



Number 42 Summer 2008

The Society for the Study of Gambling

www.societystudygambling.co.uk

NewsLetter

The Society For The Study of Gambling
Newsletter
Summer 2008, Number 42

Editor:

Professor Peter Collins
Centre for the Study of Gambling
Salford Business School
The University of Salford
Salford Manchester M5 4WT
Email: p.collins@salford.ac.uk

Chairman:

Paul Bellringer OBE
Responsible Gambling Solutions Ltd
1 Quarry Close
Rusper Road
Horsham West Sussex RH12 5QN
Email: paul@responsiblegambling.co.uk

Honorary Secretary:

Faith Freestone
The Gordon House Association
43/47 Maughan Street
Dudley West Midlands DY1 2BA
Email: ff@gordonhouse.org.uk

Honorary Treasurer:

Barry Faulkner
Association of British Bookmakers
Regency House
1-4 Warwick Street
London W1B 5LT
Email: barryfaulkner@abb.uk.com

Executive Committee

Anthony Jennens
Rachel Lampard
Lorien Pilling
Andrew Tottenham

The Society For The Study of Gambling

The Society for the Study of Gambling was formed in 1977 to provide a forum for those concerned with research into gambling; to promote its scientific study, especially as far as the psychological, social and economic aspects are concerned; and to inform the public about these matters. In more recent times the Society has broadened its focus to include a wide range of issues relevant to the field of gambling.

The membership of the Society is drawn from a wide circle of people who have interest in various aspects of gambling. They range from those that deal with problem gambling to members of the commercial gambling industry. It is a condition of the Society that there should be freedom of opinion and practice among its members. Consequently the Society does not take any particular stance in relation to gambling.

Talks and papers presented at Society meetings are often reproduced in the Newsletter. They are published at the invitation of the Editor and with the permission of the author. They are not intended to be an alternative to publication in a learned journal. The Editor welcomes unsolicited manuscripts, correspondence book reviews and other items which are of interest to SSG members.

The Society holds regular meetings twice a year in London. **The next meeting will be held on Friday, 7th November 2008 (amended from the provisional date of 4th November).** For further details please contact the Treasurer.

Information about the Society and a précis of the articles that have been published in recent Newsletters can be found on the Society's website:

www.societystudygambling.co.uk

Membership

The Society for the Study of Gambling has in the past recruited its members by invitation. We do not propose to change this, but we would like to encourage our existing members to issue invitations to those who they feel could both make a contribution to and reap a benefit from The Society.

Any member may bring any potential new member free of charge to one meeting (including lunch). We hope this small inducement will help us to expand our membership.

NEWSLETTER

Contents

Summer 2008, Number 42

| | | |
|----|--|---|
| 1 | Editorial | Peter Collins |
| 4 | Farewell address | Peter Dean |
| 9 | Betting and Sport | David Forrest and Ian McHale |
| 18 | The British Prevalence Survey: Some personal observations of a co-author | Mark Griffiths |
| 24 | Minimising the Distress caused by Excessive Gambling | Anthony Jennens |
| 30 | The case for having a statutory levy to pay for gambling education and research and treatment for problem gambling | Christopher Jones |
| 35 | Macau – Confidence or Crises | Andrew MacDonald and William R Eadington |
| 43 | The case against there being a statutory levy to pay for gambling education and research and treatment of problem gambling | Leslie MacLeod-Miller |
| 51 | A view from the Lords | Benjamin Mancroft |
| 60 | New understanding of problem gambling: how serious is it? | Don Ross |

Editorial

This will be my final editorial as editor of the Society for the Study of Gambling's Newsletter. Unfortunately, the demands of my day job necessitate this. It seems appropriate, therefore, to consider the current state of gambling studies and where we have got to compared with where we were and where we should be going next.

There is much good news to report.

Most conspicuously, the number of serious researchers in the area of gambling studies has increased considerably. The number of post-graduates who have completed or are working on research degrees specifically in the area of gambling studies has, I would guess, grown by an infinite magnitude in the last ten years – from none to between ten and twenty.

Also, the number of academics in traditional disciplines who have started to take a serious interest in the study of gambling has increased considerably. There are now groups of academics studying gambling not only at Nottingham Trent and Salford but also at Lancaster and London Universities and a number of individual academics engaged in gambling studies projects elsewhere.

Particularly welcome has been the way that collaboration in the area of gambling studies has become globalised since the beginning of this century and now includes serious study of all aspects of the subject in the Far East and Africa as well as the West. The participation of UK students of gambling in this international work has also grown in both volume and importance and, gratifyingly, is not confined to academics but also includes public officials, both appointed and elected, as well as those whose primary concern is with the prevention and treatment of excessive and addictive gambling.

I think it is also the case that the UK industry are finally waking up to the fact that if they are to succeed in increasingly internationalised and competitive markets they cannot continue to rely on making profits from a stable and comfortable oligopoly. They need sophisticated management at all levels, well educated in the relevant parts of such disciplines as business economics, psychology and politics as well as possessing up-to-date expertise in marketing and customer servicing techniques and being familiar with the latest developments in technology. All this means that the industry is more prepared than in the past to invest in research and in the education of its staff.

The industry are also, I hope, now aware that their profitability depends, more than on any other single factor, on whether they are perceived by the general public as providing harmless entertainment in a responsible manner or as ruthlessly and recklessly exploiting human frailty in the pursuit of revenues. This means that the way they address problem gambling has to be convincing, in respect of its sincerity and effectiveness, not only to themselves but to government, service providers and the general public as well. And this, in turn means that they have to be able to base their commercial policies and practices (including their PR strategies) on authoritative, independent, internationally recognised scientific research. (Politicians and regulators

who have the same need for the gambling industry to be benignly perceived by the public have the same need for real, high quality research.)

Less encouraging has been the way the general public's appetite for good evidence and argument about gambling matters has been served.

It is, of course, much to be welcomed that the interest of the general public has been greatly intensified by all the public discussion which surrounded (and continues to surround) the passing and the implementation of the 2005 Gambling Act. One might, however, devoutly wish that this interest had been better nourished by the presentation of honest research, driven by neither ideology nor commercial interest. One might also wish, even more devoutly, that the public had been less systematically disinformed by a shamelessly mendacious, salacious and malicious media whose excessive and baleful influence on electoral fortunes now so terrifies politicians that the foundations of democratic government are seriously threatened – as even some journalists are beginning to acknowledge.

Despite all these ferocious and regrettably effective attempts at corrupting the honest study of gambling, serious students of the subject do now know quite a lot that we didn't know before. We have a better idea of why people gamble in the first place and what are some of its social and personal benefits as well as its costs. We know a good deal more about the relatively rare condition of genuine gambling addiction and a little more about the less rare set of variegated circumstances which lead people who are not addicts to get into quite serious trouble by gambling more than they can afford to. In particular, we know that it is probably wiser to adopt measures of general consumer protection to reduce the numbers in this group rather than trying to identify and address an elusive group called "children and other vulnerable persons." We know about the previously neglected importance of consumer surplus and (thanks in large measure to Budd) of consumer choice in establishing good gambling policy. We know also, I would say that we would have a healthier casino industry (in every sense) if the Government had accepted the recommendations of the second Scrutiny Committee or if the Tories had not killed off the government's 8:8:8 proposals for casinos.

Perhaps the most important thing we now know in gambling studies – and the greatest measure of our success – is that we know much more about what we don't know and what we therefore need to find out. Arguably the most important set of issues here are those surrounding the question of how to ensure that gambling really does afford a lot of harmless fun to those who enjoy it.

I suppose I should conclude by identifying two regrets I have about the current state of gambling studies and for which I feel some responsibility.

The first is the perception that gambling studies is a "Mickey Mouse" subject, not fit for inclusion amongst serious academic activities. This view remains alas widespread within academia and beyond. It overlooks the fact that gambling is a highly complex and multi-faceted human activity. To understand why people engage in it; why governments impose exceptional restrictions on how opportunities to gamble may be supplied; how the public view gambling in different times and places and amongst

different sections of society and how these attitudes change; how businesses can most successfully supply peoples' appetite for gambling; why some people tend to gamble too much and what can be done to help them; whether gambling is intrinsically immoral and, if it is, whether governments should stop people from gambling – all these questions are interrelated and to answer them requires the resources of many different and thoroughly well-established academic disciplines ranging from neuroscience to moral philosophy. The answers thrown up, moreover, have the potential to illuminate many other and more obviously important issues, including the problems of addiction generally, fiscal theory and the difficulty of making good public policy in modern liberal democracies.

Secondly and finally, I have been disappointed that studying gambling continues in too many quarters to be seen as something reprehensible. When I tell people that I direct a Centre for the Study of Gambling they sometimes look at me as if I had just confessed to being an accountant for the Mafia. My resentment of this is not only or mainly that I feel I am dealing with people who can't tell the difference between a paediatrician and a paedophile. (Studying something is not the same as doing it and, personally I find gambling much more interesting to study than to do. Besides, I don't think there's anything immoral about gambling as such but I respect and even understand the views of those who do.)

My regret here derives much more from my feeling that, not only should we, by now, have become suspicious of anyone who still harbours latent puritanical antipathies to all forms of pleasure: we should also, and much more importantly, deeply disapprove of anyone who thinks the law should prohibit forms of enjoyment not on the grounds that they harm others but simply on the grounds that they think these pleasures immoral or even just distasteful. And matters are compounded by hypocrisy when those who want to ban pleasurable activities which they personally find offensive claim that they are really doing so out of concern for the well-being of others.

A farewell address to the Society for the Study of Gambling meeting held 6 November 2007

**Peter Dean
Outgoing Chairman
Gambling Commission**

Introduction

1. Thank you, Paul, very much for your kind introduction.
2. For my part I feel honoured and flattered to be asked to address you at your 30th Anniversary Meeting. I am conscious of following in the footsteps of a host of illustrious speakers, including Lady Littler, my predecessor as Chairman of the Gaming Board, whom I am delighted to see here today.
3. As I am stepping down from the Gambling Commission at the end of this year, and my task today is to reflect broadly on nearly a decade of office, there is a big temptation to be both self-indulgent and indiscreet. I do not propose to resist the temptation entirely!
4. Over the next 15 minutes or so I will touch on some of the most conspicuous changes that have occurred in the gambling scene over the last ten years and then offer a few thoughts about public attitudes and the paradoxical place that gambling occupies in the British psyche. I will end with a short wish-list of changes which I would like to see brought about in the interests of a healthier industry and better regulation.

Changes over the last 10 years

5. So much attention has been paid to the fundamental and long drawn out process of law reform, culminating in the Gambling Act 2005, that it is easy to overlook the significant changes, mostly of a liberalising nature, that preceded the introduction of the Act. For example, stake and prize limits on gaming machines were raised sharply; the number of machines allowed in casinos was increased; more types of table games were permitted in casinos – though blackjack and roulette remain the perennial favourites; the ban on serving alcohol on the gaming floor in casinos was lifted. All these changes were made without any obviously adverse effects and amid little public criticism. More controversially, FOBT's were allowed to mushroom in betting shops, the controversy here being fuelled by other sectors of the industry which wished they had them too.
6. But of course wholesale law reform has been the big change. Looking back over ten years of annual reports of the Gambling Commission and the Gaming Board, I was reminded that my predecessor, Shirley Littler, called for a

independent review of gambling legislation in her foreword to the report published in 1998. This was a plea which I subsequently repeated and reinforced, with increasing stridency but frankly little hope of action, until to everyone's surprise the Government decided to act and the Budd Committee was convened and set to work in 2000.

7. I will not dwell on the Budd Report except to scotch two myths which have grown up in the confused aftermath. One is that the Report's recommendations amounted to radical liberalisation of gambling in Britain. The other is that the recommendations were abandoned by the Government. Neither proposition is accurate. With two exceptions, what the Budd Report actually advocated was a system of regulation which was in material respects tighter than the preceding regime. The exceptions were the liberalisation of advertising; and the proposal to allow new casinos to be built subject only to a minimum size and to the power of local authorities to impose a blanket ban. The Report made 176 specific recommendations. The vast majority were promptly accepted by the Government in its paper *A Safe Bet for Success* and have now been passed into law. In fact, a couple of Budd's more restrictive recommendations – that research should be done into the impact of machine gaming by children; and that jackpot machines should be removed from clubs – were watered down or rejected.
8. Almost all media comment and public debate in recent years has focussed on the emotive subject of the number and location of new casinos. While not unimportant in themselves, these are part of a much bigger gambling scene and should be viewed in context.
9. The Gambling Act 2005 has great merits. It has swept away anachronisms which provided grist to the mill for the legal profession but bedevilled regulation under the old laws. It embeds protection of children and other vulnerable people as a primary objective. And being less prescriptive than the old structure, it is sufficiently flexible to accommodate social and technological changes. A strong, independent regulator is the centrepiece of the new regime and, as you would expect, I am pleased about that.
10. On the other hand the 2005 Act is an undeniably complex piece of legislation which will take time to bed down. The industry remains concerned about costs and about some of the licence conditions and codes of practice, particularly those to do with social responsibility. We in the Gambling Commission do not pretend that we have got everything right yet, and we are resolutely determined to work with the industry towards the goal of firm, fair and proportionate regulation. That is an aspiration which is hard-wired in the Commission's ethos and will continue long after I have left.
11. Another noteworthy development in recent years is the growing internationalisation of the industry, internet gambling being only one, if the most conspicuous, example of this. Gambling is a global activity. Operators and their suppliers move across national boundaries, as do punters – and as do fraudsters. In this environment national frameworks are inadequate on their

own to achieve the regulatory objectives which are shared worldwide: to keep crime out, to ensure that gambling is conducted fairly and openly, and to protect children and vulnerable adults. International cooperation is essential. Here the regulators have led the way. The two most prominent groupings, the International Association of Gaming Regulators and the Gaming Regulators European Forum, have multiplied their memberships in recent years. I am proud to say that the Gambling Commission has played a prominent part in both these bodies and will continue to do so.

12. Having touched on a few of the principal changes that have taken place during my time as a regulator I will now draw attention to something that has hardly changed at all: the amount of gambling and the level of problem gambling in Britain. Mark Griffiths has dealt in his speech with the recently published Prevalence Survey of which he was a co-author. So I will not do so now, except to say that it came as a surprise to us, as to most observers, that despite the increased availability of gambling in the eight years between this Survey and the one conducted in 1999, neither gambling nor problem gambling had increased.
13. We do not regard this finding as an invitation to us at the Commission or to the industry to rest on our oars. Upwards of a quarter of a million problem gamblers in Britain represent a serious public health issue and a lot of human misery. Great strides have been made over the last decade in corporate attitudes towards social responsibility – and credit is due to the industry for this – but the challenge to improve remains. We must all do what we can to bring the figure of problem gamblers down. At the Government’s request the Commission is undertaking a review of the funding of gambling-related treatment, education and research. Rachel Lampard, who is here today, is leading this work, and a report is due next summer.
14. As well as levels of gambling and problem gambling, the recent Prevalence Survey measured attitudes towards gambling and found them to be more negative than positive. Specifically, the average view was that gambling was more harmful than beneficial for the individual and for society, and should not be encouraged. On the other hand, the average person tended to support the view that people had a right to gamble, and rejected total prohibition.
15. I would like now to speculate a bit about what underlies these negative attitudes, and what if anything might be done about them.

Attitudes towards gambling

16. Perhaps a preliminary point to make is that those of us who deal daily with gambling and gambling-related matters quickly lose our sensitivity to the way the rest of the world views gambling. We are too close to the scene.
17. For most people in Britain “gambling” is still a dirty word. I believe that if you ask the average person “Are you a gambler?” the immediate, instinctive answer will be “No”, even if on further investigation it turns out that the

person buys lottery tickets, or plays bingo occasionally, or has an odd flutter on the horses. We can probably all think of examples of this, but I will mention three from my own experience. When the Gambling Commission moved to Birmingham we were unsurprisingly welcomed with open arms by the civic authorities; but I recall one councillor commenting ruefully: “We’re glad about the new jobs, but did it have to be the Gambling Commission?!” Secondly, a casual aside from one of my fellow Commissioners: “All of middle class Hampshire is against gambling, you know”. And finally a remark by a senior executive of one of our leading casino operators in a talk about marketing: “Our main problem is simply this: when people in the street see “Casino” above the door it says to them “Keep out”.”

18. There is, I suggest, a mismatch between the way in which we actually behave and the way in which we would like to be described. The reasons are no doubt complex and buried in history. In former times gambling was condemned by religious leaders as sinful – it still is by some – and much of it was outlawed.
19. Back in 2004, when the gambling debate was hotting up, the *Economist* newspaper argued that both sides of the political divide were united in their visceral opposition to gambling. The argument ran thus. For the right wing paternalist, the lower orders must be protected against their mental and moral weakness. For the anti-business left wing, cynical gambling moguls are out to fleece the poor. Religious disapproval adds to the mix. Doubtless that is a caricature, but consider this comment from the *Daily Mail* at the time: “Bewitched by money, tarnished by corruption, this Government is sacrificing the most weak and vulnerable to the high priests of gambling”. I suspect that this sentiment would have struck a resonant chord among a wide readership, including perhaps many who themselves gamble (possibly after turning to the racing pages of the same newspaper) but do not perceive what they do to be “gambling”.
20. So “gambling” is a dirty word. “Gaming” is more refined and has less pejorative connotations. When we discussed in the Budd Committee possible names for the proposed new regulator I suggested it should be called the Gambling Commission, partly to distinguish it clearly from the old Gaming Board; partly because it is a more accurate and comprehensive description; and partly also because I was keen to start the process of ridding the word of its overburden of nasty associations. There is still a long way to go before this goal is achieved.

Wish-list

21. Now to my wishes for the future. I have allowed myself four. The first follows naturally from what I have just said about public attitudes, and it is that gambling should become much more generally acknowledged as an activity which, while having serious attendant dangers and needing strict control, is nevertheless enjoyed harmlessly as a leisure activity by the vast majority of the many adults who participate in it.

22. Secondly, gambling should be removed from the battlefield of party politics. Of course gambling will always be a political issue, but it militates against sound policy-making for political opponents to be taking pot-shots at each other (amplified through the media) for partisan advantage. For 30 years or so after the passing of the Gaming Act 1968 gambling was generally treated as a non-partisan issue, and I hope it will soon become so again.
23. Thirdly, all sectors of the industry should resist the occasional temptation to blame each other for the causation of problem gambling in order to gain a competitive advantage. This is a sterile argument which is self-defeating and reflects badly on the industry as a whole. It is cheap and easy, but fallacious and misguided, to stigmatise gaming machines, say, or casinos, as the arch villains. Not enough is known about the causation of problem gambling (the recent Prevalence Survey said nothing about causation), but it is fairly clear that all gambling activity is potentially addictive to a small minority. For example, lotteries are a source of problem gambling in parts of South Africa where there is little access to other forms of gambling. Instead of undermining each other, all industry sectors should unite in the task of minimising the harm done by problem gambling.
24. Fourthly, the Commission and the industry should work jointly towards building up a relationship of mutual trust. This may be mildly controversial because I wonder these days whether it is not regarded in politically correct circles as too cosy for regulators ever to repose any trust in those they regulate. Nevertheless the aim is written into the Commission's policies. To the extent that regulation can work through trust, it costs less in friction, time and money. Of course there is a risk for the regulator in all this: the risk that its trust will be betrayed. But I firmly believe that the risk is worthwhile in principle. And if the Gambling Commission cannot take such a risk, who can?
25. Thank you for your attention. And now, if there is time, I shall be pleased to take questions.

Betting and sport

David Forrest and Ian McHale
Centre for the Study of Gambling
University of Salford

Fixing controversies have been reported throughout the history of team and individual sports. As early as 1774, for example, scandals in cricket were being discussed in newspaper articles (see Munting, 1996). In recent years, evidence of corruption has been found in the highest levels of competition. For example, in 2007, NBA Basketball referee Tim Donaghy admitted to influencing games between 2005 and 2007. In 2005, German referee Robert Hoyzer awarded two dubious penalties to ensure that a particular team won the match. In 2006, he confessed to the crime and cooperated with prosecutors, leading to the prosecution of four other referees for similar offences. From cricket and baseball to football and basketball, most mainstream sports have undergone some sort of fixing scandal in the last century.

The majority of these fixing scandals have had links with betting, whether the legal or illegal sectors, and as such scandals emerge, they provoke speculation that they are the tip of a much bigger iceberg and that many other cases of 'fixing' remain undetected. Such loss of confidence is a major threat to a sport since revenues may be threatened as fans become disillusioned and less interested, and further, there is a cultural loss to society itself when a sport is perceived as no longer being conducted according to its ideals but rather as a subject for manipulation for the financial gain of players, officials or third parties.

In recent years sports administrators have become increasingly concerned with the risks posed by the changing betting environment to the integrity of sports. Indeed, in 2008, a major study was commissioned by the Central Council for Physical Recreation, a union of sports governing bodies in the UK, (Forrest *et al*, 2008) to examine the increasing risk posed to the integrity of sport in the 21st century. In this article we present some of the key findings of the Report.

The changing betting environment

Various characteristics of the evolving betting environment may have an effect on the incidence of fixing in sport:

- (i) *Growth in liquidity.* Growth in sports betting in the last decade has been phenomenal. A single round of matches in England's FA Premier League now attracts worldwide stakes of about US\$500m. Many one day cricket internationals generate US\$1b or more. Even below elite level, individual tennis matches at non grand slam tournaments and individual football matches in lower divisions in England and Germany support betting markets worth seven figure sums. The sheer scale of these markets in the contemporary environment raises risk. High liquidity permits large bets to be placed without shifting the odds against the fixer and without attracting suspicion. This allows higher bribes to athletes/ officials whom syndicates may approach.

- (ii) *Increased competition.* With internet access now permitting bettors to place bets with providers throughout the world, bookmaker margins have been driven down, so that those with inside information (of which knowledge that an event has been fixed is an extreme case) gain a greater return. Moreover, pressure on market share has induced bookmakers to abandon traditional restrictions that protected against corruption. Thus it used to be impossible to bet on a single football match (bookmakers accepted only combination bets on, for example, three games) and this made it problematic to hope for a guaranteed return from 'arranging' one result. Now singles bets may be placed on even semi professional English and Scottish fixtures.
- (iii) *Betting Exchanges.* Exchanges effectively permit anyone to act as bookmaker by 'laying'. This raises corruption risk particularly where a sport has multiple possible outcomes. For instance, in a ten runner race, a trainer could nobble his own horse and be sure it would lose; but, unless it was an extraordinarily strong favourite, it would be impossible to guarantee a positive return from bookmaker bets on each of the other runners (too expensive). However, 'laying' the horse on an exchange guarantees a profit if it is certain that it will lose. According to the Ladbrokes CEO, this leads to a race in Britain being fixed every day. On the other hand, Betfair, the dominant exchange, points out that the electronic basis of the market leaves an audit trail that can facilitate detection of suspicious transactions.
- (iv) *In play betting.* Exchanges have also popularised in play betting where trading continues throughout an event. This offers new opportunity for manipulation. For example, suppose a syndicate pays a tennis player to lose the first set. It can guarantee profit by laying the player before play starts and backing him at the end of the first set. Exploiting lengthening of odds after the player goes behind, it then locks itself into a guaranteed return independent of whether the player wins or loses. The bribe may be attractive to a player since he doesn't have to give up the possibility of victory. Detection risk is low because it is common in the sport, given the hectic schedule, to reserve effort on occasions.
- (v) *Proposition bets.* A growth area is wagering not on final outcome in a contest but on some aspect, such as whether an index based on the number of red/yellow cards in a football match exceeds a certain value or whether a named batsman in a cricket international scores fifty. The new popularity of such bets generates risk. First, interactive team sports are hard to fix without cooperation from a large subset of players whereas subjects of proposition bets can often be controlled by one person: a referee has enough discretion to be able to boost the number of yellow cards or a player can provoke punishment with a tantrum; either the batsman himself or an umpire can ensure that fifty is not achieved. Team sports therefore become as vulnerable to manipulation as one-on-one sports as all the bribe can be focussed on an individual. Second, some propositions offered are marginal to the final outcome and therefore athletes might not regard it as serious to accept a bribe. Indeed, the market on the time of the first kick out of play in football games was closed because it was perceived as being fixed regularly by players.

An economic model of corruption in sport

Given these factors pose an increased risk to the integrity of sport, can one identify specific sports that are particularly at risk? To inform such a question Forrest *et al* (2008) adapt an economic model used by Forrest and Simmons (2003) that was itself adapted from Ehrlich (1996) in which an economic framework for explaining the incidence of crime is presented.

A fix may be engineered by an athlete (or official) to make a betting gain on his own account (as in several college sports scandals in the United States) or in response to a bribe offered by bettors (as in the Bundesliga refereeing conspiracy, where the funding was from a Croatian betting syndicate) or by bookmakers (as with South African cricket captain, Hansie Cronje, who was found guilty of accepting money from Indian illegal operators in return for altering the result of a dead rubber test match with England). In all cases, the athlete, confronted by an opportunity, can be represented as considering the expected benefits and costs of choosing to commit the crime.

The expected benefit of a fix to an athlete (decisions by officials on whether to fix may be analysed very similarly) is financial. It is given by the expression qG where q is the probability of a fix being successful and G is the financial payoff if the fix is successful. q is often less than one because, especially in team games, it may not prove possible to engineer the desired result given that outcome also depends on how opponents and team mates outside the conspiracy play. G we think of as the payment to be made to the athlete by a criminal gang if the result it wants is forthcoming; but alternatively G may be the amount won by the athlete himself if the motive for his underperformance is to win a bet he himself has placed. Note that fixing is almost always associated with under- rather than over-performance. Athletes in competitions are typically already performing close to their maximum but could lower effort if the offer to fix were sufficiently great.

Expected costs comprise three components. The first is the expected value of financial sanctions from being caught. It is given by pF where p is the probability that the attempt to fix is detected and F is the financial penalty incurred on detection. F may, for example, include fines imposed in the criminal courts; but in high profile professional sports, it is likely to be dominated by loss of earnings from suspensions or bans from further involvement with the sport. The other components are $V(R)$ and $V(C)$. $V(R)$ is the monetary value the athlete places on underperformance which may reflect loss of prize money, loss of prestige and the pain of losing a match. $V(C)$ is the value placed by the athlete on the act of cheating itself: the feeling of guilt or fear it will engender. In some cases, an athlete may actually enjoy the thrill of cheating and in this case $V(C)$ would change sign, to a benefit.

According to the model, an opportunity to fix will be accepted if, and only if, expected benefit exceeds expected cost, i.e. a fix will be attempted where

$$qG > pF + V(R) + V(C).$$

In one sense, this condition could be said to state the obvious; but it offers a viable framework for understanding why some circumstances in sport pose more corruption risk than others and why corruption risks may change over time. It also yields a taxonomy of policy approaches that sports or gambling regulators could adopt to reduce the number of fixes. We employ it first to ask whether it offers any support for the proposition that risks to the integrity of sport are increasing in the betting environment of the twenty-first century.

Where in sport is corruption risk greatest?

According to our model of the expected costs and benefits to an athlete of choosing to participate in a fix, cheating becomes more likely as:

(i) G increases (this occurs as market liquidity increases and will be higher where the athlete or official can be effective alone rather than having to share responsibility- and the bribe- with others).

(ii) q increases (an attempt to fix is more likely to succeed in one-on-one sports than in complex interactive team games; is more likely in certain sports if the referee, umpire or judge is the fixer and the structure of the contest gives him major influence on outcome; and is more likely in a team sport where bets relate to performance by individual players).

(iii) F falls (the incentive to accept a bribe of a given amount is lower in sports where athletes can look to very high future earnings, which are placed at risk by engaging in corruption; so low paid and amateur players in lower levels of competition are more likely to accept a given bribe than the elite in professional team sports; but even at the top level of a sport, veteran players and referees may have little in the way of future earnings to weigh in their decision).

(iv) p falls (probability of detection is a key factor in all analysis of incentives to engage in crime; in this context, p will be lower in lower levels of competition since scrutiny of player and referee performance is less intense; p may also be low in sports where it is common to reserve effort because it is then hard to pick out cases where low effort has a motive different from resting for the next tournament).

(v) $V(R)$ falls (for example, in end of season soccer matches where the points for either team are irrelevant to their final place in the standings, teams will suffer little anguish if they underperform; tennis professionals will lose less in prize money and glory if they lose a match at a minor than at a Grand Slam tournament).

(vi) $V(C)$ falls (cheating may be rationalised as acceptable where it does not involve committing actually to lose a match or where there is resentment about salary levels- this appears to have been a factor in the notorious fixing of the World Series of baseball in 1919; and it is easy to envision that referees may perceive injustice in contemporary situations where their rewards are much lower than the players they are meant to control).

These, then, are the factors likely to influence the incidence of corruption. Sometimes, one factor would appear to be likely to promote a high level of corruption but the environment provides a counter-force to offer a degree of protection. For example, major contests have the thickest betting markets and thus the greatest opportunities for financial gain from fixing; but players also have most to lose then in terms of prize money, glory and reputation. So corruption may be most likely to occur not in the very highest volume markets but rather where many of the factors noted above push in the same direction, i.e. increased risk.

A priori, an example of a risky situation would occur where interest in a contest is high, sustaining an ample betting market; but where athletes are paid little if at all; and where the actions required of athletes to secure betting gain do not involve losing a match and therefore glory. This combination of circumstances describes many situations in US college sports. Here, football and basketball generate huge interest: NCAA Division 1 football and basketball attract higher annual attendance than the NBA, NFL and NHA combined (Sandy and Sloane, 2004). Yet players are amateur and, further, bets are made against a bookmaker spread, so favourite teams could win matches but still supply a degree of underperformance that wins bets placed on their opponents. Given all the circumstances, it is unsurprising that 'point shaving', the practice of winning by deliberately narrower margins than teams could, has been a form of fixing believed to be so common that it has marred the reputation of college sports and prompted American politicians to propose federal legislation to outlaw betting on amateur sport.

Closing remarks

There are a number of relevant actors who together may be able to decrease the incidence of fixing: government, regulators, betting firms and sports governing bodies.

For government, prohibition is a policy option always likely to be recommended by some lobbyists. In the US, sports betting is legal only in Nevada (though there is a very substantial illegal sector, documented in Strumpf, 2003, in the remaining states). Federal legislators have sought further to restrict wagering on sport through bills that would make it illegal even in Nevada to accept bets where the subject is college or other amateur sport, this in response to the history of betting scandals at colleges, as noted above. More generally, legislation in 2006 made access to foreign internet betting providers very difficult since it was made illegal for the latter to sell to American residents and illegal for American financial institutions to process related transfers of funds.

It is questionable whether such measures can be justified by reference to the problems of sport. Most of the long history of point shaving predates the internet era; and the illegal sector, more than thirty times the size of the Nevada sportsbooks according to Strumpf (2003), is fully capable of absorbing turnover displaced from Las Vegas. Wolfers (2005) proposes a radically alternative strategy of legalising betting throughout the US but within a closely regulated framework where, for example, particular types of bet could be prohibited if they were classified as carrying high

risks of fixing. Such betting providers would carry a statutory obligation to report suspicious betting patterns to regulators.

In Europe, state monopoly betting firms, organised within the European State Lotteries and Toto Association (commonly known as European Lotteries or EL), have been battling throughout this decade against a number of legal challenges, often on behalf of British bookmakers and more recently from the European Commission itself, which claim that state monopoly violates freedom of trade under the EU Treaty. In relevant judgements, the European Court of Justice (and also its counterpart in EFTA) has recognised the right of a member state to treat gambling as an exception to the freedom to trade in services but only if this is for purposes of social policy or public order and only if policy is proportionate and consistent. For example, claiming that granting a state monopoly is intended as a measure to minimise problem gambling behaviour is legitimate; but it becomes illegitimate if that firm has in fact been observed to engage in aggressive marketing of its products.

In this context, EL claims that state owned firms offer greater protection against manipulation of sports than private enterprises. For example, stake limits are lower than in the case of the providers based in Britain, Gibraltar and Malta which dominate the European sports betting market: “EL members do not accept bets of hundreds of thousands or more Euro on a single match” (European Lotteries, 2007).

It is a sound argument that reducing liquidity makes corruption less probable. But this is not likely to be achieved by particular European states maintaining national monopolies that impose high costs on legitimate consumers (Forrest, 2008). First, it is difficult to restrict domestic access to international markets, notwithstanding attempts in France and The Netherlands to block access to foreign gaming sites. Second, attempts to manipulate European sporting competitions may originate outside the jurisdiction where the event takes place (for example, a Croatian betting ring was behind the Bundesliga affair) and similarly international markets can be used to place related wagers (for example, in volume, the Asian Handicap market on the English Premier League dominates the domestic football betting sector and could readily absorb very large stakes). There is therefore a severe practical limit to the extent to which the legal status of betting industries in particular countries or regions is relevant to the control of fixing. And there is similarly a severe limit to which regulators at the national level can exert a positive influence though they are likely to introduce rules that at least lower the risk that their own betting sector will be the vehicle for fixers. For example, the new Gambling Commission in the United Kingdom has made it a licence condition for bookmakers that they report to a sports governing body whenever a transaction may have broken the rules of a sport. Because the market is global, movements in odds in the local market will reflect those in the international market. Such disclosure provisions therefore have the merit that they make it more likely that suspicious circumstances will be highlighted even if none of the transactions observed are themselves related to fixing.

Given the obstacles faced by national regulators, it is likely that sport itself will bear much of the burden of policy to control increasing risks generated from the betting sector. Possible approaches include the following:

(i) Referees and umpires in certain sports, where their influence on outcomes is high, are particularly at risk of being targeted by fixers and require protection and monitoring. In the NBA, a response to the referee scandal was to change procedures so that allocation of officials took place only shortly before a match was to be played. This will reduce the time for betting interests to feed wagers into the market even if they have already established a corrupt relationship with a referee. Other measures might include requiring referees to agree to random audits of their financial affairs and extending formal assessment of referee performance in matches. Because it is unlikely to be easy to establish the cause of referee failings, it may be necessary to institute a harsh regime for the demotion of referees judged to have performed poorly even though the majority of those so affected will not in fact be corrupt. Such measures will be expensive for sport. Filming of football matches in lower divisions would be an example of a direct cost and an increase in salaries to enable recruitment and retention of referees in an environment of greater scrutiny would be an example of an indirect cost.

(ii) Amongst players too, an increased level of policing of behaviour in matches may on its own fail to uncover provable instances of fixing. For example, a weak performance could be explained by any number of factors that cause the athlete to supply less effort than usual. Even if a case of demonstrably lethargic performance is accompanied by 'suspicious' betting patterns, the latter could be associated with insider trading by those privy to knowledge that the athlete intends to give low priority to the match: it need not necessarily, or even normally, be the case that events indicate a fix. In these circumstances, evidence robust enough to secure convictions for fixing is unlikely often to be found. Sport may therefore have to treat a wider range of behaviour as adequate grounds for sanctions if it is to influence incentives for fixing, just as, in anti-doping policies, it may make failure to provide a sample as an offence equivalent to a positive result. For example, in horse racing, 'not trying' is against the rules and sometimes leads to the suspension of the jockey; other individual sports could employ the same approach. Similarly, it would be possible to introduce sanctions for an athlete whose connections engage in insider trading on betting markets, just as many jurisdictions treat businessmen who pass on private information which is used subsequently for gain in the equity market.

(iii) Sports may need to review the extent to which they permit players and officials to engage in gambling. For example, English football prohibits betting on any outcome that could be influenced by the player or official but permits wagering on anything else, whether in football or other sports. This could be argued to be too liberal an approach to the extent that association with bookmakers itself raises the risk of a player or official being made an offer to fix and to the extent that a player or official will become especially vulnerable if he builds up gambling debt. The NBA referee, Tim Donaghy, who admitted to influencing games for betting related gain, was revealed to be a pathological gambler; and an English footballer is alleged, by the newspaper *The Independent* (April 4, 2008), to have confessed to manipulating events on the field in response to a bookmaker's offer to write off debts accumulated in a history of problem gambling. Of course, exposure to illegal bookmakers is more dangerous than to those from the formal sector and it may be adequate to introduce rules that oblige player and officials to gamble only through accounts they have registered with their clubs or governing bodies.

(iv) Again, as with policy towards doping, player education is likely to be a component central to strategy in any sport. Some sports already prescribe a minimum level of information that should be imparted to all players. There is scope for more comprehensive measures in vulnerable sports, to make players aware of the consequences of fixing, and particularly to warn that even one fix will put them at risk of subsequent threats to expose them if they do not continue to follow instructions from fixers.

All the measures proposed have costs. In some sports, the level of expenditure required to ensure public confidence in probity will be high, especially where past cases have fostered an attitude of cynicism. The question arises of who should bear those costs. Levies on the betting industry could be considered fair by sport as the costs are effectively an externality from that industry. However, the gambling sector would argue that this would be as illogical as charging pharmaceutical companies for doping testing programmes as those subject to the tax, companies in the legitimate sector, may not be the source of the problem. Further, the gaming market is global and a sport in one country may be manipulated because of betting markets that are located even in another continent. Adding extra costs to the domestic betting sector may make it less competitive and move more wagers to a foreign market subject to lower regulatory standards. Given these arguments, sport itself is likely to have to spend more to protect its reputation and its value. Those who run it should perhaps ponder whether the costs could be offset if more attention were paid to sport gaining commercial benefit from the growth of interest in the concomitant betting sector.

References

Ehrlich, I. (1996), 'Crime, punishment and the market for offences', *Journal of Economic Perspectives*, 10:43-67.

European Lotteries (2007), 'UEFA/ betting manipulations- Strict government control over sport betting must be preserved', press release, European State Lotteries and Toto Association, December 3, 2007 (accessed at <https://www.european-lotteries.org>, April 3, 2008).

Forrest, D. (2008), 'Consumer interests and the regulation and taxation of gambling' in T. Coryn, C. Fijnaut and A. Littler (eds.), *Economic Aspects of Gambling Regulation: EU and US Perspectives*, Martinus Nijhoff Publishers, pp. 103-117.

Forrest, D., McHale, I. and McAuley, K. (2008), *Risks to the Integrity of Sport from Betting Corruption*, Central Council of Physical Recreation, London.

Forrest, D. and Simmons, R. (2003), 'Sport and gambling', *Oxford Review of Economic Policy*, 19:598-611.

Munting, R. (1996), *An Economic and Social History of Gambling*, Manchester University Press.

Sandy, R. and Sloane, P. (2004), 'Why do US colleges have sports programs?' in J. Fizel and R. Fort (eds.), *Economics of College Sports*, Praeger, Westport CT.

Strumpf, K. (2003), 'Illegal sports bookmakers', working paper, University of North Carolina at Chapel Hill.

Wolfers, J. (2005), 'Point shaving: corruption in NCAA basketball', *American Economic Review*, 96:279-283.

**The British Prevalence Survey: Some personal observations
of a co-author
An address to the Society for the Study of Gambling meeting
held 6 November 2007**

**Mark Griffiths
International Gaming Research Unit
Nottingham Trent University**

In this short article I aim to provide some brief commentary on the main findings of the latest British adult gambling prevalence survey. As one of the seven authors of the study, it is fair to say that the authors came to slightly different conclusions in regards to some aspects of the data. The views contained here are my own personal opinions and do not necessarily reflect those of my co-authors.

It is not my aim here to re-present the data in any detail as this has been published at length in the main report itself (Wardle, Sproston, Orford, Erens, Griffiths, Constantine & Pigott, 2007). My comments here can be read as a companion piece to the full report.

As most readers will be aware, the prevalence study had a number of particular aims. The most important of these was to: (i) measure participation in all forms of private and commercial gambling (among adults) including information on venue and expenditure, (ii) measure the prevalence of problem gambling and look at which activities have the highest prevalence, (iii) investigate the socio-demographic factors associated with problem gambling, and (iv) explore attitudes to gambling.

The approach we took was very similar to the 1999 study (Sproston, Erens & Orford, 2000) as this allowed us to make some direct comparisons between the two surveys. Our final sample included a representative sample of over 9,000 individuals (aged over 16 years). To our knowledge, this is the largest ever sample in a national adult gambling survey although some of the British adolescent gambling surveys have had larger sample sizes (up to 11,000 adolescents).

The survey included a short household questionnaire (basically covering demographics) and a self-completion questionnaire. This was left for each adult (16 years and over) and later collected by the interviewer. From my point of view, the most important statistics were the various response rates. There was a response rate of 63% of households, 81% of individuals within those households and 51% response rate overall. This was significantly lower than the 1999 study (65% response rate) although still a high response rate compared to most international studies of this nature. I will return to the issue of response rates and the implications later in the article.

The questionnaire coverage was deliberately similar to the 1999 survey and included participation in all gambling activities (over last 12 months), expenditure in all gambling activities (over last 7 days), attitudes to gambling, and other background demographics. As in 1999, there were two problem gambling screens used although

this time the South Oaks Gambling Screen (SOGS) was dropped in favour of the more recently developed Canadian Problem Gambling Severity Index (PGSI). The DSM-IV criteria were retained so that direct comparisons between this and the last survey could be made. Only those results relating to DSM-IV will be examined in this article. In a nutshell, the two screens are briefly described as follows:

- DSM-IV – This is a 10-item scale that provides scores between 0 to 10 with the problem gambling threshold being a score of 3 or above (i.e., the same as 1999/2000).
- PGSI – This is a 9-item scale that provides scores between 0 to 27 with the problem gambling threshold being a score of 8 or above.

Participation in gambling (past year): Even a scant look at the data regarding past year participation threw up few surprises. Two-thirds of adults gambled in last year (68%, down slightly from 72% in 1999). Excluding the Lotto game, just under half of the sample (48%) had gambled in the past year. Over half (57%) had gambled on the Lotto game (down from 65% in 1999). The other most gambled on activities in the past year were scratchcards (20%), horse race gambling (17%), slot machines (14%), casinos (4%) and fixed odds betting terminals (FOBTs) (3%). Apart from a decline in Lotto game participation, there was little difference between the 1999 and 2007 prevalence rates by gambling types. Although there had been much speculation and hype in the press about the “dramatic rise” of Internet gambling, only 3% of the sample had gambled online, only 4% had placed bets online, and just over one in twenty of the sample (6%) had engaged in any type of online gambling in the previous year. Given that online gambling was negligible in the 1999 survey, it could be argued that 6% participation is a ‘dramatic rise’. It is clear that online gambling is popular to a small sub-group of gamblers. The next prevalence survey will give us a much clearer idea of how the Internet and other remote media are impacting on gambling participation.

Demographic variables in gambling: The survey showed that slightly more men than women had gambled in the last year (71% vs. 65%), and that men gambled on all activities more than women with the exception of bingo (4% male versus 10% of females). Perhaps unsurprisingly (and similarly to the previous survey), higher income households more likely to gamble, and those of lower education levels more likely to gamble. With regards to ethnicity, white people more likely to gamble (70%) than Asians (45%) and those of Black origin (39%). None of the demographic factors seemed particularly surprising although secondary higher order analysis has yet to be completed on these data.

Problem gambling: Using the DSM-IV screen, the widely reported overall prevalence rate of problem gambling in the sample was 0.6% (confidence interval of 0.5% to 0.8%) that equates to between 236,500 and 378,000 adults in Britain. As was also widely reported, this prevalence rate is the same as in 1999. Of these, 1% were men and 0.2% were women. The highest prevalence of problem gambling by age were those aged 16-24 years (1.5%), 25-34 years (1.7%) and 45-54 years (1.4%). Among past year gamblers, the prevalence rate was predictably higher at 0.9% (1.5% men and 0.4% women; confidence interval of 0.7% to 1.3%). This compares to the 1999 survey of 0.8% (1.2% men and 0.4% women). Excluding those who played the Lotto,

the prevalence rate of problem gambling among past year gamblers was 1.3% (confidence interval of 0.9% to 1.7%).

Problem gambling by gambling type: A brief analysis was also done on the percentage of problem gamblers by type of activity engaged in. This analysis showed that online gambling activities, spread betting and FOBTs were gambled upon more by problem gamblers suggesting some association. More specifically, the results showed problem gambling by gambling type to be spread betting (14.7%), FOBTs (11.2%), betting exchanges (9.8%), online gambling (7.4%), online betting (6%), casino (5.2%) dog race betting (5.2%), non-horse/dog betting (3.9%), pools (3.5%), bingo (3.1%), slot machines (2.6%), scratchcard (1.9%), horse race betting (1.7%), Lotto (1%).

Factors associated with problem gambling: Finally, other analyses related to problem gambling showed that men were almost five times more likely (4.91) than women to be problem gamblers. Those with problem gambler parents were over six times more likely (6.4) to be problem gamblers. Those with parents who regularly gambled were over twice as likely (2.53) to be problem gamblers. Asians were nearly four times more likely (3.62) than whites to be problem gamblers. Single people were over four times more likely (4.41) than non-singles to be problem gamblers. Problem gamblers were over four times more likely to be in fair health (4.15) than those in good or very good health. More secondary analysis will need to be carried out on these preliminary findings especially on some of the more unexpected findings (such as Asians being more likely than whites to be problem gamblers). There are no obvious reasons why this might be the case and may be because of differences in religious and/or attitudes towards gambling combined with support (or lack of it) from within the different cultural groupings.

Response rate implications: As mentioned above, the response rate for this survey was significantly lower than the previous survey (51% versus 65%). This is likely to have decreased the prevalence of problem gambling as problem gamblers are more likely to be in the group of non-responders. Problem gamblers are more likely to refuse to agree to participate in any survey. If they happen to be in a household surveyed, they are less likely to return the call or form. Most will make themselves unavailable to answer survey questions if appointments are made to interview them. Furthermore, problem gamblers who agree to be surveyed are more likely to lie about the amount of time and money they spend on gambling, and about the frequency of their gambling - especially if they have not told their family that they have a problem if their family are not aware of the extent of their gambling. They are even more likely to lie during a survey if another family member is at home when they are answering the survey takers questions. No matter the interview technique, households are not places that encourage disclosure of information that might get the respondent into big trouble with their family. Given this was a household survey, it should also be noted that problem gamblers are more likely to be homeless and to be institutionalised (in prison, in mental hospitals).

The advantages of prevalence surveys

Although the final part of this article examines the many negatives of prevalence

surveys, it is clear that prevalence surveys have a number of very positive features. In short, prevalence surveys:

- Provide data on likely extent of actual clinical need for the overall population and sub-populations, general population risk factors, and correlates of a particular disorder. This is useful information for many different stakeholders including those who have responsibility for programmes concerning intervention, treatment and social responsibility.
- Identify groups of people (for example, 18-24 year olds) where apparent needs do not match up with treatment service utilization. If we just surveyed UK treatment populations and/or those who attend Gamblers Anonymous, we would almost inevitably conclude that most problem gamblers are primarily white middle-aged men who typically have problems gambling on horse racing and/or casino games because females, various ethnic groups, and youth are disproportionately represented in treatment. It can also provide new research questions such as why such groups are not accessing treatment services.
- Provide probabilistic estimates that can compute the generalizability of the results in contrast non-random samples that have an unknown generalizability. By comparing probability samples and with clinical samples it may help us determine the generalizability of clinical findings (e.g., association of depression or substance use with problem gambling).
- Provide data that allows us to model social processes and social problems at the population level.
- Allow comparison of different regions (within country or across counties) in terms prevalence and their association with game availability, treatment availability, economic prosperity, crimes rates, etc.
- Provide a snap shot of the life of a gambler at a time of our choosing, rather than theirs. In contrast, clinical samples are consistent with people in crisis. We cannot always learn about the “normal” state of the problem gambler from biased clinical samples. For example, researchers may underestimate the importance of beliefs and overestimate the role of depression in problem gambling. Prevalence surveys examine problem gamblers’ “normal” states.
- Provide attitudes and beliefs and behaviours in the general public (i.e., non-affected people) rather than non-representative groups (like problem gamblers).

The disadvantages of prevalence surveys

Although prevalence surveys have a place in research, they are very expensive and there are many problems with them. Over the last year, the issue of prevalence studies have been widely debated on Internet discussion groups such as Gambling Groups International. I have noted many of these arguments and present them here below (so thank you to all those on these forums who have posted their views).

- Prevalence surveys select a sample that is representative of the entire adult population. However, problem gamblers are not equally distributed amongst that population and are therefore under-represented in general population

surveys. For example, problem gambling in the UK is usually more prevalent amongst males, 18-24 age groups, those on lower incomes, etc. Consequently, the actual prevalence of problem gambling is likely to be much higher.

- Given that gambling is a behaviour that most problem gamblers do not want to talk about, they are significantly more likely than non-problem gamblers to refuse to agree to participate in any survey. (Having said that, those who do not gamble at all may also be under-represented in gambling surveys).
- If problem gamblers happen to be in a household that is surveyed, they are significantly less likely to return the form than non-problem gamblers.
- One of the real disadvantages of prevalence surveys is that they do not tell us very much about problem gambling. Although prevalence surveys can highlight slight fluctuations in problem gambling rates in comparison with other prevalence surveys, they do not tell us very much about problem gambling itself. The latest UK prevalence study had a sample of 9003 participants, but out of that sample only 54 people were identified as problem gamblers. Many qualitative studies (including treatment) studies have bigger samples of problem gamblers than that! We need to look at the lives of the problem gamblers in far more detail.
- Some have argued that prevalence surveys rarely capture responses from Culturally and Linguistically Diverse (CALD) groups. Some studies have found that gaming environments such as casinos comprise a disproportionate number of individuals from CALD groups.
- One of the most highlighted problems is that when it comes to the screening instruments used to identify problem gambling, we do not know what effect false positives and false negatives have on the data. Typical survey samples worldwide are rather small (1,000 to 10,000 depending on population size). Therefore, the actual numbers of problem gamblers on which conclusions (and policy decisions) are made are very small (e.g., just over 50 problem gamblers in the case of the latest British study). To overcome the problem of small numbers and their analysis, the researchers often collapse sub-clinical and clinically significant cases of interest together. This analysis usually fails to consider the impact of false positive (in the sub-clinical group) on the validity of the conclusions drawn.
- From my own perspective, one of the biggest disadvantages is that adolescent gambling is not considered. This means that the true level of problem gambling in Britain is decreased even further as the four national adolescent gambling surveys have all shown that there is a higher prevalence of problem gambling in this group compared to those who are 16 years and over (Griffiths, 2007). Furthermore, these four national studies have usually had bigger sample sizes than the adult prevalence surveys. Although the latest adolescent gambling survey (MORI/International Gaming Research Unit, 2006) showed that there had been a decrease of adolescent problem gambling to 3.5% (down from 4.9% in 2000), this rate was still four to five times higher than the adult problem gambling rate.
- Australian researchers have argued that any given moment in time, the number of people surveyed who will admit to having a gambling problem is dependent on how much media attention has been given to concerns about gambling losses, and the level of problem gambling in the community. In Australia, the

Productivity Commission's Report (1999) into gambling prevalence is possibly the only survey to even get close to accurately assessing the true level of problem gambling as it was conducted at a time when media reports and public concerns about problem gambling were at their lowest. Shame and guilt (and therefore lying about gambling involvement) are apt to increase as public concern about gambling and gambling losses increases and as media reports become more prevalent and shocking.

Some final observations

I would like to conclude with a few more observations when evaluating the findings of the British prevalence survey. Firstly, policy makers need to understand that the 0.6% problem gamblers identified in the current survey are not the same people that made up the 0.6% eight years ago due to attrition rates. One participant of the GII group commented that "to say the rate of problem gambling in a society hasn't changed is much like saying the number of loaves of bread made by a bakery each year doesn't change". Research into problem gambling has shown that the disorder is 'fluid' and that gamblers drift in and out of problem gambling throughout their 'gambling career'. People move in and out of problem gambling for lots of reasons depending upon a whole range of economic and/or biopsychosocial factors.

Given this and other observations made, it is clearly time for gambling prevalence studies to start tracking individuals over time. What is the point of spending lots of money on a study if the participants cannot be tracked over longer periods of time? Policy makers need to be educated towards a more 'systems approach' (i.e., over time people move in and out of problem gambling) as this may create a more dynamic approach to the issue at their level of analysis.

Some may question whether there still value in prevalence studies. I will leave you with a couple of questions. Firstly, given the limited resources for research funding, should prevalence studies continue to be a priority? Secondly, what can reasonably be done to enhance the accuracy and utility of prevalence surveys?

References

MORI/International Gaming Research Unit (2006). *Under 16s and the National Lottery*. London: National Lottery Commission.

Productivity Commission. (1999). *Australia's gambling industries*, Report No. 10. Canberra: AusInfo. Available at <http://www.pc.gov.au/>.

Sproston K, Erens B & Orford J (2000) *Gambling Behaviour in Britain, Results from the British Gambling Prevalence Survey*, London: National Centre For Social Research.

Wardle, H., Sproston, K., Orford, J., Erens, B., Griffiths, M.D., Constantine, R. & Pigott, S. (2007). *The British Gambling Prevalence Survey 2007*. London: The Stationery Office

Minimising the Distress caused by Excessive Gambling
An address to the Salford Seminar “The Commercial Gambling
Industry – What next?” held on 7 May 2008

Anthony Jennens
Chairman of Board of Trustees
GamCare

Minimising the Distress Caused by Excessive Gambling, is the title that has been assigned to this address. I shall of course, in deference to the politicians present here today, endeavour to answer the question which I wish you had asked and to which I have carefully prepared the answer.

Sadly, I suspect that the Gambling Act 2005 has failed to live up to the optimistic expectations of almost every sector of the industry. At various times during the Bill process differing parts of the industry thought that their star was in the ascendant only to be disappointed a few days later. Today, the smoking ban, together with increased taxes and licence fees, the removal of some categories of machine and the general economic gloom have caused wide spread depression in the Gambling Industry. In this climate, the demands for funding of the problem gambling charities are even more unpopular than usual. When times are good, many operators positively welcome the opportunity to give generously to an organisation such as GamCare, as it helps, among other things, to mitigate the adverse press that gambling often receives, but when cutbacks need to be made, expenditure of this nature can often be either curtailed or resented.

The resentment is entirely understandable. What does the operator get for his donation to the problem gambling charities? Not a lot: in many cases the operators are not even thanked. So why do they have to go on giving? There are three answers.

- Operators have to demonstrate social responsibility and a donation to a gambling charity, or an organisation such as Salford which sponsors serious research, ticks the box.
- Donating to a charity which deals in the treatment of problem gambling can also give you that warm glow that comes from knowing that you have contributed to the betterment of the lot of mankind, though this may not be the thought that is uppermost in the mind of operators as they reach for their cheque book.
- Thirdly, and more seriously, only the most short sighted of operators wants to take large quantities of money off a problem gambler. He brings down the wrath of the already hostile press on every section of the industry. Spotting a problem gambler before he gets in too deep is beneficial to everyone. It is highly commendable that so many operators put their staff through proper GamCare training as an integral part of their social responsibility programme. A number of gamblers will always slip through the prevention net and for them there must be treatment available and, most importantly, it must be known to be available. There is no point in having

fine treatment facilities for anything unless everybody who may ever need them is aware of their existence and how to access them.

Does treatment work? Unequivocally, yes. A number of problem gamblers, as with other addicts, heal themselves. Those who seek help have already done a great deal of the counsellor's work for him simply by acknowledging the existence of the problem. Thereafter our counsellors have a very good record of success, as year-on follow-ups show.

The recent and much acclaimed Harvard co-morbidity study (much acclaimed, because it appears to be an extensive piece of genuinely independent research with findings that are of use) tells us that 60% of problem gamblers are relatively easily curable by early intervention and treatment and that the remaining 40% are pretty tough nuts to crack. If we managed to cure the 60% in the UK we would be down to 120k problem gamblers by the time of the next Prevalence Study, which would be a magnificent result. Sadly the 60% stock constantly replenishes with new arrivals and some of them, of course, replenish the 40% stock. Realistically, the best we can hope for is for the problem gambling stock to remain roughly constant. This pattern has been demonstrated in many other jurisdictions, but in order to remain stationary you have to paddle like hell.

By the way, such good quality research has been sadly lacking in the UK. There has been research: the Henley report, the Hall Aitken report, the ABB report to name a few, but as Professor Collins frequently reminds us, it always important, when evaluating a piece of research, to know who paid for it. Without belabouring the point, we have not seen any truly significant, independent research in the last five years in this country.

We must make the best possible use of the resources we have available, and cooperation amongst *all* the interested parties is essential. As an example, a study is now in progress which is a joint venture between Manchester Metropolitan University, the Salvation Army, National Debtline and GamCare. The purpose of the study is to evaluate what proportion of serious debt problems are caused by gambling, how to spot it and how to stop it. We all decided that this piece of research was important and went ahead together despite funding having been refused from other sources.

These interested parties represent only a part of the community that needs to be involved. The intelligent members of the gambling industry are acutely aware of the necessity to keep gambling healthy and perceived as entertainment and not danger. To attain this, problem gambling must be kept to as low a level as possible and the industry itself must be seen as a vital part of the campaign to keep gambling safe. It is very easy for the public mood to turn. On a related subject, last week the Chief Constable of Northumbria advocated a total ban on booze advertising and a price hike to levels which would make getting drunk unaffordable. The Gambling industry has only just acquired the right to advertise, but we should not forget that 1960 turned into

1968 and I am absolutely sure that the industry has no desire to see that kind of reversal again.¹

How do we minimise harm, and maintain a deservedly good reputation for the gambling industry? I am delighted to say that the Gambling Commission has started an extensive consultation process and review to find how we can together best achieve this.

I am looking forward to hearing what Jenny says about the next stage of the review. GamCare welcomed the review when it was announced. It is timely and gives us a real opportunity to learn from the experience of the last few years, and to put in place a system that really works. I say that, because it is clear to me that the system at present isn't working. For example, an announcement was made last week that the fund raising target of £3.6m had been reached thanks to the last minute intervention of the "big three". This worries me on several fronts, not least that it appears to fall short of the original target.

This style of fundraising is both inefficient and inequitable, and impacts on both perceived integrity and accountability and practical forward planning. Why should the 'big three' repeatedly have to perform a bail out? Is it healthy that the 'big three' might appear to have influence proportionate to the size of their donation? Should two thirds of the industry be permitted not to contribute? How can the organisations in research, treatment, prevention and education, who have been told that adequate funding will be provided, plan their business when there is no certainty at all of any funding?

Despite the generosity of the 'big three', for which we at GamCare are of course grateful (we assume we shall benefit through funds allocated to us), the overall sum is relatively modest when compared either as a percentage of GGR or the situation that obtains in other jurisdictions. New Zealand for example has an £18m budget for a population of just over 4.25m. We must do better.

Similarly, I think there is a real lack of clarity about roles and responsibilities in the current system. Who is accountable to whom? Where is the lead on strategy from Government? All of this creates a situation which fosters tension and duplication. Again, we must do better.

In our response to the first round of the Commission's consultation, we in GamCare did our best to go back to a blank piece of paper and to think the thing through from first principles. I hope that this has helped Jenny and her team. We certainly found that our thoughts seemed to resonate with many others when we discussed our ideas with them.

¹ A reference to the liberalisation of gambling in the UK in 1960, through the Betting and Gaming Act. Around 1000 casinos were established in the first five years following the Act, but many were linked to criminal activity. Consequently, more restrictive legislation was introduced by the Gaming Act 1968. This was then repealed by the Gambling Act 2005.

So, I hope you will find it useful if I set out, briefly, the criteria GamCare will be using to judge the Commission's proposals when they come out next week.

First, I think the objectives of the system are quite clear. We need a system which delivers a sufficient and dependable flow of funding from the industry and professional, efficient and effective services of consistent quality, available across the whole country, and easily accessible to all who may need them.

I will be looking for proposals which are crystal clear about the roles and responsibilities of all players in the system, whether Government, regulator, fundraiser, distributor, provider. Experience has shown that without this we get misunderstanding, duplication and omission. I believe very strongly that the way forward here is to separate roles: distinguish strategy from fundraising, from distribution and from service provision, and respect those dividing lines.

We then need proposals which

- have very clear lines of accountability;
- minimise bureaucracy and overheads;
- are overseen and run by well-informed people respected for their knowledge, expertise and authority, who are above sectoral and political factionalism;
- guarantee funding at the right level and the right time, so that service providers can plan with confidence for the long term. I will be interested to see the Commission's assessment of the right level of funding: it clearly needs to be much more than is currently coming through;
- draw that funding from the wide range of businesses which benefit from gambling;
- assess effectiveness by looking at outputs, not inputs;
- encourage co-operation rather than competition between providers: expertise and resource are scarce; let's not waste effort on unnecessary competition and bureaucracy.

I am confident that the Commission has grasped these issues and will come forward with ideas to make it work. Yes, I know we are committed to more consultation. But the more that Jenny and her team can do to bring certainty and urgency to this process of reform, the more chance I believe we have of delivering for problem gamblers and their families. The longer uncertainty continues, the more we are all letting these people down.

Therefore, I believe there is a great responsibility on the Commission, and the Minister, to seize this opportunity. There is also a clear responsibility on the industry as well. One way to guarantee funding is to introduce the levy. The industry clearly

does not want that, we at GamCare prefer the voluntary route, and I believe the Commission and Ministers do too. But it is in the industry's hands to deliver an alternative. I believe that the challenge is for them to show how they will guarantee – and I mean a cast-iron guarantee – that they will deliver whatever is needed, every year, on time. If they want equity between businesses, they need to say how they would deliver that. If they want to get funds in from non-licence holders, then they need to have a professional approach to fundraising.

Fundraising is not that difficult if it is done properly. We have talked about widening the net in order that others who benefit financially from gambling may be encouraged to contribute. Our chief executive, Geoffrey Godbold, has already separated one of the major banks from a five figure sum, I do not intend to reveal the name of the bank nor the precise sum at the moment. My point is that, capable and persuasive as Geoffrey is, he did not have to work too hard to obtain these funds. It can and should be done.

Given sufficient and dependable funding, what will GamCare deliver?

The first point of contact for GamCare clients traditionally has been the telephone Helpline, and this remains the case, but an increasing number of, particularly online, gamblers now seek help online. The Helpline is of great importance. It provides information and direction of every kind. Only a small percentage of our callers end up in GamCare face-to-face counselling, but we help each and every one of them in some way or another.

The national Helpline is a contentious issue and I do not propose to use this day as a platform for my views on this subject. But, however and by whomever the Helpline is run, it is vital that the person answering the telephone can advise properly any problem gambler, or their family or friend, in distress. It takes a lot for an addict of any kind to summon the nerve to seek help, so we must not let them down when they do. GamCare does now and will continue to deliver a professional and comprehensive service.

We will continue to supply face-to-face counselling, telephone counselling, online counselling, and staff training. Addressing specific groups, we are running projects in the Chinese Community, and in prisons, and we have debt counselling groups.

We will shortly commence our Certification Programme, a project organised jointly with Salford and with the NHS, represented by Dr Henrietta Bowden Jones, head of addiction at the Royal College of Psychiatry. We are also involved in a number of research and education projects. The wealth of knowledge that we accumulate on a daily basis from our clients all goes toward improving the quality of the service we provide and helping to make gambling safe and enjoyable.

As Chairman of GamCare I am justly proud of the service we offer. The wisdom and expertise of our Trustees – two of whom, Peter Collins and Andrew McIntosh, are sharing this platform with me today – and the experience and professionalism of the executive team, led by Geoffrey Godbold, is, I believe, second to none in the world. Through all of our difficulties, we strive to remember that people in trouble turn to us

and rely on us. We must not let them down. I hope everyone here will help us deliver on this pledge.

**The case for having a statutory levy to pay for gambling education
and research and treatment for problem gambling
An address to the Society for the Study of Gambling meeting
held 8 May 2008**

Christopher Jones
Home Affairs Policy Adviser
Archbishops' Council of the Church of England

I suppose I am here today because on 12th February this year, the General Synod of the Church of England approved a motion on gambling policy which among other things called upon the Secretary of State to use his powers under the Gambling Act 2005 to introduce a statutory levy to fund education, research and treatment of problem gambling. This proposal is open to the major objection that it would undermine the basis on which policy in this area has been based since the Budd Report, namely that the gambling industry should voluntarily establish and fund an independent trust to carry out the work. The foundation of the Gambling Industry Charitable Trust, since 2004 the Responsibility in Gambling Trust, exemplifies a welcome acceptance by major operators of responsibility for dealing with at least some of the effects of the industry's activity upon vulnerable people. Nevertheless, it may be questioned whether this initiative, salutary and relatively successful as it has been, is adequate to deal with the current scale of the problem.

First, I want to deal with the principle of responsibility on the part of the industry for contributing to countering problem gambling, since this is not universally accepted. Some of those organisations who gave evidence to the Budd Committee and the Joint Scrutiny Committee on the draft Gambling Bill argued that their contribution to public finances via taxation relieved them of any further social responsibility. This argument however has to be set in the context of the opportunities for expansion which the 2005 Act offers the industry. As Budd concisely expressed it, "we believe that the evidence suggests that the incidence of problem gambling increases with gambling opportunities. That in turn leads us to conclude that the industry has a duty to finance measures to limit and treat problem gambling." (32.27)

Note that Budd refers to "the industry". Sometimes the issue is treated as an example of what economists refer to as "externalities", that is, the incurring of costs which are not fully reflected by the operation of market transactions, and which have to be properly attributed by non-market action, such as the imposition of a charge or tax on firms which pollute the environment. In the field of problem gambling, the attribution of responsibility for harm is much more difficult and contentious to establish. Although there appear to be different rates of problem gambling associated with different types of activity, such as those given in the 2007 British Gambling Prevalence Survey, it is not possible to trace one-to-one correspondence between the activity of individual operators and the incidence of problem gambling, and therefore to attribute particular costs to particular operators. At this point the analogy with the principle that "the polluter pays" breaks down.

Responsibility therefore has to be accepted by the industry as a whole, which may lead to a sense of injustice on the part of some operators who feel they are not directly responsible for harm, or at any rate less so than others. Acceptance of responsibility arises from recognition of what is sometimes called the “gambling continuum”, the truth that while for the majority who take part in it, gambling is a harmless leisure activity, for some it has adverse and often serious effects. To profit from the harmless end of the continuum is inseparable from acknowledging a duty of care to those at the harmful end. A levy therefore sits somewhere between taxation, a contribution to collective expenditure for the common good, and financial penalties for anti-social behaviour, having some affinities with each but identical with neither. It is unlike most taxation in that it is hypothecated to a particular spending purpose, and unlike a financial penalty because it does not attribute blame.

It is always desirable for responsibility to be freely accepted. However, life in society is rarely as straightforward as that, and the regulation of activity with potentially harmful effects usually has to proceed through a mixture of voluntarily-accepted and externally-imposed disciplines. The current regime attempts to achieve this through a combination of statutory regulation, channelled through the Gambling Commission, and voluntary action through the RIGT.

In arriving at its recommendations on funding, the Budd Report took note of the arrangements in force in different jurisdictions abroad. It recorded that there was public funding to support the treatment of problem gambling in the United States, Canada, Australia and Sweden. In Australia, however, funding came from a combination of taxation, levies on gross profits and voluntary industry contributions. In contrast, funding in New Zealand and South Africa was based entirely on voluntary contributions. Budd decided against recommending that the levels of duty should be related to the level of danger or addictive potential of the gambling activity, and concluded that the voluntary model should be adopted, as an alternative to hypothecation of taxes. It was presented as an opportunity for the industry to devise a framework for funding at a rate of approximately £10 per problem gambler per year, giving a target budget of £3 million on the basis of the figure of 270,000-340,000 in the 1999 prevalence survey. However, Budd also recommended that power to impose a statutory levy should be kept in reserve, in case voluntary funding through an independent trust should either fail or cease. This approach was accepted both by the Government and the Joint Scrutiny Committee and has shaped policy up to the present. But how far has the industry accepted the challenge of voluntary action?

In relation to the objectives set, the funding of the RIGT has proceeded encouragingly. With a last-minute effort it achieved the target of £3 million for the first time in 2007, though the annual report noted that over 80% of its income came from just 11 organisations. This year, progress has been slow, possibly because since September 2007 operators have been preoccupied with implementation of the licensing provisions of the Act. In his Commons statement of 26th February, the Secretary of State noted that only 360 out of 3,800 licensed operators had contributed and warned that “unless the industry delivers a substantial increase in contributions by the end of this year and makes contributions in a timely fashion, I will seek the approval of the House for a statutory levy, at a rate to be determined”. On 26th April,

although the Trust had raised £3.6 million, only 1,000 out of 3,200 operators approached had contributed.

The argument for activating the statutory levy, under Section 123 of the Act, must take account of the scale of need. Budd noted that the sum of £10 per problem gambler “looked modest” in comparison with New Zealand, Canada and Australia where the corresponding figures were about £44, £40, and £26 respectively (32.29). The level of funding was raised again by the Joint Scrutiny Committee, who pointed out that the budget of £3 million represented only 35 pence for every £1,000 of estimated net spend on gambling in 2002 (para. 244). In evidence, RIGT told the Committee that it would not be able to spend effectively a sum of £10 million a year, whereas the service providers GamCare and Gordon House said that considerable additional funding would be necessary to increase the availability of treatment services and to publicise those that existed. It seems therefore that the current budget for research, prevention and treatment is too low by a substantial margin (and it should also be recalled that the figures from which Budd was working relate to the turn of the millennium)..

That being the case, there are two primary arguments for the imposition of a statutory levy. First is the manifest unfairness of the current pattern of voluntary contributions which results in the most socially responsible operators footing the bill on behalf of the less responsible – the classic “free-rider” problem. Second is the improbability of the voluntary system producing an adequate level of funding - one would like to know more about the reasons for the apparently more generous industry contributions in New Zealand.

That said, it must be acknowledged that to impose a statutory levy would raise major difficulties of principle and practice. There is little agreement about what would constitute an equitable basis for contributions. A flat rate would clearly be impossible to justify as between operators of widely different size and activity. Some evidence to the Joint Scrutiny Committee suggested that those who would benefit from the introduction of the Act should pay more – though one detects in that the whiff of sour grapes and vested interest. A more initially attractive proposition is that contributions should reflect the measure of risk attaching to particular types of gambling activity. However, any attempt to differentiate between so-called “hard” and “soft” products falls foul of the research finding that the majority of problem gamblers gamble on more than one activity, from which the Scrutiny Committee inferred – perhaps a little too glibly – that “every gambling activity contributes to the potential for problem gambling...in principle, therefore, every commercial operator should contribute something to help address problem gambling” (para. 248). At any rate, the problem of accurately attributing relative risk to particular sectors makes it an unusable criterion for fixing the levy.

After a brief discussion, the Scrutiny Committee found no one method of determining contributions to be entirely satisfactory. It quoted the suggestion of the Casino Operators’ Association that the levy should be based on turnover, which the Gambling Commission would be able to check, but observed that “such an apparently simple approach would not address all of the concerns raised above”. In the field of taxation, equity and simplicity are often in conflict, but as the shambles of the tax

credit system shows, there is something to be said in favour of simplicity, even if it results in slightly rough justice. I would like the Government to explore the options of basing contributions either on turnover, or on gross profit, as Budd suggested.

It can be argued that the imposition of a levy would undermine the motivation of the industry to engage with problem gambling. On the evidence of the last few years, I do not believe this to be the case. I do not see that responsible operators, of whom there are a great many, will cease to be so, and some who are not currently accepting responsibility to the extent that they could will be compelled to make a basic contribution. In any sphere of life, there will always be those who stick at the minimum demanded and others who – if I may echo the New Testament – are prepared to go the second mile. It is of course true that the industry's total capacity for supporting measures to counter problem gambling is finite, and that extra demands from one quarter may reduce what is given elsewhere. The experience of setting up GICT/RIGT clearly led to a reduction in the direct funding of service providers by the industry.

However, this raises a more fundamental question about the viability of the present system. Laudable as the achievements of RIGT have been, and impressive as is the target of £7million in industry funding by 2010, it is doubtful that industry contributions, whether voluntary or statutory, will ever be adequate to meet the need for research, education and treatment. It is also questionable whether in principle the responsibility should lie solely with the industry. I have argued that it is right that those who provide and profit from the activity that leads to problem gambling should contribute to counter-measures, but there is also a broader responsibility on public bodies, government and the whole of society. While not accepting a purely medicalised definition of problem gambling, the Scrutiny Committee shared Professor Orford's surprise and disappointment at the reluctance of the Department of Health to view problem gambling as a public health issue. This concern was validated by the report from the BMA in January 2007 on *Gambling addiction and its treatment within the NHS*.

Where does this leave us? I have argued in favour of the introduction of the statutory levy in two main grounds: first, the obligation to spread responsibility across the whole industry rather than leaving it with the most conscientious operators, and second, the need to increase the total contribution from the industry. I am under no illusions about the difficulty of finding a viable and equitable mechanism for determining contributions, but I believe the problem should be soluble: it is not unique to this particular sector. More seriously, I do not believe that the statutory levy can be the whole answer, partly because it is essentially a supplement to the voluntary system which we have developed and whose adequacy I am questioning. I am sympathetic to some of the objections to it which Leslie Macleod-Miller has raised on behalf of the industry. In the longer run, I believe we need to move towards the kind of partnership between the industry, government and other public bodies to counter problem gambling which seems to exist in other jurisdictions, such as Australia, whose experience of liberalisation we need to learn from..

So far the statutory levy seems to have played the role of the cane in the headmaster's cupboard – a threat to concentrate the mind and strengthen the will of operators to

contribute. Its reserve status has perhaps discouraged serious discussion of how it would actually work. I hope that its possible introduction might concentrate minds in a more extensive way, to reach beyond the status quo to seek a system would bring in new partners and funders while preserving the involvement, knowledge and commitment of the industry, which remains crucial. The Scrutiny Committee quoted with approval the comment of the Australian Centre for Gambling Research: “responsible gambling strategies do not focus mainly on treatment programmes for individual gamblers; they extend to prevention, rehabilitation, community education and community engagement. In effect, problem gambling is seen as a complex public health issue requiring a multi-faceted approach which emphasises prevention.” (First Report, para. 232).

This is an appropriate but ambitious agenda, and it calls for new thinking. In supporting the introduction of the statutory levy, I do not want to decry what RIGT and the industry have achieved, nor do I want to minimise the importance of self-regulation and voluntary action. Above all, I do not wish to suggest that the statutory levy would be a panacea. But paradoxically, with all its limitations and pitfalls, by signalling that the major problem remains unresolved, it might provoke a renewed search for a better way of organising and funding research, education, prevention and treatment.

Macau – Confidence or Crisis

Andrew MacDonald
Executive Vice President – Gaming
Genting Holding Ltd
and William R Eadington
Director, Institute for the Study of Gambling and Commercial Gaming
University of Nevada, Reno

The world has been amazed by the performance of Macau’s gaming industry since the new law was passed in 2001. In 2001, gross gaming revenues for Macau under the monopoly concession SDTM were US\$2.3 billion. For the **first quarter** of 2008, they were US\$3.7 billion. If the current pace continues for the rest of 2008, Macau will end up with gaming revenues for the year of around US\$15 billion, compared to US\$10.3 billion in 2007. Not only has Macau officially surpassed all of Las Vegas in gaming win; Macau’s gaming revenues in 2008 will likely exceed those of the entire State of Nevada, or alternatively the combined gaming win of America’s two largest gaming cities: Las Vegas and Atlantic City.

Such growth would normally bring into question the title of this article: “Macau – Confidence or Crisis”. Crisis – what crisis? How bad can things be with average annual revenue growth rates exceeding 20% per annum? Yet many investors, analysts and observers are indeed concerned about what might be happening—and what might soon happen—in Macau.

Most of the concerns of the skeptics stem from what we can call the “**C8**”: *Competition, Costs, Constraints* (labor and infrastructure), *Commission rates, Consumer profiles, Capital crunch, Credit availability, and China*. The relative importance of each element in the “**C8**” may differ from observer to observer. However, there is little doubt that these factors are significantly contributing to a cautionary sentiment among a growing number of observers regarding Macau’s future.

Consider the related issues of *competition, commission rates, credit availability and costs*. The Macau gaming market can be divided into *Mass Market Play*, which consists of about 30% of the total, and *Premium Play*, which makes up 70% of revenues. The *Premium Play* or VIP market has been dramatically shaken in recent months by the efforts of certain companies to consolidate and aggregate the business of smaller junket agents under the umbrella of a larger more powerful entity – with the smaller junket agents becoming sub-contractors to the consolidators. The consolidators, as a result, gain considerably greater bargaining power relative to the concessionaires in delivering their players through their network of junket operators.

The formation of AMA International, a junket aggregation business owned by the publicly traded company A-MAX Holdings Ltd in December 2007, was just such a vehicle. AMA International established a “partnership” with one of the concession holders, PBL Melco and the Crown Macau Casino, and has reportedly been able to

extract commission rates of up to 1.35% of monthly rolling chip turnover volumes.¹ As a percentage of gaming revenues, this commission rate should result in about 50% of the Premium Play win being paid to the junket aggregator who then distributes payments to the sub-junkets. (None of the contractual arrangements between concessionaires and consolidators, or consolidators and junket operators, are presently reviewable by Macau's regulators.) Because the government taxes gaming revenues at about 40% of actual win, the residual margins on such premium play are disconcertingly thin.

This commission rate is significantly higher than arrangements which have existed for some time in the past in Macau, where major junket operators received commissions equivalent of about 40% of revenues; these were called 40/40/20 deals (or 60/40 deals for simplicity here). Under the 60/40 deal, the casino would retain only 20% of theoretical win after taxes and commissions. With the new rates (assuming no other adjustments), margins would drop to only 10%, not to mention the fact that the casino has to absorb the volatility risk of fluctuations in wins and losses, which at high-end baccarat can be dramatic. Casinos—as with other businesses—can make up for thin margins if volumes are large enough to generate adequate revenues and overcome volatility, and if the contractual agreements with consolidators are sensibly structured to ensure that fixed operating overheads are covered before other obligations are met.² Nonetheless, in comparison to the pre-2004 monopoly STDM and SJM days, margins have significantly eroded and competition has dramatically increased.

Reaction to this junket aggregation model in the Premium Play sector has been swift. Market shares among the concessionaires swung dramatically in the last few months of 2007 and early 2008 and, as would be expected, emulation and pricing pressures to match these trends have emerged elsewhere in the industry. Some concessionaires, such as Wynn and Venetian, seem to be engaging in the price war on commissions, while still suggesting that they do not have to pay premium prices for commissions due to their size, brand power and quality of facilities. Nonetheless, the traditional 60/40 structure is increasingly evolving to a 55/45 structure – perhaps not yet meeting the market price between AMA and PBL Melco, but still reacting to these competitive changes and attempting to win back market share or prevent further player or junket operator desertion. Other companies, such as MGM, have decided so far to concentrate on the Mass Market, and avoid the headaches and risks of this cutthroat competition. Competition is therefore increasingly evident among all participants in the Macau market – at the junket agent level and among casino concessionaires as they vie for new players and fight to retain existing ones.

¹ *Rolling chips* are non-negotiable chips sold to players by junket operators; total rolling chip sales are the basis for commissions paid by the casinos (concession holders) to junket operators. On average, a non-negotiable chip will survive through two wagers (one win, one loss), so for the game of baccarat, for which there is about a 1.35% theoretical house advantage, the expected win for the casino should be about 2.7% of rolling chip sales.

² In February 2008, Crown Macau, which has an exclusive arrangement with AMA International, reportedly captured an 18.1% market share (24.8% share of VIP play) and generated rolling chip turnover of US\$5.3 billion, compared to reported gaming revenue market share in November 2007 of 5.7%. If there were no other contractual obligations between the parties beyond the 1.35% commission, and if Crown won at the theoretical level, the Crown's total win from rolling chip play would have been about US\$143 million, of which the concessionaire's share would be about \$14 million.

Supplier power is significant in Macau and the major junket agents have emerged as strong and powerful suppliers of VIP customers. While the concessionaires have sought disintermediation strategies, they have had significant difficulties in dealing with customers directly – not wanting to take on the substantial credit risks as well as having to deal with complex funds transfer arrangements in China. (They may also lack the personal connections and cultural understandings that junket operators exercise.) Furthermore, high value customers are notoriously disloyal and will move from one casino to another to try their luck elsewhere if they have been on a losing run or can get a better offer. An advantage for the junket operators is that they can offer their services across a number of the various concessionaires' properties (unless, of course, they have signed an exclusive deal, as with PBL Melco and AMA.)

Commission rates in Macau have therefore risen in recent times - eroding margins and putting pressure on competitive responses. Pricing is often considered a “*low level strategy*” due to the ease of replication. This apparently is the case in Macau where supplier power in the hands of the junkets has made them a very strong force with which to contend. As they become even more powerful, the Macau SAR government and regulators may be forced to consider ways of gaining control over them.

Commission rates cannot go much higher. At the extreme, the maximum that the commission rate could be extended on the non-negotiable chip program would be somewhere between 1.42% and 1.62%. Any commission rate above that range creates a situation where players as a group, betting on any combination of Player and Banker (but not Ties), would not generate enough losses to cover the commission rates and the tax obligations. For commission rates above this range, the casino concession holder would be losing money on every Banker or Player wager.³

On a revenue sharing basis, recent Macau street talk suggests that SJM may be offering a 45/55 structure to certain junket operators who then agree to cover all operating costs, leaving SJM with only about 5% of gross revenues after paying taxes and levies. In such an instance, SJM would bear no direct costs and would act as an intermediary only (effectively acting as a landlord for their VIP Rooms). Their thus residual share of gaming win would have to cover the cost of capital and maintenance of their casino facilities, as well as any remaining returns on investment. Realistically, when margins get this small, other contractual arrangements would be necessary to insure the financial viability of the concessionaire's casino. It is not hard to see how some operations, either through lack of volume, bad luck in the volatility arena, or an inability to come to survival terms with junket aggregators, may indeed fall by the wayside in the competitive Macau marketplace.

A related issue to commission rates is *competition* and *credit availability*. Significant *cut-throat competition* among different junket aggregators and consolidators might

³ If all bets were on Banker, the House Advantage as a percentage of money wagered on decision plays is 1.17%. Since each chip bet on Banker will last on average 2.028 rounds, with a 40% tax rate, the lower limit to the extreme commission range is 60% of 1.17% times 2.028, or 1.42%. The same methodology results in a higher commission rate of 1.62% in order to capture “all betting Player” as well. An average commission rate of 1.52% would leave nothing for the casino if half the bets were Player and half were Banker.

emerge as such organizations compete to sign up the most profitable junket operators who have access to the biggest players in order to meet their monthly targets. In order to attract the biggest players, many junket operators extend *credit facilities* to players. If their contracts call for rolling chip turnover targets each month, the junket operators may over-extend such facilities especially to new or high-value players in attempts to secure higher business volumes.

While the casino concessionaires are presently somewhat insulated from the consequences of such activity, there is a real prospect of a “bubble” in VIP revenues occurring as a result. This is particularly relevant in times of general economic uncertainty or distress where some players may gamble beyond their means in attempts to cover their losses from financial markets or from their own businesses. Furthermore, pressure may be exerted on some concessionaires to extend credit to junket operators or even consolidators to continue to fuel the growth in volume at the baccarat tables. Thus, while credit risk for concessionaires seems to be relatively insignificant at present, the prospect of a shift in credit risk from junket operators to concessionaires could result in increased bad and doubtful debts coming onto the concessionaires’ books. Once again, this raises concern among investors, analysts, and other outside observers.

It is also worth noting that the recent activity of the junket aggregators has been fuelled to some extent by the liquidity brought into the system from stock market listings on the Hong Kong exchange. This has enabled junket aggregators with access to public equity to be more liberal with credit and capture the business of sub-junkets by offering higher commissions and also extending their balance sheet assets to these groups. In such circumstances, the sub-agents are able to offer credit with less rigorous principles governing their lending decisions. The growth of the junket aggregator model beyond AMA International and other players already in the game may be limited in the near term by current economic conditions and a lack of market for any further IPO listings at the present time. Nevertheless, these competitive responses demonstrate not only the dynamic of the Macau VIP market, but also suggest continued volatility in market share of the VIP sector.

The fourth “C” in this group is “costs”. Commission related expenses and prospects of bad debt are not the only costs that are increasing in Macau. Labor costs have increased substantially over time, as have the costs of many other inputs into the Integrated Resort casino business. Furthermore, rising prices for steel, cement and sand have driven up construction costs for Macau’s mega-casinos under construction. These inflationary pressures are part of a global phenomenon, related at least in part to increasing oil prices and the demands on capital due to rapid economic growth in China, India, and other Asian economies. Such cost increases are pushing up the Capital Outlays required for various pipeline projects in Macau, and are dampening the expected returns on invested capital.

This leads us to *constraints*. The major constraints impacting Macau are those on labor and infrastructure. One issue surrounding labor is the protectionist stance taken by the Macau SAR to protect its own constituents from imported low-cost labor from China and elsewhere in the region. This has led to the circumstance where by law only Macau citizens can be employed as staff working on the casino floor by the

concessionaires. While initially this was seen as a positive for the Macau population, it has meant that a relatively small and static Macanese population of less than half a million has had to cope with a burgeoning casino industry over the past few years. The unintended consequence of this has been to relegate Macau citizens to base-level dealing jobs within the casino sector (where demand is strongest) while inhibiting opportunities for promotion (because such workers cannot be legally replaced with non-Macau citizens.) This has undermined staff loyalty and increased movement among concessionaires by gaming staff. Furthermore, with a limited pool of available labor and demand for casino staff being so high, various other sectors in the Macau economy have been confronted with significant upward pressures on wages and other costs of doing business.

There is also the question of how these changes in the local labor market impact the social fabric of Macau in the long term. Many young people in Macau are being attracted into the casino sector and away from either continuing their education or entering public service related fields. While the concerns to the investment community are more isolated to the increased cost of labor and its limited availability for casino operations, the broader issues for Macau have relevance at both the policy and political levels. What may result is a legislated differential wage structure for Macau and non-Macau citizens, or quotas introduced that would allow a certain proportion of staff working on the casino floor to be foreign workers. Given the pipeline capital projects presently underway, along with the expected future levels of operations in the casinos and other tourist related businesses, the need to permit more foreign workers into Macau is already an issue whose importance can only increase in the next several years. Thus the policies chosen that will affect the cost and availability of labor in the Macau SAR will have a major bearing on the industry structure in the future.

Yet another *constraint* that may well limit the prospects of Macau in the near future is infrastructure. The infrastructure in Macau has lagged the development of the casino industry and the ever increasing number of visitors to Macau. The airport and ferry terminals both require physical expansion as well as enhanced servicing by customs and immigration personnel to cope with the numbers coming into Macau. Taxi services are another aspect of Macau that has been under pressure as has been the road system in general. Dramatic upgrades to critical support services are required if Macau is to one day host more than 50 million visitors a year, as is expected. While much infrastructure expansion and improvement is underway, the intra-Macau transport situation is lagging behind the development of the major resorts and must be escalated in priority. As with Las Vegas, it is possible that Macau may be heading to a situation where gridlock occurs far too frequently at peak demand periods.

Another concern in the minds of some is the current *consumer profile*. The growth in the VIP market has been astounding and it has so far overshadowed the growth exhibited in the Mass Market. On market share terms, VIP Baccarat revenues accounted for around 70% of gross revenues in the first quarter of 2008. Since margins for the VIP sector are so much thinner than the Mass Market sector, this may not be a good sign for investors.

Possibly a greater source for worry, however, is the issue of Mass Market retail, an important part of the so-called non-gaming spend. In recent years, the percentage of revenues in the largest Las Vegas Strip casinos coming from non-gaming sources has climbed to 60% or higher for many properties. Much of the new Macau and the Cotai Strip in particular has been built on the prospect that Mass Market retail spending patterns would mirror the Las Vegas Strip's recent experience, and be complementary to a substantial gaming spend. There is little doubt that some of the high-end retail offerings in Macau are doing exceptionally well, based on reported sales; various high-end retailers have indicated that their Macau-based retail stores now rank among their top ten outlets globally, based on sales revenue performance. However, there remains a concern that the Mass Market gaming customers are not purchasing much from mid-level retail outlets that have recently opened. In other words, it might be the case that the Mass Market visitors to Macau are—and will remain—far more gaming-centric in their motivations to visit Macau than their Las Vegas counterparts. While some of the mid-level retail stores may benefit from initially favorable lease terms in the short term, they will face challenges in the long term if mid-level retail consumption does not increase. Many of the business models for integrated resort casinos in Macau are predicated on selling off retail assets into trusts. However, with the disappointing consumer demand for retail, along with the soft capital markets of 2008, such strategies are now being questioned, and plans for listed trust offerings are being deferred into the future.

The “*capital crunch*” that is sweeping the world has resulted in a number of projects in Las Vegas being postponed or cancelled. No projects in Macau have so far come into direct question, but investor uncertainty has once again led to a postponement of the planned IPO of SJM. It will also be interesting to see if any of the planned projects outside of the hands of the six direct concessionaires will continue to move forward. Changing sentiment around Macau may indeed bring some of these projects into question over the near term. The financial assumptions on which these projects were sold to the market in many cases will need to be reassessed in light of the realities brought about by recent changes in Macau.

Finally, there is the big “C” – CHINA. The authorities in Beijing have overseen the growth of Macau and the success of its developments with a “light touch” to date. China wants to show the world (and Taiwan) that the *one country – two system* approach can indeed be successful. The Olympics in Beijing—opening on the 8th day of the 8th month in 2008—is probably also a factor in their benign treatment of Macau, along with the fact that Macau allows China to contain gaming to an easily controlled single location while quietly evaluating their long-term options.

Many Asian governments have been looking at the success of Macau (and the orderliness of the Singapore Integrated Resort casino process) and considering how they might perhaps harness the casino-economic engine for themselves. That might ultimately be the case for China itself where it could harness the economic power of integrated resorts with casinos to regenerate other deprived areas of China, perhaps in the North of the country, or near Shanghai.

On the other side of the argument for Chinese gaming expansion, there are undoubtedly concerns over social costs associated with expanding the presence of

casinos in Chinese society. Macau might end up being seen by Mainland China as a net importer of economic benefits for itself but an exporter of social costs to the rest of China. The extent to which social costs—such as political corruption, the fall-out from excessive gambling, and loan-sharking activities—visibly exhibit themselves on the Chinese mainland may have a direct impact on Beijing's attitudes and policies relating to the individual visit scheme or the direct movement of funds between China and Macau. Harking back to the more liberal extension of credit by junket agents, it may turn out that the reckless extension of credit and cut-throat competition for players and junket operators may have long term negative consequences for Macau if Beijing concludes it must react to protect its citizens.

The point at this time is that no one knows for sure what Beijing may be thinking for the long term and what levers they may want to pull to rein in the runaway growth and economic dynamic of Macau. There are a number of issues that may arise if concessionaires and junket operators act in ways that invite negative reactions by China in these regards. Short term gains may result in longer term pain if appropriate regulatory and operational policies are not implemented and followed.

The aggregate of all of these concerns culminated in announcements made by Edmund Ho, the Chief Executive of the Macau SAR, before the Macau legislature on April 23, 2008. He proposed that there should be no new gaming concessions given beyond the six that already exist, that no additional land should be permitted for casino development beyond what is already in the pipeline with existing concessionaires, that controls should be imposed restricting non-concessionaires from operating casinos, and that junket commission rates should be regulated. He also indicated that these directives were in accordance with the wishes of Beijing. Whether these actions will indeed stabilize the rapidly evolving dynamic of Macau remains to be seen, but this action does point out that it is not just the analysts and investors who have gotten nervous.

Confidence or Crisis? Confidence in Macau readily arises from the amazing successes achieved to date. It is a tiny city-state that has quickly transformed from a sleepy backwater to a thriving entertainment center with billions being invested in magnificent resort developments. It has gaming revenues that continue to outstrip even the most bullish analyst estimates. Macau's visitor numbers continue to surprise and astound observers.

There is no Crisis yet – but the emerging issues discussed above should not be overlooked. Short term turbulence and headwinds may very well characterize Macau's competition in the short term and disturb the surprisingly positive trends that have emerged to date. However, there are increasing signs that the recent over-exuberance in Macau's prospects may indeed lead to disappointment for some investors and disillusionment for policy makers. It may be time for greater caution, and to reflect upon what lessons may be learned from the congruence of factors presently swirling around Macau. Indeed, Chief Executive Ho's directives suggest that is likely to be the present course. In the long term, the burgeoning Chinese middle-class will likely ensure Macau's success as long as the partnership between the participants in Macau's gaming industry—government, regulators, concessionaires and junket

agents—all recognize and appropriately respond to the issues and challenges that arise.

This article is a reprint of an article originally printed in the June 2008 edition of the Urbino Newsletter.

**The case against there being a statutory levy to pay for gambling
education and research and treatment of problem gambling
An address to the Society for the Study of Gambling meeting
held 8 May 2008**

Leslie MacLeod-Miller
Chief Executive
BACTA

Introduction

I am pleased to be able to address you today on “The case against there being a statutory levy to pay for gambling, education and research and treatment of problem gambling.

I am not here to argue the case for the effectiveness of RIGT. There are many who are more qualified to take up that task.

Nor am I going to suggest that funds are not needed for gambling education and treatment, although there are some serious questions to be asked about exactly what we are trying to achieve – what does treatment mean in terms of success and what are the realistic targets for which the industry should be responsible.

Nor am I going to argue that funding needs to be predictable and secure so that it can be undertaken – but more work needs still to be done on the targets that that funding is trying to achieve and not just by the industry, but by the Government.

I am also not going to argue concerning the polluter pays principle as there are other fora in which to take that debate but it is interesting to pose a question whether the general principle at law that a person who takes the benefit of an arrangement will be bound by any associated burden should apply not just to operators, but to the Government whose tax revenue collection strategy, has been so much the driver of the new legislation and who should therefore be picking up some of the burden of their fiscal policy.

Commission consultation paper on research, education and treatment

We understand that the next consultation paper will be released shortly by the Commission and we will look for evidence that concerns are being addressed.

Care must be taken that the starting point is evidence linked specifically to the objectives contained within the Act and that robust justification is provided by the Commission for its expenditure. No doubt expenditure will be the subject of discussion with the BRE and the Audit Commission and it would be helpful to understand the metric by which the Commission will intend to justify its decisions.

It would be helpful for the Commission to make a statement regarding the precise criteria that it will apply in making decisions to undertake research and the output

which it requires for such research in order that its decisions are proportionate and reasonable.

We do not believe that a statutory levy is either desirable or necessary. Any decisions regarding the imposition of a levy should comply with the principles of better regulation, including the BERR guidelines, and should be subject to test of reasonableness in any challenge, including judicial review. There must be clear and objective targets and metrics for measurement of Departmental and Commission policy regarding research, education and treatment. There should be clear benchmarks against other areas of public health regulation, such as alcohol. It is anticipated that contributions that are currently made to the RIGT will increase significantly as a result of the Regulatory Return process and there is no indication that the existing RIGT operation is inadequate to meet the regulatory need. A statutory levy could result in the adoption of a minimum payment and commitment philosophy which would be contrary to pursuit of the licensing objectives and therefore could not be supported by the Commission.

Some recognition must be given to the fortunes of different sectors post 1 September 2007. The machine sector has been particularly disadvantaged commercially under the new Act. The movements of customers between sectors and the consequential comparative exposures must form part of a risk assessment undertaken both by the DCMS and the Commission.

Reference should be made to levy guidelines and principles such as those adopted in other jurisdictions in which the following tests are promulgated.

1. The proposed levy must relate to a function for which there is a significant market failure.
2. A request for a levy must be supported by industry bodies representing wherever possible, all levy payers, or by levy payers directly. Otherwise a levy may be initiated by the government in the public interest in consultation with the industries involved.
3. The initiator of a levy proposal shall provide an assessment of the extent, the nature and source of any opposition to the levy, and shall provide an analysis of the opposing argument and reasons why the levy should be imposed despite the argument raised against the levy.
4. The initiator shall provide an estimate of the amount of levy to be raised to fulfil the function to be paid for by the levy, a clear plan of how the levy will be utilised, including an assessment of how the plan will benefit the levy payers in an equitable manner, and demonstrate acceptance of the plan by levy payers in a manner consistent with Principle 2.
5. The initiator must be able to demonstrate that there is agreement by a significant majority on those on whom a levy is imposed, or that, despite objections, the proposed mechanism is equitable in the circumstance.

6. The levy imposition must be equitable between levy payers.
7. The levy collection system must be efficient and practical, and must impose the lowest possible "red tape" impact on business, subject to transparency and accountability requirements.
8. Unless new structures are proposed, the organisation or organisations which will manage expenditure of levy monies must be consulted prior to introduction of the levy.
9. The body managing expenditure of levy monies must be accountable to levy payers and to the government.
10. Levies must be reviewed against these principles following a specified period and in a manner determined by the Government in consultation with industry at the time of the imposition of the levy.

Changes to Existing Levies.

11. The proposed change must be supported by industry bodies or by levy payers, or by the Government in the public interest. The initiator of the change must establish the case for change and, where an increase is involved, estimate the additional amount which would be raised, indicate how the increase would be spent and to demonstrate how this expenditure would benefit levy payers.

The RIGT view

Coinslot reported that a statutory gambling tax was on the horizon unless the industry responds to RIGT's plea for more cash. As RIGT wrote to members of the gambling industry appealing to them to donate before the Government makes good on its threat to impose a levy, RIGT director Malcolm Bruce said that currently they had received donations from less than 13% of 3,800 operators in Britain and that a statutory levy is inevitable, 1) unless the situation improves dramatically and 2) RIGT is able to meet its funding targets. He stated that Ministers have made no secret of the fact that they would use power available to them to ensure that problem gambling research, education and treatment are "adequately funded on a continuous and predictable basis". There is no doubt that any statutory scheme would require considerable more than the formulae quoted.

Bingo Association view

Sir Peter Fry of the Bingo Association argues that a mandatory levy applicable equally across the whole business might sound fair in principle but in practice would be inequitable and has written to the Archbishop of Canterbury to outline objections to his calls for a mandatory government levy. Sir Peter said that the issue should be considered in its entirety. The Bingo industry has never denied its obligations to contribute towards the need to deal with problem gambling and has made considerable payments from the beginning. However the picture is not a uniform one. Few problem gamblers exist because of bingo as two Prevalence studies have

indicated. On the other hand, some forms of gambling shown to produce a much higher prevalence. Any system that demands all contributions should be on the same basis does not therefore seem equitable. The compulsory levy would be more expensive to operate than the RIGT proposals and would inevitably hasten the end of more bingo operators. Companies outside the UK promoting harder and more addictive gambling than the traditional industry and a smaller UK industry will only encourage more dangerous gambling from sources that will not be paying the UK levy. He went on to say that he was sure that the Archbishop's intention was not to damage the social contribution the bingo industry provides. Coinslot commented that like DCMS ministers and treasury officials, church officials are only as good as the advice they are given.

Church of England view

The Church of England warns that there is a problem gambling epidemic and in doing so directly contradicts the government's own research on the subject. In a General Synod debate and simultaneously called for a mandatory levy on the gambling industry.

The motion criticised an "appalling" rise in national spending on gambling and called on church leaders to redouble their efforts in opposition to government promotion of the opening of casinos. They went on to blame the government for the tenfold increase in spending on gaming and called for a statutory levy.

The Archbishop called on the industry to help to "clean up its own pollution". He said the gambling industry needs to take responsibility. He then called on the Secretary of State to introduce a statutory levy – i.e. it seems he wants them to be responsible, but at the same point takes it away with a mandatory requirement. Coinslot commented "His call for a levy should be regarded by policy makers as a proposal that has been made without any real shred of hard evidence and one that is directed as a predictably soft target. As a diversionary tactic it may keep Williams' media critics at bay for a while, but gambling industry stakeholders will view this outburst as little more than a cynical low blow".

The Church of England ethical investment advisory group in its publication *Gambling or gaming entertainment or exploitation* noted under RIGT that as an organisation funded by the gambling industry there may be some who argue this is a way for the industry to pay its dues and perhaps avoid some of the responsibility that rests with it.

Theology

In 1984 Prof David Bartholomew published a book called *God of Chance* with a picture of a roulette wheel on the front cover arguing that chance is an essential element in the picture of creation. St Augustin claimed that evil has no existence on its own but is parasitic on what is good, i.e. gambling needs to be seen not as something evil in itself but as a corruption of a potentially positive benefit which include a risk taking instinct of human beings. Faith involves risk wagering ones' life on that which is unseen possible the parable of the talents in Matthew 25 where the

servant hides his talent in the earth and is blamed for refusing to take risks e.g. gaining usury from a bank rather than doing nothing.

St Mathias was created by “lot”.

Philosophy

It seems to be common ground that the industry should act responsibly, by which I think we mean that the industry should have an obligation to do something which is within its control.

It starts to sound like arguments regarding assessment in moral terms of the industry’s actions can’t believe that every action which can be assessed in moral terms must be freely performed and you should not be held morally responsible for anything outside your control. This view seems plausible – our notions of moral praise and blame, usually focus on what is and is not avoidable, and what is within your control.

In order to be responsible you need to be able to take action within your control. If that decision is taken away from you, for example by a mandatory levy, you take away responsibility and accountability.

Britain’s track record

Britain has long had one of the lowest rates of problem gambling in the world.

Effect of Legislation to date

This is having a devastating impact on the economic viability of seaside arcades, bingo halls and adult gaming centres. But it is also having a serious negative impact on the wider public interest. Unless action is taken to remedy this then the legislation could have the unintended consequence of increasing problem gambling and destroying long standing UK businesses bringing thousands of redundancies.

Explanatory notes to the Gambling Act 2005

In terms of legislative framework it is interesting to look at the Explanatory Memorandum and also the history of why we are where we are. The relevant clause was the subject of protracted consultation and Parliamentary debate with the report of the Joint Scrutiny Committee addressing the issue of voluntary versus mandatory in detail and much Parliamentary time taken.

Section 123 of the Act provides that the Secretary of State may make regulations requiring holders of operating licenses to pay an annual levy to the Commission. Subsection 7 states that the Secretary of State shall consult the Commission before making regulations under this section. Note that the Secretary of State could also consult other stakeholders. The Explanatory Memorandum to the Act explains that the power cannot be exercised in relation to particular classes of operating licence but if introduced will apply to all classes. The levy would be treated as if it were part of the annual fee, i.e. the licence will be revocable if the levy were not paid. The money

raised by a levy would be used for alleviating problem gambling. The section sets out matters relating to the levy which must be set out in regulations. A number of alternative methods for calculating the levy are listed for example by reference to a percentage of specified receipts of an operating licence holder, by reference to a percentage of specified profits or according to a specified formula or (in some other way).

Depending on the method of calculation chosen, different charges could be charged to different operators. Provision is made under Section 3 of the Act for the National Lottery to be made subject to levy requirements also but a levy in these circumstances could not be imposed until the Powers under this Section have been exercised.

Government response to the Joint Scrutiny Committee

43. We consider an effective, independent and adequately-funded Trust that provides support for treatment, education and research to be a crucial counterbalance to the deregulatory aspects of the draft Bill. We greatly welcome the steps that have been taken to date to establish the Responsibility in Gambling Trust and consider that it might provide a valuable model for other jurisdictions.

45. While industry representation [on the Responsibility in Gambling Trust] is of clear benefit in the context of fundraising, it is important that sectional interests and bias do not impact on the way those resources are allocated.

46. We recommend that the Responsibility in Gambling Trust continue with its proposals to achieve a majority of independent Trustees. We further recommend that “industry trustees” should not be appointed to act as representatives of trade associations, but that they should be appointed and should act on the basis of their experience of problem gambling from an industry perspective. In particular, we recommend that the distribution of resources by the Trust should be assessed by the Gambling Commission and should be included in their three-yearly monitoring report to the Government (which we recommend in paragraph 221).

50. The contributions that the industry might be required to make in order to address problem gambling adequately, are likely to represent a tiny fraction of the industry’s profits. We, therefore, recommend that, as far as legally possible, all sectors of the industry should contribute to the Responsibility in Gambling Trust. We note that, by making such contributions voluntarily, businesses will not only illustrate that they are socially responsible but will also avoid the imposition of the statutory levy.

The Government agrees with the points made by the Committee, and acknowledges the measures already taken by the industry and the Responsibility in Gambling Trust.

51. We recommend that the ability to impose a statutory levy under Clause 98 of the draft Bill should be retained. We acknowledge Lord McIntosh’s comment that “I do not see how you can make contributions to a voluntary trust a condition of licensing”. However, we do not believe that this would prevent the Gambling Commission taking account of an operator’s financial contributions, whether to the Responsibility in Gambling Trust or direct to a service provider, when considering, under Clause 58 of

the draft Bill, whether they are suitable to carry on a licensed activity. We consider that such an approach would encourage operators to make voluntary contributions, but we would not expect non-payment to be a reason, in itself, for the Gambling Commission to refuse to issue or renew a licence.

The Government considers that this recommendation sets out exactly the right position and welcomes the Committee's view that the ability to impose a statutory levy be retained in the Bill. The Government believes the making of contributions to the Trust or problem gambling service providers is capable of demonstrating an applicant's commitment to social responsibility in gambling, and that it will be open to the Commission to take account of such evidence when considering applications for an operating licence. The Commission may also wish to address the matter in its policy statement, issued under clause 15.

52. The Responsibility in Gambling Trust should not absolve the Government of its responsibilities with respect to problem gambling. We recommend that the Government should accord greater priority and resources to problem gambling and that problem gambling should be recognised as a public health issue.

“The Government does not intend there to be any increase in the numbers of persons who encounter problems when gambling. Great Britain has one of the lowest rates of problem gambling in the developed world, at under one per cent. We intend to keep it that way.

We believe that problem gambling will increase if there is no Bill. The existing regime does not provide effective safeguards against the use of new technology on the Internet and in gaming machines. We need to act to address these new risks.”

We are determined that consumer choice will only be extended where protections can be put in place to address effectively the risks of new products. We are confident that this is possible. We are therefore not satisfied that the predictions of increases in problem gambling that have been published take fully into account the proposals we are making.

The Government agrees that provision should be made now and in the future, within the National Health Service, for the very small proportion of individuals whose problem gambling, whether on its own or as part of a range of mental health problems, is serious enough to require this level of assessment or treatment. In this connection, the Government certainly acknowledges that problem gambling is a public health issue.

There is a level of provision currently within a network of specialist addiction services. These services are kept under review and it is intended that they will be mapped in more detail than is currently available and proposals be made for service development. The Department for Culture, Media and Sport and the Department of Health are co-operating closely in this work.

53. Earlier in this Chapter (paragraphs 221 and 239), we recommended that, three years after the Bill has received Royal Assent, the Gambling Commission should publish a report into the impact of the Gambling Act on problem gambling and the

effectiveness of the distribution of resources by the Responsibility in Gambling Trust. We recommend that following this, the Secretary of State for Culture, Media and Sport should report to both Houses of Parliament on: (a) the success of the Trust in meeting its objectives and in particular the distribution of funds; (b) the steps the Gambling Commission has taken to address problem gambling; and (c) the work the Government, and particularly the Department of Health, have done to address problem gambling.

The Government agrees that it should provide Parliament with a post-implementation report on problem gambling; and that further reports should be published in the light of subsequent prevalence studies.

Success of the voluntary system to date

The Budd report originally suggested that we needed £3 million in the year 2000. The industry set up the Gambling Trust which became the RIGT. £3.68 million was raised in 2007/08. RIGT have now planned £4.5 million. Given the rollercoaster ride of the industry with the Gambling Commission, local authority licensing and technical standards introduced by the new Act, on top of the smoking ban, the voluntary system appears to be doing well.

Social responsibility is not just about paying a levy whether statutory or voluntary. There is ample evidence that social responsibility is being operated by the industry with self exclusion, social responsibility training, labels, etc. Financial support for treatment research and education needs to be balanced by evidence of regulatory need.

This year will be the first time when regulatory returns will be dealt with by the Commission and we still do not know what they intend to do if a company cannot demonstrate support for treatment research and education.

What is really being said about the current system – and what are the benchmarks for its success. When the Commission says that it is concerned with outcomes and will regulate on that basis, it needs to clearly set out what those outcomes are. If on the other hand it is concerned with mechanics it will have a different approach and will instruct the industry how to carry out functions to achieve the shared industry Commission goals.

This begins to look like a reversal of the Commission's policy which will lead them into some choppy waters.

A view from the Lords
An address to the Society for the Study of Gambling meeting
held 6 November 2007

Benjamin Mancroft
Member of the House of Lords

I have been asked to give a “View from the Lords”, so perhaps a good place to start is by explaining what that is. Any view from the Lords is bound to be somewhat opaque. I’ve heard it said that the difference between the Commons and the Lords is that they are paid amateurs and we are unpaid professionals. There is an element of truth in that, but it doesn’t convey the whole picture.

We participate in the political process but, with a few exceptions we do so only within the confines of the Palace of Westminster. MPs get recognised walking down the street, but we can pass unnoticed through the crowds.

Most of us also have the luxury of picking our subjects, and the further advantage therefore of having the time to learn about those subjects in depth. I assume that the reason the Society has so kindly invited me to speak to you today is that I have some small experience of what might be described as the politics of gambling.

I think I should, however, make a small confession. I don’t actually like gambling, and have only rarely done so. This is because I can’t count, and can never work out the odds, and secondly because I am a financial coward, and try to avoid losing what little money I ever have. I also have quite a lot of children and horses, both of which consume money faster than I care to think.

That having been said, I do have one connection.

In the 1950’s my father was a Home Office Minister in Macmillan’s Government. In that capacity he once made a speech in which he said that he believed that most organised crime in Britain emanated from the bookmakers. Twenty years later Reggie Maudling, then Home Secretary, summoned him to the Home Office and asked him if he still held that view.

“Why?” asked my father.

“Because I want you to be chairman of the Tote,” the Home Secretary replied. So my father, who couldn’t count and hated racing, ended up running the Tote. Interestingly my father’s brief was to destroy the bookies. His first port of call was to consult his old friend and keen racehorse owner the Duke of Devonshire, who advised him that it was impossible to do away with bookmaking, for the simple reason that too many members of the Jockey Club owed the bookies too much money.

I have no means of knowing whether it was right or not – nor did my father – but he always thought there was more than an element of truth to it. Of course, this was over thirty years ago, in what was a very different age, but it does give an insight into some

of the history of gambling in this country, and some of the prejudices that run along side it.

I never had any involvement in gambling until the 1980's. I had been involved in charities for some years, and I have a knack of picking those charities that are least fashionable, and thus the most difficult to fund. In the late 1980's I was approached by George Wilson and Frank Flannery of the Irish Rehab group, who had had great success in raising money for Rehab by running lotteries in Ireland. They had turned their attention to the UK, and proposed to act as a commercial adviser to charities who wanted to run lotteries in the UK. Of course I jumped at the offer, and from about 1989 onwards my little Addiction Recovery Foundation used to make about £40,000 each year running scratchcard games under the old Lotteries & Amusements Act 1976.

That is why I got involved in trying to amend the National Lottery Act in 1993 – successfully, although more by luck than judgement as it happens, in that it was our amendments that created External Lottery Managers, and increased the value of the lotteries societies could run from £40,000 pa to £1million pa. One unforeseen consequence was that a group of entrepreneurs invited me to join the board of one of the first ELMs in 1994, and between then and now we have raised over £12m for various charities. But let me tell you, if you ever end up sharing a bed with a monopoly operator like the National Lottery, there isn't much room on the mattress!

It also taught another lesson that I have never forgotten.

There is an assumption that officials, Ministers and Parliament as a whole are clear about there are trying to do. I can assure you that nothing could be further from the truth. I well remember listening to a Home Office Minister during those debates in 1993, desperately trying to explain to the House what scratchcards were. It was perfectly clear that neither he, nor his officials, nor his Opposition Shadow had the slightest idea what they were talking about; but that this wholesale ignorance was not going to stop them from legislating with confidence. It happens again and again, and it happened when the 2005 Act was passed, too.

It had become increasingly clear through the 1990's that the laws relating to gambling in the UK were no longer working – not because they were wrong – but because of the passage of time, technological innovation, particularly in communications, and evolving views on public morality. The position of Northern Ireland had become illogical, modern payment methods made the restrictions on the use of plastic for gambling unworkable, and the arrival of the National Lottery made other areas of restriction frankly ridiculous.

On the other hand there is no denying that gambling can be destructive for some people – as alcohol and drugs can – and government still retains a responsibility to enact legislation that protects the vulnerable in our society. I don't think many people would disagree with that – although if you ask ten people where the balance lies, you would get ten different answers.

“Government,” as Tessa Jowell told the Guardian in November 2004, “has three basic choices: we can prohibit, regulate or leave it to the market. Prohibition doesn’t work – it drives the activity underground....only ideological extremist’s favour a free-for-all where only the laws of the market hold sway. So the third option is regulation”

That may well have been the last time that Ms Jowell said anything sensible about gambling. She was of course referring to gambling, but perhaps one day she and her colleagues will understand that you cannot apply principles selectively, and we will get a regulated drug market, as opposed to the current ghastly and damaging free-for-all.

Of course the debate about gambling had long gone beyond the prohibition stage. There is a very broad consensus that the object of policy must be one of reasonable regulation.

It really is no longer the state’s job to tell people how they can and can’t spend their leisure pound. Permitting casinos in one area and not another, based on 40 year old social demographics really is an absurdity.

The difficulty, of course, is how to achieve the right balance, and then drafting the legislation so that it accurately reflects that balance.

As a parliamentarian, I found the whole process of the Scrutiny Committee fascinating. The amount of evidence we received was unbelievable: I became an expert at sifting through documents, reports, research and letters. The quality of the evidence varied, not quite from the sublime to the ridiculous, but not far off.

It was a pity that some of our colleagues from the House of Commons were so busy that they were unable to attend more frequently. The late Tony Banks came to the first meeting, and contributed vociferously to the debate about expenses and conflicts of interest, but then didn’t come again until the day we took evidence in front of the TV cameras, when he appeared in full stage make-up, which I have to say took me slightly by surprise. He also wore a great deal of after shave that had a faint tang of embalming fluid, and made my eyes water. But it was very nice to see him, nevertheless.

I think for me the high spot of the evidence taking was when Yvette Cooper MP came from the ODPM – that well known centre of efficiency and policy innovation – to tell us about planning issues. I’m sure she’s perfectly charming, but she is clearly not big on humour, and she does look rather like Tintin. She also has the New Labour love of jargon. As the sun shone through the windows and the Minister droned on, I’m afraid my chin dropped and my eyes slowly closed. Some sound suddenly awakened me, and guiltily I looked up, expecting a disapproving glare from the Chairman. But as I looked surreptitiously around, I realised that the entire Committee was asleep. However, nothing daunted the Minister, and she kept going regardless. When her boss Keith Hill came to give evidence, it was very different. He clearly hadn’t a clue what he was talking about, but spoke very loudly and confidently at the ceiling, and referred every question to his official, who clearly did know, but equally clearly did

not agree with it. In retrospect it's pretty obvious now why the casino part of the Act went so wrong.

Despite the work of the Scrutiny Committee, we ended up with a very big, very complicated Bill, with quite a lot of important issues, large and small, undecided.

What then happened was that the House of Commons made an awful lot of noise, scrutinised about 10% of the Bill – which is what usually happens – and then sent it on to us. Between the Commons and the Lords the Government then inserted a lot of new amendments, which is an increasingly common practice, but makes it even harder to produce good law.

The process of taking a Bill through the House, with a big Second Reading debate, very detailed Committee Stage, a slightly more focused Report Stage, and then a Third Reading to clear up the detail, may seem convoluted, but it has over time evolved into a process that improves legislation immeasurably. Of course, if you cut that process short you risk ending up with something that is far from perfect.

As we know, that is what happened. The row about casinos, and the war against the Bill waged in the tabloids, lead to increasing delays, and we ended up with a Bill only partially completed, with the General Election looming. When that happens a government has two choices: they can either do a deal with the opposition parties, agree as much as possible and push the Bill through in a matter of days, or drop it and hope to come back to it in the next parliament.

In part because it was such a big Bill, and in part because it had had pre-legislative scrutiny, it was felt the Bill was a candidate to be pushed through rapidly. More importantly, perhaps, because of the increasing political heat surrounding gambling in general and super-casinos in particular, it was felt that if the Bill fell, no Government in the near future would resurrect it, and it would be lost for some years at least. I suspect that was probably right.

So the choice was between a half-cooked Act and none at all. I know that Andrew Mackintosh was very reluctant to proceed, because he felt we had not got far enough through the process, but the Secretary of State was determined, and with his usual loyalty he agreed to try to clear up the mess and complete the Bill.

Finally, the argument between the Government and my party about the number of casinos in the dying days of the parliament has, for better or worse, effectively wrecked that part of the Bill.

So what sort of an Act have we got?

First, it's far too early to come to a definitive view: it will be some years before we can do that. But there are some observations that can be reasonably made.

That part of the Act that relates to casinos is currently pretty shambolic. Despite the passage of two years we do not yet have the small, large and one super casino. The collapse of the Government's Order in the House of Lords has left the Government

with a real problem. My reading of the Act is that the “Secretary of State **shall** bring forward an Order” which **shall** be “approved by both Houses” (my emphasis). Despite comments to the contrary in the press, neither House can overrule the other, and I do not believe the House of Lords will currently accept an Order which includes the super casino, unless it is to be built in Blackpool. At the time the Government could quite easily have rejected the advice of the Casino Advisory Panel, but the Ms Jowell refused to do so, thus backing herself into a corner. I’m not sure how the Government will extract itself from this mess now. If a new Order makes provision for the large and the small casinos only, those people who did not apply for a large casino because they wanted a super casino would immediately seek Judicial Review, and would probably win. If the Government holds a new competition for the large and the small casinos, the winners of the last competition will do the same, and I can’t see why they wouldn’t win as well. In the meantime goodness only knows how many casino licences have been granted under the old Act, which was certainly not what the Government intended. What a muddle!

Oddly enough, I feel quite sorry for our American friends. None of them ever thought of coming here until they were invited to Downing Street, and schmoozed and feted by Tony’s policy wonks. They were persuaded to set up offices, hire lobbyists and PR companies (very expensive), and then hire lawyers (even more expensive). They gave all that embarrassing evidence to our Committee; they did all those deals with football clubs; they had endless dinners with ghastly MPs; some of them even had dinner with me (they were really dreadful people). And at the last minute the door was slammed in their faces. The behaviour of the Prime Minister and his office was quite bizarre, and frankly appalling. And the result? The Chief Executive of MGM described the UK as “politically unstable” and “not a place you can reliably do business in”. Whatever you may think of US casino operators – and I hold no strong views, that was a pretty humiliating indictment of the UK, and shows the Government in a very unattractive light.

One of the main objectives of the Act – and an admirable one in my view – was to encourage off-shore remote gambling companies to come on shore and apply for a licence. But the then Chancellor, in a wonderful example of political opportunism that had not been thought through, raised the tax level and thus dissuaded the off-shore operators from coming here. Like many involved in this industry, I have always felt that potentially the most dangerous area from a social responsibility standpoint is unregulated internet gambling, and the need to regulate it was paramount. But with one stroke of his pen old Prudence put paid to that. The moment has now past, is unlikely to re-occur, and a once in a lifetime opportunity wasted. Well done, Gordon.

There is a serious point to be made about Brown’s tax changes, and his comments about casinos and internet gambling. We are all entitled to our views on these things – some may approve, and some, like Brown, may disapprove. But if you take the trouble to look out your copies of the Bill as it entered the House of Commons, you will notice that, on the cover is printed the name of Ms Secretary Jowell as the promoter, supported by Mr Chancellor Brown. Hadn’t he read it? Does he put his name and give his support to Bills he hasn’t read and doesn’t understand? I suspect he was very keen on it when he saw the potential to increase revenues, but when the

political flak started flying, he ran for cover. Not very comforting; not very impressive.

What we have got is a new set of rules, and a brand new regulator. Anyone who throws their mind back as far as the Budd Report, will remember Budd's view that, on the whole we had a law-abiding well-regulated industry. Budd was right. It was also a reasonably economical operation. We have now ended up with a very much larger, and thus extremely expensive regulator, doing pretty much the same job at a significantly higher price, located in an extremely inconvenient place, and staffed by very nice people, who, for the most part, have not got a clue what they are doing. Of course, it's not very complicated, and they will soon learn. Whether we shall end up better or more regulated, and how much more honest than before, remains to be seen.

If I seem to focus on the cost, it is because as a commercial operator running a business at the lower end of the scale, it is a significant factor. I entirely understand the Government's idea that the Commission should be cost neutral, but I'm not clear why it needs quite so many people to do what is pretty much the same job as the old Gaming Board, although with the advantage of modern technology, which should make it less labour intensive and thus cheaper.

I was told that the Commission's work models had been designed by, I think, KPMG. But no-one ever asked us about our businesses, and I wasn't aware that KPMG have ever regulated a lottery, so how did they know how to construct their models of work? The first time my colleagues in the Lotteries Council met with the people who are going to regulate us, they admitted that they didn't actually know what we do, and so we had to spend some time explaining what was clearly news to them. This is not a criticism, simply an observation: but it doesn't give a lot of comfort.

Equally what gives an overwhelming sense of *deja vu* is that most of the detailed regulatory and legal issues we have had to discuss with the Commission are exactly the same ones that we discussed and resolved with the GB over many years. The very issues that the Act was meant finally to resolve remain, for the most part, unresolved.

The position of Northern Ireland is as ambiguous now as it was under the old legislation. In practice, despite the government's resistance to international lotteries – you may remember a court case on the subject that the Home Office won but should have lost – it appears that, by accident, we can now do exactly what they have quite unlawfully been stopping us doing for years. I'm certain that was not the intention.

And despite all the rows about TV quiz games, and the promise that the new Commission as a prosecuting authority would put a stop to what are clearly illegal lotteries, at least two of the larger channels are still running them with impunity.

But these are early days, everyone has much to learn, and there appears to be a lot of good will on both sides. Long may it last.

My last area of interest is that of social responsibility. Having spent my early years being as socially irresponsible as possible, and the last twenty-five trying to make up for it, I am at least mildly qualified to offer some comment.

The concept of an industry being responsible for paying to clean up its own mess is a relatively new one, and perhaps not a bad one either. I don't believe any industry has been given such an opportunity as the gambling industry to deal with the negative consequences of its products.

I hope and pray that gambling operators everywhere have observed as we all have the mess that the alcohol industry has got itself into over the last few years, and resolves never to find itself in the same position. Although many commentators have written about the causes of the growth in alcohol fuelled mayhem in many of our town and city centres, I trace the problem back to the MMC's report on the Brewing industry in the late '80's. That report obliged the big Brewers to sell large numbers of their pubs and, somewhat naturally, they didn't sell the best pubs; they sold the least profitable ones. Most were bought by property companies, who were more interested in increasing rental income and capital values rather than selling beer, and in order to do this compelled landlords to sell more and more alcohol in any way they could to achieve this goal. The result of this is sadly all too obvious, and a direct consequence of a Government interfering unnecessarily.

Having watched over years, and participated in the growing pains of the drug treatment industry – thwarted at every turn by government interference, needless bureaucracy and incompetence, it is refreshing to see the gambling industry given the ability to be masters of its own destiny. I hope they will take the opportunity not just to provide the necessary money, but also to bring their commercial expertise to bear in helping to run the various projects that go to make up a complete programme of social responsibility.

I have the greatest respect for my friends John Greenway and Anthony Jennens, but the task ahead is not one they can do alone. And they face considerable difficulties.

I do not believe that any industry or any part of the voluntary sector has ever witnessed Government set up a charity such as RiGT, solely to act as a clearing bank: a fascinating concept. I don't believe any service provider in Britain has ever found itself in the position of monopoly provider as GamCare has. Equally fascinating, but also potentially problematic. There is, after all, nothing unique about caring for gambling addicts. An addict is an addict, whatever he is addicted to, and the treatment remains the same. Whenever a new drug appears, be it crack, methamphetamine, or internet poker, we hear the cry go up for a "new innovative form of treatment". May the good Lord spare me from "new innovative" forms of treatment.

During the passage of the Bill, one of the questions I asked repeatedly of Ministers, officials, and indeed anyone who would listen, was "what is a vulnerable person?" What do they look like? How can I tell one if I meet one in the street? Of course, I never got an answer. It was one of those absurd concepts, beloved by Ministers, that means absolutely nothing, and is the direct consequence of woolly thinking. I can understand about protecting young people, and I understand the objective, but as a concept "vulnerable people" is a nonsense.

The gambling industry not only has responsibility to provide the cash, but, in my view, an equal responsibility to ensure that that cash is properly spent, and produces real, positive and measurable results. They should treat it as they do every other area of expenditure in their businesses, and demand value. And if they don't get it, they should kick up a real fuss. The Government repeatedly threatens them with a levy if they don't contribute voluntarily, but I see no reason why they should pay simply to please the Government, if there is no evidence that their money is being constructively spent. I am also uncomfortable with the idea of people – any people – being ordered by government to donate to charity. That seems to subvert the meaning of charity: but perhaps that's a matter for another day.

If any view from the Lords is opaque, any attempt to look forwards is even more so.

We have a new Act – for better or worse – and a new regulator. Neither is perfect, but that is what we are stuck with, so we'd better get on with it. What we also have at the moment is a policy vacuum: by which I mean that we do not really know what plans the Government has. Doubtless the Minister will tell us. If we are to make any guesses based on the Prime Minister's comments and his tax treatment of casinos, we do not face a very constructive environment.

Either way, we are unlikely to see any more legislation for many years to come. The Government was more than a little bruised by the passage of the Gambling Act, and is unlikely to risk such a battle again. Any future changes are likely to come from the next government, rather than this one. And if my leader was to ask my advice, on pure political grounds I would advise him not to touch it with a bargepole – there are no votes in gambling either way.

Not only do we have a new Act and a new regulator, we also have new ministers and, with only two exceptions, new officials. So it's important to remember that virtually no-one in Westminster or Whitehall has any experience or knowledge of gambling policy, and why what was done was done. Experience and knowledge are rarely passed on in policy making – but old prejudices always are.

Down the road at Westminster a new parliament is being opened. This will be the 21st parliamentary session that I have sat in, and it will be a particularly interesting one. The mood at Westminster since we returned after the conferences has been very different from what it was in the summer. There is a similar atmosphere to that which pervaded the place after the ERM debacle, and the Major Govt went into terminal decline. Of course govts can recover, but only with the greatest difficulty. We shall have to wait and see if this one can regain the initiative.

By the time of the next General Election, in 2009, or perhaps even next year, the Gambling Commission will have bedded down, and the whole gambling industry will be different. Whether or not the government will have sorted out the mess it's made of the Tote sale and the levy – both a legacy of poor old Dick Caborne's inability to get a grip, remain to be seen. Whether the regulatory fees will be lowered, as he suggested, I seriously doubt. Whether his successor will finally complete the review of stakes and prizes for society lotteries, promised in 2005 and still uncompleted, is also a matter of speculation.

But I promise you one thing. I'm not betting on it.

New understanding of problem gambling: how serious is it?

Don Ross

School of Economics

University of Cape Town

In SA as elsewhere, whenever there is public debate about the regulation of commercial gambling, whether at casinos or online, one of the topics that receives central attention is problem gambling. Many South Africans personally know people who have seriously impaired their lives and put their families at risk by gambling with bigger stakes and more frequently than they could afford. It is generally supposed that the more gambling opportunities are around, the more problem gamblers there will be. This is often given as the main reason why most people in democracies think that although some gambling should be allowed, it should be carefully restricted.

Until very recently, social and behavioural scientists didn't know very much at all about problem gambling. They had no idea what caused it. They didn't know if all problem gamblers responded to similar kinds of interventions. They didn't know whether some kinds of gambling were more dangerous to people with gambling problems than other kinds of gambling. They didn't even have reliable estimates, in any country, as to what proportion of the general population, and what proportion of active gamblers, have gambling problems.

There is still much about problem gambling we don't know. Research continues to push forward throughout the world, including here in SA. This year, researchers in the School of Economics at the University of Cape Town, along with colleagues at the University of KwaZulu-Natal and others based in the US, all funded by the National Responsible Gambling Programme (NRGP), are conducting the most thorough study of gambling behaviour ever done in this country. After the results of that work are in we should have a much clearer idea of the extent and nature of the issue here.

However, landmark developments in the science of gambling behaviour over the past five years have at least trebled our level of understanding. Three main factors are responsible for this. First, there have been major improvements in the screens used to identify problem gamblers. Second, scientists' newly developed ability to observe the functioning of people's brains while they're thinking and acting, using machines called neuroimaging scanners, have delivered powerful new insights into the processes underlying addiction in general. These insights are now being applied to pathological gamblers, whose behaviour often closely resembles that of other addicts, including alcoholics. Third, there have now been enough years of widespread legal gambling in most countries that we at last have large enough samples of gamblers and problem gamblers to gather statistically meaningful evidence.

Does this rapidly improving information base suggest that problem gambling is a more or less serious public health issue than we thought before? As is so often the case with new knowledge, there is good news and bad news.

I'll start with the good news. In every jurisdiction that has been very carefully surveyed – so far, New Zealand, the United Kingdom, the United States and some provinces in Canada and Australia – the proportion of people, and the proportion of gamblers, with serious and *persistent* gambling problems is a good deal smaller than we used to think. Just a few years ago, typical estimates ranged in the zone of 3-4% of the general population over 16. In fact, the careful studies haven't found any country or province where the number is higher than 1%. Furthermore, the careful studies keep finding almost the *same* number: 0.5 – 0.7%. This suggests that problem gambling prevalence may not be as dependent on gambling policy or gambling availability as people thought. It may instead have a natural rate in human populations, due to a combination of genetic and general social factors, like many other psychological disorders. The UCT study mentioned above will soon tell us whether SA resembles the richer countries in this respect or is different (for better or worse). But on all good evidence so far, problem gambling turns out to be a *far* less widespread public health issue than problem drinking.

What about the bad news? This is of two kinds.

First, the small proportion of people described above are true addicts whose problems are very serious and highly resistant to treatment. The largest study done to date, in the USA, found that severe pathological gambling had the lowest recovery rate of any so-called 'Axis-I' psychological disorder, a category that includes substance addiction, depression, chronic anxiety and bipolar disorder.

Second, a much larger number of people *from time to time* gamble more than they can afford and get into financial trouble. They don't generally seek treatment, and the evidence is that this makes sense because they don't have gambling-related psychiatric disorders. They almost always moderate their behaviour on their own, quite quickly. Because there are so many more of these people, they should be the main focus of public policy on excessive gambling.

I predict that, as a result of our growing understanding of addiction as a specific neural pathology, and our knowledge that pathological gambling is a form of addiction in that sense, we will soon have effective drug therapies available for the small number of severe pathological gamblers. Then we will be able to devote less divided attention to a bigger but more intangible issue: helping psychologically *normal* people manage their risks – not just in gambling, but in driving, sex, household finance, interpersonal conflict and other areas – more consistently and knowledgeably than many now do.

This article is a reprint of an article originally printed in July 2008 in Business Day and other South African newspapers.