

# Written evidence submitted by Rank Group plc

## **Who we are:**

### **Our background:**

Founded by J. Arthur Rank in 1937, the Rank Group has been synonymous with entertainment across the UK for many decades, including brands such as Hard Rock Café, Pinewood Studios, Odeon Cinemas and Butlins.

### **What we do today:**

We are the largest casino operator in the UK with 51 Grosvenor venues, 8 of which are in London, including iconic casinos such as the Victoria Casino ('The Vic') on Edgware Road, the Barracuda (No. 1 Baker St) and the Park Tower (101 Knightsbridge).

Our 51 casinos are part of a UK-wide total of 119 casinos, yet this is a part of the gambling industry that has been in decline. At the time of the 2005 Gambling Act, there were 160 casinos in the UK.

Rank is the second-biggest bingo operator in the UK with 64 Mecca venues, Mecca being the most recognised bingo brand in the country by virtue of its land-based and digital presence.

Our 64 bingo clubs are part of 282 clubs nationwide. At the time of the passage of the 2005 Gambling Act there were 675 bingo clubs in the UK. The stark decline in bingo clubs has been felt in communities throughout the UK where bingo clubs have long served as social amenities within local communities for customers of all ages.

Rank Interactive is our digital business which includes our core Grosvenor casino and Mecca bingo brands, a sports betting offer through Grosvenor, and multiple digital brands also operating on our proprietary technology such as Kitty Bingo, Bella Casino, Spin And Win) in the UK and Enracha, YoBingo, YoCasino and YoSports in Spain.

In our most recent Annual Report (published September 2022), we published an underlying like-for-like operating profit of £40.4 million.

Our long-standing commitment to safer gambling encompasses safer gambling tools available to customers, employee training, preventing underage play and the protection of vulnerable customers, with more information available via our dedicated safer gambling website, Keep It Fun (<https://keepitfun.rank.com/>).

Rank employs over 7500 colleagues worldwide, 87% of whom are employed in the UK. We work with over 1200 suppliers and we generated £171.5 million for tax authorities and local governments. In context, we typically pay over 4 x as much in tax as we generate in operating profit.

Given the footprint of our venues across the UK, work with local communities is in our DNA. We are particularly proud of our 8-year partnership with Carers Trust, raising over £0.25 million pounds through fundraising in the past financial year.

## **Why we are submitting evidence:**

We welcome the Select Committee Inquiry which we hope will be a valuable opportunity for us to share with the Select Committee our experiences, understanding of and aspirations for the future of

the gambling industry. We have both an international and a digital business but we are, in terms of revenue, a land-based business based here in the UK.

At the time of writing we are awaiting the publication of the Government's White Paper which cannot come a moment too soon for businesses like ours who are continuing to struggle as we recover from the pandemic. Our insight into customer demand, reactions and expectations comes from our unique position as a land-based operator of both casinos (we are the biggest operator in the UK) and bingo (second biggest operator).

We will be answering all 5 questions, with particular attention being focused on question 2 which looks at the priorities for the White Paper. These priorities, for businesses like ours, revolve around modest, modernising changes which can only be delivered through legislative change; they are urgently require in order for casinos and bingo clubs to remain competitive and relevant for contemporary customers.

### **A summary of our submission:**

In Question 1 we look at the data relating to gambling-related harm in the UK and try to distinguish between problem gambling, disorder, addiction and look at classifications of "at risk" gamblers. We look at what is known about the volume and changes over time of gambling-related harm including revenue generation, and consider gambling amongst children. We then specifically look at what is happening in land-based casinos.

Question 2 (priorities for the White Paper) is where we go into the most detail in terms of providing evidence to the Inquiry. We look at the original terms of the Government Review set out in December 2020, arguing that it is vital that these terms now remain in focus in order to ensure a coherent outcome from the review. We argue that this is a once-in-a-generation opportunity to draw a new line in the sand for the industry, addressing the imbalance between land-based businesses like ours that have been left behind and the growth in digital gambling.

We then look at what has happened since the promulgation of the 2005 Gambling Act in terms of land based casinos and bingos, showing how an experiment for casinos (started in 2005) has still not been completed. We include the responses of various parliamentary bodies over the course of the past decade and longer, including the Culture, Media & Sport Committee (2012), who have looked at the constraints which are holding back the land-based sector.

We then look in detail at the deliberately modest proposals that we have put forward for casinos and then for bingo clubs, explaining how they are now-mission critical to businesses like ours. With both casinos and bingo clubs closing at an accelerated rate since the pandemic, legislative reform is vital if we are to firstly recover and then compete more effectively for contemporary customers. We underscore our proposals with safer gambling logic and show how the White Paper can deliver on its stated objectives including protecting vulnerable customers whilst, at the same time, giving casinos and bingo clubs long overdue and much needed reform. In short, they can be summarised as follows:

For **casinos**:

- **To harmonise the maximum number of gaming machines permitted in casinos, bringing casinos from the 1968 Act into line with casinos that were created as a result of the 2005 Act;**

- To provide the ability to offer blackjack and other table games on electronic terminals;
- To give all casinos the ability to offer sports betting;
- To provide casinos with the ability to accept electronic payments for gaming.

For **bingo**:

- A review of the arbitrary and archaic limitations on B3 gaming machine content in venues;
- Greater flexibility in terms of ability to offer side-bets, more opportunities to win, and innovative bingo-oriented variations on the traditional game.

In question 3 (definitions of 'gambling'), we briefly argue that the Gambling Commission be afforded the requisite flexibility to respond to consumer and technological developments.

Question 4 invites us to consider whether the regulator can stay abreast of digital developments to which we conclude, yes, providing the regulator is willing to engage and collaborate with the industry. In this question we also look at the existing powers of both the Secretary of State and, especially, the Gambling Commission and the ways in which those powers have been used and how they may be used more effectively to ensure a more agile response to technological and customer changes.

Finally, in question 5 we examine the balance that needs to be struck between appropriate regulation and overly onerous regulation and the consequences that might have on licensed operators seeking to compete against those who are not subject to UK regulations. In it, we consider competitive imbalances that may arise if the Government does not the public policy balance right.

## **The Call for Evidence – our response in full:**

### **1. What is the scale of gambling-related harm in the UK?**

The term "gambling-related harm" invites us firstly establish: i) what is harm? and ii) how can we tell whether or not it is gambling-related?

If someone gambles (or is a 'problem gambler') and also has depression, how can we tell whether there is a relationship between the two? How do we consider other factors?

While some harms are fairly unambiguous, others are more controversial. For example, the Gambling Commission has recently claimed that reduced cinema attendance as a consequence of time or money spent gambling is a harm. It also claims that spending less time with people you care about is a harm (in which case, work or going to school might also be considered harmful, presumably?)

Even if we can agree clear operationalised definitions for 'harm', it is very difficult to measure them. We must consider issues of causality, comorbidity, temporal sequencing (e.g. does depression precede gambling problems, or vice versa?) and the counterfactual scenario (would harm have been obviated if gambling was not present? Might harm have been greater?).

The most recent Health Survey for England estimated that (in 2017/18) 245,634 people in England were likely to be classified as 'problem gamblers' under either the DSM-IV criteria or Problem

Gambling Severity Index ('PGSI') - or both. Rates of problem gambling using these two criteria have remained broadly stable since the turn of the century (to 2018, the most recent data available).

It is worth clarifying that these classifications are the only recognisable and internationally-used screening devices for measuring harm in a quantifiable and comparable way.

If we assume that the problem gambling prevalence rate in England is representative of the UK as a whole, then c. 0.5% of the total population (16 years and older) – or roughly 1% of past-year gamblers – were likely to have been PGSI and/or DSM-IV 'problem gamblers' in 2018. The Health Survey for England 2020 was abandoned due to the difficulties of collecting data under pandemic conditions. In order to understand what may have happened to rates of problem gambling since 2018, it may be helpful to consider findings from the Gambling Commission's quarterly telephone survey. The latest release shows that the national 'problem gambling' rate dropped from 0.6% to 0.3% in the 12 months to September 2021. This is based upon the short-form PGSI mini-screen and is not therefore directly comparable with the more authoritative Health Survey result; but it may be considered to have directional relevance: PGSI measured levels of problem gambling, moderate risk-gambling and low-risk gambling have ALL declined over the period 2016 to 2021.

In 2020, GambleAware published a YouGov report suggesting that the rate of PGSI 'problem gambling' was much higher than previously estimated – possibly as high as 2.7% of the population. This figure was however based on a non-random, self-selected online panel. Despite this, the 2.7% figure continues to be used in media reports and campaign materials, and this is a cause of enormous frustration for those keen to objectively get closer to the truth, rather than to campaign for research funding or for other motives.

### **How accurate are prevalence surveys?**

The self-report household survey remains the best method of estimating population prevalence of problematic gambling.

We cannot know the thought processes, or easily check the accuracy, of answers to questions given in private by thousands of respondents across the country; and so arguments about whether surveys under-estimate or over-estimate prevalence rates are likely to be circular. We probably need to accept that, whilst recognising short-comings, representative household prevalence surveys offer the most insightful approach currently at our disposal.-

### **Is problem gambling the same as gambling addiction or gambling disorder?**

The answer to this question is emphatically no. It is incorrect to claim that anyone with a DSM-IV or PGSI 'problem gambler' classification has 'gambling disorder' or an 'addiction'. Interchangeably using these words is inappropriate and can lead to wrong policy considerations.

Only around 50% of those people classified as DSM-IV 'problem gamblers' also meet the criteria for 'pathological gambling' ('gambling disorder' under the DSM-5). Using the DSM-IV, a classification of 'problem gambling' is recorded if the individual scores three or more (out of ten); while a classification of 'pathological gambling' (renamed 'gambling disorder' in the DSM-5) requires a score of five or more. The PGSI has a classification for 'problem gambler' but not for 'pathological gambling' or 'gambling disorder.'

Critically, the DSM-IV and DSM-5 criteria are designed for use in clinical interviews and not for assessing population prevalence in household surveys. The estimated rate of DSM-IV 'pathological

gambling' in British prevalence surveys was 0.22% in 2016 and 0.26% in 2018, indicating population prevalence of between 110,000 and 130,000 people.

### **What about those 'at risk'?**

The term 'at risk' (in a UK context) typically refers to people with scores above zero on the PGSI but below the cut-off point for 'problem gambling' (a score of eight or more out of 27). A score of one or two out of 27 denotes 'low risk' while a score of between three and seven denotes 'moderate risk'. The classifications refer to the risk of experiencing adverse consequences from gambling and not, as is sometimes suggested, risk of becoming a 'problem gambler' or the risk of 'addiction'.

In recent years, the meanings of the 'at risk' classifications have been corrupted such that designations of 'low' and 'moderate' *risk of harm* have been substituted with 'low' and 'moderate' *levels of harm* – a subtle but meaningful distortion. In 2020, the then chief executive of the Gambling Commission, Neil McArthur described 'at risk' gambling as "*unacceptable*"; while Public Health England has recently attempted to consolidate 'low risk', 'moderate risk' and 'problem' gambling under the catch-all heading 'harmful gambling'.

To describe 'low risk' gambling as "*unacceptable*" is to suggest that any attempt to win back money lost (by some distance the most commonly endorsed item among 'low risk gamblers') is somehow beyond the pale. It makes a mockery of the mindset of gamblers who, let's use roulette as an example, may choose to play until their favourite numbers come up. If they don't come up straight away, is it "*unacceptable*" to keep playing? There would be no casino business if this were taken to its logical conclusion.

### **What about reports of childhood addiction?**

The Gambling Commission operates an annual survey of gambling participation and 'problem gambling' amongst schoolchildren, between the ages of 11 years and 16 years. Analysis of survey results has shown that participation in gambling by school-children has fallen significantly over the last 11 years. In 2011, 23% of children stated that they had participated in a form of gambling during the prior week. By 2022, this had fallen to 7%. It should however, be recognised that the majority of gambling by children is legal, encompassing private bets, playing cards with friends or family and playing amusements in seaside arcades

This survey uses the DSM-IV-MR-J criteria to estimate 'problem gambling' prevalence (not gambling addiction). The DSM-IV-MR-J criteria are modelled on those from the DSM-IV. The DSM-IV-MR-J 'problem gambling' rate for 16-year-olds in the last three 'Young People and Gambling' surveys has been 4.6%, 2.5% and 3.5%.

While rates of DSM-IV-MR-J 'problem gambling' may be a cause for concern, it is misleading to conflate them with problem gambling amongst adults (and even more misleading, and potentially harmful, to claim widespread 'addiction' as often appears across mainstream and social media.

### **What about land-based casinos?**

The most recent official statistics on the prevalence of 'problem gambling' among casino customers are also from the Health Survey for England 2018. It showed that 4.1% of people who had played table games in a casino in the prior 12 months were likely to be classified as PGSI 'problem gamblers'. The rate of 'problem gambling' amongst casino customers appears to have declined, having been reported at 6.1% in 2007, and consistently between 5% and 6% in subsequent surveys.

It is important to recognise that casinos deploy a wide range of coordinated measures to ensure customer wellbeing. Measures include controlled entry to venues and high levels of supervision by trained employees to observe and respond to markers of harm. It is also a requirement that all gaming staff be personally licensed by the Gambling Commission (this is unique to land-based casinos). Casinos have high levels of supervision via CCTV and use monitoring and data analytics to identify signs of potentially harmful behaviour. Strict anti-money laundering controls are in place in all venues, and casinos use in-venue messaging to encourage moderated play.

Casinos are also highly social places that offer a range of non-gaming entertainments as well as restaurants and bars. In this way, casinos offer safe, controlled environments where a) a meaningful proportion of customers either do not gamble at all or for whom gambling is a secondary activity during a visit; and b) customers are offered a range of positive reasons to take regular breaks and to gamble in moderation.

### **How much revenue is generated by problem gamblers?**

The short answer is that we don't really know. Some operators use small customer samples and extrapolate to give an overall figure, but that is evidently flawed. It requires "problem gamblers" to choose to complete data requests or questionnaires

In 2020, the House of Lords Select Committee on the Gambling Industry claimed that *"60% of [the gambling industry's] profits come from the 5% who are already problem gamblers, or are at risk of becoming so"*. This assertion is demonstrably false – based on a corruption of findings from the PWC 'Remote Gambling Phase II' report from 2017. The PWC study suggested that a large proportion of *stakes* (which is neither revenue or profit, nor a particularly good proxy for either) is derived from PGSI 'problem' and 'at risk' gamblers' – but the study itself was deliberately skewed to include a much higher proportion of 'problem' and 'at risk' gamblers (63% of the respondents in the PWC sample were classified as one or the other) than is found in the population (3.9% of adults or around 8% of gamblers in the Health Survey 2018) and was based exclusively on remote gambling expenditure.

## **2. What should the key priorities be in the gambling White Paper?**

When the Government's review of Gambling legislation and regulation was launched in December 2020, it set out a number of key terms of reference /objectives.

It is critical for legislative coherence that the proposals in the White Paper remain faithful to the original terms of reference.

By way of reminder, the three key priorities in respect of the Government's stated Objectives, were/are:

- 1. Examine whether changes are needed to the system of gambling regulation in Great Britain to reflect changes to the gambling landscape since 2005, particularly due to technological advances.*
- 2. Ensure there is an appropriate balance between consumer freedoms and choice on the one hand, and prevention of harm to vulnerable groups and wider communities on the other*
- 3. Make sure customers are suitably protected whenever and wherever they are gambling, and that there is an equitable approach to the regulation of the online and the land based industries.*

By way of background to what follows in answer to this question (2), Rank is a multi-channel operator. We are the largest casino operator in the UK with 51 Grosvenor venues, 8 of which are in London, including iconic casinos such as the Victoria Casino ('The Vic') on Edgware Road, the Barracuda (No. 1 Baker St) and the Park Tower (101 Knightsbridge).

Our 51 casinos are part of a UK-wide total of 119 casinos, yet this is a part of the gambling industry that has been in decline. At the time of the 2005 Gambling Act, there were 160 casinos in the UK.

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Our 64 bingo clubs are part of 282 clubs nationwide. At the time of the passage of the 2005 Gambling Act there were 675 bingo clubs in the UK. The stark decline in bingo clubs has been felt in communities throughout the UK where bingo clubs have long served as social amenities within local communities for customers of all ages.

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Whilst we are clearly looking to grow our Rank Interactive (digital) and international business, our UK land-based venues are by far the most significant drivers of revenue, taxation and employment, and, prior to the pandemic, profitability. It is our land-based business that will be most significantly impacted by the success or otherwise of the Government's objective to ensure "an equitable approach to the regulation of the online and land based industries".

At Rank, we welcome the scope of the review, published in December 2020. It is a once in a generation opportunity to re-set the industry on a safe and sustainable trajectory. We recognise and acknowledge that there is a need, in elements of the online industry, for a tightening of the regulations.

The 2005 Gambling Act brought about widespread changes in the UK gambling landscape. The significant growth of online/digital gambling has taken place alongside a marked decline in land-based gambling.

Our approach, since the launch of the review, has been consistent: with a relentless focus on the customer, we recognise the need for appropriate protections to be in place for those who require them whilst, at the same time, enabling the millions of customers who experience no gambling-related harm to enjoy a modern-day relevant leisure experience.-

In this context, the archaic constraints on land-based casinos and bingo clubs are now urgently in need of legislative reform. Whilst our proposals are modest in terms of the wider review, they are mission-critical for the recovery and long-term future of the casino and bingo industries, both of which have been left behind since the 2005 Act, and which have been hit hardest by the impact and aftermath of the Covid-19 pandemic, and now by the cost of living crisis.

In order to provide customers with a safe, contemporary entertainment casino experience, there are four specific proposed reforms that we have been pursuing. These are:

- **To harmonise the maximum number of gaming machines permitted in casinos, bringing casinos from the 1968 Act into line with casinos that were created as a result of the 2005 Act;**

- **To provide the ability to offer blackjack and other table games on electronic terminals;**
- **To give all casinos the ability to offer sports betting;**
- **To provide casinos with the ability to accept electronic payments for gaming.**

The **bingo** sector is hoping to build a sustainable future, by requesting:

- **A review of the arbitrary and archaic limitations on B3 gaming machine content in venues;**
- **Greater flexibility in terms of ability to offer side-bets, more opportunities to win, and innovative bingo-oriented variations on the traditional game.**

These requests are deliberately modest. They are easy to accommodate (almost entirely without the requirement for primary legislation), benefit from cross-party political support and understanding, and they have not met with objection from industry critics who appear to recognise the distinction between an online/digital sector in need of appropriate tightening of legislation and a land-based casino and bingo sector in urgent need of modernisation.

It is very important that, once the White Paper is published, delivering the policy changes begins as soon as possible. The land-based sector requires rapid implementation of any modernising changes; casinos and bingo clubs are not blessed with time on their side (as evidenced by the increasing number of closures which will, certainly, be slowed once modernisations have been delivered). For every week that passes without modernisations, closures become more likely with the loss of jobs and tax receipts.

## **THE DETAIL**

### **LAND BASED CASINOS:**

#### **A brief timeline:**

The 2005 Act was the starting point for an experiment in terms of modernising the land-based casino sector. The 2005 Act introduced experimental licensing conditions for an additional 16 licences of which 8 subsequently opened and 7, to this day, remain open. Of the 119 casinos, the remaining balance of 112 venues remain regulated under the 1968 Act. The Government intended to review the results of the experiment but this has never been completed.

A DCMS Select Committee (2013) encouraged slots reform (often referred to as “harmonisation” of the 1968 Act with the updated 2005 Act) through the completion of the experiment. When, in 2017/18, the Government reviewed maximum stakes and limits on B2 (FOBT) gaming machines in LBOs, the Minister expressed sympathy for the land-based casino sector’s proposals towards harmonisation before stopping short of delivering the reform (more detail below). The House of Lords Select Committee published its report (2020) into the gambling industry, concluding that harmonisation of gaming machine numbers for all casinos ought to be completed by the Government.

We now have the Government’s review of gambling legislation which is the perfect opportunity to finally complete the 2005 experiment.

#### **Reform of slot machine allowances in casino:**

The DCMS Report (2018) titled: *“Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures”* noted:



“We accept that machine allocations are, by international standards, low for this sector [land-based casinos]; and unlike other venues, the total number of casinos is capped, which also limits the total possible number of machines available across the casino estate in Britain. We are aware that pilots of further player protections are underway and encourage casinos to work with the Commission on measures to enhance both player protections and evaluation strategies. If additional measures are put in place to manage the risk of gambling-related harm effectively, we will consider looking again at the question of allocations.”

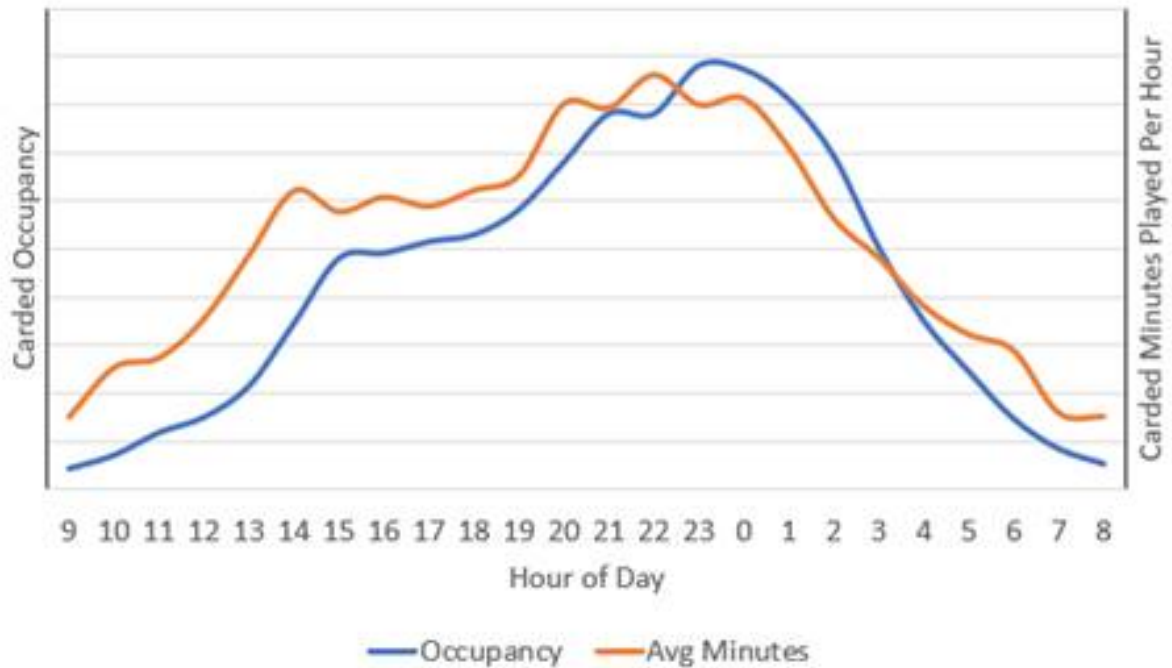
The current situation of differing regulations applying to casinos regulated under the 2005 Act from those regulated under the 1968 Act is incompatible with a customer-oriented approach to responsible gambling. We believe that harmonising machine numbers in line with the ‘small’ category of casino under the 2005 Act would help to create a more vibrant and contemporary casinos which would better meet the demands of customers.

Where casinos have been able to increase machine numbers in the past (up to 80 gaming machines per premises and up to 150 in large casinos under 2005 legislation), there have been no suggestions of negative consequences. Regrettably, the majority of land-based casinos (well over 90% of premises) are licensed under the 1968 Act (up to 20 machines per licence), irrespective of size and customer traffic.

We have evidence to show that when machines are most in demand, dwell time on machines is increased. It supports the argument that the 20 machine cap may actually encourage persistent play among some customers, something that DCMS recognised in their 2018 report: *“We have noted that evidence that restricted allocations could be having unintended consequences in discouraging players from taking breaks.”*

The graph below shows aggregate data across a 4-week period in October 2019 from one of our London casinos. This presents data for carded play which is used here as a proxy for total machine occupancy.

## Slots Machine Analysis Occupancy & Minutes Played Per Hour



There is a clear correlation between the average dwell time on a machine which increases when occupancy rates increase. As fewer machines are available to customers (supply-side constraints), customers play for longer without taking breaks. Given that customers can only play one machine at a time, increasing the number of machines will help to meet demand rather than increase play at an individual customer level.

In real terms, this archaic and arbitrary limit results in less than 2% of the total number of gaming machines being found in land-based UK casinos.

In the small number of (2005 Act) casinos that have been able to increase allocations above the max-20-machines limit (to maximums of 80 or 150 machines), no concerns have been expressed by local licensing authorities or the Gambling Commission. In short, the cap makes little sense for customers, operators, local councils or regulators, and is archaic in comparison with more enlightened international jurisdictions.

### **Electronic casino products in venues:**

The existing regulations also deprive customers of the choice to enjoy electronic versions of casino table games in land-based premises. The Act demands that actual physical events (rather than a random number generator [RNG]) are required, in effect restricting casinos to offering electronic roulette, but making electronic blackjack (for example) impossible to offer. Restricting casino customers to roulette is clearly inconsistent with the widespread availability of casino games online. It also fails to reflect developments in the international market, where electronic blackjack and other table games are standard features of electronic gaming terminals on the gaming floor.

As noted in our response to Q1, customers in land-based casinos are protected by a wide array of integrated and coordinated controls. The ability to offer blackjack and other traditional table games via electronic terminals may also serve important protective measures by a) allowing customers to play at much lower stakes than is presently the case; b) allowing them to play at their own pace

(uninfluenced by other customers); and c) allowing their play to be more closely tracked and assessed for risk (on electronic terminals every bet is tracked at a customer level).

### **Sports betting in casinos:**

We wish to be able to allow customers to place sports bets in casinos – something that is at present reserved solely to the ‘small’ and ‘large’ 2005 Act ‘pilot’ casinos. Consider international comparisons whereby some jurisdictions allow sports betting *only* in casinos. Our casinos are able to show sports, are destination-venues, offer appropriate levels of supervision, and our colleagues are frequently aware that customers are betting, using sportsbook apps on their phones, whilst in our venues.

More broadly, with c. 6000 LBOs (betting shops) offering sports betting, but only 119 licensed casinos, the opportunity for casinos to offer sports betting would have a modest impact on the overall nationwide accessibility of sports betting in licensed premises.

In the seven casinos where sports betting has been available, we are not aware of any issues regarding social responsibility. Reform in the wider casino landscape is surely overdue.

Sports betting is also considered a relatively low risk activity, with Health Surveys revealing consistently low rates of ‘problem gambling’ amongst sports bettors. We anticipate that this reform would have little impact on customer spending – but it would support casinos in developing more rounded and consumer-centric offerings, as are available to customers in other jurisdictions around the world.

### **Electronic payments:**

In both the casino and the bingo environment, we would encourage a review of the statutory instrument preventing the use of debit cards on gaming machines (and, in casinos, on electronic gaming terminals). Increasingly, we are moving to a ‘cashless’ society and yet the restrictions on cashless access to slots are failing to keep pace, resulting in reduced choice for customers. Our venues lack the cashless solutions found elsewhere in the entertainment industry. We are overly reliant on cash, in spite of the fact that cash provides the least-effective way of tracking customer play.

### **What would happen were casino reforms to be embraced in full?**

The upsides to reform are plentiful: the impact on tourism will be significant. At a time when overseas investment and the appeal of the UK as a go-to destination is increasingly in the spotlight, bringing casinos more into line with comparable international jurisdictions will be welcomed. Casinos have long been attractive to tourists, and enlightened reform would add to this appeal, along with the wider benefits to the UK economy.

An EY Report (2016) into the casino sector estimated that the harmonisation of the 1968 and 2005 Acts in regards to gaming machine numbers would yield £90m of capital investment, create hundreds of jobs, and deliver additional tax revenues of c. £65 million. Rank’s view is that this report understates the economic benefits that would be generated as a consequence of slots harmonisation.

At a time when the casino sector is uniting behind a shared desire to dial up the entertainment merits of our premises (rather than being essentially transactional gaming venues), the investment opportunity offered by positive regulatory change is significant. Investment would help to transform venues into more modern, appealing destinations for adults. The food and beverage (F&B) proposition, along with an improved entertainment and sports offering, would be rolled out across

venues as casinos compete to attract both gaming and non-gaming customer to enjoy a visit. Consequently, local communities and supply chain stakeholders will all benefit whilst, all the while, venues will continue to be underscored by the highest industry levels of safer gambling practice at all times.

### **BINGO CLUBS:**

Bingo clubs are closing at an accelerated rate. Primarily this is due to the material impact of the pandemic on visitor numbers but, in part, this is also due to the absurdly outdated restrictions which the gambling review could remove.

### **The '80/20' Rule:**

We currently have a situation whereby only up to a maximum of 20% of our total number of machines can be Category B3 machines. These popular machines constitute 20% of our machines but over 70% of our machine revenues. These machines have a maximum stake of £2 and a maximum prize of £500.

The other 80% have to be, by regulation, Category C or Category D machines. These are rarely used and often outdated. Category C machines have a maximum stake of £1 and a maximum prize of £100, whilst Category D machines are generally low-stake fruit machine style machines, coin pushers or crane grabs.

These typically analogue machines guzzle energy, customers don't tend to like them, and their prevalence simply serves to corner bingo as "old-fashioned". We do need a good mix of category C machines, but the current rule means that we keep old analogue machines, which very few customers play, running just so that we can provide additional B3 machines to better meet customer demand whilst remaining within the 80/20 rule.

To be crystal clear, we do not want more machines. Quite the opposite. Our proposal would lead to fewer machines in bingo clubs, but the machines we would offer would be the machines customers wish to play. This would also lead to greater innovation from machine suppliers. Today we are not delivering sufficient new games or game features to our customers because of the constraints imposed by the 80/20 rule. If we were not so constrained, machine suppliers would be prepared to invest in new content.

The Select Committee will also be well aware that these popular B3 machines are not in any way like FOBTs (B2 machines). What we have proposed is, we believe, grounded in safer gambling. For example, our B3 machines ask the customer to set deposit and time limits and provide us with real time monitoring of the players stakes and win/loss position. Many members of the Select Committee are already acutely aware that bingo clubs are proud of the relationship between our customers and our colleagues and are fabulous community hubs, but if we cannot get this rule overturned we are going to see more bingo clubs go to the wall.

Related to the changes we seek to the 80/20 rule, we believe that a review of stake and prize levels is now long overdue. It ought to address what legislative and regulatory changes are required to keep up with the ever-increasing pace of change in venues. Machines are the only product group on the high street currently unable to adjust to RPI. By contrast, the maximum price of National Lottery scratch cards on the high street has increased from £1 per ticket up to £20 per ticket and now back to £5 per ticket with no requirement for changes to regulations. Land based bingo clubs ought to have a facility for specified regular reviews with the the Secretary of State empowered to change levels in line with evidence of changing consumer demand and technological advances.

### Side bets on the main stage game of bingo:

We wish to improve the customer proposition around the main-stage game of bingo by offering fixed-odds side bets, a change that requires inclusion in the White Paper. The current constraints restrict choice and excitement for our customers. Whilst we have introduced some higher energy formats of the game, the game of bingo has not changed for decades because it is constrained by the existing definition of bingo which imposes a significant straight jacket on innovation for the land-based sector. We have identified a simple solution to add additional fun and excitement to the game of bingo which, we believe, can be quickly implemented by DCMS/Gambling Commission without need for legislation. This would materially improve the appeal of bingo in our clubs by delivering a much-needed, modern and customer-friendly proposition for existing and new customers alike.

We want to be able to provide side bets to give greater choice to customers in terms of how they can participate in the game of bingo. We want the customer to be able to choose their side bet from a range of options; to make their own choices of numbers, colours etc on which to bet; to be able to play on paper and on tablets.

We are conscious that opportunities to amend legislation are rare. It is unlikely that reforms such as the permitting of side bets in bingo will be delivered in the foreseeable future if they are not delivered through the current White Paper process. The land-based bingo industry does not have time on its side. We estimate that, even with the recently announced support for energy costs, over 50% of bingo clubs are either losing money or are borderline viable. 29 of Mecca's 64 bingo venues were loss making before any apportionment of central costs in the six months to December 2022. It is crucial that this window of opportunity to provide operators and the industry with a chance of rebuilding their businesses, customer appeal and viability after a particularly turbulent period, is not overlooked or delayed.

### 3. How broadly should the term, 'gambling', be drawn?

The critical issue here is the need for the Gambling Commission to be afforded appropriate powers to review emerging products which may not be caught within the existing confines and definitions of "gambling". This requires flexibility.

It is inevitable that the boundaries between activities considered to be or not to be gambling will always be blurred, and will change.

It is important therefore that the DCMS and the Gambling Commission keep a close eye on developments in the marketplace and, with the appropriate level of flexibility, apply common sense in determining what should and should not be considered to be gambling for the purposes of the law and regulation.

### 4. Is it possible for a regulator to stay abreast of innovation in the online sphere?

In order for the regulator to both stay abreast of, and understand, innovation in the digital sphere, there needs to be consistent engagement and collaboration with the industry. Over the course of the past decade, the Gambling Commission moved to distance itself from the industry, for example

by removing the sector specialists which had been a valuable link between the regulator and operators. Meanwhile, no facility has existed for operators to discuss new product ideas with the Commission. Instead, the regulator has clarified that it is the operator's responsibility to ensure proposed new products are legal.

Specifically in terms of compliance, there has been an inconsistency in terms of compliance assessments for operators whilst, at the same time, there has been an ever-advancing regulatory creep with each compliance assessment setting the line as to what constitutes compliance ever tighter. In recent months, under the lead of the current CEO of the Gambling Commission, there has been some recognition of this and operators are starting to see some positive movement in this regard. This movement is very welcome.

More broadly, the 2005 Gambling Act contains extensive powers or discretion for the Secretary of State or the Gambling Commission to issue further regulations and, in the case of the Gambling Commission, these powers have been used extensively in recent years. It has almost unlimited powers over licensees. It has the power to remove corporate and personal licences, thereby ultimately stopping businesses and/or individuals from trading.

In terms of staying abreast of innovation, we cannot identify, since the promulgation of the 2005 Gambling Act, a single piece of 'liberalising' regulation that has been instigated and delivered by the Gambling Commission. Regulations have only been tightened. That doesn't seem appropriate at any time, but in the current era, in which developments in digital technology have changed and are continuing to change how consumers access leisure pastimes, it is particularly wrong, and it is why, per our answer to Q2 in this submission, the Government's gambling review is so important.

Ultimately, we need the Gambling Commission to be as open to regulatory changes which ought to benefit the majority of consumers as it is to tightening regulation which ought to rightly protect the much smaller number of vulnerable consumers. This would also help to avoid large, set-piece gambling reviews being undertaken by the Government on a 15 to 20 year cycle, which have been marked by much animosity in the intervening period (as witnessed in recent years) as the relative merits of a healthy and vibrant gambling sector meeting the entertainment needs of the UK public are debated.

## 5. What additional problems arise when online gambling companies are based outside of UK jurisdiction?

The first and most obvious problem that arises when online gambling companies are based outside of UK jurisdiction is that it creates unfair competition between those licensed and regulated operators (like Rank) who are looking to attract UK consumers and those unlicensed operators seeking to attract the same UK customers but who are not subject to UK regulations.

This scenario ultimately goes to the heart of the public policy challenge for the Government which needs to deliver the appropriate levels of regulation, rather than overly onerous regulation. If regulations are too severe, black market operators who pay no heed to customer protection or regulatory frameworks will prosper. Research undertaken by the Betting & Gaming Council reveals that rates of play of illegal online sites are increasing from UK players. According to Yield Sec data, the number of UK players visiting illegal gambling sites rose from 79,813 per month in 2021, to 147,737 in 2022; an increase of 85%. In addition to average numbers, major sporting events also

drive people to use these sites. Taking the 2022 Football World Cup as an example, there was a 300% increase in the use of illegal sites from the UK in November-December 2022, compared to the same period the previous year.

Secondly, the scenario invites the question as to whether we believe it is appropriate for non-UK based operators to use UK sports/assets to promote their brands and products to appeal to overseas customers. The most obvious examples of this are football shirt sponsors and perimeter board advertisers within televised football matches which are being broadcast across the world.

We would support a ban on non-UK licensed operators being able to advertise within the UK regardless of whether or not they are specifically targeting UK consumers.

**++ends++**

**Submitted on behalf of John O'Reilly, CEO of the Rank Group plc, 9 February 2023**