

Response to “Proposals for Changes to Maximum Stake and Prize Limits for Category B, C and D Gaming Machines”

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Process:

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

We have no view on this other than to say that the regulatory system should be flexible and quick to respond to a rapidly changing market. We also note that the proposals to increase stakes and prizes set out in Option 3 would make the need for urgent changes to the system in the near future less likely.

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 discuss this in our answer to Question 13 below.

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 discuss this in our answer to Question 13 below.

Package 1:

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

Yes.

Package 2:

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

Yes.

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 discuss this in our response to Question 13 below.

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?

Yes.

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?

We believe that raising the stake limit to £5 would bring casino machines closer in line with international competitors and provide greater incentives for product innovation.

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

Yes. We believe that raising the maximum prize limit would bring casino machines closer in line with international competitors and provide greater incentives for product innovation. It would also better reflect casinos' position at the top of the regulatory pyramid.

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?

In the absence of Category A machines, a £10,000 limit would be reasonable.

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

We take no view on this.

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.

We discuss this in our response to Question 13 below.

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?
- b) If so, in what way?
- c) Who stakes where, what are the proportions, what is the average stake?
- d) What characteristics or behaviours might distinguish between high spending players and those who are really at risk?
- 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?
- 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?

The Institute of Economic Affairs has recently undertaken research on the issue of gambling machines, and on fixed odds betting terminals in particular. We reproduce our preliminary results below:

Betting shops in Britain

The UK gambling sector, not including the National Lottery, employs 109,666 staff and generates £5.8 billion in gross gambling yield.

The bookmaking industry is the largest part of the sector, with more than 9,000 betting shops and almost 55,000 staff (Gambling Commission, 2012: 7). Just over half of the sector's gross gambling yield comes from bookmakers (£3 billion) and the betting industry pays close to £1 billion in tax each year (Gambling Commission, 2012: 5).

Of course gambling was banned in 1853 with the Act for the Suppression of Betting Houses and (legal) betting shops did not reappear in Britain's towns and cities until May 1961 when they were legalised—along with casinos—by the Betting and Gaming Act (1960). After this long period of prohibition, gambling retained some of the taboo that had come with its longstanding association with the criminal underworld. Rab Butler, the home secretary who drafted the 1960 Act, reputedly said that someone leaving a betting shop should feel like they are leaving a brothel. Betting shops were instructed by law to be drab, forbidding places and advertising was heavily restricted until the Blair government liberalised the market somewhat with the 2005 Gambling Act.

Today, 73 per cent of the population gambles in some form, particularly on lotteries and scratchcards (BGPS, 2010: 9). Major technological, legal and societal changes have transformed the gambling industry in Britain since the 1960s. The National Lottery hit bookmakers hard when it was introduced in 1994 and the football pools, once hugely popular, has faded as a national past time. The internet has made every conceivable type of gambling available to anyone with a computer or mobile phone and has exacerbated the secular decline in horse-racing and greyhound-racing (*Economist*, 2013: 26). The betting industry has adapted to changing tastes by offering wagers on a greater variety of sports and offering virtual gaming both online and on their premises. The rise of in-play betting, virtual gaming and foreign lotteries have offered new opportunities for bookmakers. Diversification has helped to halt, and partially reverse, the long term decline in betting shop numbers, but the shift towards virtual gambling—which now account for half of the industry's profits—has not been without controversy. It is those gaming machines which are the subject of this paper.

The rise of the machines

Gambling machines in the UK are classified from A to D with various subcategories within Categories B and C. Category A machines have unlimited stakes and prizes but existing legislation prohibits their use outside of ‘resort casinos’ (popularly known as ‘super-casinos’). Since Gordon Brown cancelled plans to build the country’s first resort casino in 2007, no such establishments currently exist and therefore no Category A machines are legally in use anywhere in the United Kingdom.

At the bottom end of the scale, Category D machines have no age restrictions and cannot be played for a stake greater than £1. These include the crane-grabbing games and coin-pushing machines which will be familiar to visitors of seaside arcades.

Category B and C machines cover all adult gambling machines used in pubs, clubs, arcades, bingo halls and casinos, with maximum stakes ranging from £1 to £100 and maximum prizes ranging from £70 to £4,000. One particular type of machine has become popular and controversial in recent years. Introduced to bookmakers in 2001, B2 machines, commonly known as the fixed odds betting terminals (FOBTs), allow users to play virtual games such as roulette and blackjack. When the 2005 Gambling Act was drafted, it was proposed that B2 machines be permitted in amusement arcades, bingo clubs, private members’ clubs, casinos and betting shops, but the government adopted a Joint Committee’s recommendation that they be restricted to betting shops and casinos only—the two venues which are considered to be at the top of the ‘regulatory pyramid’.

Betting shops are currently permitted no more than four gambling machines of any kind.

Unlike conventional fruit machines, B2 machines use a genuine random generator to decide the outcome of games. The computer is not programmed to pay out at certain times and the payout rate cannot be adjusted. The operator’s profit comes from the inherent advantage that ‘the house’ has over the player, hence “fixed odds”. In the case of roulette, for example, this comes from the ball landing on zero—a one in 37 chance. The house’s edge means that each machine returns, on average, around 97p for every £1 staked. Category B2 and B3 machines both offer a maximum prize of £500, but since B2 machines do not offer a jackpot that is many multiples of the stake, the maximum stake needs to be set much higher and is currently limited to £100. The speed of play, however, is slower. The shortest interval between spins on a B2 machine is 20 seconds, compared to 2.5 seconds on most other machines.

The government is under constant pressure from competing sectors of the gambling industry to allow more favourable limits to stakes and prizes. We have argued previously that there is a strong case for the jackpots of casino machines to be raised so that they are closer to their international competitors (Snowdon, 2012). The government has acknowledged that such a move would likely stimulate innovation in the industry and would rectify inconsistencies in the 2005 Gambling Act

The Department for Culture, Media and Sport (DCMS) is aware that the limits on stakes and prizes throughout the sector have profound implications for employment, consumer choice, product innovation and profitability. It is “committed to creating the conditions for growth across all leisure institutions, including the gambling industry, through stripping away unnecessary red tape and stimulating private sector investment.” (DCMS, 2013: 8)

Stakes and prizes were doubled for Category C machines in 2009 to help pubs, and they were also doubled for Category B3 machines in 2011 to help bingo halls. Although the government estimates that the maximum stake for Category B2 machines would need to rise from £100 to £122 by 2016 to stay in line with inflation, there are no plans to increase stakes or prizes in this category and the betting shop industry has not requested any such change. Indeed, while bookmakers are requesting an increase in stakes and prizes on B3 machines, there is no request to increase stakes or prizes on B2 machines. Instead, they have been reacting to a campaign that aims to have fixed odds betting terminals removed from betting shops—a campaign that has received the support of some parliamentarians, several faith groups and which has featured in television programmes including *Dispatches* and *Panorama*.

Anti-FOBT campaigners routinely refer to these machines as “the crack cocaine of gambling” which can lose players £18,000 in an hour. They are blamed for a rise in problem gambling and it is said that £42 billion is spent on the machines every year. It is also claimed that betting shops have proliferated as bookmakers scramble to cash in on the popularity of FOBTs. We shall examine each of these claims in turn.

The crack cocaine of gambling?

It is a rare news story that mentions fixed odds betting terminals without using the phrase “the crack cocaine of gambling”. Typically, these words are put in the mouth of anonymous others. Newspapers state that FOBTs are “described as the ‘crack cocaine’ of gambling” (Robinson, 2013) or have been “dubbed the ‘crack cocaine of gambling’” (Ramesh, 2013) without naming the originator of this phrase. Occasionally it is attributed to “experts”. For example, *The Sun* reported that “[e]xperts have called the fixed odds betting terminal machines (FOBTs) the ‘crack cocaine of gambling’” (Davis, 2012c) while a BBC *Panorama* documentary asserted that “they’ve been branded ‘the crack cocaine of gambling’ by industry insiders.” (Panorama, 2012). Again, no names are forthcoming. The term, with its allusions to addiction and deprivation, has almost become a truism through repetition.

It is impossible to trace the claim that FOBTs are comparable to crack cocaine back to its source, almost certainly because no source—expert or otherwise—exists. The chilling simile has a much longer pedigree, pre-dating FOBTs by many years and originating thousands of miles away. It seems to have been coined by Donald Trump in the 1980s when talking about Keno, a form of video bingo, which he saw as a threat to his casinos in the USA (Rutsey, 2005). The name caught on and Keno was still being referred to as “the crack cocaine of gambling” several years later (Littwin, 1992; Jeffreys, 1995).

Trump failed to get Keno banned but “he succeeded in providing a great shorthand term for all opponents of gambling.” (Rutsey, 2005) So it has proved. In the mid-1990s, Video Lottery Terminals—machines which offer games of chance such as poker, Keno and fruit machine-style line games—were described as the “crack cocaine of gambling” by the Chairman of the Manitoba Lottery Policy Review (1995: 1). By 1997, the Canadian press were reporting that Video Lottery Terminals were “popularly known as ‘the crack cocaine of gambling’” (Comeau, 1997).

The net was soon spread wider to include all slot machines. In 2004, the *New York Times* reported that: “Anti-gambling activists refer to slots as ‘the crack cocaine of gambling’”, adding that “[t]hough gambling’s loudest critics tend to be alarmists, the crack analogy may be apt.” (Rivlin, 2004) The following year, Albuquerque attorney and former state senator Victor Marshall said: “I’ve always felt that horse racing and lotteries were relatively benign compared with the crack cocaine of gambling, which is slot machines.” (Heild, 2005: 4)

The rise of the internet provided a new target for this well-worn analogy. In 1997, Senator Jon Kyl (Rep-Arizona) called internet gaming the “hard-core crack cocaine of gambling” (Zeuthen, 1997) and by 2001 the *Federal Communications Journal Law Journal* was discussing “the phenomenon of Internet gambling—once dubbed “the crack cocaine of gambling.” (Hammer, 2001: 104)

In the USA, the “crack cocaine” tag has been attached to online gambling more than any other, but it has continued to be applied to any novel gambling activity. When lottery scratchcards were proposed in New York, Charlotte Wellins of the Coalition Against Gambling declared: “They are now calling scratch-offs the crack cocaine of gambling.”

And when the same product was launched in Texas, Senator Eliot Shapleigh said that: “Scratch-off tickets are to the lottery what crack is to cocaine.” (Schwartz, 2007)

Religious groups have long been keen on the crack analogy and have used it liberally. A fundamentalist Christian ‘fact sheet’ from 1998 titled ‘What does the Bible say about... gambling’ stated: “Video poker has become so popular it is now referred to as ‘the crack cocaine of gambling.’”

Fifteen years later, Michael Heath, executive director of the Christian Civic League, said: “Slot machines are the crack cocaine of gambling” (Redmond, 2003). The Reverend Tom Grey, executive director of the National

Coalition Against Legalized Gambling, has called casinos the “crack cocaine of gambling” and, as if to give the tired analogy fresh legs, referred to slot machines as “electric morphine” (Novak, 2004).

In Australia and New Zealand, anti-gambling fervour is mostly directed at ‘pokies’, electronic, multi-line fruit machines which have almost nothing in common with fixed odds betting terminals, but are nevertheless described in familiar terms. For example, Tony Milne of the Problem Gambling Foundation said in January 2013: “We don’t want any more pokie machines in Auckland. They aren’t just a ‘harmless flutter’. Pokies are dangerous and addictive machines often described as the ‘crack cocaine of gambling’.” (Fisher, 2013)

Far from being an expert’s description of British fixed odds betting terminals, the “crack cocaine” tag seems to have been applied to virtually every new form of gambling around the world for almost as long as crack cocaine have been in existence. The terminology has all the characteristics of folklore. It is almost never attributed to a specific individual but is instead vaguely said to have been “described as”, “dubbed as” or “known as” by some phantom consensus. At best, the words are put into the mouth of an untraceable addict or expert. For example, a bible study printed in the *Maranatha Baptist Watchman* in 1996 told its readers: “One compulsive gambler from Illinois said, ‘Casinos are the crack cocaine of gambling.’”

When the phrase began to surface in the UK in the mid-2000s, Faith Freestone of Gordon House told the Joint Committee on the Draft Gambling Bill that “these are not my words, they are a recent applicant who we have just taken into Gordon House. He actually said ‘FOBTs are the crack cocaine of gambling.’”

Perhaps he did, but the endless reappearance of these exact words over a quarter of a century to denounce a host of different gambling activities gives us reason to think that perhaps he did not.

Proliferation?

It is claimed that Britain has seen a “dramatic proliferation” of betting shops in recent years, driven by bookmakers “clustering” in poor neighbourhoods to “lure” hapless punters towards their gambling machines (BBC, 2011; Economic and Social Research Council, 2011). It has been said that betting shops are “taking over our high streets”, acting as a magnet for anti-social behaviour and “discouraging businesses from moving into the area” (Haringey Council, 2012). Moreover, it is claimed that this proliferation is due to bookmakers working around the law that limits betting shops to four machines per outlet. As Harriet Harman MP says: “Because there’s a limit on the number of machines per shop, bookmakers open a proliferation of shops to get as many machines as possible in each high street.” (Harman, 2011: 2)

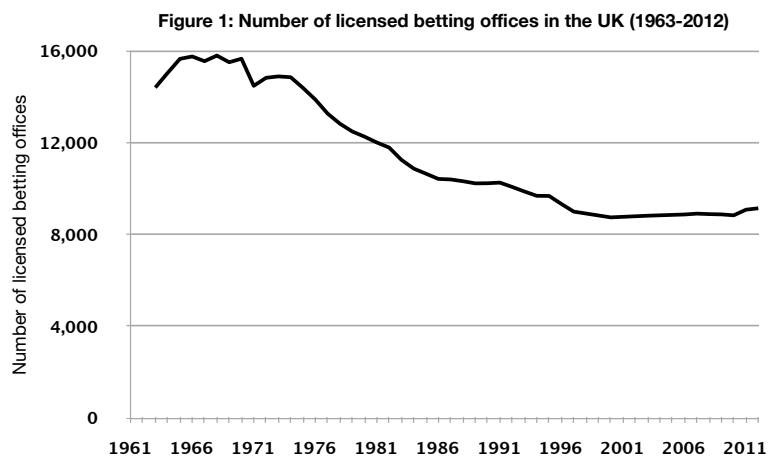
It is true that local councils have less power to control betting shop numbers than they once did. The 2005 Gambling Act made it easier for betting shops to open in an area by removing the “demand test” which required betting operators to show that there was latent demand before a new premises could be opened. Instead, the Act put the onus on those who objected to gambling to show that a new betting shop would have a negative effect on the community. In practice, it is as difficult to prove that a new premises will have a negative effect as it is to prove that there is unmet demand. The Gambling Act therefore allows market forces to dictate numbers to some extent, albeit constrained by the need to obtain both an operator’s licence and a premises licence.

The betting industry is dominated by four major players, with William Hill, Ladbrokes, Gala Coral and BetFred

running 83 per cent of Britain’s betting shops (Gambling Commission, 2012: 12). These companies are naturally attracted to areas where there is known demand, high footfall and low rents. If the big four operators open in an area of high demand, smaller operators such as Jennings and Paddy Power are likely to follow. It is true that bookmakers tend to be seen in larger numbers in working class neighbourhoods, but that has always been the case—horse racing and greyhound racing are traditional working class pursuits.

One man’s “clustering” is another man’s “competition” and in bookmaking, as in other entertainment industries, competition means greater innovation, better service, more attractive facilities and lower prices (or, in this instance, better odds). The Gambling Act has benefitted consumers by removing the cosy protectionism that allowed one or two betting offices to corner each local market. But what is often forgotten in all the talk of

“proliferation” and “clustering” is that there has been a longterm decline in the number of licensed betting offices in the UK stretching back to the late 1960s (see figure 1). The lowest point was reached in 2000 when there were just 8,732 premises. The rise in numbers since then has been extremely modest. In 2012, there were 9,128 licensed betting offices—an increase of just 4.5 per cent on the 2000 figure.



These statistics do not support the notion that there has been a “dramatic proliferation” of betting shops, a Harriet Harman MP has claimed (BBC, 2011); the dictionary defines proliferation as “a rapid increase in numbers”. It is likely that innovations such as fixed odds betting terminals have prevented a *decline* in numbers, but there are still fewer betting shops in Britain than there were in the mid-1990s and there are barely half as many as there were in 1968.

The *perception* of rapid proliferation can be attributed to betting shops moving out of the side streets and into the high streets. The post-2007 economic crisis led to shops closing in town centres and lower rents for commercial property. This allowed bookmakers (who work in the allegedly “recession proof” gambling sector) to take up premises in prime locations. At the same time, the growing number of empty shops on the high street have made the remaining businesses appear more prominent.

Although the empirical evidence shows that the number of betting shops has risen only very modestly, this does not preclude the possibility that there has been “clustering” in certain areas combined with closures elsewhere. The Department for Culture, Media and Sport notes that “persistent concerns have been raised by a range of stakeholders about the proliferation or ‘clustering’ of betting shops within certain local areas... Many feel the clustering of these premises might be being driven by operators looking to capitalise on the apparent demand for these types of machines.” (DCMS, 2013: 13) Ladbrokes acknowledged in 2011 that the limit on machine numbers “in some cases has led to an increased number of shops opening within a specific area in order to cater for customer demand, prompting complaints about their ‘proliferation’.” (Ladbrokes, 2011)

If “clustering” is a problematic unintended consequence of the limit on the number of gaming machines available in betting shops, we must then ask what is the nature of the problem? If having “too many” betting shops is the issue then it is one that can be dealt with by increasing the limit on gambling machines, as the DCMS has suggested (DCMS, 2012: 22). That this solution is not embraced by those who complain about “clustering” and “proliferation” suggests that it is not so much the number of bookmakers, but the number of machines that is the problem. If so, the government could keep the four machine limit and act to limit the number of betting shops per square mile as well. But to what end? It is difficult to believe that any compulsive gambler will be deterred by the number of premises within walking distance being reduced from, say, six to four.

The facts are clear to anyone who chooses to look at them. Betting shop numbers have risen very modestly from a record-low base and punters are spending less money in them than they did five years ago. Contrary to popular belief, betting shops have not been emptying the pockets of British punters at an accelerating rate in recent years. The betting industry’s gross gambling yield (ie. stakes minus winnings) has actually fallen—from £2,853 million

in 2008/09 to £2,842 million in 2011/12.

The change has been in the type of gambling product that betting shop customers choose to spend their money on. As with other industries in the gambling sector, including bingo and poker, there has been a shift towards virtual gaming. In 2008/09, betting shops' gross gambling yield was made up of £1,081 million from machines and £1,772 million from over-the-counter betting (Gambling Commission, 2010: 8). By 2011/12, £1,447 million came from machines and £1,395 million came from over-the-counter betting (Gambling Commission, 2012: 19-20). In other words, an additional £366 million was spent on machines while £377 million less was spent on traditional betting. These two figures are so similar that it is difficult to avoid the conclusion that one form of gambling is being substituted for another.

This shift from traditional betting to virtual gaming cannot be attributed to a rise in machine numbers—the number of gambling machines in betting shops increased by less than one per cent between 2008 and 2011 (from 32,022 to 32,340) (DCMS, 2013: 37). More likely it reflects a genuine change in consumer preferences in a rapidly changing gambling market. The shifting fortunes of the industry's rival sectors is a sign of vibrancy and healthy competition, but it is important to note that there has been no boom in bookmaking and no “explosion” in gambling generally. Instead, there has been a shift in consumer preferences, with traditional on course betting and football pools giving way to lotteries, internet gaming and a new wave of gambling machines.

Exaggerating expenditure

The average newspaper reader can be forgiven for seeing headlines such as ‘Scots punters blow £4bn on betting machines branded “crack cocaine” for gamblers’ and assuming that Scottish punters are *losing* £4 billion a year on these machines (Aitken, 2013). They are not. Some journalists might clarify that this figure refers to the amount “wagered and regambled” (Crichton, 2013), but it is common for the stakes to be represented as “losses” without reference to the money paid out in the course of a game. In the case of Scotland, the amount that is spent, “lost” or—as the *Daily Record* puts it—“squandered” on FOBTs is £122 million. This is only three per cent of the headline figure and is exactly what would be expected from machines which have a payout rate of 97 per cent. To say that Scots “blow” £4 billion a year on FOBTs is as disingenuous as saying that Scots “win” £3.9 billion a year on FOBTs although both are technically true. This failure to distinguish between money staked and money spent has been an important component in the development of the FOBT moral panic.

As with all gambling, playing machines in betting shops is a form of entertainment which comes at a price. As the problem gambling charity Gamcare says: “You’re buying fun, not investing your money”.

Money spent on these games can only be considered “squandered” if it is first assumed that players receive no private benefit or pleasure from playing them. If gambling is irrational and the money spent on it is “lost” then gambling is disqualified as a valid consumer activity, but this rests on a moral judgement rather than an empirical statement of truth. Opponents of gambling are welcome to make the moral argument for why cost-benefit analyses cannot be applied to gambling, but they should at least recognise that not all the money put into the slot is lost forever.

Counting stakes and ignoring prizes is a trick that can be employed to exaggerate the cost of any form of gambling, but it is particularly effective with FOBTs because their pay out rate is so high; traditional fruit machines typically pay out around 70-80 per cent of what is fed in while the National Lottery returns only 50 per cent in winnings. Coupled with journalistic confusion and editorial bias, the public is led to believe that the amount lost on FOBTs is more than thirty times greater than it actually is. The *Daily Mail*, for example, writes of the “£46bn cost of Britain’s roulette addiction” (Bridge & Taher, 2012) while *The Sun* claims that: “Punters in London, Glasgow and Liverpool gamble away £2.74 BILLION on 1,973 of the terminals” (Moriarty, 2013). Neither statement is true and the anti-FOBT pressure group the Campaign for Fairer Gambling, which supplied these figures, has made no attempt to set the record straight.

Equally misleading is the frequently made claim that players of FOBTs can lose £18,000 in an hour. As a typical example, a spokesman for Grasp told the *Guardian* in 2012: “You can lose £18,000 an hour without

being asked a question” (Murphy, 2012)

. Similarly, Jenny Willott, a Liberal Democrat MP, says that “someone using these machines could lose up to £18,000 in a single hour. That is both terrifying and outrageous.” (Miller, 2013) This factoid is based on the theoretical scenario of someone losing £100 (the maximum stake) every twenty seconds (the minimum spin rate). Aside from it being physically impossible to feed the machine with money at this rate, the odds of losing so many games in succession when the odds are close to fifty-fifty are, according to the Association of British Bookmakers, equivalent to the odds of winning the National Lottery three weeks in a row.

One can only imagine how furious the reaction would be if bookmakers inverted their opponents’ claim and (truthfully) claimed that punters can win £18,000 per hour on FOBTs.

Nobody talks about bookmakers and casinos—or, for that matter, the stock market—as places where people can lose a million pounds at a stroke, despite it being possible to place a bet of this magnitude on a single horse race or a single spin of a roulette wheel. Much of the agitation against B2 machines stems from concerns about the £100 stake limit which is considerably higher than the £2 stake limit on traditional one-armed bandits, but this exposes a fundamental ignorance about the nature of the different games. Fruit machines offer a low chance of winning on each spin, but the jackpot can be as much as 250 times higher than the stake (£500). The games on B2 machines offer a much higher chance of winning per spin, but the winnings are usually no more than the value of the stake. It is therefore precisely because the odds are close to fifty-fifty on roulette and blackjack that the stake needs to be higher.

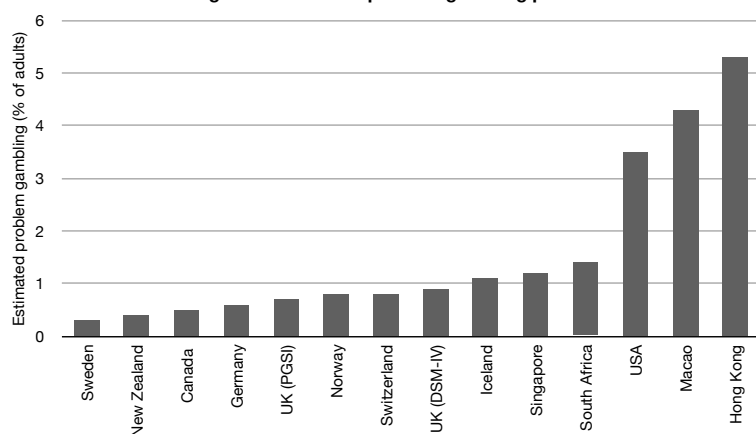
If the stake was reduced to £2, as anti-FOBT campaigners are demanding, the typical “jackpot” would be just £4 and there would be much less incentive to play. Although campaigners have portrayed a lowering of stakes as a compromise solution, they are aware that it would “effectively ban” the machines in practice.

Gambling and problem gambling

Opposition to gambling is usually expressed in the context of concerns about ‘problem’ or ‘compulsive’ gambling, even by groups which are intractably opposed to gambling for moral and religious reasons, such as the Salvation Army. As the constant allusions to crack cocaine indicate, there are suggestions that fixed odds betting terminals are exceptionally “addictive” and have led to a rise in compulsive gambling in the UK. Once again, however, there is little empirical evidence to back this up.

Problem gambling has been defined as “gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits.” (BGPS, 2010: 73) It is measured in surveys by asking gamblers to self-report symptoms such as “chasing losses” and “lying to people to conceal [the] extent of gambling”. The evidence base is hampered by the use of different methodologies and by pro- and anti-gambling biases in the literature which tend to exaggerate both the positive and negative effects of gambling (Reith, 2006). Nevertheless, it is widely agreed that the UK has a relatively low prevalence of problem gambling compared to other countries. Figure 2 shows both of the estimates from the two most recent British surveys alongside similar estimates from overseas (all data come from BGPS, 2010: 86).

Figure 2: Estimated problem gambling prevalence



Three editions of the British Gambling Prevalence Survey (BGPS), published in 1999, 2007 and 2010, provide the most comprehensive overview of gambling and problem gambling in the UK, but the Gambling Commission has since withdrawn funding for these reports. This is unfortunate, not only because future estimates may not be directly comparable, but because the 2010 edition of the report was something of a cliff-hanger. It found a statistically significant increase in problem gambling between 2007 and 2010 using one methodology but not another. As the DMCS notes:

“The proportions increased from 0.5% of the adult population in 2007 to 0.7% in 2010 (which is not statistically significant) on one measure and from 0.6% in 2007 to 0.9% in 2010 (which is at the margins of statistical significance) on the other measure used.” (DCMS, 2013: 29)

As an illustration of how different these surveys are, only 0.5 per cent of the population qualify as problem gamblers under both methodologies. Because problem gambling is relatively rare, national surveys are sensitive to small changes in the sample group. Even in the survey which found an increase in problem gambling, only 64 out of the 7,756 respondents were classed as problem gamblers and the authors of the BGPS report urged that “caution should be taken when interpreting this result.” (BGPS, 2010: 85). Unsurprisingly, however, campaigners focus solely on the positive finding

and proceed to make *post hoc ergo propter hoc* assumptions about the cause of this putative rise in problem gambling. Rowenna Davis, for example, wrote in the *Daily Mail*: “According to a Gambling Association [sic] survey, problem gambling has increased 50 per cent since liberalisation was introduced in 2005.” (Davis, 2012) Similarly, Adrian Parkinson from the Campaign for Fairer Gambling, says: “After FOBT machines were introduced to betting shops, the number of problem gamblers mushroomed.” (Hickman, 2012)

In fact, the only conclusion drawn with any confidence in the last British Gambling Prevalence Survey was that there were between 254,900 and 593,400 problem gamblers in the UK in 2010. There is a wide gap between the low and high ends of this estimate and it is uncertain whether the true figure has risen since 2007, let alone whether it has risen since 2010. The government acknowledges that even the higher estimate of 0.9 per cent is “relatively low in international terms”, but it does not wish to see the figure grow higher and is prepared to clamp down on any sector of the industry which might be culpable for a surge in problem gambling (Department for Culture, Media and Sport, 2013: 8).

But even if there *has* been a rise in problem gambling since the mid-2000s, there have been many changes in the gambling market in that time and it would be a fool’s errand to pin the blame on one sector, or on one specific activity, in a diverse industry. This, however, is precisely what many campaigners against FOBTs do.

For those who object to gambling, it is axiomatic that increasing the range and availability of gambling products leads to more problem gambling in the population. This assumption is often refuted by real world evidence and some academics have therefore rejected the “exposure model” in favour of the “adaptation model” which says that “following initial increases in the number and types of adverse reactions to new and novel social opportunities (e.g., substance use, gambling), people will adapt gradually and become more resistant to those

events, eventually leading to stable or lower prevalence rates associated with the adverse circumstance ... the adaptation model argues that gamblers are dynamic and reactive rather than passive victims of gambling exposure.” (Shaffer & Martin, 2011) Evidence from the USA, where problem gambling has not risen in 35 years “despite an unprecedented increase in opportunities and access to gambling”, supports this hypothesis (ibid.). It may also explain why the numerous gambling products which have been likened to crack cocaine have not led to the “epidemics” of problem gambling promised by anti-gambling activists.

The 2010 British Gambling Prevalence Survey had nothing to say about the putative link between FOBTs and problem gambling and none of the statistics presented in the report indicate that there is anything uniquely perilous about playing them. Amongst those who spend a lot of time and money gambling, FOBTs were only the sixth most popular choice of activity, after the National Lottery, scratchcards, slot machines, horse-racing and sports betting (BGPS, 2010: 68).

It is, of course, possible that there has been a surge in FOBT use and addiction since the 2010 report was published, but such evidence as there is suggests not. Although the Gambling Commission has cancelled the BGPS, it continues to publish data about gambling prevalence on a quarterly basis. Any widely available form of gambling that is likened to crack cocaine might be expected to spread through the population creating new, habitual users, but this does not appear to have been the case. The 2010 report found that four per cent of the adult population had played a FOBT in the past year—up from three per cent in 2007—but there appears to have been little or no growth since then. Although the Gambling Commission’s more recent data does not show how many people played the machines in the past year, the proportion of Britons who played a FOBT in the past *month* stood at 2.5 per cent in 2009 before falling to 1.8 per cent in 2010 and 2011 and dropping to 1.4 per cent in 2012 (Gambling Commission, 2012b: 3).

Of those who play FOBTs, only 15 per cent played two or more times a week in 2012, a rate that has remained unchanged since 2010 (Gambling Commission, 2013: 5; BGPS, 2010: 57). If playing two or more times a week implies “addiction” then players of FOBTs are less “addicted” than those who play fruit machines (31 per cent), online casino games (63 per cent), scratchcards (20 per cent) and online slot machines (75 per cent) (Gambling Commission, 2013: 5).

Of those who gamble every month, rates of problem gambling are not exceptionally high amongst those who play FOBTs. The 2010 BGPS found that 13.3 per cent of regular FOBT players were problem gamblers. This is higher than the rate found amongst the general population, of course, but it is lower than the rate found amongst those who gamble on dog races (19.2 per cent), non-sports events (13.8 per cent), casino games (13.9 per cent), online slot machines (17 per cent), spread betting (10.7 per cent) or who play poker in a pub or club (20.3 per cent) (BGPS, 2010: 96). It is, in any case, unwise to draw firm conclusions about the causes of problem gambling from the specific games played. Problem gamblers tend to engage in many different gambling activities. For example, 20 per cent of those who play poker *and* take part in at least six other gambling activities are problem gamblers, but the rate falls to just 1.4 per cent for those who play poker but take part in few other gambling activities (BGPS, 2010: 95).

None of the Gambling Commission’s statistics are consistent with the belief that FOBTs are unusually addictive devices which are spreading like a virus through the vector of proliferating betting shops. Nor do they prove that FOBTs are utterly benign, however. As with all forms of gambling, there is potential for excessive play and compulsive behaviour, and it is always possible to find individuals who have lost more than they can afford. Campaigners are very effective in bringing the stories of “former addicts” to the media’s attention as if they were typical of the average player, but policy should not be based on anecdote. The government is right to state 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” (DCMS: 23) and that “without such evidence there is a risk of introducing disproportionate and untargeted regulation that could cost jobs.” (DCMS, 2013: 19). The government has therefore expressed its intention to neither raise nor lower stakes and prizes on B2 machines but rather to commission new research into problem gambling which is expected to take eighteen months to carry out (DCMS: 22-23). This seems a reasonable and sober approach.

Conclusions

The last thirty years have seen numerous examples of popular scares about new gambling products which have proven to be fleeting and largely unfounded. These moral panics have all followed a remarkably similar template of overblown rhetoric, anecdotal evidence and fears about problem gambling which subsided after a few years when it became clear that the new activity was neither especially pernicious nor particularly contagious. Virtually every new form of gambling has been compared to crack cocaine since the 1980s and even the National Lottery was treated with suspicion in its early days (McKee, 1995). The media-led panic about “super-casinos” in the mid-2000s demonstrated that gambling is still regarded as at least partially taboo in some quarters (Snowdon, 2012). As late as 2011, 40 per cent of the British public said that they had a “negative attitude towards betting shops”, according to one survey (Deloitte, 2011: 40).

New gambling products often raise objections from those who oppose gambling on principle as well as from rival sectors of the industry.

Campaigners tend to target new forms of gambling since it is politically easier to ban activities that have not fully taken root. It is easier to stir fears about activities of which the general public are not familiar and about which there is little solid evidence. Evidence is certainly sub-optimal in the case of the latest generation of gambling machines, but this does not justify using the precautionary principle to outlaw gambling products which are clearly popular with many people. These machines have now been in use for more than a decade and such evidence as there is supports the adaptation model rather than the exposure model. Betting shop customers are spending less on over-the-counter betting and more on virtual gaming but total spend is flat or falling and there are indications that the popularity of FOBTs has already peaked.

Since banning FOBTs entirely would require primary legislation, campaigners have instead called for the games to be unnecessarily slowed down and for stakes (and therefore prizes) to be reduced to a level at which the games would lose their appeal (Zarb-Cousin, 2012). This would amount to a *de facto* ban since the machines would then be withdrawn by the operators.

The risks of prohibition and excessive regulation are well-known. The prospect of virtual gaming machines being driven underground if the industry is over-regulated is by no means far-fetched. There is already a small black market in existence with authorities confiscating no fewer than 119 illegal gaming machines in the London borough of Haringey in 2012 (Haringey Council, 2012b).

Whilst the usual moral and practical arguments against prohibition apply, there is a more prosaic reason why the much-maligned fixed odds betting terminal should be left alone, as Dr Mark Griffiths, Professor of Gambling Studies at Nottingham Trent University and co-author of the British Gambling Prevalence Survey, notes:

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. (Griffiths, 2013)

Internet gambling is itself an example of a new ‘crack cocaine’ that failed to deliver the promised epidemic of addiction, but it is true that the government and Gambling Commission prefer people to gamble in a regulated environment. The Gambling Act removed gaming machines from “ambient locations” such as fish and chip shops and taxi ranks on the basis that gambling should take place in clearly defined, supervised, adults-only gambling venues. Betting shops and casinos clearly fall under that category.

To some extent, the playing of virtual casino games, whether online or in betting shops, is an unintended consequence of the Gambling Act's arbitrary restrictions on casino licensing. Similarly, the “clustering” of betting shops, much exaggerated though it may be, can be seen as an unintended consequence of the limit on machines in bookmakers. Since the internet genie cannot be put back in the bottle, regulation of the onshore industry must not

become anachronistic in a world in which adults have every opportunity to gamble online and on their mobile phones. For the most part, better regulation of the domestic industry means providing greater flexibility for new technology and larger stakes and prizes for venues which are higher up the regulatory pyramid.

New technology creates new opportunities not only for players and the industry, but also for gambling researchers. Virtual and online gaming offers unprecedented scope for collecting data about how people gamble and can offer some assistance in tracking and combatting problem gambling. Some 'nudge'-style measures, such as voluntary self-exclusion from betting shops, are already in place, but machines could also be modified so that players can preset limits on how much they can spend or how long they can play. The Responsible Gambling Trust's forthcoming research on gambling machines is welcome and it is to be hoped that future nationwide surveys meet the high standards set by the British Gambling Prevalence Survey. As this paper has shown, it is important for policy to be evidence-based, not rumour-based.

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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?

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

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

See above. Technological safeguards are available and we encourage research into their possibilities.

Package 4: Category B3

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?

No. We believe there is scope to increase stakes and prizes as per Option 3.

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

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?

Yes.

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. A stake limit of at least £2 for all B3 is consistent with their location and product design.

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

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?

Yes. A stake limit of at least £2 for all B4 is consistent with their location and product design.

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.

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

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.

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?

Yes.

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?

No. We believe that £100 prize limits would allow for more product innovation and a better playing experience.

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 favour Option 3 for all Category D machines to incentive product innovation.

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 favour Option 3 for all Category D machines to incentive product innovation.

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 favour Option 3 for all Category D machines to incentive product innovation.

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

Costs and benefits:

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)

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)

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

Prize gaming:

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

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

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

