

Mr Peter Murray
Access to Cash
10 Old Bailey
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By e-mail: callforevidence@accesstocash.org.uk

Dear Mr Murray

ACCESS TO CASH

Thank you for the opportunity to contribute to your access to cash review.

Bacta is the trade association representing the amusement machine industry. There are 310,000 amusement machines of one kind or another in the UK, ranging from fruit machines to videos, from pinball to pool and from children's rides to penny falls. We represent owners of Adult Gaming Centres, Family Entertainment Centres, companies that hire machines to pubs and clubs as well as manufacturers and distributors of machines. The industry employs 34,000 people and contributes £2 billion annually to the UK economy.

Please find attached a paper we prepared in response to the Treasury's recent call for evidence on Cash and Digital payments. I thought you might find this interesting in establishing our strategic ambitions for the amusement machine industry. Simply put we are prohibited from using debit or credit cards directly on games of chance and therefore we are actively seeking alternative ways to allow our customers the choice to pay for games through non-cash means.

That is not to say we are seeking to avoid using cash. Cash is the principal form of payment and will continue to be so for quite some time. Our customers use and will want to continue to use cash to play games, particularly in amusement arcades at the seaside where coins are the most frequently used (e.g. on 2p pushers) to inland Adult Gaming Centres and pubs where notes predominate.

Of growing and recent concern however has been the removal of ATMs from pubs and inland Adult Gaming Centres. The removal of this principal source of cash, coupled with the inability described above to use easily other forms of payment, means that the removal of ATMs from our members' or our customers' premises is having a significant impact. For example, one major pub company has lost approximately 300 ATMs from their estate dispensing in the order of £20 million per annum. As a consequence the amusement machine income (let alone other income to the pub) has dropped by as much as 30%. This income can make the difference between success and failure for the venue. Closure represents loss of a further community asset as well as the tax and employment benefits a profitable business brings.

Furthermore, the loss of the ATM deprives the customer of cash they want to spend (and over half is spent in the venue in the case of locals according to one company), the business has to make more cash available over the bar or cash desk, which in turn adds to the cash handling costs of the business and attendant security implications of less secure cash dispensation.

In addition it is worth noting that the traditional fruit machine found in a pub is manufactured in the UK. The significant closure of pubs in the UK over the past 20 years has resulted in a decline in machine numbers from close to 100,000 machines a year to roughly 20,000 if that. Further pub closures will further impact negatively our manufacturers.

It is our view that retention of a well distributed and targeted cash machine network is necessary to ensure all customers of all businesses who wish to continue to use cash as a preferred payment method are not inhibited from doing so. This is in the public interest as well as providing a frictionless customer journey for commercial operations like those represented by bacta. It can, with other forms of payment, be balanced to customer demands. We appreciate the commerciality of ATM provision but like many other public goods (such as the post office) it must be acknowledged that there is an additional business cost which other firms (which do not provide a service in the public interest) do not incur, namely the cost of supporting less busy or profitable products in return for the right to supply products to the most profitable. In the case of ATMs, these less profitable or loss-making terminals must be subsidised by the overall profitability of the service, and not just approached with a view to maximising profits.

I hope these observations are of help in your review. If you would like to discuss any aspects of this submission then please do not hesitate to contact me.

Yours sincerely



John White
Chef Executive

Bacta's Response to Treasury consultation on cash and digital payments in the new economy

Introduction

Bacta welcomes the opportunity to respond to this call for evidence.

Bacta is the trade association representing the amusement machine industry. Appendix A provides some background information about the industry which contributes nearly £2 billion to the UK economy and employs 34,000 people directly and indirectly.

Bacta members supply and operate 310,000 machines in the Britain covering amusement and gaming equipment such as pool tables, jukeboxes, kiddie rides, pushers, cranes and videos through to the traditional fruit machine in pubs and gaming machines in Adult Gaming Centres.

Gaming machines are permitted to charge up to statutorily limited stakes and award up to statutorily limited prizes depending on their location. These are set out in various Gambling Act (2005) Circumstances of Use Orders passed since the Gambling Act itself was passed in 2005.

Use of cash

Payment for play on amusement and gaming machines has traditionally been by cash; historically that was through the use of coins.

Coin usage is still widespread. Indeed coins are instrumental to the success of machines such as the 2p and 10p pusher. Without these denominations there are no pushers. It should be noted that pushers are one of the mainstays of the traditional seaside family arcade. Combined with crane grab machines their income collectively contributes to around 50% of arcades' income. The loss of these coins would have an existential impact on many arcades around Britain's coasts. Without these arcades many resorts would see further economic decline as one of their principle attractions disappears.

On other types of game, both games of chance and amusement machines, it is possible to use notes but this is almost exclusively confined to gaming machines found in pubs, working men's clubs, bingo halls and Adult Gaming Centres. £1 and £2 coins are widely used as are £10 and £20 notes the later being the most popular denomination. In addition a Ticket In Ticket Out (TiTo) system is used to pay for both paying for games and redeeming a cash prizes¹.

It is also possible to take payment by debit card over the counter and to credit an equivalent amount to the machine. This system is used in bookmakers which bacta does not represent.

Our demographic tends towards the lower end of the social demographic scale where cash use is more prevalent and in many cases the only form of payment used.

¹ TiTo is a relatively new system. A gaming machines will print out a ticket with a bar code indicating the win the player has achieved. This ticket can then be taken to an Automatic Ticket Redemption machine (ATR) which will read the barcode and give the player the cash win indicated by the ticket. Similarly if a player wishes to use the win to play further games the ticket can be used to do so. The gaming machine will read the barcode and credit the relevant amount to the machine.

The reason these non-cash payment methods have been developed is because there is:

1. a legal prohibition under a Gambling Act (2005) Circumstances of Use Order from 2007, prohibits the direct use of debit and credit cards on gambling machines of any kind (in the same terms as S245 of the original Act)
2. a very clear move away from the use of cash by customers
3. cost savings arising from the absence of cash handling and banking
4. product reliability issues - service costs are significantly reduced on machines that don't pay out cash or have reduced cash payouts principally because coins and notes can get jammed or stuck.

Future alternatives to cash

The industry is currently considering an alternative to the use of cash use on gaming machines in addition to the above.

The industry has developed an App that can be used on mobile phones that operates as a virtual wallet. In addition to allowing for payment for play on a gaming machine it offers opportunities to include certain player protection tools and messages. This has been welcomed by the Gambling Commission. In recent public advice the Commission said that they consider the system to be consistent with the law. They highlight that this system, as it requires (like a physical wallet), the player to make conscious and self-limiting decisions on how much to withdraw from their bank account and then to commit to spend on playing a machine, is different to systems such as ApplePay which take direct payments from a person's bank account.

In addition to the reasons given in the previous section, the introduction of an App is particularly attractive to the pub market. Well over 50% of all licensed venues now accept non-cash payment methods including increasingly contactless payment. The logistical and operational challenges of the non-cash payment methods for machine play described above are impractical. For example a pub could not accommodate an ATR machine on its often limited floor space. Similarly, it would not be possible for busy bar staff to physically credit the pub's gaming machines whilst trying to serve drinks and/or food.

Other benefits of non-cash payment

Firstly, whilst the gaming machine sector has been rated as low risk by the National Crime Agency for money laundering and terrorist financing, we take our Anti-Money Laundering responsibilities seriously. Whilst few in number, operators will make Suspicious Activity Reports (SARs) in those rare instances where they believe undesirable activity is taking place. In addition the Gambling Commission has strict requirements under its Licence Conditions and Codes of Practice (LCCP) on money laundering with which the industry must comply in order to be allowed to operate. Digital payment methods significantly lower the risk that gaming machines (and in reality this does not include machines such as pushers, crane grab machines, non-cash payout machines or machines in pubs) will be used for money laundering. It should be appreciated that the most likely use of gaming machines to launder money would be for low level crime such as drug dealing. As was mentioned above it is very rare occurrence.

Secondly, the ATM network has in recent years been decimated. ATM suppliers are increasingly removing ATMs from not only the High Street but also from Adult Gaming Centres and pubs. Given the prohibition on the use of debit cards on gaming machines this is of increasing concern to the sector. The solutions mentioned above are either not suitable in all venues or as in the case of the phone App, yet to be fully developed and commercially operated.

Thirdly, it is becoming increasingly costly for gaming machine operators to handle and bank cash. The Post Office for example has recently stated that it will now no longer accept non complete bags of coins, adding an additional complication to the operator who is already having to simplify the processing of cash for the banks and Post Office by separating denominations and bagging them. For machine suppliers to pubs this has to be done by collectors who visit pubs in cars, collect, count and bag up the cash and drive to a bank or Post Office to deposit the cash.

Fourthly, the attractiveness of machines and locations where machines can be found to criminals is significantly reduced if they know that they do not have any cash in their floats or cash box.

Removing barriers to digital payments

Whilst bacta would not support the removal of 2p and 10p coins for the reasons stated above, for a large sector of the industry the handling of cash in an increasingly cashless world is anachronistic. For the player who can buy anything else in their lives through the use of non-cash forms of payment, the requirement to use cash on this one leisure pursuit is creating friction in their experience of the product. Not only will this disincentivise players to play, it also reputationally gives the impression that our sector is backwards looking and historic – the complete opposite of what in reality is a high-tech industry.

The simple solution to the difficulties we are encountering would be to allow the direct use of debit cards (not credit cards) on gaming machines. This can be achieved by secondary legislation and is therefore relatively easy to accomplish. We made such a suggestion to Government in our submission to its recent Review of Gaming Machine Stakes and Prizes and Social Responsibility Measures. We maintain that the use of debit cards could bring additional player protection opportunities (for example cards can be stopped or their use limited).

We acknowledge that the case still has to be made to convince politicians of the merits of cashless payment on machines and our focus is therefore on alternatives. However, we would encourage the Treasury to support the concept of the use of debit cards on machines as a way to support the opportunities that non-cash payments provide to business, the economy and the Country and which is entirely consistent with the call for evidence document.