

## Submission from Hippodrome Casino

### Summary

I welcome this opportunity to respond to the Committee's inquiry into FOBTs. In summary, my view is that both the Smith Commission and the Scotland Bill proposals do not go anywhere near far enough to ensure sufficient regulation of FOBTs. The Scotland Government must have the power to retrospectively vary the number of these machines and reduce the maximum stake that can be waged to £2.

By way of background, I am the Chairman and CEO of the Hippodrome Casino in London. I have extensive experience in the betting and gambling industry and support a strong but responsible industry, which is operated both fairly and safely.

I am extremely concerned about the rapid proliferation of FOBTs across UK High Streets. They are directly linked to problem gambling, with around 4 out of 5 FOBT gamblers exhibiting problem gambling behaviour at stakes in excess of £13 a spin versus 1 out of 5 at stakes £2 and under.

We now have over 34,874 FOBTs located in bookmakers in the UK. They are a particular problem in Scotland where it is estimated there are 3,997 operating in 1,095 betting shops with the recent Ladbrokes half year report recording an average profit per machine of [£1,022 per week](#). FOBT profits at Ladbrokes are up 11.9% on last year with 55% of their profits derived from the machines.

[Glasgow council area has more betting shops than anywhere else in the UK](#). The lucrative returns from FOBTs, the addictive nature of high speed roulette content and a limit of 4 FOBTs per premises has resulted in the clustering of betting shops in areas of social deprivation, as it is the poor and more financially vulnerable that are more likely to use them. Research for the [Guardian newspaper](#) revealed that there are twice as many betting shops in the poorest 55 boroughs of the UK, typically working class and urban, compared with the most affluent 115, even when accounting for population size, so 4 times the density.

It is essential that national and devolved Governments fulfil their role and act in the public interest to properly regulate their growth. In addition to driving problem gambling, these machines are causing extensive social and economic problems. In particular:

- Widespread incidents of [money laundering](#) and weak operator compliance procedures
- They are closely linked to the problems of short term, high interest lending as players take out loans to sustain FOBT usage. Anecdotal evidence of this was referenced by the 2014 [Glasgow City Council Sounding Board on FOBTs](#)
- They are driving crime; with a recent Freedom of Information request revealing that betting shops now account for 97% of all Police call outs to land

based gambling venues. Up to September 2014 there was also a [20% increase in Police call outs to betting shops](#)

- The addictive and lucrative nature of FOBTs has led to a 43% increase in betting shops located in town and city centres. The rate of growth in Scotland is estimated at around 80% by the [Association of Town and City Management](#).

There is a wider impact too. The demographic that plays the lower-stake, lower-risk Category C machines in community pubs are the same who use B2/FOBT machines in betting shops. With betting shops proliferating near to pubs, their higher-staking, more addictive gambling machines, are drawing custom away. With this income diminishing, pubs are no longer able to use their machine income to help pay towards their costs, and they are being forced to close.

It is important to note that FOBT (B2s) roulette content at £100 per spin runs four to five times faster than that of live roulette in a casino meaning not just a maximum stake of £100 per 20 second spin, but an equivalent of up to 5 spins and maximum of £500 staking per equivalent live table game in a casino, and with no supervision. This type of electronic, high speed, high stake, and hard gaming content was [introduced to betting shops](#) in the early 2000s, without a legal basis.

The 1968 Gambling Act put in place a regulatory pyramid with harder gambling at the top reserved to strictly regulated Casinos. These have high levels of player protection and supervision. At the bottom seaside arcades have the lowest levels of supervision and gambling. The middle tier, general high street ambient gambling, was expected to be fairly soft gambling with lower levels of player supervision. Sir Alan Budd agreed with this when he proposed the structure and basis for the 2005 UK Gambling Act. The proliferation of FOBTs has taken place outside this regulatory structure. They allow very hard gambling in easily accessible location with very low supervision levels.

The Government set out some measures to deal with FOBTs but these measures are ineffective at best. They still enable players to stake up to £100 a spin and simply introduced a £50 staking threshold above which players are required to identify themselves to staff or sign up to a loyalty card. This means players can still stake up to £100 and it appears that the bookmakers are in fact using this change as an opportunity to further market products to vulnerable gamblers. Ladbrokes latest half-year report shows they gave away £3.7 million in free plays to FOBT users in the last 6 months compared to just £1.9 million to those participating in traditional over the counter betting.

The bookmakers themselves also established a 'code of conduct' last year. The Responsible Gambling Trust have just [published a report on this code](#) which shows how ineffective it has been. The report notes that there is "no statistical evidence of any impact of the machine changes (voluntary limits and mandatory alerts), or indeed the broader code, on session length, money gambled and the proportion of gamblers playing for 30 minutes or more and inserting £250 or more into machines during their session."

Bookmakers will claim that restrictions on B2 gaming machines will drive players to online gambling. However, betting operators are already developing

“top up” cards and in the case of William Hill “top up Master Cards” to facilitate customers in more deprived, high unemployment areas with access not just to FOBT play, but also to their online operations. Early tests on the use of Master Cards by William Hill customers saw this statement from the developers [“users of the card were making fewer withdrawals and betting more often, so Hills plans to expand the card program by offering it to up to 100k of its frequent customers before the new footie season kicks off.”](#)

I therefore welcome any measures to halt and end the proliferation of these very harmful machines in low supervision, easy access high street betting shops. As noted above, while the measures set out in the Scotland Bill will be of limited effectiveness, and those proposed by the Scottish Government should also go further. The only way to protect the most vulnerable in our society and deal with one of the most significant contributors to problem gambling in areas of economic and social deprivation, is to reduce the stake that can be gambled on FOBTs to a more responsible level.

**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?**

The Bill’s proposal to devolve the legislative competence in relation to gaming machines where the maximum charge for a single play is more than £10 should be welcomed in that, as noted above, any steps to limit these harmful machines is beneficial (as you say in the consultation, given current staking limits this would only apply to B2 gaming machines).

However, restricting legislative competence to new licensed betting premises only, with no retrospective powers could potentially result in a zero or reduced allowance for new premises leaving existing trading premises at the maximum 4, creating competition challenges for the Scottish Executive. It would also ramp up the value of existing betting shops creating a market monopoly of licences able to offer maximum 4 FOBTs.

The power to reduce the number of these machines in new betting premises will do nothing to reverse the clustering and clear over provision of betting shops and FOBTs across Scotland. It is essential therefore that the Bill provides retrospective powers over the number of FOBTs as it could effectively deter betting operators from seeking to open new premises in Scotland and deal with the current problems of clustering. As the Scottish Government did not require betting shops to seek planning consent for new premises earlier this year, this may be the only adequate power available to the Executive and council licensing committee’s to prevent the continued proliferation of betting shops.

There are also concerns that applying a staking threshold of £10 and above for which legislative competence is devolved would encourage betting shop operators and their FOBT suppliers to develop game content that could operate at under £10, thus working around any reduction in allowance of machines with stakes up to £100, and £10 a spin can still lead to a volatile and harmful game in the wrong environment. The betting sector via their FOBT platform have already manipulated a loop hole in the 2005 Gambling Act by adapting low

stake B3 categorised slot style content into [hybrid games that take players into higher staking B2 content](#). Adapting this content to stakes of £10 and under would introduce new problems for high street machine gaming in Scotland.

If retrospective powers, as tabled by Members of Parliament to the Scotland Bill, are successful the concern for Scotland must then turn to an appropriate number of FOBTs to be allowed in all betting shops. However, any reduction in FOBT numbers may have the unintended consequence (especially as Scotland has not returned betting shops to a sui generis planning class) of encouraging betting operators to open more premises under the new allowance. Having no legislative control over determination of premises licences, licensing authorities would still operate under “aim to permit” guidance and therefore the proliferation of FOBTs across more betting premises could continue.

In short, the measures set out in the Scotland Bill at present do not go anywhere near far enough in terms of protecting vulnerable communities and high streets in Scotland. They will not effectively tackle the problem of FOBTs and could have the adverse impact of enhancing the value of existing betting shops. This brings us back to the increasingly supported view that stake reduction is the ultimate solution.

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

I therefore welcome the Scottish Government’s response and call for further competence in relation to FOBTs as this does not fully deliver on the Smith Commission Recommendation 74.

In relation to the Scottish Government’s concern that the powers in the Scotland Bill are limited to betting premises licences only, I agree that there is a concern that the spread of FOBTs expands beyond bookmakers to other low supervision environments, particularly given the current Secretary of State for Culture Media and Sport’s historic apparent position in favour of the expansion of FOBTs. I would however, note some caution in the drafting of any changes to the Scotland Bill in this respect.

At present, only casinos as well as betting shops are currently allowed to operate category B2 machines / machines ‘for which the maximum charge for use is more than £10’ under the 2005 Gambling Act. It should be noted also that even though casinos are licensed to operate B2 machines, most of the 147 casinos operating across the UK choose not to operate them. Of the 35,059 B2 machines in operation in the UK, 185 are in casinos and 34,874 are in betting shops.

It is important that policy makers continue to appreciate the distinction between the hard gambling on FOBTs which is undertaken in betting shops with low regulation and very low levels of supervision and that which is undertaken in casinos where there are very high levels of supervision and player protection.

In bookmakers, betting shop staff are [failing to intervene when gamblers are exhibiting signs of problem gambling](#). They do not have the training, time or capacity to deal with the problem. Staff are often working alone (and are often women), at not much more than minimum wage levels, particularly in the evening. Clearly it is inappropriate and also dangerous for gambling at such high stakes to take place in such a low supervision environment.

It is right that the hardest gambling is reserved to highly regulated venues, such as casinos, where customers go with the knowledge and expectation of experiencing a hard gambling environment, generally with a set budget in mind. Casinos have appropriately high levels of player supervision and protection. The players tend to be occasional visitors and casinos tend to be viewed as a destination venue with more than just gambling on offer.

On the point that powers would only apply to future applications for betting premises, as noted above, I fully agree with this concern and set out the rationale as to why.

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

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

As noted above, it is clear that significant steps must be taken to prevent the harm to our communities which is being caused by FOBTs. The Scottish Government's response, which proposes stronger reforms, is therefore the best course of action of the two.

Given the scale of the problems being caused, however, even these proposals do not go far enough. In addition to ensuring the Scottish Government has the power to retrospectively vary the number of FOBTs, it is also essential to reduce the maximum stake on these machines in bookmakers to £2. This is the only effective way to deal with the growing problems associated with them. This action would also be in line with the call from almost [100 Local Authorities across England and Wales](#), a quarter of the total, who have petitioned under the Sustainable Communities Act for the Government to reduce the stake on these machines to £2.

There is also strong political support for stake reduction from across all political parties in Scotland, England and Wales. Recent polling by [ComRes](#) and [Ipsos Mori](#) shows that the general public are keen to see FOBTs brought in line with gaming machines found outside of bookmakers.

The bookmakers are lobbying heavily to keep the profit from their FOBTs for as long as possible. Their profit aspirations however are not a reason to continue with the current situation. Bookmakers have a place on the high street providing betting on live events, it was never the intention that they should make gambling available that is harder in form than that found in casinos. Moreover, the results from 2 studies [NERA](#) and [LANDMAN](#) economics conclude that if FOBTs were cut back to £2 stake, some bookmakers would close, particularly where they had sprung up in clusters, but also that the bookies would still make reasonable money from their gaming machines, and that money would return to over-the-

counter betting supporting the traditional horse racing industry. At the same time some money would return to other, more labour intensive shops on the high street adding over 2,000 net jobs.

The Landman Economics [The Economic Impact of Fixed Odds Betting Terminals 2013] analysis when applied to Scotland indicates that last years' estimated losses of £158 million could have cost the Scottish economy 2,054 jobs across the wider economy. Whilst across the betting sector since 2008 the number of people employed has fallen by 9,700.

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

I would welcome the opportunity to meet with the Committee to discuss its important and very welcome work in this area.

**Simon Thomas**  
**CEO of the Hippodrome Casino**