

28th August 2015

Clerk to Local Government & Regeneration Committee
Committee Office
Room T3.40
Scottish Parliament
EDINBURGH
EH99 1SP

Dear Sirs

Re: Submission to Inquiry on FOBT's

Cashino Gaming Limited are the holders of an operating licence from the UK gambling commission and operate 12 arcade premises in Scotland and around 150 across the UK. These premises all operate under the regulation of an Adult Gaming Centre licence issued by the local licensing board or licensing authority. Cashino Gaming Limited is part of the Praesepe Group which also operates Beacon bingo clubs and we have considerable experience in the gaming machine and gaming sector.

In Scotland, we employ 80 staff across our 12 premises and there are some 409 amusement machines. Our business supports a number of secondary local and national businesses (e.g. machine suppliers, local businesses).

Our business offers a mixture of machines and amusements to our customers which include Category B3, C and D machines. We do not offer B2 machines, otherwise known as "Fixed Odds Betting Terminals" (FOBTs) as under the Gambling Act 2005 they are only allowed on betting premises.

We write in response to the Scottish Government Call for Evidence in relation to "Fixed Odds Betting Terminals" and Betting Premises.

The call for evidence arises from a suggestion by the Scottish Government that the Scotland Bill does not go far enough to meet the proposals in the Smith Commission. We note that a series of amendments to the Scotland Bill were lodged on behalf of the Scottish Government at the House of Commons debate on 6 July 2015 in relation to the proposed Clause 45 of the Bill which in our view was designed to deal with FOBTs on betting premises. These amendments were:

- 31 - leave out "for which the maximum charge for use is more than £10". This would create the power for licensing boards to place limits on machine numbers irrespective of stake and therefore category.
- 32 - this amendment would make the power to introduce these limits retrospective
- 146 - this amendment would to make the power apply to all types of gambling licence not just betting premises
- 163 - this amendment would be to make the limit apply to machines for which "the maximum charge for use is more than £2".

Amendment 163 appears to be in the line with the separate English Private Members Bill on FOBTs which seeks a maximum £2 stake for FOBTs and is being considered separately. However, we note that an appeal by English councils to have the stake capped to £2 was rejected by the UK Government on 16 July 2015.

We are greatly concerned that the scope of these amendments and the Call to Evidence suggest that Scotland should be given greater powers to limit gaming machine numbers of any type, not just FOBTs, for any premises, not just betting shops, and that this could apply retrospectively.

There are now over 34,800 FOBTs located in bookmakers in the UK. 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.

These FOBT machines 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 has more betting shops than anywhere else in the UK. In fact Glasgow, Edinburgh and North Lanarkshire all feature in the top ten ranking list of betting shop numbers in the United Kingdom.

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

- Widespread incidents of money laundering
- 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.

Amusement machines, as opposed to FOBT's are the life-blood of the amusement business. The viability of our business is entirely dependent on the fact that the licences we hold allow us to offer a certain number of machines. AGC premises have a sole purpose and that is to provide gaming machines for the amusement and enjoyment of our customers. We run our premises responsibly and our internal policies and procedures are vetted and approved by the Gambling Commission. These proposals suggest that Scotland could be given powers which would mean our entitlements could be removed. This would be catastrophic for a business like ours.

It seems to us to be disproportionate and against the ideas of natural justice that our existing licences could be "called in" so that a licensing board could impose a limit on the number of gaming machines we can offer our customers, especially when there is no evidence presented or indeed available which suggests that there is any alleged harms arising from the use of Category B3, C or D machines.

We are also at a loss to understand how a proposal which was supposed to be about FOBTs on betting premises, a very narrow scope, has somehow become a conduit for the Scottish Government to seek significant powers which would be drastic for the gambling industry in Scotland as whole. As far as we aware the only type of machine ever discussed by Smith was the FOBT. There was no suggestion, and has been no suggestion, that other types of machines should be limited. Yet now the Call to Evidence and Scottish Government amendments to the Scotland Bill suggest something completely different. The intent of the Scottish Government amendments, and their aim overall, appears to us to be about making the power to limit gaming machines of any category apply to all licensed gambling premises.

The wording used in the House of Commons debate on 6 July 2015 was: *"This amendment replaces the reference to betting premises with a more general reference to gambling premises, giving full effect to Smith Commission recommendation 74."* In addition, the Call to Evidence document says: *"The Scottish Government's Response to the Interim Report from the Devolution (Further Powers) Committee on the Smith Commission and the UK Government Proposals states the Scotland Bill "does not fully deliver Smith Commission Recommendation 74. The reasoning given for this view is: The powers it provides to Scottish Ministers are limited to betting premises licences only"*.

This is confusing. Why does the Scottish Government think it appropriate to widen powers to deal with an alleged issue over FOBTs in betting premises to all gambling premises, when only betting premises are allowed to have FOBTs? Has the Government misunderstood the Gambling Act?

Our reading of the Smith Commission report is that it did not intend anything other than restricting FOBTs on betting premises.

If a combination of these proposed amendments were to come to pass, it would mean our business and livelihood of our staff would be subject to significant threat by cutting machine numbers The arcade sector is entirely dependant on the provision of amusement machines.

We are therefore opposed to any power which removes our existing entitlement to use B3, C and D machines in our arcade premises which is a right given to us by virtue of the licence. Parliament sought not to give licensing authorities powers over machine numbers which is why the Gambling Act specifically prevents them from imposing a condition about machine numbers. These entitlements are given to us on the face of the Act.

Our business has been harmed by the Gambling Act which has given preferential treatment to betting premises by making them the only sector which is allowed to use B2 (FOBT) machines. As a business with a strong local presence in communities across Scottish cities and towns it has been hard to see our loyal customers leave to attend betting premises to play FOBT machines instead of the more traditional machines we have always offered such as fruit machines. The playing of amusement machines is a leisure activity enjoyed safely by thousands of people across Scotland. Those customers have moved away from arcade premises like ours to play FOBTs. It seems to us that many betting shop customers are no longer going to betting shops to place bets in the traditional sense such as on horse racing or football results, but instead to play machines. That blurring of the lines has harmed us immensely. We would like to see a level playing field where betting shops are only allowed to offer machines which have similar maximum stakes and prizes to those we are allowed to offer. That way customers can have a choice about whether they prefer to enjoy machines in a traditional arcade premises like ours as opposed to a betting shop.

In short, we wish the Committee to note our chief concerns:

- The arcade industry has been adversely affected by losing customers to betting shops to play FOBTs since 2007 when the Gambling act came into force
- Proposals to limit machine entitlements for arcade (AGC/FEC) premises should not be affected or altered as this would be a further blow and in any event there is no suggestion that any category of machine other than FOBTs are leading to disproportionate harm
- There should be no retrospective application of machine limits
- Any limit under consideration should be focused on the original scope of the Smith Commission which relates only to FOBTs on betting premises

Yours faithfully,

Byron Evans
Commercial Director
Cashino Gaming Ltd