



GAMBLING OR GAMING ENTERTAINMENT OR EXPLOITATION?



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Introduction

Gambling, an activity historically associated with organised crime, has become more socially acceptable, liberalised by changing government attitudes in an increasing number of territories as the benefits from increased fiscal revenues are realised.

However, the easing of social attitudes toward gambling are not as mature as initially supposed and may be conceived as evolutionary, rather than revolutionary, as evidenced from the public outcry at the so-called UK government's gaming "free-for-all" proposals. It therefore appears that attempts to liberalise the gambling industry are not always wholly successful.

The gambling industry is highly fragmented but figures from Global Betting Gaming Consultants have provided estimates of its worth suggesting that the global total gambling yield (the amount lost by customers) is currently over US\$200 billion per annum, with their estimates for 2004 as US\$238bnⁱ. The UK's Betting Office Licensees Association estimates that global gambling in all forms is worth around US\$1,000bn. Aggregating data remains difficult and figures should be treated as approximations.

The UK is the largest gambling nation in Europe, accounting for just over 22% of the total European market. This is followed respectively by France, Italy, Germany and Spain. The US is by far the largest country in terms of total gambling yield, US\$88bn in 2004, compared to US\$67bn from Europe as a whole.

The history of the ethical policy

In 1948, when the Church Commissioners first invested in equities, the activity of gambling was excluded under the classification of amusement trade. In 1968, the category of "amusements" was relaxed and included the caveat of "suitable exceptions" where this seemed justified e.g. Butlins.

In 1972, the Commissioners' wording became more explicit and named gambling as a separate exclusion. The Church of England's current policy is broad, avoiding investments in companies deriving more than a quarter of their income from gambling activities, but without further definition or refinement.

Defining gambling

Gambling may predate recorded history with examples of gambling appearing in most ancient civilisations. It is an activity that constitutes any behaviour involving betting or wagering one's property or money, no matter how slight or significant, where the outcome is uncertain or depends upon chance. It can therefore be defined as a **game of chance**, with every transaction based on one party's gain and another party's losses. The odds of winning or losing are artificially created so that those who win do so (at least in part) at the expense of those who lose. Winnings are not earned; rather, they are the product of luck and, at times, perhaps a little skill in working the odds.

So how does "gambling" differ from "gaming"? The word "gaming" was used as early as 1510, the playing at games of chance for stakes, and predates the introduction of the word "gambling" by some 265 yearsⁱⁱ. Some see the reintroduction of the word as a way of re-inventing and softening the image of the gambling industry. Sometimes *gaming* is associated with bingo and gaming machines and *gambling* with casinos. Both terms are commonly used, with the industry opting for the earlier version in keeping with their image as a leisure industry.

Gambling in the United Kingdom

Gambling statistics

According to 2005 figures from the National Audit Office, the estimated turnover from gambling activities in the UK is about £53bn. It is suggested that around three quarters of the British population gamble.ⁱⁱⁱ However, if the National Lottery is taken out, this figure falls to just under a half (46%). The next prevalence study is due to be published in 2007.

Percentage of UK adults gambling during the previous 12 months

Activity	%
Playing the National Lottery	73
Buying raffle tickets	58
Buying scratch cards	20
Betting on horses/greyhounds	15
Bingo	14
Playing on fruitmachines	13
Buying Stocks & Shares	12*
Doing the football pools	7
Buying premium bonds	7
Gaming in a Casino	4
Spread Betting	1
None of the above	10

Source: *Gaming Review report*; note: percentages do not add up to 100% because participants could give more than one answer

More men than women appear to gamble, with a recent Times article reporting around 76% of men and 68% of women gamble each year. It also reports that around three quarters of teenagers gamble in some form.^{iv} Amongst young men, nearly 90% regularly bet, largely attributed to the online gambling industry. Geographically, the Scottish are believed to be the biggest gamblers with 48% gambling an average of £40 per month.

The political position

In 1999, the government recognised the Gaming Act 1968 was obsolete, and unable to account for new technologies and industry trends, and so a full review of the UK gambling industry was commissioned in 2000. In 2001, the Budd Report was released, followed by the government's response in 2002. The Budd Report concluded that modernisation was needed, and there was a wish to liberalise many of the laws that were in place in order to give greater freedom to the individual. The report states that the interest in those participating in gambling "are best met by allowing (adult) gamblers the maximum freedom of choice consistent with keeping the industry free of crime and protecting the vulnerable". In recognising the need to protect the vulnerable and young people, it recommended certain regulation, such as family entertainment centres should have a maximum stake of 10p and prizes should be limited.

Before the review, the UK gambling industry was in general governed by some of the most stringent legislation in the world, established under the old Gaming Act of 1968 which has not had any substantive changes made to it since. However, there has been one major change that is potentially influencing public opinion of gambling; the launch of the Government backed National Lottery in 1994,

* We argue that the buying of stocks and shares does not constitute gambling, see page 15

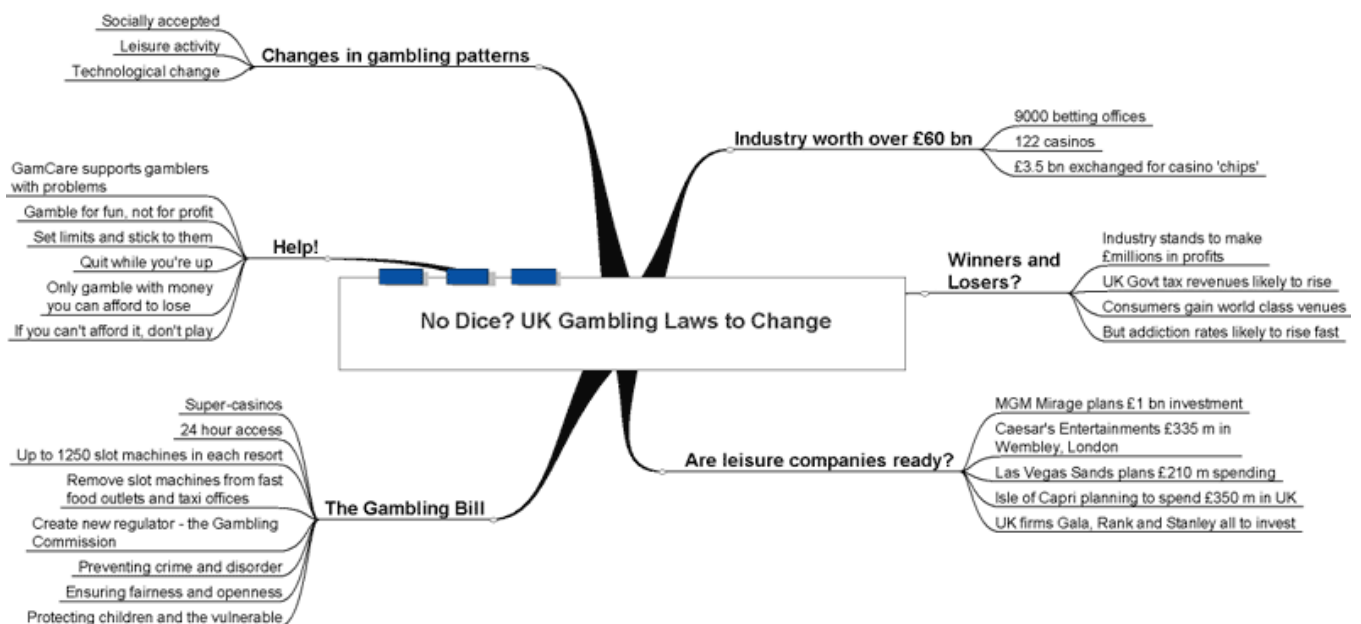
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making gambling more mass market and socially acceptable. The other is “remote” gambling via the internet, television and mobile telephone, which as mentioned makes the old Act somewhat obsolete.

The new Gambling Act 2005, which comes into force fully in 2007, received Royal Assent in April 2005. The new Act established the Gambling Commission as recommended in the Budd Report, an independent statutory regulator. The press surrounding the new Act has been extensive and generally poorly received, with one major newspaper devoting much space to campaigning against the liberalisation of laws. The original proposals have been watered down following the adverse press coverage and perceived public outcry. It appeared that when the government first issued its proposals, it severely misread the public view on opening up the UK’s access to gambling. Only time will tell whether the new Act will be accepted in its current form.

Criticism of the Bill proposed in October 2004 was spearheaded by the Methodist Church and The Salvation Army, who were concerned that the proposals risk an explosion in the number of mega-casinos in Britain. Archbishop Williams backed the churches’ opposition to the Bill. There is a view that the government is pushing through proposals that are too commercially driven, without considering the devastating effects they may have.

This “mind map” shows the complexities of some of the proposals first put forward by the government.



Source: http://www.bized.ac.uk/current/leisure/2004_5/251004_map.htm

The Gambling Commission

This new independent regulator for gambling was officially launched in October 2005 and will be based in Birmingham. This new Commission takes over the role of the Gaming Board for Great Britain (established under the old Act, regulating casinos, bingo, gaming machines and certain lotteries) and will have a wider remit in that it will also regulate betting and remote gambling. The core responsibilities of the Commission are to keep out crime, ensure gambling is conducted in an open and fair way and to protect children and the vulnerable. It will also be responsible for advising local and central government in gambling related issues. The Commission will not however regulate the National Lottery, or spread betting but it does have a wider role than the old Gaming Board. There are some concerns however about the new Gambling Commission, as through its move to Birmingham, it will lose many of the

experts currently part of the Gaming Board, fuelling fears that a dearth of expertise could weaken it. The success of this Commission remains to be seen.

A new prevalence study is to be conducted by the Commission, and will examine the participation in and expenditure on gambling, estimate the prevalence of “problem gambling”, explore socio-demographic factors associated with gambling, and examine the attitudes towards gambling^v. The full report is due to be published during 2007.

The Commission will be able to impose conditions on the licenses it grants, issue a code of practice and review issued licenses. It will have the ability to impose certain sanctions such as formal warnings, amendment of licensing conditions, financial penalties and licence revocation. It will be able to enforce powers in tackling illegal gambling and cheating and will be able to initiate criminal proceedings.

The National Lottery Commission

Another regulator for the industry is the National Lottery Commission, which has the role of monitoring and reporting on the performance of Camelot, the UK National Lottery operator. The Commission enforces the licence and is involved in the selection of the operator for the Lottery. It does not handle any applications for Lottery Funds or distribute any Lottery money.

The Commission sets out its aims as ensuring the National Lottery is run with all due propriety, protecting the interests of those participating, and maximising the amount of money available to good causes, subject to the first two aims. It provides information on how to protect players, including combating underage play (research shows that 13% of young people had spent money on Lottery tickets^{vi}), excessive play and consumer protection.

UK Trade Associations

Gambling is so diverse and fragmented that there are more than ten UK trade associations representing various stakeholders of the industry. A brief description of the main associations provides an insight into the breadth of the industry.

Association of British Bookmakers

ABB is the leading trade association representing bookmakers in Great Britain with the objective to help and sustain conditions in which socially responsible British bookmakers can compete and prosper. The website has an area dedicated to issues of social responsibility, including fair betting, crime prevention, welfare of animals and problem gambling along with suggested best practice for ensuring social responsibility.

www.abb.uk.com

Lotteries Council

This organisation provides help to those wishing to set up a lottery as part of a fundraising programme. It aims to represent the common interest of both large and small fund-raisers in all areas from charities to sporting bodies, under the gaming laws. The body covers draws, raffles, sweepstakes, scratch cards, door to door collections, internet and interactive digital television.

www.lotteriescouncil.org.uk

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British Amusement Catering Trade Association

BACTA represents Britain's pay-to-play leisure industry and is the largest gambling trade association. It represents 685 companies and 1,170 individuals from large manufacturers through to small seaside arcades. It aims to improve the image of the industry, encourage good practice (including responsible working practices) and help create the right trading environment for its members. The website provides a section on social responsibility which covers problem gambling and training with GamCare.

www.bacta.org.uk

British Casino Association

This is the association for the casino industry with operators of over 90% of British casinos as members. It provides the voice of its members in negotiations with various government departments, the media and other trade associations. In the non member part of the website, there is no information pertaining to responsible gambling practices, although it has links to the Responsibility in Gambling Trust and help organisations like GamCare and Gamblers Anonymous.

www.britishcasinoassociation.org.uk

Remote Gambling Association

This is a relatively new association, becoming operational in August 2005. It is the result of a merger between the Association of Remote Gambling Operators (ARGO) and the Interactive Gaming, Gambling and Betting Association (IGGBA). It represents the world's largest remote gambling companies. The RGA provides representation and collective negotiations with wider stakeholders, as well as aiming to provide high standards of probity and integrity within the industry. Encouraging social responsibility is also an objective. It has various codes in place to help members with these issues.

www.rga.eu.com

Bingo Association

The Bingo Association provide little about its aims or objectives. It provides no information on who the members are, but one would assume from its name it would be those companies or stakeholders involved in the Bingo industry.

www.bingo-association.co.uk

British Horseracing Board

The website for this Board provides a wide range of information on British racecourses, horse racing tickets, major events, promotions, competitions, race results and much more. It provides news of all things in the horse racing world and states it aims to promote the horseracing world's interests in whatever way it can. Its responsibilities are wide-ranging, and include the Fixture List, promotion of racing, encouraging and fostering the breeding of bloodstock and strategic planning and policy for racing.

www.britishhorseracing.com

British Greyhound Racing Board

The Board is the representative body for greyhound racing in the UK and has directors from greyhound owners, trainers, breeders and track owners. It has close links with national animal welfare groups and has overall responsibility for the Retired Greyhound Trust. The website provides information about the tracks and latest news pertaining to the sport. There is little on the betting element of greyhound racing.

www.thedogs.co.uk

Casino Operators Association

This Association was formed in 2001 from smaller casino operators believing to be under represented by the British Casino Association, which they believed focused on the larger companies. The website has an area focusing on responsible casino gaming,

www.casinos-coa.co.uk

Business in Sports and Leisure

This is an umbrella organisation representing the interests of over 100 private sector companies in the sport, leisure and hospitality industry. It has five working groups representing its members in the areas of sport, leisure and hospitality, these being employment, gaming, liquor licensing, property and sport.

www.bisl.org

Types of gambling

The UK gambling industry largely falls into three categories, betting (which is defined as involving a degree of skill or judgement), casino style gambling (dependent on luck, statistical odds and chance) and lotteries. Gambling as a whole is a diverse activity that ranges from amusement arcades to bingo halls, casinos to online poker services and entertainment via sports betting. With the advent of technology, the ability to gamble from our own homes has grown considerably, through internet sites, telephone and interactive television.

Demographics

The age limit is generally over 18 for most forms of gambling, apart from the National Lottery, football pools or local lotteries (age 16 and over) or fruit machines that payout in tokens (no limit). The same age restrictions apply to gambling over the internet, mobile handsets and television.

Gambling odds do vary according to activity. For example, the payout on a slot machine is 600/1 compared to roulette at 36/1 or the National Lottery (getting all six numbers) at just less than 14m/1.^{vii} The bookmaking industry accounts for the largest amount staked in the UK. Gaming machines, the National Lottery, casinos and then bingo follow in that order.

There are rules and regulations that govern the employment of people within the gambling industry. For example, certain persons operating in casinos need to hold a certificate of approval issued by the Gaming Board (now The Gambling Commission). Different certificates will be issued to bingo managers, as to casino executives or casino dealers. The standards for obtaining certificates is quite high. Applicants are subject to probity checks and receive interviews, sometimes by a panel depending on the position being applied for.



Bookie "high-tech" transaction and communication system in the late 1930s

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collect from the losers and pay off the winners. The industry, which began around 1780 at a horse auction business, accounts for the largest amount staked in the UK. The industry now employs 36,000 staff with 7m people visiting betting shops at least once a year (about one fifth of the adult population). From its revenues, £430m account for gross profits, £125m in payments to horseracing, £25m to greyhound racing and £3m in fees to football.

By adjusting the odds in his favour, or by having a point spread, the bookmaker will aim to guarantee a profit by achieving what is known as a “balanced book”. He does this by getting an equal number of bets for each outcome, or when offering odds, getting the amounts wagered on each event to reflect the odds. Bookmakers are also able to try and hedge their losses by buying bets from other bookmakers. The profits therefore originate from the event regardless of the outcome, rather than from the bets themselves.

Betting on sports is one of the more popular forms of gambling such as horseracing, dogs or football. The amount available to win is dependent on the stake placed down at the first instance, and the odds of the particular bet in the second instance (or the probability). Bookmakers can be found at most racing tracks (59 in the UK), as well as betting shops of which there are over 8,000 in the UK^{viii}. The three largest bookmakers in the UK are William Hill, Ladbrokes and Coral. Although sports is the most obvious activity for bookmakers to be involved in, they take bets on a wide range of outcomes, such as political elections and whether it will snow on Christmas Day.

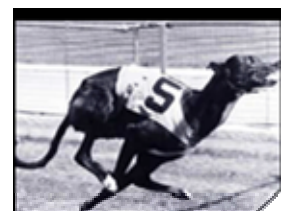
Betting shops offer television coverage of events, information scenes, refreshments and seating. Some also have betting terminals and fruit machines on which to play. The Association of British Bookmakers introduced a Code of Practice in March 2004 limiting the number of betting terminals in any betting shop to four in order to help prevent problem gambling. The Code also demands that all terminals provide a “help” screen with details of who to contact if the gambler foresees problems in terms of addiction. With the development of technology, betting is now also offered via telephone and internet, although currently the betting shops still account for most of the activity. Regulation allows for betting shops to trade from 7am until 10pm from April until end of August. They close at 6.30pm during the rest of the year.

Horse Racing

This equestrian sporting activity has been practiced for many centuries with Roman chariot racing as an early example. It is thought that the first races to take place in Britain were organised by soldiers of the Roman Empire in Yorkshire around 200 AD, although the first recorded horse race took place during Henry II’s reign at Smithfield in 1174. Horse racing can take place over flat terrain, or over hurdles and fences. Total prize money recorded in the British Horse Racing Board’s 2004 annual report reached £101.3m, a 7.6% rise on the year before. The industry has seen a total increase in prize money of over 40% and is a major contributor to the UK economy. Over 10,000 horses participated in the flat and jump seasons in 2004.

The Dogs

Dog racing generally refers to the racing of greyhounds and is a popular sport in the UK, but is banned in all but a few states in America. The sport of greyhound racing began in 1926, and involves dogs chasing an artificial hare on a track until they arrive at a finish line. Unknown to most, the greyhound is the only breed of dog to be mentioned by name in the Bible (Proverbs 30:29-31, King James Version)^{ix}. The National Grey Hound Racing Club runs racing at 32 tracks. The British Greyhound Racing Board reports attendance at around four million a year with £2.9bn wagered on and off greyhound racing courses. Prize monies



stand at around £11m a year. Facilities mirror those of the horseracing world, with courses incorporating restaurants, corporate entertainment facilities, private boxes and bars.

Casinos

Casinos have a wide variety of gambling for its visitors. These include the card table games, such as blackjack and poker, to chance games such as roulette or craps. High-jackpot slot machines are also installed in most casinos. Unlike other venues in which to gamble, casinos generally use chips instead of cash, which can be bought at the start of the visit. Game rules have mathematically determined odds that ensure the house retains an advantage over players. Each game you play has different odds, and a different edge, or statistical advantage that the casino has over a player. For example Baccarat and craps pay better odds than roulette or slot machines, which have a higher edge. Blackjack, the most popular card game, offers the player the best odds in the casino. But whatever the odds, the casino retains the mathematical advantage. The fictional casino boss, Gronevelt in Mario Puzo’s famous novel *Fools Die* summed up the industry; *“Percentages never lie. We built all these hotels on percentages. We stay rich on the percentage. You can lose faith in everything, religion and God, women and love, good and evil, war and peace. You name it. But the percentage will always stand fast.”*

The total drop or money exchanged for chips in British casinos during the year 2004/05 was £4,258m, an increase of £85m on the year before.^x The attendance at casinos also rose just over 3.5% to 12.3m visits for the same period. The industry employs 15,300 people in 138 casinos and pays £157m in revenues to the treasury^{xi}.

The table below provides the proportion of each game towards to total drop (total house win):

	2000/01	2001/02	2002/03	2003/04	2004/05
	%	%	%	%	%
American Roulette	66.3	64.6	56.7	52.3	51.9
Blackjack	16.8	26.5	16.4	17.9	17.2
Punto Banco (including Baccarat)	9.8	9.2	0.4	0.2	8.7
Electronic Roulette	0.2	3.3	8.7	11.7	13.9
Casino Stud Poker	5.9	5.5	4.8	3.1	2.0
Three Card Poker	-	-	3.0	5.1	5.8
Craps	1.0	0.9	0.8	0.6	0.5
Big Six/Sic Bo	-	-	0.2	0.1	0.0
Total	100	100	100	100	100
House Win £m	533	619	669	674	715

Source: Gaming Board Annual Report 2004/05

Casinos have been highlighted as having the lowest penetration levels of the various sorts of gaming at around 4% compared to betting and bingo which are closer to 15%,^{xii}. This makes it an attractive market for gambling companies seeking growth under liberalised laws, as well as increased fiscal revenues for the UK Government.

Under the 1968 Gaming Act, casinos are prevented from forms of advertising that include the address of a casino premises, or specifically inviting the public to spend money in any of its operations. It will not be until after the Gambling Commission’s consultation before a clear picture emerges as to how the new regulation will affect casino operators.

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Slot machines

Slot machines, fruit machines or one armed bandits, found in casinos are a popular form of gambling. They were originally installed as a diversion for the casual gambler^{xiii}. Unlike the table games, no knowledge of gambling is necessary and the initial stakes are small. This “casual” diversion has however grown to be hugely successful, and with it the most profitable game in town. For example, they bring in more than 60% of the annual gaming profits in the USA.

Although mechanical machines have been largely replaced by computer controlled machines, the game remains the same with the player pulling a handle to rotate a series of reels. These reels all have pictures on them and when they match up in the pay line, the player wins. The amount you win depends on which pictures match up.

£28m was fed into fruit machines each day in Britain in 2001-02, which is likely to increase substantially as access to these types of machines increases under new regulation.



Bingo

This game involves the winner being the first to match a random set of numbers on a card to those being called out. As at 31 March 2005, the number of bingo clubs holding the Gaming Board's certificate of consent was 700 of which 678 were operational. The industry employs 18,500 people and generates taxes of £81m. Interestingly, unlike other gambling activities, the number of clubs holding licenses has fallen over 20% over the last 10 years to March 2005. The amount staked to this date amounted to £1.78bn. Although there are no up-to-date figures available, the industry believed there to be a little under 3 million active members (5% of the population) of bingo clubs. The Gaming Board estimated there were 78 million admissions to clubs during its last reporting year to March 2005.

The Gaming Board endorsed recently, the long-term use of electronic bingo terminals in bingo clubs and a code of practice has been formulated which came into practice in June 2005.

It is also lawful for certain clubs and institutes and at entertainments not held for private gain to host unlicensed bingo. Sections 40 and 41 of the 1968 Gaming Act cover this type of entertainment which includes rules such as all proceeds of bingo going to charity or to the benefit of a non-proprietary member's club.

By law, people under the age of 18 are not excluded from entering or being present at licensed bingo premises provided they do not participate. However, Bingo companies may have a policy that does not allow under age people onto their premises. The same applies for employment of persons at bingo venues. Following the period of consultation by the government, there will be some changes to the licensing system of bingo venues. However, as this period of consultation is not due to finish until 2007, it is unclear what these changes may be.

Lotteries

Most lotteries are a chance numbers game where customers attempt to select a set of numbers which will match those later to be drawn. Other types of lotteries in addition to the well known draw variety are available through raffles, sweepstakes, scratch cards, internet and interactive digital television.

At March 2005, there were 647 societies registered with the Gaming Board, with returns being received for 62,088 lotteries promoted by societies and one lottery promoted by the single registered local authority scheme. Most of these were “Hotspot” lotteries conducted in public houses. The proceeds raised by societies’ lotteries amounted to £141.1m in 2004/05, an increase of 11.5% on the previous year, perhaps an indication of the popularity of this type of gaming for raising money. Ten years ago, proceeds amounted to £38m, just a quarter of last year’s total.^{xiv} Just over 21% was paid out to winners, 25.6% for expenses and the rest (53%) to the beneficiaries/good causes. The Gambling Commission will now have responsibility for regulating this activity.

Sadly, as with many things, there is an increasing amount of lottery fraud with scams regularly being established. The top ten scams identified by the OFT include telephone, e-mail and postal lottery scams. People receive unsolicited email or calls informing them they have won a prize. A subsequent telephone call or email instructs the person to send money in respect of taxes and processing fees in order to release the prize money, which is never sent. The OFT estimates that consumers are losing an estimated £1bn per year to a variety of scams.

The National lottery

The National Lottery, the biggest and most well known of the UK lotteries, is probably responsible for a change in public perception of gambling since its launch in 1994, from a somewhat mysterious and perhaps seedy activity to a mainstream leisure activity. The National Lottery, licensed to Camelot until 2009, was established by Parliament to raise money for good causes, and has raised £17bn for good causes since its launch. The National Lottery works in partnership with 14 lottery distributors supporting causes in areas including arts, environment, community, education and health. 28 pence of every £1 spent goes to these causes, 4.5p to cover operating costs and 0.5p profit for Camelot, 50p to the prize fund and 12p to the government. The final 5p goes to retailers as commission. Sales rose in 2004 by more than £150 million to £4.77bn.^{xv}



Camelot has strategies in place to prevent underage play as well as excessive play. The company has four policies in place. These are promoting responsible play, community involvement policy, advertising and sale promotion code of practice and the player guide. Via the internet, underage play is regulated by a strict registration procedure, whereby new registered players are verified.

The National Lottery in the UK is the third largest in the world, yet ranks, in terms of per capita spend, 47th.^{xvi} The National Lottery therefore claims to have achieved the right balance of many people playing but spending relatively little per head. One of Camelot’s targets is to remain outside of the top 10 lotteries ranked by per capita spend in order to maintain this balance.^{xvii} Camelot also monitors the average weekly spend per player on all National Lottery products. It has set itself a target of no more than £3.60 per player per week. Over the past four years, this has not exceeded £2.83. This is commendable considering the tension to grow (i.e. through more sales) versus ensuring the National Lottery does not create problem gamblers.

Around 70% of the population plays the National Lottery on a regular basis. Players are spread across all socio-economic groups and there is very little difference between players in terms of income, gender or age.^{xviii} There are small differences in the trends amongst groups however, which are evidenced in the table that follows.

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Participation and average spend per social group			
Social Grade	Percentage of UK population	Percentage who play either Saturday or Wednesday Lotto	Average weekly spend on either Wednesday or Saturday Lotto
A B (occupation: higher/intermediate managerial, administrative or professional)	24.4	21.1	£1.61
C1 (occupation: supervisory or clerical, junior managerial, administrative or professional)	28.9	28.8	£2.07
C2 (occupation: skilled manual workers)	20.8	23.1	£2.61
D E (occupation: semi and unskilled manual workers, state pensioners or widows (no other earner), casual or lowest grade workers)	25.4	27.0	£2.32

Source: Camelot Social Report 2005

The National Lottery makes its games available interactively too. Unlike other forms of gambling, you only have to be 16 to play the National Lottery.

The Salvation Army is the most diverse and largest provider of social welfare outside of the government in the UK. It works with Camelot in order to minimise any negative impact the National Lottery may have on the vulnerable within society. It recognised that the desire to increase sales could squeeze its commitment to social responsibility. The Salvation Army states on the Camelot website that it “is pleased that Camelot is committed to working with voluntary sector organisations and academic experts to ensure that this does not happen”. The consultation Camelot held in 2005 with voluntary groups also included representatives of Nottingham Trent University, University of Salford, Citizen Card, the Gordon House Association (a charity that helps people with gambling problems), Trading Standards, GamCare and the Employers Forum on Disability.

Although successfully adopted as part of national life, many still feel critical about the National Lottery, with particular focus being given to the notion of “regressive taxation”, as it is the disadvantaged socio economic groups that are most likely to play the lottery in terms of spend (see above table). Some studies have stated that the particular high taxation of the National Lottery can only be matched in magnitude with taxation of tobacco and petrol^{xix}. Much of this taxation is channelled into the “good causes” for which the National Lottery is known. A study by the University of Salford has shown that the proportion of highly educated people and social class composition are determinants of an area’s grant receipts, indicating the regressive nature of lottery taxation expenditure.

Amusement machines

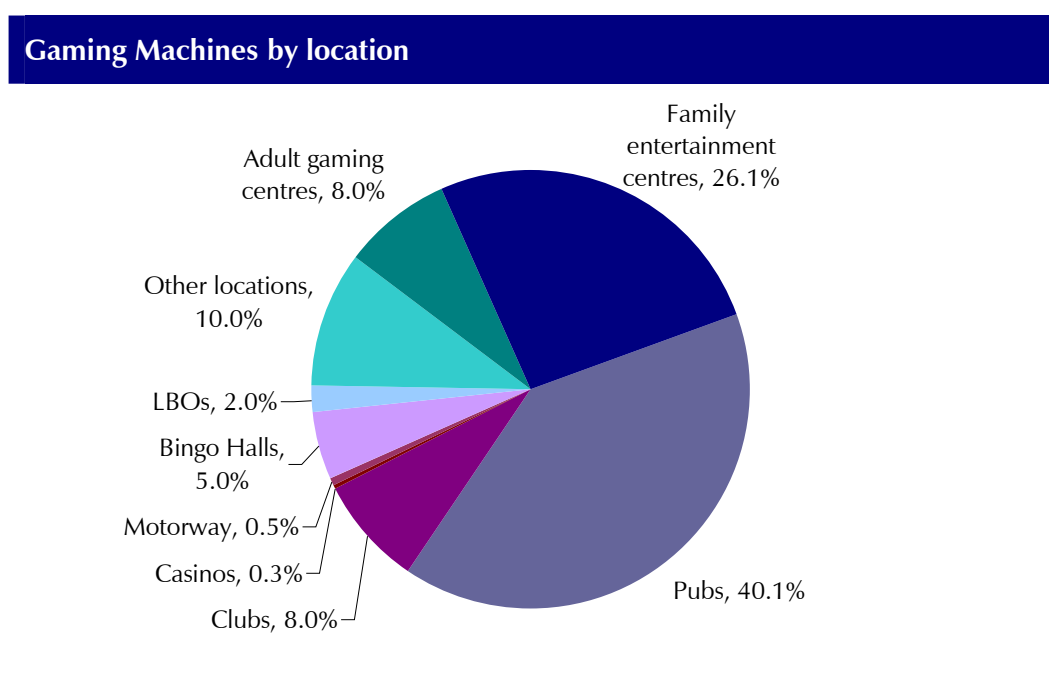
In addition to the slot machines found in casinos, “amusement” machines can also be found in pubs, clubs, arcades and some take-away food shops. These are often referred to as gaming machines or amusement-with-prizes machines (AWPs). The main difference to the machines found in casinos, is the strict limit to the maximum payout.

Around 22,000 are employed directly by this particular gambling industry. The trade association for the pay-to-play leisure machines industry (BACTA) estimates there to be some 244,000 gaming machines in 2004, including 202,000 AWP machines, 25,000 club or jackpot machines and 17,000 pinball, pusher and crane grab machines. These machines are estimated to have an annual turnover of £10.71bn in

2004, of which nearly 80% was paid out in prizes. The industry employs 244,000 and pays taxes in the region of £156m.

The 1968 Gaming Act provides for three types of machines in various locations. The first are the club or jackpot machines with maximum prizes of £2,000 in casinos, £500 in bingo clubs and £250 in other clubs. The maximum stake of 50p applies. Public houses, licensed betting offices, bingo clubs and adult amusement arcades may hold “all cash” AWP providing a maximum prize of £25 and a maximum stake of 30p. Other AWP which are “cash/token” can be situated in other arcades and cafes. £8 non-cash and £5 cash prizes are available with the same maximum stake of 30p as the “all cash” AWP. All operators of these machines do need certification in order to sell, supply or maintain betting machines.

AWPs can also be found in bingo clubs, and payouts are closer to casino fruit machines. The Gaming Board reports that there are 17,295 machines in Bingo clubs, down from 19,616 last year. There are 864 machines paying out jackpots of £250 and 843 paying out larger jackpots of £500. The rest pay out all-cash or cash/tokens. The graph below shows the distribution amongst AWP across the industry.



Source: Gaming Board 04/05

Investing in the financial markets

Stocks and shares

When questioning the Church of England’s policy of avoiding investing in gambling companies, many have argued that investing in stocks and shares is a form of gambling, rendering the ban hypocritical. We would argue that investing in the equity markets directly does not fit into the definition of gambling outlined in this paper. Investing money in the equity markets can be viewed as being a good steward of assets and fits neatly with the Parable of the Talents. However, speculative decisions, or “punting” on market movements for gains dependent on another’s loss may be more closely aligned to gambling and fall outside responsible stewardship. Gambling puts money at risk simply in the hope of getting lucky, whereas investment rationale focuses on the expectation of a return based on informed decisions.

Gambling or Gaming Entertainment or Exploitation?

Investment activity is not a game of chance, nor is it based on one party's gain at another party's loss. Buying shares is entering into the ownership of a company based on the principles of a free market, predicated on informed decisions and valuations. The investor becomes responsible as an owner of a company, receiving income and any market gains or losses accordingly, as well as being able to exercise ownership rights such as proxy voting. Owning shares is analogous to owning a house or other asset types.

We would therefore argue that investment directly in the stock market, equities, bonds, gilts and so forth, cannot be considered to be gambling; however, spread betting (a market activity) has been determined to be by the Church.

Spread betting

Spread betting is a market instrument. The Ethical Investment Advisory Group has examined this activity separately and recommended that it should be seen as an unsuitable investment for Church of England monies. Taking income from an activity based on chance as well as on one party's gain at another's loss is therefore avoided. A paper was taken to the Group in 2002 and a copy of the Executive Summary can be found at Appendix I.

Interactive or remote gambling

Interactive or remote gambling covers gambling via internet, mobile handsets and television. The government reports that most of the recent gambling review will now regulate remote gambling, an activity which specialists suggest 80,000 adults participate in each month.^{xx} The traditional methods of gambling, as discussed above, are increasingly being augmented with electronic forms of gambling most notably from the internet where newly launched companies are increasing the profile of gambling, such as www.888.com. Even the traditional gambling companies have internet gambling facilities, such as betting online with www.williamhill.co.uk and the National Lottery.

The Remote Gambling Association published a code of practice on social responsibility and age verification at the end of 2005. This is welcome in light of the limited and weak controls via the internet to prevent underage gambling that currently appear in place.

Online gambling

"The Online Gambling Market Research Handbook", an industry report cited future revenues of the online gambling industry could dwarf other internet services. The average casino keeps around 75% of monies deposited which has caused some analysts in the market to estimate the business's worth will be US\$12bn by 2015.^{xxi}

The 1968 Gaming Act does not cover internet gambling sites in Great Britain for obvious reasons. The Act requires casinos to be premises-based and those who wish to gamble must attend these licensed premises. Companies offering internet gambling to UK residents must have their servers and other gambling facilities based off-shore to avoid contravening the law in the UK. However, the 2005 Gambling Act provides for internet casinos to be based in Great Britain and regulated by the Gambling Commission. This Act however has not come into effect yet, so for the time being, it is still illegal to base internet gambling sites in the UK. However, this poses some problems, for instance it means that these companies are not subject to UK law and are therefore outside the jurisdiction of the Gambling Commission. If there are problems facing British customers, there is little the Gambling Commission can do to intervene.

The law does not however make it illegal to participate in gambling activities via the internet in Britain. The advertising laws on promoting internet gambling are very tight and would, in the Gambling Commission's view, allow little more than the publication of the name of the site. In November 2005, the BBC reported that Culture Secretary Tessa Jowell plans to prevent gambling companies from advertising free entry to online tournaments or indicate the value of prizes, following accusations that companies were flouting laws that prevented casinos from offering inducements to gamble.^{xxii}

The online gambling market in the UK is growing rapidly and despite the restrictions in terms of what can be advertised, UK online casinos and poker rooms are increasing their advertising with huge sports sponsor shop and poster advertising. The top ten UK gambling or sweepstake sites are The National Lottery (35%), William Hill (6.3%), Partypoker.com (6.2%), Ladbrokes (5.6%), Pacific Poker (4%), Cyberslotz (3.7%), The Gaming Club (3.5%), LoopyLotto (3.2%), Golden Palace Online Casino (3.1%) and Vernons (2.7%)^{xxiii}. £5bn a year is wagered online with 93% of people with internet access having gambled on the web. The average spend per week on gaming sites is between £10 and £20. Online football receives £1bn in wagers, with £835m on internet casinos, £665m on horse racing and £42m on poker sites.^{xxiv}

Online gambling provides the ability to gamble 24 hours a day from the safety of your own home. Associated problems include the increased risk of exposure and access to children and the absorption to computers in terms of time.

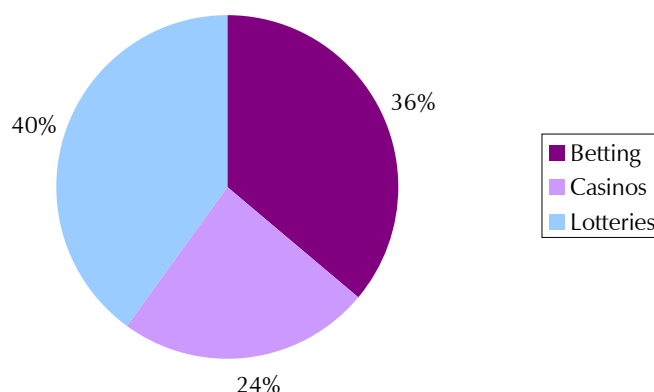
New ways of tapping into the internet gambling market are constantly being sought. For example, Ryanair recently announced plans to introduce in-flight gambling, with the hope eventually of being able to offer free flights to all passengers as it generates its income from gambling.

One of the more worrying aspects of online gambling is perhaps the ability for those under the legal age to access sites that provide gambling facilities. A report by Lancaster University^{xxv} suggests that most children can access online gambling sites. Some sites, such as the National Lottery and Ladbrokes, have means of blocking access to under-age gambling, however, it appears that the majority of sites do not have effective screening tools and blocking technology. The majority of online payment methods are only available to those over 18 years of age. Children do however have access to various types of payment cards, such as Visa Electron debit cards, that may be used to fund gambling. The Remote Gambling Association encourages its members to focus efforts on preventing these types of payments from underage gamblers. The Code requires certain checks and verification procedures, which will go some way to helping prevent underage gambling.

Gambling via mobile

Gambling services by mobile handset are a relatively new phenomenon with some analysts predicting that this is what the mobile telephone companies have been waiting for, predicting that it could grow into a multi-million pound business as part of the adult-to-mobile services on offer. The growth of the mobile market, the desire for lotteries, and an increasing awareness of interactive gambling may mean that the number of gambling services mobile phones offer could explode. This could also mean powerful partnerships between mobile phone operators desperate to claw back some of the investment into new technology, and gambling companies looking to increase their market share. Although some estimate that lotteries will be the most successful of all forms of mobile gambling services, accounting for around 40% of all mobile gambling revenues by 2009^{xxvi}, other forms of gambling could be driven to rapid growth by the service providers.

Total revenues from mobile gambling, 2009 (US\$19,320.5m)



Source: Juniper Research, White Paper - Gambling on mobile

Gambling via a mobile handset is incredibly easy. It takes up to a day to register and set up an online account. Once this is done, the user is then able to download his preferred java-enabled gambling application on to the handset, browse games and the odds, and place bets at a press of a button. The money is immediately debited from the user's account. With the ability to be invoiced through your phone bill, there is the possibility of concealing what the user is spending their money on.

Are there any benefits to gambling?

Tax revenues

It is easy to see that an industry that is estimated to be worth around £63bn a year would be an attractive form of fiscal revenue for the government. Opening up the gambling industry will inevitably increase revenues from this already lucrative source.

However some are concerned that the desire for increased tax revenues is driving changes devoid of any concern for the social wellbeing of the public at large, with particular concern about gambling related problems such as addiction, indebtedness and breakdown of family life.

Social activity

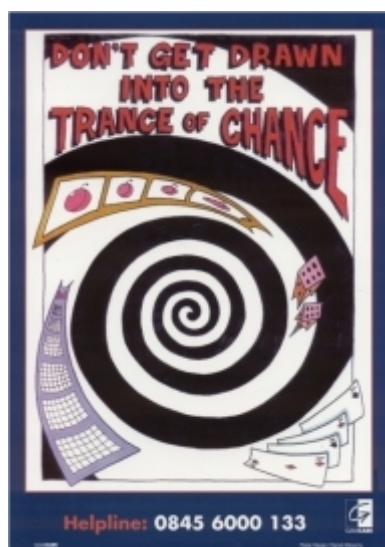
Gambling is often carried out in a social context, which provides entertainment and often safe venues in which to enjoy an evening out with friends, such as Bingo. In this social context, many people enjoy the thrill and excitement a day at the races or a night at a casino provides.

There is also the social benefit of raising money through lotteries for a social or sporting club or local community initiative.

Good causes

The introduction of the National Lottery has shifted public perceptions of gambling. It has provided a great stream of revenue for good causes, as already discussed.

However, some charities and local sports groups have complained that since its introduction, their revenues have fallen drastically.



Problems and Solutions

Some argue that all of life is a gamble, such as choosing when to cross a road; it is all about risk and reward, whether the risks are worth the reward such as taking a risk in a sporting event in order to win the match. Taking a chance is central to everything we do as human beings.

Yet many see gambling addiction to be as bad as alcoholism. Those with addiction have been described as “Jekyll and Hyde” characters, who may inflict a great deal of suffering on members of their family, in some cases leaving families short of money and the necessities of life. Gamblers Anonymous describes the possible change of character, as “lost in a mist of uncertainty”, unable to plan and developing a sense of self-loathing as they become prey to bitterness and contempt. Shame and social stigma prevents them from sharing the problem with friends and in some cases family.

Motivation for gambling.

One of the motivations to gamble is the natural desire for reward for little or no effort. It provides the human spirit with a positive feeling when “your numbers come up”, with the sense of anticipation creating a natural high. There are other things too that motivate us to gamble. The media often portrays gambling as sophisticated, stylish or fashionable (James Bond). Events such as Royal Ascot imply associations with high society and an element of the place “to be seen”. Gambling events can also be very social, such as attending bingo with a group of friends, or a day at the races. Gambling can also provide an escape from everyday life, visiting casinos, amusement arcades or even online in your own home.

It can be a fun and entertaining activity, however there are also downsides. This desire for the “natural high” can be addictive, with some finding it difficult to live without. Gambling can therefore be a problem for some. Unlike alcohol or drug addiction there are no physical symptoms so it can be problematic to spot; it has the understandable term of “hidden addiction”. It is therefore easier too to mask the truth and deny any evidence of addiction.

Studies have shown that so called “harder” forms of gambling are more likely to be addictive and therefore create more problems than the “softer” forms^{xxvii}. Harder forms of gambling are those activities that allow the player to restake, or use his/her winnings to bet again. Also the player has the ability to chase losses, receive good odds, have a high level of interaction and the ability for quick gains, such as casinos, fruit machines or betting shops. “Harder” forms of gambling provide opportunities to win large amounts of money, as well as stake large amounts of money. The losses can be considerable. Harder forms of gambling provide:

- high stakes
- continuous action
- convenience of play
- possibility of high returns
- frequent payouts

Gambling or Gaming Entertainment or Exploitation?

We would argue that the harder forms of gambling fall clearly into the definition of gaining at someone else's expense (as discussed in the beginning of this paper).

Softer forms of gambling do not score so highly in any of these definitions. There is little ability to stake all of the winnings to bet again, such as at Bingo, or to chase losses, such as the National Lottery.

Hard forms of gambling	Soft forms of gambling
Casino games	Lotteries
Betting shops	Bingo
Spread Betting	Pools
Gaming Machines	

Statistics

The Hilton corporate responsibility report puts a figure on the number affected by gambling, being less than 1 percent of the UK adult population. However, this may change as there has been a significant proliferation of convenience gambling from access in bars, pubs, slots, arcades to interactive internet and mobile. A study by Professor John Kindt at the University of Illinois showed that the number of compulsive gamblers increases between 100 and 550 percent when gambling is brought into an area.^{xxviii} This is of some concern in light of the government's proposals to liberalise the industry. It is thought there to be more than 300,000 people in Britain addicted to gambling.^{xxix}

It is interesting to note that it appears that there is a lack of substantial data on the prevalence of problem gambling among those under 18 in the UK^{xxx}, with studies suggesting that providing reliable prevalence figures for problem gambling in childhood is not possible. There are potential factors which may predispose a child or young person to become a problem gambler, such as heavy parental gambling, delinquency, regular illicit drug use and average-to-below academic standards.

There does not appear to be much evidence of pools competitions causing problematic behaviours. Nor, suggests a Lancaster University report, is there any evidence to suggest that the National Lottery leads to other harder forms of gambling.

There are a number organisations set up to provide information, research, help and support to those with problems.

Gamcare



Gamcare was set up to provide information, advice and practical help in addressing the social impact of gambling. It is a registered charity that aims to improve the understanding of gambling's social impact, promote a responsible approach to gambling and provide a service that helps those who are facing gambling dependency problems.

Gamcare cites four different reasons why people gamble. These being risk-taking (sense of anticipation creating a natural high and a feeling of excitement), escapism (the gambling environment can provide an escape from everyday life at casinos, online betting, amusement arcades), glamorous (TV and films portray gambling as sophisticated and stylish), and social (generally gambling occurs within a social setting, races, bingo etc).

Gamcare provides a guide on gambling in a responsible manner, which includes suggestions such as setting strict limits on how much time and money is to be spent, and only gambling when you can afford to lose.

During 2004, GamCare conducted a mystery shopper exercise on UK based gambling websites. Ladbrokes and Camelot were the only two sites to succeed in stopping an underage person from gambling on the site.

Responsibility in Gambling Trust

Formerly known as The Gambling Industry Charitable Trust, the Responsibility in Gambling Trust was set up in response to recommendations made in the Budd Report (commissioned by the Government in 2001). Its role is as a commissioner of services. It carries out research into how to limit problem gambling, and is funded voluntarily by the Gambling Industry. The money raised goes towards activity to treat problem gamblers, raise awareness and prevent future harm, as well as research. This also includes funding some GamCare services. By 2005, it had paid grants annually of over £1m to organisations providing support for problem gamblers and public education into the risks of gambling. It has also identified priorities for its future research programme.

As this organisation is funded by the gambling industry, there may be some who argue that this is a way for the industry to “pay its dues”, and perhaps avoid some of the responsibility that rests with it.

Gamblers Anonymous

This Group consists of men and women who have come together to do something about their own gambling problems, as well as assist other compulsive gamblers to do the same. This organisation also provides the opportunity for those living with problem gamblers to meet to discuss their experiences. This provides help and encouragement for family and friends by assisting them in understanding the gamblers’ problem and how to overcome it. Since 1964, when Gamblers Anonymous first came to London, over 150 groups have become active.

Gamblers Anonymous as an organisation does not hold any opinion either way about the legitimacy of gambling as an activity. However, between the start of the National Lottery and 2001, the group has seen an increase in calls by 17% relating to problems with all types of gambling, and not necessarily directly linked to the Lottery or scratch cards. It worries that the public are being misled into believing that the Lottery is simply harmless fun for good causes, as it sees this very much as a form of gambling, a game of chance. As a gambling activity the group predicts that there will be those whose addiction will focus on this form of gambling.

Gordon House Association

The Association is established for the relief of any form of physical and mental distress and suffering resulting from problem gambling.

Gordon House provides residential treatment for severely addicted gamblers, as well as providing outreach support and internet counselling service. Gambling addiction is based on avoiding reality, creating a lack of key social and survival skills. The website reports that research suggests that every severely addicted gambling addict detrimentally affects at least 15 other lives in order to support their habit, with around 80% of the waking day spent focusing on how, when and with what to gamble.

Theology

God of chance?

In 1984 Professor David Bartholomew published a book called “God of Chance” with a picture of a roulette wheel on the front cover. He argued persuasively that chance is an essential element in the picture of creation revealed by cosmology, genetics and evolutionary biology; nevertheless this does not destroy the theological vision of an ordered and providential cosmos. God mysteriously weaves together chance and necessity in a world characterized by freedom and openness to the future.

St Augustine claimed that evil has no existence of its own, but is always parasitic on what is good. In this light, gambling needs to be seen not as something evil in itself, but, at worst, a corruption of a good gift of God. If the Creator himself uses chance, and takes risks, then there is something fundamentally good in the risk-taking instincts of human beings. Faith itself involves risk, “wagering” ones life on that which is unseen. This affirmation of risk is reflected in Jesus’ parable of the talents in Matthew 25. 14-30: the servant who hides his talent in the earth is blamed for refusing to take risks, and indeed Jesus says that it would have been better to risk sinning (gaining usury from a bank) rather than to do nothing at all.

Gambling – harmless or a deadly sin?

These reflections do not provide a theological justification for gambling, particularly in its highly organised and compulsive forms. But they do allow us to see it as not intrinsically evil, and Christians can claim the freedom to enjoy it in harmless ways.

This should not however blind us to the evil potential of gambling and its possible destructive effects on health and family life. By nature humans possess the desire to have something more than we already have. This is because we are created to desire God himself: “You, O God, have made us for yourself, and our hearts are restless until they rest in you”. Evils arise when this restless desire becomes focussed on created things, rather than on the Creator, and then indeed we are never content. This is expressed in the opening chapters of the Bible where Adam and Eve give in to the desire for forbidden fruit. Money is prominent among the varieties of idolatrous desire: “Whoever loves money never has money enough: whoever loves wealth is never satisfied with his income” (Ecclesiastes 5.10); “No-one can serve two masters: either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and money”. (Matthew 6.24)

The desire for the good things of this world, and for more of them, is legitimate to a certain point, and the way to fulfil them is to take the risks of enterprise. It can hardly be denied, however, that our society is seriously addicted to ever-increasing consumption. Some forms of gambling may be harmless, and may even contribute to the common good through raising money for good causes. Nevertheless the proliferation of gambling, with the promotion of lotteries and the get-rich quick culture of TV game shows, is a manifest form of our idolatrous and fallen condition. We have to look realistically at the way gambling operates in society, and at the vested interests that lie behind it.

Gambling as escapism

A matter of particular concern to the Church’s social witness is the effect of gambling on poor communities. A Birmingham vicar calculated that thousands of pounds leave his parish in a deprived estate every week through the National Lottery and other forms of gambling – far more than ever returns through the Lotteries Community Fund. In so far as the Lottery finances cultural, sporting and

community investment, from which poor communities may benefit, it represents a highly regressive form of taxation, bearing most heavily on those who can least afford it.

Furthermore, it promotes in poor communities a culture of corporate despair and acquiescence in the huge divisions between rich and poor which are becoming entrenched in the global economy. Rather than being encouraged to invest together to improve their communities, people are tempted to seek individual escape. By definition, this succeeds only for a vanishingly tiny minority, leaving the majority worse off, and some families broken by the ravages of compulsive gambling.

Gambling as an investment for the Church?

People often accuse the Church of being hypocritical in excluding gambling as an investment for Church funds on ethical grounds, while leaving parishes free to accept Lottery funding and organize bingo and raffles. Indeed, some would argue that all forms of investment in the Stock Exchange are a form of gambling.

We regard ethical investment in the Stock Exchange as a legitimate expression of the risks of enterprise referred to above. While there is inevitably an element of risk, in investing in an extractive, manufacturing or retailing company, this is clearly different from investing in a firm whose business is gambling itself, and which is therefore inevitably caught up in the dynamics of gambling in our society.

The theological response must therefore be similar to that which the Church takes on alcohol. Its Paper on investing in alcohol in 2005 argues (as we argue here in relation to chance) that alcohol is a gift of a good Creator, sanctified by its use in the Eucharist as a foretaste of the banquet of heaven. Nevertheless it can be abused, and has huge potential for evil and unnecessary suffering. These evils justify the attitude of total abstinence taken by some Christians, even though this is not required of all Christians. The Paper distinguishes therefore between the decisions made by individuals or individual churches on the one hand, and judgements made by the Church as a whole in investing its funds in institutions and industries. Points made in that Paper about alcohol, may be amended to apply to gambling.

The Church of England's Ethical Investment Advisory Group accepts that gambling for many people is an acceptable leisure activity. However, it continues to recommend the Church of England does not invest in companies whose main business is gambling on the following grounds:

- These companies have an inbuilt self-interest not only in supplying opportunities for gambling but also in promoting them, and this is likely to continue;
- They contribute to, and make money from, a significant social problem which has tragic consequences for many families;
- To invest would be to create offence to many Christians who choose abstinence, where abstinence is a legitimate Christian option.

Companies

Most of the companies involved in gambling are listed under the Travel & Leisure Supersectors, within the Consumer Services Industry. Also within this industry are the Retail and Media Supersectors.

The Market

There are nine companies in the FTSE All Share excluded by the Church of England under the category of gambling, including the new addition of 888 Holdings plc. Eight of these fall within the Travel and Leisure Supersector and one under General Financial. The table below provides the companies' market

Gambling or Gaming Entertainment or Exploitation?

data. The overall market cap of excluded stocks at the 31st December 2005 stood at £17,366m or 0.67% of the FTSE All Share.

This report has only covered those companies currently excluded because of gambling. It has not covered the mobile telephone companies or service providers who may be facilitating activities through their services, but which are not excluded.

	Market	Super sector	Market Cap	Free float weighting	12m relative to FTSE all share	Total sales at year end	Year End
			£m	%	%	£m	
888 Holdings	FTSE 250	Travel & Leisure	654	0.08	n/a	96.7	Dec
Arena Leisure	FTSE Small Cap	Travel & Leisure	148	0.11	-9.5	37.3	Dec
Hilton Group	FTSE 100	Travel & Leisure	5,820	0.40	3.6	11,893	Dec
IG Group Holdings	FTSE 250	General Financial	568	0.18	n/a	62.3	May
London Clubs Intl.	FTSE Small Cap	Travel & Leisure	311	0.56	1.1	140	Mar
PartyGaming	FTSE 100	Travel & Leisure	5,360	0.37	n/a	327	Dec
Rank Group	FTSE 250	Travel & Leisure	1,908	0.82	-16.7	1,953	Dec
Stanley Leisure	FTSE 250	Travel & Leisure	485	0.16	35	2,077	Apr
William Hill	FTSE 250	Travel & Leisure	2,112	0.88	-18.3	8,288	Dec
			17,366	3.56			

	Market Cap	Market Cap
FTSE All Share	1,495,298	FTSE 250 217,429
FTSE 100	1,221,841	FTSE Small Cap 56,027

At 31.12.05

Source Datastream, Investec Securities

Impact on performance

The sector as a whole tends to be very volatile and has an illustrative impact on performance of -0.14% for 2005. Below is the illustrative impact table for the last eight years.

	1998	1999	2000	2001	2002	2003	2004	2005
Gambling	0.19	0.10	-0.02	-0.07	-0.09	-0.20	-0.07	-0.14
Total	-0.34	1.42	-1.43	-0.85	-1.11	-0.07	-0.63	-0.73*

*this excludes 888 Holdings which was only included in January 2006

Conclusions

The certain liberalisation of the UK's gambling laws is set to increase the accessibility of gambling activities to the population at large, and is no doubt a future area of growth for the leisure industry. This growth is likely to increase the number of those afflicted by gambling addiction and gambling related problems. This may be exacerbated by the softening of the public perception towards gambling following the success of the National Lottery and the large number of people who participate. This is of concern for the Church.

The gambling industry is very fragmented and the Ethical Investment Advisory Group examined whether a softening of the policy should be considered with a relaxation of investment in companies focused on soft forms of gambling. However, the Group concluded, on balance, that all gambling, both soft and

hard forms, contribute to the social ills that result from severe addiction to the activity, and should therefore be avoided.

The Church of England's Ethical Investment Advisory Group believes there is a difference between the acceptability of the activity itself, versus the decision for the investment bodies not to take income from the activity. In this, the Group recognises that a few benefits may exist from certain forms of gaming, such as money for good causes through lotteries, bingo, tombollas etc, as well as enjoyable social occasions arising from racing events, or a night at the casino. However, the social ill consequently linked to gambling activities, particularly in relation to those from economically disadvantaged backgrounds, is undeniable. Particular focus is given to those who see the National Lottery as the only way out of financial poverty and which may be viewed as a "reverse insurance policy".

A policy of avoiding income from companies deriving more than 25% of turnover from all forms of gambling is therefore wholly appropriate for the Church's investments. We argue that it would be unsuitable for the church's investment bodies to receive income from any activity wholly premised on the activity of gaining at someone else's expense, which may in turn fuel gambling related problems amongst the vulnerable and the young.

The Group recognises that soft gambling will remain a contentious issue within the wider Church as many parishes and church bodies have, and continue to use raffles, lotteries, bingo evenings and such to raise much needed funds. This includes applying to the National Lottery for grants. Others choose to avoid these activities in their entirety on principle.

With reference to the financial markets, the Group argues that investing for long term gain in stocks, shares, bonds and gilts does not constitute gambling in any form, but rather is consistent with good stewardship of God's gifts in the responsible ownership of assets. However, gaining from short term speculative market movements, such as through spread-betting, is a form of gambling and should therefore be avoided. In recognising this, the Group has now brought spread betting under its gambling policy.

The Church of England will continue to avoid investment in companies deriving more than 25% of turnover from (both hard and soft) gambling activities.

Amanda Young
Socially Responsible Investment Analyst
Ethical Investment Advisory Group of the Church of England
March 2006

Spread Betting

Executive Summary

- Spread betting comes in two forms, financial and non-financial (essentially sport), although the principle is the same for both strands. Spread betting allows the investor to take a short or long-term exposure to a stock, index, future or commodity without taking ownership itself, and profiting from a falling as well as a rising market. The “spread” is the prediction offered by the broker of the price of a stock, or the value of an index at a specified date in the future. The investor places a bet on whether the price quoted will fall or rise.
- The advantages of financial spread betting are such that profits are free of capital gains tax (unlike profits made on the sale of shares and unit trusts), and bets are exempt from stamp duty (unlike the purchase of shares). A single account provides access to a range of markets including shares, bonds, commodities, currencies, interest rates, indices and options. There is no direct commission or broker fee payable as the only direct cost is the spread itself. Profits are theoretically limitless, as the more “right” an investor is, the more profit will be made. As well as profiting from a falling market, investors can deal when traditional markets are closed.
- Spread betting entails none of the concomitant responsibilities of ownership, and investors do not receive dividends or have voting rights. It is not a long-term investment option, and the investor typically has little interest in the company, commodity or index itself, except as a speculative indication of a future position. Spread betting markets are high risk and very volatile, and losses cannot be offset against capital gains. If the spread goes against an investor, losses can be considerable, unless a guaranteed stop loss is placed that strictly limits the maximum loss that can be incurred. The ability to collect profit is also dependent on the financial health of the bookmaker.
- Sports spread betting provides the investor with a wide range of bets in many different sports, Unlike fixed odds betting, spread bets allow the investor to speculate on specific events, such as the total number of corners, yellow and red cards, or goals scored in the game, rather than the final outcome of the game itself. As with financial betting, it also allows the investor to profit from poor performance. Apart from football, sports spread betting coverage includes rugby, horse racing, cricket, boxing, American football, greyhound racing, golf, snooker, darts and motor racing.
- The Church’s policy is to avoid investment in companies whose business interests are wholly or mainly engaged in gambling. Spread betting is not a conventional gambling or gaming activity, being classified by FTSE within the speciality finance sector. The Group needed to determine if in principle it should be thought of as a form of investment or gambling.
- Spread betting carries inherent high risk in which the rewards and losses can be substantial. It is short-term and carries none of the responsibility that comes with equity ownership, such as voting, nor its rewards in receiving income and enjoying capital growth. Spread betting allows the investor to speculate and profit from failure and falling markets, as well as success and rising ones. So, the spread better has no intrinsic interest in a company or market, except in predicting a specific, speculative movement over time. The Group decided in view of these criteria, that spread betting constitutes an unconventional, albeit specialised, form of gambling, and **recommends** it be included within the scope of the Church’s policy on gambling.

On behalf of the Ethical Investment Advisory Group

February 2003

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