

Clerk to the Local Government and Regeneration Committee  
Committee Office  
Room T3.40  
Scottish Parliament  
Edinburgh  
EH99 1SP

28<sup>th</sup> August 2015

by email only

Dear Sir

**Local Government and Regeneration Committee: Call for evidence on Fixed-odds Betting Terminals**

This submission is made by the Gala Coral Group one of Europe's largest integrated betting and gaming groups with circa 1850 Coral betting offices in the UK (150 in Scotland), 130 Gala Bingo clubs (17 in Scotland), circa 870 Eurobet Italia betting offices in Italy and casino/bingo/betting online sites regulated in Italy and Gibraltar.

Our response to the five questions detailed as part of the call for evidence enquiry is as follows:-

**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?**

Gala Coral believes the Scotland Bill, as drafted, fulfils the stated objective of the Smith Commission to grant the Scottish Parliament the authority to prevent a 'proliferation' of Fixed-odds Betting Terminals (FOBTs). We do not believe there is currently a proliferation of FOBTs in Scotland, but accept this transfer of power will allow future licensing decisions involving B2 gaming machines to be made by politicians closer to the communities they represent.

If the ultimate objective of the Scotland Bill is to reduce the levels of problem gambling, the proposal to vary the number of FOBTs is not supported by evidence. Numerous studies have established that problem gamblers bet on multiple different products (with the British Gambling Prevalence Survey 2010 reporting problem gamblers on average using nine different products) and at varying stake levels. In particular a world leading and independently conducted £1million research project into FOBT play by the Responsible Gambling Trust stated that "gambling is a complex behaviour and varies for different people under different circumstances". The report goes on to say that:

*"Evidence from this study shows that focusing on one element of gambling alone—such as the reduction of stake size—will not provide a better prediction of problem gambling or decrease the rates of gambling harm. Problem gambling is complex and all interventions must be evaluated and tested for efficacy."*

An arbitrary decision to reduce access to FOBTs will not address problem gambling. As set out later in our response, it requires an integrated response from the industry and a range of complementary interventions.

While we do not believe the proposal will impact levels of problem gambling, it is a significantly less damaging proposal than the alternative presented by the Scottish Government. If the UK Government proposal passes un-amended, the principal benefit will be a degree of market certainty for Gala Coral, which will maximise our ability to protect jobs and continue to make a significant economic contribution to Scotland.

### **FOBTs and responsible gambling**

Responsible gambling is at the heart of everything we do. In order to best protect at-risk individuals, it is vital that we implement an evidence based approach, are open to new ideas and work collaboratively with the rest of the industry. Our concern is that the demonisation of FOBTs is distorting the debate on how best to promote responsible gambling.

All the evidence from the industry shows that problem gamblers use multiple products and that overall levels of problem gambling have been stable since 1999, when FOBTs or online gambling didn't even exist. In fact, the most recent Scottish Health Survey 2013 (published March 2015), shows a fall in the percentage of problem gamblers in Scotland, down to 0.4%. There is no correlation between the emergence of FOBTs, or any other specific product for that matter, and levels of problem gambling; protection for FOBT players is very important, but is not a panacea.

Gala Coral is fully committed to working with our peers in the industry, staff and customers to promote responsible gambling and we have a wide range of initiatives in place. As a founder member of the Senet Group, Coral no longer advertises online sign-up offers before the watershed; has withdrawn FOBT machine advertising from shop windows and has 20% of all advertising dedicated to responsible gambling messages. Senet also funded a dedicated TV advertising campaign aimed at warning customers and potential customers of the dangers of gambling if not enjoyed responsibly.

In partnership with the industry, we are part of cross-operator self-exclusion pilot programmes in Chatham and Glasgow, where bookmakers from all companies share information to prevent known problem gamblers from gambling in future. This approach, which allows customers to self-exclude from all betting shops in their area by making a single request, has dramatically improved the effectiveness of this protection measure.

In 2014, Gala Coral set-up a new Responsible Gambling Committee, chaired by Carl Leaver (Gala Coral Group CEO) and with a remit to report to the Board on our responsible gambling agenda.

Research by the Responsible Gambling Trust found data analytics to be effective in identifying problem gamblers. Nearly 12 months of machine play across most operators in the industry was analysed to identify "markers of harm", being playing patterns that are correlated to a higher incidence of problem gambling. Gala Coral is now implementing this technology so that we will be able to identify those players that exhibit such "markers of harm", enabling us to intervene more quickly and effectively.

### **Betting shops and communities**

Betting shops are a way of bringing people together and in villages, towns and cities across Scotland they provide a hub for the local community and are often especially valued by OAPs. Betting shops also offer opportunities to watch sports which are now unaffordable for many to view in their own homes.

FOBTs are a crucial part of the product mix in modern betting shops. In Scotland the ratio of play between traditional over-the-counter betting products such as betting on horseracing, dog racing or football to gaming machine play is circa 60% / 40%.

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Depriving new LBOs (Licensed Betting Offices) of FOBTs will have a major impact on the viability of new shops, including for the many customers who don't play on the machines at all.

However, Gala Coral has always believed that early and substantive engagement with the local community is key to the success of any new LBO. If the Scotland Bill passes un-amended, we will make the argument for FOBTs in new shops on a case by case basis.

### **Tax, regulation and stability**

The gambling industry, of which Gala Coral Group is a significant part, contributes £3.2bn per annum to UK GDP and £1bn a year in taxes. While tax is collected centrally and distributed by HMT, this contribution makes a material impact in Scotland. In the last two years, the UK Government has introduced a series of regulatory and tax reforms, including the introduction of a point of consumption tax for online gambling and a rise in Machine Games Duty (MGD) to 25%. These measures have raised tens of millions in additional tax, including from Gala Coral.

Following a period of such intense tax and regulatory change, the advantage of the proposal from the UK Government will be stability in the number of FOBTs in our existing LBOs. This will allow us to plan for the future in Scotland with a degree of confidence and security. Crucially, it will help us to protect jobs and ensure that customers across Scotland retain access to Coral betting shops, where they can enjoy gambling responsibly on a range of different products.

We welcome the fact that the UK Government proposal seeks only to devolve legislative competence over B2 gaming machines. We do not believe there is a case for devolving further powers to Holyrood related to gambling and welcome the stability that results from the retention of powers over tax and regulation in Westminster.

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

The amendment to clause 45 of the Scotland Bill proposed that licensing changes could be applied retrospectively to LBOs and other premises, like casinos. Practically, this would grant authorities in Scotland the power to enforce a reduction in the number of FOBTs in existing Coral betting shops.

### **Economic Viability**

FOBTs are now a key feature in the ecosystem of betting shops – quite simply, they are critical to ensuring that many shops remain open.

Applying these changes retrospectively would significantly impact the economic viability of a large number of our shops. With online gambling becoming a larger part of the market, and continuing to grow, betting shops are already under pressure. Reducing the number of FOBTs in existing shops would reduce their profitability, and put thousands of jobs at risk, not to mention the average £11,000 in annual business rates per shop.

Recent independent research undertaken by KPMG determined that at the end of 2014 14% of betting shops in Scotland were systemically loss making or only marginally profitable. Accordingly 107 out of the 768 LBOs were already at serious risk of closing already, without any further measures. If only loss making LBOs were to close 208 jobs would be lost, along with up to £3.5m of tax and levy payments and £572,000 in business rates. If those marginally profitable LBOs were to close, the impact would be considerably higher.

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Since this analysis was conducted, regulatory and taxation changes, including the recent increase of Machine Games Duty to 25% (for B2 machines) and controls over high-stakes play (>£50), have had further very material negative impacts on the betting shop sector. FOBTs make up an important part of our offer to customers, and help betting shops remain profitable. Further changes would therefore put many more betting shops at risk of closure, threatening jobs and the viabilities of high streets.

It is important to note that, whilst KPMG has endeavoured to estimate the impact of new measures, these measures have not yet been allowed to take full effect and the estimate might prove to be under-stated. For example, as above, earlier this year the UK Government introduced new controls on B2 machines with the aim of increasing the supervision of stakes above £50. This meant 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 use an account card, enabling the operator to monitor their play. The early effect of this change has been to reduce play at stakes of over £50 by over 70%. These are very material changes that need to be given the chance to bed in before further measures are considered.

### **Impact on communities and customers**

This is not solely a debate about economics. As stated earlier in our submission there is no evidence to suggest that a reduction in access to FOBTs would have any impact on levels of problem gambling. By contrast, if a crackdown on FOBTs were to cause a wave of betting shop closures, there is a very real risk that the black market in gambling would resurface, dramatically increasing the risk to individuals with a history of problem gambling.

Gala Coral currently employs 735 people in Scotland, with the ABB estimating that a total of around 6000 people are employed by the industry across the country. These are much loved jobs and our employees build relationships with the local community, both in and out of shops, and play a key role in ensuring gambling is responsible.

It is not only local jobs and communities that would suffer from the closure of betting shops as a result of further restrictions on FOBTs. The racing and greyhound industries rely on shops for survival. Putting more shops at risk of closure would decrease the number of bets placed and so reduce the contribution of our industry to racing calculated via the betting levy. Even more significantly, the substantial payments made on a per shop basis for the rights to screen televised racing would reduce pro-rata as shops closed.

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

In line with our responses to questions 1 and 2, we feel that the Smith Commission proposals are fully met by the Scotland Bill. We feel that any further changes, as proposed by the Scottish Government, would put the jobs of our employees, the enjoyment of our customers, and our ability to continue to invest in responsible gambling at risk, and therefore we clearly prefer the approach outlined in the Scotland Bill.

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

There are no further legislative changes which we are currently seeking from the Scottish Government. However, we remain open and enthusiastic to engaging with the Government and opposition parties in Holyrood to help ensure the gambling industry is regulated effectively and proportionately.

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It is vitally important to protect problem gamblers, and we recognise how evidence-based legislation, properly crafted and implemented, can help achieve this.

However, we believe we can continue to act without changes to the law. The launch of the Senet Group, which Coral is proud to have been a founding member of, saw major companies in the industry commit to a voluntary TV advertising ban on sign-up offers (free bets and free money) before 9pm, the withdrawal of all advertising of gaming machines from betting shop windows and 20% of shop window advertising dedicated to responsible gambling messages.

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

At Gala Coral Group, we are proud to provide a service that enables millions of people in the UK to enjoy gambling, safely and responsibly.

To help to ensure that we live up to the highest standards, our approach is based on three principles – adhering to the spirit, as well as the letter, of the law; acting together with the industry; and giving customers the tools to stay in control, including innovating to deliver extra protection by providing customers with better tools and information.

The Gala Coral Responsible Gambling Committee (chaired by Carl Leaver, our Group CEO) is integral to our business and guarantees ownership and scrutiny from the top of our Group. We are looking forward to driving the responsible gambling agenda forward in 2016, through our own measures and in our continuing partnership with the industry via the Senet Group and the ABB.

We know that gambling, and FOBTs specifically, are emotive issues. This has implications for how decisions are made on new betting shops, irrespective of who that decision maker is – whether they be in Westminster, Holyrood or local authorities. Decisions need to be based on evidence so that regulation protects customers from unscrupulous operators, but also protects responsible operators and their employees from unfair or unnecessary restrictions. Without evidence-based decision-making, the freedom of customers to enjoy gambling, tax revenues, jobs, racing and the fabric of our high streets will all be severely damaged with no public policy benefit.

It is vital that the issue of problem gambling is not simplistically reduced to a debate on access to FOBTs. To do so would do problem gamblers a great disservice, as it prevents the real issues being tackled. Problem gamblers use multiple products, and removing one of them will do little or nothing to address the harm that they face. The right approach must put the gambler at its centre and ensure that there is collaboration and transparency across all sectors of the industry.

Yours faithfully



Carl Leaver  
**Group Chief Executive**  
**Gala Coral Group**

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