

Maintaining strong relationships

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David Steele
Corporate Services Director

We operate our business in a highly regulated environment where there is continual focus on the issue of social responsibility and delivery of our betting and gaming products in a fair and open way.

Both our operations and our managers have undergone rigorous scrutiny to satisfy the authorities of their suitability and financial reliability to operate a gambling business. We value our brand highly and recognise the contribution of regulation in making sure that only those who meet these exacting suitability tests should operate in this sector.

Regulation is a core part of our business and that means making sure that we comply with the applicable regulatory regime whilst reminding government that regulation should be proportionate and risk-based to facilitate operations that make a considerable contribution to the relevant country.

Our industry's contribution to the UK

William Hill – and the wider bookmaking industry – have a voice with Government because the industry makes a major contribution to the UK, both economically and as a significant employer. Our industry is:

a contributor of almost £1bn in central and local taxes, and levies in the UK;

a direct employer of 40,000 full-time equivalents in the UK;

suited to the requirements of a flexible, diverse and part-time workforce;

supporting a further 60,000 UK jobs, such as those employed in horseracing and the supply chain; and

paying very significant gambling duties, corporation and local taxes, and levies to horseracing and greyhound racing.

Our relationship with Governments

We regularly liaise with UK Government ministers and officials both directly and through various industry trade bodies. We use Open Road, a government affairs agency, and during 2009 we have strengthened our in-house team in this area. William Hill delegates have also this year made a significant contribution to UK Ministerial-appointed panels on betting shop safety and security and integrity in sports-betting.

In 2009, we transferred our remaining UK-based online products to Gibraltar for commercial reasons. While this decision has attracted some negative media and political comment, we believe that this move was critical to enabling us to compete in the online global market. We enjoy a constructive relationship with the Gibraltar Government and the Gibraltar Regulatory Authority.

Our relationships with UK local authorities

With more than 2,300 betting shops licensed by some 400 local authorities, we recognise the important regulatory role played by those authorities in both the UK health and safety and gambling fields. We have close links with local authority representative bodies such as LACORS. In many areas, betting shops are at the heart of vibrant communities, providing local employment, attracting footfall for other retailers and ensuring that gambling takes place within a regulated environment, thus preventing the proliferation of illegal gambling in pubs, clubs and other establishments. The family expenditure survey shows that total gambling spend as a percentage of household income varies between 0.4% in London and 1.2% in the north-east of England. We are, therefore, surprised that some inner London boroughs are seeking to link the issue of 'sustainable communities' with the issue of betting shop numbers. The objective evidence does not support the views of those who suggest that licensing legislation needs to be tightened.

Current industry issues in the UK

Sensitivity to tax and regulatory burdens

Around 30% of the UK high-street sector constitutes small shops, which exist in all the major estates as well as the independent sector. These are particularly susceptible to a relatively small change in their cost base and are in danger of closing if increasing costs are not offset by equivalent incremental revenue. The industry has made a clear case to Treasury ministers and officials that if the HM Government were to increase the tax burden significantly then resultant marginal shop closures could result in the loss of up to 10,000 industry jobs.

Betting exchanges

Exchanges are a haven for unregulated, commercial bookmaking activities and we believe that the exchange mechanism results in a loss of income to the Treasury in the form of GPT and to the horseracing industry in the form of the levy. There is also increased integrity risk with individuals being able to offer prices on a losing outcome.

We accept that betting exchanges have a place in the market but we have a legitimate interest in seeing commercial users of exchanges taxed and levied appropriately. The current regime does not produce tax receipts in proportion to the increasing betting volumes that are traded through exchanges and these volumes will continue to increase whilst exchanges are allowed to distort prices on the wider UK betting market. We, therefore, continue to campaign for a level regulatory playing field in this area.

UK dual licensing

In January 2010, the Department for Culture, Media and Sport (DCMS) announced a proposed policy change that online operators who are outside the UK but contract with or target UK consumers should be licensed by the Gambling Commission. This is intended to ensure that offshore operators comply with the reporting requirements of the Gambling Commission and contribute to the funding of the GREaT (Gambling Research, Education and Treatment) Foundation. A 12-week consultation with the industry is expected to start in the first quarter of 2010. William Hill as a group already makes a very significant contribution to GREaT and William Hill Online would have no issues with meeting GB regulatory standards.

Gaming machines

Gaming machines received significant attention during 2009, with a Gambling Commission review of 'high stake and high prize' machines, a Treasury review of taxation and the DCMS announcing a forthcoming review of stakes and prizes.

Our key messages to the UK Government

We need proportionate taxation for land-based operators that will facilitate growth while increasing tax yield and a tax system that allows remote gambling operators in the UK to be competitive in a global gaming market.

Commercial operators on betting exchanges should be taxed and regulated proportionately, with the Gambling Commission and HMRC carrying out a proper assessment of the risks posed by betting exchanges, the licensing of those who trade by way of betting exchanges and non-discriminatory taxation of all business users.

To be effective, the regulatory regime should be based on the implementation of a pragmatic risk-based approach and an evidence-based approach to problem gambling.

Government should support development of a proper commercial relationship between racing and betting.

Government needs to rule out the possibility of further subsidies funded by bookmakers to support sports governing bodies' integrity functions or grass-roots sports.

The UK Government should lead the way in seeking to establish a European framework for cross-border remote gambling, overturning unlawful gambling restrictions in the European Union.

Gaming machines and problem gambling

Between 2002 and 2007, the number of B2 gaming machines in UK betting shops grew to around 30,000. However, the Gambling Commission's 2007 Prevalence Study showed no rise in the level of problem gambling (0.6%) between 1999 and 2007 despite there being a significant rise in overall gambling spend. This study, which did not deal with the issue of causality, suggested that 11% (of the 0.6%) of problem gamblers utilised B2 gaming machines. These data were subsequently qualified further by the Gambling Commission, which placed B2 machines much further down the risk scale.

In October 2008, the Minister for Sport charged the Gambling Commission with reviewing the available data on machines and problem gambling and, in June 2009, the Gambling Commission wrote to the Minister confirming that:

there were no published data to link machines to problem gambling;

generally, the range of permitted stakes and prizes on British machines is relatively low by international standards;

the levels of stakes and prizes on their own are not the only important considerations so reviews should continue to look at a wide range of structural machine characteristics, environmental factors and gamblers' personal motivations;

better data on gaming machine player participation and patterns of play would allow for more robust monitoring of the impact of future changes to stakes and prizes; and

the existing regulatory framework already contains a number of measures to protect players.

This was a positive outcome for the industry: it signalled that an informed and data-driven approach should be taken when making decisions about problem gambling.

A further prevalence study is due to report in autumn 2010 and emerging individual pieces of research are likely to influence policy makers.

High stakes, high prizes review

During the scoping stage for this consultation, we have reiterated the findings from the initial research by the Gambling Commission. It has been made clear that there is no objective evidential basis for imposing additional regulatory restrictions on B2 gaming machines. We await publication of the consultation.

Proposed change to gross profits tax

In 2009, the Treasury proposed to simplify the gaming tax regime by replacing VAT and AMLD on machines with GPT. Treasury indicated that it aimed to effect this transition on a tax neutral basis and consulted with the gambling industry to identify tax neutral rates. William Hill assisted in econometric modelling, which identified a betting sector tax neutral rate of around 18%. However, other parts of the gambling industry are believed to have a tax neutral rate closer to 15% and the bookmakers have lobbied for a single industry-wide rate of 15% to support a low margin business in recessionary times. The consultation closed in October 2009 and a decision is still awaited.

Funding for sport

We strongly oppose the position that sports are entitled to further voluntary or compulsory levies to run integrity functions or to support grass-roots sport. Sporting bodies are seeking to gain more control of the betting product by claiming dubious 'rights' over betting markets to bolster their declining, though substantial, commercial revenues. There is no connection between grass-roots sport and betting and the arguments that sporting bodies are putting forward are intellectually and evidentially weak.