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Gambling (Triennial Review)

Department for Culture, Media and Sport

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London SW1Y 5DH

**CONSULTATION RESPONSE:**

**TRIENNIAL REVIEW OF GAMING MACHINE STAKE AND PRIZE LIMITS**

**INTRODUCTION**

This response is from Ladbrokes plc, one of the world’s leading betting and gaming companies, based in Harrow, London. Ladbrokes employs 15,543 people, over 14,000 of whom are employed in the UK. Ladbrokes has 2,196 shops in Great Britain and has invested £70 million in refurbishing High Street shops over the last two years following a period of contraction on the High Street between 2008-2010. During 2012 Ladbrokes paid over £162 million in taxes to the UK exchequer in the form of Gross Profits Tax (GPT), VAT on machine revenues, Amusement Machine Licence Duty (AMLD), Corporation Tax and Business rates, more than was made in retained profits from the UK of £161.8million.

The wider British betting industry of which Ladbrokes is a part, makes a substantial contribution to the UK economy, providing 55,000 full and part time jobs, many of which are undertaken by people with few qualifications, contributing £3.2 billion to the wider economy and supporting high streets throughout Britain.

While we will give answers to the specific questions listed in the document our main concern is the specific focus in the consultation on B2 gaming machines in betting shops. The questions in the consultation show clear evidence of a preconception of an issue with B2 machines without any regard for factual evidence. We will therefore expand on the specific arguments surrounding B2 machines and why we believe the betting industry has been wrongly singled out in regard to this review of stakes and prizes. For this reason we will detail the background to the campaigns against betting shops before going on to answer the questions relevant to our industry. Throughout this consultation we will refer to the Association of British Bookmakers (ABB) submission which we contributed to and support in its entirety. The ABB represents 80% of the British high street betting industry.

This consultation is of crucial importance to Ladbrokes as gaming machines represent £340 million of net revenue to the business, equivalent to 46% of our overall UK retail revenues. B2 content (chiefly roulette) accounts for over 70% of Ladbrokes UK Retail machine revenues. The removal of B2 content as proposed by some campaigners (a £2 maximum stake would render the product unworkable) would therefore have very serious consequences for Ladbrokes and the wider betting industry, leading to the closure of a significant proportion of shops, as well as significant job losses. Economic modelling by RS Business Modelling shows that if stakes were reduced to £2 as some campaigners are proposing then 7,880 betting shops would be at risk, accounting for 39,031 jobs. HM Treasury would also risk losing £650 million in revenues. There would inevitably be significant knock on effects on other related sectors that are heavily reliant on betting such as the horseracing industry. Furthermore, at a difficult time for the High Street there would be negative impacts on other businesses as already vulnerable retail destinations suffer further losses of footfall to out-of-town and online alternatives.

While there is no evidence that machines are particularly associated with problem gambling, there is significant evidence that problem gamblers use a range of gambling products (British Gambling Prevalence Studies 2007; 2010). The betting industry is already licensed and heavily regulated, with operators required to have clear processes and procedures to uphold the key principles of the 2005 Gambling Act. Problem gambling is taken seriously by operators like Ladbrokes who go beyond the regulatory requirements and further improve enforcement of licence objectives, for example through face to face interaction training of staff to encourage personal contact on the shop floor. Betting operators are modern responsible leisure businesses with clear policies on social responsibility and the promotion of responsible gambling, and should not be singled out for any special treatment in the Triennial Review.

**OVERVIEW IN SUPPORT OF STATUS QUO FOR B2 CATEGORY GAMING MACHINES**

Ladbrokes supports the Government’s proposal to maintain the status quo on B2 gaming machines for the following reasons:

* **Betting shops have been singled out in the consultation on the basis of misleading campaigns**

1. The industry has been subjected to a well organised and well funded public relations and lobbying campaign from a combination of anti-gambling interests and those with commercial interests in other parts of the gambling sector.
2. These campaigns have spread a number of myths about machines that do not stand up to scrutiny (proliferation, social disorder, losses of £18,000 per hour on machines, deliberately confusing amount staked with amount spent on B2s) and fail to acknowledge the strength of regulation on the betting sector, the industry’s track record in social responsibility, or the enjoyment the industry provides to millions of customers on a regular basis.
3. These myths are analysed in detail in the consultation submission by the Association of British Bookmakers. There is clear evidence to support the industry’s position, illustrating that the campaigners’ allegations are based on misconceptions and prejudice and are disproved by examination of the facts and evidence. The betting industry contributes to employment, tax generation and the vibrancy of local high streets, promotes responsible gambling, is socially responsible, engages in local communities and provides a great deal of enjoyment to its customers in a responsible manner. Enclosed in our submission is a document entitled ‘Ten Reasons why the campaign against betting shops is wrong’ which further supports the industry’s position.

* **The betting industry is already heavily licensed and regulated and incorporates responsible gambling practices into its business operations**

1. The industry is already licensed and regulated, incorporating effective social responsibility policies in its business as a condition of its licence and it takes the issue of responsible gambling seriously – continually reviewing its approach and adopting best practice.
2. Companies like Ladbrokes have embarked on initiatives across all gambling products to support the Gambling Commission Licence objectives. These include new signage on machines, a policy to increase the time spent by colleagues on the shop floor interacting with and getting to know individual customers by name, voluntary deposit limits and increased communication to customers to promote responsible gambling. We are also trialling software that enables customers to set their own time limits when playing machines with a view to introducing it during 2013.
3. As a plc Ladbrokes is also subject to external measurement in this area and has received recognition by the Dow Jones Sustainability Indices as well as FTSE4Good for its responsible gambling policies. Ladbrokes has also received Primary Authority status, a process which involves a detailed examination of processes and practices to enable smoother interaction with Local Authorities. We also refer you to the ABB’s submission and the responsible gambling strategy, which Ladbrokes supports, as well as to Ladbrokes Corporate Social Responsibility report which details our processes and policies in this area.
4. In addition to responsible gambling practices Ladbrokes has an active community programme through support for charitable causes via the Ladbrokes Charitable Trust which has raised over £6 million for good causes since its inception, and the Ladbrokes Community Fund which donates to community groups throughout Britain, including supporting sports for the disadvantaged or disabled, and employment and training schemes such as the Family Employment Initiative operated by the Coalfields Regeneration Trust.

* **The evidence with regard to problem gambling shows that problem gamblers use a variety of products and that there is no evidence of ‘causation’ by one particularly product**

1. The issue of problem gambling is not one that can be tackled in a simplistic manner, by targeting one product and limiting stakes or prizes on that product. All the evidence points to problem gambling being a far more complicated issue with individuals using a wide spectrum of products.
2. This is supported by the secondary analysis of the 2010 Prevalence Study referenced in the ABB submission. It is also supported by leading academics in the field such as Mark Griffiths of Nottingham Trent University.
3. It is further supported by the fact that the prevalence studies that have taken place in 2000 (before FOBT or B2 content was widely available), and then in 2007 and in 2010 (when the availability of FOBT or B2 content had increased significantly) show problem gambling levels as relatively stable at 0.6 – 0.9% of the adult population.

* **While total staking levels on B2 machines are high, overall spend is similar to other lower stake products because the return to player is higher**

1. The ability to place high stakes of up to £100 is crucial to the enjoyment of the product, particularly as it allows customers to spread stakes and increase the chances of a return as well as to increase stakes following wins.
2. Restricting stake levels would cause a significant disadvantage to retail operators versus other sectors such as online or mobile gambling services, as well as disrupt the regulatory pyramid by placing betting shops on a par with Adult Gaming Centres.
3. Customer behaviour and staking levels show behaviour differs considerably between different customers, indicating that as with other products such as Over-The-Counter betting, customers vary and stake at levels they are comfortable with and in a responsible manner according to their income.
4. Staking levels are not a particular indicator of problem gambling. Again this is referenced in the secondary analysis of the prevalence study by Leighton Vaughan Williams – detail of which is also given in the ABB submission.
5. Customer spend is a more important measure and is very similar on higher staking products (B2 Roulette, Blackjack) to lower staking products (B3 £2 slots). Average B2 session time, as referenced in the ABB submission, is 8.9 minutes, and spend per session is £7.55.

* **B2 Gaming Machine content is critical to retail betting shops survival and their ability to compete against online and other gambling offers**

1. While there is no evidence that restriction of one product would impact on problem gambling levels there is clear evidence that betting shops would be significantly impacted by the loss of B2 content.
2. Economic modelling for the ABB by RS Business Modelling shows that the impact on the industry would be severe and would place it in the worst economic condition than at any time since the legalisation of betting shops in 1961. 91.7% of shops and 85.8% of jobs would be at risk in addition to the potential loss of £650 million in taxes.
3. This would have a significant impact on employment levels within the industry (currently around 50,000) and on tax generation as well as knock-on effects for key sectors such as horseracing where further jobs would be impacted. British horseracing relies on betting for £150 million in direct revenues from the Horse Racing Levy and betting shop media rights alone. With further sums from sponsorship and other direct commercial relationships, the racing industry is reliant on betting for over 15% of its income, higher if owners’ contributions are excluded.
4. The retail sector has maintained a stable number of shops for the past decade against significant online competition. A large part of this has been achieved against a backdrop of declining revenues from Over-the-Counter betting and is almost entirely a result of being able to offer B2 category machine content. In fact, any restriction on B2 machines would mean the customer would have the choice of online, with an extensive range of games, but not in-store, making it likely that people would drift away from the store offer, further affecting our struggling High Streets.
5. Furthermore the Gambling Commission has already taken action against a number of illegal gaming machine suppliers in recent months, seizing 160 illegal machines in the last 12 months, which is likely to be only a proportion of the illegal machines in the marketplace. To restrict B2 content would open up a multi-million pound opportunity to organised crime with serious knock on effects for police and local authority resources.

* **The betting industry and the wider gambling industry has already committed to further research on machines and problem gambling**

1. As part of its ongoing commitment to social responsibility across all products, 12 of the industry’s leading companies have committed to sharing data with the National Centre for Social Research to enable them to carry out the most comprehensive piece of research into machines to date. As part of this Ladbrokes will also be sharing the data from its Odds-on customer loyalty card.
2. The industry is committed to ensuring the success of this independent research and will act on any findings accordingly.
3. As part of our ongoing best practice in regard to responsible gambling we are already in discussions about new processes and procedures in betting shops that promote responsibility across all products
4. Building on existing practices which focus on the individual and behaviours rather than product restrictions is more likely to lead to effective outcomes than any blanket restrictions.

**RESPONSE TO QUESTIONS IN THE CONSULTATION DOCUMENT**

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

We support the three year triennial review process as appropriate as a sector as innovative as the gambling sector will require stakes to be reassessed by 2015.

**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 the 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.**

Ladbrokes believes the regulation in Britain, underpinned by clear licence objectives; a Responsible Gambling Strategy Board to advise Government; with a voluntarily funded Responsible Gambling Trust to fund research, education and treatment; represents an excellent example of how an industry should be regulated and what protections operators should provide to customers. The rate of problem gambling in the UK is low by international standards and has stayed low despite the increasing availability of gambling products.

Furthermore British companies employ high standards of corporate social responsibility, often going beyond the licence conditions and codes of practice, not only in addressing problem gambling but in their wider community engagement. We are not aware of any international research about machine-based interventions, but we are aware of different approaches in other markets, including those where state monopolies control gambling. We would invite caution about adopting these approaches in the UK market with its history of competition and customer choice.

Instead Ladbrokes believes developing existing best practice and incorporating lessons from the forthcoming RGT research represent the most sensible way forward for promoting responsible gambling and minimising problem gambling.

**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 stakes and prizes.**

Ladbrokes believes that amendments to stakes and prizes would be a blunt instrument in terms of promoting responsible gambling and minimising problem gambling. We are developing our own best practices in this area (including interaction training and trials of software enabling players to set time limits) and are working with the ABB to develop these in conjunction with others in the industry. We would of course be willing to work with Government and the Gambling Commission on future strategies for minimising gambling related harm in evidence based manner and with due regard to privacy and other potential issues but caution against any belief that there is a ‘silver bullet’ option, but rather a combination of actions building on present regulation.

**Question 4. Do you agree Government is right to reject package 1?**

Ladbrokes supports package 3 – the proposals submitted by the gambling industry.

**Question 5. Do you agree Government is right to reject package 2? If not why not?**

Ladbrokes supports package 3 – the proposals submitted by the gambling industry as a proportionate response to the current economic conditions.

**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.**

Ladbrokes welcomes the Government’s acknowledgement about the importance of B2 category content to the economic viability of betting shops and the significant risk that untargeted regulation could cost jobs. There is clear evidence that gaming machines in betting shops have enabled bookmakers to sustain profitability against significant cost pressures and declines in other betting shop products. This is clearly illustrated in the submission by the Association of British Bookmakers and economic modelling by RS Business Modelling for the ABB. Ladbrokes would support a change in B3 stake and prize levels to £3 and £1,000 from £2 and £500 to offer customers a more attractive slots offering, particularly compared with online offerings. In this we support the ABB submission.

**Question 7. Do you agree with the Government’s proposals for adjusting the maximum stake limit to £5 on category B1 gaming machines? If not, why not?**

Ladbrokes supports the gambling industry submission in relation to B1 – a change in stake to £5 and a change in prize to £10,000 is appropriate for a regulated, licensed casino environment.

**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?**

Ladbrokes supports the Government’s proposals regarding increased stakes in B1, but believe it could be further supported by an increase in prize. We do not believe there is evidence to suggest stakes and prize levels have any impact on problem gambling and support the gambling industry submission in this regard.

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

Ladbrokes supports the industry’s original proposals as appropriate for a responsible, regulated sector like the casino industry.

**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?**

Ladbrokes supports the industry’s submission for a £10,000 prize limit as appropriate for the casino sector.

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

N/a.

**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 the most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions?**

Ladbrokes does not believe there is any consensus in international research and cautions against applying policies used in other marketplaces, particularly those where state monopolies exist in gambling. Instead Ladbrokes believes consumer protection policies and processes in the UK are at a high standard and can be further developed across the industry and all products by a development of existing best practice and lessons from the forthcoming RGT research. In this we support the ABB submission where this area is explored in some detail.

**Question 13. The Government is calling for evidence on the following points:**

1. **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 or encourage a particular risk of harm to people who cannot manage their gambling behaviour effectively?**
2. **If so, in what way?**
3. **Who stakes where , what are the proportions, what is the average stake?**
4. **What characteristics or behaviours might distinguish between high spending players and those who are really at risk?**
5. **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?**
6. **What impact would this have in terms of risks to problem gambling?**
7. **What impact (positive and negative) would there be in terms of high street betting shops?**
8. Available evidence such as the secondary analysis of the 2010 Prevalence Study indicates staking behaviour alone does not suggest any association with problem gambling. The issue of problem gambling is far more complicated than any one product and nor can it be tackled simply by a restriction on stakes.
9. There is no evidence that B2 games gives rise to a particular risk of harm over and above that of other gambling products – particularly as problem gamblers tend to use a variety of gambling products.
10. Staking on B2 shows customers adopt a variety of staking behaviours and illustrates that customers stake what they are comfortable with. The nature of the game and its high level of return to the player do rely on a higher level of staking than other games, but in terms of overall spend there is little difference from the spend levels of a B2 player and that of a B3 player. The ABB submission provides detailed data which Ladbrokes contributed to.
11. Behaviours are key to this and a retail environment enables betting shop staff to monitor individual players and assess whether interaction would be helpful. Anxiety, stress or unusual behaviour would all be noted as a potential indicator of problem gambling within a betting shop environment inviting a conversation between staff and customer, with further details of support available should the customer indicate it would be beneficial.
12. Current staking levels are central to a customer’s enjoyment of the game and there is no evidence to suggest a reduction would have any benefit in terms of problem gambling.
13. A focus on one product or reduction in stakes and prizes on one product is not an ‘evidence-based approach’ to problem gambling and ignores what could be achieved through proper research and adoption of industry-wide best practice.
14. Clearly any restriction on stakes and prizes would have a significant impact on high street betting shops and further exacerbate the imbalance between retail and online offerings with dire economic consequences, including loss of jobs and tax revenues.

**Question 14. 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?**

We believe there is a role for examining best practice in the UK across all sectors and to build on the forthcoming RGT research for policies and processes that could assist in promoting responsible gambling and reducing problem gambling.

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

The evidence of problem gambling levels in the UK to date suggests UK regulation has been successful in allowing consumer choice and competition alongside a responsible but proportionate approach to problem gambling.

**c) Are there any other options that should be considered?**

It is too early to suggest examples, but we believe the RGT research offers an excellent starting point to build on existing regulations and best practice.

**Question 15. Do you agree with the government’s proposal to retain the current maximum stake and prize limits on category B3 gaming machines? If not, why not?**

We support the proposals in the submission by the Association of British Bookmakers – namely an increase in stake and prize on B3 to support economic growth in the industry and to improve the customer experience.

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

N/a

**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 gambling industry submission in this regard.

**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?**

We support the gambling industry submission in this regard.

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

We support the gambling industry submission in this regard.

**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 gambling industry submission in this regard.

**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?**

We support the gambling industry submission in this regard.

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

We support the gambling industry submission in this regard.

**Question 23. Do you agree with the government’s proposal to increase the maximum prize to £100 for Category C machines?**

We support the gambling industry submission in this regard.

**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 support the gambling industry submission in this regard.

**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?**

We support the gambling industry submission in this regard.

**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 the gambling industry submission in this regard.

**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 the gambling industry submission in this regard.

**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 the gambling industry submission in this regard.

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

We support the gambling industry submission in this regard.

**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).**

With specific reference to the Category B2 impact assessment we support the conclusions reached in the ABB submission, with data and modelling supplied by RS Business Modelling on the impact of any removal of B2 content from betting shops. Furthermore it would clearly have significant knock-on effects for other sectors and on the High Street generally, with more vacant premises and reduced footfall.

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

Ladbrokes supports the ABB’s approach to responsible gambling and continues to support working with the Gambling Commission on a best practice approach to promoting responsible gambling and minimising problem gambling.

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

N/a

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

N/a

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

N/a