

sceptre

**THE BUSINESS IN LEISURE**

17th May 2013

Jo Swinson MP
Minister for Employment Relations and Consumer Affairs
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

sceptre
139 Brookfield Place
Walton Summit
Bamber Bridge
Preston
PR5 8BF

Dear Madam

telephone
01772 694242
facsimile
01772 694243

Re: Government Consultation Pub Companies and Tenants April 2013

website
www.sceptreleisure.co.uk
e-mail
sls@sceptreleisure.co.uk

Sceptre Leisure Solutions is the second largest supplier of gaming and amusement machines to the pub sector in Great Britain. We supply circa 22,500 machines to the pub sector and over the 14 years we have been in business, we have amassed a wealth of knowledge relating to the effect of the machine tie.

Since the publication of the consultation paper; Pub Companies and Tenants by the Department for Business Innovation and Skills in April 2013, we have reviewed the document and it is our view that the gaming machine tie does serve a good purpose and in fact provide the tenants with tangible benefits.

It is not only the tenant that benefits from the machine tie. There are further and wider ranging benefits that are seen throughout the whole machine supply and manufacturing chains that may not be immediately apparent.

Many pub companies have a stringent tender process in place before a machine supplier can begin the supply of gaming and amusement machines to the tenants. This process ensures that all approved machine suppliers are fully licensed by the Gambling Commission and that the 3 main licensing objectives of the Gambling Act 2005 are maintained and upheld.

By removing the machine tie there will most certainly be an increase in illegal gaming machine supply, resulting in lost Machine Games Duty (MGD) & VAT revenues for HMRC.

The use of properly licensed and fully compliant machine suppliers ensures that Return To Player (RTP) responsibilities are met and that gaming machines pay out prizes and percentages in line with what is displayed on them, thereby ensuring gaming remains fair and open.

Approved machine suppliers will ensure that premises are registered for MGD, thereby ensuring that HMRC receive revenues that are due to them, the removal of the machine tie will encourage unscrupulous machine suppliers to supply gaming machines without checking for a valid MGD registration beforehand, resulting in higher levels of unpaid MGD & VAT.

VAT Registration
725 8325 26
Company Registration
3675579
Gambling Commission Lic No
000-005628-N-300827-001

A Subsidiary of Sceptre Leisure plc

Many of the gaming machine supply contracts to the pub companies stipulate pre-determined investment levels each month for the supply of new gaming machine equipment. This ensures the tenant receives the latest in game design and technology and the income benefits that generates.

In a wider context, the purchase of new gaming machines encourages innovative gaming machine design as well as protecting jobs in the manufacturing sector and also within the supply of component parts to the gaming machine manufacturers.

All the mainstream manufacturers of gaming machines are based in the UK. Removing the machine tie will most certainly cost jobs in the gaming machine manufacturing sector, this sector is already experiencing severe difficulties and will just serve to make the situation worse.

The machine tie brings together a wealth of gaming machine management expertise, knowledge and income maximisation techniques from both the gaming machine supplier and the pub company, again all these ensure the tenants get the best advice and the best performing machines.

With the pub company and the gaming machine supplier working together, it provides a platform for the exchange of information and fraud prevention methods, again for the benefit of the tenants. Contained within the gaming machine supply contracts are stringent Service Level Agreements that ensure the tenants receive the best machine operating standards available.

As we have seen over the years when the machine tie has been removed, most tenants will choose a gaming machine based on price and not earning potential. Most free of tie tenants will choose to perform their own gaming machine collections and very few have the knowledge and understanding of being able to determine the performance of their gaming machine from meter readings.

This ultimately results in lower profit levels from gaming machines that certainly does not benefit the tenant. We will most certainly see unscrupulous machine suppliers 'overcharging' for machine rentals as individual tenants may not have sufficient gaming machine knowledge to determine fair market rents.

Over the 14 years we have traded, the machine management expertise and income maximisation techniques used within the pub sector will generate higher cash box revenues. This figure is in the region of 35% higher cash box levels than a tenant that manages his own free of tie machine.

It is our view that the Government does not appear to understand how the machine supply industry and the machine tie work hand in hand to provide tangible benefits not only for the tenants but the wider industry as a whole.

The machine supply industry is finding the current economic climate very challenging like most businesses with finance very difficult to source.

- ☐ fruit machines
- ☐ juke boxes
- ☐ pool tables
- ☐ sound systems
- ☐ amusement equipment

It is without doubt that removing the machine tie will reduce our profit levels and our longer term financial prospects would worsen.

There would most certainly be significant job redundancies within our company and across the industry as a result of removing the machine tie.

Yours sincerely

Tony Yates
Commercial Director
Sceptre Leisure Solutions Ltd

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