

Speech to Bingo Association AGM

Sarah Harrison, Chief Executive
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Ladies and gentlemen. Thank you for asking me to join you this afternoon. I have of course met Miles before, and a number of operators, so a few faces are familiar.

Since I joined the Commission some seven or so months ago, the time has flown past. And as you might expect, I have been on a steep learning curve. I am most grateful to all those in the Commission, industry and among stakeholders who have given their time to help with my 'induction'.

While I am new to the gambling industry, I am not new to regulation. I joined the Commission from energy regulator, Ofgem. Of course there are many differences, not least that energy is an essential service in a way that gambling and bingo is not. However, there are also some common themes across what are both highly regulated markets, and I would like to highlight some of these:

First the importance of consumer and public trust and confidence to future growth and success. Effective regulation has a key role to play to contribute to this.

The value of an independent and evidence-based approach to developing regulatory policy, and to advising government which sets the policy framework.

In highly diverse markets, with rapidly changing products, the importance of an approach to regulation which is focused on outcomes. Across a number of regulated markets there has been a move away from prescriptive, one size fits all regulation, to one based on risk assessment and the achievement of consumer outcomes. This aims to encourage businesses to focus on their consumers first, and not on the regulator. It also seeks to value innovation and diversity in the way in which good consumer outcomes are met. I know from my engagement with representatives in the bingo industry, of some of the steps being pursued to innovate and your 'Boost Bingo' campaign brought about changes that allowed some companies to reinvest and to consider innovation in terms of the way bingo is offered to consumers.

Good communication and understanding between the regulator and regulated businesses, and other stakeholders, is also key. This enables us to appreciate respective pressures, and to get clarity on objectives. We will not always agree but it is important that our respective positions are understood and that there is scope for mature dialogue.

The current landscape

Today I want to focus on the Commission's priorities over the next 12 months or so, and in doing this I will emphasise an important and recurring theme for the Commission, that of social responsibility.

But before I do that I want to reflect on what's going on in the market to put some context to the Commission's work.

In other sectors, we have witnessed a phase of consolidation across the supply chain, a phase which some commentators believe may be set to continue further.

In terms of regulatory issues, key themes include a continuing high priority on responsible gambling. As I mentioned earlier, I will say more about this later in my speech.

We have recently seen the introduction of national self-exclusion schemes for land based sectors and congratulations to those involved in the bingo sector for getting the first national scheme up and running for 6 April. This presents a one stop shop for bingo customers and is a really important development on previous arrangements. The impact of the multi-operator schemes will be evaluated across all the sectors and I'm sure that there will be room for continuous improvement, in particular as technology develops. We should all see the April launch of the schemes as the start of the next stage of the journey and not the end point.

Early April also marked the launch of local risk assessments, and as a largely premises-based industry, I appreciate that has caused you a not insignificant amount of work - although I realise that operators have been doing their own risk assessments for years. We all agree on the importance of 'thinking local, acting local'. But I hope you will agree that it is a vital piece of work, if we - you, the Commission and licensing authorities - are to be responsive to local needs and vulnerable people.

There is a stepping up of requirements in relation to money laundering, and tackling crime and our own review of the LCCP requirements in relation to crime will be published very soon. We also continue to look across the sectors as part of our work towards Treasury decisions on inclusion within the scope of the 4th Money Laundering Directive.

You will also be aware that the Home Office and Treasury have recently produced an action plan for anti-money laundering and counter-terrorist finance. This may represent one of the most significant changes to the money laundering and terrorist finance regime for many years. The action plan is concerned with three priorities:

- 1) more robust law enforcement response
- 2) a reform of the supervisory regime
- 3) increased international co-operation.

But importantly, underpinning this, a new way of working with the private sector is being proposed where information is shared between law enforcement agencies, supervisors – such as ourselves – and the private sector. We have engaged extensively with Treasury over the 4th Money Laundering Directive as a supervisor and regulator and will continue to contribute to the review which is due to close on 2 June. This is no doubt a subject we shall all be returning to in the not too distant future.

In the public, media, and political environment a bright light continues to be shone on fixed odds betting terminals, and associated issues linked to the presence of betting shops on the British high street and the prevalence of advertising both on TV and online. In the House a new all-party group has been formed and a full Westminster Hall debate in parliament yesterday saw the issues being aired on all sides of the argument. I would expect this to continue over the coming months.

FOBTs are a hard form of gambling and as such require firm regulation. I am not surprised by the growing debate, which is important. However, what is also important is that the debate is conducted, as best as possible, in an environment which draws on the evidence and which represents positions and roles clearly and fairly. This is of course a framework which a forthcoming triennial review could provide, and which would be welcomed by many.

What do the industry statistics, which the Commission produces every six months, tell us about the bingo sector? Premises bingo has shown year on year decline in GGY, despite a slight upturn in 2011/12, so I would guess that your interests lie in whether the audience is transitioning to other forms of play, including online bingo. It is worth noting that there are 52 online bingo licences (as at 30 September, *Industry statistics*), which generate a total GGY of £82.62m from GB-only players (March 2015). Bingo GGY for premises based bingo is £662.28m (March 2015), so online accounts for 10.67% of the total bingo GGY. I know some of you in this room are not directly involved in online bingo, but nonetheless I am sure you will find these statistics of interest.

The Commission's focus over the next 12 months

Let us now turn to where the Commission's focus is going to be over the next 12 months or so.

This week we will publish our business plan for the new financial year. You will find this on our website. The plan will be based around five strategic outcomes. To:

- empower and protect consumers
- raise standards across all gambling sectors
- build partnership and understanding, domestically and internationally
- ensure fair play on the National Lottery
- improve regulation.

It sets out some key projects and deliverables for the year alongside ongoing programmatic activity.

It should be seen as a 'bridge' to some work we will be progressing later in the financial year to set a new forward strategy. The Board sees this as an important opportunity to build on the first decade of regulation, as well as to look forward to the market, technology and consumer developments and their impact on future regulation. The strategy process will also provide an opportunity to restate our approach to being a risk-based, outcome-focused, evidence-led regulator I am keen for this to be a process which enables a conversation with a wide range of stakeholders, including of course operators and their industry representatives. I look forward to your input.

We will also work to strengthen the skills, ways of working, communications and culture of the Commission to ensure it is fit for purpose for the future. There are many talented and highly committed colleagues working in the Commission - a recent employee survey bears out this commitment and you can find the results on our website. The Gambling Commission, like many of your businesses, is a people business and my leadership team and I, backed by the Board, need to invest in our people if we are to maintain and build talent, and ensure effectiveness over the long term. This will be a priority for me over the coming year.

We will work to be efficient and, as part of the current fees review, ensure that the costs of regulation fall fairly on operators, as far as we possibly can. The Bingo Association has contributed to our fees review and joined workshops on the issue. Thank you for your input. We have now made recommendations to DCMS for the next stages of consultation before a new fees regime is implemented in 2017. It will be for the Department, working with us, to set the timetable for the rest of the review.

As I have already mentioned, very soon, we will set out the conclusion to our recent LCCP crime review. I am aware that you responded to the crime review consultation with some concerns about proportionality of the requirements we proposed - particularly around the proposed requirement for operators to assess and manage money laundering risks to their business. You felt there was no or very little evidence of such risks in the bingo sector, hence a 'one-size-fits all' approach was unfair and unwarranted.

As with all operators in the industry, the onus has to be on you to assess and manage money-laundering risks - but we agree strongly that a 'one size fits all' approach is not appropriate. This is exactly why a business should carry out its own assessment and reflect the nature of the business and the associated risks in the steps they take to manage those risks. Without such assessment, operators cannot demonstrate they have given sufficient consideration to potential risks.

We will also look at the way we engage with operators, and in particular with smaller and independent operators. The majority of Bingo Association members – leaving aside Gala and Mecca - are among the community of smaller and independent operators, albeit in premises terms. As independent businesses, you represent an important element of the sector. You have different resources available to you and different business models, and I am keen to understand what you need from us.

Our business plan commits over the coming year to a review of the way we engage with operators. This will be led by Sharon McNair, working with Louise Notley, Jo Cartwright and Joanne Craig, who is here today. These colleagues are part of new team in the Commission who along with others, will focus on the industry, market developments and engagement, as well as on our partnerships with local authorities and international regulators.

And finally, a strong theme for the Commission over the coming year will be work to put consumers at the heart of regulation: including building on vital work to protect the most vulnerable, and set standards for responsible and safe gambling. In this context the new RGSB strategy and delivery of its objectives will be critical.

Social responsibility

You will have noted the continuing emphasis we are putting on protecting the consumer. We have recently seen the launch of a new RGSB strategy – and if you have not had time to look at this, I urge you to do so. There are some important dimensions to this new three-year strategy put together by a group of experts led by Sir Christopher Kelly. It sets a vision, it identifies priority objectives and accountabilities, and it signals the need for pace and ambition. It has been strongly endorsed by the Commission and at the risk of singling out one thing in it I would like to highlight this section:

“Better understanding of how to minimise or mitigate harm is likely to flow from improved knowledge about the nature and determinants of gambling behaviour. Interventions should always be based on the best evidence available. But it is important that desirable practical action is not inhibited by unrealistic expectations about perfect information, or the temptation to demand ever more research before doing anything. Pace of delivery is important.”

The publication of this strategy, coinciding as it does with plans to appoint a new independent chair of the RGT, presents a new and significant opportunity for the industry sectors and their leaders. This is an opportunity to step up commitment to meeting the ambition of the RGSB strategy, and to create much greater coherence around industry commitment to tackling harm from gambling, including in the public’s mind and in the media.

The Bingo Association, through Miles, is taking a leadership role as part of the IGRG, working with Senet and others, and I would encourage you to continue as a sector to give your full support to Miles and this work. I know that you are already working with RGT funding on research specific to the bingo sector into what causes problem gambling, and that you have a clearly defined interest in harm-prevention in bingo. I believe the full report related to this work is due out in June and will be covered today

It’s about 15 months since you published your *Bingo Industry Code of Conduct for Responsible Gambling*. The success of your ‘Boost Bingo’ campaign has enabled you to shift your focus from bingo tax duty, to duty of a different kind – a social responsibility duty. I am pleased to note that ‘Getting it Right’ is a condition of membership going forward and has been introduced to encourage best practice in the area of social responsibility. Your code covers a lot but the commitment to a national self-exclusion scheme, which I have already referred to above, the lead you have taken as a sector and including via the Association in annual age verification tests; your staff training on social responsibility and problem gambling and making sure that products are marketed responsibly – are all worthy of particular note. This code is a clear indication of the importance you attach to social responsibility and we will be very interested in see how this progresses, what the evaluation tells you and what scope there is for learning lessons across other sectors.

Conclusion

I believe that the relationship we enjoy with the Bingo Association is a positive one. Our conversations are productive; our dialogue constructive. I look forward to this continuing.

Thank you.