

Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

The Community Affairs Committee,

Thank you for the opportunity to allow our organisation to contribute to the discussion surrounding Family First's proposed Poker Machine Harm Reduction Tax (Administration) Bill. Attached to this letter you will find the submission of Cardiff RSL for the committee to consider.

Cardiff RSL offers the services of poker machines to patrons as a purpose of entertainment. Revenue from this allows the club to maintain its role in supporting community projects.

The club plays an important social role in contributing to the local community through various sponsorship programs.

It is the view of Cardiff RSL that this legislation has the potential to not only have significant financial and social implications on the organisation and its patrons but the ability to cause irrefutable damage to the club industry as a whole.

It is for this reason that we request careful consideration of this submission by the committee and more thorough research into the effectiveness of the proposed legislation is undertaken before it be seriously considered for implementation.

Regards,

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Submission to the Community Affairs Committee of the
Federal Senate

Regarding the

**Inquiry into Poker Machine Harm Reduction Tax
(Administration) Bill 2008**

Written by

Matthew Parker

On behalf of

Cardiff RSL Club

30/5/08

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Cardiff RSL Club

Matthew Parker

1 Executive Summary

This submission has been written in order to outline the financial position and prominent community role of Cardiff RSL Club and the detrimental effect that Family First's Poker Machine Harm Reduction Tax (Administration) Bill will have on the organisation's ability to function.

- Cardiff RSL is a part of the Returned and Services League of Australia which acts as a support organisation for men and women who have served or are serving in the Australian Defence Force
- The Club is located in close proximity to Cardiff Panthers. A much larger club that provides similar services to patrons.
- In 2007 Cardiff RSL experienced a 21% increase in total revenue. Poker Machines were the club's greatest source of revenue accounting for 65% of total income.
- Since 2006 Cardiff RSL has experienced a 47% increase in total expenses. In this time the club's Gaming Machine expenses have risen by approximately 21%.
- Despite the 21% increase in revenue Cardiff RSL's rising expenses caused a drop in profitability from \$832,093 to \$275,404 between the end of 2006 and the end of 2007.
- Cardiff RSL plays an important social role in the community including the sponsorship of sporting teams to the club facilities provided to benefit patrons and members. These ventures are funded by poker machine revenue.
- The legislation of this bill will mean Cardiff RSL will no longer remain financially viable. This will also lead to the Club being unable to continue its contributions and prominent position within the local community.
- Cardiff RSL believes this tax should not be imposed and funding should be directed towards education and rehabilitation programs for problem gamblers and those who come in contact with them.

It is the opinion of Cardiff RSL that this legislation is misdirected and will not achieve its aim of reducing problem gambling. Instead, the new tax will cause more financial hardship to Cardiff RSL and the club industry as a whole. This new tax will adversely affect employees and club patrons while simply moving problem gamblers to casinos and racetracks.

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2 Introduction

Cardiff RSL Club is a social venue that provides poker machines as a form of legal entertainment for patrons. It is the belief of Cardiff RSL that Family First's Poker Machine Harm Reduction Tax (Administration) Bill, if imposed, will unfairly target the club and similar organisations while not achieving the aim of reducing problem gambling.

It is the opinion of Cardiff RSL that required research into the effectiveness of this legislation has not been conducted. Further regulating an already over regulated industry will adversely affect Cardiff RSL while ignoring the underlying mental health factors that drive problem gambling.

This submission has been produced by Matthew Parker on behalf of Cardiff RSL, and in conference with ClubsNSW, to identify the misguided nature of this legislation and the significant affect it can have on the club's financial viability and role in the community.

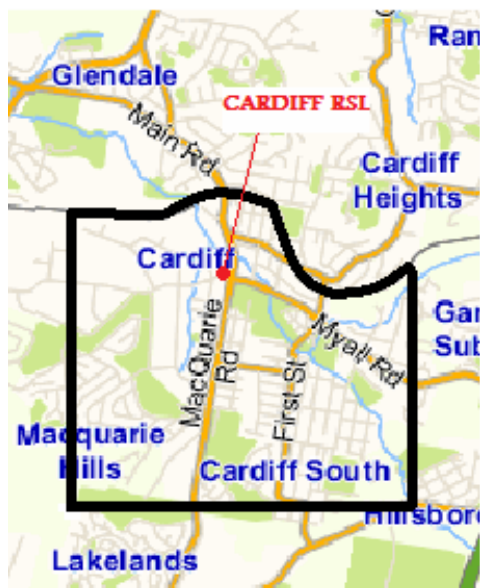
3 Scope and Position of Cardiff RSL

3.1 General Information and Background

Cardiff RSL is situated in Macquarie Rd, Cardiff in New South Wales and is one of the 1359 registered clubs in the state. The club draws its members from a geographic area bounded on three sides by natural undeveloped land corridors and on the fourth side by the main northern railway line. However, this does not necessarily reduce the membership of the club as a variety of effective public transport options are available.

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The area within the black boundary depicts the local area of which Cardiff RSL, shown in red, primarily attracts its patrons and members.

Cardiff 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.

Cardiff RSL is a part of the Returned and Services League of Australia which acts as a support organisation for men and women who have served or are serving in the Australian Defence Force. The Club is located in very close proximity to Cardiff Panthers, a much larger club that offers many similar services to patrons. This is the first time Cardiff RSL has been compelled to submit to a public affairs inquiry.

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 Cardiff RSL to be statistically similar to the average club with annual income of \$1m to \$5m. This makes the study a suitable point of reference in identifying potential effects Senator Fielding's legislation will have on Cardiff RSL.

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4 Revenue Streams

4.1 Types of Revenue

Cardiff RSL stimulates revenue from a set number of activities:

<u>Revenue Type</u>	<u>2007 (\$)</u>	<u>2006 (\$)</u>	<u>% Change</u>
Bar Sales	1,491,290	1,049,782	42.06%
Poker Machine Revenue	3,025,924	2,703,318	11.93%
Cafe Sales	38,624	0	
Raffles and Bingo	211,532	193,425	9.36%
Ordinary Activity Revenue	229,123	197,187	16.20%
Gaming Commissions	47,268	35,461	33.30%
<u>Total</u>	5,043,761	4,179,173	20.69%

Poker machines were Cardiff RSL's greatest source of revenue during 2007 accounting for approximately 65% of total income throughout the year and maintaining that rate into 2008. Other diversified forms of revenue like the Cafe and Bingo contribute approximately 4% of revenue and would be difficult to grow to a level where they could cover from the loss of gaming revenue. This mix of revenue is consistent with the findings of the 'Socio- Economic Impact Study of Clubs in NSW (2007)' for clubs with revenue between \$1m and \$5m annually.

4.2 Types of Expenses

Since 2006 Cardiff RSL has experienced a 47% increase in total expenses. This is mainly due to the recent expansion of the Club's premises as well as depreciation upon completion of the construction program, interest payments on loans, electricity expenses and promotional costs. The largest ongoing expense, outside of wage costs, the club has is the Poker Machine trading expense which predominately goes to the State Government in the form of tax. To increase this amount by 100% due to the Poker Machine Harm Reduction Tax would add \$600,000 to 800,000 to the cost of running the club. Expenses include:

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<u>Expense Type</u>	<u>2007 (\$)</u>	<u>2006 (\$)</u>	<u>% Change</u>
Borrowing	217,800	27,768	684.36%
Bar Trading	411,711	292,409	40.80%
Cafe Trading	41,002	0	
Poker Machine Trading	804,098	665,374	20.85%
Gaming Commission Expenses	55,108	35,644	54.61%
Raffles and Bingo	211,532	193,425	9.36%
Occupancy	589,869	299,861	96.71%
Club Promotion and Entertainment	227,249	144,573	57.19%
Depreciation and Amortisation	590,739	442,629	33.46%
Administration	849,106	640,780	32.51%
Ordinary Activity Expenses	47,357	2,952	1504.23%
<u>Total</u>	4,045,571	2,745,415	47.36%

Since 2006 Gaming Machine expenses have risen by approximately 21%. Cardiff RSL's gaming machine expenses sit slightly above the \$1m-\$5m Club average of 18.8%.

4.3 Profitability

Despite the 21% increase in revenue Cardiff RSL's rising expenses, by 45%, caused a drop in profitability from \$832,093 to \$275,404 between the end of 2006 and the end of 2007. While the club is currently profitable it is not extremely profitable and to add an additional cost of \$600,000 to \$800,000 per annum would make the club unprofitable. Due to the small size of the club and its proximity to Cardiff Panthers its ability to create other revenue streams is compromised.

5 Employment and Training

Cardiff RSL currently employs 27 staff (13 full time, 3 part time and 11 casual) This excludes caterers and cleaners.

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Due to the size of the Club and staff, most employees have some form of gaming duties. The Club's employment policy is to engage staff that have the Responsible Conduct of Gaming Certificate.

Management and directors attend numerous industry conferences throughout the year such as the National RSL & Services Clubs Association Annual Conference, RSL National Conference, ClubsNSW Annual Conference and AGM, NSW Leagues Club Association Gaming Conference. Staff members are also trained in First Aid and Armed Robbery Prevention. RSA and RCG certificates are compulsory for Cardiff RSL staff as well as additional customer service and hospitality training.

If the Poker Machine Harm Minimisation Tax was to be implemented then Cardiff RSL would have to cut costs to maintain profitability. One of these costs would be staff with various employees having to be let go.

6 Current Gaming Machine Tax

Between 2004 and 2007 new revenue bands were created in a restructure of the gaming machine rate schedules. Clubs earning high gaming machine revenue experienced a significant tax increase. As a member of the \$1m - \$5m revenue band Cardiff RSL experienced a tax increase from 26.25% to 30.09% for 2007/08. This was the lowest revenue band to experience an increase.

The new tax would eventually take the total tax on Poker Machines at Cardiff RSL to 60% of gaming revenue in the financial year ending 30th June 2019.

7 Gaming Machines

It is the opinion of Cardiff RSL that gambling on poker machines is a legal and popular recreation enjoyed by millions of ordinary Australians.

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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:

'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.'

Cardiff RSL agrees with these findings as they accurately reflect the beliefs of the club and its patrons.

8 Benefit to the Community

Cardiff RSL plays an important social role in the community including the sponsorship of sporting teams to the club facilities provided to benefit patrons and members. These community links are forged and maintained by Club revenue, 65% of which is provided by poker machines.

8.1 Club Facilities and Internal Benefits

Facilities - Pool Tables, Keno, Bingo, Darts, Bistro, Coffee Shop, Restaurant, Weekly Entertainment, Function Rooms (Maximum capacity: 200), Foxtel

Events - Poker Tournament – Saturday, Euchre Tournament - Tuesday and Thursday, Cash Housie, Raffles - Wednesday, Thursday, Friday and Saturday

8.2 External Community Benefits

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<u>Sponsorships</u>	<u>Contribution (Annual \$)</u>
Garden Suburb Football Club	6000
Cardiff City Football Club	7000
Cardiff Netball Club	2500
Cardiff Junior Rugby League Club	2500
Cardiff Boolaroo District Cricket Club	8000
Cardiff RSL Cricket Club	3000
Warners Bay Junior Cricket Club	1000
Darts teams	400
Lake Macquarie Rugby Club	3000
<u>Total</u>	33400

Cardiff RSL is required to contribute funds to community projects under the Community Development Support Expenditure Scheme (CDSE) in conjunction with DOCS and Lake Macquarie Council.

Recent recipients include:

- Glendon Special school at Hillsborough
- Glendon Special School P&C
- Cardiff Community Preschool
- Macquarie Hills Community Preschool

The Club hosts Cash Housie every Tuesday night for the benefit of Glendon Special Needs P&C. The money is contributed towards the running costs of the hydrotherapy pool.

Cardiff RSL is sending a Glendale Technology High student on the Kokoda Youth Leadership Challenge to walk the Kokoda Track. The cost to the club is approximately \$6000 and helps maintain links to the community.

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9 Potential Impact of Poker Machine Harm Reduction Tax (Administration) Bill on Cardiff RSL

9.1 Financial Impact

The most pressing impact to Cardiff RSL will be the financial strain caused by the new gaming tax. The Club is already under pressure due to rising operating costs and the introduction of smoking bans. Cardiff RSL is reliant on gaming machines for around 65% of total revenue.

Despite the staggered introduction of the tax Cardiff RSL would not be profitable enough to continue operating long term without the revenue provided by gaming machines. If the legislation has its intended effect and forces poker machines from the club to another venue Cardiff RSL is not large enough or financially strong enough to create major new venue streams to cover this loss.

While the legislation proposes a fund for such situations it is the view of Cardiff RSL that this plan is not sustainable. Firstly, there is no clear process of how the needed funds would be obtained. Secondly, the staggered removal of funds from Cardiff RSL, while intended to encourage diversification, would actually remove the funds needed to carry out new developments to subsidise gaming revenue.

With the introduction of new developments to subsidise gaming there must be adequate training and development provided for Cardiff RSL staff to run these developments effectively. No funds for training are provided within the proposed legislation.

9.2 Social Impact

The loss of gaming machine revenue would also infringe on Cardiff RSL's role as a social gathering point. Patrons frequent the club in order to 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 restaurant and bar providing those who frequent the club with a more enjoyable experience.

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The reason Cardiff RSL remains profitable and relevant to the community is because it offers various forms of entertainment.

9.3 Community Impact

As noted previously Cardiff RSL 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 Cardiff RSL 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 Cardiff.

10 Recommendations

It is the recommendation of Cardiff RSL that:

- This tax not be imposed and;
- 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. 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 Poker Machine Harm Reduction Tax will not fix the issue of problem gambling but it has the potential to financially ruin Cardiff RSL and the club industry. Cardiff RSL relies heavily on gaming machine revenue and will be unable to remain profitable without it.

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

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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

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