

World Regulatory Briefing

Responsible gambling innovation

Speech by Sarah Harrison

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Ladies and gentlemen. Thank you for inviting me here today. And thank you Chair, for your kind introduction.

It is a great pleasure to be talking to you on a subject so high on so many agendas. And it's hard to believe that a year has sped past since I sat in the audience listening to my former colleague Matthew Hill speak at this event prior to my taking over as CEO of the Gambling Commission.

Some of you will recall the description of the choices set out that day for industry: greater constraints in the face of failure to act independently, or a sunnier place, where industry seized the agenda to work to tackle gambling-related harm.

As I talk this morning, I will use the opportunity to reflect on progress and on whether aspirations for ownership are becoming reality or whether they remain on the 'to do' list.

Setting the scene

It never hurts to set the scene – especially in a landscape that has all the qualities of quicksilver. Looking back over the last 12 months we have seen some key developments in the British market.

First, in terms of the shape and size of the market our latest industry statistics indicate a growing gambling sector in Great Britain:

- an implied GGY of £12.9bn in the year to September 2015
- remote gambling now accounting for just under one third of the gambling market - the world's largest regulated online gambling market
- numbers of betting shops, bingo premises and arcades decreasing.

Corporate activity has continued in the year with ongoing mergers and acquisitions, as well as new entry. Analysts' views are that the conditions for this activity are set to continue, driven by access to technology or customers, channel shift, the importance of scale, diversification from B2B into B2C, duty changes and most significantly scope for cost reduction.

Elsewhere, gambling in Britain remains very much in the public eye. The relationship between sports and betting intensifies. As one example of this, at the start of the English Premier League football season, we see for the first time half of the 20 Premier League teams advertising gambling operators on their team shirts.

In a study published by the Responsible Gambling Foundation in Victoria (Australia)¹ in May this year, findings suggest that the marketing of sports betting brands in sport in Australia is increasing the recall and preference of sports betting brands for children, with the majority of children aged 8-16 years being able to recall the names of sports betting brands.

TV advertising and advertising on social media grows. Our October 2014 consumer participation survey showed that half the population claims to have seen gambling advertising on a daily basis and that 60% of 18-24 year olds see gambling advertising online on a daily basis.

The last time the media regulator Ofcom, looked at this market, in 2013, it reported that the number of gambling ads on TV had risen sevenfold, from 234,000 to 1.4m, in the six years after the Gambling Act came into force in 2007. A longstanding concern has been the effect of gambling advertising on children and young people. In that same research, Ofcom reported that there were 1.8 billion commercial gambling 'impacts' on 4 to 15 year olds in 2012 in the UK. This work has not been updated since then.

While the effect of this on participation in gambling and on the prevalence of problem gambling is difficult to establish, the volume and number of impacts is, however, a potential cause for unease.

As a result of a major review of gambling advertising in 2014/15, the industry made a series of improvements to its own advertising code (*Gambling Industry Code for Socially Responsible Advertising*) which further limited how sign up offers can be marketed on TV before 9pm. We welcomed this measure but continue to press industry to do more to ensure that its advertising is socially responsible, and does not mislead.

The Gambling Commission does not govern, or have powers over, the volume of TV advertising but this can contribute to public attitudes toward gambling and, as such, can influence the debate around its control and regulation – as well as influencing wider public opinion.

Over the last 12 months we have seen the temperature of public debate, around aspects of gambling, rise in the British media and in Parliament. Advertising, fixed odds betting terminals, lone workers in betting shops, crime linked to gambling, issues around the normalisation of gambling in British society, have all been topics for debate and serve to raise the prominence of gambling and associated issues in people's minds.

The high-profile public debate over fixed odds betting terminals – a hard form of gambling - is not going to fade away. Recently we have seen a new All Party Parliamentary Group established that is seeking evidence on the impact of these machines. The publication of RGT research in May² made clear that while problem gambling happens at all staking levels there is some evidence to suggest higher stakes increase risk of gambling-related harm.

We await confirmation of DCMS' plans for the next Triennial Review of machines stakes and prizes. The Commission has been very clear that we want to see this review, and as soon as possible. We believe it is vital that all interested parties have the opportunity to contribute evidence, and hear the arguments, in a transparent way. We want to see all options on the table, including a potential further stake reduction.

¹ Thomas, SL, Pitt, H, Bestman, A, Randle, M, Daube, M, Pettigrew, S 2016, *Child and parent recall of gambling sponsorship in Australian sport*, Victorian Responsible Gambling Foundation, Melbourne

² H.Wardle, NatCen: *People who play machines in bookmakers: secondary analysis of loyalty card survey data*. A report prepared for the RGT.

This context is important for policy makers and for regulators. It is also important for operators whose 'social licence to operate' is put to the test – ensuring that a balance is struck between providing a legitimate leisure activity on the one hand, and ensuring responsible provision, that supports safe play on the other – making sure profits do not derive from unfair practices, children, vulnerable people or the proceeds of crime.

Gambling-related harm

Getting to the bottom of this is key for policy makers, regulators and operators.

A measure of problem gambling in Britain has been derived from the combined England and Scotland health survey. The latest data, from 2012, shows that while most people gamble responsibly, problem gambling prevalence in England and Scotland was 0.6% - higher rates for those at risk. Around 7% of people using machines in betting shops were problem gamblers (around 100,000 people), which is similar for those that played casino table games (6%) and online gambling (6%). Rates of problem gambling were higher amongst spread betting (21%) and poker in a pub/club (13%).

The research also tells us that problem gamblers are likely to be engaged in multiple gambling products - problem gambling rates were highest amongst those that had played on more than seven activities (8.6% according to screens). Problem gamblers took part in an average 6.6 activities in the year.

This data set will be updated early in 2017 with the publication of the next combined health survey for England and Scotland and, for the first time, the Commission has independently funded a survey in Wales, which has only previously been covered as a small part of the sample in the British Gambling Prevalence Survey.

However, this analysis alone is not sufficient and needs to be built on to understand the wider impact of gambling-related harm. That is why the Commission has welcomed the priority given to this in the new *National Responsible Gambling Strategy* and by the Responsible Gambling Trust. New projects, which will deliver stage one findings early next year, are looking at the nature of harm across several domains: health, mental health, debt, housing, homelessness, including the costs to government. This will be ground-breaking work. Its importance is that over time, and in combination with ongoing health survey data, it has the potential to help assess the wider cost of gambling-related harm on society and the economy; it will help deepen our collective understanding of the actions likely to be most effective in mitigating that harm; and it will help inform the wider public debate on the place of gambling in British society.

Progress towards tackling gambling-related harm

In the remainder of this address I would like to bring the focus back to the nearer term, and to look at progress made, and what challenges and opportunities yet lie ahead.

I will look at this across three areas:

- a) operator engagement
- b) investment in research, education and treatment
- c) innovation.

A) Operator engagement

Following review, the Commission published a series of new and updated social responsibility measures in February 2015. These significantly strengthened the *Licence conditions and codes of practice* relating to social responsibility, and put at the centre the leading role that operators had to take. The changes both in the codes and licences, and the way they have been enforced have been focused in three main areas:

- i. strengthening accountability of operators
- ii. giving more power to consumers to manage gambling
- iii. deterring poor practice.

In terms of strengthening accountability, we introduced, on a pilot basis, the requirement for Annual Assurance Statements (AAS). This provides a vehicle for high impact operators, with a GGY of over £25m, to provide us with the most senior level assurance that compliance with the licensing objectives is at the core of the business. It covers control systems, risk management, governance and culture. They are a tool for operators, their boards and senior executives, as well as the regulator.

There is no surprise that one of the most contentious aspects of the Annual Assurance Statement framework has been the expectation that operators will identify a narrative description of the scale of problem gambling in their business, which could include the revenue associated with problem gambling.

We know this is not easy, we make no bones about it. And judging by the first year's pilot, there is plenty of scope yet for businesses to improve and to share learning on approaches to this developing this narrative. The Commission will continue to work to create the conditions to support this learning.

But let me be clear – we have no plans to take this issue off the table. At its heart is a simple principle - if operators cannot begin to measure a problem, how can they evaluate over time the impact of strategies they are developing to mitigate the problem?

Giving more power to consumers to manage their gambling is a strong and developing theme for the Commission.

Over the last period we have seen the implementation by operators of new requirements to provide gambling management tools to consumers - both consumers who are gambling online and on machines. Time-out and reality check facilities are now in place. The Association of British Bookmakers has led work to develop similar on screen 'in-play' messages for machines, and recent action to let players increase the frequency of messages shows scope to build on learning from how players interact with these.

Industry self-exclusion schemes have been introduced across the betting, casino, bingo and arcade sectors. We are pleased also with the early progress being led by the Remote Gambling Association to develop a scheme for online customers. RGA and online operators' efforts mean that plans remain on course for go-live by the end of 2017. These are important tools for consumers. Over time I also hope we can collectively raise ambition and work towards a single unified scheme - a one stop shop solution for all consumers - irrespective of whether they play online, in a bookmaker's, casinos or arcades.

By contrast, operators have much more progress to make yet in the way they handle customer complaints, ensure advertising is clear, and develop the terms and conditions under which they serve customers.

The Commission's plans for the remainder of this financial year signal work in these areas - with ongoing compliance on marketing requirements, joint work with the Competition and Markets Authority (CMA), and a review of the first year of operation of the Alternative Dispute Resolution (ADR) schemes.

Giving more power to consumers to manage their gambling is, as I have said, a strong and developing theme for the Commission. When requiring things of others, we are also prepared to look at ourselves and see how we, as a regulator, can improve.

Soon we will set out our own road map for engaging more effectively with consumers. We envisage a twin-track approach based on:

- getting information from consumers, including those who gamble, to help us understand their needs, and help inform regulation
- giving information to help consumers solve their own problems or avoid harm in the first place.

Strengthening requirements on operators will have more impact if paired with robust sanctions to deter poor practice for non-compliance. We have stepped up our activity over the past 12 months and more, with a range of recent cases addressing failures by gambling operators on money laundering and responsible gambling grounds, including against National Lottery operator, Camelot, for poor practices and misleading consumers.

We will continue to use our powers to the full, in current and emerging markets, to ensure lessons are learnt. The Commission's own lessons learnt exercise is well underway and I hope to share some of our further thinking on enforcement approaches in November.

B) Investment in research, education and treatment

This last year has also seen the launch of a new *National Responsible Gambling Strategy*. This has been developed by the Responsible Gambling Strategy Board (RGSB) - the Commission's expert advisory board on responsible gambling and gambling-related harm, led by Sir Christopher Kelly.

I believe this strategy provides the framework for what we are jointly working to achieve. Devised in consultation with stakeholders, it covers all forms of gambling and sets the agenda for operators, regulators, commissioning organisations, Government, trade bodies, treatment providers and a number of other public agencies.

It is now for the Responsible Gambling Trust, led by its first independent Chairman, Kate Lampard, to develop the research plan and secure the funding which will implement the National Strategy over the next three years.

Delivering the strategy will require expertise, resources and above all else, genuine commitment from a diverse range of stakeholders. Foremost among those will be the industry itself. The Commission has set down a clear challenge for industry to demonstrate its commitment to funding the strategy.

Again, let's put this in context, in 2015, under the current voluntary arrangements, the industry contributed over £6.5m to RGT for research, education and treatment under the voluntary funding arrangements. By contrast £120m was spend on TV advertising in the same year.

That cannot be right. £6.5m is nowhere near enough. If the RGT were able to rely on a minimum of 0.1% of every operator's GGY, that would provide a ballpark figure of £10-£11m - which is beginning to be a much more credible sum for such an important task.

From the Commission's perspective it doesn't matter too much how the industry shares this funding responsibility but I would expect the industry itself to care very much about this. How can it be fair that some operators, large and small, contribute year in and year out while others get a free ride?

I know that RGT would welcome a more robust arrangement, for example under which the industry agrees and codifies a common approach.

GB operators now face a key opportunity - to give credible commitment to the voluntary based system for supporting research, education and treatment, or face stronger calls for mandatory action.

So far, I have assessed operators' progress and looked at challenges and opportunities in two key areas:

- a) operator engagement with the responsible gambling agenda
- b) investing in research, education and treatment.

The third and final area I want to cover is opportunities for further innovation.

C) Innovation

Last month the Gambling Commission published a discussion paper setting out our latest thinking on virtual currencies, eSports and social gaming.

We are keen to seek views on emerging markets and where there are issues that can pose a risk to player protection. Our focus here is most closely trained on ensuring children and other vulnerable people are not harmed or exploited by gambling.

But while new markets and innovation can present risks to the public policy and the regulatory framework which underpins an open gambling market, so they can also foster opportunities.

The Commission's message to operators over the last 12 months and beyond has been consistent: we want to see the same innovation and creativity applied to supporting safe play, fair play, and crime free play, as is used to grow product, markets and profits. Applying the principle of KYC (know your customer) successfully, should serve all those goals.

Operators independently, and under the umbrella of the National Strategy and RGT, have lots of new work underway:

- Most major operators are looking at tools to better understand patterns of play, employ predictive analysis techniques, implement algorithms, and test effective interventions.
- A myriad of trade bodies are on the case. The ABB is bringing a common framework to bookmakers' work on behavioural analytics. The RGA is now leading similar work across online operators. IGRG and Senet Group are the industry leads for RGT work to evaluate different approaches to providing information to players to discover what works and what doesn't work.
- IGRG will be supporting another RGT project to develop more effective approaches to staff training.

We are seeing a lot of activity, but our interest is what is being learnt, what is working, and therefore being put into practice, and at what speed?

Notwithstanding this, there is scope for more innovation and I would like to finish by raising three further opportunities:

First, the agenda to tackle cyber threat and crime, data and system security is characterised by professional collaboration and intelligence sharing across business, markets and borders. What are the opportunities to further 'professionalise' the approach to understanding and addressing gambling-related harm?

Second, the sector in GB is going through a period of corporate activity. New businesses, new entrants and new leadership teams, have a unique opportunity to differentiate - to set a different pace, and to set different expectations for customers, investors, stakeholders and regulators. How will this be seized? And what impact might this have on the competitive dynamic in the market?

Third, operators across all GB market sectors are in a position right now to maximise the opportunity created by a new *National Responsible Gambling Strategy*, new RGT leadership, and also working with new leadership at the Gambling Commission, to forge a sustained, world-leading approach to tackling gambling-related harm. How will this be realised?

Conclusion

I have covered a lot of ground this morning. Looking back on challenges laid down last year, progress in response, and opportunities to come.

So, how to characterise that? Whilst the Olympics are still fresh in our minds and the Paralympics are underway, more needs to be done before we can award any gold medals – and that has to be our goal.

Some operators aspire to a place on the podium and for this I applaud you; but others have barely left the starting block. I won't continue this analogy by talking about the finishing line because the nature of this challenge means this is uncertain and unlikely to be reached, but what we can drive for is to improve all the time on our personal bests.

We need to continue pushing forward. None of us can afford to be complacent. There are many players – industry, the Commission, Government, treatment providers, and other agencies all having a crucial role to play.

But it is industry, operators, who have the principal relationship with consumers, to take ownership of the responsible gambling agenda, and go for gold.

Thank you.