

# The Rank Group Plc

## Gaming and betting 2010: Fairness, Responsibility and Sustainability

*“Rank wishes to begin a process of working with politicians, the Gambling Commission and other stakeholders to shape a positive environment for gaming and betting in Britain.”*

Ian Burke, Chief Executive





### **The Rank Group**

*Since its establishment as a motion picture company in 1937, Rank has been entertaining Britain. Today, Rank is one of the nation's leading gaming-based leisure companies with around 140 licensed gaming venues as well as a remote gaming business. The Group's passion for providing entertaining leisure experiences in safe and friendly surroundings is as strong today as it was nearly 75 years ago.*

*In 2009, Rank generated revenue of £540m, employed more than 8,000 people and contributed £146m to the Exchequer and local authorities through taxes and business rates.*



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# Introduction

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A handwritten signature in black ink that reads "Ian Burke".

**Ian Burke**  
Chief Executive, The Rank Group Plc

**A**lmost five years on from the passing into law of the Gambling Act 2005, Rank believes it is appropriate for industry, the Government and the Opposition/all political parties to re-engage on the subject of how gaming and betting is operated, regulated and taxed in Great Britain.

Despite significant progress in many areas since 2005, the operating environment for licensed gaming and betting businesses remains unsatisfactory, due primarily to continuing regulatory and fiscal uncertainty. As a consequence, the shared vision for gaming and betting that the Gambling Act was supposed to provide has failed to materialise. Rank considers that the perpetuation of this situation will cause needless damage, both in economic and social terms and may ultimately undermine the Gambling Act.

Rank wishes to begin a positive process of working with politicians, the Gambling Commission and other stakeholders to shape an environment for gaming and betting in Britain which encourages:

- **Responsible Operation** – allowing adults to gamble in safe, licensed premises;
- **Employment** – the creation of thousands of skilled jobs in communities nationwide;
- **Sustainability** – greater certainty for British gaming companies and higher and more sustainable revenues for the Exchequer.

I believe that there is much to gain from honest and open discussions of the issues highlighted in this paper. I hope that you will engage with me in an effort to move towards a fairer, more responsible and more sustainable future for Britain's gaming and betting industry.

## Gaming and Betting

Regulated gaming and betting have a long history within Great Britain and there is widespread cultural acceptance of the individual's right to 'have a flutter' as a means of entertainment. According to the British Gambling Prevalence Survey (2007), 68% of British adults participate in at least one form of gaming or betting.

Historically, Britain has provided a safe and controlled environment for gambling activities, with relatively low levels of problem gambling compared with other culturally similar countries.

As well as providing fun and enjoyment to millions, the industry also makes a significant contribution to the British economy:

- More than 100,000 people directly employed
- More than £2bn generated for central and local government finances

# Three Principles

*Building on Rank's core principles of fairness, responsibility and sustainability, the Group makes three requests, which it considers fair and reasonable:*

- 1. For gaming and betting companies to be permitted to operate as commercial leisure retail businesses, within the framework of the aims of the Gambling Act;*
- 2. To be taxed in a way that is fair, simple and sustainable; and*
- 3. For Government departments and gaming and betting companies to work together – rather than against each other – through the formation of a cross departmental working group to create a responsible, fair and commercially sustainable industry.*



*These points are expanded on in the subsequent pages of this paper, including illustrative examples and suggested solutions.*

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### **To be permitted to operate as a commercial leisure retail industry, within the framework of the Gambling Act's guiding principles**

Rank believes in the paramount importance of the three guiding principles of the Gambling Act 2005:

- To protect young people and the vulnerable;
- To keep crime out; and
- To ensure fairness.

These principles are enshrined in Rank's culture and its approach to the operation of gaming activities.

In certain instances, Rank's activities are hampered by regulations which appear to have either no bearing on the guiding principles or which actually appear to undermine the principles.

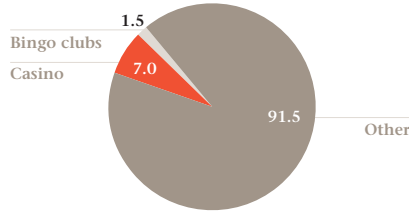
#### **Bingo clubs and casinos – Britain's safest venues**

Rank believes that Britain's licensed casinos and bingo clubs are unnecessarily hampered by regulatory restrictions which have no obvious grounding in social policy or the aims of the Gambling Act.

Rank believes that the high levels of supervision and customer care offered by land-based casinos and bingo clubs makes them amongst the safest venues in Britain for adults to gamble. This is due to a number of attributes:

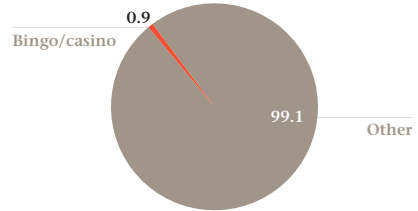
- Regulated door entry (18 and over policy)
- High levels of supervision
- Employee training around prevention, identification and management of problem gambling
- Sociable nature of bingo clubs and casinos

**Main facility for gambling, GamCare clients**



Source: GamCare Care Services Report 2008

**Underage gambling by venue**



Source: Gambling Commission 2008/9

Rank’s view of the secure nature of casinos and bingo clubs would appear to be supported by data from the Gambling Commission, GamCare and the British Gambling Prevalence Survey.

- Protect young people – Of 22,691 incidents of underage gambling reported in 2008/9, just 11 took place in British casinos and just 8 in licensed bingo clubs.
- Protect the vulnerable – According to GamCare, 7% of its clients (problem gamblers) cite casinos as their primary venue for gambling; 1.5% cite bingo clubs.

**There are a number of additional aspects of the gaming regulations where the social policy motives are unclear. We believe the following questions need to be addressed through positive engagement:**

**Why is sports betting not permitted within Britain’s 141 casinos when casino-style gaming is permitted within the nation’s 8,000+ licensed betting offices?**

There is no longer a demand test for betting offices and the licensing of casinos for sports betting would add at most just 1.6% to the total number of off-course betting outlets in Britain. The high levels of supervision and security offered by casinos would arguably provide customers with the safest possible environment for sports betting in the country.

**Why are casinos restricted to a maximum of just 20 amusement machines?**

According to the latest data from the Gambling Commission, casinos account for just 1% of the total number of amusement machines in Britain, despite evidence that they provide some of the safest environments for machine gaming. This is due to the fact that current regulations limit casinos to just 20 gaming machines, regardless of the size of the casino or the number of customers those machines serve.

Moreover, due to the nature of the restrictions, the overwhelming majority (at least 90%) of machines found in casinos are in the B1 category (£2 stake, £4,000 prize) as operators are actually prohibited from offering lower stake/lower prize (Category C and D) machines alongside Category B machines.

Rank proposes that these restrictions be reviewed to allow casinos to offer a broader range and higher number of gaming machines, to better meet customer demand.

**Why are bingo clubs restricted to just eight B3 amusement machines?**

Under current regulations, licensed bingo clubs may offer just eight B3 amusement machines (£1 stake; £500 prize), regardless of the size of the bingo club or the number of customers those machines serve. Rank estimates that just 8% of Category B amusement machines are located in licensed bingo clubs (another 4% are located in casinos).

Although clubs may also offer unlimited lower stake and prize machines, the Category B machines tend to be particularly popular with customers and in some of Rank’s larger bingo clubs (which may generate up to 8,000 customer visits a week), demand is significantly in advance of supply.

It is unclear what social policy objective is achieved by this restriction and Rank proposes a reassessment of the current limits and the consideration of a proportional

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entitlement to replace a flat allocation, allowing clubs to achieve a closer alignment between supply and demand.

### **Why are existing casinos restricted to just 53 local authorities in Britain?**

The location of Britain's current 141 casinos is determined by a 42-year-old piece of legislation (the 1968 Gaming Act). At a time when casino gaming is freely available online and in more than 8,000 licensed betting offices, this geographic restriction appears anachronistic. Rank proposes that the "permitted areas" restriction be reviewed with consideration given to allowing local licensing authorities to determine whether or not they wish to license a casino. This may be achieved without the need to increase the total number of casinos in Britain, if that is a concern.

### **Why are casinos prevented from using "virtual" equipment in the provision of table games?**

Although the Gambling Act was intended to be "future proof", it immediately held back the casino industry's ability to innovate, as it requires that all electronic versions of casino games must be dealt using "real" cards, dice and wheels. Although there would be major security and cost benefit to using virtual roulette wheels and cards within the framework of a table game, this is impossible under the Act.

Rank proposes that virtual forms of gaming equipment should be permitted in UK casinos (as they are in most other jurisdictions) to prevent the UK industry falling behind the rest of the world.

### **Why can't a dedicated computer terminal be linked to an on-line betting or gaming site in a casino or bingo club?**

Although it is possible to access on-line gaming web sites from almost anywhere, such access is not possible via dedicated terminals located within the safe, controlled environment of a casino or bingo club. Rank proposes that internet terminals dedicated to remote betting or gaming sites should be permitted in a casino or bingo club.

### **To be taxed in a way that is fair, simple and sustainable.**

Rank has published a separate paper calling for a review of the current 'patchwork quilt' of gaming and betting taxation and proposing its replacement by a single rate of tax for all activities governed by the Gambling Act 2005.

In summary, Rank wishes to engage with all interested parties to understand what policy objectives are fulfilled by applying discriminatory tax regimes to certain sectors of the gaming and betting industry (as illustrated overleaf).



A copy of Rank's report, 'Responsible Taxation: fairness, simplicity, sustainability' is available from [www.rank.com/downloads/responsible\\_taxation.pdf](http://www.rank.com/downloads/responsible_taxation.pdf)

Activity	Duty rate
<b>Bingo (in a licensed club)</b>	<b>20%</b>
Bingo (on a UK-based website)	15%
Bingo (on a non-UK website)	0%
Sports betting (in a licensed shop)	15%
Sports betting (on a UK-based website)	15%
Sports betting (on a non-UK website)	0%
Football pools	15%
<b>Casino games (in a licensed casino)</b>	<b>15%, 20%, 30%, 40%, 50%</b>
Casino (on a UK-based website)	15%
Casino (on a non-UK website)	0%
Casino games (on a machine in a betting shop)	17.5%*
<b>Poker (in a licensed casino)</b>	<b>15%, 20%, 30%, 40%, 50%</b>
Poker (on a UK-based website)	15%
Poker (on a non-UK website)	0%

\* Gaming machines are also subject to a fixed annual fee per machine.

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**For Government departments and gaming and betting companies to work together – rather than against each other – through the formation of a cross departmental working group to create a responsible, fair and commercially sustainable industry.**

Rank believes that it is in the interests of all parties (industry, Government, political parties and the Gambling Commission) to work together in a spirit of cooperation and trust.

Sadly this has not been the case in the past:

- HM Treasury has undermined the social policy agenda of the Department for Culture, Media and Sport (DCMS) through excessive and misdirected taxation and an unwillingness to consult with either the department or the industry on the effects of fiscal policy;
- DCMS has undermined the tax-raising efforts of HM Treasury through needlessly restrictive regulations on licensed and responsible gaming operators.

Rank proposes that a formal structure for engagement between the industry, DCMS and HM Treasury be put in place in order to safeguard the aims of the Gambling Act and enable Britain's gaming and betting companies to move forward in a responsible, fair and commercially sustainable manner.

### Summary

Published in July 2001, Sir Alan Budd's report into the review of gambling regulation concluded that:

*The system of regulation should remain flexible.....to respond to future technical developments....to adjust regulation (in either direction).*

Whilst much has been accomplished over the intervening nine years, many of the hopes of the Budd Report remain unfulfilled. Only by coming together in a spirit of openness and trust can we hope to achieve our shared goal of an industry operated and regulated in accordance with the principles of fairness, responsibility and sustainability.



If you have views on what you have read in this report, we'd like to hear them. Contact us at [feedback@rank.com](mailto:feedback@rank.com) or write to us at c/o Responsibility at Rank, The Rank Group Plc, Statesman House, Stafferton Way, Maidenhead, SL6 1AY.



The Rank Group Plc  
Statesman House  
Stafferton Way  
Maidenhead  
SL6 1AY

Telephone  
**01628 504000**

Web  
[www.rank.com](http://www.rank.com)