Gambling Act 2005:

Response to the Consultation on the

Triennial review of Stakes and Prizes

March 2013

**Introduction**

I welcome the opportunity to respond to the Triennial Review - Proposals for Change document.

I have wide experience in the gambling industry. I am currently CEO of the country’s largest casino, the Hippodrome casino in London. I have also run companies that have operated bingo halls, inland adult gaming centres, seaside arcades, manufactured and distributed gaming equipment, and had bookmakers licenses. At the same time I am a trustee of Gamcare, the country’s largest problem gambling charity, so it can be seen I have a wide and useful experience to draw on in this response.

The 2005 Gambling Act was useful modernising legislation designed to let legislation catch up with and deal with future industry development, but it is already behind in many areas and there is a lot of work to be done to keep it current and relevant and this review of stakes and prizes should be an important step forward.

The 2005 Act set out a well thought out structure for gambling in the UK, establishing a pyramid of gambling/regulation/player protection designed to have stronger regulation and more player protection the harder the gambling. Since then, the pace of technological change has increased and the gambling landscape materially changed and reviews such as this are essential to keep to these principles.

We currently have a gambling environment where casinos, which are accepted by the Government, regulators and care services to be the correct place for harder gambling with an appropriate high level of player protection and regulation, have unlimited stake and prize on their casino games but are limited to 20 B1 slot machines at £2 stake and £4,000 jackpot, and there is a total of under 2,500 B1 slot machines in the country. But at the same time there are now around 34,000 B2 gaming machines on the high street in betting shops allowed to play real casino games like roulette with a £100 stake but with materially lower player protections. Online there are unlimited stakes and prize gaming machines available to anyone with a computer or smart phone and even bingo halls and adult gaming centres are allowed £2 stake machines, and have them in large and increasing numbers. This situation makes absolutely no sense and needs correcting. This review should go some way to doing this and ensure the principles of the 2005 Gambling Act are satisfied.

UK casinos are highly regulated and highly taxed and should be allowed gaming products appropriate to the environment. The lack of attractive slot machines is pushing consumers to gamble in less appropriate (and less taxed) environments such as online and in betting shops. This must lead to higher rates of problem gambling and also less revenue for the exchequer. Equally, it is normal for casinos internationally to have large numbers of higher stake and higher jackpot gaming machines, and the lack of them in UK casinos is both encouraging UK consumers to go to casinos abroad, and stopping overseas visitors from spending their overseas currency in casinos in the UK. A recent Mintel report showed less than 4% of UK people had played in a casino in the UK, but 15% had played in a casino abroad, and I can speak from personal experience of the frustration players have queuing for machines in casinos.

Improving the slot machine product in UK land based casinos would help persuade some of the millions of customers who play modern electronic gambling in less regulated or protected, and less or even untaxed (as far as the UK exchequer is concerned) environments, such as online or betting shops, to play in a UK highly regulated and highly taxed casino environment, appropriate for harder gambling.

People make a positive decision to go to a casino, and generally have a planned expenditure. It is acknowledged that UK casinos have the highest level of player protection and regulation. They have effective door control. Underage people do not get into casinos as casinos have trained doormen who challenge and check ID on anyone who appears to be under 21. UK casinos have the highest level of regulation and an extremely high staff customer ratio, particularly important in player protection - all the casino gaming staff have to be licensed and trained in problem gambling awareness. Casinos have strict money laundering regulations, which mean anyone spending, or winning, £1,500 or over has to be positively identified. As a result the rate of problem gambling associated with land based casinos is relatively low.

It is further acknowledged that given all these protections, it is an anachronism that casinos are limited to 20 £2 stake slot machines when the equivalent product is easily available online, and unlimited in numbers, stake and jackpot; when betting shops are opening rapidly to get more even £100 stake B2 machines on the high street in materially less regulated or controlled environments and when numbers of £2 stake B3 machines are increasing nationally as well following the introduction of machine gaming duty, (replacing the AMLD which effectively had a siting cost per machine, giving an economic threshold control on numbers). The regulatory imbalance is showing in the growth figures of the various sectors. The casino market is growing slowly, around 3% a year, despite some material investments. But the online and betting shop markets are growing at over 10% a year, demonstrating a consumer shift to playing in less protected environments.

The casino industry welcomes competition where it is good for the consumer. However, the competition between Land based casinos, online casinos and Bookmakers is caused by a regulatory imbalance and the vulnerable consumer is suffering, being encouraged to play in less suitable environments. High street and online retailers share similar tax burdens and have the ability to offer identical products in environments where prices are controlled by market forces. An online casino has no regulations and negligible taxation whereas a land based casino has high regulation and high taxation. A betting shop has low costs with low taxation and low regulation or player protection and yet is allowed to offer B2 machines which play roulette faster than you can play in a real casino, at up to £100 a game. It is no wonder both these sectors are growing at the rate they are growing, and the number of problem gambling issues is increasing.

It seems entirely logical and consistent with player protection and consumer choice that if a land based casino offers the same protective measures as online operators but with the additional benefits of identification verification - by being present and visible - and direct supervision by licensed and problem gambling trained supervisors, then product availability should not just be comparable, but even greater in the land based casinos as they have enhanced player protection. Likewise as a land based casino has materially higher player protections than betting shops, they should be allowed larger numbers of harder gaming machines than found in betting shops, and serious consideration should be given to whether ambient gambling locations such as betting shops should be allowed to continue with their casino gambling machines.

As such the proposals of raising the stakes on B1 machines to £5 and jackpot to £10,000 or £15,000, and to consider whether the B2 stake and prize levels are appropriate, are welcome and consistent with the principles of the Act, but quite frankly a drop in the ocean of what should be done to enforce the requirements of the 2005 Gambling Act, and properly protect players by having harder gambling in appropriately regulated environments with correct protection for players and at the same time reduce or remove hard gambling in inappropriate venues.

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**Question 1.**

**How often should the government schedule these reviews? Please explain the reasons for any time frame put forward for consideration.**

These reviews should not be necessary for gaming machines in casinos as the level of player protection is already sufficient to allow market forces to determine the stakes and prizes on gaming machines in casinos, as they do on their gaming tables and in casinos internationally. Accepting there is a need to put a number in the regulations, it should be set as high as needed to stop it getting in the way of market forces.

For other categories of machines, a 3 year cycle has always proved successful, allowing time for product development and implementation, however it should revert to a less bureaucratic and lengthy process. It used to be fairly simple and take less than 18 months.

**Question 2**

**The government would like to hear about any types of consumer protection measures that have been trialled internationally, which have been found most effective and whether there is 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.**

There are no known effective mechanisms for machine based consumer protection. For every attempt at machine based solutions there are equal counter concerns.

For example, it is easy to track electronically the performance of a gaming machine, but more difficult to electronically track or control the behaviour of any individual player playing that machine with respect to problem gambling, and player behaviour on one profile of game would differ from another profile of game. Different games have different characteristics and are played differently. Some jurisdictions have required the ability for players to set limits on time or spend, but there is a concern that this gives people a false sense of security and in any case problem gamblers would not set any limits as they may not see themselves as having a problem. Even if there were useful algorithms developed, requiring players to play with a loyalty or membership card and so be identified, gives concern that players would avoid these machines and prefer to play anonymously in lesser regulated premises or online.

Internationally the consensus is that location based consumer protection is the best solution, and I concur that this is best in the UK as well. Consumers are not stupid and accept that different types of gambling premises normally offer gambling opportunities commensurate with that environment, and expect fairly that there will be commensurate player protections available. Gambling operators are also not stupid and generally do not want to cause harm to consumers and want to establish good sound long term businesses. As explained above, casinos are at the top of the regulatory and player protection pyramid, and benefit from physical human monitoring of players, something that a machine can never do and is a significant factor in problem gambling prevention, identification and resolution. There is a very good research paper by Bill Eadington and Peter Collins entitled ‘Managing the Social Costs Associated with Casinos: Destination Resorts in Comparison to Other Types of Casino-Style Gaming’ which examines the benefits to costs of the various types of gambling premises, including the cost of problem gambling. I enclose a copy for reference.

**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 play information for player protection in exchange for potentially greater freedoms around stake and prize limits**

There is currently no evidence or experience that there are any such effective player protection measures through player tracking on gaming machines. Nevertheless we need to be open to attempting to develop algorithms that can use player tracking data to spot potential problem gamblers. However the number of machines in UK casinos is so small that it would make it commercially unviable. It is difficult enough to get international machine manufacturers to develop models for the UK casino market and any further complications would make it even less viable. As such, as the number of machines in UK casinos is allowed to be increased, the opportunity for this sort of development likewise increases.

The most effective player protection programmes currently available are based on training floor employees to recognize players who appeared to be in trouble and to interface with them in a non-threatening manner. The current situation is already well developed on this but more could and should be done to develop and refine this to improve it further, regardless of any increases in numbers, stakes or jackpots.

**Question 4**

I agree with the government’s rejection of Package 1

**Question 5**

I agree with the government’s rejection of Package 2

**Question 6**

I agree with the government’s assessment of the proposals put forward by the industry

**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?**

In principle yes, as it seems to be what is on offer, but as detailed above this is only a step in the right direction. The casino environment has no limits on any other form of gambling and has all the necessary player protections already. It has a higher level of player protection than most international comparisons which already allow much greater numbers of high stake and jackpot gaming machines. It is operating in a competitive environment where competitors have lower protections and higher stakes so it is incongruous even at £5.

**Question 8**

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

It will certainly be consistent with the licensing objectives of the Act, as it would be if it was materially higher, but the impact will be limited given the low numbers of machines involved. If it was higher and on a larger numbers of machines it would encourage players who already like playing on higher stake games in less suitable environments to play in a proper casino which is a more appropriate and safer gaming venue for such games.

Given customers regularly play all the other casino games at stakes of £5 or more, a £5 stake would be more attractive in a casino than a £2 stake and this must help increase income, or at least help casino retain customers. It should be noted that with modern machines, the game stake is a combination of stake per line and number of lines and £5 would make the machines more similar to international equivalents some of which are say 5c a line and up to 100 lines, or 10c/50 lines etc, so converting international machines for the UK market may be easier. Equally, at the industry requested Jackpot of £10,000, a £5 stake maintains the same stake prize ratio of 2,000 to 1, so existing games could be converted to the new stake/prize levels without having to change the maths of the game.

**Question 9**

**Do you agree with the government’s proposals for adjusting the maximum prize limit on B1 gaming machines?**

I agree that the prize limit should be increased. Again, for all the reasons above, the jackpot should be left to market forces, as in most other jurisdictions in casinos with high player protection and high regulatory standards. However accepting the political realities, a £10,000 jackpot would be a useful interim step, and be practical as stake and prize would both increase by the same factor, so converting machines would be simple. A stake increase to £5 with a £4,000 or £7,000 jackpot would be seen negatively by the customer who would see it as poor value and neither level has an emotional value. £15,000 looks more attractive, but it is not emotive compared to what else is in the market place and to be practical, until there are sufficient numbers of machines in UK casinos, the complexity of changing the mathematics of the stake prize ratios would be expensive, so better to go to £10,000 now and then review the whole situation properly.

The casino industry already has the highest level of player protection, so jackpots of any level should be permitted. If it makes the regulator more comfortable we would have no issue with linking larger numbers of machines at appropriate stakes and prizes levels for casinos, with improved tracking and monitoring technology, to be able to investigate properly if there were any playing patterns indicative of problem gambling behaviour. I still feel a trained human will be able to better identify such behaviour, but am not closed to using technology as well. This would only be commercially viable with larger numbers of machines.

In the interim I know the industry is constantly looking to improve its social responsibility and measures such as working with Gamcare to ensure the SR training that already happens remains appropriate for machine play at higher levels, and would agree it would be positive to fund and develop, with Gamcare, a specific training course to focus on problem gambling issues specifically associated with machine play.

**Question 10**

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

£10,000 for the reasons given above

**Question 11**

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

Yes

1. higher stake/prize machines that can only be played with a membership card inserted
2. Progressive linked jackpots
3. **Higher value machines with card activated ONLY play.**

Allow the industry to have more machines with less restrictions on stake and prize, which can only be played with a player tracking card, which will allow analysis of play to see if any algorithms could be determined to detect problem play.

**b) Progressive linked Jackpots**

The industry should be allowed to link machines to have higher, combined, linked jackpots. This is normal in casinos.

**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.**

There have been a few trials internationally, but none I am aware of in anything similar to the UK. Internationally there are few casino environments as protective and well regulated as the UK casino industry and so any comparisons are difficult. There is certainly noconsensus on any relevant machine based intervention. There is no harm in giving players more and better information, with a caveat some players could be given a false sense of security. Nothing has been found so far that beats the trained human for identifying and reacting to issues**.**

**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?**

Yes, especially combined with the rapidity of the game, and the ambient environment they are played in.

Gambling experts such as Professor Mark Griffiths concluded some time back that the risk of harm is related to the stake and rapidity of play. Thus logically higher stake and faster games need to be in environments that have the necessary regulations and player protections.

Compare casinos and betting shops.

Casinos have active door control and an excellent record of keeping underage people out. Betting shops have staff behind the bandit screen and an appalling record in keeping underage people out - recent mystery shopper tests showed a 24% failure rate. Young people are more vulnerable. All gaming staff in casinos have to be trained in problem gambling awareness, they do not have this in betting shops. Casinos have a very high numbers of staff, betting shops do not. Casinos have strict money laundering controls, betting shops do not. Customers know a casino is a place of harder gambling, and make a conscious decision to go to a casino, generally with a planned maximum expenditure. Betting shops are ambient gambling places, available to drop into on every high street and customers expect softer gambling.

However, in betting shops customers play roulette on an electronic terminal at up to £100 a game every 20 seconds. In casinos roulette is played on real tables and roulette wheels, generally at way less than £100 a game and at around 70 to 120 seconds a game, with active monitoring of the players.

The £100 stake available on B2 machines is one of the highest in the world and far in excess of that for other gaming machines available in the UK. The overall stake and prize limit is fundamental to the risk posed by B2 machines, alongside the speed of play which makes the B2 gaming machine a uniquely dangerous product operated in a low regulation and low player protection environment.

So currently higher stake and higher speed gambling is available in bookmakers that have less player protection than premises like casinos which have slower games. It is no surprise that every care service reports the largest numbers of problems reported is with B2 machines and the amount of concern that is being raised about them.

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

Where is easy. Everywhere. There are now around 9,500 bookmakers on just about every high street with strong concern over the clustering in poorer areas. Who is relatively easy. The Prevalence studies show it tends to be poorer younger males, but a wide spread of players play B2s.

Accurate staking figures should be available from the bookmakers, but care must be taken as they will naturally give figures that best represent their case for retaining their highly profitable B2 machines. They claim the average stake on B2 machines is around £7 to £12 a game, but it must be questioned what this is an average of. Is it the Roulette games, or a combination of all games played on that terminal including the lower stake slot machine games? The range of play should also be identified. If the average stake on roulette really was low, they would have no concern in reducing materially the maximum stake per game. Reducing the stake should have no impact on normal gamblers, but may help problem gamblers.

The actual speed of play should also be considered, and questioned if it is appropriate to have roulette at around 20 seconds a game in a high street betting shop, but 80 seconds a game in a real casino.

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

The amount a customer spends is another confusion for trying to analyse behavior through electronic player tracking. People with high disposable incomes can spend more and it not necessarily need be a concern. Electronic player tracking might equate high spend with problem gambling incorrectly. The concern is when people spend more than they are able to spend, or lose the ability to control their spending on gambling. The risk of that happening is higher when you have the combination of easily accessible high stake rapid games in less regulated, monitored or protected environments, such as bookmakers. High stake rapid games need to be in environments designed and regulated for them, and where there is active human monitoring of behavior, such as in a casino.

**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?**

The B2 machines are demonstrably causing problems and casino gambling in bookmakers should be prohibited.

There are no other countries in the world that allow similar levels of gambling in ambient high street locations as it is inappropriate. Necessary player protections and regulations are not in place. There are no other countries that allow anything like £100 a game on high street machines. Ireland recently considered FOBTs in betting shops and rejected them. When the Government considered the 2005 Gambling Act, it specifically prohibited betting in casinos and bingo, casino in betting and bingo and bingo in betting and casino, to stop people trading up between the activities, with the one exception of the ‘trials’ with the 2005 act casinos, but betting shops have managed to achieve casino gambling at faster speed than in a real casino and their customers are trading up from relatively slow betting to the harder and faster casino gambling. The £100 stake limit on B2s is more than is generally played in most casinos so is not prohibitory to casino gambling. The betting shop environment and level of regulation and control is not appropriate for this level of hard gambling and the vulnerable are getting hurt.

Getting perfect evidence to prove this definitively one way or the other is not possible and this reality will be used by betting operators to continue to operate whilst the facts are obvious. The ‘evidence’ that is available is already sufficient and compelling. Every problem gambling agency reports that B2 machines are causing significant problems. Gamcare has over a third of callers specifically citing B2 machines and another third citing betting shops in general. The Soho problem gambling clinic reports over half their customers are B2 related. There are frequently reports in the newspapers and the violence against the machines from distraught customers has got to the point that operators such as William Hill have instructed their staff not to report such criminal damage unless people are injured.

Privately even the regulators admit that the situation is wrong.

The precautionary principle is normally applied to stop something of concern unless evidence is produced that shows it is not a problem. The application here of allowing it unless evidence can be produced to confirm it is a problem is wrong. There clearly is an issue. The vulnerable are clearly being hurt. This is against the principles of the 2005 Gambling Act and the precautionary principle. The powers already within the Regulations and Gambling Commission technical standards should be used in a precautionary manner to remove casino gambling from bookmakers unless they can provide evidence that shows definitively it is not a problem to have such gambling in such ambient premises. If they can, then all similar premises would have to be allowed it, and casinos allowed something even harder, commensurate with their position in regulation and player protection.

**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?**

Removing B2 machines would reduce the risk and incidence of problem gambling.

I note in the comments that it is stated that the B2 machines are ‘important to the economic viability of many betting shops, and associated economic investment and employment’.

Betting shops operated successfully before the B2 machines. The only difference now is the B2 machines are low cost with high earning potential as they are out of place on the high street and regulation and so are highly profitable, and the betting shops are enjoying great commercial success on the back of them. There are few other businesses enjoying double digit growth currently. This is enabling the betting operators to open more betting shops on the high street. Their customers are trading up to the harder casino product away from traditional over the counter betting and so less staff are needed and they have reduced staff numbers even with the increased numbers of shops, Bookmakers are now 1 in 25 shops on the high street. The effect on the high street needs to be considered more widely as they are taking units from other retailers, taking income from the high street that would otherwise be spent in normal shops and are causing social problems. If the B2 machines were removed the shops opened purely on the back of them may close, but if the machines are wrong, then they never should have been there in the first place. Customer spending would divert back to over the counter betting and more staff would be needed, and additionally the horse race levy would increase.

This should happen in any case, but it is concerning that the economic issues are considered when not a consideration of the Gambling Act. If economics were a necessary consideration, then all gambling premises should be allowed hard casino gambling as all would be able to make money from it. The Government correctly decided this should not be the case and as such the B2 machines should be removed. Further if economics is of relevance, then the economic viability of casinos in not having appropriate numbers of gaming machines, with appropriate stake and jackpot should again dictate that there should be material improvements for casinos.

**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?**

If the machines are not to be removed entirely, then the speed of play should be reduced to a level much slower than in a real casino, say 30 games an hour, and the stake should be reduced to the same level as other ambient gambling premises, e.g. £2

**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?**

The facts are a £2 stake is viewed as correct for machine gaming on the high street in all other similar ambient gambling premises. Plus in a real casino the game speed for roulette is about 90 seconds a game. Betting shops should be at the same £2 stake and have a slower game speed for any similar games. The change in game speed could be easily implemented by the Gambling Commission changing its technical standards, and the reduction to £2 stake easily achieved by statutory instrument.

The correct option however is to prohibit betting shops from having casino gambling and machines with a stake greater than £2 in any case.

**Question 15 to 29**

No comments other than the proposals seem sensible and proportional to the environments

**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? (Provide evidence to support your answer)**

Yes

**Question 31**

**Do you agree with the government’s approach to monitoring and evaluating the impact of changes to future reviews? If not, why not? (Provide evidence to support your answer)**

No. The periodical prevalence survey should be continued, or else we will have no data to work from.

**Question 32**

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

Ditto.