

Minutes of Meeting

Third Round of Inquiry Sessions of the Fixed Odds Betting Terminals All Party Parliamentary Group Inquiry “Fixed Odds Betting Terminals – Assessing the Impact”

Date: Wednesday 10th January 2018

Time: 10.00am

Location: Committee Room 12

Chair: Carolyn Harris MP

Minutes taken by: Tosin Adedayo, Interel UK

Members Present

Sir Peter Bottomley MP

Graham Jones MP

Jim Shannon MP

Alison Thewliss MP

Ronnie Cowan MP

Evidence Heard From

Beatriz Cruz, (Center for Economic and Business Research)

Oliver Hogan, (Center for Economic and Business Research)

Martin Kettle, (Church of England)

George Kidd, (Senet)

External Guests

Iain Fraser (Office of Ronnie Cowan MP)

Eleanor Campion (DCMS)

Matt Zarb-Cousin (Campaign for Fairer Gambling)

Tosin Adedayo, Interel UK (Secretariat)

Holly Ramsey, Interel UK (Secretariat)

Katherine Morgan, Interel UK (Secretariat)

Sam Hunt, (Newham Council)

John White, (Bacta)

Gabi Stergides, (Bacta)

Simon Thomas, (Hippodrome Casino)

Niamh McDade, (RSPH)

Toby Green, (RSPH)

John Stergides, (Electro Coin)

Bartu Sezer, (WE Communications)

Liam Kirkham, (WE Communications)

Ewen Dymott, (Hanover Communications)

Public Meeting – Session 1, 10:00m – 10:30pm

- **Carolyn Harris MP (Chair)** began the first evidence session of the APPG by welcoming and thanking witnesses **Oliver Hogan** and **Beatriz Cruz**, and members of the public for attending.
- **Carolyn Harris** set out the format for the meeting and explained that the APPG is intending to put in a substantial submission to the Government's consultation on proposals for changes to Gaming Machines and Social Responsibility Measures, which has a particular focus on FOBTs. The Group was made aware that the Cebr were commissioned by bacta, the trade association for the amusement machine industry, to undertake additional modelling into some additional modelling on the economic and social issues linked to problem gambling and fixed odds betting terminals (FOBTs). The intention of this session was to hear from Cebr on their report and the figures and evidence they gathered during their research
- **Carolyn Harris** asked Cebr to talk through the methodology of their research and draw out the key findings the group.
 - **Oliver Hogan** began by explaining the methodology of their research. He began by stating that because all the information that DCMS had when putting together its impact assessment (IA) was unavailable to them, they backward engineered the result of the Gross Gambling Yield (GGY) in the (IA) in order to replicate the model used by DCMS. This allowed them to take more granular examinations of the underlying assumptions.
 - They added that their economic modelling sought to build on or supplement the existing evidence provided by DCMS. Beyond that they looked to explore a range of realisable outcomes under different but plausible assumptions on how gamblers are likely to respond to stake reduction.
 - They also looked at the extent to which B2 machines are causing problem gambling. Their assessment calculated an envelope of excess fiscal cost and excess cost to the welfare system that could be associated with problem gambling.
 - **Oliver** noted that their research took into account that B2 stake reduction may not necessarily reduce problem gambling.
 - They also explored potential additional weighting to welfare benefits of stake reduction that will benefit the most deprived in our society based on the law of 'diminishing marginal utility'.
 - He added that HM Treasury's green book on 'appraisal and evaluation in central government', recommends that the implication for policy making of this law, means that if a deprived individual is given a £1, it is worth more to society than the same amount given to a wealthier person. By that logic, the green book advocates attaching a greater weight to that benefit.

- For their research, Cebr focused on the concentration of LBO's in deprived areas and mapped that against various socio-economic indicators such as economic inactivity rate and unemployment rate. They found that there was a very strong correlation between the concentration LBOs and the index of multiple deprivation. For example the concentration of LBOs was mapped against unemployment, the correlation was even stronger.
 - On that basis, they carried out an indicative weighting of the welfare benefits of the policy of stake reduction, by adopting a symmetric approach - increasing the weight on the benefits going to the disadvantaged and decreasing the weight on benefits going to the wealthy.
 - **Oliver** then took the group through the key conclusions of the report which were:
 - Cebr believes that the losses in GGY presented in the DCMS impact assessment were potentially too high. By adopting alternative assumptions which are plausible and better represent the demographic characteristics of B2 players and the substitution possibilities available to them - the impact on LBOs is not as detrimental as the IA might lead one to believe.
 - Cebr believes that stake reduction has the potential to have a positive net impact on the economy. Whilst there might be a decline in the gambling sector as a whole, there will be a boost other areas of the economy. They add that even if the net economic impact is negative, it is likely to be negligible.
 - Cebr highlights that the society impact or cost on gambling related harm on B2 machines were not monetised in the IA. Problem gambling imposes costs on the State, individuals and families.
 - Using the Housing Association's Charitable Trust Social Value bank, it is possible to put value on life factors individuals treasure for example, a stable job, stable family, living in a safe environment.
 - Stake reduction on B2 will reduce problem gambling and will provide great value to the economy.
 - In welfare terms B2 problem gamblers could be imposing a cost of £1.5billion, on themselves, families and wider social network, in addition to £210million estimated excess fiscal cost associated with problem gambling.
- **Carolyn Harris** thanked Oliver for sharing his key findings, noting that it was a very in depth research. She asked if their modelling is as robust as DCMS'?
 - **Oliver Hogan** said, that their modelling is just as robust as DCMS' as they replicated DCMS IA by using the information available to them.

Their model showed movements in all the right directions and they calibrated their model to the DCMS result and backward engineered their model in order to develop a proxy. So, the model is as robust as it can possibly be given the constraints on access of information.

- **Ronnie Cowan** asked what the information that was withheld from them and why they could not access it?
- **Oliver Hogan** said that his understanding is the additional data DCMS is privy to is the report by KMPG for the Association of British Bookmakers and research produced by Inspired and SG gaming provided to DCMS and Gambling Commission. The data was marked as Strictly Confidential and commercially sensitive so they could not get access to it.
- **Ronnie Cowan** said the Bookmakers reluctance to share this data made him very suspicious.
- **Graham Jones** asked if the Cebr had taken into consideration a scenario which would see bookmakers move their focus from B2 machines to B3 machines, if the stakes are reduced and what the impact would be.
- **Oliver Hogan** said DCMS' starting point was to make an assumption about the proportion of B2 revenue that would be retained in the LBOs through B3, which was 25% of the remainder after attrition, which is the exit in gambling. That is a fixed assumption in the model. The GGY impacts that Cebr put forward in the alternative cases, try to reflect the reality of the situation. One aspect of this is how the LBOs will respond to stake reduction. Cebr believes that LBOs will innovate and introduce new products to recover the GGY that they will lose through B2 stake reduction.
- **Carolyn Harris** reiterated her position on the issue, stating that she is very much concerned about the social aspect of the effect these machines have. She asked Cebr what benefits in terms of the social impact stake reduction would produce.
- **Oliver Hogan** said since B2 machines can be linked to problem gambling and there is strong evidence to suggest this, then there is a potential to achieve huge social benefits. He confirmed that stake reduction will benefit the disadvantaged on lower incomes, who are also the ones worst affected by the high stake. This is because LBOs are largely concentrated in very deprived areas. He added that the B2 players show a reluctance to sign up for accounts, this is a function of how majority of them are paid – in cash.
- **Ronnie Cowan** asked if Cebr were familiar with self-exclusion tactics and if they were effective

- **Oliver Hogan** said that this might be effective in a situation where the problem gambler was aware of their problem and wished to tackle it. However, in a case where a problem gambler was not aware of their problem, self-exclusion could not be seen as a solution.
- **Carolyn Harris** thanked Oliver Hogan and Beatriz Cruz for speaking to group.

Public Meeting – Session 2, 10:30am- 10:45am

- **Carolyn Harris MP (Chair)** began the second evidence session by welcoming and thanking witness **Martin Kettle** from the Church of England.
- **Carolyn Harris** began by stating that she was delighted to see the Archbishop of Canterbury's tweet in support of a £2 stake on B2 machines.
- **Martin Kettle** was asked to give an overview on the Church of England's position on FOBTs and he answered by saying, although he is representing the Church of England he also speaks on behalf of a group of ecumenical organisations, including the Salvation army, Methodist church, Baptist Church and the Evangelical alliance who are all of similar mind. The Church of England has unanimously committed to a £2 maximum stake on FOBTs at the General Synod last February. The main points discussed at the synod were the experiences of parishes around the country. The crux of the argument for stake reduction were predominately anecdotal.
- He went on further to say that the view of the Churches is that street machines should be treated similarly across the board. This is based on the principle in the 2005 Act – the 'Pyramid of Risk'. This is the view that the most accessible gambling locations should be the most tightly controlled.
- **Martin Kettle** then went on to state the keys reasons why the stake should be reduced to £2:
 - It will reduce the harm caused. GamCare, the leading treatment provider stated that two-thirds of its service users are Bookmaker customers who have listed FOBTs as their problem.
 - It will reduce the risk in stake variation – it creates a dynamic particularly for vulnerable people that is exceptionally risky. This view is supported by research by Money and Mental Health Policy Institute (Know the Odds Policy Note).
 - It will reduce the psychological effect on the Player's decision-making capability. A 2016 research sponsored by Gamble

Aware, which simulated betting with stakes at £0, £2 and £20, showed that the player's decision-making powers were adversely affected as the level rose.

- It will reduce the harm caused to the disadvantaged – who are most at risk from based on the location and clustering of bookmakers. The August 2017 Gambling Survey showed that 7% of unemployed adults, compared with 4% of other were likely to play machines in bookmakers on their own accounts.
 - It will reduce the harm caused to problem gamblers. A study into loyalty cards undertaken by Gamble Aware found that the average single bet placed by problem gamblers was £7.43 at an average of 2.2 seconds a day. The results of the survey, which was only available to people who use loyalty cards- a subsection of FOBT players, showed that there were real risks of harm.
 - It will also reduce the impact on locality. The issue of clustering in neighbourhoods and on high street is one that is prevalent. It is striking that the Local Government Association has such a strong view on the matter and it is important to highlight that in reality local authorities do not have the power to stop the clustering of betting shops.
 - It will also reduce the issue of money laundering in bookmakers and violent crimes in and around betting shops. The West Midlands have an average of 189 incidents of criminal damage per year between 2012-17, in around betting shops.
 - Lastly, a £2 stake would bring FOBTs in line with equivalent machines in similar jurisdictions such as Australia, New Zealand and Canada.
- **Carolyn Harris** asked him if he thought that enough is being done for problem gamblers.
 - **Martin Kettle** said no and that he is in support of a levy to fund more services to problem gamblers. Whilst this is mentioned in the government's consultation paper, it does not state how the issue will be addressed.
-
- **Carolyn Harris** then asked what for the Chuch's view on the argument put forward by some in the industry that If the stakes were reduced, they would be reluctant to pay the levy, due to the revenue lost. In response, Martin Kettle said it is a non-argument when the voluntary contribution is compared with the turnover and profit the industry makes.
 - **Carolyn Harris** said that those campaigning for a £2 stake have tried putting forward the practical arguments of why the stake should be cut, but believes other, more compassionate, arguments need to be put

forward such as the damage FOBTs are causing to people in our communities and demonstrate that the cost of looking after people as a result of addiction is costing more than what is gained from FOBTs. The social arguments against FOBTs need to be put forward.

- **Ronnie Cowan** said that it struck him that criminals who use the B2 machines as a way to launder money are not losing much money due to the large amount they can stake at any one time. Martin Kettle agreed that the high stake amount makes it efficient to launder money.
- **Sir Peter Bottomley** said that he read in the Coinslot magazine that if the stake on FOBTs were lowered to £20 it would not make a significant difference and would he agree that it would be therefore be ineffective for the government to consider lowering to £20. He also added that Parliamentarians should be ashamed at the amount of gambling tax derived from disadvantaged people. Martin Kettle agreed and said £20 would not go far enough in addressing the issue.
- **Carolyn Harris** then asked Martin to confirm that the Church would continue campaign on a £2 stake even if the stake were significantly reduced to any figure other than £2.
- **Martin Kettle** responded that the Church has a mandate to campaign for a £2 stake and that mandate will not lapse.
- **Alison Thewliss** asked what the Church of England does to involve its local congregation on this issue.
- **Martin Kettle** said that it happens in an informal manner, however the Church is encouraging people through its website and the diocese to respond to the consultation and there has been a lot of support.
- **Alison Thewliss** then suggested that the Church might want to encourage its congregation to also write to local MPs as another effect campaigning tool. Martin Kettle thanked her and said he'd take the suggestion on board.
- **Carolyn Harris** thanked Martin Kettle for attending and for explaining the Church's view point.

Public Meeting – Session 3, 10:45am- 11:18am

- **Carolyn Harris** thanked George Kidd for taking the time to attend the session. She asked him for an overview of the Senet's position on FOBTs.
- **George Kidd** began by stating that he has over 10-15 years' experience in regulation. He said that the Sent group are very much about taking on

an inclusive approach to self-regulation and raising standard through communication through partnerships. He went on to say that the Senet group chooses not to address or comment on the debate around the Review of Stakes and Prizes and are instead more concerned about how to engage with younger gamblers in a digital world.

- **Carolyn Harris** asked about his view on self-exclusion making reference to the investigation by the BBC in Grimsby on the issue. **George Kidd** said that Senet is responsible for managing the self-exclusion scheme in betting shops on the request of the Association of British Bookmakers for the past 18 months. He note that while 'nothing is perfect' it is a scheme that is there for individuals who wish to self-exclude and if the wish is not sincere or sustainable then there is a challenge. The challenge in some environments is that it is a cash environment, with easy access, with thousands of outlets, therefore it is a scheme that is based on visual recognition and there is no digital identity which is possible with an online service or with a smaller community of outlets.
- He further said that the businesses are there to help those who wish to help themselves, however there is an onus on businesses to get the scheme right. He added gamblers who choose to self-exclude are not necessarily problem gamblers. However, Senet took the opportunity to approach those on the scheme to see if further steps could be taken in review their gambling habits. With 7,000 people on the scheme, they approached 1000-2000 people and hundreds of response from those approached. 83% of the respondents said they had either stopped or reduced their gambling, 70% of those said that they'd be too ashamed to go back into a betting shop.
- **Carolyn Harris** then asked about individuals who had self-excluded but were still being contacted by betting companies, sometimes even acknowledge that the individual had self-excluded, enticing them to gamble. **George Kidd** said 98% of people self-exclude for various reasons, not because they have a gambling problem. There is a distinction between those who self-exclude and those who have a gambling problem. However, he agrees that the scheme should be better joined-up and coherent.
- **Ronnie Cowan** asked **George Kidd** if he thought it was time for gambling advertising on television to be banned as tobacco advertising is. **George Kidd** said that he did not agree with this. Banning gambling advertising would be likening it to a drug or saying that it is 'drug like' which would go against government messaging that gambling is recreational and entertaining. Government needs to think about the volume, tone and intensity of advertising that might stimulate gamblers into problem gambling.
- In this line, **Carolyn Harris** asked if he thinks the industry understands the concept of social awareness or is it entirely profit driven? **George Kidd** responded that it does understand and Senet is proof that it does. He added that if the reports are true that some bookmaking companies are paying the bare minimum to Gamble Aware, they are bringing disrepute to the industry. He went on further to note that the gambling

industry is a relatively young one in terms of its legal ability to trade and the legal framework for doing so and the industry is still maturing.

- **Carolyn Harris** noted that perhaps its maturity might explain the way in which the industry's has defended FOBTs and has refused to engage with the Group. She then asked if he thought there was enough support for Problem Gamblers.
- **George Kidd** responded that currently there is not and this is evidenced though speaking to charities such as Gordon Moody and individuals. **Carolyn Harris** added that in particular she receives correspondence from women who have a gambling problem and they are not able to access help.
- **George Kidd** it would be unfortunate for industry if a statutory levy was required. The industry needs to be proactive and support responsible gambling and moderation with new players and not be reactive once the players have started showing signs of problem gambling.
- **Carolyn Harris** added that the industry is in self-denial that there is a problem with FOBTs yet there is support across Parliament, Church of England and Local authorities on this issue but the bookmaking industry is not receptive to the arguments.
- **George Kidd** said that gambling has reached a point where FOBTs has saturated any discussion about gambling as a whole.
- **Ronnie Cowan** asked how much the Statutory levy should be.
- **George Kidd** responded that the discussion should begin at the 'other end' and about what the public health impact of problem gambling is. The industry should first quantify the problem and then determine what its response should be.
- **Alison Thewliss** asked about if there is an differentiation on the responsible gambling material being provided for younger players.
- **George Kidd** said that there has been thought to that, as younger player have evolved from non-gambling gamers and therefore get addicted to the products in a way that older players do not. He added that the industry needs to engage with young players differently, particularly those between 18-25/30 when they join.
- **Alison Thewlis** added that through speaking to youth leaders in her constituency, it seems young people are getting deeper into problem gambling much quicker and having a more profound impact on them.
- **Ronnie Cowan** asked if 16 year olds are legally allowed to buy lottery tickets is encouraging them to form a gambling habit from a young age and normalising them to the concept of gambling.
- **George Kidd** responded that he is not aware of a correlation.
- **Carolyn Harris** concluded the questions by highlighting that the APPG and its members are not anti-gambling, but the Association of British Bookmakers are demonising the industry by their reluctance to engage with Parliamentarians on this issue in a constructive and positive manner. She added that they have been defensive and aggressive in trying to justify what she regards as the 'indefensible' and it is causing harm to the industry as a whole and to society as a whole. The group wants to work with them but they are not prepared to take responsibility for the damage the machines ae causing.

- In response, **George Kidd** that he is sure the industry will listen carefully to all she has said.

Conclusion

- **Carolyn Harris** concluded the session thanking those who had attended and encouraging them to submit written submissions of their own to the Government's consultation on Gaming Machines and Social Responsibility Measures.

Meeting concluded at 11.20am