

Review of Gaming Machines and Social Responsibility Measures

Response to the DCMS Call for Evidence – November 2016

Name: [REDACTED]

Organisation: Marston's PLC

Question 1. 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.

We propose that an increase in the level of stakes & prize in category C machines increase to £2 / £150. This would deliver a considerable boost to the pub industry machine sector and the manufacture and support of cat C machines. Following the increase in prize level to £100 for cat C which was implemented in January 2014 we have tracked the impact on our machine income as laid out in the tables below:

Cat C average weekly net take by site												
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2012										£28 1	£28 0	£28 7
2013	£26 1	£26 4	£272	£26 9	£26 4	£25 4	£24 5	£26 0	£26 7	£26 1	£26 8	£28 2
2014	£24 4	£27 6	£287	£29 1	£28 3	£28 1	£28 0	£28 2	£28 7	£27 8	£27 0	£29 9
2015	£26 4	£27 1	£284	£29 4	£29 7	£28 4	£27 8	£28 6	£28 1	£28 5	£28 2	£29 9
2016	£26 7	£27 9	£291	£28 8	£29 3	£28 5	£28 5	£27 5	£28 1	£28 2		

	Cat C average weekly net take by site	yoy % change	% change vs 2013
12 months prior to S&P increase	£260		
12 months following S&P increase	£281	8%	8%
13 to 24 months following S&P increase	£284	1%	9%
25 to 34 months following S&P increase	£284	0%	9%

In the year following the increase in stakes & prizes we saw an uplift in our average weekly machine take by site of 8% on the previous year. After previous increases in stakes & prizes the uplift in machine takes has declined after the initial year. Whilst this is true at an individual machine level we have been able to increase the number of AWP's per site (density) to maintain machine takes at site level.

Increasing density has been made commercially viable as a result of the £100 prize enabling manufacturers to develop games offering a greater variety of gaming / entertainment experiences for our customers. Practically, the increase in density has been achieved by replacing Skill With Prize (SWP) machines which have been in decline for many years. The decline in SWP popularity with customers has been driven by mobile phone games. New SWPs have not been manufactured since 2008 and are generally scrapped when removed from site.

The figures below detail the increasing density of AWP machines in our estate and the correlating decline in numbers of SWPs (data excludes disposed sites):

No. of SWP machines	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2014										686	672	659
2015	645	630	619	603	601	599	572	564	569	566	553	538
2016	531	526	522	503	503	493	478	481	470	450		

AWP Density	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2014										1.44	1.45	1.45
2015	1.46	1.46	1.46	1.46	1.46	1.47	1.47	1.48	1.47	1.48	1.49	1.49
2016	1.50	1.51	1.51	1.51	1.52	1.54	1.56	1.58	1.58	1.59		

Increasing the stake & prize £2 /£150 will give manufacturers the ability to further develop content that offers increased variety to our customers. As with previous reviews we expect to see an increase in play in the short term which will increase takes. Additional profit generated will make it commercially viable to increase the number of cat C machines on our estate.

An increase in stakes & prize for cat C machines would lead to higher number of new machines being built. The two largest manufacturers of Cat C products for the UK pub market are Novamatics, an Austrian company whose subsidiaries include Bell-Fruit Games and Astra UK, and the Gauselmann Group, an Austrian company whose subsidiaries include Blueprint Gaming and Betcom. The two companies have invested heavily in the UK cat C industry in recent years and their machines make up 82% of Marston's cat C numbers. These figures are likely to be mirrored in the UK pub market overall. Increasing the stakes & prize levels for cat C machines would encourage these two companies to continue to invest in the UK.

Question 4. 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.

The current allocation allowances for alcohol-licensed premises by automatic notification should be increased to 3 or 4 Category C or D machines. Higher numbers of these machines are allowed via a permit system but this increases costs and red-tape burdens for pub businesses and local authorities.

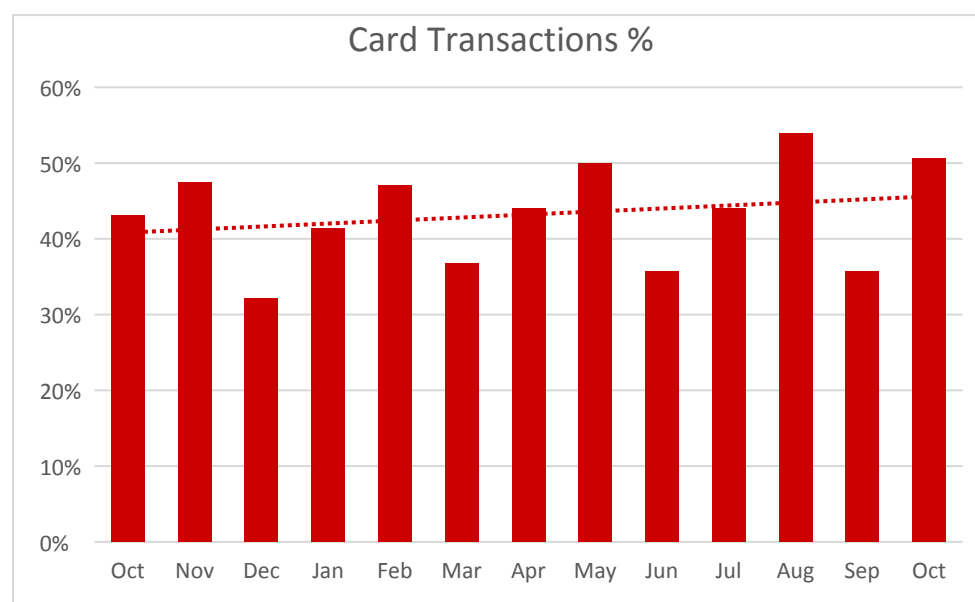
In the Marston's estate alone we estimate that by increasing the automatically allowed number of Category C or D machines to 3 per site will increase the number of Cat C machines by 300 in wet-led venues and the number of Category D skill cranes by 200 in food-led venues. This is based on additional machines being installed into sites that are currently allowed 2 Cat C or D machines and replacing poor performing Skill With Prize machines.

The level of investment needed by our suppliers to purchase these machines would total c£1.5m and would also increase the value of aftersales support required from the manufacturers. A higher number of cat C machines in the market place will encourage manufacturers to increase their development of machines and content.

Question 8. 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 is currently no provision in the Gambling Act for cat C machines to receive payment from debit cards and we believe the potential for doing so should be examined. As a comparison customers in bookmakers are able to purchase credit for FOBTs over the counter using debit cards.

The below chart shows the percentage of transactions by card, including contactless, in the Marston's estate is in growth. The use of contactless payments is increasing and now accounts for over half of all card spend. As a result of increased card spent we reduced the number of ATM machines in our pubs by 25% over the last 3 years.



By only being allowed to take cash Cat C gaming machines are unable to adapt to consumer trends on payment methods. As society moves towards a cashless environment the income on gaming machines will suffer unless they are able to take card / contactless payments.