

Call for Evidence: Gaming Machines and Social Responsibility

Opera House Casino Response

Introduction

This response from the Opera House Casino, Scarborough, is largely in accord with the response submitted by the National Casino Forum (NCF), the trade association which represents all non-remote casinos in GB. There are, however, differences in some areas, specifically concerning the numbers of gaming machines permitted in 'small' 2005 Act casinos and with regard to Social Responsibility. We support the Government's objective at 1.4 of this review, and fully agree that striking the correct balance between socially responsible growth and the protection of consumers and wider communities must be a fundamental tenet of gambling policy.

The Opera House Casino agrees with the intention at 1.26 that casinos remain at the pinnacle of regulation with the 'hardest forms of gambling' on offer including 'gaming machines with the highest stake and prize limits'. This is in keeping with the long-accepted principle (the regulatory pyramid) established by Sir Alan Budd in his government commissioned 2001 report on the broader gambling industry.

In response to the Call for Evidence, the Opera House is proposing changes to the machine regime that will allow the casino sector to respond to customer demand, boost tourism, match global competition and keep up with technological advances whilst remaining at the vanguard of socially responsible gambling. Our proposals would lead to increased revenues for HM Treasury, boosting jobs in the sector and contributing to economic growth.

These proposals, which can be achieved by Secondary Legislation, have been subject to Gambling Commission scrutiny and are reflective of recommendations made by the Culture, Media and Sport Select Committee (see below).

Legacy of the 2005 Gambling Act

The 2005 Gambling Act made many welcome improvements but, as the sponsoring Ministers later conceded¹, the legislation also had unintended

¹ Oral Evidence to Culture, Media & Sport Select Committee, 12th January 2012

Q603 Damian Collins: I want to ask a couple of questions about machines in casinos. Under the provisions in the Act, why is it that a small casino needs more gaming tables than a large casino to maximise its allowance of machines?

Tessa Jowell: The ratio between gaming totals and machines was something that we considered carefully on the basis of advice, which would ensure that the casino regime complied with the three licensing objectives of the legislation.

Q604 Damian Collins: So a small casino has to have 40 gaming tables to maximise its machine allowance and a large casino only 30. What advice did you receive that led people to believe that that was the best outcome?

Richard Caborn: When I reflect back on it, there were areas where we could have applied more common sense. I must admit that this is one of the areas. It is something that needs to be revisited in my view. You take a view in light of five years' experience. I really do welcome this Committee, because I think you can have a look both in terms of dealing with people's concerns about harm but equally about fairness within the industry. I hope that you will look at some of these areas because I think they do need revisiting.

Q605 Damian Collins: Did you consider having one ratio but limiting the number in smaller or large casinos and operating at the same ratio?

Richard Caborn: You got into this argument not just about casinos, but about pubs and clubs. We had a big argument about whether the limit for working men's clubs should be £500 or £250. It was a much bigger picture than that. It was all about how many machines were going to be in the nation for gambling at the end of it. The pubs and clubs were arguing that the FOBTs in betting shops were a totally different animal. Then you have the new casinos-the £1,500 and so on. It was not an exact science. Let me put it that way.

consequences for casinos. Indeed, it has limited the development of new and innovative gaming products found elsewhere around the globe and fell short of many of the reforms needed to allow casinos to grow and compete in a rapidly evolving marketplace.

The Opera House is predominantly concerned about the ratio of gaming machines to gaming tables for 'small' 2005 Act casinos (currently 2:1). The Act has created a situation where the Small Casino model is not considered financially viable. This is partly because a 'small' Casino must possess a larger floor-area for table play than a 'large casino' in order to maximise its machine allowance.

By way of context, only a small number of the 2005 Act casinos have actually opened in the nine years since the Act became law in 2007. A primary reason for this is the commercially impractical ratios of machines to tables anticipated in the Act, as well as some of the designated locations of the new licences being geographically and economically inappropriate.

By creating a three tiered licensing regime (or four if the currently redundant Regional casino licence is included) based in large part on the allocation of machines the Act has introduced confusion into the casino landscape which benefits neither consumers nor operators and which, as evidence set out below demonstrates, does not advance social responsibility objectives.

Our proposals and evidence in this submission are given in response to the current 3 tiered licensing regime and are reflective of specific and particular circumstances that apply in each case. A summary of our key proposals are set out below.

Core Proposals:

- **Allow 'small' 2005 Act casinos to move from a 2:1 machine to table ratio to a 5:1 ratio capped at 80 machines.**
- **Increase the machine numbers cap for Large 2005 Act casinos in accordance with the existing 5:1 machine to table ratio up to 500 from 150.**

Additional Proposals:

- **No further increase to the basic stake and prize for B1 machines in this review, believing that the more pressing matter is to address the anomaly of machine numbers for 'small' 2005 Act casinos.**
- **Give further consideration to the NCF Roadmap proposals around remote gaming (on-line) machines in casinos.**
- **The Opera House agrees with the NCF proposal for an amendment to the Gaming Machine (Circumstances of Use) Regulations 2007 to reflect the impact of the previous triennial regulatory increase by increasing the transfer value from £20 to £50 on B1 machines.**

Q606 Damian Collins: Did you consider setting a maximum number of machines for a small or large casino, but operating the same ratio between machines and tables? Is that something you considered?

This to maintain the x10 stake principle, both to accommodate £50 notes being deposited and amounts transferred between the bank and play meters.

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

The casino industry was granted an increase to the stake and prize limits on B1 machines in the last review (February 2014) from £2/£4000 to £5/£10,000.

- **We are not seeking a further increase to the basic stake and prize for B1 machines in this review, believing that the more pressing matter is to address the ratio of gaming machines to gaming tables for 2005 Act 'small' casinos.**

NCF gave a commitment during the 2013 Triennial review to improve data collection of player behaviour. They provide evidence that the previous increase has been implemented without causing regulatory concerns. We therefore believe that basic stakes and prizes should be, and can safely be, maintained at the current level.

There are also a few broader aspects in the area of stake and prize limits that we would like to be considered, as below.

Casinos have robust social responsibility policies and practices in place and pioneered the first national multi-operator Voluntary Self Exclusion (VSE) programme which operates 24/7 well before regulation required it. Through the NCF Playing Safe forum, the Department is aware that the sector unites in working towards common best practice and shared initiatives (including the VSE scheme).

NCF members provided their machine data prior to and post the uplift of stake and prize for category B1s in 2013. This data, over three years, provides insight into the socio economic impacts since the uplift was introduced.

The data reflects averages for machine play spend, machine win and machine cash out, return to player data and social impact data. NCF B1 data.

The average stake on B1 machine bet per game has increased from .81p in 2013 (pre-uplift) to .89p 2014, & .90p 2015 & 2016

Machine Category	Gaming Machine Total Bet Oct-Dec 2013	Games Played Oct- Dec 2013	Average Bet (per Spin) Oct-Dec 2013
Category B1 - Progressive	£ 94,896,997	129,563,184	£ 0.73
Category B1 - Non Progressive	£	396,563,221	£

	331,540,350		0.84
Category B1 - Total	£ 426,437,347	526,126,405	£ 0.81

Machine Category	Gaming Machine Total Bet 2014	Games Played 2014	Average Bet (per Spin) 2014
Category B1 - Progressive	£ 802,815,846	861,105,083	£ 0.93
Category B1 - Non Progressive	£ 1,469,371,081	1,677,998,619	£ 0.88
Category B1 - Total	£ 2,272,186,927	2,539,103,702	£ 0.89

Machine Category	Gaming Machine Total Bet 2015	Games Played 2015	Average Bet (per Spin) 2015
Category B1 - Progressive	£ 774,221,443	850,965,176	£ 0.91
Category B1 - Non Progressive	£ 1,348,536,632	1,505,982,979	£ 0.90
Category B1 - Total	£ 2,122,758,075	2,356,948,155	£ 0.90

Machine Category	Gaming Machine Total Bet 2016	Games Played 2016	Average Bet (per Spin) 2016
Category B1 - Progressive	£ 185,382,818	206,765,294	£ 0.90
Category B1 - Non Progressive	£ 339,187,239	377,311,477	£ 0.90
Category B1 - Total	£ 524,570,057	584,076,771	£ 0.90

B2 average stake has increased from £9.80 in 2013, decreased to £9.59 in 2014 and increased to £11.80 2015 and currently stands as at Q2 £12.81

As expected, the result of the 2014 stake and prize changes have provided a modest upturn in net B1 revenue of 5-7%. The data shows similar figures to those also reported by independent research commissioned by the Responsible

Gambling Trust (RGT) "*Evaluating the impact of the Uplift of Stakes and Prizes on B1 Gaming Machines in Casinos*" published December 2015. The conclusions of this independent report were largely very positive in terms of any concerns that the increases might have impacted on problem gambling in casinos.

- **The Opera House agrees with Government that casinos should continue to remain at the top of the regulatory pyramid in regards to machine stake and prize.**

Machine Regulation

There is a further anomaly we would also like to raise which has otherwise been out of step on a practical level since the 2013 increase in B1 stake and prizes

The machine regulations for the Gambling Act 2005 incorporated a responsible gambling (RG) feature on casino B1 machines from the outset. This RG feature is unique to the UK market and not implemented in any other regulated casino jurisdiction. The RG feature requires the customer to first place monies and winnings into the machine 'bank' and, in order to then play from these funds, requires the customer to then 'move' the funds across from the bank to the play option in stages. Funds may only be deposited into the bank at £20 a time (i.e. a £20 note). Whilst this was seen as inconvenient by customers before the 2013 uplift (having to press the transfer button multiple times) it has become more so since the increase in stake from £2 to £5.

The previous maximum £2 stake meant that a customer would obtain a maximum 10 x £2 wagers for every deposit of £20 into the 'bank'. However, when the stake was increased to £5, this was reduced to a maximum four plays per £20 transfer. We believe it is simply a matter of practical common sense to increase the transfer value from £20 to £50 in line with the 2013 stake increase to restore the previous multiple to a maximum ten wagers per deposit. £50 notes are a common currency in casinos and the principle of having to deposit funds from a £50 from note fed into the bank in three instalments (£20, £20 and £10) and then moved across again to the play meter is very cumbersome.

Machine manufacturers would prefer the British casino industry to be in step with the rest of the world in regards to the 'bank' feature, which has to be specifically built into UK casino machines, restricting flexibility of available products. They too see little practical benefit for the customer.

The Opera House agrees with NCF and the manufactures position that this RG feature is largely seen to be something of a nuisance to customers and out of kilter with the rest of the world. However, operators are mindful that this RG feature is long established and could provide a 'pause' in play. Therefore whilst the industry is not calling for the removal of this feature altogether, albeit there is a case to do so, the Opera House would ask that this review at least bring the feature into denominational relevance.

- **The Opera House proposes an amendment to the Gaming Machine (Circumstances of Use) Regulations 2007 to reflect the impact of the previous triennial regulatory increase by increasing the transfer value from £20 to £50 on B1 machines. This to maintain**

the x10 stake principle, both to accommodate £50 notes being deposited and amounts transferred between the bank and play meters.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

It has been widely ignored that B1 machines already have a depositing RG feature previously mentioned above. Operators have made significant financial investment in both technology and human resources, employing dedicated responsible gambling personal such as 'slot hosts' who interact with players.

The report by (University of Salford Manchester & University of Liverpool - RGT Tracked Play on B1 gaming machines in British casinos, has provided useful insight into typical and Atypical behaviour of casino customers' machine play. For example, the report found that "spending above £1000.00 is very rare and there are no cases of a player losing as much as £1500". Additional research by Focal Research Canada partnered with NCF's Playing Safe programme continues looking at carded and un-carded player behaviour. The intention being outputs from this research to further inform operators and help staff to accurately identify potential areas of harm around machine play.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

Prior to the 2005 Act the then permitted 10 "jackpot" machines sat alongside lower stake and prize machines (which carried a prize of £500) then classified as section 16 & 21 terminals under the 1968 Gaming Act. These machines were unlimited in number and a casino could deploy as many of them as its business required which was based on the principle of customer demand. It should be noted that casinos did not, despite the opportunity to do so, create "slot sheds" with huge numbers of so-called "section 21" machines, but simply employed sufficient machines to meet customer demand, depending on the size of the premises and number of customers.

The Gambling Act 2005 re-categorised all gaming machines and, in so doing allowed casinos to again double the number of high stake and prize machines from 10 to 20 per venue as mentioned earlier in our response.

Conversely, however, the Act essentially removed Section 21 machines from the equation so the casino sector had to forfeit all lower stake and prize machines in order to benefit from this change. The Act specified for casinos that they may have 20 x Category B machines **OR** unlimited category C and D. Unlike bingo clubs and arcades, which sensibly are allowed a restricted number of Category B in addition to unlimited Category C and D, casinos have to choose "either / or".

In real terms – given that casinos could not realistically justify having no Category B machines at all, circa 1,900 of the casino machine estate was depleted overnight by removal of the Section 21 machines. Prevalence studies conducted between 1999 –2007 had showed no increase in problem gambling during the periods when Section 21 machines had been employed. There are currently only 2,833 machines across the whole casino sector of 147 venues, despite annual attendances of over 20 million (Gambling Commission Industry Statistics).

The Opera House understands that the Gambling Commission is the main stakeholder and advises Government on matters related to question 3. From NCF's discussions with the Gambling Commission we understand that it does not have any objections in principle to an increase in machine numbers.

The pyramid of gambling regulation in Britain is not contested. The decision by Government to distinguish between casino B2 provision and the restrictions imposed on B2 play outside the casino (1.34) we feel was an appropriate response to our sector.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Despite the removal of the 24 hour rule and no longer needing to provide ID on entry, visits to a casino still tend to be a conscious decision planned in advance as part of a night out. Much like going to the theatre or other social events, the restriction of venue numbers and location makes a casino visit a 'destination' experience. In order for casinos to be relevant and offer modern products the industry will need to keep pace with technology and customer expectations.

The evidence provided by NCF supports the Government's objectives. Changes to the number of machines and their allocation in the casino industry are possible. The Opera House believes, however, that a distinction should be maintained between the numbers of gaming machines permitted in 'converted 1968 Act licences' and those permitted in 'small' and 'large' casinos under the 2005 Act. To maintain this distinction would properly recognise the additional investment made by holders of casino rights under the 2005 Act

We also respectfully ask Government to consider the recommendations of the 2013 Culture Media and Sport Select Committee report (The Gambling Act 2005 - A Bet Worth Taking) in respect of casinos:

- ***5. Gambling is now widely accepted in the UK as a legitimate entertainment activity. While we recognise the need to be aware of the harm caused by problem gambling, it seems to us that the rather reluctantly permissive tone of gambling legislation over the last 50 years is now an anomaly. Our general approach in this report has therefore been to support liberalisation of rules and***

delegation of decisions to those most knowledgeable about their likely impacts, local authorities, while keeping national controls to the minimum commensurate with protection of the vulnerable, in particular children.

- *48. We were told by the Gambling Commission and by DCMS that gambling policy must be evidence-based. It is apparent, however, that the allocation of gaming machines under the 2005 Act is complex and was not made on the basis of solid evidence about the risk of problem gambling.*
- *53. Casinos are the most highly-regulated sector and they are therefore the most appropriate venue for hard, high-stake forms of gaming. This is not reflected fully in the current allocation of machines. We believe that it is illogical to restrict the games available in highly regulated land-based casinos when B2s, with high stakes and prizes, can be accessed in betting shops.*
- *163. We believe that the stated aim of the Government—to test the impact of the new casinos—would be almost impossible to implement in a timely and cost effective manner due to the impracticality of identifying whether any increase in problem gambling was caused by the new casinos as opposed to the presence of any other forms of gambling including online. The Government should reconsider its plans to test the impact of the new casinos. Given that casinos have some of the most comprehensive measures for tackling problem gambling and in the light of some of our other recommendations we believe that casino operators will already be doing enough to enable the industry to grow safely.*
- *169. The Act has created a situation where the 'small' casino model is not considered financially viable. This is partly because a 'small' casino must possess a larger floor-area for table play than a 'large' casino in order to maximise its machine allowance. It was not Parliament's intention in 2005 to make 'small' casinos completely unviable. Given the fact that all casinos are highly regulated and access is limited regardless of the size, we see no rationale for the different gaming machine allowance. As 5:1 is the ratio presently in the legislation, we recommend that the Government introduce a single ratio of five machines to one table for both 'small' and 'large' casinos. Local authorities should have the power to increase the number of machines permitted per table if they wish to do so and an operator requests it.*

Since the implementation of the Gambling Act 2005 only **3** of the 8 large 2005 Act casinos are operating. A further large casino (Victoria Gate Leeds) is currently in development and is expected to be operational early 2017. It is not possible to estimate if or when the other four designated sites will emerge.

Only 2 of the 8 'small' 2005 Act casinos have opened, Luton in August 2015 and the Rubicon in Wolverhampton in November 2016. Both are effectively an upgrade of an existing 1968 Act converted licence.

One advantage in having the 'small' casino in Luton operating for over a year in the same venue where it was previously a converted casino. It has allowed the industry to provide clear evidence in this response to show that the impact of adding the additional machine allowance to what is, essentially, the same converted casino premises as it was before, has not impacted adversely on customer behaviour or problem gambling. It has simply addressed the anomaly of supply and demand.

It should be noted that the Luton 'small' casino only has 60 machines compared to the 80 it is now permitted. The reasons are two-fold - one is that it is not commercially viable to operate the 30 tables needed on a 2:1 ratio and the other is that the operator, Grosvenor Casinos Ltd, believes that, at this particular venue, 60 machines is sufficient at present to meet customer demand.

The new 'small' casino in Wolverhampton has, however, elected to install 40 tables at the outset in order to achieve the 80 machines but it is too early to tell whether this will prove commercially viable in terms of table numbers. If not, regardless of whether there is demand for the 80 slots, the number of machines would need to be reduced if table numbers could not be sustained.

The size criteria for a 'small' casino is between 500²m and 1000²m of table gaming area. By contrast, a Large casino needs at least 1000²m. However, the Small casino must fit in 10 more tables to achieve its allowance of 80 machines at a ratio of 2:1 than a 'large' requires to achieve its maximum 150 at a ratio of 5:1.

It would clearly make more sense for the 'small' ratio to be increased, and we would suggest that a modest increase to 5-1 would be advisable and is (partly) in line with the CMS Committee recommendations.

In addition, evidence from the Luton 'small' casino illustrates the lack of impact on customer behaviour or problem gambling. The increase in machines brought about by implementing the 'small' licence has simply addressed the demand needs of a casino with an attendance 600 people per day. We understand, for example, the average stake before becoming a 'small' casino was 0.91p and after rose to 0.92p. Meanwhile the average spend from those using cards fell from £117.71 to £108.83 and the average dwell time, again from those using cards, fell from 12 minutes 12 seconds, to 10 minutes 45 seconds.

- **Allow 'small' 05 Act casinos to move from a 2:1 machine to table ratio to a 5:1 ratio capped at 80 machines.**

Large 2005 Act Casino allocation

Whilst a change in the gaming machine to table ratio for 'small' casinos is our priority request within this review, we are conscious that the 'large' casino allocation has proven to be insufficient in the busiest 'large' casino currently open, being Aspers in Stratford, London. Here, we understand, the casino has experienced demand for as many of 63 tables and that the 150 machines permitted as a maximum is not sufficient for the 4,000 people who visit each day. Whilst it is untested in terms of whether a higher ratio of tables to machines that 5:1 is appropriate or viable at this time, given the limited number of other 'large' casinos operating, there is logic in simply increasing the overall maximum to 500 (i.e. needing 100 tables to achieve) 500 machines. Such premises cannot relocate and are limited to an overall maximum size of 3,500 square meters, so the overall number is restricted by available space for tables.

We should stress that this is, and would be, only applicable to the biggest and busiest Large casinos, at present just Stratford. Leeds is yet to open but the operator is optimistic of large volumes of customers. In any event, increasing the maximum to 500 would allow for such cases of very high demand without affecting the overall ratio ambition in the Act of 5-1. It is also still proportionate to the 1250 maximum that would (and still legally could) be permitted in a Regional Casino.

- **Increase the machine numbers cap for 'large' 2005 Act casinos in accordance with the existing 5:1 machine to table ratio up to 500 from 150.**

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation?

Casinos are recognised by the gambling commission as being at the top of the regulatory pyramid, and therefore the safest place to gamble in the UK. Casinos pride themselves on providing a safe, fun, multi-entertainment destination.

The Opera House has always been committed to promoting responsible gambling and we fully participate in the NCF Playing Safe initiative, which formally launched in 2013. Playing Safe's principles define the way the UK casino industry conducts its business and is the flagship industry-led responsible gambling programme in the UK.

We also participate in the NCF national self-exclusion system called SENSE™ (Self-Enrolment National Self-Exclusion), an industry first, launched in August 2015.

NCF has partnered with a Canadian firm, Focal Research, with an aim to provide valuable insights into gaming machine play.

In addition, the casino industry has been subject to a variety of qualitative research over the years: the Government's White Paper in 2002 (Safe Bet for Success) is often cited, the Eadington Collins report and more recently the Roehampton Report which examined the impact of a casino on the local community (which used the Luton Casino), commissioned by Southland Methodists.

As subscribers to Playing Safe we continue to improve responsible gambling training; this also incorporates targeted messaging and workshops with the Alzheimer's Society looking at recognising signs of poor mental health and cognitive impairment in customers.

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

The Opera House is committed to continually reviewing the social responsibility practices within our casino and responding to new issues as they arise. Whilst we generally support initiatives to enhance Social Responsibility, DCMS must bear in mind the increasing burden of such initiatives on smaller operators. We are confident that our own Social Responsibility measures work well and are fully in line the requirements of the regulators Licence conditions and codes of practice (LCCP). Any additional measures must be carefully considered to create a balance between the perceived benefits and the costs to operators.

Apart from offering a real-time 24/7 multi-operator VSE system, the Playing Safe programme has been engaged in the following activities and would encourage others to consider these pursuits as part of the industry's moral and ethical compass. As members of NCF we play our part in the initiatives shown below:

Working with external agencies such as Alzheimer's Society to raise awareness of cognitive and mental health conditions.

Develop staff dynamic training modules that can be easily shared across the business.

Ensure policies are in place which facilitate and support staff communications.

Establish focus groups that are demographically relevant to the business.

Encourage investment and improvement of data gathering methods.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

We do not engage in terrestrial TV advertising. On occasions, we have engaged in radio advertising, strictly in accordance with current guidelines.

We are not aware of any evidence to show that existing rules are not appropriate to protect children and the vulnerable.

SENSE has robust systems to ensure that customers who self-exclude are removed from all marketing databases.

- **The Opera House is not opposed to a ban on TV advertising of gambling products.**

Q8. Any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7?

None

