

Wheel of Misfortune:

The case for lowering the stakes on Fixed Odds Betting Terminals

*A report by ResPublica for the
Campaign for Fairer Gambling*

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Contents

Foreword	2
1. About This Paper	3
2. What Are Fixed Odds Betting Terminals	6
2.1 How are FOBTs regulated?	6
2.2 How many FOBTs are there?	7
3. People	9
3.1 Problem Gambling	9
3.2 High stakes FOBTs are different from traditional over-the-counter betting	10
3.3 High stakes harm	10
3.4 Family breakdown	11
4. Prosperity	13
5. Place	15
5.1 Case Study: Newham	18
5.2 Case Study: Liverpool	19
6. The Political Opportunity and the Case for Action	20
7. Conclusion and Key Recommendation	23
Endnotes	25



Foreword *by Chris Philp, Member of Parliament for Croydon South*

As the Government prepares a review of gambling, I welcome this report which calls for greater consistency and consensus in the regulation of Fixed Odds Betting Terminals.

Across all political parties, there is a strong feeling that these gambling machines are having a detrimental effect on our high streets. ResPublica's report provides vital evidence to show how this damages the lives of people, our economic prosperity and the fabric of our communities. Crucially, it demonstrates how this damage could be mitigated by smarter regulation of gambling machines, by reducing their maximum stake to £2 per spin.

This is not about more regulation, but rather better regulation of machines that have proliferated because of loop-holes in the 2005 Gambling Act. It would also bring the United Kingdom into line with gambling practice in the rest of the developed world.

I commend ResPublica's report ahead of the Government review, and believe that implementation of their key recommendation would help provide a gambling climate in which prosperity can return to the lives of people and their communities.



1. About This Paper

This is a key moment in the debate over the regulation of Fixed Odds Betting Terminals (FOBTs) in Britain today.

We remain the only country in the developed world that allows up to £100 to be staked every 20 seconds on casino-style gaming machines on our high streets. The Department for Digital, Culture, Media and Sport (DCMS) is currently looking at the regulation of FOBTs as part of a wider review into gaming machines, with the findings of this review due to be announced in the Autumn.¹

The review is taking place in the context of growing cross-party support for action to address the harm caused by FOBTs since their introduction to high streets in 2001, and is an opportunity to examine ways in which the Government can deliver better regulation of these machines for the benefit of people, their communities and the economy. Questions have been raised over a regulatory approach that has failed on its own terms by allowing and encouraging the proliferation of high stakes casino-style gaming machines on high streets, and that exposes to harm a disproportionate number of people who live in deprived areas.

In anticipation of the Government's review into gambling, we believe that the debate must continue to focus on the impact that these machines have had on three aspects of life in Britain.

First, the impact on **people**. The number of people using casino-style, high stakes gambling machines on Britain's high streets is estimated to have reached 1.5 million.² Evidence has shown that a disproportionate number of those people live in areas of poverty, high unemployment and deprivation. The growing prevalence of FOBTs on Britain's high streets has contributed to increases in problem gambling over recent years, with a range of harmful impacts – from worklessness and indebtedness to domestic violence and family breakdown – which undermine the Government's welcome focus on healing Britain's social fabric.³ The latest available research has found that the number of problem gamblers has surged – from 280,000 in 2012 to 430,000 in 2015.⁴

Second, the impact on economic **prosperity**. There has been a profoundly negative impact on the productive economy as FOBTs have grown. Typically, the defence of high stakes FOBTs is that they bring economic benefits. Our paper assesses the evidence and finds that this is manifestly not true because FOBTs are diverting expenditure from more productive parts of the economy. The rise of FOBTs has consequently damaged employment – 23,400 potential jobs

lost last year alone – and in doing so has increased the burden on taxpayers.⁵ This hidden cost to the economy is substantial, and we argue that it should therefore be considered a priority for economic as well as social policy reform.

Third, the impact on **place**. Britain remains the only developed country in the world to have high street betting shops that allow people to bet up to £100 every 20 seconds.⁶ Our high streets should be at the heart of our economic and social fabric, providing both sources of local employment and enterprise but also places of community life. But poor regulation has catalysed the disproportionate growth and "clustering" of betting shops, and further driven the decline of thoroughfares that once flourished as centres of growth and community. We argue that regulation needs to be improved to better serve communities, local business and our high streets.

The case for better regulation of FOBTs on Britain's high streets is a call for greater consensus and consistency. It is clear that there is an opportunity for cross-party consensus: since the launch of the DCMS review, the Labour party has committed to reducing the maximum stake to £2, and to increasing the delay between spins in games.⁷ Likewise, the Liberal Democrats have committed to a reduction of the maximum stake to £2.⁸ Earlier this year, the cross-party APPG on Fixed Odds Betting Terminals concluded that there was a strong case for a reduction in the

maximum stake to £2.⁹ This reduction would redress an imbalance created by the 2005 Gambling Act, whereby FOBTs were classified as “B2” machines and allowed a maximum stake of £100 on a single bet, as opposed to £2 for other B machines.

We believe that this year’s review of the gambling industry represents an opportunity for Government to respond to the prevailing calls for consensus and consistency, by introducing renewed regulation of Fixed Odds Betting Terminals. In this paper, we assess the evidence and the options open to policy-makers, and conclude that by implementing a clear policy to reduce the maximum stake for FOBTs to £2, the Government can put people, prosperity and places at the heart of their vision for the country.



2. What Are Fixed Odds Betting Terminals (FOBTs)

Fixed Odds Betting Terminals (FOBTs) are electronic machines that offer a range of games, including casino-style roulette, that are found in betting shops on high streets in the UK. They are called “fixed odds” betting terminals because each machine accepts bets for amounts up to a pre-set maximum and pays out according to fixed odds on the simulated outcomes of games. FOBTs were first introduced by bookmakers onto Britain’s high streets in 2001.

2.1 How are FOBTs regulated?

The 2005 Gambling Act was an attempt by the then Labour government to both liberalise and regulate British gambling habits. In 2004, the Secretary of State for Culture, Media and Sport spoke of the Government’s “desire to give adults freedom to gamble if they wish” during a debate of the Gambling Bill, and in 2012 a Parliamentary inquiry described the 2005 Act as designed to ensure the “liberalisation of rules and delegation of decisions to those most knowledgeable

about their likely impacts". At the same time, it sought to regulate the growth of FOBTs, which from an early stage were linked to problem gambling.¹⁰

The Act classified FOBTs as B2 machines within the broader "B" category. This B2 categorisation applied two distinct rules to FOBTs: it introduced a maximum stake of £100 on a single bet, as opposed to £2 for other B machines; and it restricted the number of machines permitted in a single betting shop to four. These restrictions had an unforeseen knock-on effect: the limit to the number of machines allowed within individual betting shops led to an increase in the number of shops on high streets – a phenomenon that has been described as "clustering".

In this way, clustering has increased the availability of FOBTs, driving a trend for highly addictive games like roulette to be taken out of specialist premises such as casinos and installed on high streets up and down the country. Together with their £100 maximum stake, and the ability to engage in repeated spins in quick succession, potentially on multiple machines at the same time, the proliferation of FOBTs on the high street has led to an increase in the amount of money that can be lost – thus having the opposite effect to the regulatory intentions of Labour's Gambling Act.

In 2015, the Gaming Machines (Circumstances of Use) (Amendment) Regulations were introduced. These

regulations were designed to increase the supervision of machine gambling with stakes above £50, requiring people who place higher bets on FOBTs to stay in control of their gambling behaviour by loading cash via staff interaction or using account-based play. However, evaluative research conducted since the implementation of the new regulations has not found that harm has been mitigated or that play has become more responsible.¹¹

2.2 How many FOBTs are there?

According to the Gambling Commission, there are now 34,388 FOBTs in the United Kingdom, up from 20,000 in 2005, generating £1.8 billion for the industry in gross profit – equivalent to over £52,000 per machine per year.¹² This growth, combined with the cap of four FOBTs per shop, has seen the number of betting shops on many high streets increase dramatically.

The growth in the number of these machines has been disproportionately located in deprived areas, and has been linked to the decline of high streets in some of Britain's most vulnerable communities. The table below shows the local authorities with the highest number of betting shops in the country. There is a strong correlation with high unemployment and worklessness rates, suggesting an exploitative relationship between bookmakers and deprived communities.

Local authority	Number of betting shop licences	Unemployment rate (%)	Workless households (%)
Glasgow City	222	5.7	25
Birmingham	172	8.5	18.2
Liverpool	156	6.5	24.2
Manchester	119	7.6	22.4
Leeds	113	4.4	14.3
City of Edinburgh	111	3.8	13.5
City of Westminster	105	5.9	18.7
Brent	97	7.2	10.8
County Durham	94	6.3	21.6
North Lanarkshire	83	4.7	17.6
National average		4.7	15.1

**Key: Green – below national average; Red – above national average*

In chapter 5 of this paper, we look at two places in particular – the London Borough of Newham and the Liverpool City Region – to see how the increasing concentration of betting shops has affected high streets and communities.



3. People

Around 3 per cent of the population use FOBTs – a small but significant proportion.¹³ For those circa 1.5 million people, the liberalisation of high stakes FOBTs has increased their exposure to a highly addictive and compulsive form of gambling. This has had a harmful impact on the lives of thousands of people, their relationships and their children.

3.1 Problem gambling

The first victims of poor gambling regulations are those who use the machines. Using Health Survey data

from England and Scotland, NatCen has found a sharp increase in the rates of problem gambling in recent years, from 280,000 to 430,000 – an increase of over 50 per cent. For FOBT users, problem gambling is particularly acute – 43 per cent of those using these machines are either problem or “at risk” gamblers.¹⁴

Problem gambling leads people from occasional gambling to a gambling habit. It is defined by the Royal College of Psychiatrists as gambling that disrupts or damages personal, family or recreational pursuits.¹⁵ Problem gambling caused by FOBTs has been linked to physical

and mental health problems, financial difficulty and criminal activity.¹⁶

In a disproportionate number of cases, the corrosive effect of problem gambling has been concentrated in many of Britain's working class and BME communities. For example, 61 per cent of shops of one leading high street bookmaker are located in areas with greater numbers of non-UK born citizens.¹⁷ The clustering of gambling machines in these communities has damaged the health, well-being and prosperity of some of Britain's most vulnerable people and their families.

3.2 High stakes FOBTs are different from traditional over-the-counter betting

To understand how the rise in problem gambling has been driven by the rise in high street FOBTs, it is important to appreciate how FOBTs have changed the way that people gamble:

1. They have increased the number of people exposed to potentially addictive and compulsive games. The traditional customer base of betting shops – older, working-class males – have been attracted to FOBTs, developing problems only when they start to use these machines, while first-time gamblers, particularly young males and people from ethnic minorities, have been attracted into betting shops.¹⁸

2. The cost-per-play of high street gambling has gone up, with individuals able to stake £100 per play. With a time between plays of only 20 seconds, customers can stake a significant amount of money very quickly.

In other words, more people are gambling on high streets, and people gambling on high streets are putting more money at stake.

3.3 High stakes harm

For this reason, some campaigners argue that FOBTs have turned high street betting shops into casinos. In fact, this characterisation is misleading because casinos are subject to far more stringent levels of regulation. The combination of addictive and compulsive gaming forms and higher playing costs available on the high street is a potent mix – one that has seen problem gambling increase and spread since 2005. Moreover, the high maximum stake that gamblers can put into FOBTs has increased the harm to individual problem gamblers dramatically.

With FOBTs, the maximum stake of £100 is so high, and the protections against problem gambling in real life gaming situations are so low – with the possibility for new bets being made every 20 seconds – that losses can run into the thousands very quickly. The result is that losses on FOBTs outweigh those on other leading forms of gambling (for example,

dog racing, horse racing, slot machines, football pools or bingo) combined.¹⁹ In fact, analysis carried out earlier this year of Gambling Commission data by Bacta, the trade association for the amusement and gaming machine industry, found that high losses on gambling are almost exclusively restricted to FOBTs, with the machines responsible for 96 per cent of all losses.²⁰ In a single year on high streets across the country, people using FOBTs lost £1,000 or more on 233,071 separate occasions.²¹

This data demonstrates the key problem with FOBTs: stake size matters in addiction and problem gambling, with higher stakes linked to higher rates of problem gambling.²² A recent study of gambling machines (including B2 machines) found that those who bet £13.40 or more could be categorised as “problem” or “at risk” gamblers, whereas only 19% of those staking 53p or lower per spin were problem or at risk gamblers.²³ This is partly because high stakes reduce decision-making ability, as research has found both in the UK²⁴ and internationally.²⁵ A reduction in the maximum stake would therefore represent a practical and effective way of preventing harmful gambling.

Research has also shown that FOBT users typically suffer from higher levels of problem gambling symptoms, such as low self-esteem, stress, anxiety and depression, with FOBT gambling contributing the most of all types of gambling problems.²⁶ FOBT users are much more likely to be

problem gamblers than those using other betting types, but they are also increasingly likely to be young men, unemployed and/or from low-income households.

This means that there is a disproportionate impact on individuals and families who fall into the “just about managing” demographic – precisely the people who the Prime Minister has pledged to help. Problem gambling triggered by these machines pushes people from just about managing to not managing at all: each user averages high levels of personal debt, estimated at £17,500 in 2010.²⁷

In short: the speed of betting and the high stake size of FOBTs is strongly linked to significantly higher levels of problem gambling than other leading forms. This suggests that a much lower maximum stake would help individuals remain in control of their gambling, and prevent the development of habits that cause harm. One under-recognised form of that harm is the damage done to relationships, family life and children.

3.4 Family breakdown

It is not just individuals who are harmed by high stakes FOBTs. Evidence shows that between eight and ten other people in the gambler’s social network are also affected negatively.²⁸ This can include spouses, who may experience domestic violence; family members; children (who

experience higher rates of behavioural, emotional and substance use problems); and the network of friends and colleagues.²⁹

The financial consequences of FOBT use can be highly destructive to family life. The addictive nature of FOBTs, and the high stakes permitted during games, mean that problem gamblers stand to make significant financial losses. These losses are compounded by the fact that they disproportionately affect those on low incomes – 31 per cent of problem gamblers are on an annual income of £10,400 or less. The current rules are so permissive that those 31 per cent of players can stake an entire month's income in a three-minute session.

The scale of losses on FOBTs is much greater than other leading forms of gambling – for example, losses from problem gambling are four times higher

on FOBTs than on dog racing.³⁰ The scale of the losses on FOBTs combined with the low incomes of many users is a toxic mix for families. Problem gambling not only increases financial troubles, but places emotional strain on partners and fractures relationships, which is why it has been linked to the loss of homes and higher rates of separation and divorce.³¹

For children, the impact of parents affected by problem gambling is stark. Thousands of children are growing up in indebted households – and this has been linked in turn to family breakdown, an increased risk of children developing mental health conditions, and stigmatisation at school and among peers.³² By exposing people to dangerous forms of gambling, we are storing up great problems for the future.



4. Prosperity

High stakes FOBTs have a significant impact on thousands of people and their families. But they have also led to an important cost for the economy, jobs and the taxpayer – a cost that has so far not gained enough recognition. This should be at the heart of the Government's thinking on FOBTs as it seeks to spur growth and spread prosperity. An analysis for the betting sector has provided figures claiming that the gambling industry contributes £2.3bn to GDP annually³³ with around 9,000 shops across the country.³⁴ Betting shops provide sources of employment and local business tax, and provide a spread of employment opportunities in all parts of the country.

It is for this reason that a common argument against action to reduce the maximum stake of FOBTs is that it will translate into job losses around the country. The Association of British Bookmakers put this argument at the front of their submission to the Triennial Review in 2013.³⁵ Since 2007 the prevalence of FOBTs has grown, and with it profits in the sector have increased. However, a closer examination reveals that this argument ignores the economic harm of problem gambling, and overestimates the economic value of high stakes FOBTs. The hidden cost of problem gambling to Britain's economic prosperity is

substantial, with FOBTs acting as a drain on the productive economy. Problem gambling with machines has been shown to have an overall negative effect on both employment and enterprise.

Research shows that problem gambling has been strongly linked to worklessness and unemployment, as problem gamblers find it harder to retain work and gain new employment.³⁶ In addition to risking the current employment prospects of users, betting machines with high stakes limits are poor creators of employment, and are much better at generating revenue than jobs. In fact, a recent study conducted by Howard Reed of Landman Economics on behalf of the Campaign for Fairer Gambling found that consumer expenditure on FOBTs only has a third of the job-creating power of expenditure elsewhere. Their report estimates that £1 billion of expenditure on FOBTs supports only 7,000 jobs in the UK gambling sector, whereas the same amount of “average” consumer expenditure supports around 20,000 jobs across the UK. The report uses this analysis to argue that the rise of FOBTs is destructive to employment, with Reed warning that growth over the decade to 2024 will lead to a reduction of over 22,000 additional jobs.

The rise of high stakes FOBTs has automated much of the activity that takes place in high street betting shops, in the same way that self-checkout machines in supermarkets have reduced in-store staffing levels. That is why, despite annual

growth in gross revenue from FOBTs standing at 7 per cent and overtaking revenue from traditional over-the-counter betting,³⁷ thousands of betting shops have in recent years been run under a “single manning” policy that sees only one employee in the shops for much of the day.

In addition, FOBTs are both low-cost and low-maintenance. Taken together, this makes a real difference to public finances, with a net negative impact on tax and National Insurance revenues for the Exchequer despite FOBT growth. Indeed, estimates suggest that the public purse took a £37.3m hit in tax revenues between 2008 and 2016.³⁸

It is not just that government finances are being weakened – FOBTs are effectively subsidised by the taxpayer, because bookmakers locate their shops in areas where worklessness and welfare dependency are high. By way of illustration, Glasgow City (with 222), Birmingham (172) and Liverpool (156) are the local authority areas with the highest total number of betting shops, and in each the unemployment rate and proportion of workless households far exceeds both regional and national levels. This damage goes beyond economic prosperity and the public purse. High stakes FOBTs have also contributed to the decline of high streets and the vitality of local small businesses, leading to a wider social impact on communities.



5. Place

High stakes FOBTs have triggered a negative multiplier effect on our high streets. With their damaging impact on both people and prosperity, betting shops with FOBTs should be viewed as drains on their local communities.

We acknowledge that gambling premises can have positive impacts for local economies. For example, research has found that casinos generate significant employment opportunities and support a range of complementary economic activity such as hotels and restaurants.³⁹ But in the wrong setting and with the wrong regulatory framework, the

presence of casino-style machines on the high street has had the opposite effect, hastening the decline of high streets and having profound economic and social consequences for communities.

Decisions taken by large national and often multinational betting companies as they seek to serve their customer base have resulted on the ground in clusters of betting shops in deprived areas. As we have argued, users of high stakes FOBTs are more likely to be male, young, unemployed and/or on low incomes.⁴⁰ This customer base means that betting shops are increasingly located in more deprived areas

where average incomes are lowest and unemployment highest. Analysis for *The Guardian* found that bookmaker turnover was four times higher in unemployment blackspots than in wealthier areas.⁴¹ The revenue generated then flows out of local communities, with large corporate bookmakers such as Ladbrokes and William Hill running the majority of these shops.⁴²

What this has meant is that while the overall number of betting shops in the UK has remained steady, particular high streets have seen the number of betting shops increase dramatically due to increasing local demand for FOBTs.⁴³ There are now twice as many betting shops in the poorest 55 boroughs as there are in the wealthiest 115.⁴⁴

Many areas where local incomes are lower have seen declining high streets.⁴⁵ While vacancy rates are sometimes part of the story, decline is signified not only by occupancy levels but also by the types of enterprise in retail units. Prevalence of fast food outlets and betting shops is a driver of decline because they reduce the diversity, vitality and viability of high streets.

The growth of betting shops on high streets is cause for concern because of their impact on visitor numbers, community safety, and differing opening hours from other shop types in the A2 planning category.⁴⁶ With a higher concentration of a single type of enterprise – betting shops – it is much harder for a high street to attract

visitors and sustain footfall. That is why the Government has sought to promote high street diversity through the National Planning Policy Framework,⁴⁷ an aim supported by academic research⁴⁸ and key stakeholder groups such as Historic England.⁴⁹ This reduction in passing trade results in a limit to the opportunities for high streets to support a diverse range of enterprises and, by extension, to flourish. It is not surprising, therefore, that both the British Retail Consortium and the London Assembly's Economy Committee have raised concerns over this aspect of high street decline.⁵⁰

Betting shops also have a distorting effect on high streets because, as we have argued, FOBTs drive up rates of problem gambling while the cost per play increases, thus diverting disposable income that may have otherwise been spent by customers in other local shops. And because betting shops have lower staffing requirements than other high street shops, they are crowding out employment opportunities in the very areas where local people need them most.

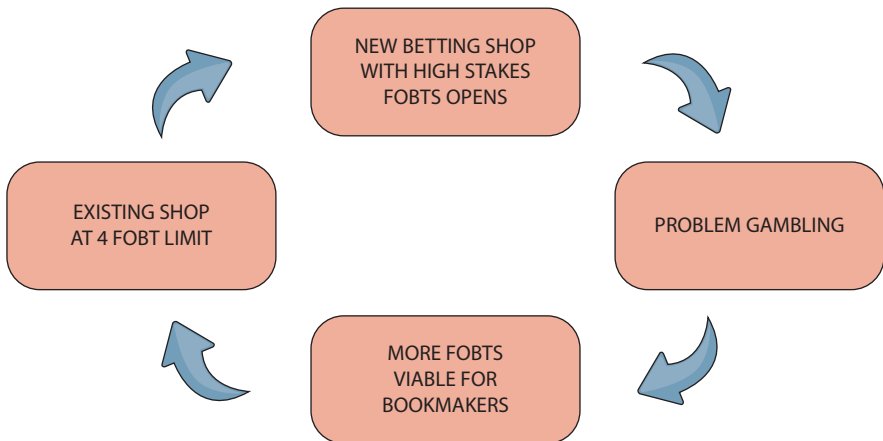
The sheer profitability of FOBT machines mean that bookmakers are also in a much stronger financial position to compete for retail space when it becomes available. Anecdotal evidence suggests that in some areas, bookmakers are offering premiums to pub and restaurant owners to vacate premises early.⁵¹

For these reasons, we can identify a negative multiplier effect caused by high stakes FOBTs, as illustrated below. Betting shops move onto high streets in low income areas; increased ease of access to FOBTs raises rates of problem gambling locally; this in turn increases demand, which leads to additional shops opening to circumvent the four-FOBTs-per-shop limit. Betting shops are unlikely to need planning permission, and the Gambling Act requires licensing authorities to “aim to permit” new premises.⁵² Betting shops with FOBTs did not initiate the decline of high streets, but through regulatory myopia and economic self-interest, they have accelerated it.

The result of this is a geographical concentration of unemployment, criminal activity and anti-social behaviour; and an increasing domination of high streets by one type of enterprise.⁵³ These factors have contributed to further decline of community life in some of Britain’s poorest neighbourhoods, for which high streets are a key physical part.

As such, betting shops that form FOBT clusters should be seen as drains on communities for their local impact and their entrenchment of high street decline. In communities most affected, social capital is often low and community capacity to

The Negative Multiplier Effect



engage in the planning process is lowest. For this reason, an approach based solely on empowering localities and communities to act through the planning system will not succeed on its own.

Instead, we need to address the root cause: the high stake cap. That is why Newham Council submitted a proposal under the Sustainable Communities Act (SCA) in 2014 to reduce the maximum stake on FOBTs to £2.⁵⁴ The SCA introduced a new

process of governance whereby councils can drive central government action and policy to “assist councils in promoting the sustainability of local communities”. The Newham proposal, although ultimately unsuccessful so far, was the most widely supported of any made under the SCA, getting the support of 93 authorities from across the political spectrum.⁵⁵ In the first of two case studies, we look at why Newham led calls for a £2 maximum stake.

5.1 Case study: Newham

There are 82 betting shops in the London Borough of Newham in the East End of London – over six per square mile – and 296 FOBTs. 14 betting shops populate the one mile length of High Street North in East Ham. Every 120-metre stretch in this part of east London is home to another betting shop.

Estimated FOBT losses by problem gamblers between 2008 and 2016	£134.6m
Problem gamblers	2,728
Jobs lost in the borough from FOBT expenditure, 2008-2016	2,180
Cumulative tax losses from FOBT expenditure, 2008-16	£16.1m

There have been betting shops on East London high streets for many decades, but the 2005 Gambling Act triggered their proliferation. Since the Act came into force in 2007, the number of betting shops has increased by 47 per cent in town centres. More shops means more profit: the combination of the profitability of high stakes FOBTs, the liberalisation of their use in the 2005 Act and the four-machine-per-shop cap has driven this increase – a point on which the council is very clear.⁵⁶ The result is said to be the densest concentration of betting shops in the country, in a borough with some of the highest rates of unemployment and child poverty in London.⁵⁷

This has had a stark impact on the high street and local community. Evidence shows that criminal activity and anti-social behaviour have increased, with the local council reporting a strong correlation between concentrations of crime and betting shops. Last year, police were called out to a betting shop at least once a day in the borough – a total of 438 reported disturbances in a single year – and there were 39 arrests over the course of the year.⁵⁸

The Council has led calls from local authorities for action on high stakes and the proliferation of betting shops, and the community overwhelmingly supports action to address these problems. 99 per cent of those who responded to a recent consultation by Ipsos Mori said that they would like to see fewer betting shops in the borough; and 84 per cent supported reducing the maximum stake allowed in FOBTs.

5.2 Case study: Liverpool

The experience of high stakes FOBTs in the Liverpool City Region provides an insight into how FOBT shop clusters have formed in low income neighbourhoods. Last year, £1.2 billion was spent on FOBTs across the city region, with losses totalling £45 million.⁵⁹ To put that another way, over four per cent of the city region's total Gross Value Added (GVA) was inserted into FOBTs.⁶⁰

Estimated FOBT losses by problem gamblers between 2008 and 2016	£124.3m
Problem gamblers	10,037
Jobs lost in the city region from FOBT expenditure, 2008-2016	5,034
Cumulative tax losses from FOBT expenditure, 2008-16	£37.3m

As Liverpool Public Health Observatory research has found, betting shops in the Liverpool City Region are more likely to be in a) urban centres such as Birkenhead, Southport, and Liverpool centre; and b) in areas of highest deprivation.⁶¹

The story of high stakes FOBTs across the Liverpool City Region is one of jobs and local economic expenditure foregone in those parts of the city region that are most in need of investment and employment opportunities.



6. The Political Opportunity and the Case for Action

In a liberal democracy, policy-makers use regulation to achieve three broad aims: the protection of individual freedom, the prevention of harm, and the promotion of economic growth. The approach established in the 2005 Gambling Act tries to tread this path. It was designed to ensure a high maximum stake to give gamblers the freedom to choose, a four-machine-per-shop rule to reduce exposure to the machines, and otherwise free rein for bookmakers to pursue the proliferation of FOBTs as they see fit.

A decade on from the Gambling Act coming into force, we can say that this project has failed. We know that high stakes gambling diminishes a player's decision-making ability. We know that exposing people and communities to addictive and compulsive forms of gaming on the high street has led to a jump in problem gambling, with personal indebtedness, higher rates of divorce, domestic violence, and increased unemployment and worklessness, and has accelerated the decline of high streets that were once at the heart of community life. And we know

that the growth of FOBTs has been bad for the economy and the taxpayer, destroying jobs as expenditure is sucked in from other parts of the economy, damaging local shops and increasing the welfare bill.

We are approaching a key moment that could see us take a different path. The Department for Digital, Culture, Media and Sport is currently reviewing changes to FOBT regulation, and is due to publish its report from October 2017. Since the launch of the DCMS review, Britain has had a general election in which the Labour Party committed in its 2017 manifesto to reduce the maximum stake to £2, and to increase the delay between spins to reduce the addictive nature of the games.⁶² The Liberal Democrats similarly committed to a reduction of the maximum stake to £2.⁶³ Earlier this year, the cross-party APPG on Fixed Odds Betting Terminals concluded that there was a strong case for a reduction in the maximum stake to £2.⁶⁴

The Conservative manifesto did not commit to action on FOBTs, but it did set out a general approach to government and policy-making:

...Conservatism is not and never has been the philosophy described by caricaturists. We do not believe in untrammelled free markets... We abhor social division, injustice, unfairness and inequality. We see rigid dogma and ideology not just as needless but dangerous.

*True Conservatism means a commitment to country and community; a belief not just in society but in the good that government can do; ... Change should be shaped, through strong leadership and clear principles, for the common good.*⁶⁵

This paper has outlined the ways in which FOBTs increase both unfairness and inequality. We understand that Government cannot regulate away all problems. But high stakes FOBTs are a product of a poorly-regulated market, their profitability ensuring bookmakers will not act unilaterally to reduce the maximum stake. Crucially, the key regulation that does exist – a restriction of the number of FOBTs per shop to four – has perversely incentivised rapid growth in betting shop numbers in many communities. Government has a responsibility to correct the mistakes of previous administrations that have augmented harm caused by an untrammelled free market, by addressing the root cause of the problem: the high maximum stake. This is not about more regulation. It is about better reform of regulation that is failing. Indeed, the former Secretary of State for Culture, Media and Sport John Whittingdale warned the betting industry that “significant change” to FOBT regulation was likely.⁶⁶ Senior Conservative MPs have also voiced their concern about the impact of the machines. Mark Field MP has called FOBTs an “aggressive form of gambling” due to the high stakes and short betting cycle

permitted. And reports suggest that the Democratic Unionist Party (DUP), with whom the Conservatives have made a parliamentary pact, are supportive of action to reduce the maximum stake to £2.⁶⁷ Indeed, Jim Shannon MP of the DUP has called for legislative change to tackle what he describes as the “crack cocaine of gambling”.⁶⁸ There is also strong support in the right-leaning press for action on FOBTs, with the *Daily Mail* leading a campaign to protect the vulnerable from the harm caused by FOBTs.⁶⁹

In this paper, we do not argue for more regulation but rather better regulation of a situation that has worsened since Labour’s Gambling Act of 2005. Better regulation does not mean radical change, but rather the targeted, efficient reform of those regulatory elements that have been proven to fail. In the case of FOBTs, a reduction of the maximum stake from £100 to £2 would represent a practical,

viable way of addressing the root cause of harm to people, prosperity and place. Furthermore, it is the only approach that would have genuine cross-party support. By reducing the maximum stakes of FOBTs, it would also mean that Britain comes into line with the legislative practice of other countries, and puts FOBTs on an even footing with easily-accessible electronic gaming more generally, such as those in bingo halls and arcades.

This is nothing more than to argue for consensus and consistency. We have outlined how the rise of high stakes FOBTs causes three types of harm: to people, to prosperity and to places. Each is linked because all have been caused directly by the high stake limit, but each is a distinct form of harm and any policy solution needs to address all three.



7. Conclusion and Key Recommendation

Since 2001, FOBTs have allowed high street bookmakers to keep the number of shops they operate at a steady level in the face of increasing competition from online gambling. But the cost to wider society has been significant. High stakes FOBTs have spread problem gambling, damaging lives, spreading worklessness, and entrenching disadvantage, while contributing to the breakdown of individuals, their families and their social networks.

For the productive economy, FOBTs have generated a much lower proportion of

employment opportunities, diverting expenditure away from parts of the economy that are greater generators of jobs. As well as reducing tax incomes in this way and increasing welfare dependency, the links between problem gambling and both criminal activity and health problems have added to the burden on taxpayers, the police and the NHS.

Around the country, a permissive, liberalised approach to regulation of this form of gambling has accelerated high street decline. In many places,

betting shops have clustered and reduced the vitality of high streets that were once hubs of community life. We have therefore identified such betting shops as drains on their communities, triggering a negative multiplier effect in places from Newham in East London to the most deprived parts of Liverpool.

For these reasons, ResPublica believes that the time is right for Government to make a practical, viable reform to the failed regulatory framework of the 2005 Gambling Act, by reducing the maximum stake available to FOBT users to £2.

This single step would bring regulation of these machines into line with common practice both in the UK and abroad, and would respond to widespread public demand and cross-party consensus. The Conservative government is committed to addressing the ill effects of poorly-regulated markets. Together with cross-party backing and local community support, this renewed regulation of FOBTs would represent an immediate, popular way to make a start on the Government's agenda of social and economic reform.

Endnotes

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Society

The UK has one of the most centralised states in the developed world and one of the most disaffected and politically passive populations in Europe. We hold our leaders in contempt, but despair of doing anything for ourselves or our community. The dysfunction at the highest level of society stems from the collapse of our social and personal foundation. There is little doubt that we are becoming an increasingly fragmented and individualist society and this has deep and damaging consequences for our families, our communities and our nation state.

Starting from the bottom up, the collapse of the extended family and the ongoing break-up of its nuclear foundation impacts on all, but disproportionately so on the poor and on their offspring. Too many children at the bottom of our society are effectively un-parented as too much is carried by lone parents who are trying to do more and more with less and less. We know that the poorer you are, the less connected with your wider society you tend to be. Lacking in both bridging and bonding capital and bereft of the institutions and structures that could help them, too many poorer families and communities are facing seemingly insurmountable problems alone, unadvised and without proper aid.

Based on the principle of subsidiarity, we believe that power should be devolved to the lowest appropriate level. Public services and neighbourhoods should be governed and shaped from the 'bottom up', by families and the communities. These neighbourhoods need to be served by a range of providers that incorporate and empower communities. Moving away from a top-down siloed approach to service delivery, such activity should be driven by a holistic vision, which integrates need in order to ascertain and address the most consequent factors that limit and prevent human flourishing. Local and social value must play a central role in meeting the growing, complex and unaddressed needs of communities across the UK.

The needs of the bottom should shape provision and decision at the top. To deliver on this, we need a renewal and reform of our major governing institutions. We need acknowledgement of the fact that the state is not an end in itself, but only one means by which to achieve a greater end: a flourishing society. Civil society and intermediary institutions, such as schools, faith groups and businesses, are also crucial means to achieving this outcome. We also need new purpose and new vision to create new institutions which restore the organic and shared society that has served Britain so well over the centuries.

As the Government prepares a review of the gambling industry in Britain today, this report makes the case for better regulation of Fixed Odds Betting Terminals.

Fixed Odds Betting Terminals are roulette-style machines that allow high stakes to be continuously gambled in quick spins. Loopholes in current legislation have led to the proliferation of these machines in high streets across the country – many of which are in some of our most deprived neighbourhoods. This report shows how FOBTs have damaged the lives of people, the economic prosperity of the country and the social fabric of communities. It argues that exposing people and communities to addictive and compulsive forms of gaming on the high street has led to increases in problem gambling, personal indebtedness and family breakdown, and has accelerated the decline of high streets that were once at the heart of community life. And it shows how the growth of FOBTs has been bad for the economy by destroying jobs, damaging local shops and increasing the welfare bill.

It does not need to be like this. There is a consensus across political parties to reduce the stakes that can be gambled on FOBTs. The Government's review of the gambling industry represents an opportunity to respond to these calls for consensus, by introducing better regulation of a situation that has worsened since Labour's Gambling Act of 2005. In this report, we argue that a reduction of the maximum stake from £100 to £2 would represent a practical, viable way of addressing the damaging impact of FOBTs, and would enable the Government to put people, prosperity and places at the heart of their vision for the country.

