

Submission to the Community Affairs Committee

Of the Federal Senate

Regarding the

**Inquiry into Poker Machine Harm Reduction
Tax (Administration) Bill 2008**

Written by
Don Rumball
On behalf of

Bermagui Country Club Ltd

10.3.2009

Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

The Community Affairs Committee,

Thank you for the opportunity to allow our organisation to contribute to the discussion surrounding Family First's proposed Poker Machine Harm Reduction Tax (Administration) Bill.

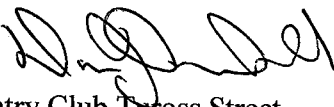
Attached to this letter you will find the submission of Bermagui Country Club for the committee to consider.

Bermagui Country Club offers the services of poker machines to patrons as a purpose of entertainment. Revenue from this allows the club to maintain its role in providing sporting facilities and supporting community projects.

The club plays an important social role in contributing to the local community through various sponsorship programs.

It is the view of Bermagui Country Club that this legislation has the potential to not only have significant financial and social implications on the organisation and its patrons but the ability to cause irrefutable damage to the club industry as a whole.

It is for this reason that we request careful consideration of this submission by the committee and more thorough research into the effectiveness of the proposed legislation be undertaken before it is seriously considered for implementation.

Regards,
Don Rumball 
for
Bermagui Country Club Turross Street
Bermagui 2546
Ph 0264 934340

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1. Executive Summary

This submission has been written in order to outline the financial position and prominent community role of Bermagui Country Club and the detrimental effect that Family First's Poker Machine Harm Reduction Tax (Administration) Bill will have on the organisation's ability to function.

- The Bermagui Country Club is an incorporated club with a membership of approx 2,600. The population of Bermagui village is approx 1350 and local membership numbers approx. 1000.
- The Bermagui Country Club is the central community resource that the village relies on for a wide range of sporting, social and community activities and services.
- The Bermagui Country Club is the major employer in the village.
- The Club is located on approximately 60 hectares and comprises the Club House, 18 hole golf course, 2 bowling greens, 6 tennis courts and a croquet green.
- In the three year period 2006-2008 the Bermagui Country Club operating (deficit) totals (760,534). A planned diverse income will assist in the club reversing this trend but the legislation of this bill will mean that the Bermagui Country Club would no longer remain financially viable. This will also lead to the Club being unable to continue its contributions and prominent position within the local community.
- Bermagui Country Club believes this tax should not be imposed and funding should be directed towards education and rehabilitation programs for problem gamblers and those who come in contact with them.

It is the opinion of Bermagui Country Club that this legislation is misdirected and will not achieve its aim of reducing problem gambling. Instead, the new tax will cause more financial hardship to Bermagui Country Club and the club industry as a whole. This new tax will adversely affect employees and club patrons while simply moving problem gamblers to casinos and racetracks.

2. Introduction

Bermagui Country Club is a sporting and social venue that provides poker machines as a form of legal entertainment for patrons. It is the belief of Bermagui Country Club that Family First's Poker Machine Harm Reduction Tax (Administration) Bill, if imposed, will unfairly target the club and similar organisations while not achieving the aim of reducing problem gambling. It is the opinion of Bermagui Country Club that required research into the effectiveness of this legislation has not been conducted. Further regulating an already over regulated industry will adversely affect Bermagui Country Club while ignoring the underlying mental health factors that drive problem gambling.

This submission has been produced by Donald Rumball on behalf of Bermagui Country Club, and in conference with ClubsNSW, to identify the misguided nature of this legislation and the significant affect it can have on the club's financial viability and role in the community.

3. Scope and Position of Bermagui Country Club

3.1 General Information and Background

Bermagui Country Club is situated in the village of Bermagui in New South Wales and is one of the 1359 registered clubs in the state. The club draws its members from Bermagui (pop 1355 - 2006 census), Cobargo (pop 880 - 2006 census) and members from Victoria and the ACT who regularly holiday in Bermagui. Total membership is approx. 2,600 members.

Bermagui is a lower socio-economic area with a mix of retirees, young couples and working class people without large disposable incomes. The members are people looking for a low cost social environment.

This is the first time Bermagui Country Club has felt compelled to submit to a public affairs inquiry.

3.2 Position in the Club Industry

Socio Economic Impact Study of Clubs in NSW (2007), undertaken by The Allen Consulting Group on behalf of ClubsNSW, highlights the financial and social position of the club industry. The information found in the study, which surveyed clubs around the state, shows Bermagui Country Club to be statistically similar to the average sporting club with annual income of \$1m to \$5m. This makes the study a suitable point of reference in identifying potential effects Senator Fielding's legislation will have on Bermagui Country Club.

4. Revenue Expense Stream

4.1 Types of Revenue

Bermagui Country Club stimulates revenue from a set number of activities:

<u>Revenue Type</u>	<u>2007-2008 \$</u>	<u>2006-2007 \$</u>	<u>% Change</u>
<u>Operating Activities</u>			
Bar Sales	955,104	1,066,861	(10.5)
Poker Machine Revenue	1,481,038	1,753,958	(15.6)
Gaming Trading	39,735	21,231	87.1
Tobacco Trading	1,285	8,401	(84.7)
Bonanza Trading	77,539	76,188	1.8
Coffee Shop Trading	4,927	9,679	(49.1)
Sporting Facilities	359,099	368,286	2.5
Snack Machine Trading	1,321	724	82.5
<u>Non-Operating Activities</u>			
Interest	16,242	5,428	199.2
Other Revenue	109,180	112,818	(3.2)
Total	3,045,473	3,450,720	(11.2)

Poker machines were Bermagui Country Club's major source of revenue during 2007-2008 accounting for approximately 48% of total income. (down by 2% cf. 2006-2007. Poker machine revenue for the current year (2008-2009) indicate a further downturn of 2% in poker machine revenue. The above mix of revenue is significantly less than the 63% findings of the 'Socio-Economic Impact Study of Clubs in NSW (2007)' for clubs with revenue between \$ 1 in and \$5m annually. The range of sporting facilities provided by the Bermagui Country Club is the major reason for this difference. Sporting revenue represents 11.8% of total revenue.

Expense Type	2007-2008 (\$)	2006-2007 (\$)	% Change
Bar Trading	812,081	805,191	0.8
Poker Machine Trading	461,212	591,484	(22.0)
Gaming Trading	44,047	27,140	62.3
Tobacco Trading	471	6,508	(92.8)
Bonanza Trading	97,690	86,904	12.4
Coffee Shop Trading	6,251	10,502	(40.5)
Sporting Facilities	631,873	610,121	3.6
Borrowings	155,568	137,111	13.5
Depreciation and Amortisation	319,970	365,912	(12.6)
Ordinary Activity Expense	55,233	164,473	(66.4)
Entertainment and Promotions	234,345	266,564	(12.1)
Insurance	70,515	96,094	(26.6)
Light, Power and Heating	73,044	68,196	7.1
Printing, Postage and Stationery	35,565	38,725	(8.2)
Repairs and Maintenance	130,063	149,671	13.0
Interest Paid	144,658	121,755	18.8
Auditors Fee	26,300	26,425	(0.5)
Superannuation	88,179	86,171	2.3
Totals	3,387,065	3,658,947	7.4

Gaming expenses represent 33% of gaming revenue and sporting expenses represent 176% of sporting revenue. The Club's ability to provide significant sporting facilities for members in a lower socio-economic area mainly comprised of retirees, young couples and working class people is dependent on the gaming machine revenue. The introduction of the Family First's proposed Poker Machine Harm Reduction Tax (Administration) Bill would certainly see a major loss of sporting facilities for the villages of Bermagui and Cobargo and a significant loss of Victorian and ACT members and visitors to the area.

4.3 Profitability

Bermagui Country Club losses have continued over the last seven years and it is only now after assistance from Clubs Consulting (now HDB Consulting) and implementing a major restructure plan that the Bermagui Country Club can continue to trade on a break even basis. An additional tax burden could not be sustained by the Club.

5. Employment and Training

Bermagui Country Club currently employs 40 staff (15 permanent, 7 part time and 18 casual). All staff having some form of gaming duties hold a Responsible Conduct of Gaming Certificate. All staff with exception of ground staff, cleaners and kitchen staff are required to have the Responsible Service of Alcohol Certificate.

Management and directors attend seminars and conferences throughout the year such as, ClubsNSW Annual Conference and AGM, Club Directors Institute Seminars, Club Managers seminars and various Staff training courses. Staff members are also trained in First Aid and Armed Robbery Prevention. RSA and RCG certificates are compulsory for Bermagui Country Club in-house staff as well as additional customer service and hospitality training.

If the Poker Machine Harm Minimisation Tax was to be implemented then Bermagui Country Club would have to cut costs to maintain viability. The only cost cutting option open to the Club would be the reduction of services by reducing staff numbers.

6. Current Gaming Machine Tax

Following the Club Gaming Tax Resolution by the NSW Government in 2007 Bermagui Country Club was only marginally affected due to the Clubs poker machine revenue being at the bottom end of the \$1m-\$5m bracket and the revenue continuing to fall.

7. Gaming Machines

It is the opinion of Bermagui Country Club that gambling on poker machines is a legal and popular recreation enjoyed by millions of ordinary Australians.

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.

Bermagui Country Club agrees with these findings as they accurately reflect the beliefs of the club and its patrons.

8. Benefit to the Community

Bermagui Country Club plays an important social role in the community including:

- The provision of affordable sporting facilities for golf, bowls, tennis, croquet and indoor bowls.
- The sponsorship of sporting teams including the Bermagui Australian Rules Football Team, the Bermagui Surf Life Saving Club and various junior sporting clubs.
- The provision of many social activities for members and guests
- Sponsorship and assistance to service clubs and community services including Lions Club, Bermagui Ambulance, Bermagui Country Fire Service and the Bermagui SES.
- Sponsorship towards the Bermagui Public School and the Bermagui Pre-school.
- Provision of club facilities for the Bermagui Senior Citizens, the Country Women's Association and the many other community groups and organizations. These community links are forged and maintained by Club revenue, 48% of which is provided by poker machines.

Bermagui Country Club is required to contribute funds to community projects under the Community Development Support Expenditure Scheme (CDSE) in conjunction with other Bega Valley Shire Council Registered Clubs and the Bega Valley Shire Council.

8.1 Club Facilities and Internal Benefits

Outside Facilities - 18 Hole Golf Course, 2 Bowling Greens, 6 Tennis Courts, Croquet Court and a stand-alone building housing Potters, Leadlighters, Painters, Ceramics and Woodturners.

Clubhouse Facilities - Pool Tables, TAB, Keno, Bingo, Darts, Bistro, Coffee Shop, Restaurant, Weekly Entertainment, Function Rooms (Maximum capacity: 180), Foxtel

Events - Snooker Tournament – Friday and Wednesday, Euchre Tournament - Friday, Raffles - Wednesday and Friday, Trivia - Wednesday, RSL Bingo - Monday, and Club Bingo - Friday.

9. Potential Impact of Poker Machine Harm Reduction Tax (Administration) Bill on Bermagui Country Club

9.1 Financial Impact

The most pressing impact to Bermagui Country Club will be the financial strain caused by the new gaming tax. The Club is already under pressure due to rising operating costs and the introduction of smoking bans Bermagui Country Club is reliant on gaming machines for around 48% of total revenue.

Despite the staggered introduction of the tax Bermagui Country Club 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 Bermagui Country Club is 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 Bermagui Country Club 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 Bermagui Country Club, 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 Bermagui Country Club staff to run these developments effectively. No funds for training are provided within the proposed legislation.

9.2 Social Impact

The loss of gaming machine revenue would also infringe on Bermagui Country Clubs role as a provider of substantial sporting facilities and a social gathering point. Patrons frequent the club in order to play their chosen sport and 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 sporting facilities, restaurant and bar providing those who frequent the club with a more enjoyable experience.

The reason Bermagui Country Club remains viable and relevant to the community is because it provides a wide range of sporting facilities and offers various forms of entertainment.

9.3 Community Impact

As noted previously Bermagui Country Club 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 Bermagui Country Club 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 Bermagui.

10. Recommendations

It is the recommendation of Bermagui Country Club that:

- This tax not be imposed and;
- Taxpayer funds and government time be spent researching and investing in mental health along with appropriate training programs for club staff to identify 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 local community if this tax is imposed.

11. Conclusion

The Poker Machine Harm Reduction Tax will not fix the issue of problem gambling but it has the potential to financially ruin the Bermagui Country Club and the club industry. Bermagui Country Club relies heavily on gaming machine revenue to maintain its sporting facilities and will be unable to remain viable without it.

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

Problem gambler's 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.

12. Sources

Allen Consulting Group 2008, Socio Economic Impact Study of Clubs in NSW (2007), February.

Independent Price and Regulatory Tribunal 2004, Gambling — Promoting a Culture of Responsibility, July < http://www.olgr.gov.au/gaming_info_ipart.asp>

Parliament of Australia: Senate 2008, Inquiry into Poker Machine Harm Reduction Tax (Administration) Bill 2008, March

Bermagui Country Club audited financial accounts for the years 2004-2008