

PADDY POWER'S RESPONSE TO THE TRIENNIAL REVIEW OF GAMING MACHINES 2013

INTRODUCTION

Paddy Power welcomes the opportunity to respond to this review.

Paddy Power is the fastest growing competitor to the established UK retail bookmaking market having opened 44 shops in 2012. We now have 223 shops across the UK.

Opening a new Paddy Power betting shop is a major local investment averaging around £254,000 per shop. Of the 149 shops Paddy Power has opened since 2009, 42% have been in premises returned to use after a period of void or vacancy or, in some cases, more serious dereliction. A typical new betting shop also delivers five new retail job opportunities. We now employ over 1,000 people in the UK and expect to create a further 1,000 jobs over the next four years.

Our staff take their responsibility to the local communities in which they operate very seriously. We want to attract customers and can only do this by offering them a safe and responsible leisure experience. We work closely with local councils and law enforcement to ensure this. Bookmakers are one of the most regulated retailers on the high street.

Like many other shops that have age-restricted products, Paddy Power enforces these age restrictions fully. In addition, we operate a Think 21 policy whereby we challenge anyone who appears under the age of 21, ensuring that no-one under 18 is allowed onto the premises. We carry out independent age verification tests to ensure our policies are being implemented, and these sit alongside those carried out by local authorities and the Gambling Commission.

Paddy Power takes its responsibilities to consumers extremely seriously; we are committed to acting fairly and operate some of the most responsible practices in the industry. We recognise that we have a responsibility to all of our customers and train our staff to spot signs of problem gambling and provide appropriate support.

Paddy Power also works in conjunction with Gamcare, the UK's National centre for information, advice and practical help regarding the social impact of gambling. Gamcare literature is available in all of our shops at all times.

In line with the rest of the industry, Paddy Power operates B2 machines in its UK shops. We provide B2s as part of our multi-product retail offer reflecting demand from our customers. We are constantly evolving the range of products we offer and B2 machines are enjoyed responsibly by tens of thousands of our customers across our shops across the UK.

The Government has called for an 'evidence based debate' on how customers use B2 machines. We fully support this and are committed to working with the Responsible Gambling Trust to provide data for their major, independent, peer reviewed research project into machine gaming undertaken in partnership with NatCen. We look forward to seeing the research and have undertaken to act on its conclusions.

We support the Government's preferred option (package 4) on category B machines, including no change to B2 stakes & prizes.

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

It is important for the industry to have regulatory certainty around stakes and prizes in order to be able to plan and invest in their product and retail estate. We would support the current plans for a three year cycle. Any shorter risks being overly cumbersome and would not provide a sufficient time period over which to collect and analyse data and apply any conclusions to the review.

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.

We are aware of a variety of consumer protection methods that are in place in other international jurisdictions. These include impact assessments, limits on speed of play, player tracking, limits on deposits, time reminders, customer information, staff training & industry codes of practice. A number of these are already in place in the UK. We understand the Association of British Bookmakers (ABB) have given more detail on how other jurisdictions approach these in their submission.

We are not aware of any consensus in international research into the effectiveness of these methods. We would welcome such research, however would encourage any international evidence to be considered in the specific context of each jurisdiction rather than referenced wholesale back to the UK; for example, speed of play and deposit limits may vary as a function of the allowable product type on the machines.

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

We are concerned by the implication in this question that there is a 'trade off' between stakes and prizes and tracking technology. The question also implies that there needs to be greater player protection for B2s. This is at odds with the stated purpose of this consultation 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 (3.55)". As noted, the RGT's research is designed to address this gap.

We therefore feel it is premature to try and answer this question before we have sufficient evidence. As stated in question 2, a range of different consumer protection methods exist and are used internationally and Paddy Power is examining which might be applicable to the UK and our retail business. We have recently introduced a player loyalty card for machines. We hope that this will provide us with better information about player behaviour.

Package 1:

Question 4: Do you agree that the government is right to reject Package 1? If not, why not?

N/A

Package 2:

Question 5: Do you agree that the government is right to reject Package 2? If not, why not?

N/A

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.

We support the Government in acknowledging the ABB's arguments about the importance of B2 machines to the economic viability of betting shops. We understand that it also acknowledges the concerns from other stakeholders about these machines. However, we agree with the assessment that the causal link between B2s and problem gambling remains poorly understood; without such evidence there is a risk of introducing disproportionate and untargeted regulation that could cost jobs.

Package 4: Category B2

Question 13: The government is calling for evidence on the following points:

a) 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?

At present, there is little research into machine gaming and behaviour. The prevalence studies commissioned by the Gambling Commission in 2007 and 2010 have not established any link between electronic machines and problem gambling. By way of example, problem gambling for all gambling sectors (including casinos, arcades, bingo halls and pubs) was below 1% , low by international standards - and the *percentage of identified problem gamblers* playing on B2 machines actually went down by nearly 25% from 2007 to 2010 (from 11.2% to 8.8%).

The Government and Association of British Bookmakers' have called for an 'evidence based debate' on how customers use B2 machines. We fully support this and are committed to working with the Responsible Gambling Trust to provide data for their major independent, peer reviewed research project into machine gaming undertaken in partnership with NatCen.

b) If so, in what way?

c) Who stakes where, what are the proportions, what is the average stake?

We would refer to the ABB submission which we understand gives some data on player activity. Further evidence is being compiled from operator data as part of the RGT study which we are participating in.

We would however advise caution in this area. Due to the way that customers play B2 machines, average stakes can be misleading and do not accurately represent how the machines are used. Stake levels vary widely from customer to customer and can build within a session; moreover, stakes do not necessarily give an accurate reflection of how much a player has actually "spent" in a session.

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

We believe spend needs to be considered in a sophisticated way which takes into account affordability and any risk propensity. It could be relatively easy to infer (wrongly) that a high absolute spend individual is more at risk than a low spending individual.

There is little established academic research into problem gambling and behaviour. We would welcome and support further research to better understand key behavioural and spend relationships, including of course, cause and effects.

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?

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electronic machines and problem gambling. By way of example, problem gambling for all gambling sectors (including casinos, arcades, bingo halls and pubs) was below 1% , low by international standards - and the *percentage of identified problem gamblers* playing on B2 machines actually went down by nearly 25% from 2007 to 2010 (from 11.2% to 8.8%).

Given this, we feel it would be premature to pre-judge the findings of the Responsible Gambling Trust's peer reviewed research project into machine gaming undertaken in partnership with NatCen. This would set an unhelpful precedent as any changes to Government legislation must be based on comprehensive evidence.

f) What impact would this have in terms of risks to problem gambling?

g) What impact (positive and negative) would there be in terms of high street betting shops?

Paddy Power provide B2s as part of our multi-product retail offer reflecting demand from our customers. In 2012 machine gaming net revenue was €47.5m, compared to our sportsbook net revenue of €53.9m. We are constantly evolving the range of products we offer and FOBs are enjoyed responsibly by tens of thousands of our customers across our shops across the UK

Restricting our ability to offer customers the products they are used to will have a major impact on our turnover and our ability to grow and compete in the market. Based on our retail estate of 156 shops in January 2011, and using the ABB's modelling referred to in their submission, a reduction of B2 stakes to £2 would result in 75% of our shops being loss making and as a result, closed.

Opening a new Paddy Power betting shop is a major local investment averaging around £254,000 per shop. Of the 149 shops Paddy Power has opened from 2009, 42% have been in premises returned to use after a period of void or vacancy or, in some cases, more serious dereliction. A typical new betting shop also delivers five new retail job opportunities. We now employ nearly 1000 people in the UK and expect to create a further 1,000 jobs over the next four years. We, and our employees, are naturally concerned about any changes that would risk a large proportion of current and new jobs.

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?

As with question 3, this question implies that there needs to be greater player protection for B2s. This is at odds with the stated purpose of this consultation 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 (3.55)"*. As noted, the RGT's research is designed to address this gap.

As explored in question 2, there are a range of different consumer protection methods in use internationally and Paddy Power is examining which might be applicable to the UK and our retail business.

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

As part of our commitment to Responsible Gambling in 2011 we engaged a respected expert in the field of responsible gaming, Professor Mark Griffiths, Professor of Gambling studies and Director of the Psychology unit in Nottingham Trent University to both review our existing responsible gaming practises and to compare them with other operators in the industry. We scored highly, but are committed to doing more to help customers stay in control of their activity.

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

We are working with the ABB and the industry to develop improved methods to assist customers in understanding their gambling behaviour. We are also conducting our own work (as stated above) into what more we can do to help customers stay in control of their activity.