

Written evidence submitted by bacta

Impact of Covid-19 on DCMS sectors – a response from bacta, the trade association for the amusement and gaming machine industry in the UK

Introduction to bacta

1. Bacta is the trade association for the amusement machine industry and supply chain.
2. There are c310,000 amusement machines of one kind or another in Britain's arcades, pubs, and clubs. Pre Covid-19 our members generated over £1.6 billion in revenue, contributed £2 billion to the UK economy and supported 34,000 employees. Taking into account associated businesses this nearly doubles the sector's contribution.
3. Our members are owners and operators of High Street over-18 arcades, family arcades at the seaside, suppliers of machines to pubs and clubs and the manufacturers and distributors of all types of amusement machine. These range from children's rides to video games, from fruit machines to penny falls, from pinball to basketball, and all types of games in between.
4. We are submitting evidence to this inquiry to highlight the impact Covid-19 is having on the amusements and tourism industry and to ask for further support to the industry.

What has been the immediate impact of Covid-19 on the sector?

5. The immediate impact of Covid-19 on our sector has been catastrophic. While a number of Government measures are very welcome, our industry is just about surviving, and more support is needed to ensure business continuity. The industry supply chain has received no support under the various Retail Leisure and Hospitality support schemes operating in the nations of the UK, and seasonal businesses will somehow have to try and survive until Easter 2021 before they see any meaningful income.
6. As of 20th March, seaside arcades, High Street adult gaming centres and the pubs and bars bacta members supply with pool tables, juke boxes and fruit machines closed. Many of these businesses are second or third generation family firms. They contribute directly around £2 billion to the UK economy, more if associated businesses are taken into account. They employ 34,000 people, and at the coast in particular support our heritage, our piers and our British seaside culture. As things look, seaside arcades will have to survive, if they can, a whole season with no income.
7. The Committee is directed to towards last April's Report by the House of Lords Committee on Regenerating Seaside Towns.¹ This Report highlights the importance of supporting coastal communities and the role of seaside arcades in supporting them.

¹ <https://publications.parliament.uk/pa/ld201719/ldselect/ldseaside/320/32002.htm>

8. Despite Government support and drastic cost cutting, costs continue. at between 45% to 55% of normal. While supply chain cooperation can help with payment schedules, ultimately bills have to be paid.
9. Furthermore, the situation at the coast is compounded by the fact that in essence the businesses only generate revenue during the holiday season, from Easter to the August Bank Holiday. Whilst we are hopeful that Family Entertainment Centres are being permitted to open in July, the impact of the crisis will be felt for a long time after re-opening, as customers will need time to re-acquire their pre-crisis behaviours. That means that seasonal business of whatever kind will have not seen any meaningful income from October 2019 and will not see any until Easter 2021.
10. The Government on May 11th issued guidance on the definition of what constituted a shop for the purposes of determining which premises would be allowed to open on 15th June as non-essential retail. Betting offices and arcades were included on that list following an explanation to Government that they both were de facto shops, retailing a leisure activity, with the ability to implement robust and effective social distancing and hygiene measures. (please see appendix 1) Adult Gaming Centres took staff off furlough and spent millions of pounds getting ready to open on June 15th. On 11th June at 5.30 p.m. the industry was told they would not be allowed to open after all on the 15th while Betting Offices were permitted to open. This last minute decision will cost the AGC sector millions. People will be made redundant and it will create a significant competitive imbalance on the High Street.
11. The Government stated a number of reasons why Adult Gaming Centres were not permitted to open. Firstly, according to the Government, AGCs are more akin to leisure venues and bookmakers more akin to retail. However, betting offices and arcades were included in the May 11th list of shops the Prime Minister indicated, would be allowed to open on June 15th. AGCs were furthermore the only type of business listed in the guidance as to what constituted a shop for the purposes of defining non-essential retail, not to be permitted to open on the 15th.
12. The Government also listed health concerns, hard surfaces, and dwell time as further reasons why AGCs were not permitted to open. We had already identified surface risk and implemented cleaning protocols to exclude it. We would underline that every shop has surfaces which present a transmission risk including bookmakers. Our hygiene protocols require a machine to be cleaned after every use. This is the same for LBOs on their gaming machines and SSBTs. Furthermore, there are significantly more LBOs to AGCs (roughly 8000 versus 1000). Therefore, in terms of risk, LBOs must present a significantly higher threat than AGCs.
13. Any suggestion that average dwell time in, for example, department stores, is less than in AGCs is palpably incorrect. The average dwell time in LBOs are significantly higher than in AGCs. People play the machines for extended periods (publicly available Gambling Commission data shows extended session lengths). Customers will spend the afternoon watching the race cards or the football whilst betting. Customers are provided with teas and coffees and are encouraged to sit in. We therefore believe that this decision is an example of chaotic, science free decision making and should be investigated further by the Committee.

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

14. Bacta welcomes the support packages provided by the Government, most notably the business rates holiday and associated grants for the tourism and leisure industry.

Additionally the Coronavirus Job Retention Scheme has so far helped protect tens of thousands of jobs.

The Coronavirus Job Retention Scheme

15. The Coronavirus Job Retention Scheme (CJRS) has been of fundamental importance to our industry and we welcome the recent announcement regarding the opportunity to flexibly furlough staff from the 1st July.
16. While we understand that the aim has been to keep the furlough scheme simple, the complete ban on carrying out even minimal duties while on furlough has been very difficult for our members from an operational standpoint. A key necessity for many industries, not just the amusement industry is for some furloughed workers to be allowed to conduct simple routine (and not time consuming) maintenance and security jobs. Arcades and entertainment venues still have to look after their empty premises, not least for insurance purposes. If a business has a number of venues often spread out geographically, members should be able to ask a furloughed worker, who may even be a key holder for if the alarm is set off, to stop by the venue to make sure there haven't been any attempted break-ins.
17. Given that statutory work is exempt, so should this be without jeopardising workers' furloughed status. As it currently stands, our members either cannot carry out those tasks or have to keep a number of employees "unfurloughed" just for those basic, non-revenue generating, jobs.
18. When the Coronavirus Job Retention scheme was first announced, individuals had to be employed by the company furloughing them on 28 February, but the Government has extended the eligibility date to 19 March – the day before the scheme was announced. This change to the cut-off date should mean more seasonal workers are included into the scheme however this is not the case.
19. The reason for this is the requirement for employees to have been notified to HMRC via the RTI system. Many companies, with HMRC agreement, submit their RTI at the same time as they run their payroll. Many new employees who started between 1st and 19th March will therefore not have been notified to HMRC and therefore even though they started within the qualifying period will not be eligible for furlough.
20. The industry and our members would therefore welcome further clarification on these points.

Retail, Leisure and Hospitality Rates Relief Schemes and associated grants

21. However, the various nations of the UK have slightly different support schemes for the Retail Leisure and Hospitality Sectors. This has led to confusion and a number of bcta members missing out on critical support.
22. Furthermore, the leisure industry supply chain has received no support from the RLH Rates Relief Scheme and associated grants. These businesses have been just as badly affected. They have had no income and additionally had to carry a substantial debtors list on their balance sheets as customers are unable to pay their bills due to the lockdown. They are as a result, less likely to survive this crisis. Consequently we run the tragic risk of causing these businesses' customers to go bust just as the economy gets going again because they are unable to meet customer demand. The support they have received over the Spring/Summer will have been wasted.

23. The £51,000 Rateable Value cap on grants under the RLH schemes in England, Scotland and Wales, has also caused difficulty, particularly for seaside businesses that by nature have to be large to accommodate the machine variety customers expect. It has been a cliff edge. Those just over the £51k limit have not received a grant whilst those just below have. We have suggested that the scheme is adjusted to provide tapered support over the cap up to a new limit somewhere north of £100,000.
24. It is unfair that retail businesses that continued to trade, some very successfully, during the crisis received support under the RLH schemes, whilst many of those businesses that saw income dry up, simply did not.

Business Loan Schemes

25. The Bounce Back Loans have been popular and worked well. The various CBILS schemes have been less successful. It has taken far too long for applications to be processed. In a number of cases loans have been refused for reasons it is difficult to fathom or because b2c members are deemed to be in the gambling business – which putatively contravenes some banks' CSR policies. It is our opinion that where the Government has backed the loan it is wrong for banks to apply conditions that were absent from the Government Guarantee.
26. Whilst we are grateful for Government support, more needs to be done to help our sector. We have outlined how effective the support measures have been so far and have suggested how DCMS could help our industry further, particularly those seasonal businesses that need to get through to at least Easter next year if they are to survive.

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

27. It is unclear at this stage what the likely long term impacts will be on the industry, however, what is clear is that without further financial support from the Government several family run seaside arcades and Family Entertainment Centres will have to close their doors. Thousands of jobs could potentially be lost in areas with some of the most serious social and economic deprivation.
28. Furthermore, due to the seasonal nature of our seaside industry, and the fact that in essence our members' businesses only generate revenue during the holiday period, our members are unlikely to see any meaningful income until Easter 2021. Long term support will therefore be required to help our industry through this uncertain time. We have outlined a number of measures below which could further help the leisure and tourism industry and our members.
29. Furthermore, businesses will be operating at much reduced capacity due to social distancing measures. In seaside arcades and in pubs that capacity will have to be very significantly lower. For seaside arcades, even if they do get open for the remainder of the season it is unlikely with the rules that will have to be put in place they could sustain the additional costs of opening the business with consumer numbers constrained to 20%-30% of normal. In pubs without people, our members' machines won't get played as frequently. Machine incomes, that ceased on March 20th, will therefore take a long time to recover to the detriment of both pub and supplier.
30. Although we must be led by the science, operationally (and therefore economically) it would be of enormous benefit if the social distancing advice was to keep one metre apart as opposed to two.

Reducing costs for businesses

31. As mentioned, costs are continuing to rise for our members at a time when they are already so financially dependent on the Government. We believe tax deferrals, for example, deferral of any indirect tax payment, including PAYE, VAT and Machines Game Duty, until Summer 2021 would give seasonal businesses the much needed time they need to rebuild their balance sheets.
32. As well as a deferral, a reduction in VAT, until Summer 2021, would drastically help a number of businesses.
33. As a point of principle we would argue that it is better to get cash direct to businesses as they will know best how to reinvest it to best generate economic activity. These measures achieve that.
34. Of direct relevance would be a reduction in Machines Games Duty until Easter 2021 to 5%. For those businesses that are trading, this would provide a multi-million pound cash injection to the business allowing for necessary reinvestment to drive the business forward as the economy reheats. For seasonal businesses it would mean they would avoid a substantial bill just as they get their businesses going again in the Summer 2021 season.

Introduction of additional late Summer/Autumn Bank Holidays.

35. The Easter and Spring/Whitsun Bank Holidays are key trading periods for seasonal businesses. They have been lost. We are therefore asking the Government to add an additional two days to the August Bank Holiday, or to introduce additional bank holidays in late September/early October

Extend the October half-term to two weeks.

36. By extending the half-term members or the public will be able to take the annual and much needed, two week holiday they will have missed over the Summer. The two week period also will give seasonal businesses additional capacity for those taking short breaks and day trips. Furthermore spreading the load on the sector will help with social distancing

Calling on the Government to issue guidance to local authorities which details that arcades can rebate or extend arcade premise licenses

37. As mentioned, amusement arcades and leisure businesses have rightly had to close their doors due to Covid-19. Our members have been asking Local Councils to rebate Premises Licence fees for arcades. As local authorities cannot undertake their usual enforcement or inspection duties and are therefore not incurring any costs as a result, it would seem quite unreasonable for these fees to be paid for when premises are shut. Councils have told us they are unable to refund any fees due to current legislation (Gambling Act 2005). We suggest local authorities are given the power to rebate fees.
38. Alternatively, licences could be extended or a proportionate discount could be applied to licences for the following year for those businesses that survive the current crisis. They have the power under the Gambling Act to do this. Government should provide instruction/guidance to local authorities on this point.
39. This would not be a major cost to local authorities, licences on average cost £1000 per annum; however, it would go a long way to support our members during this unprecedented time. Furthermore, as stated above, local authorities have not had the cost of undertaking usual activities associated with these licensed premises because they are closed, so an extension to licenses or a reduced fee would be welcomed.

40. Without formal advice from DCMS or MHCLG, it is up to the local authority's discretion to decide whether to reduce next year's fees.
41. Similarly, and even more significantly, operators must pay the Gambling Commission very high annual fees for their operating licence (as issued directly by the Commission), often running into tens of thousands of pounds. Again, the Gambling Commission has declined to entertain any rebate or refund without the direction of the DCMS, on the basis that legislation does not permit them to do so.
42. The industry urgently needs Government advice to be issued to local authorities and the Gambling Commission which details that they can rebate or extend arcade premise licenses and reduce operator licence fees.

Additional support for tourism promotional bodies

43. We are calling for additional support for tourism promotional bodies. The concern about consumer behaviour may mean that customers do not readily return to the leisure activities they once enjoyed as a matter of course. The country's tourism promotion bodies should be provided with additional support to market British holiday destinations, particularly the seaside and specifically to British consumers who we suspect will be much less inclined, or able, to travel abroad.

Increasing on-going funding to support funds like the Coastal Communities Fund and Tourism Zones

44. Bacta are calling for enhanced support the Coastal Communities Fund, and the incipient Tourism Zones. This will allow for direct benefit to coastal communities and coastal businesses. It will help communities manage the hoped for increase in domestic tourism.

Much clearer guidance to local authorities to welcome and support tourism post Covid-19 is essential

45. Consumers need confidence to return to tourism destinations once they are permitted to open in the UK. Our members will follow the UK Governments' guidance to ensure AGCs and FECs are Covid-19 secure. Local Authorities and others need to partner with businesses to encourage and welcome back tourism, which will be done safely and responsibly.

Changes to the way commercial leases are weighted in favour of landlords

46. Government support through an eviction moratorium for tenants faced with eviction for non-payment of rents has given much security through this difficult time. That should be extended by another six months to allow businesses to get back to normal trading with some certainty over their future occupation of their business premises.
47. Given that commercial leases tenants tend to have leases with upward only rent reviews legislation should be reviewed to permit tenant only break clauses. This would allow tenants to exit unsuitable commercial leases when circumstances such as the current pandemic consequentially lead to the major collapse of income. Businesses need greater flexibility to adapt to changing circumstances.

Question 4: What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

48. Subject to our comments above about the support that has been put in place, we would commend the engagement with and advocacy within government provided by DCMS. We have generally found that it has understood the extraordinary challenges facing businesses at this time of unprecedented disruption.
49. A more general impression has been that the DCMS has sometimes struggled to get its voice heard within Government. Particularly at BEIS and the Treasury. It is acknowledged that this is based upon a sense of government at an extraordinary time, but the Committee is invited to explore whether there is a systemic view within Government that the sectors supported by the Department are of less value to the UK economy.

How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

50. The tourism and leisure industry will need financial support from the Government in the future. It may be years before it is fully restored to health. As social distancing rules begin to be lifted in the future it will nevertheless be a long time before tourism begins to pick up again and things go back to the new “normal.”
51. Our sector has been and will continue to respond accordingly to Government guidance. Our members will evolve and enforce strict social distancing rules. In both AGCs and FECs we will be able to arrange machines in configurations that provide natural social distancing where possible. Staff are also well trained and prepared in these safety protocols and our members would limit the number of people entering the premises to maintain social distancing.
52. The amusement machine industry wants to help get the country up and running again. However, unfortunately not all businesses will make it through the crisis and into next year, but with further support most will. Additional support as detailed above, will be required most importantly for seasonal businesses, such as seaside arcades, which are reliant on tourism and only generate revenue during the holiday season. This is because it will take time for customers to return to their usual leisure behaviours and feel comfortable spending. Removing support too early could be detrimental and could see businesses facing a doubling of costs, with very little income to meet them. The recovery measures must therefore be very carefully planned.
53. The industry will nevertheless do all it can to ensure that it plays its part in controlling the potential threat of Covid-19 by changing the way it operates. A series of hygiene protocols will be introduced. Furthermore, removing restrictions on AGCs as mentioned earlier in this submission would also be helpful to ensure our members are compliant with social distancing requirements.
54. We also believe consumers will be less inclined to handle cash. This is a problem for an industry that is prohibited from using debit cards directly on gaming machines, whether they are crane grabbers or fruit machines. The industry has found ways to offer customers choice as to how they play for their games. The introduction of Ticket In Ticket Out (TiTo) systems to allow players to purchase effectively a voucher of a certain value to play a game (and to receive one as winnings) has reduced cash use in Adult venues. Bacta has developed a digital wallet that will allow play on gaming machines. Fully compliant with the Gambling Act and supported by a High Street bank we expect this payment method to be popular with players. The Covid-19 crisis has delayed roll-out but we expect this to be a part of the industry landscape in the future and will help those consumers uncomfortable with handling cash, find an alternative way to pay for play.

55. Having said that it is an easy legislative change to permit the direct use of debit cards (but not credit cards) on gaming machines from crane grabbers to fruit machines in pubs, clubs and arcades. This could be achieved very quickly and would permit contactless payment, something which government recommends minimising the transmission risk of Covid-19. In the modern era it is in any case bizarre to restrict consumers from using the most common form of payment method for a single leisure activity and no other.
56. The current burden of machine entitlements in AGCs, means in practise, that venues must retain a number of older, unprofitable machines, in order to allow them to stock the appropriate number of profitable machines. No more than 20% of machines in a venue may be Category B3 machines – yet these are the ones essential for the viability of the premises. This has made it harder to institute social distancing measures given the clutter present in venues. Unlike many other retail stores, we have not been able to remove unnecessary or unneeded products to maximise space between customers.

Conclusion

57. Bacta welcomes a number of initiatives introduced by the Government and we are extremely grateful for the support to date. However, more needs to be done to help our industry survive. Current support measures need to be expanded and extended beyond the end of lockdown to help our members successfully open. For seasonal businesses in particular that support will need to extend well into 2021 and beyond.
58. The Coronavirus Job Retention Scheme eligibility cut-off date must be reviewed and kept flexible in order to respond to business and sectoral specific circumstances
59. Furthermore, the business rates holiday should apply across the leisure, retail, and hospitality supply chain.
60. Extending the RLH grants through a sliding scale above the rateable value of £51,000 would dramatically help a number of our financially vulnerable members who fear they may have to close down permanently without additional support.
61. To help further mitigate the long term impacts the leisure and tourism industry and our members may face, costs for businesses should be reduced, bank holidays lost should be replaced, the October half-term extended and the Government should ensure AGCs open immediately.

APPENDIX 1 – social distancing: AGCs and FECs

Measures to be introduced to ensure members are meeting the social distancing and hygiene requirements set out by the Government

5.1 Bacta members in each of the different sub-sectors in which they operate will utilise the following menu of operational hygiene measures to protect their customers and staff as part of their individual risk assessments in order to enable them to reopen at the earliest appropriate opportunity consistent with the principles of:

- (a) Minimising potential infection through social distancing
- (b) Supporting a return to normal economic activity consistent with principle (a) above

5.2 In evaluating the measures below, bacta has mediated each proposal as to its safety, its legality, its fairness (particularly our expectations of our staff), its practicality and its positive impact.

5.3 A degree of flexibility will be needed as not every venue is the same. These guidelines are therefore broad and will be subject to individual risk assessments by individual operators and venues.

Family Entertainment Centres

FECs provide family entertainment both at the seaside and at inland leisure venues. Any enhanced hygiene and social distancing measures introduced will have to be sensitive to family needs. Appropriate signage and communication with responsible adults should encourage them to control their children more tightly than might otherwise be the case. Children should for example be required to remain with a responsible adult at all times. Staff are already highly trained and capable and will themselves be in the forefront of operators minds when designing their safety protocols. Where FECs are collocated with other leisure or holiday entertainments e.g. bowling alleys or holiday parks, these protocols will be adapted to support the venue owner.

- (i) Provide clear signage to customers and staff to demonstrate recommended social distancing.
- (ii) Hand sanitiser to be provided by a member of staff to all customers entering the premises and for hand sanitisation stations to be available around the venue.
- (iii) Arrange premises in configurations that provide natural social distancing where possible.
- (iv) Provide where alternative configurations are not possible, and signage is not practical, plexi-glass or similar dividers to maintain social distancing.
- (v) Provide staffed entrance and exit points, clearly sign-posted, to promote social distancing but with due regard to existing fire regulations.
- (vi) Limit and monitor the customers in the premises to a level that allows for appropriate social distancing.
- (vii) On multi-player machines inhibit where possible play by people who are not members of the same family or social group.
- (viii) At redemption shops only permit customers to approach the counter individually and queuing to be at intervals consistent with recommended social distancing.
- (ix) Redemption shops or reception desks to be separated from customers by a plexi-glass or similar screen.
- (x) Staff to be fully trained and prepared in these Covid-19 safety protocols.
- (xi) Staff to regularly clean, with a suitable product, all machines and especially after they have been vacated by a player. (xii) Staff to wear PPE where appropriate and always when handling cash, in line with relevant guidelines.

High Street Adult Gaming Centres

AGCs provide amusement machine-based entertainment to adults. They retail leisure time to their customers. They are not places where large numbers of people gather at any one

time. A typical AGC will have no more than 5 to 6 people on the premises even at the busiest times. Even the most popular and larger city centre shops will rarely see more than a dozen people at peak. Most arcades are similar in size to typical high street shops. As a result, staff will be able much more easily to enforce social distancing and other hygiene measures. Staff are already highly trained and capable and will themselves be in the forefront of operators minds when designing their safety protocols.

- (i) Provide clear signage to customers and staff to promote social distancing.
- (ii) Hand sanitiser to be provided by a member of staff to all customers entering the premises and for hand sanitisation stations to be available around the venue.
- (iii) Arrange premises in configurations to provide natural social distancing where possible. (The current limit on the number of (and most popular) Category B3 machines in most circumstances is 20% of the total number of machines. This significantly constrains operators' ability to space machines, many of which are also largely connected to a physical digital infrastructure).
- (iv) Provide where alternative configurations are not possible, and signage is not practical, plexi-glass or similar dividers to maintain social distancing.
- (v) Utilise signage on multi-player machines so that there is only one player permitted to play at any one time or if two players wish to play that there is social distancing between them.
- (vi) Limit and monitor the customers in the premises to a level that allows for appropriate social distancing.
- (vii) Staff to be fully trained and prepared in these Covid-19 safety protocols.
- (viii) Staff to regularly clean, with a suitable product, all machines especially after they have been vacated by a player.
- (ix) Staff to wear PPE where appropriate and always when handling cash, in line with relevant guidelines.

Single-site operators

Single-site operators hire machines to pubs and clubs. They are not directly responsible for the machines once on site. Operators will observe all Government guidance within their own businesses. Discussions are underway with the pub sector as to how machine suppliers can assist in the development of their own post-crisis operational protocols.

Manufacturers and Distributors

Similarly, manufacturers and distributors are not directly responsible for the machines they supply. They will be expected to adhere to all Government guidance to businesses.