

FAR FROM FAIR?

The Fairer Gambling Campaign, founded by **Derek Webb**, believe that the fixed-odds betting terminals (FOBTs) seen in the UK's high-street bookmakers target the vulnerable and expose serious flaws in regulation. But a new review by one London borough could see the problem highlighted better than ever before

AN INTRODUCTION TO FIXED-ODDS BETTING TERMINALS

The 2005 Gambling Act is built upon the foundation that all gambling should be conducted in a fair and open way that protects vulnerable persons from being harmed or exploited. It seems to successful gambler and businessman Derek Webb of Prime Table Games that the politicians and the regulators, the UK Gambling Commission, are taking too narrow a view of these laws – which is dangerous as it is leading to addicts and other vulnerable people being exploited by bookmakers.

The Fairer Gambling Campaign, initiated by Webb, believes that betting companies are exploiting loopholes in the current regulations to maximise profitability by increasing the number of high-speed gambling machines on the high street. These machines, known as fixed-odds betting terminals (FOBTs), offering super-charged roulette, have grown exponentially since their introduction less than a decade ago, with 32,074 FOBTs reported in the Gambling Commission Industry Statistics 2009/10.

On current trends, 2011 will see betting shops generate more profit from FOBTs than from over-the-counter betting on racing and other sports. The 2009/10 win on FOBTs was £1.26bn – around 44% of total betting shop win – an increase of several percentage points on the previous year (based on the 2009/10 Statistics). The Fairer Gambling Campaign argues that FOBTs were never intended to be the primary activity of betting shops, and so the damaging repercussions of these fast-moving, high-risk games have become the main Campaign focus.

Webb's expertise in the betting industry has grown from many years as a successful poker player, followed by inventing and marketing leading casino table games, including Three Card Poker, and benefiting from associated litigation settlements. Now, Webb believes that UK industry regulation is heading down a destructive path, so he is campaigning to bring fairness back onto the agenda. Here, he discusses the challenges facing the industry today...



HARINGEY COUNCIL REVIEW – AN EXAMPLE TO OTHER AUTHORITIES

I recently gave expert testimony to the Scrutiny Committee of Haringey Council, in North London, which was investigating the effect that the clustering of betting shops on the borough's high streets was having on the community. In one small area of Haringey there are as many as 13 betting shops. The principle issue in the review from our perspective was the proliferation of FOBTs that is the underlying cause of both the clustering of premises and destructive gambling habits.

The gambling regulations permit a maximum of four betting machines per shop. As the FOBTs are making bookmakers so much money, with minimal staff and administrative overheads, then it makes logical commercial sense for bookmakers to open more shops and cannibalise over-the-counter business in return for electronic roulette revenue.

The actual win-per-day-per-FOBT for 2009/10 was around £108. By contrast, the Nevada December 2010 win-per-day-per-slot-machine was only around \$93 (based on Nevada State Gaming Control Board Gaming Revenue Report). This is truly astonishing – a UK FOBT wins nearly double the amount a Nevada slot machine wins. This is even more astonishing given that Nevada slot machines are open 24 hours (double the hours open of UK FOBTs) and that the majority of Nevada slot machines are in hotels with overnight visitors and gamblers resident on the premises.

It is not just the legal exploitation of regulatory grey areas that we object to. As FOBT roulette accumulates player losses far more quickly than the traditional casino table game roulette, it is the targeting of certain socio-economic groups that are susceptible to addictive behaviour that we are raising as an issue.



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There is widespread concern among both the elected members and local residents of Haringey about the clustering of betting shops, and they are not alone in having good cause to think they are being targeted. The trend for betting shop concentration is a growing problem across the country, and is particularly affecting deprived urban areas where the ratio of betting shops per head of population is several times higher than affluent rural areas. It therefore follows that bookmakers are working on the logic that that the residents of places like Haringey will yield the highest returns. We consider this strategy to be legally in breach of the licensing principles.

The Haringey report publishes soon and should be an interesting read. Whether we agree or disagree with its findings, it is fair to say that this is a watershed moment for the industry, where public discomfort has become great enough to pressurise a council into carrying out a review.

We believe that the growing concern, and the fact it is now starting to reach critical mass, is in no small part due to the weaknesses in the current licensing process. The turnover of amounts wagered in betting shops on electronic roulette is now higher than the turnover of amounts wagered on traditional race and sports betting. This makes a mockery of the fact that the regulations assert that a license can only be granted for the primary gambling activity. But this is only the surface of the problem – FOBTs are only compliant with the principles of fairness and openness in a technical way.

A NARROW APPROACH TO FAIRNESS AND OPENNESS

The Gambling Commission interprets games to be fair and open when the payback and rules are displayed and,

technically, FOBTs do adhere to these requirements. But an interesting analogy can be made with companies offering credit. If a lender prints the terms and conditions and the interest rate of a particular credit deal, it does not mean that the credit deal is fair. Likewise, just because FOBTs are displaying game rules and a payback rate for a single spin – doesn't mean that the machine is fair. The Gambling Commission interpretation results in the position that a game could pay back just 1% and still be fair and open. While this abstractly could be said to be open, it certainly could not be said to be fair.

In fact, analysis carried out by Prime Table Games indicates that the real experienced payback on FOBTs can actually be as low as 1%. For example information on the machines themselves show that roulette payback is 97.3%. (Roulette is reputed to account for over 90% of FOBT turnover.) But that's only per spin. Playing with the same cash for another spin pays back 97.3% of 97.3%, reducing the real overall payback every spin, something that is not explained to players. In fact, if you were able to keep playing roulette with your initial cash for an hour your real experienced theoretical payback would be less than 1% of the starting cash played. Of course →

that's nowhere near the 97.3% stated on the machines.

These FOBTs, while superficially adhering to the narrow interpretation of current regulations exploit vulnerable players and encourage problem gambling. A Prime Table Games estimate puts the real experienced payback in the ballpark of 25%. This means real player losses of around 75%. Only addicted gamblers would routinely accept losses like this. But when you know that roulette on FOBTs plays over three times faster than roulette, the real casino table game, then you can understand why FOBTs are so addictive. (The comparative statistics for casino table game roulette are payback of 85% and player losses of 15%.) These FOBTs certainly are not in the spirit of the foundation principles of the 2005 Gambling Act. The Fairer Gambling Campaign is buying adverts and lobbying government to ensure this is reviewed at a national level.

THE EVIDENCE OF FOBTs CAUSING PROBLEM GAMBLING

The British Gambling Prevalence Survey 2010 identifies five problem gambling activities; one of them being FOBTs (Figure 6.2, on p95 of the Survey). However, the turnover on FOBTs, relative to the number of participants, is far higher than the turnover relative to the participants in the other four activities listed. Of a total of 18 different identified gambling activities in the Survey, FOBT machines have very high ratios of participation by the most vulnerable gamblers, relative to total gamblers at that activity as follows:

1. From the lowest income group the highest ratio of 1.75
2. (7% to 4% – Table 3.7 on p47 of the Survey)
3. From young gamblers (16 to 24) the joint highest ratio of 3.00
4. (12% to 4% – Table 3.1 on p38)
5. From unemployed gamblers the second highest ratio of 3.00
6. (12% to 4% – Table 3.6 on p45)
7. From at-risk gamblers the third highest ratio of 6.29
8. (44% to 7% – Table 4.9 on p69)

We regard at-risk gamblers as being the 6% of gamblers identified as both high-time and high-spend gamblers (Survey p64). We regard these at-risk gamblers as being more prone to current and future problem gambling. These Survey findings clearly demonstrate that FOBT gamblers are relatively more likely to be young, unemployed or on low income and more at-risk than gamblers at any other form of commercially licensed gambling activity.

A couple of years ago Blackpool Trading Standards Office discovered that over 60% of betting shops would accept bets from under-age (under-18) gamblers. After warnings to betting shops the exercise was repeated, but the percentage was still over 30%. There was no effective punishment of these betting shops.

By contrast, in the US, where in most states the minimum age of gambling is 21, casinos have been fined up to \$100,000



↑ A study indicates that FOBT gamblers are more likely to be young and have low incomes

for allowing one under-age gambler to play. Also, consider that most US state regulations do not have the same licensing principle of protection of young and vulnerable gamblers as required by the UK regulations. This contrast truly exposes the inadequacy of UK regulation enforcement and the complacency of the UK Gambling Commission.

WHAT'S NEXT FOR THE FAIRER GAMBLING CAMPAIGN?

Fairer Gambling will continue to speak out for vulnerable consumers who are being misled by the gambling industry and let down by regulations in the UK. Fairer Gambling is eagerly awaiting the findings of the landmark Haringey Review and will be hoping to leverage the findings to lobby for change in the industry and encourage fairer gambling.

Fairer Gambling will be focused on bringing to light the evidence found in the British Gambling Prevalence Survey 2010 of the dangers of FOBTs. ■

Much more information about the campaign can be found on the website fairergambling.org, on Facebook by going to [facebook.com/fairergambling](https://www.facebook.com/fairergambling) or by following @fairergambling on Twitter