

Flaws in advice by the Responsible Gambling Strategy Board in its advice to the DCMS review of gaming machines and social responsibility measures

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Introduction

In October 2017 the Gambling Commission published *Advice in relation to the DCMS review of gaming machines and social responsibility measures*, a document provided to them by the Responsible Gambling Strategy Board (RGSB) earlier in the year (in January) in relation to DCMS's Review of Gaming Machines and Social Responsibility Measures, which reported in October¹.

The RGSB is an independent expert body² which:

- advises the Gambling Commission (and through them, the government department responsible for gambling, DCMS) on the research, education and treatment elements in a national responsible gambling strategy;

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

² This description of the RGSB is taken from its website, <http://www.rgsb.org.uk/About-us/About-us.aspx>

- determines and recommends to GambleAware³ (after consultation with stakeholders and experts) what research, education and treatment is required to reduce harm from problem gambling as part of an overall national responsible gambling strategy, and the levels of funding necessary to deliver the recommended priorities.

This review identifies flaws in the advice given by RGSB to DCMS in its advice to DCMS (hereafter referred to as the “RGSB advice to DCMS”). I identify multiple particular issues with the RGSB advice. The main issues are as follows:

- 1) The RGSB equivocates on whether to recommend a reduction in maximum stakes on B2 gaming machines despite clear evidence of the harm caused by the current (£100) level of maximum stakes.
- 2) The RGSB is too optimistic regarding the likely success of the bookmaking industry’s own measures to promote responsible gambling.
- 3) The comparisons of problem gambling rates for B2 machine users versus other gambling activities used by the RGSB are potentially misleading.
- 4) The RGSB argues that one reason it cannot make a clear recommendation for a reduction in the maximum stake for B2 gaming machines is that there is a lack of evidence on the effects of lowering maximum stakes, but the RGSB and GambleAware are themselves partially responsible for this lack of evidence through their decisions on what research into problem gambling should be commissioned.
- 5) At several points in its evidence the RGSB underestimates the harm caused by B2 gaming machines.
- 6) Expected Average Theoretical Cost per hour is used as a measure of the cost of B2 machines to players – this is misleading.
- 7) There are flaws relating to the RGSB’s analysis of data on the extent of crime and criminal damage against staff in Licensed Betting Offices (LBOs), and the role of B2 machines in causing criminal activity.
- 8) RGSB fails to recommend a £2 maximum stake limit on B2 machines.
- 9) There are subsequent flaws in the RGSB’s conclusions and recommendations in its advice document.

In the rest of this evaluation document, I go through these issues in more detail. This report references the paragraph numbers in the RGSB’s advice document for ease of reference.

³ GambleAware is “an independent charity tasked to fund research, education and treatment services to help minimise gambling-related harm in Great Britain” (see <https://about.gambleaware.org/>). It was formerly known as the Responsible Gambling Trust.

1 RGSB's equivocation over whether to recommend a reduction in maximum stakes on B2 gaming machines

Para. 21: The RGSB's advice on maximum stakes to DCMS during the 2014 Triennial Review was that they would not have recommended a maximum stake for B2 machines as high as £100, had they been starting from scratch. But at the same time, they did not think there was at that point sufficient evidence to justify a reduction. (This was a “finely balanced judgement”.) These two statements seem to contradict each other. If a maximum stake of £100 was too high to start with, why should it suddenly become acceptable later on?

Para. 26: RGSB state that the precautionary principle is relevant when deciding on the level of maximum stake to recommend⁴. Given that this is the case, it seems very hard *not* to argue for a reduction in maximum stake on the grounds that “[although] evidence and understanding are incomplete... there are plausible reasons for thinking that the risk of harm is potentially significant.” Given the RGSB's support for the precautionary principle, it is surprising that they did not argue for tougher controls on B2 machines.

2 Over-optimism about the bookmaking industry's own measures on responsible gambling

Para. 46: the RGSB states that: “Many industry leaders are showing growing recognition of the interdependence of their commitment to the promotion of responsible gambling and the sustainability of their business models” but just after this, in **Para. 48**, they state that: “in relation to LBO operators, some of the approaches being developed, such as algorithms intended to identify harmful patterns of play, still have a considerable way to go before they can be considered successful.” Also, attempts to apply these approaches to non-account-based play (which accounts for the majority of B2 machine-based play in LBOs) have been difficult. In addition, there has been low player take-up of voluntary self-setting limits. This suggests that algorithm-based measures from the bookmakers have not been successful (so far) and given this, the RGSB is too optimistic regarding the “commitment to promotion of responsible gambling” on the part of the bookmakers.

The RGSB points out (correctly) in **Para. 55** that: “When there are more problem gamblers than non-problem gamblers at a certain stake level [which is the case with

⁴ “The precautionary principle is applied where evidence and understanding are incomplete, but where there are plausible reasons for thinking that the risk of harm is potentially significant” (RGSB advice document to DCMS, para 26).

B2 machines at high stakes levels], it becomes difficult to regard play as an unobjectionable leisure-time activity where the right balance is being struck between protection of the vulnerable and the potential enjoyment of others". This is absolutely true but it is hard to see why this observation doesn't then push RGSB to recommend tougher limits on B2 maximum stakes.

3 Potentially misleading comparisons with problem gambling rates for B2 machine users versus other gambling activities

Para. 60: RGSB reports that evidence from the 2012 Health Survey for England and Scottish Health Survey shows that LBO machine gambling is placed towards the higher end of the spectrum of products associated with problem gamblers, but not at the absolute top. Problem gambling prevalence for machines in bookmakers was 7% compared to 21% for spread betting, 13% for poker in pubs/clubs, 11% for betting exchanges.

However, the RGSB does not point out that the rates of gamblers who are at risk of harm from gambling (a wider category than problem gamblers⁵) are lower for all of these activities compared to B2 machines. Spread betting is not regulated by the Gambling Commission but by the Financial Conduct Authority, and tends to appeal to wealthier participants who are more able to get treatment if needed and more responsive to treatments such as Cognitive Behavioural Therapy⁶.

The "other events" category includes betting shop activity on non-sports and non-race activity such as numbers and other events, which generate gross annual revenues of only just over £300 million according to the latest GC statistics.⁷ It is difficult to identify what "any other gambling" means, and there is not likely to be anything other than minimal revenues from this activity. Poker in pubs and clubs is at limited stakes only and is more likely to be a reflection of time spent rather than funds spent in these venues, so is less economically damaging than B2s and in any

⁵ The Problem Gambling Severity Index (PGSI) is an index constructed using a set of survey questions asking about various aspects of gambling-related behaviour for identifying **problem gamblers** as well as those **gamblers** who are not problem gamblers but are **at risk** of becoming problem gamblers. Gamblers with a PGSI score of 8 or over are classified as problem gamblers, with gamblers scoring 1-7 on the index classified as at risk. The PGSO has been included in the health surveys in England, Scotland and Wales which were used to measure problem gambling incidence in the population in 2015. For more detailed information see NatCen (2017), *Gambling behaviour in Great Britain in 2015: Evidence from England, Scotland and Wales*, <http://natcen.ac.uk/our-research/research/gambling-behaviour-in-great-britain-in-2015/>

⁶ See for example Lucy Kellaway, "The risk addicts", *Financial Times*, 1 February 2013.

⁷ <http://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx>

case, is again an activity with only minimal revenues. Neither of these last two activities are regulated by the Gambling Commission.

Betting exchanges are significant revenue generators and are a cause for concern. However, most importantly, all of these above activities have a far lower percentage of population engaged in them than B2 machines.

It is also important to be aware that this advice from RGSB was written before NatCen published new statistics earlier this year⁸ based on responses to gambling questions in the English, Scottish and Welsh Health Surveys for 2015, which suggested that 11% of B2 machine users were problem gamblers while 32% were at risk.

Para 61: RGSB's assertion that the evidence from the 2007 British Gambling Prevalence Survey (BGPS) showing that machine play in LBOs had a unique association with problem gambling was not replicated in later surveys ignores the research on the 2010 BGPS by Orford *et al* showing that losses for problem gamblers on B2 machines exceeded PG losses for several other leading gambling activities combined, and estimated that over 40% of the losses from B2 gaming machines were for problem and at-risk gamblers.

4 RGSB is partially accountable for the lack of research evidence on the effects of lowering maximum stakes on B2 gaming machines

At several points in the RGSB advice document (Section V of the document, covering **Paras 50-93** in particular), it is implied that the RGSB cannot commit to taking a really tough line on reducing the maximum stake because of the lack of research evidence on the effects of B2 machines. It is important to note here that if there is a lack of such evidence, then the RGSB are partially accountable for this, given that that GambleAware, after consultation with the RGSB, has tended to commission previous research along "player-centric" rather than "product-centric" lines – i.e. looking at the characteristics of problem gamblers across a wide range of gambling activities rather than looking at the forms of gambling with the potential to cause most harm (such as B2 machines). If the RGSB's new research strategy, which is more product-centric, is not being delivered then its commissioning structure needs to be reviewed, and the gambling industry's involvement in GambleAware re-thought. Given the anomalous and controversial nature of B2 machines since their introduction as Fixed-Odds Betting Terminals, it is a matter of serious concern that

⁸ NatCen (2017), *Gambling behaviour in Great Britain in 2015: Evidence from England, Scotland and Wales*, <http://natcen.ac.uk/our-research/research/gambling-behaviour-in-great-britain-in-2015/>

the RGSB has not yet developed a strategy to properly assess the impact of a machine with a £100 stake, casino content played at a rate of once every 20 seconds, and offered in an easily accessible venue.

Footnote 44 (referenced in **para. 54**) mentions secondary analysis of the loyalty card survey data showing that a higher proportion of problem gamblers is found for B2 machine players at most or all higher staking levels than for lower staking levels. However, this research has not been made public by the RGSB or Gambling Commission, which suggests an unfortunate lack of transparency.

5 Underestimating the problems caused by B2 machines

In **Para. 63**, the RGSB mentions potentially interesting further evidence from a recent 2016 follow-up of the loyalty card customers surveyed in 2014. The follow-up study found that, of those who were not problem gamblers in 2014, those who played machines in LBOs on a weekly basis were significantly more likely to have become problem gamblers by 2016. This association was significant after engagement in other gambling activities was taken into account. However, given that the study was based on loyalty card customers, the sample is not representative of all machine players and in particular does not cover the very highly engaged anonymous B2 gamblers who reduced their stakes to the £40 to £50 range as a result of the introduction of additional regulations relating to stakes above £50 in 2015. Furthermore, while the RGSB describes the loyalty card customers as “more engaged players”, **para. 38** presents statistics showing that the average cumulative loss per loyalty card holder over a ten-month period in 2014 was £392. However, the latest gambling industry statistics released by the Gambling Commission in December 2017 show that the total amount lost on B2 machines in the 12 months between April 2016 and March 2017 was £1.82 billion, which equals £1,251 per player on average. Given average annual losses per player of this size, there is no way that a group with an average ten-month loss of less than £400 can reasonably be described as “more engaged” than average.

Para. 65: Another interesting finding from the loyalty card research is the extent to which those surveyed had changed their problem gambling status over the two years. RGSB states that “in total, 46 per cent of participants [in the loyalty card survey] changed their status while overall problem gambling rates remained the same. This data suggests that the main survey evidence used for estimates of gambling prevalence – the Health Survey data, which the RGSB reports 2012 results from in Table 5 (para. 60) – significantly underestimates the extent of problem gambling over a multi-year period.

In **para. 91** (point vi) RGSB states that £28 is a “low” stake level for B2 machines – this is a biased and misleading characterisation of what constitutes “low”. Many commentators would argue that anything above £2 constitutes unacceptably high stakes.

6 The misleading use of Expected Average Theoretical Cost per hour of play in assessing the current stake limits on B2 gaming machines

In Section VI of the advice document (**Paras. 94-100**), the RGSB’s attempt to answer its Question 3 (are B2 gaming machines in an anomalous position in the hierarchy of regulated gaming machines?) ignores the key fact that roulette games on B2 machines are unique in allowing gamblers to set their own volatility of winning, a delusional perception of control or even skill, which is part of the addictive nature of B2s.

Table 7 in **Para. 95** of the advice document (showing the Expected Average Theoretical Cost per hour (EATC/hour) of different types of machines) shows that B2 gaming machines have an EATC/hour of £486, well above any other type of gaming machine except B1 machines in casinos. However, EATC is a laboratory measure which bears no relevance to real player experience. For example, for EATC/hour at £100 per spin to deliver a loss of £486 the player would have to bet equal units on every number on roulette (around £2.70 per number) for 180 spins. Instead of focusing on EATC, which bears no relevance to player experience, RGSB should be asking which features of B2 machines mean that they generate significantly more revenue per machine than other categories. Roulette, which essentially allows players to set their own win frequency, has addictive characteristics. EATC is not a suitable metric for quantifying the harm resulting from machine gaming – RGSB should focus on losses instead⁹.

7 Flaws relating to data on the extent of criminal damage and crime arising from B2 machines

⁹ A useful reference on this issue is F Markham, M Young and B Doran (2016), “The relationship between player losses and gambling-related harm: evidence from nationally representative cross-sectional surveys in four countries”, *Addiction* Vol 111 Issue 2 (Feb 2016), pp320-330. <http://onlinelibrary.wiley.com/doi/10.1111/add.13178/abstract>

Another area where the RGSB have failed to obtain adequate data on the impact of B2s is the extent of criminal damage and crime against staff in LBOs. In **Para. 82**, the RGSB states that “[The argument that B2 players exhibit violence to machines or to shop staff as a consequence of playing on machines] is not conclusively supported by evidence... we are not aware of any reliable peer-reviewed research on the subject.” Once again this is partially a consequence of the RGT, in consultation with the RGSB, not having commissioned such research. However, anecdotal evidence suggests that there is at least a correlation between the increase in the number of B2 gaming machines in recent years and increased crime in LBOs¹⁰ and this is backed up by new research from academics at the University of Glasgow who find a correlation between crime rates and the number of LBOs in London Boroughs¹¹.

In **Para. 83** the RGSB observe that “the bookmaking industry’s figures, based on the results of FOI requests to British police forces, support their claim that, when compared with other high street premises, the number of police incidents in betting offices is relatively small (2,269 in 2013 compared to 2,163 incidents in fast food outlets, 6,226 in clothes shops, 18,989 in pubs and 59,431 in food stores).” However, these FOIs were designed by the Association of British Bookmakers (ABB) based on comparisons between LBOs and “retail” premises. A more appropriate comparison for LBOs is banks as food stores and clothes stores are subject to thefts of merchandise which increases the incident count for these types of premises. There is no potential for theft of merchandise from LBOs as the products being sold are not physical items. Furthermore, fast food outlets and pubs are often open later or for longer hours than LBOs, meaning that the number of incidents *per hour of operation* is higher for LBOs. Thirdly, Table 6 measures “incidents per outlet” which ignores the fact that the other premises – clothes shops, pubs and food stores – are larger on average than LBOs and on average have more visitors than LBOs. In paragraphs subsequent to para. 83 the RGSB identifies aspects of these FOIs that support the ABB position, but ignores the obvious points made here which undermine the ABB position.

In **para. 85**, the RGSB reports statistics from machine manufacturers that each B2 machine in LBOs experiences on average 5.7 faults per year. However, we are told that machine manufacturers and most operators do not record the reasons for failure and so it is not possible to produce a decomposition of the data into faults due to violence (e.g. smashed screens) and faults due to software issues or wear and tear. This seems unlikely; *a priori* the type of faults arising due to violence are likely to

¹⁰ For example, in 2013, betting shop managers told a BBC Panorama documentary that they believed one cause of the rise in violent crime was B2 machines due to the relatively high stakes involved. See H Reed (2015), *The Economic Impact of Fixed Odds Betting Terminals – 2015 Update*, Landman Economics for Campaign for Fairer Gambling. <http://fairergambling.org/wp-content/uploads/2016/02/The-Economic-Impact-of-Fixed-Odds-Betting-Terminals-20151.pdf>

¹¹ H Yoshimoto and P Kumar (2016), “Do crime-prone areas attract gambling shops? A case of London Boroughs.” University of Glasgow Working Paper. <http://eprints.gla.ac.uk/120948/>

look very different from faults arising due to wear and tear. It is a failing of the RGSB and GambleAware that machine manufacturers have not been pressured to produce specific data on faults arising due to violence.

8 RGSB's failure to recommend a £2 maximum stake limit

In Section VII of the advice document (**paras 106-127**), RGSB's answer to question 4 ("would reducing maximum stakes on B2 gaming machines reduce gambling-related harm?" is *the* crucial area where the RGSB should be making tough recommendations for reduced maximum stake, based on the evidence analysed earlier in the document. Unfortunately, they are too negative and cautious in assessing the potential for reduced maximum stakes to reduce gambling-related harm.

RGSB claims that there are two particular issues to consider here (**para 108**):

- i) Would a reduction cause a diversion to other forms of play which could potentially be equally or more harmful?
- ii) Even if diversion does not occur on a major scale, what reason is there to think that a reduction in maximum stakes would necessarily reduce harm?

Regarding issue 1, there is no substantial evidence that problem gamblers who play B2s would divert on any large scale to other venues or activities if stakes were significantly reduced. To the extent that there is evidence, it points the other way, suggesting that a substantial reduction in stakes would *reduce* gambling-related harm (see for example the Bacta-funded study covered in para 116 of the report).

Turning the current situation on its head, if there were no B2 machines in existence today and a proposal was made to add B2 content at a maximum of £20 per spin to B3 machines with a current maximum of £2 per spin, does anybody seriously imagine such a proposal would even be considered? There would be very strong opposition and rightly so. Given this, it seems strange that RGSB is so unenthusiastic about restricting B2 content that should never have been so readily available in the first place.

In **para 119** (point ii) the RGSB ignores the fact that table minimums in casinos in deprived areas are lower than in non-deprived areas, meaning that it was more likely that players would switch from table games to B1 machines in deprived areas irrespective of socio-economic factors outside the control of the casinos.

In **para 123**, the RGSB claims that "no-one can predict the effect of a reduction in maximum stakes with any confidence." However, this lack of evidence is at least partially the result of the RGSB and the RGT. If research had been conducted into

where the current revenues on B2s crossed over from or were new revenues, it would be more possible to make viable predictions regarding the potential impact of a reduction in maximum stakes. This failing must not be allowed as an excuse of “not enough evidence”.

The RGSB actually makes an implicit argument for a £2 maximum stake in **para 124** of its report: “Unless it was to a very low level... a reduction in maximum stake would have no effect on the very large proportion of problem gamblers who typically place stakes at modest levels.” This seems like a strong argument *for* a reduction to £2 maximum stake.

In **para 126**, RGSB also points out that there could be a substitution from B2 games onto B3 games or remote gambling if the maximum B2 stake were reduced to £2. This is certainly possible (and consistent with simulation results in recent research¹²), but it is hard to see why this would be a particular problem. Given the faster speed of play on B3 games compared to B2 games, RGSB also worries that B2 games would be wiped out if the maximum stake were reduced to £2. However, this neglects the fact that playing time on both categories of machine could be adjusted to equalise them. As regards substitution into remote gambling, to the extent that this is happening it is partially due to initiatives undertaken by bookmakers; Licensed Betting Outlets have been converting gamblers to remote gambling sites with sign-up offers for several years, even before the 2005 Gambling Act. Self-service betting terminals (SSBTs) at LBOs offer multi-language betting on all activities as if on a remote gambling site, but with cash access. Hence there is a good case for accompanying a reduction in the maximum B2 stake to £2 with additional regulations to prevent LBOs encouraging a switch to remote-style gambling via SSBTs.

9 RGSB’s Conclusions and Recommendations

This review of the RGSB advice document has shown that RGSB’s conclusion in **para 145** – that “there is no compelling evidence that a reduction in maximum stakes would necessarily make a material contribution to reducing gambling-related harm. There is even a risk that some effects in some circumstances could be perverse” – is contentious. There is a body of evidence (albeit not extensive) that suggests that reducing the maximum stake would be beneficial in terms of reducing gambling-related harm. Moreover, to the extent that the evidence on this issue is deficient, this is partly a result of the failure of the RGSB and the RGT to conduct the most relevant research on the impact of B2 stake reductions in the first place.

¹² “FOBTs in British betting shops: further analysis of machine data to examine the impact of the £50 regulations”, Forrest and McHale, February 2017.

However, RGSB then goes on to argue against its own conclusion in **para 146**, by making the case for maximum stake limits after all: ““Despite the uncertainty about the effects, we believe that a reduction in maximum stakes on B2 gaming machines implemented for precautionary reasons could still reasonably form part of a coherent strategy to mitigate gambling-related harm, *provided that* the impact on actual harm is carefully monitored and evaluated, so that offsetting action can be taken if it proves necessary.” This is completely the correct strategy and course of action and it is a shame that RGSB didn’t simply leave out paragraph 145 and focus on paragraph 146 in its conclusions.

While it would be hard to disagree with RGSB’s observation in **para 149** that “in no sense should a reduction in maximum stake be regarded as an alternative to other efforts to reduce gambling-related harm,” it needs to be made clear that efforts led by the betting industry to reduce gambling-related harm have so far been fairly ineffective (as RGSB themselves point out earlier in the report).

Moving on to RGSB’s specific recommendations in the report, in **para 152** they state (correctly) that: “a reduction in maximum stakes on B2 gaming machines could... be a potentially useful part of a coherent strategy to reduce harm, provided the effects are carefully monitored and evaluated.” They also observe that “there are some arguments for setting a new limit below £50, on precautionary grounds. There is however no evidence-based way of determining any uniquely correct new level.” The RGSB’s reluctance to argue for a £2 maximum limit is unfortunate and misguided. There are several reasons why a £2 limit is the correct limit to argue for:

- i) RGSB themselves admit that a substantial reduction in maximum stake is necessary to drive behavioural change and reduce problem gambling activity on B2s (**para 124**)
- ii) There is no real evidence to suggest that a £2 maximum stake would harm the economy and in fact it would probably improve economic activity in deprived areas (where B2 machines are concentrated) by driving consumer spending towards other goods and services with more local employment content¹³.
- iii) We can infer from the lack of comparable issues with B3 gaming machines that £2 is a safe and sustainable level for maximum stakes in easily accessible (i.e. non-casino) premises such as LBOs.
- iv) RGSB states that “it is desirable that any new maximum stake should be at a sustainable level and not subject to further frequent changes.” The opposition Labour Party’s policy on B2 machines is a reduction in maximum stake to £2. Given that a Labour win at the next general election is a distinct possibility, we can infer that if the maximum stake on B2 machines is reduced by the current Conservative Government to say £20

¹³ See H Reed (2015), *The Economic Impact of Fixed Odds Betting Terminals: 2015 Update*, Landman Economics report for Campaign for Fairer Gambling.

– then in the event of a Labour win at the next election, it would presumably be revised downwards again, to £2. Thus, to avoid “further frequent changes”, it would make sense to introduce a £2 limit now.