

To whom it may concern,

RE Pub Companies and Tenants: A Government Consultation April 2013

In response to the consultation document issued by the Department for Business Innovation & Skills, I am writing on behalf of Gamestec Leisure Ltd, the largest supplier of pay to play gaming and entertainment machines to the pub sector. As the largest supplier with over 30,000 machines located predominantly in pubs nationally, Gamestec provides goods and services to the three main sectors of the pub market, managed pubs, tenanted pubs and free of tie (free trade) pubs. Gamestec Leisure Ltd supplies to the largest tenanted pub companies and as such we are in a position to comment on the benefits of the AWP machine tie element (paragraph 29 of the Code of Practice). We note with concern that previous Select Committee enquiries have concluded that the machine tie serves no good purpose and set out below a number of areas where we believe that the machine tie provides substantial benefits to the tenant, to government and the exchequer, and to regulatory and licencing authorities including the Gambling Commission.

Regulatory compliance/keeping gaming in pubs crime free:

The machine tie in effect allows Gamestec to deal with legally compliant and socially responsible corporate organisations that represent large numbers of tenants. It is our experience that the large Pub Companies (500 plus pubs) operate a specific machines function that establishes an 'approved' supplier list for tenants to select from. In order for a supplier to become approved the Pub Companies establish through a thorough and professional tender process the legal and compliant status of suppliers. In this way a tenant has the confidence that by selecting a supplier from an approved list that the supplier is a 'fit and proper' company to deal with, has the requisite gambling licences, is run by 'approved and licensed' executives, thereby ensuring the three main principles of the 2005 Gambling Act are upheld (keep gambling crime free, protect the vulnerable and prevent children from gambling). To become a licensed machine operator carries significant cost and it is our firm belief and concern that removal of the machine tie would open up the pub market to 'rogue' and 'illegal' operators who will cut corners, operate without the required licences and supply dangerous and poorly maintained equipment with illegal software or stake and prize controls. If the central vetting process managed by the pub companies is removed, how would a tenant have the resources to check all of the necessary legal obligations are in place before agreeing to take machines from a 'supplier'? We are concerned the Gambling Commission and licensing authorities do not have the requisite resources to adequately police this and would see a Wild West style free for all in the tenanted sector.

Another important factor in the machine tie is that the pub companies and their approved suppliers administer gaming machine permits and licences, consequently ensuring that pubs are legally able to provide gaming. This provides a high level of compliance. If the machine tie is removed then tenants would be required to administer this element for themselves which, we suggest, would result in high incidents of non-compliance and potential loss of revenue for the licensing authorities and the Exchequer.

Similarly the introduction of Machines Games Duty has been fully supported by the Pub Companies in terms of resources and the approved suppliers offering support, awareness literature and monitoring of compliance. We believe the machine tie ensures it is in the Pub Companies' interest to do this; a removal of the tie would potentially see this support end.



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Standards of performance and supplier management

As an approved supplier to the large Pub Companies, we sign up to minimum standards of performance and these are contractual obligations in the main. The standards of performance ensure that all tenants receive the same level of service and operational support. For example we are obligated to respond to maintenance calls within a certain time period (often 2 hours) of receiving notification. This is applied to all pubs and has been negotiated centrally allowing consistency and high levels of service to all tenants. If the machine tie is removed it is our opinion that tenants would not receive the same consistent levels of performance given the increase in rogue operators who will use various tactics to compel tenants into taking machines.

Machine security and software updates are another consideration. Minimum standards of performance require specific machine security to protect machines from theft and attack. Again these standards are monitored by the Pub Companies' machines function and ensure all tenants benefit from secure and protected machines.

Furthermore centrally agreed contracts of supply ensure the supplier and the tenant receive consistent pricing for approved products and that Gamestec are able to compete for business on a level playing field. As stated earlier, the cost of compliance, the cost of maintaining consistent standards and in investing in new technology is high. It is a real concern that removal of the machine tie will allow rogue, criminal and non-compliant operators with no real overheads to price supply at a level that disadvantages bonafide, compliant and socially responsible companies. Again this supports the fear that illegal operators will force compliant operators out of business. This would result in significant job losses potentially running into the thousands (up to 750 in Gamestec specifically) and impact revenue to the Exchequer collected through corporation tax and VAT.

Reduction in revenue through loss of business at any level directly impacts the supply chain that develops and builds new gaming machine products. Centrally managed machine contracts often stipulate minimum investment criteria in new machines (usually known as injection). Compliance with injection requirements is a function of the Pub Companies' central machine teams. Without this there would be no checks and balances in place to ensure tenants with the right performance criteria receive the very latest machines. How would the tenant know whether one fruit machine is better than another or should carry a higher price than another? Without this there would be a serious decline in new machine purchases as operators would look to 'sweat' their older assets to the maximum. This could potentially put thousands more jobs at risk in the supply chain.

In conclusion, we firmly believe the machine tie ensures the tenant receives the best possible products from legally compliant, socially responsible professional organisations. It protects those organisations from being disadvantaged by cut price rogue operators while ensuring high levels of compliance in supply. Tenants benefit directly as a result and the vital roles and objectives for the licensing and regulatory authorities are supported cost effectively through industry 'self-policing'.

Yours sincerely,

Peter Davies
Commercial Director



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