BETFRED

DONE BROTHERS (CASH BETTING) LIMITED t/as BETFRED LETTERHEAD

16th January 2019

DCMS
100 Parliament Street
London
SW1A 2BQ

Dear Sirs,

BetFred's Response to the Government's consultation paper on proposals for changes to gaming machines and social responsibility measures dated January 2018

The Department for Digital, Culture, Media and Sport (DCMS) called for bodies within the gambling industry to submit reports in response to the Government's consultation paper on proposals for changes to gaming machines and social responsibility measures. In paragraph 32 of our Response submitted to the DCMS on the 22nd January 2018, we alleged that the Campaign for Fairer Gambling (CFFG) was linked to the casino industry and was motivated by commercial interests in advocating for the reduction of the maximum betting stake of Fixed-Odds Betting Terminals (FOBTs).

Will you now please treat this letter as the Company's request for those comments, in paragraph 32 of its Response, to be retracted, on the understanding that our comments were incorrect.

Accordingly, paragraph 32 of the Company's Response should be redacted so that it no longer appears on the PDF version held in the zip file on the gov.uk website.

A copy of this letter is being sent to the solicitor's acting for the CFFG who have requested that this correction be made.

Thank you in anticipation of your assistance.

Yours faithfully

Mark Pearson

Director of Corporate Affairs

Done Brothers (Cash Betting) Limited t/as BetFred

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Done Brothers (Cash Betting) Ltd 1277703/Registered in England

RESPONSE BY DONE BROTHERS (CASH BETTING) LTD
t/a BETFRED,
TO THE GOVERNMENT'S CONSULTATION PAPER ON PROPOSALS FOR CHANGES TO GAMING MACHINES AND SOCIAL RESPONSIBILITY MEASURES.

JANUARY 2018

Response by Done Brothers (Cash Betting) Ltd t/a Betfred, to the Government's consultation paper on proposals for changes to gaming machines and social responsibility measures.

Q1. Do you agree that the maximum stake of £100.00 on B2 machines (FOBTs) should be reduced?

If yes, what alternative maximum stake for B2 machines (FOBTs) do you support?

1. The Company does not agree. Betfred believes that the Government's stated objective (of achieving the right balance between a sector that can grow and contribute to the economy, and one that is socially responsible and doing all it should to protect consumers and communities) can be achieved within the existing regulatory framework. And that draconian regulatory changes to the maximum stake, at the levels proposed, are neither necessary nor justified.

2. In the Company's view, the decision to intervene in the market in this way requires (1) a clear and robust understanding of the factors that contribute to problem gambling together with (2) clear evidence which shows that the existing (and proposed) player protection measures are insufficient to help achieve the right balance. If (1) and (2) are met, then the Company maintains that the Government also then needs to be satisfied that there is evidence that the proposed solution (a significant and substantial reduction in maximum staking levels) will actually tackle the issue of problem gambling that opponents of the current regime have sought to highlight and, that the risks and costs of so acting (and particularly the impact on the sector, and on the horse racing industry, as a whole) are proportionate.

3. The Company does not believe that the case for intervention on the scale proposed by the Government in its Consultation Paper is supported by robust evidence, and accordingly, the Company is not convinced that the proposals are necessary or justified. The Company is also extremely concerned at the impact that the proposed large-scale reductions in staking limits will have on the balance that the Government is hoping to achieve. The betting sector will not be able to grow and contribute, either to the horse racing industry or to the wider economy, if the more extreme stake reductions are imposed, and in that respect, the Government risks irretrievably upsetting the balance that it hopes to achieve.

4. In support of these very real concerns attached at **Appendix 1** is a copy of a letter written by Fred Done and which appeared in the Racing Post in January 2017. Unlike the many academics and campaign groups that speak from positions of theoretical understanding, Fred Done has had 50 years of direct personal hands-on experience in the betting industry. The Government is invited to attach significant weight to his evidence.

5. In disagreeing with the stance that the Government has adopted, the Company is also mindful of the submissions advanced by GambleAware in response to the Government's call for evidence in October 2016. In particular, in their letter dated 2nd December 2016 they said: - *'However, what we can say with confidence is that stakes and prizes are only one tool in the policy makers tool kit, and research evidence suggests adjustments to these two variables in isolation are unlikely to be sufficiently effective in reducing either problem gambling, or the wider concept of gambling related harm in Britain as a whole'*.

6. Nevertheless, the Company acknowledges that the weight of public opinion, driven by alarmist rhetoric from campaign groups with undisclosed and undeclared vested interests, has had a significant influence on Government thinking, and how it proposes to address the issues identified in its Consultation Paper. And that politically, there is huge pressure on the Government to act.

7. On that basis the Company is prepared to accept, in order to seek to address the concerns that have been raised, a measured reduction in the maximum stake to £50.00, which it believes

would amount to a proportionate step for the Government to take. Particularly when coupled with the additional player protection measures that have been, and will continue to be, implemented.

8. This option also best embraces the precautionary principle advocated by the Government, and is the one best placed to achieve the balance that it is looking for on both sides of the debate.

9. Since the introduction of account based play in April 2015, the Company has seen a marked reduction in the number of sessions when a player stakes more than £50.00. In the Company's response paper to the Government's call for evidence in December 2016, this reduction stood at 78% when comparing information on player data before and after April 2015. (39,000 sessions per week on average, down to 8,463 per week).

10. As customers have become more aware of the account based play regime, the number of sessions per week has grown slightly; for the whole of 2017 that figure stood at 10,291. Still substantially below however, the figure that pre-dated the introduction of account based play, which serves to demonstrate the effectiveness of this as a measure to influence player behaviour.

11. The Government may consider however, that an average of 10,291 sessions per week at a stake above £50.00 is still too high and accordingly, this element of play will be eliminated altogether in the event that players are no longer able to stake above £50.00, either through an account card or by seeking approval at the counter. And if the intention behind this regulatory intervention is to reduce the potential for significant losses in a short space of time, then this is the most sensible and logical targeted measure; a reduction of 50% on current maximum staking limits.

12. Those players will then be required to stake at below £50.00 or, will be displaced and will look to casinos or online operators to provide them with the facilities that they require in order to meet their demand.

13. In the event that the Government considers the maximum stake should be reduced to an amount below £50.00 (because in its view the £50.00 option represents a 'minimal change to the status quo') then the Government has put forward three further options for consultation; £30.00, £20.00, and £2.00.

14. The Company supports £30.00, but on the proviso that players would still be able to play up to £50.00 through an account card, or by prior approval. A maximum stake of £30.00, with a pathway up to £50.00 represents, in the Company's view, an acceptable and appropriate compromise in the light of all of the submissions that the Government received last year following its call for evidence.

15. However, a maximum stake of just £30, with a pathway up to £50, still nevertheless presents huge financial challenges for the Company, as it seeks to re-align itself in the high street betting market. Even at this level, there will be a considerable number of betting shop closures with consequential redundancies across the Company's entire estate of shops and at its head Office in Warrington. **Table 1** below is a financial model which sets out the likely impact that the proposed reductions in staking levels will have on the Company, and the viability of its shops. A maximum stake of £50 will lead to 17% of the Company's estate of shops becoming loss making, which translates into 278 shop closures. And at £30, the analysis shows those figures at 24% and 408 respectively.

Table 1:

Impact on media rights

Max stake	% Loss makers	Total number of shops*	Total Media Income	Loss in income to TRP & SIS**
Current		1,668	**46,654,402**	
£50	17%	1,390	**38,966,254**	(7,688,148)
£30	24%	1,260	**35,371,077**	(11,283,326)
£20	35%	1,090	**30,697,346**	(15,957,056)
£2	72%	465	**13,412,840**	(33,241,562)

*Assumes all loss makers close

** Assumes Industry loss makers are in line with Betfred loss makers and industry pay at similar rates to Betfred

*** Assumes no substitution

16. Account based play up to £50 is therefore a necessary ingredient of this compromise, not least because of the enormous, and materially significant impact upon the Company, were the maximum stake to be reduced to £30 or below, without a pathway up to £50. Company data shows that for the whole of 2017 there were, on average, 102,381 sessions per week at a staking level above £30.

17. In putting forward this alternative maximum stake, the Company wishes to ensure that the current account based play regime is therefore retained, albeit at a lower level, given the benefits (for the Company and the customer) that flow from the player information data that it generates. The membership scheme that the Company launched as part of its package of measures in April 2015 has seen positive and encouraging participation, and as at October 2016 there were 121,361 members who accounted for 10.02% of the total value of play (see paragraphs 4.4 and 4.5 of the Company's response dated December 2016). Currently the Company has 162,675 members.

18. However, the voluntary membership scheme that the Company launched has also enabled it to provide a web based platform which assists players in tracking their own data and player information. The Company regards this as an innovative and helpful tool in assisting players manage (and review) their spend. If the Government is intent on looking at range of corresponding social responsibility measures across gaming machines, then a maximum stake of £30.00, with a pathway to £50.00, would help strike the right balance. It would also allow for the retention of this important tool.

19. In this respect, the Government is firstly reminded of what the Company said in its response in December 2016 to the Government's call for evidence and, in particular, its submission at paragraph 4.6 which is reproduced below for ease of reference: -

'4.6 Members also have the ability to access their own membership statements, either on the terminal itself, or via website which the Company have developed and which allows players to access their player data remotely. The Company understands that this is a unique feature of the way in which the Company has gone about introducing account based play. Player statements contain details of their play histories thereby enabling them to monitor and check up on their historical playing patterns and levels, which may well have an influence on their future playing patterns and levels. During the Company's last financial year members accessed their statements utilising both methods on 260,687 occasions'.

20. The Company is the only firm to offer their players/members the facility to track and monitor their spend (and player history data) on a website, which has the advantage of allowing them to do so whilst at work or at home in order to evaluate their gambling.

21. The Company believes that this innovative player focused approach to player protection warrants further detailed consideration and evaluation, with a view to all bookmaking firms making available such a facility. This echoes the Government's sentiments expressed in paragraph 2.15.1 of its Consultation Paper.

22. The retention of account based play up to £50.00 would therefore enable this to take place. Accordingly, the Company urges the Government not to abandon account based play but to incorporate, within its proposals, a continuation of the scheme for plays over £30.00 but up to a maximum of £50.00.

23. For all of the reasons advanced in its paper in December 2016, the Company does not support a reduction in the maximum stake to a level below £30. Nor a maximum stake of £30 without a pathway to £50. Above all else, a reduction to a level below £30 would have a catastrophic impact upon the viability of the Company, and its future as a high street bookmaker. The Government is urged not to ignore the very clear and coherent evidence from the industry regarding the impact that such measures would have; the position cannot be overstated.

24. To further illustrate this, **Table 1** above also shows the financial modelling that has been undertaken by the Company were the maximum stake to be reduced to below £30. At £2, 72% of the Company's estate of shops would become loss making. The impact on the 'High Street', not to mention the very significant number of redundancies that would inevitably follow, would be considerable. 72% represents 1,203 loss making shops, resulting in the threat of redundancy for over 6.000 employees, in addition to a significant number at the Company's Head Office in Warrington. Moreover, the very material impact on media rights should also not be underestimated. The Company has already referred to the evidence from Fred Done at **Appendix 1**. In his view, the Government risks damaging, irretrievably, the horse racing industry in this country, were it to press ahead with a significant reduction in staking levels. To demonstrate that, **Table 1** above also sets out the estimated losses in income to TRP and SIS that would flow from the Company's shop closures. A reduction to £2 would result in a loss of income (just from the Company) of £33,241,562.

25. To assist the Government in its understanding, and so as to highlight the impact on media rights, **Table 2** below comprises further financial analysis that has been prepared by the Company, showing the loss in income to TRP and SIS from off course bookmakers who between them, presently operate approximately 8,500 shops. At £50 the loss is estimated at £39,225,246, and at £2, this grows to £169,599,807. The figures speak for themselves.

Table 2:

Impact on media rights

Max stake	% Loss makers	Total number of shops	Total Media Income	Loss in income to TRP & SIS
Current		8,500	**238,206,981**	0
£50	17%	7,082	**198,981,735**	(39,225,246)
£30	24%	6,418	**180,638,994**	(57,567,988)
£20	35%	5,556	**156,793,430**	(81,413,551)
£2	72%	2,367	**68,607,175**	(169,599,807)

Assumptions

All loss makers close
Industry loss makers are in line with Betfred loss makers and industry pay at similar rates to Betfred
Assumes no substitution
Based on FY18 contracts

26. A reduction below £30.00 would also be illogical and senseless, given that £10.00 lottery scratch cards are easily accessible and available to anyone over the age of 16 from countless high street retailers. These lottery products are far more likely to foster an early age association with gambling; in contrast to the supervised adult only environment of a betting shop that operates a 'Think 25' policy.

27. The Company is also very concerned that the Government appears to be adopting a piecemeal, disjointed and disconnected approach to the regulation of gambling products. It bears all the hallmarks of unfairness and inequity which is very likely to result in a legal challenge. At paragraph 2.14 of its Consultation Paper, the Government acknowledges that *'the most popular non-slot game on a B2 machine is electronic roulette'*. That is most certainly the Company's experience. As a percentage electronic roulette accounts for 76% in value for B2 content on FOBTs.

28. And yet were stakes to be significantly reduced for B2 content on FOBTs in betting shops, how does the Government intend to tackle the regulation of electronic roulette both at casinos and online, where there will be no such reduction on staking limits?

29. All of the potentials for harm that the Government has identified, and which it says has been the catalyst for regulatory change, are equally applicable for players when playing roulette either in a casino (where alcohol is available) or online (where there is absolutely no personal direct supervision or monitoring of play).

30. The Government has singularly failed to grasp this nettle which needs to be addressed. Not least because GambleAware acknowledged in their submission in December 2016: - *'Problem gamblers tend to participate in a broader range of gambling activities than non-problem gamblers….'*

31. Without a holistic approach, the interventions put forward in the Consultation Paper, with its focus on a limited range of products, cannot be properly and effectively evaluated. And that undermines the rationale for intervention in the first place.

[redacted]

Q2. Do you agree with the Government's proposals to maintain the status quo on category B1 gaming machines?

Yes.

Q3. Do you agree with the Government's proposals to maintain the status quo on category B3 gaming machines?

Yes.

Q4. Do you agree with the Government's proposals to maintain the status quo on category B3A gaming machines?

Yes.

Q5. Do you agree with the Government's proposals to maintain the status quo on category B4 gaming machines?

Yes.

Q6. Do you agree with the Government's proposals to maintain the status quo on category C gaming machines?

Yes.

Q7. Do you agree with the Government's proposals to maintain the status quo on category D gaming machines?

Yes.

Q8. Do you agree with the Government's proposals to increase the stake and prize for prize gaming, in line with industry proposals?

Yes.

Q9. Do you agree with the Government's proposals to maintain the status quo allocations for casino's, arcades and pubs?

1. Provided the status quo on allocations for betting shops remains the same, then the Company has no view either way.

Q10. Do you agree with the Government's proposals to bar contactless payments as a direct form of payment to gaming machines?

1. Yes. The Company has no wish to see the introduction of contactless payment on gaming machines.

2. In common with all other bookmakers, the Company did not, and does not, advocate the direct use of either credit or debit cards on gaming machines in betting shops.

Q11. Do you support this package of measures to improve player protection measures on gaming machines?

1. Given the existing extensive and wide-ranging player protection measures that are already in place in betting shops, the Company is pleased to note that the Government recognises the importance of such protections, and the role they play in helping bookmakers meet their social responsibility obligations. Much effort, and considerable resources, have been put into responsible gambling activities, as the Government rightly acknowledges in its Consultation Paper, and this is set to continue. The Company has, for example, indicated to the ABB that it is willing to fully participate and contribute to the further work that will be undertaken on additional further measures, as part of its 'Responsible Gambling Road Map' initiative.

2. Indeed, the Company maintains that player protection measures can be just as effective in achieving the Government's stated objective, without the unintended consequences and ramifications of a significant stake cut. For example, the introduction of the MOSES, to enhance and strengthen the existing self-exclusion procedures that were already in place, represented a significant step forward in the right direction; certainly borne out by the Company's experience. In 2016 there were a total of 2,981 self-exclusions registered under the scheme, but by 2017 this had risen to 4,200. That growth has also been mirrored in the Company's own self-exclusion scheme. In 2016 4,392 customers had self-excluded, and by 2017 this had risen to 4,582. Both sets of figures also represent increases on the data that the Company provided in its response in December 2016.

3. Similarly, the Company has also witnessed an increase in the number of recorded interactions that have taken place in its shops between staff, and those customers who were, or who might have been at the time, displaying behaviours that staff have been trained to look out for. Up from 92,364 in 2016, to 117,590 in 2017. The Company believes that any weaknesses that might have been present in protections in the past, have been addressed through a combination of greater awareness and engagement, coupled with a targeted programme of staff training.

4. However, at the outset of their answer, the Company wishes to place on record the fact that further measures, designed to build upon these, and other existing player protections on gaming machines (in betting shops) will only be necessary and therefore warranted, in the event that the alternative maximum stake for B2 machines was to be set at a realistic level (see the answer to Q1 and paragraphs 7 to 14 above). In the event that the alternative maximum stake was set at a level below £30, or if there was no pathway up to £50 from £30, then in the Company's view, the case for arguing that an additional package of measures is required, diminishes considerably. Indeed, at a maximum stake of just £2, the playing of games (such as roulette) on B2 machines becomes unviable and that would lead to their removal altogether from high street betting shops. The Company also maintains that a maximum stake reduction on B2 machines in betting shops is unlikely to have a significant impact on the rates of problem gambling in this country, and that additional player protection measures for machines in casinos, and machine games on line, will therefore need to be considered by the Government, industry, and regulators.

5. As for the particular measures outlined in the Consultation Paper;

    5.1 (5.8.1) The Company presently operates with a default alert set at 20 minutes or £150.00 whichever is reached first. It would not therefore wish to encourage players to adopt voluntary alerts that would be longer or higher than the default triggers that are already in place.

    5.2 (5.8.2) Presently the default mandatory alert (which measure is already in place) is set at 20 minutes or £150.00; prior to July 2016 it stood at 30 minutes or £250.00. It would be wrong to advocate a new mandatory alert level however, without knowing at what level the new maximum stake was set at, and whether account based play is to feature in any new regulatory regime.

    5.3 (5.8.3) Given the existing visuals and messages that already appear on a gaming machine screen, the Company does not believe that the prohibition of mixed play represents a step in the right direction. To the contrary, it is likely to lead to frustration, annoyance and confusion. It will already be perfectly apparent to players when they move from B2 content to B3 content because of the images and content, and confining players to one category of game alone may conversely increase the chances of them chasing their losses within that one category, without 'having a break' into another category of game.

As for the statistics referred to by the Gambling Commission; this is hardly surprising, given the observations of GambleAware who concluded in their submission in December 2016 that: - *'Problem gamblers tend to participate in a broader range of gambling activities than non-problem gamblers'*.

The Company does not therefore support this measure, but is perfectly willing to look at whether there is scope for greater clarification in the images, content, visual layout, message notification, pop-ups and sounds on the machine when customers are transitioning between B2 and B3 content.

5.4 (5.8.4) Further research in this area is to be welcomed, provided a universal approach is taken with regard to all gaming machines, and not just those in betting shops. If the Government believes that the use of algorithms has the potential to be an effective intervention tool, then there ought to be no distinction between where this measure is to be deployed.

5.5 In respect of the measures outlined at 3.1 and 3.2; the actual implementation and running costs will be negligible given that they are already largely in place and are being utilised within existing structures. And any changes to the alert triggers can be absorbed within existing maintenance and running costs.

5.6 The Company however does not support 3.3 and it is unable to provide any estimates in respect of the future use of algorithms at 3.4.

5.7 The final measure concerns the possible introduction of a form of tracked play on B1 B2 and B3 gaming machines. In principle the Company is in favour, given the verified play facility that the Company's members presently enjoy, whereby they can access their player data and information online at a dedicated website. Or on the terminal itself. Verified play (requiring contact details at registration) when used in conjunction with account based play above £30 up to a maximum of £50, would mirror the measure that is already in place, particularly when used in conjunction with the player awareness system; see in particular the Company's observations at paragraph 4.7 of the Company's response to the Government's call for evidence. The implementation and running costs are unlikely to be prohibitive and a timescale for introduction in 2018 would be realistic.

Q12. Do you support this package of measures to improve player protection measures for the online sector?

1. Yes, particularly having regard to the player protection measures that Betfred.com have embraced.

1.1 Representatives from Betfred.com are on GAMSTOPS steering group with the RGA and have been influential in steering the solution; Betfred.com has also committed financially to the project to ensure it progresses and achieves an implementation date of March 2018;

1.2 Betfred.com has engaged with its business information team and has conducted a full review of the GambleAware report; additionally, Betfred.com are also engaged with the RGA player analytics steering group in order to produce guidance on an appropriate approach when markers of harm are identified. Betfred.com expect this guidance from the RGA before the end of December 2017 and it is committed to adopting in full the final finding of the next phase of the GambleAware research expected in 2019 and;

1.3 Betfred.com are actively involved with the RGA in the adoption of best practice; and regularly attend GBGA meetings to enhance and share best practice with other online operators. The Company has read its response and agrees with it.

Q13. Do you support this package of measures to address concerns about gambling advertising?

1. In response to the Government's call for evidence (to the issue of gambling advertising) in December 2016 the Company responded in the following terms: -

   'The Company believes that the existing rules on gambling advertising are appropriate and refer to the Committee of Advertising Practice in 2014 which said there was "very little evidence that gambling advertising has an impact on young people." The Company also supports the Gambling Industry Code for Socially Responsible Advertising; believes that sign-up offers should not be promoted before 9pm, and that there should be a clear responsible gambling message on all adverts.

   Programme sponsorship by the gambling sector around live sport should only permit brand awareness and no direct calls to action.

   If Government were however minded to introduce a 9pm watershed for all gambling adverts, it could have a major impact on a number of sports but especially horse-racing which is inextricably linked to betting. Advert restrictions during horse-racing may no longer make it financially viable for terrestrial television coverage which is critical for the promotion of the sport. Its absence would dramatically affect turnover on horse-racing which would in turn affect the levy.

   The Company however is not complacent towards the issue of television advertising and whether appropriate measures are in place to protect children and vulnerable people, and believes a further review from the Committee of Advertising Practice is warranted before decisions on any proposed changes to gambling advertising are made'.

2. In the light of the guidance, notes and reports that the consultation paper has mentioned (at paragraphs 5.69, 5.70, 5.73 and 5.75) all of which have not yet been published, and given the proposals that have been drawn up for a new responsible advertising campaign (at paragraph 5.84) and which has not been aired, the Company believes that it has to be cautious when saying anything further, over and above its December 2016 submissions.

3. However, the Company is aware of a recent survey conducted by Ipsos Mori on behalf of the Gambling Commission ('Young People and Gambling 2017') which found that 80% of 11-16 year olds had seen gambling advertising on TV. And more than half of 11-16 year olds (55%) had seen gambling advertisements on TV at least once per week. With the findings of that report in mind, and in the light of the responses to the Government's call for evidence, the Company believes there is certainly merit in giving further consideration to a 9pm watershed on television gambling advertising, especially given the propensity of on line gambling operators to target football matches with 'calls to action'. On the strict understanding however that: -

   3.1 Horse racing was exempted and;

   3.2 There were clear rules in place for continued sponsorship by gambling operators of both sporting events and teams/individuals.

Q14. Do you agree that the Government should consider alternative options, including a mandatory levy, if the industry does not provide adequate funding for RET?

1. The answer to this question depends on how the Government interprets the word 'adequate' and, the extent of the application of the current voluntary levy system.

2. In the event that the Government accepts that the figure of £10 million per year (put forward by GambleAware as their fundraising target) represents adequate funding then yes; the Company is in agreement with the Government considering a mandatory levy. Provided the Government also makes it clear that the voluntary levy (and in default any mandatory levy) applies to the industry as a whole i.e. to all industry operators, including the National Lottery.

3. Indeed, the Company submits that were the National Lottery to donate 0.1% of their GGY, then there would be no question of the funding for RET not being adequate.

4. The Company is also in favour of supporting, financially, additional research into problem gambling by bodies other than GambleAware as part of its overall contribution, provided a comprehensive and joined-up approach were to be taken.

5. The Company however wishes to sound a note of caution into the debate concerning funding arrangements and the levy. In the 12 months ending 31st March 2017 GambleAware raised over £8 million from the gambling industry, a significant proportion of which came from bookmakers, who would be the sector of the industry most affected by a reduction in the staking limits on FOBTs that has been proposed by the Government.

6. The Company respectfully submits that the two issues (resources and funding) are inextricably linked, particularly as the betting sector will be disproportionately affected by the Government's planned interventions surrounding a stake cut, when compared to the rest of the broader industry. The Government is urged to bear that in mind, and the Company reserves the right to make further representations on the issue of funding, and the levy, once the Government's preferred option is known and the Company has been given some much-needed clarity on its future viability.

Q15. Do you agree with our assessment of the current powers available to local authorities?

1. Yes. The responses from Local Authorities to the Government's call for evidence must of course be judged against the backdrop of falling numbers of betting offices throughout the country. The latest industry statistics published by the Gambling Commission shows that there were 8,531 betting shops in Britain in September 2017, which represents a 3.9% decrease from March 2017. That is 342 fewer betting shops, and that continues the downward trend since the peak in 2012.

2. This is particularly significant in the context of the Government's concerns for the wider community; the number of betting shops continues to fall with further closures recently announced across the industry.

3. And whilst the total number of gaming machines, according to the Gambling Commission's statistics has increased between April 2016 to March 2017 by 1.5%, this can be accounted for by the increase in the number of adult gaming centres, and not by any increase in the number of betting shops (which are and have been in steady decline).

4. The Company also wishes to observe that the use of local CIA's for gambling premises, as an effective tool to prevent *'further clustering, specifically of betting shops'* is a solution to a problem that simply does not, and will not, exist. There will be no *'further clustering'* of betting shops, given the gradual decline in the number, and the break on development that was brought about by the implementation in 2015 of the changes to the A2 Use Class Order. Significantly, in the whole of 2017 the Company opened just 3 new betting shops; this compared to 5 in 2016; 10 in 2015; 17 in 2014 and 35 in 2013. The pattern speaks for itself.

Q16. Are there any other relevant issues supported by evidence that you would like to raise as part of this consultation but has not been covered by questions 1-15?

Not at this stage.

Appendix 1

Fred Done's Open Letter to the Racing Post January 2017

The Future of Betting Shops on Our High Streets

This is a landmark year for me as 2017 marks my 50th year in business as an independent bookmaker. Betfred will trade 1,682 betting shops on high streets across Britain later this year once the migration of the recently acquired Ladbrokes Coral shops is completed; we also trade betting shops on 51 racecourses, and part of the wider group is responsible for pool betting operations on 58 racecourses. I've come a very long way since opening my first betting shop, 50 years ago, with my brother Peter in Salford in 1967.

That journey has undoubtedly given me a unique insight into the high street betting sector which, according to a recent report, generated a gross gambling yield last year of £3.3b.

However, it is a sector that is under siege because of the moral panic surrounding fixed odds betting terminals (FOBTs), and in my view this represents, without doubt, the biggest single threat to the future of the high street betting shop in my 50 years as a bookmaker.

Betfred has recently submitted its response to the Government's Triennial Review of 'Gaming Machine Stake and Prize Limits and Social Responsibility', and the data that we provided shows that the existing regulatory framework already strikes the right balance, between ensuring that vulnerable people are not harmed or exploited by gambling on these machines, without unduly restricting the freedom of responsible adults to choose how and where they spend their leisure time and money.

In the past three years we've taken considerable steps, in common with other bookmakers, to improve player protection measures, and to mitigate the potential for harm to our customers when playing FOBTs in our shops. Yet the existing debate has failed completely to acknowledge the industry measures that have been taken, all of which have had a positive impact.

It also needs to be remembered that the rates of problem gambling in this country remain very low. According to the recent Gambling Commission research published in February 2016, rates of problem gambling were 0.5%. Not only is this rate low but it has also remained static and unchanged from the research carried out in 2014 and 2015. Throughout my time as an independent bookmaker it has always been my intention to operate in a way that does not harm or exploit customers who choose to use our shops.

The legal framework for betting in Britain that the Government has established, and which the Gambling Commission, as our regulator, is responsible for interpreting, enforcing and policing, anticipates that there will always be an element of problem gambling. It has been, and always will be, a characteristic of the way in which the gambling industry operates. That has been my experience over the past 50 years. As an operator in the industry therefore, Betfred is expected to have measures in place to properly identify, deal with, and then manage elements of problem gambling as and when they arise. And that is precisely what we have been doing and will continue to do, given that social responsibility is at the heart of my business. Self-exclusion requirements, the recording of customer interactions, and the recently launched multi operator self-exclusion scheme, are all examples of the measures that bookmakers now have in place to deal with problem gambling.

The intention behind the legislation is not to eradicate problem gambling – that would clearly be impractical but to ensure that it is managed in accordance with the Licensing Objectives and to provide the appropriate help and support to those who find it impossible to gamble responsibly. I believe that is being done, particularly as a result of the measures that we have introduced during

the past three years. Indeed as an industry we are committing significant resources to harm minimisation, over and above our contribution to the Responsible Gambling Trust.

Betting shops therefore, more than ever, now represent highly regulated, appropriately supervised adult only environments, which strike the right balance between the prevention of harm and freedom of choice.

Given the huge significance of the issues that are at stake here, the debate concerning the future of FOBTs in high street betting shops should be both balanced and evidence based. And yet recent press coverage in the build up to the Triennial Review has regrettably been categorised by alarmist rhetoric and misleading sound bites.

Betfred, in contrast, intends to rely on data not drama, and I can only hope that Government will not be unduly swayed by some of the often repeated myths that abound regarding the playing of FOBTs. Best illustrated perhaps by the myth that 'it is possible for someone to gamble £18,000 an hour playing a FOBT in any betting shop in Britain'. As the Gambling Commission have pointed out, such a statistic is 'astronomically improbable'.

The truth is that the average stake per spin in a Betfred shop is £4.01, down from £4.73 in 2013/14, and the average time spent on the machine is 10 minutes and 21 seconds. On average the customer loses £7.70 per session, dramatically less than figures used by opponents who advocate a drastic change in the maximum stake.

Part of the reason behind this ill-informed reporting is the failure, on the part of campaigners, to make the fundamental distinction between money staked and money lost, which creates the perception that customers spend vastly more on FOBTs than they really do.

As a bookmaker I am acutely aware of the difference, but it is a feature of FOBT play that is often conveniently overlooked by opponents, whose aim is to influence the public, industry stakeholders and politicians alike, as the Government considers whether further regulation is warranted.

In a balanced debate this crucial distinction between churn (the amount wagered) and drop (losses to players minus winnings) would be understood and made clear, but it appears to have consistently alluded much of the media, which in turn has allowed campaigners to greatly exaggerate the amount spent by customers when playing FOBTs.

This misinformation and ignorance, which has characterised much of the debate so far, is in danger of influencing policy and that was part of my motivation in wanting to write this open letter, in the hope of being able to set the record straight.

I also wanted to air my concerns regarding the motives of some of those campaign groups who are urging the Government to significantly reduce stakes on FOBTs in betting shops; whether their standpoint can truly be said to be objective, and whether they have vested interests.

On 8th December 2016 the Fixed Odds Betting Terminal All Party Parliamentary Group published its interim findings. The Group said that it could 'see a strong case for the stake being set at £2.00' and they went on to say that such a call was 'supported by a significant majority of the public'.

The Group has agreed for organisations to apply for Associate Membership upon payment of a fee of £3,000. Amongst its Associate Members are BACTA (the main trade association for the Amusement and Gaming Machine Industry in the UK), the Hippodrome Casino, the Campaign for Fairer Gambling and JD Wetherspoon. The Group has also registered a benefit in kind (valued at between £10,501 and £12,000) received from a company called Interel Consulting Ltd, a public affairs consultancy. I am quite sure that the Associate Members will all benefit handsomely in the event that stakes on FOBTs in betting shops were significantly reduced.

For the Government to be able to justify a significant reduction in stakes on FOBTs it must be able to demonstrate that such a step would have a positive impact on levels of problem gambling, particularly amongst those customers who choose to play FOBTs in betting shops. The data that we provided to Government as part of the Company's response to the Triennial Review demonstrates that problem gambling is already being managed in line with the Licensing Objectives and that no reduction in stakes or prizes is warranted.

However, if the Government significantly reduced stakes on FOBTs that would curtail the availability of the most popular games, and that in turn would inevitably drive players elsewhere. All of the evidence that we have points to the fact that there is a very high demand for this type of product. Consequently, if this demand is not met in high street betting shops it will have to be met in one of a number of ways; it will not simply disappear or be diverted into other products overnight.

There are only three possible outcomes. It could lead to an increase in the demand for online gambling provided by both regulated and unregulated operators, it could result in illegal gambling, and attendances at casinos could increase.

As for online gambling, which according to the latest figures released by the Gambling Commission now accounts for 33% of all gambling in Britain, although providers of online gambling facilities into the UK are obliged to hold a Remote Operating Licence granted by the Gambling Commission, there remains a significantly greater potential for gambling related harm, given the absence of player centred control measures, that are now to be found in high street betting shops. Playing on a tablet, computer or phone at home, alone, without that level of oversight and scrutiny, and without the availability of support, help and information from suitably trained staff, is a potential recipe for increased levels of problem gambling.

Moreover, the popular games to be found on FOBTs in shops will be available to players who migrate to online gambling but very often without the maximum stake and maximum prize levels that form part of the current regulatory regime in the shops. Unlimited stakes and prizes on online casino type games could potentially expose these player to greater levels of risk taking, greater losses and the potential for greater harm. Government needs to recognise that regulation cannot afford to be anachronistic in a market where customers can already place unlimited bets on their tablet, computer and mobile phone.

We anticipate that unregulated and illegal operators will quickly move in to the high street market if the demand, that clearly exists, is not legitimately met by high street betting shops. And the clear and obvious dangers for players are all too readily apparent were this to happen.

Yet the focus of the present debate, and the thrust of the Government's Triennial Review, is concerned solely with the availability of FOBTs in betting shops. It fails completely to address the availability of FOBTs both online and in casinos, where arguably the potential for greater harm exists, especially with alcohol being available in casinos. In view of my concerns such an approach is indefensible.

It is now widely accepted that the profits from FOBTs make up at least 50% of the profit for an average high street betting shop and generally that is our experience. Consequently, if stakes on these machines were significantly cut or, if their numbers were reduced, then that would have a devastating impact on the viability of high street betting shops and would result in widespread closures across the country. That in turn would result in:

1. Significant redundancies; Betfred alone employs close to 10,000 people
2. Closed shop units impacting up on the vitality and viability of high streets
3. Significantly reduced tax revenues (Corporation Tax, Employers NIC and GPT/Gaming Duty). Currently we pay in taxes and levy 6.5 times more than our profit after tax.
4. Reduced levels of Business Rates for local Councils
5. Falling levels of rental income for high street Landlords many of whom will not be able to find alternative Tenants
6. A lack of investment by bookmakers into those shops that remain open
7. Curtailed Sponsorship and a reduction in the Levy
8. Reduction in media rights payment to horseracing
9. A stagnant uncompetitive and declining high street betting market

This is without doubt the biggest threat to the high street betting shop that I have faced during my 50 years in business as a bookmaker. I have asked for some financial modelling to be done on the Company's retail estate to assess the impact, were stakes on FOBTs to be reduced to just £2.00. At the time of the analysis, prior to the Triennial Review and before the Ladbrokes Coral acquisition, we operated 1,360 shops and out of those shops, 660 would become loss making overnight, resulting in me having to make a decision to close them. That would result in at least 3,300 employees being made redundant, although further closures and additional redundancies would inevitably follow, given that we would have to realign itself in the market as it tried to continue to operate with a much smaller retail estate.

I also believe that small independents and medium size operators would disappear completely from the high street.

But perhaps one of the most significant and concerning unintended consequence would be the impact on the future of British horse racing. I am proud to be able to say that under my stewardship, and following the acquisition of the Tote in 2011, Betfred is now horse racing's biggest supporter. Last year the Company's contribution to horse racing was £13.3m. We have exceeded the £9m contribution that we guaranteed to Government in 2011 every year since the Tote acquisition.

In addition to this direct contribution to racing of £13.3m, last financial year we paid just under £10m in levy, plus over £43m to our picture providers Turf TV and SIS. Fewer shops will reduce the levy but will have a greater impact on media rights. Payments in respect of Media Rights have grown in recent years, from £30m in 2005 to over £170m last year. As all operators pay an amount per shop, this will have a dramatic effect on the total paid in media rights and the return to racing.

I believe that I am therefore uniquely placed to warn the Government that it risks damaging, irretrievably, the horse racing industry in this country, were it to press ahead and significantly reduce the stakes on FOBTs in betting shops. That surely cannot be part of Government's agenda as it seeks to review gaming machines and social responsibility measures.

The future success of our world renown and much envied horse racing industry is wholly dependent upon the continued vibrancy of the high street betting market. Without its contributions, through sponsorship, media rights and the levy, horse racing would not be able to survive in its present form. The demise of the high street betting sector would have a profound and far reaching impact on the racing industry and thus on the fabric of this country's sporting culture and heritage. The Government should understand that the stakes have never been higher and this message, from an independent bookmaker celebrating 50 years in business, is one that the Government needs to hear loud and clear. I can only hope that someone is listening.

Yours sincerely,