

# **Submission to the Productivity Commission**

**Regarding the**

**The Public Inquiry into Australia's Gambling Industries**

Written by  
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On behalf of

**diggers** @ *the entrance*

## 1 EXECUTIVE SUMMARY

**diggers@ the entrance** provide this submission to outline both the highly prominent community role and current financial position of the club and the absolute detrimental effect that the proposed Family First Bill will have on the organisations ability to best serve its local community.

- **diggers@ the entrance** is a part of the Returned & Services League of Australia which acts as a support organisation for men and women who have served or are serving in our armed forces.

The commitment of those who served our country is one in which we endeavor to reciprocate in our organisation. Our club is steeped with the history of those servicemen who built our club more than half a century ago. Their memories are a constant reminder of the sacrifices that need to be made for a worthy cause. Our commitment to support our Sub Branch, particularly at recognised ceremonies such as Anzac Day, Commemoration Sunday and Remembrance Day is of paramount importance. The local community support of these ceremonies is also testimony to this sentiment, and the numbers in particular to help celebrate Anzac Day are growing each year.

Our Sub Branch is an active one and not unlike the club limited, it is extremely proactive in servicing and caring, not only for Sub Branch servicemen, but the community at large with services ranging from supporting our organisations PCYC, Legacy and Women's Auxiliary through to Welfare and Pension services.

- **diggers** is located at The Entrance on the NSW Central Coast, and is the towns largest employer.
- 2006 was the birth of **diggers@ the entrance** transformed from Tuggerah Lakes Memorial Club it has been from this time income has risen substantially along with membership. Gaming revenue provides 62% of total income.
- Despite gross sales increasing during 2008 vs 2007 period by \$869,490 rising expenses such as gaming tax, no smoking and electricity caused a loss in diggers profitability from \$888k to \$555k during the financial year.
- **diggers** provides major sporting sponsorship to a myriad of local sports and community clubs and continually provides facilities for these organisations provided by our gaming income.
- The strength of some of the proposed legislation is such that the profitability of diggers one of the stronger performers financially in the medium size category will no longer be financially viable and will join the average one (1) club per week currently sourcing amalgamations.

- It is the strong view of **diggers@the entrance** that this proposed legislation shouldn't be imposed, as to do so will be to the total detriment of the communities we serve.
- It is also our firm belief that both the proposed legislation and the persons proposing same are misdirected, have no concept of what clubs do in communities, and will have zero impact on the so called problem gambling issue, but will have a severe impact on our town, our 80 plus employees, patrons, suppliers etc.

## 2 EXECUTIVE SUMMARY

**diggers@the entrance** as highlighted in the Executive Summary totally oppose the Family First Bills, and firmly believe if imposed will totally and unfairly target **diggers** and all similar organisations, whilst doing nothing in regards to the problem gambling issue.

**diggers** believes the club industry is now at a point of total over regulation and the effectiveness of this proposal will severely affect the club, whilst ignoring the real issue i.e. the mental health factors that drive the very low % of problem gamers.

This submission is the view of all **diggers** Board of Directors and Staff and is an attempt to underline how misguided the legislation is and the impact it will have on our financial viability and hence the role we will be able to continue to provide in the community.

### 3 GENERAL INFORMATION

In 1947 a small group of returned servicemen started a monthly meeting at the RSL hall in Campbell St, The Entrance in what was the beginning of the then Tuggerah Lakes Memorial Club.

They met in the small kitchen of the hall to discuss any problems that they faced and have a beer with their mates. Due to growing numbers and limited floor space the group soon moved their meetings to Leo Cheer's cottage at number 9 Gallipoli St, the front of where **diggers@the entrance** now stands today.

Leo Cheers was a war veteran whose house was perfect for meetings with a verandah and a snooker table. It was then made into a licensed club by building a brick cool room and bar plus employing a qualified barman. The RSL membership fees and the price of the Mudgee Mug beer (three bob a beer) paid for most of the changes.

Throughout the years, the club has gone through many changes with the latest being a complete reinvention into **diggers@the entrance**, with a new name, a new image and a new vibrancy.

The Entrance is a lower socio economic area with many retirees, new apartments are seeing a younger mix of low income young couples and workers, all of whom need diggers low cost environment e.g. \$2.20 annual membership.

**diggers@the entrance** has campaigned previously against legislation thought to be detrimental to its profitability and again provide this submission as an act of protection on behalf of its members.

## 4 REVENUE STREAMS

### 4.1 Types of Revenues

**diggers@the entrance** revenue breakup

REVENUE	2007	2008	% CHANGE
Bar Sales	\$2,084,314	\$1,996,602	(4.2)
Poker Machines	\$7,490,362	\$7,547,815	.76
Catering	\$1,930,277	\$1,833,090	(5.03)
Raffles - Promotions	\$151,398	\$146,697	(3.1)
Ordinary Revenue – includes TAB / Keno	\$647,857	\$656,606	1.3

Gaming is **diggers** largest source of income accounting for 62% of total income. **diggers** has other diversified income streams such as a Kids Play Centre, Gym and Coffee Plus. However all other forms of revenue fail to gain any credence in relation to the Gaming %.

It is felt our mix of revenue is slightly different to clubs of a similar size due to our diversification strategies; however our reliance on gaming income remains extreme.

### 4.2 Types of Expenses

Total expenses over the last two (2) year period **2006** \$9,922,624 / **2008** \$11,474,435 has risen by 15.63% examples of this are found in areas such as:

a. Gaming Tax	\$501,161
b. Electricity	\$97,628
c. Wages	\$667,597
d. Interest on loan	\$41,518
e. Member expenses	\$35,465

Poker machine tax remains the largest trading expense currently paid to the government in tax each quarter. The proposed changes would add up to a \$1m cost PA to the running of **diggers** and would see us close the doors.

<b>EXPENSE</b>	<b>2007</b>	<b>2008</b>	<b>% CHANGE</b>
Interest on loan	\$210,922	\$219,109	3.88
Bar Trade	\$754,758	\$736,528	(2.41)
Gaming Tax	\$1,643,862	\$1,671,398	1.67
Promos	\$794,186	\$781,044	(1.65)
Depreciation	\$1,014,994	\$1,108,929	9.25
Administration	\$941,215	\$1,147,151	21.88
Ordinary Activity	\$4,777,560	\$5,018,947	5.05

### **4.3 Profitability**

Despite diggers increase in gross revenue in 2008 by \$869,490 profitability has dropped from \$889k in 2007 to \$555k in 2008. Whilst we are operating profitable in comparison to other clubs to add a further burden such as the proposed Family First Bills will surely see an icon of The Entrance disappear forever.

## 5 EMPLOYMENT / TRAINING

**diggers@the entrance** currently employs 83 staff (37 Full time, 41 Part time, 5 Casual) this excludes outsourced areas such as cleaning. All staff with direct or indirect access to gaming must hold a current Responsible Conduct of Gaming Certificate.

**diggers** management are extremely pro active in the industry with the CEO holding a Federal Council role with the CMA, the Club Chairman President of the Central Coast Region of Clubs NSW and 3 other Managers local CMA Zone roles, attendance at all conferences over many years by a **diggers** representative has been the case. Should the proposed Bills be successful, the outsourcing of all areas including Catering / Coffee Plus will be the result, along with the implementing of a zero training policy.



## 6 CURRENT GAMING TAX

2004 saw new revenue bands for taxation purposes created. **diggers** sits currently in the \$5m to \$10m band at 35.09% tax rate. Couple this with the current proposal of Family First such as the removal of ATM's, changes to machine dynamics and a severe increase to the gaming taxation rates **diggers** would find them unattainable almost immediately from the commencement of same.

## 7 GAMING MACHINES

**diggers@the entrance** are of the belief that gaming machines remain a benefit of clubs not a right and also believe that as a legal and very popular form of adult entertainment and recreation enjoyed by millions of club members across NSW, should be allowed to continue to do so without the threat of further impositions that will quickly erode the standard of facilities offered to these players.

In 2004 the Independent Pricing and Regulatory Tribunal (IPART) published the results of a 2003 Inquiry into gambling titled 'Gambling: Promoting a Culture of Responsibility.' It stated:

'Many people in NSW regard gambling as an enjoyable activity. For example, they may see it as:

- A way to pass the time in a pleasant social environment
- A form of entertainment or an escape from reality
- A means of achieving excitement, a thrill or an adrenalin rush
- A hobby or way to relax
- A chance of achieving the dream of financial security, or
- A medium to help them meet other people'

**diggers@the entrance** concludes with these findings and feels they accurately reflect the beliefs of our club and its patrons.

## 8 BENEFITS

### 8.1 Community Benefits

**diggers@the entrance** is the centre piece of its local community and plays a vital role in many partnerships with community and sporting organisations, including the sponsorship of a myriad of sports and their facilities. Gaming revenue 62% of income is the total driver of **diggers** ability to support our social fabric at this level.

### 8.2 Club Facilities & Internal Clubs

#### Facilities

3 x Snooker Tables, Keno, Bingo, Brasserie, Coffee Plus, Entertainment Friday / Saturday, 5 x Function Rooms hosting weddings, conferences, seminars etc, Foxtel, Sky Channel, TAB, Pistol Range, 2 x Bowling Greens, Golf Club, Kids Club and Gym.

#### Events

Poker tournaments, Euchre, Cash Housie x 7 days, 3 x Raffles, Bowls Tournaments, Live Music (Local Bands), Charity Raising Events, Central Coast Institute of Sport Drug Seminars, Social Dance.

### 8.3 External Benefits

SPONSORSHIP	ANNUAL \$
Lakers Basketball	\$3,500
Central Coast Junior Cricket	\$4,500
The Entrance Soccer	\$1,000
King Swim	\$500
4 x Surf Clubs	\$8,000
The Entrance Junior Cricket	\$1,000
<b>TOTAL</b>	<b>\$18,500</b>

**diggers** has also contributed within the CDSE Scheme \$13,600 in conjunction with Wyong Shire Council for the year of 2008, and \$54,500 in total.

Listed recipients follow:

Diggers hosts 7 x Charity Bingo Sessions weekly for the benefit of WYCRA, ARAFMI, Westpac Helicopter etc, with free room hire on each occasion of a room seating 400 people.

## 9 IMPACT OF THE PROPOSED HARM REDUCTION TAX

### 9.1 Financial Impact

The most pressing impact to **diggers** will be the financial strain caused by the proposed Bills. The Club is already under pressure due to rising operating costs and the introduction of smoking bans. **diggers** is reliant on gaming machines for around 62% of total revenue.

Despite the staggered introduction of the proposed Bills **diggers** would not be profitable enough to continue operating long term without the revenue provided by gaming machines. If the legislation has its intended effect and forces poker machines from the club to another venue **diggers** as is all clubs not large enough or financially strong enough to create major new venue streams to cover this loss.

While the legislation proposes a fund for such situations it is the view of **diggers** that this plan is not sustainable. Firstly, there is no clear process of how the needed funds would be obtained. Secondly, the staggered removal of funds from **diggers**, while intended to encourage diversification, would actually remove the funds needed to carry out new developments to subsidise gaming revenue.

With the introduction of new developments to subsidise gaming there must be adequate training and development provided for **diggers** staff to run these developments effectively. No funds for training are provided within the proposed legislation.

Maintaining financial stability is more than just financial success, it is about ensuring the continued life and history of our organisation so to ensure it maintains relevance and contribution to the community. Without this financial stability, our organisation would lose relevance and cease to exist.

### 9.2 Social Impact

The loss of gaming machine revenue would also infringe on **diggers** role as a social gathering point. Patrons frequent the club in order to enjoy the social atmosphere as well as good value meals and bar facilities. Revenue from gaming machines is used to complement, rather than subsidise, the restaurant and bar providing those who frequent the club with a more enjoyable experience.

The reason **diggers** remains profitable and relevant to the community is because it offers various forms of entertainment, for all age groups.

### 9.3 Community Impact

As noted previously **diggers** contributes to the local community through various sponsorship and educational schemes. Without gaming machine revenue the club would not have the financial flexibility to continue this commitment to the community.

The relationship and social relevance of **diggers** to its surrounding area would be lost. This relationship with the community provides the club with opportunities to attract patrons through marketing and the creation of goodwill amongst the residents of The Entrance.

### 9.4 Recommendations

It is the recommendation of **diggers** that:

- All proposed Bills to be terminated and the status quo remain
- Taxpayer funds and government time be spent researching and investing in mental health along with appropriate training programs for club staff to indemnify and aid problem gamblers.

Problem gamblers will follow poker machines if they are moved to racetracks and casinos. Social gamblers will redirect their money into other social outlets and club patrons will lose an important part of their community if this tax is imposed.

### 9.5 Conclusion

None of the proposed Bills will fix the issue of problem gambling but it has the potential to financially ruin diggers and the club industry. **diggers** relies heavily on gaming machine revenue and will be unable to remain profitable without it.

This lack of profitability will adversely affect club patrons, who rely on the club for social interaction and entertainment, and the local community, who benefit from the Club's investment in local sporting teams and community programs.

Problem gamblers will not be deterred by moving gaming machines to different establishments but the social gambler who plays poker machines for enjoyment along with others who frequent the club will suffer.