



Ref: Stonegate Pub Company LTD: Response to the 'DCMS Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures'

The Stonegate Pub Company is the fourth largest managed pub company in the UK, operating around 700 pubs across the UK. The Stonegate estate consists of traditional pubs in high street and suburban locations as well as leading branded bars, including Walkabout and Slug & Lettuce.

We operate over 2,100 gaming machines of category C & D which are installed across 90% of our pub estate. In many pubs, struggling to keep afloat in difficult economic conditions, these machines help drive footfall and are a vital revenue stream. The revenue from machines is the difference between many pubs being profitable or not, thus supporting jobs across the pub sector and in many cases allowing important community hubs to remain open.

Unless the proposals contained in this consultation are amended they will result in further pub closures, job losses and a decrease in tax revenues.

We note the majority of the consultation document is in relation to machines in betting shops, online gaming and gambling advertising; areas we are not involved with. We have therefore only answered the questions directly linked to our business.

It was disappointing to see that the views of the Pub industry have not been accurately represented or included in this overall proposal, as such we would request our views outlined below are given key consideration by the DCMS.

The Stonegate Pub Company LTD worked closely with the 'ALMR' to provide information for the original submission, none of this was represented in the findings that the government outlined in their report.

We would like to respond specifically to a number of key questions that have a fundamental impact on our overall business going forward;

Q6. Do you agree with the government's proposals to maintain the status quo on category C?

We do not agree with the government's proposal to maintain the status quo regarding stakes and prizes on category C gaming machines and urge that the request to increase stakes and prize to £2 / £150 maximum be reconsidered.

We note in the consultation paper that the reason given for refusing the request for the modest increase in stakes and prizes was 'the Government is concerned about the potential impact on players of another uplift which would give it a comparable maximum stake to B3 gaming





machines (but with a lower return to player ratio), which are not permitted in pubs due to the fact that they are less regulated environments, especially as no corresponding changes have been suggested by industry in terms of additional player protection measures.'

The current stakes are unchanged since 2009, and prize levels since 2014, meaning that gaming incomes have been unable to increase proportionately with rising operator costs. It is, in our opinion, not justified that while there is no evidential reason to believe that gaming machines in pubs represent problem gambling, the income from gaming machines that can be the vital difference in maintaining the economic viability of many pubs, is allowed to diminish. Indeed, NatCen Social Research's study for the Gambling Commission (Gambling Behaviour in Great Britain in 2015, August 2017) identified numerous areas of problem gambling, and gaming in pubs warranted no mention; pub machine gaming has no evidential history of contributing towards problem gambling.

Furthermore, S.3.22 of the consultation appears to take as fact from the Responsible Gambling Responsibility Strategy (RGSB) pertaining to data based on spin speeds that are that are alien to the reality of player experiences, taking the physical possibility of spin speed, but paying no regard to the experiential actuality of how players engage and react to the in-game circumstances that make the machines attractive.

This advice is flawed and the Government should have set it aside when considering stakes and prize values for Category C machines. The advice takes no account of the actual speed of game on the type of machines found in pubs which is considerably slower than the 2.5 seconds RGSB uses for this analysis.

On this above point the Stonegate Pub Company has sought advice from a leading manufacturer of Cat C 'Fruit Machines', which is represented below and looks to challenge the RGSB analysis:

*Reflex Gaming, a manufacturer of the 'analogue fruit machine' style product found in pubs ran some robust statistical analysis 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. This would lead to a theoretical loss of **£86 an hour**. The data quoted in the RGSB analysis stated that this theoretical loss was **£316 an hour**, which we believe is a greatly flawed and exaggerated figure.*

The ability to increase Cat C stakes and prizes, coupled with the use of new digital technology, would allow enhancement of a player's experience, make games more attractive and allow pubs to compete in what at present is an ever-decreasing Category C market.

Q7. Do you agree with the government's proposals to maintain the status quo on category D?

We do not agree with the government's proposal to maintain the status quo regarding stakes and prizes on category D gaming machines and urge that the request to increase stakes and prize to £2 / £75 maximum on cranes be reconsidered.





There is no evidence to suggest that craning for a teddy bear or similar prize leads to problem gambling; were there to be such evidence, the Government would have acted some time ago. As referenced in our response to question 6, a recent study on UK gaming behaviours, commissioned by the Gambling Commission, did not identify pub gaming machines as being a source of problem gambling.

The consultation document states that Great Britain “is the only jurisdiction internationally to permit gambling for under 18s”. This is not the case but, even if it were, it misses the point that category D machines are not regarded by their players or their parents and carers as gambling, but as a fun hand-eye coordination games.

These machines are virtually identical in nature to those on phones, tablets and computers that are a significant mainstay of minors’ leisure and amusement activities in any case. There is no justified reason for penalising category D machines - and in doing so jeopardising revenue stream for many UK pubs- when such diversions are available to minors ubiquitously elsewhere.

Rather, category D machines can bring enjoyment and respite for parents and children alike, making the pub the sort of family friendly environment that is more widespread nowadays than ever before in the UK, and is a contributor to the proliferation of safer, regulated and supervised venues which have themselves accompanied a general decline in alcohol consumption, benefiting the Government’s wider health objectives.

As with category C machines, this is an area in which player experience and pub income could be enhanced by opening up technological innovation. This would have wider economic benefits, through both pubs and machine manufacturers. Furthermore, the boon would largely benefit those pubs that are in the majority in being small businesses, support for which is a key Government commitment.

Indeed, pubs of all sizes currently face a multitude of ever-increasing costs, and are operating in a climate of increasingly tight margins; gaming machines are one of the few chinks of light for hard-pressed pub operators, as they provide clear profit. Additionally, higher stakes and prizes would act as an incentive to machine manufacturers and tech developers, to devise and develop more attractive and engaging machine offers.

Q9. Do you agree with the government’s proposals to maintain the status quo on allocations for casinos, arcades and pubs?

We do not agree with the government’s proposal to maintain the status quo on allocations for pubs and urge the request to increase the automatic entitlement to 4 machines in pubs is reconsidered.

The average Cat C density across our own machines estate is 3.2 machines per site.

The automatic entitlement to 2 Cat C machines we feel is now outdated based on the permitted numbers that exist across other categories such as B3 and B2 machines.

Such a move might also be used in tandem with measures that would help to fulfil Government objectives to cut red tape. At present local authorities and in-house legal teams spend a vast





amount of time and money in the application process for additional Cat C machines. It costs £50 to register the taking up of the right to house one or two machines in a pub, and to re-register them every time the licensee changes; this should be a one-off cost, to allow the local authority to know that machines are in use, but transfer to new licensees ought to be cost- and bureaucracy-free. If a licensee wishes to have three or more gaming machines in their premises, a Licensed Premises Gaming Machine Permit is currently £150 and then an annual fee of £50 is payable within 30 days of the grant of the permit and every year upon the anniversary of the grant.

In addition, there is a cost and bureaucratic burden should a license wish to vary the ratio of Cat C and Cat D machines, even though these machines pose no risk of contributing to problem gambling. This imposes an administrative burden, a delay in ability to use and benefit financially from the machines and an inability for licensees to easily vary their gaming offer in order to discover which mix works best for their clientele. We believe that as long as a local authority knows how many machines are in use, their category is not relevant and ought not to carry a cost and bureaucratic imposition for licensees. In the context of these asks, we again draw your attention to the lack of evidence that gambling problems related to category C machines exist. There is no compelling reason not to rid local authorities and operators such as Stonegate of unjustifiable bureaucracy.

Q10. Do you agree with the government's proposals to bar contactless payments as a direct form of payment to gaming machines?

No - rather than barring contactless payment methods, we believe that they can be key to delivering protection measures, in order to maintain that there is no problem gambling in pubs. Furthermore, the consequences of other commercial developments, outside of the influence of pub operators, are set to further diminish the volume of cash in pubs.

At the end of January 2018, members of Link, the UK's biggest cash machine network, will vote on a proposal to reduce the amount it charges card issuers to allow customers to use the machines.

It is widely considered likely that the vote will result in further widespread ATM closures, mainly in pubs and shops. This will considerably reduce the volume of cash within pubs, which is obviously key to the current need for coins and notes for gaming machines. This will represent yet another revenue pressure on pubs from outside factors beyond our control.

More than half of pub-goers go to the pub expecting to be able to pay by contactless card. The increase in the contactless payment ceiling from £20 to £30 saw contactless payments in pubs and bars rise by more than 90% over the period of a year, according to Barclaycard research.

As Pub retailers, it is only fair that we are allowed the same progression in our sales methods as those of other retailers. Due to the rapid shift from cash to card payments, there is less coinage in our average pub-goers pocket, meaning that there are more barriers to customers wanting to play amusement machines in pubs (eg the higher likelihood of having to queue and ask for change at the bar).





Yet those existing limits on contactless payments could be employed to monitor and limit overall player spend, to the benefit of anyone with an existing gambling problem developed via other gambling means.

Furthermore, the reduction in cash deposits in machines would reduce the incentive for machine break-ins. As cash in the machines are an attraction to potential burglaries, this may also have a trickle-down effect in reducing pub burglaries overall. Similarly, while there is very little evidence to suggest that gaming machines are used for money laundering, contactless payment would virtually eradicate the potential for any such activities.

Gaming data would be more easily collected and analysed, as there would be a record of how much each player spends, as opposed to cash which cannot be attributed to any particular player and therefore cannot paint a picture of player behaviour.

Each time a new coin or note is introduced, yet further costs are incurred to alter machines accordingly – costs which, on top of the many commercial challenges facing pub operators, are contributing to pubs closing. The alarming truth is that, as society becomes ever more accepting of and reliant upon contactless payment, without the ability to receive contactless payments, gaming machines will dwindle to nought. As there is no evidence to suggest that gaming machines in pubs contribute towards engendering problem gambling, the only outcome would be a loss for pub operators such as Stonegate and other smaller pub businesses whom already struggle to stay afloat.

The ability to use contactless payments would also reduce the costs and administrative burden of cash collection and, in a people-facing service industry, would represent a productivity boost in a market where the implementation of robots and some technologies is less implementable than in some other industries.

Q11. Do you support this package of measures to improve player protection measures on gambling machines?

We are not aware of any evidence linking gaming machines in pubs with problem gambling. We are therefore pleased this proposal appears to exclude Category C machines. Sharing data with RGSB, Gamble Aware and the Gambling Commission in the way suggested in the document would require additional systems and connectivity being installed as the majority of machines in pub are standalone analogue machines. If these additional costs were to be imposed upon the industry it's likely it would lead to machines becoming completely unviable in pubs, particularly given the proposals to freeze stakes and prizes and not lift the prohibition on payment methods.

Q14. Do you agree the Government should consider alternative options including a mandatory levy if industry does not provide adequate funding for RET?

Despite no evidence we are aware of linking machine in pubs with problem gambling, as a socially responsible company Stonegate fulfils its obligations in full to Gamble Aware. We are however aware of the difficulties in tracking industry support for RET, particularly given that





contributions to Gamble Aware are only one method of providing such support. On balance we think RET funding should remain discretionary and not mandatory.

Question 16: Are there any other relevant issues, supported by evidence, that you would like to raise as part of this consultation but that has not been covered by questions 1-15?

Although touched upon in previous answers, one way of reviving the gaming industry in pubs while simultaneously boosting the machine manufacturing trade, would be to review and unshackle amusement machines from the constraints of the current technical standards.

These standards were devised before the proliferation of many of the newer and potentially harmful methods of gambling, yet still exist and represent a barrier for amusement machine modernisation and enhanced attractiveness for players.

Cat C and D machines can stand unused in pubs while customers gamble large amounts of money away on their mobile phones; allowing gaming machines to develop more attractive and exciting offers would help in providing alternative gaming options with lower spends.

We believe that the Government should consult in how technical standards might become more streamlined, while still safeguarding protections for machine users.

The future of the 'Great British Pub' relies on us having the ability to engage with our customers and offer a wider range of recreational and social gaming machines.

However with the restriction on the maximum stake, along with the reluctance to grant contactless payment onto machines, we fear for the future of these machines in our sites.

We would ask that the Government consider all relevant points above that are integral to our ability to compete with other gaming sectors both land based and online.

Please feel free to contact us directly in regards to the above matter.

Yours Sincerely

