

GAMBLING: SUPPLEMENTARY SUBMISSION -- CLUBS

Registered Clubs: strike two

I have no reason to be critical of the Commissions' draft findings in relation to gambling, especially gambling associated with gaming machines.

However voluntary the choice to play these machines may appear to be, playing these machines can be conducive to personal misfortune, and those observing the misfortune unfolding seemingly have no incentive to intervene responsibly in the normal course. In many clubs, it is an unfortunate corollary that the losses of those with problems are applied to the benefit of a particular few.

I was accordingly disappointed that the Commission did not endorse, in its draft findings, my concerns arising in entrenched functional inequities, within licensed clubs, that are conducive to club management personally benefiting from gambling losses and facilitating problem gambling.

I understand that some issues of this kind were addressed by the Commission in its findings about the conduct of the not-for-profit (NFP) sector of the economy. My concern with this grouping is that licensed clubs, along with many other cooperative mutual businesses, are conducted as if they are profit-making businesses. In short, while perhaps not knowing for sure, I expect to find a big difference in commercial focus between the Red Cross, for example, and most licensed clubs substantially dependent on gaming and liquor sales.

The underlying issue with NFPs engaged in commercial businesses, and competing with FP counterparts, is that the members of a cooperative mutual are de-facto shareholders, as has been illustrated by the privatization of many such NFP businesses, especially in the financial services sector.

Looking beyond the prospect of privatization, it is typically the case that the interests of most members of a club are subordinated to the personal preferences of a particular group of members that dominates the board and exercises discretionary control of the disbursement, as expenses, of the trading surplus of the club.

The dynamics of this process – and the inclination of club management to facilitate problem gambling – could be very different. The outcome would likely be better if the conditions of a club license required the management of the club to ensure that the distribution of its trading profits were distributed (as expenses) to reflect reasonably closely the de-facto entitlement of different classes of member to dividends, as if they were shareholders.

I appreciate that one could get lost in deep and meaningful discussion of the inherent democracy of the arrangements surrounding the election of the management of licensed clubs.

I hope others appreciate that as a practical matter these democratic ideals are typically perverted as a few come to dominate the many, and proceed to institutionalize the appropriation of an unfairly large entitlement that is applied to the benefit of the control group.

For sure, the issues in this line of inquiry go beyond 'gambling' but it is equally the case that the money diverted has its origins in 'gambling' and the not unrelated sale of alcohol.

It is equally fair to say that most adult Australians are probably members of clubs and, as members, are disadvantaged by clubs being managed in a way that benefits particular interests disproportionately. For the usual reasons, that an inequity is entrenched, it is appropriate to look for an offsetting regulatory influence to restore a better balance. I would expect wide support in the community for this point of view.

Accordingly, I would like the Commission to promote a review of the conditions attaching to licensing of gambling (and liquor trading) activities of registered clubs. The primary objective of any review would be the restoration of a sense of fair play across all members of clubs operating as cooperative, mutual businesses. The primary approach would be to make the spending of the trading profits from clubs' licensed operations, subject to in-principle approval and audit protocols overseen by a regulatory agency responsible to protect the entitlement of all members to fair play.

- **additional summary points**

Australia has a problem with favored private interests taking funds for their own purposes from the gambling losses of others: illustratively, the problem is associated with gaming machines in clubs.

Within licensed clubs – which collectively own most gaming machines – there are predictable inequities in the distribution of profits associated with gaming machines (and liquor sales).

Clubs members' losses on gaming machines are less in the wake of competition from gaming machines in pubs. Club members dependent on those losses to finance their preferred activities continue to take a disproportionate share of overall club surpluses. This process unchecked, clubs will fail: all members will lose the benefits of a cooperative, mutual business otherwise capable of bringing substantial benefits to a local community.

There are inequities associated with the disbursement of funds at the administrative discretion of boards of clubs representing cliques of dependent 'insiders'. As well, one can expect inclinations to problem gambling to be encouraged when clubs' management has prior entitlements to the money that gamblers lose.

Ideally, licensed clubs would operate in the interests of all their members with an elected board, itself reasonably representative of all members, overseeing executive management. Ideally the board and management would ensure that contributions to trading profits from identifiable groups of members reflect fairly in subsidizing benefits preferred by those groups i.e. that all members are treated fairly as members.

The renewal of liquor and gaming licenses could be made conditional on clubs fairly matching benefits with contributions to trading profits from different classes of member.

This framework would not preclude clubs having a particular focus (golf, bowls, etc) but it would ensure that members enjoying specific facilities would only do so on a basis that was financially self-sufficient within that member group: i.e. these members would not take substantial net subsidies from trading and gaming profits contributed by other members.

Given the national attachment to a fair-go, a framework matching benefits and contributors would have broad appeal.

The mechanics of elites dominating clubs mimic political processes in most institutions. Technically, elected board positions are contestable but divisive confrontations in local communities can be very unpleasant. As usual, the exploited members are typically fragmented while the members in control exclusively support a board favorable to their interests. The politics of these situations sensibly suggests the imposition of some regulatory codes and guidelines to protect vulnerable members and promote fair play.

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