William Hill is one of the largest retail betting operators in Scotland and a major sponsor of Scottish sport. We operate a third of Scotland’s 1,050 betting shops. In most areas our shops have traded for over 20 years; playing a positive part in supporting the communities where our colleagues live and work.

We welcome the opportunity to contribute to the inquiry launched by the Committee regarding “Fixed Odds Betting Terminals”.

The term “FOBT” is in itself confusing because “FOBTs” were reclassified as gaming machines under the Gambling Act 2005. Therefore there is no such legal phenomenon as an “FOBT”.

Gaming machines in betting shops contain both B2 content (roulette and card games - with a maximum stake of £50 - unless customer play is registered) and B3 content (slots games - £2 stake).

Gaming machines and derivations are common in all modern gambling establishments. Different categories of gaming machine are permissible under different gambling licences. For example, in casinos category B1 gaming machines (£5 stake and £10,000 prize machines together with bigger linked jackpots) are permitted. Casinos are also allowed unlimited numbers of electronic roulette terminals (not classified as gaming machines) which are linked to table games, but remote from the tables themselves.

Gaming machines are also important in Bingo Halls and Adult Gaming Centres (town centre arcades). We would encourage the Committee to review the existing Gambling Policy for all gambling premises to assess the significant progress the bookmaking industry has made to encourage and ensure responsible gambling within our premises.

Gaming machines are a high-turnover low-margin entertainment product, with customers often recycling winnings to prolong that entertainment.

For example, a customer stakes £10 and wins a prize of £40. If the customer continues to play and then loses all of that machine credit then the customer has lost £10 and the bookmaker has made £10 profit. In this case the turnover is £50, but that does not equate to net customer spend. It is the same money being recycled with the bookmaker making a margin. Campaigners often use the larger turnover figures to make an impact.

Interestingly, the normalised margin on horseracing is bigger than the cash hold on gaming machines.
Often that same money may circulate within the betting shop with customers switching between products; a bet on the horses, then on the dogs and then recycling all or part of any winnings on a gaming machine. However, there are a significant number of customers who only play on gaming machines.

We set out key facts on gaming machines below and in the Appendix to this document. Since regulatory changes introduced in April 2015 (£50 restriction- see below), the number of customers staking at above £50 has shifted downwards.

The average daily profitability of a gaming machine in a Scottish betting shop is less than £100 (around £600 per week) and currently on the decrease.

Shops are limited to four gaming machines per shop and profits from traditional over-the-counter products are generally higher per shop than gaming machine profits. There will be odd exceptions in city centre locations catering for inward commuters.

Our response contains a comprehensive regulatory impact assessment (see below and appendix). In short interfering with the market through restrictive regulation will not only reduce the ability of the industry to open new shops to meet latent gambling demand, but also restrict the opportunity to re-site premises. The proposals will limit and distort competition (protectionism for existing licencees), undermine a sensible policy of meeting demand by regulated entities and do nothing to reduce gambling related harm.

The alternative and wider proposals of the Scottish Government, particularly the power to conduct retrospective review, are not justified by the evidence. Adequate powers already exist within the current legislation. We would be very concerned if the Committee missed out the vital step of considering the evidence to support any policy change. Policy change is neither reasonable proportionate or objectively justifiable. There is no major social problem created by betting shops and no evidence of any significant local authority activity in this area driven either by public complaints or own initiative visits.

None of the suggested policy changes support a comprehensive approach to harm reduction. However, the Scottish Government, having rejected the case for planning controls, could address public concern by introducing a cumulative impact test as part of the Licensing process.

We make a number of other relevant policy points in the response set out below.
We are sure that the Committee will take an evidenced based approach to this issue and give limited weight to anecdotal or emotive statements that are not supported by empirical evidence.

For the avoidance of doubt the betting industry accepts that all gambling products have the capacity to cause harm to a minority of the customer base. However what we do not accept is that the gaming machine product is any more addictive than other gambling products.

All current research indicates that problem gambling is about the person’s propensity to addiction and not a single gambling product (British Gambling Prevalence Survey - Scottish Health Survey). Most problem gamblers gamble on average on five-to-six different products. Problem gambling in Scotland is low by international standards and on the decline (see appendix).

Problem gambling is unlikely to be the primary cause of wider social issues, but problem gambling sometimes co-exists alongside other co-morbidities like smoking, obesity or harmful drinking patterns.

The diagram below demonstrates the relative size of the different public health issues.

Therefore, an effective harm reduction strategy in Scotland should build on our co-ordinated industry harm reduction measures and tools; not by targeting one specific sector and certainly not a single gambling product in a single sector.
Both campaigners and the media tend to use emotive language when dealing with gambling issues. For example, lazy references to gaming machines being "the crack cocaine of gambling" (a term first attributed to Donald Trump and then used over time to greet the arrival of any new gambling product - by commercial rivals and campaigners alike). There is no reliable academic research which shows that the gaming machine product is particularly addictive or that it is a greater cause of problem gambling than other products. Nevertheless, we have listened to public concern and strengthened and developed our responsible gambling measures throughout the industry in the past sixteen months (see below).

It is also wrong for gaming machines in betting shops to be characterised as a newly emerging issue. Gaming machines in their current form have been in betting shops for some 14 years.

Whilst one can easily identify difficult and emotive cases where individuals have suffered gambling problems which have included gaming machine use, it needs to be remembered that the majority of gaming machine users gamble harm free. One cannot extrapolate from these individual cases to conclude that gaming machines are causing widespread social problems (without further empirical evidence - as distinct from anecdotal and unrepresentative evidence).

A good example of this negativity is how campaigners characterise the majority of gaming machine players in deprived areas staking at £100 per spin. Nothing could be further from the truth. We would ask the committee to deal with real risk - not theoretical risk.

Responsible Gambling Trust research shows that only 1% of customers who play category B2 games (roulette or cards) stake at £100 and only 3% reach that limit. Most of these customers will be more affluent customers in town and city centre locations.

Discounting the National Lottery, the majority of people in communities do not gamble and only a small minority of those who do, have gambling problems.
The call for retrospective regulatory powers in addition to forward looking restrictions are not supported by any empirical evidence that existing premises licenses require review generally. The number of public complaints to local authorities (recorded by the Gambling Commission from local authority returns) regarding betting shops is extremely low and there are already clear processes and a wide discretion for review of existing licenses under current legislation.

For example in its recent consultation on gambling licensing policy, West Lothian which has 32 betting shops stated that:

- Four gambling premises licences granted in West Lothian in the last five years (two betting shops, one Adult Gaming Centre and one Family Entertainment Centre)
- No objections or representations received regarding any of these applications
- No applications for review of gambling premises licences due to problems at the premises in the last five years

We note that Argyle and Bute Council has made a submission to the Committee suggesting the more regulation of betting shops is necessary. In the period 2009-2014, the council’s own statistics show that council made no visits to betting shops as a result of complaints and no pre-planned visits; nor did it conduct any licence reviews. We conclude that the basis for its submission is based on pure theoretical risk not empirical evidence. Similarly, Highland Council have received no complaints and made no visits.

Many other local authorities will have similar experiences with betting shops barely getting on the regulatory radar.
THE FUNDAMENTAL PRINCIPLES OF GOOD GAMBLING REGULATION

Betting shops were legalised in 1961 because it had become impossible to police, regulate or tax illegal gambling; particularly in densely populated towns and cities.

In 1959 there were some 1000 illegal betting shops in Scotland (a very similar number to the number of licensed betting shops today). In that same year some 16,000 people were prosecuted for being involved in illegal gambling (source Glasgow Herald archive).

A policy of allowing gambling to be supplied by a heavily regulated industry has been a broadly successful one. There is still an illegal market (illegal machine supply, illegal poker clubs etc.) but generally demand is satisfied by legal operators.

It would be naïve to think that restricting regulated supply of a popular gambling product would choke off demand. We would simply see the demand for higher stake digital gaming machines being provided by illegal operators in unsafe environments. Neither could it be assumed that the majority of the customers would substitute back into over-the-counter products.

Finally, under this heading we deal with the issue of betting shops in "deprived" communities, because spending more than one can afford is a feature of problem gambling (distinct from addictive gambling), therefore it appears there is a higher prevalence of problem gamblers in those areas.

Learning the lessons of history, these areas are generally the ones with the highest population density of and where the cash economy is at its greatest. These are (and would be again) also the areas where the greatest levels of illegal gambling take place.

Operators do not “target” deprived communities. In 2013 and 2014, 11% of our gross 17 openers were in the most deprived areas.

The key commercial drivers for betting shop development are density of population (including commuter in flow), footfall and affordable rents. Rising shop vacancy rates have allowed bookmakers to move from the side street to the high street.
Therefore, to pursue restrictive gambling policies in these areas is self-defeating from a policy perspective. Politicians have to strike a balance which should not involve driving people from the regulated sector into the illegal sector. One only has to look at the effect of Sunday restrictions in betting shops in Northern Ireland to see how an illegal market can grow and sustain.

What is required is a whole industry approach to promoting responsible gambling that includes information and signposting to funded treatment providers.

The diagram below shows the correlation between betting shop location and population:

<table>
<thead>
<tr>
<th></th>
<th>Average resident population density for whole of Great Britain (persons per hectare)</th>
<th>Average resident population density in urban areas (persons per hectare)</th>
<th>Average resident population density within 400m of an LBO open August 2014 (persons per hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.53</td>
<td>18.6</td>
<td>49.8</td>
</tr>
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</table>

Data source: Office for National Statistics (ONS), Geofutures.
CURRENT LICENSING REGULATION

No examination of potential policy change can be complete without a full awareness of the current regulatory regime.

The current regime is rigorous (both at operating and premises level).

Operators cannot apply for a premises licence unless they have been deemed suitable by the Gambling Commission and granted an Operating Licence. Key personnel are also granted personal licences.

Operating licences carry with them significant licensing condition obligations around social responsibility. Operators have to comply with a plethora of licensing conditions and codes of practice (including an exacting social responsibility code).

In addition gaming machines are subject to further technical standards and regulation. For example, there has to be a minimum 20 seconds between spins on B2 gaming machines.

Local authorities (Licensing Boards) have a wide discretion to refuse licences and to review existing licences and where necessary impose proportionate conditions on licences.

Local Authorities issue gambling policy statements and are being encouraged to prepare local area risk profiles. These documents can be considered as part of the licensing process and ongoing enforcement.

Whilst Licensing Boards are not entitled to consider “demand” or moral objections, they are entitled to consider issues that are related to the three Licensing Objectives; particularly ones relating to protection of children and the vulnerable from the harmful effects of gambling and crime and disorder.

As indicated above, the reality is that at a regulatory operational level, betting shops hardly get onto the radar. There are very few public complaints and in most cases very little evidence that betting shops are creating a serious risk to the Licensing Objectives.

Local and national media articles on betting shops are often taken as a proxy for public concern; when in fact most of these articles are generated by campaigners who are objecting (often on a poor evidence base) on moral or political campaign grounds. Such articles generally use emotive numbers to suggest that the problem is far greater than it actually is.

A narrative appears to have been developed (mainly at a political level) that Licensing Boards are powerless to refuse or supervise premises licences. In fact, the reality is that when these matters come under detailed scrutiny in specific cases, there is little or no empirical evidence of widespread social harm.
ECONOMIC AND COMMUNITY CONTRIBUTION

The Scottish betting industry employs around 5500 people (William Hill 1300). The estimated tax yield from Scottish betting shops is £115 million (£300 million GVA). Betting shops also pay business rates as well as contributing to town centre business improvement districts and projects.

We are proud to give more jobs to young people than any other retail sector, offering excellent career opportunities and developing life skills. A third of our colleagues are in the 18-24 age range and more than half are women (both vulnerable groups from an unemployment perspective).

We also offer a career path to stable employment with the average length of service for our shop managers being 14 years and we have a pool of talented Security Investigators, Traders, Designers and Compliance colleagues to name a few. Many colleagues in other roles started their career in shops, but many prefer to remain in a customer facing environment.

The Scottish betting industry is also a major sponsor of Scottish sport (particularly football and horseracing) and any restriction of a popular betting shop product would mean that the industry would be forced to review sponsorship costs.

Also, customers value the social and community worth of betting shops with community shops being put at risk from restrictive regulation.
PLANNING

We contributed to the Scottish Government’s consultation on planning and to be frank had expected, as is the case in England, for betting shops to be placed in their own sui generis use class. We concluded that there was little evidential or policy justification to do this, but nevertheless it was a way of dealing with public concern about betting shop clustering.

We would respectfully submit that there was no evidence to support planning changes then there is little evidence to support other policy or legislative change.

Increased gaming machine duty, and increasing costs (particularly media payments to horseracing) has resulted in the closure of 13 shops in Scotland alone due to them being unprofitable. This results in job losses within those local communities. Shops have closed in:

- Lanarkshire
- Dumfries
- Glasgow
- West Lothian
- Kelso
- Dunoon
- Paisley
- Livingston
- Callander

**CLOSED**
CONCLUSIONS

William Hill believes that future or/and retrospective prohibition (by number or stake of a single product- gaming machines), does not address the issue of harm reduction. The industry has already taken significant steps to promote responsible gambling and has introduced a number of robust measures and tools to reduce gambling related harm (see appendix).

Albeit, the policy proposal does nothing to effectively reduce gambling related harm more widely, William Hill believes that the clause as drafted reflects the wording in the Smith’s Commission’s Heads of Agreement document. To attempt to widen the policy proposal (for example the introduction of retrospective review) would be beyond the original agreement.

We would suggest that a more effective harm reduction strategy should be founded on identifying gamblers at risk and problem gambling behaviour within all gambling establishments (not just betting shops); built on good industry practice and robust research.

The Appendix to this document details the responsible gambling initiatives the industry has taken and future plans (see below).

The existing regulatory regime is very robust, but could accommodate other sensible changes like the addition of a “cumulative impact” test in Licensing Board considerations. The issue of whether or not the entire gambling and tax regime should be devolved is one on which we remain neutral. That said it is not helpful for the Scottish Government to be given piecemeal powers. That certainly does not make for a joined up policy which would aid harm reduction.

We are clear that restrictive legislation over a single product is not only illogical, but also undermines the industry’s demonstrable commitment to responsible gambling and impacts on issues like a higher level of illegal gambling.

Whilst there is plainly public and political concern about gambling, the industry is doing a lot to address that and there is no clear evidence to support additional layers of regulation or prohibition on a responsible industry; particularly when one applies the principles of proportionality and objective justification to the issue and the regulatory impact is fully considered.