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**Response by Betfred to the Government’s Triennial**

**Review of Gaming Machine Stake and Prize Limits**

**15th January 2013**

**1. Introduction – The Review**

Out of the four packages of measures proposed, Betfred agrees with the Government; package four is to be preferred.

This Response however is intended to deal solely with category B2 machines, and therefore Betfred intends to (1) answer Question’s 13 and 14 only, and (2) respond to some of the (ill informed) comments made (in the media) about these types of gaming machines, and their potential link to gambling related harm, by providing evidence to support the preservation of the status quo (in stakes and prize levels) until the outcome of the longer term research is known.

**2. Introduction – The Company**

Betfred presently trades 1,365 betting offices Nationwide. It is the Country’s fourth largest bookmaker and operates with the benefit of an operating licence issued by the Gambling Commission.

Betfred was first established by brothers Fred Done (from whom the Company now gets its trading name) and Peter Done, in 1967 in Salford Greater Manchester. It is widely regarded in the industry, and beyond, as a “independent” bookmaker providing a competitive independent package of terms and conditions, distinct from those terms offered by the likes of the “big 3” Ladbrokes, William Hills and Corals, and other smaller independents.

It is vastly experienced in trading betting offices throughout the Country, particularly since its acquisition of the Tote from the Government in 2011.

It is not a member of the Association of British Bookmakers.

**3. Question 13**

**a) Does the overall stake and prize limit for B2 machines, in particular the very wide range of staking behaviour that a £100 stake allows, give rise to or encourage a particular risk of harm to people who cannot manage their gambling behaviour effectively?**

Betfred does not believe this to be so, and is not aware of any evidence to suggest that a maximum stake of £100 encourages irresponsible gambling on the part of those customers who choose to play B2 content on the fixed odds betting terminals in its shops.

Indeed, internal Company research and analysis has shown that for the month of February 2013, the average stake per spin on B2 content on its fixed odds betting terminals across its entire estate of shops was just £15.01.

**b) If so, in what way?**

Not applicable, in view of Betfred’s answer above.

**c) Who stakes where, what are the proportions, what is the average stake?**

Customers of Betfred are able to play both B2 and B3 content on the fixed odds betting terminals in its shops. And an analysis has shown that over 70% of all plays on fixed odds betting terminals are on B3 content (maximum stake £2 maximum prize £500) where the average stake per spin (again for the month of February 2013) was just 83p.

**d) What characteristics or behaviours might distinguish between high spending players and those who are really at risk?**

This question appears to draw a distinction between “high spending players” and “those who are really at risk”. Whilst Betfred does not recognise that such a distinction exists, Betfred does not believe that sufficient research has been carried out to establish whether there is indeed a particular link, between gambling related harm and the playing of B2 content on fixed odds betting terminals.

Betfred is pleased to note that the Government’s primary concern, as expressed in its consultation paper, is to “address this lack of evidence”, and that a research project is to be commissioned by the Responsible Gambling Strategy Board, in order to look into “the relationship between gaming machine features and consumer behaviour”. (Paragraph 3.57) Betfred is wholly supportive of this stance. Betfred makes an annual voluntary contribution to the Responsible Gambling Trust, and it is willing to continue to contribute towards the funding of such research.

Nevertheless, staff in Betfred’s shops are obliged to monitor the pattern of playing behaviour for all of its customers using fixed odds betting terminals (whether they are high spending or not) and identify those who might be at risk. These safeguards are to be found in the Licence Conditions Codes of Practice under the Social Responsibility Code Provision for dealing with Customer Interaction.

Betfred operates a Customer Interaction Policy in accordance with its obligations. Every element of that Policy, from the perception of behaviours that may be indicative of a gambling problem, through to the completion of a self-exclusion agreement, is logged and reported. And the operation and implementation of that Policy by the staff, in keeping with all other aspects of social compliance, is subjected to an effective auditing regime.

Consequently, Betfred invites the Government to recognise that there are already adequate measures and safeguards in place, which all operators are obliged to observe, so as to protect the vulnerable and those likely to be at risk of harm from gambling. Moreover, Licensing Authorities have the power to institute review proceedings in respect of a betting premises licence (Section 200 Gambling Act 2005) in the event that there was evidence that the conduct of the premises undermined one or more of the Licensing Objectives. Such an application could be instituted, it is respectfully submitted, if there was evidence that an operator had failed to protect vulnerable persons from harm, because of their use of fixed odds betting terminals on their premises.

Such action, or the threat of such action, would of itself amount to a harm mitigation measure (see Q 14 below), and Licensing Authorities should be more conscious of the enforcement role they have to play in this important respect. Particularly in the light of the present levels of concern expressed by some Licensing Authorities concerning the impact that betting shops (and by implication fixed odds betting terminals) are supposedly having on their local communities. Powers already exist for them to identify and tackle operators who they regard as the ‘worst offenders’, and they should not hesitate to use those powers when appropriate. Surely a more targeted and proportionate response than a blanket reduction in stake and prize limits across the board, which would then impact upon responsible operators and players.

Betfred is however acutely aware of the present level of negative media coverage concerning the availability and use of fixed odds betting terminals in betting shops(and their alleged link to gambling related harm) and will therefore continue to actively promote the responsible enjoyment of this form of gambling, by its customers, having regard to its own legal obligations under the Gambling Act 2005 and LCCP, and in recognition of its Corporate Social Responsibilities.

**e) If there is evidence to support a reduction in the stake and/or prize limits for B2 machines, what would an appropriate level to achieve the most proportionate balance between risk of harm and responsible enjoyment of this form of gambling?**

Given the lack of evidence, Betfred does not believe that a precautionary reduction in the stake and/or prize limits for B2 content on fixed odds betting terminals would be a proportionate response in achieving this balance. Particularly in the light of (1) the existing safeguards already in place (2) Betfred’s own research (3) the misleading nature of some of the data relied upon by those seeking to ban fixed odds betting terminals from betting shops altogether and (4) the targeted harm mitigation measures that Betfred are proposing (see the answer to Question 14 below).

**f) What impact would this have in terms of risks to problem gambling?**

Having regard to its stance on question e) Betfred does not believe that precautionary reduction in the stake and/or prize limits would necessarily have any discernible positive impact in terms of risks to gambling related harm from the use and enjoyment of these machines. Not least because, as the Government acknowledges, there is a lack of cogent evidence linking the playing of B2 content onfixed odds betting terminals with unacceptable levels of risk to safe and responsible gambling. Preservation of the status quo(in terms of stake and prize limits) coupled with the implementation of certain harm mitigation measures(see the answer to Question 14 below) is, Betfred respectfully submits, a more proportionate response at the present time.

**g) What impact (positive and negative) would there be in terms of high street betting shops?**

Fixed odds betting terminals have been widely available in betting shops now for almost 10 years. Originally when first introduced (following the abolition of GPT in 2001) there were no limits on the number of machines that a bookmaker could make available in a shop. However, a voluntary Code of Conduct was agreed with the Government in 2003 limiting the number of machines to 4 per shop; that was universally adhered to, and this number was then enshrined in the Gambling Act 2005. Consequently, it is now widely accepted that fixed odds betting terminals form an integral part of the facilities that customers now expect in a high street betting shop.

The likely impact on their usage and the consequential impact on the viability of high street betting shops, in the event that there was a reduction in the stake and/or prize limits,is not known, and cannot be accurately predicted without further detailed research.

However, Betfred is aware that opponents are calling vociferously for the abolition of fixed odds betting terminals from betting shops. Were such a step to be taken, or were measures imposed by the Government that thereby rendered betting shops unprofitable, then Betfred submits that would lead to the closure of betting shops across the County on an unprecedented scale.

In the event of that happening, the availability of fixed odds betting terminals on the high street would be significantly reduced, and Betfred is firmly of the view that the demand that evidently exists for them, would then be met by new illegal/illicit operators, who would be providing these facilities in a completely unregulated environment, without all the safeguards inherent in a betting shop.A danger, (and an unintended consequence) that the Government cannot afford to ignore.

Consequently Betfred urges the Government to adopt a cautious and guarded approach to any measures that might have the potential to impact adversely upon the viability of high street betting shops. Particularly when one also has regard to the following:-

1. Betfred presently employs close to 10,000 members of staff, 7000 of whom are employed directly to work in its 1365 high street betting shops.
2. Since its acquisition of the Tote in the Summer of 2011 Betfred now employs over 150 more staff than the combined workforce in both companies. Betfred is a growth Company.
3. Betfred is one of the few national Companies presently willing and able to invest in Britain’s high streets, notwithstanding the threat of online gambling and exchanges. Between April 2010 and February 2013 Betfred opened 79 new betting shops on Britain’s high streets. 65 of them (82%) were opened in units that were vacant at the time of the application. All of the remaining units were on the market.
4. The average rent by Betfred to landlords on Britain’s high streets is £40,000 per annum and the average length of its leases is 10 years. Betfred also helps contribute to local services in those areas where they trade by paying significant sums in business rates each year.
5. This Financial Year to April 2013, Betfred is projected to have spent £5m in racing sponsorship and contributed almost £12m in the Levy. Indeed following the acquisition of the Tote, Betfred is now the single largest sponsor of British horseracing.
6. And this Financial Year to April 2013, Betfred is also projected to have paid just over £85 million in taxes, including Corporation Tax, Employers NIC and GPT/Gaming Duty.

In the light of this investment and contribution, Betfred submits that the Government should only act where there is clear and cogent evidence of a link between unacceptable levels of gambling related harm, and the use of fixed odds betting terminals in its shops. To do otherwise, it is respectfully submitted, would result in harm to an industry that is already facing unprecedented levels of competition from the internet and betting exchanges.

**4. Question 14**

**a) Are there other harm mitigation measures that might offer a better targeted and more effective response to evidence of harm than reductions in stake and/or prize for B2 machines?**

**b) If so, what is the evidence for this and how would it be implemented?**

Betfred does not believe that there is evidence proving that the playing of B2 content on fixed odds betting terminals causes harm, sufficient to justify policy decisions in support of a reduction in stake and/or prize limits.

Nevertheless, disquiet has been expressed by various stakeholders and campaign groups about these machines, some of whom are advocating their complete abolition. This movement appears to be gathering momentum, fuelled as it is, by sensationalist headlines in the media.

Accordingly, pending the outcome of the longer term review referred to in the consultation paper (at paragraph 3.57) Betfred believes that there are a number of targeted and specific harm mitigation measures that could be implemented, which would demonstrate that the industry acknowledges the present levels of disquiet.

The implementation of these measures should be regarded as a responsible and constructive response to the disquiet and concern that has been expressed in certain quarters, not an admission that there is a link between gambling related harm and the playing of B2 content on fixed odds betting terminals.

1. **The introduction of a technical change to the set-up of a machine,allowing for a warning screen prompt to appear in certain predetermined circumstances.**

Betfred acknowledges that such a technical change would be difficult to introduce, given that a fixed odds betting terminal does not recognise the difference between different players and accumulated losses. Nevertheless player centred measures tailored to a customer’s actual machine play, allowing them to receive information and set time and money limits, and receive warnings if they are exceeded, are bespoke measures that Betfred believes should be explored by the Government, the Gambling Commission, manufactures and operators. Such a change, if it could be achieved, would represent an extension to the obligation upon operators to ensure that customers gamble responsibly. (See LCCP)

1. **The introduction of new Guidance from the Gambling Commission aimed at fixing a minimum size for an application for the grant of a new betting premises licence on the high street.**

Betfred is aware that a number of operators (particularly in the adult gaming centre sector) have made applications for betting premises licences, when the clear and obvious primary intention behind the application, was to provide a facility for the provision of 4 fixed odds betting terminals. Invariably, in those circumstances, such applications have been made for premises of less than 200 sq.ft. of customer area. A minimum square footage requirement for a customer area of say 500sqft would go some way to eliminate these applications, where the primary gambling activity is not betting but rather the provision of fixed odds betting terminals. Betfred would welcome such a move given that it has never made such an application, and has no intention of doing so. Betfred’s philosophy has always been to make available facilities that provide the full range of betting services to its customers.

**c) Are there any other options that should be considered?**

In its consultation paper at paragraph 3.13, the Government refers to the concerns that have been raised about the clustering of betting shops on the high street (and hence the corresponding density of fixed odds betting terminal machine coverage and availability). Indeed it is a matter that has attracted considerable adverse comment and criticism from many stakeholders and local communities. Such clustering was rare when the number and location of betting offices was decided by local Magistrates operating within the framework of the Betting, Gaming and Lotteries Act 1963 (which was abolished following the introduction of the Gambling Act 2005).

And this was because of the ‘demand test’ in the 1963 Act, which was regularly employed by bookmakers when objecting to the grant of a new betting office in a particular locality. Consequently, the number and location of betting offices in prominent locations on the high street was duly regulated.

The Gambling Act 2005 abolished the ‘demand test’ and Betfred believes, with hindsight, that this was a mistake.

Accordingly, Betfred proposes that an operator should be required to establish that a demand exists for the facilities that they propose to offer in the locality, before a Licensing Authority is empowered with the discretion to grant a licence (in addition to the existing regulatory considerations already present under the licensing objectives).

The re-introduction of a ‘demand test’ would, by logical extension, thereby limit the number, density and availability of fixed odds betting terminals in a given locality, thereby avoiding the potential that might exist for over proliferation, in the event that new betting shop openings were not curbed in localities where there was no demand for them.

**5. Additional Representations**

At this juncture Betfred wishes to provide some further evidence and observation in the hope that it might inform the current debate surrounding fixed odds betting terminalsin betting shopsand their alleged link togamblingrelated harm.

1. **The Number of Licensed Betting Office Per Head of Population**

The evidence shows that contrary to “popular belief” there are now fewer licensed betting offices per head of population in the UK than there were in 2003 (before fixed odds betting terminals were widely available).

The DCMS statistical bulletin published on 30th October 2003 confirms that in 2003 there were 8,804 betting office licences in force throughout the UK. The population of the UK in the 2001 census was 57,222,000 resulting in one licensed betting office for every 6,500 persons.

By 2011 the population of the UK had grown to 61,370,900, and yet the Gambling Commission has confirmed in its industry statistics bulletin for April 2009 to March 2012, that in 2011 there were 9,067 betting premises licences. A ratio of one licensed betting office for every 6,769 persons.

Contrary therefore to the perception that appears to be fuelling the current debate, the number of betting offices per head of population in the UK has actually fallen since fixed odds betting terminals first became widely available.

1. **The So Called Targeting of Deprived Areas**

Opponents of the current regime also accuse operators of deliberately targeting deprived areas when deciding where to open a new betting office, and to whom to make their facilities (including fixed odds betting terminals) available.

Not only is this wrong. It is also distasteful and Betfred resents the implication. Betfred will only ever invest in the opening of a new betting office on the high street where there is a demand for it and when rents are affordable.

Moreover, the availability of fixed odds betting terminals across Betfred’s estate, particularly in so called deprived areas, also needs to be placed in its rightful context. Not all of Betfred’s 1,365 betting shops have the full complement of 4 fixed odds betting terminals. The density average presently stands at 3.68 machines per shop.

In certain so called deprived areas however, a good number of shops have less than the full complement of 4 machines. For example, in Scotland 45% of Betfred’s shops have less than 4 machines. In the North East the percentage stands at 49%; in Liverpool it stands at 55.5% and in South Wales at 41.8%. This gives a lie to the predatory behaviour that is unjustly ascribed to bookmakers by these opponents.

1. **The Inflammatory and Misleading Figures Employed by Certain Campaign Groups Who Seek to Portray Theoretical Losses Arising From Fixed Odds Betting Terminals as Actual Losses**

As Betfred has sought to demonstrate, the average stake per spin on B2 content on one of its fixed odds betting terminals is just £15.01.

Nevertheless, the Government will be aware of the sensationalist headline figures often quoted in the media, about the “vast” sums of money that can potentially be gambled (and by implication lost) on fixed odds betting terminals. Betfred trusts that the Government will adopt a realistic and measured approach, recognising that the majority of money turned over by a customer when playing B2 content on a fixed odds betting terminal is recycled money. The entirety of a player’s loss does not represent the money that he began the game with, but rather, represents his winnings, generated by the machine, which he then chooses to recycle by continuing to play.

A phenomenon unique to B2 content on fixed odds betting terminals, given that most games have a pay-out of 97%. And it is for this reason that B2 content is popular, as it pays out 97p on average for every £1 put into the machine.

Betfred hopes that the high volume/low margin nature of B2 content on fixed odds betting terminals will be properly factored into this review. Whilst the use, by opponents, of figures that represent the amount staked or churned serves their purpose, Betfred invites the Government to have regard to the amount actually spent, so as to ensure that a balanced and appropriate perspective is maintained when making decisions about the future of fixed odds betting terminals in betting shops.

1. **The Growth in Over the Counter (OTC) Stakes**

OTC business for Betfred remains a vital and fundamental part of its growth strategy, and nowhere is this more evident than in the analysis of OTC stakes before and after its acquisition of the Tote. Like for like shops for the full year prior to takeover (in the summer of 2011) when compared to the following year after takeover, have shown an overall increase in stakes of 2.5% (6.4% for the Tote shops and 0.6% for the Betfred shops).

Whilst there is no doubt that fixed odds betting terminals are popular, this has not been at the expense of OTC business, which continues to grow. Betfred therefore invites the Government to be mindful of this, given the hysteria surrounding fixed odds betting terminals and the implications that bookmakers are exclusively focused on their revenue, and their revenue alone.

Traditional OTC betting will always remain at the heart of the business operation, and the primary focus of the activity and facilities available in a Betfred betting shop.

1. **The Impact of Online Gaming**

Betfred submits that the availability and use of fixed odds betting terminals in high street betting shops, in the context of a review into gambling related harm, should not be looked at in isolation. The safeguards in place and the legal requirements on operators of non-remote betting licences mean that customer interests, and particularly those of the vulnerable, are given both priority and protection. One would expect nothing less having regard to Licensing Objective 3 in the Gambling Act 2005.

The highly regulated environment of a betting shop is however, in sharp contrast to the position that many online players find themselves in, when betting either at home, at work, or on the move via their smartphone, tablet, laptop or work/home computer.

Betfred calls upon the Government to recognise that bookmakers, who provide facilities in betting shops, are not competing on a level playing field with on-line operators. Firstly; on-line operators are not labouring under all of the costs associated with the running of a shop on the high street (rent, rates, utilities, insurance, staff costs etc) and so have much lower overheads. But secondly, and more significantly; the exact same B2 content that is to be found on a fixed odds betting terminal in a betting shop can easily be accessed on-line, but is available to players without the inherent safeguards that are present in a betting shop environment.

Unlike the playing of fixed odd betting terminals in a betting shop;

1. There is no maximum stake;
2. There is no maximum prize limit;
3. The number of spins per minute is unrestricted;
4. On-lines games are accessible to players 24 hours a day 7 days per week;
5. On-line players are exposed to the risk of losing their winnings when playing with, out of jurisdiction internet only unregulated operators, who don’t have a presence in the UK and who are not otherwise regulated by the Gambling Commission.

For those reasons Betfred firmly believes that a greater potential for gambling related harm, arising from the playing of fixed odds betting terminals exists on-line, than in a high street betting shop.

Betfred further submits that it would be illogical and nonsensical to restrict further the availability of fixed odds betting terminals in a betting shop, and/or their maximum stake and prize limits, whilst leaving untouched the largely unregulated availability of identical on-line games, that can be readily and easily accessed on the internet via a smartphone, tablet, laptop or work/home computer.

Once again therefore, Betfred calls for a balanced perspective to be maintained, and for the issue to be considered without unduly focusing on one aspect of gambling that has managed to grab the headlines, thanks to the traction opponents of fixed odds betting terminals in betting shops have managed to gain, fuelled by vested interests and sensationalist headlines.

1. **The context of the debate on gambling related harm**

In its Consultation Paper the Government calls upon Consultees to put forward views on ‘harm mitigation measures’, and Betfred is responding. It is significant however that the Government did not call for views on harm elimination measures, primarily Betfred suspects, because there is an acceptance (by the Government and others) that there will always be an element of problem gambling in this Country for as long as gambling remains a lawful leisure activity.

The present level of problem gambling as measured by the 2010 British Gambling Prevalence Survey was relatively low at 0.9%. The Government has said that it “does not wish to see any increase in this figure” but equally, it is not calling for it to be reduced either.

The requirement for operators of non-remote betting licences to have in place sound, comprehensive and effective self-exclusion policies of itself confirms and acknowledges the existence of gambling related harm, and that, Betfred respectfully submits, will continue to be the position, for as long as the Government has decided that gambling should be a legal pastime, to be enjoyed in a regulated environment. Indeed many of the provisions in the LCCP are predicated on the basis that there will be problem gamblers, and operators are therefore expected to have measures in place to deal with them.

Betfred invites the Government not to overlook this context in its Triennial Review.

**6. Conclusion**

Betfred does not believe, in the context of the debate as a whole, that the availability of 4 fixed odds betting terminals in a betting shop, with a maximum stake of £100 and a maximum prize of £500, represents the tipping point in the balance that the Government hopes to achieve, between an unacceptable risk of harm (to the licensing objectives) and the reasonable enjoyment of this very popular form of gambling.

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