

Returning the FUN to Britain's High Streets and Seaside Towns – A plan to get the amusement machine sector back to work

1. Introduction

1.1 Bacta represents the amusement machine industry.

1.2 Its members are owners and operators of High Street over-18 arcades, family arcades at the seaside and inland, suppliers of machines to pubs and clubs and the manufacturers and distributors of all types of amusement machines. 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.

1.3 There are c350,000 machines of one kind or another in Britain's arcades, pubs and clubs. They generated, pre the Covid-19 crisis, over £1.6 billion in revenue and contributed £2 billion to the UK economy. It supported 34,000 employees.

1.4 Like all businesses, bacta members want to reopen, get their staff back to work and to begin the regeneration of the local and the national economies. At the same time a population that has spent months stuck at home needs diversions and entertainment to get their lives and mental health back to normal.

2. Impact of Covid-19

2.1 The impact of the Covid-19 crisis has been sudden, dramatic and business critical. As of the 20th March, all sectors of the industry saw their income stop. Without government support, many businesses will already be history.

2.2 Costs, even with Government help and drastic cost cutting, continue. Staff and property costs, utilities and communications, maintenance and security, insurance all continue to accrue. A rough estimate puts those costs at between 45% to 55% of normal, creating a serious and troubling burn rate on cash reserves that is obviously unsustainable even for those who have healthy balance sheets. Supply chain cooperation can help with payment schedules but ultimately bills have to be paid. Clearly, the longer businesses are not operational the less sustainable this becomes for everyone in the supply chain.

2.3 Furthermore, Government support does not extend right the way up that supply chain. Businesses that supply the leisure sector, unlike their consumer facing customers, do not get any rates relief nor any grants. They are encouraged to take on more debt through the CBILS and CBILS+ schemes but again this is debt that will at some point have to be repaid. Banks have been very slow in approving or rejecting loans. We have had the further

complication of banks refusing loans because their CSR policies preclude lending to companies in the gambling industry.

2.4 There is a danger that in not supporting the supply chain we will see a number of business failures. This has implications for the recovery of the sector. It would be a disaster if those B2C businesses that made it through the crisis were then to fall over because their suppliers weren't there to meet customer demand, not to say a waste of the money spent to help them survive.

2.5 Even companies that do get rates relief and grants, the latter are capped at £51,000 rateable value. Many bacta members operating at the seaside are by the nature of the business assessed at a higher level than this. They have to operate larger premises to provide the range and variety of products that holidaymakers want to play. They are just as badly affected as the small shops they sit alongside but are often employing more people.

2.6 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. It seems likely the impact of this crisis, whether or not premises open before August, will be felt long after that, as customers will need time to revisit their pre-crisis behaviours. That means that seasonal businesses of whatever kind will have not seen any meaningful income from October 2019 and will not see any until Easter 2021.

3. Extended and Continued Support

3.1 It is bacta's belief that for the amusement machine sector and the wider leisure, tourism and hospitality sectors, the Government must plan for continued financial support including:

- Continuation of the Job Retention Scheme whilst premises are closed.
- Extension of the Job Retention Scheme when premises are re-opened, potentially on a reduced percentage for non-seasonal parts of the business.
- 100% rates relief for 2020/21 to be extended across the entire leisure industry supply chain, which has been impacted just as badly as those parts of the supply chain that do receive support. For the amusement machine sector, we estimate that the cost of that would be in the low tens of millions.
- Some form of continued rates relief for the year 2021/22.
- Tapered increase in grants for retail, leisure and hospitality businesses with a rateable value over £51,000. Again for the amusement machine sector we believe this to be a relatively inexpensive support mechanism for businesses, particularly at the seaside, where they will see no income until next Easter.
- Deferral of any indirect tax payments, including PAYE, VAT and Machines Game Duty until Summer 2021 to allow time, particularly for seasonal businesses, to rebuild their balance sheets.

- Reduction in VAT until Summer 2021. The reduction in VAT during the financial crisis was helpful to many businesses.
- Local Council's to be instructed to provide a rebate, extension or future fee reduction for Premises Licences. These typically cost around £1000 p.a. and therefore a proportionate reduction for the time premises are closed would not be expensive for local councils.
- The same rebate, extension or reduction should be mandated of the Gambling Commission.
- Support for companies via SSP for the expected increase in volume of employees reporting that they have to self-isolate.

4. Further Support Options

4.1 Introduction of additional late Summer/Autumn Bank Holidays. The loss of the Easter and Spring/Whitsun Bank Holidays has hit seasonal businesses particularly badly; these are peak times for customer visits. It makes sense to add an additional day to the August Bank Holiday (if seasonal businesses are open), and at least one other Bank Holiday in the early Autumn. This would give the population a much-needed opportunity to take a break as well as giving seasonal businesses a much needed potential boost.

4.2 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 specifically to British consumers who will not want, nor be able, to travel abroad.

5. Measures to be introduced to allow the opening of bacta members' businesses

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 and 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 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 co-located with other leisure or holiday entertainments e.g bowling alleys or holiday parks, these protocols will be adapted to support the venue owner.

- (i) Arrange machines in configurations that provide natural social distancing where possible.
- (ii) On multi-player machines only permit adjacent multi-play by members of the same family or social group.
- (iii) At redemption bars/shops only permit customers to approach the counter individually and queuing to be at two metre intervals.
- (iv) Redemption bars/shops or reception desks to be separated from customers by a plexi-glass or similar screen.
- (v) Provide indications/signage to customers and staff to demonstrate two metre social distancing.
- (vi) Provide one entrance and one exit, clearly sign-posted to encourage broadly single directional travel around the arcade if possible.
- (vii) Where not possible, arrangements to be made as best they can to avoid crossover of people entering and leaving the premises.
- (viii) Permit a limited number of people to enter the premises (with sensitivity to the family nature of the venue) based upon square meterage of the venue of one person per four square metres.
- (ix) 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.
- (x) Staff to be fully trained and prepared in these safety protocols.
- (xi) Staff to regularly clean, with disinfectant wipes, all machines once they have been vacated by a player and in case on a regular basis at a rate of not less than once per hour.
- (xii) Staff to wear PPE where appropriate and always when handling cash.
- (xiii) Provide where bespoke machine configurations are not possible, plexi-glass or similar dividers between machines where required to maintain social distancing.
- (xiv) Alternatively, alternate machines can carry a sign placed upon the machine indicating it can only be played when another player is not on the adjacent machine unless part of the same family or social group.

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) Arrange machines in configurations to provide natural distancing where possible. (The current limit on the number of (and most popular) Category B3 machines to 20% of the total number of machines constrains operators' ability to space machines, many of which are also largely connected to a physical digital infrastructure).
- (ii) Switch off playing positions on multi-player machines so that there is only one player permitted to play at any one time if possible.
- (iii) Provide indications/signage to customers and staff to demonstrate two metre social distancing.
- (iv) Significantly reduce capacity by permitting only a limited number of people to enter the premises based upon square meterage of the venue of one person per four square metres.
- (v) 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.
- (vi) Staff to be fully trained and prepared in these safety protocols.
- (vii) Staff to regularly clean, with disinfectant wipes, all machines once they have been vacated by a player and in case on a regular basis at a rate of not less than once per hour.
- (viii) Staff to wear PPE where appropriate and always when handling cash.
- (ix) Encourage the use of Ticket in Ticket out to minimise the handling of cash.
- (x) Provide where alternative configurations are not possible, plexi-glass or similar dividers to be used between machines.
- (xi) Alternatively, alternate machines can be switched off or a sign placed upon the machine indicating it can be played when another player is not on the adjacent machine.
- (xii) No food or beverages to be prepared by hand.

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.

6. Conclusions

6.1 The amusement machine industry in whatever guise, wants to help get the country's economy up and running again. Not all businesses will make it through the crisis and into next year. With the right support most will, battered and bruised maybe, but nevertheless willing to get back to business. Additional support will be required or continued if the economic impact of the current crisis is not extended, particularly for seasonal businesses. Even then it will take time for customers to return to their usual leisure behaviours and feel comfortable spending. Removing support before we are back to a level of normality could see many businesses witnessing the withdrawal of support and therefore, at a minimum a doubling of costs, with very little income to meet them. The recovery measures must therefore be very carefully planned.

6.2 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 that mimic those currently and successfully operated in supermarkets and other shops that remain open.

6.3 Finally it is important that decisions on re-opening by Government are made as early as possible. Businesses will need at least two-weeks to prepare.