

Written submission from the Association of British Bookmakers

Executive Summary

Consideration of the Smith Commission proposal relating to gaming machines in betting premises, and the Scottish Government's proposed extension of these powers, should be undertaken on an informed basis and with a view to the wider retail betting industry in Scotland.

We believe gaming machines pose no greater risk than any other gambling product. Problem gambling is specific to the person and not to any one product. Rates of problem gambling are shown to be highest amongst customers who participate in seven or more activities a year and lowest amongst those who take part in only one.

However, we believe that the Smith Commission proposal is realised by the existing drafting of the Scotland Bill. The inclusion of the term 'prevent' within Paragraph 74 of the Smith Commission report clearly suggests that there is no current proliferation and existing licensing legislation adequately controls the number of gaming machines.

We are concerned that any move to vary the number of gaming machines in licensed betting offices (LBOs) will disproportionately impact the viability of the sector which has a strong history in Scotland and risks customer displacement to non-regulated environments.

The LBO sector – of which there are 997 in Scotland, employing 7000 staff, of which 56% are female and 27% aged 18-24 - is highly regulated by the Gambling Commission. Each shop pays £11,000 in business rates and the industry as a whole in Scotland contributes £115 million in tax (£300 million in Gross Value Add).

The introduction of gaming machines – commonly referred to as FOBTs – are evidence of changing customer demand and an appetite for digitised services as has been seen across the retail space. Their introduction since 2001 has not seen an increase in problem-gambling. Indeed, problem gambling rates in the UK have remained “relatively stable”¹ over the years and most recently in Scotland have declined to 0.4% (2013)² from 0.7% (2012)³ according to the latest Scottish Public Health Survey.

We understand the objective of the Smith Commission recommendations is the minimisation of gambling-related harm. This is an objective shared by the industry, but we do not agree with the means by which the Scottish Government proposes to achieve this. Research into gaming machines published by the Responsible Gambling Trust (RGT) in December 2014 found the distinction between problem and non-problem play can be identified, but did not find that there is a causal link

¹ Gambling Behaviour in England and Scotland: Findings from the Health Survey for England 2012 and Scottish Health Survey 2012, NatCen Social Research, Wardle et al, available to view: <http://www.gamblingcommission.gov.uk/pdf/gambling%20behaviour%20in%20england%20scotland%2010072014.pdf>

² Scottish Health Survey 2013, available to view: [Scottish Health Survey 2013](http://www.gamblingcommission.gov.uk/pdf/gambling%20behaviour%20in%20england%20scotland%2010072014.pdf)

³ Scottish Health Survey, 2012, available to view: <http://www.gov.scot/resource/0043/00434590.pdf>

between gaming machines and problem gambling. Therefore any measure aimed at reducing gambling-related harm should not unduly focus on a particular gaming product.

The industry has introduced a raft of measures aimed at improving player control and promoting responsible gambling, including the following:

- Adoption of the ABB Code for Responsible Gambling including a range of measures focused on identifying and assisting those displaying signs of harm;
- Availability of self-exclusion for any customer and staff support to assist the customer in refraining from gambling;
- Age verification awareness including independent third-party testing, and enforcement of a rigid 'Think 21' policy';
- The requirement to make a decision as to whether to set time and spend limits on gaming machines and the inclusion of mandatory alerts for those declining to set limits; and
- A commitment for 20% of all shop window advertising dedicated to responsible gambling messaging.

The industry remains committed to further developing these measures and since the introduction of the Code has increased the prominence of the setting limits functions on machines, hosted two 'Gamble Aware' weeks, further developed the self-exclusion process with tailored self-exclusion on course to be available across the UK by April 2016, and is working to roll-out behavioural analytics, to aid earlier intervention for at-risk players, across the UK later this year following conclusion of pilots schemes currently underway.

In April 2015, the £50 stake regulation was introduced meaning that any player wishing to stake over £50 on a gaming machine had to either load cash at the counter – thereby requiring an interaction with a member of staff – or move to account based play which better enables the operator to monitor their play.

These measures are providing an effective means of achieving our shared ambition of reducing gambling-related harm. We would urge consideration of the related clauses within the Scotland Bill and the Scottish Government's proposed amendments in light of these comments.

Response

The Association of British Bookmakers (ABB) welcomes the opportunity to submit views to the Local Government & Regeneration Committee in its inquiry into Fixed Odds Betting Terminals (FOBTs).

In summary, the ABB believes the Scotland Bill as currently drafted in respect of Fixed Odds Betting Terminals (FOBTs) adequately fulfils the Smith Commission objective to provide the Scottish Parliament with the power to prevent the proliferation of FOBTs. The wording as drafted, incorporating the terminology 'prevent', clearly suggests that there is no current proliferation and existing licensing legislation adequately controls the number of FOBTs. Therefore to amend the clause to apply to both new and existing licenses as suggested by the Scottish Government in its response to the Devolved (Further Powers) Committee does not reflect the original intention of the Smith Commission commitment.

If, as the industry understands, the main intent of the Smith Commission commitment was to reduce gambling-related harm, it could be argued that the measure should apply to other premises besides retail betting shops where B2 gaming machines – the category of machines to which the term FOBT applies – exist, such as various types of casino and tracks occupied by pool betting. This would ensure equal application of the various gambling licenses where B2 category gaming machines are allowed. However, we would point to the research published by the RGT in December 2014 on gaming machines which found that whilst it is possible to distinguish between harmful and non-harmful play, there is no causal link between gaming machines and problem gambling. Therefore we would encourage any measure aimed at reducing gambling-related harm not look to target any single product.

We would welcome the opportunity to discuss the issues raised in this consultation in more detail with members of the committee should this be of interest.

1. What would be the benefits and disadvantages for you as a consequence of the UK Government's proposed provision in the Scotland Bill 2015?

It is the ABB's understanding that the purpose of inclusion of measures relating to gambling in the Smith Commission and subsequently in the Scotland Bill 2015 relate to an ambition to minimise gambling related harm in Scotland. The ABB and its members take the issue of problem-gambling very seriously, with current evidence showing that problem gambling is not linked to any one product. Since the introduction of gaming machines into shops over ten years ago levels of problem gambling have remained relatively stable and declined year on year in the most recent statistics published in the Scottish Health Survey 2013 (published March 2015) down from 0.7% in 2012⁴ to 0.4%⁵.

⁴ Scottish Health Survey, 2012, available to view: <http://www.gov.scot/resource/0043/00434590.pdf>

⁵ Scottish Health Survey 2013, available to view: [Scottish Health Survey 2013](#)

Betting shops across the country play an important part in the communities in which they operate, often providing many benefits for customers as a community meeting point and a place to spend leisure time. As with any sector, competition plays a healthy and important role in ensuring the customer continues to receive good service and value. Not only are retail betting shops competitive on the high street but must also increasingly compete with online gambling sites.

Gaming machines are part of the product mix in modern betting shops. Their introduction was instigated by changing customer demands as has been seen with an appetite for digitisation across the wider retail sector. In Scotland however, there remains a preference for traditional over-the-counter betting products such as betting on horseracing, dog racing or football as opposed to gaming machine play with the ratio of activity at circa 60% OTC / 40% gaming machine.

The impact of clause 45 of the Scotland Bill would unduly impact FOBTs in gaming in betting shops. There is no evidence to suggest that any one type of product is more or less potentially problematic than any other and indeed research commissioned by the Responsible Gambling Trust (RGT) into gaming machines found that “focussing on one element of gambling alone... will not provide a better prediction of problem gambling or decrease the rates of gambling harm”⁶. Therefore to focus restrictions on one particular product is misguided and to the potential detriment of customers.

Following the introduction of the ABB Code for Responsible Gambling in 2014 responsible gambling is now at the forefront of industry activity and player control measures have been put in place across the spectrum of gambling products available in shops, including mandatory responsible gambling training for all betting shop staff. The industry is committed to building on the range of measures in place, fully taking into account the findings of the important RGT research, and will be publishing a revised Code later this year.

One measure introduced in the Code was the ability for players to set time and spend limits on their play on gaming machines. Building on evidence that players who set limits were likely to stick to them, in January 2015 the industry made it mandatory for a player to decide at the start of play whether to set a time or spend limit. The vast majority of those who set a limit stop play upon reaching the limit or set a new limit - 35% stick to their time limit and 46% set a new time limit; and 45% stick to their money limit with 21% setting a new money limit⁷.

Additionally, the proposed measure risks placing further pressures on a sector already dealing with substantive regulatory and fiscal changes, such as an increase in Machine Games Duty (MGD) to 25% and the £50 stake regulation.

Research undertaken by KPMG looking at data from 6,347 betting shops (out of approximately 9,000 in the UK) found that at year-end 2014 there were nearly 500 systematically loss-making shops and a further 507 shops making less than £20,000

⁶ Identifying harm? Potential markers of harm from industry data, NatCen Social Research, Wardle, Parke & Excell, Responsible Gambling Trust, December 2014

⁷ Industry data collated by gaming machines suppliers, SG Gaming and Inspired Gaming for the Responsible Gambling Committee, July 2015

in profit per year therefore to be considered 'at-risk' of closing by the industry. KPMG found that 52 out of the 768 Scottish shops included in the sample were systematically loss-making and an additional 55 'at-risk'.

Independently owned shops are facing a particularly challenging business environment with the number of independent LBOs decreasing by 43% between 2009 and 2014.

If the Bill were amended to apply retrospectively to existing licenses the future of the betting shop on the high street would be severely jeopardised with impacts on returns to the Exchequer in taxes paid, to local authorities via the payment of business rates, and on those employed in betting shops across Scotland numbering some 6000 people. The betting industry is a strong provider of jobs and is particularly strong in employing certain demographics, including women who make up 56% of the workforce and 18-24 year olds who make up 27%⁸. Given the general declining nature of high streets across the UK there is no certainty that these jobs would be quickly replaced.

Limiting the number of gaming machines in new premises will also cause negative competition consequences. Specifically, it will be a significant bar to new entrants to the market or smaller bookmakers wishing to expand. Scottish based independent bookmaker Scotbet has already been forced to close 25, a third of their estate, in the last 6 years highlighting the particular challenges faced by smaller operators due to their smaller revenue base and relatively high costs of compliance when compared to larger operators.

By limiting the availability of gaming machines in betting shops there is a risk that customers will move their play to un-regulated or illegal, venues. Not only would this reduce tax revenues collected by the government from both Machine Games Duty and Gross Profits Tax, but players would also miss out on the benefit of playing in environments with trained staff oversight.

Whilst neither the Smith Commission nor submissions received by the Devolved (Further Powers) Committee suggest the devolution of tax raising powers on gambling activity the economic contribution made by the sector is significant and amendments to existing gambling legislation would impact significantly, and negatively, on Exchequer returns. In Scotland, the industry pays an average of £11,000 in business rates per shop – there are currently around 997 betting shops in Scotland - and they contribute £115 million in tax (£300 million in Gross Value Add).

The industry is joined with the Scottish Government in its ambition to minimise problem gambling levels but is concerned that clause 45 will do little to assist those experiencing problems and merely displace demand without the benefit of regulation, staff training and oversight.

The industry continues to develop its responsible gambling measures and to assist those who do unfortunately have difficulties controlling their gambling. For example, in April 2015 the industry implemented the £50 stake measure which means any

⁸ 2013 Industry data compiled by Ray Stone Data Modelling

customer wishing to stake over £50 on a gaming machine must either interact with a member of staff at the counter or move to account-based play. The benefit of the latter move being that player behaviour can be more easily tracked. The industry is acting on the findings of the Responsible Gambling Trust research published in December 2014 with the development of behavioural analytics – where algorithms are applied to player loyalty card data allowing for the early identification of players who are showing signs they may be developing problem gambling characteristics in their play. This in turn allows for early intervention and sign-posting to support services where needed.

2. What would be the benefits and disadvantages for you as a consequence of the proposed alternative provision suggested by the Scottish Government?

The Scottish Government has suggested that clause 45 be applied to other gambling premises such as casinos and be applied retrospectively.

As outlined in our opening remarks, the wording of the Smith Commission committed to giving the Scottish Parliament the ability to prevent the proliferation of FOBTs. The industry believes that gaming machine proliferation is not an issue as betting shops can only sustainably open where there is demand for their services and 84% of shops are located in commercial centres. The specific use of the term 'prevent' also suggests that there is not yet what could be considered a proliferation of gaming machines at B2 category. Therefore there is no requirement for any powers to be implemented retrospectively or the alternation of existing licenses.

As noted previously, reflecting the historic demand for gambling services in Scotland, there is a danger that by removing a popular betting product from highly regulated LBOs, playing on gaming machines would move into the illegal sphere. Not only would this be to the detriment of customers who would no longer benefit from playing in regulated and responsible environments but would also have negative consequences for Exchequer returns, local authority business rate contributions and employment.

The suggestion that the power should apply equally to all gambling venues with the category of machines and not just LBOs may have some merit in the case of new license applications for casinos and tracks occupied by pool betting, in order to fulfil the ambition of the commitment made by the Smith Commission.

3. Which of these approaches do you prefer and why?

As outlined previously, the ABB and its members feel that the Scotland Bill as drafted fully reflects the commitment made by the Smith Commission to provide the Scottish Parliament with the ability to prevent the proliferation of FOBTs. Again we would note that we do not believe there to be a proliferation of gaming machines and the use of the term 'prevent' by the Smith Commission also suggests this to be the case.

4. Are there any changes in this area of law you would like to see which are not covered by either proposal, and why?

No. We feel that existing licensing legalization, coupled with the responsible statutory and voluntary measures implemented by the industry, are addressing the issues that the Smith Commission outlined. We are keen to continue to work with policy makers to utilise technology and existing powers to develop these measures without unnecessarily putting additional pressures on operators that will result in job losses and the closure of premises on high streets across the country.

5. Please make any further comment you feel is relevant to the Committee's inquiry into FOBTs.

Like all industries represented on the high street the betting industry has changed over time to reflect changing customer demand and preference. The advent of the internet and digitisation of the wider economy has been central to this. The introduction of gaming machines into betting shops reflects customer demand and any imposed change must be considered from multiple angles and with a broad understanding of the sector in mind.

Scotland has a long history of demand for gambling and betting shops form an important part of many communities. According to the Scottish Health Survey 2012 some 70% of people in Scotland gamble and indeed before legalisation of the industry in 1961 there is evidence of clear demand for gambling with 1,100 illegal betting premises reported in 1959 and 16,000 people prosecuted for illegal gambling.

Unlike in 1959, betting today takes place in highly regulated premises with trained staff focused on the welfare of customers and promotion of the responsible gambling agenda.

Continual development of responsible gambling measures

The number of individuals identified as having a problem in controlling their gambling in Scotland remains low at just 0.4% according to 2013 figures (published February 2015)⁹. The number has remained "relatively stable"¹⁰ over the years, and has seen a recent decline on 2012 figures but the industry remains committed to helping those who do have problems controlling their gambling.

All members of the ABB are required to comply with the ABB Code of Conduct for Responsible Gambling¹¹ that was implemented in full by March 2014.

Since its introduction a number of additional measures have been introduced by the industry to further promote responsible gambling behaviour based on a developing evidence base. For example, as of January 2015, all customers playing on gaming

⁹ Scottish Health Survey 2013, available to view: [Scottish Health Survey 2013](#)

¹⁰ Gambling Behaviour in England and Scotland: Findings from the Health Survey for England 2012 and Scottish Health Survey 2012, NatCen Social Research, Wardle et al, available to view: <http://www.gamblingcommission.gov.uk/pdf/gambling%20behaviour%20in%20england%20scotland%2010072014.pdf>

¹¹ ABB Code of Conduct for Responsible Gambling, September 2013, available to view: <http://www.abb.uk.com/wp-content/uploads/2014/09/ABB-code-for-responsible-gambling.pdf>

machines are required to make an active decision as to whether to set a time or spend limit before commencing play. This measure built on evidence showing that whilst the number of customers setting time or spend limits – the ability to do so was a measure included in the original ABB Code – was low, the majority of those who do set limits stick to them.

Other measures adopted include the commitment to remove gaming machine advertising from shop windows and to enable customers to obtain a statement detailing their time and money spend history at any time.

In December 2015 research was published by the Responsible Gambling Trust (RGT)¹² which found that data algorithms can be applied to gaming machine data to identify signs of potential problem gambling related harm. Using this as a basis the industry is progressing with the development of ‘behavioural analytics’ where these ‘markers of harm’ are applied to customer machine data allowing for the early identification of individuals who might be displaying signs of problem gambling. This in turn allows operators to interact at an early stage with responsible gambling messages and to signpost to support services.

These and a range of other additional measures will be incorporated into a revised copy of the Code of Conduct (‘Code 2’) due for publication in September this year.

Self-exclusion

The industry is continuing to develop the process of self-exclusion available to customers. In July 2015 a self-exclusion pilot scheme was launched in Glasgow City Centre. The pilot trials what will be a nation-wide scheme in place by April 2016 allowing individuals a single point of contact to discuss and develop tailored self-exclusion schemes relevant to their needs. For example, a customer might be excluded from betting shops close to their home, place of work and areas of socialising.

Economic contribution

The retail betting sector in Scotland not only contributes to the communities in which it operates through the provision of entertainment, but through business rates, employment and tax paid to the Exchequer.

Research undertaken by KPMG looking at data from 6,347 betting shops (out of approximately 9,000 in the UK) found that at year-end 2014 there were nearly 500 systematically loss-making shops and a further 507 shops making less than £20,000 in profit per year therefore to be considered ‘at-risk’ of closing by the industry.

By reducing the availability of gaming machines – for which there is clear customer demand – there is a risk that play will move into the illegal betting sphere. This would result in both customers missing out on the benefits of playing in highly regulated environments with trained staff oversight and the government from revenue raised

¹² Responsible Gambling Trust press release, *Ground-breaking research distinguishes problem and non-problem play on gaming machines*, available to view: http://www.responsiblegamblingtrust.org.uk/user_uploads/pdfs/0156%20-%20mrop%20press%20statement.pdf

through Machine Games Duty set at 25% on B2 machine game content and Gross Profits Tax at 15% as shops are forced to close.