



CLUB

MARCONI

of Bossley Park Social Recreation & Sporting Centre Limited

Sydney's Truly Cosmopolitan Club

23 March 2009

The Productivity Commission
Gambling Inquiry
GPO Box 1428
Canberra City ACT 2601

To the Productivity Commission

Thank you for the opportunity in allowing Club Marconi to contribute to the Gambling Inquiry.

Attached is a submission detailing the current status of Club Marconi and it's role within the community. Aside from highlighting the Clubs financial contributions, it also identifies the impact of the current gaming taxes and reform in addition to the detrimental effects that further reform will place on the clubs ability to continue to run its operations.

We hope that you consider this submission whilst conducting your inquiry and that you too will realise the true value of Clubs in NSW and nationally.

Please do not hesitate to contact me on 02 9822 3302 should you require any further information or assistance.

Yours sincerely,

Debbie Feening
Chief Executive Officer

ABN: 60 000 196 832



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Submission to

Gambling Inquiry Productivity Commission

Submitted by

Club Marconi

March 2009

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INTRODUCTION

This submission has been devised to assist the government in its Productivity Commission Inquiry, specifically highlighting the current position and beneficial features of Club Marconi and the realistic implications that further regulatory constraints on the gaming industry will impinge on Club Marconi's ability to maintain its community responsibility and support.

Whilst the club offers poker machines as a social form of entertainment to certain members of its membership, its main purpose to provide the community with a range of first class facilities in sports, education, entertainment, food and beverage are the foundations of its existence. A further fundamental feature is the clubs continual emphasis on providing the community with a range of cash and in kind sponsorship and support, none of which could continue without the clubs ability to operate its business units effectively, those which are heavily influenced by its gaming division.

The submission will identify the negative impact current gaming taxes and legislation have placed on the clubs ability to perform and the detrimental effects that further gaming reform will place on its operations and ultimately the clubs ability to exist and perform its role in the community.

GENERAL INFORMATION AND CLUB MARCONI BACKGROUND

The idea of Club Marconi was fostered in the mind of a small group of inspired men with the simple desire to create a meeting place for members of the Italian community in the South Western suburbs of Sydney to play the traditional Italian bowls game of Bocce. The dream progressed into a humble bocce club that had only 106 foundation members on its official opening. Fifty years strong, it has grown into a fully licensed multi-functional registered club with over 26 000 members and 240 staff.

Club Marconi's cosmopolitan membership is reflected in the multicultural mixing pot of its geographical positioning. Located in the city of Fairfield, with neighbouring cities such as Liverpool, Cabramatta and Holroyd, 30.4% of this population was born in Australia, whilst a large majority of the community are of Middle Eastern, European and Vietnamese backgrounds. Similarly, Club Marconi's membership base attracts an array of cultures, representing over eighteen different nationalities.

Culture and sports are synonymous with its reputation and as such the club upholds the importance of its tradition by supporting a variety of intra clubs and sporting groups. There are over nineteen different sporting groups within its intra club make up, many of which are unique to its community and club industry as they focus on the original club sports of Bocce as well as other Italian styles of sport including Borella.

The clubs success is built on its ability to serve the needs of its members. With thirty acres of sporting facilities, house and ground the Club's facilities are second to none. Aside from four eateries, two main entertainment auditoriums and modern lounge settings, the Club boasts the largest indoor bocce court in the Southern Hemisphere along with a 12 000 seat sporting stadium.

Positioned in the top 25% of Clubs in NSW¹, the club is comparable with mid-sized Clubs and therefore makes it a suitable point of reference for the purpose of this submission.

¹ Club Data Online

REVENUE STREAMS

Types of revenue

Club Marconi derives its revenue from a number of activities. The table below represents the major activities.

| Revenue Streams | | | | 2008/2007 | |
|-----------------------------------|-------------------|-------------------|-------------------|--------------------|---------------|
| Revenue Type | 2008 (\$) | 2007 (\$) | 2006 (\$) | Difference (\$) | % Change |
| Bar Sales | 4,965,673 | 4,570,161 | 3,966,311 | 395,512 | 8.65% |
| Poker Machines | 24,646,609 | 26,188,645 | 26,616,466 | - 1,542,036 | -5.89% |
| Catering | 3,875,145 | 3,831,216 | 3,514,920 | 43,929 | 1.15% |
| Memberships | 431,408 | 192,926 | 228,267 | 238,482 | 123.61% |
| Entertainment, Promotions, Sports | 2,659,508 | 2,069,354 | 2,181,954 | 590,154 | 28.52% |
| Tax Rebate | 0 | 788,916 | - | - 788,916 | -100.00% |
| Total | 36,578,343 | 37,641,218 | 36,507,918 | - 1,062,875 | -2.82% |

Revenue from gaming machines is the number one source of income contributing to approximately 62% of its total revenue for the financial year ending 2008. Other diversified forms of revenue offering the balance of this income are mainly derived from its beverage, catering, entertainment and membership business units. Although the clubs strategic plan concentrates on the development of diversifying revenue streams, the strong hold of its gaming revenue is evident and in line with its competitor clubs.

EXPENSES

Since 2007 the Club has experienced almost a 9% increase in total expenses. A major contributing factor of this is the costs associated with building upgrades and maintenance which were necessary in combating the negative effects placed on trade with the introduction of non smoking legislation, as well as an ageing building and facilities. Further borrowings effecting total expenses were required to pay the December 2007 quarter of gaming tax as the club did not have the available funds. Upgrades to sporting facilities and grounds also placed an excess on expenses, due to the demand by the membership and the community who utilise these facilities.

The larger ongoing and growing expense of the gaming tax continues to cause stress on the clubs plummeting bottom line. The table below represents other ongoing expenses.

Types of major expenses

| Types of major expenses | 2008/2007 | | | | |
|---|--------------------|-------------------|-------------------|--------------------|-----------------|
| | 2008 (\$) | 2007 (\$) | 2006 (\$) | Difference | % Change |
| Changes in Inventory of Finished goods (COGS) | 3,116,970 | 2,948,058 | 2,639,416 | 168,912 | 5.73% |
| Borrowing/loan (Net Financing Cost) | 1,771,606 | 1,389,729 | 2,177,702 | 381,877 | 27.48% |
| Wages | 11,227,193 | 10,984,865 | 9,869,294 | 242,328 | 2.21% |
| Workers Compensation | 1,610,828 | 381,354 | 821,490 | 1,229,474 | 322.40% |
| Poker Machine Tax | 6,887,763 | 6,846,167 | 6,059,682 | 41,596 | 0.61% |
| Promotions | 895,587 | 769,735 | 1,173,826 | 125,852 | 16.35% |
| Entertainment | 846,607 | 805,111 | 914,927 | 41,496 | 5.15% |
| Depreciation & Amortisation | 3,552,852 | 3,528,265 | 2,753,642 | 24,587 | 0.70% |
| Administration | 4,548,637 | 5,592,299 | 5,401,938 | - 1,043,662 | -18.66% |
| Legal Fees | 1,896,117 | 622,000 | 171,737 | 1,274,117 | 204.84% |
| Any other major expenses | 2,400,141 | 1,697,735 | 2,268,331 | 702,406 | 41.37% |
| Total | 38,754,301 | 35,565,318 | 34,251,985 | 3,188,983 | 8.97% |
| Net Profit | - 2,175,958 | 2,075,900 | 2,255,933 | - 4,251,858 | -204.82% |

As the gaming tax continues to rise, the club, like its counterparts, continues to fight the struggle of maintaining a profitable operation. Evidence of this occurrence is shown in the clubs trading highlights as follows.

| Financial Year | Profit/(Loss) |
|-----------------------|----------------------|
| 2008 | \$(2,175,958) |
| 2007 | \$2,075,900 |
| 2006 | \$2,255,933 |
| 2005 | \$2,090,006 |
| 2004 | \$1,071,465 |

EMPLOYMENT AND TRAINING

The club employs 240 members of the community, not including contractors. A portion of its employees come from a Non-English speaking background, therefore the club conducts multi-skilling and stringent in house training courses to provide opportunity and education. From trainees to working mothers, the club is able to provide employment for various groups of the community. In fact, the Clubs CEO dedicates her time in training seminars across a variety of community high schools offering students the opportunity to gain there Responsible Conduct of Gaming certificate, providing the necessary qualifications to assist in gaining employment in the Hospitality industry.

Staff training on the responsible conduct of gaming and the clubs responsibility of safe gaming form an integral part of the Human Resources training regime. Not only is this apparent in the regular staff levels, but also priority to the Management team and Board of Directors who attend a numerous variety of conferences and training seminars throughout the year in order to maintain the continual education and awareness of this aspect of its operation.

THE COMMUNITY

The spirit of community support is the core of the clubs existence. Although the past financial year has been a challenge, the Board and Management acknowledge the reliance of community groups and organizations placed on the support afforded by the club, and the value that the club contributes to the local community. In the past financial year the club contributed almost \$300,000 in CDSE donations alone.

However the club goes above and beyond its CDSE obligations and offers a variety of other forms of support to the community and community groups with both cash and in kind contributions.

As the club represents a multicultural segment of the community, one of the primary focuses of community support is the provision to uphold the maintenance and support of cultural groups and activities. Hosting the Italian Republic Day celebrations, Chestnut Day Festivals, school excursions and activities for non English speaking seniors are examples of this support.

A total of \$545,263 was calculated is a total of in kind support above CDSE sponsorship for the financial year ending 2008.

Another major community scheme is the Clubs very own Youth Driver Safety Program (YDSP), which is a unique program developed and designed by the club that offers local high school students free driving lessons. Since its inception in 2006 over 420 local high school students have embraced the opportunity of free driving lessons with the focus on safe driving. The program is praised by local teachers, parents and students for offering opportunity and value to the participants' education. Its popularity has caused such a demand from the community that resources have increased dramatically, effecting the amount of funds and expenditure offered by the club for the maintenance of this program. The table below highlights the total amount of contribution offered by the club for this program.

Youth Driver Safety Program Expenses

| Financial Year | Total Club Contribution |
|-----------------------|--------------------------------|
| 2008 | \$60,357 |
| 2007 | \$48,577 |
| 2006 | \$5,969 |

The total Club contribution for this program is expected to exceed \$100,000 for the financial year ending 2009.

Sport and recreation is an important part of the clubs legacy. Whilst being active is essential to our health and well being, participation in sport contributes to the economic and social well being of our community.

As sport was one of the founding elements of the Club, its involvement and integration with sport is an essential element of its operations today. From the traditional sport of bocce to rugby league, the club currently hosts a variety of nineteen different sports, providing support for them each under the umbrella of sporting associations/intra clubs.

Examples of the assistance offered by the club to all sporting associations include;

- Providing the required sporting facilities and equipment - including playing fields, indoor bocce courts etc.
- The maintenance of these facilities - grounds staff and equipment required to maintain playing fields etc.
- Administrative assistance - such as sports association office which allows sports association volunteers access to resources required to maintain the administrative requirements of each sport.
- Storage room and security facilities - for uniforms, equipment etc.
- Free use of facilities and function rooms - such as the free use of function rooms to hold meetings, sports lessons eg fencing, physical culture and indoor carpet bowls etc.
- Subsidies in food and beverage requirements – eg discounted meals and packages for association events and fundraiser evenings.
- Publicity and Marketing support – eg inclusions in the clubs member’s magazine for each association to report on their sport and provide community awareness, internal advertising in club to members and community.
- Assistance in hosting sporting events – eg subsidies and support provided for hosting the annual sports carnivals event and other sporting tournaments.

Over the past two financial years the club has spent in excess of \$832,460 on the provision of these sporting facilities for the community and its members.

Needless to say, Club Marconi’s reputation is synonymous with soccer (Football) in Australia. Over the years the club has strived on its football development programs and has been involved in the training and development of some of Australia’s finest football exports including Harry Kewell, Mark Schwarzer and Cristian Vieri to name but a few. During Australia’s National Soccer League years, Club Marconi produced many International players at a cost of millions of dollars. In fact, our countries World Cup team of 2006 had 5 players that had played at Club Marconi over the years. The clubs extensive financial support and contributions towards the training and development of football to youth players forms a paramount feature of its community contribution that calculates to over \$700, 000 per annum.

IMPACT OF LEGISLATION AND FURTHER GAMING REFORM

Financial impact

It is evident that the current gaming taxes and legislation have already played a detrimental part in the clubs financial situation. Increasing the pain on an already strained environment caused by over legislation, rising operating costs and non smoking legislation that only continues to further negatively effect the clubs ability to operate profitably. The flow on effect of this will not only impinge on the clubs existence and its employees, but the community that which it supports and the businesses that supply to the industry.

Every business needs to upgrade and replace product to remain competitive. The crippling financial state of the Club has slowed down the clubs ability to purchase new product. For example the turnover of a gaming machine is typically seven years. With the clubs 460 machines, this equates to approximately 68 machines per year. In 2008 the club purchased only 28 devices. Many other clubs are in similar positions, therefore impacting on the businesses and employees who supply the industry.

Although Club Marconi is aware of the need to diversify business and as such have introduced many new business units to create additional revenue streams, diversification can not be achieved without the funds produced by the clubs gaming operation to help create and enhance these new business units.

Community Impact

Should the legislation continue to impose such strain on the clubs financial position, it will simply not be able to continue to function at its current community level. This will ultimately result in the reduction of community support highlighted in the major projects listed above, namely...

- The provision of CDSE funding,
- The provision of additional cash in and in kind support above and beyond community funding,
- The provision and maintenance of culture and cultural activities to the community,
- The provision of quality sporting facilities and resources,
- The provision of the Youth Driver Safety Program, eliminating the opportunity for local high school students to learn safe driving skills,
- The provision of sports development at a grass roots level,
- The provision of employment
- Support to local Primary and High schools, and
- Local business and industry suppliers who rely on the clubs trade.

In this case the social impact would be dire. Facilities offered by the club such as sporting fields and grounds would be eliminated from the community. The hundreds of community members who currently participate in sports and sporting activities offered by the club will no longer be catered for. The effects of this will cause further strain on the government who will have the added pressure of providing safe community parks and fields to a growing population.

As sport presents the obvious benefits to wellbeing and lifestyle, the elimination of the clubs provision of sporting facilities will have an obvious effect on the social, emotional and physical health to members of the local community.

Eliminating the clubs ability to provide such facilities will also impact on the future of football in Australia. Eradicating sports development from a grass roots level.

Finally, further financial strain on the club will ultimately impinge on the clubs ability to continue to employ members of the community, particularly those that it offers to people from a non-English speaking background and lower education levels. Such a loss will only cause further stress on Australia's current unemployment statistics.

Geographically the Club is situated in an area which the State considers as a low income area. The flow on effect will adversely impinge on small businesses in the area, as many as 230 suppliers who rely on the club for their income. These businesses also employ people from Western Sydney, therefore the domino effect would be far reaching.

RECOMMENDATIONS & CONCLUSION

The clubs is aware of the impact of problem gambling in the community and takes a proactive stance on trying to assist those who suffer from this. However the introduction of further gaming taxes and reform will not assist problem gambling, rather redirect them from clubs and similar venues to race tracks, casinos, internet gambling etc.

More focus should be on how to treat problem gamblers and mental health issues. Simply placing a tax does not help the individual with the gambling problem.

The government should be aware of the vast variety of support and contributions that clubs make to the community. The realisation of such will demonstrate that with the absence of clubs and their community support at both financial and non financial levels a vast majority of their reliant communities will be negatively impacted. There is evidence of this in new communities that do not have clubs supporting them giving their children opportunities to develop life skills through sport.

Should the resources and community funding of clubs go amiss, as more clubs lose the battle and close their doors, the government will experience much greater harmful and damaging effects to a much larger and diverse segment of the community who will be ultimately disadvantaged by the absence of clubs.

The Government should means test Clubs on the ability to pay this tax, particularly clubs that have existing loan facilities and fixed costs that where never in a position to survive an increase. After committed loans have been reduced then an increase in taxes should be considered.

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