

Review of gaming machines and social responsibility measures – formal advice

Executive summary

1. As the Government's advisers on gambling matters, we have provided advice to support the Department for Digital, Culture, Media and Sport (DCMS) with its review of gaming machines and social responsibility measures.
2. At the heart of our thinking is an aim to reduce the risks that consumers, especially those that are vulnerable, face from gambling. We think that action – from government, the Gambling Commission and operators – is needed to achieve that aim.
3. Our thinking is underpinned by robust evidence, applying the precautionary principle where appropriate. We support actions that will both tackle immediate harms and provide solutions that are sustainable in the longer term, recognising that the harms that are evident today may not be the same as those that consumers face in the future.
4. We consider that the case has been made for action to be taken on B2 machines (Fixed Odds Betting Terminals) to reduce the risk of harm, and that this should include a stake cut.
5. In setting a maximum stake, we think that it is important to consider:
 - likely impacts on gambling-related harm – lower stake limits reduce the potential for players to lose a lot of money in a short space of time, but we can also expect players to respond to lower limits by adopting riskier staking strategies, playing for longer or switching to other gambling products
 - impacts on the current approach to regulation, which allows 'harder' forms of gambling in more tightly regulated venues – a very low stake limit would make B2 a 'softer' form of gambling than is available in arcades, bingo halls and pubs, which are less tightly regulated than the betting shops and casinos in which B2s are permitted
 - the effect on consumer choice – where lower limits reduce the staking options for consumers and a very low limit is likely to remove a popular game (roulette) from betting shops
 - public and stakeholder opinion – gambling regulation needs to be rooted in an understanding of what is acceptable in society, so it is important to take account of the opinions of consumers, parliamentarians, local authorities, faith groups and other stakeholders.
6. There is an obvious tension between some of these factors. Balancing them requires careful judgement, and it is for Ministers to decide what weight to attach to each one.
7. In forming a judgement, we think it is worth distinguishing between the different types of games that are available on B2 machines – slots games, which are like traditional fruit machine games, and other games, which include roulette (by far the most popular game on B2 machines).

8. We think that there is a case for a £2 maximum stake for B2 slots, which was one of the options on which DCMS consulted. Drawing on data from 20 billion plays on B2 machines, we have looked at consumer losses as an indicator of the risk of gambling-related harm. Our analysis shows that, compared with non-slots players, slots players experience a greater proportion of significant losses. This reflects the particular risks associated with slots, which offer a lower return than non-slots games and less opportunity for players to manage their own risks through the way they play. In our view, the risks associated with this product outweigh the other factors described in paragraph 5 above. This is particularly the case when consumers will continue to have the option to play slots as a category B3 game in the same premises.
9. For all other B2 games, we agree with RGSB that there is a precautionary case for a stake cut below £50, which is now the effective limit for most players, and we think the maximum stake should be materially lower than £50. In our view, a precautionary approach should involve a stake limit at or below £30 if it is to have a significant effect on the potential for players to lose large amounts of money in a short space of time. The chosen level will depend on the weight that Ministers attach to risk of harm, implications for the way different products are regulated, consumer choice, and public and stakeholder opinion.
10. However, we do not consider that a stake cut alone on B2s (irrespective of the level) would go far enough to address the risk of harm fully. We consider that it is necessary to recommend a package of measures to address harm. This package would not just address the risk of financial harm from B2 machines. It would also minimise the risk of diverting problematic play onto other machines or other forms of gambling, and would help to identify the range of indicators of problem gambling at a much earlier stage.
11. We favour a comprehensive approach, which would help to make gambling on all machines safer. A key part of this is that we see a strong case in principle to make tracked play mandatory across Category B1, B2 and B3 machines. This would increase the availability of information about play, giving:
 - **consumers** access to information that would help them keep track of their own play and make informed choices about whether to continue
 - **operators** no excuse if they fail to identify players that are starting to show signs of problematic gambling
 - **Government and the Commission** a clearer picture of whether the industry is meeting its social responsibly obligations, so that we target our regulatory interventions appropriately.

Our advice provides more detailed information on the costs and benefits of tracked play, consistent with the request in the Government's consultation. So far, we have only limited information on the costs. We think there might be merit in running a trial to get a better understanding of the costs and challenges associated with implementing tracked play.

12. The industry needs to make significant progress in meeting the expectations set out in the National Responsible Gambling Strategy. This includes meeting GambleAware's funding targets in full, and on a sustainable and guaranteed basis. GambleAware's current funding requirement equates approximately to 0.1% of industry Gross Gambling Yield (effectively, industry turnover)¹, or a minimum of £10m a year. But the funding requirement is likely to increase significantly as we gain a better understanding of appropriate treatment provision, and of what an effective education and prevention programme would look like. There is a strong case for implementing a statutory levy if the industry cannot provide what is needed voluntarily.

¹ The Gross Gaming Yield for the regulated GB gambling industry (excluding the National Lottery) for the year ending March 2017 was £10.8bn. Gambling Commission Industry Statistics, April 2014 to March 2017.

- 13.** Our recommended package also includes:
- The B2 stake limits that we described above – £2 for slots and no greater than £30 for non-slots
 - Banning the facility for B2 machines to allow different categories of games to be played in a single session
 - Extending to category B1 and B3 machines the kinds of protections, such as player limits, that are in place on B2 machines
 - Working with the industry and others on steps to make limit-setting more effective – this could include ending sessions when consumers reach time and money limits.
- 14.** For categories of machine other than B2, we do not support any increases in stakes, prizes or machine allocations. Where industry sectors seek such increases, our view is that these should only be allowed where industry can demonstrate that it will also implement measures that will manage the risk of gambling-related harm effectively. For example, such measures might include significant steps to increase the availability of information about play, as described above.
- 15.** The tone, content and quantity of gambling advertising has attracted public concern. We share concerns that gambling advertising and marketing, including sponsorship, could lead to gambling-related harm for children and other vulnerable people. The available evidence is not clear on this matter. It does not indicate whether there is a need to change existing rules, but it is limited and we are working with RGSB and GambleAware to build on it. This continues to be an area that requires close scrutiny, and it is appropriate to keep under review the option of applying the precautionary principle.
- 16.** We also note stakeholder concerns about the risks of gambling online. We have submitted alongside this advice a review of data, market trends, consumer participation and action by operators on social responsibility and crime in online gambling. From this, we have identified a number of areas where we want to improve the protections in place for consumers. We will consult on:
- strengthening protections to prevent underage gambling
 - ensuring that more robust customer due diligence occurs earlier in a consumer's relationship with a gambling operator, with default limits to protect consumers until operators know more about them
 - new requirements around customer interaction.

We will also publish guidance on unfair terms, and provide more information to consumers about the treatment they should expect to receive to help embed the outcomes of the CMA's work on unfair terms.

- 17.** Our recommendations are based on informed judgement of what is likely to be effective. We have taken account of a broad evidence base, including academic and consumer research, stakeholder opinion, and data from machine software suppliers covering billions of plays on machines. In practice, the effectiveness of any measures will depend on how consumers respond, about which there is a great deal of uncertainty. On that basis, we recommend monitoring and evaluating any changes to make sure that measures in place are having beneficial impacts for consumers.

1. Introduction

The evidence base

- 1.1. Our advice draws on a broad evidence base. This includes:
 - Input from the Responsible Gambling Strategy Board (RGSB), our expert advisers on gambling-related harm
 - Data from machine software suppliers covering millions of sessions of play on category B2 and B3 machines in different gambling environments
 - Our own data on gambling participation and prevalence of problem and at-risk gambling
 - Research on machine play, including research conducted in Great Britain (mainly commissioned by GambleAware), as well as research from other jurisdictions
 - Stakeholder submissions from the call for evidence as part of the present review
 - Bespoke research on attitudes towards gambling, utilising our online tracker survey
 - Research on consumer attitudes to tracked play.
- 1.2. RGSB's advice to us focused primarily on whether or not the evidence supports action in relation to gaming machines, with a particular focus on B2 machines, and whether or not it supports action in the form of a stake reduction. RGSB surveyed a broad range of evidence. It concluded that there is indeed a case for action, and that a stake reduction on B2 machines, while unlikely to have much impact on its own, could form part of an effective strategy for reducing the risk of harm. We have attached as an appendix the advice we received from RGSB.
- 1.3. We share RGSB's view that a stake reduction is appropriate, but that it is unlikely on its own to have more than a limited impact on gambling-related harm. Our advice builds on this by identifying a package of measures which, taken together, could form a coherent strategy for tackling harm in relation to machine play.
- 1.4. While our advice has drawn on existing published research, we have also carried out or commissioned further work since the Government initiated the present review. One of the key pieces of evidence underpinning our advice is the data that we obtained from the industry about how consumers use category B2 and B3 gaming machines. The data cover nearly 20 billion plays on machines in licensed betting offices, and over 2 billion plays on machines in adult gaming centres and bingo venues. This has helped not only to inform discussion about the scale of risks, but also to distinguish between different types of risk.
- 1.5. A study by LaPlante et al in 2011, using data from the British Gambling Prevalence Survey 2007, has often been cited as evidence that B2 machines have a unique association with problem gambling. We replicated the study in 2016, using data from the British Gambling Prevalence Survey 2010 and combined data from the Health Survey for England 2012 and the Scottish Health Survey 2012.
- 1.6. Gambling regulation needs to be rooted in an understanding of what is acceptable in society. So, it is important to take account of public opinion in considering the balance between protecting vulnerable people and allowing people to choose how they gamble. We have taken account of concerns expressed by Parliamentarians, local authorities, faith groups, other stakeholders and in the media. We also added questions to our own online tracker survey to assess the extent of public concern.
- 1.7. Finally, in order to inform our advice on the costs and benefits of some form of player tracking, we commissioned Populus to conduct some research into consumer views.

The framework for our advice

1.8. We have developed our advice in the context of the statutory framework. This seeks to balance the objectives of protecting vulnerable consumers on the one hand, while on the other hand allowing the gambling industry to meet consumers' legitimate preferences. Risk is an inherent part of the gambling experience, so there is inevitably tension between these objectives. Accordingly, we have sought to strike a balance by supporting actions that are likely to protect consumers more effectively without impinging disproportionately on the experience of consumers who are not experiencing harm. We recognise that the Secretary of State might wish to attach different weight to the competing objectives, and to strike a different balance between them.

1.9. The Gambling Act 2005 provides the framework for our advice. Section 22 specifies:

- 'In exercising its functions under this Act the Commission shall aim-
- (a) to pursue, and wherever appropriate to have regard to, the licensing objectives, and
 - (b) to permit gambling, in so far as the Commission thinks it reasonably consistent with pursuit of the licensing objectives.'

The licensing objectives include 'protecting children and other vulnerable persons from being harmed or exploited by gambling'.

1.10. Our functions under the Act include our duty to advise the Secretary of State on gambling matters (Section 26).

1.11. Reflecting that background, our advice must have regard to whether any change in regulation (or decision not to change) is reasonably consistent with the licensing objectives. That will inevitably be a matter of judgement, and one that must be informed by evidence. These are complicated issues, and often the evidence is not clear cut. But lack of conclusive evidence need not be a reason for inaction.

1.12. Our 'Statement of principles for licensing and regulation' states that "caution may be justified where evidence is mixed or inconclusive, and the Commission would not want to restrict its discretion by requiring conclusive evidence that something was unsafe before taking measures to restrict it." This 'precautionary' basis for action is strongly reflected in our advice.

Structure of this document

1.13. We set out our advice in the sections that follow, broadly aligning with the strands of the Government's call for evidence:

Section 2 Stakes, prizes, and social responsibility (SR) controls by each machine category

Section 3 Machine allocations by premises type

Section 4 Advice that is not category or sector-specific, including advice relating to tracked play, advertising and the arrangements for research, education and treatment.

Section 5 Advice in relation to online gambling

1.14. Each item begins with a summary box of stakeholder proposals and our advice on an appropriate approach. A more detailed discussion follows.

2. Stakes, prizes, and SR controls by machine category

Category B2

- 2.1. Category B2 gaming machines, otherwise known as Fixed Odds Betting Terminals (FOBTs), have a maximum stake of £100, a maximum prize of £500, and a minimum game cycle of 20 seconds. Consumers wishing to stake above £50 with one play must either register to play or follow an over-the-counter process. B2 machines are predominantly located in betting shops, where numbers are limited to 4 terminals per shop. They can also be located in casinos, although these account for a tiny proportion of the total number of machines.

Stakeholder proposals:

- LBO industry – Maintain current levels of stakes and prize and continue to develop responsible gambling tools.
- Campaign groups, political groups, local authorities, and other sectors – reduce maximum stake to £2.

Our advice:

- There is a precautionary case for a £2 stake limit for B2 slots games and a stake limit at or below £30 for B2 non-slots.

We also suggest:

- Banning the facility for machines to allow different categories of games to be played in a single session.
- There is a case for making tracked play mandatory across Category B2 (and B1 and B3) machines. We think there might be merit in running a trial to get a better understanding of the costs and challenges associated with implementing it.
- Industry to work with Gambling Commission and others to make player-set time and monetary limits more effective.
- Monitoring the impact of any changes, and consider further options to manage risks arising.

The case for action

- 2.2. We have considered a broad range of evidence around the case for and against taking action in relation to B2 machines. Much of that evidence is summarised in the advice we received from RGSB, so we do not repeat it here.
- 2.3. Two pieces of evidence that we should mention specifically come from work that we carried out or commissioned as part of the review. The first concerns work to repeat analysis conducted in 2011 by academics at Harvard University, but using different data. The study by LaPlante et al² used data from the British Gambling Prevalence Survey 2007. It showed that controlling for gambling involvement substantially reduced or eliminated all statistically significant relationships between individual gambling activities and problem gambling, except in the case of machines in bookmakers. Our study,³ following the same methodology but using data from 2010 and 2012, also found no consistent evidence that particular gambling activities are predictive of problem gambling, after controlling for the level of involvement. But the 2007 finding that machines in bookmakers are the exception did not persist into 2010 and 2012.

² LaPlante, Nelson, LaBrie & Shaffer (2011) Disordered gambling, type of gambling and gambling involvement in the British Gambling Prevalence Survey 2007. *European Journal of Public Health*, August 21(4).

³ Gambling Commission (2017) [Types of gambling and gambling involvement](#).

- 2.4. We also carried out work to support our assessment of public opinion on some of the issues in the present review. We did this by adding questions to our online tracker survey. When respondents were asked about their views on gambling and its impact on society, only 1.2 per cent specifically mentioned gaming machines. Larger numbers of respondents were concerned about the addictive nature of gambling (24 per cent), its financial impact (16 per cent) or its accessibility (13 per cent). But these concerns are not unique to gaming machines. Set against this, however, we note the significant concerns that stakeholders have raised, as described in section 1.
- 2.5. These findings are part of a complicated overall picture from which it is only possible to conclude that there is no clear-cut evidence that reducing maximum stake alone would be an appropriate action to reduce gambling-related harm. However, we think that there is sufficient evidence of harm to justify a precautionary approach.

A strategy for addressing B2 risks

- 2.6. In our view, a stake reduction on its own is likely to have a limited impact on gambling-related harm. In order to identify an overall strategy for tackling the risks associated with B2 machine play, we think it is helpful to consider the different types of risk involved. In particular, there are risks arising from:
- High loss rates – the potential to lose large amounts of money quickly
 - Volatility and returns to player on slots games
 - Sessions of play involving both B2 and B3 content, where net expenditure is significantly greater than in sessions restricted to one or other sub-category
 - The fact that problem gambling – and gambling-related harm – occurs at all staking levels
 - The challenges of identifying from single, unlinked, sessions of play the risks of harm to individuals
 - Inadequate data to test robustly the effectiveness of regulatory policy changes and operators' player intervention strategies.
- 2.7. The following sub-sections discuss the options we have considered to address these risks.

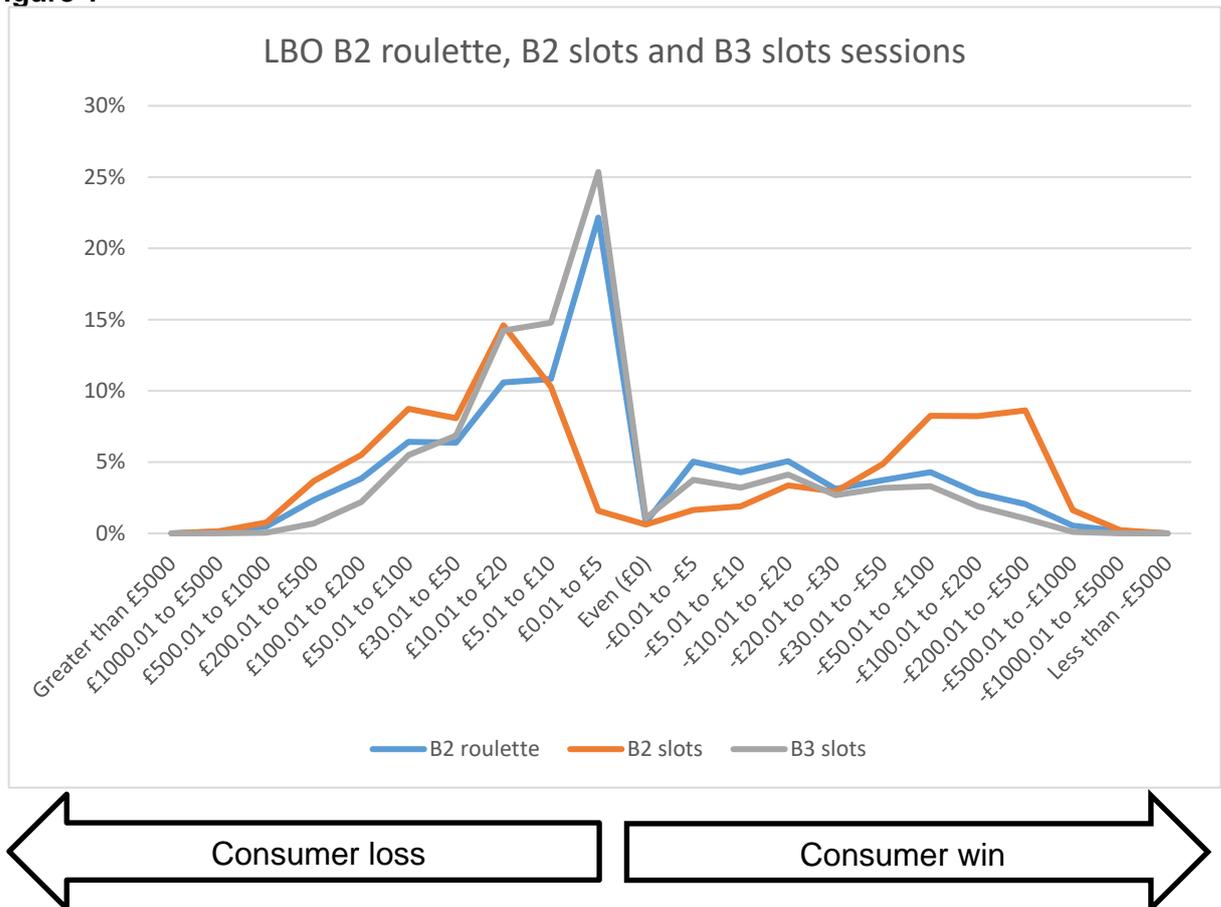
Rate of loss

- 2.8. We begin by considering rate of loss – the amount that a player can lose in a given period of time. This is determined jointly by stakes, speed of play and return to player (RTP). In roulette, by far the most popular game on B2 machines, RTP is fixed. But it is possible to reduce the potential rate of loss either by reducing maximum stakes, or by slowing the speed of play.

Stake limit for slots

- 2.9. Discussions about B2 often fail to distinguish between roulette, which is by far the most popular B2 game, and slots. These two game types have very different risk characteristics. Roulette is a fixed odds game which provides players with the opportunity to manage their own risk by spreading their stake. Slots games generally have a lower return to player, with potentially more volatile outcomes, and offer less opportunity for consumers to manage risk through different staking strategies (depending on the game design).
- 2.10. These characteristics are reflected in the outcomes that we see for slots play and roulette. As figure 1 shows, B2 slots sessions give rise to a greater proportion of significant losses and a greater proportion of significant wins than we see in other B2 sessions (which are mainly roulette).

Figure 1



2.11. The amount that players lose or win overall appears to be proportionately greater on B2 slots than on roulette. Sessions involving only B2 slots accounted for just 0.5% of all B2 sessions in the data we gathered. And, while we cannot calculate a precise figure, we know that slots play accounted for a very small proportion of 'mixed' sessions (involving B2 and lower category games). Yet B2 slots deliver 6.5% of total B2 GGY.

2.12. Reflecting these indicators of risk, we recommend a £2 limit on B2 slots.

Stake limits for non-slots

2.13. Identifying an appropriate stake limit is a matter of judgement. Key considerations in forming this judgement are:

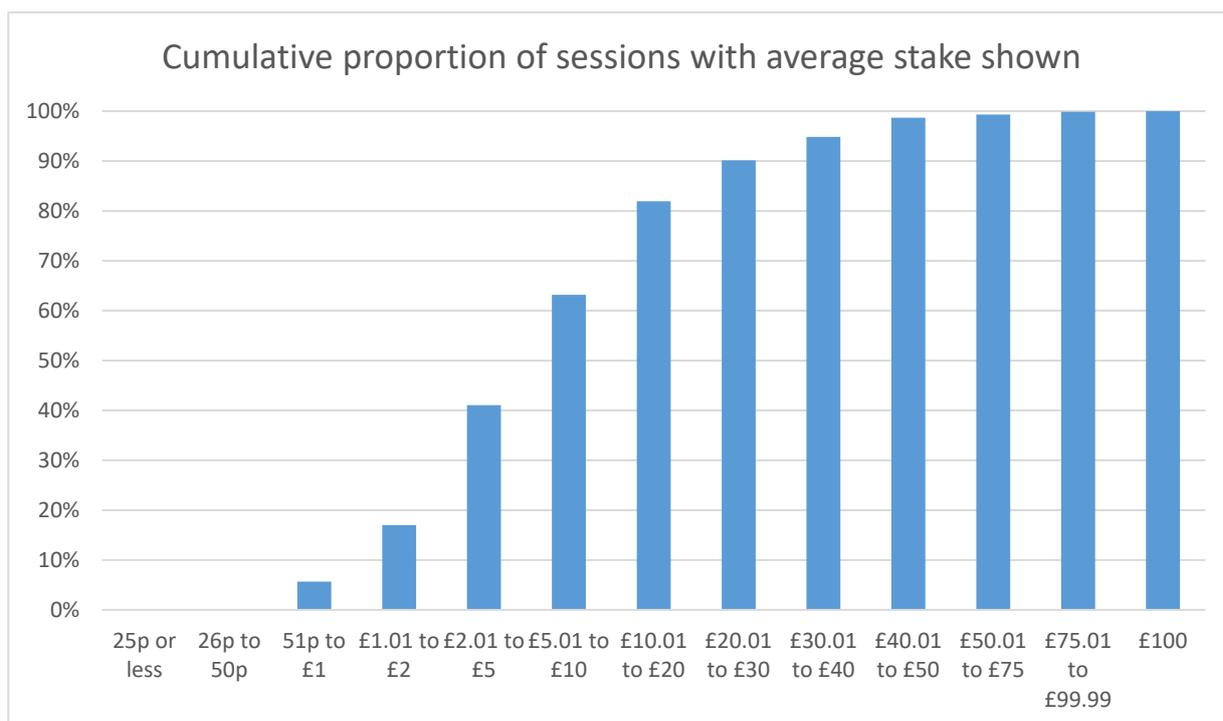
- To what extent will the new level mitigate harm, taking into account both the direct impact on possible loss rates and potential indirect effects arising from changes in player behaviour?
- How will the new level impact on consumer choice?
- What implications will the new level have for the way that other gambling products are regulated?
- What does stakeholder opinion tell us about the wider acceptability of different stake limits?

2.14. The direct impact on possible loss rates is clear cut. The lower the stake limit, the lower the potential rate of loss on this product. Impacts on actual loss rates are more uncertain because they depend on consumer responses. Experience from the £50 staking regulation – which prompted far fewer stakes above £50, but led to longer sessions – suggests that players will seek other opportunities to satisfy their appetite for risk. In particular, consumers might choose to play for longer, alter their staking strategies or switch to other gambling products.

We think it is likely that some players will switch to other gambling activities, including B3 machines and online casino games, where they could experience lower, equal or greater levels of harm depending on how they interact with those products. We know that the most vulnerable players are more likely to engage in a range of gambling activities, so we think they would be the most likely to switch. The net effect on risk of harm is unclear.

- 2.15. Evidence from research into loyalty card holders in betting shops (which NatCen conducted for GambleAware) allows us to identify – albeit for a deliberately skewed sample of highly engaged consumers – the proportions of problem gamblers playing at different staking levels. In general, the proportion of players identified as problem or at-risk gamblers is smaller at lower staking levels. This does not necessarily indicate that higher stakes cause problem gambling. But it would be difficult to describe higher stakes gambling on B2 machines as a legitimate leisure activity if a high proportion of those participating in it are problem gamblers. Even accepting that the NatCen sample was skewed, this is a cause for concern.
- 2.16. Impacts of different staking limits on consumer choice are clear. The lower the limit, the more restricted consumers are in their choices. A very low stake limit is likely to mean that roulette would no longer be a commercially viable product. Consumers would still have a wide choice of other activities, but removing a popular product from the high street would be a significant change, and any restriction on freedom of choice requires careful consideration.
- 2.17. Evidence from how consumers actually play can help us to identify how much difference any restriction in choice is likely to make to consumers in practice. Figure 2 below shows that 81% of B2 sessions (excluding slots play) had an average stake up to £20. And 90% of sessions had an average stake up to £30. Average stake during a session disguises the fact that players will often want to vary their stakes. So, even a stake limit of £30 will restrict consumer choice to a greater extent than figure 2 suggests.

Figure 2



- 2.18. In terms of implications for the way that other gambling products are regulated, the most obvious comparison is with B3 machines. With a £2 maximum stake, B3 machines sit below B2 in what might be described as the regulatory hierarchy. As such, they are permitted in a wider variety of gambling environments, including bingo halls and adult gaming centres.

But B3 has a much faster game speed of 2.5 seconds per spin (compared with 20 seconds on B2), so the gap in the hierarchy between B3 and B2 is not as wide as it might appear.

- 2.19. An obvious way to compare the different machine categories within the hierarchy is to consider rates of loss. We would draw a distinction here between:
- theoretical average losses, which are the amounts that a player could lose, taking probability into account
 - maximum possible losses, which are the amounts that a player would lose over the course of the session assuming that every bet was a losing bet
 - actual losses – the losses we have observed from actual play data, which obviously take into account the way that players interact with the product (their staking strategies, how frequently they bet within a session, session duration, etc).
- 2.20. Figure 1 above showed the pattern of actual losses that we can observe from play data. It revealed a similar pattern of losses when comparing B2 roulette with B3 slots games in LBOs under current regulation. However, in comparison with B3 slots, proportionally more B2 roulette sessions end with very large losses or very large wins.
- 2.21. Table 1 below illustrates different theoretical average and maximum possible loss rates on B2 machines over a 9-minute session (the average session duration observed from industry data). When considering maximum possible losses, it is important to consider the probability of losing every time. Probabilities depend on how the player's stake is spread across the table. The maximum prize limit on B2s places a constraint on how players can spread their stake within a fixed odds game such as roulette. To illustrate the probability of a maximum possible loss, Table 1 assumes that stake is spread over the fewest numbers allowed by the maximum prize limit. The higher the stake limit, the more numbers a player can cover, so the lower the probability of losing on every spin.
- 2.22. For comparison, Table 1 shows B3 losses as reference values. It reveals that a maximum stake close to £50 would make B2 equivalent to B3 in terms of theoretical average losses. But a maximum stake of £16 would make B2 equivalent to B3 in terms of maximum possible losses. A maximum stake somewhere between £16 and £50 would make B2 and B3 broadly equivalent, taking both of these measures into account.

Table 1: B2 roulette loss rates in a 9 minute session, with 20 second spin cycle

Stake limit	£2	£20	£30	£50	£100	B3 loss*
Theoretical average	£1.46	£14.58	£21.87	£36.45	£72.90	£35
Maximum	£54	£540	£810	£1,350	£2,700	£432
Probability of max	47.7%	22.3%	10.2%	4.6%	0.1%	N/A ⁴

*B3 loss calculated assuming a return to player (RTP) of 92%.

- 2.23. Stakeholder views have largely, though not entirely, been polarised, with bookmakers arguing in favour of the status quo and most others arguing for a £2 maximum stake. Bookmakers have cited significant customer support for maintaining the status quo. Our own online tracker survey (see para 2.4) provides some evidence that B2 stakes are not a priority issue for the wider population. But set against this are concerns expressed by Parliamentarians, local authorities, faith groups, other stakeholders and in the media.

⁴ The probability of successive losses in a slots game depends on the game design, so we have not calculated a value.

- 2.24. We agree with RGSB that there is a precautionary case for a stake cut below £50, which is now the effective limit for most players, and we think the maximum stake should be lower. Our analysis of data from billions of plays on B2 machines reveals that most sessions involve an average stake no higher than £30. So, we think that a precautionary approach should involve a stake limit no higher than £30. Setting a specific limit up to this level is a matter of judgement. In making this judgement we suggest that the Government considers:
- likely impacts on gambling-related harm, taking into account the potential for players to alter their behaviour to satisfy their appetite for risk
 - the effect on consumer choice
 - any implications for the way that other gambling products are regulated
 - stakeholder opinion.

Speed of play

- 2.25. As a means to manage potential rates of loss, slowing the speed of play has advantages and disadvantages when compared with reducing maximum stakes. One advantage is that it would reduce potential average rates of loss for consumers at all staking levels, rather than doing so only for high-staking consumers. One disadvantage is that, in a given session, there could be fewer opportunities for wins and losses to even out. The balance of merit between the two approaches is not clear cut. Their impact on gambling-related harm would depend on how consumers respond.
- 2.26. Table 2 below illustrates how speed alone could be varied to achieve different loss rates, again assuming that stake is spread over the fewest numbers allowed by the maximum prize limit. For example, a spin cycle slower than 60 seconds would be necessary to achieve loss rates equivalent to those achieved with a maximum stake of £30 and the current 20 second spin cycle (as in Table 1).

Table 2: B2 Loss rates in a 9 minute session, with £100 maximum stake

Spin cycle	20 secs	30 secs	60 secs	90 secs	B3 loss
Expected average	£72.90	£48.60	£24.30	£16.20	£35
Maximum	£2,700	£1,800	£900	£600	£432
Probability of max	0.1%	1.2%	11.2%	23.2%	N/A

*B3 loss calculated assuming a return to player (RTP) of 92%.

- 2.27. In practice, there is likely to be a limit to how slow a game consumers will tolerate. That is important if the aim is to protect players while allowing them to access a game they will want to play. It means that slowing speed of play alone is unlikely to be a viable option if policymakers want to bring potential rates of loss down significantly. In the live table version of roulette, a typical spin would take around 60 seconds. In a virtual representation of roulette – on a gaming machine or online – there are fewer distractions to keep consumers entertained while the ‘wheel’ spins. Even 60 seconds might try the patience of most consumers.
- 2.28. Slower speed of play might nevertheless be used in combination with lower stake limits to control rates of loss. The consultation document for the present review states that:
- ‘We... think that options around maximum stake could be combined with corresponding measures aimed at other contributing factors to harm on machines, including... spin speed’.

- 2.29. Combining a smaller reduction in maximum stake with a slower spin speed to achieve the same potential loss rate is potentially of interest if it:
- i) is more effective than a stakes-only approach at reducing the risk of harm to consumers – recognising that risk is not just about rates of loss
 - ii) can achieve the same level of protection while allowing a combination of speed and stake that is more appealing to consumers who do not experience harm from their gambling.
- 2.30. The evidence on the first point is mixed. Faster games can be more exciting and they leave less scope for reflection, but slowing the game can encourage cravings⁵ and might have unintended consequences – for example, encouraging longer sessions of play. We are unable to draw any clear conclusions from the evidence about the net effect.
- 2.31. On the second point, we do not know what combination of speed and stake would be most appealing to consumers, and it would be difficult for policy-makers to second guess it. One way of dealing with that would be to allow flexibility for consumers to choose the speed and stake combinations that appeal to them, while limiting the overall rate of loss. But that would require a change to the present arrangements. Gambling operators currently have to comply with the stake limits set by Parliament and the speed limits set by the Gambling Commission. Each of these restrictions is binding and independent of the other. So, for example, gambling operators cannot balance stakes above £100 with a slower game speed in order to maintain the same loss rate. And they cannot balance speeds faster than 20 seconds with maximum stakes below £100.
- 2.32. Replacing the arrangements for speed and stake with a rate of loss control would be a significant change. The strength of the case for pursuing it depends partly on the degree of choice that it would afford to consumers. The lower the rate of loss that the Government wanted to achieve, the smaller the range of stake/speed combinations would be available to consumers. For example, if the Government decided that the average loss rate arising from a £2/20 second combination on B2 machines was appropriate then the highest stake whole-number equivalent of that (at spin speeds no slower than 60 seconds) would be £5 and 50 seconds. That range of choice would probably have little value to consumers because it would not provide a markedly different staking experience to justify the slower speed.
- 2.33. Our conclusions on speed of play are that:
- Reducing speed of play alone is unlikely to be a viable alternative to a stake reduction if the aim is to achieve a significant reduction in potential loss rates.
 - The same level of loss rate protection afforded by a given stake limit could be achieved with a smaller reduction in maximum stake, combined with a slower spin speed – for example, a £50 stake limit with a 50 second spin cycle would be equivalent to £20 and 20 seconds.
 - But the evidence does not tell us which combination would achieve a greater impact on gambling-related harm, taking account of effects beyond potential rates of loss.
 - Our view is that, compared with a combined stake/speed change, a stake limit without altering speed of play would be less disruptive to the consumer experience.
 - There is a case in principle for altering the regulatory arrangements so as to place the focus on rates of loss, allowing gambling operators the scope to provide consumers with more choice under a given level of protection. But this would require a significant change to the regulatory framework, with comparatively modest potential benefits.

⁵ Dockerman 2013 cited in Blaszczynski, Parke, Parke & Rigby (2014) Operator-based harm minimisation in gambling: summary, review and future directions.

Reducing prize limit

- 2.34. In roulette, players are able to manage their own risks to some extent by adopting more or less risky staking strategies. Put simply, the more they spread their stakes, the lower the risk they carry. Conversely, the fewer numbers across which they spread their stakes, the greater the risk they carry. The maximum prize limit on B2s places a constraint on players' ability to pursue riskier strategies. Under the current limit of £500, the most that a player can stake on a single number is £13.88. If the stake limit were to fall below this value, then the effective prize limit would fall below the stated prize limit of £500, so it would be appropriate to revise the latter.
- 2.35. In practice, we know that relatively few players pursue the riskiest staking strategy. For example, the proportion of plays in which consumers stake above £55 and pursue the riskiest strategies (covering no more than 10% of the board) is effectively zero. Even at lower stakes, the proportions pursuing the riskiest strategies are still small. However, there is a risk that consumers will respond to a lower maximum stake by pursuing riskier staking strategies. On that basis, we think it is important to monitor consumer responses to any reduction in maximum stake, and to consider reducing prize limits if necessary to limit the risks that consumers can take with their staking strategies.

Mandatory break between sessions involving different category content

- 2.36. We noted above that players who engage in sessions involving mixed categories of games experience more significant losses and play for longer than those who focus on single category content. This is clear in figures 3 and 4.

Figure 3

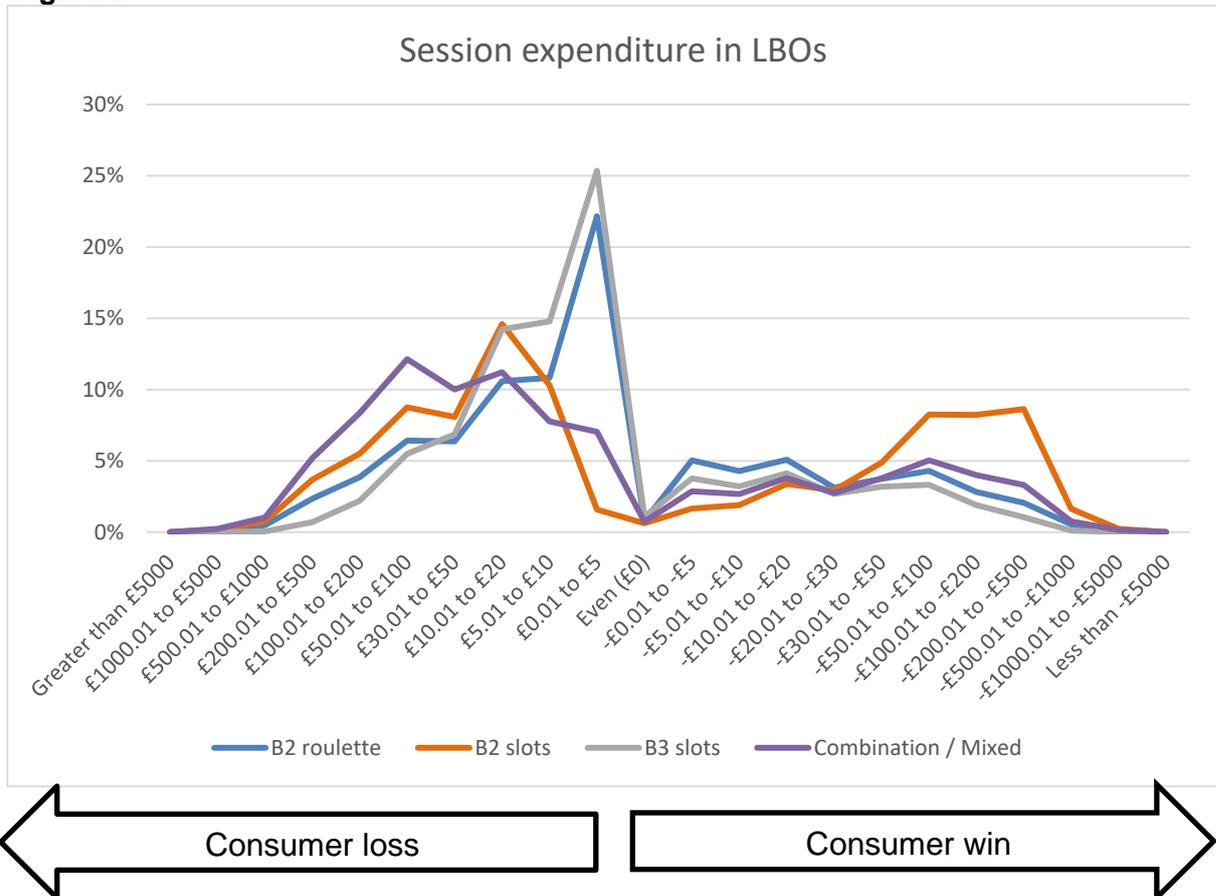
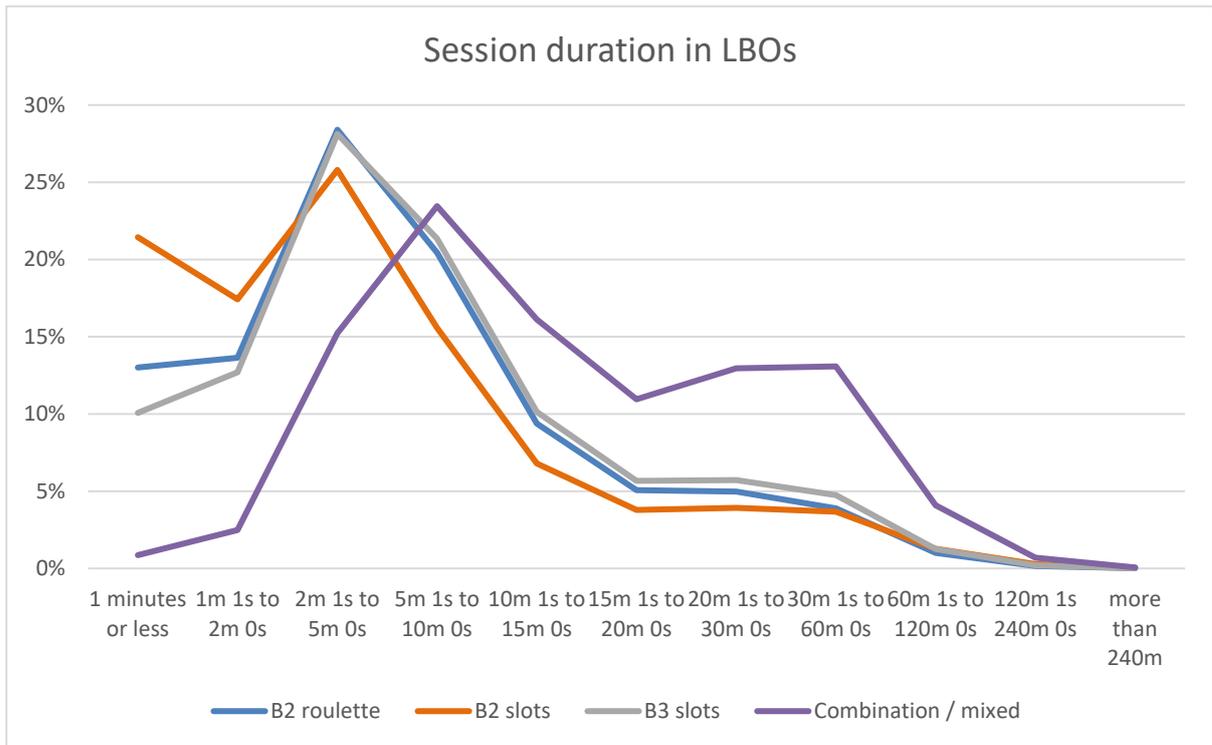


Figure 4



- 2.37. Of course, players can transition from sessions of B2-only or B3-only play into other forms of gambling – over-the-counter, online or in other premises – yet we have no information about this. Nevertheless, the fact that there might be comparable yet unidentified risks need not prevent us from considering action to address an identified risk.
- 2.38. We have limited information from which to derive an effective strategy for addressing this issue. Some researchers⁶ have suggested that breaks in play (with appropriate messaging) can help players to take stock of their gambling, although there is mixed evidence of their effectiveness. In the absence of compelling evidence, however, we think that there is a precautionary argument for requiring a break in play between sessions of different content. So, we think there is a case for requiring sessions of machine gambling to be restricted to a single sub-category of gambling content. Players would still be able to play different category content on the same machine, but they would be required to end one session and start another in order to transition between categories. We plan to consider such a requirement in the context of work with industry around pre-commitment tools, as discussed later in this advice.
- 2.39. As a longer term objective, we think that it would be worth conducting more analysis of mixed sessions, drawing on a richer data set. In order to obtain that richer data set, we would need to see significant progress with obtaining data from linked sessions of play. That leads us to our next option.

⁶ For example, Gainsbury, S.M., & Blaszczynski, A. (2016). Breaks in play.

Mandatory tracking of play across sessions

2.40. Two of the risks relating to B2 play are:

- the challenges of identifying from single, unlinked, sessions of play the risks of harm to individuals
- inadequate data to test robustly the effectiveness of regulatory policy changes and operators' player intervention strategies.

2.41. Requiring operators to track all machine play would go part of the way to mitigating these risks. The potential benefits of tracking play across sessions are significant. In particular, it would allow operators to identify players at risk of harm more effectively, and enable them to monitor the effectiveness of any interventions they implement. It would give players access to better gambling management tools which they could use across multiple sessions, and improve the identification of underage and self-excluded players and potential money laundering.

2.42. We think that these benefits would also be relevant for Category B1 and B3 machines. Evidence suggests that these categories present similar risks to B2 machines. There would also be costs associated with introducing tracked play. We have set out our detailed advice on tracked play in section 4 of this document, which covers advice that is not sector-specific.

Changes to requirements around pre-commitment tools (voluntary 'limits')

2.43. Our objective is to reduce the risks that consumers spend more time and money than they can afford when gambling. A particular difficulty with this objective is that we do not know how much time and money individual consumers can afford. That is one of the reasons why we require operators to get consumers to make a conscious choice about setting their own time and money limits on B2 machines. We plan to work with the industry and others on steps to make pre-commitment tools more effective. We have set out more detail in Chapter 4 of this advice.

Category B1

2.44. Category B1 gaming machines have a maximum stake of £5, a maximum prize of £10,000 (with provision for a £20,000 linked progressive jackpot on a premises basis only), and a minimum game cycle of 2.5 seconds. B1 machines are restricted to casinos.

Stakeholder proposals (from NCF, the National Casino Forum):

- Not seeking any uplift in 'basic' Category B1 stake and prize limits.
- Increase the linked progressive jackpot prize (whereby the gaming machines sited on single casino premises can contribute towards a jackpot prize linked to multiple machines) from the current £20,000 to £100,000. This would be equivalent to ten times the maximum permissible prize for a standalone B1 machine. NCF has also requested that the Act be amended by Order so that the machines in more than one casino premises can contribute to the jackpot.
- Allow casinos to provide facilities for online/remote gaming on their premises.
- Consider creating a distinct category of gaming machine (provisionally titled "B1H") that could only be sited in high-end casinos i.e. those whose membership is limited to elite high-spending clientele. Most high-end casinos do not site any B1 machines because the £5 maximum stake limit is unattractive to their customers. The few that offer them do so in very low numbers. The B1H machine would have, for example, a £50 maximum stake and £100,000 maximum prize (as suggested by NCF, being ten times the standard B1 limits).
- Allow consumers to make funds available for gambling on a B1 machine in tranches of £50 rather than £20.

Other options we have considered:

- Tracking play on B1 machines.
- Extending B2-style requirements on time and monetary 'limits' to B1.

Our advice:

- In the absence of additional measures to manage the risk of gambling-related harm effectively, we would not support the proposal to increase the progressive jackpot.
- We will consider extending requirements around time and monetary limits from B2 to B1 machines, and explore how to strengthen those measures.
- There is a case for making tracked play mandatory across Category B1 (and B2 and B3) machines. We think there might be merit in running a trial to get a better understanding of the costs and challenges associated with implementing it.
- We do not support the proposal for tablet/terminals in casinos to offer online gambling.
- Nor do we support proposals for Category B1H machines or uplift to limits on funds transfers.

Background

2.45. Casinos are permitted to site gaming machines of Category B1 or lower. The number of gaming machines permitted depends on the type of casino premises, as explained below. The current maximum stake for a B1 machine is £5 and the maximum prize a single B1 machine can pay out is £10,000. Given that casinos offer table gaming and ‘touch-bet’ (or automated) roulette at unlimited stakes and prizes, there is little commercial benefit in offering B2 machines or any other lower category of machine. As such, the vast majority of machines in casinos are of Category B1.

2.46. The Gambling Act 2005 introduced a new model for casinos – larger, ‘destination’ venues, offering a wide range of gambling activity alongside non-gambling leisure pursuits. The Act imposed a minimum size limit in order to ensure development of the desired venues and to maximise local economic regeneration. Legislation permits up to eight ‘Large’ 2005 casinos and up to eight ‘Small’ 2005 Act casinos, each within designated local licensing authority areas. While the Act also permits a single Regional Casino in Britain, successive governments have not pursued this concept. Due to slow progress with the local premises licence competition processes, and a lack of capital investment at some of the selected locations, only six 2005 Act casinos have opened. The 2005 Act also permitted casinos that already existed under the 1968 Gaming Act to convert their licence permissions and continue to operate under the new legislation.

2.47. The current entitlements for each type of casino premises are outlined in the table below with a summary of the number of each type of premises currently in existence.

Table 3: Entitlements by type of casino premises

Casino Type	No of premises permitted	Number of premises currently trading	Minimum gambling area	Minimum non-gambling area	Number of gaming machines allowed	Categories of gaming machines allowed
Large 2005 Act casino	8	4 (Stratford, Milton Keynes, Solihull, Leeds)	1000m ²	500m ²	Maximum of 150 machines subject to a machine-to-gaming table ratio of 5:1	Categories B1 to D (all Cat B in practice, mainly B1, some B2)
Small 2005 Act casino	8	2 (Luton and Wolverhampton. Bath due to open 2018)	500m ²	250m ²	Maximum of 80 machines subject to a machine-to-gaming table ratio of 2:1	Categories B1 to D (all Cat B in practice, mainly B1, some B2)
1968 Act casino	186 licences issued under the 1968 Act	141	N/A	10% of gambling area if gambling area is over 200m ²	Maximum of 20 machines if any are Cat B (or, unlimited Cat C and D)	Categories B to D (all Cat B in practice, mainly B1, some B2).

Evidence base/expected impact

- 2.48. The National Casino Forum (NCF), representing the entire casino sector, has sought to support its proposals broadly on the basis of research studies into the impact of previous stake and prize increases on Category B1 machines, and an economic impact study produced by Ernst and Young. However, NCF has provided no evidence of the potential impact of any of its specific proposals on gambling-related harm.
- 2.49. NCF's response to the Government's call for evidence stresses that its key aim is to increase machine numbers for casinos that converted under the Gaming Act 1968. We discuss this proposal in more detail in the machine allocations section of this document, but it is relevant to some of the proposals in this section. We have drawn out the links here accordingly.

Increase to the linked progressive prize jackpot

- 2.50. In addition to siting Category B1 machines, casinos are also allowed to create an additional prize jackpot of up to £20,000 that is linked to machine play. In practice, this means that a small proportion of the stakes played on each of the B1 machines linked up in a network is used to contribute to that additional jackpot prize. The jackpot increases progressively as players on linked machines continue to gamble. Currently all linked machines must be on the same premises. NCF is seeking an increase in the maximum jackpot from £20,000 to £100,000, and permission to link machines in more than one premises to a network.
- 2.51. Increasing the progressive jackpot prize could present some risk to players, for example to the extent that the volatility of the game might increase to fund the progressive jackpot. In order to finance the separate prize pot, a small sum (about one penny) is contributed from each play. The exact impact will depend on the number of linked machines and the size of the jackpot. The greater the number of machines contributing to the pot, the smaller the contribution per machine (and per player). But the higher the prize, the greater the total contribution required.
- 2.52. We have modelled the variables and estimate that around 50 gaming machines would need to be linked for a main jackpot prize of £100,000 to be viable. We would expect the overall impact on game volatility to be modest with this number of linked machines, but potentially problematic with the current restrictions on machine numbers. Achieving a sufficient network size could be achieved either by increasing the number of machines per casino premises (see section 3), and/or by allowing machines to link across premises. NCF has proposed both options as part of its package of proposals.
- 2.53. Regardless of volatility, there is also a risk that the potential to win a much higher prize could of itself lead to riskier gambling by machine players. A proxy measure for this risk might be available by considering the staking and play patterns for standalone casino table games in comparison with linked progressive table games. We have not seen any data on this, but the industry may wish to provide it.
- 2.54. Taking this into account, our view is that increasing the limit on progressive jackpot prizes would be inappropriate unless operators can implement additional measures to manage the risk of gambling-related harm effectively.

Introduction of online gaming to casino premises

- 2.55. NCF argues that providing online gaming on casino premises (for example, tablets made available on premises that link to the operator's online gaming content) would carry limited risk to the licensing objectives since:
- tablets could be provided in areas monitored by staff
 - players would need to be fully registered on the operators' websites to play the online games
 - full player tracking could be delivered.

- 2.56. NCF notes that a consumer can go into a casino and use a mobile phone to participate in online gaming anyway. This same argument has been repeated by all premises-based sectors as a justification to relax stake and/or prize restrictions.
- 2.57. On the one hand, using a tablet to play online in supervised premises should be safer than playing online at home or elsewhere. On the other hand, siting tablets or terminals in this way could potentially undermine the stake and prize limit regime for gaming machines in gambling premises. There are no limits on stakes or prizes for online games (which include slot games and casino games such as roulette). Making online gaming available for use on gambling premises would be a means of effectively introducing unlimited stake and prize 'Category A' gaming machines, which should be restricted to a 'Regional Casino' under the 2005 Act. For this reason, we would not support this proposal.

“B1H” sub-category of machine

- 2.58. NCF provided little evidence to support its proposal for higher stake and prize gaming machines (Category B1H) for high-end casinos, beyond highlighting that this feature is internationally well-established across other regulated casino jurisdictions. Anecdotally, overseas gamblers tend to be surprised at the low numbers of gaming machines and comparatively low stakes and prizes in high-end GB casinos. Gaming machines would likely be a significant source of casino revenues if stakes and prizes made them attractive to higher spending players. NCF's intention is that the B1H machine concept would be restricted to the ten high-end casinos in the Westminster and Kensington and Chelsea boroughs.
- 2.59. A key challenge with this proposal is how it could be implemented so that only high-end casinos could make the new category available for use. One option could be a minimum stake alongside a maximum to ensure only high-value customers were attracted. Another would be for casinos to opt either to have their B1 entitlement or be permitted to offer a much smaller number of B1H machines. A third option could be to introduce a ratio of gaming machines to gaming tables of 1:3, together with a lower cap on gaming machine numbers. This would ensure that table gaming remained the predominant activity in any casino offering these machines and would limit their uptake to the high end. For the time being, however, our view is that there would need to be more evidence on the controls that could be put in place to provide these machines in a socially responsible manner and in a way that would substantially restrict their availability.

Transferring funds in £50 tranches rather than £20

- 2.60. Currently, a B1 machine player can only insert denominations up to a £20 note into the machine. The cash insertion is registered on the machine's Bank meter. In order to commit those funds to gambling, the consumer must transfer the funds from the Bank meter to the 'Credit' meter. This can only be done in £10 tranches. These provisions provide a basic social responsibility control by slowing the speed of committing funds to gambling, allowing consumers to consider their actions.
- 2.61. NCF seeks to increase the cash insertion from £20 to £50. The argument for doing so is based on arithmetic and historical consistency. The current limit of £20 applied under the previous maximum stake of £2, and was therefore ten times the maximum stake. Since the stake increase to £5, however, the £20 restriction is only four times the maximum stake. An increase to £50 would restore the ratio. There is an issue, however, that this would speed up the committed-funds process. Consequently, we would not support this proposal unless NCF provided evidence as to how operators would manage the risks that it generates.

Tracked play and social responsibility controls

- 2.62. We have gathered a substantial body of data on Category B2 and B3 machines. We do not have the same level of data on B1 machines. However, one operator (Rank) made all of its loyalty card machine data available to David Forrest and Ian McHale. Forrest and McHale analysed the data and published their [research findings](#).
- 2.63. They found that in half of all casino visits that included machine play, the player either wins money on the machines or loses an amount up to the range £20-£25. However, there were also significant numbers of players whose visits involved 'high' expenditures of money and time. For example, more than 11% of visits include more than three hours of machine play, and more than 7% of visits ended with the player having lost more than £200. Our B2 data provides a comparison, although it relates to sessions rather than visits. It shows that less than 1% of B2 sessions lasted longer than 2 hours, and 3% of sessions ended with the player having lost more than £200.
- 2.64. Forrest and McHale also found that casino players were spread roughly equally across all levels of deprivation. Some were from affluent areas, but 32.5% of players were from the 30% most deprived areas. In that context, the data indicate that the risks associated with B1 machines are at least comparable with the risks associated with B2 and B3 machines.
- 2.65. Consequently, we think it is appropriate to consider extending B2 style player protection tools to B1 machines, and will look to strengthen them. We also think there would be benefits in mandating tracked play on B1 machines. We discuss both of these ideas in more detail in Chapter 4.

Category B3

- 2.66. Category B3 gaming machines have a maximum stake of £2, a maximum prize of £500 and a minimum game cycle of 2.5 seconds. B3 machines are located in adult gaming centres (including at motorway service stations), bingo clubs and licensed betting offices (where B3 games are available on B2 machines).

Stakeholder proposals:

- BACTA (arcade sector trade body) – increase maximum stake to £2.50
- Bingo Association and ABB - no change

Other proposals we have considered:

- Tracking play on B3 machines
- Extending B2-style requirements on time and monetary 'limits' to B3

Our advice:

- An increase in stake for category B3 machines would be at odds with the objectives of this review.
- There is a case for making tracked play mandatory across Category B3 (and B1 and B2) machines. We think there might be merit in running a trial to get a better understanding of the costs and challenges associated with implementing it.
- We will consider extending requirements around time and monetary limits from B2 to B3 machines, and explore how to strengthen those measures.

Evidence base/expected impact

- 2.67. In its submission, BACTA describes arcades as 'offering relatively benign gambling in a safe and highly regulated environment where the stakes and prizes are comparatively low, as befits the high street location.' BACTA did not include anything substantial in its response to address the issue of harm caused by those machines other than to say that operators are required to provide adequate mitigation. BACTA is asking for stakes on B3 games to be increased from £2.00 to £2.50. It has also committed to introduce messaging, limit setting or similar tools onto category B machines (that utilise screen technology) where the evidence supports doing so.

- 2.68. Neither the Bingo Association nor Association of British Bookmakers has called for an increase in stake or prize for B3 gaming machines.
- 2.69. BACTA estimates that an increase in B3 stake to £2.50 would increase income by 6-7% which would equate to additional GGY of between £20 and £23 million per annum based on Commission industry statistics 2014/2015. In a report for BACTA, PWC concluded that it would generate an 'economic benefit' of £33 million and £5m in taxes. PWC's assessment of 'economic benefit' reflects benefits to the industry, as opposed to an assessment of added value for the economy as a whole (which would take account of displaced expenditure from other sectors).
- 2.70. As noted above, BACTA also argues that B2 stakes should be reduced significantly as a result of the harm that these machines can cause. Yet indicators suggest that the risks associated with B3 machines are similar to the risks associated with B2 machines.
- 2.71. Theoretical average loss rates for B3 machines and for B2 machines (played at £50 stakes) are very similar (£230 versus £243 respectively). And actual losses and session duration, using data from machine suppliers (SG Games and Inspired Gaming), are already comparable across B2 and B3 in different venues. Figures 5 and 6 show the findings of this analysis. There are more extreme losses and more extreme wins on B2 machines, but the charts show that, in the bulk of sessions, outcomes are similar across B2 and B3.
- 2.72. Using loss rate and time spent as indicators for risk of harm, this would suggest that B3 play is of at least a similar financial and time-related risk to B2 roulette play. There are several other indicators of risk that have been cited as specific to machines in bookmakers – including their location in areas of deprivation, and the high proportion of treatment referrals citing machines in bookmakers as a primary concern. But play on machines in bookmakers includes play on B3 games. So, both points apply equally at least to that proportion of B3 play that takes place in bookmakers. In any case, we know that other gambling venues are similarly correlated with areas of deprivation. It is also possible that the greater proportion of treatment referrals from bookmakers could indicate that responsible gambling advice in relation to machines in those venues is more effective.

Figure 5

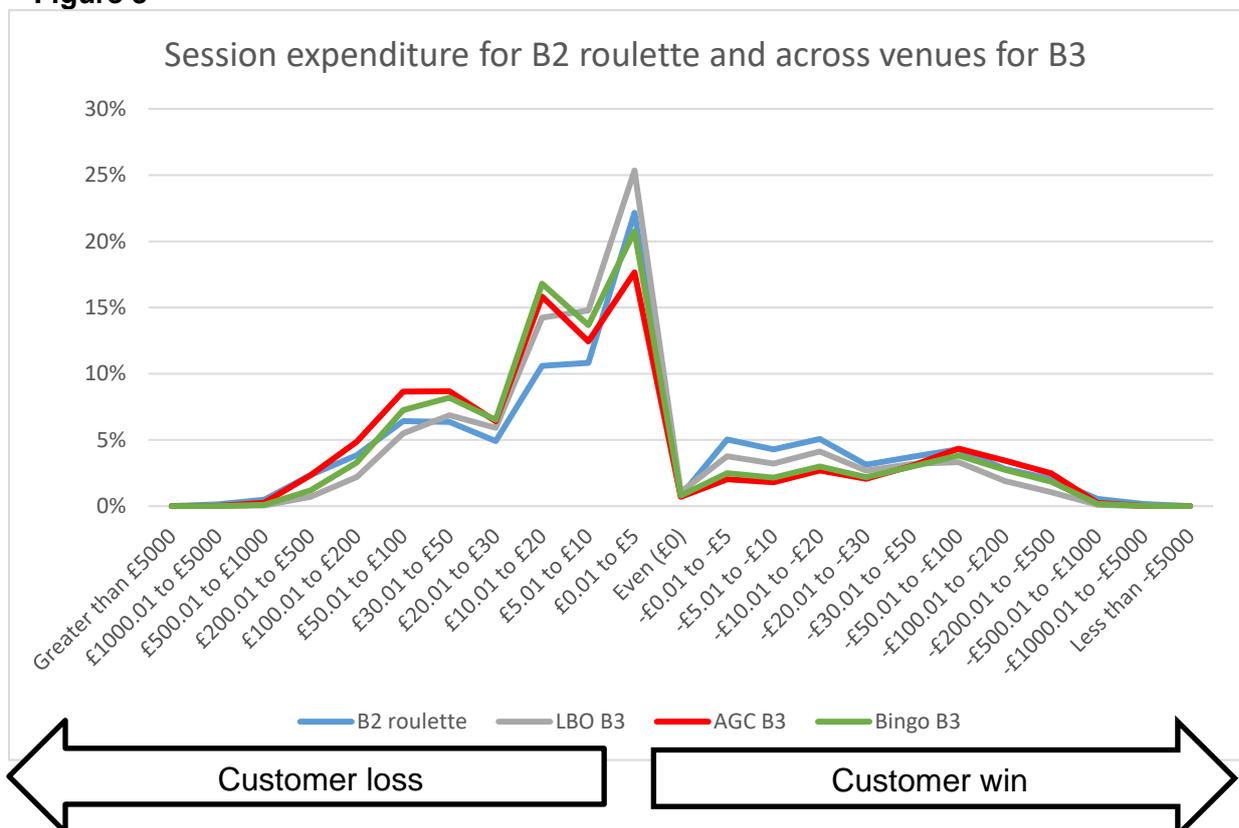
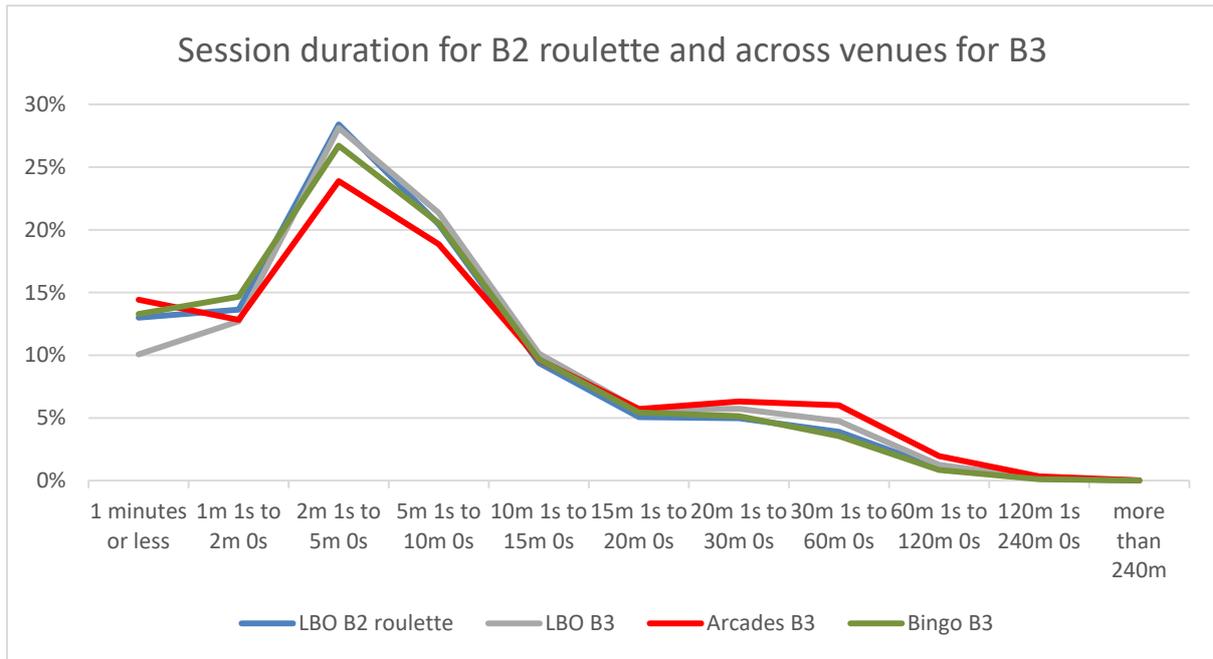


Figure 6



2.73. Theoretical loss rates provide one basis for assessing the position of different machine categories in the regulatory hierarchy. On this measure, there is an argument that B3 stakes should be reduced to maintain that hierarchy if B2 stake limits are reduced to our recommended level of around £20-30. Of course, this is not the only basis for establishing positions in the hierarchy (see the discussion on B2 stakes above), but it does provide a strong indication that B3 stakes should not be increased.

Table 4: Theoretical average loss rates on B3 and B2

Game description	Maximum stake	Game cycle, seconds	RTP, average for game type	Over 9 minutes
B2 roulette	£100	20	97.30%	£73
B2 roulette	£50	20	97.30%	£36
B3 slot	£2.00	2.5	92.00%	£35
B3 slot	£2.00	2.5	88.00%	£52
B3 slot	£2.00	2.5	82.00%	£78
B3 slot	£2.50	2.5	92.00%	£43
B3 slot	£2.50	2.5	82.00%	£97

2.74. Given the similarities in the levels of loss and session duration between B2 and B3 machines, suggesting that harm experienced by players could be similar, we also think that there is a strong case for extending to B3 machines the B2 requirement for responsible gambling tools (setting of loss and time limits). We also think there would be benefits in introducing tracked play across Category B3 machines. We discuss both of these ideas in more detail in Chapter 4.

Category B5

Stakeholder proposals:

- BACTA (arcade sector trade body) proposes to introduce this new category, comprising £10 stake and £125 prize with a game speed of 30 seconds minimum.
- Inclusion of time/loss limits.
- BACTA would also consider similar loss limit controls as per B2 machines.

Our advice:

- Not appropriate to introduce a new category at this stage

Evidence base/expected impact

- 2.75. BACTA has proposed a new category of machine (B5) aimed at providing a more varied entertainment product for the adult arcade market. BACTA argues that this higher staking option would allow games designers to develop new and inventive concepts such as horse racing style products similar to mechanical games in seaside arcades. These are currently not possible under category B3 stake and prize limits.
- 2.76. BACTA has estimated that the new machines would generate a Gross Gaming Yield in the order of £300 per week per machine. PWC estimates that this change would result in 10,000 machines being manufactured. This proposal would generate an 'economic benefit' of £165 million from increased revenue, including increased tax of £25 million. There would be a one-off benefit from additional machines sales of £39 million with £9 million in VAT being generated.
- 2.77. These machines could be used to offer roulette and other casino table games. But, given the relatively long game duration, the average theoretical loss rates would be around £48 per hour, which would be much less than current theoretical loss rates on a B2 roulette game (but several times higher than B2 loss rates with a £2 maximum stake). A slot version of a category B5 game would yield similarly low theoretical average loss rates of approximately £100 per hour, compared with a B3 slot game with a theoretical average loss of £230 per hour using 92% RTP. Using theoretical loss as one indication of harm suggests that it could be appropriate for these machines to be provided in an arcade environment.

Table 5: Theoretical average loss rates for B5

Game description	Maximum stake	Game cycle, seconds	RTP, average for game type	Over 9 minutes
B5 roulette	£10	30	97.30%	£5
B5 roulette	£5	30	97.30%	£2
B5 slot	£10	30	92.00%	£14
B5 slot	£10	30	70.00%	£54

- 2.78. The headline figures that BACTA has provided indicate that a B5 machine might be less harmful than other machines currently in the market (based on theoretical loss rates). But we need to understand much more about how players would interact with this type of machine before we could advise that it is acceptable. There is still more work for the whole industry to do in terms of understanding what causes harm and how different products can affect it. On that basis, our advice is that it would not be appropriate to introduce a new category at this stage.

Category C

2.79. Category C machines have a £1 maximum stake and £100 maximum prize. In addition to dedicated adult gambling environments, category C machines are permitted in pubs and family entertainment centres. Game speed restrictions are more complex than for category B machines⁷, so we do not explain them in full here. When played at the maximum stake, however, the average game speed must be not less than 2.5 seconds.

Stakeholder proposals (from BACTA, British Food and Pub Association, Greene King):

- Increase to £2 stake and £150 prize.

Our advice:

- No stake and prize uplift.
- We will ask the industry to demonstrate that the controls it has in place are adequate given the potential theoretical loss that can be experienced on Category C machines.

Evidence base/expected impact

2.80. A number of responses to the call for evidence, including those from BACTA, Greene King and the British Beer and Pub Association (BBPA), called for maximum category C stakes to be increased from £1 to £2 and maximum prize to be increased from £100 to £150.

2.81. The licensed category C market is worth £227.41m⁸, whereas the pub sector accounts for £594m⁹. This compares, for example, with the gross gaming yield (GGY) for B2 machines of £1.7bn. BACTA expects the increase in stakes on category C machines to yield a 6-7% increase in Gross Gaming Yield which would equate to £57m. PwC calculates that adding in benefits to manufacturers would yield an overall 'economic benefit' of £72m, generating £10 million in tax revenue.

2.82. In recent years, category C machines have been under pressure from a variety of sources, including competition from B2 machines in bookmakers, B3 gaming machines in adult arcades and bingo clubs, and growth online where consumers can play slots games with unlimited stakes and prizes.

2.83. The graph below shows weekly gross gaming yield for category C pub machines (source BBPA). The numbered lines represent key milestones:

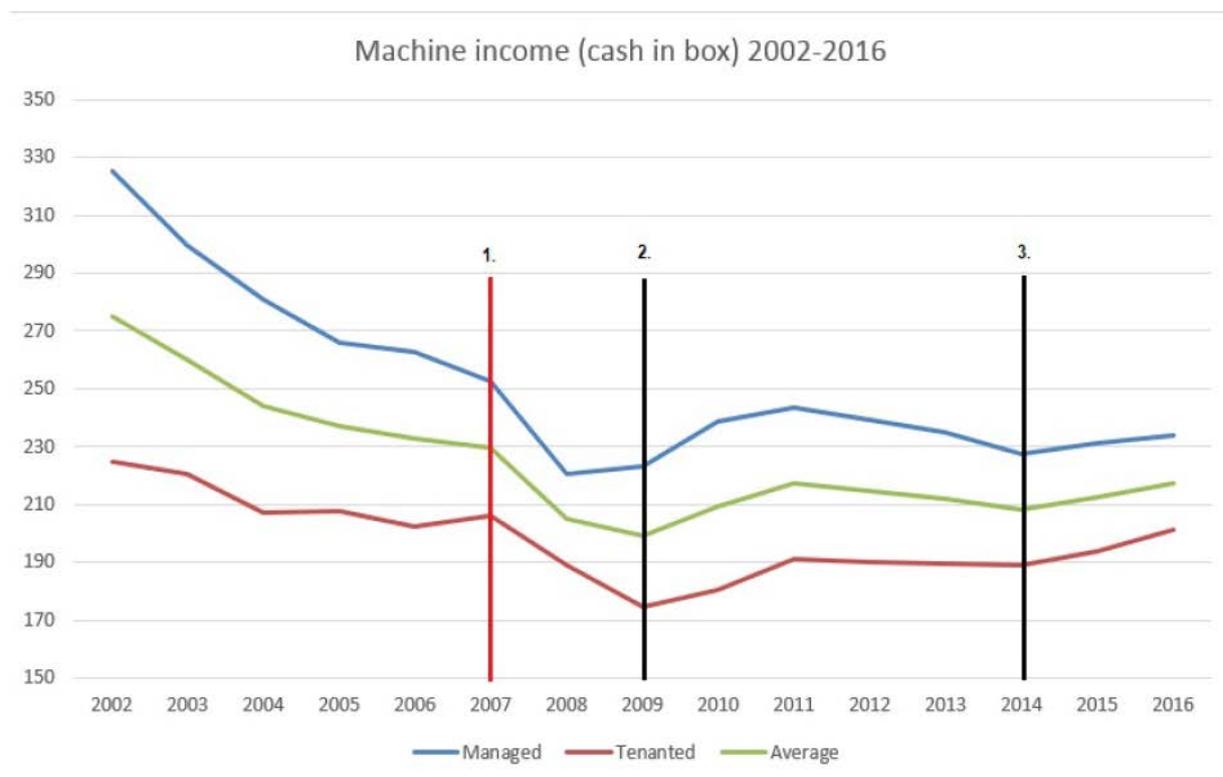
- Point 1 – prize was increased from £35 to £70
- Point 2 – stakes increased from 50p to £1
- Point 3 – prize increased from £70 to £100.

⁷ See [Machine Standards Category C \(2012\)](#) for detail.

⁸ Commission stats March 2016

⁹ BACTA commissioned PwC report figures

Figure 7



- 2.84. The limited evidence provided by the BBPA indicates that previous increases in stake/prize might have had a marginal positive impact on Gross Gaming Yield. But this has not translated into additional category C machine sales.
- 2.85. The BBPA claims that there is no evidence to show that category C machines in pubs are responsible for any increase in problem gambling. It still refers to them as amusement machines, and does not acknowledge that they could be harmful. Its responses focus on the obstacles to prevent underage people from gambling. The BBPA states that pubs are heavily regulated and industry codes of practice have led the way in ensuring underage access is restricted.
- 2.86. We are aware of one local authority (Bracknell) that has conducted test purchasing in licensed premises for access to gaming machines. Bracknell tested two pubs and a bowling alley in 2015, which all failed, and tested another 7 premises in 2017, which again all failed. While the sample size is too small to draw any firm conclusions, it does demonstrate that underage gambling could be a risk in the pub sector.
- 2.87. Test purchasing for alcohol in pubs requires the young person to interact face to face with a member of staff. So, the detection rate of 73%¹⁰ is not transferrable to machine play because young people can access a machine without interacting with a member of staff.
- 2.88. Our recent [Young People and Gambling](#) report shows that 5% of 11-15 year olds had claimed to have gambled on a fruit machine in an arcade/pub/club in the past 7 days. Extrapolating from that to the whole population is equivalent to approximately 140,000 children in a week.
- 2.89. Aside from underage access, theoretical loss rates also give one indication of the potential harm that a machine can cause. The theoretical loss per hour for a Category C machine (£316 at 78% RTP) is higher than that for a B3 machine (£230 at 92% RTP).

¹⁰ Serve Legal presentation to the Bingo Association, 2016, unpublished.

This is particularly concerning given that Category C machines are available in premises where the primary purpose is not gambling, and where alcohol is served. None of the responses to the call for evidence recognised the risks to consumers of financial loss associated with these products.

- 2.90. Our advice, therefore, is that an increase in stake and prize for category C machines would not be appropriate. There are grounds for concern about existing controls around underage access and responsible play for machines in licensed premises even at the current levels of stakes and prizes. So, we also intend to ask the industry to demonstrate whether or not the measures it is taking provide a safe environment for gambling. For example, the industry could commission independent test purchasing exercises specifically aimed at machines and could train staff in responsible gambling.

Category D

- 2.91. Category D machines come in various forms, with differing [stake and prize limits](#). In addition to dedicated adult gambling premises, Category D machines are available in Family Entertainment Centres (FECs), pubs, and travelling fairs.

Stakeholder proposals:

- Increase in stake/prize for category D crane machines from £1/£50 to £2/£75 respectively.
- Increase in stake/prize for category D pusher machines from 20p/£20 (£10 cash prize) to 25p/£22 (£12 cash prize) respectively.
- Increase in stake/prize for category D complex machines (fruit machines) from 10p/£5 to 20p/£8 cash or token.
- Increase in stake/prize for category D machines (general) from 10p/£8 (of which £5 may be cash) to 20p/£10 (of which £8 may be cash).
- Increase in stake/prize for category D machines (general) from 30p/£8 (non-cash) to 50p/£10 (non-cash).

Our advice:

- No increases in stake, reflecting lack of evidence that uplift would not cause harm, and sensitivity around availability to children.

Evidence base/expected impact

- 2.92. In its submission, BACTA did not include anything substantial to address the issue of harm caused by category D machines other than to quote that its legal obligations are adequate mitigation.
- 2.93. Similarly BALPPA (British Association of Leisure Parks, Piers and Attractions) in its submission simply asserted: 'There is no evidence of harm caused by Category D machines; products that have been enjoyed harmlessly by families as part of a day at the seaside for generations'.
- 2.94. BACTA and BALPPA both argue that, while costs are rising, their members cannot increase the price of play or offer more attractive prizes to increase revenue. Cranes and pushers have seen increases in recent years, but other category D machines, notably reel band gaming machines, have not seen an increase since 1997. BALPPA comments that cranes are not regulated in most other jurisdictions including the USA, Canada, Holland, Ireland, France, Switzerland, Denmark, Norway and the Middle East, although it does not clarify whether those machines have the same specification as those operated within Great Britain (which predominantly operate as machines of chance not skill).

- 2.95. PwC estimates that the 'economic benefit' of the proposals would be as follows:
- Increase in stake/prize for crane machines - £9 million, £0.2 in tax receipts
 - Increase in stake/prize for pusher machines - £9 million, £0.2 million in tax receipts
 - Increase in stake/prize category D other - £0.9 million, £0.1 million in tax receipts.
- 2.96. The available evidence on harm to young people from playing category D machines is inconclusive. There is no evidence of a causal link to the development of gambling problems. But a significant body of research has suggested that the younger the age at which problem gambling develops, the greater will be the consequences and severity of gambling in later life. On the other hand, recent longitudinal research suggests that young people may grow out of gambling problems as they get older.¹¹
- 2.97. Great Britain is more or less alone internationally in permitting children access to gaming machines. In principle, this generates a risk that children will become involved in other forms of gambling from an early age. However, a recent GambleAware-commissioned review of all the academic literature on young people and gambling, drawing on studies from North America, Australia, New Zealand and the Nordic countries, found that an estimated 3-5 per cent of young people were problem gamblers.¹² Our own recent Young Persons surveys suggest that under 1% of young people were problem gamblers.¹³
- 2.98. Reflecting the sensitivity and particular vulnerability of young people, we think that an increase in stake limits would be inappropriate

¹¹ Valentine G. (2016) [Children and Young People's Gambling: Research Review](#). The Responsible Gambling Trust, London.

¹² Valentine G. (2016), op. cit.

¹³ Gambling Commission (2017) [Young people and gambling 2017](#): a research study among 11-16 year olds in Great Britain.

3. Machine allocations

Stakeholder proposals

- Additional 10% for B5 machines (on top of current 20% cap for B3 and B4 machines).
- Changes to machine allocations in casinos:
 - Increase the machine-to-table ratio for 2005 Act Small casinos from 2:1 to 3:1 while retaining the cap of 80 gaming machines maximum
 - Allow 1968 Act converted casinos the same provisions as those proposed for 2005 Act Small casinos while retaining grandfather rights for the status quo (ie maximum of 20 B1 machines, irrespective of ratio)
 - Increase the machine numbers cap for 2005 Act Large casinos in accordance with the existing 5:1 machine to table ratio, up to 500 machines from 150 (NCF proposal)
 - Increase cap for Large casinos to 500, with an 8:1 machine to table ratio (Aspers proposal)
- Increase automatic entitlement in alcohol licensed premises from 2 to 4 Cat C or D machines.

Our advice:

- In the absence of additional measures to manage the risk of gambling-related harm effectively, we would not support increasing machine allocations in casinos.
- Change regulations so that machine entitlements can only be calculated on the basis of multi-player live tables.
- We do not support a 500 machine cap in 2005 Act Large Casinos. Suggest that the level of any new cap would need to be based on a proper rationale.
- We have suggested above that it would be inappropriate to allow category B5 machines at this stage.
- No change to Cat C allowance.

Evidence base/expected impact

- 3.1. BACTA proposes to increase the percentage of category B machines which can be sited in adult arcades from 20% to 30%. The additional 10% would be for the new proposed category B5, with the 20% restriction remaining for B3. We have suggested above that it would be inappropriate to allow category B5 machines at this stage.

Casino proposals – 2005 Act Small casinos and 1968 Act converted casinos

- 3.2. NCF's main proposals in the call for evidence were for:
- 2005 Act Small casinos to be allowed a ratio of three machines to every one gaming table (currently 2:1) while retaining the current maximum of 80 machines
 - converted casinos (those premises licences that pre-dated the 2005 Act) to have the same gaming machine entitlements as 2005 Act Small casinos (moving from a maximum of 20 B1 machines for 1968 Act premises, to a machine-to-table ratio and a cap of 80 machines)
 - 2005 Act Large casinos to retain the current ratio of five machines to every one gaming table, but an increased cap of 500 machines.
- 3.3. These requests reflect the sector's long-standing view that the current entitlement of 20 machines is an international anomaly, with overseas casinos typically permitted several hundred machines. Operators note that demand often outstrips the supply of machines in 1968 casinos. And NCF argues that the 2:1 ratio in 2005 Act Small casinos makes the model financially unviable because a Small casino must possess a larger floor area than a Large Casino for table games in order to maximise its allowance of up to 80 machines.

- 3.4. We consider that a ratio of gaming machines to gaming tables is preferable to a fixed entitlement, since this ensures that there is a balanced offering of different gaming products. This was the intention of the Act, implemented though the ratios set for the different categories of casino. It seems anomalous that a casino with 50 or more live gaming tables is limited to the same number of gaming machines as a casino with only one table.
- 3.5. We think that 1968 Act casinos should not simply be granted the same permissions as those proposed for 2005 Act Small casinos without the same overall requirements being imposed. Our preferred mechanism would be that, in order to attain those ratios and machine numbers, 1968 Act casinos would be required to convert to 2005 Act premises. This would help to deliver the original intention of the Act that 1968 Act casinos would eventually be phased out. Alternatively, as a minimum, increased entitlements should apply only to those 1968 Act casinos meeting the gaming and non-gaming area minima set for 2005 Act Small casinos, which would limit the increase in B1 machine numbers to a smaller number of larger premises. It would also ensure that the larger complement of gaming machines was available only in premises which were also required to provide non-gambling leisure facilities, so as to achieve a balance in the leisure provision beyond hard gambling.
- 3.6. We do not think it would be appropriate to consult on applying the same ratio and gaming machine cap to 1968 Act casino premises as to 2005 Act Small casinos unless operators implemented additional measures to manage the risk of gambling-related harm, and unless the same requirement for non-gambling space and leisure facilities is met.
- 3.7. There is, however, a complicating factor, about which we are engaging with the industry and DCMS. This concerns what is counted as a 'gaming table' for the purposes of calculating the gaming machine entitlement. Over the past few years operators have introduced new gaming products that are single player versions of automated table games, in which the player, rather than a dealer or croupier, operates the game. The industry maintains that these are correctly categorised as partly automated casino games whilst the Commission considers that they are wholly automated.
- 3.8. The significance of this is that the Gambling Act 2005 (Gaming Tables in Casinos) (Definitions) Regulations 2009 exclude 'wholly automated gaming tables' from the definition of a gaming table for the purposes of s172(3) to (5), which sets the ratios and machine limits for casinos of different types. They do not exclude partly automated games from the definition, and on this basis, some 2005 Act casinos are currently counting these single player devices in their calculation of the number of gaming machines they can site.
- 3.9. We are therefore concerned that, should more casinos get an increased gaming machine entitlement linked to a ratio in due course, this could increase the use of these or other devices which are smaller and cheaper to site than live tables, specifically with the intention of increasing the number of gaming machines that can be offered. This would be contrary to the intention of the Act, and specifically of section 172, to maintain a balance between gaming machines and table gaming. We have already seen this in some 2005 Act casinos and there would be potential for this to increase significantly in the future. We therefore recommend changing regulations so that machine entitlements can only be calculated on the basis of multi-player live tables.
- 3.10. In terms of NCF's proposals to increase casino gaming machine entitlements, we would not support unless additional measures are put in place to manage the risk of gambling-related harms effectively. Such measures could include extending time and money limits from B2 machines to B1 machines, strengthening those controls and participating in a trial of machine play tracking, for example.

Casino proposals – 2005 Act Large casinos

- 3.11. NCF has proposed that the 2005 Act Large casinos cap on gaming machines be increased to 500 from 150. It has not provided any evidence to assess what harms might increase as a result of such a change. Of the four 2005 Act Large casinos that are currently open, only one has installed the full complement of 150 gaming machines, which reflects insufficient demand for the full number in the other venues. So, we do not support the NCF proposal. The level of any new cap on machines in 2005 Act Large Casinos would need to be based on a proper rationale.

Category C and D entitlements in alcohol-licensed premises

- 3.12. Given the concerns we have with the current controls around category C machines in licensed premises (see previous section on Category C machines) we do not think it is appropriate to consider increasing automatic entitlements to machines in these premises until the sector can demonstrate that the controls it has in place are sufficient.

4. Recommendations that are not category or sector-specific

Mandatory tracking of play across sessions

Stakeholder proposals:

- ABB suggested mandatory tracking of play on B2 machines at £30 stakes and above.

Our advice:

- There is a case to make tracked play mandatory across Category B1, B2 and B3 machines, with the possibility of running a trial to get a better understanding of the costs and challenges associated with implementing it.

4.1. The Government has asked us to advise on the cost and benefits of introducing tracked play on category B1, B2 and B3 machines.

4.2. In our advice above on B2 machines, we said that two of the risks relating to B2 play are:

- the challenges of identifying from single, unlinked, sessions of play the risks of harm to individuals
- inadequate data to test robustly the effectiveness of regulatory policy changes and operators' player intervention strategies.

We also think that these points apply to B1 machines and B3 machines.

4.3. Requiring operators to track all machine play would go part of the way to mitigating these risks. Tracking play would provide operators with a rich dataset of play information. They would then need to analyse and use this data effectively to deliver any benefits.

4.4. In its consultation response, the ABB suggests that player tracking could be made mandatory on B2 machines when players wish to stake above £30. In this advice, we are recommending that B2 stakes are set at no more than £30. But we think that tracking play would be a valuable tool even at lower staking levels. Recognising the comparable risks associated with category B1, B2 and B3 machines described in section 2, we have reviewed the case for tracked play across all of those categories.

Benefits

- 4.5. We think that to mitigate the risks set out above, operators need to be able to:
- access and store play data securely for individuals across multiple sessions
 - identify indicators of harmful play from sessional play data
 - contact players if their play suggests they are at-risk of being harmed
 - collect and store play data to track and evaluate any changes in behaviour as a result of any interventions.
- 4.6. In addition to mitigating these risks, making tracked play mandatory would also:
- allow players to use gambling management tools that take account of their play over a number of sessions – for example they could set weekly deposit limits or monthly limits on the time they spend on machines.
 - act as a deterrent for players that were self-excluded or underage because they would have to engage with a member of staff before playing on a machine. Depending on the information given at registration, it could also make it easier for operators to identify self-excluded players and whether someone was underage (for example if they had to provide a photograph or verified date of birth).
 - discourage money laundering by providing an audit trail for transactions. Having sessional play-data would also make it easier for operators to identify suspected money laundering. Depending again on the information given, it would enable them to identify more easily suspected money launderers and carry out source of wealth checks.

4.7. The benefits of tracking play would differ depending on how it was implemented. For example we would expect a cross-industry scheme which allowed play to be tracked across all operators to have the greatest benefits. The benefits would also be different depending on the level of personal information operators needed to collect from their players. The table below summarises the benefits of three different illustrative approaches for tracking play.

Table 6: Benefits of different ways of tracking play

	Fully verified play	Verified play	Simple tracked play
Description	Players would provide personal information such as name, address, date of birth which would be verified by the operator	Players have to provide one form of contact information (eg email address or phone number) which they have to demonstrate belongs to them at the time of registration (usually by clicking a link or entering a code they have been sent)	Players would register and be given some way of tracking their play (for example, a number or a QR code), but would not be required to provide any information about themselves to the operator
Identifying at-risk players	Operators would be better able to identify at-risk players and would have ways of contacting them	Operators would be better able to identify at-risk players but without the link to demographic data, and would have one method of contacting them	Operators would be able to identify at-risk players using play data across multiple sessions but players would be easily able to have multiple accounts
Provide dataset on patterns of play to better understand harm and evaluate interventions on machines	Would provide a rich dataset of patterns of machine play that could be linked to demographic data and used to better understand harm and evaluate interventions	Would provide a rich dataset on patterns of machine play to better understand harm and evaluate interventions, but not linked to demographics	Would provide a dataset on patterns of play but this would not be linked to any information about players, and could contain multiple entries for people with multiple registrations
Gambling management tools	Players could set spend or time limits over various periods of time (eg weekly, monthly)	Players could set spend or time limits over various periods of time (eg weekly, monthly)	Players could set limits over various periods of time, but would easily be circumvented by registering multiple times
Identifying underage and self-excluded players	Would be a valuable tool for identifying underage or self-excluded machine players	Would act as a deterrent for underage and self-excluded machine players because they would have to interact with a member of staff before being allowed to play	Would act as a deterrent for underage and self-excluded players because they would have to interact with a member of staff before being allowed to play
Deter and identify suspected money laundering	Would act as a deterrent if players knew they were being tracked, and would make it easier for operators to identify suspected money laundering and carry out source of funds checks	Would act as a deterrent if players knew they were being tracked, and would allow operators to better identify suspected money laundering	Would act as a deterrent if players knew their play was tracked or if they had to interact with a member of staff each visit

4.8. We think that the benefits of mandating tracked play across category B1, B2 and B3 machines could be significant. We set out in our corporate strategy that we expect operators to be doing more to minimise harm, and that they should be focussing on ‘what works’ by developing a culture of trialling and evaluation. Having robust datasets that show them how their players are behaving over time, and the ability to monitor this data, would be a significant step forward. In fact, it is difficult to see how operators would be able to deliver fully the expectations set out in our corporate strategy without having the ability to track player behaviour over multiple sessions.

Costs and risks

- 4.9. We recognise that introducing a requirement to track play would also bring associated costs, challenges, and potential unintended consequences. It raises questions about personal privacy and players' freedom to gamble anonymously. Any decision made on tracked play would need to balance the benefits (which would be most noticeable for the small group of players at-risk of harm) and the costs for players, such as the hassle of registering and the loss of anonymity, (which would impact on the whole player base). When making this assessment we would note that the statutory framework places greater weight on protecting vulnerable consumers. We would also need to consider the costs that operators will incur.
- 4.10. Currently B2 machines have the ability to track play, but (in bookmakers) only players that use a 'loyalty' card or similar, or are manually tracked, have their play tracked over a number of sessions. Most B1 machines also have the ability to track play across sessions if players use loyalty cards, or are manually tracked, but not all operators currently offer loyalty card schemes. The picture for B3 machines is mixed – some newer machines would be capable of tracking play, but there are a significant number that would need to be upgraded, and also some that would need to be replaced as upgrading wouldn't be possible. Smaller, independent arcades are more likely to have a higher proportion of machines that would need to be replaced. All sectors would incur additional costs to implement a tracked play scheme.
- 4.11. We have asked trade bodies to provide us with an insight into the potential costs of implementing tracked play. We have received limited information so far – ABB and NCF provided written responses, and Bacta and some arcade operators have provided verbal responses. We understand that trade bodies are still gathering information but we do not expect to receive this until after we have submitted this advice. Trade bodies have highlighted the difficulties in estimating costs without understanding exactly how a tracked play solution would work, so the very few cost estimates we have received should be treated with a high degree of caution. We have therefore primarily used the responses to identify the categories of cost that will be incurred, as opposed to quantifying these costs.
- 4.12. We think there are four broad categories of cost that operators will incur which we have set out in the table below. We don't expect to get any further insight from the industry on the costs associated with demand changes, but sectors may be able to provide further detail on implementation and ongoing costs over the coming months.

Table 7: Costs of introducing tracked play

Supplier/ manufacturer costs (implementation)	Operator costs (implementation)	Ongoing costs	Changes in demand
<ul style="list-style-type: none"> •development of new systems •software upgrades 	<ul style="list-style-type: none"> •installing card readers/QR readers •upgrading infrastructure in premises •staff training •marketing costs 	<ul style="list-style-type: none"> •cards •data capture and storage •data processing and monitoring •maintenance and support 	<ul style="list-style-type: none"> •players who wont register and stop playing on machines •players who play less

Supplier/manufacturer costs (implementation)

- 4.13. The machine suppliers or manufacturers will incur costs to develop and implement the new systems. These costs will ultimately be passed on to operators, but smaller manufacturers may not be able to absorb them in the short term. They will vary across the sectors depending on the current systems in place on different types of machines – for example, B2 machines in LBOs are all server-based and can have their software upgraded remotely. Therefore these costs would be lower for LBOs than for other sectors. Although B1 machines are mostly capable of tracking play, they would need updating to be able to transfer the level of data that would be required for a tracked play system. And new B3 machines would need to be developed that could replace existing old machines.

Operator costs (implementation)

- 4.14. Under any of the options for tracked play, operators will need to ensure they have the hardware and the infrastructure in place to allow machines to:
- identify who is playing (even if only via a number)
 - track what the player does on the machine
 - transfer data to a storage facility where it can be stored securely and analysed.
- 4.15. All LBOs currently have that capability, but their machines are only capable of reading cards – upgrading them to read QR codes would create additional costs. The picture across the other sectors is mixed – some operators have some machines capable of reading cards, and some have ways of extracting data from machines into a central storage repository, but this is not consistent. There are also some smaller independent operators that would need to upgrade the infrastructure at their premises (for example if they don't currently have internet access, or machines wired together) to allow the transfer of data. The implementation costs would be proportionally greater for these smaller operators.
- 4.16. Representatives from the betting industry have said that the implementation costs would largely be driven by the wide-scale training of staff required to implement the measure. A long lead-in time would help to reduce this cost because training could be incorporated into regular refresher training programmes. Betting industry representatives also highlighted that they would incur marketing costs for promoting the scheme. We would expect these costs to be common to all sectors implementing tracked play.
- 4.17. LBOs did not collect detailed information about the full implementation costs of the £50 journey, but the ABB estimates that the cost was at least £10m across the UK LBOs. Introducing tracked play would likely be more complex, so unless a tracked play system for the betting sector could follow the same structures that are already in place, it is likely that costs would be exceed £10m (for comparison, £10m is 0.3% of 2016 betting sector GGY). It is likely that implementation costs for other sectors would be higher than this.

Ongoing costs

- 4.18. Operators would incur ongoing costs once a scheme has been implemented. This would include the capture and storage of the details about the player at registration (if this was required), and well as the capture and storage of all of the play data that would be linked to an account. We would expect the cost of this data storage to be greater if more personal information is linked to the account due to additional data protection requirements, especially given the new GDPR arrangements that come into force during 2018.
- 4.19. We envisage that, however tracked play was implemented, operators would need to monitor the data to identify potentially problematic behaviour, and that they would then consider whether to intervene. This is likely to lead to a step-change in the level of resource operators use to monitor player behaviour, which would lead to additional costs.

However, we would expect to see operators invest more resources in protecting vulnerable people in any case – and having play data collected in a consistent fashion might help to reduce the resource requirement in the longer term.

Changes in demand

- 4.20. Betting operators have suggested that there will be a large reduction in demand if they were required to track machine play. They argue that a significant proportion of their customers would not want to register in order to play on a machine. The evaluation of the DCMS £50 regulations found that most players chose to stake below £50 instead of using verified play. But we do not know if these findings would be replicated if players had a choice between having their play tracked or not playing on that product at all.
- 4.21. Other jurisdictions have introduced tracked play. For example, Norway removed all gaming machines from the market and re-introduced them with different content, in more restricted locations, with a requirement for full registration and account-based play, and built in deposit limits and breaks. Five years after the introduction of the new machine, revenue was only 15% of what it had been before. But it is difficult to understand how much of this reduction in demand was driven by the requirement for account-based play, and how much was driven by the other changes.
- 4.22. The Nova Scotia Gaming Board (NSGB) introduced a scheme in Nova Scotia called MyPlay in which players could use a card each time they used a video lottery terminal (VLT) which would track and store their play data. Initially this was a voluntary scheme, which became mandatory after two years. In the mandatory scheme players could opt to register without giving any personal information (light enrolment) or provide fully verified personal information (full enrolment). The majority of players chose light enrolment despite significant efforts to encourage full enrolment, and the evaluation showed players were using multiple cards and sharing accounts. Given this, NSGB decided to de-commission MyPlay because it did not meet its objectives. We do not know how players would have responded if full enrolment was the only option.
- 4.23. We commissioned some research to get a better understanding of how machine players in different sectors might respond to tracked play if it were introduced across Category B1, B2 and B3 machines. This used qualitative discussions alongside some quantitative techniques to better understand what players think about tracked play as a concept and how they might respond if it was introduced. Our research found that:
- Machine players think tracked play would be useful and trustworthy. They also thought it would be intrusive, but they were less certain of this.
 - The appeal of tracked play is fairly mid-ranking, suggesting it would neither act as an attraction nor be too off-putting in the context of other features.
 - Machine gamblers are concerned about the registration process and whether it will be a hassle, and have concerns about how their personal data will be stored and used.
 - Machine players across different sectors did not have significantly differing views on tracked play.
- 4.24. The report findings suggest that some players will stop playing on machines if tracked play was introduced. But the majority, although they thought it wouldn't benefit them personally, saw why it needed to be mandatory and said they would continue to play. Although the research used techniques designed to understand players' subconscious attitudes we recognise that it still doesn't tell us exactly how players would behave if tracked play was introduced. The report recommends that further work needs to be done in the form of a trial.

- 4.25. As part of the research we directly asked players how they thought their play would change if tracked play was introduced. We know that there are significant limitations to this type of technique – because how players say they would react is not always the same as how they actually will react, and we know that the sample used in the research was not nationally representative. Nevertheless we can use some of the findings to construct an illustrative scenario around the potential demand impact of introducing the measure. When we asked players directly, 6% of the sample said they would not gamble at all if their play was tracked. When we asked players whilst they were thinking about how their data might be used 16% of players said they would not gamble at all.
- 4.26. We have used this information to estimate the potential impact on GGY. See table 8 below for the findings. This analysis does not take account of the fact that casual gamblers, who contribute less to GGY, are those most likely to stop playing, or that some players who stop gambling will move to other gambling activities.

Table 8 Illustrative example of tracked play GGY impact, based on claimed responses

	Reduction in sector GGY (based on 2016 data)			
	If 6% players stop playing:		If 16% of players stop playing:	
	£m	% of sector GGY	£m	% of sector GGY
Betting	£108m	3%	£289m	9%
Bingo	£11m	2%	£29m	4%
Arcades	£11m	3%	£29m	8%
Casino	£12m	1%	£32m	3%

- 4.27. These estimates should only be treated as indicative – we know that they do not necessarily represent how players would actually respond. We also know that the impact will be uneven across different operators within sectors. We plan to carry out secondary analysis of the data to try and get a better understanding of what problem and at-risk gamblers think about tracked play, and how they might respond if it were introduced.

Substitution effects

- 4.28. If players stopped playing on Category B1, B2 and B3 machines because they didn't want their play tracked, we do not know whether they would shift to other gambling products, which could potentially be more harmful.
- 4.29. We know that problem gamblers are more likely to participate in multiple gambling activities. And we think players that already participate in a number of activities are more likely to shift to other activities if they do not want their machine play tracked. For example they could move online, which has unlimited stakes or prizes (but play there is already tracked), or they could move to unlimited stake and prize table play at casinos, which serve alcohol and are typically open around the clock (although casinos are fewer in number than bookmakers and table play is monitored by staff). Introducing tracked play across category B1, B2 and B3 machines would reduce the risk that players move to different machine categories to avoid having their play tracked. However, the Populus research found that players did not easily distinguish between machines in pubs and in other gambling venues. This suggests that they could also move to playing Category C machines in pubs (which have lower stake and prize limits, but are not supervised and typically feature a lower return to player).
- 4.30. We would expect operators to respond to the introduction of tracked play on category B1, B2 and B3 machines by incentivising players to sign-up, and by developing innovative new products that would not require their play to be tracked. These measures would be likely to reduce the overall impact on demand.

- 4.31. Our research found that 22% of players who said they would stop playing on machines, would spend it on a different gambling activity – most likely betting on football or National Lottery tickets. However the sample for this question was small, so we need to treat this result with some caution.
- 4.32. There is also a theoretical risk that players could move to gamble on illegal machines that would not track their play – this would require operators to obtain a machine illegally and then find a premises to operate it from. The Commission and Local Authorities take the issue of illegal machines very seriously and would take appropriate enforcement action against anyone found to be supplying or siting such machines.
- 4.33. Our conclusions on tracked play for Category B1, B2 and B3 machines are that:
- The potential benefits of tracking play across sessions are significant. In particular, it would allow operators to identify players at risk of harm more effectively, and enable them to monitor the effectiveness of any interventions they implement. It would give players access to better gambling management tools which they could use across multiple sessions, and improve the identification of underage and self-excluded players and potential money laundering.
 - We think that these benefits would only be realised if play tracking was mandatory. Our research suggests that machine players also recognise this.
 - The benefits associated with simple tracked play are significantly lower than those for other forms of tracked play because it would be easy under this approach for players to have multiple “accounts”. This would make it difficult to identify individual players in need of support, and would make any dataset less robust. Although our research found that players were concerned about how their data would be stored and used, they still accepted that they would need to provide some information to register. Consequently, we think simple tracked play is unlikely to be worthwhile.
 - We have limited information so far on the likely costs of mandatory tracked play. From the information we do have, our view is that the implementation and ongoing costs would be significant. They might not be disproportionate at an industry level, but they could have a severe impact on smaller operators. We look forward to seeing more detailed information from the industry to provide a more complete picture.
- 4.34. We therefore think there is a strong case in principle to make tracked play mandatory across Category B1, B2 and B3 machines. We think there might be merit in running a trial to get a better understanding of the costs and challenges associated with its implementation.

Changes to requirements around gambling management tools

Stakeholder proposals:

- BACTA suggested extending B2 style controls to B3 machines, as long as the evidence supported their use.

Our advice:

- We will consider extending requirements around time and monetary limits from B2 to B1 and B3 machines, and explore how to strengthen those measures.
- Industry to work with Gambling Commission and others to make player-set time and monetary limits more effective.

- 4.35. We acknowledge that there are industry initiatives to develop tools to help protect players. We encourage the industry to continue to pursue these.
- 4.36. We think there is a particular need to develop and improve tools to help consumers manage their own gambling. Our objective is to reduce the risks that consumers spend more time and money than they can afford.

A particular difficulty with this objective is that we do not know how much time and money individual consumers can afford. That is one of the reasons why we require operators to get consumers to make a conscious choice about setting their own time and money limits on B2 machines. It is reasonable to assume that consumers are more likely to adhere to their own limits than to arbitrary limits.¹⁴ We do not currently have similar requirements for Category B1 and B3 machines.

4.37. Voluntary limits are potentially a powerful tool. In practice, they have not been very effective. We think that there are two problems:

- Operators have been unsuccessful in encouraging significant uptake of voluntary limit setting.¹⁵ While consumers have to make an active choice, most decide not to set limits. It is easy for them to make this choice.
- Even when consumers set 'limits', they are merely thresholds for an on-screen alert. Despite describing this as a form of 'pre-commitment', consumers are not committing themselves to much at all.

4.38. We set out in an earlier section that there are similarities in the levels of loss and session duration between B2 and B3 machines. We also set out evidence indicating that the risks associated with B1 machines are at least comparable with the risks associated with B2 and B3 machines. We therefore think there is a strong case for extending the same player protection measures that exist on B2 machines (time and monetary thresholds) to Category B1 and B3 machines.

4.39. BACTA suggested this in its own submission, as long as the evidence supported their use. There has been limited evaluation of the effectiveness of these measures in the betting sector, but academic research¹⁶ suggests that giving people the ability to self-regulate their play can be an effective way of helping them manage their gambling. So, on a precautionary basis, we would recommend introducing the same requirement for limit setting on B1 and B3 machines.

4.40. Some sectors would be able to implement these measures more easily than others. B2 machines in bookmakers are already required to offer time and monetary limits within a session, so it would be easier for them to update them to operator in a different way. Although most B1 machines have the ability to track play across sessions, they don't all have the ability to transfer data back to the machine to be displayed for the customer to see. The picture for B3 machines is mixed – some newer machines would be capable of offering limit setting, but there are a significant number that would need to be upgraded, and also some that would need to be replaced as upgrading wouldn't be possible. Smaller, independent arcades are more likely to have a higher proportion of machines that would need to be replaced.

4.41. Operators would incur costs associated with introducing limit setting, especially in those sectors where machines don't currently have the ability to track play even within a session. Developing systems that enabled players to set limits across sessions (eg weekly loss limits) would have similar costs to introducing a tracked play system which we discuss in the section above. It would be cheaper to introduce gambling management tools that only relate to a single session of play, but these would be less effective and numerous machines, notably in the arcades sector, would still need upgrading or replacing to achieve this.

¹⁴ Ladouceur, Blaszczynski & Lalande (2012) Pre-commitment in gambling: a review of the empirical evidence.

¹⁵ NatCen (2015), ABB code for responsible gambling and player protection: Evaluation of early impact among machine gamblers

¹⁶ Blaszczynski, Parke, Parke & Rigbye (2014) Operator-based approaches to harm-minimisation in gambling: summary, review and future directions.

- 4.42. We will encourage all operators with B1, B2 and B3 machines to work to understand the impact of these measures, along with understanding the best way of presenting them to encourage players to use them. We then plan to work with the industry and others on steps to make pre-commitment tools more effective – which could include:
- making more use of behavioural insights to promote uptake and better use of voluntary limits
 - ending sessions when consumers reach time and money limits.

Payment by debit card

Stakeholder proposals:

- Permit debit cards to be used as a direct form of payment for gaming machine play.

Our advice:

- We do not support permitting direct debit card payment methods for gaming machines until there has been sufficient research into the adequacy of any harm mitigation measures.

- 4.43. Various operators and trade bodies, including BACTA and NCF, have proposed removing the current prohibition on the use of debit cards as a form of payment for gaming machines. They argue that society is moving away from the use of cash, favouring more convenient methods such as contactless debit card payments.
- 4.44. The Circumstance of Use Regulations 2007 currently prohibit the use of credit cards to pay for play on a gaming machine, but permit debit card payments by indirect means. The licensed betting sector, for example, currently takes debit card payments by indirect means. Consumers can use their debit cards to make over-the-counter payments, which staff transfer to the gaming machine. Similarly, for arcades, manufacturers have been developing kiosks which take payment via debit card. The kiosks issue vouchers that consumers can then insert into a gaming machine.
- 4.45. Despite these examples, the industry argues that indirect forms of debit card payment are not popular with consumers. In the case of pubs, where there may only be two or three machines, they are not commercially viable in any case.
- 4.46. So, some parts of the industry are pressing for changes to regulation to permit direct forms of payment. Industry stakeholders argue that they can introduce adequate safeguards alongside this technology, such as spend limits linked to the card. But they do not acknowledge that the proposal could result in additional harm.
- 4.47. There is evidence to suggest that payment methods such as debit cards increase the propensity to spend. This happens for various reasons, including for example a ‘decoupling effect’, where card payments obscure (or ‘decouple’) the true cost of consumption from financial transactions¹⁷.
- 4.48. The risks are greater for problem gamblers because easy access to funds and impulsive decision-making are a dangerous combination. In a recent report for GambleAware,¹⁸ Professor Parke and his colleagues went further, and called for restrictions even on indirect transactions over the counter in LBOs.
- 4.49. In view of these risks, we would advise against direct forms of debit card payments until robust research demonstrates that it can be implemented with effective harm mitigation measures to protect vulnerable consumers. There might also be a case in future for the Government to consider prohibiting indirect forms of payment by debit card if the industry cannot demonstrate that it is appropriately mitigating the risks from this form of payment.

¹⁷ Prelec & Lowenstein, 1998.

¹⁸ Jonathan Parke, Adrian Parke, Alex Blaszczyński (2016), Key issues in product-based harm minimisation

Staffing levels

Our view:

- Staffing needs should be identified in the Local Risk Assessments that operators should make for all premises, but some operators are not using these effectively. Licensing authorities will need to take action in these cases.

- 4.50. Some stakeholders have expressed concerns about staffing levels in gambling premises, and particularly about single staffing in licensed betting offices.
- 4.51. We have reviewed large operators' policies on single staffing, and completed a thematic review of the effectiveness of Local Risk Assessments (LRAs) for casino, betting, AGC and bingo premises.
- 4.52. The evidence suggests that any problems are related to insufficient staffing numbers or inadequately trained staff rather than to single staffing.
- 4.53. Operators have historically used a risk-assessment process as part of determining whether a premises would be suitable for single staffing. Since April 2016 we have stipulated the requirement for a local risk assessment for all premises, in our Licence Conditions and Codes of Practice.
- 4.54. We consider a local risk assessment to be the most important tool that operators should use to determine appropriate staffing levels for a premises. When carried out correctly, the local risk assessment process enables operators to effectively assess the risks to the licensing objectives posed by specific local circumstances. These help to determine the appropriate levels of staff required to meet the licensing objectives and still deliver the commercial activities.
- 4.55. However, during our review we found that not all operators (across all sectors) were consistently using the local risk assessments effectively. In relation to a number of operators, we found that the content was generic for each premises, irrespective of location, and that little reference had been made to the local landscape.
- 4.56. In order to be fully effective, we think local risk assessments should:
- be dynamic and evolving – operators should review and respond to short term or temporary changes to the local landscape, or following incidents, in a timely way
 - be completed and owned by the premises staff – local staff are best placed to know and assess risks presented by changes to the local landscape
 - take into account any relevant statement of licensing policy issued by the licensing authority
 - be held on site, to enable all local staff to remain engaged and take ownership.
- 4.57. Local licensing authority inspections, and our own compliance processes, check that operators can demonstrate they are managing local risks. These consider evidence of staff training, plus policies, procedures and control measures to mitigate the risks identified within the local risk assessment.
- 4.58. We work with, and issue guidance to, local licensing authorities on their role and responsibilities in gambling regulation. Local licensing authorities are able to impose conditions on a premises licence, reject, review or revoke premises licences where there is an inherent conflict with any of the following:
- the relevant codes of practice
 - relevant guidance issued by the Commission
 - the licensing objectives
 - the licensing authorities' own licensing policy statement.

- 4.59. The local licensing authority is best placed to assess and advise whether the content of the local risk assessment adequately reflects and mitigates against local risks.
- 4.60. We also expect operators specifically to take into account the following when determining appropriate staffing levels:
- Failure of mitigating controls –this would invalidate the risk assessment for that premises.
 - All opportunities to gamble. Operators should use data from all of their products to help assess how busy a shop would normally be and to help determine appropriate staffing levels. For betting shops, this includes over the counter, FOBT and self-service betting terminal (SSBT) transactions (a high volume of SSBT transactions could indicate high footfall so would require greater levels of staff supervision).
 - External events. Increased public demand for gambling, for example arising from live local sporting events or promotional activity, should prompt a review of the local risk assessment, to determine appropriate staffing levels.
- 4.61. Appropriate levels of well trained staff are necessary for operators to meet our expectations in full around social responsibility and keeping gambling crime free. They are also part of maintaining a safe gambling environment.

Arrangements for research, education and treatment

Our advice:

- We have conducted a review of the arrangements for research, education and treatment (RET), which we have submitted alongside this advice. This section of our advice summarises the findings from that review.
- The current RET arrangements, which rely on a voluntary funding model, have fallen short of their objectives, so we think they will struggle against more demanding future challenges.
- In particular, work is underway to identify appropriate treatment models and scope, and this is likely to lead to a significant increase in the budget required for treatment. The very small budget currently allocated to education is also likely to have to increase, and the research budget is increasingly stretched.
- We are pursuing a number of areas to improve the current arrangements, working in collaboration with the Responsible Gambling Strategy Board (RGSB) and GambleAware. In particular, we will take action to:
 - Improve voluntary funding levels
 - Bring greater clarity to the RET arrangements, especially over the role, responsibilities, and remit of each of the organisations in the tripartite structure
 - Work with partners to strengthen governance arrangements around RET and assess the pros and cons of different commissioning models
 - Drive increased industry participation in the delivery of any strategy, and explore fundamental changes to how such a strategy is produced and monitored, and which organisations could own it and be accountable for its delivery
 - Continually monitor and assess the ability of the tripartite system, and the capability of the bodies within it, to deliver the outcomes required by the Commission’s Corporate Strategy and the National Responsible Gambling Strategy.
- Ultimately the industry needs to make significant progress in meeting the expectations set out in the National Responsible Gambling Strategy. It needs to meet GambleAware’s funding targets in full and on a sustainable and guaranteed basis. There is a strong case for implementing a statutory levy if the industry cannot provide what is needed voluntarily.

- 4.62. The purpose of the RET arrangements is to secure appropriate funding from industry, and to commission research, education and treatment according to a coherent strategy to minimise gambling-related harm.
- 4.63. The arrangements provide a focal point for efforts to address gambling-related harm in Great Britain. They are not and cannot be the sole source of such efforts, which must include action by individual operators, government, public health bodies and other stakeholders.
- 4.64. We currently have a limited understanding of the scale of the problem that the RET arrangements are designed to address. Consistent with our Corporate Strategy, work is underway to advance our knowledge of gambling-related harm to a world-leading level. This will take time, and we do not expect this work to start generating estimates until 2020, at the earliest.
- 4.65. A greater understanding of gambling-related harm will be important in informing future considerations around both the quantum of funding required for RET, and the model for how it is delivered. But it will not provide a simple answer. The cost of the impact is not a measure of the cost required to mitigate that impact. We will still need to form a judgement of the RET activities that we think will make sufficient contribution to addressing gambling-related harm to justify their cost.
- 4.66. Our RET review considers some scenarios for future funding needs. It concludes that there is likely to be a need for a significant increase in funding, especially for treatment and education, but also for research. Overall, funding requirements multiple times current levels are not implausible, and even more conservative scenarios could see funding needs double.
- 4.67. As a sense check, we compared RET funding levels in Great Britain with funding in other jurisdictions. Table 9 suggests that Great Britain spends considerably less per problem gambler than other jurisdictions do. The table below is about centralised RET funding. We acknowledge that there will be other sources of funding, so the table presents only a partial picture.
- 4.68. We can compare these calculations with funding levels in other jurisdictions. The table below shows how that compares with centralised, gambling-specific funding in other jurisdictions. Clearly there are differences in how these jurisdictions are regulated, how funding requirements are calculated, and the sources of these funds. However, we think these figures provide a useful illustration of what other large jurisdictions consider to be an appropriate amount of money to allocate to addressing problem gambling, and how this compares with Great Britain.
- 4.69. This analysis does not indicate what the correct level of central RET funding should be. It does, however, support our scenario analysis, which shows it is not unusual to see funding per problem gambler several times the level in Great Britain.
- 4.70. Based on figures from 2016, GambleAware's RET expenditure in Great Britain amounted to £19 per problem gambler. Even if we were to include Gambling Commission-licensed operator contributions to organisations other than GambleAware, which we estimate to be around £3m per year, GB spend per problem gambler would still only be £26.

Table 9: Comparative centralised RET expenditure

Jurisdiction	RET Spend (£m) ¹⁹	Number of PGs	RET Spend per PG (£) ²⁰
Great Britain²¹	8.26	430,000	19
Canada²²			
British Columbia	3.40	26,974	126
Manitoba	1.93	2,006	964
New Brunswick	0.43	6,201	70
Nova Scotia	1.97	5,462	361
Ontario	22.27	66,703	334
Prince Edward Island	0.13	1,068	125
Quebec	11.32	26,935	420
Saskatchewan	2.49	10,498	237
USA²³			
California	6.33	511,781	12
New York	2.17	186,475	12
Nevada	1.02	61,044	17
Florida	0.69	180,709	4
Pennsylvania	4.71	222,190	21
Australia			
NSW	10.55 ²⁴	39,840 ²⁵	265
Queensland	3.40 ²⁶	16,698 ²⁷	204
Victoria	22.63 ²⁸	35,600 ²⁹	636
New Zealand	9.70 ³⁰	23,500 ³¹	413

4.71. Against this background, we have reviewed the current arrangements, looking at how effective they have been and how we and others might improve them. We have submitted a report on our review alongside this advice.

Current arrangements

4.72. In 2001, a Gambling Review Body chaired by Sir Alan Budd published the findings of its review of gambling regulation. This document, widely known as the ‘Budd report’, profoundly influenced the formulation of the Gambling Act 2005 and the regulatory framework that we have now. The Budd report acknowledged that its recommendations would lead to increased access to gambling in Great Britain, and that this was likely to lead to an increase in problem gambling. Consequently, the report identified a need for research, education and treatment to address these risks.

¹⁹ Rounded figures provided for ease of interpretation. Currency conversions conducted on 16 February 2018.

²⁰ Figures calculated using exact RET spend, not rounded figures.

²¹ GambleAware [spend in the 12 months to 31 March 2017](#).

²² [Canadian Partnership for Responsible Gambling Digest, 2015-2016](#). Data provided for provinces for which data is available. Note: for Saskatchewan, New Brunswick and Nova Scotia, prevalence surveys are 19+, but PG population estimates are calculated using the adult (18+) population.

²³ Marotta, Hynes, Ruggle, Whyte, Scanlan & Dukart (2017) Survey of problem gambling services in the United States. Note: this only includes problem gambling services explicitly referenced in state agency budgets.

²⁴ Administered revenue from Responsible Gambling Levy in 2016. [NSW Department of Justice Annual Report 2015-16](#).

²⁵ [Prevalence of Gambling and Problem Gambling in New South Wales \(2012\)](#)

²⁶ [Queensland Government media statement, July 2017](#)

²⁷ [Queensland House Gambling Survey 2011-12](#) and [Australian Demographic Statistics 2017](#)

²⁸ [Victorian Responsible Gambling Foundation Annual Report 2016-17](#)

²⁹ [Study of gambling and health in Victoria: Gambling problems in Victoria \(factsheet\)](#)

³⁰ Average annual spend 2016/17-2018/19. [Strategy to prevent and minimise gambling harm. NZ Ministry of Health, 2016](#)

³¹ Midpoint estimate from [New Zealand 2012 National Gambling Study: Gambling Harm and Problem Gambling \(report 2\)](#)

- 4.73. The Gambling Act 2005 contains a provision for a statutory levy to fund RET. Successive governments have not enabled that provision, preferring instead to pursue a voluntary model under which the industry would provide funding for an independent charity to commission RET. Reflecting advice from the Budd report, the levy provision was there as an option if the voluntary arrangements proved unsuccessful.
- 4.74. The mechanism through which the voluntary model works eventually settled on the present tripartite structure. A [Statement of Intent](#) describes how this structure works. In summary:
- the Commission essentially oversees the arrangements, making sure that they are effective
 - RGSB recommends to the Commission a National Responsible Gambling Strategy, which sets the agenda for minimising gambling related harm
 - and the industry-funded charity, now known as GambleAware, raises funds and commissions work to meet the requirements of the Strategy.
- 4.75. In order to support the process, the Commission requires licensees to make a financial contribution to RET. Reflecting Parliament's clear decision not to enable a statutory levy, our requirement does not seek to impose a levy by other means. For that reason, it does not specify the size of an appropriate contribution or the recipient.
- 4.76. We acknowledge the valuable contributions that licensees make to organisations other than GambleAware. However, much of the focus in this review is on funding for GambleAware, with good reason. GambleAware is the only organisation with a formal commitment to commission research, education and treatment in accordance with the National Responsible Gambling Strategy. It is part of a tri-partite arrangement with the Commission and its advisers, RGSB, which the Government has acknowledged as being key to the success of the voluntary system. This central role means that it is ideally positioned to ensure that activities are funded according to clear priorities.

Performance of the current arrangements

- 4.77. We think an appropriate set of criteria against which to judge the current arrangements is:
- i) Sufficient quantum of funding to meet strategy needs
 - ii) Appropriate prioritisation and coordination of efforts to minimise gambling-related harm
 - iii) Demonstrable independence and rigour of the research process
 - iv) Constructive stakeholder engagement (especially from industry, where RET responsibilities must go beyond writing a cheque)
 - v) Clear roles for the organisation(s) leading the RET arrangements, and a high level of efficiency and capability in all aspects of their work.
- 4.78. Past performance against the above criteria can be summarised as follows:
- Industry has consistently failed to meet GA's modest funding aspiration (0.1% of GGY), by a significant margin.
 - There has been an imbalance between the elements of R, E and T, with a tiny proportion of the budget going to education and prevention.³² GambleAware has committed to redressing this imbalance, but to do so adequately is likely to require increasing the overall amount of funding available.
 - A failure in the past to coordinate efforts to treat gambling-related harm as a public health issue.
 - Persistent challenges around the perceived independence of the research that GambleAware commissions – GambleAware spends a significant amount of time defending itself. There are, however, encouraging developments, with a broader range of organisations bidding for GambleAware funding.
 - A mixed picture on industry engagement, with some battles to secure the data we have had and a constant struggle to raise standards – [RGSB's report on](#)

³² RGSB has long advocated that more money should be devoted to 'upstream' preventative harm-minimisation measures.

[progress with the National Responsible Gambling Strategy](#) is not an encouraging read.

- Similarly, a mixed picture on the efficiency and capability of the tri-partite organisations – for example, challenges in ensuring GambleAware is adequately staffed to deliver an ambitious strategy.

4.79. Against this past performance, we need to acknowledge significant improvements over the past two years against many of the criteria – including the points above. Our most significant outstanding concerns are around funding, stakeholder engagement, and perceptions of independence, although there is room for improvement across the board.

Steps to build on the current arrangements

4.80. We have identified various options for improving the voluntary arrangements and conducted an assessment of whether these may have merit. In summary, we will:

- Work with GambleAware to improve the data we collect on RET contributions, and the mechanisms for sharing this between us.
- Enhance the visibility and transparency of details of operator RET contributions, either by operator or sector.
- Support industry efforts to adopt a self-assurance approach and code of practice on RET contributions.
- Consult on changing the LCCP requirement on RET contributions, to make it clear that they must be made to an organisation signed up to delivering the National Responsible Gambling Strategy (NRGS), under an agreed governance framework.
- Bring greater clarity to the RET arrangements, especially over the role, responsibilities, and remit of each of the organisations in the tripartite structure.
- Increase transparency around how funding allocation decisions are reached, and explore how the Commission can better support GambleAware in reaching decisions which support the NRGS.
- Work with partners to strengthen governance arrangements around RET. Specifically, we will encourage GambleAware to consider and manage the implications of moving to a wholly independent Board.
- Continually review the arrangements for commissioning research, including assessing the pros and cons of different commissioning models and bodies.
- Drive increased industry participation in the delivery of any strategy, and explore fundamental changes to how such a strategy is produced and monitored, and which organisations could own it and be accountable for its delivery.
- Work with partners to create a regularised pathway for, and commitment to, sharing industry data and providing access to customers and venues for research purposes.
- Continually monitor and assess the ability of the tripartite system, and the capability of the bodies within it, to deliver the outcomes required by the Commission's Corporate Strategy and the NRGS.
- Establish and articulate clear expectations over how RET monies and voluntary settlements are spent, recognising GambleAware's charitable objects, in order to provide us with assurance that they are being distributed transparently, efficiently and effectively.
- Explore whether, and how, the Commission can take a more proactive role in both the ownership and delivery of the RET agenda.
- Challenge Camelot to improve its efforts in relation to RET, including greater involvement in delivery of the NRGS and increased financial contribution to RET funding, consistent with GambleAware's recommended donation.
- Explore whether a requirement to contribute towards RET should be included in the next National Lottery (4th) licence.

Option to impose a statutory levy

- 4.81. We have explored the option to impose a statutory levy. Our main findings are that:
- A statutory levy is a realistic and credible way of funding RET, and its introduction would go a long way to resolving one of the key limitations of the current arrangements – it would guarantee sufficient and predictable income.
 - However, such an approach is not without downsides, including a risk that some operators might think that a levy payment, on its own, discharges their obligations in relation to responsible gambling.
 - Even this risk is not clear cut. A statutory levy could improve the engagement of operators who had previously under-contributed to RET.
 - While there are significant practical challenges in implementing a levy, we do not think any of the risks involved are insurmountable, or that they could not be adequately managed. However, we should not under-estimate the amount of work this is likely to entail.

What is our assessment of the relative merits of the options above?

- 4.82. Our focus is on improving performance under the voluntary arrangements, and there is undoubtedly scope to do so. We have seen important progress over the past two years, and there is potential to do more. But we remain sceptical that a voluntary system will ever deliver the quantum and certainty of funding that is likely to be needed in the future. And challenges around the independence of industry-funded research remain despite the more rigorous commissioning process that we put in place in 2016. A wholly independent GambleAware Board would help, but even that is unlikely to satisfy critics.
- 4.83. The gambling review consultation painted a mixed picture of welcome progress and tough future challenges. It concluded that the voluntary system would need to prove that it can flex to meet those challenges. If the industry fails to do so, we think it is entirely appropriate that the government considers alternative options, including a statutory levy.

Advertising

Our advice:

- We share concerns that gambling advertising and marketing, including sponsorship, could lead to gambling-related harm for children and other vulnerable people. The available evidence is not clear on this matter. It does not indicate whether there is a need to change existing rules, but it is limited and we are working with our RET partners to build on it. This continues to be an area that requires close scrutiny, and it is appropriate to keep under review the option of applying the precautionary principle.
- The Commission will continue to work closely with the ASA to enforce advertising standards, particularly when there is a risk of consumers being misled.
- Regulators and industry trade bodies, under DCMS leadership, should continue to engage with the main social media platforms to explore how vulnerable people can limit their exposure to gambling advertising online.

- 4.84. Gambling advertising featured in the call for evidence with a focus on broadcast advertising and the protection of children and vulnerable people:

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

Regulatory framework

- 4.85. The Gambling Act 2005 permits the advertising of gambling products and services provided that there are adequate safeguards to protect children and other vulnerable persons from harm or exploitation.
- 4.86. The UK Code of Non-Broadcast Advertising, Sales Promotion and Direct Marketing (CAP code) and the UK Code of Broadcast Advertising (BCAP code) cover the content and placement of advertising and ensure that gambling advertising is socially responsible. The rules ensure that gambling advertising is not aimed at children or young people and that it does not leave vulnerable people open to exploitation and harm. The rules are enforced by the Advertising Standards Authority (ASA). Ofcom retains a statutory duty under the Communications Act 2003 to maintain standards in broadcast advertising.
- 4.87. The Commission expects marketing and advertising of gambling products and services to be socially responsible. In particular, we expect licensees to comply with the advertising codes of practice issued by CAP and BCAP and any relevant industry codes. These expectations are set out in our Licence conditions and codes of practice (LCCP). We are currently consulting on a proposal to elevate a provision relating to these expectations from Ordinary Code status (which describes best practice) to Social Responsibility Code status (which constitutes a formal requirement).
- 4.88. The regulatory rules are supplemented by the 'Gambling Industry Code for Socially Responsible Advertising' which sets minimum industry standards in a limited number of areas not covered in the CAP/BCAP codes. The Code, which includes requirements relating to the TV watershed, socially responsible messaging and the removal of sponsoring operators' logos from all children's merchandise, such as replica football kits, is owned and enforced by the Industry Group for Responsible Gambling (IGRG).

Evidence base/expected impact

- 4.89. A major review of gambling advertising in 2014 found that the gambling advertising rules were fit for purpose and that the approach to enforcement was broadly in step with societal expectations. CAP concluded, "We're confident that the strict content and scheduling rules in place set the right level of protection for young and vulnerable people."
- 4.90. In April 2014 the Responsible Gambling Trust (RGT – now GambleAware) published 'Gambling advertising: a critical research review' by Dr Per Binde. The report paid particular attention to studies about the impact of advertising on participation in gambling and the prevalence of problem gambling. Binde concluded that "it is very difficult, if not impossible, to assess how many people gamble excessively because of the direct or indirect influence from advertising. Part of the difficulty of measuring the impact of advertising on problem gambling is that it is, in general, most probably relatively small."
- 4.91. In January 2016 CAP and BCAP published 'Gambling Risk Factors Exercise: A Regulatory Statement on CAP and BCAP's call for evidence into risk factors associated with advertising that could lead to gambling-related harms'. Gaps in the evidence base and the need to be vigilant in this area prompted CAP and BCAP to launch a renewed call for evidence on risk factors associated with gambling advertising, with a pledge to address risks that were not identified and mitigated by existing rules and guidance. CAP and BCAP considered, and we agreed, that the responses to the call for evidence supported existing guidance, and as such did not propose to make any amendments to that guidance. However, the Committees acknowledged that this is a highly sensitive area. They remain open to receiving new information about risk factors and continue to encourage stakeholders to share emerging evidence as appropriate.

- 4.92. According to the Commission's Young People and Gambling (2017) report, 12% of 11-15 year olds claim to have gambled in the past week. This compares with 18% in 2012 and 16% in 2016. These figures do not in themselves indicate that there is a growing problem to which advertising might be contributing.
- 4.93. To conclude, the available evidence does not indicate whether there is a need to change existing rules, but it is limited and we are working with our RET partners to build on it. GambleAware is in the process of commissioning an important piece of research that will consider the effect of gambling advertising on children, young people and vulnerable people across a range of media. Also, the research strategy that RGSB has prepared in consultation with the Gambling Commission includes a longitudinal study to consider different features of gambling behaviour over time – and we expect that this will consider the impact of gambling advertising. However, policy makers need not wait indefinitely for conclusive evidence of harm associated with gambling advertising, and it is appropriate to keep under review the option of applying the precautionary principle.
- 4.94. The ASA and CAP have committed to review the rules if the evidence base relating to gambling advertising and harm changes. This continues to be an area that requires close scrutiny.

Social media

- 4.95. We know that more people are being exposed to gambling advertising online, particularly through social media platforms. Although the CAP rules apply to online marketing and advertising it is a sphere which is arguably less tightly regulated and which has been subject to limited academic scrutiny. We welcomed the publication by CAP earlier this year of 'Children & age-restricted ads online' which seeks to ensure that advertisers target their ads responsibly.
- 4.96. We recommend that the regulators and industry trade bodies, under DCMS leadership, continue to engage with the main social media platforms to explore how vulnerable people can limit their exposure to gambling advertising online.

5. Online gambling

5.1. Our Corporate Business Plan included a commitment to:

‘Examine data, market trends (both current and future), consumer participation and action by operators on social responsibility and crime in the remote market.’

We have completed the review, and submitted it alongside this advice. We have set out a summary of our findings in this section. This summary is replicated in the report on our online review, submitted alongside this advice, which contains further information on our work.

5.2. The review draws on our experience from regulating the whole British online gambling market since 1 November 2014, and includes an assessment of the size and make-up of the market. It has led us to identify a number of key areas where we intend to consult on changes to our regulatory requirements. These will enhance the level of protections for online gambling consumers.

Current market status

5.3. Following the implementation of the Gambling (Licensing and Advertising) Act 2014 (2014 Act), Great Britain now has the largest regulated online gambling market in the world. It generates £4.7bn gross gambling yield (GGY) per annum and is expected to continue to grow strongly, albeit not at the high rates that were seen during the sector’s early growth phase.

5.4. This growth is being driven by rapidly changing consumer behaviour and supported by technology advancements which are affecting society as a whole. The development of smartphones and tablets, allied with extensive broadband penetration, high speed mobile internet and availability of WiFi means people spend more time online for both business and leisure activity.

5.5. The gambling industry, like other leisure sectors, was quick to see the opportunities offered by these developments as evidenced by the launch of ever more sophisticated and diverse products to meet demand. For example, consumers can bet during live events (i.e. bet ‘in-play’) or ‘cash-out’ their bet before the end of the match.³³ This increase in consumer choice has been supported by faster internet connectivity speeds, allowing operators to stream live sporting events from around the world, which consumers can then bet on. Consumers today have access to a wider range of online markets and games than ever before with few limits on when, where or how they choose to gamble.

5.6. Consumers in general are increasingly accustomed to transacting online and this is also the case for gambling. Our participation survey data shows that, in the year to December 2017, 18.3% of respondents had gambled online in the past four weeks. This is up from 15.5% in the year to December 2014. The number of respondents who bet online has risen from 3.7% in the year to December 2014 to 5.6% in the year to December 2017. Our industry statistics show that there were almost 23 million active accounts in the year to 31 March 2017, which equates to approximately seven million individual consumers³⁴. We estimate that nearly 40% of total remote GGY is generated through operators’ mobile channels and this is forecast to exceed 50% by 2020. For some market leaders this figure is thought to be as high as 75%.

5.7. It is highly likely that the online gambling industry will continue to grow. It appears set to increase from the current 34% to 50% of the total British market by GGY over the next few years. In addition to consumer behaviour and technological factors, this growth will be driven

³³ The “Cash Out” feature enables consumers to withdraw their winnings early if their bet is coming in, or to retrieve some of their stake back if the bet looks to be unsuccessful. Cash Out offers are made in real time, based on live market prices.

³⁴ On average gamblers had 4 online accounts with gambling companies in 2017, a slight increase from the 3 reported in 2016. *Gambling participation in 2017: behaviour, awareness and attitudes, Annual Report, February 2018*

by attracting new groups of consumers and by increased product personalisation. New consumers may come from the convergence of gaming (computer games) and traditional gambling through eSports and gambling-style online games. This development is far from certain, but there are potential risks associated with it. Our research into these areas and monitoring of issues such as virtual currencies, eSports and social gambling will continue.

- 5.8. We expect that, to some degree, growth online will be at the expense of the non-remote gambling sector. What is less clear at this time is the extent to which gamblers will either transfer their activity from non-remote environments to online, or conduct their gambling activity both offline and online. The non-remote gambling sector faces challenges, including how it adapts to changing consumer behaviour, and how it competes with the technological advantages available to online gambling operators.

Our experience of regulating the online market

- 5.9. The continued expansion of the online gambling market means that it is drawing significantly more public attention. Advertising has become increasingly prevalent, with operators making extensive use of TV advertisements, sport sponsorship, social media advertising and direct marketing. This has led to concerns around the normalisation of gambling for young people, the volume of advertising as well as concerns about the fairness and transparency of marketing and advertising. In particular there are concerns about the exposure of young people to gambling advertising via social media and other non-traditional forms of advertising. We have set out in section 4 above our views on advertising.
- 5.10. A key area of focus for us is to ensure that consumers are protected from gambling-related harm, whether they are gambling online or in gambling premises.
- 5.11. The latest Health Survey data on gambling participation and problem gambling rates is available through the Health Survey report on Gambling Behaviour in Great Britain 2015, published in August 2017. This report found that 10% of the 16+ population participated in online gambling or betting in the past year³⁵ (7% in 2012) and amongst those problem gambling rates were 5.1% (4.2% in 2012).
- 5.12. There are no restrictions in online gambling on stakes and prizes or speed of play, and by definition online gambling is not restricted to premises. This allows a great deal of commercial freedom not available in land-based gambling. However, online operators have the ability to collect significant amounts of data on their consumers and do not have the challenge of dealing with anonymous activity as is generally the case in land-based gambling.
- 5.13. We expect online operators to use the data available to them to identify and minimise gambling-related harm. They should be identifying potentially problematic gambling behaviour and intervening once this behaviour has been identified. It is important that these interactions are effective, and that consumers act upon them. Different consumers will react in different ways, therefore we expect operators to trial and evaluate different ways of interacting in order to identify the most effective ones.
- 5.14. Overall, progress by the online industry to minimise harm has been significantly slower than we expected and required. One of the main focuses of our ongoing work has been to get the industry to improve its ability to identify and engage those consumers exhibiting signs of problematic behaviour. We are starting to see signs that online operators are beginning to take their responsibilities as seriously as we expect, and that they are making this an integral part of their business culture.

³⁵ The Health Survey report on Gambling Behaviour in Great Britain 2015 uses past year participation rather than 'past 4 weeks' which our participation survey uses (and is referenced at paragraph 1.6)

- 5.15. The online sector is building upon the PWC research commissioned by GambleAware with the Remote Gambling Association (RGA) having developed a set of good practice guidelines for data analytics, which it expects its members to adopt. And some operators have developed algorithms which make use of the data they have on consumers. They are using the data to identify potentially problematic gambling behaviour and to decide when to carry out customer interactions. Operators are also beginning to trial and evaluate different ways of interacting with consumers to ensure that they are effective in helping the consumer take appropriate action to modify their behaviour. For example, some operators have started monitoring the take-up of gambling management tools after an interaction, and some are trialling different forms of message and seeing what has most impact. However, progress is still slower than we hoped, and it is not consistent across the industry.
- 5.16. The online sector is continuing its work towards implementing the national online self-exclusion scheme (GAMSTOP) that will allow online consumers to self-exclude from all Commission-licensed online operators in a single step. This is a complex technology project that has to be tested robustly. We were disappointed that the launch of GAMSTOP was delayed, but we have been assured that the delayed launch will allow the robust testing that is necessary. As soon as GAMSTOP is operational and the Commission has brought into force operators' requirement to participate, we will strongly enforce this participation in the scheme. Once launched, GAMSTOP, together with the land based multi-operator self-exclusion schemes, will be evaluated to ensure it is as effective as possible. This evaluation will also consider whether there should continue to be the opportunity for consumers to choose to self-exclude from individual operators, or whether this opportunity should be removed so that consumers can only self-exclude via a multi-operator scheme.
- 5.17. This review, which took account of issues we have identified through our review of the sector and compliance activity, found four policy areas where we consider it necessary to enhance the regulatory framework for online gambling. We will consult on these four issues. In addition, there are five areas where we will carry out further work to assess the available evidence and, where necessary, will consult on further policy changes.

Policy recommendations

- 5.18. Our four key policy actions are as follows:

i) Issue: age verification (AV)

The Young People and Gambling 2017 research study drew on data from an Ipsos Mori survey of 2,811 children aged 11 – 16, from schools in England and Wales. It found that 3% of 11 – 16year olds had gambled online. Whilst this is a relatively small amount, the availability of efficient and effective age verification tools means that, in our view, it is no longer necessary to allow operators 72 hours to complete age verification. In fact in many cases operators are already doing it before customers gamble.

We also have more general concerns about the availability of play-for-free games. These games are not gambling – they are free and there is no prize. But they may encourage young people to gamble. These concerns also apply to gambling-style games that are offered by non-gambling operators (and over which gambling legislation and the Commission have no remit). At present, we have no requirements regarding access to play-for-free games³⁶ offered by licensed operators. We think operators should be providing greater protections in these areas.

Action: we will consult on amending the LCCP to require AV to be completed on all consumers before they can deposit money and gamble, and for play-for-free games to be available only after AV is completed.

³⁶ Remote Technical Standard 6 is our only requirement and is concerned with ensuring play-for-free games are offered fairly so as not to mislead consumers about the likelihood of winning

ii) Issue: customer identification

Our experience has shown that many failings arise because operators do not know enough about their customers at an early enough stage of their relationship. These include cases where problem gamblers or criminals have gambled significant sums that were well in excess of the amounts their profile would have suggested were reasonable. In addition, we are concerned that operators may be treating their customers unfairly by requesting additional information only at the point where the customer has requested a withdrawal.

Action: we will consult on introducing a **customer due diligence** requirement so that operators will have more information about their customers at an earlier stage. This would require players to be verified before they were allowed to gamble. We will also consult on requirements that would mean operators had to set limits on players' spending which could only be increased once they had further verified information about the player, for example via an affordability check.

iii) Issue: unclear and/or unfair terms and conditions

The Commission and CMA launched a joint review of the online sector due to concerns about unfair terms and conditions. This review found widespread instances of unfair terms and practices in relation to promotional offers. The CMA is taking action in relation to several operators, and we will be conducting compliance activity to apply the same standards across the industry.³⁷

Action: We are already consulting on amendments to LCCP.³⁸ We will also publish guidance for operators and ADRs on **unfair terms**, and provide more information to consumers about the treatment they should expect to receive. Our view is that this is necessary in order to build on and embed the outcomes of our work with the CMA.

iv) Issue: ineffective customer interaction

Our work has indicated that although some operators are starting to make progress, there are still inadequacies in the online sector's approach to customer interaction. Some operators are starting to use data more effectively to identify potential indicators of harm at the earliest possible stage and provide effective support and advice to consumers to reduce it. But this needs to become more widespread.

Action: We have recently published guidance³⁹ to operators in order to raise standards in customer interaction across all operators. In 2018-19 we will also consult on amending the LCCP **customer interaction** requirement.

Areas of further work

5.19. There are also five areas where we will be undertaking further work before deciding if we need to consult on changes to our LCCP. These are:

v) Assess the effectiveness of the current consumer protections

Online operators have a significant amount of data with which to monitor consumer activity and ensure that their consumers can gamble safely. The industry is already undertaking work in the area of data analytics. However, whilst the development of predictive models shows some progress, there is little sign these methods of detection have been effectively trialled and evaluated. Furthermore, at this time, the use of such models is by no means widespread while their application tends to vary across the sector.

We will review the effectiveness of current gambling management tools. We will use the results of this review to decide whether we need to strengthen and expand the range of tools operators are required to provide to offer better options for consumers to maintain control of their gambling, and look at ways to encourage more players to use the tools available.

³⁷ See our [news release](#)

³⁸ [Proposed changes to LCCP linked to the fair and open licensing objective.](#)

³⁹ [Customer interaction: guidance for remote operators](#)

vi) Review game and product characteristics to identify whether particular features pose greater risk of harm than others

Our corporate strategy reasserts the need for gambling products to be developed in a fair and open manner. We are concerned that game characteristics can be used to encourage and incentivise consumers to play for longer and/or spend more.

It has long been a practice to offer extra rewards for loyal consumers (such as bonus prize draws after a month of qualifying play, or tickets to sporting events for long term VIP players). But games can be designed to reward more intensive play within a gaming session. That immediacy and incentive to increase the current gaming session spend might not allow the player to reflect on their activity as they might when playing over a longer period of time.

We intend to conduct further research into the relationship between in-game features and the potential to incentivise negative gambling behaviour. In the meantime, where we see risky characteristics we will not hesitate to intervene on a precautionary basis.

vii) Review our requirements on the protection of customer funds and consider whether there are sufficient protections around dormant accounts

Our corporate strategy seeks to establish a market in which consumers are able to differentiate between operators on factors other than price alone. Existing Gambling Commission requirements, which aim to help consumers differentiate between different level of customer funds protection, have had limited apparent impact on consumer behaviour. So, we will need to gain a better understanding of consumer behaviour before deciding whether to propose any changes.

We propose to undertake a package of work to assess the risks and options around customer funds. This work will focus on how best to ensure consumers are properly informed about the risks to their funds and are given sufficient opportunity to withdraw their deposits. We will also support the CMA's review into the practice of charging "dormant account fees" on consumers wishing to access their funds. The outcomes of the CMA's review will inform our approach to enforcing existing LCCP requirements.

viii) Consider whether gambling on credit should continue to be permitted

We will conduct further work on gambling using credit in order to develop a more comprehensive understanding of the issues. Once this work is complete we will set out the changes we think are necessary.

ix) Consider whether we need to make changes to LCCP in order to ensure that consumers can withdraw funds more easily

We are aware that some operators only undertake customer diligence checks at the point of withdrawal, which can delay the time it takes for consumers to access their funds. The improvements to customer identification outlined above are likely to remove the need for this in many cases because operators will have already completed these checks.

Consumers are also offered the ability to "reverse withdrawal", a facility that enables them to cancel their request to withdraw funds prior to the funds being transferred to their account.

The CMA has also raised concerns about some of the practices associated with restricting customers from withdrawing funds. For example, these include unreasonably high minimum withdrawal limits, and terms that prevent consumers from withdrawing money they have deposited unless they wager its value in full once, or several times. The outcomes of the CMA investigation will inform our work on withdrawal of funds and help us to gather evidence on the use, and potential risk of harm, associated with reverse withdrawals. We will use this to decide what changes we need to make to our requirements in this area.

- 5.20. These actions are not the limit of our work. We currently have a significant amount of work in progress intended to raise standards across the online gambling industry. We will be raising awareness amongst operators of common failings in their compliance. We will take robust regulatory action where we identify significant non-compliance.
- 5.21. For example, we conducted a targeted, thematic review of the online casino sector to assess sector-wide compliance with their anti-money laundering requirements. This identified widespread failings and as a result we are taking regulatory action against 17 operators, which includes commencing licence reviews on five operators. In addition we wrote to all other online casino operators to notify them of our findings and inform them to review their own policies and procedures. If operators fail to act upon this they too will face robust regulatory action.

Next steps

- 5.22. We are in the process of developing a timetable for this work. We will confirm this in our Business Plan for 2018-19.

February 2018

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Advice in relation to the DCMS review of gaming machines and social responsibility measures

31 January 2017

Appendix

I: Executive summary

1. This document is the advice of the Responsible Gambling Strategy Board in relation to the Review of Gaming Machines and Social Responsibility Measures. It focuses on the case for a reduction in maximum stakes on B2 gaming machines. It also briefly covers some other related issues. When the facts are looked at dispassionately, and with due attention to all the available evidence, the position on B2 machines is more complex than may initially appear.
2. There is sufficient evidence of harm associated with gaming machines (primarily B2s) in licensed betting offices (LBOs) to apply the precautionary principle. Doing so is not, however, entirely straightforward. It requires judgement about the balance of risks.
3. Internationally, studies across a range of jurisdictions have found an association between machine play in general and problem gamblers. In the UK, successive surveys in 2007, 2010 and 2012 have shown high rates of prevalence of problem gamblers among machine players in LBOs. A high proportion of gross expenditure on LBO machines can be attributed to problem gamblers; and a high proportion of the (relatively small) number of problem gamblers who present for treatment identify machines in LBOs as their main form of gambling.
4. The surveys show some other forms of gambling to have a greater association with problem gamblers. That is not, however, a reason to be less cautious about LBO gaming machines.
5. Participation in a large number of gambling activities is a strong predictor of problem gambling. Until recently, it was believed that play on gaming machines in LBOs (B2s and B3s combined) was unique among gambling products in that it retained a significant association with problem gambling even after adjusting for the number of other gambling activities undertaken by the relevant players. Later research suggests the evidence on this point is not conclusive.
6. An association between B2 gaming machines and problem gamblers is not surprising. The machines possess several characteristics known to be associated with greater risk of harm. They are also easily accessible on most high streets, especially in areas with populations more vulnerable to gambling-related harm.
7. Association does not prove causation. The relationship between B2 machines and problem gamblers could be because the machines cause some players to become problem gamblers. But it could also arise because B2 machines are particularly attractive to players who already have a problem with gambling.
8. Demonstrating causation is not, however, always necessary. Whatever the reason, the fact that large numbers of problem and at risk gamblers play on their machines creates an *obligation* on operators to respond and an *opportunity* to implement measures to detect potentially harmful play and mitigate its effects.
9. 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.

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10. A reduction in maximum stake might have some effect on harm. It would reduce the opportunity for players to place large stakes quickly. That could be important for some players, possibly including some of those suffering the greatest harm.
11. But large stakes are placed relatively infrequently, even by problem gamblers; and problem gamblers are found at all levels of staking. Moreover, it is in principle unlikely that a change in one characteristic of one gambling product would have a significant effect on harm when account is taken of:
 - i. The potential impact on styles of play. For example, to get the same level of excitement from lower stakes players may engage in riskier staking behaviour. Lower stakes may also mean that players play for longer, until they exhaust their funds.
 - ii. The opportunity for diversion to other forms of gambling. Identical games to those on B2 machines are, for example, widely available as remote gambling products. The scope for intervention to mitigate harmful play ought to be greater in the case of remote play, but there are no regulatory restrictions on maximum stakes. Alternatively, if play is diverted to B3 machines, the evidence on sessional losses indicates some potential for harm similar to that from B2 machines.
12. There is now relevant empirical evidence following the implementation of the Gaming Machine (Circumstances of Use) (Amendment) Regulations in April 2015. Analysis of real play before and after the regulations provides much more powerful evidence than the limited laboratory simulations quoted by some advocates of a significant reduction in maximum stakes.
13. For most players, the Regulations have had the same effect as a £50 stake limit. It is difficult to conclude from the evidence, however, that even this 50 per cent reduction has reduced harm, bearing in mind that time spent and size of loss are usually regarded as important markers of harm. Staking above £50 reduced by nearly half. But there was a corresponding increase in the value of stakes just within the £50 limit, broadly cancelling out the effect on amounts staked. The average duration of sessions increased and there was a significant rise in very long sessions. There was some impact on (relatively infrequent) exceptionally large losses, but no significant effect on the distribution of other large sessional losses. The implication is that players can readily adapt their play to changes in the characteristics of the products they are offered.
14. The effects of any further changes taking the maximum stake below £50 would not necessarily replicate those following the 2015 regulations. A lower limit would affect a greater number and a different mix of players, and they might respond differently. A very low maximum stake could cause an unpredictable but significant diversion of play away from B2 machines towards other forms of potentially harmful gambling.
15. The first priority objective of the National Responsible Gambling Strategy is, however, that lack of complete evidence should not be allowed to be a barrier to progress. The Strategy argues that action should be taken on the basis of what is known, or can reasonably be inferred. Despite uncertainty about the effects, a reduction in maximum stakes on B2 gaming machines implemented for precautionary reasons could still be a potentially useful part of a coherent strategy to mitigate gambling-related harm, *provided that* the impact on actual harm is carefully monitored and evaluated so that appropriate offsetting action can be taken if necessary.

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We take this view because:

- i. £100 stakes can lead to significant losses in a short space of time. Such losses might be harmful even to those who would not be defined by a survey screen as problem gamblers.
 - ii. This concern is amplified by the concentration of LBO machines in areas whose populations are more vulnerable to gambling-related harm.
 - iii. At higher levels of staking there is a greater concentration of problem gamblers. It is difficult to regard something as an unobjectionable leisure time activity if a high proportion of those participating in it suffer harm.
16. It is also important to take account of public opinion in considering the balance between the protection of the vulnerable and enabling the enjoyment of those who gamble. There is some evidence of a shift in public views about gambling towards a more negative stance.

Recommendations

17. Our recommendations are as follows:
- i. We doubt that changing a single characteristic of one gambling product would make a significant impact on levels of gambling-related harm. A reduction in maximum stakes on B2 gaming machines could, however, still be a potentially useful *part* of a coherent strategy to reduce harm, provided the effects are carefully monitored and evaluated.
 - ii. There would be little point in setting a new maximum higher than £50. That is now already the effective limit for many players.
 - iii. There are some arguments for setting a new limit below £50, on precautionary grounds. There is, however, no evidenced-based way of determining any uniquely correct new level.
 - iv. It is desirable that any new maximum stake should be at a sustainable level, and not subject to further frequent changes.
 - v. Despite this, if there was reluctance to set a new limit immediately, it might be possible to pilot a reduction in a defined geographic area (or even different levels of reduction in different areas).
 - vi. A reduction in maximum stakes on B2 gaming machines should not be seen as a substitute for further efforts to reduce gambling-related harm. It should be only part of a comprehensive approach relating to all forms of gambling. The priority actions set out in April 2016 in the National Responsible Gambling Strategy should be pursued vigorously by operators and others. The Strategy needs to be supported by concrete commitments and swift action.
 - vii. Serious consideration should be given to making account-based play mandatory for gaming machines in LBOs (and possibly more widely), unless the gambling industry can implement demonstrably effective alternative means of detecting and mitigating harmful play. There are other issues that would need to be considered. But mandatory account-based play would

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provide a much more detailed picture of patterns of play over time by the same player, and better evidence about the impact of interventions.

- viii. The availability of more data has been valuable in the development of this advice. Obtaining it has not, however, always been entirely straightforward. It is desirable that a framework should be agreed with the gambling industry for the future provision and sharing of relevant data. The strategy should apply to all sectors of the industry.
- ix. Appropriate staffing levels are key to the detection and mitigation of harmful play. There must be serious doubt about the extent to which a single member of staff on their own in a betting shop, even at less busy times of the day or night, can simultaneously look after the counter, remain alert to the possibility of under-age play and money laundering, and still be expected to identify potentially harmful play and make appropriate interventions. The Gambling Commission should ask all operators to review safe staffing levels. Larger operators should be required specifically to address staffing levels and safety (of employees as well as players) in their annual assurance statements.
- x. The absence of any regulatory limits on stakes and prizes on remote platforms, including those which offer games identical to those on B2 gaming machines, is anomalous, given the wide accessibility of such platforms and the rapid pace with which they are developing. The remote sector needs swiftly to demonstrate that the risks associated with remote gambling are being managed effectively and comprehensively. If they fail to do so, controls should be placed on stakes and prizes on remote platforms comparable to those on similar land-based products.
- xi. There should be no increase in stakes and prizes on B3 gaming machines until the impact on harm of any reduction in maximum stakes on B2 machines has fully worked through and been evaluated. The effects of the B2 stake reduction would otherwise be difficult to disentangle. Much valuable information might be lost. The evidence suggests that B3 machines also have the capacity to cause harm.
- xii. We have previously advised that the precautionary principle should be considered when new gambling products are proposed. The principle equally applies when significant changes are being considered to products already available.
- xiii. There is a strong argument on precautionary grounds against any increase in maximum stakes on Category C machines located in premises where alcohol is served, where gambling is not the primary activity and where levels of supervision of machine play are likely to be low or non-existent. These machines already occupy an anomalous position in the hierarchy of machines when account is taken of the limited extent of supervision.
- xiv. The availability to children and young people of some forms of relatively low stake gambling is well established in this country, though unusual internationally. Problem gambling rates among children and young people in Great Britain are not unusually high either historically or compared with other countries. But any problem gambling by this group ought to be a matter of concern. Moreover, use of the precautionary principle is particularly justified in anything affecting children. We advise against any increase in stakes and prizes for Category D machines available to children and young people, unless those proposing an increase can demonstrate that no additional harm would be caused. Children's access and exposure to gambling more

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generally, including advertising, may need further consideration to ensure that potential risks are not being overlooked.

- xv. The precautionary principle also implies that the onus should be on those proposing loading machines directly from debit cards to demonstrate that the change would not cause additional harm.

Appendix

II: Introduction

18. This document provides the advice of the Responsible Gambling Strategy Board to the Gambling Commission in relation to the Department for Culture, Media and Sport's review of gaming machines and social responsibility measures.
19. The focus is mainly on maximum stakes on B2 gaming machines, although we briefly cover some other issues relevant to the review.
20. We deliberately left B2 maximum stakes on one side when we published the National Responsible Gambling Strategy earlier this year¹. We did not want our views on this highly charged subject to distract attention from the other elements of the comprehensive strategy we then put forward. It is our view that changing a single characteristic of one gambling product is, prima facie, likely to have only a modest impact, if any, on the overall level of gambling-related harm. An effective approach to reducing harm requires coherent, simultaneous action on multiple fronts, as set out in the Strategy.
21. The Board last gave advice on maximum stakes on B2 gaming machines as part of the 2013 triennial review². We made clear then that we would not have recommended a maximum stake for B2 machines as high as the existing £100, had we been starting from scratch. On balance, we did not think there was at that point sufficient evidence to justify a reduction. But we regarded that judgement as finely balanced. We recommended that future assessment of risk should be based on data from real gambling; and we anticipated that before this next review significant new information about how players used machines would become available from the programme of research on machine play then in hand.
22. Before providing this new advice, we have taken a fresh look at the evidence about B2 machine play, including that becoming available since the last review. We have taken account of all information available to us up to the middle of January, some of it at that point still unpublished. New evidence will become available in the coming months as the result of research commissioned earlier. We have also sought to consider all the arguments put forward by those who have advocated a significant reduction in maximum stakes.
23. Government policy regards gambling as a legitimate leisure activity, to be permitted provided it is consistent with the licensing objectives of the Gambling Act 2005. Our task, within that policy framework, is to provide advice on how best to strike an appropriate balance between protection of the vulnerable and the desirability, other things being equal, of giving players freedom over how they spend their leisure time.

¹ The National Responsible Gambling Strategy 2016-17 to 2018-19, 11 April 2016.

² Attached to Gambling Commission advice on the triennial review of stakes and prize limits on gaming machines. Letter to the Secretary of State for Culture, Media and Sport, June 2013.

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24. We have asked ourselves a number of questions:
- i. **Question 1:** Has progress since the last triennial review in identifying and addressing harm, particularly action by licensed betting office (LBO) operators, been sufficient to allay concern about maximum stakes and gambling-related harm?
 - ii. **Question 2:** All forms of gambling are likely to be harmful to some extent, to some individuals. It would only be possible to eliminate this harm by prohibiting gambling altogether, and probably not even then (because legal gambling might be replaced by illegal gambling). The issue is not therefore whether B2 gaming machines are associated with harm to some players. There is little doubt they are. The question is whether there is evidence that B2 gaming machines are disproportionately harmful relative to other gambling products, taking into account the nature of the regulatory controls applied to them. It is not, however, necessary to prove B2 machines to be the *most* harmful form of gambling for action on them to be justified.
 - iii. **Question 3:** Are B2 gaming machines in an anomalous position in the hierarchy of regulated gaming machines? If so, does that justify a reduction in the maximum stakes players can place on them?
 - iv. **Question 4:** Irrespective of the answers to the previous questions, would a reduction in maximum stakes be an effective way of reducing harm? Or would it be more likely to change the way people play, or displace play to other forms of gambling, which could be equally, or more, harmful?
 - v. **Question 5:** Are there other regulatory changes within the scope of the review which should be preferred to, or used in concert with, a reduction in maximum stakes?
25. This advice addresses each of these questions in turn, after first setting out relevant information about the number of and type of gaming machines and about the way players use them. Critics of the current arrangements have made several assertions about stakes and losses on B2 machine play. We set out the facts so that considered, evidence-based judgements can be made. The final sections describe some of what is known about public opinion in relation to gambling and briefly discuss some other issues related to the review. We then present our conclusions and recommendations.
26. We continue to believe, as we did at the time of the last review, in the relevance of the precautionary principle. 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. It usually results in a new product or procedure being banned completely, unless and until those proposing it can demonstrate that harm would not be caused. In this case, B2 machines already exist in large numbers, and there is the (possibly more proportionate) option of lowering stakes to reduce the risk of harm, rather than banning the machines altogether.

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III: Nature and number of machines and how they are played

Machine categories

27. The current regulatory framework allows six different types of gaming machines, as shown in Table 1. They are differentiated according to:
- i. **Stakes:** The amount that can be gambled on a single play.
 - ii. **Prizes:** The amount that can be won on a single play.
 - iii. **Speed of play:** The amount of time that must elapse between plays.
 - iv. **Location/number of machines per location:** The premises where machines can be located and the maximum number of machines that can be located there. Distinctions are made between different types of premises (eg casinos, LBOs, bingo halls, adult gaming centres, pubs) rather than geographic location.
28. Gaming machines which are thought to pose the greater risk to players are permitted only in gambling-specific premises. At the top of the hierarchy, B1 (and, in theory, Category A) gaming machines are allowed only in casinos, where oversight of players is intended to be tightest. At the bottom, Category D machines are the only gaming machines that children can use.
29. Other important characteristics of machines are:
- i. **Return to player (RTP):** RTP is not stipulated by regulations.³ It is the percentage of all the money staked which a machine is set up to return to players over its lifetime. The remainder is the percentage of staked amounts which the operator would expect to retain. Many players appear to have only limited understanding of the RTPs of particular types of machine games, and what that means for the losses they can expect to experience over a period of time. That does not necessarily imply, however, that regular players cannot recognise when a machine game is paying out less than others. RTPs can vary even between machines of the same type.
 - ii. **The volatility of outcomes:** Volatility measures the extent to which the outcomes in a single game or session experienced by players may deviate from outcomes that could be expected over a much longer period. It is determined both by the characteristics of specific games and by how people play them.

³ [How much should a gaming machine pay out in winnings?](#) Gambling Commission.

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Table 1: Overview of machine categorisation

Machine category	Maximum stake	Maximum prize	Game cycle (seconds) ⁴	Allowed premises	Number in Great Britain across all gambling sectors (Average Oct 2014-Sept 2015)
A	Unlimited	Unlimited	2.5	Regional Casino (There are no Regional Casinos in Britain)	0
B1	£5	£10,000 (with the option of a maximum £20,000 linked progressive jackpot on a premises basis only)	2.5	Large Casino, Small Casino, Pre-2005 Act Casino and Regional Casinos	2,646
B2	£100	£500	20	Betting premises and tracks occupied by pool betting and all of the above	34,890
B3	£2	£500	2.5	Bingo premises, adult gaming centre and all of the above	20,109
B3A	£2	£500	2.5	Members' club or Miners' welfare institute only	No data available ⁵
B4	£2	£400	2.5	Members' club or Miners' welfare club, commercial club and all of the above.	242 ⁶
C	£1	£100	2.5	Family entertainment centre (with Commission operating licence), Qualifying alcohol licensed premises (without additional gaming machine permit), qualifying alcohol licensed premises (with additional local authority gaming machine permit) and all of the above.	73,637 ⁷

⁴ Minimum time required to complete a single game.

⁵ Machines present in venues which are not licensed by the Gambling Commission.

⁶ Figure does not include machines provided in venues not licensed by the Commission.

⁷ Figure does not include machines provided in venues not licensed by the Commission.

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D money prize	10p	£5	2.5	Travelling fairs, unlicensed Family entertainment centre (with a local authority permit) and all of the above	39,611 ⁸
D non-money prize (other than crane grab machine)	30p	£8	These types of machine do not behave like traditional gaming machines. So it is not possible to provide meaningful figures for speed of play.	All of the above.	
D non-money prize (crane grab machine)	£1	£50		All of the above.	
D combined money and non-money prize (other than coin pusher or penny falls machines)	10p	£8 (of which no more than £5 may be a money prize)		All of the above.	
D combined money and non-money prize (coin pusher or penny falls machine)	20p	£20 (of which no more than £10 may be a money prize)		All of the above.	

⁸ Figure does not include machines provided in venues not licensed by the Commission.

Appendix

Number of gaming machines

30. The average number of B2 gaming machines in LBOs in the reporting period ending in March 2016 was 34,890 (Table 2).⁹ This number represents a small reduction on the previous year. It is an increase over the equivalent figure of 33,350 in the period ending in March 2012.¹⁰ Most B2 machines also allow B3 play. In addition, LBOs contain a very small number of B3 only terminals and some Category C terminals.¹¹

Reporting period	Apr 2011 – Mar 2012	Apr 2012 – Mar 2013	Apr 2013 – Mar 2014	Apr 2014 – Mar 2015	Oct 2014 – Sept 2015
Number of B2 machines	33,350	33,467	34,717	35,067	34,890

31. Most LBOs now host the maximum number of four B2 gaming machines allowed under the regulations. The number of machines is therefore closely related to the number of LBOs. As shown in Table 3, there were 8,809¹³ LBOs in Great Britain on 31 March 2016, 319 less than four years earlier.¹⁴ The number of LBOs has been on a slow downward trend for some years. The widely-held belief that numbers are increasing may be caused by the clustering of premises on some high streets, sometimes in the form of multiple outlets of the same operator, which gives them greater prominence.

Date	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
Number of LBOs	9,128	9,100	9,111	8,975	8,809

32. There are many other gaming machine products that are equally, or more, widespread in their availability. B2 gaming machines account for only around 20 per cent of all gaming machines in gambling-specific premises. In September 2015, there were 50,934 gaming machines in adult gaming centres¹⁶, 59,539 in bingo premises,¹⁷ and 2,833 in casinos.¹⁸ Similar or identical gambling products are even more widely available from remote operators, including on mobile platforms, with no regulatory restrictions on the amounts which can be staked or speed of play.
33. It is estimated that there are 55,000 Category C machines in the pub sector and a further 9,000 in members' or commercial clubs.¹⁹

⁹ Gambling Commission Industry Statistics report an average figure over the annual reporting period, rather than a single snapshot at the point the data are collected.

¹⁰ 2011-12 is the earliest year covered by the Gambling Commission's Industry Statistics.

¹¹ 62 Category B3 and 41 Category C machines as of September 2015, [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission, 2016.

¹² [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission, 2016.

¹³ [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission, 2016.

¹⁴ There was a peak of around 16,000 in the 1970s and 1980s.

¹⁵ [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission, 2016.

¹⁶ 10,032 B3, 63 B4, 27,819 C, 13,020 D. based on latest available data from [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission

¹⁷ 10,014 B3, 179 B4, 43,625 C, and 5,721 D).

¹⁸ 2,646 of these were Category B1 machines.

¹⁹ Gambling Act 2005: Triennial Review of Gaming Machine Stake and Prize Limits – Proposals for changes to maximum stake and prize limits for Category B, C and D gaming machines, January 2013.

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How machines are played

34. Since our previous advice three years ago, valuable information about how players use B2 and B3 machines in LBOs has become available following the decision of the major operators to provide their data for research purposes. The findings of independent analysis of all 178 million B2 and B3 machine sessions in the premises of the five largest LBO operators over the ten-month period September 2013 to June 2014 were published in 2014. Additional secondary analyses were published in 2016.²⁰ Further analysis of the original data set, and of more recent ones, continues.
35. A weakness of the main data set is that it cannot link sessions of play by the same player over time, even when those sessions take place in the same LBO on the same day on the same machine. The 2016 secondary analyses partly filled that gap by using a sample of loyalty card holders. For these players it was possible to link sessions, as long as they consistently used their cards when playing. This sample is, however, likely to have been biased towards more engaged players.
36. The data help put in context some of the assertions that are made about staking behavior and losses.
37. Key findings from the main data set include the following:²¹
 - i. **Staking:** The average stake in all plays on B2 content in the premises of the five largest LBO operators over the 10 months covered was £14.07. Five per cent of stakes were above £65.
 - ii. Nearly 5.5 million (three per cent) of sessions included stakes of £100.
 - iii. **Losses:** The average loss per session on B2 only content was £6.31. The average loss per session on B3 only content was much the same, at £6.37.²²
 - iv. Sessions involving both B2 and B3 content had an average loss of £14.16. The mean stake in these mixed sessions was £2.59, implying that high staking is not the only factor determining session outcome. Other factors, such as length of session and player staking strategies, also have an effect.
 - v. 70 per cent of all sessions involving B2 only content resulted in a loss of under £13.²³ Five per cent of sessions involved losses greater than £105.
 - vi. Very large losses in a single session did occur. They were, however, relatively rare.²⁴ Only seven of the 178 million sessions involved a loss greater than £10,000.²⁵ Cumulative losses from different sessions over time are only available for the loyalty card sample (see below).

²⁰ [Analysis and secondary analysis into B2 and B3 gaming machines](#), Responsible Gambling Trust. The analysis covered both stakes (a single play on a machine) and sessions (which are made up of a series of stakes made continuously by an individual player on the same machine over a period of time).

²¹ These findings are based on net session outcomes, and include winnings 'recycled' within those sessions.

²² [Patterns of play: analysis of data from machines in bookmakers](#), Natcen 2014. The relevance of the comparison is that B3 machine play, often available in LBOs on the same machines as B2 play, has much lower maximum stakes (£2), but allows a higher speed of play.

²³ [Patterns of play: analysis of data from machines in bookmakers](#), Natcen 2014.

²⁴ Much play has been made by some commentators with the fact that in theory it is possible to lose as much as £18,000 an hour by placing £100 bets as fast as the machine allows, and losing every time. In our advice for the 2013 triennial review we put the odds on that happening in practice at 11 million trillion to one.

²⁵ [Machine gambling research: advice to the Gambling Commission from the Responsible Gambling Strategy Board](#), Responsible Gambling Strategy Board, 2015.

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- vii. **Session length.** The median session length was 3 minutes 54 seconds. The mean was 11 minutes 10 seconds. Some very long sessions led to this notable difference between mean and median values.
38. Key findings from the secondary analysis of the loyalty card sample include:
- i. Problem gamblers in the sample were found at all levels of staking, including very low stakes.²⁶
 - ii. Average longer-term losses were fairly modest, though still potentially significant for those on lower incomes. The average cumulative loss per loyalty card holder in the ten-month period was £392 (weighted)²⁷. Over the same period, problem or moderate risk gamblers on average lost a greater amount of money cumulatively on LBO machines than non-problem or low risk gamblers. The mean loss for problem gamblers was £449. The comparative figure for non-problem gamblers was £342. It was £336 for low-risk gamblers. The equivalent median figures were much lower (£32 for non-problem gamblers and £66 for problem gamblers), suggesting that some instances of very large losses were skewing the mean.²⁸
39. Care is needed when interpreting these data. At face value, they present a picture where most stakes are made at relatively modest levels and average losses are not excessive. Averages can, however, conceal a wide range of outcomes. Moreover, relatively small losses can build up quickly for regular players, leading to significant harm for those with limited means. It would be wrong to underestimate the potential significance of apparently small losses to those incurring them.
40. Research also provides information about the profile of players using gaming machines.²⁹ Participation in playing machines in LBOs, using slot machines, gambling online on slots or casino style games, and betting on sports events is above average for the unemployed. In addition, machines in LBOs, table games in casinos, slot machines and online gambling on slot or casino style games are more popular among younger adults. Those living in social housing show the highest rates of playing machines in bookmakers and online gambling on slots and casino style games.
41. One commentator has pointed out that expenditure on other leisure activities is not normally referred to as a loss, and suggested that players may regard their losses as a reasonable price to pay for the enjoyment they derive from gambling.³⁰ We agree use of language is important. Unlike, say, paying for entry to a football game, however, the level of expenditure that will result from a gambling session is not clear at the start, especially to those who have difficulty in controlling their behaviour.

²⁶ [Gambling machine research programme, Report 2: Identifying problem gambling – findings from a survey of loyalty card customers](#). Natcen, November 2014.

²⁷ The design for the loyalty card survey included oversampling more frequent machines players. There is therefore a significant skew in the unweighted data. Weighting adjustments were made to take this into account and to allow for differences between those who responded to the survey and gave permission to link their data and those who did not.

²⁸ [People who play machines in bookmakers: secondary analysis of loyalty card survey data](#), Natcen, 2016. Although this sample is skewed towards more engaged players, it is our only source of evidence where sessions are linked and longer-term losses can be measured.

²⁹ [Gambling behaviour in England and Scotland, Findings from the Health Survey for England 2012 and Scottish Health Survey 2012](#), Natcen, 2014.

³⁰ [Fixed odds betting terminals](#), Institute of Economic Affairs, September 2016.

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The nature of £100 stakes

42. There is limited current information on how £100 stakes are placed when they do occur. It is known, however, that roulette is the most popular game on B2 machines. While we cannot be certain, it is reasonable to expect that people playing machine-based roulette do so in a similar way to those playing roulette on a casino table. For any one turn of the wheel, players will often spread their stake over several different outcomes (for example: red or black, odd or even, single or groups of numbers), thus reducing both the chance of losing their entire stake and the volatility of their play outcomes.
43. Limits on the maximum pay outs on any one play on a B2 machine also mean that there are caps on the amounts that can be staked on riskier outcomes. The maximum prize of £500 means that the most that can be placed on the possibility of a single number coming up (the riskiest possible bet) is £13.85.³¹ The effect is to impose some constraint on the way large stakes can be placed, reducing the volatility of losses experienced.

IV: Question 1: Has progress since the last triennial review in identifying and addressing harm been sufficient to allay concern about maximum stakes and gambling-related harm?

44. At the time of the last triennial review it was suggested that one factor to be considered in this new review should be the extent of the progress made by the industry in the intervening period in identifying and addressing harm relating to machines.
45. There are two aspects:
 - i. To what extent can the gambling industry demonstrate that it is taking responsible gambling seriously, particularly LBO operators in relation to B2 machine play?
 - ii. To what extent, three years later, are there now, or soon likely to be, effective tools to mitigate harm other than reducing stakes or changing other characteristics of machine play?
46. We acknowledged in the National Responsible Gambling Strategy that many parts of the industry, including LBO operators, are now taking their social responsibility licensing obligations more seriously than three years ago. Operators have been obliged to do so by successive amendments to the Licence Conditions and Code of Practice (LCCP). But 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.
47. There are, in consequence, some encouraging developments, including a professed willingness to experiment with new methods of identifying and mitigating harmful play.

³¹ Mathematically, a stake of £13.88 would be possible, but machines do not generally allow bets in units of under five pence.

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48. However, in relation to LBO operators:
- i. Some of the approaches being developed, such as algorithms intended to help identify harmful patterns of play, still have a considerable way to go before they can be considered successful.³² Their wider application 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.
 - ii. There has also been low player take-up of voluntary self-setting limits.³³
 - iii. Considerable work still needs to be done to evaluate the impact of self-setting limits and other social responsibility tools and techniques such as player messaging and timeouts. Building a culture of evaluation, in line with priority action 3 of the National Responsible Gambling Strategy, and focusing evaluation on impact and not just process, remain key challenges for the industry.

Conclusion on Question 1: Is progress on other harm mitigation measures sufficient to allay concern about maximum stakes and gambling-related harm?

49. We recognise the effort and resource now being put by LBO operators into their responsible gambling activities. We believe, however, that there is need for, and scope for, considerable improvement in methods of identifying harmful play and in the development of interventions to help players that might be suffering harm. We return to this issue in Section VIII. Progress so far does not, in our view, justify becoming more relaxed about the issue of maximum stakes.

V: Question 2: Are gaming machines, and B2 machines in particular, disproportionately harmful?

50. This section looks in turn at:
- i. Statistical evidence of a possible association between B2 and other gaming machines and the prevalence of problem gamblers.
 - ii. The potential importance of the relative concentration of LBOs (and hence B2 and B3) gaming machines in areas where local populations have characteristics associated with greater vulnerability to problem gambling.
 - iii. The evidence relevant to the claim of a link between B2 machine play and violence in LBOs.

³² For example, [Evaluation of the player awareness system implementation](#), PriceWaterhouseCoopers, Responsible Gambling Trust, October 2016. Or [Responsible Gambling and Player Protection, Evaluation of early impact among machine gamblers](#), Natcen, 2015.

³³ ABB Code for Responsible Gambling and Player Protection: Evaluation of early impact among machine gamblers, NatCen, 2015.

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Statistical evidence of an association between machine play and problem gambling

51. There is an important limitation in the research relevant to a possible association between B2 machine play and problem gambling. Much of the evidence on machine play in LBOs relates to all machine play that takes place there. It does not distinguish between B2 and other categories of games played on the same or other terminals.
52. We know, however, that nearly three quarters of sessions on LBO machines take place on B2 content. A further seven per cent involve a mix of B2 and B3 content (Table 4). It ought therefore to be possible to regard LBO machines as a reasonable proxy for B2 gaming machines, depending on the use to which the data are put.

Session type	Number of sessions	Per cent of sessions
B2 only	130.9 million	73.4
Mixed: B2 and B3	12.1 million	6.8
B3 only	28.0 million	15.7
Other ³⁵	7.3 million	4.1

53. With this reservation in mind, relevant evidence includes the following:
- i. Analysis of the 2012 health surveys showed a high rate of problem gamblers using machines in LBOs.³⁶ Analysis of earlier prevalence surveys gave similar results. 7.2 per cent of past year LBO machine gamblers in the 2012 surveys were categorised as problem gamblers according to either screening tool. Previous surveys also suggest that prevalence among regular players is higher still.
 - ii. Treatment providers consistently report that a significant proportion of those who present for treatment cite machine gambling in LBOs as one of their main gambling activities.³⁷ It is possible, however, that this could be the result of better signposting and referrals in some areas of gambling than in others. The group of people seen by treatment providers could also be unrepresentative of all problem gamblers.
 - iii. Analysis of the British Gambling Prevalence Survey (BGPS) 2010 data, the last time this information was collected, suggested that around 25 per cent of expenditure on machines in LBOs was attributable to the 8.8 per cent of B2 machine players who were problem gamblers.³⁸
 - iv. Spending levels in the 2010 survey were self-reported and therefore need to be treated with caution. Similarly high levels of expenditure by problem gamblers on LBO gaming machines were, however, found in the 2014 analysis of data from people who hold LBO loyalty cards.³⁹

³⁴ [Patterns of play: analysis of data from machines in bookmakers](#) (Annex C), Natcen, 2014.

³⁵ 'Other' is defined as sessions where the games played were B4, C games or the game played could not be categorised.

³⁶ [Gambling behaviour in England and Scotland](#), Findings from the Health Survey for England 2012 and Scottish Health Survey 2012, Natcen, 2012.

³⁷ [Gamcare annual statistics 2014/15](#). Additional evidence will become available in the future through GambleAware's Data Reporting Framework.

³⁸ [What proportion of gambling is problem gambling?](#) Estimates from the 2010 British Gambling Prevalence Survey, Orford, Wardle, Griffiths, 2012.

³⁹ Identifying problem gambling, findings from a survey of loyalty card holders, Natcen, 2014.

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- v. The same loyalty card survey data showed that 15 per cent of men and 11 per cent of women reported experiencing problems with their machine play most of the time they played.⁴⁰ Most of these respondents took part in other forms of gambling, but experienced particular problems with machines.
54. We also know specifically about B2 machine play that:
- i. Problem gamblers are more likely than non-problem gamblers to have placed a maximum stake bet of £100.⁴¹
 - ii. Problem gamblers are also more likely to place maximum stakes more often than other gamblers.⁴²
 - iii. B2 sessions including a maximum stake lasted on average 21 to 26 minutes compared to nine to 11 minutes on average.⁴³ Time, as well as money spent, could be an indicator of harm.
 - iv. More broadly, a higher proportion of problem gamblers is found at most or all higher staking levels. In the loyalty card sample, 44 per cent of players who had placed a stake at £28 or above were identified as problem gamblers. Only 12 per cent were categorised as neither problem nor moderate/low risk gamblers.⁴⁴
55. When there are more problem gamblers than non-problem gamblers at a certain stake level, 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.
56. Loyalty card holders may not be representative of all machine gamblers. They are, however, likely to be more representative of more engaged gamblers, and therefore of a subset of people more likely to be at risk of harm.
57. The existence of an association between machines and problem gambling is not surprising. Most problem gamblers engage in a significant number of different forms of gambling.⁴⁵ Participation in a large number of gambling activities is a strong predictor of problem gambling. Machines in LBOs on high streets are an easily accessible form of land-based gambling.
58. Moreover, there are several characteristics of machine play that are known to be associated with greater risk of harm, including the opportunity to stake large amounts, anonymity, the frequency of near misses, volatility, and speed of play.
59. Comparison of B2 gaming machines with other gambling products across these dimensions is not straightforward. Speed of play is relatively slow on B2 gaming machines compared to other machine categories. It is still fast, however, when

⁴⁰ [Gambling machine research programme, Report 2: Identifying problem gambling – findings from a survey of loyalty card customers](#). Natcen. November 2014.

⁴¹ [People who play machines in bookmakers: secondary analysis of loyalty card survey data](#), Natcen, 2016. These data cover the 5 per cent of players who have loyalty cards, and may not be representative of the other 95 per cent.

⁴² [People who play machines in bookmakers: secondary analysis of loyalty card survey data](#), Natcen, 2016. These data cover the 5 per cent of players who have loyalty cards, and may not be representative of the other 95 per cent.

⁴³ Forthcoming - FOBTs in British betting shops: Further analysis of machine data to examine the impact of the £50 regulations, David Forrest & Ian McHale, University of Liverpool and University of Salford, February 2017.

⁴⁴ Based on secondary analysis of the loyalty card survey data. At stake levels of £28, 44 per cent of players were problem gamblers and 25 per cent were at moderate risk of problem gambling. 19 per cent were scored as low-risk.

⁴⁵ [Gambling behaviour in England and Scotland, Findings from the Health Survey for England 2012 and Scottish Health Survey 2012](#), NatCen, 2014. On average, problem gamblers took part in 6.6 activities in the past year.

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compared to casino table games and most sports betting. Maximum stakes on B2s are high relative to other machine categories, not when compared to the remote sector. In remote play stakes and prizes are only limited by what operators are prepared to offer. On the other hand, remote play necessarily takes place through an account, which in principle ought to give operators greater opportunity to monitor play and target interventions appropriately.

60. Table 5 helps to put the figures in paragraph 53 (i) in context. It 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. It follows that, if the figures relating to LBO machine play are regarded as a source of particular concern, so logically should those relating to some other forms of gambling.

Gambling activity	Past year participation (%)	Problem gambling prevalence according to either screen (DSM-IV or PGSI) (%)
Spread betting	0.5	20.9
Poker in pubs/clubs	1.3	13.2
Other events (betting on) (not online)	1.1	12.9
Betting exchange	0.9	10.6
Any other gambling	1.6	9.8
Machines in bookmakers	3.0	7.2
Online gambling on slots, casino or bingo games	3.1	6.3
Casino table games (not online)	3.2	6.0
Sports events (not online)	4.7	5.8
Dog races (not online)	2.8	4.2
Football pools	2.8	4.0
Online betting with a bookmaker	4.9	3.8
Bingo (not online)	5.4	3.4
Slot machines	7.3	2.6
Horse races (not online)	10.1	2.3
Private betting	5.4	2.2
Other lotteries	14.3	1.8
Scratchcards	19.5	1.7
National Lottery Draw	52.4	0.9

Is there a unique association between machines in LBOs and problem gambling?

61. Until recently, it was believed that play on gaming machines in LBOs (B2s and B3s combined) was unique among gambling products in that it retained a significant association with problem gambling even after adjusting for the number of other gambling activities undertaken by the relevant players. That belief was based on one study using data from the 2007 British Gambling Prevalence Survey.⁴⁷

⁴⁶ [Gambling behaviour in England and Scotland: Findings from the Health Survey for England 2012 and the Scottish Health Survey 2012](#). NatCen, 2014.

⁴⁷ [Disordered gambling, type of gambling and gambling involvement in the British Gambling Prevalence Survey 2007](#), La Plante, Nelson, LaBrie & Shaffer, 2009.

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62. The Gambling Commission has recently repeated the same analysis with data from the British Gambling Prevalence Survey 2010 and the 2012 health surveys.⁴⁸ The earlier finding was not replicated. In the later surveys the data do not suggest that machine play in LBOs had a unique association with problem gambling. After controlling for participation in multiple activities, there were no consistent links across the three data sets between problem gambling and any single form of gambling.
63. There is some potentially interesting further evidence from a recent follow up of the loyalty card customers of LBOs first surveyed in 2014.⁴⁹ The 2016 follow up 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, the study was based on a sample of highly engaged gamblers with a history of gambling on machines in LBOs. It is not representative of all machine players. The extent to which similar findings would be evident if analogous surveys were made of other sectors (like regular casino gamblers) is not known.
64. The loyalty card follow up study also found that those who increased their participation in machines in LBOs were more likely to have socio-economic characteristics associated with vulnerability to gambling-related harm.
65. A further interesting finding from this research is the extent to which those surveyed had changed their problem gambling status over the two years. In addition to those who were not problem gamblers in 2014 becoming so by 2016, some players had moved in the opposite direction. In total, 46 per cent of participants changed their status whilst overall problem gambling prevalence rates remained the same.⁵⁰ The implication is that apparently stable problem gambling rates can conceal significant changes within the underlying population.
66. These findings do not yield any firm conclusions on the question posed. It may be that for some gamblers, and for some at risk and problem gamblers, B2 machines are uniquely attractive and engage them in a way that leads to more harm than other gambling products. But we cannot be certain.

Limitations of arguments based on overall problem gambling prevalence rates

67. It has been suggested that the fact that the number of problem gamblers in Great Britain has remained relatively stable over the past two decades when the number of machines has been increasing implies that the machines could not be contributing significantly to problem gambling.⁵¹ We do not find this argument persuasive. The relatively low numbers of people playing LBO gaming machines compared to other forms of gambling would require an extremely large increase in problem gambling on machines for this to be detectable in population level data. It also ignores the influence of any other factors which may have changed over the same period.
68. Nor should too much weight be placed the Gambling Commission's omnibus survey data, which appear to show a doubling in the population rate of problem gambling,

⁴⁸ Forthcoming.

⁴⁹ Follow up study of loyalty card customers, changes in gambling behaviour over time, Natcen, December 2016.

⁵⁰ Follow up study of loyalty card customers, changes in gambling behaviour over time, Natcen, December 2016.

⁵¹ [Fixed odds betting terminals](#), Institute of Economic Affairs, September 2016.

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and a tripling among some sub-groups (particularly those aged 18-24).⁵² As the sub-sample of problem gamblers in this survey is relatively small, these changes are subject to a large margin for error. Greater confidence should be placed in the larger and more robust Health Surveys that include full problem gambling screens.⁵³

Evidence from other jurisdictions

69. It is worth noting that studies relating to other countries also consistently demonstrate relatively high participation by problem gamblers in machine gambling.⁵⁴
70. Machines are also among the most frequently reported form of gambling cited by treatment-seeking problem gamblers in Australia, Belgium, Denmark, Finland, Germany, Iceland, the Netherlands, Poland, Slovakia and Sweden.⁵⁵
71. Evidence from other jurisdictions needs, however, to be treated with caution. There are differences in products, culture, regulatory frameworks and the availability of different forms of gambling.

Association and causation

72. An association does not necessarily imply a causal relationship. An association between problem gamblers and machine play in general, or B2 play in particular, *could* result from play on machines having the effect of creating more problem gamblers than other forms of gambling. But it could also arise because B2 or other gaming machines are a particularly attractive form of gambling for those who are already problem gamblers. Or it could result from a combination of both. The evidence does not allow us to distinguish between these different explanations.
73. For some purposes, however, inability to determine causation may not be problematic. If machines do more than other forms of gambling to encourage problem gambling, that supports an argument for tighter controls. If, on the other hand, they are particularly attractive to pre-existing problem gamblers, measures related to B2 or other machines (including measures other than a reduction in maximum stakes) may be thought likely to be particularly effective in reducing harm because they impact on a large group of such gamblers. Whatever the direction of causality, the existence of significant numbers of problem gamblers among B2 gaming machine players places both an obligation on operators to do what they can to mitigate harm and improve the safety of their customers, and an opportunity to do so.

The geographical concentration of machines

74. There is a clear pattern in the geographical distribution of LBOs, and therefore of B2 gaming machines. Areas containing a high density of machines tend to have greater levels of income deprivation and more economically inactive residents – factors known to be associated with greater vulnerability to gambling-related harm. A 2015 report by Geofutures⁵⁶ looked at average ‘deprivation scores’ in the 400-metre area surrounding LBOs. The analysis found that, in England, Scotland and

⁵² [Gambling participation: activities and mode of access](#), Gambling Commission, July 2016.

⁵³ PGSI and DSM-IV.

⁵⁴ Afifi et al 2010, Dorion & Nicki 2011, APC 2010, Rush et al 2002, Smith & Wynne 2004, and Urbanoski & Rush 2006.

⁵⁵ [A critical review of the link between gaming machines and gambling-related harm](#), Blaszczyński, 2013.

⁵⁶ Contextualising machine gambling characteristics by location - final report. A spatial investigation of machines in bookmakers using industry data, Geofutures, 2015.

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Wales, the 'LBO-proximate average deprivation score' was higher than the national and urban averages. In England, the average deprivation score for areas within 400 metres of LBOs was 29.6, compared to the urban average of 23.4.⁵⁷

75. Subsequent research found that people who live close to a cluster of LBOs have higher rates of problem gambling.⁵⁸
76. The concentration of LBOs is not necessarily the result of deliberate action by operators to target the more vulnerable. LBOs tend to be opened in locations with high footfall (and therefore with access to more customers) and lower commercial rents.
77. Other types of gambling premises may also be concentrated in particular areas. Casinos are often in city centres. Bingo premises are also more likely to be in less prosperous areas. The same may be true of pubs with Category C machines. There are, of course, far fewer casinos (147) and bingo halls (599) than LBOs (8,809).⁵⁹
78. If machines are particularly associated with harm, their availability in significant numbers in easily accessible premises ought to be a cause of concern. On the same basis, their concentration in areas whose residents are more likely to be vulnerable is an additional reason for disquiet.

Violence

79. Some of those who advocate a reduction in maximum stakes on B2 gaming machines have suggested an association between B2 machines and violence.
80. In assessing this assertion, it is necessary to distinguish between:
 - i. LBOs as a target because of the combination of the availability of cash on their premises and relatively light levels of staffing.
 - ii. The extent to which players exhibit violence to machines or to shop staff as a consequence of playing on machines, thus exhibiting a loss of control which may indicate problem gambling or other mental health issues.
81. LBOs are not unique in the first respect. Other retail outlets such as convenience stores face similar concerns. It is a serious issue for the industry. But it is not one which sheds any obvious light on the harmfulness of B2 or other machines.
82. The second issue, while relevant, is not conclusively supported by evidence. We are not aware of any reliable peer-reviewed research on the subject.⁶⁰ There have been some very serious cases of violence directed at staff. The impact on the victims should not be downplayed. But statistical evidence on the prevalence of the problem is hard to come by, and may be unreliable. For example, Metropolitan Police data apparently show an increase of 11 per cent in the number of police call-outs to LBOs

⁵⁷ Deprivation scores are the averages of multiple deprivation score for the area surrounding the betting premises. The higher the value the more 'deprived' the area is considered. The multiple deprivation scores for England, Wales and Scotland are just under 22 (21.67, 21.98 and 21.7 respectively). Average multiple deprivation scores for urban areas in England, Wales and Scotland were 23.45, 24.07 and 23.19.

⁵⁸ Secondary Analysis of Machines Data, Examining the effect of proximity and concentration of B2 machines to gambling play, Geofutures, 2016.

⁵⁹ [Gambling Industry Statistics April 2011 to September 2015](#), Gambling Commission.

⁶⁰ We are aware of one paper which has not been peer reviewed: Do Crime-Prone Areas Attract Gambling Shops? A Case of London Boroughs, Kumar and Yoshimoto, July 2016.

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in London between 2012/13 and 2015/16.⁶¹ But these figures relate to all incidents, including theft, not just those involving machines. In addition, we understand that LBOs are often used as location markers for recording incidents, for example if a car is broken into whilst parked outside.⁶²

83. If taken at face value, 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). Table 6 put these figures alongside latest estimated numbers of outlets for each type of premises. As far as we are aware, however, these figures have not been independently verified and the nature of crimes across different types of premises will vary greatly.⁶³

Premises	Number of incidents in 2013 ⁶⁴	Estimated number of premises	Known incidents per outlet ⁶⁵
Betting shops	2,269	9,100 ⁶⁶	0.25
Fast food	2,163	47,928 ⁶⁷	0.05
Pubs	18,989	52,500 ⁶⁸	0.36
Food stores	59,431	53,045 ⁶⁹	1.1
Clothes shops	6,226	25,470 ⁷⁰	0.24

84. Violence might be expected to result in damage to machines. An alternative way of looking at this issue is therefore to consider the extent to which machines need to be replaced or repaired.
85. We have been told by machine suppliers that each machine experiences on average 5.7 faults per year⁷¹. We have no way of judging whether this is higher or lower than would be expected for machines with both mechanical and electronic features. Failures could be caused by wear and tear and software issues as well as violence. Failure due to violence, evidenced for example by smashed screens, is asserted to be relatively infrequent and concentrated in particular areas such as some inner London boroughs. But recording the reasons for failure is not currently undertaken by machine manufacturers or most operators. We find this surprising, in view of the high profile the issue of violence has taken in public debate.
86. In the absence of reliable data, it is difficult to reach any firm conclusions about the extent to which gaming machines in LBOs are or are not particularly conducive to the loss of control leading to violence.

⁶¹ Response to Freedom of Information request, Metropolitan Police, 2016.

⁶² In addition, a further caveat provided with this data was that location names (ie areas and roads) that contain the name of an operator (for example: Ladbroke Grove) could also be miscoded within the data that the police were able to provide.

⁶³ There are also issues with the data covering different years (as the data on incidents of crime is from 2013), and the fact that not all police forces responded to the Freedom of Information request that generated the data ('over half' responded with information).

⁶⁴ [Bookmaker staff and customers safer since Safe Bet Alliance](#), Politics Home, June 2014.

⁶⁵ As stated above, these figures should be treated as indicative as not all police forces provided data.

⁶⁶ Gambling Commission Industry Statistics, 2013.

⁶⁷ [Public Health England \(2016\) Density of Fast food outlets in England](#) – metadata and summary of local authority data (note: data apply to England only)

⁶⁸ [British Beer & Pub Association](#), statistics section of website, 2013.

⁶⁹ [ONS Enterprise/local units by 4 Digit SIC and UK Regions 2015](#). Retail sale of food in non-specialist (SIC 4711,47,270) and specialist (SIC 4729, 5,775) stores (UK), Office for National Statistics, 2015.

⁷⁰ [ONS Enterprise/local units by 4 Digit SIC and UK Regions 2015](#). Retail sale of clothing in specialised stores (SIC 4771) (UK). Office for National Statistics, 2015.

⁷¹ Unpublished data provided by machine manufacturers.

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87. The risk of violence or other crime is not, however, the only potential reason to be concerned about light levels of staffing in many LBOs at certain times of the day. There must be considerable doubt about the extent to which staff operating on their own in a shop can, consistent with their licensing obligations, simultaneously look after the counter, remain alert to the possibility of under-age customers and money laundering, and still be expected to identify potentially harmful machine play and make appropriate interventions. We return to this issue in our recommendations.

Conclusion on Question 2: Are gaming machines, and B2 machines in particular, disproportionately harmful?

88. A 2013 review of international literature on gaming machines concluded:
- “Electronic gaming machines are associated with harms and this is an undeniable claim. Whether or not it is the most virulent form that requires special public health attention over and above other gambling products is debatable”.⁷²*
89. Our view in relation to machines in Great Britain is more nuanced.
90. We agree that it is not possible on the basis of the existing evidence to state *categorically* that LBO gaming machines generally, and B2 machines in particular, are more harmful than other forms of gambling relative to the regulatory requirements relating to them. We have also found unproven the assertion that B2 machines are particularly associated with loss of control leading to violence.
91. On the other hand, we are mindful of:
- i. The consistent finding across a range of jurisdictions of an association between machine play in general and problem gamblers.
 - ii. The relatively high rates of problem gambling among players on LBO machines (most of which are B2 machines) as revealed by the BGPS and later surveys.
 - iii. The high proportion of gross expenditure on LBO machines which can be attributed to problem gamblers.
 - iv. The high proportion of those who present for treatment who identify machines in LBOs as their main form of gambling.
 - v. The relatively high proportion of the more engaged gamblers in the loyalty card survey who reported a problem with their play on LBO machines.
 - vi. The fact that, in the same sample, there were more problem and at-risk gamblers than non-problem gamblers placing stakes above a staking level as low as £28.
 - vii. The greater concentrations of LBO machines in geographic areas where residents may be more vulnerable to gambling-related harm.
 - viii. The surprising reluctance of machine operators to produce data to respond to claims of violence caused by machine play.

⁷² A critical examination of the link between gaming machines and gambling-related harm, Blaszczyński, 2013.

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92. We also think it could be a mistake not to act on B2 machines simply because there is insufficient evidence to conclude that they are the *most* harmful form of gambling. If other forms of machine play, or other forms of gambling, are harmful to a similar but unacceptable extent, then action should be taken on them as well.
93. The combination of these factors is, in our view, a sufficient justification to look more closely on a precautionary basis at greater regulatory controls over machines in LBOs, including maximum stakes on B2 machines.

VI. Question 3: Are B2 gaming machines in an anomalous position in the hierarchy of regulated gaming machines?

94. As described earlier, the regulatory regime permits different categories of machines to offer different levels of stakes, prizes and speed of play and controls the types of premises in which they can be located. One way of combining some of these characteristics is to calculate an Expected Average Theoretical Cost per hour (EATC/h) for different categories of machines. The EATC/h is the statistical expectation of the loss a player would experience if they were playing a machine for an hour, assuming play takes place at the maximum speed and with the highest stake possible.
95. Table 7 shows the EATC/h for different categories of machine.

Category & type/location	Max stake (£)	RTP⁷³ (percent)	EATC/h (£)	Time required to complete each game (seconds)
B1	5	92.5	540	2.5 (1440 games per hour max)
B2 (roulette) ⁷⁴	100	97.3	486	20 (180 games per hour max)
B3	2	89.5	302	2.5 (1440 games per hour max)
B4	1	80	288	2.5 (1440 games per hour max)
C (AGCs) ⁷⁵	1	88	173	2.5 (1440 games per hour max)
C (pubs)	1	78	316	2.5 (1440 games per hour max)
D ⁷⁶	10p	70	43	2.5 (1440 games per hour max)

96. There are three important caveats in interpreting this table:
- i. EATC/h is theoretical. The actual loss (or gain) experienced by any one player in a session may be very different from another player using an identical machine, or from the same player's experience on a later occasion using the same or identical machines. We noted earlier, for example, that analysis of actual sessions of play in the 2013-14 data set suggested very similar average losses for B2 and B3 only sessions, despite their different EATC/hs. B2 machines do, however, offer the *potential* for higher losses, or winnings, in shorter periods of time.
 - ii. The comparison is only with other land-based machine products. Online gambling products can have unlimited stakes and prizes. Their EATC/hs can

⁷³ RTP taken as the midpoint in the range of typical RTP values provided by the Gambling Commission.

⁷⁴ There are also a small number of B2 slots, subject to the same regulations about stakes and prizes and speed of play. They account for about 5 per cent of B2 play.

⁷⁵ Different typical RTP rates are found for Category C machines in different types of venues.

⁷⁶ Category D money prize gaming machine. Meaningful figures cannot be provided for those Category D machines that have a non-monetary prize element.

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be much higher.

- iii. Changes in RTP rates, which are not controlled by regulation, can make a significant impact on EATC/h. From the point of view of return to the operator, regulatory changes to stake size and speed of play can be compensated by changes to the RTP offered on games or by marketing content on games with a lower RTP.
97. In principle, it might be expected that higher categories of machines would have higher EATC/hs. It might also be thought that this progression would be broadly related to the tightness of the oversight of players which is supposed to apply in the premises in which the machines are located. In practice, this appears only partly to be the case:
- i. The EATC/h for B2 machines is higher than that for B3 machines, which is what might be expected in the light of the availability of B3 machines in premises other than LBOs. But the size of the difference (£486 compared with £302) looks a little disproportionate, unless it is believed that the degree of supervision of players in LBOs is that much significantly better than in bingo halls or adult gaming centres.
 - ii. The existence of an EATC/h for Category C machines in pubs (using a median RTP) which is higher than that for B3s looks wholly anomalous. This is particularly concerning in light of the availability of these machines in premises where gambling is not the primary licensed activity and where alcohol is served.
98. The relevance of this analysis does, however, partly depend on the weighting attached to different risk factors. If, for example, speed of play is regarded as a particularly important risk factor, it would be appropriate for faster machines like B3s to have lower EATC/hs relative to the much slower B2 machines, explaining part of what might otherwise look like anomalies. However, this would also make the EATC/h of Category C machines even more anomalous in relation to that of B2 machines. C machines are eight times faster than B2s.
99. The potential volatility of returns may also be a risk factor to take into account. As mentioned earlier, volatility depends on a player's betting strategy as well as on a game's characteristics. It does not therefore necessarily manifest itself in the way expected. One analysis of over 1,000 games showed the volatility of returns on B2 roulette games in the sample to be +/- 6 per cent of target RTP (when adopting a low risk strategy) or +/-36 per cent (with a high-risk strategy).⁷⁷ The comparative figures for B3 slot games were +/-35per cent (without gambles) and +/-73 per cent (with gambles).⁷⁸ The implication is that returns on B3 games have the potential to be more volatile than those on B2 games, despite the much higher maximum stakes on B2 games.
100. Nor is the relationship between volatility and harm straightforward. Parke et al have suggested that the greater unpredictability of rewards in a high volatility game may encourage players to continue gambling even when they are repeatedly losing, and

⁷⁷ NMI Gaming, Volatility in gaming machines – discussion paper for Machines Research Oversight Panel. Based on simulated games, 2013.

⁷⁸ Category B3 machines contain a 'gamble' feature where the player can gamble their winnings from the current game on a 'double up' feature – for example, guess the colour or suit of a virtual playing card.

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might enhance the gambling experience by increasing the suspense associated with each spin. Alternatively, moderately volatile games could be more likely to encourage persistent gambling than less or more volatile ones, because they combine reasonably high levels of unpredictability with realistic chances of winning significant sums.⁷⁹ The ability to place a high stake, at relatively short odds, might be necessary for some games to maintain a sufficient mix of risk and reward to appeal to some players.

Conclusion on question 3: Are B2 machines in an anomalous position in the regulatory hierarchy?

101. It is possible to use Table 7 to argue for a reduction in the maximum stake for B2 machines to bring its EATC/h into a more appropriate relationship to those of other machines. The maximum stake which would give B2 machines broadly the same EATC/h as B3 machines is £62.80, using the RTPs shown in the table.
102. The strength of the argument for reduction in B2 stake does, however, depend partly on the weight attached to different risk factors and the real extent of differences between the degree of oversight in different types of gambling-specific premises. For example, reducing maximum stakes below £62.80 would be reasonable if you were particularly concerned about the potential for a player to lose several hundred pounds on an LBO machine, in a relatively short period. If this argument was accepted, reducing the maximum stake would not, however, be the only way to reduce the B2 EATC/h.
103. The most anomalous issues suggested by Table 7 are not the position of B2 gaming machines. They are:
 - i. The relatively high EATC/h of Category C machines in pubs and other non-gambling specific premises.
 - ii. The absence of any limits on stakes and prizes in games identical to those available on B2 gaming machines, when they are played on much more widely available remote platforms.
104. The only justification for the absence of maximum stakes on remote play on B2 type games would be if remote operators could show that they were taking advantage of the lack of anonymity of their players to implement more effective harm-minimisation strategies than is possible for non-account-based play in LBOs. We do not believe operators have yet demonstrated this convincingly, though we are aware of some efforts currently being made.
105. We do not think that the anomalous position of remote play is a convincing argument for relaxing the controls on machine play in LBOs. It is more a reason for considering the imposition of controls on equivalent games on remote platforms. We return to this point in our recommendations.

⁷⁹ [Key issues in product-based harm minimisation, examining the theory](#), evidence and policy issues in Great Britain, J Parke, A Parke, Blaszczyński, 2016.

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VII. Question 4: Would reducing maximum stakes on B2 gaming machines reduce gambling-related harm?

106. There would be limited point in a reduction in maximum stakes on B2 gaming machines if it had no effect on reducing gambling-related harm. The key question is therefore whether a reduction in maximum stakes would reduce harm.
107. The focus should be on total B2 gaming machine-related harm, not just that suffered by identifiable problem gamblers. There are likely to be a number of B2 machine players who would not be classified as problem gamblers, but who could, nevertheless, experience harm as the result of their machine play, for example because of the possibility of large losses which they cannot afford. This could include the larger pool of people classified as 'at-risk' of problem gambling. The secondary analysis of the loyalty card survey showed that those with the lowest incomes on average lost just as much as those with the highest incomes. For loyalty card holders, it appears in general not to be the case that those who lose the most have the most available to spend.
108. There are two issues:
- 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? For example, would the style of play on machines change, perhaps leading to longer sessions with similar financial outcomes?
109. On the first question, it is known that problem gamblers typically engage in multiple forms of gambling (as noted earlier, breadth of engagement is one of the best indicators of problem gambling).⁸⁰ The implication might be that problem gamblers are likely to be able readily to switch to other forms of gambling.
110. On the other hand:
- i. There is a small proportion of problem gamblers who gamble only on machines. The study of loyalty card holders found that among those who play B2 gaming machines weekly, six per cent only played B2 machines and did not engage in any other gambling activities on a weekly basis. A further four per cent gambled only on B2 machines and lotteries. Even among the most engaged machine players, therefore, there are ten per cent for whom machines are the main focus of their gambling activity. This group of players is possibly less likely to switch in the event of a reduction in stakes.⁸¹
 - ii. Even if some players do react to a reduction in stake size by shifting to other forms of gambling, it does not *necessarily* follow that those alternatives are more harmful to them than B2 machines. A shift to remote play, for example, would mean that there would also be no limits on maximum stakes, yet play would be account-based and subject in principle, though possibly not yet in practice, to different forms of intervention.

⁸⁰ Disordered gambling, type of gambling and gambling involvement in the British Gambling Prevalence Survey, La Plante, Nelson, LaBrie & Shaffer, 2009.

⁸¹ People who play machines in bookmakers, secondary analysis of loyalty card data. Natcen, April 2016.

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111. On the second issue, there are many players identified as problem gamblers who placed stakes well below £50 even before the regulations were changed. The mean stake in single B2 and B3 plays by problem gamblers in the 2013 data set was £7.43.⁸² The same report found that the highest staking 10 per cent of problem gamblers had an average stake of £20. There is little reason to think the harm these players suffer would be affected by a reduction in maximum stakes, unless the reduction was to levels some way below £50, and possibly not even then.

The Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015

112. Some useful insight on both questions is provided by looking at the impact of regulatory changes that came into effect in April 2015. The Gaming Machine (Circumstances of Use) (Amendment Regulations) 2015 introduced a requirement that single machine stakes over £50 on B2 gaming machines can only be placed after discussion with counter staff or through account-based play. The intention was to nudge players away from placing larger stakes, without removing their ability to do so altogether.
113. An initial evaluation of these changes was published by DCMS in 2016⁸³. Subsequent analysis has been carried out to compare patterns of play in the time periods before and after the introduction of the regulations.⁸⁴ This research used a more up to-date data set, covering a longer period of time,⁸⁵ which allowed the influence of pre-existing trends to be taken into account. The key findings were:
- i. A large reduction in the number of stakes above £50 (45 per cent). The fall in the value of stakes above £50 was, however, offset by a corresponding increase in the value of stakes just within the £50 limit, leaving the total amount wagered broadly unchanged relative to the underlying trend.
 - ii. An increase in the duration of sessions (10.3 per cent on average). There was also a notable increase in very long sessions (for example, 45 minutes to one hour, one hour to two hours, etc.).
 - iii. A small (£0.41) immediate reduction in loss per session. This effect was, however, substantially eroded as time went on.
 - iv. Some reduction in the very largest losses (which were relatively small in number anyway). But little evidence of any significant impact on sessional losses still large enough to be considered to be markers of harm. Losses in the ranges £100 to £200, £200 to £500, £500 to £1,000 and £1,000 to £5,000 all remained broadly similar to before the change after taking into account the underlying trend.
 - v. Limited evidence of a switch from B2 to B3 play. There was an increase in B3 play. But it could be explained as part of a longer-term trend. Players' adaption to the regulatory change focused on B2 play.
114. It seems clear that:
- i. Many players regard their anonymity as important. They would rather change their staking patterns than identify themselves to counter staff or use accounts.

⁸² The £7.43 figure includes play on B3 content. [Gambling machine research programme, Report 2: Identifying problem gambling – findings from a survey of loyalty card customers](#). Natcen. November 2014.

⁸³ Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015, DCMS, 2016.

⁸⁴ Forthcoming - FOBTs in British betting shops: Further analysis of machine data to examine the impact of the £50 regulations, Forrest & McHale, February 2017.

⁸⁵ February 2014 to October 2016.

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- ii. Players readily adapt how they gamble to the characteristics of the products available to them. It is possible that some players of roulette games (the vast majority of those played on B2 machines) have an implicit preference for a particular level of risk. With higher stakes, they can place their bets conservatively, spreading the stake over a range of possible outcomes in a single play. To get the same level of enjoyment from lower stakes they may feel the need to engage in riskier staking behaviour.
 - iii. The effect on the volume of harm is, to say the least, highly uncertain.
115. The effects of a reduction to a maximum stake level significantly below £50 would not necessarily replicate those following the change in regulations. A lower limit would impact on a greater number and a different mix of players and they might respond differently.

Evidence from simulated player sessions

116. A recent study funded by the trade association for amusement arcade operators (Bacta) concluded that there would be a reduction in harm if stakes were substantially reduced.⁸⁶ This conclusion was largely based on simulated player sessions using laptops and involving a sample of 58 gamblers. Laboratory experiments of this kind can be useful for some purposes. We do not believe, however, that simulated sessions in artificial circumstances involving small samples over a very short period provide evidence nearly as compelling as analysis of real play over a sustained period. The study also has the serious methodological weakness that it makes no allowance for the possibility that over time players will adapt their style of play to changes in product characteristics.⁸⁷ We do not believe that any weight should be placed on its conclusions.

Evidence on patterns of loss on B3 machines in LBOs and other environments

117. The issue of diversion to other forms of gambling, and machine play in particular, is given greater prominence by recently available data on patterns of play.⁸⁸ This shows that:
- i. The profiles of sessional losses on B3 play in Adult Gaming Centres (AGCs) and bingo premises are broadly similar to that for B2 play on roulette in LBOs.
 - ii. Some levels of sessional loss large enough to act as a marker of harm occur in similar proportions in B3 sessions in AGCs and bingo premises to those in B2 sessions in LBOs. For example Table 8 shows that 3.9 per cent of B2 roulette sessions in LBOs resulted in a loss between £100 to £200, compared with 4.9 per cent in AGCs and 3.3 per cent in bingo premises. B2 roulette did, however, lead to a higher proportion of losses over £500 compared to B3 play in AGCs, bingo premises and LBOs.

⁸⁶ [Report on results of research into the likely effects of substantially reducing the maximum stake of £100 per 20-second spin on Category B2 electronic gambling machines in UK betting shops](#), Collins, Barr, Scott, 2016.

⁸⁷ The study itself recognises a number of limitations in simulated play, such as the absence of real winning and losses and the fact that simulations are taking place in an artificial environment.

⁸⁸ Forthcoming, Gambling Commission, 2017.

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- iii. Levels of sessional losses on mixed sessions (which include B2 and B3 content) in LBOs, were higher than either those on B2 roulette play or B3 sessions in AGCs, bingo premises and LBOs.

Session outcome	Bingo B3	AGC B3	LBO		
			B3	B2 (Roulette)	Mixed sessions
Greater than £5000	0.0	0.0	0.0	<0.0*	<0.0*
£1000.01 to £5000	<0.0*	<0.0*	<0.0*	0.1	0.2
£500.01 to £1000	0.1	0.3	0.1	0.5	1.0
£200.01 to £500	1.2	2.3	0.7	2.3	5.2
£100.01 to £200	3.3	4.9	2.2	3.9	8.4
£50.01 to £100	7.3	8.6	5.5	6.4	12.1
Base – Total number of sessions (million) ⁸⁹	6.3	4.1	51.7	128.2	26.1

* Value non-zero but lower than 0.0% when rounding to the nearest decimal place

118. The implications are that:
- i. Some of the concerns about B2 play may be just as relevant to B3 play. There is potential for harm from both products.
 - ii. There may be a case for looking particularly carefully at B2 mixed sessions and reconsidering the controls placed on them.

Effect of increase in maximum stakes on B1 gaming machines following last triennial review

119. Further evidence that changes in the behaviour of machine players can be expected to follow changes in stake sizes is provided by analysis⁹⁰ of the impact of the increase in maximum stake sizes on B1 machines in casinos from £2 to £5 after the last triennial review. Two key findings were that:
- i. The use of B1 slots machines went up, as some players switched from table games. The implication might be that, to be attractive to some players, gaming machines need, in the absence of jackpots, to offer a combination of risk and reward not sufficiently present when the maximum stake was £2.
 - ii. The switch was only observed in casinos in more deprived areas, suggesting that socio-economic factors have an influence over changes in behaviour following changes in stake sizes.

Lessons from other case studies

120. There are few international gambling case studies from which we can learn what diversion effects reducing stakes might have. In Norway, gaming machines were banned entirely for a period in 2007. One study concluded that gambling participation

⁸⁹ The data for bingo and AGCs was provided by both large and small operators. It covers 643 AGC premises and 266 bingo premises. Based on the latest industry statistics this represents 46 per cent of the 575 total number of bingo premises and 47 per cent of the 1,337 total number of AGCs.

⁹⁰ Evaluating the impact of the uplift of stakes and prizes on B1 gaming machines in casinos. Forrest, McHale & Wardle, 2015.

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and gambling-related problems were reduced after machines were removed from the market, and that other types of gambling did not substitute for machine play.⁹¹ An observed increase in online gambling was thought to be due to an existing trend and unconnected to the removal of machines. It has been suggested that the consequences included an increase in illegal gambling. There is, however, no way of measuring this. There are no data on the number of transactions made on illegal websites or at premises illegally providing machines.

121. Case studies in other fields suggest that the extent to which the intended effects of policy interventions are undermined by displacement activity is highly dependent on the context. The introduction in the UK of controls on the sale of large quantities of paracetamol with the aim of reducing their availability to those contemplating suicide does appear to have had the desired effect to some extent. This happened despite the apparent ease with which the regulations could be circumvented (for example, by accumulating a fatal dose of paracetamol from several high-street shops).⁹² On the other hand, a US study found that fast-food customers responded to an intervention to encourage them to buy healthier main meals by choosing less-healthy side orders and drinks.⁹³

Conclusion on Question 4: Would a reduction in maximum stakes on B2 gaming machines be likely to lead to a reduction in gambling-related harm?

122. In an earlier section we expressed the view that it was unlikely that changing a single characteristic of any one gambling product would have more than a modest impact on the overall level of gambling-related harm. There is little in the evidence we have subsequently considered to make us regard this view as incorrect in relation to a reduction in the maximum stake on B2 gaming machines.
123. No-one can predict the effect of a reduction in maximum stakes with any confidence.
124. There could be some reduction in harm because of the effect on a player's ability to place very large stakes quickly. That might be important, not only to problem gamblers but also to those players who might not be categorized as problem gamblers but who may nevertheless be harmed as the result of their gambling.
125. Unless it was to a very low level, however, a reduction in maximum stake would have no effect on the very large proportion of problem gamblers who typically place stakes at relatively modest levels. The analysis of the impact of the effective halving of the maximum stake for the majority of players unwilling to identify themselves, demonstrates that the effects might have no significant effect on harm at all. In the event of a large reduction in maximum stake, the extent of diversion to other forms of gambling and the size of changes in behaviour might both be more significant than after the nudge towards stakes below £50. But the nature of the shift, and the effect on overall harm, are impossible to predict.
126. Account would also need to be taken of the commercial response of the LBO operators. A large reduction might cause them to put more emphasis on B3 machines or on their remote platforms. B3 gaming machines are subject to less stringent controls on their availability, but appear in practice to be causing similar

⁹¹ Gambling Behaviour and the Prevalence of Gambling Problems in Adult EGM Gamblers when EGMs are Banned. A Natural Experiment, Lund, 2009.

⁹² <http://news.bbc.co.uk/1/hi/health/783080.stm> [Improved reference requested].

⁹³ Promoting Healthy Choices: Information versus Convenience. Wisdom, Downs, and Loewenstein, American Economic Journal, Applied Economics, 2010.

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average losses to B2 gaming machines, and some large losses in broadly similar proportions. We have pointed out several times that there are no limits on remote play other than those imposed by the operator.

127. All these effects must be regarded as very uncertain. One implication is that, if a reduction does take place, it will be important to monitor and evaluate its impact very carefully.

VIII: Question 5: Are there other regulatory changes which should be preferred to, or used in concert with, a reduction in maximum stakes?

128. Our conclusion that the effects on gambling-related harm of a reduction in maximum stake sizes on B2 gaming machines are uncertain and unpredictable invites the question whether there are other ways of addressing the issue. Such measures could be important whatever the explanation of the association between gaming machines and problem gamblers.
129. We concluded earlier (paragraph 49) that many of the harm-identification and reduction techniques currently being developed by LBO and other operators had yet to prove themselves, or to be fully developed. That should not be taken as implying that we think they are likely to be fruitless, nor that there should be any let-up in efforts to improve them. On the contrary, uncertainty about the effects on harm of any reduction in maximum stake sizes makes it even more important to press on vigorously with the development of these techniques.
130. The National Responsible Gambling Strategy set out a number of priority actions relating to the need to improve methods of identifying harmful play and developing effective interventions to support players who are at risk of harm. Possible measures include improved messaging, options for timeouts, compulsory session breaks, or more effective ways of limit-setting. The key, as argued in the Strategy, is experimentation, followed by robust evaluation of what works so that good practice can be spread rapidly.
131. There are two other measures which should, in our view, be seriously considered as ways of strengthening the strategy.
132. First, the detection and mitigation of harm depends crucially on the availability of well-trained staff in customer facing roles. We have already recorded our doubts about the extent to which staff in single staffed shops, however well-trained, can successfully combine their responsibilities for effective monitoring and harm mitigation with their responsibilities for managing the counter and other housekeeping duties. We understand that the Gambling Commission is considering issues surrounding single-staffing. In our view the Commission should review the compatibility of single staffing with social responsibility requirements. The Commission should also ask larger operators to address the issue directly in their annual assurance statements.
133. Second, there are considerable limitations on the use of algorithms to detect potentially harmful patterns of play in LBOs when these can only be applied to the minority of customers using loyalty cards. Making all machine play in LBOs account-based would be likely to make the consistent identification of harmful play, and its subsequent mitigation, considerably easier. Unless the industry can devise equally effective alternative means of detecting harmful play, we continue to believe that

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serious consideration should be given to making account-based play mandatory for all machines in LBOs (and perhaps more widely). We recognize that there are a number of considerations which would have to be taken into account before such a step was taken.

Conclusion on Question 5; Are there steps that could be taken to reduce harm other than a stake reduction?

134. A reduction in maximum stake should in no sense be regarded as a substitute for other measures to reduce or mitigate gambling-related harm in LBOs. Piloting and evaluation of other harm minimisation measures as set out in the Strategy should be progressed as quickly as possible, irrespective of any reduction in maximum stakes which may be decided. The compatibility of single staffing with LBO operators' social responsibility obligations, and the possibility of making account-based play mandatory for machine play in LBOs (and perhaps more widely) should be given serious consideration.

IX: Public opinion

135. We pointed out at the beginning of this advice that our task was to advise on the appropriate balance between the need to protect the vulnerable and the desirability, other things being equal, of giving players freedom in how they spend their leisure time.
136. Where that balance should be struck is a matter of judgement. It is not solely a technical issue. It is important to take account of the opinions of the communities in which gambling occurs, including those who may be affected by its consequences.
137. In that context, we note the following :
- i. The 2010 British Gambling Prevalence Survey showed that, on balance, views of gambling were rather more negative than positive, but that, consistent with the public policy position, the public supported the view that people had the right to gamble if that is what they wanted.⁹⁴
 - ii. There is emerging evidence that public attitudes towards gambling in general have subsequently been hardening. A recent update of questions asked in the 2010 British Gambling Prevalence Survey⁹⁵ showed that the proportion of respondents who believe gambling to be dangerous to family life has increased from 62 per cent in 2010 to 71 per cent. The proportion of respondents who believe that people should have the right to gamble whenever they wanted has reduced from 78 per cent to 69 per cent. The proportion who believes that gambling should be discouraged has increased from 36 per cent to 56 per cent.
 - iii. A follow-up survey was used to explore reasons for these changes.⁹⁶ When respondents were asked about their views on gambling and its impact on society, only 1.2 per cent specifically mentioned gaming machines.⁹⁷ Larger

⁹⁴ British Gambling Prevalence Survey (Table 9.1, page 128), Gambling Commission, 2010

⁹⁵ The 2010 data are from the British Gambling Prevalence Survey, conducted face-to-face. The 2016 data set was produced by just one quarterly telephone survey, not yet published. It should be treated as indicative until a full year's data have been collected. Data from the year to December 2016 will be published in the Gambling Commission's annual participation report in February 2017

⁹⁶ Forthcoming - Data taken from on-line tracker survey into gambling behaviour to be published in February 2017.

⁹⁷ 1.2 per cent of all respondents, unprompted open question.

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numbers of respondents were concerned about the addictive nature of gambling (24 per cent), its financial impact (16 per cent) or its accessibility (13 per cent). These concerns are not unique to gaming machines.

- iv. An additional question in the same series of surveys asked respondents to rank statements about priorities for the regulation of gambling in order of importance. The findings are shown in Table 9. 'Having controls in place to ensure that children and young people are not exposed to gambling' was rated as the highest priority by 30 per cent of respondents and appeared in the top three of over half of the respondents' answers. 'Setting a stake limit on machines in bookmakers' was the top priority for 11 per cent of respondents.

	% of respondents ranking as highest priority	% of respondents ranking in top three
Having controls in place to ensure that children and young people are not exposed to gambling	29.7	52.6
Increased regulation of non-UK based online gambling operators	12.1	35.5
Setting a stake limit on machines in bookmakers	11.2	35.4
Regulating the number of gambling premises on the high street	11.1	38.2
Restrictions on the volume of gambling advertising	9.9	30.5
Multi-operator self-exclusion schemes	9.8	31.6
Restrictions on the timing of gambling advertising on TV	6.3	28.4
Restrictions on the content of gambling advertising	5.8	27.9
Setting a maximum allowance for the number gaming machines permitted in bookmakers' premises	4.1	19.9

138. Attitudes towards gambling are therefore becoming more negative in some respects. It does not appear, however, that gaming machines in LBOs are the only issue which concerns the public.
139. Other relevant factors are that:
 - i. A significant number of local authorities – who have a responsibility for looking after the well-being of their residents - have been pressing for a significant reduction in maximum stakes and/or the devolution of greater powers to control the presence of LBOs on their high streets.⁹⁹
 - ii. There has been persistently critical media coverage of the current maximum stake on B2 machines.
 - iii. There has also been increasing Parliamentary interest.¹⁰⁰ Beyond Westminster, the issue has received attention in the Scottish Parliament,

⁹⁸ Forthcoming – Data taken from on-line tracker survey into gambling behaviour to be published in February 2017.

⁹⁹ See, for example, [Newham's Sustainable Communities Act proposal and betting shop campaign](#), Newham LBC, 2014.

¹⁰⁰ For example: [House of Lords debate](#). Daily Hansard, 11 March 2016. Column 1523.

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with further powers being devolved that will allow variations in the numbers of gaming machines for new betting premise licences in Scotland.¹⁰¹

140. It is possible that the true extent of public anxiety may be exaggerated. But nor should these signs of concern be discounted. The regulation of gambling needs to be rooted in an understanding of what is acceptable in society.

X: Other issues

141. The bulk of this advice has been on the issue of maximum stakes on B2 gaming machines. There are, however, points to make in relation to stakes and prizes on other gambling products:
- i. The Gambling Commission's 2015-16 Annual Report stated that '*with very few low-risk exceptions, gambling should be confined to dedicated gambling premises that is casino, betting or bingo premises*'.¹⁰² Category C machines are situated in pubs and other qualifying alcohol licensed premises. Their ETAC/h suggests they have a relatively high potential to cause losses compared to other types of gaming machine. But they can be located in premises where gambling is not the primary activity, where staff are much less likely to be able to identify and intervene in problematic play and where players can combine their gambling with drinking alcohol. The machines are also harder to avoid for people who do not want the temptation to gamble; and they are more visible to young people than those in LBOs or AGCs. Even allowing for reservations about the suitability of EATC/h as a method for making comparisons, the combination of these factors suggest at least a prima facie cause for concern. There should in our view be no question of increasing the maximum stakes on these machines, as has been proposed.
 - ii. Great Britain is unusual internationally in allowing the use of any, albeit very low stake, gaming machines by young people and children in the form of Category D fruit machines. Problem gambling rates among children and young people in Great Britain are not unusually high either historically or compared with other countries.¹⁰³ But any problem gambling by this group ought to be a matter of concern. Moreover, use of the precautionary principle is particularly justified in anything affecting children. We therefore advise strongly against any increase in stakes and prizes for Category D machines available to children and young people, unless those proposing an increase can demonstrate that no additional harm would be caused. Children's access and exposure to gambling more generally, for example to advertising, may need further consideration to ensure that potential risks are not being overlooked.
 - iii. There have long been claims, particularly from those operating adult gaming centres, for an increase in maximum stakes on B3 gaming machines, partly on the basis that it would create a more level playing field with B2 gaming machines in LBOs. In evidence for the current review the relevant trade association (Bacta) has asked for an increase in maximum stake from £2 to £2.50. We understand the argument. But the evidence set out earlier suggest that B3 gaming machines are potentially harmful too. Unlike B2 machines, they do not yet offer self-set limits on time or money spent (although it is possible these may be introduced in the future). If there is to

¹⁰¹ [Scotland Act 2016](#) (Section 52).

¹⁰² Annual report and financial statements 2015/16 (page 22), Gambling Commission, July 2016.

¹⁰³ [Children and young people's gambling: research review](#), Valentine, University of Sheffield, 2016.

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be any levelling of the playing field, we regard it as better achieved by a reduction in B2 maximum stakes. It would, moreover, be premature in our view to make any increase in B3 maximum stakes until the effects on playing behaviour of any reduction in B2 maximum stakes are fully worked through and analysed.

- iv. We have frequently referred in this advice to the widespread availability of remote gambling and the lack of any limitation on stakes and prizes other than those imposed by operators. This position looks increasingly anomalous. The justification for the absence of limits when others have them can only be the availability of better (account-based) data to monitor play and intervene where harm is identified. We are yet to see strong evidence that the remote sector is using this greater access to data to deliver a more effective player protection than is present in other sectors. It is vital that the remote sector demonstrates that the risks associated with remote gambling are being managed effectively and comprehensively. If they fail to do so, the case for imposing controls on stakes and prizes comparable to those on gambling products posing similar risks in the land-based sectors will be very strong.

XI: Conclusions and recommendations

142. If the evidence available so far is looked at objectively and dispassionately, the relationship between maximum stakes on B2 gaming machines and gambling-related harm is more complex than many appear to believe.
143. There is reasonably convincing evidence of a strong association between B2 machines and problem gamblers. The association may be even stronger for some other forms of gambling. But that is not a reason to be more relaxed about B2 machines, particularly in the light of their concentration in more vulnerable areas.
144. Nor does it matter that it is not possible to determine whether the association arises because the machines cause problem gambling or simply reflects their easy availability and the attraction of machine play to those who already have a problem with their gambling. Large numbers of problem gamblers playing on their machines, for whatever reason, creates both an obligation on operators and an opportunity to take steps to detect potentially harmful play and to mitigate its effects.
145. 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.
146. But the first priority objective of the National Responsible Gambling Strategy is that lack of complete evidence should not be allowed to be a barrier to progress. The Strategy argued that action should be taken on the basis of what is known, or can reasonably be inferred. 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.
147. We take this view because we think that, on the balance of probabilities, the small risk of an increase in harm is outweighed by the following:

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- i. £100 stakes can lead to significant losses in a short space of time. Such losses might be harmful even to those who would not be defined by a survey screen as problem gamblers.
 - ii. This concern is amplified because of the concentration of LBO machines in areas whose populations are more vulnerable to gambling-related harm.
 - iii. At higher levels of staking there is a greater concentration of problem gamblers. It becomes difficult to regard something as an unobjectionable leisure time activity if a high proportion of those participating in it suffer harm.
148. We also think it important to take account of public opinion in considering the balance between the protection of the vulnerable and enabling the enjoyment of those who gamble. There is some evidence of a shift in public views about gambling towards a more negative stance.
149. In no sense should a reduction in maximum stake be regarded as an alternative to other efforts to reduce gambling-related harm. The priority actions set out last April in the National Responsible Gambling Strategy should be pursued with vigour and commitment.
150. There is no evidenced-based way of determining any new uniquely right level for the maximum stake. But we make the following observations:
 - i. It is desirable that any new maximum should be sustainable and not subject to further frequent changes unless the evidence justifies it. The uncertainty otherwise generated could be damaging, not only to the industry but also to public confidence in the integrity of the regulatory system. Arguably, the focus on maximum stakes over the last few years has distracted attention from the other steps which need to be taken to promote responsible gambling. It has also made it more difficult for different sectors of the industry to work together on areas where they should be co-operating. It must be doubtful whether the 2015 change in regulations has achieved a sustainable situation in the light of current political and other pressures.
 - ii. There would be little point in a new maximum being more than £50. That is already the de facto limit for a majority of players. Moreover, the loyalty card data, to the extent they are representative, suggest that an absolute £50 limit would affect less than five per cent of pre-April 2015 problem gamblers.¹⁰⁴ Conversely, it would only affect around 1 per cent of non-problem gamblers, which may be why the regulations appear to have been accepted without a great deal of protest from players. It may be reasonable to conclude that they regard the detriment or loss of utility to them as insignificant, though it could also be because they retain the possibility of higher stakes. We note, however, that a maximum stake of £50 would give B2 machines an EATC/h which is lower than that for B3 machines (see Section 6), which would create a new anomaly, unless it is (not unreasonably) thought that the possibility of losing large amounts very quickly on a B2 machine justifies that.
 - iii. A reduction to as low as £2, as some have argued, would effectively abolish B2 gaming machines altogether. There would be little point in anyone playing on a B2 machine when the same stakes would be available on B3 machines with a faster rate of play and the same prize level. It is not for us to consider

¹⁰⁴ People who play machines in bookmakers, secondary analysis of loyalty card data, Natcen, April 2016

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the economic damage a reduction to £2 might do to the bookmaking and related industries. But we would find it difficult to regard so strong an action as being proportionate on the basis of the existing evidence. The 95 per cent of players who currently place stakes at higher levels might feel that their enjoyment had been significantly affected, particularly since playing roulette with a stake as low as £2 makes it difficult to spread the bet in any meaningful way. The way in which players (and operators) would react would be very difficult to forecast and could create a variety of unintended and potentially harmful consequences.

- iv. If a reduction is made in maximum stake, it may be necessary also to look at maximum prizes, for technical reasons.¹⁰⁵
151. Despite what is said above about the desirability of avoiding frequent changes, if policy makers are reluctant to set a new limit immediately, it might be possible to pilot a reduction in a defined geographic area (or even different levels of reduction in different areas). A pilot would, however, be complex to set up, and would raise various design issues, for example if players were able easily to transfer their machine gambling from the pilot to another area. It would also require co-operation by all licensed operators in the pilot area, including independent LBOs; and some way would need to be found to assess the effect of diversion to other forms of gambling, including on remote platforms. A pilot is likely to take at least two years to plan, implement and evaluate.

Recommendations

152. Our recommendations are:
- i. We doubt that changing a single characteristic of one gambling product would make a significant impact on levels of gambling-related harm. A reduction in maximum stakes on B2 gaming machines could, however, still be a potentially useful part of a coherent strategy to reduce harm, provided the effects are carefully monitored and evaluated.
 - ii. There would be little point in setting a new maximum higher than £50. That is now already the effective limit for many players.
 - iii. There are some arguments for setting a new limit below £50, on precautionary grounds. There is, however, no evidenced-based way of determining any uniquely correct new level.
 - iv. It is desirable that any new maximum stake should be at a sustainable level, and not subject to further frequent changes.
 - v. Despite this, if there was reluctance to set a new limit immediately, it might be possible to pilot a reduction in a defined geographic area (or even different levels of reduction in different areas).
 - vi. A reduction in maximum stakes on B2 gaming machines should not be seen as a substitute for further efforts to reduce gambling-related harm. It should be only part of a comprehensive approach relating to all forms of gambling. The priority actions set out in April 2016 in the National Responsible

¹⁰⁵ With £500 prize limits/£100 stakes a player can make seven maximum single figure bets with one £100 stake. With a £50 maximum stakes a player can only make three, which may have implications for expected loss rates.

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Gambling Strategy should be pursued vigorously by operators and others. The Strategy needs to be supported by concrete commitments and swift action.

- vii. Serious consideration should be given to making account-based play mandatory for gaming machines in LBOs (and possibly more widely), unless the gambling industry can implement demonstrably effective alternative means of detecting and mitigating harmful play. There are other issues that would need to be considered. But mandatory account-based play would provide a much more detailed picture of patterns of play over time by the same player, and better evidence about the impact of interventions.
- viii. The availability of more data has been valuable in the development of this advice. Obtaining it has not, however, always been entirely straightforward. It is desirable that a framework should be agreed with the gambling industry for the future provision and sharing of relevant data. The strategy should apply to all sectors of the industry.
- ix. Appropriate staffing levels are key to the detection and mitigation of harmful play. There must be serious doubt about the extent to which a single member of staff on their own in a betting shop, even at less busy times of the day or night, can simultaneously look after the counter, remain alert to the possibility of under-age play and money laundering and still be expected to identify potentially harmful play and make appropriate interventions. The Gambling Commission should ask all operators to review safe staffing levels. The larger operators should be required specifically to address staffing levels and safety (of employees as well as players) in their annual assurance statements.
- x. The absence of any regulatory limits on stakes and prizes on remote platforms, including those which offer games identical to those on B2 gaming machines, is anomalous, given the wide accessibility of such platforms and the rapid pace with which they are developing. The remote sector needs swiftly to demonstrate that the risks associated with remote gambling are being managed effectively and comprehensively. If they fail to do so, controls should be placed on stakes and prizes on remote platforms comparable to those on similar land-based products.
- xi. There should be no increase in stakes and prizes on B3 gaming machines until the impact on harm of any reduction in maximum stakes on B2 machines has fully worked through and been evaluated. The effects of the B2 stake reduction would otherwise be difficult to disentangle. Much valuable information might be lost. The evidence suggests that B3 machines also have the capacity to cause harm.
- xii. We have previously advised that the precautionary principle should be considered when new gambling products are proposed. The principle equally applies when significant changes are being considered to products already available.
- xiii. There is a strong argument on precautionary grounds against any increase in maximum stakes on Category C machines located in premises where alcohol is served, where gambling is not the primary activity and where levels of supervision of machine play are likely to be low or non-existent. These machines already occupy an anomalous position in the hierarchy of machines when account is taken of the limited extent of supervision.

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- xiv. The availability to children and young people of some forms of relatively low stake gambling is well established in this country, though unusual internationally. Problem gambling rates among children and young people in Great Britain are not unusually high either historically or compared with other countries. But any problem gambling by this group ought to be a matter of concern. Moreover, use of the precautionary principle is particularly justified in anything affecting children. We advise against any increase in stakes and prizes for Category D machines available to children and young people, unless those proposing an increase can demonstrate that no additional harm would be caused. Children's access and exposure to gambling more generally, including advertising, may need further consideration to ensure that potential risks are not being overlooked.
- xv. The precautionary principle also implies that the onus should be on those proposing loading machines directly from debit cards to demonstrate that the change would not cause additional harm.

Responsible Gambling Strategy Board
31 January 2017

Appendix

Annex

Introduction

1. We submitted the advice to which this annex is attached to the Gambling Commission on 31 January 2017. Since then nine months have passed. Not surprisingly, during this time a limited amount of further potentially relevant evidence has become available. We summarise the new information in this annex. We do not believe that it requires us to change our advice in any substantive way.

Participation and prevalence data

2. Most of the figures in our advice relating to gambling participation and problem gambling prevalence rates use 2012 data covering England and Scotland. In August 2017 the Gambling Commission published combined figures for 2015 from the Health Survey for England 2015, the Scottish Health Survey 2015 and the Wales Omnibus Survey.¹⁰⁶ This is the first time since the BGPS 2010 that aggregate population level data covering all three nations has become available.
3. The 2015 figures show a relatively stable picture compared with the previous 2012 data for England and Scotland¹⁰⁷.
 - Overall rates of participation in gambling remained broadly similar, with 65 per cent of adults participating in the past twelve months compared with 63 per cent in 2012.
 - Overall rates of problem gambling also remained stable, with 1.4 per cent of gamblers classed as problem gamblers (0.8 per cent of the population) and 6.4 per cent at-risk (3.9 per cent of the population), very similar to the rates published in the 2012 report.
 - Participation in gambling on machines in bookmakers remained unchanged, with 3 per cent of the population taking part in this activity in both the 2015 and 2012 data sets.
 - Changes were observed in the rates of problem gambling and at-risk problem gambling, but these were not statistically significant.
 - There remained a strong correlation between the number of gambling activities a person participated and problem gambling. 11.9 per cent of people who took part in seven or more activities in 2015 were classed as problem gamblers.
 - Prevalence of problem gambling amongst unemployed people remained unchanged at 7 per cent, the same rate as in 2012.

Public perceptions and attitudes

4. Section 9 of the advice refers to a hardening trend of public attitudes towards gambling. Further relevant data was published by the Gambling Commission in 2017. The new survey results suggest that only 34 per cent of people think gambling is fair

¹⁰⁶ [Gambling behaviour in Great Britain in 2015](#): Evidence from England, Scotland and Wales, Natcen, August 2017

¹⁰⁷ [Gambling behaviour in England and Scotland](#), Findings from the Health Survey for England 2012 and Scottish Health Survey 2012, Natcen, 2014

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and can be trusted (or 38 per cent of those who had gambled in the past twelve months).

5. 39 per cent of people think that gambling is associated with criminal activity, including theft, fraud, money laundering and match fixing. Due to fluctuations in historical data, longer term trends in this data set are difficult to interpret.
6. Wider stakeholder research has also been carried out with the public and MPs.¹⁰⁸ Gambling was reported as the least trusted industry by both public and MPs. It is also in the top 2 of those industries regarded as needing more regulation, together with gas and electricity. It was ranked highest by MPs and second by the public.

Analysis of loyalty card data

7. In section five of the advice we make use of research on loyalty card data from machine play in bookmakers.¹⁰⁹ New evidence is now available from secondary analysis of the data set used for that research providing further information on problem gambling rates at different levels of staking.
8. As we report in the advice, the sample of players used in this analysis is unlikely to be representative of all players. In particular, problem gambling rates are higher amongst this cohort than amongst those who played machines in bookmakers in the population level Health Survey; and the data include play on B3 as well as on B2 content.
9. With these reservations in mind, the results are nevertheless interesting. In particular Table 1 shows that amongst this group relatively high rates of problem gambling are found at all staking levels, including £2 or less. But at higher staking levels, there is a general trend towards higher rates of problem and at-risk gambling.

Table 1: Problem gambling status by average staking level (Loyalty card holders who played machines in bookmakers – includes B3)					
PGSI status	Average staking level				
	£2 or less	£2.01 to £10	£10 or more	£20 or more	£30 or more
	%				
Non problem gambler	32	29	19	13	16
Low risk gambler	25	25	22	21	19
Moderate risk gambler	24	23	28	23	23
Problem gambler	19	24	31	42	42
<i>Base</i>					
<i>Weighted</i>	1669	1704	612	230	88
<i>Unweighted</i>	1611	1708	668	239	96
<i>*Caution advised because of very small base values</i>					

Progress in player protection

11. Our advice asked whether sufficient progress had been made since the last triennial review in identifying and addressing harm, particularly in licensed betting offices, to allay concern about maximum stakes and gambling-related harm more generally. In June 2016, we published our report on progress made in the first year of the National

¹⁰⁸ The public versus parliamentarians: what do they think of regulation?. Populus, June 2017

¹⁰⁹ Follow-up study of loyalty card customer: changes in gambling behaviour over time. Wardle et al. (2016).

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Responsible Gambling Strategy. It stated that, across all sectors, there was concern that progress was too slow trialling, testing and evaluating player protection measures.

12. Although this assessment of progress was not solely in relation to bookmakers, it does not support a change to the position set out in the original advice (paragraph 49). This stated there is a need for considerable improvement in methods of identifying harmful play and in the development of interventions to help players that might be suffering harm.

Other evidence and research

13. In addition to the evidence and research outlined above, a number of other related studies and pieces of information have become available since January 2017. Other reports include an investigation of eye-tracking on electronic gaming machines¹¹⁰ and the evaluation of the first phase of the multi-operator self-exclusion scheme in bookmakers' premises.¹¹¹
14. These pieces of research add to the knowledge base on player protection opportunities in relation to machine play, but do not provide insights which change the views set out in our original advice. Nonetheless, the findings of this work will be useful as operators take steps to improve the player protection measures that they have in place, both in relation to play on B2 gaming machines and other gambling products.
15. Industry statistics show that the numbers of B2 gaming machines in the market have remained stable over the last year.¹¹²

Summary

16. Attempting to understand the association between specific gambling products and gambling-related harm remains complex, and predicting the impact of changes to a product is more difficult still. The new evidence that has become available does not contradict the conclusions we set out in January, and in many places it appears to strengthen them. Therefore, we consider that our advice is as relevant now as it was when we first submitted it to the Gambling Commission.

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October 2017

¹¹⁰ A scoping investigation of eye-tracking in Electronic Gaming Machine (EGM) play. Rogers et al, 2017

¹¹¹ Evaluation of the Multi-operator self-exclusion scheme (MOSES). Chrysalis Research, 2017

¹¹² Industry statistics – April 2013 to March 2016, Gambling Commission, May 2017