

The purpose of this submission is to:

- respond to comments made in the report relating to Penrith Rugby League Club (Panthers), "Super Clubs" and the NSW Club Industry
 - make comment on suggestions contained in the report that NSW Clubs should pay more tax
 - make comment on the suggestion that the Club Community Benefit scheme should be paid into consolidated revenue
 - ask why information requested by the Commission and supplied by Panthers was not included in the Draft Report, particularly when that information is contradictory to the arguments offered in the report
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"The contributions to problem gambling funding within the gambling industries also vary by jurisdiction. For example, Star City Casino bears the whole burden in NSW, whereas in Victoria it is the hotels who pay."

Draft Report - Summary LIV

This is incorrect.

Panthers has for some years funded an area branch of Wesley Gambling Services by paying for the cost of their full time counsellor.

The Betsafe group of Clubs has developed a problem gambling assistance package which is equal to world's best practice. Other Clubs provide assistance to organisations that provide counselling to problem gamblers.

"Poker machine revenue for the top dozen NSW Clubs ranges from 65 to 88 per cent of their total revenue"

Draft Report - Summary LX

This is incorrect.

Our figures for the 1996/97 financial year (as supplied) show the correct figure to be 54.6% based on the following:

Total Gaming Revenue	\$47,671,000
Total Receipts	\$87,233,000

"If the gambling industry were not there, most of the resources would generally be employed elsewhere."

Draft Report - 4.14

Figures contained in the BRW Top 500 Private Business list do not even go close to supporting this contention.

Rank	Company (balance date)	TOTAL REVENUE		EMPLOYEES	
		\$m	Inc	#	Inc
250	Breville Holdings (6/98)	102.0	45.7	135	3.8
252	Agostino Mitsubishi (6/99)	100.8	13.1	296	72.1
253	ICA Property (6/99)	100.4	131.3	26	30.0
254	Lipman (6/99)	100.0	33.3	65	-9.7
254	Grand Metro Group (6/98)	100.0	N/C	50	N/C
256	Bowen Petroleum Services (12/98)	99.9	9.9	103	6.2
257	SA Co-op Bulk Handling (9/98)	99.7	17.7	572	-2.2
258	BMD Group (6/99)	99.5	9.0	233	11.0
259	Plumbers' Supplies Co-op (6/99)	99.4	19.9	222	7.8
260	Buildcorp (6/98)	97.9	56.8	90	0.0
261	Penrith Rugby League Club (8/98)	97.6	12.9	882	14.4
262	McWilliams Wines (6/98)	97.0	5.4	N/A	N/C
262	P D Mulligan (Holdings) (6/98)	97.0	3.2	35	N/C
264	Bega Co-op (6/98)	96.0	-18.7	185	68.2
264	President Ford (6/98)	96.0	5.5	95	5.6
264	ASP Aluminium Holdings (6/99)	96.0	1.8	190	0.5
264	LeMessurier Timber (6/98)	96.0	11.6	67	N/C
264	Catholic Church Insurances (6/99)	96.0	-13.0	182	7.1
269	Fuelink (6/98)	95.1	N/C	118	N/C
270	M C Herd (6/98)	95.0	3.3	360	N/C
270	Castricum Brothers Export (6/98)^	95.0	4.4	250	N/C

This table comprises the 20 companies either side of Panthers in the BRW list (the complete list is shown on BRW's web-site). If we average the figures of all those companies (excluding Panthers):

Average turnover	\$97.6m
Average employees	172.3

Your "Theory of Displacement" might be able to account for jobs for 172 of our 882 employees should Panthers cease to exist.

Panthers, and other Clubs, employ a disproportionately high number of people in relation to revenue and any comprehensive review of the benefits of gambling would validate that point.

"The Commission considers that this arrangement (Club Community Benefit Levy) is unlikely to deliver the level of benefits to the community that would be delivered if the tax was paid into consolidated revenue and allocated as part of the normal budget process."

Draft Report - 19.9

We disagree.

Clubs have a proud history of community support. In the 12 months prior to the introduction of this scheme, Panthers donations were \$1.3m. It makes a lot of sense for Clubs to be able to allocate funds in their own areas. They are best placed to know where funds are best used. They can respond immediately to urgent requests. A central body administering a pool of funds, would not have detailed knowledge of the needs of the Penrith area. In order to obtain that knowledge, they would need to build an infrastructure of some size and the cost of that bureaucracy would impact on, and eat into, the amount of allocations.

It also makes sense for funds to be allocated proportionally back into the areas of those people generating the gambling revenue. A central fund would need to ensure that every donation could be justified and that no body or charity or region was disadvantaged.

For the past few years, Panthers has averaged donating over 20% of its annual profit to a range of worthwhile causes with the main emphasis on charities and junior sport. Note that this figure excludes all donations to our NRL team.

Renowned Irish Business Author, Charles Handy, has long asserted that the complete budgets of all Great Britain charities could be satisfied if each public company in Great Britain donated just 0.5% of their annual profit.

"Examination of the annual accounts of the large 'super clubs' also reveals that poker machine surpluses offset losses made from other club services, predominantly restaurant and bar services (table 20.2). The implications that prices for non-gambling goods and services are subsidised by gambling."

Draft Report - 20.15

We note that Panthers figures were omitted:

Club	P/M Net Profit	Other Gaming	Bar Trading	Catering
Penrith Rugby League	28,926	43	3,070	621
Canterbury Bankstown League	21,242	n/a	(353)	(499)
Cabra-Vale Ex-Services	12,016	(31)	(137)	(649)
Western Suburbs Leagues	10,780	(84)	(187)	(4)
Canterbury Hurlstone Park RSL	9,534	45	(50)	(383)
Burwood RSL	7,861	23	407	(310)
Eastern Suburbs Leagues	12,158	236	314	(328)
Liverpool Catholic	9,383	146	245	(51)
Revesby Workers	9,466	(39)	579	(424)
Blacktown Workers	13,384	99	390	(289)
Rooty Hill RSL	18,970	163	141	(278)
Mt Pritchard Community	15,810	n/a	(457)	(242)

The draft report states that there is an "implication" that subsidies are occurring and that may be the case in some instances. However, there is no:

- recognition that not all "Super Clubs" are subsidising other amenities through gaming
- evidence that the prices charged are below commercial rates (what are these Clubs charging for a schooner of beer, for example)
- recognition that the practice of subsidising of a range of other amenities exists in hotels and casinos (possibly to a much larger extent)
- recognition that award wages under the Club Employees State Award contain higher base rates and penalties than awards in hotels and restaurants and Clubs are not permitted to employ staff under the age of 18 years

It is well recognised that many hotels have introduced extremely attractive rewards systems for poker machine players, as all casinos have done for many years. Clubs have to deal with the ramifications of the Registered Clubs Act (not being able to provide a benefit for a member that is not available for any other member) in designing reward systems. Hotels and Casinos have no such restrictions.

"Of the options, the one which appears to offer the best prospects for remedying the worst problems is the imposition on clubs of a higher level of state tax on gaming."

Draft Report - 20.39

The following table shows the amount of gaming tax paid by Panthers in the period 1984 to 1998, when it has been its current location and would appear to meet your definition of a 'Super Club'.

Year	Audited Profit	P/M Revenue	Tax per G/L	License	Total Tax
1984	\$570	\$7,751,272	1,551,387	274,234	1,825,621
1985	(\$97,322)	\$9,214,057	1,787,676	300,490	2,088,166
1986	\$527,132	\$10,513,609	2,066,989	293,443	2,360,432
1987	\$1,884,055	\$12,995,586	2,483,835	272,925	2,756,760
1988	\$947,366	\$15,756,487	3,144,444	286,000	3,430,444
1989	(\$689,934)	\$18,281,047	3,630,243	386,392	4,016,635
1990	(\$42,257)	\$20,816,224	4,085,806	399,340	4,485,146
1991	(\$106,072)	\$22,607,633	4,927,907	129,252	5,057,159
1992	(\$1,346,087)	\$22,326,954	5,012,217		5,012,217
1993	\$1,284,830	\$23,338,812	5,229,957		5,229,957
1994	\$2,714,184	\$28,891,363	6,479,057		6,479,057
1995	\$3,346,083	\$36,740,337	8,274,734		8,274,734
1996	\$4,415,508	\$41,139,326	9,249,139		9,249,139
1997	\$499,640	\$47,671,049	11,188,852		11,188,852
1998	\$4,932,612	\$50,675,217	12,569,187		12,569,187
Totals	\$18,270,308	\$368,718,974	\$81,681,429	\$2,342,076	\$84,023,505

In this 15 year period, Panthers made a pre-gaming tax profit of \$102,293,814.

The NSW Government's share was \$84,023,505 or 82.1%.

Panther's share was \$18,270,308 or 17.9%.

Panthers would be interested to know what the Productivity Commission considers a fair rate of tax?

When the Commission visited Panthers, the point was made that any business that has been operating under a stable taxation regime for a number of years could have its profitability and viability threatened by a significant increase in taxation. Panthers operated for years with a state tax of 22.5%. That was increased some two years ago to 24.75% (or an increase of 10%).

The suggestion that taxes in clubs could be increased contains no reference to any impact study to determine whether such an increase is affordable.

It fails to mention that 24.75% is far higher than the average rate of tax paid by gaming operators throughout the world.

It contains no acknowledgement that large percentages of profits after tax are disbursed to charities and other worthwhile causes. Nor does it recognise that the club industry employs a disproportionately high number of staff for its levels of revenue.

It seems incomprehensible to note that the Commission supports internet gambling - which hires precious few people, builds virtually nothing and delivers profits into the hands of few.

Problem Gambling

Panthers congratulates the Commission for its work on problem gambling. The suggestion that more research is needed would get strong support from us.

We cannot accept that 39% of the revenue is derived from problem gamblers or that it is even close to that figure. Many alcoholics do not have even one drink over the course of a year. Similarly many problem gamblers have managed to control their addiction and can resist the urge to gamble. We would suggest that your research doesn't allow for the fact that many problem gamblers don't contribute anything to gambling revenues.

Proper and detailed research will confirm or refute that figure.

Fact, or Fiction?

A lot of so-called evidence is not necessarily based on fact.

In the early 90's the Manager of a small credit union in the Illawarra was convicted of fraud. He pleaded guilty and said that he had lost the money in the poker machines of a local Club.

The employees of the Club had never seen the man. There was no record of him ever having received a jackpot at the Club. There was no evidence to suggest that he had used a player card in the Club's player tracking system. There was no request from anyone to the Club to verify the story.

It was simply recorded as fact.

Clubs are the "Village Halls" of the 90's

Many of your suggestions will impact on the fabric of our society. Clubs have become part of that fabric. They are, in many ways, the village halls of our time, social centres benefiting people who have little or no interest in gambling. The following is just one example.

Panthers opens each year on Christmas Day and takes bookings for each of its restaurants including the bistro.

Two years ago, 9 people made single bookings in the bistro. Our staff decided to put them all together on one table. They went to some extra trouble decorating that table and bought small presents for each of the people.

Those people have subsequently met for lunch quite a few times since that Christmas Day and are now all good friends.

We submit that a number of your suggestions have been based on incorrect information or omissions. We'd be pleased if you would give consideration to the points raised in this document.