ABB Submission | Devolved (Further Powers) Committee

Executive summary

The ABB welcomes the opportunity to submit this response to the Devolved (Further Powers) Committee’s call for written evidence on the UK Government’s Draft Legislative Clauses.

Our submission relates specifically to paragraph 74 of The Smith Commission Agreement which commits to giving the Scottish Parliament “the power to prevent the proliferation of Fixed-Odd Betting Terminals”. This corresponds with Clause 33 of the Draft Scotland Clauses 2015.

We, as an industry, are concerned that instituting a form of prohibition against a popular betting shop product, namely gaming machines, is a major policy mistake leading to less, not more, protection for “at risk” and problem gamblers.

All current research indicates that problem gambling is about the person not the product. Therefore we firmly believe that the proposed policy undermines a co-ordinated and effective harm reduction strategy for Scotland.

We would suggest that a more sensible policy is one which relies on identifying at-risk and problem gambling behaviour within regulated premises. As an industry we are strongly committed to developing player control and responsible gambling measures. We are looking at machine data to see how behavioural analytics can be used to identify markers of harm and are developing improved self-exclusion and player control measures to help customers stay in control and enjoy their gambling.

Introduction

The ABB is the leading trade association for operators of Licenced Betting Offices (LBOs). Our members include Gala Coral, Ladbrokes, William Hill and Paddy Power and around a hundred smaller family owned businesses; including Scotbet (Scotland’s leading independent betting operator).

We do, and are always happy to work with people who have concerns about gambling issues in Scotland and across the UK. We work closely with governments and with the regulator, the Gambling Commission, on responsible gambling measures and with local authorities who have particular concerns specific to their area.

The Draft Scotland clauses make provision for Scottish Ministers, instead of the Secretary of State (as is the case in existing legislation), to vary the number of gaming machines for which the maximum charge for use is more than £10 authorised by a betting premises licence in respect of premises in Scotland. The legislation, as drafted, does not allow for amendments to be made to a betting premise licence issued before this legislation is passed.

However, we believe that instituting a form of prohibition against a popular betting shop product, namely gaming machines, is a major policy mistake leading to less, not more, protection for “at risk” and problem gamblers. Indeed, recent research commissioned by the Responsible Gambling Trust found that focussing on one element of gambling alone – such as a reduction in stake size – “will not provide a better prediction of problem gambling or decrease the rates of gambling harm”.

Illegal gaming machine supply is still a major problem in inner city areas and with demand for digital products increasing an attempt to choke established demand. Reducing regulated supply will simply provide an opportunity for growth of the illegal market. The police and local authorities would not be resourced to deal with this issue.

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**Betting in Scotland**

Betting shops are an important part of many Scottish communities. As well as employing some 7000 people, betting shops pay business rates and add to the vibrancy and vitality of many ailing Scottish high streets. Planning evidence shows that betting shops (which generally occupy around 2% of retail frontage) drive more footfall than almost any other retail unit apart from Post Offices and chemist shops. An element of the profits from operators is invested back into Scottish sport in the form of sponsorship.

Many operators have community policies and make charitable contributions to the communities they serve; as well as being active participants in business improvement districts (BIDs).

There has always been a historic demand for gambling in Scotland and figures in the Scottish Health Survey 2012 show that 70% of people in Scotland gamble. Gambling was popular including in the time preceding the legalisation of gambling in the 1960 Betting and Gambling Act. Indeed some of the reasoning behind the Act was to deal with illegal street betting in traditional working class areas. In 1959, the *Glasgow Herald*, reported on the development of legislation to legalise betting shops when it was reported that there were 1100 illegal betting shops in Scotland with some 300 of those in Glasgow. In the same year some 16,000 people were prosecuted for illegal gambling in Scotland.

The passing of the Act moved gambling from an illegal and undercover activity to one that took place in a legal and regulated environment with staff oversight of an enjoyable leisure pastime. The growing commitment of operators to responsible gambling is well documented (see below).

In Scotland there is still a greater demand for traditional over-the-counter (OTC) betting on sports. However in a digital age, betting shops have to remain relevant and this accounts for the popularity of gaming machines; (that are an ancillary entitlement to the betting premises licence). Retail profits have been flat for some years, but as traditional betting revenues decline, gaming machine revenues have increased, but only to the point of stabilising overall shop profits. In Scotland there is still a 60/40% revenue split in favour of traditional over the counter products. The football betting product is very strong in Scotland so commercial decisions to open new betting shops are not just driven by gaming machines; although they are in important part of the product mix.

**Responsible gambling**

Betting shops have also changed in other ways. Now, more than ever, there is an emphasis on the promotion of responsible gambling and player control mechanisms. This includes an incremental increase in responsible gambling interactions and self-exclusion. Operators also operate “Think 21” policies.

Responsible gambling messages are prevalent in the shops of all members, encouraging people not to bet more than they can afford to lose. This year the ABB hosted the first Gamble Aware Week, which we hope to become a regular event, to further increase awareness of the responsible gambling tools available, in particular, the limit setting function on machines.

In addition to these measures the ABB’s four largest members have set up the Senet Group, an independent body to promote responsible gambling standards, and have committed to no gaming machine advertising in shop windows or free bets as sign-up incentives in advertising before the 9 p.m. watershed.

As of 6 April a new government regulation will introduce a requirement for interaction with all customers wishing to stake over £50, either through cash loading at the counter or account based play. The industry is retraining all staff in responsible gambling to be alert to the markers of harm and to be prepared for the forthcoming measure.

The ABB’s Code for Responsible Gambling, which came into force in full in March 2014, allowed players to set time and spend limits on gaming machines. Building on positive evidence which showed that of 75-85% of players who set time or spend limits stopped playing or stopped adding money after reaching the limit we introduced a new measure making it a requirement for every customer to make an active decision at the start of play as to whether they want to set a limit.
Recent research commissioned by the Responsible Gambling Trust looked at the behaviour of over 4000 loyalty card holders from the largest 5 betting operators across the UK (BetFred, Coral, Ladbrokes, Paddy Power and William Hill).

It was found that of all machine play only 3% of play is at the £100 staking level. Of this, only 1% start with a staking level of £100 with the additional 2% of play normally played with acquired winnings. The average player stake on a B2 machine is £14.08 and per session the average player spends £5.13. In Scotland, total average spend on machines is also lower than the rest of the UK at around £4.

In keeping with the known preference for OTC products in Scotland, it was found that players in Scotland have less appetite for roulette-style games than elsewhere in the UK (55% of machine play in Scotland compared with 75% popularity in London). Most roulette players split their stake across a number of variables with a maximum stake on any one number capped at £13.45 with potential winnings of £500.

Average spend is lower in poorer areas and customers also spend less time on machines. It does not make commercial sense to target deprived areas and we don’t.

60% of the betting shops in Scotland have been in the same location for over 20 years, with only a marginal rise in overall numbers. There are greater concentrations of bars/pubs in these same areas; as well as greater concentrations of fast food outlets.

Betting shops are opened either in areas of dense population and in town/city centres where resident populations are boosted by commuter inflows. The table below shows that the average resident population density near betting shops is two and a half times the average urban density.

### Average population densities segmented by GB areas:

<table>
<thead>
<tr>
<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>
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<tbody>
<tr>
<td>2.53</td>
<td>18.6</td>
<td>49.8</td>
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*Data source: Office for National Statistics (ONS), Geofutures*

This explains concentrations like those found in Glasgow city centre and Edinburgh. So in city centres betting shops are competing for the leisure pound of economically active commuters. The business model, which also relies on relatively low rents has not changed since the 1960s (although the product range has diversified).

### Planning

We note concerns that some organisations have about the clustering of betting shops, but would say again, that the majority of betting shops have been in the same location for over 20 years. In recent years, due to declining rents and shop availability on high streets, some betting shops have moved from side streets to the high street which may add to the perception of an increase in betting shops when in fact the number has remained broadly steady and is now in decline.

In the past, some local authorities have made use of Article 4 Directions to limit the number of betting shops within a particular vicinity. Indeed, following the Planning Controls, Pay Day Lending and Betting Offices consultation which considered whether a separate use class should be established for betting shops the Scottish Government said that they did not intend to make any changes to planning legislation in respect of betting offices. Instead, the Scottish Government continues to support existing planning mechanisms to address local concerns and cited the introduction in June 2014 of the Scottish Planning Policy containing new provisions on clustering and over provision.

As an industry we believe that the best way to address local concerns is with local solutions. In England and Wales we recently launched the LGA-ABB framework for local partnerships on betting shops. This sets out a collaborative dialogue-based approach for councils and the industry to address local concerns including around clustering and the number of gaming machines in some areas. We are keen to replicate this constructive approach with COSLA in Scotland.
One important point to note is that there is no empirical evidence (as shown in an enquiry by the Glasgow City Sounding Board) that there is any relationship between payday loan shops and betting shops. In isolated areas there may be some coincidental proximity, but only because the same demographic is being served for completely different reasons. Gambling does not feature in any of the main reasons (travel costs and household purchases) for taking a loan.

Problem gambling

The industry takes the issue of problem gambling very seriously. It is committed to improving player control and assisting those with trouble controlling their gambling behaviour whilst at the same time maintaining an enjoyable leisure product for the majority who are able to enjoy their gambling responsibly. The level of problem gambling should be looked at in comparison with other behaviours that can be addictive. The graph below compares the level of problem gambling as found in the Scottish Health Survey 2012 with levels of obesity, smoking and harmful drinking behaviour in Scottish society in general.

This means that 0.7% of the Scottish population are problem gamblers, 1% are moderate risk gamblers and 3% are at risk gamblers and conversely this means that 95% of the Scottish population (including most gamblers) are unaffected by gambling related harm.

However despite the low and stable level of problem gambling in the general population, the Scottish betting industry are not complacent. The health survey tells that around 1 in 20 (5%) betting shop users may be a problem gambler, but that higher levels of problem gambling (13%) exist in multi-product gamblers who use a range of products provided across gambling sectors including lottery scratch card retailers.

There is no empirical evidence that gaming machines are any more addictive than other gambling products (or that they are driving up problem gambling levels within Scotland). Therefore a more sensible policy is one in which relies on identifying at risk and problem gambling behaviour within regulated premises (across all products) and signposting to treatment and advice services funded by the industry.

The industry is already looking at how behavioural analytics can be used to identify markers of harm using extensive gaming machine data to influence responsible gambling interactions by staff. As required by the ABB Code of Conduct for Responsible Gambling, our staff are trained to identify signs of problem gambling behaviour in conjunction with third party providers such as GamCare.

Conclusion

Gambling is prevalent in deprived areas and historical experience tells us that restriction of access does not reduce prevalence; it only shifts the problem into a less protected illegal market.

There is a very grave danger here of the implementation of very bad gambling policy that undermines the fundamental principle that demand should be met by regulated operators.