

ACT Club Industry Diversification Support Analysis

FINDINGS AND RECOMMENDATIONS

Neville Stevens AO
June 2018

(This page intentionally left blank)

Mr Gordon Ramsay MLA
Attorney-General
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2601

Dear Attorney-General

On 3 April 2018 you announced that I would conduct a Club Industry Diversification Support Analysis. I was asked to examine options to support clubs to voluntarily surrender gaming machine authorisations as part of an overall framework to assist in creating a more sustainable clubs sector in the ACT.

In the preparation of this report I consulted widely with clubs, club industry peak bodies, Government directorates, and United Voice representing club workers.

The ACT club industry is very diverse and while the reduction of gaming machine authorisations to a cap of 4,000 will affect all clubs with gaming authorisations, some will be more affected than others. Overall I believe that, in the context of a comprehensive framework of measures to help clubs diversify and improve their operations, such a reduction is manageable without undue disruption to the clubs or their employees.

This report outlines the necessary components of a framework for a sustainable future for ACT clubs generally. It involves actions that need to be taken by both clubs and the Government. As part of this framework I am recommending a number of financial and non-financial incentives for early voluntary surrender of gaming machine authorisations.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'N. Stevens', with a stylized, flowing script.

Neville Stevens

4 June 2018

(This page intentionally left blank)

Table of Contents

EXECUTIVE SUMMARY	1
RECOMMENDATIONS	10
CHAPTER 1: BACKGROUND	12
Scope of this Report	12
Conduct of the Inquiry	13
CHAPTER 2: CLUBS IN THE ACT	14
Gaming Machine Revenue	15
Club Statutory Payments.....	19
Decline in Operational Gaming Machines.....	20
CHAPTER 3: THE REGULATORY AND TAXATION ENVIRONMENT	23
Licensing and Authorisation Framework	23
Social Impact Assessments.....	25
Gaming Machine Taxation, Community Contributions and PGAF	26
Planning System and Fees	28
CHAPTER 4: PREVIOUS REPORTS AND POLICIES.....	31
Memorandum of Understanding with ClubsACT (2012-2016)	31
Small Club Site Redevelopment Support Scheme.....	31
Economic Stimulus Package	32
Collaboration with ClubsACT.....	32
Community Clubs Taskforce (established 2014).....	32
Legislative Assembly Public Accounts Committee Inquiry (2015)	33
Election Commitment – Supporting Local Community Clubs Policy (September 2016)	34
Parliamentary Agreement (October 2016)	34
CHAPTER 5: FINDINGS	36
Position of Clubs.....	36
Reduction to 4,000 authorisations.....	37
Impact on Club Workers.....	38
Authorisation Trading Scheme.....	38
Diversification.....	40
Incentives for Early Surrender of Authorisations.....	40
Regulatory Certainty	41
CHAPTER 6: A FRAMEWORK FOR A SUSTAINABLE FUTURE	42
Policy (Regulatory) Certainty.....	43
Authorisation Trading Scheme.....	43

Diversification Support Fund.....	44
Capacity Building	45
Other ACT Government Support Measures	47
CHAPTER 7: INCENTIVES FOR EARLY SURRENDER	49
Financial Incentives	49
Non-Financial Incentives	52
CHAPTER 8: COMPULSORY SURRENDER	53
Determining Compulsory Surrender Requirements	53
How surrender might work	54
Trading scheme during the compulsory surrender period and forfeiture	55
Implementation of compulsory surrender.....	55
Club Group Licensees	56
Maximum number of authorisations reduced under compulsory surrender	56
ATTACHMENT A - TERMS OF REFERENCE – CLUB INDUSTRY DIVERSIFICATION SUPPORT ANALYSIS	58
ATTACHMENT B - 2016/17 GAMING MACHINE MARKET SHARE	60
ATTACHMENT C - CLUB INDUSTRY INFORMATION	63
ATTACHMENT D - TRADING SCHEME STATISTICS –30 APRIL 2018	65
ATTACHMENT E - REGULATORY CONTROLS FOR LICENSED CLUBS.....	67
ATTACHMENT F - CLUB DIRECTOR TRAINING IN NEW SOUTH WALES.....	70

EXECUTIVE SUMMARY

On 3 April 2018 the Attorney-General announced that I would conduct a Club Industry Diversification Support Analysis. I was also asked to examine options to support clubs to voluntarily surrender gaming machine authorisations as part of an overall framework to assist in creating a more sustainable clubs sector in the ACT.

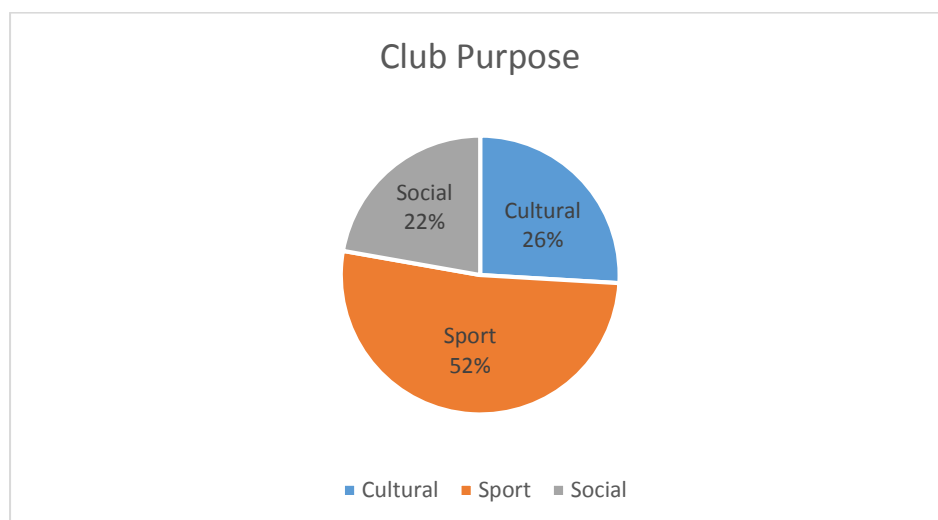
I consulted widely with ACT clubs and their peak bodies as well as United Voice and relevant ACT Government agencies. I would like to thank all the clubs, organisations and agencies that met with me for their openness and willingness to address relevant issues.

ACT Clubs

ACT clubs are an important part of the Canberra community. For many decades, and well before the introduction of gaming machines, they have provided a range of social, community and sporting facilities. Their ability to respond rapidly and without bureaucracy to community needs has filled a void that could not otherwise have been met.

This role has been recognised by successive ACT Governments and the Legislative Assembly. There has been no shortage of inquiries and policies designed to help this sector.

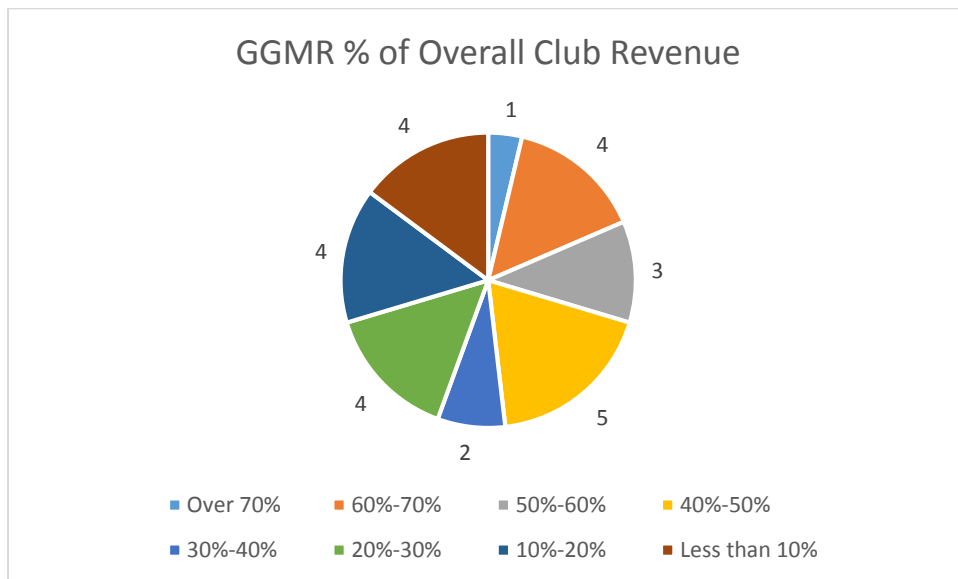
The ACT Club industry currently includes 27 club gaming machine licensees operating a total of 44 venues. These clubs have been established over time and for many purposes, such as cultural, sport or social. However the majority of clubs in the ACT are primarily sporting clubs.



ACT clubs are very diverse. In addition to their different specific purposes there is a range of club sizes, member demographics and revenue streams.

The vast majority of gaming machine authorisations are held by eight large club groups operating 25 venues. In 2016-17 these groups account for 84.3 per cent of the Territory's gaming machines, and 92.3 per cent of Gross Gaming Machine Revenue (GGMR).

The reliance on gaming machine revenue varies widely between clubs. Approximately half of the licenced clubs generate less than 40 per cent of their overall revenue from their gaming machines.



Source: ACT Club Annual Reports 2015-16 and 2016-17

Recent times have not been kind to all clubs. The harm caused by gambling has led governments to introduce measures to minimise this harm. These measures, aimed at broader community wellbeing, have impacted on the revenue stream of clubs and combined with changing consumer tastes and gambling patterns have affected the viability of some clubs.

Since 2009 a number of clubs have closed or been absorbed by larger groups. In that year there were a total of 62 club venues that held gaming machine licences. By 2018 this had fallen to 44 club venues. This trend is likely to continue with some clubs currently struggling to remain viable.

Community and government attitudes to gaming machines are hardening across Australia. Gaming machines are often at the forefront of concerns about gambling harm. Combined with changing consumer gambling preferences this has led ACT clubs to recognise that they need to diversify away from gaming machine revenues.

Change is inevitable in the current world and clubs are no exception. Some clubs are better placed than others to make this transition. The quality of management and boards varies widely between clubs. Some have a clear strategic direction and have started to successfully diversify away from gaming machine revenues. Others are less well advanced, or lack the managerial skills or capital to develop strategies for change. Some clubs have closed or merged with other clubs.

Whatever arrangements the Government has in place in regard to gaming machines and diversification support measures, some clubs will either close or merge with other clubs over time.

The challenge for clubs and Government is to create the framework most conducive to the ongoing viability of clubs generally as they reduce reliance on gaming machine revenues and adjust to changing consumer preferences.

The Regulatory and Taxation Environment

Clubs operate within a robust regulatory framework. This framework encompasses comprehensive regulations around the holding, increase and trading of gaming machine authorisations, taxation of gaming machine revenues, liquor licencing requirements and measures to minimise gambling harm.

A complex feature of the ACT environment is the tenure and lease purpose of the land held by clubs. Club land holdings often date back many years and are held through concessional leases. At the time, these arrangements were designed to encourage the development of clubs as part of the facilities available to the growing Canberra community.

For many clubs this land is their main asset and over recent years a number have moved to deconcessionalise their leases and to change the purpose clause to enable redevelopment. This has provided some clubs with the capital to modernise facilities and with a more diversified income stream. The process of land development for clubs is both complex and costly and can be difficult to manage for smaller clubs. It can also raise contentious questions about the potential loss of land for community purposes, which may be difficult to replace once lost, particularly in established suburbs.

Gaming machine taxation is progressive and calculated on the GGMR per month for each venue.¹ In 2016-17, 10 of 45 club venues did not pay any gaming machine taxation. The top marginal tax rate of 23 per cent applies to eight clubs with annual revenues of \$7.5 million or higher.

For clubs and club groups with gaming revenues less than \$4 million a year the Government provides a 50 per cent tax rebate on gaming tax paid. One club group with revenue falling just under \$4 million a year raised the issue that the rebate must be repaid in its entirety if its revenue exceed \$4 million even by the smallest amount. Rather than imposing a hard cut-off on \$4 million, it would be preferable to phase out the rebate by \$0.50 for every \$1 earned over \$4 million.

Overall, ACT taxes on gaming machines are lower than in other Australian jurisdictions.

In addition a club licensee is required to make a community contribution of eight per cent of net gaming machine revenue for the venue.

¹ *Gaming Machine Act 2004*, section 159.

Authorisations Trading Scheme

In 2015, the Government introduced an open market trading scheme for gaming machine authorisations. The scheme enabled clubs to better manage their machine numbers in line with business needs. As part of this scheme there is a forfeiture of one-in-four authorisations traded.

Since its inception, there has been only limited trading activity. This is partly a result of uncertainty about the future environment and therefore a reluctance by clubs to trade away authorisations that might either be needed for future club operations or have a higher value in the future. Uncertainty over the casino redevelopment proposal has undoubtedly resulted in a number of clubs holding off on trading until the outcome is known. In some cases other clubs would like to purchase authorisations but have no scope to do so under their authorisation certificate ceiling (the maximum number of authorisations they can hold under their certificate).

.

A well-functioning trading scheme is of benefit to the club industry as it can provide the mechanism for some clubs to realise value from authorisations they no longer wish to hold and for other clubs to increase the number of machines in line with their business model, and where they have capacity to increase within their authorisation certificate ceiling.

Reduction to 4,000 Authorisations

It is not possible to be precise about the impact on clubs of a reduction in the overall number of authorisations to 4,000. However the effect will not be the same across all clubs, and will depend in part on their reliance on gaming machine revenues.

All clubs gain some revenue from their machines even where they are not much used and this revenue boosts their bottom line.

A number of organisations noted that there is significant underutilisation of gaming machines across the Territory, compared with other Australian jurisdictions. In addition, around 10 percent of authorisations are not currently matched by operational machines. As a result the proposed reduction in gaming machine authorisations by about 20 per cent to 4,000 is unlikely to reduce overall gaming machine revenues by a corresponding amount. While the impact will vary between clubs such a reduction, if it is accompanied by financial incentives for early surrender and measures to enhance club sustainability should be manageable across the sector without significant disruption. This includes club workers ongoing employment.

Consultations with clubs indicated a mixed response to voluntary surrender. Not surprisingly the reaction depended on individual club circumstances.

A Framework for a Sustainable Future

It was broadly acknowledged by clubs that there is a need to diversify away from gaming machine revenue. Diversification of revenue will provide clubs with a greater chance of long

term sustainability. Some clubs are well advanced while others are starting to investigate alternative business revenues.

However the options available to clubs to diversify vary between clubs depending on factors such as size, capital assets, location and land holdings. For many smaller clubs access to capital to undertake diversification initiatives is a major impediment.

The effectiveness of any diversification strategy will also depend upon the quality of management to implement that strategy.

Diversification must be considered on a club by club basis, depending on the club's expertise and assets. Support can be given to clubs to take a strategic approach to their long term future, but final decisions on any particular business model need to be taken by club management. Government should seek where possible to support the sector during its transition but should not define that future.

I discussed in detail with clubs a framework to improve sustainability and provide incentives that might assist diversification and encourage them to surrender authorisations voluntarily. The willingness of the Government to consider the provision of financial incentives for voluntary surrender could provide many clubs with a once off opportunity to reset their business.

A framework for a sustainable future for clubs needs a number of components if it is to be successful. The key components are outlined in this report and include:

- A commitment by Government to a period of regulatory certainty;
- A diversification support fund to assist clubs financially to improve their sustainability;
- Capacity building measures to improve the ability of clubs to operate successfully and to plan and execute diversification strategies;
- Continuation of a trading scheme for gaming machine authorisations;
- ACT Government support measures; and
- Financial incentives to voluntarily surrender gaming machine authorisations.

These measures will benefit all clubs and club groups in the ACT, although some are aimed particularly at small to medium sized clubs. Large club groups are often more advanced in their diversification initiatives and have more resources and managerial expertise than smaller clubs. They also have more flexibility as a result of operating a number of venues.

Policy (Regulatory) Certainty

During consultation a consistent theme from clubs was the need for future policy certainty for the sector. This certainty would enable clubs to base future planning and investment activities on known and constant regulatory parameters.

Under the Parliamentary Agreement the Government has committed to explore further harm reduction measures and to review the community contributions scheme. Until this

work is completed it would be premature to freeze all future policy development other than gaming machine authorisation numbers and taxation arrangements. However once these reviews are completed they should form part of a commitment to regulatory certainty for the next five years.

A Diversification Support Fund

I am recommending the introduction of a diversification support fund to assist clubs to improve their governance and managerial expertise and to support their diversification strategies. It would be financed by a contribution for each gaming machine authorisation held with a matching contribution by Government. The club contribution would provide both funds to assist diversification and would be an incentive for clubs not to retain unused authorisations.

Club contributions would raise about \$1 million a year and with matching Government monies would provide for a fund of \$2 million a year.

Capacity Building

Building the capacity of clubs to operate on a sustainable basis must form part of an overall framework for a sustainable future.

Governance

Most club directors serve on a voluntary basis. During the consultation with clubs it became apparent there are considerable differences in the capacity of club boards and management to oversee and set a strategic direction for a club. Mandatory training for board members and training opportunities for key executive staff would provide club directors and executives with a more consistent level of understanding of their responsibilities and obligations in the ACT context. Components of the training would include the legislative framework in the ACT, corporate governance, finance for club boards, board management and relationships and gambling harm reduction.

Knowledge Sharing within the Club Industry

It was clear to me during consultation that the ACT club sector would benefit significantly from improved information sharing between clubs. Traditionally this would have occurred through the industry peak body, however the current 'fractured' industry environment makes this more difficult. There are two measures that should be considered by the club industry going forward:

- The introduction of a model that facilitates the sharing of skills and reduction of costs across industry, such as the amalgamation of 'backroom operations'; and
- The establishment of an ACT forum for clubs to discuss common issues.

Unification of the Club Associations

For the past 12 months there have been two peak bodies representing the interests of the club industry in the Territory – ClubsACT and Canberra Community Clubs. This reduces the effectiveness of clubs in articulating their issues to Government and in providing services to their members.

The unification of the club associations would have a number of clear benefits and should be considered by industry. It would enable improved information sharing and collaboration across the industry, as well as facilitating the industry to reinvent and strengthen itself.

ACT Government Support Measures

There are a number of measures that could be taken by the ACT Government to assist club sustainability and diversification. These include:

- The establishment of a one stop shop within the ACT Government to provide advice and assist clubs to engage with the right agency.
- Removing the 1.8 per cent margin for Government risk on the interest rate payable under the Deferred Payment Scheme for lease variation charges;
- Providing advice about the status of a clubs lease at no cost to clubs; and
- Reviewing liquor license fees to take account of the actual risk posed by clubs.

Incentives for Voluntary Surrender

Two separate incentives are proposed:

- A cash payment to small-medium sized clubs and club groups per authorisation surrendered; and
- A reduction in planning fees and lease variation charges per authorisation surrendered, which would be available to all clubs.

The cash incentive would be limited to smaller clubs. In many cases these clubs lack both significant cash reserves and land suitable for redevelopment. Larger club groups have both more financial capacity and more expertise to undertake diversification through land redevelopment.

Cash Payment

A cash incentive per authorisation voluntarily surrendered by small to medium sized clubs or club groups (defined as clubs or club groups below the \$4 million threshold for the gaming tax rebate) would provide much needed capital to assist these clubs to become less dependent on gaming machine revenue. The level of funding available to each club would depend on the number of authorisations surrendered and whether the club chose to go 'pokie free'.

It is not possible to put an accurate value on a gaming machine authorisation. Clubs carry these authorisations on their books at markedly different values (or not at all) and as noted above there have been few recent trades. However in the past authorisations have traded at between \$6,000 and \$20,000, based on advice provided by the club industry during consultation.

I am recommending a cash payment of \$12,000 per authorisation. This provides a balance between cost to Government revenue, the value of an authorisation to a club and a sufficient amount that can make a difference to the ongoing viability of a small to medium sized club.

The total cost to the Government would depend on take up. If all eligible clubs voluntarily surrendered 20 percent of their authorisations the cost would be around \$1.8 million.

This incentive would be available for small/medium clubs that apply to voluntarily surrender authorisations by 31 January 2019 (taking effect from 14 February 2019). A multiplier of 25 per cent would apply to clubs and club venues that go 'pokie free' by surrendering their authorisation certificate. Hotels with class B authorisations would be eligible for a cash payment of \$6,000 per authorisation surrendered.

Land Related Charges and Fee Offsets

Alternatively, clubs which voluntarily surrender authorisations could elect to receive an offset against future fees for land use changes, lease variation charges, deconcessionalisation charges and planning and development fees. The offset would be attractive for clubs with surplus land holdings who wish to redevelop that land as part of their diversification strategy.

It would be available to all clubs and club groups, but not hotels with class B authorisations.

Such an offset would need to be set at a higher level than a cash incentive to reflect the risk that it might never be used and that it would only impact on Government revenue over a number of years.

A suitable incentive would be \$25,000 per authorisation for small to medium sized clubs and \$15,000 for large clubs. Again there could be a 25 per cent multiplier for going 'pokie free'.

This offset would be available to be used for a period of seven years.

The redevelopment of land held for community use can be contentious and the approval of any development application and consequent use of this offset would still be contingent on normal Government planning approval processes, including determining whether the proposed use of the land is in the public interest.

If all large clubs took up this incentive and ultimately used it, the cost to revenue over a seven year period would be \$12.5 million.

Access to funding by going 'pokie free' should be conditional on a club maintaining the venue for a minimum period of five years.

To ensure that the assistance is used to improve their viability, clubs would need to outline their strategy to Government as part of their application for this incentive. This need not be onerous but should indicate that clubs have given thought as to how the incentive would be used to enhance their operations. This would ensure proposals are well planned and consideration is given to the risk associated with the club's use of funding and diversification away from gaming machine revenue.

Non-Financial Incentives for Voluntary Surrender

As a non-financial incentive for voluntary surrender, licensees that meet their surrender requirements through voluntarily surrender by 31 January 2019 could be permitted to retain the maximum number of authorisations on their certificate following this voluntary surrender.

This would enable those clubs which believe their near term viability depends on gaming machine revenue to purchase authorisations under the trading scheme within the overall cap of 4,000 authorisations.

An additional incentive for club groups would be for a licensee to be able to indicate which venue within the group will surrender the authorisations that are being voluntarily surrendered.

Compulsory Surrender

A number of models have been suggested for compulsory surrender. I recommend that clubs with 19 or fewer authorisations should be exempt from compulsory surrender. For equity between clubs and to recognise the higher incentives available to small and medium sized clubs for voluntary surrender, I recommend a flat percentage reduction for all clubs holding 20 or more authorisations.

Authorisations voluntarily surrendered would reduce a licensee's compulsory surrender obligations by an equivalent amount.

For those who did not voluntarily surrender, the club's maximum number on their authorisation certificate would be reduced by the number of their authorisations which are compulsory surrendered. In these cases clubs would need to undertake a Social Impact Assessment process if they wished to increase their authorisation certificate beyond their new maximum number.

A census date, set at the date the Government announces its package of financial and non-financial incentives for early surrender and diversification support measures, would provide clubs with the maximum number of authorisations that they would be required to surrender.

RECOMMENDATIONS

As part of the Club Industry Diversification Support Analysis I am making the following recommendations that are referenced in the body of this report.

- 1) The Government amend the provisions for the 50 per cent tax rebate for small to medium clubs and club groups that earn under the \$4 million Gross Gaming Machine Revenue (GGMR) threshold in a financial year to provide clubs with flexibility should they be close to exceeding the threshold. A phased approach should apply to reduce the rebate by 50 cents in every dollar of GGMR over \$4 million.
- 2) The Government commit to no change to gaming taxation measures and no further compulsory reduction in the overall number of gaming machine authorisations in the ACT below 4,000, other than reduction occurring through trading forfeitures, cancellations or further voluntary surrender of authorisations by clubs for five years, from 1 July 2020.
- 3) The gaming machine authorisation trading scheme continue and retain current forfeiture provisions.
- 4) That a diversification support fund, financed by a contribution for each gaming machine authorisation held, be established. This contribution should be matched by Government. The fund should be ring-fenced, with governance arrangements that include terms of reference, an advisory board, and reporting obligations.
- 5) The Government mandate training for club directors within 12 months of their appointment. A training program for the ACT, would build on the NSW model and cover board member responsibilities, management collaboration and finance for club boards, together with training on harm minimisation and the role of boards in overseeing the provision of responsible gambling services. It is recommended the cost of mandatory training be met from the diversification support fund.
- 6) The club industry unify its peak bodies with a view to improving its advocacy and information sharing across industry. The industry should explore opportunities to share skills and services to reduce costs and establish an ACT clubs forum to discuss common issues.
- 7) The Government establish a point of contact for clubs to obtain advice, including relating to alternate land use and eligibility of clubs to apply for a grant from the diversification support fund.
- 8) The Government provide clubs with access to the Lease Variation Charge Deferred Payment Scheme where they can demonstrate a public benefit, with the interest rate set at the Bank Bill rate only.

- 9) The Government waive the cost of advice to clubs about their lease status to enable exploration of alternative land usage.
- 10) The Government review the approach to liquor licensing fees for licensed clubs, to take into account the level of risk posed by clubs with a liquor licence.
- 11) That \$12,000 cash funding per gaming machine authorisation be made available to small and medium clubs and club groups for early voluntary surrender by 31 January 2019, and \$6,000 per gaming machine authorisation be available for early voluntary surrender by 31 January 2019 by hotel licensees.
- 12) That offsets against future Government land, lease and planning and development charges be made available for small-medium clubs and club groups at a rate of \$25,000 per authorisation voluntarily surrendered by 31 January 2019, and for large clubs and club groups at a rate of \$15,000 per authorisation voluntarily surrendered by 31 January 2019. The offsets would be available to be used over a seven year period commencing on 1 April 2019.
- 13) A 25 per cent bonus on the relevant incentive be offered to clubs and club groups who go 'pokie free' and surrender their authorisation certificate.
- 14) Licensees that voluntarily surrender authorisations by 31 January 2019 be permitted to retain the number voluntarily surrendered as part of the maximum number of authorisations on their authorisation certificate.
- 15) Club group licensees that voluntarily surrender authorisations by 31 January 2019 may choose which venue/s authorisations are voluntarily surrendered from.
- 16) A flat compulsory surrender rate be applied to clubs with 20 or more authorisations. Clubs with 19 or fewer authorisations held should be exempt from compulsory surrender.
- 17) That authorisations voluntarily surrendered reduce a licensee's compulsory surrender obligations by an equivalent amount.
- 18) That Government announce a timetable for reducing the number of authorisations to provide industry with as much clarity and notice as possible. The timetable should incorporate early voluntary surrender and two tranches of compulsory surrender. Applications for incentives under voluntary surrender should close by 31 January 2019, with the first round of compulsory surrender (50 per cent of authorisations requiring surrender) occurring on 1 April 2019 and a second round covering the remainder of authorisations to be surrendered by 30 April 2020.
- 19) Authorisations that are forfeited through trading should count toward a seller's number of authorisations to be compulsorily surrendered.

CHAPTER 1: BACKGROUND

On 3 April 2018 the Attorney-General, Gordon Ramsay MLA, announced my appointment to undertake a Club Industry Diversification Support Analysis, including reporting on options to support clubs to voluntarily surrender gaming machine authorisations. The terms of reference are at [Attachment A](#).

Scope of this Report

There are a number of gaming and club related issues that are not in the direct scope of this report.

Clubs without Gaming Machines

The terms of reference for this report sought recommendations on measures that will incentivise clubs to surrender authorisations to support clubs to diversify away from reliance on gaming machine revenue. There are a small number of licensed clubs in the ACT that have never operated gaming machines or have surrendered their gaming machine licences, and are therefore outside the main scope of this report.

Class B Licenses (Hotels)

The focus of this report is class C (club) gaming machine licensees. There are currently also five class B (hotel) licensees in the ACT, holding a total of 50 gaming machine authorisations.

Class B gaming machines consist of a game of draw poker, or a game derived from draw poker, and require player interaction or intervention as part of the fundamental game operation.² These machines are outdated and are being phased out through the gaming machine trading scheme.

Class B licensees can continue operating their class B gaming machines or access the trading scheme to trade (sell) their authorisations to a class C licensee. It is not proposed that they be part of the compulsory surrender program. However, no new class B licences, authorisation certificates or authorisations can be granted to hotels or taverns.

To the extent that class B licensees may wish to participate in any incentives offered by the Government to surrender their authorisations, this is addressed later in incentives for voluntary surrender.

Community Contributions

Item 9.4 of the Parliamentary Agreement for the 9th Legislative Assembly for the ACT includes a commitment to review separately the current community contribution scheme. During consultation a number of clubs noted that changes to the existing community contribution scheme could affect club operations and their ability to undertake community initiatives. However, this matter is outside the scope of this report.

² *Gaming Machine Act 2004*, Dictionary.

Gaming Machine Taxation Rates and Problem Gambling Assistance Fund Contributions

While this report sets out the existing obligations of licensees in explaining the context of club operations, this Analysis does not include a general review of gaming machine taxation rates and Problem Gambling Assistance Fund contributions.

Strategies to Reduce Gambling Harm

This report provides advice to Government about achieving the reduction to 4,000 gaming machine authorisations while supporting club sustainability, but further consideration of specific strategies and measures to reduce gambling harm in ACT clubs is outside the scope of this report.

Conduct of the Inquiry

On 3 April 2018 I wrote to all ACT clubs with gaming machine licences outlining the inquiry scope and purpose and inviting them to meet with me to discuss their views and situation. As a result I visited 23 clubs over the course of the Analysis. I also met a number of times with the two peak bodies, ClubsACT and Canberra Community Clubs. In addition I met with United Voice, the union representing club workers in the ACT, and relevant agencies within the ACT Government.

I would like to express my gratitude for the willingness and openness with which all these groups and organisations engaged with the Analysis.

I would also like to acknowledge the excellent work and expertise of a small secretariat within the Justice and Community Safety Directorate, without whom this report would not have been possible. Thank you to Alex Ingham, Pamela Avell, Penelope Foudoulis and Michael Gallagher.

CHAPTER 2: CLUBS IN THE ACT

Clubs in the ACT have a long history of providing entertainment and leisure facilities to Canberrans. Clubs also play and have played an important role in supporting local communities, through cultural activities and sporting programs, sponsorships and donations for community activities.

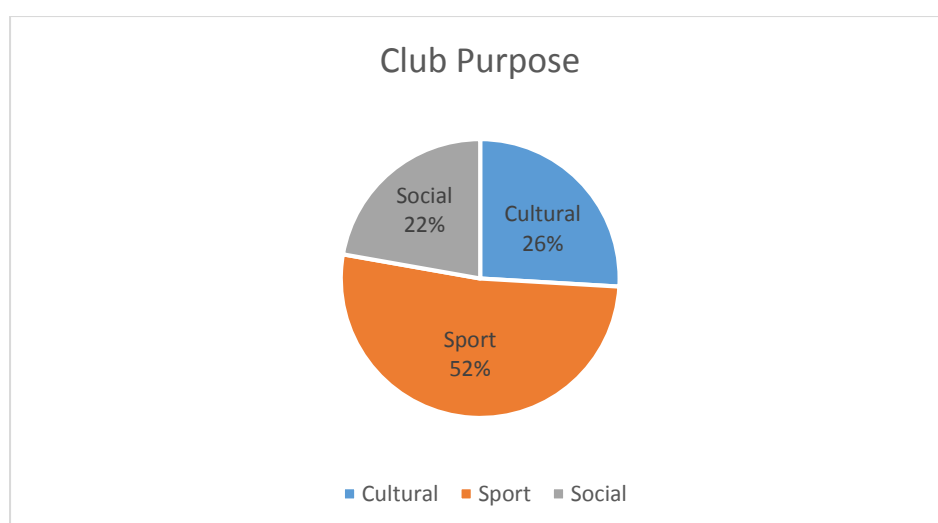
The club sector owns and maintains large amounts of land that the community can access for sporting competitions and recreational uses, such as golf courses, soccer and football ovals, and basketball courts. Club rooms and facilities are often used by community groups for meetings and other activities such as cultural dance classes, language classes and craft groups.

This history of community involvement dates back to well before the introduction of gaming machines into ACT clubs and before the more recent expansion of dining and entertainment venues in Canberra. Today the ACT community has significantly more choices available but clubs still have a vital role, including in the provision of sporting and leisure facilities and support for community activities.

The ACT Government has been clear that it values this broad role that community clubs play in the life of Canberra and that it is committed to a strong, diverse and sustainable club industry.

The ACT club industry currently includes 27 club gaming machine licensees with a total of 44 venues in operation. These clubs have been established over time and for many purposes, such as cultural, sport or social. However the majority of clubs in the ACT are primarily sporting clubs.

Figure 1: Club Purpose



Source: ACT Club Annual Reports 2015-16 and 2016-17

ACT clubs are very diverse. In addition to their different specific purposes there is a range of club sizes, member demographics and revenue streams, with the reliance on gaming machine revenues varying widely across clubs.

The size of clubs in the ACT varies greatly, typically aligned with the purpose of the club. Some clubs, such as the golf clubs, are situated on large blocks of land that require specialised maintenance, however, the clubhouse is often relatively small and they may own only a small number of gaming machine authorisations. Other clubs are situated on small blocks yet maintain a large building, and hold a varying number of gaming machine authorisations. Some clubs also own land that is used for ovals, fitness centres, or other purposes. The largest club block in the ACT is 981,152m², while the smallest club block is 556m².

ACT clubs have been undergoing significant change in recent years. In June 2009 a total of 62 club venues held gaming machine licences. Since then there has been a large amount of consolidation in the industry with a number of clubs merging, surrendering their gaming machine licences, and closing or opening venues.

Since the commencement of the trading scheme for gaming machine authorisations in August 2015 there have been four club venues that have traded all their gaming machine authorisations and surrendered their gaming machine authorisation certificate. Of these four club venues, two clubs have closed completely (Magpies City Club, City Bowling Club), while the Federal Golf Club and Australian Croatian Club remain open. Woden Tradesmen's Union Club is also currently in the process of ceasing its operations.

It was clear during consultation with clubs that many are finding it challenging to trade profitably. There are a number of reasons for this, including increased competition from alternative recreational venues and changing community tastes and demographics. For example, the close knit ethnic communities of 40 years ago are much less cohesive today.

Without the introduction of gaming machines into clubs in 1975 more may have closed. While the reliance of individual clubs on gaming machine revenues varies it is still an important and profitable part of club operations.

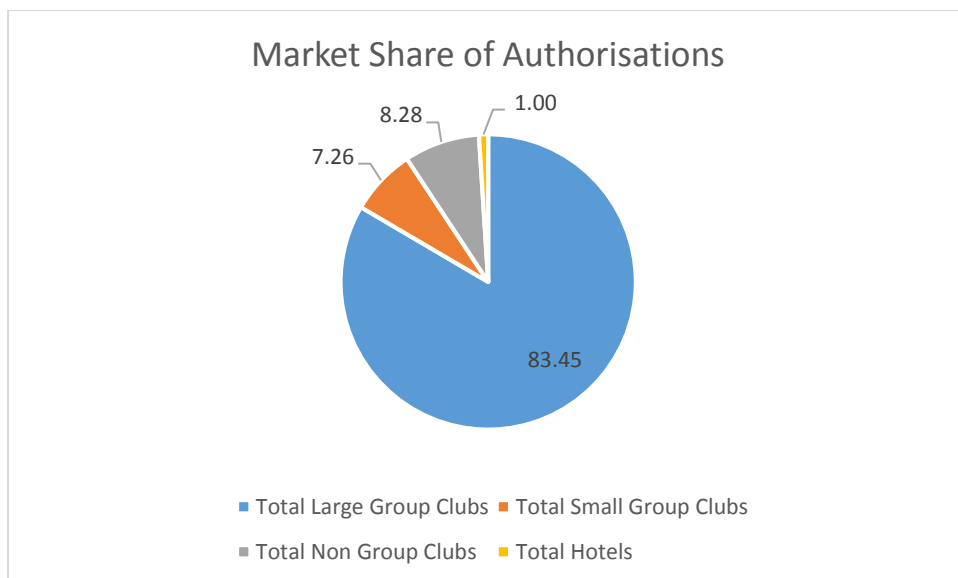
The clubs sector as a whole recognises that there is a need to change, to cater for a broader market and to diversify away from gaming machine revenue. Clubs are at different stages of diversification. Some have invested in alternative revenue streams such as property and accommodation. Others have invested in significant upgrades to their club facilities and introduced cost saving initiatives such as solar power or synthetic bowling greens. Some clubs have found ways to build connections with broader community groups which has increased patronage, and others are finding ways to promote and grow their traditional activities.

Gaming Machine Revenue

In the ACT, the vast majority of gaming machine authorisations are held by eight large club groups comprising 25 venues. In 2016-17 these groups account for 83.5 per cent of the

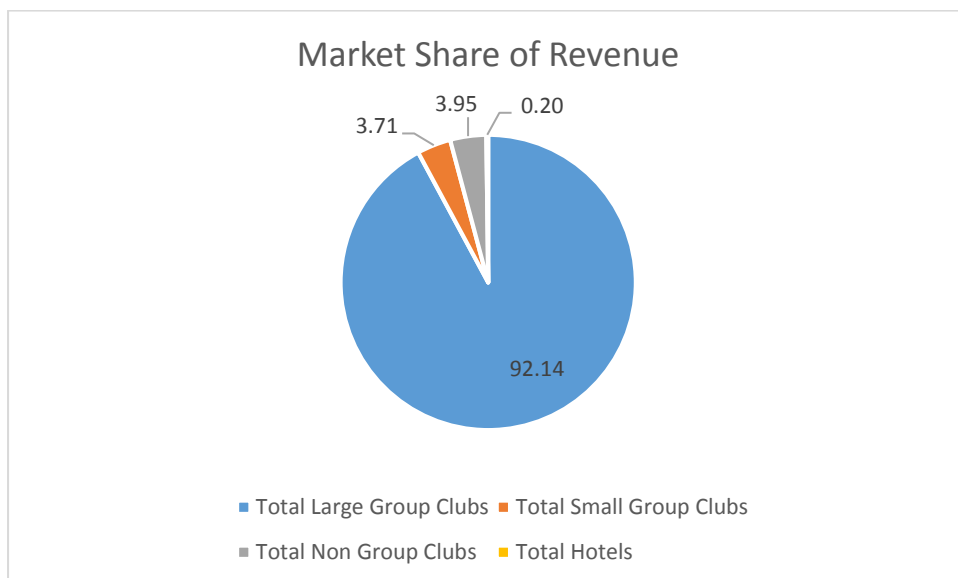
Territory's gaming machine authorisations, and 92.14 per cent of Gross Gaming Machine Revenue (GGMR) as outlined in [Attachment B](#) and [Figures 2](#) and [3](#) below.

Figure 2: ACT Market Share of Gaming Machine Authorisations



Source: ACT Gambling and Racing Commission Community Contribution Report 2016-17

Figure 3: ACT Market Share of Gaming Machine Revenue

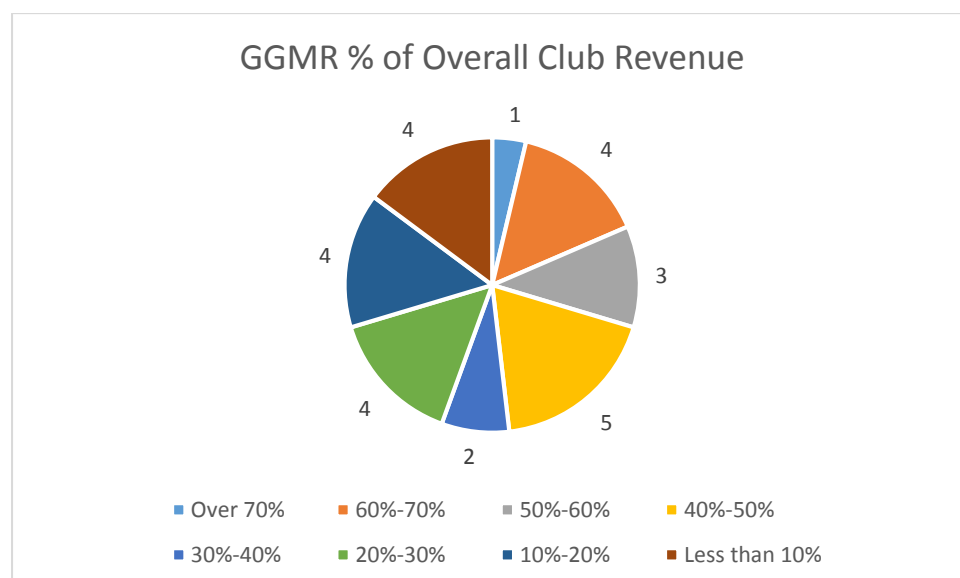


Source: ACT Gambling and Racing Commission Community Contribution Report 2016-17

GGMR is the total of all money inserted into gaming machines less winnings to players and approved amounts set aside for the payment of linked jackpots. In effect, GGMR represents the amount of money lost by players. This figure is used to calculate clubs' gaming machine taxation liability.

The reliance on gaming machine revenue varies significantly between clubs as demonstrated in [Figure 4](#). An analysis undertaken by Justice and Community Safety Directorate of the most recent club annual reports found that approximately half of the clubs generate less than 40 per cent of their overall revenue from their gaming machines.

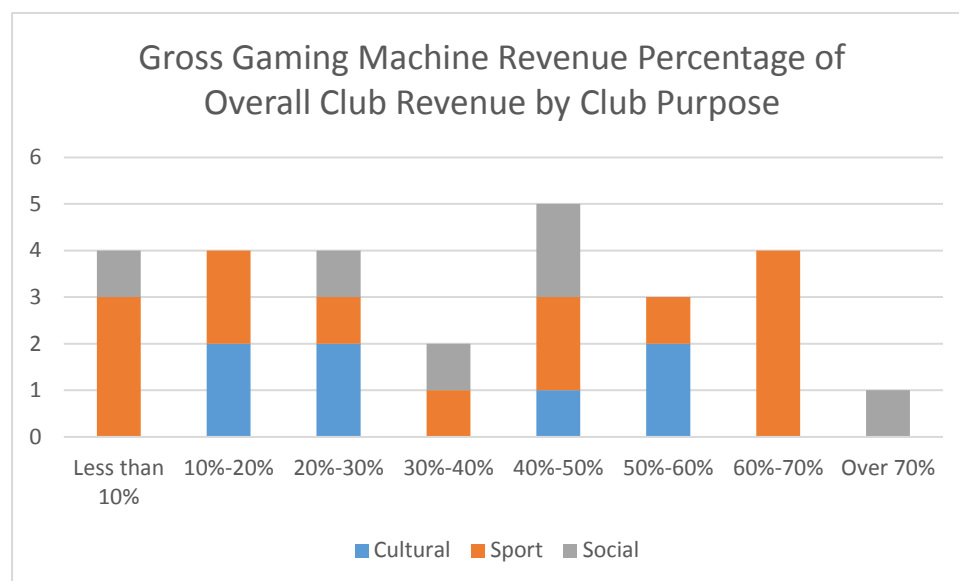
Figure 4: Gross Gaming Machine Revenue as a Percentage of Club Revenue



Source: ACT Club Annual Reports 2015-16 and 2016-17

A club's purpose seems to have little influence on the percentage of GGMR generated for the club, as shown in [Figure 5](#) below (*Gross Gaming Machine Revenue Percentage of Overall Club Revenue per Club Category*). Some sporting and social clubs generate less than 10 per cent of their overall revenue from gaming machines, while other sporting and social clubs generate over 60 per cent of their overall revenue through their gaming machines.

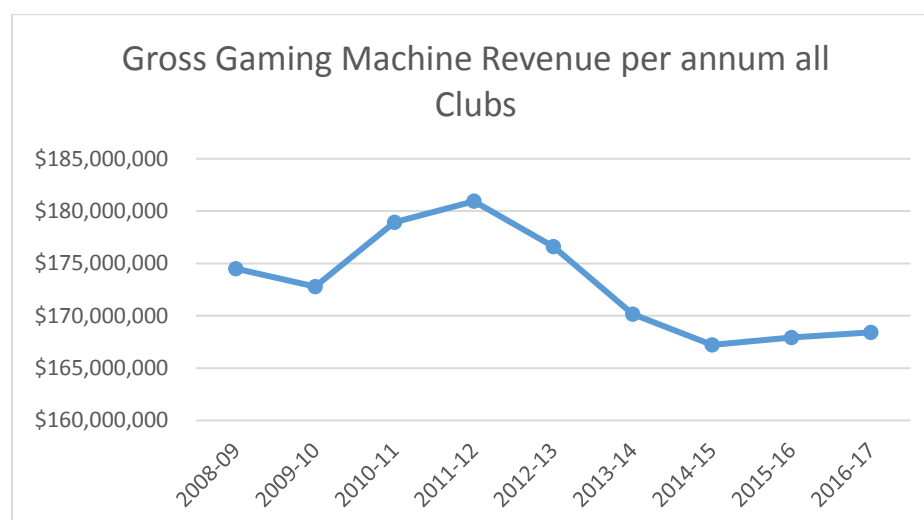
Figure 5: Gross Gaming Machine Revenue as a Percentage of Overall Club Revenue by Club Purpose



Source: ACT Club Annual Reports 2015-16 and 2016-17

GGMR has been relatively stable over recent years as demonstrated by data reported in the ACT Gambling and Racing Commission's annual Community Contributions Report ([Figure 6](#)).

Figure 6: Gross Gaming Machine Revenue per annum All Clubs



Source: ACT Gambling and Racing Commission Community Contribution Report

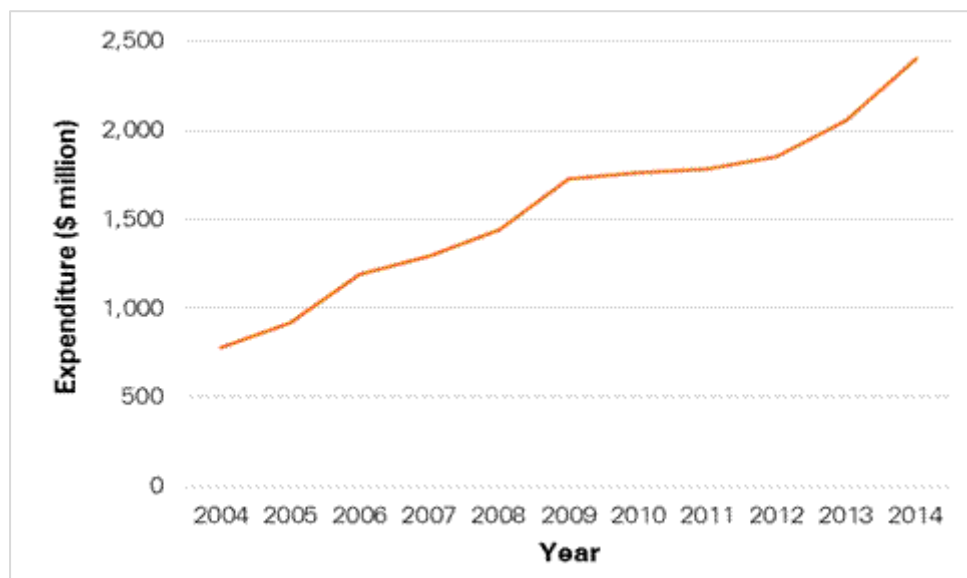
Clubs' GGMR has declined over the past decade. Following a rise in 2009-10 there was a steady fall until 2014-15. Over the past few years, the decline has stabilised, but continues to fall slightly in real terms.

The decline in ACT gaming machine revenue has been attributed to a range of factors. These include:

- Government decision making – particularly regulatory restrictions designed to address gambling harm;
- demographic shifts and consumer preferences;
- community attitudes to gambling generally;
- increased competition in the hospitality market;
- increased competition in the gaming and racing sector, including a move towards online gambling; and
- general economic conditions.

At the same time there has been a sharp increase in participation and expenditure on interactive online gambling. Figure 7 below shows that online gambling expenditure has more than doubled in Australia since 2004. The growth curve accelerates from 2011-12 onwards and it is expected that this trend has continued over the past few years. Increased advertising expenditure and ease of internet access, especially through smartphones, is a driving factor in this growth. It has been suggested that younger people are more likely to access online gambling products, with gaming machines being more attractive to older people.

Figure 7: Interactive gambling expenditure 2004-2014³



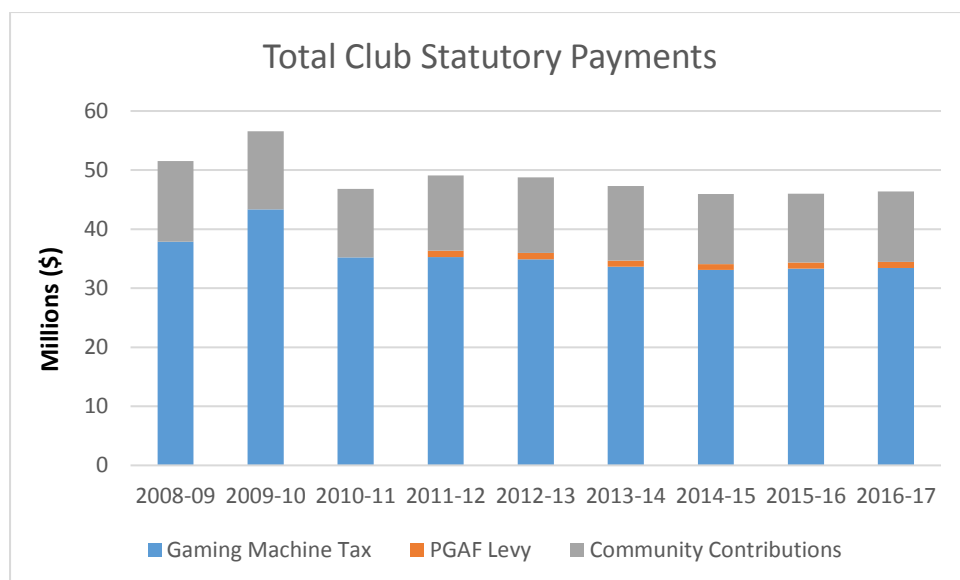
Club Statutory Payments

There are three main legislative obligations that impact revenue streams for clubs: gaming machine taxation, community contributions and the Problem Gambling Assistance Fund (PGAF) levy. Taxation and community contributions represent the major community benefit

³ Commonwealth Parliament, *Interactive Gambling Amendment Bill 2016 – Explanatory Memorandum*, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5755_ems_ac9d20e9-6795-4e88-81b0-b926cfc5f211%22

derived from gaming machines, while the contribution to the PGAF is used to address the harmful aspects of gaming machines. Total payments have been relatively even over the past nine years, as demonstrated in [Figure 8](#).

Figure 8: Total Club Statutory Payments

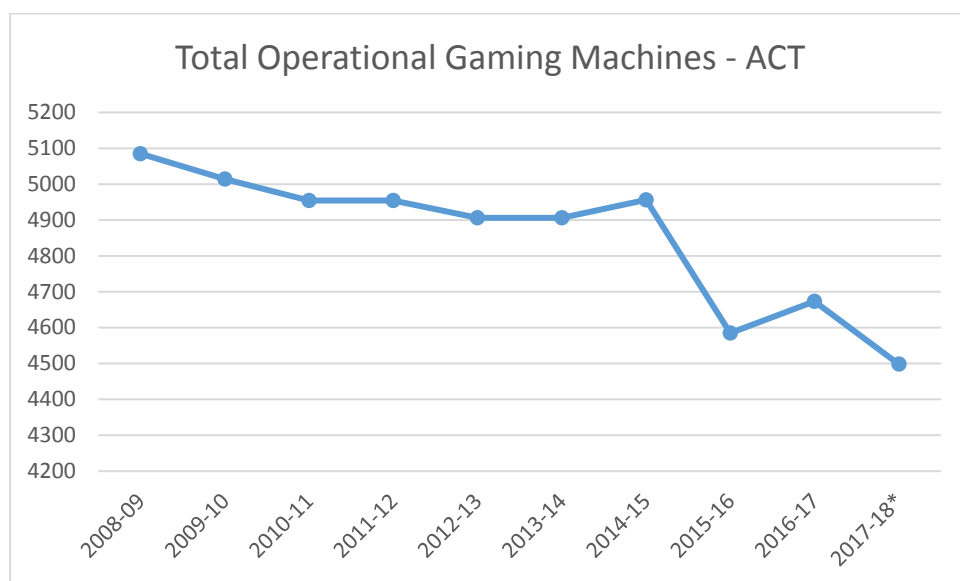


Source: ACT Gambling and Racing Commission Community Contribution Reports and Annual Reports

Decline in Operational Gaming Machines

The number of gaming machines in operation in the Territory has declined from a high of 5,085 in 2008-09 to 4,498 in May 2018 (see [Figure 9](#) below). A sharp reduction occurred in 2014-15 with the commencement of the gaming machine trading scheme. As part of this scheme, simplified storage processes and forfeiture requirements were introduced. Clubs were also permitted to hold authorisations without machines attached and this measure, in conjunction with improved storage processes, made it easier for clubs to consider making adjustments to the number of machines in operation at their club in accordance with their business needs.

Figure 9: Total Operational Gaming Machines – ACT



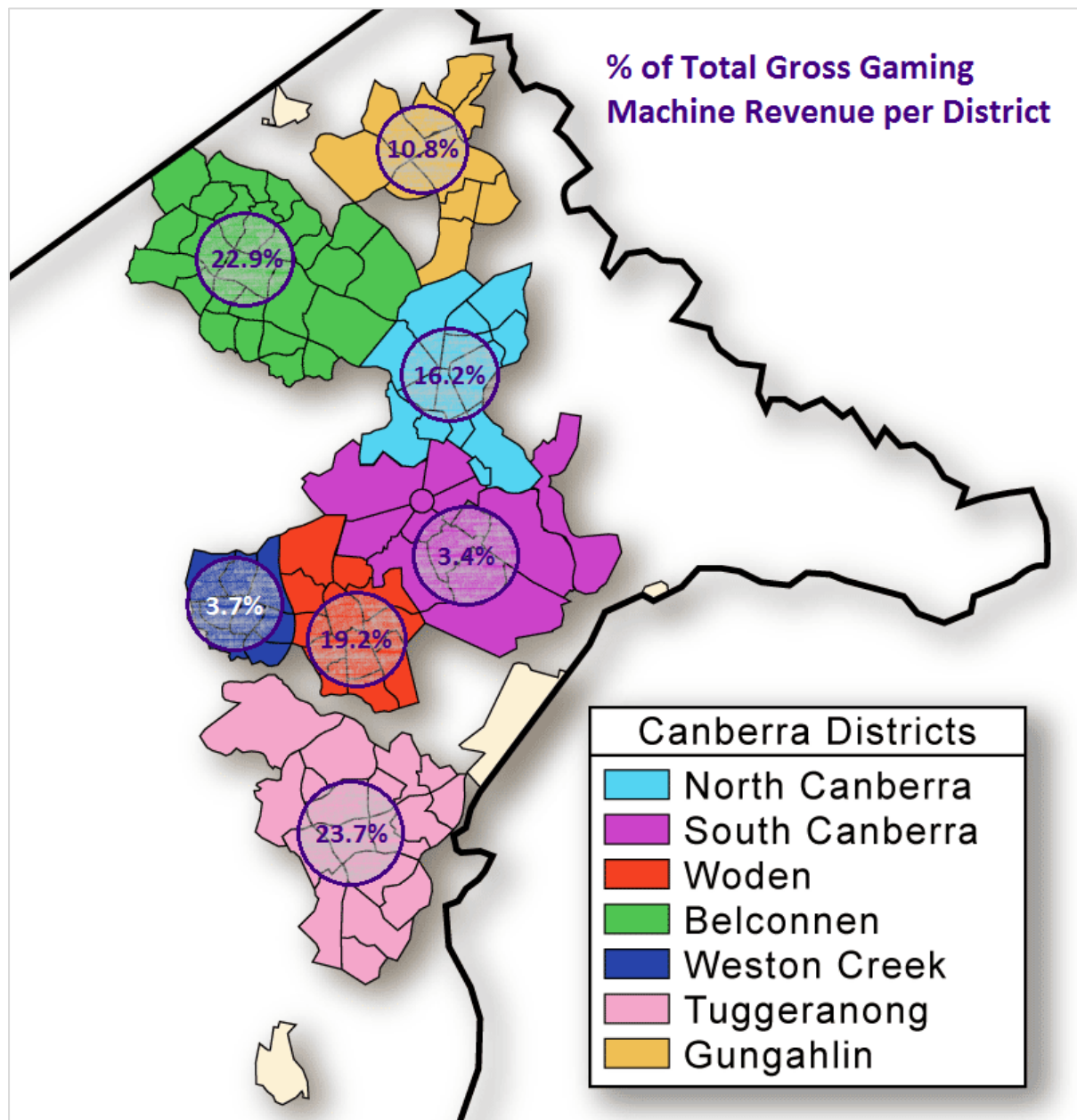
Source: ACT Gambling and Racing Commission Community Contribution Reports

* Total operational gaming machines in the ACT as at May 2018

A summary of the number of gaming machines currently in operation in the Territory and average GGMR per machine is at [Attachment C](#).

As reflected in [Figure 10](#) below, gaming revenue is distributed widely across the Territory, with a number of the larger clubs based near town centres.

Figure 10: Total Gross Gaming Machine Revenue per District



Source: ACT Gambling and Racing Commission Community Contribution Report

CHAPTER 3: THE REGULATORY AND TAXATION ENVIRONMENT

Clubs operate in a highly regulated environment. This is in part a result of the nature of the products offered at clubs, such as gambling and liquor. Clubs have a wide range of legislative obligations, required by both Commonwealth and ACT Governments. A summary of the compliance requirements for clubs is provided at [Attachment E](#). More detail on specific ACT legislative requirements is outlined below.

The *Gambling and Racing Control Act 1999* provides the overarching legislative framework for gambling in the ACT. This Act establishes the ACT Gambling and Racing Commission with a governing board. The Commission has responsibility for administration of gaming laws and control, supervision and regulation of gaming in the Territory.

The *Gambling and Racing Control (Code of Practice) Regulation 2002* sets out minimum standards that licensees should meet in providing patrons access to their gambling products, including harm minimisation measures designed to reduce gambling harm.

The *Gaming Machine Act 2004* regulates the licensing of class C (club) and class B (hotel) gaming machine operators, venues and gaming machines. Regulations under the Act set out detailed requirements in relation to licensing and authorisations, Social Impact Assessments, ballots, a centralised monitoring system, cashless gaming systems, linked-jackpot arrangements, restrictions on cash facilities, community contributions, storage permits, notifiable actions and a number of miscellaneous matters.

The *Gaming Machine (Reform) Amendment Act 2015* introduced the trading scheme for gaming machine authorisations. This included the introduction of a future two phased reduction of gaming machine authorisations across the Territory, with a ratio of 15 gaming machine authorisations per 1,000 adults to commence no later than 31 August 2018⁴. The Act contained compulsory surrender requirements to ensure the number of authorisations held by licensees did not exceed this ratio.

The *Parliamentary Agreement for the 9th Legislative Assembly for the Australian Capital Territory* (the Parliamentary Agreement) has replaced this ratio with a commitment to reduce the overall number of gaming machine authorisations to 4,000 by 1 July 2020.

Licensing and Authorisation Framework

With the introduction of the gaming machine trading scheme, a new licensing and authorisation framework was introduced under the *Gaming Machine Act 2004*. Under this framework, a person's eligibility to operate a class of gaming machine (class B – hotels or

⁴ The Casino and Other Gaming Legislation Amendment Bill 2018 was introduced in the ACT Legislative Assembly on 13 May 2018, and extends the commencement date of the 15 gaming machine authorisations per 1,000 adults to 31 August 2019.

class C – clubs) is separated from the authority to hold a maximum number of authorisations for a particular venue.

Gaming machine licence

Obtaining a class C gaming machine licence means that a club has met all eligibility requirements for operating that class of gaming machines, including financial arrangements and probity checks.

Authorisation certificate

Each venue that the club runs will have its own authorisation certificate – this document sets out the maximum number of gaming machine authorisations that can be held by a licensee for that venue, although a licensee is free to operate fewer gaming machines than the maximum number of authorisations stated on their authorisation certificate. A single licensee can hold a number of authorisation certificates, with each certificate stating the maximum number of authorisations for a particular venue.

The second column of [Attachment C](#) shows the maximum number of authorisations permitted for each club venue.

Authorisation schedule

Each venue's authorisation certificate includes an authorisation schedule, which lists all the authorisations and gaming machines at that venue. The number of authorisations listed in the venue's authorisation schedule is the 'Current Number of Authorisations Held' (third column) in [Attachment C](#). The number of authorisations held by a licensee for a venue can be the same as the 'Maximum number of authorisations' listed on the authorisation certificate, or a lower number, but it can never be higher than the maximum number.

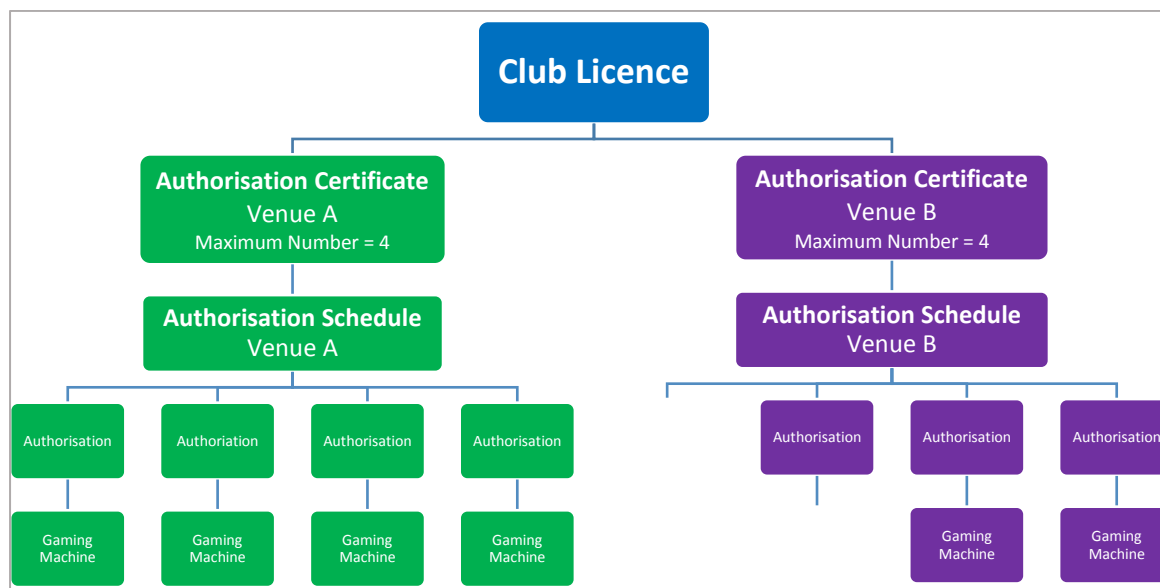
Authorisations and gaming machines

A licensee must hold an 'authorisation' for each gaming machine it wishes to operate. It is authorisations that may be traded between licensees but this may not necessarily include physical gaming machines (although the machines can be traded as well). An authorisation can be held without a gaming machine attached, but a gaming machine cannot be operated without an attached authorisation.

The 'Current Number of Gaming Machines in Operation' (fourth column) in [Attachment C](#) is the number of physical gaming machines that the club has installed in its gaming area/s.

An example of the relationship between gaming machine licences, authorisation certificates; authorisation schedules; authorisations and gaming machines is outlined in [Figure 11](#) below. Venue A currently holds four authorisations under its authorisation certificate (the maximum it can hold) and is operating a gaming machine under each authorisation, while Venue B currently holds only three authorisations out of a possible four, and is operating a gaming machine under two authorisations.

Figure 11: Gaming machine licences, authorisation certificates, authorisation schedules, authorisations and gaming machines



Only in very limited circumstances where a machine is awaiting disposal can a licensee hold (but not operate) a gaming machine that is not attached to an authorisation.

The trading scheme amendments provided flexibility for club groups to determine how many gaming machines to operate at each venue, up to the maximum number of authorisations permitted for each venue. This is in contrast to the pre-2015 legislative framework under which licensees had a certain number of machines allowed for each venue and it was ‘use it or lose it’.

At the start of the trading scheme, the maximum number of authorisations on each venue’s authorisation certificate matched the number of gaming machines the licensee had previously been licensed to operate at that venue.

To ‘kick-start’ the trading scheme, the Government then allowed clubs the option of a one-off increase to the maximum number on their certificate, with no Social Impact Assessment required. This increase was limited to 12 authorisations for venues with less than 120 authorisations; and for venues with 120 authorisations or more the increase was limited to 10 per cent of the venue’s total number of authorisations with the increase capped at 20.

Social Impact Assessments

A club seeking to increase the maximum number of authorisations it is allowed to hold must apply for an amendment of the certificate and attach a Social Impact Assessment. The Assessment sets out the likely economic and social impact of the operation of the increased number of gaming machines, and the process includes community consultation for a six-week period. This process also applies where a licensee is seeking to open a new club venue.

Some clubs have expressed frustration at the Social Impact Assessment process, arguing that the current system is too opaque, subjective, and discretionary. These clubs argued that the lack of transparency for decisions on applications to increase, or vary, the number of gaming machine authorisations at venues has impacted adversely on the trading scheme. A suggestion through the consultation was that an Assessment not be required where trading occurs within the same suburb.

Gaming Machine Taxation, Community Contributions and PGAF

Gaming Machine Taxation

Gaming machine taxation of club licensees is progressive and calculated on the GGMR per month for each venue.⁵ The tax rates are:

Table 1: Current monthly gaming machine tax rates

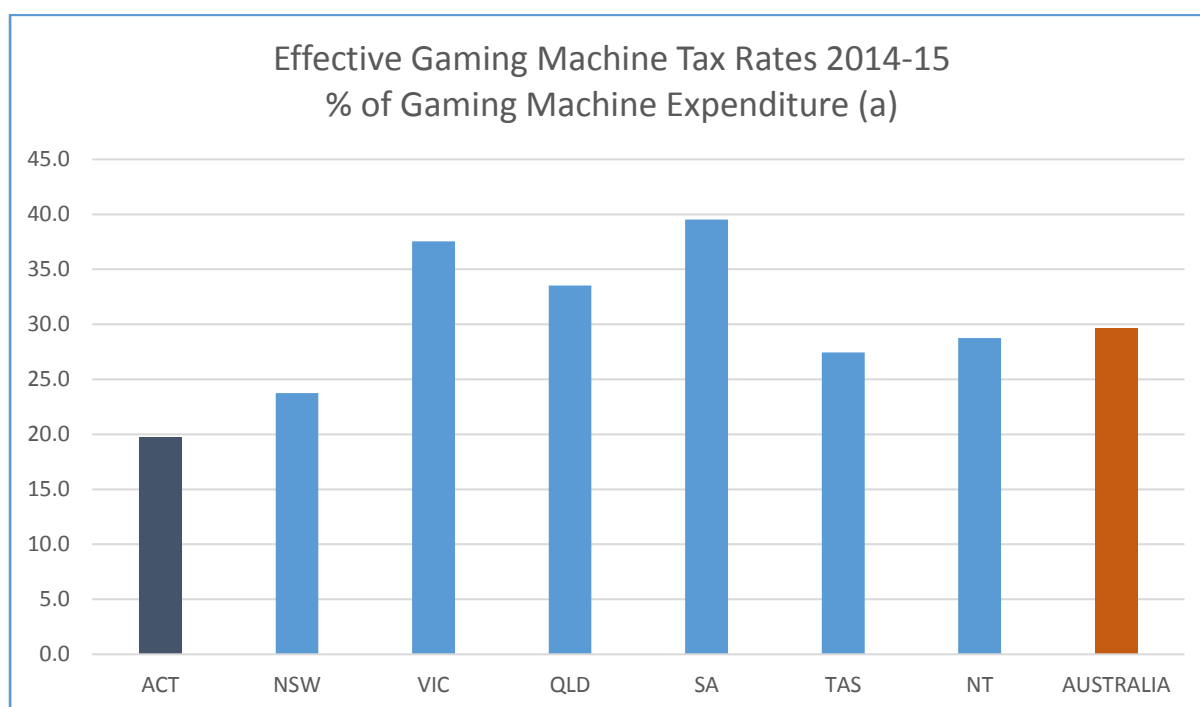
Revenue per month	Tax Rate %
Up to \$25,000	NIL
\$25,000.01 to \$49,999.99	17
\$50,000 to \$624,999.99	21
\$625,000 and above	23

In 2016-17, 10 of 45 club venues were not liable for tax. The top marginal tax rate of 23 per cent applies to clubs with annual revenues of \$7.5 million or higher. Eight clubs in 2016-17 were subject to the top marginal rate. Overall, the highest grossing club paid an effective tax rate of 21.6 per cent.

Analysis undertaken for the Justice and Community Safety Directorate, provides comparative analysis of gaming machine taxation rates across Australia ([Figure 12](#)). The average effective rate of tax on gaming machines in the ACT is the lowest of all States and considerably lower than those applying in Victoria, Queensland and South Australia.

⁵ Gross Gaming Machine Revenue (GGMR) is the total of all monies inserted into machines less winnings to players and approved amounts set aside for the payment of linked jackpots.

Figure 12: Effective Gaming Machine Tax Rates across Australia



(a) Includes tax revenue from Keno for NSW, Victoria, Queensland and Tasmania. Excludes mandatory community contributions.

Source: *Australian Gambling Statistics*, Edition 32, Queensland Government Statistician's Office, Queensland Treasury, August 2016.

Gaming Machine Taxation Rebate

From 1 July 2017, a 50 per cent gaming machine tax rebate has been available to small and medium clubs and club groups. Small and medium clubs and club groups are defined as gaming machine licensees with aggregate GGMR of less than \$4 million for the financial year.

As of January 2018, six clubs and club groups with GGMR between the tax free threshold of \$300,000 and \$4 million are claiming the rebate for 2017-18. The Budget has allocated \$5.383 million over four years for the cost of this rebate.

One club group has raised the issue that the rebate must be repaid in its entirety if its revenue exceeds \$4 million even by the smallest amount.

Rather than imposing a hard cut-off on \$4 million, it would be preferable to phase out the rebate by \$0.50 for every \$1 earned over \$4 million. This would provide some flexibility for clubs claiming quarterly who earn over the threshold, resulting in some benefit continuing for a club up to \$4,880,300 GGMR.

Recommendation 1: The Government amend the provisions for the 50 per cent tax rebate for small to medium clubs and club groups that earn under the \$4 million Gross Gaming Machine Revenue (GGMR) threshold in a financial year to provide clubs with flexibility should they be close to exceeding the threshold. A phased approach should apply to reduce the rebate by 50 cents in every dollar of GGMR over \$4 million.

Community Contributions

The required community contribution for a club licensee is eight per cent of net gaming machine revenue (NGMR) for the venue. NGMR is calculated by law as the venue's GGMR, less any amount of gaming machine tax payable and less 24 per cent of the venue's GGMR (the 24 per cent deduction is recognition of the expense a licensee incurs in gaming machine operations).

Mandatory community contributions of 8 per cent of NGMR will vary as a proportion of GGMR from 4.35 per cent for the highest grossing club to 6.08 per cent for clubs that pay no tax. On average, mandatory contributions represent 4.49 per cent of GGMR.

In 2016-17, clubs made community contributions to a total value of \$11,927,685, which was 12.6 per cent of NGMR. This was an increase on 2015-16, where contributions were \$11,652,179 or 12.4 per cent of NGMR.

Problem Gambling Assistance Fund

Club licensees are required to pay 0.75 per cent of each venue's GGMR to the Problem Gambling Assistance Fund.

The Gambling and Racing Commission administers the Fund, including providing for the ACT Gambling Counselling and Support Service. The Fund also supports projects and research for the purpose of alleviating problem gambling or the disadvantages that arise from problem gambling, and for providing or accessing information about problem gambling.

Planning System and Fees

Many clubs have looked and are looking at better using their land to provide alternative revenue streams to support their operations. However the planning process is both complex and time consuming.

It often requires the development of numerous reports, particularly where issues such as building form (height, siting, gross floor area), provision of infrastructure, tree retention and traffic management are relevant. Many clubs operate with volunteer directors and very few staff and do not have the expertise to navigate through the planning process. In these cases clubs often engage specialist private sector providers who can undertake this work often at significant cost to the club.

Planning requirements relevant to a club seeking to diversify may include a Variation to the Territory Plan and the preparation and approval of a Development Application. For some clubs, a National Capital Plan variation may also be required. These processes can take many months.

The fees involved in planning and development decisions vary according to the specific proposal and the elements of the planning system that are engaged, but can be expensive.

Concessional leases

Concessional leases are leases that have been granted for less than market value to help provide core community and social facilities.⁶ A number of clubs are located on land that was granted under a concessional lease. For some, particularly older, clubs the status of their lease is uncertain. In that case, a club must apply to the Planning and Land Authority for a decision as to whether the lease is concessional.

There are restrictions on 'dealing' (e.g. selling a block) with a concessional lease, as it was originally granted for community purposes. A club must seek the consent of the Planning and Land Authority for any dealing with a concessional lease.

Removing concessional status (Deconcessionalisation)

Where a club with a concessional lease wishes to remove that status to have increased flexibility in relation to the lease, the club must 'payout' an amount based on the current market value of the lease.

Any deconcessionalisation of the lease must be found to be in the public interest.

Removing the concessional status from a club's lease does not vary the purpose clause of the lease. The granting of additional rights under a lease requires a development application for a lease variation and may attract Lease Variation Charge if there is an uplift in value.

Lease Variation Charge

A Lease Variation Charge (LVC) is payable when lease variation is approved by a development approval granted under the *Planning and Development Act 2007* (the Planning Act). LVC is a charge on the added value to the lease (such as the grant of additional development rights) that results from the variation and is calculated through a formula in the Planning Act.

The default rate of any LVC is set at 75 per cent of the increase in market value. However the Planning Act also provides that part of the charge or the whole of the charge may be remitted (i.e. discounted) under prescribed circumstances and clubs can currently access existing remissions or apply for special consideration on a case-by-case basis, based on the likely community benefit derived from the proposal.

As with all properties in the ACT, rates for club sites are assessed taking into account the unimproved value of the block. Where clubs are located on blocks that are restricted to a lower-value purpose, the rates payable will take this into account.

⁶ ACT Government Environment, Planning and Sustainable Development Directorate, *Concessional Leases*, http://www.planning.act.gov.au/topics/buying,_selling_and_leasing_property/leases-and-licenses/concessional_leases.

However, if a club's lease has been successfully varied and a higher-value use is permitted (including, for example allowing for multi-unit residential development), this will have an immediate impact on the rates payable by the club as the valuation of the block will increase, which can increase club operating costs. Clubs, therefore, must take this impact into consideration and should have a clear plan and timetable for diversification before undergoing the variation process.

CHAPTER 4: PREVIOUS REPORTS AND POLICIES

There has been no shortage of reviews and policies affecting clubs in the ACT. This illustrates both the importance placed on the role clubs play in the ACT, the particular sensitivity around gaming machines and the trading difficulties some have been experiencing.

Memorandum of Understanding with ClubsACT (2012-2016)

On 11 September 2012, the ACT Government and ClubsACT signed a Memorandum of Understanding (MoU). The MoU guided significant policy reform for the licensed club sector including gaming and regulatory reform; tackling problem gambling; and exploring opportunities for further diversification of income streams away from gaming activities. The MoU expired on 11 September 2016.

Small Club Site Redevelopment Support Scheme

In 2012, the government launched the Small Club Site Redevelopment Support Scheme (SCSRSS) in accordance with Action 5 of the *Affordable Housing Action Plan Phase III*. The Scheme funded a number of small clubs to undertake studies to assess the feasibility of redeveloping all or part of their sites for residential purposes.

The Scheme had the following objectives:

- a) to provide assistance to smaller clubs seeking greater future financial security, including in terms of diversifying their sources of income away from gaming machine revenue; and,
- b) to support the supply of new housing in Canberra through urban intensification.

After receiving all completed redevelopment feasibility studies from the grant recipients, the government held a workshop with the clubs to discuss common issues arising from their studies on 9 August 2013, these included:

- a) Lease Variation Charge (LVC) - Club representatives argued that it would not be prudent for them to undertake further work until some reassurance was provided by the government that LVC remissions will be available. The general view of clubs was that without LVC remissions the financial case for proceeding with redevelopment would be marginal.
- b) Timeframes and Upfront Costs - The timeframes and upfront costs inherent in certain relevant Government processes (such as the Territory Plan Variation (TPV) process and lease administration processes) were major concerns for clubs representatives.
- c) Formalisation of government commitment - Overall, the club representatives sought a formalised commitment from the government that they will be supported to proceed through their redevelopment processes, with one representative suggesting a memorandum of understanding might be appropriate.

Economic Stimulus Package

On 6 March 2014 the Government announced its Economic Stimulus Package, a package designed to provide confidence and economic stimulus for the ACT building and construction industry.

One of the stimulus measures included remissions for LVC to support urban development over two years. On top of the existing LVC remissions that were available for redevelopment of land for the purposes of providing community facilities (childcare services), clubs, along with other organisations could access (until March 2016):

- a) an economic stimulus remission of 25 per cent of the added value; and
- b) a sustainability related remission (10 per cent to 25 per cent) discounted from the LVC.

All clubs had access to these remissions.

Collaboration with ClubsACT

As a direct result of the feedback provided by the small clubs from the SCSRSS, ClubsACT agreed to work proactively with individual clubs and in partnership with the government to pursue redevelopment options and detailed proposals which may require development applications (DA), lease variations and Territory Plan Variations (TPV).

As part of this focus, the government (primarily through the Environment and Planning Directorate) worked collaboratively with ClubsACT to help clubs understand the status of their current leases, as part of the first stage of potential redevelopment.

Community Clubs Taskforce (established 2014)

The then Minister for Racing and Gaming established the Community Clubs Taskforce in November 2014 to assist ACT community clubs to diversify their operations in order to secure their long term viability.

The Taskforce held three meetings with the last meeting on the 30 June 2015.

Key themes noted from presentations of the clubs from these meetings included:

- infrastructure development relating to the establishment of road access to landlocked areas on their club sites;
- understanding and navigating the TPV process which may be required if they seek to redevelop the club site outside of the currently permitted uses;
- the need for a centralised liaison officer to connect club representatives with the appropriate areas across government, depending on the nature of the club's concern or issue;
- the requirement for greater assistance in determining potential LVC and other applicable remissions;
- the range of conflicting advice that clubs have previously been provided; and
- the need for additional strategic advice from a government perspective to investigate options that clubs may not have previously considered.

Legislative Assembly Public Accounts Committee Inquiry (2015)

The Legislative Assembly's Public Accounts Committee (PAC) conducted an 'Inquiry into elements impacting on the future of the ACT clubs sector' in 2015.

The PAC report was tabled in the Legislative Assembly on 27 October 2015⁷ and the Government Response was tabled on 17 November 2015⁸. The Government agreed (or agreed-in-principle) to 25 of the 46 recommendations, noted 10, and did not agree to 11.

Of the agreed recommendations, most were implemented or are ongoing issues for the industry, a number did not require specific implementation activity as they reflected existing practice and operation, and one recommendation was a matter for the Legislative Assembly.

The recommendations that the Government did not support related to:

- a) amending the Territory Plan to provide a specific overlay for clubs;
- b) not charging planning fees when a club submits a Development Application;
- c) removing Automatic Teller Machine withdrawal limits;
- d) funding a study of cross-border gambling;
- e) providing further funding for research and addressing problem gambling by matching clubs' Problem Gambling Assistance Fund contributions;
- f) establishing a taskforce to develop a problem gambling action plan;
- g) investigating differential tax rates for clubs; and
- h) amending timeframes associated with Gaming Machine Reform Package implementation.

The recommendations the Government noted included:

- a) determining a list of permitted uses on club sites which must include community benefit;
- b) not applying a Lease Variation Charge when clubs seek to vary their leases to assist in diversifying their revenue base;
- c) ensuring no net loss of land zoned in the ACT Territory Plan as CFZ. In the case of a proposed re-zoning of community land to another land use zone, an equivalent community land offset should be designated elsewhere but ensuring an equitable spread of community facilities across the ACT;
- d) funding additional gambling research and expanding the research agenda of the Problem Gambling Assistance Fund to include research with an increased public health and harm minimisation focus;

⁷ ACT Legislative Assembly Public Accounts Committee, *Report 18 - Inquiry into elements impacting on the future of the ACT clubs sector*, <https://www.parliament.act.gov.au/in-committees/previous-assemblies/standing-committees-eighth-assembly/Public-Accounts/inquiry-into-elements-impacting-on-the-future-of-the-act/reports?inquiry=710257>.

⁸ ACT Government, *Government Response to the Public Accounts Committee's Report – Inquiry into elements impacting on the future of the ACT clubs industry*, 2015, http://www.parliament.act.gov.au/data/assets/pdf_file/0009/795672/8th-PAC-18-Clubs-sector.pdf.

Also, ACT Government Response corrigendum:

http://www.parliament.act.gov.au/data/assets/pdf_file/0008/803537/8th-PAC-18a-Clubs-sector-corrigendum-dd-4-Dec-2015.pdf.

- e) all gaming machine payouts over \$800 to be paid by cheque or EFT;
- f) pursuing, at a national level, maximum \$1 per spin and bet rates to ensure a nationally consistent approach and as means of limiting on border-hopping gambling;
- g) reviewing current Electronic Gaming Machines storage provisions to facilitate removal of Electronic Gaming Machines from club floors with a view to making the reduction permanent;
- h) considering how best to devise a water subsidy scheme for eligible clubs; and
- i) undertaking an assessment of the contribution of clubs to the ACT community.

A number of the PAC recommendations are now the subject of either election commitments or are matters included in the Parliamentary Agreement.

Election Commitment – Supporting Local Community Clubs Policy (September 2016)

The ACT Labor Party released its *Supporting Local Community Clubs Policy* in advance of the 2016 Legislative Assembly election. The Policy outlines commitments aimed at supporting small and medium clubs in the ACT.

The Government has already implemented the small and medium club gaming machine tax rebate for clubs and club groups that earn under \$4 million in gross gaming machine revenue from their gaming machines. The *Gaming Machine Amendment Act 2017* also provided for reduced administrative burden through quarterly gaming machine tax and Problem Gambling Assistance Fund returns and payments.

In early 2018, 14 small and medium clubs and club groups received a \$10,000 Community Club Grant. The Grant is being used to support club diversification activities including consultancy fees to investigate potential alternative land uses and upgrades to club facilities.

In addition, the *Casino (Electronic Gaming) Act 2017* provides that the casino must acquire all the authorisations it needs from clubs with at least 50 per cent being acquired from small or medium clubs/club groups, or hotels.

Parliamentary Agreement (October 2016)

The *Parliamentary Agreement (PA) for the 9th Assembly for the ACT* includes Commitment 9: 'Reducing harm from gaming' which consists of the following four items:

- Reduce the number of electronic gaming machine 'licenses' (authorisations) in the ACT to 4,000 by 1 July 2020
- Explore further harm reduction measures, including mandatory pre-commitments systems and bet limits for electronic gaming machines
- Increase the Problem Gambling Assistance Fund levy from 0.6 per cent of gross gaming machine revenue to 0.75 per cent, and direct additional funds into addressing problem gambling
- Review the current community contribution scheme, with a view to maximising the

direct benefit to the community from the scheme.

In addition, Appendix 2.6 includes the following commitment:

“in addition to existing community levies, the Labor Government will establish an independent charitable fund to distribute nominated community funds to charitable and community causes levied on venues operating electronic gaming machines in the ACT.”

CHAPTER 5: FINDINGS

Position of Clubs

There has been a significant rationalisation of the club industry over the past 10 years, with 44 clubs currently operating, compared to 62 in 2009. A number of small clubs have closed, or have been merged into larger club groups.

It is likely that the number of clubs will continue to reduce in the future due to a range of factors including a change in preference of gambling products and a shift in the social focus of Canberrans. There has been a recognition across the industry that clubs must significantly diversify their business models for their long term sustainability.

During consultation some clubs advised they are facing reduced revenue streams, both gaming and non-gaming, that are likely to affect their capacity to continue as a going concern over the next 10 years.

Analysis undertaken three years ago by KPMG as part of the 2015 Clubs Census⁹ found that compared with Australia as a whole, ACT clubs were 'more likely to be in a stable (39 per cent), solid (31 per cent) or flourishing (8 per cent) financial position (77 per cent of clubs in the ACT compared to 59 per cent of clubs in Australia).'

The sample size for the study was, however, small in the ACT, and the report noted that such limitations meant these results should be treated with caution. My analysis has been informed by discussions with a range of small, medium and large clubs which has indicated that this earlier partial analysis may not reflect the current financial position of the club sector. A number of clubs, particularly those that are small or medium sized, are only just covering their costs, and are at risk of falling into financial distress.

The industry is going through a period of transition, and this is likely to continue in the foreseeable future, particularly for those clubs that are more reliant on gaming machine revenue.

The managerial expertise in clubs varies widely as does the experience and skills of directors. A common theme raised during the consultation was that a number of clubs do not have the knowledge or skills to strategically provide for their future. This is especially true for smaller, volunteer based clubs.

It is important to recognise that whatever arrangements the Government has in place in regard to gaming machines and diversification support measures, some clubs will either close or merge with other clubs over time.

⁹ KPMG, *2015 National Clubs Census: Detailed Report FINAL*, August 2016, <https://www.clubsnswnsw.com.au/docs/default-source/default-document-library/policy/2015-national-clubs-census-report---final.pdf?sfvrsn=2>

The challenge for clubs and Government is to create the framework most conducive to their ongoing viability as they reduce reliance on gaming machine revenues and adjust to changing consumer preferences.

Reduction to 4,000 authorisations

All licenced clubs gain some benefit from gaming machines even where they are little used. While the reliance on gaming machine revenues varies between clubs, all clubs gain some revenue from their machines and this revenue boosts their bottom line. In many cases without this revenue they would have difficulty in breaking even.

A number of organisations noted that there is significant underutilisation of gaming machines across the Territory, compared with other Australian jurisdictions. This varies from club to club but is illustrated by the wide range of revenues per machine. For the 2016-17 financial year, these revenues ranged from \$2,156 to \$54,589 ([Attachment C](#)).

This observation is reinforced by the current number of gaming machine authorisations that are unused. As at 30 April 2018, there were 4,981 authorisations in total of which 4,498 of these authorisations are associated with an operational gaming machine ([Attachment D](#)). In other words 483 authorisations are currently unused – that is, there is no gaming machine allocated against the authorisation or the machines are in storage. Accordingly, around 10 per cent of the total number of authorisations are currently not used to operate gaming machines.

As a result the proposed reduction in gaming machine authorisations to 4,000 is highly unlikely to reduce gaming machine revenue by a corresponding amount.

Some clubs advised that gaming machine underutilisation may not be the only factor in determining revenue impact. It was argued that gaming revenue per machine per day is higher where there are more machines, as patrons often favour certain gaming machines and may prefer larger venues offering a greater variety of machines. They also noted that at some times during the week the machines were fully utilised.

Even for underutilised machines, I recognise that the net margin or rate of return is significantly higher than alternatives such as income from food and drink. Although the absolute amount from some gaming machines might not be very high, it still makes a difference to a club's bottom line.

As a result of this underutilisation it is difficult to quantify the likely impact of the reduction to 4,000 authorisations on club revenues and profitability in the short term. However, for clubs without unused authorisations there will be an impact on their bottom line. That impact will vary from club to club and is not necessarily related to club size. It will depend upon the level of utilisation of gaming machines, and the overall dependence of the club on gaming revenues.

During consultation individual clubs offered a wide range of views on the likely impact for their club, or clubs within their group, of the reduction to 4,000 authorisations. Some club

groups suggested that they may need to consider shutting down an underperforming venue and if possible redistribute the gaming machines between their other venues.

Impact on Club Workers

During consultation the issue of whether the reduction to 4,000 gaming machine authorisations would have an impact on a club's capacity to retain the same number of staff was raised. A number of stakeholders argued that as such a reduction is unlikely to have a major impact on club gaming machine revenue, club employment levels should not decline. It was argued that where the reduction did have an impact on the workforce, it would likely affect not just gaming staff but also other services clubs provide such as food and beverage, which can be partly subsidised through gaming machine revenue.

The ongoing trend of casualisation of club sector workers was raised as a matter that required further attention by Government. It was argued that people experiencing harm from gambling would benefit from an increased human interaction which would come with the engagement of more permanent part time or full time staff. Permanent staff were viewed by some stakeholders as best placed to identify problematic signs of gambling and to reduce harm in clubs.

United Voice suggested that the club industry, and specifically workers of the club industry, would benefit from the establishment of an Industry Transition Board to develop a transition package for workers impacted by the reduction to 4,000 authorisations.

While there is no doubt that providing support for workers is critical to the ongoing viability of the industry, it is unlikely that the number of workers employed by clubs will be much impacted by the reduction to 4,000 authorisations. This report also identifies ways for funding to be generated to assist clubs to diversify away from gaming to other sources of revenue, with the intention that new and improved revenue streams will be created. Any staff displaced by a reduced reliance on gaming revenue could be relocated by clubs to work in these new areas.

Accordingly I do not believe that the establishment of a transition package for workers is necessary at this time.

Authorisation Trading Scheme

In 2015, the Government introduced an open market trading scheme for gaming machine authorisations. The scheme is intended to enable clubs to better manage their machine numbers in line with business needs.

Phase 1 of the scheme introduced forfeiture of one-in-four authorisations when trading to reduce the number of overall authorisations in the Territory. This phase was intended as a three-year transition to allow industry to adjust to a reduced number of authorisations, before the introduction of a pro-rata surrender of authorisations to the extent needed to meet the new maximum ratio of 15 gaming machine authorisations per 1,000 adults in the ACT.

Since its inception, there has been limited trading activity, although through forfeitures imposed on trades, the scheme has resulted in a reduction in the number of machine authorisations by 41 (from 5,022 to 4,981).

Various reasons were provided by industry for the current limited operation of the trading scheme. In part it comes down to uncertainty about the future environment and therefore a reluctance by clubs to trade away authorisations that might either be needed for club operations or have a higher sale value in the future.

One of the key issues raised was the potential casino redevelopment. Legislative changes through the *Casino (Electronic Gaming) Act 2017* which commenced on 13 May 2018, enabled the casino to acquire authorisations through the trading scheme for 200 gaming machines, and up to 60 terminals for fully automated table games.

This Act requires that the casino must purchase its authorisations from clubs and hotels, with at least 50 per cent to be purchased from hotels and small and medium clubs/club groups. Uncertainty over whether the redevelopment proposal will progress has undoubtedly resulted in a number of clubs holding off on trading until the outcome is known.

Additionally, some clubs indicated they while they would like to buy authorisations they do not have any spare capacity under their authorisation certificate. To increase that capacity would require approval by the Gambling and Racing Commission of an application including a Social Impact Assessment.

A well-functioning trading scheme benefits the club industry by providing the mechanism for some clubs to realise value from authorisations they no longer wish to hold and for other clubs to increase the number machines in line with their business model and where they have capacity to increase within their authorisation certificate ceiling.

As the ACT's trading scheme is entirely market-based, information on trading scheme prices is not collected by Government. A number of clubs provided advice during the consultation process that authorisations have traded for between \$6,000 and \$20,000. However it was pointed out by industry that the limited trading history does not provide a good basis for authorisation valuation.

ClubsACT provided me with a study which provided a Net Present Value for each authorisation of between \$124,901 and \$219,385 depending on the interest rate used.

Some clubs carry a valuation of gaming machines on their balance sheet but this valuation varies widely between clubs.

This conflicting data, combined with the number of unused authorisations and the wide range of revenues flowing from individual machines makes it impossible for me to put a definitive value on a gaming machine authorisation in the context of a reduction to 4,000 authorisations.

Diversification

It was broadly acknowledged by clubs that there is a need to diversify away from gaming machine revenue. Diversification of revenue will provide clubs with a greater chance of long term sustainability and a number of clubs advised that they have begun the process of investigating alternative business models.

Some clubs have sought new patrons by broadening their appeal beyond their traditional base. Others have, where possible, modernised their facilities to keep pace with the widening leisure choices. In some cases though, either through poor management or a lack of resources this diversification has not occurred, and these clubs are likely to face increasing financial difficulty.

The location and land holdings of some clubs mean that they are well placed to provide community facilities as part of a diversification strategy. Examples of facilities provided where clubs have diversified, or are seeking to diversify included: aged care, child care, residential, commercial or mixed use precinct redevelopment, shopping centres, food and beverage, cafes and real estate developments.

Generally, this sort of diversification has been possible because of the redevelopment of deconcessionalised land holdings. For a number of clubs, this was and remains their biggest unrealised asset.

Not all clubs have the management expertise to successfully manage a large scale redevelopment or undertake different activities. They will therefore often sell their excess land to a developer who will then develop and realise the full value of the site. While greater benefit might be realised by the club if the development was undertaken 'in-house', this is not always possible and is likely to impose greater risk, particularly where there is only limited expertise.

I am aware, for example, that some local churches, particularly in Queensland and Victoria, have been bankrupted over failed land developments that they choose to manage themselves.

While redevelopment of club land may help the sustainability of a club this must be offset against the possible loss of land for community purposes. Once lost this land can never be recovered. The planning process must consider these issues on a case by case basis to ensure overall public interest is maintained.

Incentives for Early Surrender of Authorisations

The view of clubs about incentives for early surrender as part of a broader diversification strategy was very mixed and not necessarily associated with the size of clubs. Some expressed concern at any reduction in gaming machine authorisations while a number were very willing to consider some voluntary surrender where diversification support was offered. In all cases, clubs made it clear that they would need to assess the amount and types of incentives offered and the effect that could have on the sustainability of their

operations. They also noted that they would need to see the final details of a compulsory surrender scheme before determining their position.

Two main possible incentive options were discussed:

- A cash payment per authorisation voluntarily surrendered; and
- A reduction in planning and development fees and LVC per authorisation voluntarily surrendered.

The cash incentive was of interest to most clubs but particularly for clubs with no land or no plans to develop their land. For cash strapped clubs a cash injection could be the key to upgrading facilities to enhance their operations and to reduce costs.

Some clubs suggested that the maximum number of authorisations on an authorisation certificate should not be reduced when authorisations are surrendered. This would enable clubs to maintain their maximum number of authorisations at a venue and could be a significant non-financial incentive for clubs to voluntarily surrender authorisations. Retaining this flexibility would also create capacity in the market for further trading of authorisations.

I have noted earlier that the club industry in the ACT is very diverse and no one size will fit all circumstances. Policy and incentives must take this diversity into account for both equity and efficiency considerations.

Regulatory Certainty

The club industry has been widely examined and subject to many changes over the past decade. A number of clubs raised the idea of a 'freeze' in the regulatory environment of the club sector for a period of time to provide regulatory certainty within which diversification activities could be shaped and undertaken. Areas raised by clubs where regulatory certainty would be of benefit included:

- agreement that there would not be a further compulsory surrender process once the maximum number of authorisations in the Territory reached 4,000;
- continuation of current gaming machine tax rates; and
- no change to gaming machine harm minimisation requirements.

It was argued that minimising further regulatory changes would provide clubs with more certainty about cash flow that will help underpin potential diversification activities. A five year period for regulatory certainty was recommended by some clubs.

CHAPTER 6: A FRAMEWORK FOR A SUSTAINABLE FUTURE

It was broadly acknowledged by clubs that there is a need to diversify away from gaming machine revenue. Diversification of revenue will provide clubs with a greater chance of long term sustainability and a number of clubs advised that they have already diversified or have begun the process of investigating alternative business models. However the options available to clubs to diversify vary between clubs depending on factors such as their size, their financial position, location and land holdings. The effectiveness of any diversification strategy will also depend upon the quality of management to implement that strategy.

Diversification must be considered on a club by club basis, depending on the available expertise and club assets. Clubs can be encouraged to take a long-term strategic view, however, final decisions on any particular business model need to be taken by club management. Government should seek where possible to support the sector during its transition but should not define that future.

For some clubs expansion may not be the answer, rather it may be more prudent to reduce their footprint, potentially co-locate, and draw on more volunteer contributions to maintain and deliver benefits to their members.

I discussed in detail with clubs a framework to improve sustainability and provide incentives that might encourage diversification and encourage them to surrender gaming machine authorisations voluntarily.

The willingness of the Government to consider the provision of financial incentives for voluntary surrender could provide some clubs with a once off opportunity to reset their business to the benefit of the whole community.

A framework for a sustainable future for clubs needs a number of components if it is to be successful. The key components are outlined in this report and include:

- A commitment by Government to a period of regulatory certainty;
- A well-functioning trading scheme for authorisations;
- The establishment of a club diversification support fund;
- Capacity building measures to improve the ability of clubs to plan and execute diversification strategies;
- Other ACT Government support measures;
- Financial and non-financial incentives to voluntarily surrender gaming machine authorisations.

All clubs would benefit from this framework, although some of these measures are aimed particularly at small to medium sized clubs. Large club groups are often more advanced in their diversification initiatives and have more resources and managerial expertise than smaller clubs. They also have more flexibility as a result of operating a number of venues.

Policy (Regulatory) Certainty

During consultation a consistent theme from clubs was the need for some future policy certainty for the sector. This certainty would enable clubs to undertake future planning and investment activities based on known regulatory parameters.

Once the 4,000 cap is reached, an option would be to allow the market to determine the future number of authorisations below that number, through the forfeiture of one authorisation in four traded. This approach would be consistent with approaches in other jurisdictions, and would have the effect of establishing a market process for further reductions in authorisations.

The Government has committed to explore further harm reduction measures and review of the community contributions scheme through the Parliamentary Agreement. Until this work is completed it would be premature to anticipate freezing future policy development other than gaming machine authorisation numbers and taxation arrangements. However once these reviews are completed it should form part of a commitment to regulatory certainty for the next 5 years.

After five years an assessment of the number of gaming machines should be completed to inform future policy decisions for the sector, and should consider such factors as the ratio of authorisations in the ACT compared to other jurisdictions, the numbers that have reduced through further trading, and any variances in gaming machine revenue.

Recommendation 2: The Government commit to no change to gaming taxation measures and no further compulsory reduction in the overall number of gaming machine authorisations in the ACT below 4,000, other than reduction occurring through trading forfeitures, cancellations or further voluntary surrender of authorisations by clubs for five years, from 1 July 2020.

Authorisation Trading Scheme

A well-functioning trading scheme is of benefit to the club industry as it can provide the mechanism for some clubs to realise value from authorisations they no longer wish to hold and for other clubs to increase the number of machines in line with their business model, and where they have capacity to increase within their authorisation certificate ceiling.

Recognising that 25 per cent of authorisations purchased through the trading scheme are forfeited through trading, facilitating ongoing trading between clubs would contribute to continued reductions in authorisations.

Based on GGMR and machine numbers, some clubs have indicated that they consider that a trading scheme with forfeitures would naturally reduce the number of authorisations to the low 3,000s over time. It is likely the value of authorisations would increase as numbers reduce, assuming that there is sufficient capacity for venues to trade authorisations.

A suggestion raised during consultation was that the forfeiture requirement of one in every four gaming machine authorisations should be removed once the overall maximum number of authorisations is at 4,000.

Forfeiture is a key requirement of trading schemes in other jurisdictions and I do not support the removal of the forfeiture provisions as these provide a market mechanism to reduce numbers of authorisations even after the cap of 4,000 authorisations has been achieved.

Recommendation 3: The gaming machine authorisation trading scheme continue and retain current forfeiture provisions.

Diversification Support Fund

The introduction of a diversification support fund financed in part by industry through a charge on each gaming machine authorisation held would provide both an incentive not to retain unused authorisations and provide ongoing funding to assist clubs to improve their operations and to develop diversification strategies.

The contribution could be applied on a monthly basis for each authorisation held. The rate of contribution to the fund should take into account the impact on small – medium clubs. It would be appropriate to have a progressive tiered application so that club venues contribute \$20 a month per authorisation for their first 99 authorisations, with over 100 authorisations attracting a higher contribution of \$30 a month, as set out in [Table 2](#) below.

Table 2: Contribution to Diversification Support Fund (per Gaming Machine Authorisation)

Number of gaming machine authorisations	Contribution per authorisation, per month (\$)
First 99 per venue (inclusive)	20
Over 100 (inclusive)	30

This approach would provide total funding of around \$1.08 million based on 4,000 authorisations. I recommend that the Government match this industry contribution to further support club diversification, creating a \$2 million fund.

The fund should be ring-fenced with appropriate governance arrangements. These could include terms of reference; an Advisory Board; and reporting obligations. The Advisory Board should consist of representatives from Government, the club industry and the community (including someone with experience in gambling harm issues). Transparency about the use of the fund would be important as would the ability to manage the fund with a minimum of red tape and regulatory burden on clubs.

The fund could be used for training for club directors, executives and staff. It could also fund grants to clubs to assist strategic planning, land planning and development studies and diversification initiatives.

In the first three years of the diversification support fund, the focus of funding should be on assisting small and medium clubs to get the most out of diversification, and preference could be given to those clubs that have voluntarily surrendered gaming machine authorisations.

Recommendation 4: That a diversification support fund, financed by a contribution for each gaming machine authorisation held, be established. This contribution should be matched by Government. The fund should be ring-fenced, with governance arrangements that include: terms of reference, an advisory board, and reporting obligations.

Capacity Building

Governance

Most club directors serve on a voluntary basis. During the consultation with clubs it became apparent there are considerable differences in the capacity of club boards and management to oversee and set a strategic direction for a club. Good governance is crucial to maintaining a viable club sector.

[Attachment F](#) outlines an approach used in NSW to improve governance for club directors that requires NSW club board members to undertake compulsory training on board functions and financial management. Training is provided primarily through ClubsNSW's 'Club Directors Institute'.

Mandatory training for board members would provide clubs with a more consistent level of understanding of non-executive responsibilities and obligations for clubs in the ACT context. Components of the training would take into account the legislative framework in the ACT and could include the following elements: corporate governance, finance for club boards, board management and relationships, risk management, gaming machine regulations and harm minimisation measures.

As in NSW, the requirement for such training should take into account past qualifications and experience.

Course requirements should be set by the Government, in consultation with peak club groups, and its operation tendered out to private providers. The cost would be met from the diversification support fund. Directors undertaking the course would do so at no direct cost to clubs.

Training and skills for staff management could be encouraged with grants to contribute to covering courses for club management as well as additional training for board directors.

Another feature in NSW is the option for boards to directly appoint persons with high level skills or business experience as directors. While there is merit in widening the skills on a club board through direct appointment, this is ultimately a matter for clubs and their members to establish through consideration of their governance arrangements and constitution.

Recommendation 5: The Government mandate training for club directors within 12 months of their appointment. A training program for the ACT would build on the NSW model and cover board member responsibilities, management collaboration and finance for club boards, together with training on harm minimisation and the role of boards in overseeing the provision of responsible gambling services. It is recommended the cost of mandatory training be met from the diversification support fund.

Knowledge Sharing within the Club Industry

It was clear to me during consultation that the ACT club sector would benefit significantly from improved information sharing between clubs. Traditionally this would have occurred through the industry peak body, however the current ‘fractured’ industry environment makes this more difficult. There are two measures that should be considered by the club industry going forward:

- Introduction of a model that facilitates the sharing of skills and reduction of costs across industry, such as the amalgamation of ‘backroom operations’; and
- Establishment of an ACT forum for clubs to discuss common issues.

Unification of the Club Associations

For the past 12 months there have been two industry bodies representing the interests of the club industry in the Territory– ClubsACT and Canberra Community Clubs. This reduces the effectiveness of clubs in articulating their issues to Government and in providing services to their members.

The unification of the club associations would have a number of clear benefits and should be considered by industry. It would enable improved information sharing and collaboration across the industry, as well as facilitating the industry to reinvent and strengthen itself.

Recommendation 6: The club industry unify its peak bodies with a view to improving its advocacy and information sharing across industry. The industry should explore opportunities to share skills and services to reduce costs and establish an ACT clubs forum to discuss common issues.

Centralised Monitoring System

Most jurisdictions in Australia have a Centralised Monitoring System (CMS), which serves to streamline regulatory activity for gaming machine licensees and regulators, enable greater functionality for licensees, and provide assurance around revenue protection. The diversification support fund could be used towards setting up a CMS and funding its operation, to provide clubs with less red tape in complying with regulatory approvals and more readily accessible data on machine usage and earnings.

In NSW, following a tender process, Maxgaming was selected as to operate the NSW CMS from 1 December 2017 to 30 November 2032. Maxgaming paid the NSW Government a combined fee of \$209 million for the 15 year licence and 12 month extension. A monthly levy of approximately \$60 is payable for each gaming machine ‘entitlement’ (authorisation) that goes toward running a CMS. There is some relief for small clubs in the form of a discounted payment.

Other ACT Government Support Measures

One stop shop in ACT Government

The planning system is complex to navigate and the requirements vary, depending on many factors such as the type of lease that is held, the proposed development and other matters relating to the club's site. Professional services firms provide advice on land use and planning requirements, including engagement with relevant parts of the planning system.

In 2014 a Task Force was established by the Government to support clubs seeking to explore diversification through alternate land uses but has not met for some time.

A central single point of contact would provide clubs with advice and contact with the relevant part of government that applies to their circumstance. This point of contact could also advise small–medium clubs about their eligibility to apply for a grant toward professional services from the diversification support fund.

Recommendation 7: The Government establish a point of contact for clubs to obtain advice, including relating to alternate land use, and eligibility of clubs to apply for a grant from the diversification support fund.

Lease Variation Charge – Deferred Payment Scheme

Another possible support measure raised related to the Deferred Payment Scheme for the Lease Variation Charge (LVC). This scheme allows lessees with an LVC above a monetary threshold the option of deferring the payment of LVC to a later date, after the lease is varied. In this way, lessees that qualify for the scheme can elect to pay LVC nearer the end of a project to better align with cash flow from the development. The normal interest rate applied under the DPS is 3.5 per cent — based on the three month Bank Bill Swap Rate (currently 1.7 per cent) with an added margin of 1.8 per cent in consideration of the risk and cost to Government.

This margin could be removed for a club accessing this scheme where a public benefit is demonstrated as further support for club diversification activities.

Recommendation 8: The Government provide clubs with access to the Lease Variation Charge Deferred Payment Scheme where they can demonstrate a public benefit, with the interest rate set at the Bank Bill rate only.

Lease Status Determination

Before a redevelopment can occur, a lessee needs to apply to have their lease status determined at a cost of \$1,357. Establishing a coordinated approach to determining the lease status for clubs could be advantageous, and relatively easy for Government to provide. Government should waive the cost of advice to all clubs who are seeking to know the status of their lease to enable exploration of alternative land usage. This is a crucial first step in developing land redevelopment strategies.

Recommendation 9: The Government waive the cost of advice to clubs about their lease status to enable exploration of alternative land usage.

Club Liquor Licence Fees Review

All licenced clubs pay a liquor licensing fee. The liquor licensing framework sets fees based on the level of risk posed based on three factors: the size of the venue (occupancy); opening hours; and category of licence held.

Most licenced clubs have a significant occupancy level, though this is rarely at capacity and many clubs (particularly smaller clubs) are open for periods shorter than standard trading hours. A number of clubs suggested that licenced clubs pose a lower risk in harm caused from the service of alcohol and that their fees should take this lower risk into account.

Such a review would be consistent with the 'Supporting Local Community Clubs Policy' election commitment of 'adjusting liquor licensing fees to reflect risk, including trading times, especially for clubs that close early.'

Recommendation 10: The Government review the approach to liquor licensing fees for licensed clubs, to take into account the level of risk posed by clubs with a liquor licence.

CHAPTER 7: INCENTIVES FOR EARLY SURRENDER

The terms of reference for this Analysis ask for consideration of both financial and non-financial incentives to support clubs to voluntarily surrender gaming machine authorisations as part of a broader diversification initiative.

There are two major financial incentives that would both encourage early surrender and assist club diversification. These are a:

- cash payment; and/or
- future offset against the payment of charges and fees to Government for land use changes. This would include lease variation charges, deconcessionalisation charges and planning and development fees.

Again the attraction of different incentives will vary across clubs depending on their circumstances. This reinforces the premise that no one size fits all and that a range and mix of incentives should be considered.

Financial Incentives

Cash Payment

I am recommending that a cash incentive for each authorisation surrendered voluntarily be available for small and medium sized clubs and club groups. Such a payment would assist these clubs to become less dependent on gaming machine revenue. These clubs could still choose to take the land planning and development fee offset but only one incentive could be applied to each authorisation voluntarily surrendered.

I do not recommend that a cash incentive be available to large club and large club groups. These clubs and groups are often more advanced in their diversification initiatives and have more resources and managerial expertise than smaller clubs. They also have more flexibility as a result of operating a number of venues. They would however be eligible for the non-cash incentive.

A cash payment of \$12,000 per authorisation would be available for those small and medium clubs and club groups that agree to voluntarily surrender authorisations by 31 January 2019. Hotels would be eligible for a lower cash incentive of \$6,000 for the voluntary surrender of a class B authorisation. An amount of \$6,000 per authorisation surrendered by hotels is considered generous since class B gaming machines are being phased out.

As I noted earlier it is not possible to put an accurate valuation on a gaming machine authorisation. However based on the limited data I have seen and in discussions with clubs a figure of \$12,000 per authorisation surrendered strikes a balance between likely cost to the Government and an incentive that is both attractive to smaller clubs and would be large enough to have a positive effect on diversification plans.

This figure in part reflects data available on the market price of traded authorisations, and would provide a significant cash injection that small and medium clubs and club groups

could use to either establish new revenue streams or maintain existing community club facilities. This figure is considered attractive to clubs and affordable for the ACT Government's budget.

If all small to medium sized clubs and groups surrendered 20 per cent of their authorisations, i.e. 153 authorisations, the cost to the Government would be about \$1.8 million. Based on my discussions a number of these clubs though would probably prefer a reduction in land planning and development charges, rather than a cash injection. As a result the actual upfront cost to Government is likely to be lower but the cost of land-related fee offsets would be higher.

Recommendation 11: That \$12,000 cash funding per gaming machine authorisation be made available to small and medium clubs and club groups for early voluntary surrender by 31 January 2019, and \$6,000 per authorisation be available for early voluntary surrender by 31 January 2019 by hotel licensees.

Land Related Charge and Fee Offsets

Alternatively, any club that voluntarily surrenders authorisations could elect to receive an offset against future taxes and fees for land use changes, lease variation charges, deconcessionalisation charges and planning and development fees. The offset would be attractive for clubs with surplus land holdings who wish to redevelop that land as part of their diversification strategy.

This offset would be available to be used for a period of seven years. The approval of any development application and consequent use of this offset would still be contingent on normal Government planning approval processes.

I noted early that land redevelopment can be contentious. Community land is a scarce resource and once lost can never be regained. In large part this is a matter for normal planning and development regulations and policies. However, where a club chooses a land redevelopment charge or fee offset as an incentive for the voluntary surrender of authorisations, their application needs to indicate the proposed use of the land and the value the community would receive from the proposed redevelopment.

A suitable incentive would be \$25,000 per authorisation for small to medium sized clubs and club groups and \$15,000 for large clubs and groups. If all large clubs and groups took up this option the cost to revenue over the seven year period would be a maximum of \$12.5 million. The actual cost to revenue would likely be lower as not all developments would proceed and some may have received concessions on their LVC in the normal course of events.

I have recommended that large clubs and club groups have access to a land redevelopment charge or fee offset, rather than a cash incentive, on the basis that large clubs are best positioned to take advantage of this form of incentive due to their land holdings, or capacity to purchase land for redevelopment.

Based on feedback received during consultation, a small cash injection would have only a limited effect on the financial operations of large clubs. Government support should be directed towards incentives that support and strengthen the long term services and recreation options that clubs offer to the community. A number of clubs indicated that the opportunity to engage in a large scale redevelopment would assist in long term diversification initiatives and would therefore be the most useful incentive for that part of the industry.

While land planning and development offsets should be permitted to be 'pooled' within club groups, these incentives would be bound to the club group and would not be transferable, or able to be on-sold.

Recommendation 12: That offsets against future Government land, lease and planning and development charges be made available for small-medium clubs and club groups at a rate of \$25,000 per authorisation voluntarily surrendered by 31 January 2019 and for large clubs and club groups at a rate of \$15,000 per authorisation voluntarily surrendered by 31 January 2019. The offsets would be available to be used over a seven year period commencing on 1 April 2019.

Bonus for Becoming a 'Pokie Free' Venue

A 25 per cent bonus on the relevant incentive would apply to clubs and club groups where a venue goes 'pokie free'. This bonus would not apply to hotels.

For both cash and non-cash incentives, access to bonus funding for going 'pokie free' should be conditional on a club surrendering the venue's authorisation certificate for gaming machines, but maintaining the venue as a community facility for a minimum period of five years.

Recommendation 13: A 25 per cent bonus on the relevant incentive be offered to clubs and club groups who go 'pokie free' and surrender their authorisation certificate.

Small-medium clubs and club groups may elect to apply for a mix of cash and offset toward future Government land, lease and planning and development charges, however, as noted above only one incentive would apply to each authorisation voluntarily surrendered.

Hotels would be provided with access to cash incentives for early surrender by 31 January 2019, but not the land planning and development offset, to reflect that hotels are for-profit facilities and this funding is unlikely to be used for community purposes.

There should be no limit to the number of gaming machine authorisations a club can voluntarily surrender to access these incentives.

To ensure that the funding is used to improve the ongoing viability of clubs, clubs would need to outline their strategy to Government as part of their application for this incentive. This strategy need not be onerous but should indicate that clubs have given thought to how the incentive can be used to enhance their ongoing operations. This would ensure proposals are well planned and consideration is given to the risk associated with the club's

use of funding and diversification Initiatives. The strategy should be endorsed by a club's board and should cover how funding would be used, the benefit of the proposal for the club and community, and the financial sustainability of the proposal.

While this strategy would need some assessment by Government this should not be intrusive and should recognise that clubs are best placed to determine their own destiny.

Non-Financial Incentives

As a further incentive it is recommended that licensees that voluntarily surrender authorisations by 31 January 2019 would be permitted to retain the number voluntarily surrendered as part of the maximum number of authorisations on their authorisation certificate.

This would enable those clubs that believe their short term viability depends on gaming machine revenue to purchase authorisations under the trading scheme. Through forfeitures under the trading scheme, this would lead to a further reduction in total authorisations below 4,000 after 1 May 2020.

For clubs that do not voluntarily surrender, the club's maximum number on their authorisation certificate would be reduced at the same rate as their authorisations are compulsorily surrendered. In these cases, clubs would need to undertake a Social Impact Assessment process to increase their authorisation holdings beyond their new maximum number.

An additional voluntary surrender incentive proposed for club groups is to allow the licensee to indicate which club venue within the group will surrender the authorisations. For example, where a club group decides to voluntarily surrender 50 authorisations, these may be surrendered from a single venue rather than surrender being apportioned across each venue to meet the pro-rata compulsory surrender requirement. This provides club group licensees with the flexibility to determine the number of authorisations that will remain in operation for each venue, provided the surrender requirements are met and each venue's maximum number is not exceeded.

Recommendation 14: Licensees that voluntarily surrender authorisations by 31 January 2019 be permitted to retain the number voluntarily surrendered as part of the maximum number of authorisations on their authorisation certificate.

Recommendation 15: Club group licensees that voluntarily surrender authorisations by 31 January 2019 may choose which venue/s authorisations are voluntarily surrendered from.

CHAPTER 8: COMPULSORY SURRENDER

Determining Compulsory Surrender Requirements

A number of options to determine compulsory surrender requirements across the industry were considered. These included a tiered approach based on the number of authorisations held by a licensee, or taking into account clubs' GGMR, and using the thresholds determined for the 50 per cent gaming tax rebate.

In the context of the total package I believe a flat rate across industry is the best approach, with an exemption provided for clubs with 19 or less authorisations. This has the benefit of simplicity and fairness. It recognises both that there is no one club size that is better positioned to surrender authorisations and that the incentives for voluntary surrender are weighted towards small and medium sized clubs.

Authorisations voluntarily surrendered would reduce a licensee's compulsory surrender obligations by an equivalent amount.

For clubs which did not voluntarily surrender or which did not voluntarily surrender the full requirement, the club's maximum number on their authorisation certificate would be reduced at the same rate as their authorisations are compulsorily surrendered. There would be no reduction of the authorisation certification for authorisations voluntarily surrendered.

Very small clubs (those with less than 19 authorisations) have the potential to be most impacted by compulsory surrender. These clubs also appear to have less issues with gambling harm. It is reasonable that they remain exempt from compulsory surrender requirements, as was provided in the *Gaming Machine (Reform) Amendment Act 2015*. However they would be eligible for diversification incentives if they chose to voluntarily surrender authorisations.

A number of stakeholders provided advice that clubs' loans terms and conditions have been agreed based on future expected earnings from gaming machines, and that these earnings may be impacted by compulsory surrender requirements. Some clubs made representations to me during consultation that as a result they should be exempt from compulsory surrender requirements. I do not support this approach as:

- The Government's overall policy to reduce authorisations by compulsory surrender has been known for some time;
- The impact on overall revenues is unlikely to be proportionate to the percentage reduction in authorisations; and
- There will be incentives for early voluntary surrender which will provide assistance for a club's ongoing viability.

Recommendation 16: A flat compulsory surrender rate be applied to clubs with 20 or more authorisations. Clubs with 19 or fewer authorisations held should be exempt from compulsory surrender.

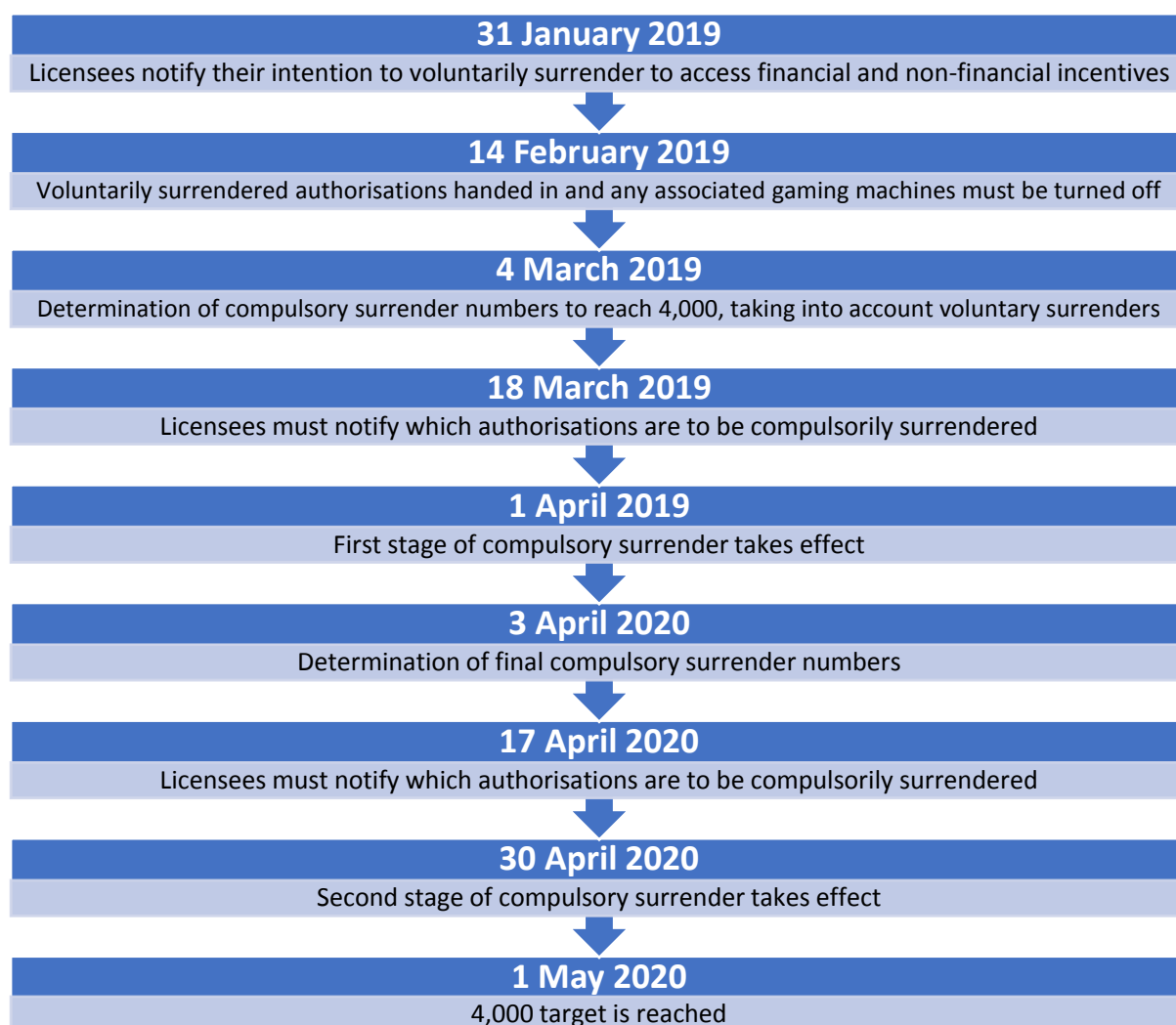
Recommendation 17: That authorisations voluntarily surrendered reduce a licensee's compulsory surrender obligations by an equivalent amount.

How surrender might work

A reduction of 981 gaming machine authorisations to meet the ACT Government's target of 4,000 by 1 May 2020 will require clubs to voluntarily surrender authorisations, or have a proportion of their authorisations compulsorily surrendered.

In order to achieve this reduction, an indicative timetable detailing significant milestones is set out in [Figure 13](#). A two stage approach to surrender is proposed that will incentivise early voluntary surrender as well as trigger compulsory surrender where necessary.

Figure 13: Recommended Timeline to reach 4,000 Authorisations by 2020



A first census date, set at the date the Government announces its package of financial and non-financial incentives to incentivise early surrender and diversification support, will provide clubs with the maximum number of authorisations they will be required to surrender. The number of authorisations that need to be compulsorily surrendered for each club or club group will be determined based on authorisations held by clubs on the census day, taking into account voluntary surrenders to reach 4,000 authorisations.

A second census date in early 2020 is suggested to enable changes to the club industry, including forfeiture through the trading scheme, to be taken into account for the period and for any reductions to the final numbers for compulsory surrender to be made.

Trading scheme during the compulsory surrender period and forfeiture

Trading of gaming machine authorisations must occur in blocks of four, of which one in four is forfeited. During the period of reduction to 4,000 authorisations it is recommended that the forfeited authorisations count toward a seller's surrender target. The inclusion of forfeited authorisations towards a seller's share of authorisations to be surrendered will provide an incentive for clubs to trade authorisations that are not in use. This approach will also mean there is less variation in compulsory surrender requirements between the census figures for clubs. This should help provide a greater degree of confidence for clubs considering voluntary surrender.

Currently clubs trading authorisations retain their maximum permitted number of gaming machine authorisations. It is not proposed to change this, although as set out above, compulsorily surrendered authorisations would reduce the maximum number of authorisations for that venue.

Implementation of compulsory surrender

In my Terms of Reference, the Government announced that compulsory surrender will commence from 1 April 2019, reaching the maximum number of 4,000 authorisations in the ACT by 1 May 2020.

Before the commencement of compulsory surrender, clubs will have until 31 January 2019 to voluntarily surrender authorisations and access the incentive package. Authorisations voluntarily surrendered by this date would not be operated past 14 February 2019.

Regulatory obligations would need to be met before this date including gaming machine meters being recorded, machines turned off with arrangements for disposal and authorisation certificates re-issued by the Gambling and Racing Commission.

In the weeks before the first compulsory surrender date takes effect on 1 April 2019 a notice will be published that sets out the number of authorisations requiring surrender by clubs and club groups. The notice will take into account voluntary surrender of authorisations and clubs that have sold (and forfeited) authorisations. There will be a freeze in trading from this time until the first compulsory surrender deadline passes.

The first round of compulsory surrender (50 per cent of authorisations to be surrendered) would take place on 1 April 2019.

The first census date will serve to provide clubs with certainty about the maximum number of authorisations that will be required to be surrendered.

Potential changes in the authorisation numbers between the first census date and 1 May 2020 as a result of forfeitures through trading may result in fewer authorisations needing to be surrendered. For this reason another census will need to occur in early 2020.

This early 2020 census will take into account authorisations held on the first census date and changes in the club industry impacting on overall authorisation numbers, including those that have been voluntarily or compulsorily surrendered or forfeited during trading. A further notice would be published, based on the census figures, which sets out the final number of authorisations requiring surrender by clubs and club groups. There will be a freeze in trading from this time until the final compulsory surrender deadline passes on 1 May 2020.

Recommendation 18: The Government announce a timetable for reducing the number of authorisations to provide industry with as much clarity and notice as possible. The timetable should incorporate early voluntary surrender and two tranches of compulsory surrender. Applications for incentives under voluntary surrender should close by 31 January 2019, with the first round of compulsory surrender (50 per cent of authorisations requiring surrender) occurring on 1 April 2019 and a second round covering the remainder of authorisations to be surrendered by 30 April 2020.

Recommendation 19: Authorisations that are forfeited through trading should count toward a seller's number of authorisations to be compulsorily surrendered.

Club Group Licensees

The compulsory surrender provisions in the *Gaming Machine (Reform) Amendment Act 2015* provide that the maximum number of authorisations on an authorisation certificate will be reduced by the number of authorisations surrendered. For example, a venue required to surrender 10 authorisations would also have the maximum number on their authorisation certificate reduced by 10.

As noted above, it is proposed that clubs that voluntarily surrender their authorisations can retain the existing maximum number of authorisations on the venue's authorisation certificate, as a non-financial incentive to surrender.

Maximum number of authorisations reduced under compulsory surrender

Where a licensee does not participate in voluntary surrender incentives or voluntarily surrenders less than the required number of authorisations, authorisations will be compulsorily surrendered from each venue's certificate to reach 50 per cent of the club's total requiring surrender by 1 April 2019 and the remaining balance by 30 April 2020. Licensees would not have the option to determine which club within its group surrender the

authorisations, nor which authorisation certificates would be reduced. A proportional rate would apply across all clubs.

ATTACHMENT A - TERMS OF REFERENCE – CLUB INDUSTRY DIVERSIFICATION SUPPORT ANALYSIS

The ACT Government is committed to a strong, diverse and sustainable club industry that makes a valuable contribution to the ACT community and is less reliant on gaming machine revenue. The Government views clubs as partners in implementing new and more robust gambling harm minimisation measures.

The *Parliamentary Agreement for the 9th Legislative Assembly* includes a commitment to:

- 9.1 Reduce the number of electronic gaming machine ‘licenses’ (authorisations) in the ACT to 4,000 by 1 July 2020.

Reducing the number of gaming machine authorisations from 4,984 to 4,000 is a key component of the Government’s commitment to reducing the impact of gambling harm on the community. Compulsory surrender of authorisations will commence from 1 April 2019, and the maximum number of authorisations in the ACT will reach 4,000 by 1 May 2020.

The ACT Government will engage an independent expert to undertake a Club Industry Diversification Support Analysis. The Analysis will provide recommendations on measures that will incentivise clubs to surrender authorisations. The measures will support clubs in reducing their reliance on gaming machine revenue, while strengthening and expanding the support, services, and recreation options that clubs offer to their community.

The Analysis should report on the options to support clubs to voluntarily surrender gaming machine authorisations, including:

1. Financial and non-financial incentives to reduce the number of gaming machine authorisations and help clubs to diversify their businesses and establish new revenue streams.
2. A framework for entering into an agreement with clubs who participate in incentives offered, to ensure an ongoing focus on diversification and community benefits.

Options for assistance must be developed with the aim of maximising the reduction in gaming machine authorisations. The report should provide a foundation for progressing the Government’s vision of a sustainable, diverse, and community-focused clubs sector in the ACT that is not reliant on gaming machine revenue.

In developing recommendations to Government the following key stakeholders should be consulted:

- Individual clubs, with a focus on developing information about the different positions and challenges facing small, medium, and large clubs; and
- Club industry peak bodies; and
- Workers in the clubs industry through their representative unions; and

- ACT Government Directorates for technical advice on all relevant regulatory and legislative frameworks.

The Club Industry Diversification Support Analysis will be provided with secretariat support by the Justice and Community Safety Directorate. The Analysis is to be completed and a report provided to the Attorney-General by no later than 31 May 2018.

ATTACHMENT B - 2016/17 GAMING MACHINE MARKET SHARE

Venue Name	Number of Authorisations (30 June 2017)	Cumulative Authorisation Total	Market Share (%)	Cumulative Market Share (%)	GGMR 2016-17	Cumulative GGMR Total	Market Share (%)	Cumulative Market Share (%)	Average Revenue per Machine per Day
Large Club Groups									
Ainslie Football & Social Club	198				6,020,609				83.31
Gungahlin Lakes Golf & Community Club	225				8,886,605				108.21
Ainslie Football Club Total	423	423	8.57	8.57	14,907,214	14,907,214	8.85	8.85	96.55
Canberra Labor Club	301				14,240,928				129.62
City Labor Club	67				3,384,557				138.40
Ginninderra Labor Club	107				4,728,219				121.07
Weston Creek Labor Club	50				1,700,387				93.17
Canberra Labor Club Total	525	948	10.64	19.21	24,054,091	38,961,305	14.28	23.13	125.53
Mawson Club	165				5,318,113				88.30
Raiders Gungahlin	258				9,227,268				97.99
Raiders Belconnen	168				6,882,366				112.24
Raiders Weston	102				4,103,195				110.21
Canberra Raiders Total	693	1641	14.04	33.25	25,530,942	64,492,247	15.16	38.29	100.93
Southern Cross Club	315				13,808,622				120.10
Southern Cross Club Tuggeranong	195				7,551,527				106.10
Southern Cross Club Jamison	160				4,285,805				73.39
Southern Cross Club Yacht Club	10				-				-
Canberra Southern Cross Club Total	680	2321	13.78	47.03	25,645,954	90,138,201	15.23	53.52	103.33
Canberra Tradesmen's Union Club	347				16,147,956				127.50
Woden Tradesmen's Union Club	120				3,015,722				68.85
Tradies Total	467	2788	9.46	56.49	19,163,678	109,301,879	11.38	64.90	112.43

Calwell Club	114				4,583,408				110.15
Eastlake Football Club	99				3,920,183				108.49
Sports Club Kaleen	150				2,087,297				38.12
Eastlake Football Club Total	363	3151	7.36	63.85	10,590,888	119,892,767	6.29	71.19	79.93
Hellenic Club in the City	40				890,258				60.98
Hellenic Club of Canberra	254				10,171,398				109.71
Hellenic Club Total	294	3445	5.96	69.81	11,061,656	130,954,423	6.57	77.76	103.08
Chisholm Sports Club	150				5,580,835				101.93
Lanyon Valley Rugby Union & Amateur Sports Club	140				4,832,645				94.57
Town Centre Sports Club	183				6,650,365				99.56
Tuggeranong Valley Rugby Union Club	242				7,463,406				84.49
Vikings Total	715	4160	14.49	84.30	24,527,251	155,481,674	14.56	92.32	93.98
Total Large Group Clubs	4160		84.30		155481674		92.32		
Small Group Clubs									
Magpies Belconnen Golf Club	37				397,321				29.42
Magpies Sports Club	106				1,960,229				50.67
Belconnen Magpies Total	143	4303	2.90	171.49	2,357,550	157,839,224	1.40	93.72	45.17
Belconnen Soccer Club McKellar	77				2,366,927				84.22
Belconnen Soccer Club Hawker	67				1,485,016				60.72
Belconnen Soccer Club Total	144	4447	2.92	174.41	3,851,943	161,691,167	2.29	96.01	73.29
Canberra Club (Manuka)	60				-				-
Canberra Club Barton	15				55,071				10.06
Canberra Services Club Total	75	4522	1.52	175.93	55,071	161,746,238	0.03	96.04	2.01
Total Small Group Clubs	362		7.34		6,264,564		3.72		

Non Group Clubs Total									
Austrian Australian Club	17				133,078				21.45
Belconnen Bowling Club	15				63,936				11.68
Canberra Bowling Club	11				69,297				17.26
Burns Club	130				3,266,389				68.84
Canberra Irish Club	36				484,568				36.88
The RUC at Turner	50				567,475				31.09
Canberra Racing Club	14				-				-
Canberra Deakin Football Club	40				1,304,731				89.37
Harmonie German Club	20				441,519				60.48
Italo Australian Club	24				-				-
Murrumbidgee Country Club	8				83,141				28.47
National Press Club of Australia	8				25,865				8.86
Spanish Australian Club	14				30,192				5.91
Yowani Country Club	26				195,671				20.62
Non Group Clubs Total	413	4935	8.37	191.63	6,665,862	168,412,100	3.96	100.00	44.22
Total Clubs	4935		100		168,412,100		100		93.50

Total ACT Market Share									
Total Large Group Clubs	4160		83.45		155,481,674		92.14		102.40
Total Small Group Clubs	362		7.26		6,264,564		3.71		47.41
Total Non Group Clubs	413		8.28		6,665,862		3.95		44.22
Total Hotels	50		1.00		341,541		0.20		18.71
Total Clubs	4985		100.00		168,753,641		100.00		92.75

ATTACHMENT C - CLUB INDUSTRY INFORMATION

Number of Authorisations (at 30 April 2018) and Gross Gaming Machine Revenue per Operational Gaming Machine Per Annum (2016-17 data)

Venue Name	Maximum Number of Authorisations Allowed	Current Number of Authorisations Held	Current Number of Gaming Machines in Operation	Number of Gaming Machines Operating as at 30/06/2017	GGMR 2016-17 (\$)	GGMR per Operational Gaming Machine 2016-17 (\$)
Ainslie Football & Social Club	216	198	198	198	6,020,609.00	30,407.12
Gungahlin Lakes Golf & Community Club	245	225	225	225	8,886,605.00	39,496.02
Austrian Australian Club	17	17	15	17	133,078.00	7,828.12
Belconnen Bowling Club	15	15	15	15	63,936.00	4,262.40
Magpies Belconnen Golf Club	49	37	37	37	397,321.00	10,738.41
Magpies Sports Club	118	106	85	106	1,960,229.00	18,492.73
Belconnen Soccer Club McKellar	77	77	77	77	2,366,927.00	30,739.31
Belconnen Soccer Club Hawker	67	67	67	67	1,485,016.00	22,164.42
Canberra Bowling Club	11	11	11	11	69,297.00	6,299.73
Burns Club	143	130	130	130	3,266,389.00	25,126.07
Canberra Irish Club	36	36	30	30	484,568.00	16,152.27
Canberra Labor Club	302	301	282	282	14,240,928.00	50,499.74
City Labor Club	73	73	62	62	3,384,557.00	54,589.63
Ginninderra Labor Club	107	107	95	95	4,728,219.00	49,770.73
Weston Creek Labor Club	62	56	50	50	1,700,387.00	34,007.74
The RUC at Turner	62	50	50	50	567,475.00	11,349.50
Canberra Racing Club	14	6	0	14	-	-
Mawson Club	165	165	165	165	5,318,113.00	32,230.99
Raiders Gungahlin	258	258	232	238	9,227,268.00	38,770.03
Raiders Belconnen	168	168	168	168	6,882,366.00	40,966.46
Raiders Weston	102	102	102	102	4,103,195.00	40,227.40
Canberra Club (Manuka)	60	60	0	0	-	-
Canberra Club Barton	15	15	15	15	55,071.00	3,671.40

Venue Name	Maximum Number of Authorisations Allowed	Current Number of Authorisations Held	Current Number of Gaming Machines in Operation	Number of Gaming Machines Operating as at 30/06/2017	GGMR 2016-17 (\$)	GGMR per Operational Gaming Machine 2016-17 (\$)
Southern Cross Club	315	315	280	280	13,808,622.00	49,316.51
Southern Cross Club Tuggeranong	214	195	174	174	7,551,527.00	43,399.58
Southern Cross Club Jamison	176	160	140	140	4,285,805.00	30,612.89
Southern Cross Club Yacht Club	30	10	0	0	-	-
Canberra Tradesmen's Union Club	420	347	309	347	16,147,956.00	46,535.90
Canberra Deakin Football Club	40	40	40	40	1,304,731.00	32,618.28
Calwell Club	109	97	97	114	4,583,408.00	40,205.33
Eastlake Football Club	100	88	88	99	3,920,183.00	39,597.81
Sports Club Kaleen	65	50	50	150	2,087,297.00	13,915.31
Gungahlin Club	128	128	128	0	0	0
Harmonie German Club	20	20	20	20	441,519.00	22,075.95
Hellenic Club in the City	52	40	40	40	890,258.00	22,256.45
Hellenic Club of Canberra	274	254	205	205	10,171,398.00	49,616.58
Italo Australian Club	60	16	16	24	-	-
Murrumbidgee Country Club	8	8	8	8	83,141.00	10,392.63
National Press Club of Australia	8	8	8	8	25,865.00	3,233.13
Spanish Australian Club	14	14	14	14	30,192.00	2,156.57
Chisholm Sports Club	165	150	150	150	5,580,835.00	37,205.57
Lanyon Valley Rugby Union & Amateur Sports Club	154	140	132	140	4,832,645.00	34,518.89
Town Centre Sports Club	201	183	183	183	6,650,365.00	36,340.79
Tuggeranong Valley Rugby Union Club	251	242	229	237	7,463,406.00	31,491.16
Woden Tradesmen's Union Club	154	120	0	120	3,015,722.00	25,131.02
Yowani Country Club	26	26	26	26	195,671.00	7,525.81
Total	5,366	4,931	4,448	4,673	168,412,100.00	-

ATTACHMENT D - TRADING SCHEME STATISTICS – 30 APRIL 2018



ACT
Government



Gaming Machine Reform Package – Trading Scheme **Information provided as at 30 April 2018**

- A scheme to allow the trading of gaming machines commenced on 31 August 2015. The scheme enables clubs to better manage their machine numbers in line with business needs.
- Through forfeitures imposed on trades, the scheme has resulted in a reduction in the number of machine authorisations by 41 (from **5,022** to **4,981**).
- Quarantine and storage provisions (45) and with forfeitures (41) together with a reduction in gaming machines associated with authorisations (438) has resulted in a reduction of gaming machines in operation by 524 (from **5,022** to **4,498**).

LICENCES	
Number of Licensees as at 31 August 2015	39
Licences Cancelled or Surrendered	7
Current Number of Gaming Machine Licensees - Clubs (Class C)	27
Current Number of Gaming Machine Licensees - Hotels/Taverns (Class B)	5
Current Number of Gaming Machine Licensees - Total	32
AUTHORISATION CERTIFICATES (i.e. Venues)	
Number of Authorisation Certificates as at 31 August 2015	58
Authorisation Certificates Cancelled or Surrendered	8
Authorisation Certificates Approved (Eastlake Gungahlin)	1
Current Number of Authorisation Certificates - Clubs (Class C)	46
Current Number of Authorisation Certificates - Hotels/Taverns (Class B)	5
Current Number of Authorisation Certificates - Total	51
AUTHORISATIONS (To operate a gaming machine under an Authorisation Certificate)	
Number of Authorisations as at 31 August 2015	5022
Authorisations Forfeited on Confirmation of Trade	41
Authorisations Surrendered	0
Authorisations Cancelled	0
Current Number of Authorisations	4981

GAMING MACHINES	
Gaming Machines as at 31 August 2015	5022
Gaming Machines Forfeited with Trade	41
Gaming Machines in Quarantine	0
Gaming Machines in Storage	45
Authorisations in Storage (without machine)	0
Authorisations in Quarantine (without machine)	0
Authorisations Without Machines (Unused Authorisations)	438
Current Number of Gaming Machines in Operation	4498

ATTACHMENT E - REGULATORY CONTROLS FOR LICENSED CLUBS

KEY AREA	COMPLIANCE REQUIREMENTS
Gambling	<ul style="list-style-type: none"> • The following gambling activities can be undertaken at a club and will subsequently require compliance to the relevant legislation of the state/territory: • Gaming Machines • licence • Code of Practice • the Act and regulations • Other – Keno, TAB, Lotteries, Housie
Club	<ul style="list-style-type: none"> • A club needs to be incorporated or registered depending on the state/territory. • Other conditions include: keep and maintain the club and its facilities for the benefit of members generally; operating to achieve eligible objects including those that further or promote recreation, social, religious, political, literary, scientific, artistic, sporting or athletic purposes and cultural or educational purposes; and not-for-profit based organisations.
Business requirements	<ul style="list-style-type: none"> • Registration as an Australian Company (Commonwealth) • TFN Application – Company/Individual/Partnership or Joint Venture (Commonwealth) • Australian Business Number Registration (Commonwealth) • Goods and Services Tax Registration (Commonwealth) • Australian Privacy Principles (APP) – need to comply with 13 APP if you handle or collect personal/sensitive information (Commonwealth) • Payroll Tax (State/Territory) • Rates, Taxes and Duties (State/Territory)

KEY AREA	COMPLIANCE REQUIREMENTS
Health	<ul style="list-style-type: none"> • The main health regulatory requirements for clubs are associated with smoking in public places and workplace, health and safety. • Smoking legislation such as the Territory's <i>Smoke-Free Public Places Act 2003</i> (State/Territory); • Specific Workplace, Health and Safety legislation includes: • Workers Compensation (State/Territory) • Australian Standard AS 1885.1-1990: Measurement of Occupational Health and Safety Performance – Describing and Reporting Injuries and Disease (known as the National Standard for Workplace Injury and Disease Recording) (Commonwealth) • Code of Practice: First Aid in the Workplace; Hazardous Manual Tasks; How to Manage Work Health and Safety Risks; Managing Noise and Preventing Hearing Loss at Work; Managing the Work environment and Facilities; Work health and Safety Consultation, Co-operation and Co-ordination; (State/Territory) • Joint Australian and NZ Standard AS/NZS 4801:2001: Occupational Health and Safety Management Systems – Specification with Guidance for Use (Commonwealth) • NOHSC:1005 (1994) National Model Regulations for the Control of Workplace Hazardous Substances (Commonwealth) • National Standard for Manual Tasks (Commonwealth)
Food	<p>Food business licence/Registration under relevant legislation (State/Territory) and subsequent adherence to the food licence provisions by the State/Territory food safety/business authority:</p> <ul style="list-style-type: none"> • Food Standards Code (Commonwealth) • Food Handling training (State/Territory) • Food supervisor training (State/Territory) • Maintain Food Safety Standards (State/Territory)
Liquor	<ul style="list-style-type: none"> • Liquor Licence under relevant legislation (State/Territory) • Responsible Service of Alcohol Training/Competency Card

KEY AREA	COMPLIANCE REQUIREMENTS
	<ul style="list-style-type: none"> • Adherence to licence provisions – harm minimisation, signage, RSA compliance, maintain incident register • Approvals for Young People’s Event in Adults-only Area (State/Territory)
Employees	<ul style="list-style-type: none"> • National Employment Standards (Commonwealth) • Compliance with the Code of Good Practice for Australian Apprenticeships (State/Territory) • Workplace relations (Commonwealth) • Sex discrimination (Commonwealth) • Disability discrimination (Commonwealth)
Copyrighted music/videos	<p>There are a number of licences required for clubs to play or show music and associated videos, these include:</p> <ul style="list-style-type: none"> • Licence to Host Karaoke Performances (Commonwealth) • Licence to Play Featured Recorded Music (Commonwealth) • Licence to play Music on Hold (Commonwealth) • Licence to Play Protected Sound Recordings or Music Videos (Commonwealth) • Licence Video Reproduction Licence Agreement (Commonwealth)
Services	<ul style="list-style-type: none"> • <i>Environment</i> – Approval to discharge non-domestic waste to sewer (State/Territory), Cooling Towers and Warm Water Storage Systems Registration and Code of Practice (State/Territory). • <i>Planning and building</i> – Building Approval; Certificate of Occupancy and Use; Certain Zoning Areas approved for club facilities, Development Approval or Certificate of Regularisation; Local Council regulations (State and Territory). • <i>Public land and roads</i> – Application for licence to occupy or use a nature strip.

Source: Public Accounts Committee Inquiry into elements impacting on the future of the ACT clubs sector, ACT Government submission

ATTACHMENT F - CLUB DIRECTOR TRAINING IN NEW SOUTH WALES

In NSW, from 1 July 2013, a training framework for club managers and directors was introduced which ensures that office bearers are aware of their fiduciary and governance responsibilities, and are able to make better commercial decisions to enhance the long term viability of their club. This requirement recognises that club managers and directors hold important roles in the governance and management of clubs. Managing a club's assets requires both experience and training.

Under the NSW regulation, any new director becoming a member of a club board must complete the following ClubsNSW training: Director Foundation & Management Collaboration (DFMC); and Finance for Club Boards (FFCB).

Alternatively, club directors can complete training aligned to the units of competency as follows:

BSBGOV401A - Implement Board member responsibilities
BSBGOV402A - Work within organisational structure, and
BSBGOV403A - Analyse finance reports and budgets.

These director training courses are conducted by some registered training organisations, including the Canterbury-Hurlstone Park RSL Club.

Regulations provide exemptions for club directors and managers to undertake mandatory training, based on prior training or relevant experience within a recent time period. Examples of prior training include:

Qualifications/training	Recognised for:	
	Governance module	Finance module
Governance – Certificate IV or higher	Yes	Yes
Business, Finance, Commerce – Certificate IV or higher	No	Yes
Marketing or Hospitality – Certificate IV or higher (provided they have a finance component)	No	Yes
Law – Certificate IV and higher	Yes	No
Masters of Business Administration	Yes	Yes
Australian Institute of Company Directors graduate	Yes	Yes
Club Director Institute club governance course	Yes	Yes
Club Director Institute master classes	Yes	Yes

A club director who does not possess experience as outlined above but considers that they have acquired the learning outcomes of the specific training course, may seek recognition of prior learning or credit transfer (as described below).

Recognition of prior learning

Recognition of prior learning through ClubsNSW is available for a club director of member and non-member clubs of ClubsNSW.

A club director may meet the training requirements by successfully completing an online assessment through the ClubsNSW website (www.clubsnsw.com.au). A club director will have their prior learning recognised by ClubsNSW if they obtain a mark of at least 80 per cent.

A club director who chooses not to complete an online assessment through the ClubsNSW website may seek to have their prior learning recognised by presenting evidence of relevant qualifications and work experience to ClubsNSW or a registered training organisation. ClubsNSW or a registered training provider will assess a club director's prior learning based on the evidence of qualifications and work experience presented.

A club director who is awarded recognition of prior learning will receive a certificate of recognition of prior learning or other evidence of exemption from ClubsNSW or a registered training organisation as evidence that they have met the training requirements. A club director who is not awarded recognition of prior learning will be required to complete the training.