

Gambling Inquiry Productivity Commission

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The Gambling Inquiry Productivity Commission

Thank you for the opportunity to allow our organisation to contribute to the discussion surrounding The Productivity Inquiry into Australian's Gambling Industry. Attached to this letter you will find the submission of Cardiff RSL for the commission to consider.

Cardiff RSL offers the services of poker machines to patrons as a purpose of entertainment. Revenue from this allows the club to maintain its role in 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 Cardiff RSL that government 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 gambling industry as a whole.

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

Regards,

Cardiff RSL Club

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Submission to the Productivity Commission

Regarding the

**Inquiry into Australia's Gambling Industry**

Submitted by

**Cardiff RSL Club Limited**

Friday March 27, 2009

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## Cardiff RSL Club

**1 Executive Summary**

This submission has been written in order to outline the financial position and prominent community role of Cardiff RSL Club and the importance of gambling in the context of the organisation's ability to function.

- Cardiff RSL is a part of the Returned and Services League of Australia which acts as a support organisation for men and women who have served or are serving in the Australian Defence Force.
- The Club is located in close proximity to Cardiff Panthers. A much larger club that provides similar services to patrons.
- In 2008 Cardiff RSL experienced a 17% increase in total revenue. Poker Machines were the club's greatest source of revenue accounting for 59% of total income. (2007, 65%)
- Since 2007 Cardiff RSL has experienced a 15% increase in expenses. In this time the club's Gaming Machine expenses have risen by approximately 22% .
- Cardiff RSL's income growth has lead to an increase in profitability from \$275,404 in 2007 to \$449,989 in 2008
- Cardiff RSL plays an important social role in the community including the sponsorship of sporting teams and club facilities provided to benefit patrons and members. These ventures are significantly funded from poker machine revenue.
- Gambling services significantly contribute to the club maintaining financial viability. This allows the Club to continue its contributions and prominent position within the local community.
- Cardiff RSL believes any legislation and initiatives effecting venues offering gambling should be carefully considered and researched before being implemented.

It is the opinion of Cardiff RSL that gambling activities are a legitimate form of entertainment that is enjoyed and accepted by Australian society. It is also accepted that a small percentage misuse gambling products like any other consumer product available on the market in Australia. Cardiff RSL accepts it has a role in assisting people who misuse gambling products.

## **2 Introduction**

Cardiff RSL Club is a social venue that provides poker machines as a form of legal entertainment for patrons. It is the belief of Cardiff RSL that gambling activities are a legitimate form of entertainment that is enjoyed and accepted by Australian society and that misguided un-researched legislation and regulation, will unfairly effect the club and similar organisations while not achieving the aim of reducing problem gambling and other harm minimisation initiatives.

It is the opinion of Cardiff RSL that research into the effectiveness of legislation and regulation is essential before implementing problem gambling initiatives and harm minimisation strategies. Further regulating an already over regulated industry will adversely affect Cardiff RSL while ignoring the underlying mental health factors that drive problem gambling.

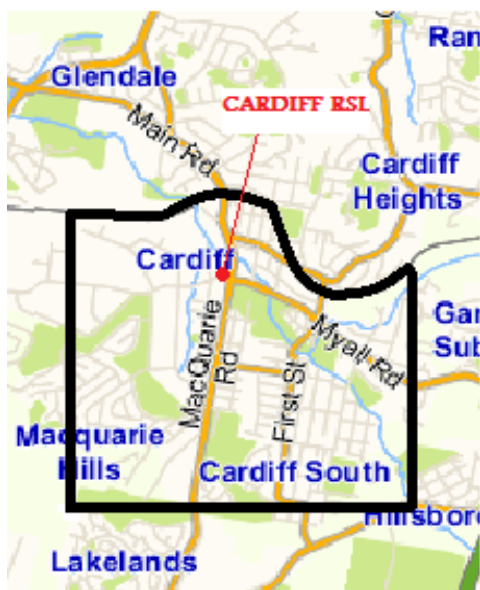
This submission has been produced by Cardiff RSL, and in conference with Clubs NSW, to highlight the significant affect it can have on the club's financial viability and role in the community.

## **3 Scope and Position of Cardiff RSL**

### **3.1 General Information and Background**

Cardiff RSL is situated in Macquarie Rd, Cardiff in New South Wales and is one of the 1359 registered clubs in the state. Cardiff RSL was established after World War 2 and currently has 9000 members. The club draws its members from a geographic area bounded on three sides by natural undeveloped land corridors and on the fourth side by the main northern railway line. However, this does not necessarily reduce the membership of the club as a variety of effective public transport options are available.

## Cardiff RSL Club



The area within the black boundary depicts the local area of which Cardiff RSL, shown in red, primarily attracts its patrons and members.

Cardiff 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.

Cardiff RSL is a part of the Returned and Services League of Australia which acts as a support organisation for men and women who have served or are serving in the Australian Defence Force. The Club is located in very close proximity to Cardiff Panthers, a much larger club that offers many similar services to patrons. This is the 2nd time Cardiff RSL has been 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 Clubs NSW, highlights the financial and social position of the club industry. The information found in the study, which surveyed clubs around the state, shows Cardiff RSL to be statistically similar to the average club with annual income of \$1m to \$5m. This makes the study a suitable point of reference in identifying potential effects that changes to legislation will have on Cardiff RSL.

## Cardiff RSL Club

**4 Revenue Streams****4.1 Types of Revenue**

Cardiff RSL stimulates revenue from a set number of activities:

<b><u>Revenue Type</u></b>	<b><u>2007 (\$)</u></b>	<b><u>2008 (\$)</u></b>	<b><u>% Change</u></b>
Bar Sales	1,491,290	1,753,269	17.57%
Poker Machine Revenue	3,025,924	3,523,399	16.44%
Cafe Sales	38,624	77,479	100.60%
Raffles and Bingo	211,532	242,339	14.56%
Ordinary Activity Revenue	229,123	263,494	15.00%
Gaming Commissions	47,268	63,421	34.17%
<b><u>Total</u></b>	<b>5,043,761</b>	<b>5,923,401</b>	<b>17.44%</b>

Poker machines were Cardiff RSL's greatest source of revenue during 2008 accounting for approximately 59.48% of total income throughout the year and maintaining that rate into 2009. Other diversified forms of revenue like the Cafe and Bingo contribute approximately 5.4% of revenue and do not contribute significantly to Cardiff RSL's profitability. This mix of revenue is consistent with the findings of the 'Socio- Economic Impact Study of Clubs in NSW (2007)' for clubs with revenue between \$1m and \$5m annually.

**4.2 Types of Expenses**

Since 2007 Cardiff RSL has experienced a 15.63% increase in total expenses. This is mainly due to the recent expansion of the Club's premises as well as depreciation upon completion of the 2006/2007 construction program, interest payments on loans, utility expenses and promotional costs. The largest trading expense, excluding wage costs, is the Poker Machine trading expenses which predominately goes to the State Government in the form of gaming machine tax.

## Cardiff RSL Club

<b><u>Expense Type</u></b>	<b><u>2007 (\$)</u></b>	<b><u>2008 (\$)</u></b>	<b><u>% Change</u></b>
Borrowing	217,800	262,948	20.73%
Bar Trading	411,711	436,502	6.02%
Cafe Trading	41,002	51,116	24.67%
Poker Machine Trading	804,098	1,008,981	25.48%
Gaming Commission Expenses	55,108	61,991	12.49%
Raffles and Bingo	211,532	305,714	44.52%
Occupancy	589,869	617,264	4.64%
Club Promotion and Entertainment	227,249	236,610	4.12%
Depreciation and Amortisation	590,739	679,390	15.00%
Administration	849,106	995,862	17.28%
Ordinary Activity Expenses	47,357	21,370	54.87%
<b><u>Total</u></b>	4,045,571	4,677,748	15.63%

Since 2007 Gaming Machine expenses have risen by approximately 25%. Cardiff RSL's gaming machine expenses sit slightly above the \$1m-\$5m Club average of 18.8%.

### **4.3 Profitability**

Cardiff RSL has reported profitable results of \$275, 404 in 2007 and \$449,989 in 2008. Revenue from poker machines represents 59% of total revenue meaning the club heavily relies on this activity to remain financially viable.

## **5 Employment and Training**

Cardiff RSL currently employs 30 staff (13 full time, 3 part time and 14 casual) This excludes contract caterers and cleaners.

Due to the size of the Club and staff, most employees have some form of gaming duties. The Club's employment policy is to engage staff that have the Responsible Conduct of Gaming Certificate.



## Cardiff RSL Club

Management and directors attend numerous industry conferences throughout the year such as the National RSL & Services Clubs Association Annual Conference, RSL National Conference, Clubs NSW Annual Conference and AGM, NSW Leagues Club Association Gaming Conference. Staff members are also trained in First Aid and Armed Robbery Prevention. RSA and RCG certificates are compulsory for Cardiff RSL staff as well as additional customer service and hospitality training.

### **6 Current Gaming Machine Tax**

Between 2004 and 2007 new revenue bands were created in a restructure of the gaming machine tax rates. Clubs earning gaming machine revenue above \$5million experienced the most significant tax increase. Cardiff RSL's Gaming revenue is within the \$1m- \$5m threshold with the highest marginal rate at 30.09% of each dollar of revenue above \$1m.

### **7 Gaming Machines**

It is the opinion of Cardiff RSL 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.'

Cardiff RSL agrees with these findings as they accurately reflect the beliefs of the club and its patrons.

## **8 Benefit to the Community**

Cardiff RSL plays an important social role in the community including the sponsorship of sporting teams to the club facilities provided to benefit patrons and members. These community links are forged and maintained by Club revenue, 59.1% of which is provided by poker machines.

### **8.1 Club Facilities and Internal Benefits**

**Facilities** - Pool Tables, Keno, TAB, Bingo, Darts, Bistro, Coffee Shop, Buffet Restaurant, Casual dining Menu, Weekly Live Entertainment, Function Rooms (Maximum capacity: 200) and Foxtel

#### **Activities –**

Poker Tournament – Saturday

Euchre Tournament - Tuesday and Thursday

Cash Housie - Tuesday,

Housie – Tuesday, Thursday and Friday

Hoi – Monday

Raffles - Wednesday, Thursday, Friday and Sunday

Member's Draws – Wednesday, Friday and Sunday

Dart Tournament - Monday

### **8.2 External Community Benefits**

Cardiff RSL reported in its Community Development Support Expenditure return for the year ending 31 August 2008 the following sponsorships for Category 2 support;

(Note: The values indicated below do not include the in kind support provided such as free room hire for meeting rooms and club events such as trivia nights, cabarets fundraisers and presentation dinners.)

## Cardiff RSL Club

<b><u>Sponsorship Recipient</u></b>	<b><u>Contribution (Annual \$)</u></b>
Garden Suburb Football Club	7000
Cardiff City Football Club	8000
Cardiff Netball Club	3500
Cardiff Junior Rugby League Club	2900
Cardiff Boolaroo District Cricket Club	8000
Cardiff RSL Cricket Club	3400
Warners Bay Junior Cricket Club	2000
Darts teams – Rattlers	960
- Guns	1120
Lake Macquarie Rugby Club	3300
<b><u>Total</u></b>	40180

Additionally Cardiff RSL is required to contribute funds to community projects under the Community Development Support Expenditure Scheme (CDSE) in conjunction with DOCS and Lake Macquarie Council.

**2008 recipients include:**

- Biala Services Inc. (Biala Peer Support)
- Disability Advocacy
- Wesley Newcastle City Mission Counselling
- Kokoda Youth Leadership Challenge
- Macquarie Hills Community Pre School.

The Club hosts Cash Housie every Tuesday night for the benefit of Glendon Special Needs P&C. The money is contributed towards the running costs of the hydrotherapy pool at Glendon Special School.

Cardiff RSL sent a Glendale Technology High student on the Kokoda Youth Leadership Challenge to walk the Kokoda Track. The cost to the club was approximately \$6000 and

helps maintain links to the community. Cardiff RSL is sending another student to trek Kokoda again in August 2009.

## **9 Potential Impact of Legislation changes on Cardiff RSL**

### **9.1 Financial Impact**

The most pressing impact on Cardiff RSL will be the financial strain caused by the legislative and regulatory changes to the gambling sector. The Club is already under pressure due to rising operating costs and the introduction of smoking bans in July 2007. Cardiff RSL is reliant on gaming machines for around 59% of total revenue. If legislation burdens gaming operators such as registered Clubs, Cardiff RSL is not large enough or financially strong enough to create major new revenue streams.

Secondly, strategies 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 Cardiff RSL staff to run these developments effectively.

### **9.2 Social Impact**

The loss of gaming machine revenue would infringe on Cardiff RSL's role as a social gathering point. Patrons frequent the club in order to enjoy the social atmosphere as well as good value meals and bar facilities. Revenue from gaming machines is used to complement, rather than subsidise, the restaurant and bar providing those who frequent the club with a more enjoyable experience. The reason Cardiff RSL remains profitable and relevant to the community is because it offers various forms of entertainment. The revenue generated from gaming operations significantly contributes to the maintenance and development of Club facilities.

### **9.3 Community Impact**

## Cardiff RSL Club

As noted previously Cardiff RSL 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 Cardiff RSL 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 Cardiff.

### **10 Recommendations**

It is the recommendation of Cardiff RSL that:

- No additional tax burden
- 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.

It is the opinion of Cardiff RSL that gambling activities are a legitimate form of entertainment that is enjoyed and accepted by Australian society. It is also accepted that a small percentage misuse gambling products like any other consumer product available on the market in Australia. Cardiff RSL accepts it has a role in assisting people who misuse gambling products.

### **11 Conclusion**

It is the opinion of Cardiff RSL that research into the effectiveness of legislation and regulation is essential before implementing problem gambling initiatives and harm minimisation strategies. Further regulating an already over regulated industry will adversely affect Cardiff RSL while ignoring the underlying mental health factors that drive problem gambling.

## Cardiff RSL Club

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

**12 Sources**

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

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