



National Casino Forum
ASSOCIATION OF BRITISH CASINOS



22nd January 2018

NCF response to 'Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures'



Innovating
Responsible
Gambling

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Q1. Do you agree that the maximum stake of £100 on B2 machines (FOBTs) should be reduced? If yes, what alternative maximum stake for B2 machines (FOBTs) do you support?

The National Casino Forum (NCF) welcomes action taken to address the anomaly whereby over 33,000 hard gaming machines, which allow for high-speed roulette games with up to a £100 stake, can be found in easily accessible, low supervision premises on the high-street. We agree with the Government and the Responsible Gambling Strategy Board (RGSB) that correcting this is a necessary step to protecting customers from harm.

We agree also that multi-faceted and sophisticated approaches to tackling problem gambling are necessary. We note Gambling Commission research by Thompson, Hollings and Griffiths (2009) which states that *"machine gambling behaviour is affected by a number of characteristics, including personal (the individual gambling), structural (the gambling products) and situational (the gambling environment) factors"*.

For this reason, we consider it important that distinctions continue to be made in terms of where and how gambling products are offered. Some casinos have deployed a limited number of B2 machines. These machines are offered in highly controlled and supervised (by highly trained and licensed specialist employees), sociable, 'destination,' casino venues where customer visits are typically planned (rather than impulsive) and involve budget-setting. These machines have been offered to casino customers without any of the issues (in relation to damage and disorder) documented in high street betting shops, or concern from policy makers or local authorities and such like. This demonstrates the effect of different situational environments.

The former Minister for Gambling, Richard Caborn MP, previously said in his evidence to the Culture, Media and Sport Select Committee: *"casinos are the safest place to gamble"* (12 January 2012). While the former CEO of the Gambling Commission, Jenny Williams, said when addressing the Bermuda Gaming Commission in May 2016:

"When our legislation went through to enable more casinos across the country, there was an incredible uproar about casinos...And it's nonsense because if there is an issue about gambling, and you can debate about how much there is, casinos are the most supervised, controlled places for gambling environments in the world."

NCF therefore believes that whilst a reduction in stake should be brought forward for high-street B2 machines, the stake and prize levels on B2 machines in casinos should remain unchanged. The controls, player protection and monitoring, and standards in casinos are dramatically higher than in Licensed Betting Offices (LBOs), which are ambient gambling premises, located on the high street and have relatively few, unlicensed, generalist, members of staff.

Therefore, the stake on B2 machines in LBOs should be set at a level commensurate to that type of venue and their position in the gambling hierarchical, player protection and supervisory pyramid. Equally if casino games are continued to be allowed in venues outside casinos, then measures such as increased staffing, more specialist supervision, and longer game cycles (electronic roulette in a casino is limited by regulation to 50 games an hour, 72 seconds a game,) should be imposed.

At the last review in 2014, DDCMS brought in additional controls, including a £50+ stake registration requirement on FOBTs in LBOs. Casinos were exempted from this, and we believe that this approach should be replicated at this review for the reasons stated above.

Q2. Do you agree with the government's proposals to maintain the status quo on category B1?

NCF is of the view that there is customer demand, particularly in high-end casinos for an increase in the maximum stake for B1 machines. We would ask that our proposal for higher stakes for a small number of machines in the high end casinos, B1H, be looked at in more detail in due course. Currently the £5 stake and £10k prize means that casinos offering gaming to high net worth individuals are not able to offer those customers an appropriate machine gaming experience. At present, however, we are not seeking any changes for the 'mainstream' B1 machine offer.

Our gaming machine proposals have been developed over the course of a number of years following a series of in-depth tripartite 'road map' meetings with DDCMS officials and the Gambling Commission. This work has sought to ensure that the future legislative and regulatory environment allows UK casinos to deliver appropriate gaming opportunities to our customers, in an appropriate environment, and to put the sector on a more level playing field with online and international competition. Following evidence the sector provided to Government, we understood the outcome of these in-depth discussions to be that DDCMS were satisfied that our proposals would deliver on these requirements. We also note that the Gambling Commission had 'no regulatory concerns' with our proposed changes.

We hope that the continual development of our systems and procedures, particularly with respect to responsible gambling, and the testing and deployment of these measures, which is well underway, will give comfort to the Government that our core proposal for harmonisation of machine entitlements may progress. We also hope that changes to jackpots (based upon the type of wide area progressives common in other markets) and an increase in the maximum transfer value (from the win meter to credits) may additionally be allowed to move forward in due course.

On NCF's proposals for B1H (our proposed high end machine category), we recognise that the Government will need further details on how this would be worked through in practice. We understand DDCMS' desire to ensure that any decision is based on solid evidence, but given the evidence already provided to DDCMS by NCF and operators, we ask that the Department provide further clarity of what is required. To our knowledge, DDCMS has not raised this request previously, and so as part of the consultative period it would be useful to know in greater detail where DDCMS's concerns are, so that we can ensure that any data we provide addresses this directly.

Q3. Do you agree with the government's proposals to maintain the status quo on category B3?

No response.

Q4. Do you agree with the government's proposals to maintain the status quo on category B3A?

No response.

Q5. Do you agree with the government's proposals to maintain the status quo on category B4?

No response.

Q6. Do you agree with the government's proposals to maintain the status quo on category C?

No response.

Q7. Do you agree with the government's proposals to maintain the status quo on category D?

No response.

Q8. Do you agree with the government's proposals to increase the stake and prize for prize gaming, in line with industry proposals?

No response.

Q9. Do you agree with the government's proposals to maintain the status quo on allocations for casinos, arcades and pubs?

While we do not agree with the Government's proposal to maintain the status quo on machines in casinos (where we have requested various forms of harmonisation and modernisation), we understand the reservations raised and the timing of the request in the current general gaming landscape. We do not wish in this document to repeat in full the arguments for higher allocations of machine numbers based upon a sensible policy of ensuring that availability of machine gaming is commensurate to the protections offered. We observe that this is not currently the case in the UK; but we wish to address the very specific concerns set out in the consultation document.

We acknowledge that some machine customers may benefit from being offered the choice of setting limits (in terms of time and money). This is something that our members have been pursuing (and indeed some pledged as part of their responses to the initial call for evidence). A significant number of casinos are set to offer limit-setting during 2018. We are aware that the evidence indicates that simply making limit-setting available may only be low to moderately effective for some players, and our members are exploring ways to encourage usage of limit-setting. This process involves engagement with operators and learning from researchers in other jurisdictions (such as Australia and Canada).

Casinos worldwide are recognised as appropriate venues for harder gambling with their layers of regulation, supervision and player protection provided. However, we are always looking for ways to improve. Our members are currently testing a number of further options to make gambling safer, including trialling the latest facial recognition technology (to assist with even greater identification of self-excluded players amongst other things) and the development of diagnostic algorithms to identify potential harmful patterns of play – both through NCF's Playing Safe project with Focal Research and through operator-specific research. The software supports tracking, managing and reporting player risk, making it easier for operators to identify gamblers of interest. Working with Focal Research and operators, NCF has been developing a model for the past six months which is due to go live in January 2018. NCF looks forward to reporting initial results to DDCMS in early 2018.

All play in casinos is actively supervised and monitored, with human interventions recorded and monitored where required. To supplement this we are delivering on the Government's desire to see a greater amount of machine play tracked. Across our membership we already track over half of machine play via rewards cards, which we understand to be a relatively high rate for the global land-based casino gambling industry. We are exploring opportunities to increase tracked play both on a personalised basis (via rewards cards) and on an anonymous basis (using proxy sessions).

We hope that the Government can see that our members are making significant efforts (involving substantial investment of resources) into making gambling in casinos even safer. We hope too that the Government can see that the restriction on the majority of casinos in the UK to 20 machines (regardless of size, number of customer visits each day/week, or the presence of safeguarding measures) fails to “put the customer at the heart” of policy, and indeed prevents casinos from delivering the products which are expected by customers. NCF will be bringing forward research investigating if having an artificially low number of gaming machines in a casino causes responsible gaming issues in itself, with players reluctant to leave their machine when there are other customers waiting to play.

NCF recognises the Government’s concerns regarding the need to further enhance protections before our proposals can be considered further. We therefore commit to continuing to work with the Gambling Commission on a range of measures, including setting voluntary time and spend limits, as well as mandatory alerts and/or ending of sessions when those limits are reached. In 2018, we will bring measures forward, and we hope these changes will assuage any DDCMS’s concerns regarding our proposals.

We wish to remind DDCMS that the UK casino sector’s plans for improving social responsibility measures have been in place for a significant period of time. As the Department knows, casinos are already at the top of the regulatory pyramid and have long been at the forefront of raising public awareness around responsible gambling in the UK. Indeed, we launched SENSE – the Self-Enrolment National Self-Exclusion tool – in August 2015, in all land-based casinos across the UK. This web based national programme, easily accessible, 24/7, was introduced by casinos in advance of the Gambling Commission’s licensing condition which came into force on 6 April 2016 and is materially more advanced than any other national self-exclusion scheme. A three tier evaluation of SENSE has been undertaken and the report will be made available to the Gambling Commission, DDCMS and RGSB by the end of January.

NCF remains of the view that our modest proposals for harmonisation and modernisation, represent evolution rather than revolution, and would serve to bring the UK casino sector more in line with customer expectations and other international jurisdictions. We are attaching a paper provided by Novomatic ‘The Influence of Machine Occupancy Rates on Category B1 Machine Player Behaviour’ (Annex A). We intend to commission further research into this paper’s findings. We hope the Government are minded to accept these proposals now, but if not we would ask that the Government undertake a further separate review of the casino sector’s proposals later in 2018.

Q10. Do you agree with the government’s proposals to bar contactless payments as a direct form of payment to gaming machines?

NCF will work with different industries and sectors to understand how best to move towards a cashless economy to the benefit of customers, businesses and the taxpayer. We understand the Government has reservations with regard to our proposal to adapt the restriction on the use of debit cards at gaming tables and on gaming machines, to allow for the use of “*contactless*” debit cards. We acknowledge our responsibilities in ensuring the protection of our customers from potential harm.

At the same time, we observe that restricting casinos to cash payments only, once again fails to “put the customer at the heart” of policy. Consumers are increasingly moving away from cash as a form of payment. The proportion of payments using physical currency declined to about 40% in 2016, with a further fall to about 21% forecast by 2026. Moreover, it is somewhat ironic that perhaps before regulation can be introduced on card play, cards may become obsolete as technology allows bank to bank transfer by phone or device app, something that is not anticipated or restricted by

regulation. Without change, there is the danger that casinos, which offer hospitality, sociability and entertainment (as well as providing jobs and creating high levels of taxation) become even more hamstrung in their ability to compete with remote gambling (which is of course based entirely on electronic payments).

The UK casino sector's position at the top of the regulatory pyramid means that casinos are suitable venues to test such developments. We believe our suggestion of an initial trial – testing a pre-determined limit per player, per day, restricted to registered members only - would be a sensible start. In our view, such changes will enhance the sector's ability to track play and ensure that multiple payment cards are not used to exceed a limit. As mentioned previously, NCF is already in the advanced stages of its work with Focal Research, and this is being supported by the data gained from loyalty card members. We look forward to reporting the results of this ongoing activity shortly.

As long as appropriate safeguards are in place, allowing casinos to have the ability to deploy cashless solutions is important in ensuring casinos can meet consumer expectations for transactions as part of the modern economy.

Despite what NCF and Focal Research are already doing on tracked play, we completely understand the Government's desire to ensure that player protection is at the forefront of any potential changes that would enable contactless payments. During our recent discussions with the Gambling Commission regarding contactless/cashless payments we have emphasised our ongoing commitment to player protection, and we eagerly await the Commission's promised paper on this matter. We hope that their upcoming paper will set out clearly what the Commission's position is and what their approach to the technology will be in the future.

Going forward, we will continue to work with operators, the Gambling Commission and Government to bring forward appropriate independent evidence in 2018 on the risks of cashless technology and how casino operators will mitigate against this. We therefore ask the Government to commit to review this policy for casinos.

Q11. Do you support this package of measures to improve player protection measures on gaming machines?

NCF is committed to working with operators, the Gambling Commission, Government and others to improve player protection. NCF supports all player protection measures that are relevant, evidenced and thought through.

Q12. Do you support this package of measures to improve player protection measures for the online sector?

No response.

Q13. Do you support this package of measures to address concerns about gambling advertising?

Land based casinos undertake limited advertising, and none advertise on TV. We follow all codes and we support any measures that work to reduce gambling related harm or underage gambling.

We believe that those firms and sectors which do utilise national TV advertising should bear the cost of any responsible gambling TV campaign, and hope that the overall related gambling advertising time on product or responsible gambling on TV, will not be increased.

Q14. Do you agree the Government should consider alternative options including a mandatory levy if industry does not provide adequate funding for RET?

The National Casino Forum has changed its terms of membership to make it mandatory that regardless of other donations, all Casino operators will donate 0.1% of their GGY to GambleAware, and NCF is guaranteeing that our sector's total financial donation to GambleAware will be met, with any donations from NCF members to other charities being in addition to the 0.1% donation to GambleAware.

We note that NCF members made significant contributions to RET (contributions to GambleAware and other relevant organisations) in the last year. To ensure accountability and oversight, NCF would welcome a detailed budget from GambleAware and independent evaluation of the work they are doing.

Q15. Do you agree with our assessment of the current powers available to local authorities?

No response.

Q16. Are there any other relevant issues, supported by evidence, that you would like to raise as part of this consultation but that has not been covered by questions 1-15?

We share the Government's objective of enhancing player protection. We note that the consultation was launched with balanced objectives of both preventing harm and encouraging socially responsible growth. For casinos, there is nothing in the consultation that is likely to achieve the second objective. We note there is no material objection in any of the responses to any of the casino industry's proposals, particularly from RGSB or the Gambling Commission. It was not the intention of the 2005 Gambling Act to limit people's ability to take part in safe socially responsible gaming, and therefore we hope that the Government will recognise the continual work undertaken by casino operators to ensure that casinos are appropriate and safe places to gamble.

NCF's proposals for modest harmonisation and modernisation would allow UK casinos to meet customer expectations, bring the UK more in line with other international jurisdictions and ensure sustainable growth for the sector. These changes would lead to investment in the casino estate, better harness the use of technology and lead to an increased return to HM Treasury. We still hope the Government will be minded to accept these proposals at this stage, but if not, we would ask that the Government consider a further review of casinos later in 2018, consistent with the Roadmap discussions that are well progressed with the Gambling Commission, DDCMS and NCF.



THE INFLUENCE OF MACHINE OCCUPANCY RATES ON CATEGORY B1 MACHINE PLAYER BEHAVIOUR

NOVOMATIC
— UK —

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Summary

It has been noted by the author, amongst others, that during particularly busy periods within 1968 Act casinos, players appeared reluctant to leave their slot machine once they had been able to secure a playing position. This did not appear to be the case during quieter periods, nor in general within 2005 Act Small or Large casinos, nor on electronic gaming terminals. There appeared a more relaxed approach within the 2005 Act casinos by the players, with greater movement between terminals, longer periods not gaming and a less intense attitude to their gaming behaviour.

The conclusion, supported by general feedback and comments from players, was that once a slots-playing position in a busy 1968 Act casino was secured, players were disinclined to give up this position, as they were unlikely to be able to return to that machine, or a similar one that they wished to play, following a break of any length.

Proposals and findings published in the Department for Digital, Culture, Media & Sport (DDCMS or 'the department') consultation document indicate the department's view is that 'nudging' players towards shorter play sessions and regular breaks from play is desirable and supportive of problem and at-risk gamblers.

Although many operators are willing to reserve machines for players taking short breaks, there are consequential pressures not to do so due to the commercial impact and the negative responses from other players who may be waiting to play on the machines, these pressures are all the more acute during busy periods.

It was further determined that the data available from Novomatic UK's Server Supported Gaming (SSG) system, which is connected to a significant number of B1 machines in casinos across the UK (over 1/3 of all B1 machines in the UK), could be used to determine whether the hypothesis that players played longer and took fewer breaks during busy periods in casinos with highly restricted numbers of machines was supported by the statistics.

Five casinos were chosen; one 2005 Act as a control subject and four 1968 Act casinos from the same geographical region as a test group. A number of quiet and busy periods in each casino were analysed and the findings very clearly support the theory that as a casino's slot machines get busy and availability becomes significantly restricted, this has an acute effect on player behaviour and leads to a clear and conspicuous increase in the time spent and games played within individual playing sessions.

It can therefore be reasoned that having restricted numbers of B1 machines, particularly in venues where there is considerable market demand over and above availability, is leading to player behaviour which is in direct conflict to that which the DDCMS and Gambling Commission, as well as the industry's responsible operators and suppliers, are trying so hard to promote.

There are numerous psychological studies on Reactance Theory and the strong influence of scarcity on consumer behaviour, something often exploited artificially in the retail market.

In summary, it can be shown that where there are enough B1 machines to satisfy player demand there is no corresponding negative effect on player behaviour when the casino gets busy. However, where there is restricted availability players are reluctant to leave the machines and, either consciously or subconsciously, tend to play for significantly longer sessions rather than take breaks.

Although perhaps initially counter-intuitive, it is evident that the restriction in the number of B1 terminals permitted in casinos may actually have a clear and demonstrable negative effect on problem or at-risk gamblers' behaviour, rather than providing a positive and supportive environment.

Introduction and Scope

In October 2017 the government, through the DDCMS, published the “*Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures*”¹. The consultation document outlined the government’s findings and their proposals following the results of their review into gaming machines and associated social responsibility measures.

The consultation covers the entire range of regulated gaming machines in Great Britain, however this document focusses exclusively on Category B1 machines, whose operation is permitted only within licensed casino venues.

Much of the emphasis within the consultation document is on increased social responsibility and player protection measures, including the suggestion that B1 machines should have the facility for players to set their own limits on spend and/or time as a means of supporting those individuals considered to be problem gamblers or at risk of harm (§ 4.11). This is despite the ABB’s own findings, included in the consultation document, which shows that only 0.5% of machine sessions used these limits (§ 5.4).

Despite the negligible overall effect of voluntary limits seen on B2 machines (§ 5.8.1), the government strongly supports the introduction of such measures on other categories of machines, the implication being that shorter session times are an effective protection measure and supportive means of self-control for those at risk.

The consultation document recognises that factors which influence player behaviour extend beyond stake and prize levels, and that the environment and elements external to the player and the machine can have an impact on the potential for harm. From the consultation document:

5.6. One of the areas of agreement captured in the responses to the call for evidence on this issue is that the factors which influence the extent of harm to the player are wider than one product or a limited set of parameters, such as stakes and prizes, and include factors around the player, the environment and the product.

The proposals and findings above, in conjunction with observed empirical evidence, prompted an investigation into the effect that occupancy rates on machines had on player behaviour, particularly in relation to busy periods where the number of machines available for play is significantly restricted by demand.

Novomatic UK, through Astra Games Ltd, operate and administer a Server Supported Gaming (SSG) system which, amongst other features, provides access to a number of game and machine performance metrics. Amongst these are average session data figures, providing information such as the average number of games played, average bets sum and session duration over a configurable given period.

The data is anonymous, no player identifiers are generated or held.

¹ <https://www.gov.uk/government/consultations/consultation-on-proposals-for-changes-to-gaming-machines-and-social-responsibility-measures>

It had been noted that in casinos where demand outstrips availability of machines there seems to develop a culture where players, once playing a machine, are reluctant to leave that machine as they are unlikely to be able to continue play following a break, as there is little chance of a machine (or at least a machine of their choice) being available. This appeared to lead to extended session times though had little or no effect on average stake levels.

This empirical theory seemed to be logically sound and so it was determined that an analysis of the data would be carried out in order to examine whether or not this was verifiable and supported by the evidence.

As a control sample we chose a 2005 Act 'Large Casino' where, although the venue can become extremely busy, there are practically always alternative machines of a similar nature available for play. This provides a set of comparative data where the hypothesis that a limited availability of machines is a key influencer of player behaviour can be tested.

All the machines used in this report are similar in nature, have comparable game portfolios, stake options and RTP percentages.

In addition to the control sample casino, four further test casinos from three different operators were chosen as representative of the market. All five casinos are in the same geographical region, the location of the casinos is not disclosed for reasons of commercial confidentiality.

Analysis periods were variable, both in date and length of time, as busy periods and quiet periods vary greatly based on location, clientele demographic and whether the casino has restricted membership or an open-door policy.

The shortest analysis period used was 4 hours, the longest 12 hours. The average was 7 hours.

For each casino 3 'quiet' times and 3 'busy' times were identified, the occupancy rates determined and the corresponding average number of games played, session time and value of total bets placed per session recorded. Although total bets were recorded they are not presented in this document as the figures were found to mirror those of games played with negligible changes in average stake values identified during the different sessions.

All periods are between October and December 2017.

Principles

A session is defined as the period from when a player inserts credit into the machine until there is a credit value below minimum stake (£0.50p) for 30 seconds or more.

Games played, average bets and session duration are rounded to the nearest whole number.

Occupancy rate is presented as the percentage of time all available machines were being played as a factor of the entire time machines were available. For example, a 5-hour period with 10 machines in operation would mean there were 50 machine-hours available, if the total amount of machine play during this period was 40 hours, this would be an occupancy rate of 80%.

In the following graphs the blue bars denote the average number of games played in each of the six sample sessions, the orange line the corresponding occupancy rate at that time.

Results

Fig. 1 Casino A

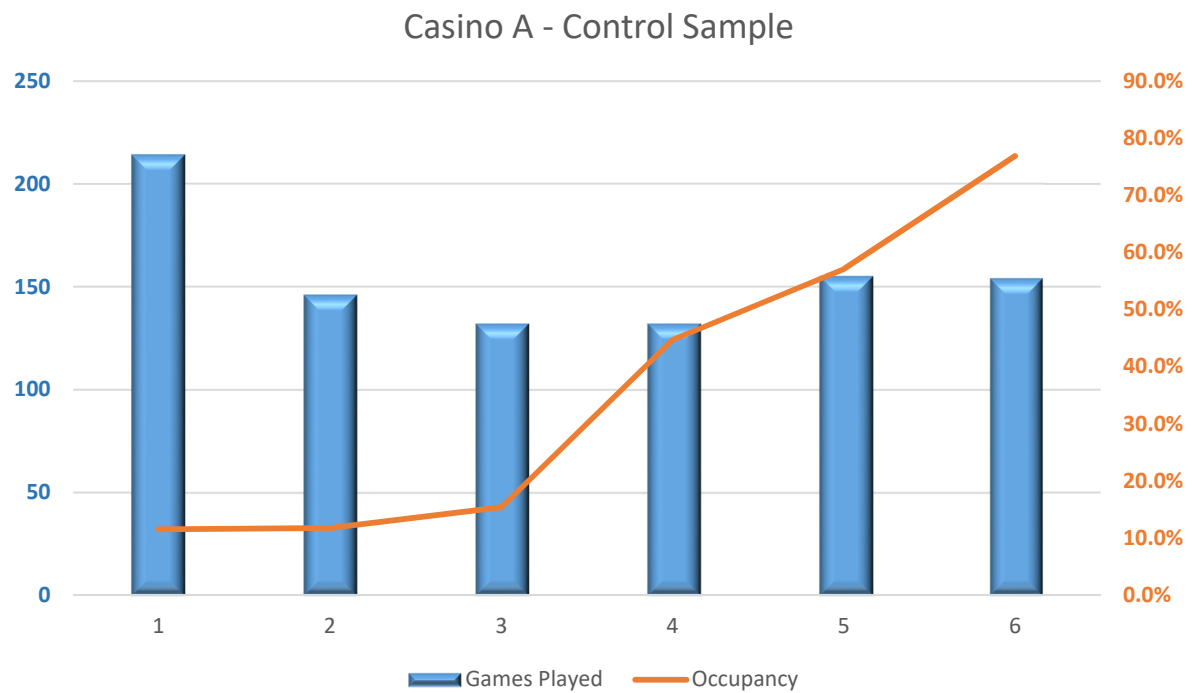


Fig. 2 Casino B

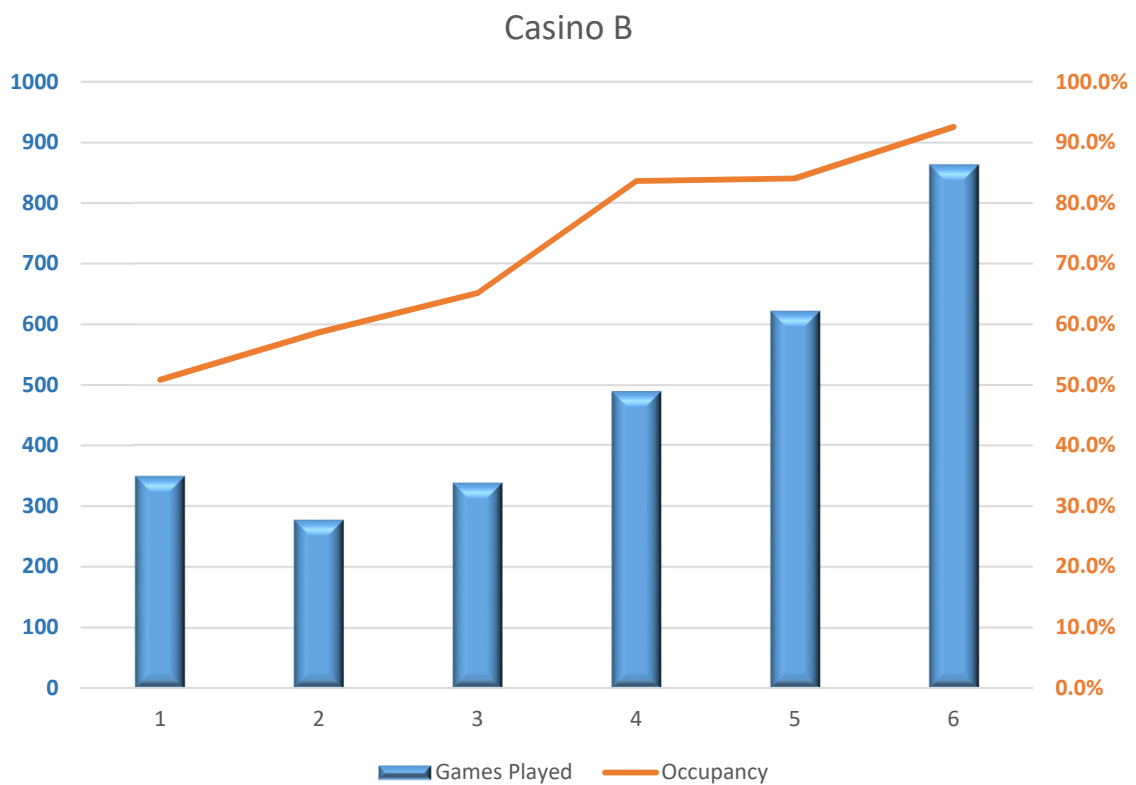


Fig. 3 Casino C

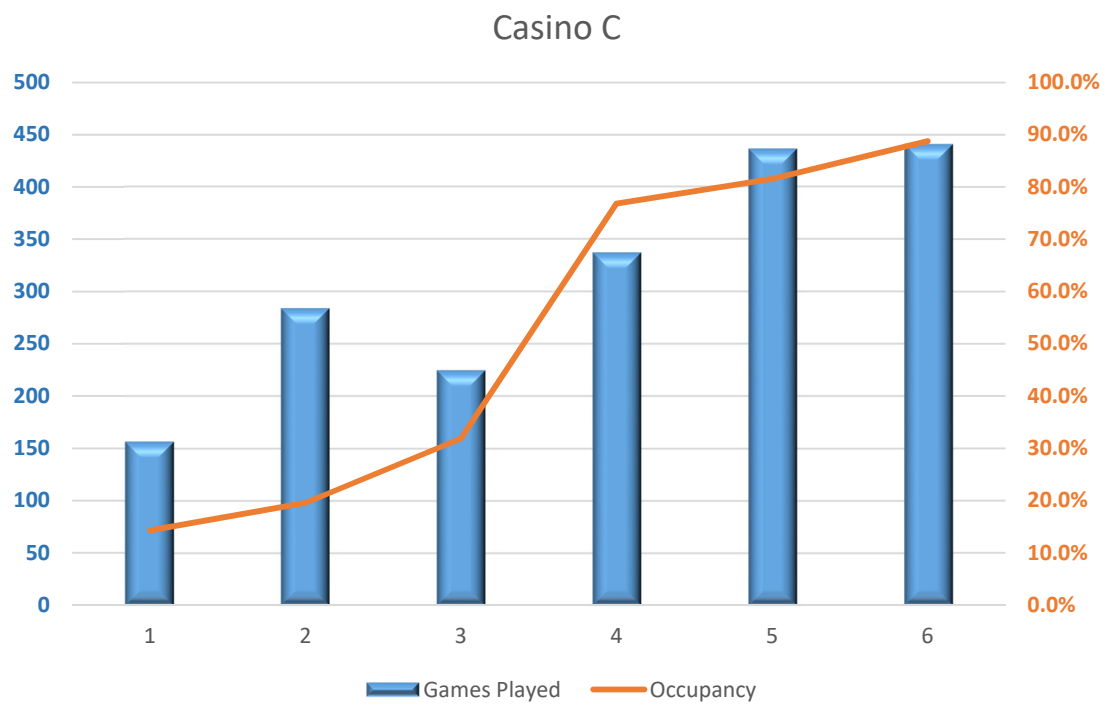


Fig. 4 Casino D

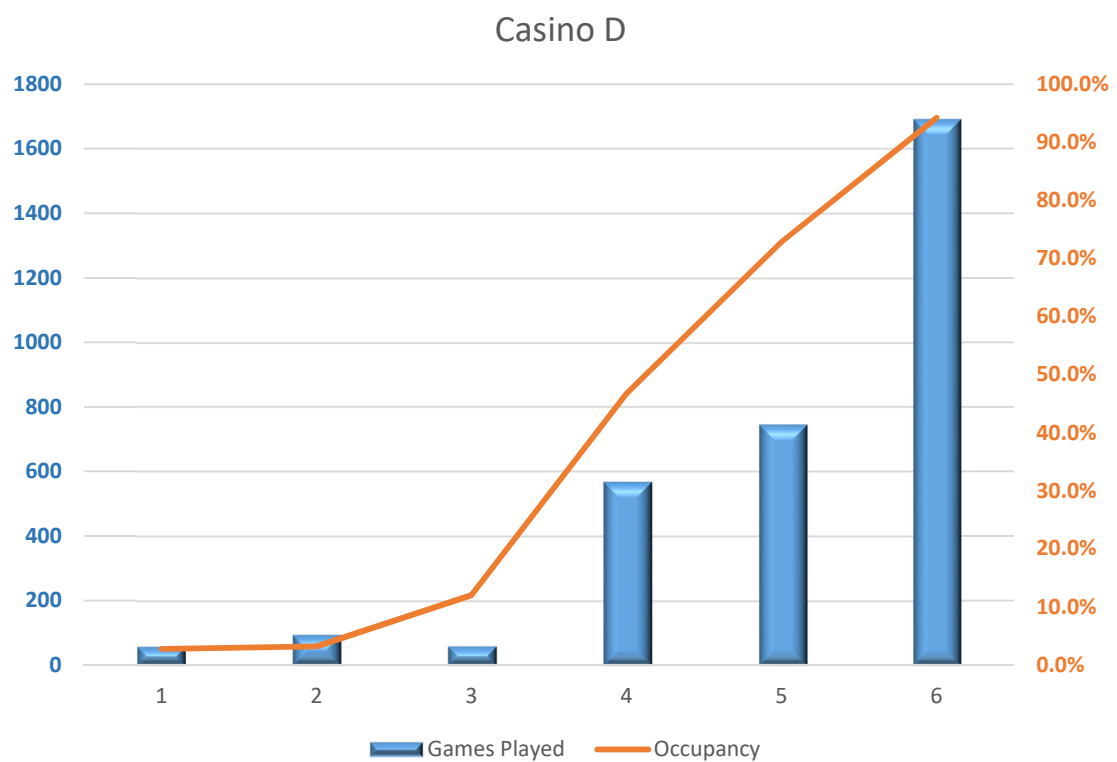
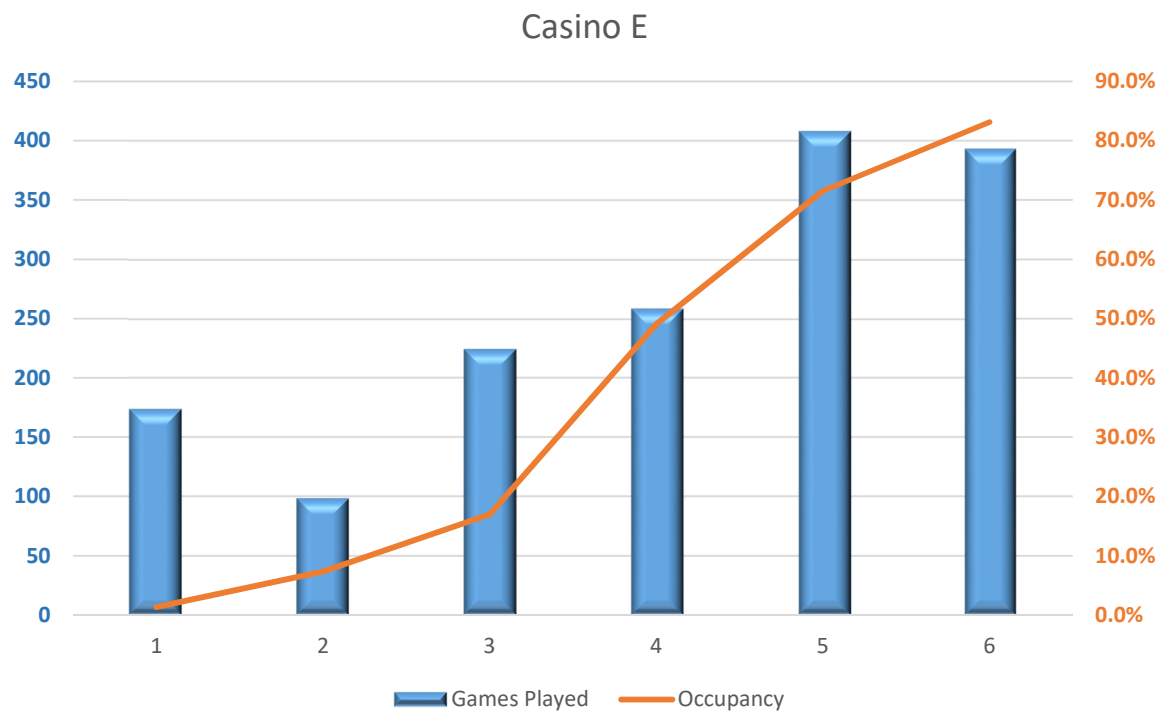


Fig. 5 Casino E



Conclusions

From Fig. 1 it can be seen that occupancy levels have little or no consistent corresponding effect on the average number of games played per session in the Control Group casino.

A 500% increase in occupancy rate resulted in only a 9% increase in the average number of games played, average play session times varied from 10.4 minutes to 15.9 minutes in the periods.

In all the test casinos there was a reliable, consistent and demonstrable correlation between occupancy rates and extended session play.

In Casino B where occupancy levels were as high as 58.7% there was an average session time of 19 minutes, when occupancy rose to 92.6% there was a corresponding rise in session time to 68 minutes on average.

Similarly in Casino E, at occupancy rates of 12% the average session was only 6.5 minutes, when occupancy rose to 94.2% the average session time rose to over 113 minutes.

Although the effect of increased occupancy rates on session length / games played is not 100% linear in all cases, there is a clear, demonstrable and repeatable correlation which strongly supports the hypothesis that restricted availability of B1 machines leads to significantly increased session play where there do not appear to be any other influencing factors.