



**The Society for the Study of Gambling**

**[www.societystudygambling.co.uk](http://www.societystudygambling.co.uk)**

# **Newsletter**

**Number 46 Autumn 2011**

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## **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, legal, social and economic aspects are concerned, and to inform and educate 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 an interest in various aspects of gambling. They range from gambling operators, regulators, academics, and those who work with problem gambling. It is a condition of the Society that there should be freedom of opinion and practice among its members, so that the Society does not take any particular stance in relation to gambling.

### **Meetings**

The Society holds two meetings a year in London in May and November. Meetings are held under The Chatham House Rule and cover a wide range of topics reflecting current gambling issues. In recent meetings this has included discussion on aspects of regulation, technology, research, and social responsibility.

### **Newsletter**

Talks and papers presented at the Society's meetings are often reproduced in the Newsletter 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, book reviews, and other items which would be of interest to the Society's members.

An archive of previous newsletters is available on the Society's website:  
[www.societystudygambling.co.uk](http://www.societystudygambling.co.uk)

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## Editorial

Lorien Pilling, Research Director, Global Betting and Gaming Consultants

Over the years many speakers at the Society's meetings have addressed the subject of problem gambling and responsible gambling. More often than not these presentations have naturally been focused on the gambler. At the Society's meeting in May 2011 two speakers looked at the issues from a slightly different perspective.

Simon Taylor, General Secretary of the Professional Players Federation, spoke about the relationship between sport and betting. He discussed the education of professional athletes about gambling and their responsibilities as participants in events upon which large sums of money are often wagered. Simon's paper turned out to be a very timely one because *The Telegraph* on the morning of the meeting carried a special report into match fixing in sport and cases of players being paid to influence certain elements of matches.

Lynda Atkinson, Head of Social Responsibility at Genting Casinos, described how gambling operators actually try and put into practice the theory of the Gambling Act 2005 with regard to social responsibility in their properties.

Dr Patrick Basham, co-author of *Gambling: A Healthy Bet*, put forward an argument in his presentation that perhaps has not been heard at the Society before – that gambling is good, indeed healthy, for human beings.

Both the article published in this newsletter and the book itself are thought-provoking reads. Dr Basham's book seeks to highlight gambling's benefits, redressing the balance of the argument that usually focuses on the harm gambling does. He also puts forward some contentious opinions. For example, he writes:

*"As with so many well-intentioned public health interventions that lack an evidence base, the campaign to minimise, even eliminate, youth gambling may have unintended, negative consequences."*

Whatever your viewpoint on gambling or the interests you represent in the industry his arguments are essential reading. Diverse opinions are exactly what makes the Society a good forum for debate.

At the Society's AGM in May 2011 we welcomed two members to the Executive Committee: Tracy Damestani, Director of the National Casino Industry Forum and Liz Karter, Founder of Level Ground Therapy.

# The Right To Bet

Tom Kenny, Senior Executive, Association of British Bookmakers

**Mr Tom Kenny Senior Executive at the ABB, gave a paper at the Society's May 2011 meeting on the contentious issue of the sports betting right.**

## THE RIGHT TO BET

Roman Catholic Bishop of Southwark Patrick Lynch told a funny story at my local church the other Sunday. This chap went down to the cathedral to pray one afternoon. He found a quiet pew, knelt down, closed his eyes and called out to God.

"God!" he called, "Are you there?"

To his astonishment a voice came back from the depths of the cathedral: "Yes my son, I'm always here."

The man called out to God again. "God," he said, "you're so eternal and everlasting; you've existed since the beginning of time. Can you tell me what a million years is like to you?"

Again the voice came back from the depths of the cathedral. "My son," said the voice, "to me the passing of a million years is like the passing of but a moment is to you."

The man called out to God for a third time. "God," he said, "you're so almighty and all-powerful; you created the universe and all that's in it. Can you tell me what a million pounds is like to you?"

Once more the voice came back from the depths of the cathedral. "My son," said the voice, "to me a million pounds is like the price of a cup of tea is to you."

The man called out to God for the final time. "God," he said, "can you spare me the price of a cup of tea?"

And the voice came back from the depths of the cathedral: "Can you wait a moment?"

The moral to that tale is that people always seem to want more, and that they're not afraid to "try it on" in the hope of getting more. And that's where the betting industry finds itself today, in the sense that self-described owners of "sports betting rights" are "trying it on" in the hope of extracting more money from the betting industry.

Over the next 20 minutes I'll explain what the proposed new sports betting right (SBR) is and who is asking for it to be introduced. I'll review the arguments that have been put forward in favour of the

sports betting right, and we'll see whether or not they hold water. Finally I'll examine some of the practical implications. I'd be happy to take questions but prefer to do so after I've finished speaking.

## **WHAT IS THE PROPOSED SPORTS BETTING RIGHT, AND WHO IS CALLING FOR IT TO BE INTRODUCED?**

The sports betting right would be a newly created form of intellectual property vested in the first instance exclusively with each sport's recognised governing body. In order legally to make a market and offer bets on any particular sport (e.g. soccer), a betting operator would have to purchase the SBR in the form of a licence from the sport's governing body (SGB) (e.g. UEFA). The licence might well also specify and restrict the types of betting that may be offered.

It's important to note that this right does not currently exist in the UK and would have to be introduced as a new type of intellectual property right, which would require either UK legislation or an EU directive.

Orchestrating the calls for the new right to be introduced is an organisation called the Sports Rights Owners Coalition (SROC), which is a group of representatives of international and national sports bodies. These bodies include UEFA, the English Premier League, the Bundesliga, the International Rugby Board, the English Cricket Board, Cricket Australia and the Lawn Tennis Association to name some of them.

You'll notice how SROC's very name presumes both that there ARE sports rights, and that SGBs own them.

SROC has done rather a good job of making its voice heard in the ongoing debate about sports rights in Europe, and its members have also held regular meetings with Hugh Robertson MP who is Minister for Sport at the DCMS. Additionally the MP for Newmarket, Matt Hancock, and others have referred to the establishment of a "betting right" as the replacement for the Horserace Betting Levy. Bookmakers are concerned that no-one seems to have attempted to engage with us on the issue at either the UK or European levels, not least because it is bookmakers who are being targeted to pay it!

A right of this type has already been introduced in France, where its price has been set at 1% of betting turnover. That could easily exceed 10% of UK some bookmakers' profits.

## **LET'S EXAMINE THE "ARGUMENTS" THAT SROC AND THEIR ALLIES ARE PUTTING FORWARD IN FAVOUR OF THE CREATION OF THIS NEW RIGHT**

There seem to be two arguments, which I refer to as the "Fair Return Argument" and the "Integrity Argument" respectively.

The Fair Return Argument says that sports (at significant cost) create and promote the sports events upon which bookmakers make markets, offer bets to customers and make a profit for themselves.

So it's only fair that a proportion of bookmakers' revenues should be paid to sports which provide the underlying betting medium and without which making and marketing the book would not be possible. In Q3 2010 Ladbrokes' profits were £51.1 million, compared with £22.4 million in the same quarter the previous year. The bulk of that 128% increase was attributable to betting on the FIFA World Cup. But Ladbrokes doesn't pay FIFA a penny for the right to offer bets on the World Cup – and that's not fair. I'll come back to this in a moment.

The Integrity Argument says that it's betting that gives rise to corruption in sport. Whether we're talking about the Pakistani cricket team, red cards in the Hearts v Motherwell soccer match, or the world's number one snooker player agreeing to throw frames, it's the ability of people to profit by betting on sports results that have been fixed in advance that drives corruption in sport. Since it's betting that drives corruption, it's only right that bookmakers (who profit from betting) should bear the costs of maintaining integrity in sports. Fees from a SBR licensing – the argument goes - would fund the SGB's substantial costs of player education, dope testing and other corruption-related deterrence and investigation activities.

Now you might hear these two arguments made in a conflated or overlapping way by SBR's proponents, so there's a key point I need to make here: the relationship between the betting industry and SGBs is (and should continue to be) about sports betting integrity. That's quite different from a potential relationship between the betting industry and putative sports betting rights holders (who may or may not turn out to be SGBs) which seems to be about getting bookmakers to pay for the right to make markets on sports.

#### **NOW LET'S EXAMINE THE FAIR RETURN ARGUMENT.**

First and foremost, the Fair Return argument fails because sports are not, and should not become, responsible for creating a betting product. Yes, there may be a sports event at the bottom of it, but the betting opportunity offered to customers is available only in consequence of the bookmakers' creativity, risk management and marketing skills. Alongside betting on sports, many bookmakers offer betting on share prices, political events (including the death of figures in the public eye) and the weather. Nobody is calling for bookmakers to pay a betting rights fee to the London Stock Exchange, the CIA or God (although I'm sure Bishop Lynch could be persuaded to accept such fees on His behalf).

Secondly - with two special exceptions – all the sports (football, cricket, tennis, golf and so on) would take place regardless of whether or not a single penny is wagered on their outcomes. Those special exceptions are horseracing and greyhound racing whose basic *raison d'être* is to provide a betting medium, and in respect of both of those sports special arrangements already exist under which bookmakers pay for the sports to be carried on. Incidentally the same goes for computer-generated betting content: bookmakers pay a fee to its provider. Across horseracing, greyhound racing and computer-generated betting where bookmakers pay a fee to the provider, they generally get (to a greater or lesser degree) a say in determining the programme of content that is made available in return. Nobody from SROC seems to be offering this.

Thirdly – the SBR as proposed includes no definition of a fair return to sport. It might be argued that a fair return is the return that would be arrived at as a result of free market competition. But what has been proposed seems to take us in a very different direction: it creates an opportunity for monopolistic SGBs to tax bookmakers and charge them economic rent. That’s in addition to the existing TV rights monopolies that we already face. Bookmakers’ experience working with horseracing over the years shows just how different our view and sports’ view of a fair return are likely to be.

It’s not even as if the sports on which people like to bet need the money. The average salary of a premiership footballer was £1.46 million in 2010, before endorsements and merchandising fees. The organisers of the London Olympics expect to raise more than £700 million from sponsors. Wimbledon prize money is worth £13.7 million.

So the Fair Return argument fails on a number of grounds.

Before we move on, I’d like to address one of the implications of the Fair Return argument which is that bookmakers have a parasitic relationship with sport, leeching sporting content but giving nothing in return. The truth is that the betting industry contributes EUR 3.4 billion annually to sports within the European Union, in the form of fees for TV picture rights, statutory levies and direct sponsorship of tournaments, championships, clubs and players. Additionally by promoting sports as a betting medium, bookmakers help to increase broadcast viewership for sports, which boosts sports’ income from media rights.

#### **TURNING NOW TO THE INTEGRITY ARGUMENT – SHOULDN’T THE POLLUTER PAY?**

Let’s get one thing clear: the bookmaker isn’t the polluter. Corruption in sport doesn’t happen when a bet is placed; it happens when a player or official accepts a bribe.

Corruption in sport is at least as bad for the licensed and regulated bookmaker as it is for the sports concerned, because it’s the bookmaker who gets ripped off financially.

There is no evidence that the integrity of sports is threatened to any material degree by betting activities conducted through UK-based licensed and regulated bookmakers. The threat comes from unregulated illegal markets operating well beyond the jurisdiction of UK and European regulators. Obviously illegal operators aren’t paying any taxes or regulatory fees now, and they won’t be first in the queue to purchase any SBRs.

Besides, UK bookmakers already make strenuous efforts to help maintain integrity in sports. As I said: it’s in our interest to do so.

Specifically:

- i. The ABB is a member of ESSA and we work together to share information about unusual betting patterns with members, sports governing bodies and with the Gambling Commission;

- ii. The Parry Report on Sports Betting Integrity submitted in February 2010 recommended action by the Government, the Gambling Commission, the sports and the betting industry, largely aimed at improving the reporting protocols for betting operators and educating players. Under the guidance of the Commission, progress has been made by all concerned towards meeting their respective commitments and the betting industry is now actively engaged with the Sports & Recreation Alliance and other stakeholders.

I hope I've managed to convince you that the Integrity Argument for the Sports Betting Right fails as well.

Even if I haven't, don't you find it hard to keep a straight face when representatives of FIFA or the International Olympics Committee start talking about integrity? We don't have time and I can't afford the legal fees to go into detail, but Google offers a wealth of salacious detail.

Something else we'll have to leave for another time is the question of whether a SGB can both promote a sport – accentuating the positive - and at the same time police it effectively – bringing to light the negative - without having a conflict of interest.

#### **FINALLY I SAID I'D EXAMINE SOME OF THE PRACTICAL IMPLICATIONS OF THE PROPOSED NEW SBR.**

Most obviously, its introduction would require new and highly controversial legislation. As I already mentioned, a European directive or UK legislation would be necessary to create the right and give its owners something to license. The Gambling Act would have to be amended if it were to become a condition of an operator's licence that he obtains a licence from the SBR owner. Any such legislation is likely to be complex, time-consuming, risky and subject to challenge in the courts.

Who would control the betting product? We already know that (unlike a large and growing number of punters) some people at FIFA don't like in-running betting and want to ban it. In-running betting is currently the fastest growing category of betting. Any attempt to restrict the availability of popular betting opportunities is likely to drive them onto the black market, which is unregulated and pays no tax.

Would the right apply world-wide? If so, how would it be administered? If not, and it were restricted to just the UK or EU, then wouldn't betting simply migrate to more competitive online and telephone providers elsewhere? This is another scenario in which the law of unintended consequences plays out: law-abiding operators are clobbered with extra costs and red tape whilst their customers migrate to the black market which is unregulated and pays no tax.

Who would actually own the SBR? Let's say Manchester United have drawn Hinckley United in the FA Cup. Who owns the Sports Betting Right? Is it UEFA, the FA, the two clubs (and if so, in what shares?) or the players? SROC's spokesman would probably say UEFA, but has he really checked with Wayne Rooney's agent? This could take years of legal wrangling to sort out, creating a bean feast for lawyers and doing nothing to enhance choice, value or entertainment for the customer. Indeed the customer seems to be without a voice in this debate.

Like the man in Southwark Cathedral asking for a free hand-out, when it comes to Sports Betting Rights the SGBs are trying it on. Both the arguments commonly made in their favour are intellectually barren, and a host of legal and administrative difficulties would make them unworkable in practice.

I suspect the discussion will continue for some time to come, during which time the ABB will continue to try to persuade SGBs to come off it, and legislators to put their time and resource to more worthwhile use.

# Sports Betting: The Players' Perspective

Simon Taylor, General Secretary, Professional Players Federation

In the sometimes heated debate about sports betting it is important to consider the perspective of sportsmen and women. The Professional Players Federation (PPF) is the national federation of player associations representing 15,000 professional sportsmen and women through its ten member associations and is well placed to give a unique insight into the players' views. We were established in 1991 and have been working for the players for the last twenty years. The PPF is a staunch advocate of the need for effective education for players on sports betting issues.

Sports betting for players really focuses on three areas:

- Integrity: How people betting on them and their sport affects sportsmen.
- Gambling problems amongst sportsmen outside of their sport.
- And how the two are related.

Sport and betting have a long relationship. As long as there has been sport there has been betting on sport. We are not talking about a new thing. Whilst some people talk about betting as polluting sport, this is not a view that I share.

Sport and betting can be mutually beneficial. At one end of the spectrum consider greyhound racing where few people would watch if it wasn't for the gambling. But with the greatest of respect to the teams involved, Accrington Stanley *versus* Bury is probably going to be more interesting for most people if they have got a bet on it.

There is no doubt that people betting money on sports does potentially raise an integrity issue; but match fixing is also not new. There was the scandal of the 1919 Blacksox Baseball World Series long before the *News of the World* got involved. It is also important to recognise that there are many other threats to sporting integrity not linked to betting: drugs, racism and systematic cheating to name a few. However, sports betting integrity is very much the issue of the moment, at least until the next crisis comes up.

The players' perspective in this debate matters because they are in the front line. Players (and referees) are pretty much the only people who can fix a match.

I would like to start by deconstructing the sports betting integrity threats. There are probably three such threats to sport in the UK:

- Organised crime and corruption.
- Players pulling a sting on bookmakers (for example betting on the time of first throw in or no ball).

- Technical breaches of the sports rules.

To date in the UK the first issue of organised crime does not appear to be a problem. But there is no room for complacency and we must remain vigilant to ensure that organised crime never gets a foothold on British sport.

I think, and this view seems to be shared by the bookmakers, that the latter two are much more live issues: players trying to make a fast buck and technical breaches (whether it is the abuse of inside information or betting on a competition your team is involved in).

Sports rules are there to protect sports integrity and also to protect players. These are backed up by criminal offences if needed (though I believe it is very hard to prove beyond all reasonable doubt that someone missed a save on purpose).

As I have already said, players are in the front line. They are the only ones who can fix a match. It seems very obvious to me (and many others) that we need to educate players about the issues and that this will make a major contribution to protecting sporting integrity.

In February 2010, after the Parry Report was published with its strong recommendations on education, the PPF signed a deal with the RGA and three of its members (bet365, Ladbrokes and Betfair) to fund player education.

We ran four pilot projects in 2010 which we are evaluating and expanding this year. One of the first things we did was undertake research which amply demonstrated the need for urgent action.

In football, less than 60% of players knew the rules on betting in their sport. Less than 40% knew about the rules on inside information. It was a similar story in Rugby Union: 59% of players didn't know the rules on betting on rugby. I would stress that this research was carried out before we started our education campaigns and we look forward to evaluating the work at the end of the three years.

The next question that needed to be addressed was how to communicate with players. We live in an age of internet technology when letters and posters may have limited effectiveness.

One thing is for certain: it is not an easy task to communicate effectively with players. They have an average of 3.5 mobile phones each and regularly change their numbers. They are also a very insular bunch naturally suspicious of outsiders and anyone in a suit over 35.

Our research, echoed in the conclusions of the Parry Report, was the need for face-to-face education delivered by people the players trust. And I would reiterate that trust is a big issue for the players. This message needs to be supported by posters, wallet cards and a website; and it needs to be repeated regularly.

With 15,000 professional players in the UK it is no small job to deliver face to face education to all of them. Yet working with the members in 2010 we spoke with 2,400 players and this year we are aiming for 5,500.

There are five key messages that we are getting out to the players:

- Don't fix any part of a game. Fixing a no-ball is just as serious as fixing a match.
- Know the rules on your sport.
- Be careful with inside information.
- Report anything suspicious or if anyone approaches you.
- You will be caught.

It has been necessary to provide tutor training for the player associations and we pay tribute to Betfair for showing us their integrity systems and how an investigation works. The Gambling Commission investigation unit has similar software to anti-terrorism units in drawing together links between individuals. There is some great work going on out there on detection and it is important that players know that they will be caught if they break the rules.

It is also very important to give real life examples to players. The Professional Cricketers' Association has developed an on-line education tool for players drawing upon cricket's established experience in this area.

People don't just offer players £5,000 in used notes to throw a match. It is much more sophisticated than that and involves building relationships, almost grooming players. So the website walks players through different scenarios that they will face, like someone offering them personal sponsorships, how to handle Facebook friend requests from strangers and the like. This year with the support of the RGA and its members we hope to expand the website to cover all sports.

The next area to consider is gambling addictions in players. Just like everyone else a small percentage of players will develop problems. Everyone knows the stories about the likes of Stan Bowles who would have been all right if only he could pass a betting shop as well as he could pass a football.

There always has been and probably always will be a strong gambling culture in football and other sports. Interestingly (and worryingly) our research found that young players were keen to learn how to gamble in order to fit in with the team. To be accepted by the senior professionals they wanted to take part in the card schools on the back of the bus.

Is gambling addiction a greater problem in sport than elsewhere? Let's look at some of the risk factors for problem gambling. These include:

- Access to money
- A lot of free time
- Closed communities with a culture of gambling

- And to a lesser extent being young, working class and male

It is almost the very definition of a professional sportsman. But I think there is more than that. Players are naturally very competitive, and it may not be too far from the mark to consider them adrenaline junkies. As elite sportsmen, players are obviously not allowed to take drugs, smoke or even do risky sports. Drinking is no longer accepted by clubs as much as it used to be, so betting is likely to feature strongly as a recreational outlet, and it does.

It is important to pay tribute to the player associations for all they have done in this area. The PFA is a major supporter of the Sporting Chance Clinic that Tony Adams helped to set up. The PCA works with Performance Healthcare to provide a similar service. These are expensive but essential. They offer great support and treatment networks and can literally be lifesavers in some instances.

And of course education has a key role. One of our pilot projects in Scotland focused on gambling addictions - getting old pros to share their experiences and talk to players about the issues and the threats. They are working with the RCA Trust (a Gamcare affiliate) and are starting to have positive results. We also hope to work with the National Problem Gambling Clinic to develop tutor training and support mechanisms.

So we have considered integrity and addiction, so now it is important to consider whether there is a connection. Does an effective integrity policy need to address problem gambling?

As you will probably already know, a frighteningly high percentage of pathological gamblers will turn to crime to feed their habit. We are not talking about mugging old ladies but white collar crime like stealing from employers.

A player with severe gambling problems is therefore more prone to crime and hence also corruption, whether it is falling under the influence of organised crime or just trying to beat the bookmakers with inside information or "small scale" match fixing.

This is why I believe there is a connection. Even in the UK where we have a well regulated legal gambling market there is a threat that players will try to cheat to pay for their addiction. Where gambling is illegal and linked with organised crime it is almost a racing certainty that there will be a link between addiction and integrity. We do not ever want players in debt to organised crime.

So what do we need to do?

A well respected lawyer told me with a straight face that we need to ban players from all types of gambling due to the connection. I still don't know whether he was joking or not. I worry that he was being serious.

This leads on to an interesting aside. The sports rules need to be proportionate. What is wrong with a Rochdale player betting on the cup final between Stoke and Man City? At the moment this risks a

six month ban. If you ban all footballers from betting on football you are going to have a lot of technical breaches of the rules and the negative publicity will harm the sport's reputation.

It is right to question whether there is an integrity issue when a boxer publicly announces that he has bet his fight purse on himself to win. But at the same time as rules need to be proportionate, there is definitely a benefit in rules being simple to understand and explain. It's a balance.

To come back to the issue of how we cope with any inter-relationship between gambling addictions and integrity, for me the answer lies in treatment programmes and support programmes to help tackle the problem before it gets out of hand. We need exit strategies that can, it is hoped, catch players early and avoid the temptation of turning to crime.

Sport has a duty of care, as do the player associations do as well as the betting industry and the cooperation is starting to make a difference on the ground.

So to conclude, I do not believe that organised crime and match fixing is a big issue in the UK. That is not to say we should be complacent. Other countries have seen problems and we certainly have a lot of overseas players based here.

Do I believe that there are issues with players bending the rules (sometimes beyond breaking point)? Probably. With 15,000 players, the odds are that some are going to be cheating and breaking the rules.

So what can we do? Education is key and an important message must be that players breaking the rules will be caught. So, of course, they need to know what the rules are and why they are there. Catching cheats needs sport and the bookmakers to have detection capabilities (which the bookmakers certainly do), and the sports to have robust rules and investigation departments (which the majority of the professional sports now do).

Integrity in sport is in everyone's interests: bookmakers, sports and players. And it will definitely need a cooperative approach. The partnership between the RGA and the PPF is a great example of this cooperation in progress – long may it continue.

# Is There Happiness Without Risk?

Dr Patrick Basham, Director, Democracy Institute

Here is a counterintuitive assertion: gamblers are indistinguishable from non-gamblers. Okay, that is not only counterintuitive; it is also not completely true.

Gamblers are distinguishable from non-gamblers, but in only one regard. Gamblers are more sociable, gamblers are more neighbourly, gamblers are more involved in community activities, and gamblers are more likely to give to charity than their non-gambling peers. Those are the consistent findings of studies commissioned by the British, American, and Swedish governments, respectively.

Why is the average gambler arguably a nicer and a kinder person than the average non-gambler?

Perhaps, it is because gambling sustains hope and optimism, which makes gamblers happier people. While many people are risk averse, gamblers are among those people who are risk preferring, that is, they are willing to take a risk – to gamble – to increase their wealth. For those who choose to gamble, the small sum risked for the possible return of a larger sum of money is justified by the opportunity of financial gain that a person would not otherwise have had the opportunity to obtain.

Such a taste for risk is essential to human development. Since gambling involves risks, it can teach the player to deal with real-life risks.

Risk-taking has always been an essential component of a progressive and a progressing society. A modern, dynamic economy requires risk. But contemporary policymakers fail to understand the requirements of a modern, dynamic economy. Therefore, it should not come as a surprise that policymakers also fail to understand the requirements of a modern, dynamic society.

We should shout from the rooftops that tolerance for risk is a good thing. As gambling pits the human intellect against the unpredictable forces of chance that surround us, it is a concentrated form of the risk-taking behaviour we carry out every day, where luck deals us different talents and circumstances but we must use our intelligence to turn these to our advantage.

Gambling trains the mind to handle risk. A spectrum of skill runs from games of pure luck to games of pure intellect. But even games of pure luck challenge our judgment. They test our ability to wager only what we can afford to lose, and to know when to walk away with our winnings, or to cut our losses and stop playing, a skill we need in more calculating ventures.

Gambling honours the dual influences of chance and skill in our world. Both chance and skill are active in our lives all the time; we ignore either one at our peril. Gambling therefore educates people about the wider role of chance in life.

For example, as with so many well-intentioned public health interventions that lack an evidence base, the campaign to minimise, even eliminate, youth gambling may have unintended, negative consequences.

Not only does it limit young people's ability to learn realistic lessons about risks and risk-taking, but it also makes it more, rather than less, likely that a young person will become a problem gambler. The possibility of developing a gambling problem increases the later in life you start to gamble. And those who start gambling later in life tend to develop gambling problems more quickly.

Therefore, the preoccupation with preventing, ideally eliminating, adolescent gambling may serve to increase rather than decrease the likelihood of certain individuals developing a gambling problem.

The historical record is clear. For nearly 5,000 years, societies have benefitted from gambling. To cite a comparatively recent example, illegal gambling in Victorian England encouraged numeracy and literacy among people who had had otherwise relatively little education.

Gambling has been a widespread leisure activity for several thousand years for a single reason: gambling adds to the sum of human happiness.

Despite the fact that the public health benefits of gambling are now well-documented scientifically, gambling's critics simply do not understand why people gamble.

The simple, uncomplicated truth is that gambling is a terrific form of entertainment. Gambling is a leisure pursuit and a source of recreation that, like any other legal product, is a legitimate part of capitalist enterprise. Every individual gambles for different reasons and will derive pleasure from the activity according to his or her own set of preferences.

The bottom-line is that gambling is good for us. And, in a policy environment where illiberalism is the de facto governing philosophy, gambling is an important component of a truly liberal society.

Clearly, gambling is a risk worth taking – if happiness is your goal.

# Remote Gambling Reform In Britain

## Is the Government turning its back on free trade?

Peter Wilson, Partner, Memery Crystal LLP

Back in 2003, when the previous (Labour) Government was working out the details of what is now the Gambling Act 2005 (the Act), it considered, and then pointedly rejected, the option of requiring all offshore operators to obtain a British licence if they wanted to transact with British residents. In a phrase that has come to haunt it, the Government virtuously claimed it *“favours a much more free market approach. This is the preferred option as it is the one that most closely matches the Government’s vision of a global market where a well-regulated British-based industry is able to establish itself as a world leader”*(from *“The Future of Remote Gambling”*).

Yet less than three years after the Act was implemented, the policy of a free market approach was jettisoned when in January 2010 the Government announced proposals for new licence requirements for overseas-based firms who want to supply customers in Britain.

Of the options set out in a March 2010 Consultation paper, the Government said at the time that it favoured developing a more streamlined white listing process as well as introducing licensing for operators in white listed jurisdictions. This was not good news for the regulators in Alderney, Isle of Man, Tasmania and Antigua, but it could have been worse if one of the other identified options had been adopted which involved abolishing the white list in its entirety.

But that is exactly what will happen with the current proposals when the Minister of Sport announced in July 2011 that the white list will be *“phased out”*, for which read – *“terminated as surplus to requirements”*. If and when implemented, the changes will mean that all gambling businesses located outside the UK will require a British operating licence if they wish to transact with British customers. If they do not, or cannot, get one, they will no doubt commit a criminal offence if they continue to supply gambling services to British customers.

Currently, there are four categories of operator who can legally transact with British residents without obtaining a British licence:

- Operators subject to the regulation of a European Economic Area (EEA) State - meaning those in one of the 27 EU member countries, Norway, Liechtenstein or Iceland;
- Gibraltar Licensees - as Gibraltar is treated as an EEA state under the Act;
- White List Licensees – meaning those included in regulations made by the Secretary of State and treated as though they are EEA states (namely Alderney, Isle of Man, Antigua and Barbuda and Tasmania);
- Operators in non-EEA states, who are prohibited from advertising in Britain or, broadly speaking, targeting British residents with their internet, TV or radio (i.e. remote) advertising but not prohibited from transacting with British-based customers who find them on the web (e.g. sites in Costa Rica, Curacao, the Philippines, Kahnawake etc).

When the Act is amended the four categories will be reduced to one: you either have a British licence or you don't. In a move that draws much of the regulatory sting out of the proposed new law, the Minister indicated that there would be a transitional provision whereby all gambling operators that hold an existing licence in the EEA or a white list jurisdiction will be automatically eligible for a British licence. This avoids both the difficulty of a potential legal challenge if an established operator were refused and relieves the Gambling Commission (GC) of undertaking a lot of due diligence in a short period of time; it is already concerned about the increase in workload. All it needs to do then is to collect the licence fee.

Both the Minister's statement, and a statement by the Economic Secretary to the Treasury which followed hot on its heels, are short on detail. With remote licence fees for sports betting currently ranging from £3,259 to £28,641 on application, and from £13,529 to £155,425 annually, depending on turnover, there could be a hefty price to pay for what in most cases will be a second national licence and for larger operators, their third, fourth or more.

As to the tax, remote gambling and betting duty is 15%, whereas in many offshore licensing jurisdictions it is a fraction of that or even zero. The Treasury said it would look at "*taxing operators on the basis of customer location*" as well as considering "*ways to prevent operators in the UK being subject to double taxation on remote gambling in the shorter term*".

It sounds like offshore operators will have to pay remote gambling duty on their business with British customers but not otherwise; and, it is to be hoped, that also means existing British-based licensees will not be taxed on their non-British business if they can show that they are already paying duty to another State at an equivalent rate.

There will be additional administrative and ongoing compliance expenses. The Government has previously considered (in the March 2010 Consultation) several ways in which the GC could check on compliance by offshore licensees including:

- *A mirrored, tamper-proof server containing a full copy of gambling transaction records*
- *A regulatory representative in Britain*
- *A UK-registered company and certain office functions in Britain*
- *More enhanced regulatory returns*
- *A bond lodged in Britain or payable to the Commission in the event of default.*

Add to this the cost of internal monitoring, reporting, and reviews (however light the touch), and you are looking at a not inconsiderable cost to the business. One might ask, is it really necessary? Or, to put it another way, why is a change in the law being proposed at all?

It is not driven by the European Commission, as the Green Paper "On on-line gambling in the Internal Market" published in March 2011 poses the question whether there should be greater, not less, mutual recognition of different licensing regimes across the EU. There does not seem to be a significant issue with problem gambling arising as a result of the current licensing structure, at least

not one highlighted in the most recent Gambling Prevalence Study 2010. It is not clear how the Government's proposals fit in, if at all, with the announcement in May 2011, by the Culture, Media and Sport Committee, of a new inquiry into the implementation and operation of the Act. One of the issues that the Committee will be looking at is none other than *"the impact of the proliferation of off-shore online gambling operators on the UK gambling sector and what effect the Act has had on this"*.

The reasons given by the Minister for requiring offshore operators to be licensed in Britain are not entirely convincing. He expresses concern that British consumers face different consumer protection arrangements, have to deal with a myriad of different regulators, deal with different languages and that it is unfair that overseas competitors can access the British market without sharing the costs of regulation. He claims that the proposals will ensure that British consumers really enjoy a consistent standard of protection no matter which online gambling site they visit. That is an exaggeration, as British consumers would still be able to visit any gambling site they wish, located anywhere in the world, whether it has a British licence or not. Since the Government rejected ISP and Financial Transaction blocking (at least for the time being) as not being effective enough, it is difficult to see how the Minister's claim is correct.

In any event, according to the white list criteria, jurisdictions could only be admitted to the list if they had values similar to Britain's and had effective enforcement. Since no jurisdictions have been removed from the list as yet, one must assume that the Government does not have any particular concerns. Anecdotal suggestions of consumer concern are one thing, hard evidence is another.

As to suspicious betting patterns, it is in the interest of the reputable operators to provide such information already whether or not they are licensed offshore. If others do not, it is difficult to see what the GC will be able to do about it. The Consultation paper has already rejected the idea of introducing offences with extra-territorial effect.

Further, the reference to facing a myriad of different languages is a red herring. It seems hard to imagine that those targeting the British market will use anything other than English on their website and British consumers who are not fluent in foreign languages are unlikely to want to transact with a website that is in any language other than English. On the question of fairness, the proposed new regime will still not provide British-located operators with a level playing field if they are still paying 28% Corporation Tax and their competitors are paying zero or negligible corporate tax. Unless the GC is proposing reducing its licence fees, which is unlikely with an increased compliance burden to administer, or the Treasury will really give them some gambling duty relief, then it is difficult to see how extending licences to overseas operators is going to provide those already licensed here with any perceivable benefit. Certainly, it will be more revenue for the Government but, if anything, it is likely to lead to less competitive pricing for consumers.

It looks as if the proposals are opportunistic. Since the European Commission has accepted the principle of national licensing schemes, such as in Italy and France, the UK is having second thoughts about the extent of its Treaty obligations to free trade in the EU. At the same time, it is widely recognised that in the absence of any tax benefits or other sufficient incentives, the remote licensing

scheme under the Act has not been a success. Not only has it failed to attract any major operators to become licensed here, but it has seen several, if not most, larger businesses leave. A passage about remote gambling in the GC's annual report 2010/11 is quite revealing when it reports:

*“During the year Betfair joined other operators in relocating their betting operations offshore. This means they no longer fall under the scope of the Act and increases the proportion of gambling operators targeting British consumers from abroad. At the same time the European market continues to follow the trend of introducing national licensing regimes for remote gambling with many jurisdictions favouring a controlled opening of markets to include limited types of gambling.”*

It seems to be a case of “if you can't beat them, force them”. Of course, requiring all the offshore sites who transact with British consumers to obtain licences and pay gambling tax will boost State revenues during a time of austerity. It is also one tax measure that is likely to be popular with most consumers.

Citing the moves towards national licensing schemes in other parts of the EU is not comparing like with like either. Whereas moving from a strict monopoly to commercial licensing on a national basis could be described as “controlled opening”, changing the British system from an open commercial licensing model (excepting the National Lottery and the Tote) to a national scheme is more like a “controlled closing”. It took many cases taken to the European Court of Justice before a formula could be found that met the EU law requirements that restrictions on gambling should be necessary for genuine public policy reasons, non-discriminatory, and proportionate and not simply to increase State revenue. If the Government wants to avoid the possibility of legal challenge or even just cynicism about the proposed new regime, then it should be putting forward convincing evidence of a need for change.

## **Social Responsibility – An Operator’s Perspective**

Lynda Atkinson (née Chadwick), Head of Social Responsibility, Genting Casinos

Having worked in the UK land-based casino industry for over 30 years, I am aware that “social responsibility” is something this industry has been practising and demonstrating long before the introduction of the 2005 Act; the new Act merely “formalised” what the casino industry was already doing on a voluntary basis.

There are many different gaming products in the market, e.g. the Lottery, on-line, bookies, bingo, casinos etc, and therefore many different sectors of the gambling industry. Often when commentators such as those in the media, or politicians, refer to gambling, especially when it is negative comment, they fail to differentiate between the various sectors and tar all sectors with the same brush. Indeed casinos are often referred to when other products or sectors may be at fault, including in recent times the banking industry, but the land-based casinos in the UK have a long history of some of the highest and most stringent controls overseen by a robust regulator. Therefore within the wide range of sectors it is generally believed by those in the know that casinos are the most highly regulated and the safest place to gamble.

Contrary to what many people believe, land-based casinos do not give credit, and have not done so for over 40 years. Credit cards cannot be used for gaming use, and unlike many casinos in other jurisdictions, land-based casinos have only 20 slot machines with a maximum stake of £2 and a maximum jackpot of £4000.

The Gambling Act 2005 is based on the three key objectives:

- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime
- Ensuring that gambling is conducted in a fair and open way
- Protecting children and other vulnerable people from being harmed or exploited by gambling

These objectives are embedded in our culture and pivotal to everything we do and we expect all staff to be aware of them.

The British Gambling Prevalence Study 2010 showed that the incidence of problem gambling was less than 1% in the gambling industry and very low in casinos, with the vast majority of people experiencing no problems. But one problem gambler is one too many and we strive to ensure we have good protections in place.

Our casinos have a high ratio of staff to customers (unlike most, if not all, the other sectors) which interact daily with customers. We encourage a sociable atmosphere and customer service is our highest priority, so it is important that customers have a positive experience when visiting our casinos. Leaflets and literature are always on open display and readily available for customers to read. Our staff receive regular training to ensure they understand social responsibility, recognise signs that might indicate a customer may be losing control of their gambling, and how to escalate that information. Managers will approach and discuss quietly and confidentially any issues of concern, and maybe suggest controls and how to access help and advice from organisations such as GamCare or Debtline. Our policies, procedures and training are audited by our internal independent compliance department and by GamCare.

Such controls may be to limit visits or provide simple advice such as to bring in only what cash they want, or can afford to spend. Often it is not necessarily the people who spend large amounts of money who are struggling to control their gambling and we understand that those who only spend a few pounds a week can often be the most vulnerable.

Some customers may decide they need to stop gambling and we have a robust self-exclusion system which we had in place several years before the Act where customers can agree to self-exclude from all our casinos for a minimum of 6 months to at least 5 years.

Customers now often ask for this, and it is becoming increasingly apparent that customers are aware of the option perhaps through other companies or gambling sectors; on occasions a customer has requested to self-exclude even though they have never been in one of our casinos.

Although membership is no longer necessary we still encourage and maintain computer records, including photographs, and on self-exclusion the record is immediately marked so that they will no longer be allowed to enter; moreover, this removes them from any marketing mailing. A report is then completed at the relevant casino and a central national barring procedure implemented. Once they ask to be excluded we exclude them from ALL our casinos, not just the one or ones they normally visit.

Increasingly, customers are requesting a self-exclusion period longer than the minimum and, although it is clearly explained to them they will not be able to rescind this request, it often happens, sometime before the end of their request, that they return wanting to revoke the request as their situation has now changed. Many customers are disappointed that we are unable to consider revoking the self-exclusion, but under the current guidelines of the Licence Conditions and Codes of Practice, returning to gambling can only be considered after six months or the period the customer has requested, which may be at least 5 years. Often they are gambling elsewhere where they did not perhaps self-exclude, but to ensure compliance we are not able to consider their request. I would welcome a review of this rule, such as was contained in the LCCP 2008 consultation, that revocation of the self-exclusion could be considered under certain conditions.

We contribute on an annual basis to the GREaT and to a number of local “problem gambling” charities across the country. I also provide talks and lectures on the subject to any interested party. These are just some of the measures in place and, all in all, the casino industry has embraced social responsibility as fundamental to everything we do. We recognised the importance of operating responsibly well before the 2005 Act and are constantly looking at what we can do differently to offer a better customer experience and, going forward, improve the public perception of the industry.

## Bingo Thrives In Connected Age

Lorien Pilling, Research Director, Global Betting and Gaming Consultants

Online bingo's major breakthrough as an e-gaming product in the latter part of the last decade was a timely one for the gaming sector both online and land-based. Several high-profile e-gaming firms were forced to turn their focus more seriously to the European markets following the passing of the Unlawful Internet Gambling Enforcement Act (UIGEA) in the US at the end of 2006. These same firms would also see their poker revenues suffer in the coming years as the online poker rooms that remained in the US came to dominate the market in Europe too. At about the same time smoking bans were being imposed in countries around the world and were having a devastating effect on the live bingo sector. In the UK for example, with approximately 55%-60% of bingo players being smokers (compared to 22% in the general UK population), the smoking ban hit the live bingo sector hard. Online bingo's arrival on the scene was much needed.

Online bingo really tapped into the growing phenomenon of social networking that was being stimulated by sites like Facebook, which was opened up to "everyone" in September 2006. In the first phase of online bingo development it was recognised that an essential component of any successful bingo website was a chat room. In 2011 bingo websites have adopted many more of the features from social networking sites with which players have become familiar.

Take a look at the Swedish site **ahabingo.com**. It has fully embraced the social networking concept and players can create a profile which incorporates a personal blog, photo page, forum, and the ability to link to friends' profiles (and see when they are playing at the same time as you).

Live bingo is an inherently social activity and this has combined neatly with the current trends in consumers' Internet behaviour. Bingo also has the advantage that it is a very easy game to understand. It requires no skill to play or large amounts of time to be spent in improving your play (as in the case of poker). Indeed, many players of both live bingo and the online version see the activity as entertainment rather than gambling.

The perception of bingo as entertainment or a "softer" form of gambling has certainly helped bingo's growth online. Companies not involved in the gambling industry have seen online bingo as an acceptable means of deriving revenues from their customers, whereas they would not necessarily have considered poker or casino games in the same light. Search engine Ask Jeeves, for example, has its **AskBingo.co.uk** on the St Minver software and even the *Daily Mail*, which is a UK newspaper fiercely critical of anything gambling-related because of the "damage" it does to society, has its own **mailbingo.com** room in the *Coffee Break* page on its website.

Adding bingo to their suite of online services also helped e-gaming firms broaden their appeal to new customers. The "typical" sports betting or poker customers tend to be male rather than female, whereas the reverse is true for bingo. This was important for companies which were restructuring

and searching for new sources of revenue in the post-UIGEA fallout. 888 Holdings, for example, launched its **888ladies.com** bingo site in February 2008.

All of this means that online bingo revenues have grown rapidly in recent years. In research for its Interactive Gambling Report, GBGC calculated that global internet bingo gross gaming yield (stakes minus customer winnings) rose from US\$ 325 million in 2004 to pass US\$ 1 billion by 2007. By 2010 this figure was approaching US\$ 2 billion. By 2013 GBGC forecasts that global internet bingo revenue will be US\$ 3.3 billion. At present Europe is the largest region for online bingo. This is due both to the popularity of the game in European markets (compared to the likes of Asia and Africa) and the regulatory situation being generally more permissive than in the Americas.

Of course, online bingo is no more immune to the regulatory battles than other e-gaming products. In the UK, online bingo is subject to the 15% remote gaming duty, which means many firms choose to target the market from lower-tax offshore jurisdictions. Spain is another important market for online bingo and, until now, has not had a licensing regime for internet gambling. But an online gambling Bill has been passed by Congress in April 2011 and will go forward to the Senate. The Bill includes a 25% gross profits tax for gaming, which is higher than the UK and there could be a limited number of licences issued. Such a scenario is unlikely to prevent firms continuing to target Spain from offshore jurisdictions.

The regulation of online gaming in Spain could open the way for similar regulation in Latin America, where bingo is also widely popular. The suggestion has been made that countries in the region, such as Argentina, would take their lead from Spain in the creation of online gambling regulation. This is by no means certain and governments' attitude towards gambling is still very circumspect in Latin America.

In Italy internet bingo has had a spluttering start. Gioco Digitale was the first Italian-licensed operator to offer real-money online bingo in December 2009. According to AAMS, sales for that month were €80,000. For the month of January 2010 this had risen to €6.2 million. Other operators were looking to get into the market, but just as they were about to launch their online bingo rooms in February 2010, the Italian legal system stepped in to complicate matters. The Regional Administrative Court (TAR) of Lazio decided to annul the regulation created by AAMS that permitted online bingo. The court was responding to a petition made by a number of smaller Italian bingo operators which argued the new regulations favoured the larger companies. But the TAR's decision was subsequently suspended by the Administrative Court of Appeal until a final verdict. The suspension meant that operators can continue to offer online bingo until that verdict.

Total turnover for 2010 was €146 million and January 2011 had a turnover of €19.8 million, a substantial year-on-year increase. In February 2010 Gioco Digitale was joined by Microgame. In April Playtech joined them with their bingo network. Among the companies participating in the Playtech network are Snai, Sisal, Eurobet and Cogetech, as well as Codere.

The example of Codere in Italy shows that, of course, the live bingo sector has not been oblivious to the internet revolution. In markets like Spain and the UK the smoking ban has been very bad for live bingo. Clubs have been closing and revenues falling.

One major strength of bingo clubs is that they already have established and trusted brands to take online. In the UK, Mecca Bingo and Gala Bingo have used their estate of bingo clubs to promote their online bingo games for when players are at home.

Mecca has also been adapting its live bingo games to appeal to the internet generation. Mecca introduced After Dark Bin-glo on Saturday nights offering glow in the dark bingo to a younger audience. It started at its club in Beeston, Nottingham but has been extended to five other clubs.

Looking to the future, bingo would also seem ideally suited for play on smartphones and tablets as mobile gambling continues its development – quick game play and requiring little concentration. The game of bingo has an undoubted, enduring appeal. It has found a new niche for itself on the internet in the connected, social networking age. Bingo has helped the e-gaming sector extend its appeal to new players, whilst the internet has given bingo a new lease of life away from the difficulties of live bingo.