

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 Collins¹. 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.

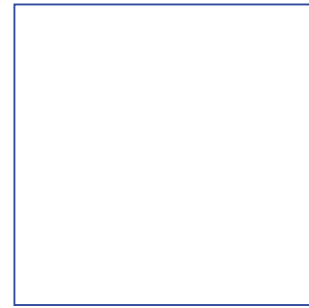
The price of gambling

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

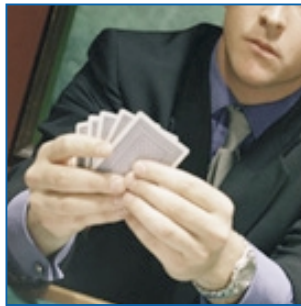
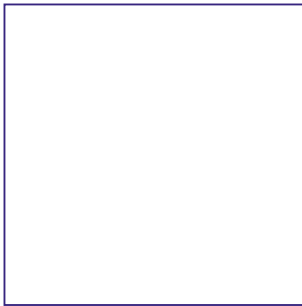
(b) where such facilities are available that they are insufficient to meet the demand.

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

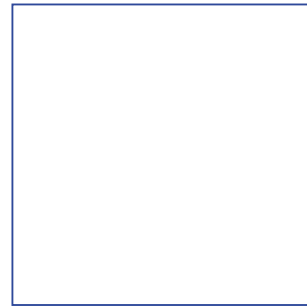


greyhound racetracks. Under the proposals for the Tote, the horseracing industry will own the Tote. Owners of greyhound tracks own the tote betting that is provided within them. In addition the bookmaking industry organises greyhound racing (through the BAGS system) for the purpose of providing a betting 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 (i.e. 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, ie. 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

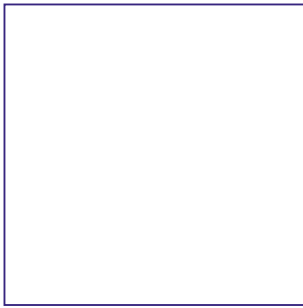
16.27 On-course bookmakers are receiving bets from race-goers and from other bookmakers. The other bookmakers include those taking bets off course. It has been suggested to us that off-course bookmakers can manipulate odds at the racecourse, and therefore the starting prices, in their favour and that 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)

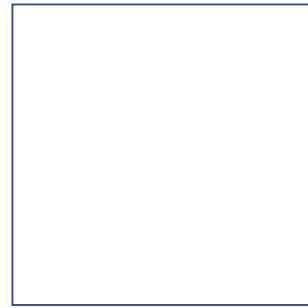
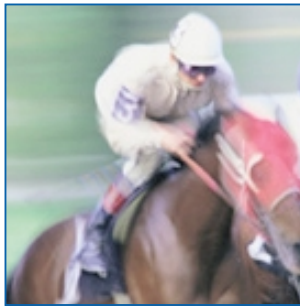


- 16.29** The setting of starting prices was examined in the Report by the Monopolies and Mergers Commission on the merger between Ladbroke Group PLC and the Coral betting business⁵. It was also described briefly in the Commission's Report on the merger between Grand Metropolitan plc and William Hill 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.

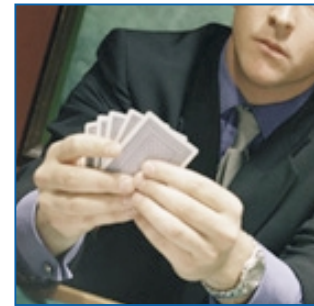
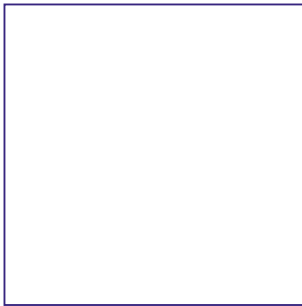
16.42 Their recommended definition is "the price generally available at the off to good money". They propose that the sample of bookmakers should usually be twelve. For a price to be returned as SP it must be available on at least one third of the boards sampled and available on the stronger boards.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

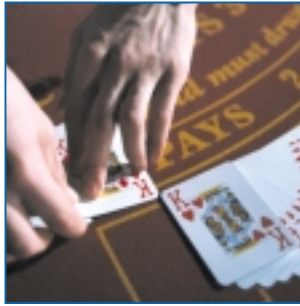
Informing the punter

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 forms of gambling	Approximate percentage of money staked returned as winnings (after tax)
Table gambling	97.5% ⁹
Licensed cash bingo	68% ¹⁰
On-course betting - horses	89% ¹¹
On-course betting - dogs (bookmaker)	80% ¹²
On-course betting - dogs (tote)	77% ¹²
Off-course betting	78% ¹³
Spread betting - financial	83% ¹⁴
Spread betting - sports	88% ¹⁵
Gambling machines - single sites	78% - 82% ¹⁶
Gambling machines - other	85% - 95%
National Lottery	46.8% ¹⁷
Societies' lotteries	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.