

Review of Gaming Machines and Social Responsibility

Name: [REDACTED]

Organisation: Greene King

Greene King is a pub retailer and brewer, founded in 1799 and is headquartered in Bury St. Edmunds, Suffolk. We currently employ 43,000 people across our trading divisions: Pub Company, Pub Partners and Brewing & Brands. We operate over 3,000 pubs, restaurants and hotels across England, Wales and Scotland.

We operate over [REDACTED] gaming machines of category C & D which are installed across around 90% of our pub estate. In many pubs, struggling to keep afloat in difficult economic conditions, these machines help to drive footfall and are a vital revenue stream. The revenue from machines is the difference between many pubs being profitable or not and thus supporting jobs across the pub sector and in many cases allowing important community hubs to remain open.

Detailed within our response includes requests to:

- Remove the prohibition on using debit card and other such cashless payment methods for payments on gaming machines
- Increase the maximum stake and prize on category C gaming machines to £2 / £150
- Increase the maximum stake and prize on non-money Cat D cranes to £2 / £75
- Remove the notification system for pubs and increase the automatic entitlement to four machines

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.

Greene King welcomes this call for evidence and in particular the review of stakes and prizes. We do however note that if there is a change in stakes and prizes following this review, it is likely to be implemented around five years after the last stake and prize increase. We urge the government in future to return to the process that will see any changes in stake and prize following a review being implemented on a three-year cycle.

Revenue generated from gaming machines in pubs has been in decline for a number of years. The last stake and prize review helped slow this decline, but the pull from other external factors has been greater. The main factors for why revenue is declining from gaming machines in pubs include:

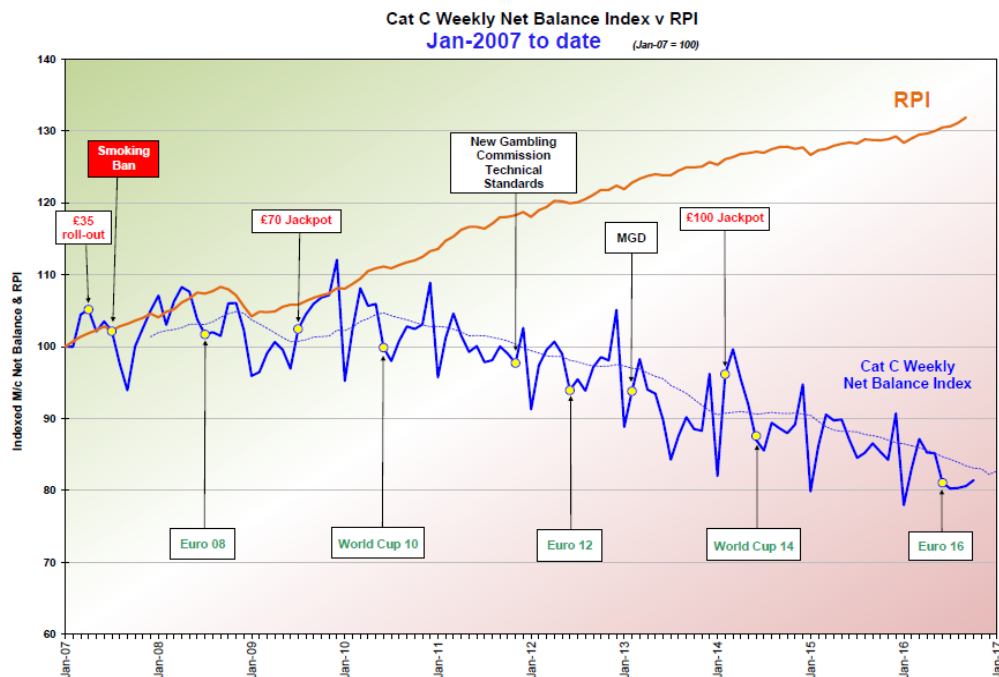
- An increased number and popularity of machines on the high street, particularly in Licenced Betting Offices (LBOs)
- The increased popularity of on-line gaming
- The increased use of cashless payment in pubs

We note that LBOs are allowed up to four B2 machines with a maximum stake and prize of £100 / £500 whilst pubs are have an automatic entitlement to just two machines with a maximum stake and prize of £1 / £100.

We also note there are no restrictions placed on stake or prize limits for on-line gaming. Our customers may sit in our pub using the complementary WiFi we provide playing a slot game on their phone or tablet with unlimited stakes and prizes, but are restricted to a maximum £1 stake and a maximum prize of £100 should they wish to use the gaming machine within the pub.

The reduction in the average revenue generated by Category C gaming machines is well illustrated by the following graph. This information is compiled by CLMS a

supplier to Greene King, whose business is processing data from machines. They are uniquely placed to monitor average revenue levels from machines across the pub sector as they process data from many pub companies in both retail and tenanted businesses, as well as numerous free trade pubs. The graph plots the decline in average net take per machine against RPI.



Data published by the Gambling Commission shows that Category C ‘fruit machines’ found in pubs are not associated with problem gambling. The government is looking to strike the right balance between a sector that can grow and contribute to the economy and one that is socially responsible. A modest increase in the maximum stakes for Category C machines to £2 and the maximum prize to £150 would provide an extremely low risk way to bolster revenue from machines in pubs which has the benefit of not only of supporting pubs, which offer many communities a vital social hub, but also of supporting jobs across the pub sector, across the UK manufacturers who make machines designed for pubs and also the machine operating companies who supply machines to pubs.

G Squared, a manufacturer of the ‘fruit machine’ style product found in pubs ran a game emulator showing how a typical customer plays this type of game. This showed an average spin every 15 seconds when time taken to complete features is taken into

account. A customer playing this type of machine with £10 who replays all winnings and playing on a £2 stake with the machine set at 82% return to player (RTP), would take on average 6 minutes 45 seconds before the £10 was lost. Contrast this with a rapid play B3 (2.5 seconds per spin) machine with a RTP of 94%, playing using a stake of £2, the £10 would be lost in just 3 minutes 28 seconds.

Greene King also operates a number of Category D non-money gaming machines, typically in the form of cranes. These are generally installed within our pubs where family dining is an important part of the mix. These machines offer a fun element to the family experience of visiting the pub and prizes won are typically soft toys, or for the top prizes that may be won, could be a phone or tablet. We are unaware of this type of non-money crane Category D machine ever being linked to problem gambling. We note that the stake and prize levels were left unchanged at the last review. An increase in stake to £2 and an increase in maximum prize to a £75 (keeping this non-money) would allow more innovation for game design and keep pace with inflation for providing similar levels of the top prizes to when the current £50 maximum prize was introduced.

We estimate that increasing Category C and D machines, as suggested above, will lead to a 10% increase in machine revenue levels. While the increase to £100 helped stop the rate of decline, the graph presented earlier clearly shows that an increase in stake is the most important help that can be given, as seen with the increase to £70 (when the stake was increased to £1).

The changes to Category C and D gaming machines we are requesting are:

Machine Categories	Proposed stakes	Proposed Prizes	Estimated Revenue Change
C	£2	£150	10%
D non-money prize	£2	£75	10%

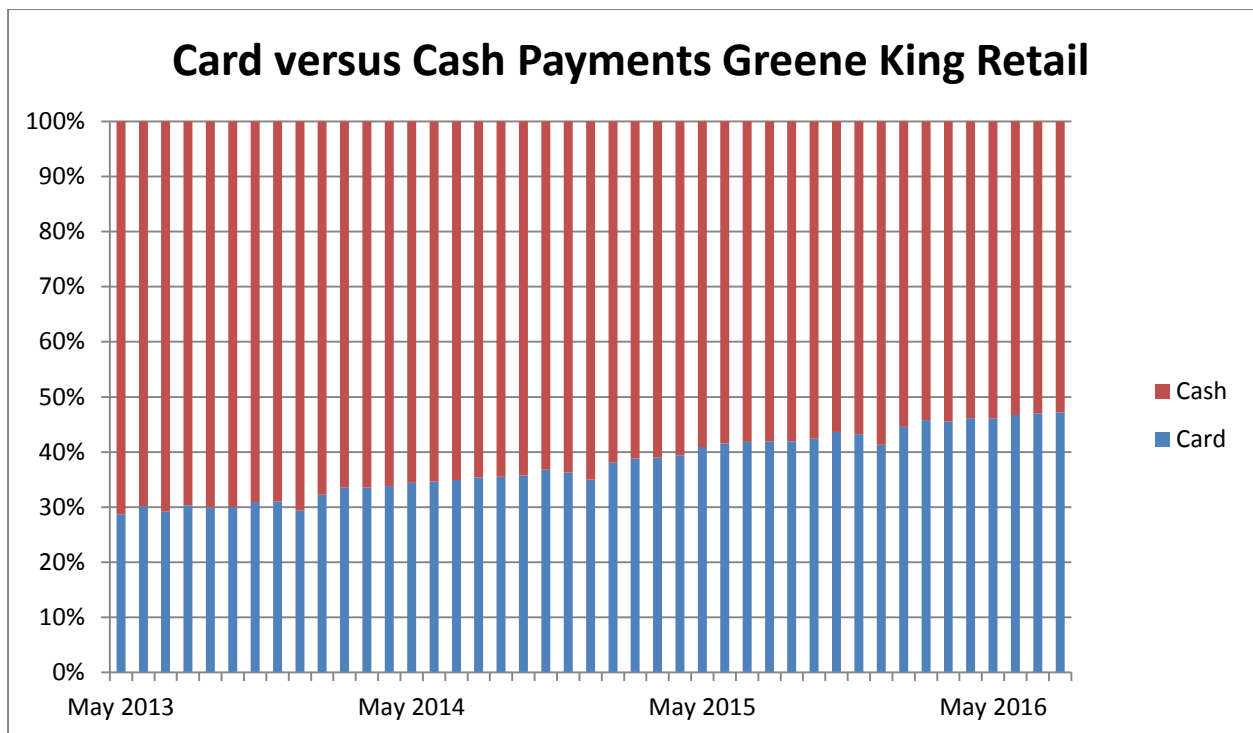
Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Greene King takes its responsibilities very seriously. All our staff undergo induction training which includes, as an example, restrictions for under 18's and the steps for dealing with an under 18 in an appropriate manner with regards to restricted products. All of our Category C gaming machines have notices to ensure customers understand these are an over 18's product and also information as to where to obtain help with problem gambling. Gaming machines in pubs are amusement orientated low stake and prize and therefore instances of problem gambling within pubs are extremely low.

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 ask that the government overturns the prohibition of the use of debit cards and other newer forms of cashless payment (such as Apple Pay) in gaming machines. This would have the dual benefit of increasing the potential revenues from gaming machines and increase customer protection.

The ratio of card payments to cash payment within Greene King pubs to purchase food and drink has been increasing in recent years; this appears to have accelerated since contactless has become more prevalent. This change is well illustrated by the following graph:



We note that there is an inverse relationship between the rise in card based payment and the decline of the average net take in Category C gaming machines (as demonstrated by the earlier graph showing net cash decline on Category C gaming machines). While we are not putting the increase in card payments within the pub as the sole reason for the decline in machine revenue, we do believe it to be a factor. If cards are used for payment at the bar then there is no longer the option for the customer to play a machine with their change.

Around of Greene King managed pubs have an ATM Machine (commonly known as cashpoint machines) and the amount of cash dispensed from these machines has been declining for a number of years. The decline this year against last year is and again illustrates that amount of cash being used within a pub environment is decreasing.

Customers' increasing preference for cashless payment methods may well render gaming machines obsolete in the coming few years unless there is deregulation of payment methods.

We believe it is also in the interests of customer protection and overall social responsibility to allow cashless payment methods. Given the low stake and prize and entertainment style of product within a pub, there is a low risk of problem gambling or money laundering. However, this is not the case for all types of gambling machines. Play on gaming machines via cash is anonymous while play via a debit card would allow a greater understanding of individual customer spend and help to determine potential problem gambling patterns. Allowing winnings for a customer playing using a debit card or other cashless payment method to be paid onto their debit card is also likely to deter money laundering as there is an auditable trail of spend and winnings.

We would not support a removal on the prohibition of the use of credit cards as a payment method for gaming machines. We are firmly of the opinion that credit should not be extended for the use of gambling.

A further relaxation to the regulations that could be made without introducing an increase in problem gambling would be the removal of prescriptive technical standards in regard to Category C gaming machines. The technical standards published by the Gambling Commission contain very detailed prohibition on some aspects of game design which does not appear to be proportional or appropriate and stifles innovation. We ask these are removed and that a principle type approach is introduced instead.

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.

Pubs are subject to a bureaucratic system when changing gaming machine numbers within individual pubs. Pubs are entitled to two gaming machines provided the Local Authority has been notified of this. In practice, this requires completing a form and paying a fee to the Local Authority. There is no upper limit placed on the number of gaming machines allowed, but if a pub wishes to have more than two gaming machines it's required to obtain a permit from the Local Authority. Again this

requires a form being filled out and a fee being paid. There is then an annual fee to be paid for renewing the permit.

This system has created a need for pub companies to arrange for permit numbers and dates to be monitored, changes applied for and permits to be annually renewed. It also means Local Authorities must divert scarce resources to the administration of notification and permits.

Given the majority of pubs do have gaming machines and these are low stake and prize, this process of notification and permits creates a mass of red tape adding little or no value.

We urge the government to increase the automatic entitlement to four gaming machines and to abolish the notification system altogether.

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

New measures introduced were aimed at LBOs and so we do not feel qualified to answer this question.

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

Gaming machines in pubs are low stake and low prize and an entertainment style product. It is likely that any new measures aimed at sectors such as LBOs would not be appropriate or proportionate for machines in pubs.

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 do not run gambling advertising campaigns so we do not feel qualified to answer this question.

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?

There are no further issues we'd like to raise.