
WILLIAM HILL'S RESPONSE TO THE DCMS CONSULTATION GAMBLING ACT 2005:

**Triennial Review of Gaming Machine Stake and Prize Limits -
Proposals for Changes to Maximum Stake and Prize Limits for
Category B, C and D Gaming Machines.**



THE HOME OF BETTING

Background

William Hill PLC, which is a FTSE 250 company, is an established and trusted major UK brand. William Hill is synonymous with delivering a high-quality gaming and betting experience, whether online, in our shops, on the phone, or on the move via a mobile device.

We are building our business by bringing the excitement of gaming and betting to UK and international customers via a strong retail presence and through our growing online activities. Given our expertise, passion and commitment to customer satisfaction, we aim to deliver an unrivalled experience for our customers, sustainable growth for the business and good returns for our shareholders within the context of a socially responsible and regulated business.

Our retail business already operates in an aggressive UK tax environment where, despite levels of problem gambling being low by international standards, disproportionate regulatory restrictions limit growth in that business. The aggressiveness of this regime has been demonstrated by the setting of the rate of Machine Games duty at 20% which is 2% above the industry's and William Hill's tax neutral rate. This will cost William Hill alone an additional £13 Million p.a. in tax and the wider betting industry some £50 million p.a. (from February 2013).

Uninformed regulatory discussion about our business, based on unsubstantiated links between gaming machines stakes and causation of gambling addiction, creates investment uncertainty in our business and serves as a limiter to growth.

For that reason we, along with the wider betting industry, welcome the opportunity to put our strongly evidenced case to Government; a case that has been broadly ignored by the media (and those in politics) without commercial appreciation and who fail to understand the business model, take an irrational moral standpoint on gambling and are prepared to put significant numbers of retail jobs at risk.

What other industry at a time of deep economic recession should have to deal with the prospect of the removal of a significant revenue generator from its product range on the basis of little or no evidence that that product is harmful; except to a very small minority of problem gamblers?

It is completely economically illiterate and wildly misleading to suggest, as some of the anti betting industry groups have, that making the gaming machine product less attractive in betting shops (by limiting numbers or lowering stakes and prizes) will not have wider and damaging impact on tax and jobs.

William Hill employs 13,000 people in its extensive retail estate. Over 50% of employees are women and a third are in the 18-24 age bracket. The regulatory impact of lowering gaming machine stakes and prizes would have a significant impact on shop closures, job losses and falling tax yield; much greater than any of the notable recent retail failures

Key Points.

- We endorse the submission made by the Association of British Bookmakers and have collaborated in its production.
- It is clear from the ABB report that the regulatory impact of lowering gaming machine stakes and prizes would have a significant impact on shop closures, job losses and falling tax yield. Much greater than any of the recent notable retail failures. We urge that these reliable figures are included in any regulatory impact assessment.
- We welcome the fact that the betting industry is already well regulated and has been since 1961. All operators are subject to dual regulation (Operating and Premises licences- as well as personal licences for senior staff). The fundamental principle is that our suitability (and the suitability of our management) to run a gambling business has already been assessed before we apply to local authorities for a premises licence.
- We have taken positive steps to embed the three Gambling Act Licensing Objectives within our business process. This means having processes in place to interact with customers, offer self exclusion and signpost to treatment provider and payments to the Responsible gambling Trust such as Gamcare (whom we finance through voluntary payments the Responsible Gambling Trust).
- Local authorities are not “powerless” to object to premises licences provided they have evidence of harm. Evidence is the key word here and most objections to betting premises licences are not upheld because the objectors (mainly driven by moral concerns) fail to produce any cogent evidence of real harm.
- No local authority has revoked a premises licence on grounds relating to the three Gambling Licensing objectives. If there was evidence they would have done so.
- Neither are betting shops economically harmful to the high street. There is no proliferation, betting shops are located where footfall is greatest and footfall to other businesses is driven by betting shops.
- Betting shops have been in the same planning use class for 25 years and for most local authorities planning issues around betting shops are an uncontroversial issue.
- Gambling Commission statistics (gathered from Licensing Authorities themselves) show that there has been a 33% fall in public complaints about betting shops which are limited in any event to 45 per annum from a betting shop population of around 8700. This is local authorities themselves providing evidence that betting shops (and gaming machines) are not an issue of significant public concern.

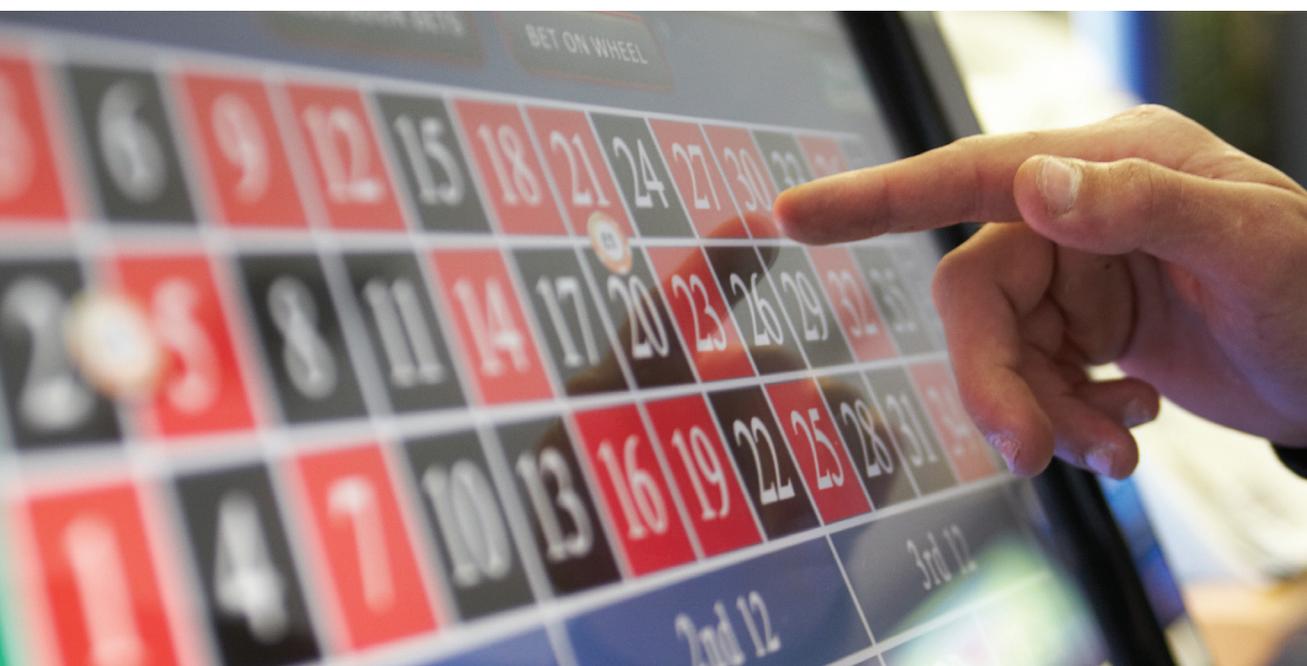
Key Points.

- “Noise” created by a small number of campaigners, which includes a politically driven narrow interest group on the Local Government Association and commercially motivated campaigners, should not be mistaken for widespread public concern.
- The idea that we (or any of our products) are not regulated or need more regulation is a complete misnomer. The regulatory regime includes social responsibility codes, gaming machine technical standards and machine specific regulations.
- That said we support the development of a voluntary code and additional social responsibility measures to deal with legitimate and objective academic or public concern
- A series of myths (financial and social) have been promulgated by commercially driven anti betting groups like the so called “Campaign for Fairer Gambling” and irresponsible media headlines that are easily exploded by detailed factual examination. These myths are dealt with comprehensively in the ABB submission.
- It is an incontrovertible fact that the British Gambling Prevalence Study proves that levels of problem gambling in the UK are low by international standards. It is also clear from the evidence that problem gambling is about the person not the product. In general, problem gamblers gamble on a minimum of 5/6 products. There is no evidence that B2 gaming machines cause problem gambling (more than any other product).
- If there has been a rise in problem gambling from 2007 to 2010 (this is not conclusive) the rise cannot be attributed to B2 gaming machines on any interpretation of the evidence.
- One particular lie promoted by anti betting industry campaigners is that B2 gaming machines are more closely linked to addiction than any other product. Secondary reputable academic analysis of the latest prevalence study proves that is simply not true.
- The last prevalence study showed that of 7000 respondents, 7 who had a problem with gambling played on B2 gaming machines in betting shops. They also played on multiple products and there was no evidence regarding causation.
- Trying to control gambling (or deal with problem gambling) through stakes and prizes is a blunt instrument that could have exactly the opposite effect of driving demand into the illegal gambling market.

Key Points.

- All gambling products should be in a regulated environment and reducing machine number or reducing stakes will mean higher stake machines will simply be supplied by criminals to social clubs, cafes and takeaways leading to a displacement into illegal market.
- There is no evidential correlation between higher stake levels and problem gambling and the options being suggested will do nothing to assist problem gamblers; just the opposite in fact.
- Local authorities generally have a poor track record of dealing with illegal gaming machines and betting shops are a soft regulated target for these politically motivated and moral campaigns.
- The links between betting shops and crime and disorder are contrived and tenuous. Betting shops do not cause crime and disorder. An enquiry run by Haringey Council showed that there were more incidents in a local fast food restaurant in Wood Green than all of Haringey's betting shops put together.
- We support the current RGT commissioned research into category B2 gaming machines and will supply data for the purposes of this research.
- We would be happy to contribute proportionally towards a further prevalence study.

“It is an incontrovertible fact that the British Gambling Prevalence Study proves that levels of problem gambling in the UK are low by international standards. There is simply no empirical evidence that gaming machines in betting shops are more closely associated with addiction than any other gambling product. On any interpretation of the evidence there is no link between B2 gaming machines and a possible rise in problem gambling.”



B2 Related Questions.

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?

There is no evidence that high staking per se is synonymous with problem gambling. Whilst many of our customers may be in the C2, D and E demographic, there are also customers who come from socio- economic groups A and B. A range of stakes caters for a wide customer base and dealing with problem gambling through stake restriction is an ineffective methodology (see above)

b) If so, in what way?

Not applicable

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

Data is commercially sensitive, but we have submitted data to the ABB for aggregated analysis

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

This over simplified question again makes the wrong assumption that high spending and problem gambling are related - which is wrong. Changes in staking patterns may indicate losses being chased, which is one isolated indicator of problem gambling, but equally players who win may legitimately stake up from their winnings. Colleagues are trained in interaction and to respond to customer requests for help e.g. self exclusion.

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?

The status quo should be maintained. There is simply no evidence that B2 gaming machines should be singled out for higher levels of regulation (see above).

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

Absolutely None! Problem gambling is a complex issue and stake reduction is an ineffective and blunt instrument.

B2 Related Questions.

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

The economic consequences for shop closures, job losses and falling tax yield are clearly set out in the ABB submission. There would be no upside for high street betting shops or indeed British racing which would see a massive fall in Levy as shops closed- substitution would be negligible and there would be an increase in illegal gaming machine supply.

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?

Yes- Interaction, self exclusion and signposting to problem gambling providers. More social responsibility information and perhaps additional machine features like pop ups and reminders.

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

For discussion via the ABB with experts in problem gambling.

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

An industry self regulatory code.

“All gambling products should be in a regulated environment and reducing machine numbers or stakes and prizes in betting shops will mean higher stake machines will simply be imported and supplied by criminals to social clubs, cafes and takeaways; leading to displacement to the illegal market. Illegal gaming machine use is already prevalent in inner cities with local authorities unable to deal effectively with the problem.”

Conclusions

We agree with Government proposals to maintain the status quo for B2 stakes and prizes. On any objective examination of the evidence there is no reason to lower stakes and prizes. The economic consequences of such action would damage our business and the wider industry. On the facts, any such move is unjustifiable and would be subject to challenge on the grounds of irrationality. We remain concerned about the fairness of this consultation and the singling out of the B2 product for different consideration to those applied to other gaming machine categories and sub sectors.



William **HILL**
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