

## Written submission from the Campaign for Fairer Gambling

The Campaign for Fairer Gambling's view is that the Smith Commission's recommendation does not contain the scope for meaningful reform and the UK Government's proposed provision does not adequately adhere to the Smith Commission's recommendation. Our response to this consultation is limited to four pages, as instructed by the Local Government Regeneration Committee. We trust that other respondents have also adhered to this guideline.

### ***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 Smith Commission recommended that "the Scottish Parliament will have the power to prevent the proliferation of Fixed Odds Betting Terminals". However, the UK Government proposes to "devolve legislative competence to the Scottish Parliament and executive competence to the Scottish Ministers to vary the number of FOBTs authorised by a betting premises licence by inserting a specific exemption into B9 of Part 2 of Schedule 5 to the 1998 Act. **The exception will permit the variation of the number of FOBTs authorised by virtue of a new betting premises licence, but does not permit variation of the number of such gaming machines authorised by existing betting premises licences.**"

The proliferation of FOBTs has already occurred in many parts of Scotland. For example, based on average density, the Campaign for Fairer Gambling estimates that there are around 839 FOBTs in Glasgow, 421 in Edinburgh, 320 in North Lanarkshire and 316 in South Lanarkshire. Therefore, the UK Government's proposal does not adequately empower the Scottish Executive to "prevent the proliferation of Fixed Odds Betting Terminals" as the Smith Commission recommends. Doing so would require this proposal to also apply to existing betting premise licences. Whilst the UK Government's provision would disincentivise the opening of new betting shops, particularly in areas where there is already clustering such as on high streets and in city centres, there is a risk that the proposal in its current form would place new entrants to the market at a competitive disadvantage. Conversely, a retrospective power has the potential to create a more level playing field if a cap on the number of FOBTs is applied to existing betting premise licences as well as new ones.

### ***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's proposed alternative clause replaces the references to betting premises with a more general reference to "premises licence under the 2005 Gambling Act" and it does not limit the exercise of power to new premises only. The Campaign for Fairer Gambling agrees that this would enable the Smith Commission recommendation to be properly implemented. The Scottish Government is right to pre-empt any change in

machine categorisation and provision in describing FOBTs as “machines where the cost per play can exceed £10 or more”, as this pre-empts future changes enacted by Westminster to stakes and prizes.

Fixed Odds Betting Terminals account for 68% of the total revenue from category B gaming machine revenue. According to Gambling Commission industry statistics, in 2014 34,844 FOBTs generated £1,613m in revenue. Adult Gaming Centres and Bingo Halls have 103,036 machines between them, but because they are capped at £2 a spin they generated just £598m. It is the disparity in staking capacity that is causing the revenue disparity, as higher stakes facilitate higher losses per session of play on known addictive content, such as roulette.

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

The benefits of the Scottish Government’s approach far outweigh the proposals suggested by the UK Government. Whilst limiting the number of FOBTs in new betting shops would significantly curtail the influx of new premises, particularly on high streets and in city centres, it would not address the present issues such as the clusters of betting shops that have already emerged as a consequence of the 2005 Gambling Act.

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

The Campaign for Fairer Gambling believes that a reduction in the maximum stake to £2 a spin would significantly reduce the harm and crime that is caused by FOBTs, and therefore enable the licensing objectives of the 2005 Gambling Act to be properly upheld. The Scottish Government should therefore request devolution of power over the regulation of stakes and prizes for gaming machines, or at the very least for FOBTs.

A [Freedom of Information request](#) to the Gambling Commission revealed that betting shops average one police call out per premises per year (9,083 police call outs to 9,108 betting shops January – September 2014), compared to Adult Gaming Centres which average 0.1 and Bingo Halls which average 0.03. Betting shops operate FOBTs, whereas Adult Gaming Centres and Bingo Halls do not. Whilst police call outs to betting shops increased by 22% between 2013 and 2014, police call outs fell by 37% in other gambling premises. 97% of all police call outs to gambling premises were to betting shops.

[Panorama](#) highlighted a significant increase in betting shop crime, reporting that William Hill had issued a memorandum instructing staff not to report crime to the police unless the full name of the perpetrator was known. They also carried out undercover filming in 37 betting shops, filming 23 incidents of violent and anti-social behaviour emanating from FOBT players. The Metropolitan Police have expressed concern that “reporting inconsistencies may lead to an element of under reporting of crime and disorder in local betting shops”.

Paul Pearce, a former senior security manager at Ladbrokes, told the [Guardian](#) newspaper that 30 shops per week experienced at least one incident of damage to FOBTs. As Ladbrokes represent roughly a quarter of all betting shops, it is estimated that over 100 FOBTs per week are subjected to criminal damage, which is driven by their capacity for significant losses in short sessions of play. Mr. Pearce also revealed the “commercial conflicts” that existed in his role, meaning it was difficult to prevent gambling with the proceeds of crime, money laundering and under age gambling.

In September 2013, the Gambling Commission revealed that the bookmaker [Coral had allowed one individual to launder at least £900,000](#) through their shops in the north east of England. In correspondence to the Association of British Bookmakers (ABB) concerning forthcoming EU regulations relating to the prevention of money laundering, the Gambling Commission referred to betting shops as having “[a high inherent money laundering risk, especially where that model also offers B2 \(FOBT\) gaming machine play as a substantial part of the gambling facilities available to customers](#)”. Money laundering is a serious concern on FOBTs, as the provision of roulette allows the user to gamble with minimal risk. For example, if £500 is inserted into the machine, the user could gamble £48 on red, £48 on black and £4 on 0 in a single spin. They could spin five times, turning over all of the cash they have inserted, and their maximum loss would be £20 - their printed ticket legitimizes the cash as winnings.

FOBTs are also linked to problem gambling. Secondary research on the 2007 British Gambling Prevalence Survey (BGPS) carried out by [LaPlante, Nelson, LaBrie and Shaffer in 2009](#) provided insight into the impact of FOBTs on gambling-related harm. It found that when controlling for involvement, gambling via virtual gaming machines (e.g. virtual roulette, virtual bingo, and virtual keno) was the only gambling type that remained significantly and positively associated with disordered gambling. In the context of this research, “virtual gaming machines” were specified at a bookmakers’ location. This description relates to FOBTs.

Secondary research on the 2010 BGPS carried out by [Professor Jim Orford, Heather Wardle and Professor Mark Griffiths \(2013\)](#) sought to estimate how many days’ play of each gambling activity were attributable to problem gamblers, and how much problem gamblers spend on each gambling activity. The authors found only three gambling activities where the estimate of days’ play attributed to problem gamblers exceeded 20%: casino games (31%), FOBTs (26%) and dog races (22%). In other words, problem gamblers account for 26% of the total time spent on FOBTs by both problem and non-problem gamblers combined.

The authors also found that in terms of problem gambler spend, betting on dog racing (27%) and FOBTs (23%) was significantly higher than other forms of gambling. It is important to take into consideration the gross gambling yield for each form of gambling. In 2010, FOBTs generated £1,295m compared to dog racing which generated a yield of £275m.

Applying these percentage estimates, in 2010 problem gamblers lost £297m on FOBTs and £57m on dog racing. This compares to £76m on table games in casinos, £57m on horse racing, £47m on slot machines, £18m on football pools and £16m on bingo. Problem gambler losses on FOBTs are therefore greater than several other leading gambling activities combined.

The authors also estimated the days and spend attributable to problem and moderate risk gamblers combined, and found that this varied from 5-6% for lotteries, and as high as 40% for FOBTs and dog racing. However, it is important to note that problem gamblers lose nearly four times as much on FOBTs compared to dog racing, which indicates that FOBTs are a more harmful product.

Research commissioned by the Responsible Gambling Trust (RGT) found that gambling at higher stakes impairs a gamblers' decision making ability, and [37% of FOBT users](#) were found to have experienced problems as a consequence of using FOBTs.

The Campaign for Fairer Gambling commissioned Dr Charles Livingstone, a senior lecturer at the School of Public Health and Preventative Medicine at Monash University, to analyse the ABB's Code of Conduct for responsible gambling. Dr Livingstone described the Code of Conduct as being of "[low to very low potential efficacy](#)". It introduced a voluntary form of pre-commitment, which allows customers to set time and spend limits. However, Dr Livingstone said that in order to be effective in limiting expenditure it would require "significant modification". Dr Livingstone argued that the harm minimisation effects of the ABB Code of Conduct are likely to be "at best very modest". Collectively, modest measures can reduce harm and gambling expenditure but, Dr Livingstone states, the most effective measures in achieving this are implemented broadly and outside the control of individual operators – measures such as capping machine density, reducing the maximum bet, restricting cash insertions, modifying machine characteristics and removing ATMs.

None of these measures, bar the removal of ATMs, have been adopted by the ABB Code. But Dr Livingstone argues that this policy is "undermined by the availability of cash or credit from other sources" as bookmakers are located on the high street, so ATMs are often in their vicinity. On this basis, Dr Livingstone argues that the Code of Conduct occupies the lower end of harm minimisation efficacy. It is "not particularly innovative, adopts no highly effective measures, and is likely to produce only very modest improvements in the protection from harm."

A [board briefing](#) for the Gambling Commission presented in March 2014 described the Code of Conduct as providing "*insufficient assurance that they were taking social responsibility, particularly in relation to FOBTs, seriously*".

In May this year [NatCen](#) submitted to the RGT an evaluation of the Association of British Bookmakers (ABB) Code of Conduct - its machine

specific harm minimisation measures. The evaluation, which covered March to December 2014, has confirmed the findings of Dr Charles Livingstone's report. Of the four measures the ABB claimed would "*result in players gambling in a more controlled way*", NatCen concluded there was "*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.*"

The NatCen report, despite being submitted to the RGT in May, was only published on August 20<sup>th</sup> 2015. Bell Pottinger, acting on behalf of the RGT - chaired by an ex Gala Coral Chief Executive - has confirmed that bookmakers and their trade association were given full access to the report prior to it being published.

Dame Tessa Jowell, the Minister responsible for the 2005 Gambling Act and the creation of the Gambling Commission, recently noted that the Gambling Commission was "not using its extensive powers". Whilst the Gambling Commission has acknowledged the failure of self-regulation it has refused to take or support meaningful action. It has also refused to obtain data from the two FOBT suppliers relating to damage to machines, which would provide an accurate insight into the extent of the association between FOBTs and crime.

At a Public Policy Exchange event, Gambling Commission Director Matthew Hill said: "We need to shift the focus away from blanket controls – such as limits on machine stakes and prizes and machine numbers – and tailor it more closely to individual gamblers". This contradicts research carried out by former chief economist and head of research at the DCMS, Dr Stephen Creigh-Tyte, who argued in his paper "Some Results On The Efficacy Of Methods Of Regulating Machine Gambling" that: "...binding limitations on wagers can limit the maximum session losses suffered by punters. The effect tends to be greater the higher the prize and the larger the probability of winning and the lower the time taken by each game."

Dr Creigh-Tyte goes on to state that: "This finding is in line with Blazczynski et al, which found that there was a large reduction on time played, number of bets, money lost and consumption of alcohol and tobacco among players of machines with the stake of \$1 compared with those who played machines with maximum stakes of \$10."

Measuring the wider economic impact of reducing the maximum stake on FOBTs to £2 a spin, [NERA Economic Consulting](#) concluded that there would be a net increase of up to 2,400 jobs because – as [Landman Economics](#) also argues – FOBTs are a "labour unintensified" form of consumer spending.

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

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 MasterCards” to facilitate customers in more deprived, high unemployment areas. Card access is not just facilitated for FOBT play, but also for online operations. Early tests on the use of MasterCards 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.”](#)

Research commissioned by the RGT and carried out by [GeoFutures](#) concluded that “areas close to betting shops tend towards higher levels of crime events, and resident deprivation, unemployment, and ethnic diversity” and that “players overall tend to live in neighborhoods with higher levels of resident unemployment, multiple deprivation and economic inactivity, and which are more ethnically diverse than the national average.”

It was revealed earlier this year that [Paddy Power](#) appears to have targeted its new shop openings across the UK at locations with a higher than average non-UK born population.

The myth perpetuated by the bookmakers that players only lose £6.31 when they play FOBTs is not representative of player activity when total losses across Scotland are estimated to amount to £158 million in 2014. Full estimated statistics of player losses by parliamentary and local authority boundaries are available on the [Stop the FOBTs](#) website.

t: 0203 600 0167

[info@fairergambling.org](mailto:info@fairergambling.org) [info@stopthefobts.org](mailto:info@stopthefobts.org) [fobts@bcsagency.com](mailto:fobts@bcsagency.com)

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represented by bcsAgency t: 0115 948 6900

88-90 North Sherwood Street, Nottingham, NG1 4EE, UK