Submission to the Standing Committee on Public Accounts Inquiry into Elements Impacting on the Future of the ACT Clubs Sector

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Canberra Southern Cross Club

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Executive Summary

Canberra Southern Cross Club (CSCC) endorses the analysis and recommendations of the ClubsACT submission which highlights the sector wide challenges faced by clubs in the ACT.

Our submission seeks to serve as a case study supporting the ClubsACT submission.

CSCC is one of Canberra's largest clubs with a membership of 82,000, employing 500 people and supporting a wide spectrum of important social and sporting activities. Our vision, mission and values are dedicated to being a family club supporting the Canberra community. We are concerned that the Government does not understand the extent to which gaming reform has already impacted the sector. CSCC expects to incur an operating loss for FY 2014/15, the second such loss in three years, largely as a result of the decline in gaming revenue.

The collective impact of these regulatory changes on gaming is forcing drastic changes to make up the decline in revenues, including the closure of several venues, price rises, staffing cuts and lessening of support for community groups.

CSCC is not against further sensible gaming reform. Indeed we support any further measures by Government which targets problem gamblers. It is imperative however that further reform is:

- Accompanied by strong government action to support diversification.
- Achieved through an approach which recognises that gaming reform which targets only clubs is not only unfair but is counter-productive.

CSCC is determined to rebuild our relevance to the community through diversification. Our strategic plan has core platforms of family, health and wellness services and diversification of income streams as its main themes. However we are seeking a framework of policy and regulatory reform which enables us to find alternative income sources to achieve outcomes, mutually agreed with the Government, which will benefit the Canberra community.

Our specific recommendations to the Inquiry are as follows:

1. **A stronger commitment to assist diversification and investment**

   CSCC welcomes the establishment of the Community Clubs Taskforce. However the establishment of the Taskforce is one thing but making the decisive planning and regulatory steps which will overcome resistance to achieve the objectives is another. Although still early days, CSCC's experience in seeking to diversify our business by developing our major land holding asset – the old pitch and putt site – suggests there is a need for a more strong can-do focus, and support with case-management of proposals through the planning system.

2. **Added flexibility to poker machine storage regulations**

   CSCC questions the rationale behind the government's proposal for a gaming machine trading scheme. By definition a successful trading scheme requires an active market of buyers and sellers. We do not believe this can work as there is insufficient demand (unless the Government yields to the Casino's desires for poker machines).

   An immediate enhancement is to enable clubs to take more machines off the gaming floor and keep them off the floor for longer. This would ensure a reduction in machine numbers in venues virtually 'overnight', yet enable clubs to hold on to machine licenses if a future market

for trading develops through mutually agreed rates of population growth. The existing situation that requires us to put stored machines back on the floor after 12 months is counter intuitive to driving machine reduction. CSCC proposes the machines in storage time limit allowance extend to 6 years.

3. **The Canberra Casino is not granted poker machine licenses**

The only obvious 'buyer' in the market for a trading scheme would be the Canberra Casino. We ask that the Government does not allow poker machines to be installed at the Canberra Casino. Allowing machines in the Casino will not address the broader reform issues and will have a significant impact on the viability of community clubs.

Introduction

The ClubsACT Submission highlights the extent to which the sector is significant in its own right in the Territory's economy as an employer of thousands of Canberrans and as a source of tax revenue for government; and, more broadly, how the sector acts as a major multiplier in the economy, generating huge revenues and work for a host of supportive businesses, particularly in the leisure, entertainment and food service industries.

Canberra's clubs have been an integral component of Canberra's social history. They continue to play a vital role as an enabler of interaction and entertainment, both directly at club venues and indirectly through sponsorship of a huge network of different social and sporting groups, and charitable organisations.

Our business continues to confront very significant challenges and we cannot underplay the frustrations experienced over recent years at the apparent lack of understanding within government of the competitive challenges we now operate under. Further, this lack of understanding has meant lost opportunities for our business and government to work together to realise the full social and economic potential of our business for the benefit of the Territory.

As one of Canberra's largest clubs, CSCC believes its particular experiences in recent times and the challenges it faces in continuing to play that role can provide the Standing Committee with useful insights. Not just insights into the competitive challenges but also the great opportunities which are available. But there must be a willingness within Government to work in partnership to allow us to diversify, enabling us to move with the times into new and profitable markets. Our recent experience of developing 'Snapper by the Lake' at the Canberra Southern Cross Yacht Club has proven our ability to be relevant to the modern community and deliver an attraction by the Lake for locals and visitors to enjoy.

To be clear, CSCC ***wants*** to invest in Canberra and to continue to be a major employer of Canberrans, but our aspirations are stymied by the over regulation of our traditional businesses coupled with an uncertain path to meaningful diversification into new businesses. We are aware of other club groups that have made a deliberate decision to invest outside of the ACT. Fundamentally we are against this approach but our desire to invest exclusively in the local market has placed us at a competitive disadvantage.

A Community Club

CSCC is proud of its commitment to the local Canberra community. Our vision is to be renowned for excellence and innovation so we can enrich the lives of the people of Canberra.

Opened in 1972, the club now boasts a membership list of some 82,000 members – a figure equivalent to more than a quarter of Canberra's adult population. With such a significant presence in the Canberra community, we play a vital part in fulfilling that role first identified by American sociologist Ray Oldenburg[1] as "the 3rd place" where people find most interconnections with their peers after their times at work and home. Indeed, for many of our older members who no longer work there is home and the club, and it is often the case that it is at the club where most of the active living within a community of peers takes place.

In other Australian cities, pubs have been the traditional 3rd place. Canberra however has not shared that pub tradition and instead it was the rise of the social club which has occupied that role in our community's history.

We employ 500 staff in four venues, five gyms, two basketball stadiums, and a Ferry, the MV Southern Cross on Lake Burley Griffin; and, for a good deal of our staff, a job at CSCC is their first post-school employment.

Over the past decade the Club has contributed over $13million to the community across a multitude of organisations that provide assistance and services to the people of Canberra. We have a proud history of providing grants in excess of the required community contribution amount. In the financial year 2013/14, we provided 350 sporting clubs, social clubs and community groups with $1.449 million in funding, some $200,000 above the required amount.

The groups we help includes not just a typical raft of sporting clubs but also hundreds of small groups assisting those less fortunate in the community, such as the Sleep Apnoea Association which provides support to pensioners with repair and maintenance of expensive sleep apnoea devices. The Association's Secretary Joe Gellatly who has written separately to the Committee notes that:

> *Without this partnership with the Club, our organisation would simply not be able to operate or provide the services we can to the Community. We cannot envisage any other organisation or government agency being able to fill the void if our Club was not there to support us.*

Additionally we also conduct and partner in iconic events – such as the annual Carols by Candlelight run by the Woden Valley Youth Choir, which has been running for 70 years making it the second oldest Carols event in Australia. CSCC has been a major sponsor since 2002. The Woden Valley Youth Choir's Music Director, Alpha Gregory, has written:

> *The Canberra Southern Cross Club has been the major supporter and sponsor of Carols by Candlelight since 2002. We simply could not maintain this important civic event without*

[1] Ray Oldenburg, *The Great Good Place*, 1989.

that support and the support of other entities such as The Canberra Times, St John's Ambulance, the city's bands and Elite Lighting and Sound.

The Canberra Southern Cross Club is a great example of the beneficial relationship that can be sustained between an entity of its type and the local community. Canberra would be much poorer without the services and support of such clubs and other entities.

We also provide an economic entertainment option for families to see national and international acts to perform, including, for example, over 2400 children and parents who attended The Wiggles concerts in early April at our Woden venue.

The Nature and Scope of the Review – the Importance of Context

CSCC sees the review as an excellent and overdue opportunity to examine that very broad range of factors which fall within the definition of those "Elements impacting on the Future of the ACT Clubs Sector", many of which are listed in the Inquiry's terms of reference, including: revenue and profitability, legislation and regulations; taxation and charges; land development and sales; problem gambling; diversification and mergers; new business models; poker machines and gambling technologies; and water resource management.

We note in this context, however, the Government's decision to remove reference to the element of "government gaming reform" originally the first listed element in the motion put to the Assembly on 26 March 2015, by Brendan Smyth MLA, but subsequently deleted with the agreement of the Assembly. In seeking removal of this particular element impacting on the club sector, the Minister for Gaming and Racing, Joy Burch MLA, noted that her purpose in doing so was that she did "not want to have any hesitation or delay regarding the next tranche of gaming reforms which, as I said, will be introduced in this place in the May sittings."[2]

CSCC trusts that the removal of this element of impact on the future of clubs is not a presage the introduction of changes which could undermine the potential for clubs to respond effectively to their current financial challenges. A crucial – perhaps *the* crucial – aspect of the difficulties which clubs have faced in the past has been the extent to which ACT Government decisions on gaming reform have been taken without, in our view, sufficient regard to the wider context of the other elements listed. Furthermore, the perennial problem Canberra faces when seeking to lead on any social or economic policy, is that of being a small island in the larger sea of NSW.

Government gaming reform can only take place effectively by taking proper regard of the wider picture. It doesn't matter how earnest the government is in wanting gaming reform, if it takes action without account of these factors clubs will suffer and this will be a set-back not just in terms of the economic and social benefits provided by clubs but also to the very objectives being sought by the government in gaming reform.

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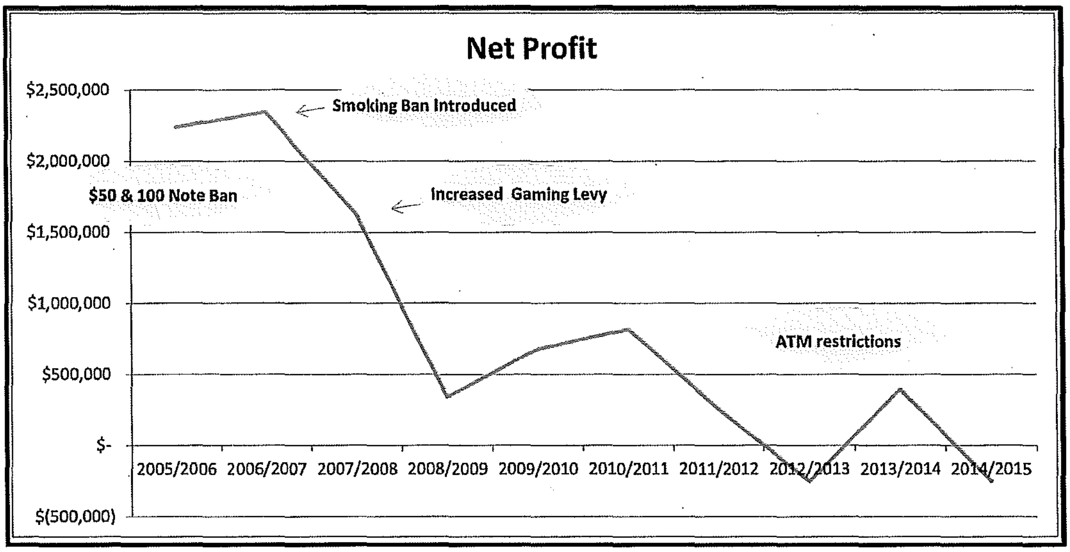
[2] *Legislative Assembly for the ACT: 2015 Week 4 Hansard (26 March), p. 1205.*

ClubsACT rightly draws attention to a wide range of the impacts on clubs. In particular four recent changes: the ban of $50 & $100 notes; smoking bans in clubs with no alfresco gaming lounges permitted; increases in gaming levies; and the $250 limit on ATM withdrawals in clubs have had very tangible impacts on club revenue. For CSCC the impacts of these changes have been dramatic and immediate:

Figure 1: Impact on Profit from regulatory changes affecting gaming



As can be seen from the chart CSCC will post an operating loss for FY2014/15, the second such loss in three years. Gaming revenue is in decline in line with the industry. Total Industry gaming revenue decline in the ACT over the last decade, in real terms, is over 30%.

In business terms the collective impact of these regulatory changes on gaming have been enormous – wiping out healthy, albeit modest profits, which had allowed the club to reinvest in its infrastructure, maintain strong levels of employment at its venues and, over time allow us to extend the reach of its services throughout the Territory.

Because of these changes CSCC has been forced to close businesses that became unviable – Yamba Sports Club, Southern Cross Club Kaleen, Southern Cross Club Turner and the Woden Pitch & Putt golf course.

We have also had to cut staff, including many full time positions at the remaining venues and in our head office, to address the budget shortfall.

Further cuts will include the need to restrict opening hours of our venues and the reduction in our support for local sporting and community groups, unpalatable as that is.

None of this, however, is to argue that CSCC is against sensible gaming reform. CSCC is ready and willing to continue to implement sensible gaming reform which will see further reductions in the reliance on gaming revenue. However, it is imperative that this reform is accompanied by:

1. *Diversification:* a matching, and contemporaneous, willingness by government and the Assembly to pass other regulatory reforms which give real impetus to the efforts of clubs to diversify their operations to secure other sources of revenue; and
2. *A level playing field:* a genuine understanding that gaming reform is not reform if it succeeds only in targeting ACT clubs but not other forms of gambling. In fact, targeting ACT clubs alone is sure to be counterproductive.

Diversification

As a leading club we are determined to rebuild our business and relevance to the community through diversification.

The CSCC Board has signed off on a five year strategic plan in December which has core platforms of family, health and wellness services and diversification of income streams as its main themes. To execute our strategic plan, and thus reduce our reliance on gaming revenue to survive we need supportive government actions. The substantial change to our business model cannot occur at 'the flick of a switch'. We want to help Government enrich the community by providing services that are required but unfunded – and are commercially viable.

CSCC grants that the past 10 years has seen a change in customer spending patterns, which is not simply about a declining in gaming revenue. There has also been a welcome change in community attitudes towards alcohol and CSCC has been a leader in encouraging responsible consumption. Accordingly beverage sales at CSCC venues have declined year on year since 2011. Declining revenues in other areas does mean, however, that despite the decline in gaming receipts, the relative contribution of gaming to our budget is bolstered. So for example, CSCC Gaming revenue had fallen to 46% in 2013 before declines in other areas pushed it back to 50%:

Table 1: CSCC Revenue Mix June 2014

Department	**$ Revenue**	**% of Total**
Gaming	$23m	50%
Food	$13m	28%
Beverage	$ 6m	13%
Other (gym profit/membership/ entertainment income/rebates etc)	$ 4m	9%
Total	**$46m**	**100%**

This dilemma has increased the necessity of finding new sources of revenue. CSCC has approached the challenge of diversifying with great vigour with a particular focus on the Health & Fitness industry. The Club is now the sole owner of the Southern Cross Health Club, a fully serviced gym, and we have also invested in four 24 hour gyms through the Anytime Fitness franchise.

This diversification meets one of the main core values of the Club of service to the community. In addition these ventures create further employment opportunities.

CSCC and the rest of the sector is seeking a framework of policy and regulatory reform which enables us to find alternative income sources to achieve outcomes, mutually agreed with the Government, which will benefit the sector and the community.

CSCC welcomes the creation of the Community Clubs Task force, established, as the Minister said in the Assembly "to support to community clubs to navigate their way through the redevelopment process...and to explore "ways that the government can assist community clubs to diversify their business models to enable continuing viability of their future operations."

However, establishment of the Taskforce is one thing, making the decisive steps which will overcome bureaucratic and political resistance to achieve the objectives is another. CSCC remains concerned that our experience in seeking to diversify its income by developing our unused land assets suggests that there is insufficient urgency to find solutions rather than expand on the problems. ClubsACT's recommendation for case-management support for club redevelopment proposals is well made.

Pitch and Putt Site

CSCC is in possession of what should represent a tremendous opportunity to diversify our business and in the course of doing so deliver outcomes which support the government's desire to revitalise the Woden Town Centre. This opportunity is our 3.615 hectare site Block 4 Section 79, Irving Street Phillip (the 'Pitch and Putt' site).

Figure 2: Block 4, Section 79, Phillip

It is important to emphasise this is not a concessional lease. The site was acquired by CSCC in 1999 and operated in conjunction with CSCC's facilities on adjacent Block 8 Section 24 Phillip (the 'Yamba Club' site). The pitch and putt facility ultimately proved to be economically unviable and operations ceased in 2012.

Block 4 Section 79 Phillip is an irregularly shaped block of land with an elongated frontage to Yamba Drive and two short stub frontages to Irving Street and Launceston Street. It abuts the Canberra College to the south. There is currently no vehicular access to the site.

Access is via a small pedestrian footbridge which connects the site to the old Yamba Club site, over Yarralumla Creek. While emergency vehicles can access the site from an entry point along Yamba Drive, there is currently no other practical access to the site which severely limits the development potential. Our vision for this block includes investment in childcare, health and wellness services and potentially retirement living given the unique location and its proximity to the hospital. We have already flagged an interest in working with Government to provide solutions that reduce the pressure on the Woden hospital site through the provision of ancillary services.

The Woden Town Centre Master Plan suggests that access via a bridge from Irving Street is unacceptable because the strip of land where the bridge would go is set aside for a future public transport corridor. A solution would be to access off Yamba Drive which can better address link opportunities with the hospital.

The Government's Woden Town Centre Master Plan was released for comment by the Planning Authority in January 2015; and CSCC provided a submission to ACTPLA. The key points we made in relation to the Pitch and Putt site were as follows:

- The draft Master Plan virtually ignores the site, making no comment on its land use zone, development potential or opportunities.
- The draft Master Plan proposes retention of the existing CZ6 land use zone, meaning those controls previously detailed would remain current and consequently there would be no uplift in development potential or value.
- The draft Master Plan does not recognise the abovementioned issues of site access.

Assistance in enabling us to invest in this block will accelerate our diversification whilst providing services that are in demand and are within our expertise to deliver to our Members and the broader community.

A Broader Approach to Problem Gambling

In a public statement about this inquiry released on 30 April 2015, Inquiry member Shane Rattenbury MLA argued the following:

> *"For some Canberrans, clubs are an important place for them to connect and socialise.* ***But, there's a real problem with their reliance on revenue from poker machines and profits from problem gambling...***
>
> ***I know that many Canberrans enjoy going to clubs to play sport, support our local sporting teams and cultural groups, listen to music and socialise - but clubs need to move away from their reliance on gaming revenue."*** [3]

It is gratifying that Mr Rattenbury acknowledges that many Canberrans enjoy going to clubs for a variety of social activities and entertainment. That said there are a number of issues of concern

[3] Shane Rattenbury MLA 'Reforming Canberra clubs', 30 April 2015 (emphasis in the original).

we have with the underlying assumptions suggested by this statement – assumptions which CSCC readily grants are not simply the views of one MLA but would appear to underpin a number of popular misconceptions about how to best tackle gambling addiction.

Firstly, CSCC does not rely on profits from problem gambling, and would be surprised if any Canberra club would either. It is true, as outlined above, that CSCC does currently rely on gaming revenue but it does not mean that we rely on the revenue from people with a gambling addiction who spend beyond their means. The simple fact is that, unlike many of the places there are to gamble, community clubs find problem gamblers a problem – one which require considerable attention and which are at odds with the rest of the family and community social ethos which we are seeking constantly to create.

But if we can agree that clubs still have a heavy, if declining, reliance on gaming revenue it still needs to be asked why the reliance of the clubs on gaming revenue is a particular problem worthy of attention. To use the words of Mr Rattenbury's statement, what is it about clubs' reliance on gaming revenue which makes it a "real problem", and why is it that Canberra's clubs, but apparently no other sector of our community, need to move away from this reliance? Canberra's clubs have demonstrated their willingness to play their part and lead the way in Australia to embracing lower reliance on gaming revenue. However, treating clubs as a special target makes the campaign to lower gambling levels in Canberra not just discriminatory, but counter-productive. CSCC maintains that we are better placed to identify and then assist problem gamblers than by having them retreat over the border where regulations are less stringent, or worse still onto an unregulated online community in the privacy of home.

The simple fact is a community club – particularly a Canberra community club – is a safer place for anyone to engage in gambling. Thus is precisely because it is a social venue with a variety of peer group inhibitors on excessive behaviours and has the safety net of professional staff, part of whose job in modern club management is to prevent problem gambling. This is quite the opposite of what pertains in other quickly expanding gambling environments where the inhibitors are minimal or non-existent.

Canberra's clubs have done what they can to support the Government's moves to reduce gaming revenues. But if there is to be a real attempt to lower gambling revenues in Canberra, the Government needs to cast a much wider net, one which extends beyond the Territory's borders, and also captures over-reliance and excessive gambling elsewhere. Above all it needs to be one which comes to grips with the dangers posed by online gambling which has completely transformed the nature of gambling in Australia over the last ten years. CSCC believes that coming to grips with the implications which massive online gambling has, not only for problem gamblers but also for the integrity of our sports and our institutions, might lead the Committee to wonder whether Canberra's community clubs are really the best target for a further attack on gaming revenue.

CSCC supports the twin objectives of reducing the level of gambling in the Territory and assisting the most vulnerable problem gamblers – the two objectives go hand in hand. However, context is everything, and there is no point in introducing reforms if the result is the further closure of clubs. In this regard, CSCC also feels bound to challenge the rationale behind the government's proposal for a gaming machine trading scheme.

Gaming Machine Numbers

CSCC does believe the market is over machined, and that the number of machines could be reduced over time. At present, the evidence for there being an excessive number for the population is fairly obvious. While we currently have a total of 680 machines spread across four venues, 48 are currently in storage.

As a response to this situation, CSCC would like to see the machines in storage allowance extended to six years. Greater flexibility to take more machines off for longer periods would enable us to reduce machine numbers now but maintain the asset should future population growth make the market more viable.

The Government's proposal to introduce a trading scheme for poker machines cannot work in the near term as there are insufficient buyers to trade with. Beyond some marginal scope for trading machines which may emerge with the establishment of new clubs in future growth areas there is no market for trading large numbers of machines within the Canberra market. The only large buyer, we believe, would be the Canberra Casino.

While it must be tempting for the Government to see that giving in to the Casino's long term desire for gaming machines would help the Casino's bottom line, the impact on Canberra's clubs would not only impact club gaming revenues but also other non-gaming revenue lines. And surely, awarding the Casino with poker machines would be contrary to the Government's aims to reduce gambling.

Conclusion

Problem gambling remains a serious issue in our community which needs to be targeted vigorously. We have been at the forefront of implementing measures to address this addiction which affects a minority of people in our community and their families. CSCC will, of course, support any further measures by the Government which targets problem gamblers whether this is through better advertising, counselling, pastoral support or even further staff training. Putting the emphasis on targeted solutions appears to us to have unimpeachable logic.

CSCC also accepts that high levels of gambling are likely to make the problem gambling more prevalent in our community. It makes sense then to try and keep appropriate limits on gambling throughout the community as a means for limiting the growth of problem gambling – and to this extent CSCC accepts that it is appropriate for Canberra's clubs to seek to reduce the proportion of their revenue coming from gaming machines.

However, gambling in Canberra has never been an issue only for Canberra's clubs. It has always also been an issue for other gambling venues and pastimes. In the past this was at the racetrack. More recently it has included Canberra Casino and now the explosion of online betting. Clubs across the border in Queanbeyan have also become more significant in the last decade as the ACT has led the push for gaming reform, irrespective of the competitive advantage it has conferred on Queanbeyan's venues. CSCC questions whether the gaming reform agenda of the past decade has kept pace with these developments and whether in light of them advocates for reform are willing to look objectively at past and present gaming reform strategies.

Because CSCC wants to play its part to reduce Canberra's overall gambling spend, we are strongly supportive of the Government's statements of support for our efforts to diversify our business models into non-gaming ventures. We have started this process but need more genuine assistance, and we suspect a much a deeper cultural transformation within the arms of government – and soon – to turn the rhetoric into effective regulatory reform.

In addition to supporting the many recommendations of ClubsACT, we have suggested a modest reform measure of enabling more machines to come off the floor and stay off for longer, which would immediately reduce the number of gaming machines in clubs. We doubt the proposed trading scheme will work in the short term, unless the Government chooses to have the licenses transferred to the Casino – a move which in our view would be counterproductive in terms of the government's gaming reform objective.

We believe the viability of clubs is crucial to the social fabric of Canberra. Targeting Canberra's clubs surely misses the bigger picture of gambling in our community. We are willing to play our part but we simply don't accept that Canberra's clubs is where the campaign of gaming reform should be focussing most of its efforts. We trust this Inquiry demonstrates this is not the case.