worth noting that the large national operators have CCTV systems, employ many former police officers and have managed to catch a variety of criminals through close cooperation with the police and other stakeholders.



“Responsible Gambling Forum 2012 - The ABB has organised the Responsible Gambling Forum, bringing together the industry, the regulator and other stakeholders, to discuss and more importantly, devise solutions to issues of concern. The 2012 event was attended by Members of the London Assembly, local councillors, police representatives and representatives of charities that help problem gamblers. The event heard about safety measures in shops, examples of community working and age-verification measures deployed by betting shops.”

CHAPTER 11

RESPONSIBLE GAMBLING

- The ABB is firmly committed to the concept of responsible gambling, where customers are given the self-help tools to avoid excessive or irresponsible gambling and thus avoid gambling related harm to themselves or others.
- Current measures and codes adopted by ABB members go far beyond the current statutory requirements and it is now the ABBs intention to consolidate current best practice, and proven harm prevention measures, into a voluntary ABB “code for responsible gambling in LBOs”.
- The ABB has approached a leading academic in this area to advise on the development of this code and will also seek advice and input from the Gambling Commission, RGSB, RGT and DCMS.

The ABB has a proven track record of developing and implementing workable and effective voluntary codes of conduct, engaging with a wide range of stakeholders in the process e.g. the 2002 code in respect of FOBTs which remained in place until the terminals were formally incorporated into the 2005 Gambling Act, as B2 machines, in September 2007. This code of conduct was hailed by the then Chairman of the Gaming Board (Peter Dean) as “the best example of commercial / regulator cooperation even seen”. The ABB also developed the Safe Bet Alliance, as a self-regulatory code, with input from the police and other third party stakeholders, and it has been an unqualified success in reducing incidents of robbery in LBOs and enhancing staff safety.

As stated elsewhere in our submission we (the ABB) believe that problem gambling is about the individual and not specific products. The one thing that problem gamblers have in common is that they gamble on a wide variety of products in a range of locations. We also support the view that bespoke (player led) measures, tailored to a gamblers actual machine play, might be more effective in preventing and / or mitigating harm than the current across the board regulatory controls, such as limits to stakes and prizes, and the number and location of gaming machines. Not only is there no evidence of a direct causal link between problem gambling and B2 machine play in LBOs, there is also no evidence whatsoever that reducing stakes and prizes would effectively reduce gambling related harm. Thus we believe that a more sophisticated and wide ranging code of responsible gambling for LBOs would be far more effective in preventing and mitigating harm.

The ABB code will cover more than just machines and will also look at:-

- Age verification processes.
- Sports integrity.
- LBOs as part of the local community.
- Advertising standards (use of the GambleAware website domain on screen).
- Staff safety/ The Safe Bet Alliance.

The ABB code will be developed to cover more than just B2 machines and will look at age verification, local community, advertising and staff safety.

The code will also embed the 3 core principle, underpinning the 2005 Gambling Act, in the modus operandi of LBO operators across Britain:-

- Keeping gambling crime free.
- Ensuring that gambling is conducted fairly.
- Protecting the weak and vulnerable in society.

Whilst the ABB are firmly committed to bookmakers continuing to play their part, locally; nationally and internationally, as good corporate citizens, and we also fully support the notion of consumer / player protection, we are equally aware that interventions cannot and should not impinge upon the rights of informed adults to decide how, where and when they spend their money.

Therefore the ABB code will focus, first and foremost, on player information and assisting players in learning how to self-regulate their play thus ensuring that they do not fall prey to gambling relating harm. In this context we will examine the success, or otherwise, in other parts of the world of such harm prevention measures as:-

- Automated player information.
- The ability to set time and / or cash limits on a session of play.
- Staking and deposit limits.
- Withdrawal of winnings and as a default setting.
- Responsible gambling information and access to “help” and counselling.
- Self-exclusion.
- Automatic time reminders / session clocks.

We will also explore how best to incorporate the concept of “staff intervention”. Unlike pubs, where “haven’t you had enough Fred” can be directed by staff to clearly intoxicated customers, excessive or problem gambling is not easy to spot as not all (or even most) problem gamblers play to high (highest) stakes. Customer privacy is very important to LBOs as is compliance with the Data Protection Act.

However we will continue to explore ways in which staff training, intervention and new technologies can play their part in assisting problem gamblers to recognise and control their own behaviour.

The code will also require operators to demonstrate (produce evidence of) board level commitment to, and monitoring of, responsible gambling activities.

We believe that the recently revamped GambleAware website (owned by Responsible Gambling Trust) is an important element in player protection and informed choice by the consumer and we will aim to incorporate the website in any ABB code.

We should perhaps stress that the ABB is not developing such a far reaching “code” because we believe that there is a significant risk associated with gambling on B2 machines. The evidence is in fact to the contrary. We are developing the code to build on current best practice and to prevent or minimise any gambling related harm arising out of all products located within LBOs.

To assist and advise us in this complex task we have approached a leading academic in this area of gambling

The ABB “code” will focus, first and foremost, on player information and assisting players in learning how to self-regulate their play

and player protection to advise and assist us in the ongoing development of such a code.

The ABB would hope, subject to the level of any technological changes required, to have a (draft) code up and running by late 2013 and we remain very supportive of the current RGT driven research programme into B2 Machines. It would be our intention to incorporate any workable, effective and proportionate harm prevention measures arising from the RGT / NatCen research into our code of conduct.

Our code therefore will significantly exceed the current statutory requirements, build upon current best practice from across the world and incorporate new features (technology driven) which are currently being tested by a variety of operators.

Bookmakers in Britain make huge contributions to the community at a national and a local level. Our donations to RGT are an important part of this and we are delighted that RGTs income is up nearly 20% in 2012/13 and that circa 50% of their income comes from ABB members.

The betting industry is also committed to funding a new independent BGPS to be undertaken by NatCen in 2014.

In conclusion the ABB is committed to ensuring that gambling in Britain is conducted fairly, is kept crime free and that there are sufficient safeguards to protect the weak and vulnerable in society. Collectively this equates to “effective consumer protection” and this will be at the heart of the proposed ABB code.





CHAPTER 12

REGULATORY IMPACT ASSESSMENT

This chapter considers the state of the LBO industry and a number of economic issues for the future, which are likely to influence the contribution of the sector to the UK economy and the Treasury:

- **New ABB data clearly shows that the industry remains very exposed to any negative regulatory change due to a surprisingly high number of shops on very low margins. There are already 2,685 LBOs at risk in low margin shops taking on average around £15,200 p.a. employing around 11,300 people.**
- **As a hypothetical example, if the level of B2 stake is reduced to £2, ABB analysis shows that:**
 - **7,880 LBOs and 39,031 jobs (83.7% of jobs) would be at risk**
 - **On average LBOS would make a £58,900 loss.**
 - **The Treasury stand to lose £650 million.**
 - **Thousands of square feet of empty premises would be added to the High St**
 - **Nearly £60 million in business rates to local councils.**
 - **The loss of 40,000 jobs – many amongst 18-24 year olds and part-time female**
 - **Workers - would add to unemployment rates of 20% and 7% respectively and increase Treasury's benefits bill.**

The LBO sector needs strong backing from Government, to maintain and grow its business. For this reason, we propose taking the increased stake of £2 permitted on B3 machines in 2011 a little step further (to £3) and increasing the maximum available prize from £500 to £1000.

State of the LBO industry

Whilst the number of betting shops has been broadly stable, many remain vulnerable to economic headwinds and legislative change. The mix of available betting products has protected the industry, to an extent, from the economic downturn; with overall retail spend increasing slightly. This resilience is attributable to a shift toward consumer usage of machines in the retail environment. However, the Deloitte report shows there has been a significant fall in overall levels of Gross Win as a result of the offshoring of remote functions (driven by both a move to remote gambling and competitive disadvantage for smaller businesses) as well as the decline of telephone betting due to technological advancements. According to Deloitte this instability has outweighed the stability in retail and has led to the significant reduction in Gross Win, FTE employment and GVA contribution.

The Deloitte research shows that key components of revenue generation have shifted, with machine revenue generating just under half of all betting shop revenue in the UK market – the growth of this sector (20% since 2009) has become a key driver for the industry, with Over The Counter (OTC) spend remaining largely static over the same period. Whilst this has been the case, the proportion of OTC spend has continued to shift away from horse-racing and towards football betting, possibly driven by the 2010 World Cup and the popularity of new products such as 'in-play betting' on football and tennis.

There are already 2,685 LBOs at risk in low margin shops taking on average around £15,200 p.a. and employing 11,300 people.

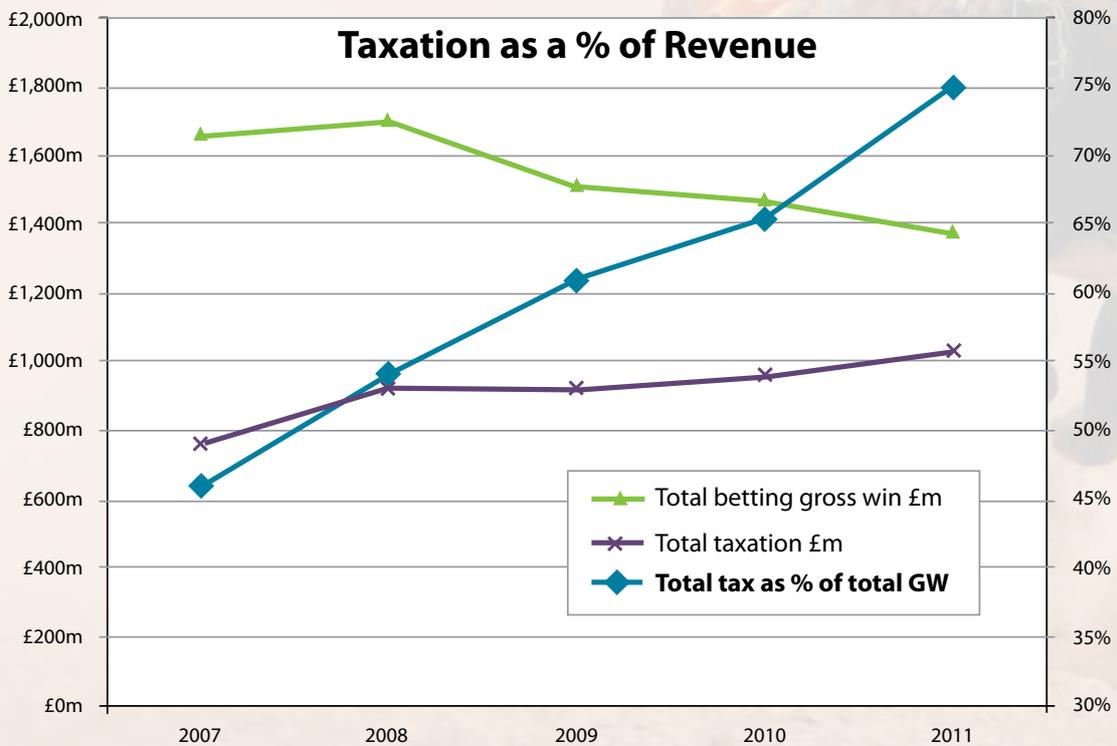
RS Business Solutions conducts an independent annual survey of members to monitor the state of the LBO industry on behalf of the ABB. In common with most businesses across the retail sector, the high street LBOs are under substantial economic pressure. Although ABB member data for 2011 shows LBOs grew by 1.5% to 8,722 the year before LBO numbers fell from 8714 to 8593. The total net revenues have also varied between £2.86bn in 2008, £2.71bn in 2009, £2.78bn in 2010 to an estimated £2.84bn in 2011.

LBO revenue from Over-The-Counter (OTC) betting and Electronic Gaming Machines (EGMs) grew by 2.2% to £2.840bn. However, these overall figures disguise the importance of machine income in maintaining the viability of the LBO sector EGM revenue grew to 50.5% (46.7%) of total LBO revenue, while OTC revenue fell to 48.4% (52.7%).

At the same time costs have risen and Profit Before Interest and Taxes (PBIT) for the LBO sector has dropped from £763.5M in 2008 to £627.4M in 2011 – a reduction of 17.8%.

Bookmakers pay a higher level of tax than any other comparable retail sector and paid total taxes of £1,029m - up 7.5% on 2010 when it was £957.3m. These taxes include Rates, Income Tax, National Insurance, Corporation Tax, VAT, GPT, AMLD, levies and licences.

As an example, the total net revenue figure for 2010 of £2.78bn above comprises £1.33bn of business costs, £840m of tax and £610m PBIT. The ratios in 2009 were £1.31bn costs, £800m tax and £600m PBIT. This simple comparison shows that costs have been contained but that the tax burden has risen at the expense of profit. The table below shows this:



Vulnerable LBOs

LBO taxation burden is more than we make in profit and increasingly unsustainable, especially for those smaller shops on very tight margins. Very Small LBOs owned by the “Big 5” and all the LBOs operated by Independents and Single Shop Operators may be regarded as operating at the margins of commercial viability. These shops have profits of on average £15,200 per shop or fewer than 7% of income. For these reasons they are classified as “vulnerable”.

Together they account for 30.8% of LBOs, 20.9% of revenue, 6.5% of profit, 25.6% of employment and 19.8% of taxes paid. Vulnerable LBOs pay 59.6% to cover business costs, 33.5 for taxes and 6.9% for profit. Between them, these shops employ nearly 11,324 people, which equates to 25.6% of the FTE LBO workforce.

RS Business Solutions data clearly shows a surprisingly high number of LBOs are on very low margins. In 2011 2,685 LBOs were taking less than £19,500 p.a. There are three categories of vulnerable shops:

- Almost 20% of the Big Five’s shops (7,365) make an operating profit of less than £13,300 a year - This equates to about £256 operating profit per week.
- Large and small Independent chains (1,127 shops) made an average operating profit of £19,500 per year or about £376 per week.
- Single shop operators (230 in total) made an average operating profit of only £4,800 per year or about £92 per week.

B machines

The ABB should say at the outset that, at present, we support the Government’s position on Category B2 machines as we see no commercial need to seek any variation in their current stake/prize limits This chapter is therefore focussed on stating the case for why current stake/prize limits should remain the same and highlighting the crucial role played by electronic gaming machines to the economic viability of today’s LBO which is clearly evident from the figures presented by the ABB.

Since their introduction in 2002, EGMs have become increasingly popular, without being responsible for any statistically relevant increase in problem gambling rates in the UK between 2007 and 2010, and it is therefore vitally important that the products on offer be allowed to meet vibrant customer demand.

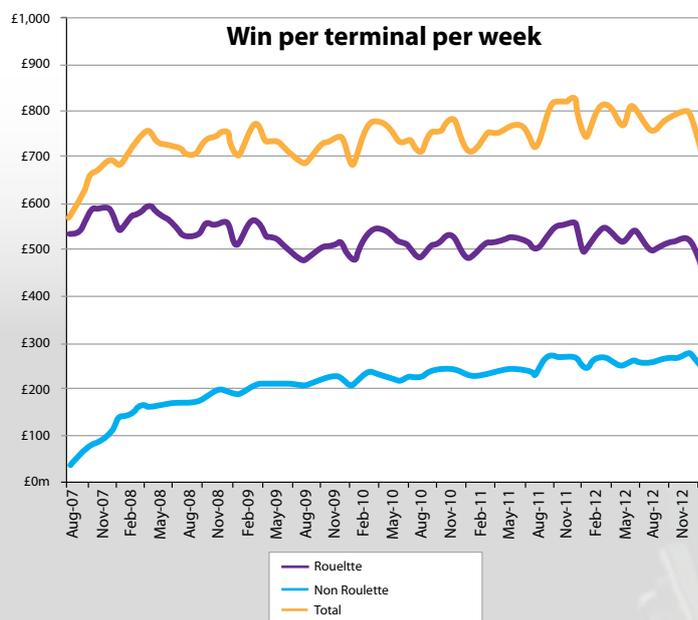
It is also important to remember that as the Government is looking at recommendations to support the High Street in general, as indicated in chapter 2, LBOs increase footfall, occupy empty units (estimated 75% of our shops were empty units) and provide diversity of offer to the consumer. Over 100,000 jobs are dependent on this sector in the UK.

There are currently around 140,000 gaming machines in operation in the UK across all gambling sectors. Approximately 35,000 of these gaming machines are in betting shops and the number has remained stable for 3 years according to Gambling Commission data.

The industry graph below illustrates the commercial trends in the LBO gaming machine industry. Gross win on B2 roulette games has dropped from a high of £600 in May 2008 to £500 in November 2012. Gross win is

Since their widespread introduction in 2002, B2 machines have become increasingly popular with betting shop clientele, without increasing problem gambling rates in the UK.

still growing as a result of an increase in gross win on B3 products which has increased from £190 to around £300 in the same period. According to ABB member data B2s accounted for 89.4% of EGM turnover and B3s provided 10.6% of EGM turnover in 2011. However, as the LBO model is high turnover/low margin the only figures that really matter in the sector are profit mix percentages which are 74.7% for B2s and 23.3% for B3s. The Return To Player (RTP) rates are around 97% and 90-92% respectively.



B2 games

As indicated above, we support the Government’s position to maintain current stakes and prize levels on B2 games.

As outlined in Chapter 4 they are a popular games with customers who like playing electronic gaming machines. However, 2010 BGPS data clearly shows that only 4% of the adult population play on B2s and 74% of B2 players play less than once a month. According to Kantar Media data only 24% of betting shop customers just play on electronic gaming machines. Of these customers 37% play roulette games and 29% other casino style games (29% play B3 games). The average play per spin is 40 seconds although the minimum speed cycle is 20 seconds. The average play per spin is 40 seconds although the minimum speed cycle is 20 seconds.

The consultation question 13 (d) asks what characteristics or behaviours might distinguish between high spending players and those who are really at risk.

This is not a question with straightforward answers. And the question should be broader than this. It is not just high stakers that are at risk of problem gambling. This risk could equally apply to a customer who places stakes of £2.

It is important to remember that B2 games are a high turnover/very low margin product. Whilst an average of £322 is staked per hour on EGMs in LBOs, ABB data shows that the average session time on an EGM is 8.9 minutes and the average spend per session is £7.55. On average there are 1.48 sessions spent on machines per hour and the average spend per machine per hour is therefore £11.13 which is akin to the average over-the-counter sports bet. However, as with all leisure products, different customers have different budgets which they are free to spend as they wish. We have customers ranging from pensioners with low incomes

to high net worth individuals who like high stakes. What these customers have in common is that the vast majority play responsibly and wisely.

It is worth remembering that there is no cap on how much a customer can stake over-the-counter on horseracing, greyhound racing or football but stakes on Gaming Machines are limited to £100 on a B2.

Whereas B3 machines offers a jackpot which is 250x the maximum stake of £2, B2 casino style games only offer a jackpot which is 5x the maximum stake at £100. Due to the high RTP the odds of winning on B2 are higher than B3s and higher stakes are intrinsically linked to the attractiveness of the casino style product although the stakes are still much lower than being played at the roulette game in casinos. The maximum amount you can spend on a number is around £13 so this also means that it makes sense for the stake to be higher. The nature of the B2 game encourages stake spreading (distribution of stakes across numbers) to a maximum of £100.

While a stake of £100 may sound like a lot of money it is important to remember that the Return To Player rate is 97.3%. For example, on Roulette a customer may choose to bet £3 on a combination of 24 numbers (£72) but their chances of winning are relatively high at 24/37, or about 63%, and if their bet wins they may choose to stake-up betting £4 on 24 numbers (£96). While another customer may only bet 20 pence on 6 numbers (£1.20) once a week – a bit like the National Lottery but with far more chance of winning.

The consultation question 13 (c) asks questions about the stakes. The average B2 stake per spin £16.15 whilst the average B3 stake per spin £0.86 The overall average B2/B3 stake combined is £5.64.

The ABB recognises that further research is required to understand better how people behave when playing these machines and what helps people to stay in control and play responsibly. We therefore welcome the fact that our major members have agreed with the Responsible Gambling Trust to give full access to NatCen as part the biggest ever programme of academic research into Category B gaming machines in Britain which can be found in betting shops, bingo halls, adult gaming centres and casinos .

Negative impact of the B2 stake reduced from £100 to £2

Although the Government does not propose different levels of stakes and prizes stating in the impact assessment that current levels would represent no risk to player protection and has not included such levels in its impact assessment the ABB considers the potential impact in this section. We have to say upfront that the ABB finds it difficult to assess the full impact in the absence of a proper regulatory impact assessment.

However, consultation question 13 (e) explicitly asks the question about an appropriate level, wrongly in our view. The Government asks if there is evidence to support a reduction in the stake and/or prize limits for B2 machines, what would an appropriate level to achieve the most proportionate balance between risk of harm and responsible enjoyment of this form of gambling?

The ABB is also aware that there have been repeated calls from anti-betting campaigners for a reduction in the maximum stake from £100 to £2 and keep the prize at £500, in line with B3 levels in FECs and bingo halls. The ABB believes there is no merit at all in this proposal but in order to illustrate the catastrophic nature of this proposal, the ABB has considered the impact resulting from the hypothetical example of a 50 fold reduction in the maximum stake whilst leaving the maximum prize pay-out as £500 for B2 games and leaving B3 games unchanged.

ABB data shows that the average session time on a gaming machine is 8.9 minutes and the average spend per session is £7.55. On average there are 1.48 sessions and average spend per hour is therefore £11.13.

RS Business Solutions developed an independent forecasting model, which assessed the impact of this change on LBO profits and the risks associated with this change on profits, employment and taxes. We assessed what would happen to the vulnerable shops at risk in particular (earlier defined as those earning less than £20,000 profit per year).

ABB data shows that in 2011 machine income was £1,434.0m with OTC and other income at £1,406.7m. Costs totalled £2,213.3m, resulting in profits of £627.4m or £71,900 per shop. Net machine tax was £249.7m or 17.4% of machine gross win.

On 1 February 2013 the Government introduced a new gaming tax on machines at a rate of 20% for betting shop machines. As a result the net machine tax paid increases in the ABB forecast scenario to £286.8m. This additional tax of £37.1m affects the bottom line directly and reduces industry profits from £627.4m to £590.3m or £71,900 to £67,700 per shop. Even though the industry revenues are projected to grow by 14% over the 3 years from 2011 to 2014, with machine costs and machine taxes growing by 31%, the forecasts for 2014 imply that the industry would be just back to the level of profitability it achieved prior to the new tax coming in.

The proposal to reduce the stake to £2 impacts on those players that stake over £2 and is estimated to cause a 68.6% drop in machine gross win. This assumes any substitution within the LBO will be negated by customers who will no longer visit LBOs whilst also forecasting that those that play at £2 or below are unchanged through to those that usually play across the range of stakes up to the maximum become less and less interested in a £2 maximum stake.

With machine related costs and taxes falling by a similar amount the overall impact is disastrous, causing a drop in profits from the 2014 base of £642.9m to a loss of £207m or from £70,000 profit down to a loss of £22,500 per LBO, compared with the £20,000 profit figure which is the definition of being 'at risk'. Therefore the entire industry would be at risk. This analysis is summarised below:

Table 1: RS Business Solutions Risk Analysis Impact Summary of B2 Stake Reduction to £2

	2011 Model	2011 with MGD	2014 with MGD	New 2014 Scenario £2/£500	% of 2014 Base
Machine Gross Win £m	£1,434.0	£1,434.0	£1,908.6	£598.8	
MGD £m	£249.7	£286.8	£381.7	£119.8	
LBO Profit £m	£627.4	£590.3	£628.7	-£308.7	
Vulnerable Shops at Risk	2,455	2,726	2,039	7,997	91.7%
Vulnerable Employment at Risk	11,013	12,281	8,861	40,025	90.4%
Vulnerable Taxation at Risk £m	£206.4	£240.4	£203.3	£680.8	57.4%
Profit per Vulnerable Shop £000s	£5.0	£2.8	£1.1	-£71.5	

ABB analysis shows that 7,880 LBOs and 39,301 jobs would be at risk and shops would make an average £58,900 loss if the B2 stakes was reduced to £2

As stated earlier the ABB data shows that 2,685 LBOs were taking less than £19,500 p.a. in 2011. For the projected 2014 base, it was estimated that there were 2,829 LBOs at risk which would employ 12,658 people, contribute £266m in tax and on average make £2,800 in profit.

RS Business Solutions’ analysis shows that 7,880 LBOs (91.7% of shops), 39,301 jobs (85.8% of jobs) would be at risk and on average LBOS would make a £58,900 loss.

Question 13 (g) asks what the impact of a reduction would be in terms of high street betting shops. The closure of around 85% of shops would add thousands of square feet of unused space onto the High St and result in the loss of nearly £60 million in business rates to local councils. The loss of 40,000 jobs – many amongst 18-24 year olds and part-time female workers - would add to unemployment rates of 20% and 7% respectively and increase the Treasury’s benefits bill.

The risk analysis in Table 4 show that, of the estimated £808.3m taxation under the new scenario, the Treasury are at risk of losing £652.9m in revenue. This is due to around 85% of LBOs making less than £20,000 profit each.

The table shows the 2014 Base level of taxation at £1,195m whereas in the new scenario this has fallen to £808.3m. This fall is due to loss in MGD of £234m due to the decline in machine gross win in the new scenario and the decline in corporation tax of £152.7m due to the fall in profits from £642.9m in the 2014 base to a loss of £207m with only some of the Big 5 Very Large Shops still making a profit.

Table 2: RS Business Solutions Taxation Summary of B2 Stake Reduction to £2

	2014 Base	2014 New Scenario	Lost due to New scenario	2014 New Scenario at Risk
Corporation Tax (£m)	£157.5	£1.8	-£155.8	£0.7
Total Other VAT (£m)	£144.4	£144.4	£0.0	£130.3
Machine Tax/MGD (£m)	£381.7	£119.8	-£262.0	£107.6
All Other Taxation	£502.4	£502.4	£0.0	£442.3
Total Taxation £m	£1,186.0	£768.3	-£417.7	£680.8

The RS Business Solutions risk analysis shows that the industry would not be viable in its current form under the new scenario due to the importance of machine income in supporting 8,722 LBOs, 44,297 jobs and £1.2bn in taxation.

Not only would this proposal decimate the number of betting shops in the community, it would deprive the vast majority of our sector’s 8 million customers of responsible enjoyment of gambling products on the high street and drive many to less regulated and illegal environments. The ABB’s evidence in this chapter has to be taken into consideration and given a heavy weighting when the Government is considering the consultation responses to question 13 (g).

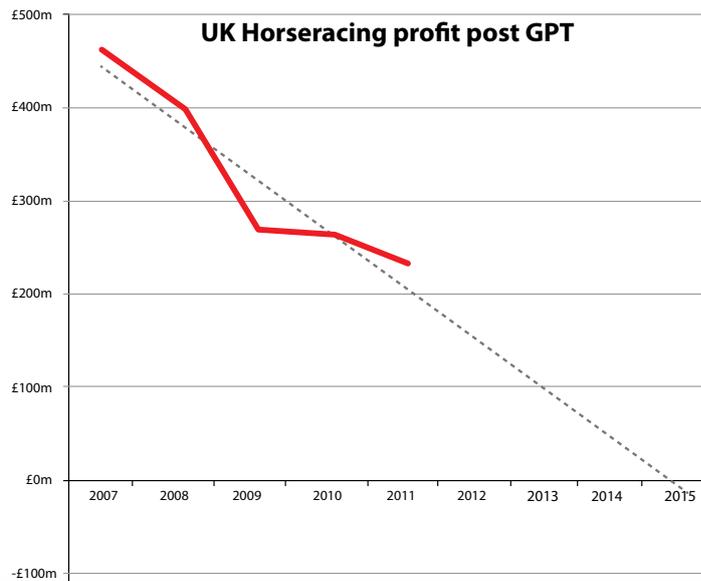
Further unintended consequences

Further unintended consequences of the proposal to reduce the B2 stake would include:

- Reduced industry contributions to the horseracing levy and greyhound racing

The Deloitte report shows that between 2008 and 2011 horseracing fell by 21% to 42% of total gross win

OTC. The ABB graph below of UK horseracing profit post the introduction of gross profit tax in 2001 shows this is a long term trend which is expected to continue. The betting industry helps to keep interest alive in horseracing and also contributes £150 million in levy and media payments.



> The Deloitte report also shows that greyhound racing fell by 24% to 18% of total gross win OTC. The betting industry also makes x in voluntary contributions to greyhound racing.

The above numbers on shop closures show clearly that with 92% of LBO's at risk it is no exaggeration to say that this would spell the end of a viable racing and greyhound industry and associated television coverage.

- Reduced contributions to the treatment of problem gambling.
The RGT has collected £15 million over the last three years and is on course to increase annual contributions by 20% to £6 million in 2013. This is based on 8,700 LBOs making contributions and their vital donations would be lost as a result.
- Increased illegal gambling

As any reduction in stakes and prizes would reduce supply, and not suppress demand, it is reasonable to assume that there would be a significant rise in illegal, unregulated, untaxed and socially irresponsible betting and machine operators, thus reducing not enhancing player protection.

It is well documented that illegal gambling has been prevalent in the UK for a long time. For example, in the past the IRA utilising both legal and illegal slot machines in pubs to fund their activities (J. Adams. 'The Financing of Terror'. in P. Wilkinson and A.M. Stewart (eds), Contemporary Research of Terrorism (Aberdeen: Aberdeen UP 1987) p.401. and 2002 seizure of illegal machines in Northern Ireland: http://www.4ni.co.uk/northern_ireland_news.asp?id=7758

The Gambling Commission recognise it is already an issue by publishing a guide for small businesses as well as a guide for licensing officers:

<http://www.gamblingcommission.gov.uk/pdf/Illegal%20siting%20of%20gaming%20machines%20-%20November%202012.pdf>

The Gambling Commission's data also shows it's already a major issue across the UK. Around 160 illegal B2 machines were seized in the last twelve months including 138 in London and more than 20 machines seized in northern cities. This data only captures the operations that we have a working knowledge of through

our direct involvement. The Gambling Commission state that they do not hold information on the numbers seized by the police, HMRC or Licensing Authorities as this is not reported on as a matter of course. This means this is only the tip of the iceberg.

The ABB believes the overall figure is much higher and demand for illegal B2 gambling machines would only be fuelled if B2 maximum stakes were reduced to £2. This would have serious ramifications for crime levels, police resourcing, regulatory compliance and local authorities.

B3 games

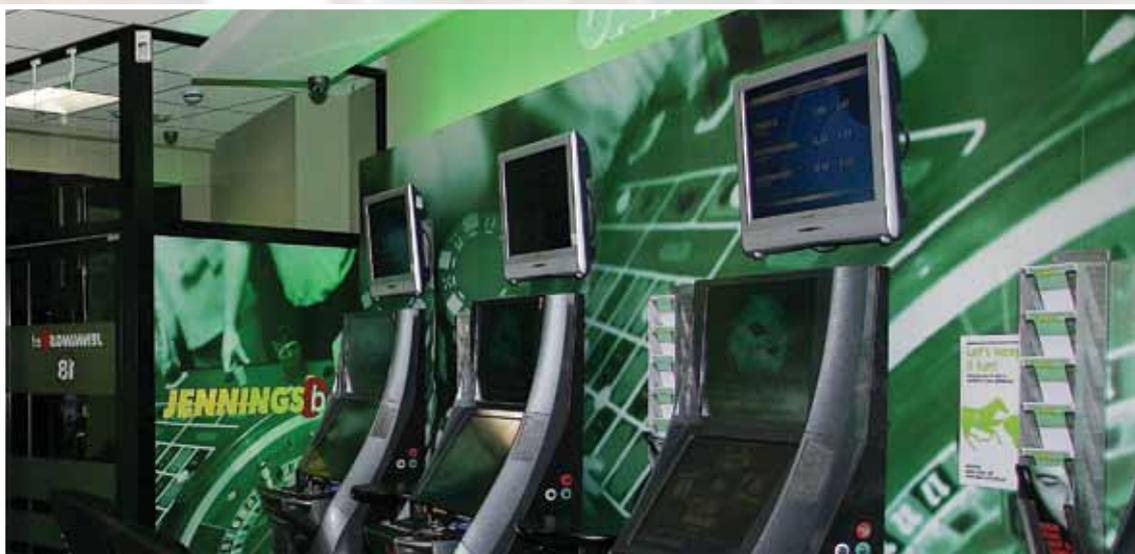
The LBO sector needs strong backing from Government, both in the regulatory and fiscal contexts, to maintain and grow its business. For this reason, the increased stake levels which became effective for B3 machines in July 2011 were most welcome and we hope that the modest enhancements sought by the gambling industry as a whole through this Review will meet with approval.

Whilst there is a declining trend in B2 game Gross Win the B3 games are clearly growing. We therefore propose taking the increased stake of £2 permitted on B3 machines in 2011 a little step further (to £3), as indicated in our pre-consultation submission, and matching that measure with a corresponding increase in the maximum available prize from £500 to £1000, in line with similar percentage increases being proposed by other sectors for gaming machines such as B1.

Given the changes could be implemented in November 2013 and analysts predict that economic conditions will continue to be difficult; this measure could provide LBOs, and smaller business in particular, some incentive for growth in the next few years. Evidence since the last increase was implemented suggests that average stake on B3s has increased by around 10%.

Gross gaming yield from B3 machines per week is approximately 33% of that generated by B2 machines per week and it is possible that an increased B3 prize level of £1000 might increase this ratio by making the products that much more attractive. Moreover, if the customer can now bet £2 to win £500 on a particular gaming outcome where he could hitherto only bet £1, it seems logical at these relatively low levels that the “win” opportunity should be increased in line with the stake.

Furthermore, the customer experience would be enhanced. An increased maximum stake would permit the operator to provide more opportunities for small and medium-sized payouts, which are popular with customers and enhance the entertainment value of playing the machines.



Any reduction in stakes and prizes would reduce supply but not suppress demand, which would lead to a significant rise in illegal, unregulated, untaxed and socially irresponsible betting and machine operators, thus reducing not enhancing player protection.

CHAPTER 13

RESPONSES TO STATUTORY CONSULTATION QUESTIONS

This chapter provides the ABB's formal response to the Government's questions on all packages and machines' stakes and prizes. We provide detailed answers to questions 13-16 and for the most part refers to the joint industry submission and/or submissions by other trade bodies on other machine categories.

Question 1: How often should government schedule these reviews? Please explain the reasons for any timeframes put forward for consideration.

We would welcome an unbiased and balanced assessment of stakes and prizes every three years. As this is the 2012 Triennial Review we would like to see the next Triennial Review in 2015 as we believe the whole gaming machine community, which will have by then enhanced its responsible gambling reputation, will need further incentives for business growth.

Question 2: The government would like to hear about any types of consumer protection measures that have been trialled internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions. The government would also like to hear views about any potential issues around data protection and how these might be addressed.

It is important to note that there are already substantial regulatory controls in place in Britain which go further than most jurisdictions. This includes Gambling Commission's Licensing Conditions and Codes of Practice (LCCP) and the Gaming Machine Technical Standards.

In Chapter 6 of our submission we look at examples of gaming machine regulation in other countries and measures aimed at reducing problem gambling.

From country to country, broadly, the same principles are being applied wherever action is being taken to prevent or help problem gambling, focused on customer interaction and working with the sufferer to help, including self-exclusion.

With the exception of Norway, in none of these cases are there specific procedures for gaming machines and nowhere is the level of stakes and prizes for games machines of whatever form they take used as a method for preventing problem gambling.

The Norwegian example shows that even with a huge state involvement, there is no evidence to show that stakes and prizes has successfully reduced problem gambling, in fact, the evidence shows a slight increase.

The ABB and its members believe that the best way of tackling problem gambling is to ensure that highest levels of social responsibility and cutting edge protocols are in place to help identify and protect those at risk of problem gambling. The ABB is committed to developing a wide ranging code for responsible gambling in LBOs.

This code will not just be about machine (B2) play but will look at consumer protection within LBOs in a wider context. However, in terms of machines, the focus will be

on helping players to gamble responsibly through self-limiting features such as time or cash limits per session, automatic time reminders and also staff training and interventions based upon machine play data being visible to staff. This is a complex area and the ABB is committed to “getting it right” not “doing it quickly”. To be worthwhile consumer protection and harm prevention measures must be workable and effective. The ABB has engaged a leading academic in this field to advise the ABB on its “code for responsible gambling”. Whilst this will be a voluntary code, which goes well beyond the statutory requirements, the ABB will also seek advice and input from the Gambling Commission and the Responsible Gambling Strategy Board. The ABB would hope to have its “code for responsible gambling in LBOs” in place towards the end of 2013 and the code would build upon existing best practice and incorporate many features which are currently being developed by individual operators.

Question 3: The government would like to hear from gambling businesses, including operators, manufacturers and suppliers as to whether they would be prepared to in the future develop tracking technology in order to better utilise customer information for player protection purposes in exchange for potentially greater freedoms around stake and prize limits. *As outlined in question 2 we believe that a wide ranging “code for responsible gambling in LBOs” is the way forward. It’s not just about machines and player tracking. It’s about worthwhile consumer protection and harm prevention measures that are appropriate, workable and effective. As we outline in chapter 9 the costly introduction of player tracking designed to manage spend and time on machines is not guaranteed to work.*

The ABB shares concerns voiced by members that the question implies that there is a ‘trade off’ between potentially greater freedoms around stakes and prizes for high stake gaming machines (i.e. increases) and tracking technology. The question also wrongly suggests that there needs to be greater player protection for B2s. This also contradicts the consultation’s conclusion which explicitly states that “there is no clear evidence to indicate whether B2 gaming machines have had any significant effect on the level of problem gambling in Britain”.

Package 1:

Question 4: Do you agree that the government is right to reject Package 1? If not, why not?
Yes. We refer to our preferred option in response to question 6.

Package 2:

Question 5: Do you agree that the government is right to reject Package 2? If not, why not?
Yes. We refer to our preferred option in response to question 6.

Package 3:

Question 6: Do you agree with the government’s assessment of the proposals put forward by the industry (Package 3)? If not, please provide evidence to support your view.
Yes, we welcome Package 3 as this was proposed to the DCMS in a joint industry submission in 2011
We welcome acknowledgement that the causal link between B2s and problem gambling remains poorly understood and that without such evidence there is a risk

of introducing disproportionate and untargeted regulation that could cost jobs.

Chapter 13 of our consultation submission highlights the impact of a reduction in B2 stakes and prizes on our industry and Chapter 7 analyses the existing research on B2s.

However, there are aspects of the Government's assessment of Package 3 that we do not agree with. We strongly disagree with the statement: 'although the association between gaming machines, particularly high stake, high prize machines and gambling-related harm is widely accepted'. There is no empirical evidence to support such claims. From the available research, there is no consensus on the extent to which EGMs (including those considered the high-stake, high-prize gaming machines in Great Britain) cause gamblers to become problem gamblers (Griffiths 2008). Although we are not seeking any change to the stake and prize levels as they currently apply to B2 machines, we do propose taking the increased stake of £2 permitted on B3 machines in 2011 a little step further (to £3) and matching that measure with a corresponding increase in the maximum available prize from £500 to £1000. This is in line with similar increases being proposed for other machines. We put forward our case for an increase in stakes and prizes on B3s in Chapter 9.

Package 4: Category B1

Question 7: Do you agree with the government's proposal for adjusting the maximum stake limit to £5 on category B1 gaming machines? If not, why not?

We support the NCIF recommendation of £5. We support and refer to the NCIF and pre-consultation joint gambling industry submission (Package 3)

Question 8: Do you consider that this increase will provide sufficient benefit to the casino and manufacturing and supply sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

An increase in the maximum stake limit to £5 and is likely to provide the incentives for growth for the casino and machine manufacturing sectors. We support and refer to the NCIF and pre-consultation joint gambling industry submission. (Package 3)

Question 9: Do you agree with the government's proposal for adjusting the maximum prize limit on B1 gaming machines?

We support the NCIF recommendation of £10,000. We refer to the NCIF and pre-consultation joint gambling industry submission (Package 3)

Question 10: If so, which limit would provide the most practical benefit to casino and machine manufacturers without negatively impacting on the licensing objectives of the Gambling Act?

We support the NCIF recommendation of £10,000. We support and refer to the NCIF and pre-consultation joint gambling industry joint submission (Package 3).

Question 11: Are there any other options that should be considered?

No.

Question 12: The government would also like to hear from the casino industry and other interested parties about what types of consumer protection measures have been trialled internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions.

See our answer to question 3. We also refer to the NCIF and pre-consultation joint gambling industry submission (Package 3)

Package 4: Category B2 & B3

Question 13 (a and b): Does the overall stake and prize limit for B2 machines, in particular the very wide range of staking behaviour that a £100 stake allows, give rise to encourage a particular risk of harm who cannot manage their gambling behaviour effectively? If so, in what way?

The answer is categorically no. There is no empirical evidence to suggest that the current limits on stakes and prizes for B2 machines give rise to or encourage a particular risk of harm to people who cannot manage their gambling activity effectively. The Government proposes in the review's impact assessment to maintain B2 stakes and prize limits as they would represent no risk to player protection . As is outlined in the impact assessment the Government undertook a qualitative assessment of the relative risk across machine gaming categories, with reference to the threat of problem gambling both in vulnerable adult population and amongst children. The Government concluded that the impact of B2 machine stakes and prizes levels in packages 2, 3 and 4 would represent "low risk" in relation to problem gambling. We agree and we have explained the background to our view in Chapters 7 and 8. Evidence clearly shows that gambling addiction is person centric and not product led.

Question 13 (c): Who stakes where, what are the proportions, what is the average stake?

There are currently around 140,000 gaming machines in operation in the UK across all gambling sectors. Approximately 35,000 of these gaming machines are in betting shops and the number has remained stable for 3 years according to Gambling Commission data.

As outlined in Chapter 4 they are popular games with customers who like playing electronic gaming machines. However, ABB2010 BGPS data clearly shows that only 4% of the adult population play on B2s and 74% of B2 players play less than once a month. According to Kantar Media data only 24% of betting shop customers just play on electronic gaming machines. Of these customers 37% play roulette games and 29% other casino style games (29% play B3 games). The average play per spin is 40 seconds although the minimum speed cycle is 20 seconds.

It is important to note that B2 is a popular but infrequently played product with 74% of B2 players play once a month or less according to the 2010 BGPS. Kantar Media data shows that B2 machine players gamble on a range of products. Only 24% of betting shop customers just play on gaming machines. In fact, 50% of machine players are also regular horse racing bettors and 57% of machine players are also regular football bettors.

Why do machine players visit a betting shop? According to ABB's data 22% visit LBOs to make money, 19% because it's fun, 15% to pass the time, 15% the thrill of winning, 8% meet friends, 8% for instant satisfaction, 6% watch sport and 3% to beat the bookie.

According to 2010 BGPS B2 Gaming Machines players are more likely to be educated to degree level or higher than to have no formal qualifications, and the overwhelming majority had GCSEs, A-Levels or another professional qualification.

Furthermore, those who are unemployed are far more likely to participate in other forms of gambling than playing B2 Gaming Machines. Of those surveyed in the 2010 BGPS 53% said they gambled on the national lottery, 32% scratchcards, 23% slot machines, 21% Horse races, 18% private betting, 18% sports betting, 16% another lottery, 15% online gambling, 14% bingo and 12% said they played on B2 gaming

machines.

Kantar Media data also shows that

- *More than half of gaming machine players are (56.7%) age 25 – 44, one in eight are age 18 – 24 (12.7%) and one in eight are older than 55 (12.7%).*
- *Four of every five gaming machine players (77.9%) work full or part time, one in twenty two (4.5%) are students, one in fifteen (6.5%) are retired, one in eighteen (5.7%) are not working but are not unemployed, and one in twenty (5.2%) are unemployed*
- *Two of every five gaming machine players (40.9%) have supervisory or intermediate managerial level jobs, one in eight (12.2%) are semi or unskilled workers, one in fourteen (7%) have higher managerial / professional jobs, others make up 13.7% (retired, students, homemakers, unemployed etc.).*
- *Half of regular gaming machine players (48% - 52%) are social grade ABC1 (lower middle class, middle class, & upper middle class) and more than half (57%) of occasional players are ABC1.*
- *Gaming machine players earn £20,000 to £40,000 per annum – on average £33,300 – 6.7% more than those who participate in other forms of gambling. More gaming machine players earn over £40,000 per annum (30.3%) than those who earn less than £20,000 (26.7%) and one in ten earn (9.7%) earn more than £60,000 per annum.*

As outlined in Chapter 3 bookmakers do not target vulnerable communities. The number of betting offices per square mile directly correlates to the population per square mile. ABB research shows that 84% of bookmakers are in retail and commercial centres as bookmakers are located in places that best serve non-residential customers.

It is important to remember that B2 games are a high turnover/very low margin product. Whilst an average of £322 is staked per hour on EGMs in LBOs, ABB data shows that the average session time on an EGM is 8.9 minutes and the average spend per session is £7.55. On average there are 1.48 sessions spent on machines per hour and the average spend per machine per hour is therefore £11.13 which is akin to the average over-the-counter sports bet. However, as with all leisure products, different customers have different budgets which they are free to spend as they wish. We have customers ranging from loyal pensioners with low incomes to high net worth individuals who like high stakes. What these customers have in common is that the vast majority play responsibly and wisely. It is worth remembering that there is no cap on how much a customer can stake over-the-counter on horseracing, greyhound racing or football but stakes on Gaming Machines are limited to £100 on a B2. Whereas B3 machines offers a jackpot which is 250x the maximum stake of £2, B2 casino style games only offer a jackpot which is 5x the maximum stake at £100.

Due to the high RTP the odds of winning on B2 are higher than B3s and higher stakes are intrinsically linked to the attractiveness of the casino style product although the stakes are still much lower than being played at the roulette game in casinos. The maximum amount you can spend on a number is around £13 so this also means that it makes sense for the stake to be higher. The nature of the B2 game encourages stake spreading (distribution of stakes across numbers) to a maximum of £100.

While a stake of £100 may sound like a lot of money it is important to remember that

the Return To Player rate is 97.3 %. For example, on Roulette a customer may choose to bet £3 on a combination of 24 numbers (£72) but their chances of winning are relatively high at 24/37, or about 63%, and if their bet wins they may choose to stake-up betting £4 on 24 numbers (£96). While another customer may only bet 20 pence on 6 numbers (£1.20) once a week – a bit like the National Lottery but with far more chance of winning.

The average B2 stake per spin £16.15 whilst the average B3 stake per spin £0.86 The overall average B2/B3 stake combined is £5.64.

Question 13 (d): What characteristics or behaviours might distinguish between high spending players and those who are really at risk?

This is not a question with straightforward answers. And the question should be broader than this. Regulator, Academics and clinicians have highlighted the strong association between problem gambling and participating in a wide range of different gambling activities. It is not just high stakers that are at risk of problem gambling. This risk could equally apply to a customer who places stakes of £2. Reducing stakes would be a blunt instrument where the evidence in the UK and across the world shows that enhanced customer interaction would be more effective.

The ABB recognises that further research is required to understand better how people behave when playing these machines and what helps people to stay in control and play responsibly. We therefore welcome the fact that our members have and machine operators agreed with the Responsible Gambling Trust to give full access to NatCen as part the biggest ever programme of academic research into Category B gaming machines in Britain which can be found in betting shops, bingo halls, adult gaming centres and casinos.

Question 13 (e) If there is evidence to support a reduction in the stake and/or prize limits for B2 machines, what would an appropriate level to achieve the most proportionate balance between risk of harm and responsible enjoyment of this form of gambling?

There is no empirical evidence to support a reduction in the stakes and prizes for B2 machines.

The BGPS 2007 and 2010 and subsequent secondary analysis confirms that there is no causal link between problem gambling and B2 machines.

This conclusion is further supported by research conducted in 2012 by NatCen, for the Gambling Commission. This research is another secondary analysis of the 2010 Prevalence Study, this time looking at machines in particular. The Gambling Commission (March 2013) conclude that the research:-

“is consistent with the earlier analysis in the BGPS 2010 which similarly highlighted the strong association between problem gambling and participating in a wide range of different gambling activities.”

The Gambling Commission conclude that:-

“The report suggests that a joined up, cross venue/sector approach to the development of harm-minimisation strategies and observation of player behavior might be beneficial.”

The above pieces of research clearly confirm that it is wrong, and without (evidential) basis, to single out LBOs or B2 machines (or machines in general) as causing problem gambling or gambling related harm. The ABB’s data further supports this position. Over 70% of B2 machine players play once a month or less, the average

session of play is 9 minutes and the average spend per session is £7.55.

There is no empirical evidence that a reduction in stakes and prizes on B2, or indeed other, machines will have any effect in reducing problem gambling or minimising gambling related harm. The vast majority of academics and clinicians in this area believe that as problem gambling is about the person not the product, stakes and prize limits are a blunt instrument. This is especially true when a gambler can bet £20,000 on a football match or a horse / greyhound race, or £2000 on a single roulette number in a casino or £20,000 on a hand of blackjack in a casino or bet £20,000 to win over £700,000 in an online casino.

As outlined in Chapter 7 studies into problem gambling related to B2 machine use have suggested care should be taken in how the conclusions are interpreted. For example, Professor Orford, Wardle et al state that there are a number of limitations to their secondary analysis of the BGPS 2010 survey including gross approximations due to the nature of the data collected and estimates that are likely to be very sensitive to the answers about frequency and spend provided by relatively small numbers of problem gamblers.

Question 13 (f) What impact would this have in terms of problem gambling?

Our answer to question 2 refers. As we have indicated in chapter 9 there is also no empirical evidence in other jurisdictions to suggest that any lower level would have an impact on the risks to problem gambling or levels of problem gambling. It would also not provide an appropriate balance between risk of harm and responsible enjoyment of this form of gambling.

Question 13 (g) What impact would there be in terms of high street betting shops?

The Government does not propose different levels of stakes and prizes and has not included such levels in its impact assessment. As indicated in Chapter 7, the ABB finds it difficult to assess any impact. However, if the Government was to accept the proposal of some stakeholders to reduce the stake from £100 to £2 and keep the prize at £500, in line with B3 levels, we have outlined in Chapter 12 in detail how this hypothetical example would have a catastrophic impact on the number of betting shops and jobs in the UK.

RS Business Solutions, commissioned by the ABB analysis shows that 7,880 LBOs (91.7% of shops), 39,301 jobs (85.8% of jobs) would be at risk and on average LBOs would make a £58,900 loss. The Treasury stands to lose £650 million.

The closure of around 85% of shops would add thousands of square feet of unused space onto the High St and result in the loss of nearly £60 million in business rates to local councils. The loss of 40,000 jobs – many amongst 18-24 year olds and part-time female workers - would add to unemployment rates of 20% and 7% respectively and increase the Treasury's benefits bill.

The reduction would also have a significant impact on the horseracing and greyhound industries and lead to an increase of activity on the illegal gaming markets.

Not only would this proposal decimate the number of betting shops in the community, it would deprive around the vast majority of our sector's 8 million customers of responsible enjoyment of gambling products on the high street and drive many to less regulated and illegal environments. The ABB's evidence in this chapter has to be taken into consideration and given a heavy weighting when the Government is considering the consultation responses to question 13(g).

Question 14 (a) Are there other harm mitigation measures that might offer a better targeted and more effective response to evidence of harm than reductions in stake and/or prize for B2 machines?

Yes. As set out above we do not believe there is any evidence or justification for a reduction in stakes and prizes for B2 machines. Apart from Norway there is no jurisdiction that has attempted a reduction in stakes and prizes as a harm mitigation measure and problem gambling has increased in Norway subsequently. As outlined in Chapter 7 it is difficult to judge the impact of other potential measures when there is insufficient research available. We therefore welcome the new research into B gaming machines commissioned by the Research Gambling Trust and funded by the whole gaming machine industry.

We also believe that the British Gambling Prevalence Survey conducted by NatCen in 2010 is the most comprehensive independent, peer reviewed and respected research available about problem gambling in the gambling industry in the UK. We therefore suggest that this survey – using the same methodology as in 1999, 2007 and 2010, is undertaken again by NatCen in 2014. The betting industry is also committed to funding this new study.

We would welcome further dialogue with gambling charities and other stakeholders on other harm mitigation measures that could be more effective.

As we have said in question 2 as part of our aim to achieve continuous improvement in our responsible gambling procedures our members have been developing policies in this area and we would like to develop a new Responsible Gambling Strategy. In Chapter 11 we have outlined our aim to explore the effectiveness of a number of principles in consultation with a leading academic in this field, the Gambling Commission, gambling charities and other stakeholders.

On B3 machines, we do not agree that changes in stakes and prizes will lead to an increase in new people gambling. We believe that this will improve the choice of options for existing customers and will most probably boost revenue derived from the same customers. As our graph shows the trends are showing more B3 machine profit growth and the average amount that might be staked could go up slightly as a result of an increase in stakes and prizes. (Chapter 3, page 25)

Question 14 (b) If so, what is the evidence for this and how would it be implemented?

We refer to our answer to question 3.

Question 14 (c) Are there any other options that should be considered.

No

Question 15 Do you agree with the Government's proposal to retain the current maximum stake and prize limits on category B3 machines? If not, why not?

No. The Government indicates that there are gaps in existing evidence on B3 stake limit changes made in 2011 and specifically mentions the impact on AGCs and bingo premises. We ask the Government to also take into account the impact of B3 machine income on LBOs and provides the evidence in chapter 12.

On B3 machines, we do not agree that changes in stakes and prizes will lead to an increase in new people gambling. We believe that this will improve the choice of options for existing customers and will most probably boost revenue derived from the same customers. As our evidence shows in chapter 12 there is clearly an increase in B3 machine profit and the average amount that might be staked could go

up slightly as a result of an increase in stakes and prizes.

ABB member data since the last increase was implemented suggests that the average stake on B3s has increased by around 10%.

We propose taking the increased stake of £2 permitted on B3 machines in 2011 a little step further (to £3) and matching that measure with a corresponding increase in the maximum available prize from £500 to £1000, in line with similar increases being proposed for other machines. Given the changes could be implemented in 2013 and analysts predict that economic conditions will continue to be difficult; this measure could provide some incentive for growth in the next few years.

Question 16 Are there any other options that should be considered?

No

Package 4: Category B3A

Question 17: Do you agree with the government's proposal for adjusting the maximum stake limit to £2 on category B3A gaming machines? If not, why not?

We support the Government's position and refer to pre-consultation joint gambling industry submission (Package 3)

Question 18: Do you consider that this increase will provide sufficient benefit to members' and commercial clubs, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes and we refer to the pre-consultation joint gambling industry submission (Package 3)

Question 19: Are there any other options that should be considered?

No

Package 4: Category B4

Question 20: Do you agree with the government's proposal for adjusting the maximum stake to £2 and maximum prize to £400 for category B4 machines? If not, why not?

We support the Government's position and refer pre-consultation joint gambling industry submission (Package 3)

Question 21: Do you consider that this increase will provide sufficient benefit to members' and commercial clubs and other relevant sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

Yes and we refer to the pre-consultation joint gambling industry submission (Package 3)

Question 22: Are there any other options that should be considered?

No.

Package 4: Category C

Question 23: Do you agree with the government's proposal to increase the maximum prize to £100 for category C machines?

Yes. The ABB continues to support the joint industry submission as outlined in package 3. An increase in the maximum prize limit to £100 is likely to provide the incentives for growth for the pub and machine manufacturing sectors. We support and refer to the BPPA submission and pre-consultation joint gambling industry submission (Package 3)

Question 24: Do you consider that this increase will provide sufficient benefit to industry sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

We refer to question 24. We support and refer to the BPPA and pre-consultation joint

gambling industry submission (Package 3)

Package 4: Category D

Question 25: Do you agree with the government's proposal to increase the maximum stake to £2 and the maximum prize to £60 for category D crane grab machines? If not, why not?

Yes. The ABB continues to support the joint industry submission as outlined in package 3. An increase in the maximum stake limit to £2 and prize to £60 is likely to provide the incentives for growth for the FEC and machine manufacturing sectors.

However, we agree with the industry that this should not result in a higher tax burden. Prize increases could push such machine games into the higher standard rate of Machine Games Duty (MGD). The thresholds for the lower rate of MGD should therefore be increased in line with prize increases to ensure Category D machines do not become subject to the 20% rate of taxation at the next Budget.

We support and refer to the BPPA submission and pre-consultation joint gambling industry submission (Package 3) .

Question 26: Do you agree with the government's proposal to increase the maximum stake to 20p and the maximum prize to £6 for category D complex (reel based) machines? If not, why not?

We support and refer to the BPPA submission and pre-consultation joint gambling industry submission (Package 3) .

Question 27: Do you agree with the government's proposal to increase the maximum stake to 20p and the maximum prize to £20 (of which no more than £10 may be a money prize) for category D coin pusher machines? If not, why not?

We support and refer to the BACTA submission and pre-consultation joint gambling industry submission (Package 3) .

Question 28: Do you consider that the increases will provide sufficient benefit to the arcade sector, whilst also remaining consistent with the licensing objectives of the Gambling Act?

We support and refer to the BPPA submission and pre-consultation joint gambling industry submission (Package 3) .

Question 29: Are there any other options that should be considered?

No.

Question 30: Do you agree with the methodology used in the impact assessment to assess the costs and benefits of the proposed measures? If not, why not? (Please provide evidence to support your answer)

We have outlined our concerns about the consultation process in chapter 14.

Question 31: Do you agree with the government's approach to monitoring and evaluating the impact of changes to inform future reviews? If not, why not? (Please provide evidence to support your answer)

Yes although we see no need for a separate timetable for B2 machines and outline our views on the timetable in question 1.

Question 32: What other evidence would stakeholders be able to provide to help monitoring and evaluation?

We have provided new evidence in our submission. The betting industry is also committed to funding a new independent BGPS undertaken by NatCen in 2014.

Question 33: Are there other sectors in addition to bingo that currently provide gaming under prize gaming rules?

We refer to the Bingo Association submission.

Question 34: Were the Government to change the stake and prize limits (including aggregate limits), would this encourage more operators to offer prize gaming?

Yes, this would provide incentives for growth.

Question 35: What type of products would the industry look to offer as a result of the proposals?

We refer to the pre-consultation joint gambling industry submission (Package 3)



CHAPTER 14

CONCERNS ABOUT THE CONSULTATION PROCESS

- The ABB notes that the consultation process appears to expose a clear presumption against B2 machines in betting shops.
- The consultation document could be construed as having been written in a less than even handed way. We are seriously concerned about the bias and validity of the review's questions on B2 machines, in particular given the divergent approaches taken by the Government in relation to different categories of gaming machines.
- We expect the Government will demonstrate that our concerns are unfounded, and to ensure that the response to this consultation is carried out in an even-handed and transparent fashion.
- We note that any proposals to proceed with a precautionary reduction in B2 limits would require the Government to conduct a further consultation process - given in particular that the current consultation provides no indication as to what any such reduction may look like - and to publish a revised Impact Assessment clearly setting out the Government's cost/benefit analysis for the proposal.
- Any reduction in the permitted stake/prize limits on B2 machines would have disastrous consequences for betting shop operators. We trust that the Government would not further countenance any negative changes without compelling and incontrovertible evidence that this would result in public protection benefits which would outweigh the significant detrimental effect that such a move would have on the industry and local economies.

We would like to make a number of general comments about some of the statements and questions contained in the consultation, including noting a number of serious concerns about the Government's approach.

Comments on Chapter 1

The Government is right to state that this review is a more coherent approach to stake and prize regulation. We also welcome the Government's commitment to create conditions for growth in the gambling industry by stimulating private sector investment. If there is no change in stakes and prizes on B2 machines and an increase in stakes and prizes on B3 machines these proposals will help to provide incentives for growth. If the industry's proposals are implemented it will achieve the Government's aim to encourage machine manufacturers to develop new products and better help operators plan future investments.

Comments on Chapter 2 pages 8-10

The Government rightly points out that the present level of problem gambling across all gambling sectors is relatively low in international terms at 0.9%. However, it says the Government does not want to see any increase in this figure. Although we agree with this aim in principle the Government does not highlight the fact that the increase in gambling participation has been driven in recent years by the National Lottery

The consultation process appears to expose a clear presumption against B2 machines in betting shops

and other lotteries whilst EGM participation has dropped slightly and problem gambling related to EGMs has dropped by 20-25%. The answer to an increase in participation and problem gambling rates cannot therefore necessarily be found in increased regulation of EGMs.

The Government mentions in the consultation that since 2007 interventions to amend stake and prize limits have been targeted towards certain categories of gaming machine in response to lobbying from individual sectors seeking more flexibility in order to prevent closures of premises and job losses. Consequently, stakes on category C and B3 machines were increased. Likewise, in the interest of fair and balanced approach to all gambling sectors, the betting sector is looking for a similar flexibility from Government on its B machines in this triennial review. We put the case to Government in chapter 7 that this is necessary to prevent closures of premises and job losses on a catastrophic scale.

The Government also states that the sales value for most categories of gaming machine are on a negative path with the notable exception of B2 machines. We have shown evidence in chapter 7 that the B2 machine trend is actually slightly declining and is danger of going into a negative and fatal spiral if the stakes and prizes are reduced.

The Government says that whilst arcade and pub sectors are continuing to struggle, the betting sector appears to be in a strong position. In chapter 7 of our submission we show that the state of the industry is actually far less buoyant than some stakeholders believe. With a third of all shops being small sized retail outlets and making on average around £15,000 profit per year they are in a very vulnerable position. And single shop operators are particularly at risk as they only make around £92 per week. ABB data shows that in 2011 the number of single shop operators fell by 10%.

The Government mentions that there are some sectors where the relative stability suggests that further growth and the benefits this would bring in terms of revenues and jobs could be achieved with relatively minimal risk to public protection objectives, such as bingo and casino sectors. The LBO sector is a heavily regulated sector and its machines are relatively low risk as far as problem gambling is concerned, as stated in the consultation's regulatory impact assessment. We therefore believe our sector falls into the same category as bingo halls and casinos. Taking a consistent, fair and even-handed approach, we see no basis on which the Government can exclude us from this group in this regard.

We agree with the new approach proposed in this triennial review, aimed at learning from harm prevention and exploring the more effective targeting of regulation by using new technologies and consumer information as this could indeed, as the Government says, give more scope to lessening blanket controls like centrally imposed limits to stake and prize levels. We refer to such an approach in Chapter 11 whereby the betting industry highlights existing and new measures which could help improve customer interaction and consumer information.

Comments on Chapter 2 page 22

The ABB agrees with the Government that B2 machines are important to the economic viability of many betting shops, and associated economic investment and employment. We therefore agree with the

The LBO sector is a heavily regulated sector and its machines are relatively low risk as far as problem gambling is concerned, as stated in the consultation's regulatory impact assessment.

Government's current proposal to retain the existing limits on B2s. The review mentions persistent concerns from many stakeholders and local communities about these machines and potential impact on problem gambling. We are not aware of many stakeholders and local communities expressing concern. We are aware of some stakeholders and local councils, particularly in the inner city London, voicing public concern, in many cases relating to planning powers, but this is not representative of all towns and cities in the UK. The fact that this is a minority concern is illustrated by the fact that the Gambling Commission only received 45 complaints from local authorities in 2012 (on a total of 8700 shops).

We are aware that there have been repeated calls from anti-betting campaigners for a reduction in the stake from £100 to £2 and keep the prize at £500, in line with B3 levels in FECs and bingo halls. One of the campaigners calling for this reduction was DCLG minister Don Foster MP. According to the Daily Mail (25 September 2012) the minister said that " We are now going to conduct a review into the evidence for the need to look again at the levels of stakes and prizes and other issues related to the fixed odds betting terminals".

This announcement on behalf of the Government came as a total surprise to the ABB and we were bemused as to why a minister had announced changes to the DCMS' gambling policy in the Daily Mail and portrayed this as a victory in the public interest.

We note that the department initiated a pre-consultation on the triennial review in 2011 and the industry was consulted on the triennial review process at a stakeholder meeting in December 2011. We were then told we would be invited to a meeting with the DCMS minister to discuss further developments in the summer of 2012 but this meeting did not materialise. Although we are an important stakeholder and our members could be seriously affected by the outcome, the ABB were never formally informed in writing of any changes to the triennial review process and have only now been given an opportunity to comment.

We are also surprised that this public announcement by the DCLG minister was made after all stakeholders had made written and oral submissions to the CMS Select Committee Inquiry into the Gambling Act, which incidentally did not raise any issues about the level of stakes and prizes on B2 machines. Neither did the Government raise concerns in its response to the Inquiry report.

The ABB is concerned that the public debate is being driven by organisations which may be motivated by political and commercial interests. In our opinion, the proposals put forward by these organisations will not improve levels of responsible gambling, and in fact may have the detrimental effect of distorting competition in the broader market. For example, the Campaign For Fairer Gambling's recommendations focus solely on the Licensed Betting Office sector and over the last few years their proposals have included proposals to ban FOBTs from LBOs, remove casino type games from electronic gaming machines in betting shops and reduce stakes from £100 to £2 for casino type games in betting shops. The business partners who fund this campaign still have commercial interests in the casino gaming sector.

It is essential that the Government consider the wider implications of the proposals put forward by these campaign organisations. If the above proposal were to be accepted, this would reduce the stake to the equivalent of the slot machines (B3s) in adult gaming centres where there is less regulation. It would destroy the current regulatory pyramid of the gaming machines industry which is based on an evidence based risk assessment of the regulatory environments in which these machines currently operate. Not only does this

A reduction in the B2 machine stake to £2 would destroy the regulatory pyramid of the gaming machines industry which is based on an evidence based risk assessment of the environments in which these machines currently operate.

fall outside the scope of this triennial review (as this only covers the level of stakes and prizes on gaming machines) it would also raise questions about whether this measure would unfairly distort competition in the gaming machine industry. As outlined in the triennial review consultation document there is currently a structure in place which is working well for the whole gambling industry.

The Government states that if there is a problem with these machines it should act. However, the Government should only act if there is firm evidence that the existing stakes and prize levels have had a negative impact on public protection, and not on the basis of a perceived problem with machines. We also believe that the Government should define what it sees as a problem before stating that it will act in response to the problem. The Government expressly states in the triennial review consultation there is no clear evidence that these machines have had any significant effect on the level of problem gambling in the UK and that there is a lack of evidence of any causal link.

As outlined above, there is no evidence that there is a problem on a major scale within the UK. But it is difficult to respond to a problem if the nature and the degree of the problem are not defined. There are some machine players who have problem gambling issues and the Government is aware that this is a very small number. Notwithstanding this, the betting industry takes the issue of prevention, research and treatment of problem gambling very seriously and is committed to the responsible gambling strategy outlined in Chapter 11

The Government states there is wide consensus that there is some link between problem gambling and machine gambling. We disagree. We do not share this view as we believe regulatory research has shown there is no causal link and that problem gambling is person-centric and not product-led. Gambling addicts will gamble on a variety of products and there is relatively low number of problem gamblers using machines in betting shops. This is confirmed by new research carried out by Leighton Vaughn Williams and Page which is summarised in Chapter 7.

We welcome the Government's pledge to ensure that any policy changes it considers are based not on concern and anecdote alone, but are supported by firm evidence and factual foundation. However, we are concerned that the Government is talking about the need to act on public concern when it does not define the level or degree of public concern. We recognise that there is some public concern about this issue but we believe that a small but vocal minority of stakeholders is driving the public policy debate without taking into account evidence which is firm, factual, authoritative and beyond dispute. Our position is that, while there is no evidence to support an intervention - or evidence as to the likely outcomes of such intervention - there is a clear and devastating cost to proceeding with a course of action which would have a negative impact on jobs, communities and the wider-economy, as outlined in Chapter 7 above. There is therefore no objective basis on which the Government should single out this sector for further scrutiny.

Comments on Chapter 2 page 23

We welcome the Government's reference to the processes which have already been put in place by the Responsible Gambling Strategy Board and Responsible Gambling Trust to understand problem gambling better. We agree that this is the right way forward to provide a steer for policy judgements as to the concerns that have been expressed. However, the Government also states that if there is evidence to prove that B2 machines are causing harm, then the Government will take appropriate action. We believe that the

We welcome the Government's pledge to ensure that any policy changes it considers are based not on concern and anecdote alone, but are supported by firm evidence and factual foundation.

Responsible Gambling Trust research will provide a substantial, independently assessed, evidence base to inform the Government's regulatory policy and that it would be appropriate for the Government to await these results before considering further any change to the maximum stakes and prize limits for B2 machines. Any "precautionary" reduction, as mooted by the Government in the consultation, would be inappropriate since it would, inevitably, be based on a less sound evidence base.

The Government's approach to the consultation on the level of stakes and prizes for B2 gaming machines appears to be unjustified and inappropriate. We are seriously concerned about the bias and validity of the questions on B2 machines contained in the consultation, in particular given the divergent approaches taken by the Government in relation to different categories of gaming machines.

This review is different from previous triennial reviews as it calls for detailed evidence for one particular sector in isolation. In particular, the questions for B2 machines in this review (13-14) are very different from those which cover other gaming machines (1-12 and 15- 29).

In the case of the other gaming machines the consultation simply asks if respondents agree with the government's proposals to retain or change the stakes and prizes, and whether there are any other options which should be considered. With regard to the B2 machines the Government's position is to retain the current level of stakes and prizes. However, the Government does not just ask the question whether respondents agree with this position, but instead asks 11 separate questions, calling for substantial amounts of evidence from stakeholders.

Our sector therefore appears to be treated inconsistently with other sectors despite the fact that B2 machines are identified as being low risk in terms of public protection concerns in the review's impact assessment. We view this approach to the consultation as unfair, unjustified and disproportionate.

The nature of the Government's questions also risks a flawed and pre-determined process, in which the Government's final decision is driven by the views of the small but vocal minority of stakeholders which have raised concerns over B2 machines.

There appears to be a clear presumption against B2 machines in LBOs, which leads the Government to seek evidence to "support a precautionary reduction in the stake and/or prize levels for B2s", based solely on "public concerns" which are not backed by evidence. We would question how the Government can have formed a view that a reduction may be necessary - given its own recognition that there is currently no evidence to support this - and are seriously concerned that it is now seeking evidence to support a pre-determined position.

We note, for example, that following the open meeting of stakeholders held on 19 December 2011, during which all participants were invited to put forward proposals for changes to stake and prize limits, by March 2012 responses had been received from all the major industry bodies as well as a joint industry submission which is reflected in package 3 in the triennial review. However, no responses were received from anti-betting shop campaigners, problem gambling charities or faith groups or local councils. Yet despite this failure to make a useful contribution, significant credence appears to be being given to the unsubstantiated

The LBO sector appears to be singled out and treated inconsistently compared to other gambling sectors despite the fact that B2 machines are identified by the review as being low risk in terms of public protection concerns.

views of this constituency of interest groups.

The Government's approach to B2 machines contrasts notably to that taken, for example, in relation to B3 machines, where the Government rejects an increase in prize limits on the basis that "no convincing evidence has been presented to us to justify why the maximum prize limit for B3s should be higher than the maximum prize limit for B2s...[and] there is not enough data in the industry's case to allow a proper assessment of what the wider effect of such a move might have across the industry as a whole". The Government therefore proposes to retain the current limits, without requesting any further evidence to evaluate the industry's position. We also note that the Government is proposing incentives for growth in the form of increases for other sectors, despite these machines' levels being categorised as higher (medium) risk than B2 machines (low) in terms of problem gambling in the regulatory impact assessment in the review. No justification is given for these divergent approaches.

As concerning is the fact that there appears to be inconsistency within the Government's own approach to assessing B2 machines, with different views presented in different parts of the documents. For example, the Government proposes in the review's impact assessment to maintain B2 stakes and prize limits as they would represent no risk to player protection. As is outlined in the impact assessment the Government undertook a qualitative assessment of the relative risk across machine gaming categories, with reference to the threat of problem gambling both in vulnerable adult population and amongst children. The Government concluded that the impact of B2 machine stakes and prizes levels in packages 2, 3 and 4 would represent "low risk" in relation to problem gambling.

The Impact Assessment also concludes that "there is no evidence currently available to support [assertions of a link between B2 machines and problem gambling] and consequently there is no clear case for Government intervention...the Government therefore proposes to retain the current stake and prize limits" the consultation document asserts, without any basis or justification, that "there is wide consensus that there is some link between problem gambling and machine gambling" and that "Given on-going concerns that have been raised about B2 machines, the government wishes to consider whether there is sufficient evidence to support a precautionary reduction". This inconsistency suggests a failure on the Government's behalf to fully think through its position.

The Government's call for evidence on B2 machines is, moreover, unnecessary and inappropriate, given the Responsible Gambling Trust research project which will specifically analyse the impact of all category B machines on consumer behaviour. The £500,000 project will be the largest programme of research into gaming machines undertaken in Britain, and is expected to provide high quality, empirically-sound research supported by machine-related data held by a full range of gambling operators. In addition, a panel of independent experts will provide academic oversight to the project, ensuring objectivity and stakeholder confidence in the results, and there will be an independent peer-review process for all research outputs before publication. We are therefore confident that this research will provide a significantly more reliable evidence base to support the Government's regulatory policy.

The consultation dismisses the relevance of this project on the basis that it is "long term", as the overall research programme is expected to take 18 months. Yet, under the Government's current proposals, regulations would not be implemented until November 2013 at the earliest, and with regard to B2 machines

The Government's call for evidence on B2 machines is unnecessary and inappropriate, given the Responsible Gambling Trust comprehensive research project into high stakes gaming machines which will specifically analyse the impact of all category B machines on consumer behaviour.

the Government states the analysis of the evidence gathered through the consultation may well take longer. This suggests that the Government's final position with regards to B2 machines would, in fact, only be implemented a few months (at most) before the publication of the Responsible Gambling Trust's final research.

This raises the prospect that, should the Government's final position on B2 machines not be supported by the Responsible Gambling Trust final report, the Government could reverse its policy within a relatively short period of time. This would represent unacceptable levels of uncertainty for the industry and would place a disproportionate risk of financial harm on LBOs in the interim period. As outlined in chapter 11 the ABB would prefer to work with Government, Gambling Commission and other stakeholders to develop less interventionist / potentially harmful measures, such as industry based solutions.

We therefore strongly believe that it would be appropriate for the Government to await the results of the Responsible Gambling Trust's comprehensive research before considering further any change to the stakes and prize limits for B2 machines. Action should only be taken against B2 if that research provides clear, authoritative and quantifiable evidence that they are causing significant harm to a substantial number of people and the existing regulatory processes and industry initiatives are insufficient and ineffective in dealing with them.

The ABB strongly believes that the Government should await the results of the Responsible Gambling Trust's research before considering further any change to the stakes and prize limits for B2 machines.

CHAPTER 15

SUMMARY

In conclusion, our submission clearly provides five key messages:

- There is no evidence of a causal link between problem gambling and electronic gaming machines
 - There is no evidence that the precautionary measures of a reduction in stakes and prizes are necessary or would work
 - The impact of unnecessary action would be disastrous. As a hypothetical example the ABB has assessed what would happen if the B2 machine maximum stake is reduced to £2. This would:
 - Put 90% of betting shops and nearly 40,000 jobs at risk
 - Create many more empty premises on the high street
 - Results in the Treasury losing out on nearly 650 million in tax
 - Have a significant impact on the horseracing and greyhound industries
 - Lead to an increase of activity on the illegal gaming markets
 - The ABB, already licensed and regulated by the Gambling Commission, is firmly committed to the concept of responsible gambling, where customers are given the self-help tools to avoid excessive or irresponsible gambling and thus avoid gambling harm to themselves or others.
 - Current measures and codes adopted by ABB members go far beyond the current statutory requirements and it is now the ABB's intention to consolidate current best practice, and proven harm prevention measures, into a voluntary ABB "code for responsible gambling in LBOs.
 - The betting industry urges Government, regulator and all sections of the gambling industry to work together to develop approaches to promote responsible gambling and minimise gambling related harm.
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