



Rank Group
Gaming Division

Statesman House
Stafferton Way
Maidenhead
Berkshire
SL6 1AY

Tel. 01628 504000
Fax. 01628 504429
Web. www.rank.com

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Lord Andrew McIntosh
Department for Culture, Media & Sport
3rd Floor
2-4 Cockspur Street
London SW1Y 5DH

Dear Minister,

I am responding to your request for comments on the draft Gambling Bill, and on careful reading of the Bill, Rank have three significant concerns.

Rank's three concerns, as set out in our attached submission are felt deeply, and arise from our longstanding UK and overseas gaming experience. We do not agree that in respect of machine ratios, resort casinos and machine linking, a fair or appropriate balance between incumbent operators and overseas entrants has been achieved by the Bill's current proposals.

Rank continues to support fully your Department's stated primary policy objective that the modernisation of our Gambling Laws is long overdue. We take comfort from the Secretary of State's assurance that in developing detailed legislative proposals, you will continue to work closely with stakeholder interests to ensure that the right balance is achieved. We are confused with recent policy emphasis on regeneration.

We commend highly the substantial work undertaken by your officials to date, their adherence to publicly stated timetables and the ongoing commitment to consultation.

I would be happy to discuss this document at a convenient time.

Yours sincerely,

DAVID BODEN
Managing Director
Rank Group Gaming Division Limited
RANK GROUP PLC

Enc: Rank Group Response to Draft Gambling Bill (4 pages)

RESPONSE FROM THE RANK GROUP PLC TO THE DEPARTMENT FOR CULTURE MEDIA AND SPORT ON THE DRAFT GAMBLING BILL.

INTRODUCTION

The Rank Group is one of the UK's largest gaming operators and a key stakeholder in the legislative process, with Betting, Bingo, Casino and Lottery and On-line Gambling interests. Rank commends publicly the substantial work undertaken to date by the Department, the strict adherence by officials to stated timelines and the ongoing commitment to consult widely before rushing to legislation.

Rank continues to support fully the Department's stated primary policy objective that the modernisation of our Gambling Laws is long overdue. We take comfort from the Secretary of State's assurance that in developing detailed legislative proposals, the Department will continue to work closely with stakeholder interests to ensure that the right balance is achieved. We are confused by recent Policy emphasis on Regeneration.

REGULATORY ISSUES

Rank have major concerns with those parts of the draft Gambling Bill dealing with Resort Casinos and Gaming Machines, concerns which revolve around 3 strategic issues:

- A) The lack of any definition of a resort casino,**
- B) Jackpot gaming machine to gaming table ratios, and**
- C) The prohibition on linking gaming machines across an estate.**

We believe that these three issues, as presently drafted and taken together risk undue proliferation of gaming machines, discriminate unfairly against existing operators, may prejudice future Rank investment and give rise to Fair Competition issues.

A) Resort Casinos

True resort casinos, as witnessed overseas, are instantly recognisable by the sheer scale of their gaming operation, the size of the attendant hotel provision, the daily commitment to entertainment and the variety of ancillary retail and restaurant offerings.

We believe that the Bill should provide a statutory definition of a resort casino. We believe that this definition should provide that, in addition to being of regional significance, a resort casino should allocate a minimum space of at least 50,000 square feet (dedicated table gaming area) with 200 gaming tables. Additionally a resort casino must maintain (by licence condition) such other facilities, including hotel accommodation, retail, restaurants, bars, as well as large-scale entertainment in order to qualify for Resort Status.

Resort casinos, by definition, would therefore be permitted to have a significant number of jackpot gaming machines, commensurate with their statutory gaming table provision, and specified by regulation.

If such a statutory definition is included in the Bill, we see no reason to define an additional category of large casinos, which serves only to add complexity and confusion. There should simply be casinos and resort casinos, with the qualifying threshold for a new casino requiring a minimum of 5,000 square feet of dedicated table gaming area.

B) Machine Ratios

We consider that allowing unlimited numbers of machines in casinos of 10,000 square feet, would risk the proliferation of machine sheds that the government is rightly anxious to avoid. While it may be acceptable to allow proportionately larger numbers of machines in genuine resort casinos, we consider that in all casinos the number of machines should be governed by a fixed ratio of machines to tables. We would argue strongly, however, that the proposed ratio of 3:1 is far too low. Separately, the Bill introduces a machine definition which embraces existing unmanned forms of electronic roulette (currently Bankers Games) which are very popular with our customers. The net effect for existing operators is however a double blow – the removal of certain existing forms of electronic bankers games and a reduced machine provision from that previously recommended by the Budd Report.

We therefore believe that the ratio of 8:1 proposed by Budd provides a sensible balance between traditional gaming table places and gaming machine provision. We believe it is the correct formula to compensate for the future removal of certain unmanned forms of electronic Bankers Games, whilst maintaining the current character of British casinos.

C) Linked Machines

We disagree strongly with the prohibition on the linking of machines between casinos being included on the face of the Bill. It is at odds with the concept of a flexible set of provisions that can be adapted in the light of experience. There is no objective reason why such a prohibition could not be enacted through secondary legislation, if it were felt appropriate at some future stage.

The existing availability of linked casino table games and linked bingo offering considerable jackpot prizes across existing estates, demonstrates further the inconsistency of these proposals. These innovations have found widespread favour with customers, and the linking of machines would assist smaller operators compete against larger casinos by offering competitive prizes.

We therefore believe that linking a proportion of gaming machines across existing estates should be permitted within the Bill.

COMPETITION ISSUES

Effect On Existing Operators

The existing proposals for casinos in respect of Resort Casinos and Gaming Machines will deliver what might be called a triple whammy to existing UK casino operators.

Firstly, the proposal to allow unlimited machines at 10,000 square feet will allow new operators to enter the market with thinly disguised machine sheds for only a modest investment. That could undermine the viability of both existing casinos and genuine resort casinos.

Secondly, the proposed reduction to a 3:1 ratio of machines and the inclusion of unmanned forms of electronic roulette in the proposed machine definition will require existing casinos to remove certain types of electronic roulette. Taken together, the net effect, as compared to new entrants, is commercially disadvantageous.

Finally, there will be no possibility of mitigating these commercial disadvantages by linking machines between a number of small casinos. Again, only new, overseas entrants will be advantaged by the proposals.

Embedded Investment

The Government's current policy focus seems to be on encouraging inward investment from overseas operators into resort casinos. This represents a departure from the stated policy aims in 'A Safe Bet For Success'. We believe the change in legislative approach overlooks the considerable investment already made – and which continues to be made – by companies such as The Rank Group. For example, Rank has invested some £500 million in its gaming estate over the past 7 years. This is aside from the Duty, NIC, VAT, Corporation Tax and PAYE payments together with the sustained employment provided over 35 years for many thousands of people and our commitment to staff training and ongoing estate investment. Furthermore, policies designed to encourage overseas inward investment in particular may only serve to restrict continued investment by existing UK operators who may curtail the necessary development and improvements to their existing leisure estate.

The Rank Group's gaming businesses represents a substantial UK investment employing some 8,500 gaming staff. This demonstrates Rank's commitment to the UK economy, which may be undermined if legislation is enacted which mitigates against our company building on this long-term embedded investment.

Rank welcomes change and innovation in the market place in which it operates, as well as the stiff competition which comes with change.

For example, as the UK's second largest Bingo Operator with 122 Clubs we will feel keenly the effects of increased competition. Nevertheless, we disagree strongly with the Bingo Association's submission and formally distance ourselves from the belief that bingo will be disadvantaged by this Bill. Bingo contributes the lions share of Rank's gaming turnover and profit; we would not therefore support legislative change if we felt that a significant number of our 22 million customers annually would not continue to play bingo.

However, unlike new overseas casino entrants our company is required to adapt the structure of its business to suit the new environment. The cost which this will entail is no less than that required by 'green field' gaming and leisure developments. This being the case, it is only fair that the regulatory burden of new legislation should lie evenly across the industry if the Bill is to find universal business support.

We urge Government to give due weight to Rank's submission.