

Tim Butcher  
Chief Economist and Deputy Secretary to the Low Pay Commission  
Low Pay Commission  
8th floor  
Fleetbank House  
2-6 Salisbury Square  
London  
EC4Y 8JX

26<sup>th</sup> September 2014

Dear Mr Butcher,

The Association of British Bookmakers is the leading trade association for Britain's high street bookmakers, representing 7,000 of the 8,500 Licensed Betting Offices, including the major operators such as Coral, Ladbrokes, Paddy Power and William Hill, and many small and medium sized and independent betting shops.

We don't have particular comments on the questions themselves, but want to make some wider points that the Commission should consider in their deliberations.

Britain's bookmakers are one of the nation's most female and young people friendly industries - more than half of betting shop staff are women; and a further quarter are aged 18-24.

The Centre for Economics and Business Research (Cebr) report 'Betting on Britain' shows that betting shops contribute £3.2 billion to the UK economy and make a significant contribution to all regional economies, most notably in the North East where the industry contributes £205 million to the economy.

The proportion of women employed in betting shops – 56% - puts the industry ahead of financial services (27 per cent) and IT (21 per cent). One in four betting shop employees are aged 18-24, compared to almost one in ten across the economy as a whole.

The study confirms that the betting industry is continuing to invest in Britain's High Streets, which have suffered as major names and sectors have left including businesses such as Blockbusters or HMV.

Cebr estimates that, in today's money, bookmakers have already invested some £2 billion in local economies over the last decade, through opening new shops and the re-fitting of older betting shops, equivalent to an average of £150,000-£200,000 per betting shop.

High street betting shops now pay £1billion in tax.

However, the industry is also heavily regulated, by both the Gambling Commission and local authorities, and face additional running costs unique to the sector.

All betting shops need a licence from both bodies to operate, and these represent substantial cost to the sector. The cost of betting licences has been a major issue. Under the previous legislation, licences and permits were granted by local magistrates for three years, priced at about £150 with £25 being paid to renew it. Under the Gambling Act a single shop operator might now have to pay the Gambling Commission £1,600 plus a further £600 to the local council annually.

Since 2013, betting shops have been subject to a new Machine Games Duty, which was set at 20% - replacing the 17% level of the previous tax arrangements – and in this year's Budget, the Chancellor of the Exchequer announced that this rate will increase to 25% from next March. This is an additional and unexpected cost that will have a direct impact on the bottom line. Indeed, this additional cost is leading to shops becoming unprofitable and we have already seen our Members close shops in the last couple of months as a result.

There are other significant running costs for betting shops – alongside costs facing all types of high street retailers such rents, business rates, heating etc - there are other significant and unique costs: this include the TV rights to show racing events which can cost as much as £20,000 a year, depending on the packages taken up, and the Levy paid to horse-racing, which amounts to payments of 10.5% on gross profits coming from horse-racing bets.

As well as members who are large operators, we also have small independent shops as members and who whether an independent single operator or a small sized chain of shops generate quite small profits, on average just £22,000. Therefore any increase in costs will have a disproportionate effect on the viability of that business as these costs must be met from their bottom line and are harder to absorb.

While we have no particular views on what the minimum wage rate should be, we would caution that with the costs the industry faces now as set out above, anything above a one per cent increase would have a significant impact on all types of betting shops, notably the small, independent operators who operate on very low margins.

Yours sincerely



Dirk Vennix  
Chief Executive  
Association of British Bookmakers