



**SUBMISSION TO  
THE PRODUCTIVITY COMMISSION'S INQUIRY  
INTO  
AUSTRALIA'S GAMBLING INDUSTRIES**

**30 MARCH 2009**

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## Introduction

ClubsACT are the Association that represents the vast majority of community based licensed clubs in the ACT, covering 29 club groups/clubs that operate out of 55 venues across Canberra (Attachment 1).

<b>Members of ClubsACT</b>	
ACT Rugby Union Club	Federal Golf Club
Ainslie Football & Social Club (3)	Hellenic Club of Canberra (3)
Belconnen Bowling Club	Murrumbidgee Country Club
Belconnen Magpies Sports Club (3)	National Press Club of Australia
Belconnen Soccer Club (2)	National Sports Club
Eastlake Football Club (2)	Royal Canberra Golf Club
Canberra Bowling Club	The Burns Club
Canberra Club	The Club @ Gold Creek
Canberra Irish Club	The Hockey Centre
Canberra Labor Club Group (4)	The Mawson Club
Canberra Raiders Sports Club (5)	The Sports Club Kaleen
Canberra Services Club	Thoroughbred Park
Canberra Southern Cross Club (7)	The Vikings Group (5)
The Tradies Group (2)	Yowani Country Club
Deakin Sports & Social Club	
(number of venues)	

ClubsACT provide a focal point for clubs to establish a sense of common purpose on key issues and the opportunity for the club movement in the ACT to work together to meet the challenges and opportunities that the future holds.

Our aim is to be a reasoned advocate of club interests and to realise a dynamic and prosperous club sector that enhances the quality of life of club members and the Canberra community generally.

This Submission is provided as a supplement to Clubs Australia's comprehensive submission on behalf of the club sector in Australia which covers a range of issues relevant to gambling, particularly gaming machines, including in the ACT.

ClubsACT strongly supports the thrust, essential elements and key recommendations of the Clubs Australia submission covering the range of issues identified in the Productivity Commission's Discussion Paper (December 2008). The centerpiece of the Clubs Australia Submission is a problem gambling policy framework to strengthen the measures already in place and working.



## **Clubs Australia's 'Six Point Plan'**

### **1) Improve and Co-ordinate National Gambling Research**

Clubs Australia supports and calls for the development of a national body, co-ordinated and funded by the Federal Government together with the States and Territories, as the pre-eminent Australian authority on gaming research and statistics. This is a leadership opportunity for the Federal Government to co-ordinate and better direct analysis and funding on a national level.

### **2) Ban All Forms of Credit Betting**

Clubs Australia calls for the introduction of legislation to ban credit betting in any form. Included in this ban would be cash withdrawals on credit from ATMs and EFTPOS in all gaming venues. Many States and Territories already ban or are in the process of banning withdrawals from ATMs on credit; however casinos are often exempt from this ban.

Credit betting is common-place, particularly online. Other forms of gambling, such as wagering, allow bets on credit. Restrictions on credit betting should also include a ban on 'gambling accounts' held by operators for players, particularly where those accounts are linked to credit cards.

The power to effect a prohibition on credit betting is available to the Federal Government under the banking powers in the Constitution.

### **3) Regulate All Forms of Gambling**

Clubs Australia calls for tighter regulation of internet/ online gambling, as well as mobile and land-line telephone and interactive television gambling. The rapid increase of unregulated internet gambling should be a source of great concern for Government and the broader community. Clubs Australia believes online and interactive gambling needs to be regulated to operate on a level playing field with land-based gaming.

### **4) Improve the Training of Staff**

One area where community gaming in clubs is safer than internet gambling, and can be made safer still, is in the area of supervision and support of trained staff. Virtually all clubs in Australia are members of a responsible gambling program which includes staff training.

Clubs Australia believes all frontline staff involved in the service of gambling should receive training in RCG and has called on the Federal Government to make RCG training mandatory for frontline staff.

### **5) Strengthen the Safety Net**

Gaming in clubs has existed for over fifty years and a strong body of regulation has developed over that time to ensure safeguards are in place. In addition, clubs throughout Australia follow voluntary codes of conduct and practice responsible service of gambling, and in the ACT a mandatory Code of Practice covering all gambling sectors has been in place since 2002.

Clubs Australia takes the view that more can be done, particularly with regard to ensuring the different forms of gambling are regulated equally, including:

- Education
- Family Interventions
- Empower Counsellors
- Improve Counselling Services



## 6) Establish a National Peak Body

Clubs Australia calls for the establishment of a collaborative framework for fostering evidence-based dialogue to reduce the incidence of problem gambling. This framework would involve the creation of a national peak body with representatives of Government, industry and independent researchers in the fields of public health, economics and behavioural science. Through stakeholder consultation it would ensure that any new measures recommended have widespread support and are evidence based.

## Clubs in the ACT

Making a difference to Canberra is a clear priority for ACT clubs, with the main beneficiary of a healthy club sector being the Canberra community.

Since the very early days of Canberra our fortunes of clubs and the community have been closely inter-twined - in fact since the first club (the Burns Club) was established in 1924.

### The Burns Club

Old Parliament House was just a few architects' lines on a blueprint when Canberra's first community club voted itself into life - the Burns Club rising from the community on 13 October 1924.

Set up as a social, welfare and support group for the army of Scottish tradesmen who had descended on the Limestone Plain in the 1920s to help build Australia's new capital city, the Burns Club set an early example of community service and support that is a hallmark of the ACT Club sector more than 80 years later.

No sooner had the Burns Club celebrated its formation with a dram or two of Scotland's best whisky, than a Halloween function was planned to raise funds for battling local families, a charitable gesture that set the club on a course of community-based undertakings that would embrace the 1925 flood relief appeal, the needs of the Queanbeyan hospital, helping the unemployed and destitute and, of course, the 2003 Canberra Bushfire disaster.

So busy and consistent has been the Club's generosity that it was once invited to join the Canberra Social Service Council, the territory's peak body for social welfare issues.

As the very first community club in Canberra, and as an important ethnic club ever since, the Burns Club has people of considerable distinction in its membership and Board, among them the Commonwealth Surveyor-General, John Goodwin in its early days and the chief commissioner of the Federal Capital Territory Commission, Sir John Butters.

The Club's cultural events which include St Andrew's Day and Burns Suppers date back to its very beginnings and have, over the years been keenly supported by some of the best orators in the land, Prime Minister, Jim Scullin and Opposition Leader, John Latham just to name two.

In its 85 years, the ecumenically-named Canberra Highland Society and Burns Club (Robbie Burns being a lowland poet and not necessarily beloved of the Highlanders) has played a colourful, if largely unheralded, role in the cultural and sporting life of the capital.

Few are aware that the Club was represented on Sir Robert Garran's Canberra University Association which fought through the 1930s for an educational institution in Canberra that would go on to become the Australian National



University and its campaign to raise £75,000 for the Robbie Burns statue that still adorns Canberra Avenue was one of the young city's greatest community achievements.

Apart from a slowdown during the Great Depression, the Club has been a fundraising powerhouse for local activities including soccer – its own team first took to the field in 1925 – and award-winning pipe bands and dancing troupes as well as dozens of affiliated clubs and groups including the schools and libraries of the inner south who owe their very existence to the Burns Club's willingness to back them and help them succeed.

Buoyed by the national and international success of its pipe band, the Club established a piping school, the only one in Australia operated by a licensed club.

Today's Burns Club boasts 8,000 members (up from the 140 of 1926), an extraordinarily busy schedule of members' activities and a clubhouse and facilities second to none. Its winning of the community assistance award in the medium club category for 4 out of the last 5 years shows the generous spirit it was built on survives.

The 85-year march has taken the Canberra Highland Society and Burns Club from the building sites of Parliament House to its first home in Forrest and then Kambah since 1991 and has cemented Canberra's oldest club as one of this community's proudest assets.

Clubs provide for the diverse social and recreational needs of a broad cross section of the Canberra community - and importantly families and seniors - they cover sporting, social, cultural, ethnic, worker, professional and returned services interests.

However, the most important contribution that clubs make is their presence, their daily interaction and their connection with the ACT community.

This has prompted the ACT Chief Minister, Jon Stanhope, to say in past that *"clubs are a unique feature of Canberra life worth preserving and encouraging"*. He has also said that *"we are not a "pub" town but a "club" town. Some people fail to recognise that distinction. I do not. My Government does not."*

Licensed clubs in the ACT were permitted access to gaming machines in November 1976 – some 32 years ago and today the ACT is the only jurisdiction where not for profit community based clubs are the sole providers of gaming machines. Hotels (and taverns since late 2004) have been permitted "B class" or draw card type machines but not "C class" electronic gaming machines.

The so-called "community based gaming model" is where gaming machines are owned and controlled by not for profit community based clubs and where the surpluses are not privately accrued but are returned to the community in one form or another.

In late 2007 ClubsACT engaged the Allen Consulting Group (ACG) to undertake a Socio-Economic Impact Study (SEIS) of the club sector in the ACT. The Study updated previous independent analyses undertaken in 1998 by ACIL and in 2002 by KPMG.



The ACG survey findings were released in April 2008 and while there has been some contraction against some of the key economic indicators, the Report clearly demonstrates that the clubs continue to be a very important part of Canberra's community way of life and are a valuable and valued community asset. A summary of the Key Findings is at Attachment 2.

Whichever way you look at it, ACT clubs are a major contributor whether it is:

- community influence and support;
- sporting contribution;
- economic importance ;
- a source of hospitality and entertainment; and
- as a responsible gaming provider.

### **Community Influence and Support.**

There are currently 55 club venues operating across Canberra.

The aggregate membership of clubs in the ACT is now over 500,000 - with the larger clubs having memberships in the range of 30,000 to 70,000 – this is a stunning figure and suggests that each adult in Canberra is a member of about 2 clubs.

Clearly clubs do accept their broader community obligation - not as a result of Government pressure, but motivated by a sense of social responsibility and community spirit and invariably addressing needs not met by others – be that Government or other community minded organisations.

All of the revenue earned by clubs goes back to the Canberra community in one form or another.

The fact is that it is not pocketed by individuals or private companies, and the only part of club revenue that leaks from the Canberra community is what is paid to external suppliers of goods and services.

Many individual clubs can be proud of the good work and support that they provide to a range of charities, organisations and individuals.

#### **Recent levels of community contributions**

- the **Ainslie Football and Social Club** Group has always contributed well above the statutory requirement. In 2008 the club contributed \$2,596,510 to the community – more than three and a half times the statutory requirement of \$722,597, and in 2007 these amounts were \$1,388,505 versus \$792,932 – representing an increase of over \$1.2 million in just one year.



- the **Canberra Labor Club Group** gave \$1,113,549 in support to 115 local organisations. (\$895,351 cash, \$218,198 in-kind). This contribution exceeded the statutorily required level of support by 16%. In addition the Group also provided managerial and administrative assistance to many of the supported organisations.
- the **Canberra Southern Cross Club** sees community assistance as both an obvious civic responsibility and a vital corporate culture for the organisation. Achieving the minimum requirement is never a consideration and the Club has recently committed to provide at least 20% of its net profit as community assistance
- additional to that required by legislation. Last year the club's community contribution was almost \$1.4m compared to a legislative requirement of \$874,000.
- the **Hellenic Club** gave about \$802,000 - comprising \$570,000 in direct assistance and \$232,000 representing in-kind contributions – to a range of recipients associated with the Greek community as well as key service providers such as Koomarri and Barnados Kids to name just a couple. Again the club exceeded its legislated statutory contribution by nearly 6%
- the **Vikings Group** returned over \$2.2 million to the community consisting of \$2.1 million direct assistance and \$101,080 in-kind assistance for 2007/08 – well above the legislated level. While club's main objective is to foster and develop sport and a large proportion of its community assistance funds are channelled into this area, the club does fulfill a broader social responsibility by offering support across all four categories of eligible community contributions. Support ranges from local schools to Youth Soup Kitchen to the Cancer Council .This was most recently emphasized when the Group donated \$20 000 to the Victorian Bushfire appeal.

For a closer view of the breadth of the community contributions by clubs let us take the Canberra Labor Club Group for example – winners of the community assistance category (large division) at the ClubsACT Awards Excellence six times and awarded commendations on two other occasions.

#### **Who is supported?**

In 2008 the **Canberra Labor Club Group** supported a broad range of activities and organisations, having donated to 115 groups.

Sport - 42% of the Group's donations (\$465,908 direct and in-kind) were made to sporting groups which foster participation and community relationships, including:

- AFL Canberra (\$66,629 direct funding, \$1,303 in-kind)
- Sailability (\$11,400 direct funding) is a community based organisation run entirely by volunteers with the primary aim of assisting disabled people to enjoy sailing as a sport for pleasure or for therapeutic reasons.
- ACT Darts Council Inc (\$23,150 direct funding, \$3,164 in kind)
- Belwest Foxes (\$12,000 direct funding, \$2,160 in kind) to assist 760 female Soccer Club Members in 2008.
- Hockey (\$30,000 direct funding, \$630 in kind) - demonstrating its long-term relationship with ACT Hockey, the Canberra Labor Club Group once again contributed to the Cost of running the sport in Canberra during 2008.



Youth - (\$76,047 direct and in-kind) - the Group assisted 24 different local schools and gave \$50,456 to specifically junior sporting organisations. The Belconnen Youth Centre alone was given \$5,782 in cash during 2008 and the Royal Life Saving Society was given a donation of \$35,000 over 4000 children,

Disability Support (\$42,982 direct and in-kind) - organisations assisting those with disabilities to participate in their communities through sport or training received \$41,982 in cash donations from the Group during 2008, including the Spastic Centre.

Community Support (\$324,461 direct and in-kind) - In support of organisations which may potentially be is connected from the larger community, the Group donated;

- the Migrant Resource Centre (\$10,000) - to assist them in running community development programs for migrants and refugees.
- the Spanish Carers Association (\$12,450 of in-kind) - to assist them in continuing to run their information, education, craft and social functions.
- Local Festivals (\$23,000 direct funding) the Belconnen Community Festival and the annual Charnwood Community Festival;
- Friends of the Albert Hall (\$5,000 direct funding).

Indigenous (\$46,000 direct funding) - through contributions to Indij Readers and the Aboriginal and Torres Strait Islander Sporting Association, the Canberra Labor Club Group donated \$46,000 to the local indigenous community.

Theatre and Arts (\$104,717 direct and in-kind) - The Canberra Labor Club Group provided support for local theatre and arts at all levels, donating \$50,000 to the Canberra Symphony Orchestra and Canberra Theatre, and an additional \$54,717 to grass roots level organisations Supa Productions and Phoenix Players.

Lawn Bowls (\$133,527) in supporting the sport in the region, involving cash donations to both the Men's and Women's at the Weston Creek Bowling Clubs and the maintenance of 2 bowling greens to competition standard to enable 200 Bowling Club members to participate in regular sporting activity.

Volunteering (\$234,525) – see below.

Collectively, Canberra's clubs contributed \$14.6 million in 2007/08 to a large number of charitable, sporting and community organisations (an increase of \$1.8 million over the previous year, despite a reduction in gaming income from \$185 million to \$177.3 million)

- this is \$7.6 million more than the amount required under the legislation or more than double the mandated 7% of Net Gaming Machine Revenue; and
- over the past 11 years, the level of community contribution has averaged 12.3% per year, bringing the total contribution to eligible community recipients to almost \$140 million over that period.

There is no statutory contribution requirement on hotels and taverns in the ACT – in contrast to the club sector, in 2007/08 their contribution dropped from \$73,000 to \$52,000.





A major initiative that ClubsACT introduced in late 2001 has been the pooling of contributions from a group of Member Clubs, to provide significant financial support to a number of worthy local organisations which service the Canberra community.

Currently ClubsACT have three community partnerships in train.

26 Canberra clubs have combined to support *Lifeline Canberra's Clubcare* gambling counselling program – at a cost of over \$300,000 per year for the next 3 years; we are into our 8<sup>th</sup> year of funding of this program with total funding in exceeding \$2.2 million since the partnership commenced.

#### **Clubcare Program**

The Clubcare Program, which is a joint initiative between ClubsACT and Lifeline Canberra, commenced in October 2001 initially with five large clubs and then the addition of another six medium clubs.

Recently renewed for a fourth time in February 2008, guaranteeing another three years, Clubcare is into its 8<sup>th</sup> year and is now supported by 26 Member Clubs who together account for over 90% of the gaming machine population in the ACT, operating from 46 venues across Canberra with an overall membership of about 500,000.

At first Clubcare was aimed at education, training and counselling. But with the introduction in the ACT of a mandatory Code of Practice covering all gambling sectors in 2002 and the sourcing of both education and training from a wider set of service providers, including Lifeline on a fee for service basis, counselling is now the primary focus of the program.

Under the arrangement, clubs contribute funding to Lifeline, while Lifeline provides access to daily counselling hours for crisis support or face to face counselling for club patrons.

Since its establishment the club sector has contributed about \$2.2m to Lifeline Canberra under the Program and over the next two years a further \$650,000 has been committed by the participating clubs, including ACTTAB.

The community partnership with *The Spastic Centre of the ACT and Region* was renewed in October 2007 and now involves 13 clubs at a cost of \$120,000 per year for the next 3 years. It has succeeded in having therapy services located in the ACT at Spence. We are into our 8<sup>th</sup> year of funding for this partnership as well.

#### **Spastic Centre** (extracts from submission by the Spastic Centre to the Productivity Commission)

"The establishment of The Spastic Centre in the 1940's coincided with the birth and growth of community registered clubs throughout NSW. These organisations quickly recognised the link between their community charter and the needs of people with cerebral palsy and their families. Hence from the very beginning clubs throughout NSW have been regular and strong supporters of The Spastic Centre.

In recent times ClubsNSW and ClubsACT have played a significant and tangible role in the sustainability and growth of Spastic Centre services. These tangible actions have included:

- Since 2001 ClubsACT has contributed \$717,084 to allow The Spastic Centre to provide specialist therapy and equipment services to children with cerebral palsy living in ACT. It should be noted the



<p>ACT Government has provided no recurrent of "one off" funding. If not for the support of ClubsACT and their members, The Spastic Centre would not be able to provide services to children and families living in the ACT and surrounding regions.</p>
<ul style="list-style-type: none"><li>▪ It is estimated that members of ClubsNSW and ClubsACT over the last 7 years have also provided 'in kind' assistance to the value of over \$1.5 million. This includes access to club facilities, conference facilities (rooms, catering, and advertising) for The Spastic Centre activities. These resources have allowed the provision of training sessions, parent meetings and social and mentoring programs for children and adults with disabilities.</li><li>▪ The Clubs Industry of Australia played a significant role in the Miss Australia Contest from the 1950's to the late1990's. Every local community throughout Australia put forward a local contestant and many fundraising activities were conducted in registered community clubs. It is estimated that \$87 million was raised for the respective state based cerebral palsy associations including The Spastic Centre of NSW, during the span of the Miss Australia Contest.</li></ul>
<p>The Club Industry and The Spastic Centre have shared a common history and purpose. Each provide services and support their members and encourage social integration and participation. Of the 4,000 individuals supported by The Spastic Centre, many of their family and friends are members of local registered clubs. Local clubs become the meeting place for people with disabilities to experience accessible community activities and entertainment.</p>
<p>For example many of the adults living in community group homes will regularly visit their local club. The reasons given by these adults include the wheelchair accessible environment, affordable food and entertainment and inclusive approach by club staff and members."</p>

The third community partnership is with *Camp Quality* to support their efforts to bring some laughter to children suffering from cancer. This initiative involves 14 Member Clubs at a cost of \$50,000 a year for next two years. We are into our 3<sup>rd</sup> year of funding of this partnership.

<p><b>Camp Quality</b></p> <p>The funding under this arrangement is used to support four family camps in each of 2009 and 2010:</p> <ul style="list-style-type: none"><li>• New Families Camp - for any families who have joined Camp Quality in the previous twelve months.</li><li>• Father and Son Camp – which is open to all Camp Quality fathers and sons. This camp is to provide fathers and sons a weekend of fishing on the coast.</li><li>• Family Camp - for families that Camp Quality believes need a break together. These are often families who have spent significant time away from each other.</li><li>• Parents Retreat - for parents only. The camp is designed to give mum and dad a break.</li></ul> <p>Camp Quality Canberra Area Manager, Anthony Ganley, acknowledges that the Family Camps would not be possible without the support of these clubs, and recently after the first Camp in 2009, he said:</p> <p style="padding-left: 40px;">"to be able to take our newly diagnosed families away for such a relaxed and fun weekend is something that is very important on our annual calendar. Often this is the first opportunity for these families to have any time away, after diagnosis and treatment, so it is a special time for them too."</p>
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ClubsACT have also had community partnerships with the *Marymead Foundation*, *ACT Crime Stoppers* and *The Big Issue*, which was in conjunction with the ACT Government to provide seed funding to bring the street magazine to Canberra.



ClubsACT also supports a number of fund raising and charity events throughout the year – including the *Koomarri Christmas Party* and the ClubsACT Charity Golf Classic which raises funds for a nominated charity – recent recipients have included *Galilee, Ted Knoffs Foundation, Koomarri, CyclopsACT, AFFIRM, the ACT Branch of the National Breast Cancer Foundation* and most recently *Movember*.

These pooled commitments total over \$500,000 a year.

But it would be very easy for the casual observer to underestimate the level and breadth of support that clubs provide to the Canberra community.

These significant headline numbers really understate the extent of the contribution that individual clubs make which, as well as cash contributions, includes in-kind support and, in many cases, involvement with the recipient.

#### **Developing a relationship**

**The Hellenic Club's** support for Koomarri – Canberra's leading service provider of support and employment services for people with moderate to severe disabilities and their families – includes a sponsorship providing \$200,000 from 1 July 2005 for five years, to help fund their construction of new premises.

The Club has been actively involved in the redevelopment planning, and also provides volunteer assistance for functions such as Koomarri's annual Christmas Party. Finally, the club also provides important mainstream employment opportunities to Koomarri's disabled clients, hiring the Koomarri garden keeping team to maintain the Club's landscaping.

At any function, charity or call for support, you will invariably find a community based club in the midst of things and a generous participant and contributor. The use of meeting rooms to a diverse range of social groups, the provision of office space and the supply of equipment are commonly offered by the clubs at no cost.

In many cases groups such as charities, schools, aged care, art and craft groups and regional and ethnic community services groups would not be funded if it was not for a club.

#### **Cultural support**

**The Hellenic Club** was founded by Canberra's Greek community in 1979. For the last three decades the Club has, through its community contributions, promoted Greek language, culture and heritage, sport, and the care of the elderly including:

- St Nicholas Home for the Aged – The Club helps pay running costs for the Home's operations, whose residents include those of Greek descent and a variety of cultural backgrounds. Last year, in addition to the annual support provided, the Club made a significant monetary contribution of \$75,000 towards the building of a car park.



- St Nicholas Greek pre-school – This year, in addition to the annual support provided to fund the operational costs, the Club provided an additional contribution of \$30,000 for the refurbishment of the pre-school.

- The Greek Glendi – This event is a feature of the National Multicultural Festival and showcases Greek cuisine and the diversity of Greek music and the arts, with live music and dancing performances. Funds raised are distributed to the St Nicholas Bilingual Preschool and the St Nicholas Afternoon School teaching Greek as a second language to children.

Last year alone Canberra’s clubs provided opportunities for over 2,500 volunteers to donate almost 187,000 hours of voluntary work. In addition the Canberra Labor Club Group is the largest contributor to the local association representing volunteers in the community.

#### **Support for Volunteering ACT**

Emphasising the significant role played by volunteers in the community, the **Canberra Labor Club Group’s** largest recipient of support is Volunteering ACT – which is the peak body for Volunteer Organisations in the ACT.

The Organisation co-ordinates and facilitates large number of community members. Groups specifically targeted by Volunteering ACT’s own programs are at risk youth and seniors.

Total support provided by the Canberra Labor Club Group was \$234,500, of which \$135,723 was a cash contribution.

The Group provides Volunteering ACT with free and unfettered use of its office building to ensure that Volunteering ACT has the infrastructure and administrative capacity required to facilitate its numerous programs.

As the ACT Minister, Andrew Barr, said in November 2007:

*'It is important to know that the [ACT] club industry takes its responsibility very seriously. Through the provision of social facilities and community contributions, its contribution to the community is a valuable and critical part of our community infrastructure. Without the revenue from gaming machines it would not be possible for all of these community facilities to be made available. I conclude by saying that the club industry provides a valuable role and a critical role in our society by providing essential community facilities that would otherwise not exist.'*

#### **Clubs Contribution to Sport**

The vast majority of community based clubs in the ACT are sporting clubs who have a charter to encourage and support sport in the community.



Sport is very much a bona fide community contribution (despite those that would argue otherwise) and is treated as such by the ACT Government's Community Contribution Guidelines, which was confirmed by the review of the legislation and enactment of the Gaming Machine Act in 2004.

Sport and recreation are generally regarded as investments in social capital and act as preventative measures which over the medium and longer term reduce the need and demand for social welfare funding by governments and the community.

Through the active support of clubs, Canberra enjoys one of the highest per capita participation rates in sport in Australia.

As well as the very significant infrastructure development which is evident throughout Canberra, clubs provide a wide range of sporting venues and make significant contributions to major sporting teams and to a large number of sporting organisations

In 2007/08 this support was valued at \$10.9 million.

In addition, the ACT Academy of Sport is a major beneficiary of club support through the 1% (sports) levy - which is now embedded as part of the gaming tax.

ClubsACT, in our own right, having been the major sponsor of ACTSPORT's Sportstar of the Year Awards - in 2008 it was for the 10<sup>th</sup> year in a row.

Sporting and community facilities like ovals, stadiums and bowling greens are primarily provided by clubs in the knowledge that the costs will not be recovered and, at best, there will be a low return on investment.

Again these numbers understate the contributions the clubs make.

Private investors, for example, would balk at investing in these types of infrastructure, but clubs do not because they have an obligation to their members and in turn the wider community.

Facilities like the Ainslie Oval, Viking Park, Belconnen Soccer Club's McKellar complex, West Belconnen Leagues Club's Kippax Oval, Eastlake's Kingston Oval, Southern Cross's Tuggeranong Basketball stadium are just a few that come to mind.

The beneficiaries include:

- club members - who have first class venues to follow their teams and be entertained;



- the Government – who are relieved from the cost of providing such facilities and maintaining them; and
- the wider Canberra community - who have well-maintained and located facilities to watch sport, be entertained and to enjoy other events.

If it were not for the clubs, these facilities would have to be funded by the ACT Government through higher taxes or not offered at all - and the Canberra community would be the big loser.

Exemplifying the role played by clubs in the area of sport and recreation are the Ainslie Football and Social Club and the Vikings Group.

#### **Assisting and promoting sport**

- **Ainslie Football and Social Club**

From humble beginnings in 1958, Ainslie has become a focal point for an expanding range of leisure, sports and community development programs, primarily in the inner north of Canberra and the Gungahlin District – acquiring the Gungahlin Lakes Community and Golf Club in 1996 and amalgamating with the Canberra City Bowling Club in 2001.

In 1997 Ainslie constructed a world-class sports ground at a cost of \$3.5 million, primarily for Australian Football; however, the Brazilian Soccer team used the oval as a training facility during the 2000 Sydney Olympics.

With expanded sporting facilities, Ainslie has “ramped up” its sporting and community development program with the primary focus being to assist emerging or start up sports clubs. Ainslie has assisted many sporting clubs in the Gungahlin district with seed funding for such things as basketball, softball, cricket, junior golf, school sporting programs along with adult and junior Australian Football.

The Club has also provided scholarships and financial support for a number of developing elite athletes including, Olympic representative, two-time Commonwealth Games hammer throw champion and 2001 World Athletics Championships team captain Stuart Rendell, and Matildas Captain Sasha Wainwright. Their support has added to Australia’s status as a sporting leader worldwide

Since its acquisition of the Gungahlin Lakes golf course, Ainslie has invested around \$30m in a clubhouse and the golf course for the benefit of Members and the public which provides the only substantial integrated recreational and social facility in Gungahlin.

In 2002 the Gungahlin Lakes Golf Club Committee developed a ten year building plan. Since 2005 this plan has been progressively implemented with the project now 65% completed. These upgrades have transformed the Lakes golf course and practice driving range into a premium venue and most talked about golf course in Canberra. This facility provides enormous benefit to health and well being of the community especially those looking to engage in the pursuit of healthy activities at very reasonable prices.

- **The Vikings Group**

The Vikings Group of clubs is committed to the promotion of sport in the Tuggeranong Valley, supporting 55 affiliated sporting clubs and 602 affiliated teams with 5,912 junior athletes and 3,631 senior athletes. In addition to this, the club supports over 1,400 more athletes through major sporting grants to amateur sport. Major outcomes of recent sponsorship include:



- \$588,000 to Tuggeranong Valley Rugby Union Club , allowing over 511 players to participate
- \$100,000 to ACT Rugby Union
- \$126,100 to Affiliate Club Grant Scheme for junior and senior athletes to compete in local competitions
- \$40,000 to Primary Schools Rugby Union Program, supporting 500 local children
- \$35,000 to High School/College Rugby Union Program, supporting over 150 students
- \$78,400 to Affiliate Clubs (In Kind Assistance to enable athlete participation in meets)

In addition to cash grants, Vikings also provides extensive sports infrastructure, including the \$6 million multisports facility Viking Park, Vikings Capital Golf Course, Vikings Health & Fitness Centre, bowling greens, tennis courts and ovals. Highlights from 2007 are:

- \$433,000 direct funding for Viking Park, used by local sporting teams for Rugby Union and baseball matches as well as hosting the Australian Schoolboys Rugby Championships and the Australia vs Samoa Rugby Union Schoolboys Test Match. The Brumbies also hosted training sessions at Viking Park and hosted a professional Japanese Rugby team for a two week training camp.
- \$433,500 direct funding for Vikings Capital Golf Club Course, Canberra's cheapest public to join and play, also offering free monthly coaching clinics for junior golfers.
- \$432,000 for three international standard championship-sized bowling greens.
- \$47,000 direct funding for Oval Maintenance of government-owned fields.

Recognition of the Vikings Groups contribution to sport is reflected in the club winning the Promotion of Sport category at the ClubsACT Awards for Excellence for the last 6 years (2003 – 2008) in the large club division.

Again to varying degrees this contribution can be multiplied many times over in the 18 other sports clubs that are members of ClubsACT.

### **Clubs are a vital part of the ACT Economy**

There has been some consolidation and rationalisation of the ACT club sector over recent years through closures, amalgamations and mergers, with a reduction in both the number of clubs (from 42 to 29) and venues (from and 69 to 55) since 2001.

If anything the economic outlook will continue to be challenging, particularly as the effects of the indoor smoking bans in clubs (new outdoor restrictions are being mooted) have melded with the unprecedentedly tough economic conditions.

Add to this increased gaming taxes (up 17% as of 1 July 2007), the tougher regulatory environment, the prospect of further harm minimisation measures and ACT clubs are bracing themselves for a difficult period ahead.

According to the recent SEIS report compiled by the Allen Consulting Group on behalf of ClubsACT, in 2007 clubs had:

- combined assets of \$212 million;
- gross revenue of about \$272 million; and



- gross expenditure of about \$208 million.

They also employed nearly 2,200 people, ranging from highly skilled professionals to school leavers, tertiary students and those that want to make a career in hospitality. Over 50% are between the ages of 16 and 24, working on a part time or casual basis.

Clubs in the ACT spent \$2.5 million in 2007 in training for employees, and to a lesser extent, volunteers. Training may be formal (including organised courses, seminars or classes) or informal on the job training. The most common formal training courses are the responsible service of alcohol and responsible service of gaming.

Of all training provided, 56 per cent is through formal training, with the remaining provided in informal, on-the-job training. Large clubs provide around 64 per cent of all formal and informal training.

#### **National Recognition**

**The Vikings Group** is a major employer in the ACT private sector currently engaging 300, fulltime, part time and casual staff, and providing career opportunities in a variety of disciplines ranging from traditional hospitality roles through to accounting, HR, marketing, horticulture, and building services.

In 2008 the Vikings Group was placed in the top three finalists for the Australian Employer of the Year at the peak national awards for vocational education and training, which recognise innovation and excellence in the training sector.

The club was crowned one of the nation's best trainers winning the Australian Service Industry Award. Past recipients of the award have included some very big players, such as McDonalds Australia.

This national recognition complements the Vikings Group being named the 2008 ACT Employer of the Year, receiving a Judges Award of Recognition at the ACT Chief Minister's Inclusion Awards (for the disabled) and taking out a number of categories in the 2008 ClubsACT Awards for Excellence, including Human Resource Management, Promotion of Sport and the ACT Club of the Year in the large club division.

ACT clubs paid over \$60 million in wages/salaries and another \$26 million to contractors.

As noted earlier together they also provided opportunities for at least 2,500 volunteers in 2007, who contributed a total of about 187,000 hours of free work.

ACT Clubs also generate flow-on employment and activity to a number of supplying and service industries such as:

- gaming machine manufacturing, maintenance and repairs;
- food and beverage;
- sport and recreation;
- tourism;





- entertainment;
- building and construction;
- professional services;
- IT and communications ; and
- security.

Almost 80% of the goods and services they consume are purchased from businesses in the ACT.

The interdependence (and importance) between club sector and the ACT business community is clearly demonstrated by the fact that 38 businesses are currently members of ClubsACT's Corporate Partners Program – a Program which has been in place since 2002.

**ClubsACT Corporate Partners 2008/2009**

ActewAGL	Foster's
ACTTAB	IGT
Ainsworth Game Technology	Kell & Rigby
Aristocrat Technologies	Konami
BankWest	Lion Nathan Australia
Bradley Allen Lawyers	National Zoo & Aquarium
Canberra Cabs	Nova Multimedia
Canberra FM Radio	Prime Television
Catalina Golf Packages	Project Coordination
Centurion Corporate Protection	Reed Constructions
Chameleon Personnel	Reel Gaming Solutions
Club Data Online	Sanyo Data Systems
Club Plus Superannuation	Schweppes
Clubs Interior Design	Stargames Corporation
Coca Cola	The Canberra Times
Commonwealth Bank	TJ's Cleaning Services
Cool Chilli	Total Concept Projects
Customers Ltd	TransACT
Duesburys Nexia	Webster Advertising

For every \$1 million of goods and services provided by clubs in the ACT induces \$1.36 million of flow on output to the ACT economy through other services.

Clubs invest \$40 million each year on capital improvements, with the major investment in new buildings and extensions (34 per cent), gaming machines (34 per cent) and refurbishments (22 per cent).

In the next 3 years, the investment intentions of clubs were expected to reach \$189 million – depending on the state of the sector/economy.



While these economic indicators reflect a sizeable club sector, growth has slowed and since 2002 has actually declined – in terms of revenue (particularly gaming revenue), expenditure and assets.

At the same time the cost of running a club is increasing by 3-4% per year compound – this is an unsustainable position for many clubs in the face of declining gaming revenue.

All this makes for a pretty challenging competitive environment for the club sector for at least the next 18 months to 2 years.

#### Recent trading performance

Following the introduction of smoking bans in December 2006, clubs in the ACT have been particularly hard hit with gaming revenue experiencing a substantial drop in the first twelve months after the indoor smoking ban (-9.3% or - \$18.14 million). The impact of this reduction was even more keenly felt following a 17 per cent increase in gaming tax from 1 July 2007.

In the following twelve month period gaming revenue has continued to fall (-1.3% and a further -\$2.35 million). Most recent data (as of January 2009) indicates that gross gaming revenue at \$175.34 million on a 12 month moving basis) is the lowest it has been for 7 years (since 2001/02).

Into the third year after the indoor smoking ban and gaming revenue has shown no sign of any sustainable improvement, with monthly gaming revenue over the past year falling in 7 of the 12 months.

Clearly the depressed general economic environment, and the uncertainty associated with any improvement is still compounding the negative impact on people's confidence and discretionary spend in the ACT, with any recovery to pre-smoking ban gaming revenue levels in the ACT is still very far off..

Since the smoking bans were introduced in December 2006, the following Canberra clubs have ceased as entities: Soccer Club of Canberra, Western Districts Rugby Union Club, Canberra RSL Club and West Belconnen Leagues Club. A number of other clubs are experiencing serious financial pressures.

All clubs have experienced a drop in revenue and accordingly their overall outcome. For example the **Ainslie Football and Social Club**, which employs 261 people, has experienced surplus reductions from \$3 million in 2005-2006 to \$207,798 in 2007-2008.

A recent dipstick survey of employment and investment intentions of ClubsACT Member Clubs indicated that while clubs do not expect to reduce overall levels of employment, there has been a change in the composition with a drop in the number of full time and part time employees and an increase in the number of casuals.

Also according to the brief commentary provided, the main impact is expected to be a reduction in the number of hours worked going forward, but it is difficult to gauge by how much and this will depend on the actual trading circumstances.



In terms of investment on sporting and other infrastructure, including gaming machines, the outlook is a little less promising than the SEIS Report of \$189 million over the next three years – but surprisingly not by that much.

Based on the responses received and applying a similar uplift factor, the level of investment could still be at about this level. But using a more conservative uplift factor, to reflect the uncertain economic times ahead, the overall level of capital investment may be reduced to between \$140 and \$150 million (or lower) over the next three years.

Despite the difficult economic conditions and subdued gaming trading performance, clearly ACT clubs are doing their most to sustain the local economy by maintaining their level of employment and continuing to invest.

Most clubs have been preparing for the expected subdued trading performance and some have been able to reduce their debt and put aside some of their operating surpluses to help weather the downturn.

Other less financially strong have done it tough and there are, and will be, casualties (as noted above in the last 12 months). Fortunately the community facilities and affiliated sporting and other groups, are not necessarily lost if, as in all four of the recent cases, another club has been in a position to take-over/amalgamate with the struggling club. But the question is for how long will this continue to happen, particularly if there is no sustained improvement in the trading environment.

As not-for-profit organisations the purpose of clubs is to maximise the benefit for their members and they do that by ploughing much of their combined operating surplus back into their clubs and into community infrastructure.

Of course, unless clubs generate an operating surplus (from gaming and other associated services) clubs would not have sufficient capital to meet debt, renovate or undertake capital works, buy land, maintain sporting infrastructure, subsidise meals and drinks, employ staff, pay tax and provide entertainment. They would eventually cease to be viable and would not be able to participate in Canberra's future and the community would be the loser.

Governments (both Territory and Federal) are also beneficiaries of ACT club activity, particularly gaming machine activity. In 2007/08 clubs paid about \$51 million in gaming taxes and other charges.

The SEIS conducted for ClubsACT by the Allen Consulting Group in 2007 found that gaming taxes in recent years have increased for the top marginal tax rated clubs.



In 2004-05 there was a 2 per cent increase in the gaming machine tax for clubs earning gaming machine revenue over \$600,000 per year (representing an 8 per cent increase in tax payments).

Following this gaming tax increase, a further increase to gaming tax rates took place from 1 July 2007 (another 17%) affecting the two top marginal tax rates:

- an increase from 16 per cent to 17 per cent for those clubs with annual gross gaming machine revenue in excess of \$300 000 per year; and
- an increase from 18 per cent to 21 per cent for those clubs with annual gross gaming machine revenue in excess of \$600 000 per year.

Although no analysis is available on the impact of these increases, the Allen Consulting Group projected that the increase in gaming machine tax will have a negative impact on club's revenue over the next few years, particularly with the additional effects of the proposed indoor smoking bans.

### **Clubs are a major source of hospitality and entertainment**

Clubs are the mainstay of recreation and entertainment since the very early days of Canberra and they provide a wide variety of facilities and services for their members and invited guests throughout the ACT in a friendly and safe environment.

Currently there are 55 venues spread across Canberra catering for members' needs in the form of food and beverage outlets, functions (with meeting rooms and auditoriums holding up to 600-700 people), putting on shows and the myriad of activities that many clubs offer.

The services provided by clubs cater for all age groups from children through to seniors – and every category in between – and membership fees are kept at a minimum to ensure access is available for all Canberrans.

All clubs in the ACT provide a dining facility for their members and they cater for all tastes. These dining facilities range from family oriented bistros through to 'a la carte' restaurants that offer dining that is equivalent to, or better than, many in the wider hospitality market.

Function facilities are generally provided at club venues - ranging from meeting rooms thorough to function areas and auditoriums that can seat up to 700 people for dinner and up to 1000 in theatre style.



Entertainment is available for all members from light entertainment (raffles etc) through to local, interstate and international performers, with some Clubs renowned for their regular offerings such as shows, plays and jazz.

**Impressive facilities and services**

- **The Canberra Southern Cross Club**

Over 35 years the club has become an icon in the Canberra community by consistently offering an impressive array of diverse services and facilities for its members now totalling 84,000.

The Club's record and reputation is a measure of the success of its underlying philosophy to provide a "community-minded leisure experience".

From the very beginning the vision was to create a family club with a broad range of activities and programs appealing to all members of the community. From the Club's inception in 1972 until the present day, it has remained true to that vision. The Board and Management of the Club continue to closely monitor existing member services and develop new member services.

The Club is clearly dedicated to catering for as wide a range of members as possible by providing quality facilities for all.

The club provides a comprehensive list of services:

- |                            |   |
|----------------------------|---|
| • Food                     | Fine dining, Bistro, BBQ facilities, Fish & chip shop, Free tea & coffee.                                     |
| • Beverage                 | Lounge and sports bars, cocktail bars.  |
| • Gaming                   | Modern lounges, TAB   |
| • Functions                | Rooms to cater from 10 to 1000, Marquee, Motor Vessel Southern Cross.   |
| • Entertainment            | Live shows, Children's movies (free in school holidays), Free internet, Free newspapers, Quiet reading rooms. |
| • Sports/Health facilities | Bowling Greens, Pitch n Putt, Basketball Stadiums, and Health Club.   |

Deserving of special mention is health and fitness where the club has been a leader. It began promoting the idea of a "Community Minded – Leisure Experience" over ten years ago when it set up the Health Club for its members. The SCHC is now regarded as the best health and fitness centre in the ACT.

In 2007 it was awarded the ACT Fitness Industry "Fitness Club of the Year" award. And in 2008 the Centre received the "Australian Health and Fitness Facility of the Year" Award. This is the highest and most prestigious award a Health and Fitness Centre can win. Since opening, the Health Club has continually upgraded its facilities and has in excess of \$1 million worth of equipment, and services over 5700 members, including 2600 over 50 years of age.

Reflecting the club's leadership in Member Services is its record at the ClubsACT Awards for Excellence and the winning of this category in 6 out of the last 7 years in the large club division.

- **Canberra Labor Club Group**

Each of the Group's Clubs has its own personality, to best cater to the tastes of the Members it serves.



The Group's largest Club, the Canberra Labor Club, is located in Chandler Street Belconnen and due to its significant size and facilities, most often plays host to our community groups. Belconnen has food and beverage services, function facilities, a TAB and 272 gaming machines.

Our newest Club is the City Labor Club, located in the heart of the Canberra CBD. As its location may suggest, this Club is more of a boutique bar, serving our widest range of beers and wines to a corporate clientele. This venue also offers dining, function and gaming facilities with 58 machines.

Weston Creek Labor Club has the greatest sporting flavour of our venues, and overlooks two exceptionally well maintained bowling greens. As would be expected, this Club provides significant support to the associated Bowling Club and enjoys a significant number of common members. In addition to its greens, Weston has function, dining,

TAB and gaming facilities, with 63 machines.

For families, the Ginninderra Labor Club, has its own children's playground which allows parents to dine whilst still being able to supervise children through the glass. The Ginninderra venue has recently been renovated to provide exceptional facilities including a dedicated function room, bar, bistro and gaming. There are 95 gaming machines located at this venue.

Many other clubs in the ACT can provide similar testament to their member services and facilities.

### Clubs are a Responsible Gaming provider

According to the ACT Gambling and Racing Commission, in 2007/08 the club movement held 62 gaming licenses, operated the vast majority of the 5,159 gaming machines and had a turnover of \$2,104.4 million. The return to clubs was \$177.30 million which represents about 63 percent of the total gross revenue earned by ACT clubs. Government(s) received about \$51 million - that is about 28 cents in every dollar earned by ACT clubs through gaming machine operations is remitted to Government as taxes, fees, rates and licenses.

The key gaming indicators over the last 6 years and the change over the last two years are provided below:

	07/08	Change	02/03	03/04	04/05	05/06	06/07
<b>Club Gaming Licenses</b>	62	-2	65	64	65	65	64
<b>Total Gaming Machines</b>	5159	-41	4960	4930	5056	5066	5200
<b>Club Turnover (\$m)</b>	2104.4	-1.9%	1980.1	2074.1	2040.4	2164.1	2144.1
<b>Return to Clubs (\$m)</b>	177.3	-3.6%	182.5	191.3	185.2	191.3	184.0
<b>Tax inc GST (\$m)</b>	50.9	+5.8%	44.4	50.1	48.9	48.4	48.1

It is a fact that most of the services that clubs provide are supported by their ability to offer gaming to their patrons.

With 63% of club income being earned from gaming (albeit

down from 71% five years ago) and it is still the major determinant of a club's financial health.

But where does the money go?

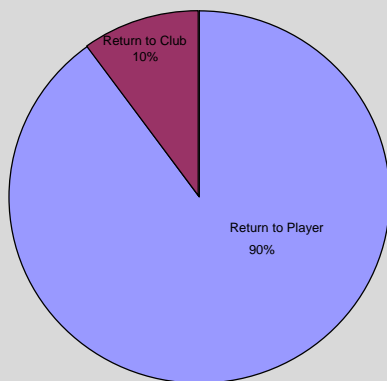
### Where does a dollar of club gaming turnover go?

At the outset, it should be remembered that turnover is not income or revenue.

In the case of gaming, for every dollar of turnover, between 90 and 92 cents is returned to the player (RTP), with the club retaining 8 to 10 cents of every dollar bet. Lotto, by comparison, has a RTP of 56% meaning that the operator retains 44 cents of every dollar bet. The RTP for other forms of gambling in NSW for example are: TAB 85.4%, Keno 75.2%, Lotteries 61.1%, Instant Lottery 58.8% and the Pools 46.4%.

By law gaming machines in the ACT are set to return at least 87% to the player. Gaming machine operators have the capacity to increase this amount as a further incentive to players, but of course this reduces the hold to the provider.

### Gaming \$ breakdown



Assuming that out of every dollar of turnover, 90 cents is returned to the player - the hold to the club (or the Gross Gaming Machine Revenue - GGMR) is 10 cents – **so where does that 10 cents go?**

First the Government(s) gets its share – gaming tax and GST are applied to GGMR. The gaming tax is an income tax, not a tax applied to a club's surplus. In 2007/08 the ACT Government took 2.1 cents in gaming tax and the Federal Government 1.0 cent in GST – a total of 3.1 cents.

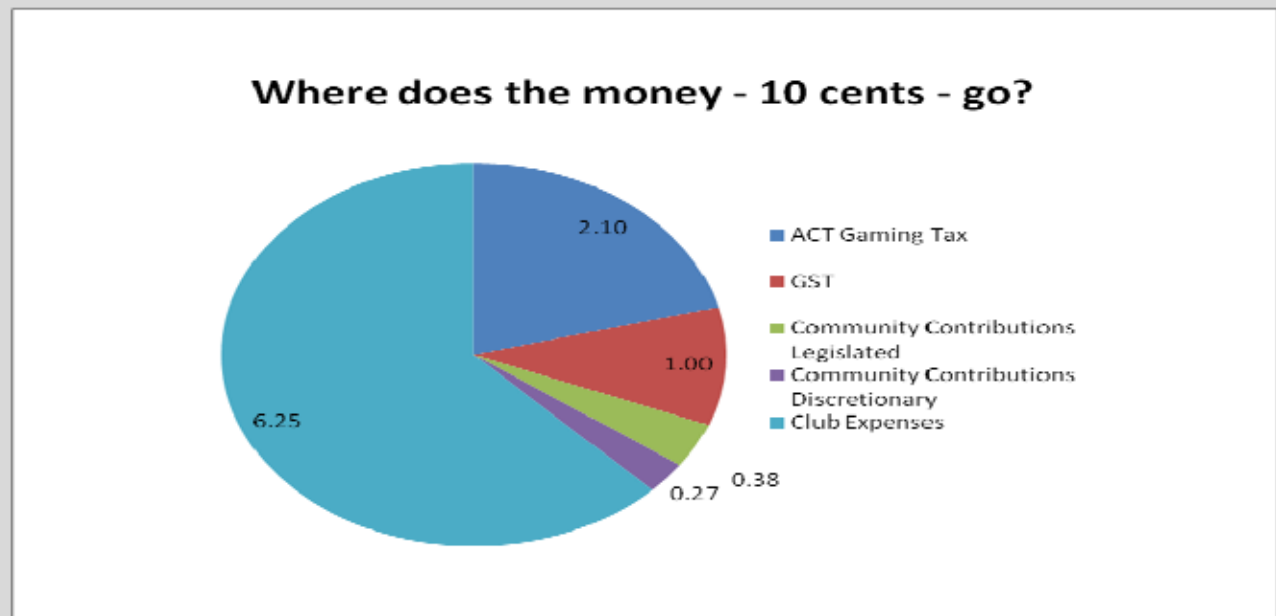
Secondly, clubs are required by law to contribute at least 7% of Net Gaming Machine Revenue (NGMR) to eligible community recipients. To arrive at a NGMR figure, taxes and the administrative cost of running gaming are deducted from the GGMR. The ACT Government estimates a notional amount equivalent to 15% of GGMR is needed to run gaming operations - or 1.5 cents. This is probably on the low side. This brings the notional NGMR figure in at 5.4 cents (after deducting the 3.1 cents tax and 1.5 cents attributed to gaming on-costs from the 10 cents).

In fact clubs have consistently contributed well over the legislated amount of 7% in recent years. The discretionary element has ranged from 5% to 7%, taking the average overall level of community contributions to over 12%.

Following the deduction of legislated (7%) and discretionary (say 5%) community contributions of 0.38 cents and 0.27 cents respectively, clubs are left with an amount of 6.25 cents out of the 10 cents to run the club.

Thirdly, from this amount clubs pay wages, buy goods and services, provide training, offer member services, conduct marketing, service their debt etc. Any leftover revenue (or surplus) is used by clubs to accommodate depreciation and undertake new developments, improve member services, build new facilities – or generally to maintain and hopefully sustain their viability. None of the money is paid out in dividends to privateers or individuals.

Of course the level of any surplus varies widely between individual clubs depending on their circumstances. In a reasonable year, it is estimated that overall club sector surplus will be about 5%, but under the current tough trading environment 2.5% or even less is more likely.



In summary the key thing to remember is that all revenue (including gaming revenue) earned by ACT clubs is distributed in a range of ways – back to the community:

- first, the Government receives their share in the form of gaming tax and other charges levied by the ACT Government and at the Federal level, GST;
- secondly, there is the legislated requirement to allocate at least 7% of NGMR to eligible community recipients and as noted above clubs have allocated consistently more – averaging more than 12% over the past 11 years;
- thirdly, the remainder is the used by the club to buy goods and services, pay wages, service debt etc – in others words it is used to operate the club; and
- finally, any residual revenue (or surplus) is then used to enhance the services and amenities for members, improve club facilities and community infrastructure, and invest in the club's future.





The important fact is that none of the surplus or excess revenue is able to be accrued privately - dividends are not paid to individuals and the money stays with the club and is used for the benefit of its members – the people of Canberra who are part of the ACT community.

ACT clubs have provided gaming for more than thirty years in a responsible and highly regulated way.

Canberra is the only jurisdiction in Australia where gaming is still largely owned and controlled through community-based clubs – a privilege that clubs acknowledge carries with it responsibilities.

NSW had a community based gaming model for over 35 years, but extended access to gaming machines to pubs/hotels and casinos in the mid 1990's. Queensland, Victoria, and South Australia on the other hand provided (differential) access to gaming machines to all three sectors during the 1990's.

Successive ACT Governments have rejected calls by taverns, hotels and the Canberra Casino to be given poker machines – choosing instead to put social responsibility ahead of revenue-raising by restricting them to not for profit community based clubs.

They have not allowed the explosion in gaming that has characterized NSW, Victoria, South Australia or Queensland in the past 10 to 15 years.

Walk the streets of any of Australia's capital cities – Sydney, Melbourne, Adelaide or Brisbane – and you'll see poker machines in pubs on practically every street corner (71,000) and there are over 12,000 in the casinos. The profits from these machines go to supporting the lifestyles of wealthy individuals, privately-owned and run syndicates and Australian and foreign owned corporations. Woolworths now owns and operates more gaming machines than any other single entity, and a number of hotel chains have listed on the Australian Stock Exchange.

ClubsACT do not believe the ACT Government should be defensive or be apologetic that clubs are the only providers of gaming machines in Canberra.

It is a distinction worth fighting to preserve. In fact this is a situation that we believe the other jurisdictions would be more than happy to return to.

Wayne Goss the former Premier of Queensland recently said the introduction of poker machines to give clubs a fair go was Labor Party policy for a long time and he implemented it when he was the Premier. He also said that:



*"Unfortunately it went too far and it was expanded into hotels and, under the subsequent coalition government, it was expanded even further".*

This sentiment is shared by his counterparts in Victoria (including recently former Premier Kennett) and probably in other jurisdictions such as South Australia and NSW.

In fact this is now beginning to be recognized, with both South Australia and Victoria, which did not initially provide sufficient incentive for the community based gaming model to become a dominant feature, taking some corrective action.

The "benefits" derived from clubs are significant and have been quantified recently by the IPART Review of NSW Clubs. While there may be difficulties in estimating the "costs", it is clear the community based club gaming model has always had, and will continue to have, inherent advantages over other models.

ClubsACT believe that the demarcation between the ACT's model of community-based gaming - as opposed to privately-owned gaming - is clear, unequivocal and defensible socially.

Our continuing concern is that if this nexus is broken in the ACT it will only be a matter of time before the major beneficiaries of profits from gaming machines will be the privateers – as they are in the other Australian jurisdictions.

In contrast, community based clubs in the ACT are not about making a profit for a few, they are about spreading their operating surplus across the community by investing in club facilities for the benefit of their members (who are the residents of Canberra) and in support of the broader Canberra community.

Clubs understand their responsibility to the community - they are prepared to play a leadership role, anticipate change and take pro-active measures to provide their gaming services in a professional and responsible manner in keeping with community expectations.

Initiatives such as the Clubcare Program (see above) and the Clubstart Program are evidence of the ACT club sector's commitment to addressing issues associated with provision of gaming.

#### **Clubstart Program**

The Clubstart program, an initiative of ClubsACT in conjunction with Corporate Partner Chameleon Personnel, has been in operation since 2007.

While aimed at addressing club sector skills shortages and improving access to employment for school leavers, the Program also promotes the responsible service of gambling and alcohol in the ACT and providing valuable life skills for participants.



It trains students in the responsible service of alcohol and the responsible conduct of gambling focusing on harm minimisation strategies, not just from a service perspective but from the perspective of moderating their own behaviour.

To help reduce the cost to students of undertaking the Clubstart program, community based licensed clubs sponsor delivery of the program at an ACT College they are geographically aligned with. At the completion of the program students who are seeking employment either during or post their secondary education have the option of undertaking an employment interview with the human resource manager of the sponsor club.

Since its launch in May 2007 about 750 students have been trained and importantly over 90 students have received employment as a direct result of completing the program. This excellent result positions Clubstart as the number one hospitality training provider in the VET (Vocational Education and Training) sector at ACT colleges.

The ACT has the most responsible gambling environment in Australia - as reflected by it being the only jurisdiction to have relied solely on the community based gaming model and to have introduced a Mandatory Code of Gambling Practice covering all classes of gambling almost seven years ago.

#### **Mandatory Code of Practice**

Gaming in clubs is already highly regulated. In most jurisdictions clubs follow voluntary codes of practice involving responsible service of gambling and comply with legislative requirements in the various States and Territories.

However, in the ACT there has been a mandatory Code of Gambling Practice covering all gambling sectors in place since 2002. ClubsACT played an important role in the development and implementation of the Code and in its subsequent review in 2004. The Code followed an earlier voluntary Code and a ClubsACT Code of Conduct.

It is very comprehensive and provides gambling providers with a minimum set of standards that should be met in providing patrons access to their gambling products, and can be seen as part of a national trend to minimise the harmful consequences associated with problem gambling behaviour. The provision of a more responsible gambling environment is a development which ClubsACT and its member clubs fully support.

The Code carries with it significant responsibilities - some of which have caused clubs difficulty, particularly the obligation placed on the licensee to be pro-active in terms of identifying problem gamblers. This is a highly sensitive area and is very much a first for any jurisdiction in Australia.

In the ACT where venue initiated exclusions have been a mandated requirement since 2002, the number of such exclusions in the club sector have been relatively few – although it is understood that ACTTAB and the Canberra Casino between them have identified a number of problem gamblers and acted to exclude them from their venues.

Each Club has Gambling Contact Officers (GCOs) within their staff and each staff member who directly works with gaming machines has a Responsible Conduct of Gaming Certificate.

ClubsACT also works closely with Lifeline Canberra and the ACT Gambling and Racing Commission on harm minimisation issues, including partnering on the promotion of Gambling Awareness Week in the ACT which takes place in May each year.

The Gaming Machine Act 2004 only permits clubs access to poker machines and the Casino Control Act 2006 continues to prohibit gaming machines in the Canberra Casino.



In fact all three major parties (ALP, Canberra Liberals and the ACT Greens) in the lead up to the October 2008 ACT election confirmed their support for the community based gaming model going forward.

Successive ACT Governments have backed a winner with the community-based gaming model, and there are no compelling reasons for the present Government to switch tack now.

On the contrary ClubsACT believe the community-based gaming model should be exemplified and taken up by the Prime Minister, Kevin Rudd, as the preferred model in Australia – a faint hope in the face of powerful vested private interests.

Of increasing concern to the club sector is the rapid growth of online gambling and the Clubs Australia submission goes to some length to identify the risks of allowing it to continue to develop in a largely unregulated way.

By comparison traditional land-based gaming is very heavily regulated.

In the ACT and across Australia clubs (and hotels and casinos in most other jurisdictions) have extensive mandatory and voluntary harm minimisation practices. They are the subject of review by licensing and law enforcement authorities. They also pay Australian taxes, employ Australians and contribute to their local communities not only through donations and sponsorships, but also by flow-on benefit through trade with local businesses.

Clubs contribute to their local business communities in a substantial way.

#### Local business benefits

Below is an example of the economic contribution made by the **Vikings Group** each year at a local, Territory and Federal level through employment, donations, purchase of goods and services, and tax.

ITEM	2007/08 EXPENSES
Club Wages	\$7,207,500
Gaming Machine Tax	\$5,373,185
Entertainment and Marketing	\$3,223,918
Kitchen Costs	\$354,161
Electricity	\$764,217
Repairs and Maintenance	\$1,290,705
IT Services	\$131,654
Sports Grounds	\$1,365,448
Sport and Community Grants	\$2,149,341
Insurance and Rates	\$317,262
Security	\$670,331
<b>Total</b>	<b>\$22,847,722</b>

The replacement of just one Australian club such as the Vikings Group with offshore online gambling would see nearly \$23 million a year going overseas instead of being spent in Australia and in the local community.



Replicate this to varying degrees - 29 times in the ACT and thousands of times in the other States and Territories - and the financial impact of unbridled and/or unregulated growth in online gambling to the Australian economy and community is massive.

## **The Future**

ACT clubs face a very challenging outlook from a range of current and emerging issues that are both structural and cyclical.

The nature of gaming in the ACT given its presence for over 32 years and the demographic and other structural changes will require adjustments to be made which are likely to see further club sector consolidation, accelerated by a combination of competitive and policy/regulatory factors.

Paramount is the general economic climate, and the likelihood that the uncertainty and lack of consumer confidence will continue for at least the medium term.

There are the ongoing competitive pressures amongst the clubs themselves and between clubs and other hospitality, recreation and entertainment providers.

There is also the prospect of more intrusion and regulatory intervention on harm minimisation and other grounds at both the Territory and Federal level in areas such as gaming, alcohol consumption and smoking.

At the local level the two most immediate issues are associated with utilization of gaming machines and further smoking restrictions.

The ACT Government is reviewing the gaming machine cap of 5,200 – which has been in place since 1999 – to consider whether to increase (or for that matter decrease) the number of gaming machines in the ACT.

As part of this review, and in response to the club sector's request for some flexibility in the establishment of new clubs in new areas of Canberra and to allow a better utilisation of the existing stock of gaming machines, the ACT Government has foreshadowed its intention to allow some form of transfer. Currently gaming machines are not allowed to be transferred between venues or clubs.

The ACT Government has also foreshadowed further smoking restrictions in outdoor areas.



This will no doubt put additional strain on club gaming revenue at a time when trading performance is still very subdued, and sustained recovery is still very far off.

ClubsACT believe the club sector is uniquely Australian and represents a structure of community support and economic contribution that is worth preserving and encouraging.

If it is allowed to be undermined, or even worse, lost then Governments would either have to be prepared to fill the void, or more likely communities around Australia would be much the poorer.

Gaming remains a critical component of the club sector and the challenge is to provide a responsible gaming environment which at the same time allows clubs to deliver the benefits to its millions of members and the wider community.



## **Attachment 1**

### ***Members of ClubsACT***

*ACT Rugby Union Club*

*Ainslie Football & Social Club  
Gungahlin Lakes Golf Club  
Canberra City Bowling Club*

*Belconnen Bowling Club*

*Belconnen Magpies City Club  
Belconnen Magpies Golf Club  
Belconnen Magpies Sports*

*Belconnen Soccer Club Hawker  
Belconnen Soccer Club McKellar*

*Eastlake Football Club  
Calwell Club*

*Canberra Bowling Club*

*Canberra Club*

*Canberra Irish Club*

*Canberra Labor Club  
City Labor Club  
Ginninderra Labor Club  
Weston Creek Labor Club*

*Canberra Raiders Sports Club  
The Braddon Club  
The Weston Club  
Tuggeranong Rugby League Club  
West Belconnen Leagues Club*

*Canberra Services Club*

*Canberra Southern Cross Club Woden  
Southern Cross Yacht Club  
Southern Cross Club Jamison  
Southern Cross Club Kaleen  
Southern Cross Club Tuggeranong  
Southern Cross Club Turner  
Yamba Sports Club*

*Canberra Tradesmen's Union Club  
Woden Tradesmen's Union Club*

*Deakin Sports & Social Club*

*Federal Golf Club*

*Hellenic Club in the City  
Hellenic Club of Canberra*

*West Deakin Hellenic Bowling Club*

*Murrumbidgee Country Club*

*National Press Club of Australia*

*National Sports Club*

*The Burns Club*

*The Club @ Gold Creek*

*The Hockey Centre*

*The Mawson Club*

*The Sports Club Kaleen*

*Thoroughbred Park*

*Vikings Capital Golf Club  
Vikings Chisholm  
Vikings Erindale  
Vikings Lanyon  
Vikings Town Centre*

*Yowani Country Club*

*Royal Canberra Golf Club*



## Attachment 2

### Socio-Economic Impact Study of Clubs in the ACT Report by the Allen Consulting Group

***ClubsACT have released the latest analysis by the Allen Consulting Group (AGC) of the size and shape of the ACT Club Movement.***

***The Report, titled “Socio-Economic Impact Study of Clubs in the Australia Capital Territory” (SEIS), shows a sector facing significant challenges.***

The AGC was commissioned by ClubsACT to conduct a study of the socio-economic impact of licensed, community-based clubs in the ACT.

ClubsACT represent the majority of clubs in the ACT with 21 licensed individual clubs and 10 club groups that operate 53 licensed club venues.

These community-based clubs provide for the diverse social and recreational needs of a broad cross section of the ACT community and importantly, families and seniors.

Clubs in the ACT cover sporting, social, cultural, ethnic, worker, professional and returned service interests.

All member clubs of ClubsACT were invited to participate in the SEIS survey and a total of 19 clubs responded to the survey (over the period November to mid-December 2007), representing a response rate of 61 per cent

- all large and medium sized clubs responded to the survey and three out of 15 small clubs responded to the survey;
- furthermore, the survey responses represent clubs that account for 97.6 per cent of gaming machine revenue in 2005-06.

On this basis, the survey sample is a particularly accurate reflection of clubs in the ACT in terms of gaming machine revenue and revenue sources in general.

In this report, the results of the 2007 SEIS survey are compared with survey results from previous surveys of clubs in the ACT — conducted in 1998 by ACIL and in 2002 by KPMG.

#### **Key Findings**

The 2007 survey found that:

- 63 per cent of all clubs were sport and recreation clubs
  - 21 per cent were political, business, general or social clubs
  - 11 per cent were ethnic or religious clubs and
  - 5 per cent were community or workers clubs;





- there were around 510 000 club members in the ACT in 2007
  - sport and recreation clubs accounted for 49 per cent of all memberships (but made up 63 per cent of all clubs)
  - other clubs (including political, business, general or social clubs) accounted for 30 per cent of all memberships (but made up 21 per cent of all clubs)
- while large clubs made up 19 per cent of all clubs in the ACT, they held 60 per cent of the allocated gaming machines and accrued 65 per cent of total gaming machine revenue; and
- clubs in the ACT accounted for 3 per cent of employment and 4 per cent of total income of clubs nationally
  - in comparison, South Australia had almost twice the number of clubs but accounted for only 2 per cent of employment and 1 per cent of total club income across Australia — almost half that of the ACT.

### Financial Position

Since 2002, the financial position of clubs in the ACT can be characterised by:

- a decline in *total revenue* by 2.7 per cent to \$272.5 million. Gaming machine revenue as a proportion of total revenue has dropped by nearly 8 per cent;
- a decline in *total expenditure* by 14 per cent from \$240.4 million to \$207.8 million in 2007; and
- a decline in the *total value of capital assets* by 22 per cent.

This is a sobering overall picture and reflects the difficult times faced by the club sector in the ACT over recent years.

However, there has been an improvement in the *profitability* of clubs, with the average profitability of the six largest clubs particularly strong.

In addition, in 2007, small and medium clubs were responsible for 54 per cent of the *total debt* held by clubs in the ACT and 80 per cent of the total interest payments. This level of debt resulted in an average debt to asset ratio of 29 per cent. Large clubs reported a lower debt to asset ratio than medium and small clubs

### Economic Contribution

Clubs in the ACT make a significant and growing contribution to the ACT economy. The economic contribution of clubs in the ACT is demonstrated by a number of indicators including:

- *employment* — clubs in the ACT employed 2177 people in 2007. Employment increased by 17 per cent from 1862 employees in 2002. Furthermore clubs in the ACT paid \$60.3 million to employees in *wages* and entitlements. In addition, clubs paid \$25.8 million to contractors;
- *training* - club expenditure on training by clubs in the ACT totalled \$2.5 million in 2007, with most provided as formal training;



- *investment* — clubs in the ACT invested \$40 million in capital expenditure, with the major investment in new buildings and extensions (34 per cent), gaming machines (34 per cent) and refurbishments (22 per cent); and
- *purchase of goods and services* — across all clubs, 79 per cent of all goods and services sourced by clubs were provided by suppliers within the ACT.

Clubs in the ACT pay a range of Commonwealth and Territory Government *taxes and charges* such as GST, ACT government gaming tax, payroll tax, pay-as-you-earn (PAYE) tax, fringe benefits tax, company tax and ACT rates and taxes.

In 2007 clubs in the ACT paid a total of \$50.5 million in taxation, with ACT gaming machine taxes represented, by far, the largest percentage of the taxes paid (54 per cent).

### Flow-on Economic Effects

In examining the economic contribution of clubs in the ACT, it is necessary to not only take into account their direct economic contributions, but also the club sector's flow-on (or indirect) economic contributions and effects. These flow-on effects are directly related to the amount that clubs *invest* (either in capital expenditure, cash or in-kind donations to their community), which is closely associated with the amount of revenue earned.

Clubs also generate flow-on *employment* and activity in a number of industries such as gaming machine manufacturing, maintenance and repairs industry; food and beverage supply industry sport and recreation industry; tourism industry (for example, accommodation, restaurants and taxi and bus transportation); entertainment industry (for example, live shows); building and construction industry (for example, upgrading and expanding buildings and facilities); professional services (legal, accounting etc); IT and communications industry (for example, telephone, computer, radio and television services); and the security industry.

Using output and employment multipliers derived for the ACT in 2001-02 (EconSearch 2003), it is estimated that, in terms of:

- *output* — every \$1 million of goods and services provided by clubs in the ACT induces \$1.36 million of flow-on output to the ACT economy. Using capital expenditure as a proxy for club investment, it is estimated that there is \$54.44 million in direct and flow-on output to the national economy (the flow-on component is equal to \$14.44 million); and
- *employment* — for every person employed by clubs in the ACT, it is estimated that an additional 1.265 employees are directly and indirectly employed across the ACT economy, which is equal to 2754 employees (the flow-on component is equal to 577 employees outside the club sector).

### Social Contribution

Clubs in the ACT also make a significant *social contribution to the ACT community*. The social contribution of clubs in the ACT is demonstrated by:

- *membership* — of clubs in the ACT is strong and growing. Since 2002, membership has increased by 25 per cent, compared with ACT adult population growth of 8 per cent. In addition, on average each adult resident was a member of 1.9 clubs. This has grown from 1.7 club memberships in 2002 and 1.6 clubs in 1998;



- *provision of facilities* — clubs provided a range of sporting and recreation facilities (including football and cricket grounds, ovals, bowling greens and tennis courts) and club facilities (including accommodation, and meeting rooms) to their members;
- *community contributions* — clubs in the ACT provided \$12 million in cash and in-kind support to the local community. Club community contributions have decreased since 2002 by 15 per cent. Over the same period, gaming machine revenue has fallen by 9 per cent. Clubs in the ACT exceeded their 7 per cent community contribution requirement, with contributions equal to 12 per cent of net gaming machine revenue; and
- *volunteer opportunities* — clubs in the ACT provided opportunities for at least 2553 volunteers in 2007 who contributed a total of at least 186, 243 hours.

### Expectations

Clubs in the ACT are also looking to expand their operations over the next three years. This expansion includes:

- *investment plans* of \$189 million, the majority in club facilities. All large clubs, and around three-quarters of medium and small clubs plan to invest in club facilities over the next three years and around 20 per cent of large clubs and 15 per cent of medium and small clubs intend to invest in sporting facilities over the next three years; and
- almost half of all clubs in the ACT anticipate no change to their *gaming machine numbers*, although around one third of large clubs anticipate their gaming machine numbers will increase.

In addition, around 60 per cent of clubs in the ACT anticipate their *gaming revenue* will increase in the next three years. All large clubs anticipate increased gaming revenues over this period. As a group, medium and small clubs have more modest expectations regarding future gaming machine revenue when compared to large clubs, with half of all medium and small clubs anticipating increased revenue.

### Future Challenges

Expansions to club operations in the ACT will occur in the midst of a number of *future challenges* that face clubs in the ACT over the next three years. For example:

- future regulatory changes, including the recent increase in gaming machine tax and likely outdoor smoking bans;
- clubs will continue to diversify revenue streams, with a focus on club services to reduce the reliance on gaming machine revenue; and
- the implementation of new gaming technology.

As a result of these future challenges, it is likely that clubs in the ACT may experience reduced revenues over the next few years.

To fund a reduction in revenue between \$10 000 and \$1 million, medium and small clubs indicated that they would increase retail prices, reduce capital expenditure and reduce community support.



In contrast, large clubs identified that they would increase retail prices and membership fees to fund a reduction in revenue of between \$10 000 and \$100 000, but would reduce capital expenditure and community support if they were faced with a \$1 million reduction in revenue.