

FOBTs: COST OF £2 STAKE TO BOOKMAKERS LOWER THAN CLAIMED

- New research suggests the cost to bookmakers of an FOBT clampdown has been overestimated by up to 47%
- Analysis identifies £210m fiscal cost of problem gambling related to high-stakes FOBT use

LONDON, January 10, 2018 – The cost of a clampdown on fixed-odds betting terminals (FOBTs) is being exaggerated, new independent research suggests.

Analysis from the Centre for Economics and Business Research (Cebr), commissioned by bacta, the trade association representing the UK amusements sector, shows that the economic impact on bookmakers of lower FOBT stakes could be significantly less than existing estimates have suggested.

Its model projects that industry losses from a £2 stake could be up to 47% lower than suggested by the Government's initial impact assessment, with a £335m reduction in annual Gross Gambling Yield to high street betting shops, against the Government's estimate of £639m.

These figures could be offset when compared to the £210m which the report estimates as the fiscal cost of problem gambling associated with FOBTs once its impact on welfare services, work and housing issues, and criminality have been taken into account. Furthermore, it also found that there would be overall benefit to the economy should FOBT stakes be reduced to £2, with an estimated net increase of £45m to gross value added (GVA).

The research comes as a Government consultation on proposed changes to FOBT stakes reaches its conclusion. In October, the Department for Culture, Media & Sport announced it would be considering options to reduce FOBT stakes, including reduction to a maximum £2 stake.

FOBTs, of which there are over 33,000 in betting shops across the UK, have come under widespread criticism for encouraging high-stakes gambling and exposing consumers to the risk of gambling harm. In 2015/6, there were over 230,000 individual sessions in which a user lost over £1,000. The current FOBT stake maximum of £100 is fifty times higher than that of other widely available gaming machines.

Problem gambling is estimated to cost the UK £1.2bn a year when its impact on wider social welfare is taken into account – including areas such as employment, mental health and financial stability. Recent Gambling Commission figures showed over 430,000 people within the UK are affected by problem gambling.

Organisations from the Church of England, to 93 local authorities across the UK and the Royal Society for Public Health, have called for Government to order a reduction on FOBT stakes to £2.

John White, CEO of bacta, comments:

“This research puts into clear perspective the true impact of a £2 stake on FOBTs on our economy and should provide comfort to bookmakers that doing the right thing and reducing the maximum stake on FOBTs to £2 will still leave them with plenty of profit to invest in their businesses.

“While there will be some cost to bookmakers from lower FOBT stakes, it is a necessary one to protect consumers from the everyday risk of gambling harm on the high street.

“The £100 stake on FOBTs is a dangerous anomaly in gambling regulation that Government has rightly chosen to address. We urge reduction to a £2 stake. That brings these machines in to line with the rest of the market, and puts the needs of player protection first.”

Oliver Hogan, Director and Chief Economist at CEBR added:

“In undertaking its independent assessment, Cebr has sought to monetise a wider range of potential impacts of a policy of maximum stake reduction on B2 machines. It goes beyond the revenue losses that might be imposed on the current operators of B2 machines (mainly the Licensed Betting Operators). We demonstrate that, under different assumptions that better reflect the profile, circumstances and likely behaviours of B2 players, the policy would be not nearly as detrimental to the LBOs as has been portrayed. In fact, there could even be a net boost to the economy and to employment if there is attrition from gambling and if the fall in demand for B2 leads to higher demand for more labour-intensive forms of gambling. Once the potential wider benefits to society that could be realised if a B2 stake reduction leads to a declining prevalence or severity of problem gambling, the case for the policy is even more favourable.”

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Notes to Editors

Contact Information

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About Cebr Research

Cebr has undertaken economic modelling that seeks to build on and supplement the existing evidence and data to provide a fresh perspective. Cebr does not believe that the IA released by DCMS to accompany the consultation document provides an adequate treatment of the potential impacts of reducing the maximum stakes on B2 machines. Neither do we think it adequately considers the range of possible outcomes that could be realised under different but equally plausible assumptions about the behavioural responses of gamblers to different reductions in maximum stakes. Another weakness of the IA is the absence of any attempt to attach monetary value to the social harms that can be linked to problem gambling on B2 gaming machines and that could be reduced as a result of a maximum stake reduction.

The objective of Cebr's approach has been to try to fill these gaps in the appraisal of the policy by building on the good work already undertaken by DCMS (albeit limited in perspective). However, it is not Cebr's intention to be definitive or prescriptive in suggesting that the impacts of lower maximum stakes on B2 machines will necessarily follow any of the paths outlined in our report. Rather, the objective is to provide indicative estimates of what their value might be under different sets of assumptions that are likely to represent at least equally plausible outcomes to what has been presented by DCMS.

About bacta

Bacta is the trade association for the UK's amusement and gaming machine industry. It represents the interests of over 500 companies and 34,000 employees, among those who manufacture, supply and operate amusement machines. Its members, who range from large manufacturers to suppliers of machines, and the owners of seaside Family Entertainment Centres and over-18 Adult Gaming Centres, have a collective turnover approaching £1bn.

Bacta is the only trade association to represent the UK's amusement sector, and works to improve the image of the industry, encourage good practice and create an optimal trading environment for all sectors. It has led efforts to encourage social responsibility through the industry, and is campaigning for a reduction in £100 FOBT stakes that undermine player protection.

For further information, visit: www.bacta.org.uk

About Cebr

Cebr is an independent economics and business research consultancy established in 1992. Cebr delivers economic analysis and forecasts to a wide array of retained private and public sector clients, and provides bespoke economic impact analysis of different policies and regulations at whole economy, sector and individual company levels.