

Name: Lee Gregory (Chief Commercial Officer VLT)

Organisation: Inspired Gaming Limited

Introduction

This report has been drafted in response to the Government's consultation on proposals for changes to Gaming Machines and Social Responsibility Measures published on October 31st 2017 ('the Consultation').

In December 2016 Inspired Gaming ('Inspired') submitted a response to the Call for Evidence: Review of Gaming Machines and Social Responsibility Measures. Much of the data and evidence provided in that report is also applicable to a number of the questions posed in this consultation so, where appropriate, we have transferred the previously submitted data and evidence over to this report. Therefore, this consultation response can be considered in isolation and there is no need to refer back to our original Call for Evidence submission.

Inspired and SG Gaming are the suppliers of over 99% of machines in the UK Licensed Betting Office (LBO) marketplace. Both suppliers are fully committed to supporting Responsible Gambling and together have worked extensively with stakeholders to facilitate the supply and analysis of data. We strongly support the Government's objective of protecting consumers and wider communities.

Inspired has and will continue to commit, considerable time and resource in support of both DCMS and the Gambling Commission to establish a clear evidence base regarding player behaviour, key metrics and player trends.

Inspired supports the comprehensive submission by the ABB in response to this consultation. We have provided both data and input to the ABB response document that supports the retention of existing stake and prize limits and have worked actively as part of the ABB Responsible Gambling Group to introduce and evolve player protection measures in LBOs over the last three years.

Inspired supports the Responsible Gambling Strategy Board (RGSB) strategy and its objectives.

Executive Summary

1. **No evidence of harm:** Inspired believes that the statistical data set out in the Consultation provides no clear evidence to support any change to maximum stake or prize for machines in Licensed Betting Offices. In fact, since the introduction of B2 machines in 2002, UK levels of problem gambling have remained low and have not increased.
2. **Reduction in stake will likely be ineffective as a method of reducing harm:** There is no evidence to support the theory that reducing stakes will have any material effect on reducing problem gambling or protecting those players at risk of developing a problem. In support of our assertion we note the RGSB Advice, which states that, *"We doubt that changing a single characteristic of one gambling product would make a significant impact on levels of gambling-related harm."*¹
3. **Inspired acknowledges the principle of a precautionary cut to stake:** Notwithstanding the lack of evidence, Inspired acknowledges the RGSB recommendation for application of the precautionary principle. If a reduction is made on a precautionary basis, then it seems reasonable that this should be £50. Any further reduction does not appear warranted and, as stated in the DCMS Impact Assessment, could result in an annual impact to LBO Gross Gaming Yield of up to £639m per year. In addition, we are very clear that a cut to £2 effectively equates to a ban on B2 products.
4. **Improved player protection measures:** Inspired believes that a package of improved player protection measures will be more effective in achieving the government's objective to deliver *"socially responsible growth and the protection of consumers and the communities they live in"*. Inspired is fully supportive of this approach and have been a major player in developing the current measures in place across the B2 machine estate. These measures represent the most effective package in the UK machines industry.
5. **Industry wide approach to improved player protection measures:** We strongly support the view that a further enhanced set of measures should be implemented across the whole spectrum of Category B machines.
6. **Rate of Loss is a key factor:** As recognised by the RGSB, the 'Expected Average Theoretical Cost' (EATC, also known as 'Rate of Loss') is a highly effective way of comparing potential harm to the player from different categories of game. The EATC comparisons contained in this submission clearly demonstrate that B2 machines are appropriately placed in the hierarchy of all UK machine types. Based on EATC calculations shown in table 2:

£50 Roulette = £20 B2 Slot = £2 B3 Slot
--

Furthermore, any roulette stake less than £50 results in an EATC lower than any other machine category including £1 Cat C machines in Pubs.

¹ RGSB Advice in relation to the DCMS review of gaming machines and social responsibility measures, Jan 2017

Gaming Machines in LBOs

Inspired supplies approximately half of all gaming machines currently sited in UK LBOs.

The terminals supplied by Inspired are touchscreen, server based machines which incorporate different categories of games. Each LBO is permitted up to 4 machines of category B2 or below.

To use the terminals, players have the option of inserting cash directly into the terminal or having the cash loaded from the counter by a member of staff who can transfer the monies electronically to the terminal.

The machines do not pay out cash. When a player collects their returns a ticket is produced, which is then redeemed for cash at the counter by a member of staff.

Terminals with Best and Safest Player Protection Functions

Mandatory Player Protection Journey Interaction – Unique to B2 Machines

All of the machines include functionality which offers all players the choice to set their own spend and time limits. Mandatory alerts also occur at certain intervals of session duration and spend.

This functionality in LBOs allows operators to carry out far more player monitoring and intervention where considered necessary compared with many other sectors of the machine industry.

Anti Money Laundering Controls

In addition, all machines have anti money laundering functionality which assesses the total amount of cash inserted into the machine during an individual player session and compares that figure with the total value of games played. If the ratio of the two figures falls outside of expected levels the ticket will be flagged up for further scrutiny and will not be immediately cashable by the player. This level of functionality is market leading and widespread use of it is unique to LBOs. As such, other sectors of the machine industry are unable to tackle potential money laundering issues as widely and effectively.

Detailed Transactional Data Collection and Player Monitoring via Algorithms

All of the machines are networked and linked to a central server, which allows for all transactions to be recorded and used for analysis. This data can be used for both commercial and social responsibility reasons. This includes the analysis of individual player behaviour both within sessions and across multiple sessions to facilitate Responsible Gambling alerts and interventions where applicable. Additional detail on current methods of player tracking is covered in response to question 11.

Games

Each terminal is able to provide a wide range of games to players. These games primarily fall into 2 categories – B2 and B3. There is also the option to supply category B4 and C games, however it is category B2 and B3 that generates virtually all of the Gross Win.

Category B2 games are defined as having a maximum stake of £100 per game with a maximum prize of £500. They can operate at a speed no greater than a game every 20 seconds.

Category B3 games are defined as having a maximum stake of £2 per game with a maximum prize of £500. They can operate at a speed no greater than a game every 2.5 seconds.

Inspired complies with the Gambling Commission Gaming machine testing strategy. Part of this requires all games to be independently tested for fairness by an approved external test house to ensure they are random and operating within the guidelines set out in the Gambling Commission machine technical standards. No games are released for use without having a satisfactory test certificate.

Once games have been released to the live estate their performance is monitored on a daily basis to ensure continuing fairness to the player and that they are operating in the expected manner and are in accordance with technical standards. This functionality, which supports the collation and subsequent analysis of data on a daily basis, allows the LBO sector to ensure the highest possible quality of fairness of games, minimising the potential risk of players being disadvantaged.

Player Behaviour and Product Mix - Declining percentage of B2 Gross Win (Roulette)

B2 games account for just under 70% of total Gross Win for the machines.

The most popular B2 game is roulette which accounts for 90% of Gross Win within the B2 category. The remaining 10% of B2 Gross Win is largely from slots style games.

B3 games are generally slots games and make up just over 30% of the total Gross Win for the machines (see Table 1).

These two types of games, roulette and slots, are very different and as such they are used by players in contrasting ways.

B2 roulette games operate at a margin of 2.7% meaning that for every £1 staked by a player they will on average lose less than 3p.

B3 slots typically operate at a margin around 91% meaning that for every £1 staked by a player they will on average lose 9p.

In addition to these margins the differing speeds of play permissible for each category create lower expected 'rates of loss' for average staking roulette players than is the case for average B3 slots players (as per evidence provided in response to Q1). These differing rates of loss mean that players will have very different staking patterns when playing a B2 Roulette compared with a B3 slots game.

B2 only sessions last on average for 8 minutes 50 seconds (vs 9m 50s for B3 only sessions) and currently make up 61.8% of sessions².

² Gambling Commission LBO machines data summary May 2016

Declining percentage of B2 Gross Win vs B3 Gross Win over Last 5 years

Table 1 shows the comparison between B2 and B3 industry revenues over the last 5 years. It is worth noting that there has been a downward trend in the percentage split of B2 Gross Win vs B3 Gross Win in each of the last 5 years. In real terms, Gross Win from B2 Roulette in 2015/16 was at the same level as in 2012/13.

Table 1 – UK LBO Gross Win percentage figures by gaming category

COMBINED - % OF GROSS WIN BY CATEGORY					
Machine Category (£m)	Apr 2012- Mar 2013	Apr 2013- Mar 2014	Apr 2014- Mar 2015	Apr 2015 to Mar 2016	Apr 2016 to Mar 2017
B2	74.0%	73.8%	72.9%	69.7%	68.7%
B3	26.0%	26.2%	27.1%	30.3%	31.3%

As supplied to the GC by Inspired & SG updated to Mar 2017

This information is not widely documented or understood elsewhere as invariably reporting is required to be done with reference to the highest category of game available on a particular terminal. This means that any terminals which have both B2 and B3 games on them have their reported revenues grouped together under the B2 category thereby disguising all B3 revenues made from the machine. This of course results in B2 revenues being overstated and B3 revenues being understated in certain reports³.

³ Gambling Commission Industry Statistics April 2013 to March 2016

Questions

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?

- 1.1 Inspired does not agree that there is any evidence to support a reduction in stake level for B2 machines. However, we appreciate that the consultation included a clear commitment from the Government to introduce a reduction on a precautionary basis should no clear evidence in favour of a lowering of stake be submitted.
- 1.2 If there is no evidence to support a reduction in stake it should follow that any precautionary measures must take into account advice from RGSB to ensure that any such changes are likely to reduce gambling related harm.
- 1.3 There is no evidence to suggest that lowering stake will do anything to prevent gambling related harm as problem gamblers are found at all levels of staking. It therefore follows that a more sensible and effective solution is to increase the controls available to players.
- 1.4 The Consultation proposed a number of options for a B2 stake cut. If the reduction is made on a precautionary basis, then it seems reasonable that this should be £50. Any further reduction does not appear warranted. However, should it be decided that a lower figure for unregistered play was appropriate this should be accompanied by an agreed player journey up to £50, which may include player tracking. This solution would provide significant additional data for operators and Government to help determine appropriate future stake levels and not be reliant on further untested precautionary measures.

Problem Gambling Levels

- 1.5 Long-term trends in problem gambling levels in the UK have remained stable since 1999⁴ and are lower than many comparable jurisdictions⁵. **There has been no material increase in the period since B2 gaming machines have been available in LBOs, following their introduction in 2002.**
- 1.6 This is not to say that we are comfortable with the level of problem gambling on machines. We believe that the investment and development by the LBO machine suppliers, working with the ABB and its members, has seen machines in LBOs become industry leaders in terms of the levels of player protection and controls available, ensuring that the problem and 'at risk' levels of gambling remain stable, and we believe that further work in this area will see these levels drop.

⁴ GAMBLING BEHAVIOUR IN BRITAIN: Results from the British Gambling Prevalence Survey (June 2000)
<http://www.gamblingcommission.gov.uk/pdf/Gambling%20behaviour%20in%20Britian%20results%20from%20the%20BGPS%202000%20-%20Jun%202007.pdf>

& Gambling behaviour in England and Scotland – Findings from the Health Survey for England 2012 and Scottish Health Survey 2012

<http://www.gamblingcommission.gov.uk/pdf/gambling%20behaviour%20in%20england%20scotland%2010072014.pdf>

& Gambling Behaviour in Great Britain 2015, NatCen

<http://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2015.pdf>

⁵ British Gambling Prevalence Survey (2010)

<http://www.gamblingcommission.gov.uk/PDF/British%20Gambling%20Prevalence%20Survey%202010.pdf>

- 1.7 We do not believe that there is any evidence to show that a stake reduction will have a positive effect on problem gambling levels.

Evidence

- 1.8 As referenced in the 'Games' section above, B2 casino games (including roulette) and B2 slot games are currently covered by the same stakes and prizes regulations, however there are fundamental differences between Roulette and Slots games which mean that it may be more appropriate for them to be dealt with as separate products. We have therefore treated them separately in various pieces of evidence below.
- 1.9 Inspired contends that the differences in rates of loss and volatility between Roulette games and Slots games illustrate why any stake cut to B2 Roulette would render it anomalous when compared with all other categories of gaming machine.

Rates of Loss

- 1.10 As recognised by the RGSB⁶, 'Expected Average Theoretical Cost' (EATC, also known as 'Rate of Loss') is a highly effective way of comparing potential harm to the player from different categories of game. It shows a true reflection of any losses experienced for each product as it takes into account the Return to Player % (RTP), the spin speed and the stake level.
- 1.11 Table 2 shows the EATC by category and stake of various categories of game available on UK machines in different venue types. Where possible we have used RTP percentages from Inspired's live LBO machine data. Otherwise these have been taken from the RGSB advice.

Table 2 – Expected Average Theoretical Cost by Category and Stake

Legal Category	Venue Type	Stake	Minimum Game Cycle (secs)	Max Games per Hour	RTP %	EATC per Hour
B1	Casino*	£5.00	2.5	1440	92.5%	£540.00
B2 Roulette	LBO	£20.00	20	180	97.3%	£97.20
	LBO	£30.00	20	180	97.3%	£145.80
	LBO	£50.00	20	180	97.3%	£243.00
	LBO	£100.00	20	180	97.3%	£486.00
B2 Slot	LBO	£20.00	20	180	93.2%	£244.80
	LBO	£30.00	20	180	93.3%	£361.80
	LBO	£50.00	20	180	93.3%	£603.00
B3 Slot	LBO	£2.00	2.5	1440	91.5%	£244.80
	Non LBOs*	£2.00	2.5	1440	89.5%	£302.40
B4 Slot	AGC*	£1.00	2.5	1440	80.0%	£288.00
Cat C Slot	AGC*	£1.00	2.5	1440	88.0%	£172.80
	Pub*	£1.00	2.5	1440	78.0%	£316.80

* RTPs taken from RGSB advice (based on the midpoint in the range of typical RTP values provided by Gambling Commission)

⁶ RGSB Advice in relation to the DCMS review of gaming machines and social responsibility measures, Jan 2017

- 1.12 Table 2 clearly shows that in terms of EATC:

£50 Roulette = £20 B2 Slot = £2 B3 Slot
--

All of which have a lower EATC than both B1 slots in casinos and B3 slots in non LBOs such as AGCs and Bingo Clubs.

- 1.13 Any roulette stake less than £50 results in an EATC lower than any other machine category. At a £30 stake the EATC would be £100 lower than a £2 B3 slot and at a £20 stake it would be £150 lower. *NB we have not included the £2 roulette staking option in Table 3 as the B2 category of game would cease to exist at a maximum stake of £2 with all games effectively becoming B3 games.*
- 1.14 The EATC shows the real hourly spend of an average player playing each category of game at the minimum game cycle speed and listed stake. As a further illustration, we have taken the average associated values for each game category from our live estate, shown in table 3 below.

Table 3 – Actual Loss by Session by Gaming Category

	Average Stake	Average Game Cycle Speed (secs)	RTP %	Average Session Duration (mins)	Average Session Loss
B2 Roulette	£19.66	37	97.30%	9.37	£8.07
B3 Slot	£0.75	5	91.00%	10.37	£8.40

- 1.15 **This shows that on average, a player loses more in a B3 slots session than in a B2 Roulette session due to the lower RTP and faster spin speed.**
- 1.16 We have also been able to calculate the EATC per hour of games supplied by Inspired to casinos and online. Given there is no regulated maximum stake we have used the most common maximum stakes in our games. In practice, available maximum stakes can be higher than this. **Table 4 clearly shows that these EATCs are between 30 and 100 times higher than a £50 Roulette stake on a category B2 machine.**

Table 4 – Expected Average Theoretical Cost for Casinos and Online

Game Type	Venue Type	Maximum Stake	Minimum Game Cycle (secs)	RTP %	EATC per Hour
Table Roulette	Casino	£5,000	75	97.3%	£6,480.00
Slots	Online	£250	2	95.0%	£22,500.00
Roulette	Online	£500	10	97.3%	£4,860.00

Volatility

- 1.17 The volatility of a bet determines the frequency and size of any win. It is effectively a measure of the risk taken. A highly volatile game will result in big wins less frequently while a low volatility game will result in lower wins more frequently.
- 1.18 Inspired believe that volatility is a key factor in the potential level of harm to an individual. As referenced in the RGSB advice, *“volatility is one characteristic of machine play known to be associated with greater risk of harm”*⁷.
- 1.19 Slots games have a fixed volatility as every play has the same chance of winning on each spin (although the volatility can vary by stake level). However, roulette allows players to control their own volatility. One bet on a single number at 35/1 would be a high volatility (high risk) strategy, while an Evens bet on e.g. ‘red’ would be a lower volatility (low risk) strategy.
- 1.20 In practice, the majority of players play Roulette in such a way as to reduce the volatility of their returns by covering multiple numbers, rather than trying to win large amounts on a lesser amount of potential outcomes. This significantly reduces the risk taken and is a fundamental trait of the entertainment and enjoyment of Roulette.
- 1.21 The average amount of numbers covered by a player per spin is 20 (out of a possible total of 37) and the average stake is just under £20. Figure 1 below therefore shows a typical staking pattern of an average player.

Figure 1 – Typical Roulette Staking Behaviour



- 1.22 Using figures from the live Inspired estate, we can compare the volatility by game type and by stake level. The co-efficient of variation (CV) is a statistical measure of volatility and is calculated by dividing the Standard Deviation of the returns by the stake, therefore allowing a direct comparison between different stakes. Table 5 shows the CV as well as the % of plays which return any prize (the ‘hit rate’) and the % of plays which return a prize > stake.

⁷ RGSB Advice in relation to the DCMS review of gaming machines and social responsibility measures, Jan 2017

Table 5 – Volatility by Game Type and Stake Level

	Stake	Hit Rate (% of plays returning a prize)	% of plays returning > stake	Co-efficient of Variation
B2 Roulette	£50	57.0%	36.5%	1.41
	£30	51.9%	34.8%	1.57
	£20	47.9%	34.7%	1.84
	£2	42.1%	21.7%	2.34
Average B2 Slot	£50	51.3%	20.9%	1.99
	£30	51.7%	19.4%	2.36
	£20	49.1%	19.3%	2.59
Average B3 Slot	£2	11.40%	8.40%	7.18

- 1.23 The table shows that at a £50 stake, roulette currently has a CV of 1.41. The CV increases as the stake decreases and at a £2 stake the CV is 2.34. This proves that a reduction in roulette stake has the unintended consequence of increasing a player's volatility. I.e. the lower the restriction on maximum stake, the less able the player to spread their risk across more options.
- 1.24 The table also shows that a B3 slot at a £2 stake has a CV five times more than roulette at a £50 stake and three times more than roulette at a £2 stake. ***When combined with the EATC data shown in table 3, the levels of harm from these two key metrics on roulette are significantly lower than on slots games.*** This is also one of the reasons that suppliers who have attempted it have been unable to make a Roulette game at £2 stake that is popular with player.
- 1.25 Table 5 also shows the 'hit rate' of each game type and stake. The hit rate of roulette is linked to the number of outcomes covered when betting (as illustrated in figure 2), and again we can see how the hit rate reduces as the stake reduces – i.e. players are winning less frequently.
- 1.26 Across all roulette play more than half of all spins generate a return (vs 1 in 8 or 9 spins on a B3 slot).

Spin Speeds

- 1.27 It is suggested in the consultation document (paras 2.15 and 2.15.2) that "*spin speed...could be flexed on roulette content, for example, to better reflect roulette in a casino which has a spin speed of over a minute*". Inspired strongly contends that there is no evidence to warrant a change in spin speed and indeed the consequences of such a move from a responsible gambling perspective could be counterproductive.
- 1.28 Any increase in the spin speed (i.e. a longer game cycle) would see the Expected Average Theoretical Cost of roulette falling further out of line when compared with other categories

of machine. Table 6 shows the EATC of a standard B2 roulette game with a slower spin speed at the proposed £20, £30 and £50 maximum stake levels.

Table 6 – EATC by stake and spin speed

EATC (per hour) at Proposed Stake Levels and Varying Spin Speeds			
Proposed Max Stake	20 seconds (current)	30 seconds	60 seconds
£20.00	£97	£65	£32
£30.00	£146	£97	£49
£50.00	£243	£162	£81

Equivalent EATC of £2 Slot = £245

- 1.29 We also believe that any increase in the spin speed, in the majority of sessions, would result in fewer spins per session. Table 7 shows the maximum number of spins possible at varying spin speeds by session duration.

Table 7 – Maximum spins by spin speed and session duration

Session Duration	Current % of Sessions within Duration	Max Spins at 20s	Max Spins at 30s	Max Spins at 60s
Up to 5 mins	48.6%	15	10	5
Up to 10 mins	69.6%	30	20	10
Up to 20 mins	86.2%	60	40	20
Up to 30 mins	92.6%	90	60	30
Up to 60 mins	98.1%	180	120	60

Cost of Implementation of a Stake Reduction

- 1.30 There are currently 256 games available to play on Inspired machines in LBOs.
- 1.31 Any reduction in the maximum stake to below £100 would require development changes to all B2 non-slots games (53 games). Any stake reduction to below £50 would additionally require development changes to the majority of slots games (an additional 158 games). *NB the remaining 45 games require no change.*

Table 8 – Costs of Implementation of a Stake Reduction

INSPIRED GAME IMPLEMENTATION COSTS			
New Max Stake	No. of Games to Change	Cost	Timeframe
£50	53	██████	3 to 6 months
Less than £50	211	██████	9 to 12 months

1.32



1.33

Any stake reduction will have an opportunity cost in terms of development time which will impact all commercial development plans. There is also a knock-on impact on (often small) 3rd party development companies in terms of lost revenue while these updates are being carried out.

Summary

- Problem gambling rates have remained statistically stable since the introduction of FOBTs.
- There is no evidence to suggest that a stake reduction will reduce the levels of problem gambling. However, there is some evidence to suggest a stake reduction could increase the risk of harm to some players.
- Based on the EATC evidence provided, a reduction of the B2 (non-slots) stake to anything other than £50 would cause a significant imbalance between gaming categories.
- The majority of B2 Roulette players play a low-risk strategy, covering on average more than half the available numbers.
- The levels of harm from two key markers, Expected Average Theoretical Cost and volatility, are significantly lower on roulette than on other game types.
- As roulette stakes reduce, the volatility of the bet increases as players take more risk in order to try to win, possibly leading to an increased risk of harm.
- The implementation costs to Inspired of any stake reduction, particularly below £50, are significant.

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

Yes

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

Yes

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

Yes

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

Yes

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

Yes

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

Yes

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

Yes

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

Yes

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

10.1 Inspired does not agree with the proposal to bar contactless debit card payments, although we believe that as long as cash remains the dominant form of payment on the high street, there is no immediate pressing need to allow contactless payment as a direct form of payment. This must be kept under close review as alternative payment methods begin to overtake cash on the high street. Inspired is keen to work with government and regulators to identify how gaming machines could, in future, utilise this technology to the benefit of players, in a safe, secure and responsible way.

10.2 In 2016 44% of payments made by consumers were cash payments, although it is predicted that this could fall to 21% by 2026.

Contributory factors are expected to include:

- Cash migration to debit cards
- Increasing use and acceptance of contactless and mobile payments
- Generational changes

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

11.1 Both category B2 machine suppliers have been instrumental in leading innovation, developing the functionality required to meet the ABB Responsible Gambling Code, and ensuring that machines located in UK LBOs are worldwide industry leaders in terms of social responsibility and player protection measures.

11.2 This results in breaks in play for the longer or higher spending sessions and facilitates personal Responsible Gambling Interactions (RGIs) to try and identify and support players showing signs of potential harm.

11.3 All Responsible Gambling functionality operates on all Inspired customer B2 machines regardless of Trade Association membership and across all categories of games.

11.4 We are committed to continuing this investment and working with the Gambling Commission, as part of the ABB group, to ensure that category B machines in LBOs maintain the highest levels of player protection and to introduce similar levels of player protection across other category B machines supplied by Inspired.

11.5 As such, Inspired supports the Government in their commitment to improve player protection across category B machines, including many, although not all, of the measures suggested in the Consultation document.

11.6 We would also highlight that a recent independent study, commissioned by the ABB, found that many players use their own methods of control, with several stating that they choose to play on machines in LBOs as a method of controlling their overall gambling as they are in a supervised, alcohol-free environment, as opposed to playing online at home with immediate access at any hour of the day or night.

Current Player Protection and Controls

11.7 Current player controls available on machines in Inspired LBOs include the following:

- Voluntary limits
- Mandatory alerts
- Dynamic spend and time checks during current session
- 7 & 28-day statement access for logged in players
- Player Awareness System (PAS) for logged in players
- Anonymous Player Awareness System (APAS) – on trial
- Session tagging (currently certain operators only)

11.8 Evaluations to date show that many of these have been effective although in certain cases usage of available controls has been lower than anticipated. As part of the ABB Responsible Gambling group, we have been constantly looking to evaluate and improve these measures, although this can only be done over time – particularly if looking to evaluate multiple measures. Inspired agrees with the RGSB assertion that *“the key, as argued in the (National Responsible Gambling) Strategy, is experimentation, followed by robust evaluation of what works so that good practice can be spread rapidly.”*

Code of Conduct Voluntary Limits

11.9 At the start of every session, and indeed at any point during a session, a player has the option to set a time or spend limit. Upon reaching this limit an on-screen alert will occur offering the player the choice of ending their session or continuing. If choosing to continue, there is then a 30 second enforced break in play after which the player has the option of setting a further limit. The real-time link between the machines and a back-office terminal ensures that all alerts are immediately made visible to staff and enables staff to conduct effective Responsible Gambling Interactions.

11.10 Inspired notes that 2015 research showed that *“there has been low player take-up of voluntary self-setting limits”*⁸

11.11 However, we would note that the majority of player sessions are short (70% last for less than 10 minutes) and therefore the player has no prior intention of setting a limit.

11.12 Despite that, voluntary limits are set in approximately 200,000 sessions per week. This is evidence that a significant proportion of players are controlling their machine play in LBOs via means that are not available in many other land-based sectors.

11.13 Of those reaching their voluntary limit, 42% end their session immediately. A further 36% set a new voluntary limit, further ensuring control over their session, while fewer than 20% continue to play preferring to revert to mandatory alert values.

⁸ ABB Code for Responsible Gambling and Player Protection: Evaluation of early impact among machine gamblers, NatCen, 2015

Code of Conduct Mandatory Alerts

- 11.14 Mandatory alerts can occur in all sessions. These either take the form of a 'time alert' occurring after 20 minutes of play and every subsequent 20 minutes or a 'spend alert' occurring after £150 cash inserted and every subsequent £150 inserted.
- 11.15 Approximately 900,000 mandatory time alerts and 500,000 spend limits, both resulting in a break of play, are triggered each week⁹. This has doubled since an ABB review of time and spend values led to both Inspired and SG implementing stricter controls in July 2016.
- 11.16 On receipt of a mandatory alert, fewer than 10% of players end their session immediately. This is perhaps unsurprising as players have not chosen the alert values in advance and therefore the alerts are unlikely to be occurring at the most appropriate point in the session for most individual players.
- 11.17 Inspired notes that the Consultation states *"Evidence suggests that these can be effective at improving player control but must be trialled and evaluated routinely to ensure effectiveness with players"*
- 11.18 Inspired does not disagree with that assertion, although we would register a concern that the volume of mandatory alerts may cause these alerts to become 'wallpaper' to the player, thereby reducing the effect of all alerts. We would contend that fewer, more targeted alerts (as per APAS as laid out in 11.22 to 11.26) may well have more long-term benefit.

Player Awareness System (PAS)

- 11.19 All LBO operators currently run a Player Awareness System (PAS) which uses algorithms to monitor all account-based customers across all sessions, using historical data to alert a player who is deemed at risk of harm based on markers of harm as identified in the GambleAware research of December 2014. An alert will occur the next time a player logs in and shop staff will receive an alert simultaneously.
- 11.20 While most major operators run their own Player Awareness Systems, Inspired operates PAS on behalf of our Independent customers. Approximately 10% of all stakes are monitored via PAS.
- 11.21 One possible weakness of PAS is that all operators have slightly different algorithms leading to potential inconsistencies in the number of players alerted. Inspired therefore agrees with the ABB recommendation to work towards a singular PAS algorithm and will work with the ABB and operators to facilitate this.

⁹ All figures on volume of alerts as supplied by Inspired & SG to the ABB

Anonymous Player Awareness System (APAS)

- 11.22 In order to address the issue that PAS only tracks circa 10% of all play, Inspired and SG Gaming have developed an Anonymous Player Awareness System (APAS) which tracks 100% of sessions.
- 11.23 Based on specific in-session markers of harm as identified by GambleAware research¹⁰, APAS is a real-time in-session algorithm alerting at a point in the session specific to individual players showing signs of harm (e.g. where a player starts chasing losses).
- 11.24 Staff receive every APAS alert via the back-office terminal and the alerts are a different colour (yellow) to ensure they stand out from other alerts for both players and staff. Given they are modelled to target a specific point in the session, a maximum of one APAS alert occurs per session.
- 11.25 Four different APAS algorithms have been trialled in two phases in 2017 across three geographical areas, with results of both phased trials being evaluated versus a control group. These results have shown success in terms of the number of players ending their session on receipt of an alert and having received an alert, adjusting their behaviour away from that flagged as potentially harmful.
- 11.26 Following on from this evaluation Inspired therefore supports the ABB in electing to roll out APAS to the whole LBO estate during 2018.

Session Tagging ('Nom de Plume')

- 11.27 During 2017, Inspired has released to trial 'Session Tagging' functionality which allows the sessions of all players (anonymous and account-based) to be linked by manual tagging of sessions to an anonymous player profile. Shop staff are trained to tag any player they believe may be at risk of harm.
- 11.28 Players can be tagged during any session they play facilitating tracked play across all sessions. The aim is that this cross-session data can be analysed offline, as with PAS, and targeted interventions can be carried out in-shop when the player returns.
- 11.29 It is currently too early to evaluate the results of this session tagging, but through this system Inspired expect to track between 30% and 40% additional play. Including play also tracked by PAS, this means that up to 50% of all play would be tracked cross-session in venues where Session Tagging is live.
- 11.30 The Session Tagging system relies on staff correctly tagging players during every session. The evaluation, due in 2018, will be able to measure the effectiveness of staff tagging as, where an account-based player has been tagged, we will be able to compare Session Tagging data with account-based data.

¹⁰ Machines Research Programme: Report 1 – Theoretical markers of harm for machine play in a bookmaker's, A rapid scoping review, Wardle, H; Parke, J; and Excell, D, NatCen prepared for the Responsible Gambling Trust, now BeGambleAware, April 2014. <https://about.gambleaware.org/media/1169/report-1-theoretical-markers-of-harm-for-machine-play-in-a-bookmakers-a-rapid-scoping-review.pdf>

Potential new player protection measures:

Hard Stops

- 11.31 Inspired notes that the Consultation states that *“‘Hard stops’ when limits are met, i.e. the ending of sessions, should also be considered as an accompanying measure”* as well as several references to *“high-level session losses (>£500)being a proxy for harm”*.
- 11.32 Inspired notes that Gambling Commission statistics¹¹ show that session losses > £500 are rare with fewer than 0.6% of sessions ending with such a loss.

Table 9 – Player Loss by % of Sessions

	LBO	AGC	Bingo
Over £500	0.56%	0.18%	0.06%
Player Losing Sessions	70.2%	77.0%	77.4%
Player Winning Sessions	29.0%	22.4%	21.8%

- 11.33 Inspired concurs with the ABB view that the concept of ‘Hard Stops’ has some merit, providing that any functionality is trialled and evaluated.
- 11.34 If a trial proves successful in reducing harm, we would propose that this measure is rolled out across all category B machines across all sectors simultaneously in order to ensure that at-risk players cannot choose to move from the well managed environments of an LBO into establishments that offer Category B product without the same measures for player protection, and also to ensure no commercial disadvantage to an individual sector.
- 11.35 It should also be noted when considering how ‘Hard Stops’ might work that of players who reach a loss of >£500 in a session, 30% end their session with a loss of less than £500 (15% actually end up in profit).

How a hard stop might work (across all Category B machines):

- Mandatory spend alerts, which currently track cash inserted, would be modified to track loss during the session
- A predefined session loss limit would be agreed (e.g. £500) and would apply across all player sessions
- Hard stop, as defined below, applies when the loss limit is reached
- When a hard stop occurs, a pop-up is displayed to the player (and to the cashier at the same time). The player pop-up contains only a “Collect” button.
- Any ticket printed cannot be reinserted, or inserted at another terminal – it can only be redeemed at the counter for cash therefore providing an opportunity for an intervention
- If a bet is being made which would cause the limit to be breached, the player is given the option either of collecting and ending the session immediately, or reducing the current bet so that the loss limit is not breached

¹¹ From GC industry figures on session play Jul 2015 to Jun 2016

Enforced Voluntary Limits

- 11.36 Inspired notes that the Consultation states that *“We would like to see further work done to encourage take up on existing measures”*.
- 11.37 As such, we are happy to support the ABB proposal that players would be required to set a bespoke limit for time and spend at the commencement of play. However, we do have a concern that this may have the effect of driving away some players who are not at risk of harm, particularly those who play short sessions (50% of sessions last for under 5 minutes) so we would again propose that this would only be implemented following trial and evaluation.
- 11.38 If a trial proves successful in reducing harm, we would also propose that this measure is rolled out across all category B machines simultaneously in order to ensure that at-risk players cannot move their play to non LBOs to avoid this player protection and to ensure that no commercial disadvantage.

How Enforced Voluntary Limits might work (across all Category B machines):

- Replacement of the current start of session Set Limits prompt (which has Yes/No options) to an information screen and a single button which takes the player to the Set Limits interfaces
- Simplified Set Limits interface to make the journey more intuitive as it will now apply to all players at start of session
- Prevent the session from starting without limits being set

Algorithms

- 11.39 Inspired notes that the Consultation states that *“Although there is a long way to go to utilise the wealth of data available on gaming machines, we believe that the utilisation of algorithms has the potential to be an effective intervention tool for those most at risk.”*
- 11.40 Inspired agrees with this assertion and would highlight the considerable work and investment to date carried out in conjunction with the ABB Responsible Gambling roadmap to introduce world leading algorithm-based tracking and alerts to LBOs (as described in 11.19 to 11.30).
- 11.41 We also note the RGSB Advice stating that *“the wider application of algorithms to non account-based play (the majority of play in LBOs) is likely to prove particularly challenging. Take-up of account-based play, which would otherwise have mitigated this problem, has continued to be low.”*
- 11.42 Inspired contends that development and release to trial of APAS and ‘session tagging’ during 2017 has taken giant steps towards mitigating this problem. We now monitor up to 50% of players cross-session and 100% of players in-session in areas where the trials are operating.

- 11.43 We commit to continuing to work as part of the ABB and with the Gambling Commission to ensure these algorithms continue to evolve and remain a highly effective intervention tool.

Additional Player Tracking

- 11.44 Inspired notes that the Consultation states that *“In addition, we have asked the Gambling Commission to advise us on the costs and benefits of introducing a form of tracked play on B1, B2 and B3 gaming machines. By tracked play, we do not necessarily mean that players would be required to provide verified personal information about themselves to their gambling operators. It could be a process by which players would register and be given some way of tracking their play (e.g. a number, a QR code) without providing this information.”*
- 11.45 We agree that an appropriate level of tracked play can provide valuable data for interventions and further learnings on player protection measures. However, we have a concern that too much tracked play could have a negative effect – for example, a large increase in the volume of data running through PAS could significantly increase the processing time, particularly where human input is required, and render it less effective.
- 11.46 We also contend that there is little or no benefit in tracking a significant percentage of players. We know that 50% of sessions last for <5m and 70% of sessions last for < 10m. If a form of registration were to become mandatory, infrequent players at no risk of harm are the most likely cohort to move away from machine play, which may well lead to the perverse outcome that the percentage of Problem Gamblers on machines will rise.
- 11.47 We also know that many players do not want their privacy invaded and wish to remain anonymous. When the Gaming Machine (Circumstances of Use) (Amendment) Regulations came into force in April 2015, we saw a reduction from 10% to 3.5% of B2 plays over £50, with only 1.5% being staked via accounts (the remainder are authorised over the counter).
- 11.48 As well as the account-based player journey which allows players to stake > £50 currently, we operate in-session tracking in the form of APAS and further cross-session tracking in the form of ‘Session Tagging’ as outlined in 11.22 to 11.30. We would contend that the most efficient use of resources and the lowest cost method of generating any additional player tracking would be to incorporate this current functionality.
- 11.49 We would also contend that any non-verified form of player tracking as suggested in the Consultation would be ineffective as it would allow players to register on multiple occasions. For example, a player could ‘pick up a new card’ at the start of every session therefore skewing any personal and overall data.

Mixed Sessions

- 11.50 Inspired notes that the Consultation suggests a potential additional requirement of *“prohibiting mixed play between B2 and B3”*
- 11.51 Inspired understands this to refer to situations where players can transition between B2 and B3 versions of the same game without returning to the main menu.
- 11.52 Inspired does not agree that any change is required to the current status. The only instances in which a player can currently transition between B2 and B3 versions of the same game without returning to the main menu are in B3 Slots games which also offer a B2 mode. As well as having to make the positive choice to change stakes and therefore enter a different gaming category, a very clear message appears to the player when transitioning:



YOU ARE ABOUT TO ENTER A CATEGORY B2 GAME

- 11.53 All other instances of players playing B3 games and B2 games within a session require the player to return to the menu between games, thus creating a break in play and ensuring that the player makes a clear choice of game from that menu.
- 11.54 Inspired would also note that comparison of mixed sessions vs B2 only/B3 only in the Gambling Commission statistics includes all B2 only/B3 only sessions where only one game is played. By definition a ‘mixed session’ must have multiple (at least two) games played. Those sessions will therefore by definition be longer and, on average, have higher losses.

Parity across category B machines

- 11.55 Inspired feels that it is important to ensure that any social responsibility measures introduced to help manage and control player activity are implemented by reference to category of machine and not by venue type. From a player’s perspective it does not make logical sense for them to experience differing controls when playing exactly the same game in different types of premises. In fact, it could be argued that such discrepancies could cause avoidable harm to some players.
- 11.56 However, it is worth noting that to achieve such parity, for example mandating APAS for all category B3 machines, would require significantly differing levels of resource. For operators such as Inspired who operate server based gaming systems it is fairly straightforward to introduce, however some other operators with less developed products would likely struggle to be able to make such changes in a reasonable time period.

Q11b. Can you provide estimates about (a) the potential implementation and running costs of this package of measures; and (b) the potential delivery timescales for these changes?

Table 10 – Implementation & running costs of additional player protection measures

Item	Implementation Cost (for Inspired)	Running Costs	Delivery timescale
Current measures extended to (non LBO) B3 machines	██████████	Operator costs only (e.g. staff training)	12-18 months from agreement
Hard stops	██████████		9-12 months from agreement
Enforced Voluntary alerts	██████████		9-12 months from agreement
Algorithm development	██████████████████		Ongoing
Player Tracking	Costs and timescales are very much dependent on the functionality agreed. Inspired will work with the Gambling Commission to enhance player tracking as cost efficiently and quickly as possible		

11.57 These costs listed in table 10 are separate from any game development costs required to meet a new maximum stake as detailed in response to Question 1. ** Other than the extension of current measures to non LBO machines which would require additional amendments to non LBO games.*

11.58 It is also worth highlighting that each of the player protection measures will have a cost in terms of changes in player behaviour and therefore lost revenue. These costs are not included in the Government Impact Assessment. This is why Inspired is committed to trialling and evaluating each measure to ensure that each measure actively reduces the level and risk of harm to players as opposed to merely driving players to other forms of (potentially more harmful) gambling.

Summary

- Inspired commits to working with the Gambling Commission and as part of the ABB Responsible Gambling Group to continue to evaluate and evolve current player protection measures.
- Inspired also commits to working with the Gambling Commission and as part of the ABB Responsible Gambling Group to trial new measures (as outlined above) and introduce these where evaluation suggests a positive impact on problem and at-risk gambling.
- Inspired further commits to working with the Gambling Commission and as part of the ABB Responsible Gambling Group to help attain the most effective level of cross-session and in-session player tracking.
- In addition to our response to this question, Inspired supports the ABB response with regards to any non-machine based player protection measures.

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

Inspired supports the implementation of evidence-based player protection measures where they are proven to be effective and do not have a disproportionately negative effect on those players who are at no risk of harm.

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

We have no view on this question.

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

We support a mandatory levy at an appropriate level and refer to the ABB response for further views.

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

Yes

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?

- 16.1 There are several figures referenced in the Consultation, which Inspired believes, without the relevant caveats and context, could be misleading. We would therefore like to take this opportunity to highlight these.
- 16.2 Inspired notes that when listing the various 'maximum stake' options (in sections 2.17 to 2.20), the Consultation states 'problem gambling' and 'at risk of harm' figures at or above each stake level. For example, the Consultation states that *"At or above £50, 46% of players were identified as problem gamblers and 41% were at risk of harm. 13% were categorised as neither problem nor moderate/low risk gamblers."* These statements are based on figures taken from the RGSB Advice, which were taken from NatCen's *Follow-up study of loyalty card customer research*¹².
- 16.3 However, we note that the Consultation does not list two caveats, both of which are made clear in the RGSB advice and the original research, and both of which are crucial to the context and understanding of these figures.
- I. the sample size is far too small to be statistically significant (*"Caution advised because of very small base values"*)

¹² <https://about.gambleaware.org/media/1259/natcen-secondary-analysis-of-loyalty-card-survey-final.pdf>

- II. the sample is based on loyalty card players and is therefore significantly skewed to an oversampling of more frequent machine players (*"This is a survey of people who hold loyalty cards for bookmakers. These people are heavily engaged with gambling and are not representative of all gamblers in the population. People who are more engaged with gambling are more likely to be problem gamblers. This should be taken into account when reviewing these results"*)

16.4 We therefore contend that these figures are not representative of all players and should not be considered as evidence.

16.5 We also note that the Consultation states the 'problem gambling' and 'at risk of harm' rates '**at or above £x**' in 2.17 to 2.19, but in 2.20 refers to '**£2 or below**' (as opposed to 'at or above £2'). This inconsistent comparison could result in a very misleading narrative. In the first three options the reference is to the proportion of problem gamblers/those at risk who are in the stake levels which will be *excluded* by the measure, whereas in the £2 case it refers to the problem gamblers/those at risk who are in the stakes which will be *included*. The table below shows the levels of problem gamblers were the narrative consistent at each stake, with the highlighted figures showing the references in the Consultation.

Table 11

Option	Proportion of PGs above £x	Proportion of PGs at or below £x
£50	46%	23%
£30	43%	23%
£20	44%	22%
£2	26%	19%

16.6 The right-hand column shows a consistent comparison of the percentage of problem gamblers who currently play at or below each stake level. Although these percentages are skewed far higher than the actual levels (due to the nature of the sample as referenced in 16.3 above), we can see that the percentage of problem gamblers with an average stake below £50 is almost the same as the number below £20 and only slightly higher than the percentage below £2.

16.7 This highlights the fact that a stake level reduction is unlikely to have any direct impact on the levels of harm and we note that the RGSB Advice¹³ draws a similar conclusion, stating that *"Many commentators appear to take it for granted that reducing maximum stakes on B2 gaming machines would necessarily make a material contribution to reducing gambling-related harm. The evidence suggests that a reduction in harm is far from certain"*.

¹³ RGSB Advice in relation to the DCMS review of gaming machines and social responsibility measures, Jan 2017

[REDACTED]

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- [REDACTED]
[REDACTED]

[REDACTED]

- [REDACTED]
[REDACTED]