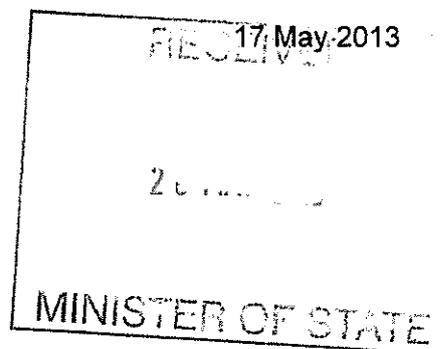


# BELL-FRUIT GROUP

NOVOMATIC GROUP

Rt Hon Dr Vince Cable  
Secretary of State for Business, Innovation and Skills  
Dept for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET



Dear Dr Cable

## Re: Government Consultation Pub Companies and Tenants April 2013

We are writing on behalf of the Bell-Fruit Group in response to the documentation published by the Department for Business, Innovation & Skills entitled "Pub Companies and Tenants: A Government Consultation". Bell-Fruit Games has been in existence for 50 years and is the country's largest supplier of Category C gambling machines for public houses, our products being found in almost every pub in the country. We do not sell machines directly to pubs, rather we sell to large operators of machines, such as Gamestec Leisure, Sceptre Leisure, Claremont and to the members of the Independent Operators Association, who in turn supply this product either on a rental or profit share basis to the managed, tenanted and free trade estates.

We note that the Government Consultation states that four successive Select Committee Inquiries into the pub industry have concluded that the gaming tie serves no good purpose, and we find these conclusions very surprising. Although we do not sell directly to the pub companies we have extensive and regular contact with them. The larger companies each have a department which is focused on gambling machines, and the management from these departments have regular meetings with us, where we demonstrate new machine developments and review the current test performance data on all of our new products. The data is analysed in detail and new machines are only given approval if the test performance is deemed to be satisfactory. Only machines which have been deemed to pass the test are allowed into pubs for which a pub machine controller is responsible. In the event of the gaming machine tie being abolished there would be no role for machine control departments and we believe that this would result in inferior product entering the pub market. This product would inevitably take less money than products approved under the current system and therefore be counter-productive from the tenants' point of view.

Under the current system pub companies also maintain computer systems which are used to monitor the ongoing income performance of all the machines in the pub estate. This generates a "league table" of machine performance which the machine controllers use to ensure that the worst-performing machines are removed from their estates. If the tie on machines is removed then poor-performing product will not be removed and unscrupulous machine operators will persuade vulnerable tenants that poor product is actually good. The tenant will only have information about the machine performance in his own pub and the benefit of monitoring performance across several hundred pubs will be lost.

Under the existing arrangements, where there is a gaming machine tie, machine control departments can monitor that their machine operators all hold an appropriate gambling machine licence, issued by the Gambling Commission. By ensuring that only duly regulated and authorised machine operators supply their pub estate the pub companies

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are helping to ensure that the three main objectives of the 2005 Gambling Act are being implemented (keeping gambling crime free, preventing children from gambling and protecting the vulnerable). If the existing machine control departments are lost, as we are sure they would be in the event of the machine tie being abolished, we do fear the resurgence of smaller, cowboy operators, operating illegally, and this would certainly be in the interests of neither the licensee nor the public

Large operating companies have machine security departments who work very closely with us and help us develop solutions to any security issues that come to light. In the event of the abolition of the machine tie we would expect lots of small operators to emerge, who would operate to lower standards and who would certainly not be in a position to recruit dedicated security staff. Again I would see this working against the best interests of the individual tenant.

Under the existing system machine controllers expect a fixed level of new product to be supplied to their pub estates each month (this is normally called new machine injection). In the event of the tie being removed this investment in new product would certainly cease. This would result in there being a further significant decline in the sales of new machines and will lead to further job losses, particularly within the machine manufacturing sector.

In conclusion, we believe that the gaming machine tie works very much in the favour of the pub tenant and helps to ensure that the gambling market is well regulated. The operators with whom we deal are acutely aware of their responsibilities under the 2005 Gambling Act. Although pub tenants may not immediately recognise the significance of the benefits they receive under the machine tie, we fully believe that the detailed testing and constant monitoring of machine performance is very much in their interest, as well as being in the best interests of the machine manufacturing industry.

Yours sincerely

John McLoughlin  
Sales and Marketing Director

Copy to :

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Jo Swinson MP, Minister for Employment Relations and Consumer Affairs  
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Jane Hartshorne, Assistant Director, Consumers & Markets  
Brandon Lewis MP, Parliamentary Under Secretary of State for Communities and Local Government  
The Rt Hon Kenneth Clarke QC MP, Minister without Portfolio  
Kathryn Laing, Special Adviser to The Rt Hon Kenneth Clarke Q C MP, Minister without Portfolio  
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Tim Luke, Senior Adviser on Business, Trade and Innovation  
Andrew Griffiths, MP