



The Rank Group Plc

**Response to the DCMS Call for Evidence:
Review of Gaming Machines and Social
Responsibility Measures**

2 December 2016

Executive Summary

i) Introduction

The Rank Group Plc ("**Rank**") is the owner of Grosvenor Casinos, the largest retail casino operator in Great Britain, with 53 casino premises. It also owns Mecca Bingo, the second largest retail bingo operator by number of premises, with 85 bingo clubs. In addition, Rank operates a digital business, through its wholly-owned subsidiary Rank Digital Gaming (Alderney) Limited, that provides digital versions of both brands under the websites grosvenorcasinos.com and meccabingo.com. Rank employs approximately 11,000 people in the UK and in the last financial year paid approximately £249 million taxes on the back of revenues of £708 million.

Rank welcomes the opportunity to participate in the DCMS Review and considers its expanded scope to be a positive step forward. We support the incorporation and promotion of responsible gambling and associated social responsibility measures into the Government's review. We believe that, although progress has been made on this front in the last few years, both the gambling industry and Rank more specifically can do more to mitigate gambling-related harm whilst still providing an improved service to the majority of customers who gamble responsibly. We also believe that the objective of reducing gambling-related harm can be achieved alongside enhancing, and potentially increasing, the supply of gambling products if it is done in a measured and balanced fashion. We welcome the contemplation of the advertising of gambling within the Review.

We note that the Government's objective set out in point 1.4 of this review is to determine *"what changes are needed, if any, to strike the right balance between socially responsible growth and the protection of consumers and wider communities"*. We also believe that consumer demand and trends need to be considered and observe that technology and the growth of remote gambling have created a very different consumer environment from the last gambling act in 2005 (the "**2005 Act**"). The ability of our businesses to meet customer demand and expectations can be hindered by outdated regulation – notably the restrictions on gaming machine numbers in "converted" casinos (i.e. those that were licensed prior to the 2005 Act coming into force on 1 September 2007). These have a 20-machine maximum, (regardless of their scale or level of consumer demand) compared to the bigger allowance granted to the limited number of "Small" and "Large" casinos licensed under the 2005 Act. We are pleased that this review therefore offers scope for us to raise and address this matter, albeit it has been part of ongoing tripartite discussions between the casino industry, the Gambling Commission and the Department for Culture, Media & Sport ("**DCMS**") over the last three years, (the "**NCF Roadmap**"). These discussions were instigated following the 2012 CMS Select Committee report into the 2005 Act which recommended that casino gaming machine allowances be aligned (as detailed later in this response).

Our businesses also face a number of additional challenges, including the consumer's inexorable shift away from traditional payment methods (cash and cheques) towards electronic transactions (e.g. contactless card payments) and the more general need to modernise licensed gambling venues to maintain relevance in the digital age. We recognise that modernisation can create challenges in terms of protection against harm – but believe that, so long as change is guided by insight and consideration, the potential benefits to society will far outweigh the potential costs.

ii) **Summary of our Key Recommended Changes**

For ease of reference, we have summarised below the key changes proposed by Rank in answer to questions within this response document. We are aware that this review is a call for evidence, not a wish list. We have therefore endeavoured to support our recommendations with evidence that they are both beneficial to customers and that they address broader concerns about problem gambling. The Government has asked for financial figures to assess the impact and potential benefit of proposed changes where possible. Please note that EY were commissioned by the casino industry trade association, the National Casino Forum, ("**NCF**") to conduct a financial impact assessment of the two key measures (a and b) below in March 2016. This was done as part of the NCF Roadmap discussions and the report has been shared with DCMS and HM Treasury.

Along with other operators, Rank contributed data to the EY report and we are aware that it has been submitted again as part of the NCF response to this review. Consequently, we have not included the report with the Rank response to avoid duplication. We therefore refer Government to the report in support of the two key recommendations below, which covers the required financial supporting evidence requested. Further recommendations and observations are detailed in our answers to the specific questions of the Review.

Our key recommendations are:-

- a) **Increase the ratio of machines to tables in the (maximum of eight) 2005 Act "Small" casinos from 2:1 to 3:1 whilst retaining the same maximum of 80 machines (as evidenced in our response to Q4).**
- b) **Harmonise the machine allocation in "converted" casinos from a fixed 20 Category B machines to the same 3:1 ratio up to the same maximum of 80 machines-(as evidenced in our response to Q4).**

Although we are asking for an increase in the supply of machines in casinos, we believe that casinos form the *"most highly regulated sector and therefore the most appropriate venue for hard, high stake forms of gambling"*, to quote the CMS Select Committee report 2012 (point 53). Consequently they sit at the top of the regulatory pyramid. Compared to most other international gambling markets, the UK is an anomaly in that the casino sector has fewer slot machines than any other retail gambling sector. Data from our experience in Luton of replacing a 1968 Act licensed casino with a 2005 Act licence and an associated increase in machine numbers, suggests that any wider increase in machine allocation in casinos would not lead to an increase in gambling related harm in surrounding areas.

Nonetheless, and irrespective of any changes to machine allocations, we will continue to increase and improve social responsibility measures relating to all our gambling services. Were changes to be made, working alongside machine manufacturers and the wider casino industry via NCF, we would ensure that the changes are applied responsibly and their impact evaluated for problem gambling risk. When evaluating impact we will use the evaluation protocol published by the Responsible Gambling Strategy Board ("**RGSB**") in April 2016.

Whilst we are aware that the Government Review will look at Category B2 (FOBTs) machines, these are not machines that we operate in our casinos. Rank has therefore not commented on issues surrounding these machines in this response.

More broadly, we believe that a wider review of all existing gambling legislation is needed with an eye to creating a new regulatory framework for gambling in the UK. It has been more than 15 years since the Budd Report and more than a decade on from the passing of the 2005 Act and much has changed. As an example, we note that whilst restrictions

are placed on stakes and prizes and machine numbers in venues, there are no limits applied to the digital equivalent. Technological change has created both a new landscape and legislative anomalies which need examination. We believe that a wider review would be in the interests of the consumer – both with respect to choice and protection – and in promoting balanced competition across the industry.

We are pleased to participate in this review and will continue to try to adopt a reflective, analytical and constructive approach to future reviews of gambling regulation in Great Britain.

DETAILED RESPONSES TO SPECIFIC QUESTIONS POSED IN THE REVIEW

We have answered the specific questions posed in the Review paper below.

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

Rank believes that the following changes would support the Government's objective:

- **B1 stakes and prizes – no changes (see (i) below)**
- **High-end casino stake and prize limits – we support consideration of changes (see ii) below)**
- **Progressive Linked Jackpot – an increase in the maximum permitted prize from £20,000 to £100,000 (see iv) below)**

The casino industry was granted an increase to the stake / prize limits on B1 machines in the last review (effective January 2014) from £2/£4,000 to £5/£10,000. The bingo industry was granted an increase in the Category B3 staking level from £1 - £2 in 2011. At the same time, bingo clubs were also granted an increase in the permitted number of B3 machines, from a maximum eight in number to a ratio of 20% of all machines in a particular venue (i.e. B3 and unlimited C and D machines).

We are not seeking an increase in the basic stake and prize limit for casino B1 machines nor for Category B3 machines in our bingo clubs in this review. We believe the more pressing issue for our casinos is to address the difference in machine numbers between 2005 Act casinos (a maximum of eight "Large" and eight "Small" premises) and the 148 "converted" casino licences (as detailed in our response to Q4).

i) B1 stakes and prizes

We are not proposing any changes to B1 stakes and prizes.

Rank recognises the areas of concern raised in the reports on the research commissioned by the Responsible Gambling Trust ("RGT") into the impact of the 2014 B1 increase¹ and player behaviour on B1 machines² and is continuing to develop means to address them. However, these RGT research reports suggest that the 2014 B1 stake and prize increases in casinos have been implemented in a considered and responsible way. We therefore believe that they should be, and safely can be, maintained at the current level.

The NCF gave a commitment during the 2013 Triennial Review to improve data collection of player behaviour. Rank and all other NCF members have therefore supplied data on the socio-economic impact of the increase in the three years since the uplift in order closely to monitor and evaluate the effect. We understand that this data is being supplied as evidence within the NCF response to this review.

As expected, the result of the 2014 stake and prize changes provided a modest upturn in net B1 casino revenue of 5-7%. Rank data was used to assist in the RGT- commissioned research into the impact of the B1 increase. We also participated in an additional piece of RGT-commissioned research into player behaviour on B1 machines. This used data from some 85,000 Grosvenor Casino customers studied over six years of play. This

¹ "Evaluating the impact of the Uplift of Stakes and Prizes on B1 Gaming Machines in Casinos" RGT published December 2015

² "Tracked play on B1 gaming machines in British Casinos" – RGT published April 2016

comprehensive research offered some valuable insight into the behaviour of casino players on gaming machines, notably in terms of typical and atypical play.

We are aware that both RGT reports have been submitted as evidence in the NCF response to this consultation. Therefore, we have not duplicated either report here, but direct the Government to the NCF attachments as evidence that the findings would not justify a reduction in either the stake or prize limits on B1 machines or the number of machines permitted in casinos.

Rank and the wider casino industry are nonetheless engaged in developing further control measures to learn and adapt from the recommendations made in these reports. Along with some positive findings, there were also some concerns identified in these reports that Rank and the wider casino industry have since sought to address. For example, both highlighted that young men under 25 are most at risk to gambling, including machines. Rank and other operators are currently participating in academic research being conducted by two independent academics commissioned by the NCF Playing Safe initiative. This includes on-site interviews and focus groups with a sample of applicable young customers within our casinos to better understand their behaviour. We will then be better placed to devise industry-wide measures to address those potentially at additional risk. Rank continues to develop specific responsible gambling measures and responses, for example, in the way that marketing material is targeted to males under the age of 25 and in training of its casino staff.

In addition, the RGT research identified that machine play late at night is a particular area of concern and that, whilst most customers were loss averse, 2-3% of machine players showed a tendency to chase losses. Rank is developing analytical tools to identify players who habitually chase losses in order to intervene at an early stage. We are also examining various measures to address the concerns about late-night play, including whether additional supervision and monitoring is required and whether analytical tools can similarly be developed to identify problem play.

We are similarly exploring research and evidence from international sources, for example Nova Scotia, in terms of the impact of responsible gambling measures, such as the use of mandatory card-based play. We worked with the British Columbia Lottery Commission in developing our responsible gambling brand "Keep it Fun" in 2013 to learn from wider international research and experience.

We believe that the industry must recognise and address the risks of gambling-related harm and evaluate the impact of protective measures. We are committed to continuing and developing the work in this area irrespective of whether the Government is minded to accept the proposals made in our response. We are confident that the good work being done across the sector, notably the NCF Playing Safe initiative, demonstrates the commitment of the industry to its social responsibility ambitions.

We understand that this call for evidence is an opportunity to consider all aspects of machine stakes, prizes and numbers in our businesses. Whilst the issue of casino machine numbers detailed in Question 4 is by far our main priority, there are also a few broader considerations relating to stakes and prizes, detailed below, that we would like to table for consideration and discussion, in relation to machines located in British casinos.

ii) High-end casino stake and prize limits

Rank is not seeking a further uplift in B1 stake and prize within this review but shares the casino industry's desire to discuss the practicalities / possibilities of setting a different scale of stakes and prizes (and/or machine categories) for the exclusive high-end casinos in Mayfair alone.

We are aware that NCF and relevant operators have made a case and provided evidence in support of a change in the stake and prize limits available within the high end “Mayfair” casinos – i.e. those that cater solely for an exclusive, principally overseas, market of “high roller” customers.

We fully support this proposal even though it is not a market in which Rank operates. We therefore refer Government to the broader case and evidence made in responses being submitted by NCF, rather than repeat their arguments here.

iii) Progressive Linked Jackpot (PLJ)

Rank would welcome the opportunity to discuss an increase in the maximum prize permitted in the progressive jackpot feature from £20,000 (equivalent to two individual machine prizes) to £100,000 (equivalent to 10 individual machine prizes) and a change from a local area network (LAN) link to a wide area network (WAN) link.

In the last review that took effect in 2014, the value of a progressive linked jackpot on B1 machines was increased from £10,000 to £20,000, a sum equivalent to two single machine jackpots. This change has been popular with some customers but has not led to regulatory concerns, based on the RGT research.³ It is a feature that runs alongside an individual game from which a small percentage of the stake is diverted.

This feature is internationally well established across regulated casino jurisdictions albeit with much higher prize levels and not confined to a local area network (LAN) within the same casino. Rank would welcome the opportunity to discuss an increase in the progressive prize value to a sum equivalent to 10 machines jackpots (i.e. £100,000) whilst retaining the maximum stake at £5. To make this commercially viable would also require a change in regulation by extending the linked progressive offering across a wide area casino network (WAN) covering multiple venues and machines.

Whilst this may outwardly appear a large increase, it is worth noting that it is not only significantly less than the unlimited progressive jackpots available internationally but also the unlimited jackpots available to remote gaming sites licensed in the UK. Within the controlled environment of a British casino, we believe that such a figure offered in the form of a progressive jackpot (with only occasional pay-outs to the maximum figure) is fairly modest and would not contribute to increased levels of problem gambling.

Whilst attractive to the consumer on an aspirational level, we do not believe that, in themselves, they encourage irresponsible play given the low odds of winning. Instead, wagers sit alongside conventional play. NCF data since 2013 indicates that the increase in the progressive jackpot from £10,000 to £20,000 following the last review did not lead to an increase in player stakes or play as a direct result. However, we are aware that such aspirational jackpots are attractive to players in much the same way as a potential lottery win i.e. not anticipating that they are likely to win but adding an enjoyable aspect of excitement to the experience of playing.

We therefore believe that to increase the PLJ within a controlled casino environment will not create additional social responsibility concerns but we would, of course, closely monitor and evaluate the impact of any increase as part of ongoing NCF data sharing.

³ *Evaluating the impact of the Uplift of Stakes and Prizes on B1 Gaming Machines in Casinos* RGT published December 2015

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Rank has worked closely with the wider casino and bingo industries on social responsibility measures. The NCF formed its Playing Safe initiative in 2013 specifically to work together in developing and improving player protections and mitigating harm to consumers. As mentioned in response to Question 1, one key aspect has been to collate and evaluate data from all casino operators to evaluate the impact of the B1 stake and prize increase.

In terms of specific measures applied on gaming machines, in the preceding three years Rank has implemented a number of measures, alongside a wider range of player protection measures implemented at an organisational level (described in the response to Question 5). The machine-specific measures implemented by Rank itself include:

- i) **"Game Chooser"**. An initiative in partnership with NCF and a supplier that indicates the volatility of each game on offer. Implemented in February 2014, Game Chooser is intended to help customers make better informed decisions based on an improved understanding of the expected game experience, notably the likely size and frequency of wins. Game Chooser applies a visual 'traffic-light' approach to grouping and identifying the volatility of a given game (e.g. low stake, frequent low prizes or high stake, less frequent large prizes). An internal evaluation conducted by independent academics commissioned by the NCF Playing Safe initiative in 2016, concluded that the concept is a strong one but it requires more prominence on machine designs to increase customer awareness. Whilst this largely is in the hands of the manufacturer to address, Rank and Playing Safe are working closely with suppliers to expand on the concept as a useful tool to assist customers.
- ii) **Responsible Gambling information on machines**. In 2013 Rank refreshed and relaunched its responsible gambling brand, in place since 2002, under the strapline 'Keep it Fun', including its dedicated website www.KeepItFun.Rank.com. Eye-catching messaging has been uploaded to the information screens on each of our casino gaming machines running on a continuous loop alongside wider club messaging. The general use of our distinctive Keep it Fun logo and address on gaming products and information portals across our venues, alongside its associated dedicated responsible gambling website address, has proven to be an effective way to direct customers to help and information

Using this approach on the machine information screens has improved visibility for this source of information and that of the national telephone helpline, operated by GamCare and their website address, which is also displayed. Having reflected on research into the optimal placement of machine messaging (Gainsbury 2015) we recognise that the ability to recall messages and their overall impact may be improved if they are displayed on the main machine screens themselves. We are working on this development although it is reliant to a large extent on the suppliers to implement within their own timescales.

- iii) **Pre-commitment tools** – Rank's casinos have been working with suppliers to implement a system of effective pre-commitment tools on casino gaming machines, via loyalty cards, which are anticipated to be in place in 2017. It should be noted that our casinos have a 55% take-up of loyalty card use, much higher than the wider gambling industry norm due to the destination environment and historical acceptance of casinos by customers as membership style venues, which allows us

greater flexibility to analyse and monitor customer play for problem behaviour. We have developed an evaluation process based on the RGSB protocol so that we will be able to assess the effectiveness of these tools. The effectiveness is unproven and we propose to learn from research and experience in other jurisdictions, alongside our own experience and data analysis from use on our remote gambling sites.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

We believe the Government should consider a range of other factors, including consumer demand and technology developments to ensure the correct balance. We believe the balance is broader than that defined in point 1.4 of the consultation. This does not account for gambling being a consumer choice and form of entertainment which needs to be balanced against the need for social responsibility by operators and the provision of protection measures for consumers to enjoy their experience responsibly.

The imbalance of facilities within “converted” casinos is a factor that goes beyond just the “level playing field” issues in relation to the broader facilities and additional machines permitted in 2005 Act “Small” and “Large” casinos. The industry is not seeking pity but is seeking fairness in the application of regulation. The 2005 Act is hampering the casino industry’s ability to compete as a form of entertainment, notably with the increasing move to digital and mobile by consumers.

For example, the use of smartphones and tablets was not envisaged at the time of the 2005 Act being conceived whilst the 2001 Budd Report, on which it was based, could only foresee the development of television-based gambling as the future digital risk, based on the technological beliefs and knowledge at the time. Social media was similarly not envisaged or accounted for in the 2005 Act.

As we have explained in answer to Question 4, addressing the anomaly of “converted” casino machine numbers via harmonisation with “Small” casino ratios does not bring an end to the 2005 Act “experiment”. There are other aspects, such as only 2005 Act casinos being permitted sports betting and bingo, (depending on the category) and the restriction on casino numbers and locations across the UK that also need to be addressed. In the latter case, understanding from the NCF Roadmap discussions with DCMS is that a change to primary legislation would be required.

The availability of unlimited stake and prize machines via any mobile device, in any location, is in conflict with the idea of placing restriction on numbers, stakes and prizes to machines in retail premises. Land-based gambling venues are not even permitted to provide dedicated internet terminals linked directly to their remote gaming sites within their premises.

We simply believe that it is wrong to look at one part of the industry in isolation (in this case, retail machines). We call for a wider review of all gambling, adopting a similar format to the Budd Review commissioned in 1999. This wider review should consider revising, updating and / or replacing the 2005 Act to reflect the modern era. By the time such a review were to take place, it would be 20 years since the Budd Review Board was commissioned and started its work. Given the fast pace of technological advancement, we believe that the legislation is more than overdue for a revisit.

We believe that the Government should consider the factor of customer demand into the equation when assessing machine numbers, stakes and prizes.

Prior to the 2005 Act, 10 "jackpot" machines (B1 equivalents) were permitted in casinos but, from around 2003, sat alongside lower stake and prize machines (which carried a prize of £500). These were actually classified as "section 21" terminals, being authorised by that section of the 1968 Gaming Act (the "**1968 Act**"), so we acknowledge that they were not gaming machines. Exactly the same principle applied to FOBTs at the time, in being betting devices that were unlimited in number, but which were then legalised as B2s when the 2005 Act was introduced.

These "section 21" machines were unlimited in number in casinos so based entirely on the principle of customer demand. It should be noted that casinos did not, despite the opportunity to do so, create "slot sheds" with huge numbers of "section 21" machines. Instead, they simply employed sufficient numbers to meet customer demand, depending on the size of the premises and number of customers.

In 2005, the Government doubled the number of high stakes and prizes machines permitted in "converted" casinos from 10 to 20. In part, this was a concession for excluding "converted" casinos from the machine to table ratios defined in the 2005 Act, which were instead confined to "Large" and "Small" casinos as a result of last minute modifications announced in December 2004.

However, conversely, the 2005 Act then re-categorised all gaming machines and, in doing so, essentially removed "section 21" machines from the equation. Whilst, officially, they now fell under the B3 category, it meant that casinos could only operate them as part of the 20 Category B machine allowance (i.e. each one at the expense of a B1).

It should be noted that our bingo clubs (along with arcades) have the capacity to absorb their own broader demand within individual bingo clubs using unlimited numbers of Category C and D low stake and prize machines. These are in addition to the Category B allowance which, whilst previously set at eight machines per premises, increased in 2011 to a sensible demand / size-based ratio, whereby no more than 20% of the total machines within a venue may be Category B3 machines. This is a ratio that allows larger-sized bingo premises (some with potentially 1,000+ customers on a busy night) to accommodate the demand.

By contrast, a "converted" casino is permitted the same 20 machines whether it has 100 customers a day (e.g. the Mayfair clubs) or 2,000 (such as our competitor The Hippodrome in London). A "converted" casino does not even have the flexibility to offer unlimited low value C & D machines without sacrificing its Category B allowance entirely. The 2005 Act³ specifies that casinos may have '**either**' 20 x Category B machines '**or**' unlimited category C and D, rather than the more flexible '**and**' provision sensibly permitted in bingo clubs and arcades.

In real terms – given that casinos could not realistically justify having no Category B machines at all, circa 1,900 of the casino sector pre-2005 Act machine estate was depleted overnight by removal of the "section 21" machines. Whilst not conclusive evidence, it is worthy of note that prevalence studies conducted between 1999 and 2007 had showed no increase in problem gambling during the period that "section 21" machines had been employed. There are currently only 3,013 machines across the whole British casino sector of 148 venues, fewer than could be found in a single casino in Las Vegas or many other parts of the world.

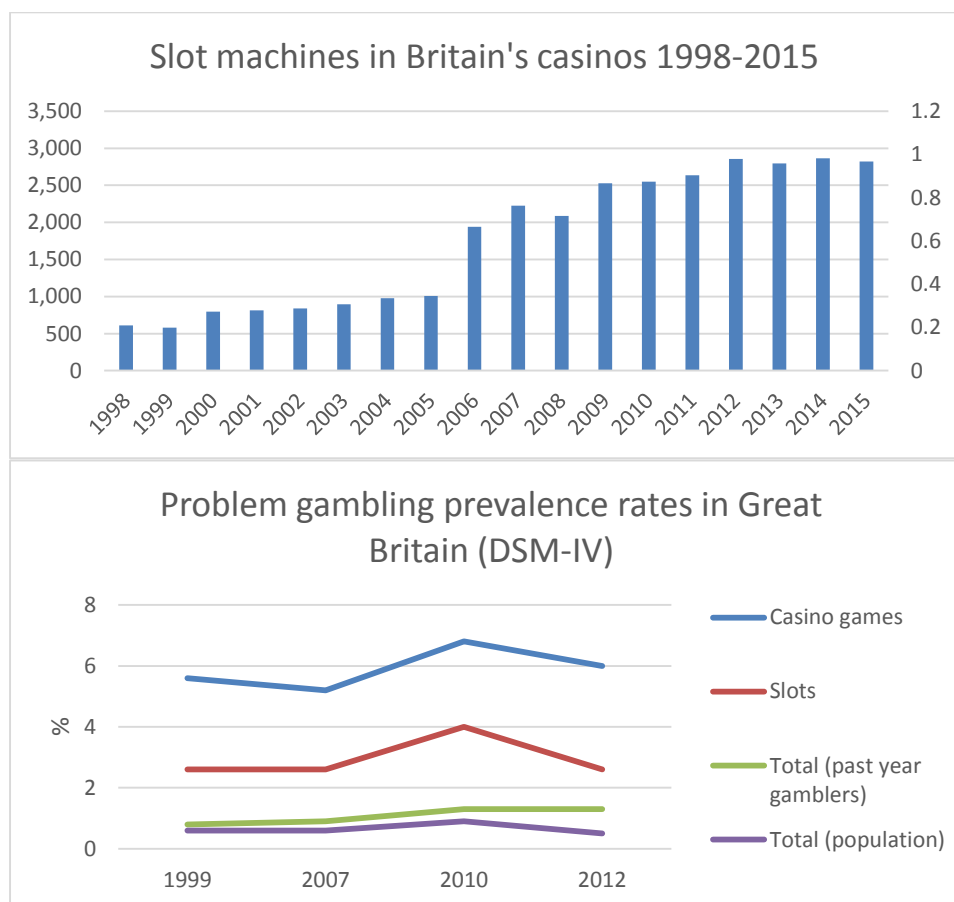
The inability for busy casinos to meet the practical demand from customers in, what are mainly, destination venues is a constant source of complaint and confusion for customers. Since 2007, Rank casinos felt obliged to place notices in their machine areas to explain why the lack of sufficient machines is a regulatory issue and not a conscious commercial

³ Section 172 modified by Commencement Order No.6 2006 (schedule 4, part 7, s65(6)).

decision, due to the level of complaints received. Attached as Appendix 2 is a sample of comments taken from broader customer surveys over the last year within Rank casinos. One customer refers to having queued for over an hour to get onto a machine and the rest simply ask for more machines so that they can play when they visit.

The charts below, drawing on Gambling Commission annual statistics and prevalence studies, show the total number of machines located in British casinos since 1998, compared to the levels of problem gambling associated with casinos during the same period. During this period:-

- Slots in casinos have increased by 361% since 1998
- Casino visitation has increased by 81% since 1998
- Total population problem gambling prevalence rates remain stable
- Casino-related problem gambling prevalence rates remain stable
- Casino-related calls to GamCare taken from their annual reports remain stable



It should be noted that that neither the creation of 16 2005 Act casinos nor the number of 20 machines in "converted" casinos were decided at the time using an evidence-based rationale. The decision to allow 20 machines was essentially just an unscientific doubling of the existing 10. There is good reason to believe that, had the sector's allowance prior to 2005 been 20 machines rather than 10, it would most likely have been doubled to 40 rather than 20. Equally, the 2:1 and 5:1 ratios were not designed on any evidence-based formula, nor was this involved in the decision to create eight "Small" and eight "Large" casinos. The CMS Select Committee's review of the 2005 Act in 2012 similarly concluded that:-

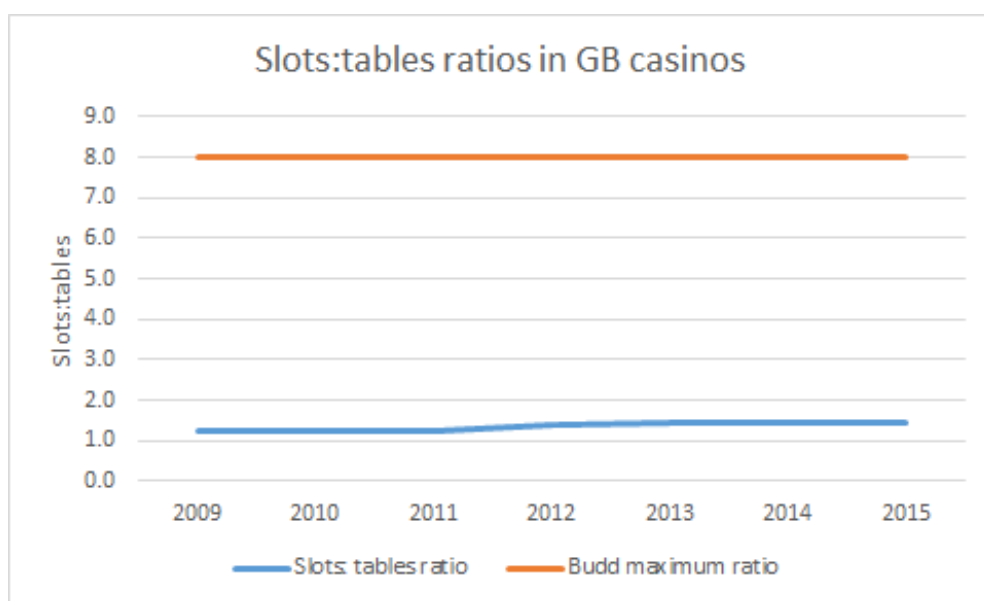
"We were told by the Gambling Commission and by the DCMS that gambling policy must be evidence based. It is apparent, however, that the allocation of gaming machines under the 2005 Act is complex and was not made on the basis of solid evidence about the risk of problem gambling."⁴

The report went on to state that *"Casinos are the most highly-regulated sector and they are therefore the most appropriate venue for hard, high stake forms of gaming"*⁵

This is in keeping with the regulatory "pyramid" of gambling regulation in Britain being rightly structured with casinos at the top. The decision by Government to distinguish between B2 machines in casinos and those outside of casinos reflected this approach. It resulted in an appropriate response where Government imposed pre-commitment control measures on B2 machines located in bookmakers in 2015 but **not** for the small number located in casinos. That is not to say that the casino industry is not itself looking at pre-commitment tools (as Rank is currently engaged with suppliers) but on a basis of voluntarily providing them as a useful tool to assist responsible gambling rather than regulatory requirement.

Rank therefore supports the need to balance responsible gambling considerations with the number and type of machines available in gambling premises and the stakes and prizes offered. However, whilst doing so, the differential between machine numbers in 2005 Act casinos and "converted" casinos is clearly more of an anomaly borne out of hastily conceived measures applied in 2004/5.

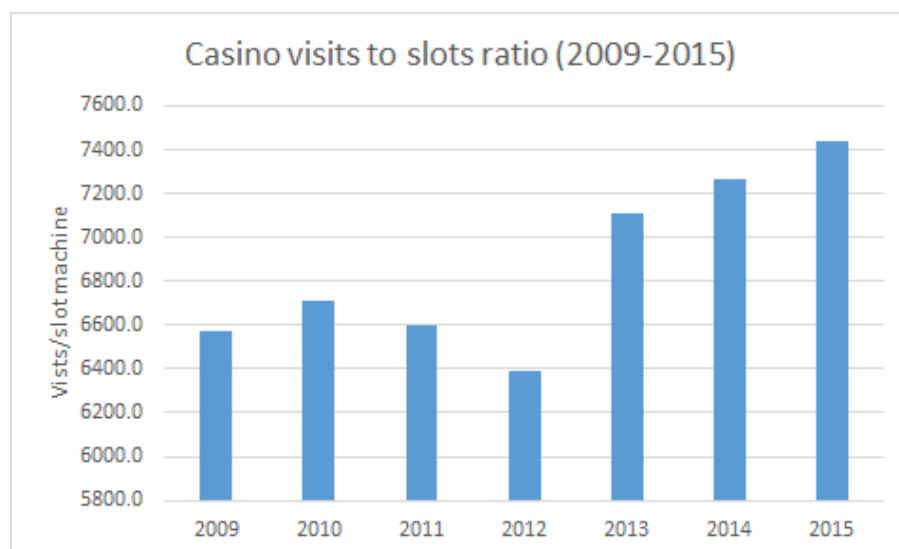
The actual ratio of machines to tables in "converted" casinos (based on Gambling Commission annual statistics) has remained constant at between one and two machines per table from 2009 – 2016 (table numbers averaging between 10 and 20) as illustrated in the chart below compared to the 8:1 ratio originally proposed in the Budd report in 2001-



⁴ The Gambling Act 2005 – A bet worth taking? CMS Select Committee Report 2012, point 48.

⁵ Point 53

Casino attendances have increased since 2009 so the level of supply and demand has moved apart, as illustrated on the chart below, again using Gambling Commission annual statistics:



In 2012, the Southland Methodists commissioned Roehampton University to conduct research into the impact of the Grosvenor Casino in Luton on the local community.⁶ We are aware that their report has been provided with the NCF response to this call for evidence so is not duplicated here. However, it concludes that *"all stakeholders, including local charities, considered that the casino offered a safe environment for both leisure and gambling"*

It is notable that this casino in Luton, at the time (2011/12), was still a "converted" licence, but subsequently became a 2005 Act "Small" casino in 2015 as a result of Rank winning the 2005 licence. As detailed and evidenced in the response to Question 4, the impact on machine spend and dwell time remained largely unchanged after it became a "Small" casino with the resulting increase in machine numbers from 20 to 60.

As previously stated, we are aware that the NCF has provided impact assessment evidence from EY about the proposals detailed below to harmonise facilities in "Small" 2005 Act casinos and "converted" premises. We support the findings of that assessment which are summarised below:-

- An additional £100 million of Gross Value Added (GVA) to the UK economy, rising to £150 million when indirect factors are included.
- Harmonisation would also increase jobs; the EY report identifies that an extra 1,000 jobs could be created. Notably, more than 75% of these jobs would be created outside of London.
- These changes would boost taxable revenues for casinos by an extra £175 million.
- GVA growth as a result of these changes would not just be centred on London. The North of England will see a £35 million increase in GVA whilst the Midlands and Wales would see a £25 million boost.

⁶ "A case study exploration of the social impacts of a UK local, provincial casino on key stakeholder groups" University of Roehampton July 2012

- Once indirect and induced factors are included the proposed changes would result in an extra £65 million tax revenue for HM Treasury.
- A key area identified by the report is that the changes will require capital expenditure to accommodate extra machines, EY estimates that this investment could be worth £115 million to the UK economy.

The casino industry, via NCF, expects that, as a result of the key changes requested, casino operators will seek to upgrade their existing estate leading to greater investment.

We believe this adds further support to the Government's objectives and a belief that changes to both the number of machines and their allocation within the casino industry are therefore possible and desirable within those objectives.

If Government takes the opportunity to allow the casino industry to evolve in an understandable and organic manner and removes the anomalies introduced in the 2005 Act to allow the sector to harmonise facilities, then modest growth will be forthcoming, as explained in the EY "Stimulating Growth" report submitted by NCF.

Rank therefore believes that the "experiment" relating to the impact of the up to 16 2005 Act casinos should largely be brought to an end, not least given that no evaluation protocol was established at the outset or time period set for completion. It will otherwise continue indefinitely without, as the CMS Select Committee Report concluded, any prospect of determining the impact. This is not least because 11 of the 16 licences were granted to towns or cities that already had a "converted" casino. The evidence of the Rank-owned "Small" casino in Luton, previously a "converted" licence, is that providing 2005 Act facilities within an existing "converted" casino does not, in itself, create an additional risk to problem gambling levels.

Indeed, an increase in casino machine numbers would justify additional staff to monitor machine play ("slot techs" as we call them) and encourage further investment in technology for enhanced responsible gambling measures. This can be better justified and would be more effective across a higher number of machines.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Rank's position is that the following changes would support the Government's objective:

- **"Small" casinos – increase machine to table ratio from 2:1 to 3:1 but still capped at 80 machines**
- **"Converted" casinos – replace 20 machine allocation with a 3:1 machine to table ratio similarly capped at 80 machines**
- **"Large" casinos – maintain existing 5:1 machine to table ratio and increase cap from 150 to 500 machines**

Rank believes that there is a simple and practical solution to the problem of harmonising 2005 Act and "converted" casinos. This will also largely bring an end to the particularly contentious aspect of the 2005 Act "experiment" whereby different machine allowances apply across the (up to) eight "Small" and eight "Large" casinos than to the wider casino sector. This "experiment" has existed for 10 years (although the first "Large" casino only opened in 2010) and is widely seen to serve little or no purpose (as expressed by the CMS Select Committee in 2012, see below).

As also explained below, – the 2005 Act “Small” casinos have a ratio of 2:1 machines to gaming tables. This was intended to meet the core principles set in both the Budd review report⁷ in 2001 and the Government white paper that followed in 2002⁸ to preserve the integrity of British casinos as predominantly leisure venues with a mix of facilities rather than be “slots sheds”. However, the “Small” ratio was set with a maximum of 80 machines, requiring **40** gaming tables to achieve this number using the 2:1 ratio.

By contrast, “Large” casinos were set a ratio of 5:1 and a maximum of 150 machines – requiring only **30** tables to achieve the maximum allowance (within what is essentially twice the floor space permitted for a “Small” casino). Unsurprisingly, only two “Small” casino licences have been taken up, both simply upgrading existing “converted” casinos as the only viable commercial propositions (NB both received no other competition to win these licences).

One of these “Small” casinos (the Rubicon in Wolverhampton) only opened in November 2016 but the other is Rank’s Grosvenor Casino in Luton which opened in August 2015. We therefore have machine data from both the time that it was still a “converted” casino with 20 machines and for the 15 months since it became a 2005 Act “Small” casino with more machines. As evidenced below, the machine behaviour of individual players has seen negligible impact, as we would expect, given that there has been no change to the machines themselves, just in additional machines now being available to allow more customers to play them at any given time.

We respectfully ask the Government to consider the 2012 Culture Media & Sport Select Committee report (the “**CMS Select Committee Report**”) which heard considerable amounts of written and verbal evidence before making its recommendations. In respect of casinos, the key points within the report that relate to our proposals are:

- 163. *We believe that the stated aim of the Government—to test the impact of the new casinos—would be almost impossible to implement in a timely and cost effective manner due to the impracticality of identifying whether any increase in problem gambling was caused by the new casinos as opposed to the presence of any other forms of gambling including online. **The Government should reconsider its plans to test the impact of the new casinos. Given that casinos have some of the most comprehensive measures for tackling problem gambling and in the light of some of our other recommendations we believe that casino operators will already be doing enough to enable the industry to grow safely.***
- 169. *The Act has created a situation where the Small Casino model is not considered financially viable. This is partly because a Small Casino must possess a larger floor-area for table play than a Large Casino in order to maximise its machine allowance. We note that not one Small Casino has been developed⁹. It was not Parliament's intention in 2005 to make Small Casinos completely unviable. **Given the fact that all casinos are highly regulated and access is limited regardless of the size, we see no rationale for the different gaming machine allowance.** As 5:1 is the ratio presently in the legislation, we recommend that the Government introduce a single ratio of five machines to one table for both Small and Large Casinos. Local authorities should have the power to*

⁷ Gambling Review Report – Sir Alan Budd for DCMS 2001

⁸ A Safe Bet for Success – modernising Britain’s Gambling Laws – DCMS 2002

⁹ Note that, since the report was written in 2012, two Small casinos have opened in Luton and Wolverhampton.

increase the number of machines permitted per table if they wish to do so and an operator requests it.

- 172. *There is now a two-track system for casinos, with existing 1968 Act Casinos unable to modernise and take advantage of the allowances granted to new Small and Large Casinos. However, as the development of these new casinos has been so slow following the Act—with only one Large Casino having opened to date and two more having been permitted¹⁰—there is currently no way of assessing what impact allowing 1968 Act Casinos the same freedoms would have. **In principle, we see no logical reason for maintaining different regulatory regimes and believe that 1968 Act Casinos should be given the same freedoms as new ones.***

It should be noted that neither Rank nor the wider casino industry is seeking the unified 5:1 ratio for “Small”, “Large” and “converted” casinos that was recommended by the CMS Select Committee in points 169 and 172. This is because our priority is to seek harmonisation for the “converted” casinos (recommended in point 172 of the CMS Select Committee Report). Whilst the CMS Select Committee’s recommendation was based on sound logic and evidence, we are instead seeking a more cautious approach at the outset to harmonise “Small” and “converted” casinos to a new ratio of 3:1.

This has actually been the ratio discussed in the tripartite “NCF roadmap” discussions that have been taking place since the CMS Select Committee Report was published. Any broader harmonisation of all casinos to a 5:1 ratio would be something to discuss in due course following evaluation of the 3:1 harmonisation. We are therefore not ruling it out, nor would we turn it down, but believe a modest harmonised limit is more appropriate, not least to avoid any difficulties for the three “Large” casinos currently in operation.

i) Luton “converted” / 2005 Act casino experience and evidence

From a customer perspective, the net effect of the “Small” licence replacing the “converted” licence in Luton, was that one day they walked into a casino with 20 machines and the next day they walked into the same, now refurbished and slightly extended, casino where there were then up to 80 machines.

It is worth noting that, whilst Rank benefited in this example, other casinos in the same towns or cities as the “Large” and “Small” 2005 Act premises have been left at a commercial disadvantage by the difference in machine allocation. We have suffered the same disadvantage in respect of the “Large” casinos in Stratford (London), Birmingham and Milton Keynes (which is near to our Northampton casino).

As mentioned in answer to Question 3, all “converted” casinos also have to explain the inexplicable to their customers as to why they do not have enough machines to meet demand (often involving queues), whilst any (2005 Act) casinos nearby can do so. The inability to gain access to a machine in a “converted” casino whilst on a leisure night out is one of the most common customer complaints we receive.

Our casino in Luton has now operated for over a year under a “Small” 2005 Act licence but in the same venue in which it was previously a “converted” casino. Uniquely, this has

¹⁰ Note since the report was written there are now three “Large” casinos operating, Stratford, Milton Keynes and the NEC in Birmingham (Solihull).

allowed us to provide clear evidence on the impact of adding additional machines to what is, essentially, the same casino. Our data shows that the increase has not impacted adversely on customer behaviour, machine spend or problem gambling. It has simply addressed the anomaly of supply and demand as we fully expected.

The findings below are for the 12 months prior to conversion to a "Small" casino in August 2015 (when it had 20 machines) and the year since opening with the 2005 Act "Small" licence (where it now has 60 machines):

Machine carded play	2014-15 (converted)	2015-16 (Small)
Average stake per player	0.912p	0.924p
Ave dwell time on machines	12 mins 12 seconds	10 mins 45 seconds
Average spend on machines	£117.71	£108.83
Number of Self exclusions for the casino (NB Sector national scheme – SENSE - also started August 2015)	120	78

It is clear from the data that there is no fundamental change in individual player behaviour when they are on a machine, neither spending more money nor staying longer. We believe that this supports our belief that to allow all "converted" casinos to operate on a machine to table ratio will similarly have no impact other than to allow demand to be met. It is worthy of note that a casino with 1,000 visitors a day (which is very common) has a ratio of one machine for 50 customers.

It should also be noted that the Luton casino only operates 60 machines compared to the 80 it is actually permitted. The reasons are two-fold: one is that it is not commercially viable to operate the 40 tables needed within a 2:1 ratio and the other is that we believe that, at this particular venue with a competitor nearby, 60 machines is sufficient at present to meet customer demand. However, were more machines to be required within the permitted maximum to meet demand, it could only be achieved by providing more staffed tables.

Giving evidence to the CMS Select Committee in 2012, the Minister responsible for the Gambling Act in 2005, Richard Caborn MP, said about the 2:1 ratio anomaly:-

"When I reflect back, there were areas where we could have applied more common sense. I must admit that this is one of the areas. It is something that needs to be revisited in my view".

It would make more sense for the "Small" casino ratio to be increased, and we would suggest that a modest increase to 3:1 would be advisable. To obtain the maximum of 80, a "Small" casino would then need 27 tables rather than 40. That is still only three fewer than a "Large" casino would need, but is a step forward.

Crucially, we then request that “converted” casinos be harmonised to the same 3:1 ratio. This proposal has been discussed at length in the NCF Roadmap, in which Rank participated.

Allow “Small” 2005 Act casinos to move from a 2:1 machine to table ratio to a 3:1 ratio capped at 80 machines.

Allow “converted” casinos the same ratio of 3:1 capped at 80 machines.

We would stress that the idea of simply making all “converted” casinos into “Small” and “Large” (i.e. to remove the concept of “converted” casinos entirely) might appear desirable to Government as a solution. This was discussed at the NCF Roadmap meetings. Wider complexities around the 2005 “experiment” would not make this viable without a wholesale restructuring of the legislation. Notably, “Small” and “Large” casinos are confined to the same location, whilst “converted” casinos can relocate within the same licensing authority. “Small” and “Large” casinos have set floor space requirements whereas some “converted” casinos would be too small to qualify and others would actually qualify as “Large” on those criteria.

Whilst we would fully support an end to the “experiment” altogether, we believe that this would require primary legislation to change some aspects. Therefore, our proposals simply to align “converted” casinos to the “Small” machine allowance alone is a positive first step along that road and would only require statutory instruments to provide.

ii) “Large” 2005 Act casino allocation

Increase the machine numbers cap for “Large” 2005 Act casinos in accordance with the existing 5:1 machine to table ratio up to 500 from 150.

In the NCF response, we understand there is a proposal that the maximum permitted number of machines for a “Large” casino be increased from 150 to 500 but retaining the existing 5:1 ratio. This is simply because the largest of these casinos, in Stratford, has demand for over 50 gaming tables but cannot apply the 5:1 ratio in full (i.e. to 250 machines). Whilst we do not operate any “Large” casinos at present, we support this recommendation which is otherwise supported by evidence in the NCF and relevant operator responses. We therefore refer Government to the explanation and evidence in the NCF response and offer our support for the proposed solution.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation?

The table below summaries Rank's view on the impact of social responsibility measures since 2013:

Social responsibility measure	Impact
<ul style="list-style-type: none">• Launch of 'Playing Safe' initiative	Has created a united approach by all casino operators to develop common initiatives, participate in research and share learning.
<ul style="list-style-type: none">• Refresh of responsible gambling training	Increased awareness across employees to better identify problem behaviours and act at an early stage to offer help, notably to vulnerable groups about whom little was known or communicated previously (e.g. those with mental health issues).
<ul style="list-style-type: none">• Introduction of national self-exclusion schemes	An effective "one stop shop" to replace the previous need for customers to self-exclude from each operator individually or, as was often commonly observed, to instead simply gamble elsewhere rather than address their problem.
<ul style="list-style-type: none">• Investment in research to develop awareness and understanding of problem gambling	Shared learning across the sector and ability to address direct action to risk areas identified in research.

The casino industry as a whole is committed to promoting responsible gambling. The most recent example of which is an enhanced responsible gambling programme via NCF, Playing Safe, which formally launched in 2013, to which all members are signed up. Playing Safe's principles define the way the British casino industry conducts its business and is the flagship industry-led responsible gambling programme in Great Britain.

Operators within Playing Safe continue to improve responsible gambling training and operational understanding of the issues surrounding problem gambling.

Rank believes that a number of initiatives and measures contribute to the apparently stable levels of the prevalence of harm experienced by machine players in both its Grosvenor and Mecca businesses and have had a positive impact:

- i) Rank was amongst the first to undertake assessment by the Playing Safe Accreditation, Certification and Evaluation (ACE) panel and have been judged to be fully compliant with the code. The code continues to evolve and will in the future incorporate best practice principles for anti money laundering, not least as matters of KYC, due diligence, training and risk assessments are also applied by Rank to responsible gambling.

The ACE panel, along with Rank certification by GamCare (covering both Mecca and Grosvenor land-based and digital businesses) evaluates and helps ensure

the quality of employee training is sufficient to enable club staff to monitor for and identify instances of problem gambling and effectively signpost or refer for management intervention.

- ii) Rank regularly refreshes its responsible gambling training and seeks to increase the delivery of content specifically relating to vulnerable groups. For example, we are considering the issue of mental capacity, mental illness and problem gambling and have implemented policies on the ethics of accepting funds from sensitive sources (e.g. injury compensation payments).
- iii) Grosvenor and Mecca participate in the national self-exclusion schemes of both their sectors, introduced in 2015 and 2016 respectively. Both schemes have been well-adopted across Rank. Assessment and review of the effectiveness of both schemes is underway and Rank will support the adoption of any enhancements to either scheme that the reviews may identify.
- iv) Rank continues to invest in research to further develop our awareness and understanding of problem gambling issues and, in particular, those groups considered to be most 'at-risk'. Notably, we have contributed extensive player data to the RGT research into player behaviour and the 2014 stake and prize increases¹¹. The research gave insights into, amongst other things, typical and atypical play behaviour including frequency, duration and intensity of play as well as loss chasing.

The RGT study into B1 behaviour indicated that players are drawn roughly equally across the 10 deciles of areas ranked by deprivation and that those from deprived areas account for a similar proportions of visits regardless of the spending levels involved. The research suggested that whilst those from deprived areas may too sustain high losses on machines, they were no more likely to do so than those from less deprived areas.

Rank also continues to work closely with Focal Research (a Canadian research company) via NCF who are examining the use of algorithms to monitor for and identify problem machine play in retail casinos. The work builds on demonstrable success in other jurisdictions and we aim to implement algorithms and propensity modelling in our retail businesses in the future as we have in our digital business. This is to further mitigate the risk of harm particularly amongst vulnerable groups, to improve interventions and to inform further developments to our responsible gambling programme.

The company is also engaged in funding a three-year research project via King's College London (Ridgeway) into problem gambling risks with those suffering with mental conditions, such as Alzheimer's.

¹¹ *Evaluating the impact of the Uplift of Stakes and Prizes on B1 Gaming Machines in Casinos* RGT published December 2015 and *Tracked play on B1 gaming machines in British Casinos* – RGT published April 2016

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

Rank believes that the following should be considered to improve social responsibility measures across the industry:

- **Expansion of pre-commitment functionality**
- **Enhancement of propensity modelling**
- **Tailoring of responsible gambling messages to particular at risk groups**
- **Improved training and awareness of mental capacity and mental illness**
- **Review the approach to reinstatement of customers following a period of self-exclusion**

Rank plans to embark upon a number of initiatives to further improve social responsibility measures in the coming months which we believe, if similarly implemented, would benefit all sectors of the industry:

- i) Introduce pre-commitment functionality to gaming machines in Grosvenor casinos. Customers using loyalty cards will be prompted to choose to set either time or financial (loss) limits at the commencement of their gambling session. Upon reaching any pre-committed limit, a customer would need to engage with a member of the club management team if they were to wish to play on and only after the manager is satisfied that they would be continuing to play within their means to do so.

We are conscious that the available international evidence is inconclusive on the effectiveness of pre-commitment functionality. Nevertheless we believe there is much to inform the approach to implementation we may adopt and its subsequent evaluation. Though uptake was low, we have seen evidence from other countries, notably Australia, where pre-commitment tools can play an effective part in the overall responsible gambling offering. A review of available evidence by Ladouceur, Blaszczynski and Lalande noted that up to 70% of gamblers reported that they believed pre-commitment tools helped them to regulate better their levels of gambling expenditure, which was subsequently confirmed through the analysis of the available card data.

We are conscious that the use of the tools will be limited to loyalty card players (55% of our customer base, covering the vast majority of our regular customers), but we will investigate means of maximising uptake and impact. Considering international experience though supports the idea that a voluntary approach to pre-commitment is likely advantageous. Mandatory use of pre-commitment in Nova Scotia was deemed to have been unsuccessful and was ultimately withdrawn in 2014, having not had a notable impact on problem gambling and having driven away casual players who did not wish to obtain the necessary player card.

As with pre-commitment in the form of deposit limits and reality checks in the online gambling environment, we expect to find it preferable to enable machine pre-commitment on a 'customer-led' voluntary basis and to promote the benefits of this usage to maximise uptake.

- ii) Propensity modelling. Rank will implement propensity modelling to its retail businesses as it has to its digital operations. The purpose of propensity modelling

is to attempt to identify at an early stage patterns of behaviour that may indicate risk of a gambling problem and will allow meaningful and targeted interventions. Rank has recruited a dedicated data scientist to develop such models. Given the relative infancy of propensity modelling to identify at-risk behaviour we are committed to help in developing the evidence base and supporting the development of best practice. We will develop an evaluation process based on the RGSB protocol so that we will be able to assess the effectiveness of these tools.

- iii) Tailoring responsible gambling message to particular at-risk groups. In particular, Rank is reviewing the effectiveness of the content and delivery of responsible gambling messaging to groups we have identified and will consider whether dedicated content and improved delivery could result in better awareness and self-regulation of play, resulting in an overall minimisation of harm amongst this group.
- iv) Improved training on mental capacity and mental illness. We are concerned to ensure that we increase the knowledge and confidence of our employees to act to protect people who may be vulnerable to harm from gambling as a result of diminished mental capacity, occurring perhaps as a result of mental illness. To this end, along with NCF members, Rank has sought guidance from the Alzheimer's Society and is currently considering options for specific training to management across the group.
- v) Review the approach to reinstatement of customers following self-exclusion, including a decision not to send marketing material even when requested upon reinstatement. We wish to ensure that no action on our part could cause a customer's gambling to escalate to previously harmful levels.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

We understand the Government's concerns regarding gambling advertising, but we are not aware of any strong evidence that advertising contributes to the onset of problem gambling.

We believe that a particular area that the Review wishes to explore is whether television advertising of gambling has a negative impact on children with respect to gambling-related harm. We have considered at length a number of studies (notably including Carran, 2015 and Bestman, 2015) that suggest that exposure to gambling advertising may contribute to the normalisation of gambling in the minds of young people – and that this may have negative consequences. We have also followed discussions in Australia, where concerns over the exposure of children to gambling advertising has prompted certain regulatory modifications (notably in Victoria). We also note that attention should be paid to what extent social media and mobile devices are used as a preference to television by many young people

In discussions with a number of problem gambling treatment providers, we have been told that the prevalence of television advertising may help to undermine the resolve of clients who are attempting to prevent themselves from gambling (and that a number of studies of problem gambling give support to this concern).

As with all matters of regulation, the aim must be to strike the right balance between consumer enjoyment and consumer protection – and to ensure that regulatory interventions are proportionate to the scale of the problems being addressed. On the whole, we believe that regulatory interventions ought to be based upon an assessment of benefits and costs rather than moralistic objections.

In our view, it may be appropriate to consider targeted interventions to restrict the exposure of children to gambling advertisements.

Q8. Any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7?

Rank is seeking a review of the Gambling Act (Circumstances of Use) Regulations 2007¹² (the “Section 240 Regulations”) to keep them relevant to modern payment methods and reflect the increases in stake and prize that have occurred in the near 10 years since they were laid in August 2007.

We would like to raise some wider issues that impact on the staking process within B1 casino machines, rather than the stake itself. These are in relation to the “Section 240 regulations” which are now out of step with the 2014 increase in B1 stake and prizes on a practical level. There are also a few wider issues with these regulations which we believe require a complete review. We therefore support the NCF request that these regulations be subject to a complete overhaul in terms of the way that funds are inserted and moved around within a B1 gaming machine.

One specific issue has been discussed as part of the tri-partite NCF Roadmap. This relates to a responsible gambling feature originally incorporated into casino B1 machines from the outset in 2007 (see point a), below). However, there are other features that we believe should also be updated to account for changes in consumer payment methods. Rather than detail these technical arguments within the body of this response, we have attached as Appendix 1 to this response, a paper outlining the case for the following:

- a) Increase the amount that can be deposited into a B1 machine “bank” from £20 to £50, to restore the 10 x maximum stake ratio that previously existed against a £2 stake, but which has since reduced to 4 x maximum stake since it rose to £5.
- b) Similarly increase the £10 limit on funds that can be transferred from the bank to the “play” meter in individual tranches (each requiring one press of a button) to £50.
- c) Consider adapting the restriction on the use of debit cards on gaming machines to allow for the use of “contactless” debit cards which did not exist (nor perhaps were even envisaged) in 2007. We recommend that such cards should be permitted for use on machines, given the widespread increase in their wider use within society in preference to cash as a small payment method. As a sensible precaution, we would suggest a limit of £100 in one day and only to be permitted where customers use a loyalty card. This is to allow for tracked play and to ensure multiple cards are not used.

¹² The Gaming Machine (Circumstances of Use) Regulations 2007 – Statutory Instrument 2319, August 2007

Use of Statutory Instruments

We are mindful that this review appears to be looking at changes that would not involve primary legislation and believe that our proposals and recommendations can all be achieved via secondary legislation. Certainly the key proposal to increase the "Small" casino ratio to 3:1 and harmonise the "converted" casino allocation to it can be achieved using a statutory instrument.

Along with other operators, Rank submitted data to EY to assess the potential financial impact and growth stimulation that would be achieved by the 3:1 ratio change and harmonisation. We believe that the financial impact of these proposals is therefore covered by the resulting EY report. This was submitted to DCMS by the National Casino Forum earlier this year and otherwise included with their response to this review.

We hope that the considered work and progress achieved in the NCF Roadmap discussions over the past three years following the CMS Select Committee report in 2012 will be reflected in this review. We would welcome the opportunity to discuss our submission in further detail with DCMS officials or the Minister.

The Rank Group Plc
2 December 2016

APPENDIX 1

RECOMMENDED CHANGES TO

THE GAMING MACHINE (CIRCUMSTANCES OF USE) REGULATIONS 2007

The following changes are recommended to the Gaming Machine (Circumstances of Use) Regulations 2007 (**"the regulations"**). The regulations are authorised by Section 240 of the Gambling Act 2005 and are often referred to as the "240 Regulations" accordingly.

The first two issues, below, were exaggerated by the increase in B1 stake from £2 to £5 in 2014. The third is a request to update the regulations to accommodate payment technologies that were not in existence when the regulations were first laid in 2007. The first two issues were raised with DCMS officials during the NCF Roadmap discussions.

1. Regulation 7 – Payment limits

This regulation states that:-

"7(1) Subject to regulation 9, where a gaming machine is made available for use, a person must not be able, by means of a single action, to make a payment in respect of the use of the machine which exceeds....the amount specified in the relevant paragraph"

For B1, B2, B3 and C machines, the amount then specified is £20.

For casinos, £20 was 10 times the maximum stake of £2 when the regulations were laid in 2007, which existed until the maximum stake was raised to £5 in the 2014 review. This meant that £20 then fell to being only four times the maximum stake. To achieve the same 10 times ratio would, in principle, involve the insertion of 2 x £20 notes and 1 x £10 note rather than just one £50 note (the common currency of casinos, notably in London).

In reality, many casino customers do wish to insert £50 notes, so a cumbersome compromise system has been employed. A customer may insert a £50 note but the machine will actually only accept £20 into its "bank" and places the rest in a holding area, asking the customer what they wish to do with it. If, inevitably, they wish for this money also to go into the "bank", it will then take them two further button presses to move the remaining £30 across to the "bank" in tranches of £20 or fewer (£20 and £10).

2. Regulation 9 - Committed payment limits

In addition to the issues with Regulation 7, above, Regulation 9 places a further restriction on the amount that can then be moved from the machine's bank onto the "play" meter (i.e. to enable funds actually then to be used in play). This is restricted to £10 "tranches" under the regulations. To move £50 from the "bank" onto the play meter therefore requires a further five presses of the requisite button. A customer therefore has to press a combination of buttons seven times in order to deposit a £50 note into the machine, move it to across to the bank in £20 tranches and then across to the play meter in £10 tranches before the sum can physically become available to play.

The casino industry's concerns about the limits in regulations 7 and 9 were both rejected in 2007 and the regulations were duly introduced with both the £20 payment limit and £10 tranche for commitment to play.

The counter argument at the time was that a deposit of £20 would fund at least 10 wagers at the maximum £2 stake, whilst the £10 commitment level gave players five wagers. As the stake had, at

the time, only just been increased to £2 from £1 and the deposit limit itself had only been raised to £20 four years earlier (in 2003) the Government's view was that these limits and ratios were acceptable, and responsible, for a maximum stake set at £2 at the time.

However, these limits remain in place today. Feedback suggests that they are largely an irritant to most customers, but we acknowledge that they are a cautious responsible gambling tool in requiring customers consciously to commit new deposits or winnings to play. However, nearly 10 years on, with the stake having since risen to £5 under the 2014 review, players now need to press tranche buttons with a higher frequency if they wish to play at the maximum £5 staking level. A £20 note will now provide just four wagers at the maximum £5 stake (instead of 10), whilst a £10 tranche will now provide just two (instead of five).

We request that Government revisit the limits given in Regulation 7 for B1 machines with a view to increasing them in proportion to the £5 stake. We recommend that a £50 payment limit (i.e. equivalent to a £50 note) would be more appropriate and would actually only serve to restore the 10 times stake ratio.

Where the commitment level is concerned in Regulation 9, under the previous £2 stake the £10 tranche requirement was then five times the stake, whereas it is now just double. To restore the previous five x ratio, the current £10 limit could proportionately rise to £25. However, whilst that would be a step forward to restore the previous ratio, we would actually propose that it rise to £50. This would ensure that customers still have to make a conscious decision to move funds from their £50 deposited note across to the play meter, but do not have to break it down into two halves in order to do so.

We request that Government increase the commitment level under Regulation 9 for casino B1 machines from £10 to £50 or, at the very least, to £25.

Thirdly, the same change will be required under Regulation 10 in relation to "auto play". We would propose this similarly be increased to £50 for B1 machines, from the current £10, for the same practical reasons as above.

We believe that, if the ratio of ten to one for deposits and five to one for commitment was desirable in 2007, then, at the very least, these same ratios should be maintained. They have otherwise reduced to four to one and two to one respectively since the £5 stake came into force. However, we believe that setting both at 10 to one is more practical whilst still requiring a conscious action to commit funds to play by the customer.

It is actually 13 years since the £20 limit was originally imposed in 2003 and it has not increased since then. Even though Government felt that an increase to £50 was unrealistic back in 2007, we believe that these concerns are no longer justified given that the maximum stake has risen to five times the £1 it was in 2003 (when £20 was then actually **20 times** the maximum stake).

3. Regulation 4 – Methods of payment

This regulation states that payment to play a machine cannot be made by means of a debit or credit card on the machine. We understand the concerns in allowing a customer to deposit funds directly from a debit card into a machine without any apparent restriction. However, it is clear that payment technologies now exist that were not envisaged at the time that the regulations were laid in 2007. The concept of "contactless payment" now exists whereby a payment of up to £30 can be made quickly without use of a PIN for various small purchases in shops or other facilities. Whilst introduced

fairly recently, we understand that use of these cards is growing rapidly with growth of a further 43% expected by 2020¹³. The following statistics outline the speed of growth:-

- As of August 2016, there were a total of 97.1 m contactless cards issued in the UK. This is an increase of 30.4% over the year.
- £2.4bn was spent in the UK in that month using a contactless card. This is an increase of 269.1% for the year.
- 260.7m contactless transactions were made in that month. This is an increase of 192.8% over the year.
- 400,034 bank-owned terminals are available in the UK where contactless cardholders can make a contactless transaction. An increase of 44.0% over the year.

It is clear that this level of growth could lead to the regulations being very out of step with society trends by the time of the next review in three years or more. By then, payments by contactless card, mobile phone etc. may well have made significant inroads towards a cashless society that makes cash redundant. We would therefore recommend that a cautious step be taken by Government to embrace this increasingly common payment method and keep British gaming machines in casinos relevant to modern banking developments.

We recommend that a maximum of £100 per day be accepted on casino B1 machines via a contactless card, but on condition that this only be permitted where a loyalty card is used on the machine. This will allow tracking of play and ensure that multiple payment cards are not used to exceed the £100 limit.

We do not believe that such a step would pose a risk to problem gambling as it would only be of use to casual customers playing for relatively small amounts. This is the way that the contactless payment method was designed and is used in the retail environment for small purchases.

4. Wider review of the Regulations

We would actually favour a complete review of the current regulations that are showing their age and have not adapted to changes to stake and prizes introduced since they were laid. We are aware that other sectors equally considered them impractical for their own industries back in 2007, so doubtless they still do now.

However, we have deliberately kept our suggested changes to modest levels, for casinos only, as we believe they can be logically justified in largely restoring ratios for casino stakes reflected in the regulations. Where contactless payments are concerned, we believe that casinos are the best environment to test and evaluate the benefits of such cards using modest limits and requirements, which might then be extended to other sectors in the next review subject to the outcome of the evaluation and monitoring process.

The Rank Group Plc

2 December 2016

¹³ Source – Global Payment Card data and forecasts to 2020.

APPENDIX 2

SAMPLE OF RESPONSES FROM GROSVENOR CASINOS CUSTOMER SURVEYS WHERE COMMENTS ABOUT MACHINE NUMBERS WERE MENTIONED 2016

14: Are there any comments you would like to make, any improvements you would like to suggest or are there any team members you would like to highlight today?	Age Group	Gender
All of the staff good. Good standards. Enjoyed watching gambling. Need more 20p slot machines	45-54	Male
More slots	45-54	Female
Additional slot machines would be nice	35-44	Male
More slot machines	35-44	Male
New slot machines and more of them	65+	Female
Better pay outs on slots. More machines as well	45-54	Male
More slot machines	65+	Male
Would like more slot machines	Rather not say	Female
Install the chu chan slot machine.	55-64	Male
More slots	65+	Female
More slot machines. Marina is the best waitress you have you need more like her.	45-54	Female
More twenty fives machines. It's chilly in the slots lounge. Put another set of doors at the top of the stairs to stop the drAft.	45-54	Male
More slots, never any free. The service of the food is good. The food is hit or miss.	25-34	Female
More slot machines. Mark and Steve the slot techs are very attentive	65+	Female
More promotions for customers and more slot machines.	65+	Female
More slot machines	55-64	Male
Good food. More slots. Kp	45-54	Female
Ambienc. Nice decoration. More slots. Kp	55-64	Male
More slots, more advertisement	25-34	Female
Add a craps table and more slots	25-34	Female
Would like more slot machines. Good receptionist - Holly	25-34	Male
More Slots	45-54	Female
Good service, freindly staff who are always helpful, could do with more slot machines though.	45-54	Female
More slot machines, Tharindu,	35-44	Male
More slot machines.	25-34	Female
Bigger gaming floor. More slots would be nice. The reception area is not very appealing . The staff are very cool and polite so keep them as long as you can.	25-34	Male
More slot machines needed	45-54	Male
More slot machines	45-54	Male
More slot machines, Elliot, Luke, Simon Hutchins, mark, Kevin,, Louise.	55-64	Male
Would like to see the Sunday dinners back / would like slots downstairs / tired of people watching machines and swooping when its empty or demanding my machine when I go to the loo	65+	Male
Staff are always friendly, very good entertainment, very good gambling experiences	18-24	Male
New machines, possibly open the slots area,	45-54	Female
More slot machines	55-64	Male
Not enough slot machines	35-44	Male
We would like to see more slots	45-54	Female
More Fort Knox machines and more seating area	55-64	Female
Won a good amount of money More slots as most machines were reserved Receptionist was very polite - Holly	18-24	Female
Should have more machines. More slots.	18-24	Male
Ben and Lucy are really friendly, maybe have more slots.	55-64	Male

Just found out coke is free for a small one / been paying £1;35 / thanks Christine slots would like more machine	25-34	Male
More slots	55-64	Female
More slot machines (change the law)... Food is excellent, good staff	65+	Female
Need more slots! (JC explained 20 legal max). Nice to have a little flutter. No danger around. We just keep to a £10 maximum bet.	55-64	Female
More slot machines air con is never right always to hot. Could do with a regular toilet attendant.	25-34	Male
I'd like more slots.	65+	Female
More slots	65+	Female
More slot machines	25-34	Female
Nice old building Too few slots	55-64	Female
more slot staff	35-44	Female
Staff seem to be more relaxed since the last time I was hereToilets were cleanStill need more slots machines	45-54	Female
There is one suggestion I will give to put more slot machines downstairs in the electric area	45-54	Male
More slots , can be too busy in the night time	65+	Male
All good	18-24	Male
Bruno (dealer) is my favourite. More slots.	18-24	Female
More slots, Sometimes I have to wait 1 hour...	45-54	Female
Think more slot machines would be an improvement	25-34	Female
more slots could be good	18-24	Male
more slots machines	18-24	Male
More slot machines and higher payouts	65+	Male
More slot machines	18-24	Male
Food very good this time. Need more slot machines.	45-54	Male
Need to receive more match play vouchers please		
more slot machines would be nice	45-54	Male
Excellent service. Drew and Robert - fantastic service.	25-34	Male
Fantastic attitude by all the staff. Excellent food. Would like more slot machines		
Please put in more slots	35-44	Male
Need more slots.	35-44	Male