

# Response from Bermagui Country Club to the Productivity Commission's Draft Report on Gambling

On behalf of:

Bermagui Country Club Ltd

10/12/09

<b>Contents</b>	<b>Page</b>
1.0 Executive Summary	1
2.0 Introduction	2
3.0 Scope and Position of Bermagui Country Club	2
3.1 General Information & Background	2
3.2 Position in the Club Industry	2
4.0 Revenue Streams	
4.1 Types of Revenue	3
4.2 Types of Expenses	4
4.3 Economic Contribution	4
4.4 Profitability	5
5.0 Employment & Training	5
6.0 Current Gaming Machine Tax	5
7.0 Gaming Machines	6
8.0 Benefit to the Community	6
8.1 Club Facilities and Internal Benefits	7
8.2 External Community Benefits	7
9.0 Potential Impact of the Adoption of the Recommendations from the Productivity Commission's Draft Report on Gambling	
9.1 Financial Impact	7
9.2 Social Impact	7
9.3 Community Impact	8
10.0 Recommendations	8
11.0 Conclusion	8
12.0 Sources	9

## 1. Executive Summary

This submission has been written in order to outline the financial position and prominent community role of Bermagui Country Club and the detrimental effect that adoption of the recommendations in the Productivity Commission's Draft Report on Gambling will have on the club's ability to function.

- The Bermagui Country Club is an incorporated club with a membership of approximately 2,600. The population of Bermagui village is around 1350 and local membership numbers approximately 1000 (75% of the population).
- The Bermagui Country Club is the central community resource that the village relies on for a wide range of sporting, social and community activities and services.
- The Bermagui Country Club is the largest employer in the village, contributing over \$1 million in wages each year.
- The Club is located on approximately 60 hectares and comprises the Club House, 18 hole golf course, 2 bowling greens, 6 tennis courts and a croquet green. There are also 3 designated indoor sporting areas and a separate facility for Arts & Crafts.
- In the three year period 2006-2008 Bermagui Country Club's operating loss totaled (\$760,534). This loss can be almost entirely attributed to sporting facilities and could not be sustained with any significant reduction in poker machine revenue. Planned diversification of income will assist the club in reversing the trend of losses but the adoption of some of the recommendations in the draft report will most likely mean that Bermagui Country Club is no longer financially viable. This also means the Club will no longer be able to make any contribution to the local community.
- Bermagui Country Club believes that some of the proposed recommendations are unnecessarily harsh and disadvantage the vast majority of both players and venues alike. It is unlikely that the proposed measures will achieve any significant reduction in risk for the problem gambler. Current measures already in place however are achieving positive results and problem gambling rates are in decline. With continued or increased funding towards education and rehabilitation the draconian and financially crippling measures outlined in the draft report would be unnecessary.

It is the opinion of Bermagui Country Club that some of the report's key recommendations are misdirected and will not achieve the aim of reducing problem gambling. Instead, adoption of the recommendations will cause more financial hardship to Bermagui Country Club and the club industry as a whole. The recommendations, if adopted, will adversely affect employees, patrons and the entire club industry, while simply moving problem gamblers to casinos and racetracks, or to their homes where no regulation at all is available.

## **2.. Introduction**

Bermagui Country Club is a sporting and social venue that provides poker machines as a form of legal entertainment for patrons. It is the belief of Bermagui Country Club that adoption of the recommendations from the Productivity Commission's Draft Report on Gambling will unfairly target the club and similar organisations while not achieving the aim of reducing problem gambling.

It is the opinion of Bermagui Country Club that required research into the effectiveness of the recommendations has not been conducted. Further regulating an already over regulated industry will adversely affect Bermagui Country Club and the Club industry while ignoring the underlying mental health factors that drive problem gambling.

This submission has been produced by Donald Rumball (former President) on behalf of Bermagui Country Club, and in conference with ClubsNSW, to identify the misguided nature of the Draft Report recommendations and the significant affect it can have on the club's financial viability and role in the community.

## **3.. Scope and Position of Bermagui Country Club**

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

Bermagui Country Club is situated in the village of Bermagui in New South Wales and is one of the 1359 registered clubs in the state. The club draws its members from Bermagui (pop 1355 - 2006 census) , Cobargo (pop 880 - 2006 census) and members from Victoria and the ACT who regularly holiday in Bermagui. Total membership is roughly 2,600 members.

Bermagui 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.

### **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 ClubsNSW, highlights the financial and social position of the club industry. The information found in the study, which surveyed clubs around the state, shows Bermagui Country Club to be statistically similar to the average sporting club with annual income of \$1m to \$5m. This makes the study a suitable point of reference in identifying potential effects of implementing the recommendations of the Draft Report.

## 4.. Revenue Expense Stream

### 4.1 Types of Revenue

Bermagui Country Club stimulates revenue from a set number of activities:

<b>Revenue Type</b>	<b>2008-2009 \$</b>	<b>2007-2008 \$</b>	<b>% Change</b>
<b>Operating Activities</b>			
Bar Sales	929,663	955,104	(2.7)
Poker Machine Revenue	1,333,652	1,481,038	(10.0)
Gaming Trading (TAB, Keno)	35,561	39,735	(10.5)
Tobacco Trading	1,733	1,285	34.9
Bonanza Trading (Raffles)	79,313	77,539	0.2
Coffee Shop Trading	13,537	4,927	174.8
Sporting Facilities	370,957	359,099	3.3
Snack Machine Trading	446	1,321	(66.2)
Restaurant Trading	317,841		
<b>Non-Operating Activities</b>			
Interest	6,375	16,242	(60.7)
Other Revenue	121,460	109,180	11.3
<b>Total</b>	<b>3,210,542</b>	<b>3,045,473</b>	<b>5.4</b>

Poker machines were one of Bermagui Country Club's major sources of revenue during 2008-2009 accounting for approximately 41.5% of total income (compared with 48% for the year 2007-2008). Poker machine revenue for the current year (2008-2009) is a further downturn of 10%. The above mix of revenue is significantly less than the average of 63% (findings from the Socio-Economic Impact Study of Clubs in NSW - 2007) for clubs with revenue between \$1m and \$5m annually. The range of sporting facilities provided by Bermagui Country Club is the major reason for this difference. Sporting revenue represents 11.6% of total revenue.

## 4.2 Types of Expenses

<u>Expense Type</u>	<u>2008-2009 (\$)</u>	<u>2007-2008 (\$)</u>	<u>% Change</u>
Bar Trading	794,902	812,081	(2.1)
Poker Machine Trading	331,989	461,212	(28.0)
Gaming Trading	22,253	44,047	(49.5)
Bonanza Trading	84,014	97,690	(14.0)
Coffee Shop Trading	8,428	6,251	34.8
Sporting Facilities	609,295	631,873	(3.6)
Restaurant	306,907		
Borrowings	151,405	155,568	(2.7)
Depreciation	270,455	319,970	(15.5)
Entertainment	114,753	160,420	(28.5)
Insurance	69,795	70,515	(1.0)
Light, Power & Heat	85,283	73,044	16.8
Printing, Postage and Stationery	30,166	35,565	(15.2)
Repairs & Maintenance	118,700	102,267	16.0
Interest Paid	144,417	144,658	(0.2)
Superannuation	94,460	88,179	7.1
Payroll Tax	36,696	28,849	27.2
All Other Expenses	123,072	154,876	(20.5)
<b>Totals</b>	<b><u>3,396,990</u></b>	<b><u>3,387,065</u></b>	<b><u>0.3</u></b>

## 4.3 Economic Contribution

	<u>2008-2009</u>	<u>2007-2008</u>	<u>% Change</u>
Total Revenue excluding Gaming Revenue	1,876,890	1,564,435	20
Gaming Tax paid	213,159	276,567	(22.9)
Total Borrowings	1,584,360	1,626,084	(2.6)
Total Assets	3,339,349	3,537,914	(5.6)
Financial Performance. Profit/(Loss)	(186,448)	(341,592)	(45.4)
Wages*	1,133,432	965,094	17.5

\* Restaurant - Introduced 2008-2009

Gaming expenses represent 30% of gaming revenue whereas sporting expenses represent 164% of sporting revenue. The Club's ability to provide significant sporting facilities for members in a lower socio-economic area mainly comprised of retirees, young couples and working class people is dependent on the gaming machine revenue. The introduction of some recommendations from the Productivity Commission's Draft Report would lead to a significant loss of sporting facilities for the villages of Bermagui and Cobargo and would almost certainly mean fewer Victorian and ACT members and visitors to the area.

#### **4.4 Profitability**

Bermagui Country Club losses have continued over the last seven years, however as a result of advice from Clubs Consulting (now HDB Consulting) and the implementation of a major restructure, Bermagui Country Club can continue to trade and will achieve close to break even results. Any additional financial burden or downturn could not be sustained by the Bermagui Country Club and would lead to a loss of facilities and quite possibly closure of the Club.

#### **5. Employment and Training**

Bermagui Country Club currently employs 40 staff; 15 permanent, 7 part time and 18 casual.

All staff with some form of gaming duties hold a Responsible Conduct of Gaming Certificate. All staff with the exception of ground staff, cleaners and kitchen staff are required to have a Responsible Service of Alcohol Certificate.

Management and directors attend seminars and conferences throughout the year such as the ClubsNSW Annual Conference and AGM, Club Directors Institute Seminars, Club Manager's meetings and seminars and various Staff training courses. Staff members are trained in First Aid and Armed Robbery Prevention, as well as ongoing customer service and hospitality training.

If the recommendations from the Productivity Commission's Draft Report were to be implemented then Bermagui Country Club would have to further cut costs to maintain viability. The only genuine cost saving to the Club would be through a reduction of services by reducing staff numbers and closing down outdoor facilities such as the Golf Course and Bowling Greens.

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

Following the Club Gaming Tax Resolution by the NSW Government in 2007 Bermagui Country Club was only marginally affected due to the Clubs poker machine revenue being at the bottom end of the \$1m-\$5m bracket and the revenue continuing to fall.

## **7.. Gaming Machines**

In 2008 Bermagui Country Club reduced the number of gaming machines from 61 to 46. This enabled the Club to utilize more space for other forms of entertainment to appeal to a wider section of the market. The reduction was possible because the Club had too many machines for a Club its size and can meet the gaming requirements of members and guests with fewer machines. A further reduction in numbers would diminish revenue and would not be a viable option. Another positive result from this strategy has been to make it difficult for patrons to play more than one machine at a time.

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 that:

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.

Bermagui Country Club agrees with these findings and they accurately reflect the beliefs of the club and its patrons. It is the opinion of Bermagui Country Club that gambling on poker machines is a legal and popular recreation enjoyed by millions of ordinary Australians.

## **8.. Benefit to the Community**

Bermagui Country Club plays an important social role in the community including:

- The provision of affordable facilities for golf, bowls, tennis, croquet, darts, pool, indoor bowls and arts & crafts.
- The sponsorship of sporting teams including the Bermagui Australian Rules Football Team, the Bermagui Surf Life Saving Club and various junior sporting clubs.
- The provision of many social activities for members and guests
- Sponsorship and assistance to service clubs and community services including the Lions Club, Bermagui Ambulance, Bermagui Rural Fire Service, Senior Citizens groups, Meals on Wheels, Various Cultural Groups and the Bermagui SES.
- Sponsorship and regular donations to the Bermagui Public School, Bermagui Pre-school and Cobargo Pre-School.



- Provision of club facilities at no cost for Bermagui Senior Citizens, Country Women's Association and many other community groups, charities and organizations. These community links have been forged over many years and are maintained by Club revenue, over 40% of which is provided by poker machines.

Bermagui Country Club is required to contribute funds to community projects under the Community Development Support Expenditure Scheme (CDSE) in conjunction with other Bega Valley Shire Council Registered Clubs and the Bega Valley Shire Council. CDSE requirements constitute only around 10% of the total amount spent annually by Bermagui Country Club in support of community activities.

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

**Outside Facilities** - 18 Hole Golf Course, 2 Bowling Greens, 6 Tennis Courts, Croquet Court and a stand-alone building housing Potters, Leadlighters, Painters, Ceramic Artists and Wood turners.

**Clubhouse Facilities** - Pool Tables, TAB, Keno, Bingo, Darts, Indoor Bowls, Bistro, Coffee Shop, Restaurant, Weekly Entertainment, Function Rooms, Sports Bar (Maximum capacity: 180), Foxtel

**Events** – As well as over 20 different sporting events each week, Bermagui Country Club provides a Snooker Tournament (Friday and Wednesday), Euchre Tournament (Friday), Raffles (Wednesday and Friday) Trivia (Wednesday), RSL Bingo (Monday), Breaker's Bingo (Friday), Poker (Monday and Wednesday).

## **9.. Potential Impact of the Adoption of the Recommendations from the Productivity Commission's Draft Report on Gambling**

### **9.1 Financial Impact**

If implemented in its entirety, Bermagui Country Club will experience severe financial strain caused by some of the recommendations. The Club is already under pressure due to rising operating costs and the introduction of smoking bans. Bermagui Country Club, like most clubs is reliant on gaming machines and may cease to be viable if this income is further affected by new legislation.

### **9.2 Social Impact**

The loss of gaming machine revenue would greatly diminish Bermagui Country Club's ability to provide sporting facilities and a social gathering point for locals and visitors. As Bermagui Country Club provides the only facilities of their type in the town, many locals would no longer be able to participate in their chosen sports and recreational activities should the Club be no longer able to provide them. Patrons frequent the club in order to play their chosen sport and 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 sporting facilities, restaurant and bar providing those who frequent the club with a more affordable and enjoyable experience.

This is the basis for the existence of Bermagui Country Club and is the reason that well

over half the population are members.

### **9.3 Community Impact**

As noted previously Bermagui Country Club 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 Bermagui Country Club 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 Bermagui. In short, the community would lose many of its most valuable recreational assets should Bermagui Country Club cease to be in a position to provide them.

### **10.. Recommendations**

It is the recommendation of Bermagui Country Club that:

- The recommendations from the Productivity Commission's Draft Report not be imposed
- 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.

Problem gamblers will follow poker machines if they are moved to racetracks and casinos. Gaming money will still be spent but will not be redirected back to communities as is the case when Clubs collect the revenue. Social gamblers will redirect their money into other social outlets and club patrons will lose an important part of their local community if this tax is imposed.

### **11.. Conclusion**

The Recommendations of the Productivity Commission's Draft Report will not fix the issue of problem gambling but it has the potential to financially ruin the Bermagui Country Club and the club industry as a whole. Bermagui Country Club relies heavily on gaming machine revenue to maintain its sporting facilities and will be unable to remain viable without it.

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

Problem gambler's will not be deterred by moving gaming machines to different establishments but the social gambler who plays poker machines for enjoyment along with others who frequent the club will suffer.

## **12. Sources**

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

Independent Price and Regulatory Tribunal 2004, Gambling — Promoting a Culture of Responsibility, July < [http://www.olgr.gov.au/gaming\\_info\\_ipart.asp](http://www.olgr.gov.au/gaming_info_ipart.asp)>

Parliament of Australia: Senate 2008, Inquiry into Poker Machine Harm Reduction Tax (Administration) Bill 2008, March

Bermagui Country Club audited financial accounts for the years 2004-2009