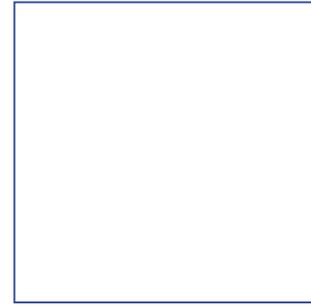


part three

why regulate?



chapter fifteen

Keeping Crime out of Gambling

15.1 It is a theme of this Report that we should provide greater freedom for adults who want to gamble, particularly in the tightly regulated conditions of casinos. We wish them to retain their current freedom to bet at racecourses or in betting shops. We believe this freedom should be balanced by ensuring, as far as we can, that gambling is crime free, for the benefit of the citizen in general and the punter in particular. In this section we examine the question of the type and scale of regulation that may be necessary to achieve this end. All commercial activities are vulnerable to criminal infiltration and activity, involving potential loss to the employer or the customer. In most cases the remedy lies in the criminal law and in systems designed to deter or prevent criminal activity. We consider whether gambling requires specific regulations that go beyond the normal criminal law.

15.2 The following aspects of gambling suggest that there may be particular problems:

- gambling involves the circulation of large sums of money, mainly anonymously
- that in turn provides opportunities for money laundering
- punters can be vulnerable and may be easily cheated
- games can be rigged and improper attempts can be made to influence the outcomes of events
- the profitability of gambling can encourage attempts to enforce control over potential suppliers to keep out competition.

15.3 It is also important to note that gambling is wholly or partly illegal in many countries. Thus those who provide gambling in such countries to meet the demand for it are themselves committing criminal offences and may be involved in other criminal activities. Since the activity is illegal the debts that arise cannot be enforced through the courts, and other means, including violence, can be used to retrieve them. History in this country and elsewhere shows that gambling attracts criminals and that the criminal law by itself may not be sufficient to deal with the problem.

15.4 The Gaming Act 1968 was itself a response to widespread criminal involvement in gambling that occurred following the 1960 deregulation of casinos. New regulations and the establishment of the Gaming Board were designed to make gaming crime free. The overwhelming majority of submissions to us, including

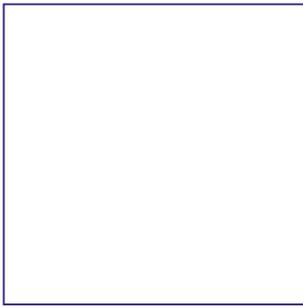
those from the police service and the gambling industry, agree that the 1968 Act has been a success and that we need to retain a strong and effective central regulator. It is evident that the Gaming Board has been successful in tackling criminality and in doing so it has developed an industry with an enviable international reputation for integrity.

15.5 Whilst the Gaming Board has been extremely successful there have been occasions since 1970 when parts of the industry have succumbed to criminal behaviour and the Gaming Board has been able to act swiftly to eliminate the problem. Improper use of credit, corruption to obtain new clients, skimming of the take and illegal loans have required the intervention of both the Gaming Board and the police. We have no doubt that the appropriate use of Gaming Board powers has enabled the problems to be dealt with administratively in relation to certification as well as criminally. The use of administrative rather than criminal powers has been successful in finding solutions to such problems, often resulting in corporate restructuring and new appointments so as to regain the trust of the Board.

15.6 The evidence of the police service reminds us that where the industry operates in unregulated parts of the world criminal groups are attracted to and influence the organisation of gambling. We have been given specific examples of activities and involvement of individuals in unregulated jurisdictions that would not be tolerated in our domestic industry. We conclude that the reasoning that led to the 1968 Act and its regulation is still appropriate today. Criminals and criminality still pose a threat to an unregulated industry. The types of controls which already apply to casinos, bingo and lotteries should remain in place. Our recommendations for the type of regulator and the regulations that are warranted are set out in Part 4 of this report.

Betting

15.7 A major question for us has been whether the risks of criminal involvement in betting justify a tightening of regulation for this section of the gambling industry, which under current arrangements is subject to a rather different, and generally lighter, regime. Bookmaking is not regulated by the Gaming Board and bookmaker's permits are granted by local licensing magistrates. We do not doubt that the great majority of the betting industry operates perfectly legally and honestly and we would not add to the regulatory burden upon it unless we believed such a move was justified.



15.8 Several of the features listed in paragraph 15.2 above apply to bookmaking and it would appear that it is vulnerable to criminal involvement. However the fact that bookmaking was not included in the 1968 Act suggests that the type of criminal involvement that had become rife in casinos was not widespread in bookmaking. We have no reason to believe that it was.

15.9 Nevertheless, a number of the submissions we have received suggest that bookmaking should be more tightly regulated. The Metropolitan Police told us "practices and relationships have developed over the years which range between the highly questionable and the overtly corrupt". As we describe in chapter 26 we believe that there are shortcomings in the current system of permits, risks of corrupt relationships between bookmakers and those involved in sports, and worries about opportunities for money laundering which justify a centralisation of the licensing of individuals and tighter controls over bookmaking activities. We do not believe that the proposed changes are unduly onerous and we believe that the bookmaking industry would benefit from the enhanced reputation that such regulation would bring.

Gaming Machines

15.10 The lack of enforcement powers against the operators of illegal gaming machines is something that frustrates both the legitimate industry and regulators. By illegal gaming machines we mean those that are unlicensed or those that are situated in premises in which they are not permitted. We have been told that illegal machines are sometimes fixed to operate in a manner that is not fair and honest. Even if they are operated fairly, they may be situated in such a place that children are attracted to play on machines to which they would not otherwise have access. To address these concerns, we are making recommendations about the licensing of arcade operators, the siting of gaming machines and the powers, including confiscation, of the regulator to deal with illegal and unlicensed machines.

On-line Gambling

15.11 On-line gambling is becoming increasingly popular, but is regulated in few jurisdictions. We have seen press reports and heard anecdotal evidence that there are parts of the world where internet gambling sites are run by or for the benefit of criminals. This is bad for the punter and for the regulated industry. We cannot regulate every on-line gambling site that British punters could access, but we believe it is possible to regulate on-line gambling operating from Great Britain. We discuss that in chapter 30.

Illegal Gambling

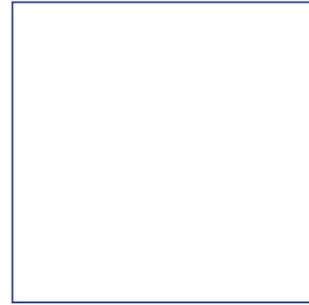
15.12 Our attention has been drawn to the existence of gambling enterprises that operate illegally and outside of the relevant legislation. The police told us of the problem, and the Gaming Board in its evidence reported "there is evidence of considerable illegal gambling throughout the country in respect of which the Gaming Board has no powers and the police little resources to take action".

15.13 Illegal betting is difficult to quantify but we have heard evidence of such activity on racecourses and in pubs and clubs.

15.14 We are aware that illegal gambling takes place in a variety of locations and is often confined to particular communities. It may be stretching the description of a casino to apply the word to this activity. Perhaps the best known example is that of illegal Chinese gaming houses in some cities. That activity is often quite overt; the obvious example is in parts of Central London. Elsewhere illegal gambling takes place in cafes, pubs and clubs.

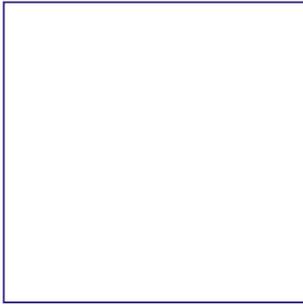
15.15 We understand that enforcement of the existing law against such enterprises is at best patchy and often non-existent for a number of reasons:

- the Gaming Board has no powers to detect or prosecute such offences
- unless the activity is accompanied by other criminality or disorder the police see prosecution as being low in their list of priorities
- the police often prefer to know of such locations rather than to drive them underground, in order to maintain contact with those who participate
- detection of the real beneficiary is at best difficult and often disproportionately expensive in time and resources
- as a result, those prosecuted as organisers are often at the low end of offending level
- there are no powers to 'close down' the facility
- the courts often impose very low penalties
- the communities in which such activities occur are often supportive and might not complain about their existence
- in some communities the process of dealing with offenders may cause more discord than the original offence itself



- as a consequence police are keen to balance their activity in the overall interest of the local community

15.16 We sympathise with many of these points and understand the fine judgements that have to be drawn in making decisions in the best interest of a particular community. Nevertheless we agree with Rothschild that the “law ...should not be allowed to fall into disrespect and disuse”. Our recommendations in this difficult area are set out in chapter 33.



chapter sixteen

Fairness to the Punter

16.1 Our terms of reference require us to have regard to:

- the need to protect the young and vulnerable from exploitation and to protect all gamblers from unfair practices.

This chapter considers the part that regulation can play in ensuring that players are protected as consumers, are aware of the characteristics of the product and that there is fair dealing in the way the product is offered.

16.2 It is an inescapable feature of reviews of this type that there is a large volume of well-documented evidence from the producers (from individual companies and trade associations) and relatively little from the consumers (in this case, the punters). We regard it as our duty to redress this balance, as best we can, by considering the interests of the consumers. We have already discussed some of the reasons why restrictions on the freedom of the gambler to bet when, where and how he wishes may be justified. In this chapter we are more concerned with the relationship between the punter and the gambling industry. The regulation that concerns us here is therefore more related to restrictions on the providers of gambling than on the punters themselves. We have described the need to keep crime out of gambling and to ensure that the punter is protected from theft and fraud. Here we turn our attention to two further objectives, namely that punters

- are not over-charged
- are well informed.

16.3 As far as the first objective is concerned we must recognise that we face another dilemma. The avoidance of crime generally requires restrictions on those who supply gambling services. It is necessary to ensure, as far as possible, that they are fit and proper to undertake these activities. Current regulations also place significant restrictions on the number and location of gambling outlets. That is a means of reducing the risk of criminal activity but it is also considered as a way of protecting the vulnerable. But any limit on who enters the industry or on the number of outlets must reduce the degree of competition. And competition is an extremely effective way of holding down prices. So we have to try to balance the desirability of competition against the arguments for limiting supply.

16.4 There is also a dilemma which is implied by the evidence of Professor Collins'. If we simply regard gambling as a commercial activity like any other, we shall be concerned to ensure that profits are not excessive. But if there is, in effect, a partnership between the supplier of gambling and the state (as is the case with the National Lottery or with the Jockey Club in Hong Kong, where profits are used for good causes) then effective competition may not be the most desirable outcome. In general the State may want to encourage monopoly rather than competition as long as it owns or can tax heavily the supplier.

16.5 We accept that the prime responsibility for helping to ensure competitive conditions for gambling, as for other industries, lies with the competition authorities; but we believe that we have the responsibility for considering the effects on competition of regulation introduced for other purposes.

The price of gambling

16.6 On average, those who take part as punters in commercial gambling will lose money. Individuals may believe that they will win, either through luck or skill, but the iron law must hold overall. It is the punters' losses that pay for the salaries of those employed in the industry and for the returns to those who provide capital for it. They will also contribute towards any taxation on gambling and may contribute towards good causes. We cannot attempt to revoke the iron law but we can at least ask whether, despite the inevitability of loss, the punter is getting a fair deal.

16.7 The margin of loss for the average punter can be thought of as a price. In other industries we might ask whether the price is fair; in the case of gambling we have to consider whether the margin of loss (more generally known as the gross gaming margin) is fair. Another way of asking the question is to consider whether the activity of gambling brings excessive returns to those who provide it.

16.8 There are three ways in which excessive returns might occur

- fraud or dishonesty
- inadequate competition
- inadequate information.



We have considered the question of fraud and dishonesty in chapter 15. We start here by considering the question of competition.

Effective competition

- 16.9 Gambling as a whole competes with other forms of household expenditure. Within gambling, one form competes with another and, within one form, suppliers compete with each other. Competition between suppliers helps the punter by holding down costs and profit margins. This may result in better odds, or where returns are fixed by law, as in the case of some forms of gaming, in better facilities.
- 16.10 As mentioned above, regulation can have the effect of reducing competition, either deliberately, as in the case of the National Lottery, in order to maximise the proceeds for good causes, or as a side effect of measures aimed at keeping out criminals, limiting gambling opportunities, or preserving local amenities.
- 16.11 The demand test for licensed betting offices, bingo clubs and casinos and the permitted areas rule for casinos clearly restrict competition. By limiting the supply of gambling services they are likely to raise profit margins for those who acquire gambling sites. Additional betting shops, for instance, will increase the number of outlets competing for the punter's pound. The result of the increased competition will either be experienced in better facilities for the punter or in more favourable odds. The auctioning of bookmakers' pitches at racecourses certainly had the effect of improving the return to the punter, presumably because the newcomers were willing to attract business by offering better odds.
- 16.12 The Betting, Gaming and Lotteries Act 1963 states that an application to grant or renew a betting office licence may be refused on the ground

that the grant or renewal would be inexpedient having regard to the demand for the time being in the locality for the facilities afforded by licensed betting offices and to the number of such offices for the time being available to meet that demand.

- 16.13 Section 18 of the Gaming Act 1968 states:

(1) The licensing Authority may refuse to grant a licence under this Act if it is not shown to their satisfaction that, in the area of the authority, a substantial demand already exists on the part of prospective players for gaming facilities of the kind proposed to be provided on the relevant premises.

(2) Where it is shown to the satisfaction of the licensing authority that such a demand already exists, the licensing authority may refuse to grant a licence if it is not shown to their satisfaction –

(a) that no gaming facilities of the kind in question are available in that area or in any locality outside that area which is reasonably accessible to the prospective players in question, or

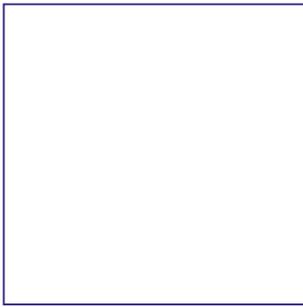
(b) where such facilities are available that they are insufficient to meet the demand.

These rules apply to casinos and bingo halls. The establishment of casinos is also limited to permitted areas. Thus betting shops, casinos and bingo halls have to pass what is known as the "demand test."

- 16.14 As described in chapter 3, the demand test was endorsed by the Rothschild Commission because it helped to avoid social excess. Our terms of reference require us to consider the wider social impact of our recommendations. We believe that, despite an assumption in favour of allowing adults to behave as they wish, concern with the wider social effect does justify the continuation of much of current regulation. However we do not accept the principle of "unstimulated demand." We believe, for example that regulation itself should not limit the number of betting shops on a particular street. There may be other local reasons for restrictions but we do not believe that applicants for licences should need to prove an unsatisfied demand as a condition for opening a new outlet. We discuss this in chapter 20.
- 16.15 Our proposals should have the effect of increasing the extent of competition in the gambling industry and should thereby reduce the price of gambling, ie. the expected loss to the average punter. In the case of casino table gaming there may appear to be less scope for improving the odds paid to punters since there are either industry norms or rules laid down by regulation. Where this is the case competition will take the form of improved facilities for punters.
- 16.16 Our proposals for increased competition have been balanced by our recognition that increasing the availability of gambling is likely to increase the number of problem gamblers.

Bookmaking and racecourses

- 16.17 We believe that increasing the potential number of suppliers is one way of providing better terms for the punter. There is the slightly different issue, which causes some concern, of the links between those who provide betting facilities and those who operate racetracks for dogs and horses. Bookmakers own four



greyhound racetracks. Under the proposals for the Tote, the horseracing industry will own the Tote. Owners of greyhound tracks own the tote betting that is provided within them. In addition the bookmaking industry organises greyhound racing (through the BAGS system) for the purpose of providing a betting opportunity. Finally the two largest bookmakers are the main shareholders in Satellite Information Services Ltd (SIS) which broadcasts pictures of horse and greyhound races to betting shops. It has been suggested that these direct links between racing and bookmaking are unfair to the punters and race-goers. The main implication must be that the "price" offered to the punter or the race-goer (or both) is higher than it would be if these links were broken. It is also argued, particularly in the case of greyhound racing, that the arrangements are unfair to the independent racetracks (ie. those not owned by bookmakers).

- 16.18** Our main concern is that the ownership of tracks should not affect the deal for the punter. The following example was put to us. Suppose that a punter stands to make a considerable return from the last leg of an accumulator bet and that the race is being run at a track owned by the bookmaker. The bookmaker may be tempted to fix the race so that the backed dog does not win. We do not take that seriously; but it illustrates the kind of suspicion that arises. Consider the position of a punter placing a bet on a BAGS race at a bookmaker-owned dog track. The race is being run for the bookmakers. Bookmakers own the track. The information related to the race is provided by SIS (which is owned by the bookmakers). The tote facilities are owned by the track (and therefore by the bookmakers). There may be a few on-course bookmakers present, but the punter may feel that he has nowhere to turn. Everything is run by and owned by the bookmakers. What chance does he have?
- 16.19** During the period earlier this year in which horseracing was affected by the Foot and Mouth outbreak, extra attention was directed at the BAGS races since they provided an alternative outlet for punters. The on-course market at BAGS races can be extremely thin and it was said that the returned starting prices gave unusually favourable returns to the off-course bookmakers. It was further suggested that those tracks that provide BAGS races were required to offer these favourable returns in order to retain their contracts. It appears to be generally true that BAGS races offer unfavourable returns to the punter compared with other types of race, including evening dog racing events.
- 16.20** The result of these linked ownerships is that parts of the betting industry have become more like the gaming industry with the same organisation providing both the event and the opportunity to bet on it. In

greyhound racing the event is a race between six dogs; in roulette it is the turn of a wheel. In gaming the operator both conducts the event and takes the bets. The same thing happens at bookmaker-owned racetracks, except that independent bookmakers offer some competition to the totalisator. It also happens, indirectly, in the case of BAGS races, where the bookmakers are paying a fee for the event to be run. The question is whether competition and regulation are sufficient to avoid over-pricing in bookmaker-owned tracks. (The over-pricing could appear at the track or in the off-course betting offices.) The ownership of tracks does not necessarily matter. What matters is that there should be adequate competition within the betting industry. Our proposals should help to improve competition between betting shops. There is also potential competition, as far as the punter is concerned, between one dog track and another. If a bookmaker-owned course provided consistently worse odds than an independent one, the punters can, in principle, go elsewhere, though dog tracks undoubtedly enjoy a local monopoly.

- 16.21** Although, as we have said, these are matters for the competition authorities rather than for regulation of gambling itself, we believe there is one means of improving the terms offered to the punter as far as greyhound racing is concerned. It is generally true that profit margins on, for example, forecasts and tricasts are much larger than those in simple bets. This is part of the general tendency for punters to accept poorer odds if there is a chance of a large pay-out (the National Lottery and the football pools are prime examples). However the British Greyhound Racing Board (BGRB) has pointed out to us that gross profit margins on these bets are about 25 per cent higher in betting shops than at the on-course totes. They recommend that the law be changed to allow off-course betting into on-course totes. We discuss this in chapter 26.
- 16.22** Another area of concern relates to competition between the Tote and the fixed odds bookmakers on racecourses. There is a conflict here which will become more apparent when the ownership of the Tote is shifted to the horseracing industry. The Tote's profits will accrue directly to racing while the on-course bookmakers will be operating independently. Since the on-course bookmakers compete for business with the Tote they may feel that they are at risk of being unfairly treated. As the Independent Members of the Horserace Betting Levy Board² pointed out in their submission to us, there are discrepancies in the control of sites. Approval for the siting of the betting ring and other on-course betting facilities (including the Tote Bookmakers) must be obtained from the Levy Board. But the provision of Tote pool betting facilities is entirely a matter between



the racecourse and the Tote, and is not subject to Levy Board approval. Until recently, bookmakers' pitches were restricted to the traditional Tattersalls and Silver Ring Enclosures. As from October 1998, the Board is prepared to consider the siting of bookmakers' pitches in Members' and Paddock areas but so far this has only happened at Cheltenham. Tote outlets are more conveniently available to race-goers, particularly those who are in the hospitality boxes.

16.23 Despite the convenient location of Tote outlets, bookmakers take 78%³ of the money staked at horse racecourses. The charge to bookmakers is currently fixed by regulation at five times the public entry charge. The bookmakers fear that if this control were abolished, the racecourse owners would attempt to discourage them (thereby reducing competition with the Tote) by a significant increase in charges. We discuss this in chapter 26 and conclude that, subject to safeguards, the control on entry charges should be abolished.

16.24 The Tote has a monopoly in providing pool betting for horse racing. As far as the consumer is concerned the presumption is that monopoly arrangements are against the public interest as they allow excessive profits and reduce the incentive to control costs. The Tote argues that its monopoly is necessary to ensure a large enough pool to ensure that individual bets do not have significant effects on the odds. In its submission, Arena Leisure⁴ criticises the Tote monopoly and argues that because of it the Tote is inefficient and has not been innovative. Arena Leisure also questions the legality, under European Union Law, of the statutory monopoly. We cannot comment on these issues but note that the Tote provides another example of the conflict between the desire to maximise income for the racing industry and the interests of the punter. We limit ourselves to the regulation of gambling and note that we do not recognise a regulatory case for maintaining the Tote's monopoly.

Starting prices

16.25 The majority of bets on horse and greyhound racing staked through betting shops are at starting prices, i.e. the odds available from on-course bookmakers just before the race begins. The reasons for this practice are partly that odds may not be available at the time the punter bets and even if they were that it would be difficult for the off-course punter to discover the best available odds before the race began. (He would have to run from betting shop to betting shop and could still not be sure that there was not a better price somewhere else.) The arrangements for on-course betting make it easier for there to be something close to a perfect market in which a number of boards can be observed at the same time. It is possible that

technical developments could make it easier for betting shops to have current market information, but that is not our immediate concern.

16.26 There are two issues relating to starting prices which have given rise to concerns. The first concerns the *setting* of starting prices at the racetrack. The second concerns the *reporting* of the starting prices which determine the odds at which off-course bets are settled.

Setting starting prices

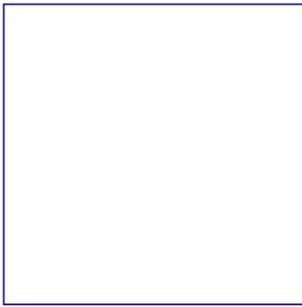
16.27 On-course bookmakers are receiving bets from race-goers and from other bookmakers. The other bookmakers include those taking bets off course. It has been suggested to us that off-course bookmakers can manipulate odds at the racecourse, and therefore the starting prices, in their favour and that this is unfair. Some on-course markets are very thin and a relatively small bet can alter the odds significantly. Thus the claim is that off-course bookmakers can, for example, easily reduce the odds on a race favourite and thereby greatly reduce the potential gains of those who have backed the winner at the starting price. We have considered two questions. First is it true that off-course bookmakers can and do affect starting prices by placing money on course and if so, is this unfair to the punter?

16.28 We raised both questions with several of those who gave oral evidence to us, including BOLA and BBOA. The practice of laying-off bets at the racecourse was concentrated among the big three off-course bookmakers. The scale of the operation is indicated by the following figures, which were provided by BOLA. The figures were based on information from Ladbrokes, William Hill and Coral and cover the first six months of 2000.

Off-course turnover on horseracing:	£2.6 billion
Number of race meetings:	581
Number of races:	3808
Average turnover per race:	£682,773
Number of races hedged on:	1200
Average amount hedged:	£5,157

The amount hedged represented 0.3% of total turnover. If the races on which hedging took place were typical of all races, hedging was about 1% of the stake on the races which were hedged.

³-see paragraph 9.34. ⁴-Arena Leisure plc (2000)

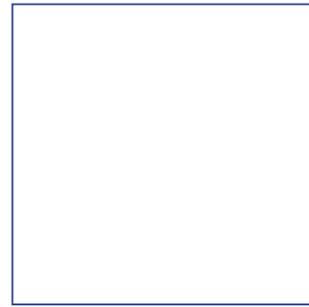


- 16.29** The setting of starting prices was examined in the Report by the Monopolies and Mergers Commission on the merger between Ladbroke Group PLC and the Coral betting business⁵. It was also described briefly in the Commission's Report on the merger between Grand Metropolitan plc and William Hill Organisation Limited⁶. The 1998 Report states that in 1997 the amount laid off by Ladbroke represented about 1 per cent of total on-course turnover but perhaps 5 per cent of total turnover on the races concerned.
- 16.30** It is accepted that off-course bookmakers could affect on-course prices and hence starting prices. In their oral evidence to us BOLA agreed that off-course bookmakers could affect the starting price particularly where the local market was thin.
- 16.31** As the 1998 Report describes, off-course bookmakers place bets with on-course bookmakers for two purposes: to hedge their liabilities and to alter the on-course odds, and hence the starting prices. The NJPC, in its oral evidence to us said that this "laying-off" of bets was largely restricted to the big three bookmakers. One did it largely to reduce the price of the favourite; one did it to reduce the price of the first three favourites and the third did it "to win."
- 16.32** No-one could question the right of bookmakers to balance their books, or at least reduce their risk of loss, by laying-off bets on horses or dogs which could cause them to make an overall loss on their book if they won or were placed. This is a familiar form of hedging and consists of backing favoured horses to win with other bookmakers. Off-course bookmakers can also hedge by laying-off bets with other off-course bookmakers, just as on-course bookmakers can lay-off bets at the racecourse. These activities of hedging might alter the odds; but that would not be the main purpose of the exercise.
- 16.33** Where markets are thin, particularly at greyhound races, small sums can alter the odds significantly. This is the process which is felt to be unfair to the punter since it is argued that bookmakers alter the odds to reduce the punters' potential winnings. The off-course bookmakers say that it is legitimate to affect the odds in this way where on-course odds are out of line with those implied by the money staked in betting shops, since on-course betting represents only about 10 per cent of the money staked on horse and greyhound racing. They also pointed out that the punter did not have to bet at starting prices. In addition, while the odds on the favourite may be shortened by this activity, the odds on other horses and dogs will tend to increase.
- 16.34** There is no evidence that profits are higher on those races on which the off-course bookmakers have laid

off bets at the track. We can sympathise with those punters who feel that the bookmakers have an opportunity to reduce the odds of the horse or dog they have backed but we do not believe there is a problem here which can be solved by the regulation of gambling.

Reporting starting prices

- 16.35** If starting prices are to be used to settle bets in betting shops there has to be an acceptable way for starting prices to be reported. A full account of the history of the reporting of starting prices at horse racecourses is provided in the report by Arthur Andersen⁷ (October 2000). Since 1985 starting prices have been reported by starting price returners at the racecourse, employed by the Press Association or Mirror Group Newspapers. The system has been funded since 1987 by Satellite Information Services Ltd (SIS). The operation is overseen by the SP Executive.
- 16.36** There are seven full time staff and a number of freelance returners. Two SP returners usually attend a race meeting. A selection of bookmakers to be monitored in determining the SP is made depending on their strength (ie their willingness to lay a decent bet). A minimum of five bookmakers are monitored by each SP returner. The prices of the chosen bookmakers are recorded when the betting opens and any changes are documented. Immediately after the "off", the SP returners, a SIS representative and the NJPC betting ring manager meet at a designated point. The final decision on the SP is made by the senior SP returner.
- 16.37** There have been a number of reviews of the SP system. A new system was introduced in May 2000 in response to perceived weaknesses in the previous system. In particular there had been no move to introduce specific uniform guidelines and consistency to the process. The previous system was said to lack an audit trail and was open to abuse.
- 16.38** The principal changes made in the May 2000 guidelines included:
- prices from a minimum of five bookmakers for each returner to be used in compiling the SP
 - the price offered by the majority of bookmakers being monitored by each returner will prevail and will be used to determine the SP
 - preference will be given to bookmakers that meet the criteria of the NJPC's rules and also bet each way.



16.39 There is also a rule that any bookmaker whose prices are used in determining the SP must have spent at least twelve months operating as a racecourse bookmaker in his own right. Rails bookmakers can also be included in the SP monitoring provided they meet the specific criteria and are offering prices on all runners in the race.

16.40 After the introduction of the new system in May 2000, it was said that it had increased the profitability of off-course bookmaking. Arthur Andersen considered whether this was so. They concluded that the changes increased the "margin per runner" (their preferred measure of the gross profit of the bookmakers) by up to 5 per cent. They provide four reasons why this might be the case:

- the new guidelines required returners to seek a price available on a majority of boards whereas previously certain SP returners appeared to have identified the "best price generally available to money"
- prior to May a minority of returners would occasionally produce anomalous SPs for example by returning an SP from only one bookmaker's board
- the May 2000 reforms sought to give preference to well-established bookmakers and may thereby have excluded newer entrants who offered keener prices
- the May 2000 guidelines gave preference to bookmakers who offer each-way bets. There is anecdotal evidence that such bookmakers in certain cases offer slightly less favourable odds.

The Report accepted that there might have been some effect from the weakening of the impact of the 1998 on-course bookmaker pitch reforms but the timing of the change in margins suggests that the majority of the change was due to the May 2000 reforms.

16.41 The Arthur Andersen Report makes a number of proposals based on the following principles:

- since the May 2000 reforms were not intended to alter margins, as near an approximation as practicable to the previous consensus should be re-established
- where there is not a consensus, a definition should be created based on the previous practices adhered to by the majority of SP returners
- any definition of the SP should be fair, acceptable to both the betting industry and the betting public, and supportive of a transparent and workable SP system.

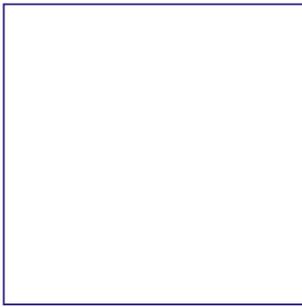
16.42 Their recommended definition is "the price generally available at the off to good money". They propose that the sample of bookmakers should usually be twelve. For a price to be returned as SP it must be available on at least one third of the boards sampled and available on the stronger boards. They suggest a decision tree for establishing the SP.

16.43 The December 1998 operating rules and procedures requires the SP returners to inform the SIS staff of which on-course bookmakers they are monitoring. It has been suggested that the off-course bookmakers are thereby enabled to target their on-course hedging activities more easily and thereby shorten the price. SIS also take part in the "huddle" when the SP is set. Arthur Andersen do not recommend changes in the role of SIS except that they should only contribute in the huddle when asked to do so.

16.44 Arthur Andersen also make a number of recommendations to improve the transparency and accountability of the process and to reform the organisation and management of the SP.

16.45 The proposals for starting prices also have to be seen in the context of the proposed abolition of the Horserace Betting Levy Board and the licensing of racecourse betting and pool betting on horseracing. The Home Office consultation paper⁸ raises particular questions about the SP system. Its proposals are put forward without prejudice to our Review's conclusions. It sees a good case for appointing a statutory on-course betting regulator, with clear enforcement powers, to achieve a number of aims, including support for a fair, transparent system of returning starting prices for use by off-course bookmakers. We do not believe that a gambling regulator should lay down the rules for setting starting prices but we do accept, as the consultation document proposes, that it should have responsibility for ensuring that the system in place is fair and transparent. Although it may be regarded as strictly outside our remit we do support the proposals of the Arthur Andersen report.

16.46 We note the considerable gap between the attention which has been paid to setting starting prices for horse races and the attention paid to the same process at dog tracks. Comments have been made to us about late reporting of starting prices and apparent discrepancies between reported starting prices and the odds available at the track. Again, although we do not believe that a gambling regulator should set the rules for the starting price system we do believe that it should satisfy itself that the system in place is fair and honest.



Honesty in sport

- 16.47** The return to the punter will reflect some combination of luck and skill. Skill is most likely to be involved in betting on sporting and other events where the punter may apply skill to the analysis of legitimately obtained information. "Professional" punters may claim that they can win on average because they can take advantage of odds which may be responding to ill-informed bets. The caveat "legitimately obtained" is important, though not always easy to define. The extreme cases are those in which participants agree to produce a particular-and unexpected-outcome.
- 16.48** It has been suggested to us that the increased televising of sport together with the rise of spread betting has encouraged corruption. An event like a football or cricket match can be converted from one in which there is simply a result when the game is over to a series of events, all of which can be the subject of a bet. For example the time before the first corner kick or the number of balls before the first wicket. These events particularly lend themselves to spread bets. Fixing the outcome of a match may require a considerable degree of collusion, possibly involving players on both sides, but some events may be in the hands of an individual player (for instance, the number of wides in an over).
- 16.49** In horseracing it may be profitable to know which horses are going to lose. Bookmakers, for example, will be happy to attract bets on a no-hoper. The information can be valuable to punters. Hence attempts to bribe jockeys to hold back horses or the actual use of dope to slow a horse down.

16.50 It is clear that corrupt actions to affect the outcome of a sporting event are wholly unfair to the innocent punter and bookmaker. However we believe that the responsibility for preventing such actions lies with the individual sports. They have a strong motive for doing so. Spectators will not attend an event where they believe that the outcome has been fixed in advance. (Professional wrestling is cited as a counter-example; but in that exceptional case spectators are presumably deriving some pleasure from the acting ability of the performers.) Where the activity depends principally on betting to provide financial support, honest gamblers will refuse to participate.

16.51 We would mainly expect the punter (and the non-betting spectator) to be protected by rules and disciplinary procedures imposed by the sports themselves. However there is the question of whether the law needs changing to allow greater scope for criminal prosecutions. We discuss that in chapter 26.

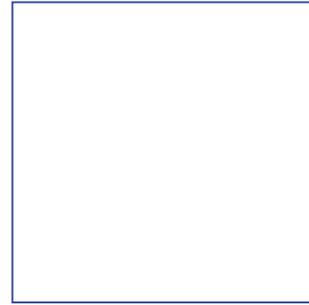
Informing the punter

16.52 We believe that the punter should be fully informed about the odds that he is facing and the proportion of stakes retained by the operator. The Rothschild Commission interpreted its terms of reference as requiring it to make known to the public the odds against winning in the principal forms of gambling in Great Britain. It published a short chapter and a long annex on the matter. At that time the percentage of the stake returned as winnings, after tax, ranged from 97.5 for casinos to 30 for football pools. We have not repeated that exercise but we do believe that the providers of gambling should inform punters fully of the payouts of the various activities. Figure 16.i is an

Main form of gambling	Approximate percentage of money staked returned as winnings (after tax)
Table gambling	97.5% ⁴
Licensed cash bingo	86% ¹³
Casino gaming - roulette	87% ¹¹
Casino gaming - slots (land-based)	80% ¹²
Casino gaming - slot (port)	77% ¹²
Casino gaming	76% ¹¹
Spread betting - financial	83% ¹⁴
Spread betting - sports	84% ¹⁵
Cricket betting - single bets	75% - 82% ¹⁶
Cricket betting - other	80% - 82% ¹⁶
National Lottery	44.8% ¹⁷
Football pools	27% ¹⁸
Football pools	33% ¹⁹

Figures 16.i: Rate of Payout

9-BCA (2000) 7 10-Supplied by the Bingo Association (15 June 2001). Figure includes participation fee. 11-Supplied by the NJPC (15 June 2001) 12-Supplied by the BGRB(18 June 2001) 13-Supplied by the Betting Office Licensees Association (11 June 2001) 14-Supplied by IG Index (12 June 2001) Figure for IG Index only,2000 15-Supplied by IG Index (12 June 2001) Figure for IG Index only,2000 16-Supplied by BACTA (12 June 2001) 17-National Lottery Commission, www.natlotcomm.org.uk, viewed 19 February 2001, figures for 1999/2000 18-Gaming Board (2000) 19-Supplied by Littlewoods Leisure (11 June 2001) Figure for Littlewoods Leisure only.



up-dated version of a table that appeared in the report of the Rothschild Commission. This is easier for gaming and for tote betting than it is for fixed odds betting but we believe that more information should be provided on the latter. We have pointed out earlier that punters are more prepared to accept unfavourable odds where the maximum payout is large; but they should still be well informed.

- 16.53** We were provided with leaflets issued by the Department of Gaming and Racing of New South Wales. They covered gaming machines, lottery-type games (Lotto, Powerball, Keno etc) and table games. The following words from the leaflet on machines show their style:

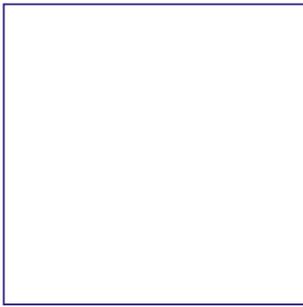
Poker or slot machines are designed to make a profit for the venues licensed to operate them. In NSW, those venues are hotels, registered clubs and the casino. While poker machines can also be a fun way to spend money, they are not designed to help people add to their income. While you may win money in the short term, in the long term it is virtually impossible to come out ahead.

- 16.54** The leaflet describes the “player return” on gaming machines as set by the NSW Government with a required minimum of 85% and an average in practice of about 90%. The odds of winning a maximum payout (requiring five correct symbols) are given as 1 in 52,500,500. It also states that the chance of winning on a gaming machine at any one time will always be the same. The leaflet on lotteries lists the odds but does not describe the average payout. The leaflet on casino

games lists the house margin on each game (from 1.2% for baccarat to 16.2% for a specific triple on the dice game Sic Bo). The leaflets also carry information for those who may need help with problem gambling. We are proposing in various sections of this report that gambling operators should make similar information available to punters in Great Britain.

Rule books

- 16.55** Gambling is conducted under rules which determine such matters as payments, determination of outcomes, settlement of disputes etc. The rules should protect both the punter and the provider of gambling. We have some concerns about the transparency of the rules, particularly in relation to bookmaking. Most bookmakers operate with maximum payouts but punters may feel that they are unfairly treated. The problem mainly relates to multiple bets where the payout for a winning combination may exceed the maximum. Punters may be unaware of the maximum. They can therefore find themselves in a position in which they have money at stake which they can only lose (since they have already exceeded the maximum) or where the potential gain is far below the market odds. They argue that if they cannot win they should not be allowed to lose. We sympathise. At the very least, maximum payouts should be clearly displayed at the point at which bets are taken. We make recommendations about this in chapter 26.

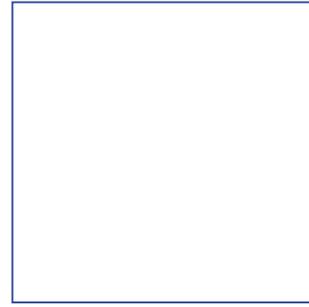


chapter seventeen

Protecting the Vulnerable

Introduction

- 17.1 In chapter 3 we explain briefly why our concern with problem gambling leads us to maintain some limits on the freedom of individuals to gamble how, where and when they wish and to proceed cautiously with the process of deregulation. This chapter provides a fuller justification for this approach. It is a very long and rather technical chapter and much of it will not be of interest to the casual reader. However we have assembled a great deal of information in the course of our Review and felt it would be useful to present it here primarily for reference. We must also emphasise here, as we do elsewhere in this Report, that problem gambling remains an under-researched phenomenon, and the research that has been undertaken does not produce much in the way of definite conclusions. Finally we should emphasise that the length of this chapter is not intended to imply that problem gambling is a major feature of gambling in the UK. According to the Prevalence Survey,¹ 1.2 % of those who gamble can be defined as problem gamblers. For the remainder it is an enjoyable and harmless activity.
- 17.2 To help the reader we start with a summary of the chapter's findings.
- 17.3 The terms of reference require us to have regard to the need to protect the young and vulnerable from exploitation. We take that as requiring us to identify the vulnerable or the conditions which are particularly likely to give rise to problem gambling in those who participate. The general conclusions of research are that problem gambling can arise from some combination of personal factors, the social and physical environment and the type of gambling activity.
- 17.4 The first section provides a general account of why people gamble and what they get out of it. The major part of the chapter, starting in Section 2, deals with problem gambling. It provides the widely accepted definition of problem gambling as *"gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits"*. It discusses the characteristics of problem gamblers. Although there is some evidence of a role for genetic factors, there does not seem to be a single personality type that produces a pre-disposition to problem gambling. Problem gamblers, like forms of gambling, come in many types. But most share the tendency to chase losses: to stake more and more in the attempt to remedy the loss. The Prevalence Survey suggests that problem gambling is associated with being male, having a parent with gambling problems and being in the lowest income category. Young gamblers are particularly vulnerable.
- 17.5 As far as the social and physical environment is concerned it is well established that alcohol reduces inhibition. Evidence suggests that alcohol increases the likelihood that people will gamble, go on gambling or gamble more than they intended. We believe that these risks justify our conclusion that the opportunities to mix gambling and alcohol should not be increased. It has also been argued that computer-based machines are more likely to lead to problem gambling. This has influenced our proposals for the regulation of on-line gambling.
- 17.6 It is clear that some forms of gambling are more addictive than others. The more addictive forms involve a short interval between stake and payout, near misses, a combination of very high top prizes and frequent winning of small prizes, and suspension of judgement. We believe that gaming machines are potentially highly addictive and this conclusion together with the evidence about the vulnerability of the young, explains our proposals that access to gaming machines by children and adolescents should be more limited and more strictly controlled than at present.
- 17.7 A central question for us has been whether increasing the availability of gambling will lead to an increase in the prevalence of problem gambling. The weight of evidence suggests that it will do so. We therefore propose that deregulation proceeds cautiously and that it is accompanied by increased social responsibility by those who provide it.
- 17.8 We were asked to consider the social impact of gambling and the costs and benefits. The third section of the chapter discusses the costs and benefits. We describe the personal and social costs that have been identified and the monetary estimates of costs that have been produced elsewhere. The benefit of gambling is the recreational enjoyment that punters derive from it. They are willing to pay a price – in terms of losses – which supports the labour and capital allocated to the industry. We do not attempt to provide our own estimates and do not think that such an exercise would be useful. We do, however, have to judge as best we can what is the balance between the costs and benefits of our proposals. We believe that the benefits of providing greater freedom to the punter outweigh the costs that may be associated with increased availability of gambling.



Section 1 Why do people gamble?

- 17.9 Gambling can be represented as involving three main elements: the people who gamble, the social and physical environment in which the gambling takes place, and the gambling opportunities which are presented. Given the wide variation in all three elements, it is no surprise that no simple explanation can be given of why people gamble. Here we take each of the three elements in turn.

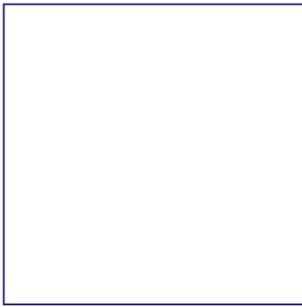
Personal Factors

- 17.10 A number of individual motivations have been cited which may lead people to gamble:²
- financial return (possibly life-transforming)
 - social interaction
 - excitement (including overcoming boredom)
 - intellectual challenge
 - pure leisure/relaxation
 - escapism
 - ability to identify oneself as a 'gambler' (with all its dashing and daring connotations.)
- 17.11 Some of these motivations are more appropriate for some forms of gambling (and for some age/peer groups) than others. They reinforce the point that for the majority of gamblers, gambling is perceived as a leisure activity on a par with any other. Charitable motives may play some part at least in participation in the National Lottery and other lotteries.
- 17.12 It is common for human beings to take risks. Risk-taking is reinforced by the emotional experiences that follow, such as relief from boredom, feelings of accomplishment and the "rush" associated with seeking excitement.³
- 17.13 There is also a strong competitive urge in gambling, whether this be against fellow punters or against institutions. The MORI poll conducted for the BISL Report revealed that, for some, gambling was undertaken as a test of strategy and skill. For those gamblers, the key motivators were: beating the big institutions, the competitive nature of the activity, winning the big prize, and applying their knowledge and skill.⁴
- 17.14 Trusting to chance in gambling terms appears to transcend any desire to want to take into account a realistic perception of what the odds are. The

possibility of winning a sufficiently large sum for it to effect a life changing experience seems to encourage a suspension of judgement in terms of making a balanced evaluation of the expenditure. The literature on gambling suggests that there is a suspension of belief while people gamble.

Social and Physical Environment

- 17.15 Gambling venues are diverse in nature, offering different types of experience, and thus may be attractive to different types of people for different reasons.
- 17.16 Casinos are usually thought of as glamorous places. We visited casinos in Great Britain which ranged from the spectacular to the ordinary. The enduring impression was of people involved in a quite solitary activity - concentrating without much communication with their fellow gamblers.
- 17.17 The Bingo Association suggests that bingo halls, especially in rural areas, are a useful community asset in providing somewhere warm, safe and sociable, particularly for older patrons. We visited a number of bingo clubs ranging from huge, recently purpose built premises, to a Grade 1 listed former theatre. The ONS survey showed that that bingo is most popular with young women and older women, and that was borne out by our own observations.
- 17.18 BALPPA, the trade association for seaside amusement arcades, has emphasised the fun and family nature of the activity its members operate. It suggests that children gambling in the company of their parents learn good gambling habits. BACTA has underscored the fact that people enjoy using gaming machines. Local authorities, which license amusement arcades, identified a seamier side associated with some of these places. They created the AAAG in 1982 to take united action on problems of loan sharking, paedophilia and prostitution. Many of these problems have since been reduced. Local authorities already have the power to impose blanket bans on amusement machines in non-arcade premises, and in 1993 (the latest statistics) over 100 of them had chosen to do so.⁵
- 17.19 The BBOA say that betting shops too provide a useful community service. They told us "banter in betting shops adds to the social event; it is part of British life; it keeps pensioners lucid due to mental exercise and provides a warm haven in winter".⁶ Interestingly, the only reference to gambling in reports listed on the DSS website, appeared in a report on elderly people and their lifestyles. Betting shops appeared as a place where elderly men go to spend some time. Our visits to betting shops left us with the impression that betting was a fairly solitary activity.



17.20 The atmosphere of a racecourse on a race day is a good example of the increased level of involvement with the activity that people feel if they are watching the event and betting on it. There is a strong sense of social occasion and we experienced that at horse racecourses and greyhound tracks.

Types of gambling opportunities

17.21 Gambling opportunities vary a great deal, from the “penny-pusher” machine to the high stake roulette wheel. Although the primary elements of stake, chance and payout are universal, secondary factors may vary greatly. These include such things as the length of time between stake and payout, opportunities for re-staking, the physical ease or difficulty of making the gamble, the real or apparent opportunity to use skill and the “glitz” of the table or machine.

17.22 Although some people may be attracted to many different types of gambling, it is well documented that those who favour one form may have little interest in the others. A significant number of people, for example, play the National Lottery, but do not engage in any other form of gambling.⁷ It may even be that a person is prepared to say, gamble on a fruit machine in one environment, but not in another.

17.23 Research on social influences shows that people's behaviour typically conforms to that of others in the situation, particularly where behaviour is public and unambiguous. Adults as well as adolescents and children are influenced by their peers. If individuals are exposed to settings in which people gamble, then behavioural norms (what most people in the situation actually do) will influence their gambling attitudes and behaviour.⁸ Thus the environments of, for example, casinos and arcades are likely to have a reinforcing effect on an individual's gambling activity, whereas buying lottery tickets in a newsagent's shop commonly would not.

Section 2

Why do some people gamble to excess?

17.24 There can be many reasons for investigating problem gambling.⁹ For example, each of the following may be a legitimate reason for wishing to identify particular groups:

- to identify those who have problems so severe that they are in immediate need of professional help

- to identify those especially at risk of developing severe problems, and to prevent this from happening. (This may include people who at present do not even gamble, such as the children of problem gamblers)
- as part of an exercise to determine the total economic and social costs and benefits of gambling as a whole.

These different goals may determine different ways of drawing the distinction between problem and non-problem gambling.

What is problem gambling and how is it measured?

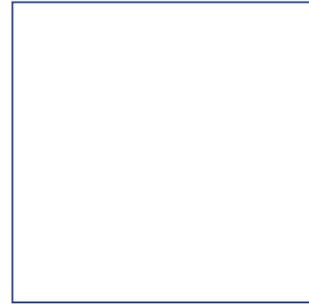
17.25 The Prevalence Survey¹⁰, in common with much other literature, defines problem gambling as “gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits”. This defines problem gambling in terms of its effects, and is neutral on the question of whether problem gambling is an addiction. For our purposes, it is not important to know whether gambling can be an addiction in any strict sense. We shall, however, suggest that some forms of gambling are potentially more addictive than others, using the term in a popular, rather than a clinical sense. Professor Jeffrey Gray has produced a very helpful paper on the nature of addiction and this appears at Annex G.

17.26 The definition in the Prevalence Survey highlights the fact that gambling can become problematic for people in a variety of ways. Gambling is not unique in its ability to cause problems of this nature; any obsessive pursuit of a hobby could have similar effects. However, gambling is distinctive in that:

- it allows individuals to get into very serious financial difficulties very quickly, and attempts to extricate oneself, by chasing losses, typically make the situation even worse
- the activity does not trigger its own termination by way of satiation (unlike biological rewards such as food etc) or limiting physiological reactions (unlike alcohol or drugs)
- an industry exists which promotes and profits from gambling opportunities and has an incentive to make its products as enticing as possible.

This is enough to make problem gambling of special concern.

17.27 A number of different terms are used to describe problem gambling, which can make comparisons between different parts of the literature very



confusing. A discussion of the terminology and screening instruments is included in Annex H. Here we will follow the Prevalence Survey in using the term “problem gambler”. (Where we have referred to studies which have used different terminology, we have quoted the terms used in the studies.)

17.28 Problem gamblers typically exhibit many of the “moderate problems” and at least some of the “severe problems” identified in figure 17.i. (This diagram is reproduced from the Australian Productivity Commission Report.)¹¹

The nature of problem gamblers and problem gambling

17.29 We have explained that there are three elements to the decision to gamble: personal factors, social and physical environment and type of gambling opportunity. These elements may also be relevant in explaining why some people gamble to excess.

Personal factors

17.30 Clinicians report that although money is important, male pathological gamblers often say they are seeking action, an aroused euphoric state that may be similar to the high from cocaine. Although there are other kinds of intense physiological reactions, clinicians also report that some pathological gamblers are less interested in the excitement or action and more interested in escape. They are seeking to numb themselves and report a quest for oblivion. These

reactions are reported by many women gamblers as well as many slot and video poker machine players. Many pathological gamblers report experiencing amnesiac episodes, trances, and dissociative states.

17.31 The literature suggests that, if there is one thing that problem gamblers have in common it is a tendency to chase losses: to stake more and more in the attempt to remedy the loss.¹⁴ Beyond this, it is increasingly recognised that, just as there are many different types of gambling, there are many different types of problem gambler.¹⁵ A high paid city trader who loses a fortune on sports betting may apparently have little in common with a young single mother gambling away her social security money on slot machines in a café.

Who is vulnerable to becoming a problem gambler?

17.32 Assessment of an individual's liability to develop problem gambling under given conditions (e.g. specific type of gambling activity) would be greatly helped if one knew which, if any, personality factors contribute to such liability and the genetic, neurobiological and psychological mechanisms underlying their operation. There is some evidence of a genetic predisposition towards a range of forms of addictive behaviour.¹⁶ (See also annex G). However, data in this area are as yet sparse and often contradictory. No clear picture has yet emerged of a type or types of personality specifically associated with problem gambling and considerable further research is necessary before any firm conclusions can be drawn.¹⁷

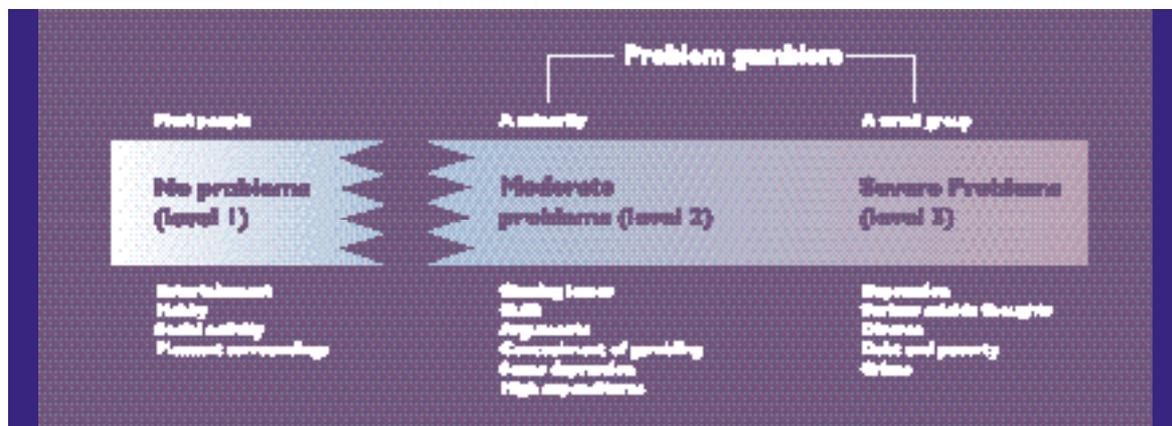


Figure 17.i: The gambling continuum

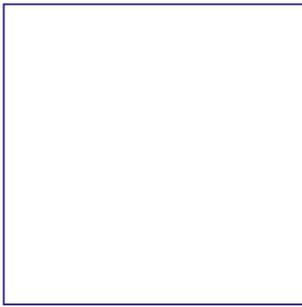
Source: BISL (2000)

11-Productivity Commission (1999) para 6.20 12-National Research Council (1999) p28 & 125

'Brain Imaging studies: With evidence that gambling and drug abuse represent similar subsets of addictive behaviour' (Jacobs 1989 Gupta and Deverensky 1998), methods for detecting brain changes among substance abusers can be applied to pathological gamblers. In the mid 1980's Hickey and colleagues measured changes in mood state in gamblers as they simulated winning at gambling. The resultant euphoria was indistinguishable from that produced by psychoactive stimulants'.

13-National Research Council (1999) p29 14-Lesieur, H.R., (1984) 15-Griffiths, Mark in conversation; Elster, J.; Blaszczynski A. P (2000) 16-Comings et al (1997)

17-cf. Jacobs (1989); Lefevre (1990); Leary and Dickerson (1985); Vitaro et al. (1997); Blaszczynski et al. (1997); Toneatto (1999); Blaszczynski (1999) De Caria et al (1998)



The risk factors

- 17.33** The Prevalence Survey states: *“analysis revealed that problem gambling was statistically associated with the following socio-demographic factors: being male, reporting that a parent was or had been a problem gambler, and being in the lowest income category. An additional factor, being separated or divorced, was significantly associated with being a “problem gambler” as measured by the SOGS (but not DSM-IV).”*¹⁸ Men are much more likely to be problem gamblers than women. The Prevalence Survey gives a prevalence rate of 0.9% for men and 0.3% for women.
- 17.34** Research has also found a higher incidence of problem or excessive gambling among offenders. In a 1992 survey of young offenders, 12% of those asked were classified as excessive gamblers¹⁹. A study in 2000 was carried out among offenders on probation. 4.5% of respondents were identified as problem gamblers which is over six times the rate reported in the general population²⁰. Disproportionate prevalence rates among those in prison have also been reported overseas. Further studies of problem gamblers indicate between one half to two thirds have criminal charges pending as a result of engaging in illegal activity to fund their gambling or pay off their debts.²¹
- 17.35** In their analysis of 120 prevalence surveys carried out between 1976 and 1996, Shaffer et al²² argued that *“being young, male, in college, having psychiatric co-morbidity, or a history of anti-social behaviour are factors that represent meaningful risks for developing gambling-related problems.”* The recent surveys in New Zealand and Sweden suggest that those most at risk for gambling problems are the groups most disadvantaged and marginalised by economic changes: young, unemployed male members of minority ethnic groups. The results of several other studies, including recent prevalence surveys in Louisiana, Montana and Oregon, as well as the national survey in Australia, suggest that gambling problems are increasingly likely to affect women.

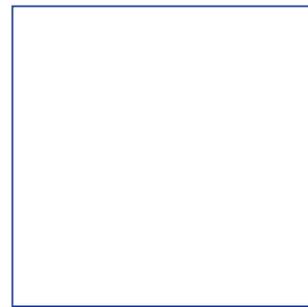
Age

- 17.36** There are particular risks for young gamblers. The Prevalence Survey indicated that the proportion of problem gamblers among adolescents in Britain could be more than three times that of adults. 1.7% for the 16-24 age group against 0.5% for adults 25 and over²³. This ratio is consistent with studies from abroad. Whether problem gambling in young people tends to follow a progressive course or whether many of them are involved in a short-term pattern of behaviour which does not persist are questions that have yet to be adequately addressed.

- 17.37** Gamblers Anonymous and GamCare told us that they had provided help for children with gambling problems. Gamblers Anonymous said that they had noticed a rise in the number of children aged 13 and upwards who were brought along by their parents because the child had a gambling problem.
- 17.38** Compared with drug and alcohol, rates of past year pathological and problem gambling combined among adolescents in the US are comparable to rates of monthly alcohol use among adolescents and with rates of adolescents ever having had a problem with alcohol.

Why are children more vulnerable than adults

- 17.39** In her study of under age gambling,²⁴ Dr Sue Fisher says: *“Research shows that children who gamble are more likely than other children to come from home backgrounds where at least one parent is a regular gambler”*. Moreover, retrospective studies have shown that adults who are problem gamblers are significantly more likely than other people to have started gambling in childhood or adolescence and to have a parent/step-parent who is/was a problem gambler.
- 17.40** It is interesting to note that studies from many countries point out that adult problem gamblers have a high propensity to have started gambling in childhood or adolescence. However this does not allow us to conclude that if we remove the opportunity for children to engage in commercial gambling in the UK we will reduce the incidence of adult problem gambling. After all, this correlation exists overseas, where it is already illegal for children to take part in commercial gambling. Many of the examples cited are of gambling in the home, with parents and grandparents, or at school or university.
- 17.41** With regard to adolescent problem gamblers, Mark Griffiths says they are more likely to:
- be male
 - have begun gambling at an early age (as young as 8)
 - have had a big win earlier in their gambling careers
 - to chase losses consistently
 - have begun gambling with their parents or alone
 - be depressed before gambling
 - be excited and aroused during gambling
 - be irrational (i.e. have erroneous perceptions) during gambling



- have bad grades at school
- engage in other addictive behaviours
- come from the lower social classes
- have parents who have a gambling (or other addiction) problem
- have a history of delinquency
- steal money to fund their gambling
- truant from school to go gambling²⁵

17.42 We are persuaded by the weight of evidence that children and young people are especially vulnerable to the risks of becoming problem gamblers. This has led us to make recommendations that would reduce their opportunities to gamble, or to see others gambling.

Social and physical environment

17.43 Some research suggests that “having started gambling with parents or alone”, was a risk factor for underage gamblers. This contrasts with “having started gambling with peer group”. There is some evidence that peer group pressure can act as an inhibiting factor, censoring patterns of behaviour that other members of the group find foolish. This factor is also noted in the National Research Council’s Report on Pathological Gambling.²⁶ On the other hand, there are anecdotal claims that peer group pressure can draw people into problem gambling. Paul Bellringer claims that both mechanisms exist.²⁷ This seems broadly consistent with Mark Griffith’s suggestion that there is more than one type of adolescent problem gambler. We can distinguish what we might call the show-off, who would not gamble alone, and the withdrawn character who befriends the fruit machine. This has implications for solitary gambling, especially in relation to on-line gambling.

Alcohol and gambling

17.44 It is well established that alcohol reduces inhibition. This applies to all forms of behaviour, including gambling. Professor Orford told us there was a need for much more information about the link between alcohol and gambling, and that two types of study suggest there is a link. The first type consists of studies of gamblers and whether their gambling is influenced by drinking. The second type consists of studies asking drinkers about their gambling. There is circumstantial

evidence that when people have been drinking they are more likely to gamble, to go on gambling or to gamble more than they intended²⁸. In a study of 500 heavy drinkers in Birmingham, 24% of men and 9% of women said yes to the question: “In the last year whilst or after drinking, have you gambled more than you would normally have done?”²⁹

17.45 Researchers have found that heavy alcohol use is highly associated with increased gambling spending and multiple gambling problems.³⁰ In a United States study of 4,000 adults,³¹ problem gamblers were found to be at least three times as likely to meet criteria for depression, schizophrenia, alcoholism and anti-social personality disorders than non-gamblers.

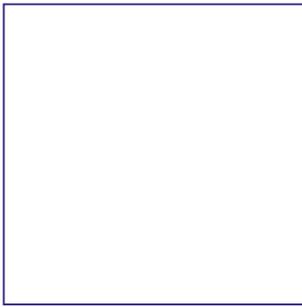
17.46 The New Zealand Gambling Survey reported that recent studies of the effects of alcohol consumption on the gambling behaviour of regular continuous gamblers, underline the importance of examining alcohol intake patterns as predictor or risk factors for problem gambling in epidemiological studies. These studies found a link between acute alcohol intake and both increased duration of gambling and impaired control of gambling behaviour.³² In both the Australian and New Zealand Gambling Surveys, strong associations were found between probable pathological gambling and hazardous use of alcohol.

17.47 Whilst we recognise that there already exists a range of premises where alcohol and gambling co-exist, we think that there is adequate evidence of the risks involved for us to advocate that the opportunities to mix gambling and alcohol should not be increased.

Technology

17.48 Mark Griffiths and Sue Fisher have argued that computer-based game machines are more likely to lead to pathological gambling than any other form of gambling, because they can be designed and programmed to encourage frequent gambling better than other technologies.³³ Research suggests that distinctive types of gambling organisation and technology cause systematic changes in pathological gambling.³⁴ Dr Rachel Volberg has also expressed concern at the prospect of the introduction of even more rapid on-line forms of gambling.³⁵ As we have noted earlier, on-line gambling may pose particular risks for the type of adolescent problem gambler who gambles alone and is a withdrawn character who befriends the machine. The National Research Council report makes the point that, in evaluating the impact of

25-Griffiths & Wood (forthcoming) 26-National Research Council (1999) p.239 27-Bellringer (1999) 28-Baron & Dickerson (2000) and Giacopassi, Stitt & Vandiver (1998) 29-Orford, Dalton et al (1998) 30-Smart & Ferris (1996); Spunt et al (1995) and a review by Crockford and El-Guebaly (1998). The review found that rates of lifetime substance disorder among pathological gamblers in both community and clinical samples ranged from 25%-63% Cited in the National Research Council (1999) p.130 31-National Research Council (1999) p.129. Citing National Institute of Mental Health Epidemiological Catchment Area (ECA) study, a landmark of psychiatric disorders. 32-Baron & Dickerson (1998) and Kyndon & Dickerson (1998). Cited in the New Zealand Gambling Survey p.113 33-Fisher & Griffiths (1995). Cited in National Research Council (1999) p.255 34-Griffiths M (1999) Gambling Technologies: Prospects for Problem Gambling. Griffiths M (1995) Paper examines the concept of addiction, defines technological addictions and assesses whether technological addictions are bona fide addictions. 35-Volberg RA (2000)



technological change on pathological gambling, predictions cannot be made on technical features alone.³⁶

- 17.49** On-line gambling has the potential to increase accessibility to gambling on an unprecedented scale. We consider it essential that it should be regulated according to the same principles as terrestrial gambling. We discuss this in chapter 30.

What features make gambling addictive?

- 17.50** Some forms of gambling are more addictive than others. Mark Griffiths suggests that the following features are key:

- event frequency; i.e. short interval between stake and payout, allowing rapid restaking
- the “near miss”
- win-probability and pay-out ratio; i.e. the combination of a very high top prize and frequent winning of small prizes
- suspension of judgement, i.e.:
 - where the total money staked in a period is paid over in many trivial amounts, creating the illusion that little money has been staked; and
 - belief that one can control or influence odds through the exercise or perceived exercise of skill.

- 17.51** Just as a distinction is made between hard and soft drugs it is also commonplace to make a distinction between hard and soft gambling. Casino table games are the paradigm of hard gambling, and perhaps the National Lottery is the paradigm of soft gambling. This terminology is problematic in that there are two key differences between casino table games and the National Lottery:

- casino table games often allow people to run considerable financial risk in a very short period of time, whereas this is rarely the case for the National Lottery
- casino table games allow rapid re-staking, and thus the constant opportunity to recycle wins and chase losses. This is patently not so with a weekly National Lottery.

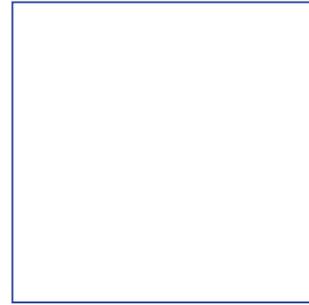
- 17.52** However, it is quite possible to have one of these features without the other. For example, low stake/low prize gaming machines allow rapid re-staking, but, for most adults, no chance of rapid financial ruin. The question then is whether this should be considered a hard or soft form of gambling.

- 17.53** It has been suggested by researchers that any form of gambling which allows rapid re-staking is potentially very addictive (at least in combination with other design features). This would include casino table games, slot machines and scratchcards. Betting on horses and dogs share many of these features. These features arise from the basic psychology of reward/reinforcement, common at least to all mammals and birds, and the gambling industry is particularly adept at exploiting them. This is the reason why anyone who partakes in these forms of gambling is running the risk of becoming addicted in the behavioural sense of doing the same thing over and over again.

- 17.54** It has been put to us that any gambling opportunities with these features, and thus even low-stake gaming machines, should be considered hard gambling. One suggestion is that hard gambling is gambling which involves significant risk either of great loss of money or great loss of time. Thus any gambling opportunity which is potentially addictive also becomes “hard”, on such a definition. Some within the industry find this way of using the terminology hard to accept.

- 17.55** We are reluctant to try to redefine existing terminology, inadequate though it seems. Elsewhere in this report, the term “hard gambling” is used to mean gambling which involves high or rapid staking. This is the generally accepted sense of the term which was used by the Rothschild Commission in 1978. However, for the purposes of this chapter, we shall avoid the unhelpful hard/soft distinction, and refer to some forms of gambling as high-stake (recognising that this must be relative to each individual's resources) and others as potentially addictive. Casino table games will typically be both, the weekly National Lottery neither, and gaming machines potentially addictive but not currently high stake for most adults (although they may be for children). Scratchcards are another example of a potentially very addictive product, which currently may be purchased at the age of 16 (although there is, as yet, little firm evidence that they are giving rise to the anticipated level of problems). If the National Lottery were to be repeated often enough it would become potentially addictive. Theoretically there could also be high stake betting which is not potentially addictive, but examples may be controversial. In this chapter we are especially interested in the problems associated with potentially addictive gambling.

- 17.56** In seeking to understand the link between problem gambling and particular types of gambling we discovered that there has been little research on problem gambling, either in general or in its varieties in this country (Sue Fisher's casino study is one exception).³⁸ A great deal more research on problem



gambling has been done in the United States and Australia. It is difficult to draw precise parallels from studies of problem gambling conducted in those countries, as they present different gambling opportunities from those available in Great Britain. However, there are fundamental principles governing human behaviour, and we believe we can draw reasonable conclusions about the relevance of features which appear to cause problem gambling in other countries.

- 17.57** Some investigations suggest that a growing proportion of individuals with gambling difficulties prefer to bet on gaming machines and their difficulties develop far more quickly than in the past.³⁹ The media and some clinicians have even labelled gaming machines the “crack cocaine” of gambling.⁴⁰
- 17.58** In the Australian and New Zealand surveys, respondent preferences for gaming machines, track betting and casino gambling (which also includes machines) are consistently associated with problem gambling. These findings parallel those from problem gambling treatment services in both countries.⁴¹ The recent Swedish gambling prevalence study⁴² found that the highest prevalence of problem gambling was associated with arcade machines, cards and restaurant casinos. The British Prevalence Survey associates the highest percentages of problem gambling with table games in a casino, betting and fruit machines. GamCare has noted that in excess of 50% of calls to its helpline concern problem gambling on fruit machines.
- 17.59** The question of the impact of gaming machines on the evolution of problem gambling is especially salient because of the growing reliance of the gaming industries on these devices. Depending on the jurisdiction, these machines can be located in casinos, social clubs, bars, restaurants, amusement arcades, take-away food shops and many other places. Gaming machines appeal to young people familiar with video games played on computers at home and school. Recent data from surveys in the United States indicate that internet gambling may quickly overtake gaming machines as the fastest growing segment of the international gambling market.⁴³
- 17.60** Nationwide prevalence surveys have indicated strong gender differences, with men far more likely to be problem gamblers than women. However, in jurisdictions where electronic gaming machines are widespread, such as Montana, Oregon and South Dakota, prevalence studies show that problem gamblers are just as likely to be women as men.⁴⁴ In Queensland, Victoria and South Australia, where

gaming machines are widely distributed in clubs, hotels and casinos, there are similar numbers of men and women seeking treatment from problem gambling treatment services.⁴⁵

- 17.61** We believe that there is sufficient evidence to show that gaming machines are potentially highly addictive and pose problems on a par with casino gaming and betting. That has led us to make recommendations about access to gaming machines by under 18s. This is discussed in chapter 23.

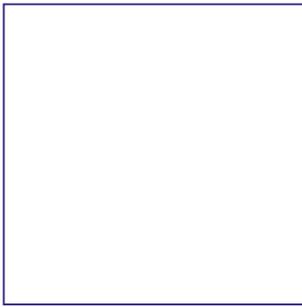
The risks of increasing availability/ accessibility

- 17.62** Researchers and clinicians have long argued that the increased availability of gambling leads to increases in the prevalence of gambling problems. It is generally acknowledged in submissions to us that widening the availability of gambling may lead to increasing prevalence of problem gambling. Although some submissions claim that it is possible to increase the availability of gambling without increasing problem gambling, the weight of the evidence is the other way. Sue Fisher's studies of adolescent gambling show higher rates of problem gambling in seaside towns, where access to commercial gambling is far easier for children. However, correlation does not establish causation, and more sophisticated research is required to tease out the relationships and allow stronger causal inferences to be made.
- 17.63** There are a number of North American jurisdictions where repeat surveys of problem gambling have been carried out. Some of these comparative studies suggest a linkage between increased availability of gambling and the prevalence of problem gambling.⁴⁶ A small number of studies have not found an increase in problem gambling following increasing availability, and in some cases prevalence has actually decreased. However, where this has been observed there are typically strong systems in place to provide problem gambling services.⁴⁷ This has implications for the role which treatment services might play in limiting problem gambling and we refer to it again in chapter 32.

The prevalence of problem gambling

- 17.64** The evidence on the prevalence of problem gambling may cast further light on its causes. The Prevalence Survey suggests that between 0.6 and 0.8 per cent of the adult population are problem gamblers. The prevalence of problem gambling in Britain appears to

39-Abbott & Volberg (1992); Abbott, Sullivan, & McAvoy (1994) 40-Bulkeley (1992). Cited in the New Zealand Gaming survey, p.109 41-Abbott et al 1994; Dickerson, McMillen, Hallebone et al, 1997; Cited in the New Zealand Gaming survey p109. 42-Ronnenberg et al (1999) 43-Volberg R (2001) 44-New Zealand Gaming survey p109 (cited Polzin et al 1998; Volberg 1997; Volberg & Stuefen 1994) 45-New Zealand Gaming survey p109 (cited Dickerson, McMillen, Hallebone et al 1997) 46-Emerson & Laudergeran (1996) and Volberg (1995) cited in the New Zealand Gaming Survey; Volberg R. (1996) cited in the New Zealand Gaming Survey: Gambling and problem gambling in the community p108 47-Volberg R (2001) 48-Sproston, Erens & Orford (2000)



be relatively low compared with other countries which have used similar screening methods: Australia (2.3%), the United States (1.1%), New Zealand (1.2%) and Spain (1.4%)⁴⁸.

17.65 The little evidence we have indicates that the rate of problem gambling tends to vary with the type of gambling opportunities available, and their proliferation, rather than with the percentage of the population who participate in gambling. For example, in Sweden, where there is 89% participation rate but the prevalence rate is 0.6%, there are no dog racetracks, no off-track betting (although there is sports pool betting) and at the time of the survey, no casinos. In the United States a recent study estimated that 63% of adults had gambled in the past year⁴⁹. In New Zealand the participation rate is estimated to be 90%,⁵⁰ and in Australia 82%.⁵¹

17.66 The Australian Productivity Commission concluded that, while problem gambling may in some cases be precipitated by prior conditions or problems, many of the harms experienced by problem gamblers can be traced to gambling itself. *“Literature on problem gambling shows that while prior problems can precipitate problem gambling for some people, there are many pathways which go the other way. In some cases the problems stem from behaviour conditioned by the nature of the rewards offered by gambling. In others, problems stem from the misconceptions about the chances of winning or recouping losses. In yet others, the problems occur because of boredom, social isolation, depression or cultural factors. What seems clear, is that for those for whom prior problems or disorders are contributory factors, gambling appears to exacerbate their problems in ways that would be hard to achieve through alternative outlets (alcohol and drug abuse being the exceptions.)”* The Australian Productivity Commission report produced a very helpful diagram to

illustrate the causal pathways of problem gambling. This is reproduced at figure 17.ii.⁵²

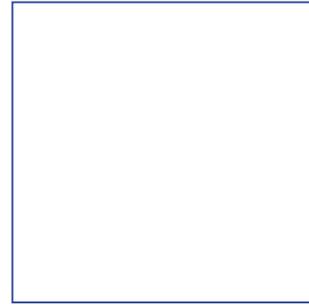
17.67 It is universally acknowledged that some gamblers have problems of the kind outlined above. They exhibit behavioural signs of addiction and their lives are severely disrupted. However, it is sometimes said that these are not so much problem gamblers, but “people with problems who gamble”. Here the thought is that people may find themselves expressing their problems through gambling, but if gambling were not possible they would express their problems some other way. The presence of other problems, “the co-morbidities”, is sometimes cited as evidence for this, or for the more cautious claim that observing a relation between gambling and problems does not show that gambling causes the problems: some people are prone to problems. This is said both about adult and under-age problem gambling. It is true that observing a relation between gambling and problems shows nothing about causation.

17.68 However, there is no doubt that the gambling industry can profit from the existence of problem gamblers. In the Australian Productivity Commission Report it is claimed that a third of the industry's total revenue comes from problem gamblers. On this basis the industry might well not be profitable if it were not for problem gamblers. It is not clear, however, whether this also applies to Great Britain. In general, figures of this nature have not been collected. However, Sue Fisher's study on Gambling and Problem among Casino Patrons⁵³ indicates that 65% of the turnover of the casinos she studied was generated by 7% of gamblers. That study excluded London casinos at the top end of the market, because it is recognised that they attract especially high-rolling clients.



Figures 17.ii: Causal pathways of problem gambling

48-Sproston, Erens & Orford (2000) 49-Gerstein et al (1999) 50-Policy Research Unit, New Zealand Department of Internal Affairs (1995) 51-Productivity Commission (1999) 52-Productivity Commission (1999) Exec Summary p.28 53-Fisher S, (1996)



17.69 We have heard suggestions to the effect that the British problem gambling rate is low in terms of international comparison, because it is characteristically British to gamble responsibly. We do not think that this assumption has any basis in fact. With the exception of the National Lottery, the opportunities to gamble have been limited by the concept of “unstimulated demand”. Given the findings of research which has taken place in other countries, where the opportunities have been considerably expanded, there is a risk that problem gambling could increase as we move away from the current regulatory framework and increase availability. That has led us to suggest that a duty of social responsibility should be formally incorporated into the regulation of the industry, and that there should be a safety net of education and treatment based upon appropriate research.

Section 3 Individual and social costs of problem gambling

The nature of the costs of problem gambling

17.70 Given the definition of problem gambling it is no surprise to find that adult problem gamblers are claimed to suffer the following effects (to a greater degree than non-problem gamblers):⁵⁴

- job loss
- absenteeism
- poor work/study performance
- stress
- depression and anxiety
- suicide
- poor health
- financial hardship
- debts
- assets losses
- exposure to loan sharks

- bankruptcy
- resorting to theft
- imprisonment
- neglect of family
- impacts on others
- relationship breakdown
- domestic or other violence
- burdens on charities
- burdens on the public purse

17.71 The costs of problem gambling have been put to us by individual former problem gamblers from Gamblers Anonymous and Gordon House. They have described how the need to find money to feed the compulsion to gamble overrode loyalty to family, colleagues and employers. Written submissions from GamCare, Gordon House and GamAnon largely corroborate these claims in the UK context.

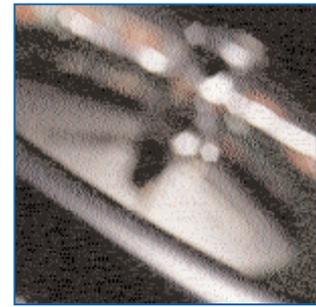
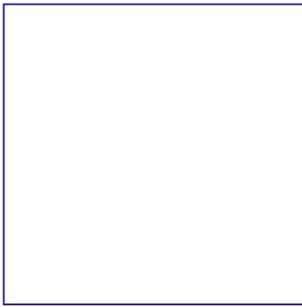
17.72 The effects spill over into costs for society through recourse to health and social services and the criminal justice system. We have been able to find little reference to research in the UK into the cost implications of problem gambling for society, and have had to rely on data from overseas research.

17.73 Our remit requires us to consider the social impact of gambling and the costs and benefits. The Departments of Health and Social Security have no information about the costs and treatment of problem gambling, and do not appear to recognise problem gambling as a health issue. This is a point which concerns the charities dealing with problem gambling and the psychologists who have given evidence to us.

Difficulties in identifying the costs of problem gambling

17.74 One difficulty in drawing conclusions about the costs implied by these statistics is that research indicates that problem gamblers tend to have other psychological or biological traits, which create a complex web from which it is difficult to disentangle the effects attributable to problem gambling.

17.75 Research found that there was higher correlation between gambling and at least one other impulse



control disorder in a group of pathological gamblers in treatment, than in a control group from the community.⁵⁵ The essential feature of an impulse control disorder as defined by DSM-IV is "the failure to resist an impulse, drive or temptation to perform an act that is harmful to the person or to others".⁵⁶ Alcoholism and drug abuse are examples. The finding that the incidence of anti-social behaviours and a history of criminal offences among pathological gamblers also suggests tendencies to disinhibited behaviour.⁵⁷ Research suggests that disinhibited behaviour also relates to the risk of alcoholism. The presence of this trait may contribute to the high rate of alcoholism, estimated to be 33% among pathological gamblers.⁵⁸ Some financial problems may not therefore be attributable to pathological gambling, but to alcoholism. The cost may represent a transfer from one problem category to another. The question that should be asked is perhaps, how much more debt is incurred because of problem gambling, rather than how much debt do problem gamblers incur.

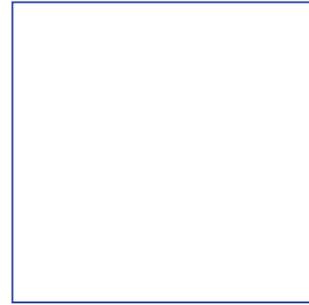
Costing the effects of problem gambling

- 17.76** Researchers in other countries have attempted to put a financial figure on the costs of problem gambling. The literature is a frustrating read; there is no shared methodology, estimates vary widely and are full of controversial assumptions.⁵⁹ However, by its nature this is a dubious exercise, at least in the present context, for the following reasons. Many costs of problem gambling are qualitative rather than financial: divorce, depression, unhappiness, attempted suicide, and so on. Although all of these may involve some financial cost, this is secondary to the non-financial costs in most cases. Attempting to put a cash value on such costs has no firm basis, and is a way of losing important information. These costs are more accurately given in descriptive terms.
- 17.77** Even if it were possible to translate all costs into financial terms, this would only be of interest to a cost/benefit analysis of gambling. Such analyses have been used in the context of making decisions in the United States and Australia about the creation of resort casinos. But that is not the point of our exercise. Rather we need to try to understand how possible changes will lead to future costs, and to try to identify and suggest strategies for mitigating present and future costs. There is no need to try to put a single total cost figure on problem gambling. However, we do understand that there may be a need to put a marginal

cost figure for each additional problem gambler to see if the benefits of changes outweigh the costs, and to provide some ball park figure of the costs of the existing number of problem gamblers.

- 17.78** It is said that we need to put a cost on problem gambling so that we know whether spending money to treat problem gamblers represents good value. Thus in its evidence to us, Gordon House (which offers residential treatment for problem gamblers) pointed out some figures which it suggests show that it is worth spending money on the treatment regime it provides (which costs approximately £5,772 for a 6 month therapy programme per problem gambler). However, its calculation of the costs of problem gambling (ranging from just over £6,000 to £35,000 per problem gambler per year) is not based on research in the UK and must be treated with extreme caution.
- 17.79** It is useful for illustrative purposes to show the range of costs which researchers have produced. We must emphasise that none of this research has been carried out in the UK, and therefore it is not possible to draw direct comparisons because of differences between jurisdictions in the provision of social and health services and the civil and criminal justice systems.
- 17.80** One widely cited recent study from the U.S. by Thompson et al 1996⁶⁰, gave a figure of US\$9,469 (£6,312) per problem gambler per year and a total cost of US\$307 million (£204.6 million) per year in Wisconsin alone. The cost element for therapy was calculated at US\$360 (£240) per problem gambler per year. The Thompson study used information from 98 Gamblers Anonymous 'Chapters' and focused on employment costs, bad debt, civil court costs, thefts, criminal justice system costs, therapy costs and welfare costs.
- 17.82** Other studies in the U.S. have produced higher figures, ranging from £8,800 to £35,300 per problem gambler per year.⁶¹ Conversely, the NORC report produced a much lower range of £373 to £700 per probable pathological gambler per year.⁶² These figures excluded 'transfer costs' – costs that represent a shifting of resources from one individual to another, such as bankruptcy, unemployment insurance and welfare benefits. They also excluded the cost of treatment (estimated in the NORC report to be in the region of £600 per problem gambler.) These massive variations in figures simply reflect the different

55-Specker et al (1996) found that a significantly higher proportion of pathological gamblers had a least one other impulse control disorder 35% versus 3.3%. Cited in National Research Council (1999) p.33 56-The American Psychiatric Association (1994) classifies pathological gambling as one of 5 different impulse disorders under a category called 'Impulse control Disorders Not Elsewhere classified'. Cited in the National Research Council (1999) p.31. 57-National Research Council (1999) p.33 58-National Research Council (1999) p.34 59-For an example see 'The Social costs of Gambling:An Economic Perspective' Douglas M Walker and A H Barnett, Journal of Gambling Studies (2000) 60-Thompson, Gazel & Rickman (1996) 61-Goodman £8,800; Grinols & Ormerov £10,000 - £22,300 and Kindt £35,300 per problem gambler per year. Goodman R. 1995; Grinols E.L. & Ormerov 1996 and Kindt J.W. 1994;1995 all cited in Walker D.M. & Barnett A.H. 1999 The Social Costs of Gambling:An Economic Perspective. 62-National Opinion Research Center, Report to the National Gambling Impact Study Commission (1999) Chapter 3 Table 19



underlying methodologies of the studies, such as the way in which factors such as health, family and work problems are translated into cash terms. In her evidence to the Gambling Review Body, Dr Rachel Volberg estimates that problem gamblers cost around £2.6 billion per year in the US.⁶³ If 'transfer costs' and treatment costs are included, this sum rises to £6.6 billion a year for an estimated 5.4 million problem and pathological gamblers.⁶⁴

- 17.83** There is no question that problem gambling imposes economic and social costs. Similarly, legalised gambling has brought economic benefits in the form of employment, income, increased tax revenue, and recreational opportunities. The task of drawing up a balance sheet between the costs and benefits of gambling has been tried not only in Australia, but also in several US states, and the balance has generally been in favour of the industry.⁶⁵
- 17.84** Since we have no data on cost/benefit analyses in the UK, the best impression of costs we can give is by drawing on research from abroad. As we have shown, the range of costs per problem gambler covers a broad financial spectrum. The NORC report provides the lowest estimate (of £373 per probable pathological gambler) and the Kindt study the highest estimate (of £35,300 per pathological gambler.) If we apply these costs to the number of problem gamblers in Britain (estimated by the Prevalence Survey to be between 275,000 and 370,000 people) the annual cost

of problem gambling in Britain would lie between £100 million and £13 billion.

- 17.85** As has been noted, we are sceptical about many of these attempts to put a quantitative figure on the costs of problem gambling. It is clear, however, that for those people who become problem gamblers, and their families, problem gambling can cause extreme misery and distress. Whatever the results of the financial cost/benefit analysis for providing treatment for problem gamblers, we must remember that the personal costs of problem gambling are considerable.
- 17.86** In the Thompson study, the cost element for therapy per problem gambler was calculated to be US\$360 (£240). Clearly this will vary according to treatment regime and other factors including the severity of the individual's problem – the more severe the difficulties, the harder it is to complete treatment successfully, avoid relapse etc. However, given that GamCare, the current main provider of UK gambling counselling services, has an annual income of £350,000, the spend per problem gambler by GamCare is around £1 per problem gambler per year. We also note that GamCare is funded as a charity. There is virtually no public money spent on the treatment of problem gambling in the UK. In comparison with the estimated cost of therapy in the US, the current spend per gambler in the UK looks both absurd and paltry. Our recommendations on the treatment and funding of treatment for problem gambling appear in chapter 32 of this report.