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## **Proposals for changes to Gaming Machines and Social Responsibility Measures**

**(Consultation Document from the Department for Digital,  
Culture, Media and Sport)**

### **Response by the Mission and Public Affairs Council of the Archbishops' Council of the Church of England**

*The Mission & Public Affairs Council of the Church of England is the body responsible for overseeing research and comment on social and political issues on behalf of the Church. The Council comprises a representative group of bishops, clergy and lay people with interest and expertise in the relevant areas, and reports to the General Synod through the Archbishops' Council*

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## 1. Guide to contents

Executive summary .....	3
Fixed Odds Betting Terminals .....	4
The case for parity .....	4
1. The harm done by high stakes betting in high streets .....	5
2. The risks arising from stake variation.....	5
3. The risk to reliable decision-making at higher stake levels (such as £20).....	5
4. Disadvantaged people are especially at risk.....	6
5. High stakes on the high street are a problem for problem gamblers .....	7
6. Our neighbourhoods would be better without high-stakes machines .....	7
7. Money laundering is still an issue.....	7
8. Crime in and around betting shops is still an issue.....	8
9. A £2 maximum stake would preserve the traditional presence of this type of shop in the high street.....	9
10. Other jurisdictions have something close to a £2 maximum.....	9
Challenges to the £2 maximum stake .....	10
1. Is there any evidence behind a £2 maximum stake? .....	10
2. Is it legitimate to isolate stake level as a specific risk factor? .....	11
3. Would economic damage and job losses result from a £2 maximum stake? .....	11
4. Would customers just move from B2 to B3 content if stakes were cut? .....	12
Other machines.....	13
Contactless payments.....	16
Social responsibility measures .....	18
1. ‘Social responsibility’ and safer gambling.....	18
2. Human interaction.....	18
Player protection.....	19
Player protection – general considerations .....	19
Limits on sessions of play .....	20
Player protection across B1, B2 and B3 machines.....	20
Tracked play.....	21
Player protection measures for the online sector.....	21
Gambling advertising.....	22
Funding for research, education and treatment options, including a mandatory levy.....	22
The powers available to local authorities.....	23
The ‘aim to permit’ .....	24

## **Executive Summary**

The Church of England is committed to a £2 maximum stake for B2 machines (fixed-odds betting terminals). Church members up and down the country have experienced the harm done in their own lives or that of their family, friends and neighbours by the current £100 possible stake, in the betting shops which have become concentrated in shopping streets, especially in areas of social and economic deprivation.

We list 10 main reasons why a reduction to £2 is needed. There is no such thing as a ‘compromise’ solution among the other options mentioned in the consultation document; even £20, though a significant drop from £100, would leave B2s as a cuckoo in the nest, with stakes and potential losses far above the normal run of high street machines.

The 10 reasons are: the harm done; the risks when a variety of stakes is available; the risks to decision-making ability; the risk to disadvantaged people in particular; the risks that easily accessible high-stakes machines present to problem gamblers; the impact on neighbourhoods; money laundering; violent crime; preserving the betting shop in its normal form; the comparison with other jurisdictions which have relatively low maximum stakes.

Four main objections have been brought against the £2 maximum stake. Firstly, a claimed lack of evidence to justify the £2 figure (the government being mindful of the possibility of judicial review). Secondly, the claim that risks in gambling arise from many factors of which stake size is only one. Thirdly, that economic harm and job losses would result. Fourthly, that customers would move to other categories of machine which might be more harmful than a £2 stake B2. We consider all of these objections below and find none of them convincing. Once the extraordinary anomaly of a high-stake machine in a high street is removed, it will be much more possible to survey to whole range of interlocking issues in terrestrial, not to mention online, gambling.

The consultation covers many other issues. We offer our views on the many other types of machines than B2, and the government’s proposals, with most of which we concur. We welcome the thoughtful discussion on social responsibility issues in the document, and add reflections of our own. The sections on online gambling and on gambling advertising are helpful in reviewing the field, without adding new proposals for action, and we shall look forward to engaging with these very important issues on the basis of our brief contributions here.

We are very much in favour of a mandatory levy on all sections of the industry to fund research, education and treatment. The system of voluntary contributions is misguided in principle – giving a degree of leverage to the industry however many precautions are taken to prevent bias - and in practice sections of the industry pay nothing or too little.

In contradiction to what is said in the consultation document, we do not believe – nor do they - that local authorities have sufficient powers in this field. Our response closes by calling into question the very positive view, flowing from the 2005 Gambling Act, that gambling is a normal, healthy and beneficial part of the leisure economy, so that there should be an ‘aim to permit’ more outlets. The Church of England is not against gambling; but we believe that there are such serious issues, especially public health issues, around gambling that a more balanced approach is needed.

**Q1. Do you agree that the maximum stake of £100 on B2 machines (FOBTs) should be reduced? If yes, what alternative maximum stake for B2 machines (FOBTs) do you support?**

Yes. We support a £2 maximum stake.

It is generally agreed that £100 is too much as the maximum stake for fixed-odds betting terminals in licensed betting offices. At the 2017 General Election the manifestos of the Labour, Lib Dem and UKIP parties contained pledges to reduce the maximum stake to £2, after the Church of England's General Synod had made the same demand. In August 2017 the Centre for Social Justice came out strongly for a £2 maximum.

The General Synod motion read:

'That this Synod, mindful of

1 (a) the destructive impact which accessible, high-stake machine gambling can have on families and whole communities and

1 (b) the widespread public concern about the very large amounts being wagered at fixed odds betting terminals located in high street betting shops,

Welcome her Majesty's Government's review of the maximum stake for such terminals and call on Her Majesty's Government as a matter of urgency to bring forward proposals (i) for the amendment of existing legislation to reduce from £100 to £2 the maximum amount which may be wagered on a single game at such terminals and (ii) to grant local authorities the power to make provision about the number and location of such terminals in order to reduce the risk of harm to large numbers of vulnerable people.'

The Treasury has previously resisted proposals for reduction, so we hear, because of the fortune that comes to it from this part of the gambling industry. This is one of the many aspects of the gambling debate which resembles similar debates about tobacco and alcohol. Not all of us are happy with the argument that we should encourage people to lose money in betting shops so that the country can balance its books.

### **The case for parity**

Our case is simply that parity needs to be restored to the terrestrial betting market, by bringing B2 machines into line with other machines that are available in high street locations. From 2005 they have been allowed to distort the market, and the gross gambling yield from B2s has increased very greatly; it is 62% of the total yield of machines in all settings. Every other kind of betting machine in the high street machine has a maximum stake of £2, and the reason for that is simple; betting shops are the most accessible locations for terrestrial gambling<sup>1</sup> and there is, by design, a pyramid of safety: the higher the level of risk from a betting machine, the more checks and supervision are required in order to reduce the likelihood of harm resulting from those risks.

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<sup>1</sup> Not only are they easy to step into, but there are more of them. There are 8,502 betting premises, 583 bingo premises, 146 casinos, and 1,750 licensed arcades. <http://live-gamblecom.cloud.contensis.com/PDF/survey-data/Gambling-industry-statistics.pdf>

This argument for parity has been strongly challenged in very recent times. None of the challenges is effective. There are many reasons, other than intuitive fairness, to support it. It is important to note that the 10 reasons which follow are all reasons for a £2 maximum. *A maximum of £20, say, would not in any of these 10 respects resolve the problems created for society and for individuals by high stakes in the high street.*

### **1. The harm done by high stakes betting in high streets**

The evidence of harm is incontrovertible. The General Synod heard that two-thirds of the calls to GamCare, the country's main problem gambling charity, were from bookmaker customers, with over half citing FOBTs as the root of their problem. The Bishop of St Albans has said: 'Since I began looking into this I've found myself inundated with people coming to me with terrible stories and I've realised what a tragedy it is.' General Synod members spoke in the debate of their first-hand experience of the harms suffered by those with a gambling problem. The accounts of harm are too numerous and consistent to be dismissed as merely 'anecdotal'.

### **2. The risks arising from stake variation**

All machines provide rapid, continuous play, and that introduces risk of harm. But varying stakes adds to that. It means you can win often, sometimes large sums, and you can lose quickly. Research has shown that B2 machines make it hard for players to keep track of what's going on. They can get lost in a 'forest of wins', then they can think they're winning when they're losing. This often feeds into the damaging spiral of 'chasing losses'.

Responsible Gambling Trust research has shown that '*Problem gamblers tend to be more chaotic, that is using a higher number of distinct stake levels as well as levels that span larger ranges of values...*'

In addition, FOBTs offer many different games, including casino-type games, and players easily get the illusion that they're exercising choice and skill. That mistake has been long recognised as a factor in a growing gambling habit.<sup>2</sup>

A reduction in maximum stake to £20, or more, would do nothing to address this problem. £20 is still massively out of proportion to the normal, up-to-£2 experience in betting shops.

### **3. The risk to reliable decision-making at higher stake levels (such as £20)**

One of the GambleAware studies, which examined a small sample of adult non-problem gamblers found that an element in the player's ability to make accurate decisions (i.e., reflection impulsivity) deteriorated as the level of stake increased. In the experiment, subjects gambled at three disparate stake sizes (£20, £2 and no stake per bet). The researcher reported that 'Quality of decision-making i.e. the evaluation of available information to make probability judgements was impaired after gambling at higher stakes in comparison to lower stakes, indicating an increase in reflection impulsivity. No effect on response inhibition was

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<sup>2</sup> Similarly, a 2014 study by the Responsible Gambling Trust found that those gambling at higher stakes performed worse in subsequent decision-making tasks compared to those gambling at lower stakes. Those participating also reported experiencing higher levels of arousal when gambling at higher stakes in comparison to those gambling at lower stakes,

observed. Although exploratory, this suggests that the opportunity for participants to substantially increase stake size on a gambling activity may be a risk factor for impaired cognitive performance when gambling, and perhaps create vulnerability for within-session loss-chasing in some players'.<sup>3</sup> Note that the highest stake level in this experiment was £20.

This consideration, and the preceding one, have been given added weight by the recent work of the Money and Mental Health Policy Institute, focusing on five forms of problematic gambling during periods of poor mental health: impulsive gambling, risk-seeking gambling, goal-based gambling, intrinsically motivate gambling and loss-seeking gambling.<sup>4</sup>

#### **4. Disadvantaged people are especially at risk**

In the gambling survey Aug 17, unemployed adults were more likely than any other group to play machines in bookmakers (7%, compared with 4% or less in other groups). 10.1% of unemployed people were at risk of problem gambling, by the PGSI<sup>5</sup> measure; 4.6% of those in work.

In the study sponsored by the Responsible Gambling Trust, problem gamblers had lower income levels than non-problem gamblers (31% had an income of less than £10,400 per year compared with 24% for non-problem gamblers).

In a 2014 study in England, where all participants held a betting shop loyalty card, 42% of those with an income under £10,200 were playing FOBTs 2-3 times a week or more (11% every day or almost every day, 7% 4-5 days a week, 24% 2-3 days per week)<sup>6</sup>

In addition, the predictive model for problem gambling in this loyalty card sample found 'number of playing days' was the single most influential variable in the model.<sup>7</sup> The number of playing days is likely to be affected by the convenience of going to a betting shop, and the problem gambler's motivation to desist is more likely to be undermined when they are walking regularly past a betting shop.

When B1 stake size was increased from £2 to £5 (in casinos), the impacts were most notable on people of low income/disadvantage. The impact study said: "*a disproportionate amount of the increase in B1 revenue may have derived from the young, from those living in deprived areas, from heavy players and from those playing late at night. All this suggests that the relative share of industry revenue derived from groups where harm is most concentrated has increased following the uplift in maximum stakes and prizes.*"

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<sup>3</sup> Understanding Within-Session Loss-Chasing: An Experimental Investigation of the Impact of Stake Size on Cognitive Control. Parke A, Harris A, Parke J, Goddard P. *J Gambl Stud.* 2016 Jun;32(2):721-35

<sup>4</sup> 'Know the odds: the links between mental health problems and gambling, Money and Mental Health Policy Institute, London, November 2017, p1.

<sup>5</sup> Problem Gambling Severity Index.

<sup>6</sup> *Identifying problem gambling – findings from a survey of loyalty card customers*, Wardle, H., Excell, D., Ireland, E., Ilic, N. & Sharman, S. 2014, p.38, table 3.18.

<sup>7</sup> D.Excell, G. Bobashev, H. Wardle, D. Gonzalez-Ordenez, T. Whitehead, R.J. Morris & P. Ruddle, *Predicting problem gambling: An analysis of industry data* (London: Responsible Gambling Trust), 2014

There is every reason to suppose that the converse would be true if B2 stakes were cut; the harm done to those already at a disadvantage in life would be reduced by a £2 maximum B2 stake.

## **5. High stakes on the high street are a problem for problem gamblers**

In the ‘loyalty card’ study mentioned above, the average single bet of a problem gambler was £7.43, and they had an average of 2.2 sessions per day. The points above about accessibility apply especially to problem gamblers. This point rests chiefly on common sense, but there is some evidence. In the same study, when considering the 5<sup>th</sup> decile (where stake size will be in the region of £2.63 as the median), just over 70% of stakes were made by people who have some level of gambling risk (21% problem gamblers, 18-19% medium risk, and 31% low risk).<sup>8</sup> Reducing the stake to £2 would therefore be expected to target risky or problem gamblers.

## **6. Our neighbourhoods would be better without high-stakes machines**

That is the view of many local authorities. FOBTs are present in higher concentrations in poorer areas, where income levels are low. The Local Government Association formally responded to the consultation on stakes in December 2016. They said ‘we are concerned that the profitability of B2 gaming machines has helped to drive betting shop clustering in some areas, with a detrimental impact on high streets and town centres.’ The LGA has declared unambiguously in favour of a £2 maximum stake.<sup>9</sup>

Research under taken by Geofutures for the Responsible Gambling Trust and published in February 2015 confirmed that ‘areas close to betting shops tend towards higher levels of crime events, resident deprivation, unemployment, and ethnic diversity...[and that] players overall tend to live in neighbourhoods with higher levels of resident unemployment, multiple deprivation and economic inactivity.’

Around the country, church members speak of the negative aspects of the impact of betting shops clustered in their high streets, and the fact that these are located in areas of deprivation. The consultation document incorrectly claims that local authorities have sufficient powers to restrict the numbers and location of betting shops; in fact, those powers have not been sufficient to enable communities to manage the risks of high intensity machines in anything like the way that their elected representatives believe to be necessary.

## **7. Money laundering is still an issue**

The criminal practicalities of money laundering require a reasonable volume of cash throughput. £20 a time will do it. One cannot see a person involved in a money laundering operation sitting in a betting shop staking £2 a time.

Many say that the issues of money laundering in betting shops have been dealt with. But in Merseyside, 12 crimes of money laundering were reported in 2017 where the location

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<sup>8</sup> It is not possible to be more precise about these figures, or to say what the percentages would be for a £2 stake exactly, because the data is presented in a way that does not reveal this information. (figures extracted from chart and median presented on page 103-4 of report 2)

<sup>9</sup> The LGA also said ‘there is credible evidence that these machines may be particularly addictive and linked to anti-social behaviour and crime in betting shops’.

qualifier, in police records, is listed as 'betting shop'. All the figures in the rest of this and the following section relate to crimes reported where the location qualifier is 'betting shops', reported by police forces in response to Freedom of Information requests by the Church of England.

In Greater Manchester the figures for money laundering crimes report at or near betting shops fluctuate greatly; there were peaks of 39 in 2015 and 22 in the first 10 months of 2017. In the West Midlands, money laundering incidents with this location qualifier were in low single figures until 2016, when they were 29, then 24 in 2017.

## **8. Crime in and around betting shops is still an issue**

In the West Midlands, criminal damage incidents averaged 189 p.a. between 2012 and 2017, and in South Yorkshire 278. For West Yorkshire, in 2016 the number of arson and criminal damage offences (40) and violence against the person (22) were higher than in any of the preceding four years, each having shown a consistently rising trend since 2013, and the figures for the first 10 months of 2017 were similar to the 2016 rate. In Merseyside, criminal damage offences averaged 25 for 2012-2014 (in the 20s every year) but averaged 33 for 2015-6 (in the 30s every year). In London, monthly average for criminal damage alone in 2016 and the first 10 months of 2017 was 77.36.; for violence against the person 29.05, for public order offences 37.27. In Greater Manchester, the average for violent offences between 2012 and 2017 was 171.5.

In Cambridgeshire, criminal damage crime rose from 7 in 2013 to 11 in Jan-Oct 2017. That is a rise of 83% in monthly average. In Derbyshire, violent offences (including criminal damage) averaged 32 p.a. in the six years from 2012 to 2017, the highest figure being 42 in 2015. In Devon and Cornwall, the equivalent average was over 20 p.a., in Dorset 19.67, in Humberside 28.33, in Northumbria 31.5. In Northamptonshire, the average for the last six years was 15.5 crimes of violence against the person or criminal damage; the highest figures being in 2016 and 2017.

In West Yorkshire in 2016 and the first four months of 2017 (the latest date for which figures were supplied) there was a monthly average of 3.125 crimes of arson or criminal damages where 'betting shop' was the location qualifier. The number of crimes of violence with the same location qualifier in the same period averaged 1.94 a month. In both cases the figures were substantially higher than in the preceding two years.

The following data were published by the Gambling Commission in 2017. They show that for the last two years in which figures were available at that time, there were 20,065 incidents at betting shops requiring police assistance. There was a total of 1152 in all other gambling settings put together - Adult Gaming Centres, Bingo, Casinos and Family Entertainment Centres. That is, 95.57% of incidents related to any kind of gambling premises where police had to be called out were at betting shops. No evidence has been produced that there was anything like this scale of police activity at betting shops before FOBTs were introduced. The relative patterns have been fairly consistent, though the figures have risen and fallen for each category with no absolute pattern for each, except that there seems to be evidence for a consistent reduction in call-outs to casinos.

The following table shows the number of incidents requiring Police assistance broken down by gambling sector and year end date. Please be aware that the data for 2016 may not be complete as the fourth quarter (October-December) has yet to be submitted by all operators.

Sector	End Date						
	2010	2011	2012	2013	2014	2015	2016
<b>Adult Gaming Centre</b>	481	358	236	264	301	419	346
<b>Betting</b>	11,506	9,368	8,387	7,443	11,235	8,830	6,845
<b>Bingo</b>	224	256	78	33	79	169	103
<b>Casino</b>	640	707	333	100	72	65	36
<b>Family Entertainment Centre</b>	65	48	37	36	26	21	20

### 9. A £2 maximum stake would preserve the traditional presence of this type of shop in the high street.

The consultation document, in its later sections on player protection and social responsibility, sets out a large number of possible ways of managing the risks of high-stakes machines in the high street. These include compulsory tracked play, so that no one can use cash, and so that no one can have any anonymity when using this high street facility. It is recognised generally that safe practice requires adequate staffing, better than prevails now. Warnings and alerts flash in the face of the user.

All this abnormality and surveillance is brought into one type of retail outlet on the high street – not others – for one reason only: high-stakes machines. The Church of England is not against gambling and it is not against betting shops. The industry sometimes paints a picture of its outlets as community hubs<sup>10</sup>. For some, perhaps, bookmakers' shops were once like that.

Take out the B2s, restore the parity, and betting shops would perhaps have an opportunity to rediscover and reinterpret for this century the community role which they might have; places where risk is relatively modest and controlled, without the need for pervasive anxiety, surveillance and control.

### 10. Other jurisdictions have something close to a £2 maximum

Especially in Australia, Canada and New Zealand, the general policy is to confine higher-stake machines to casinos, while stake sizes for more readily available Electronic Gaming Machines (EGMs) are low and roughly in alignment with the £2 stake that the UK uses for all non-casino machines other than FOBTs:

- In Canada, where Video Lottery Terminals had caused similar concerns to FOBTs, the VLT maximum stake is \$2.50 (currently less than £1.50) for VLT

<sup>10</sup> See p. 14 below.

venues in six provinces. The most common maximum stake in other non-casino venues for other types of slots is \$5.

- In New Zealand the slot machine maximum stake is \$2.50 in non-casino locations (roughly £1.35)
- In Australia, the maximum bet size in 3 states is \$5 (£2.86 at today's exchange rate) or 10\$ in 4 states (£5.73).
- Within Europe, the maximum bet limits are 1 Dutch Krona in Holland, 2 Euros for non-casino machines in Finland, 0.2 euros in Germany, 2 Euros for non-casino locations in Greece, 300 kronor maximum in Iceland (roughly £2.10), 10 euros for VLTs in Italy.<sup>11</sup>

## Challenges to the £2 maximum stake

### 1. Is there any evidence behind a £2 maximum stake?

The question is, whether there is relevant evidence for any aspect of this topic. Research into the impact of different maximum stake levels is very limited. That may be connected with the fact that research has, in this country, been funded very largely by voluntary contributions from the gambling industry. It is very welcome that in recent months the organisation GambleAware (formerly the Responsible Gambling Trust) has become markedly more independent; but this is a very recent development.

However, while there is evidence supporting a stake reduction to £2 to create parity, no evidence has been adduced to support a change to a maximum stake of £20 or more.

Those who were involved in the original decision to set a stake limit of £100 agree that it was not based on logic or evidence. In 2001 FOBTs were still quite new and there was no legal control over them at all. They were spreading, and something had to be done. The government reached an agreement with the Association of British Bookmakers on a set of conditions – maximum stake of £100, maximum prize of £500, no more than four to a shop, etc. The basis was just that this was what the industry would accept at that time.

The evidence is overwhelming that real harm is being done, especially to problem gamblers and those at risk of problem gambling, by B2 machines. This is clear from information from treatment providers about those who present for treatment for gambling problems. And it is clear from the harrowing accounts of severe harm experienced by individuals and families.

There are grounds to believe that if relevant research had been carried out, the evidence base would look different. In 2004, not long after FOBTs emerged, a study was done observing patterns of play by 779 people in clubs and hotels. Some machines were modified to change particular variables: for example reducing maximum bet size, reducing reel spin and removing large note acceptors. A gambling screen was administered after play. 'It was

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<sup>11</sup> [http://gamingta.com/wp-content/uploads/2017/05/World\\_Count\\_2016.pdf](http://gamingta.com/wp-content/uploads/2017/05/World_Count_2016.pdf)

concluded that the reduction of maximum bet levels was the only modification likely to be effective as a harm minimization strategy for problem gamblers.<sup>12</sup>

In 2010 comprehensive review of the Australian Health Commission conducted a comprehensive review of machines. They proposed an even lower stake than those already in use in Australia, stating: ‘There are strong grounds to reduce the maximum intensity of play per button push well below the current \$5 and \$10 regulated limits. A limit of \$1 would strongly target problem gamblers.’<sup>13</sup>

Relevant product-based research (as opposed to research on identifying problem gambling in order to respond to it) has been very rare in this country. That is the main reason for a lack of evidence in the present context.

## **2. Is it legitimate to isolate stake level as a specific risk factor?**

Some have suggested that to focus on stake alone is to ignore the subtle interplay between a variety of factors which may contribute to levels of risk. Those most often mentioned are spin speed and return to player. Thus, for example, B2s have a slower spin speed than some other machines including B3s, and a higher return to player, at 97%, than many gambling products. These factors have been added especially in comparing B2 to B3 machines (see below)

A difficulty here is that, once the whole range of factors is laid out, the task becomes unwieldy. A recent study has listed the following additional relevant factors:

Event frequency, multigame/ stake opportunities, prize-back ratio, light and sound effects, variable stake size, availability, jackpot, cashout interval, near miss, continuity of play and the autoplay function.

It seems likely to researchers that these elements can act in different ways depending on how they appear in conjunction with others. Current research explores ways to compute risk ratings for individual types of machines based on measurement and aggregation of all these risk factors. However, the complexity of this kind of analysis, let alone of formulating any practical policy on the strength of it, suggests that we are a long way from a set of reach-down solutions that balance all factors equally.

Does this mean that we should not touch any part of these complex systems until we can reach a total understanding of them? The corollary would be complete inaction for an indefinite period. But too much harm is manifestly happening for such inaction to be sustainable. We have seen inaction before. The 2013 triennial review of stakes and prizes made no changes to B2s on the ground that there was no sufficient evidence.

## **3. Would economic damage and job losses result from a £2 maximum stake?**

The industry has made much of the job losses which might result from a reduction to £2. The argument seems to be this: ‘Betting shops are being kept economically viable by the B2

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<sup>12</sup> Sharpe L<sup>1</sup>, Walker M, Coughlan MJ, Enersen K, Blaszczyński A. *Structural changes to electronic gaming machines as effective harm minimization strategies for non-problem and problem gamblers*. *J Gambl Stud*. 2005 Winter;21(4):503-20.

<sup>13</sup> Productivity Commission 2010, Gambling, Report no. 50, Canberra.

machines which now account for over half of their turnover. Remove the anomalous level of B2 stakes, and they will have to close.’ Imagine if corner shops were to make more than half their profits from alcohol drinks, and the alcohol industry argued, say, for tax advantages just to keep the shops in business. That would hardly be convincing, in terms of the dynamic and volatile nature of the retail employment market. There is a strong argument for saying that local authorities are good judges of this type of issue.

Similarly, the Impact Assessment (IA) which was published with the government’s consultation document was difficult to assess, for a number of reasons. Firstly, the data on which it was based have not been published. We understand that the data were supplied by the gambling industry and that the government is not at liberty to publish them, which makes scrutiny of the figures and calculations impossible. Secondly, the economic modeling on which the calculations are based is not described, removing another aspect of scope for reasoned assessment of the figures. The Centre for Economic and Business Research has very recently published a report which identifies the weaknesses in the IA<sup>14</sup>. It also sets out a number of scenarios which it says are at least as plausible or more plausible than the assumptions on which the IA was based, under each of which the losses in gross gambling yield for licensed betting offices would be substantially lower, in some cases very much lower than those estimated in the IA.

Even more significant than the effect on GGY are the impacts on the macro economy, measured by calculating gross value added (GVA) contribution to GDP. CEBR reports that looking at GVA ‘paints a different picture to that represented by the rather narrow focus on losses in GGY to the operators of B2 machines. While a £2 maximum stake is expected to result in the largest net losses in GGY to LBOs, it also yields the largest net positive impact on the economy’. This arises from ‘the fact that, in the sectors that would likely gain from attrition from gambling, one pound of revenue generates more GVA than is observed in the gambling sector (per £ of GGY)’. The report concedes that the range of differences in impact between possible reduced stake levels is not likely to be significant in statistical terms.

The complexity of the CEBR analysis, combined with the hypothetical elements forced on it by the lack of data, make it difficult to derive clear headlines from it. But the overall point is clear: there is no clear evidence of economic damage, or large net drops in employment, from reducing the maximum stake to £2.

#### **4. Would customers just move from B2 to B3 content if stakes were cut?**

We summarise below (Question 3) the research into B3 content carried out by Dr Jonathan Parke. He concludes that if B2 maximum stake were reduced to £2, the potential losses on B3

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<sup>14</sup> ‘Cebr has undertaken economic modelling that seeks to build on and supplement the existing evidence and data to provide a fresh perspective. Cebr does not believe that the IA released by DCMS to accompany the consultation document provides an adequate treatment of the potential impacts of reducing the maximum stakes on B2 machines. Neither do we think it adequately considers the range of possible outcomes that could be realised under different but equally plausible assumptions about the behavioural responses of gamblers to different reductions in maximum stakes. Another weakness of the IA is the absence of any attempt to attach monetary value to the social harms that can be linked to problem gambling on B2 gaming machines and that could be reduced as a result of a maximum stake reduction.’ CEBR, *Assessing the potential impacts of maximum stake reduction on B2 gaming machines*, January 2018, p.5.

machine would exceed those on B2s, and as a result customers might switch from B2 to B3, which have a fair spin speed and so could be even more problematic.

This analysis by Parke is valuable. However, it deals mainly in abstractions and probabilities rather than in actual data. It seems certain that the actual losses currently being incurred by those using B3 terminals, although rising quite quickly, are still far less than losses on B2 machines. Return to player is a significant factor, but the percentage returned is calculated over a huge arc of 10,000 or 100,000 games (according to the type of machine, random or compensated). The player experience is not of a consistent pattern of return, so that the existence of a 97% return to player at the macro level does not necessarily determine the experience of the individual player.

Our view is that reducing the B2 maximum to £2 is the current priority. When that is done, and the extraordinary B2 anomaly thus removed, a new landscape will emerge; it can then be seen, in view of the actual impact of B2 stake reduction, what measures need to be taken in respect of, for example, B3 content.

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## **Other machines**

### **Q2. Do you agree with the government's proposal to maintain the status quo on category B1?**

We support maintenance of the status quo in relation to these casino machines. The rises in 2014 – a fivefold rise in maximum progressive jackpot, and 250% rise in maximum prize on a single machine – were dramatic, and no good reasons are given for a further rise so quickly. The current restrictions on cash deposits and transfers create a useful friction in the system. Changes along the lines requested by the industry would increase net speed of play, and since this is a proven risk factor, this is a clear occasion to deploy the precautionary principle, until and unless evidence can be adduced that risks would not increase or could be effectively managed.

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### **Q3. Do you agree with the government's proposal to maintain the status quo on category B3?**

B3 machines have a £2 maximum stake, accept a new bet every 2.5 seconds and they offer a payback of 92%, compared with 97.3% for the B2s. Recent research by Dr Jonathan Parke showed that according to his calculations, if a £2 stake limit were introduced for the B2 machines, the average money lost per hour would be just under £10, against the current £468. Yet people would still be free to lose £230 an hour on the B3 machines, according to Parke's calculations. He fears many players would simply switch from B2 machines to B3 machines, which may be more addictive because of the speed at which you can bet. Parke calculates that cutting the stake on B3 terminals from a maximum of £2 to 10p would reduce the average loss to £11.52, roughly in line with that on the B2 machines if the government imposed a £2 stake limit.

The government is right to say that there is ‘a case for greater player protection measures on this category of machine’. When B2 stakes have been reduced to a rational level of £2, the wisdom of the government preference, that player protection measures should be consistent across B1, B2 and B3 machines, will be self-evident.

We are content for the B3 maximum stake to remain as is for the time being (certainly, there are no arguments for the arcade sector’s request for an uplift to £2.50 maximum stake). That does not imply that we think this is, in the medium term, the ‘right’ level.

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**Q4. Do you agree with the government’s proposal to maintain the status quo on category B3A? and**

**Q5. Do you agree with the government’s proposal to maintain the status quo on category B4?**

**Since no proposals for change were received, we are content with the government’s position at the present time.**

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**Q6. Do you agree with the government’s proposal to maintain the status quo on category C?**

We agree with the government. It is important to maintain a significant differential between these fruit-machine games and, for example, B3 content. The requested changes would constitute a levelling-up of risk levels to a point where the freedom of access in pubs etc. would not be reflected by lower risk levels than those found in licensed betting offices. That would collapse the ‘pyramid’ principle whereby risks are permitted to rise in proportion to the restrictions on access and the presence of proper monitoring and supervision. It would also fail to recognise the added risks in an environment where alcohol consumption is normal: not because alcohol consumption is necessarily or inherently problematic, but because the disinhibiting and other effects of alcohol can raise the risk of gambling in ways which might be harmful and/or might be regretted in retrospect.

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**Q7. Do you agree with the government’s proposal to maintain the status quo on category D?**

Category D machines are, crucially, accessible to children and young people. The government recognises that it is a historical anomaly that Britain is the only country permitting gambling for children.

There is increasing concern about the risks of inducting children into a sense that gambling is normal and harmless. The 2014 rise to a £1 stake and £50 prize, increasing the prize level

more than six-fold, brought some D machines much more into the same continuum as higher-risk machines.

But the concern about risk is not confined to the inherent properties of category D machines. The child who learns the psychological stimulus of gambling on these machines experiences far more opportunities readily available, far greater salience of gambling in the cultural environment through advertising, and far more association of gambling with other forms of leisure such as sport, than children of a former age, when the crane-grab and coin-push might have been seen as harmless diversions which were soon outgrown. That is no longer a tenable position.

There is contemporary evidence that early gambling is a risk factor increasing the probability of problem gambling. A recent summary of what we know illustrates this among other factors which demonstrate the range of risks involved in ‘normalising’ the activity of gambling:

*‘The foregoing prospective studies have found that gambling related factors are the strongest predictors of problem gambling development. These factors include experiencing an early big win, commencing gambling at a young age, having family members who gamble regularly and/or are problem gamblers (in the past and currently), frequency of participation, expenditure, number of forms engaged in and gambling as a favoured leisure activity. People who experienced past gambling problems were also prone to relapse. Mental health variables including mental health disorders, substance abuse or dependence and behavioral addictions also predicted future problem gambling.’<sup>15</sup>*

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

This small sector of the market is the only area where the government wish to countenance increases. The only reason seems to be to prop up a declining part of the industry, and perhaps a sense that ‘we have to give them *something*’. While we recognise that the inelastic demand context of gambling means that operators cannot easily increase market share by adjusting price, it is unclear that there is any net economic, quite apart from social, gain in doubling the maximum stake and the maximum aggregate prize. We are not convinced that it is a good policy, from any viewpoint, to prop up declining sectors of the market by making them more like riskier and less accessible sectors.

These considerations apply even if one acknowledges that prize gaming has a social aspect, appealing mainly to older people, which is preferable in some way to the solitary nature of gambling at a machine. The social nature of the experience is the same whatever the scale of risk and reward for the individual; the change proposed moves the intended motivation of the participant further along a continuum from enjoyable sociable interaction in a game to individual risk and reward. The explanatory memorandum to the relevant regulations say that

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<sup>15</sup> Jonsson J, Abbott MW, Sjöberg and Carlbring P (2017) Measuring Gambling Reinforcers, Overconsumption and Fallacies: The Psychometric Properties and Predictive Validity of the Jonsson-Abbott Scale. *Front. Psychol.* 8:1807. doi: 10.3389/fpsyg.2017.01807

‘Prize gaming is intended to permit low level gaming for small participation fees and modest prizes’. £1000 as an aggregate of prizes in a single game would hardly be modest.

Seaside towns are the main locations for this type of facility. The social and economic difficulties of many such towns are well documented. It is doubtful whether it is opportune to raise the level of risk in such locations, where deprivation (a known risk factor for problem gambling) and vulnerability are likely to be at higher levels than in many other locations.

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

We support the proposals in relation to *casinos*. They need to make real progress on player protection measures, before any increase in machine allocations could be considered. They cannot be regarded as special cases simply because of the levels of access restriction and supervision, and their relatively low numbers. They are already entitled to a very wide range of gambling, including the higher risk forms and the highest numbers of machines; and there are countervailing factors, such as those mentioned in the consultation document, viz the sale of alcohol and the proportion of their business that happens very late at night, as well as their accessible, normally city-centre locations.

We believe that there should be no increase in allocations for *pubs*. Certainly, no more than two category C or D machines should be permitted, to safeguard the distinct identity of the pub environment and to restrict the level of risk in an unsupervised context. A pub environment does not dissolve the element of personal risk in gambling machines: in 2015 GamCare (the treatment agency) reported that 2% of those who sought help from them mentioned gambling in pubs and clubs. Gambling in pubs also goes against the principle stated at the time of the 2005 Act, that gambling should only happen in dedicated premises, not incidentally to other activities.

On *adult gaming centres*, the industry proposal of a machine with £10 maximum stake, prizes up to £125 and a 30-second spin cycle is misconceived. Such a machine is half-way to becoming a B2. FOBTs themselves need to find their level under a revised set of arrangements - with a £2 maximum stake, we firmly hope – before any consideration is given to anything else which would break the £2 barrier.

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

It is important to maintain the bar on contactless payment or any use of plastic. Credit and debit cards cannot now be used for gambling machines at all. To introduce contactless would, as the government says, be ‘a backward step in the protection of vulnerable players’. The relevant recent research makes the point: ‘The use of non-cash payment instruments may lead to overspending because the wealth impact of a transaction is argued to be less obvious, less tangible and requires less thinking on actual amount being spent’.<sup>16</sup>

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<sup>16</sup> *Key Issues in Product-Based Harm Minimisation*, Jonathan Parke, Adrian Parke & Alex Blaszczynski; Responsible Gambling Trust, December 2016, p.88



## Chapter 5 - Social responsibility measures

### Two overarching themes

#### 1. 'Social responsibility' and safer gambling

Questions 11 – 14 are grouped in a chapter on SR measures. This phrase is appropriate and well established, but might suggest that this activity is additional to the core business of the industry. We suggest, instead, 'Safety and social responsibility'. This expresses the fundamental concept that gambling, like any other leisure activity, must be as safe as possible (probably it can never be wholly safe), and it is the duty of the industry to make it so.

There is compelling evidence that the British public is not confident about the safety of gambling as it is now structured. In the Gambling Commission's 2016 report,<sup>17</sup> only 34 per cent currently thought that gambling is fair and can be trusted. 78 per cent agreed that there are too many opportunities for gambling, and 69 per cent agreed that gambling is dangerous for family life. In its first-year assessment of its national strategy (June 2017), the RGSB said that 'The search to find better ways of identifying and measuring gambling-related harm is of fundamental importance. The preliminary work has not yet improved understanding as much as we would have hoped'. It also said 'We are encouraged by what operators have told us about the initiatives and interventions they are designing and piloting to detect and mitigate harmful play. However, we believe that more of this activity is needed if the industry is to demonstrate that it is genuinely seeking to minimise harm.'<sup>18</sup>

#### 2. Human interaction

Christians think human relationships are important. This is a practical priority. The more people interact with other in informal and constructive ways in the normal course of their life, the better for their personal and emotional wellbeing. 'Social responsibility' is a phrase reflecting the interdependence of people, responsive and responsible to each other.

More risks seem to attach to gambling when it is a solitary pursuit. We want to see staff interacting with customers in betting shops, not just as a control measure, but to humanise that environment.

Bookmakers have sometimes argued that licensed betting offices are community hubs, where people can mix and interact socially. Few would say that that is the direction in which betting shops have been moving, but it might be a reasonable aspiration for those who believe that betting shops and other gambling outlets can be positive, healthy elements in the social and economic mix of the high street. From the USA, there is some evidence that lonely problem gamblers find the human contact in venues a positive reason for attending. In the UK, however, problem gamblers in a qualitative UK study were more likely to hop between shops/venues, specifically in order to reduce the likelihood of human contact. The presence of a number of venues in proximity facilitates this 'hopping'; so that measures addressing/reducing density of premises/machines (and not just B2s) are likely to be helpful to problem gamblers (Griffiths, M. et al, 2009).

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<sup>17</sup> 5 Gambling participation in 2016: behaviour, awareness and attitudes, Gambling Commission, February 2017

<sup>18</sup> 'One year on: progress delivering the National Responsible Gambling Strategy', RGSB, June 2017, p.11.

Similar considerations may apply to casinos. We agree with the government that ‘real gaming tables’ are central to what a casino is, so that higher ratios of machines to tables would eat away at the nature of the institution. Gaming-tables at least contain some kind of interaction, albeit competitive rather than collaborative; casinos can hardly claim to be places of sociable recreation if most people are locked into the solitary experience of working a machine.

Doubtless it is not for legislators or regulators to try to fix social problems by manipulating economic life, nor to try to turn the clock back on broad trends in society. But if the terrestrial betting industry is to prosper in the face of the inroads of online offers, rather than just trying to mimic online services in a vain attempt to stem their advance, it might do well to look at the human and social aspects of its offer as an advantage over online competitors.

## **Q.11 Do you support this package of measures to improve player protection measures on gaming machines?**

The first thing to observe is that what is presented is not proposed government action, but encouragement to the industry, the Gambling Commission, the RGSB and GambleAware to make more progress. However, there are some specific asks involved, with the threat of the government and GC working together to lay additional requirements on some licence holders if those asks are not pursued with vigour.

Before attending to the specific asks, some general considerations.

Player protection – general considerations

### 1. Consistency of player protection measures

Gambling is a varied and multi-platform pursuit. The risks and harms associated with gambling have many common features across all delivery systems. Player protection needs to be reasonably consistent across all platforms, both online and offline. There is increasing join-up in the industry between platforms, especially where the established companies are trying to foster brand loyalty across physical, online and mobile systems. This can only increase a sense of confusion in the customer if they meet different measures, options and approaches in different settings.

### 2. Comprehensiveness of player protection measures.

The degree of voluntariness in the current system entails that there is not comprehensive provision of player protection by all operators. The system of regulation and self-regulation are moving in some positive directions. For example, the Gambling Commission is now taking a more robust approach to enforcement than hitherto; and GambleAware has, both in its governance and in some of its actions, taken a more independent stance.

However, the challenge of unlicensed operators, online, is a major obstacle to achieving effective player protection measures across platforms. It is disappointing that there is nothing in the consultation document on strengthening this aspect of enforcement.

### 3. Piloting and evaluation of player protection measures

There has been a tendency for companies to implement certain measures across the

board, without piloting or carrying out proper evaluation either of a pilot or of national roll-out. There should be more pressure, or better requirement, for this to be done properly, and as openly as possible.

#### 4. Openness and cross-industry cooperation

The Player Awareness Systems, for example, have been implemented in different ways by different companies. Even the choice of risk markers to build into algorithms designed to flag potentially harmful patterns of play differs from company to company. This makes systematic evaluation, and systematic progress across the industry, far more difficult to achieve.

#### Limits on sessions of play

- *Voluntary limit-setting*. The Player Awareness Systems introduced in 2015 were a welcome initiative by the members of the Association of British Bookmakers. Their impact, according to the 2016, has been negligible in practice, as the consultation document points out from the official evaluation in 2016.
- We support the suggestion of *'hard stops'* when a voluntary limit has been selected by the player. That is, when the limit is reached there is not just an alert. This will enable players who are aware they are at risk to mitigate that risk ahead of the time when they are engrossed in the stimulation of live play.
- We support introduction of *mandatory alerts* when certain time and spend benchmarks are reached.
- We support *banning of mixed play* on the same machine between B2 and B3 content. There is clear evidence that this increases risk of harm.
- The use of *algorithms* has much potential, but it is not an all-powerful tool, for the following reasons:
  1. The use of algorithms in risk assessment usually comes with a caveat that it is an actuarial measure which applies to populations, and cannot be directly used to make any assertions about an individual because of a large range of variables which may not be captured within the terms of the algorithm.
  2. It is only applicable to tracked play. The suggestions about this (5.9) are high-level, and there is no assurance that it can be introduced in the near future in such a way as to make algorithmic risk measures available for all customers.
  3. A plethora of different algorithmic formulations have been developed by different companies. It will surely be necessary to achieve some uniformity if valid comparisons are to be made of the kind which will be necessary for evaluation, for research and even for effective regulation.

#### **Player protection across B1, B2 and B3 machines.**

There is no doubt that B3 machines are a growing issue (see above). This is partly because

the industry has been building the B3 market precisely because it has seen B2 restrictions coming down the line. See for example the business plan of one company two years ago:

Good engagement with our customers through implementation of the ‘£50 journey’ and our speed to market on launching innovative lower staking B3 slots and content has seen machine revenue grow by 6.1% with strong growth in slots which now accounts for c.39% of machines gross win (2014: c.31%).

If B2 machines are to be brought into line with other machines by adoption of a £2 maximum stake, that will make it possible to argue for parity in player protection measures between these classes, as the government wishes. If the maximum stake is any higher than £2, the case will be impossible to make because the risks of B2s will be manifestly much higher.

### **Tracked play**

This would be useful, but gains have to be offset against the impact on the liberty of the individual. It would have to maintain continuity of identity across different sessions, while maintaining confidentiality of the real-world identity of the person. This means a secure glass wall between payment processes and playing processes, or else a requirement that the only alternatives are cash payment or membership registration. It is difficult to see how a person could be prevented from acquiring a different unique identifier on separate occasions - this could support either concealment of problematic patterns of play over time, or indeed money-laundering – unless there were very rigorous ID requirements. The government’s suggestion does not give sufficient weight to the importance of individual liberty (see above, p.8).

## **Q.12 Do you support this package of measures to improve player protection measures for the online sector?**

It is encouraging to see the range of issues covered in this section, albeit briefly. The fruit principle must be that player protection measures should be consistent, comprehensive, transparent and evaluated across all platforms. Although different approaches are needed in territorial and online context, the outcomes must be consistent across all platforms. For example, if we press for a sensible maximum stake for betting machines, we are bound to question the current lack of legislation on stakes and prizes offered by online companies. The Gambling (Licensing and Advertising) Act 2014 provided the framework for a consistent approach.

The consultation document expresses a hope that, because all online gambling can be tracked by the companies, they will use algorithms and such means to identify and address problematic patterns of gambling. Some are developing such approaches already, and GambleAware is making some progress in this area. However, a more systematic approach will be needed, setting standards which will be required of all providers.

Free bets and signup offers are a matter of real concern. The consultation document in effect pushes the responsibility for controlling these forms of marketing towards the Competition and Markets Authority, which is rightly identified as the main level for consumer protection

and the Gambling Commission. It would be good if the government went further and undertook to consider legislation, if the powers of the CMA and GC were to prove insufficient (in theory and/or in reality) to enforce safe practice.

The opportunity for simple, one-stop self-exclusion is vital in online as in terrestrial betting contexts. We note that the launch of GamStop, the online self-exclusion system, has been postponed from the end of 2017 to 'spring 2018'. No details are available on the GamStop website. We trust that the system will be operational soon.

The government's Internet Safety Strategy (Green Paper published October 2017) makes very little reference indeed to online gambling. For example, in describing Public Health England's 'Rise Above' strategy, it says 'The campaign covers a range of topics from core risk behaviours such as drinking and smoking to sexual health and mental health issues including online stress, cyberbullying and the impact of social media on relationships and body image.' These are all key risks, but often in the document the risks around gambling, especially the risks of 'normalising' gambling behaviours through gaming experiences which parallel and sometimes shade into actual gambling, are conspicuous by their absence. In the chapter on 'Responding to online harms', gambling and gaming are not mentioned at all.

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### **Q.13 Do you support this package of measures to address concerns about gambling advertising?**

This section, on advertising, does not make proposals but describes what is currently being done by a variety of agencies including ASA and the Committees on Advertising Practice to ensure responsible advertising. We welcome the large two-year advertising campaign which is being planned, though much will depend on the nature and content of the advertisements. There are strong current concerns about targeted social media advertising, but the statements in the document on this subject are couched in very general terms.

There is excessive reliance, in the consultation document as elsewhere, on one 2014 study by Per Binde, with an assertion that 'The evidence base has not change significantly since' (p.45f). This is not the case. A significant amount of further research has been done, chiefly in Australia. In Australia it was decided, on the basis of clear result from a number of studies much more recent than 2014, to stop advertising during live sports events before 8.30 pm. It is not necessary to itemize this here, since no actual proposals are made in the consultation document, but they must be attended to and similar research undertaken in the UK context. There is clear evidence that gambling advertising, and promotions, are dangerous for problem gamblers.

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### **Q.14 Do you agree the Government should consider alternative options, including a mandatory levy, if industry does not provide adequate funding for RET?**

This is important. The Church of England has long argued for a levy for research, education and training. The industry, especially certain parts of it, has consistently lagged in the voluntary contributions on which the work of bodies like GambleAware, GamCare and other treatment providers depend, as well as research projects. A levy will not only spread the load fairly and raise a realistic amount, but it will reduce the inevitable influence which industry funding has on those funded, however thorough may be the measures taken to reduce direct bias.

Similar considerations arise for internet safety. It is unfortunate that in its October 2017 Internet Safety Strategy, the government holds up as an example the system of voluntary industry contributions which currently obtains in the gambling world. That is not a good precedent.

Research, education and treatment are very important elements in the attempt to prevent harm from gambling. Frequently in considering the government's proposals in this response, we have noted the dearth of research which really addresses the central policy issues. Treatment, also, is delivered by some very dedicated providers, but there is a need for it to be equally accessible in every part of the country.

Education has received little focus up to now, and it is good to see the large advertising campaign being planned. However, coverage of gambling in schools is patchy at best. GambleAware has been supporting a partnership between Demos, the PSHE Association, Mentor, the Central and Northwest London NHS Foundation Trust, and a range of independent teachers and advisors, in piloting a set of four lessons on weighing risk, identifying manipulative behaviour, managing impulses, helping others – covering a range of 'risky behaviours', but with gambling as a major case study. Demos comments:

'There is little doubt that compared to drugs and alcohol, gambling is rarely talked about in schools. This is surprising. Statistics from Ipsos Mori have shown that 16 per cent of 11-15 year olds have gambled with their own money in the last week (note: far more likely with friends, than in casinos), a figure which has remained relatively stable for years. This is higher than prevalence rates of both drinking and taking drugs for this age group; and may be higher than gambling prevalence across Europe'.<sup>19</sup>

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### **Q.15 Do you agree with our assessment of the current powers available to local authorities?**

No. This is a key area, and the Church of England has pressed, especially in the House of Lords, for greater powers for local authorities. The unanimous General Synod motion, mentioned above, called on the Government 'to grant local authorities the power to make provision about the number and location of such terminals in order to reduce the risk of harm to large numbers of vulnerable people.' The consultation document says unconvincingly that powers are already sufficient. The fact is that they have not proved so, partly because the industry can afford processes of legal challenge which LAs cannot afford to defend. Many do want local authorities to have increased powers, including Cumulative Impact Assessments.

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<sup>19</sup> <https://www.demos.co.uk/blog/we-need-to-talk-about-gambling/>

These exist for alcohol licensing, and the LGA plus a considerable number of LAs are in favour of them.

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**Q16. Are there any other relevant issues, supported by evidence, that you would like to raise as part of this consultation but that has not been covered by questions 1-15?**

The ‘aim to permit’ in the 2005 Act, is based on the presupposition that gambling is a positive element of social and economic life, to be encouraged unless there is specific evidence to the contrary in a particular case. We are concerned, in the daily experience of our parishes, about the harm which is being experienced by many people. The presumption in favour of issuing a licence, inherent in the ‘aim to permit’, is unnecessary and gives an advantage to the applicant. The government should consider moving to a more even-handed legislative basis for decision-making by licensing authorities.