

Submission to the Gambling Inquiry Productivity  
Commission

Regarding the

INQUIRY INTO AUSTRALIA'S GAMBLING  
INDUSTRY

On behalf of

**NAMBUCCA HEADS BOWLING &  
RECREATION CLUB LTD.**

10<sup>TH</sup> March 2009

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## **1.00 - INTRODUCTION**

The Nambucca Heads Bowling & Recreation Club Ltd. (the Club) is situated in the township of Nambucca Heads on the North Coast of New South Wales. The township of Nambucca Heads is located at the mouth of the Nambucca River and forms the hub of the area known as the Nambucca Valley which comprises of the near towns of Macksville, Valla, Bowraville, Scotts Head, Eungai and Taylors Arm.

The physical location is in the Mid North Coast of New South Wales about halfway between Sydney and Brisbane and is bordered to the North by Coffs Harbour and Kempsey/Port Macquarie to the South. The Valley has a population of about 18,000 with some 67% living in urban centres. The township of Nambucca Heads has a population of 6,137 people (2006 census) with over sixties accounting for 29.5% of the population, well above the national average of 18%.

Nambucca Heads is a lower socio-economic area with a mix of predominately retirees and low income long term unemployed, together with working class people employed within the valley. Members do not have large disposable incomes and look for a low cost social and sporting environment.

The Club was formed on the 6<sup>th</sup> April 1949 and now in its 60<sup>th</sup> year of operation. The Club has a membership of about 2,000 with the majority of members living in Nambucca Heads.

The Club is affiliated with the Royal NSW Bowling Association and has two synthetic surface outdoor bowling greens. The Club is located in very close proximity to the Nambucca Heads RSL Club, a much larger Club that offers similar services to patrons. The township of Nambucca Heads also has a Golf Club, a Leagues & Sports Club and two hotels/taverns.

## **2.00 - POSITION IN THE INDUSTRY**

The Club is positioned as the 3<sup>rd</sup> Largest Club in the Valley with the Nambucca Heads RSL Club and the Macksville Services Club enjoying much larger memberships and size in the Valley. The Club is well positioned as a progressive Bowling Club in the Mid North Coast and has the largest Bowling Class Membership in the Mid North Coast area. (222 male bowling members and 132 female bowling members.)

The Club has a turnover of approximately \$2.5 million.

## **3.00 – REVENUE**

The Nambucca Heads Bowling & Recreation Club generates revenue from the following key activities.

REVENUE TYPE	2008 (\$)	2007 (\$)	% CHANGE
Bar Sales	694,011	702,966	-1.3
Poker Machine Income	895,058	978,608	-8.5
Bistro/Dining Room Sales	374,292	363,061	+3.1
Bowling Green Income	51,163	55,688	-8.1
Gaming Commissions	55,893	67,118	-16.7
Federal Grant Income	-	45,455	-100
Other Trading Activity	65,007	45,337	+43.4
	<b>\$2,135,424</b>	<b>\$2,258,233</b>	<b>-5.4</b>

Poker Machines provided the greatest source of income in the 2008 accounting year and accounted for 74.4% of the Clubs total net income of \$878,626. Whilst the Club has reviewed alternative sources of income, none examined would be either affordable to undertake due to capital constraints or difficult to grow to a level that could cover the cost of loss of gambling revenue.

#### **4.00 - EXPENSES**

Due to the restrictive nature of the Clubs income stream, the annual expenses have been contained by reducing discretionary expenses (those expenses which can be reduced by management decisions e.g. promotions, advertising, donations, wage costs etc) to compensate for increasing overhead expenses (e.g. electricity, superannuation, loan interest.)

In recent years, the Club has benefited from two major cost/expense reductions:-

1. The Club invested in the installation of two synthetic bowling green surfaces. This resulted in a reduction of greens maintenance cost of some \$120,000 per annum, reduced electricity and water usage and improved bowling fee income due to the all weather nature of the new surface. The cost was subsidised by receipt of the Federal Government Water Grant of \$50,000.
2. Due to recent changes in the Poker Machine Taxation system imposed by the NSW State Government, the Club's Poker Machine revenue has improved as Poker Machine Tax is not payable on income of <\$1 million. This represented a reduction of Poker Machine Tax payable in the 2008 year of \$78,907 compared to the previous year.

#### **5.00 - PROFITABILITY**

Whilst the Club is currently profitable, it is not extremely profitable and trades on an almost "break even" basis. Without the investment in the synthetic greens to substantially reduce greens maintenance costs and the "poker machine tax break" from the NSW State Government, the Club would be substantially unprofitable during the 2007 and 2008 financial years.

Over the fourteen (14) years that the author has managed the Club, the average yearly profit has been \$36,204 per year. The impact of non-smoking in clubs and the effect of the downturn in Australia's economy has seen the Club's Poker Machine income reduce by \$218,199 or 19.6% since 2006.

Any further legislation change, challenge from internet gambling or restrictions/socio-economic changes that reduced the Clubs Poker Machine income stream would make the Club unprofitable. Due to the small size of the Club, its proximity to the larger Clubs in the Valley and inability to fund alternative income streams, the Club would be placed in a difficult financial position to support local sport, support the community and potentially to continue trading operations.

## **6.00 - EMPLOYMENT & TRADING**

The Nambucca Heads Bowling & Recreation Club Ltd employ's 25 staff (5 full time, 2 part time and 18 casual). This excludes contract cleaners.

The Club regularly supports on-site training requests from employer groups (ETC, Mature age training), local schools work experience training and in house traineeships (3 complete, 2 current).

All staff who have exposure to gaming hold current Responsible Conduct of Gambling Certificates. Management & Directors attend numerous industry conferences throughout the year including accounting conferences for the Institute of Chartered Accountants by the Secretary Manager. Staff members are also trained in First Aid and Armed Robbery Procedures, Responsible Service of Alcohol and Responsible Conduct of Gambling certificates are compulsory for all bar service and management staff.

Should restrictions or further impediments be experienced which would affect the Clubs trading activities, one cost cutting measure would be to reduce staff hours and possibly staff numbers as well.

## **7.00 - PRIMARY INCOME SOURCE**

It is the opinion of the Nambucca Heads Bowling & Recreation Club Ltd that gambling within the Club on poker machines, Keno and TAB is a legal and popular recreation enjoyed by millions of ordinary Australians which includes the majority of our Club members.

There will always be a small number of gamblers who spend more than they can afford and some of this gambling would relate to poker machines. It is estimated that less than 1% of adults are considered to be problem gamblers. This Club believes that the value of benefits to the community and our Club members in conducting successful small community Club far outweigh the social cost of problem gambling by a very small percentage of the adult population.

## **8.00 - PRIMARY INCOME ALLOCATION**

The Nambucca Heads Bowling & Recreation Club Ltd is a Sporting and Recreation Club. After the payment of operational expenses the primary allocation of remaining funds is expended in the conduct of the game of lawn bowls.

Concerns with respect to obesity and related health issues have encouraged Australians to enjoy more exercise for their health. Between 250 and 290 bowlers play lawn bowls at our Club each week and it is recommended as a low impact, multi movement sport which can be enjoyed by persons with low fitness levels to provide exercise in an outdoor environment.

## **9.00 - BENEFITS TO THE COMMUNITY**

Nambucca Heads Bowling & Recreation Club Ltd plays an important role in the community including the support and sponsorship of sporting teams and individuals and provision of Club facilities for the benefit of patrons and members. This support is made possible and maintained by club revenue, 74% of which is provided by Poker Machines.

The Clubs facilities include:-

- 2 synthetic surface lawn bowling greens
- Keno
- Bingo
- Line Dancing
- Country Music Jam (monthly)
- Bistro & Dining Room
- Theatre Auditorium with raised stage
- Keno
- TAB
- Austar Sports
- Darts
- Poker
- Function Areas for hire
- Indoor Bowls

## **10.00 - COMMUNITY SUPPORT**

During the year, the Club conducted annual events in support of charity and support several annual funding commitments.

- Nambucca Heads High School – annual scholarship of \$500 to assist disadvantaged families with school fees and participation costs.
- Weekly raffles to assist the following local sporting groups
  - Nambucca Heads Junior AFL Club
  - Nambucca District Little Athletics
  - Nambucca High School
  - Nambucca Valley Netball Association
  - North Coast School of Sports Junior Bowling Association
  - Bowraville Junior Rugby League
  - Nambucca Heads Junior Surf Lifesaving Club
  - Nambucca Heads Primary School
  - Frank Partridge Primary School
  - Saints Junior Netball Club
  - Ian Stapleton Junior Boxing
  - Beaches Junior Netball Club
  - St Patricks Primary School
- Conduct of weekly Bingo at the Club by local United Hospital Auxiliary. The cost of morning tea and Bingo cards are donated by the Club (approximately \$4,000-\$5,000) and over \$16,000 was donated to the local hospital by the United Hospitals Auxiliary Committee last year from the proceeds of conducting bingo

- Local Charity Bowls Days held during the year which raised the following donations over the last twelve months
  - Legacy \$1,586.20
  - Vision Impaired and Blind Bowlers \$1,585.25
  - Cancer Council \$1,113.80
- A local group of retired entertainers (singers and musicians) called “The Nambucca Entertainers” conduct Dinner Shows at the Club and the most recent show raised \$1,000 for the Starlight Foundation.

In addition to the above sponsorship, donations and scholarships, the Club donates on an annual basis to support local and domestic charities and sporting groups/individuals. The Club has experienced a reduction in Poker Machine Income over the last two years due to many factors but the main reasons would be non-smoking in Clubs (we have not installed an outside/smoking poker machine area) increased competition from the renovated Nambucca Heads RSL Club and Macksville Services Club and local depressed economy. The Club no longer is required to commit to CDSE expenditure as Poker Machine income has dropped below \$1 million but the following donations were still recorded during the last financial year:-

- United Hospital Auxiliary Bingo	\$4,721.58
- Cancer Council	\$ 382.00
- Nambucca District Hospital	\$ 100.00
- Nambucca Valley Marine Rescue	\$ 843.00
- Scotts Heads New Years Eve	\$ 177.27
- Nambucca Strikers Football Club	\$ 250.00
- Nambucca Valley Playgroup	\$ 40.00
- Jump Start Restart Appeal	\$ 50.00
- Nambucca Valley Country Music	\$1,266.15
- Australia’s Biggest Morning Tea	\$ 200.00
- Red Cross	\$ 230.00
- Nambucca District Darts Association	\$ 130.91
- Spice of Life	\$ 30.00
- Riverside Gardens Retirement Village	\$ 38.60
- North Coast Institute of TAFE	\$ 30.00
- Starlight Foundation	\$ 100.00

### **11.00 – NON-MONETARY COMMUNITY SUPPORT**

In addition to providing funding to the aforementioned charities and community/domestic groups the Club also provides the following support to the Community.

- Vision Impaired and Blind Bowlers – the Club hosts monthly bowling events as well as special events for local and district Vision Impaired and Blind Bowlers. Our members volunteer on such days to “sight” the vision impaired bowlers and assist with meal service.
- Valleys to Plateau “Eclipse Bowlers” – the local “people with disabilities service provider” conducts a supported bowls morning for their disabled clients and carers to enjoy a sporting programme at the Club. The ramps, bowls chutes and mats were provided by the Club and volunteers to enable a wide demographic of intellectually and physically impaired Club members to enjoy their own sporting involvement in lawn bowls.

- The Club has undertaken over many years to provide meals and non-alcoholic beverages to local State Emergency Services and Volunteer Marine Rescue Squad members when they are actively engaged in providing crisis community support.
- During recent floods, the Club also assisted the local Meals on Wheels staff to cook and package meals in the Club kitchen as the normal kitchen used at another local club could not be accessed or used due to district flooding.
- The Club holds quarterly “Lunch time Shows” at discounted prices to provide affordable outings to senior citizens living in care accommodation whilst enjoying “cruise ship” style nostalgic shows in conjunctions with the attendance of other senior residents of the District.

## **12.00 - SOCIAL CONTRIBUTIONS**

During the year, the Nambucca Heads Bowling & Recreation Club Ltd hosts several important and significant bowling tournaments and dinners. The attendance of participants who compete in the tournaments and attend dinners provides an important stimulus to the local economy with respect to accommodation, meals, clothing, fuel and other purchases supporting the local township economy.

Some examples of the events referred to would be:-

- Ken Howard Memorial Bowling Tournament over 5 days
- Hibiscus Master Pairs Bowling Tournament over 3 days
- State Retired Transport Union Annual Dinner
- Annual 3D Archery Nationals Competition
- Drag-ens “Hot Rod” barefoot bowls & breakfast

In normal everyday terms, the Club also provides to members and guests:-

- Affordable meals
- Affordable social drinks
- Access to televised sports on pay TV
- Weekly access to indoor carpet bowls
- Weekly access to darts
- Weekly access to linedancing classes
- Monthly old time dancing

Quite clearly, the Club is a very important community asset enabling the elderly to manage the impact of late life wellbeing transitions by providing social participation, sporting participation, reducing social isolation and access to resources to improve the quality of daily living.



## **13.00 – POTENTIAL IMPACT OF REDUCTION IN POKER MACHINE INCOME ON THE NAMBUCCA HEADS BOWLING & RECREATION CLUB LTD.**

### 13.1 – Financial Impact

The Club relies on gaming machines for around 74% of total revenue. Over the last 15 years the Club has been impacted by the following legislative and external changes with respect to income generated by Poker Machines.

- the requirement to replace all existing poker machines with new “X” series poker machines which was an enormous capital outlay imposed on all clubs
- the competition from allowing privately owned hotels to operate poker machines for the benefit of increasing the profits of hotel owners at the expense of the local community clubs
- the connection of monthly cost of monitoring all poker machines to a State Government external monitoring connection which is in addition to the reports traditionally generated by Clubs to calculate the payment of poker machine tax
- The imposition of the Federal Goods and Services Tax which effectively reduced the income from each machine by 11%. It was not possible to increase the “cost” of playing a machine by 10% and therefore effectively all clubs had to pay the GST out of existing income. Revenue did not increase by 10% to cover GST but rather members had less to spend/invest in gaming as the 10% GST “ate into” their social spending surplus after paying the increased cost of living expenses.
- The substantial increase in Poker Machine Taxation payable to the NSW State Government substantially reduced the revenue available to be re-invested in the Community Club or distributed to the Community in support and donations
- The impact non-smoking legislation is well documented in reducing the Clubs income from poker machines takings as smokers no longer entered the Club to play poker machines, but rather utilised at home sources of entertainment and gambling such as TAB and internet gaming sites

The matters aforementioned have heavily impacted on all Clubs by increasing capital expenditure, increasing taxes, increasing competition, increasing expenses all with one result, it is becoming increasingly difficult for Club’s to remain as viable and strong business in the community.

Any further restrictions on the use of poker machines, any increase in taxation on poker machine income or any restrictions imposed that would reduce poker machine income would obviously dictate that the Nambucca Heads Bowling & Recreation Club would not be profitable enough to continue operation long term without revenue provided by gaming machines. If any legislation forces poker machines from the Club or enables internet gambling to operate outside the Club environment, then our Club is not large enough or financially strong enough to create a new revenue stream or cash flow which would cover the loss of poker machine income.

### 13.2 – Social Impact

Any loss of gaming machine revenue would seriously impact on the Nambucca Heads Bowling & Recreation Club's role in the small township community as a passive sport and social gathering point for our members. Patrons frequent the club in order to enjoy the social atmosphere as well as the sporting facilities provided together with good value meals and bar facilities. Revenue from poker machines complements rather subsidises the non-gaming facilities of the Club as without the poker machines revenue, the Club would not be able to settle payment of the bulk of operating expenses in order to exist and thus provide the good value non-gaming facilities.

### 13.3 – Community Impact

As clearly related in this submission the Nambucca Heads Bowling & Recreation Club contributes to the local community through various sponsorship, educational and community donations and provision of service facilities to community groups and individuals. With gaming machine revenue, the Club would not have the financial flexibility to support or continue this commitment to the community.

The relationship and social relevance of the Club within the local and district community would be lost without the ability to continue the Clubs community support and thus remove the opportunities for the Club to attract patrons through marketing, creation of goodwill and sporting encouragement by providing much valued community support.

## **14.00 – RECOMMENDATION**

It is the recommendation of the Nambucca Heads Bowling & Recreation Club Ltd that:-

- the value of poker machine income to community clubs be maintained without any change with respect to increased tax, restrictions or changes in legislation which would affect the anticipated revenue stream from existing machines in situ
- taxpayer funds and receipts from existing taxes on poker machine turnover (State Government Taxes and Federal Goods and Services Tax) be spent on researching and investing in mental health with appropriate training for Club staff to identify and aid problem gamblers

Problem gamblers will follow their problem habit regardless of where poker machines are located or accessible, especially in non-regulated internet sites. If restrictions are placed on social gamblers being able to enjoy social gambling at clubs, they will direct their disposable gaming funds into other gaming outlets (internet, lotteries, TAB horse & sports betting) and Clubs will be lost to the local community if the important revenue stream from poker machines is denied or further restricted or taxed.

## **15.00 – CONCLUSION**

Governments have allowed and encouraged Clubs to grow and prosper for the past 50 years secure in the knowledge that a Club returns far greater to the community than it takes in gambling.

The Independent Pricing of Regulatory Tribunal recently estimated that Clubs make an annual \$839 million positive social contribution to the community and this value does not include the intangible benefits of Clubs or their sporting facilities.

The Nambucca Heads Bowling & Recreation Club Limited relies heavily on gaming machine revenue and will be unable to remain profitable or as a viable commercial entity without it. The lack of profitability will adversely affect Club members, who rely on the Club for social interaction, entertainment and sporting facilities and the local community who benefit from the Clubs investment in local educational institutions, hospitals, facilities for the disabled and other community programmes.

Those opposed to gambling often ignore and will give little appreciation of the positive contribution all Clubs provide. If there is a social cost to gambling then it must be equally acknowledged that club's provide a greater social benefit.

Nambucca Heads Bowling & Recreation Club Limited.  
Neil Hatch B.A, C.A  
Chief Executive Officer