**Minutes of Meeting**

**Second Round of Inquiry Sessions of the Fixed Odds Betting Terminals All Party Parliamentary Group’s Inquiry: “Assessing the Impact of a delayed implementation of a £2 stake”**

**Date:** Wednesday 12th September

**Time:** 10.00am – 12:00pm

**Location:** Room M, Portcullis House

**Chair:** Carolyn Harris MP

**Minutes taken by:** Holly Ramsey, Interel UK

**Evidence Heard From:**

**First Session**

* Phil Horne, Chief Executive Officer, SG Gaming
* Steve Collett, Chief Product Officer, Inspired Entertainment

**Second Session**

* Oliver Hogan, Chief Economist, Centre for Economics and Business Research

**Third Session**

* Councillor Simon Blackburn, Local Government Association
* Martin Kettle, Policy Adviser, Church of England

**Fourth Session**

* Howard Reed, Founder, Landman Economics
* James Noyes, Associate, ResPublica

**Members Present**

Ronnie Cowan MP

Iain Duncan Smith MP

Gerald Jones MP

Lord Chadlington

**First Session 10:05am – 11:05am**

* **Carolyn Harris MP (Chair)** began the evidence session of the APPG by welcoming and thanking both Phil Horne and Steve Collett for appearing before the group to provide evidence on the timescales and processes that would need to take place in order to reduce the stake on B2 machines.
* **Steve Collett** **and Phil Horne** began by introducing themselves and both outlined that it would take approximately 9-12 month to make the necessary changes to B2 machines to reduce the stake to £2.
* **Carolyn Harris MP** then asked if the stakes were to be raised would it still take as long as 9-12 months?
* **Phil Horne** confirmed that the process would still be the same and **Steve Collett** added that the same checks and balances would be needed to raise or lower stakes.
* **Carolyn Harris MP** asked what SG Gaming and Inspired Entertainments relationship was with bookmakers.
* **Phil Horne** responded that they do have a relationship with bookmakers, but added that they also have relationships with casinos.
* **Carolyn Harris MP** asked if SG Gaming and Inspired Entertainment take a percentage of what their machines make and whether they would lose money if bookmakers keep as a result of the reduced stake on FOBT machines.
* **Phil Horne** said there are a variety of agreements in place. He said that a loss of profit for them may be linked to betting shop closures. He also said that there are some agreements in place where there is direct profit sharing with bookmakers, but not all.
* **Carolyn Harris MP** then asked if both witnesses’ companies would lose out financially as a result of the reduced £2, to which the witnesses confirmed they would.
* **Ronnie Cowan MP** asked about the process of reducing the stake and why it would take 9-12 months.
* **Steve Collet** talked through the steps of making the changes which included generating market specifications, making software changes in code, market material updates, quality assurance tests, compliance reviews, third party testing, statistical analysis, customer acceptance tests and customer training sessions.
* **Ronnie Cowan MP** asked why these changes could not be made now and why they haven’t been started as they know that the stake needs to be reduced to £2.
* **Phil Horne** said that in order to make the changes now they need to understand clearly what the new model would be and have sight of the wording of the Statutory Instrument.
* **Ronnie Cowan MP** then asked the witnesses to confirm that changes to machines had not yet been started.
* **Phil Horne** said that they have started the preparatory work and that they have had numerous meetings with their customers.
* **Carolyn Harris MP** then asked if they could just remove the games.
* **Phil Horne** responded saying that some can be removed without going through the full process.
* **Carolyn Harris MP** pressed as to why they can’t start the process now as we know that the stake is going to be £2.
* **Phil Horne** said that whilst we know £2 is the significant element of the Statutory Instrument, they would be concerned to start the process now as a few years ago they made changes to machines to £50 before having seen the exact wording of the Statutory Instrument and completed the changes. He then went on to say that once the Statutory Instrument was published the requirements laid out were different and therefore they had to do the work again.
* **Iain Duncan Smith MP** asked what they would do if the Government said that the changes to FOBT machines had to be made by February next year, and how they would cope with the timescale?
* **Phil Horne** said if the Government determined a date they would ensure their products are legal. They would carry out the processes as described earlier in the session by Steve Collett, but there would be risks associated with this as they wouldn’t be able to provide enough number of test plays and would not be able to produce the necessary software that could end up exposing the very players they are trying to protect.
* **Iain Duncan Smith MP** then asked if it would not be better for gaming providers to rapidly modify terminals to restrict any levels of game playing above the level the Government sets?
* **Steve Collett** said they do not have the option of stopping a game and it being still able to function. When restricting the cap to £50 previously, they had to go in and change all of their games to cope with a player doing something above a limit and the game would break.
* **Iain Duncan Smith MP** asked if they could ensure that if someone tried to play at a stake above the cap, the terminal could be changed so that it does not accept anything higher.
* **Steve Collett** said they simply do not have the option of stopping a game with the terminal still being able to function, and they would not be able to make this restriction. **Phil Horne** added that the only way of introducing a £2 stake would be to introduce software changes. He acknowledged that other providers do have different systems, but the example above is not an option on their platforms.
* **Gerald Jones MP** asked for clarification regarding the terminals if it is technically possible to remove specific B2 games from those terminals, and if this is the case, how long would that process take.
* **Steve Collett** explained that the way their games are built as titles, they have B2 games and B3 games in them, and they do not have the option of just switching off one side of them. There are some games that are exclusively B2, but majority are not. He added that it is not possible to switch off just one option.
* **Gerald Jones MP** then asked about contractual obligations.
* **Phil Horne** said that both SG Gaming and Inspired Entertainment’s contractual obligations with their customers are broadly the same. They are only able to operate legal products whilst also needing to provide a certain level of game content with regards to the number of games and style. If for example they withdrew all of their games tomorrow or a proportion of them, then they could be in breach of their customer obligations.
* **Lord Chadlington** asked if it would be of advantage to the witnesses to not make the stake changes for as long as possible, because profits would fall if they had to withdraw their games. And if stakes were to raise would you do this faster? He asked if this was a fair assessment.
* **Phil Horne** said this was an unfair assessment because they still have responsibilities they have to adhere to but they are not in control of the timetable and how long it would take to make the necessary changes. He also added that they need to deliver their contractual obligations to their customers, as well as their obligations to the Gambling Commission. If the Government pushed for a faster pace than SG Gaming are comfortable with then it would introduce risks.
* **Lord Chadlington** then said that Mr Horne did not mention another risk which is their profit.
* **Phil Horne** responded by saying they have no influence over the timetable.
* **Carolyn Harris MP** asked Mr Horne if in SG Gaming’s submission to DCMS’ Review on Stakes and Prizes, whether he expressed any concerns about FOBT machines and the vulnerable.
* **Phil Horne** said that a submission was made but it didn’t cover the implementation.
* **Carolyn Harris MP** then told the witnesses that the Gambling Minister Tracey Crouch MP, who gave evidence to the APPG last week, is assuming preparations to machines are already being made.
* **Phil Horne** said that preparatory steps are being made.
* **Carolyn Harris MP** said that she didn’t think they were preparing as there were steps they could already be taking. She then asked if they could remove the B2 games today.
* **Phil Horne** said they could but this would put them in breach of their customer contracts.
* **Carolyn Harris MP** then stated that their customers were not instructing them to work towards reducing the stakes as quickly as possible.
* **Iain Duncan Smith MP** asked if the groups the witnesses are associated with, such as the ABB have made representations to the Treasury about the timescales needed to make changes to the machines.
* Both witnesses were unsure.
* **Iain Duncan Smith MP** asked if the witnesses recommendation would be that the Government sets out a timetable as soon as possible, and if they would meet that even with the risks.
* **Phil Horne** replied saying he would like the Government to provide an exact timetable and explain the details of this timetable clearly which would be helpful.
* **Ronnie Cowan MP** said that a draft form of the Statutory Instruments has been laid in Europe, so what is stopping them from making the changes?
* **Steve Collett** said that is a conversation they would need to have with their customers and **Phil Horne** said they would still like to wait to see the precise detail as they need absolute clarity based on past experience.
* **Ronnie Cowan MP** responded saying the detail is £2, what more do they need to know. He also questioned why the witnesses had come to a decision that changes would take 9-12 without having seen the Statutory Instrument.
* **Iain Duncan Smith MP**  asked if the ABB has sought their views.
* **Phil Horne** said they had asked his view on the timescale for changes.
* **Carolyn Harris MP** asked the witnesses if they were waiting for their customers to tell them to go ahead with the changes.
* **Phil Horne** said he doesn’t need bookmakers to tell them that as they ensure that the machines they offer comply with the law. He said they have no choice at the point the law changes, but would be in breach of our contract if they make changes prior to the law and need to manage both issues.
* **Carolyn Harris** thanked Mr Collett and Mr Horne for their time in attending the session.

**Second Session 11:05am – 11:20am**

* **Carolyn Harris MP (Chair)** began the second evidence session by welcoming and thanking Oliver Hogan for appearing before the group to provide evidence on new research which he has produced looking into the impacts of delaying the implementation of the reduced FOBT stake.
* **Carolyn Harris MP** then asked Oliver Hogan to take the Group through the research.
* **Oliver Hogan** explained that the headline from the research is that delaying the implementation of this policy is not good for anyone, except the bookmakers. Even the Treasury is negatively impacted the longer the delay.
* **Oliver Hogan** also explained further key points from the research:
  + HM Treasury could be expected to incur a net loss in tax revenues as a result of delaying the introduction of the £2 maximum stake on FOBTs relative to the situation that would prevail in the counterfactual - no delay in implementation.
  + This is assuming, as is the stated intention, the introduction of a contemporaneous increase in the rate at which remote (online) gambling is taxed from the current 15% to 20%. This would be on top of the additional fiscal and social costs that can be expected to be borne by society during the period of delay.
  + Thus, HM Treasury can be expected to lose somewhere in the range of £98-£132 million for each year of delay in implementation.
  + It can be asserted with some certainty that the bookmakers will earn somewhere in the region of £348-£540 million more GGY from FOBTs for each year of delay in implementation of the new maximum stake.
  + The consequence of delaying introduction of the new £2 maximum stake on B2 machines is a delay in the realisation of this potential boost to the macro economy.
  + Additional tax revenues would flow from such a boost to the macro economy. Specifically, the diversion of B2 spend through attrition from gambling and its re-direction into other personal and leisure purchases would lead to additional flows of VAT, as well as new flows of NICs, income taxes and corporation taxes etc. arising from increased activity in the sectors that supply these purchases.
  + Delaying the introduction of the lower maximum stake delays the realisation of the benefit of reductions in fiscal and welfare costs. The size of the resulting loss to society is potentially significant. For instance, if a £2 maximum stake on FOBTs resulted in a 25% reduction in problem gambling amongst B2 machine players, then society could lose the benefits of reduced fiscal costs worth £47 million for each year of delay in implementation, as well as reduced welfare costs worth £255 million to problem gamblers themselves and worth £84 million to their families and wider social networks.
* **Carolyn Harris MP** stated after hearing Oliver Hogan’s research that delaying the implementation of the reduced stake clearly makes no sense.
* **Lord Chadlington** asked what is being done to ensure the Treasury sees this report. He added that there is not just a moral argument but a clear legal and economic argument for implementing this policy as soon as possible.
* **Oliver Hogan** said that the Treasury are being sent the report.
* **Carolyn Harris MP** thanked Mr Hogan for producing this report and for his time addressing the APPG.

**Third Session 11:20am – 11:40am**

* **Carolyn Harris MP (Chair)** began the third evidence session by welcoming and thanking Councillor Simon Blackburn and Martin Kettle for appearing before the group to provide evidence on the impact on communities of delaying the implementation of the reduced FOBT stake.
* **Carolyn Harris MP** asked both witnesses to update the group on the impacts of FOBTs and what the delay of implementing the reduced stake means for communities the witnesses represent.
* **Councillor Simon Blackburn** said an early introduction of the policy would have significant benefits to communities. It is clear that policy for the gambling industry is to target deprived areas.
* He went on to say that the area he represents, Blackpool, has effectively become a super casino due to the number of FOBT machines there are on the high streets.
* He has seen the harm that continues to be caused from FOBT addiction and the impact on the benefit system and families.
* **Martin Kettle** said that he sees the harm from FOBTs in the communities he meets, but there is more harm seen in the communities he meets in deprived areas. He has seen families who have been split apart.
* He said that we have already seen five years of damage from these machines and another two years is unnecessary.
* He also questioned why the delay is happening an why weren’t the technical issues sorted before and how companies involved in the timescales can be more open.
* **Martin Kettle** went on to say that there are still many stories of people who are suffering. In the past we didn’t know the harm caused from these machines but now we do, and that is why the stakes are being reduced, and the Government is making the decision to delay the implementation of the FOBT stake will full knowledge about the harm.
* **Carolyn Harris MP** thanked Councillor Blackburn and Mr Kettle for their time addressing the APPG from a community perspective.

**Fourth Session 11:40am – 12:00pm**

* **Carolyn Harris MP (Chair)** began the fourth evidence session by welcoming and thanking Howard Reed and James Noyes for appearing before the group to discuss academic evidence on delaying the implementation of the reduced FOBT stake.
* **Carolyn Harris MP** asked both witnesses to begin by introducing themselves and to talk about the specific academic research they have been involved in around the topic of FOBTs.
* **Howard Reed** explained he has previously written reports on the economic Impact of Fixed Odds Betting Terminals mainly commissioned by the Campaign for Fairer Gambling. His main headline piece of research came out two years ago and the conclusions are still very much valid and used similar economic modelling as in the Cebr’s latest research, with very similar conclusions.
* He went on to explain that the delay in implementation is costing jobs and reducing tax revenues. His research looked into when spending on FOBTs expands, less jobs are supported elsewhere in the economy, and further spending on FOBTs actually ends up being a job destroyer.
* Reducing FOBT expenditure will actually boost jobs, so the impact of delay is costing jobs. A simulation on National Insurance Contribution receipts from other forms of employment if FOBT spending went down was also done, showing FOBTs having an impact on reducing tax revenue too.
* **James Noyes** then explained that he was involved in Respublica’s research titled ‘Wheel of Misfortune: The case for lowering the stakes on Fixed Odds Betting Terminals’, as well as a range of other work on the impact of gambling on communities.
* He said that there is an upward trend in societal harm that correlates with FOBTs, particularly in areas of greatest social deprivation. A delay to reducing the maximum stake therefore has an impact on this trend.
* The data gap must be filled. We need to build on the frameworks provided by experts like Wardle and Reith in order to assess the societal harm done by types of gambling.
* This framework must be integrated as part of our approach to public health, based on a principle of prevention. This is why the delay to reducing the FOBT maximum stake is so important: it effectively presses the pause button on the preventative measures needed to turn around those harmful trends that I have described today.
* **Lord Chadlington** agreed that the data is weak and asked how MPs can help bridge this data gap.
* **James Noyes** said that existing data sets need to be built upon such as the index of deprivation and data from Local Councils. More needs to be done by the Department of Health and maybe even less so from DCMS.
* He also added that there is a substantial undercount of problem gamblers.
* **Carolyn Harris MP** thanked Mr Reed and Mr Noyes for their time addressing the APPG from an academic perspective

**Meeting** **concluded at 12.00pm**

**External Guests**

* Tosin Adedayo, Interel UK (Secretariat)
* Katherine Morgan, Interel UK (Secretariat)
* Holly Ramsey, Interel UK (Secretariat)
* Edward Tomlinson, Interel UK (Secretatriat)
* Lauren Beadle, (Lord Chadlington's Office)
* Jo Lloyd, (Carolyn Harris MP’s Office)
* Matt Zarb-Cousins (CFG)
* Liz Ritchie (Gambling with Lives)
* Charles Ritchie (Gambling with Lives)
* Paul Terroni (Novomatic)
* Marcus Sorour (WE Communications)
* Jack Eddy, (London Councils)
* Simon Thomas (Hippodrome Casino)
* John White, (BACTA)
* Derek Webb, (CFG)
* Elizabeth Speed, (Novomatic)
* John Steridges, (Bacta)
* Jimmy Thomas, (Hippodrome Casino)
* Leslie Macleod Miller, (LMM Associates)
* Eleanor Campion (DCMS)
* Jed Dwight (Parliamentary Assistant to Mims Davies)
* Katarina Paul – (LGA)
* Sara Gariban (Respublica)
* Derek Greenwood – (LGA)
* Ellie Greenwood – (LGA)
* Chris Ford (Respublica)