



LICENSED CLUBS' ASSOCIATION OF VICTORIA INC.
(INCORPORATED IN VICTORIA)

Reg. No.A0024297K

21 December 1998

Mr John Williams
Director
Productivity Commission
PO Box 80
BELCONNAN ACT 2616

Dear John,

Re: Inquiry into Australia's Gambling Industries

When presenting the Submission (No. 90) on behalf of the Licensed Clubs' Association of Victoria Inc. (LCAV) on 25th November, 1998, the Commissioners asked if the LCAV could provide the following additional information:

Para 4.2, Page 5

Question: For what period of time do Tattersalls and Tabcorp hold their current Gaming Operator Contracts?

Answer: Tattersalls - 20 years; from 14th April 1992 to 14th April, 2012.
Tabcorp - 18 years; from 15th August, 1994 to 15th August, 2012.

Para 4.2, Page 5 and Para 5, Page 7

Question: Can the LCAV provide figures to show that the two operators system and the high level of State taxation leads to the lowest returns to clubs anywhere in Australia?

Answer: The attached table (Attachment A) shows a comparison between similar sized clubs in Victoria, New South Wales and the Australian Capital Territory.

Para 4.3, Page 7

Question: Number of months notice the gaming operator gives the club venue operator before removing electronic gaming machines?

Answer: The attached extract (Attachment B) from a Tattersall's Venue Operator's Agreement.

.../2

Para 6, Page 9

Question: Details of the Codes of Practice, including the Independent Complaints Resolution Process, the complaint forms and the self exclusion forms?

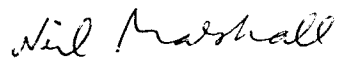
Answer: "Responsible Gaming - An Industry Code of Practice for Victoria" is attached.

Para 6, Page 11

Question: What is the Industry Licence for club and hotel employees?

Answer: Copy of Industry Licensing manual is attached.

Yours sincerely,



Neil L. Marshall
Executive Director

Attach.

IMAGINARY CLUB

	Operating Under NSW Conditions \$	Operating Under ACT Conditions \$	Operating Under Victorian Conditions \$	
<u>GAMING MACHINE TRADING</u>				
Gross Takings	12,415,990	12,415,990	12,415,990	
Profit on Sale of Gaming Machines	3,884	3,884	-	
	12,419,874	12,419,874	12,415,990	
Less Direct Expenses				
Gaming Machine Levy & Licence Fee	3,072,958	2,752,907	8,277,326	
Wages	1,053,803	1,053,803	1,053,803	
Concessions, Promotion and Prizes	1,225,318	1,225,318	1,225,318	
Depreciation	444,278	444,278	-	
Maintenance	147,401	147,401	-	
Consumables	51,665	51,665	-	
Cleaning	81,889	81,889	81,889	
Payroll Tax	62,135	62,135	62,135	
Uniforms	13,928	13,928	13,928	
Occupational Superannuation	39,057	39,057	39,057	
Other	68,727	68,727	68,727	
	6,261,159	5,941,108	10,822,183	
Total Expenses:				
Net Gaming Machine Trading Profit:	\$6,158,715	\$6,478,766	\$1,593,807	
<u>OPERATING PROFIT</u>				
Revenue:				
Trading Profit/(Loss)				
- Gaming Machines	6,158,715	6,478,766	1,593,807	
- Bar	312,477	312,477	312,477	
- Food	(340,553)	(340,553)	(340,553)	
- Amusement Machines	16,136	16,136	16,136	
Members Subscriptions	304,623	304,623	304,623	
Nomination Fees	67,386	67,386	67,386	
Amenities	26,377	26,377	26,377	
Interest	14,388	14,388	14,388	
Profit/(Loss) on Disposal of Assets	6,678	6,678	6,678	
Total Net Revenue:	6,566,227	6,886,278	2,001,319	
Total Expenses:	5,646,914	5,646,914	5,646,914	
Operating Profit for the Year before Income Tax:	\$919,313	\$1,239,364	\$3,645,595	LOSS

- 4.5.2 game types,
- 4.5.3 the total number of Gaming Machines able to be installed by Tattersall's in the State of Victoria,
- 4.5.4 the distribution of Gaming Machines inside and outside the Melbourne Statistical Division,
- 4.5.5 the distribution of Gaming Machines between Restricted Areas and Unrestricted Areas,
- 4.5.6 the amounts payable to Venue Operator's out of the total amounts wagered on gaming by players,
- 4.5.7 the distribution of Gaming Machines between Hotels and Clubs,

and the Venue Operator further acknowledges that if these or any matters that are outside the control of Tattersall's are the subject of directions or determinations by the Authority and/or the Minister and/or the Director pursuant to the Act or Regulations or any Act of Parliament, Tattersall's may thereby be required to alter the number, type, location or other characteristics of the Gaming Machines installed or to be installed at the Venue. Such alteration by Tattersall's shall:-

- 4.5.8 be effected by Tattersall's as soon as practicable following the alteration having become necessary; and
- 4.5.9 not be the subject of any objection or claim for compensation on the part of the Venue Operator; and
- 4.5.10 attract the fullest possible co-operation from the Venue Operator in assisting Tattersall's to effect such alteration; and
- 4.5.11 to the extent that Gaming Machines are or remain installed at the Venue, not abrogate or derogate from the operation of this Agreement in respect of those remaining Gaming Machines.

4.6 The Venue Operator may, at any time, apply to Tattersall's to vary the number or type of Gaming Machines or Provisional Gaming Machines installed at the Venue. Tattersall's may, in its absolute discretion, grant or reject such application and if such application is granted, Tattersall's shall cause such variation to be made and thereafter, this Agreement shall apply to such varied number or type of Gaming Machines or Provisional Gaming Machines as if the same were included in Item 4 or Item 5 of Schedule A of this Agreement at the date hereof.

4.7 If the Gaming Machine Performance at the Venue at any time is less than eighty per cent (80%) of the Market Segment Performance at that time of the Market Segment in which the Venue is categorised, Tattersall's may give notice to the Venue Operator that Tattersall's requires Gaming Machine Performance at the Venue to improve. If upon the expiration of eight (8) weeks from the date of service of such notice the Gaming Machine Performance During the First Period:-

- 4.7.1 is less than ninety per cent (90%) of the Market Segment Performance During the First Period, Tattersall's may at any time thereafter upon giving the Venue Operator twenty-one (21) days written notice, reduce the number of Gaming Machines installed at the Venue by a maximum of twenty-five per cent (25%) of the Gaming Machines then installed at the Venue, or
- 4.7.2 is equal to or exceeds ninety per cent (90%) of the Market Segment Performance During the First Period, the Gaming Machine performance at the Venue will be assessed over the immediately succeeding eight (8) Week period and if the Gaming Machine Performance During the Second Period -
- (a) is less than ninety per cent (90%) of the Market Segment Performance During the Second Period, Tattersall's may at any time thereafter upon giving the Venue Operator twenty-one (21) days written notice, reduce the number of Gaming Machines installed at the Venue by a maximum of twenty five per cent (25%) of the Gaming Machines then installed at the Venue, or
 - (b) equals or exceeds ninety per cent (90%) of the Market Segment Performance During the Second Period but is less than one hundred per cent (100%) of the Market Segment Performance During the Second Period, Tattersall's may at any time thereafter upon giving the Venue Operator twenty-one (21) days written notice, reduce the number of Gaming Machines installed at the Venue by a maximum of fifteen per cent (15%) of the Gaming Machines then installed at the Venue.
- 4.8 After any such reduction, this Agreement shall apply to such reduced number of Gaming Machines as if the same were included in Item 4 of Schedule A of this Agreement at the date hereof.
- 4.9 Tattersall's may only issue one notice to the Venue Operator pursuant to sub-clause 4.7 (except any notice under sub-clause 4.7.1 and/or sub-clause 4.7.2) in each successive six month period following the commencement of this Agreement.
- 4.10 In removing any Gaming Machines from the Venue pursuant to sub-clause 4.7, Tattersall's will first remove the lowest performing Gaming Machines (measured by Net Machine Income) and so on, such that any Gaming Machines removed will be those that make up the group of lowest performing Gaming Machines installed at the Venue.
- 4.11 If as a result of the removal of Gaming Machines by Tattersall's pursuant to sub-clause 4.7 the number of Gaming Machines at the Venue falls below sixty per cent (60%) of the number of Gaming Machines (excluding Provisional Gaming Machines) installed at the Venue at the commencement of this Agreement, the Venue Operator may give Tattersall's thirty (30) days notice of its intention to rescind this Agreement and at the expiration of such notice period this Agreement shall be at an end. Neither party shall have or maintain any action, proceedings or claim for compensation in respect of any such rescission.

- 4.12 Prior to the commencement of gaming at the Venue, the Venue Operator must cause to be installed in a location within the Venue specified by Tattersall's, and thereafter maintained during the currency of this Agreement, a facsimile machine and dedicated telephone line and handset of a kind approved by Tattersall's.
- 4.13 If, during the currency of this Agreement, Tattersall's Property installed at the Venue is destroyed or so damaged by fire, storm or tempest as to be incapable of further operation, Tattersall's shall, at its own expense, replace the same with the best available product within sixty (60) days of the Authority approving the Venue for gaming (if necessary) or the Venue being restored to the same condition it was in prior to any damage sustained and otherwise complying with sub-clause 4.1, whichever is the later.
- 4.14 The Venue Operator must display the Signage in accordance with the Venue Operating Manuals and Tattersall's reasonable directions and shall regularly clean the Signage and keep the same in proper working order.
- 4.15 The Venue Operator must utilise the logos licensed by the Trustees to Tattersall's for the purpose of promoting the playing of Gaming Machines at the Venue in such manner as Tattersall's from time to time reasonably direct.
- 4.16 The Venue Operator must not market, promote, advertise or make any statements or representations regarding any aspect of the Gaming Machines or the Linked Jackpot Arrangement other than as may be specifically authorised in the Venue Operating Manuals or with the prior approval of Tattersall's.
- 4.17 The Venue Operator must actively participate in promotional activities relating to gaming as Tattersall's may reasonably require. The cost of such promotional activities shall be to the account of Tattersall's unless the Venue Operator has requested, and Tattersall's have agreed to provide special promotional activities for the Venue in which case the costs thereof shall be to the account of the Venue Operator, unless otherwise agreed.
- 4.18 Tattersall's may not issue a notice to the Venue Operator pursuant to sub-clause 4.7 (except any notice under sub-clause 4.7.1 and/or sub-clause 4.7.2) until after the expiration of twelve months from either:
- 4.18.1 the commencement of gaming at the Venue for the first time, or
 - 4.18.2 the commencement of operation of Gaming Machines installed by Tattersall's at any single venue within a one (1) kilometre radius of the Venue (whether by way of installation of Gaming Machines for the first time or by an increase in the existing number of Gaming Machines), if and only if the number of Gaming Machines (excluding Provisional Gaming Machines) so installed equals or exceeds twenty five (25), or
 - 4.18.3 the completion of a substantial renovation of the Venue which is undertaken with Tattersall's written agreement that such renovation is in the best interests of the Venue and Tattersall's.

- 4.19 If circumstances arise in which more than one of the events referred to in sub-clause 4.18 occur within twelve (12) months of each other, the Venue Operator shall receive the advantage of only one moratorium period of twelve (12) months referred to in sub-clause 4.18, dating from the occurrence of the first such event.

5. MONEYS WAGERED ON GAMING

- 5.1 Immediately following the commencement of this Agreement the Venue Operator shall open and shall thereafter maintain, at a Bank approved by Tattersall's, an account operated in the name of the Venue Operator and styled "Tattersall's Trust Account", for the purpose of depositing therein the Net Machine Income. The Venue Operator shall not close or transfer this account without first advising and obtaining the written approval of Tattersall's.
- 5.2 As frequently as directed by Tattersall's, the Venue Operator shall pay into the account referred to in sub-clause 5.1, a sum or sums equal to the amount or amounts shown in Tattersall's records as being the Net Machine Income from time to time.
- 5.3 Deposits made by the Venue Operator as aforesaid shall accumulate in the said account and as frequently as determined by Tattersall's, Tattersall's shall deduct from the said account by an appropriate means of direct debit, all sums standing in the said account which represent:
- 5.3.1 amounts prescribed by Tattersall's for payment to a Jackpot special prize pool; and
 - 5.3.2 Tattersall's prescribed percentage of the Net Cash Balance as determined in accordance with the Act; and
 - 5.3.3 the Authority's prescribed percentage of the Net Cash Balance as determined in accordance with the Act.
- 5.4 The Venue Operator shall not withdraw any sum from the said account save for the amount which represents the Venue Operator's percentage of the Net Cash Balance as prescribed by Section 136 of the Act and any amount credited to the said account by Tattersall's pursuant to sub-clause 5.7.
- 5.5 Tattersall's shall not require any authorisation apart from that contained in this Agreement to effect from time to time, each direct debit referred to in sub-clause 5.3.
- 5.6 Immediately following the commencement of this Agreement the Venue Operator shall provide to the Bank conducting the said account, a form of continuing authority approved by Tattersall's and sufficient to give effect to the purpose of sub-clause 5.3.
- 5.7 If at the time any direct debit is due to be effected pursuant to sub-clause 5.3, there is no positive balance in the said account Tattersall's shall not effect any debit on that occasion and the Venue Operator shall credit directly to the said account:-