



Submission to the Productivity Commission Inquiry into Gambling

August 2009

INDEX

Page 2 – **Index**

Page 3 - **Support for National AHA Productivity Commission submission**

Page 4 – **The NSW hotel industry**

Page 7 – **Low intensity gaming**

Page 9 – **No concentration of gaming**

Page 12 – **Reduction of hotel gaming machines**

Page 13 – **Primarily food & beverage businesses**

Support for the National AHA Submission

The AHA (NSW) strongly supports the submission made by the National AHA to the Productivity Commission (Submission 175).

The NSW Hotel Industry

The NSW hotel industry is unique.

In terms of size, employment, economic contribution, community support, affordability and training the NSW hotel industry leads hotels in every other state & territory.

NSW Hotels employ 55,000 staff, with each hotel employing an average of 28 workers. \$20 million is spent each year by NSW hotels training staff.¹

In terms of overall economic contribution the Australian hotel sector generates a substantial net benefit to the economy with total spending in hotels estimated to be \$12 to \$13 billion per annum². NSW hotels account for around \$4 billion of this net benefit.

While it is largely unrecognised, each year NSW hotels give generously to the community. The recent PricewaterhouseCoopers survey of 407 NSW hotels (227 metropolitan and 180 regional), found NSW hotels support the community to the extent of \$25 million each year.

Each year NSW hotels support an estimated:³

- 6,900 sporting teams
- 6,000 community groups
- 2,000 health & social service organisations
- 1,700 emergency service, religious and other local organisations

In terms of gaming, the NSW industry is the most mature in Australia.

Many significant responsible gambling practices have been introduced in NSW including the banning of all external signage promoting the availability of gaming machines in NSW hotels & clubs. The AHA (NSW) supports this ban of gaming advertising.

In 2006 the NSW Government commissioned a comprehensive gambling prevalence study. Using the Canadian Problem Gambling Index, the survey of 5,026 adults found the NSW problem gambling rate was 0.8%, broadly in line with all other states & territories.

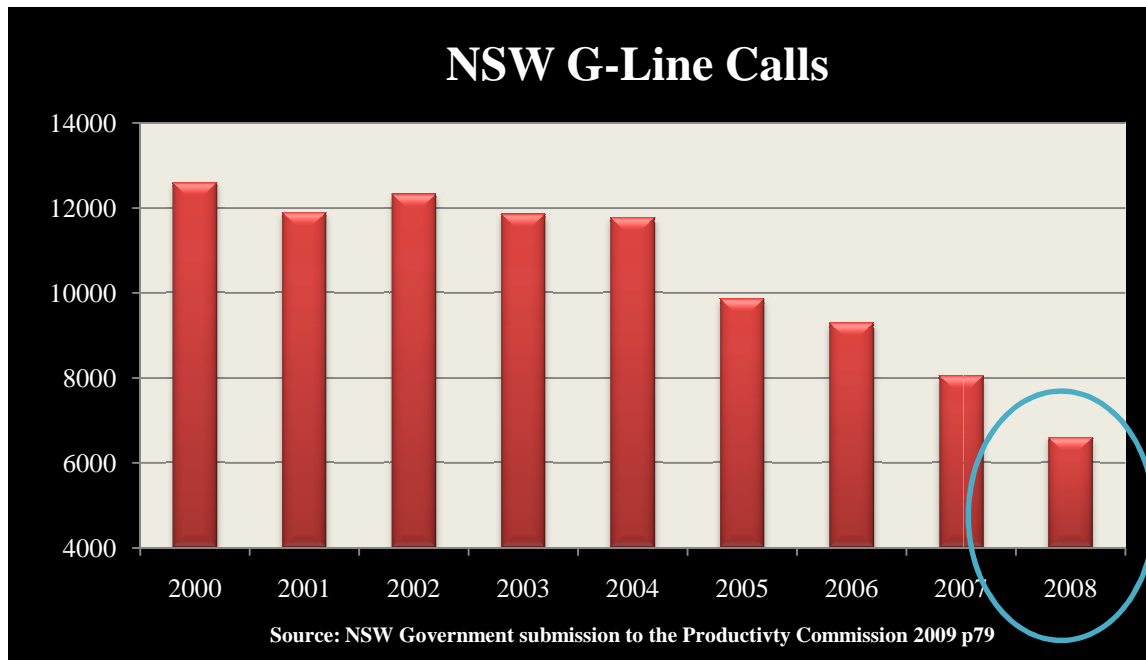
Over the past decade the maturity of the NSW gaming market and the impact of responsible gambling initiatives have become increasingly evident. Calls to G-Line have fallen significantly over recent years – even during the NSW Government’s \$1.8 million ‘Gambling Hangover’ media campaign⁴ in 2008 (see chart below).

¹ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009. p7, 9 & 34

² PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009. p iv

³ PricewaterhouseCoopers: Australian Hotel Survey – state by state breakdown

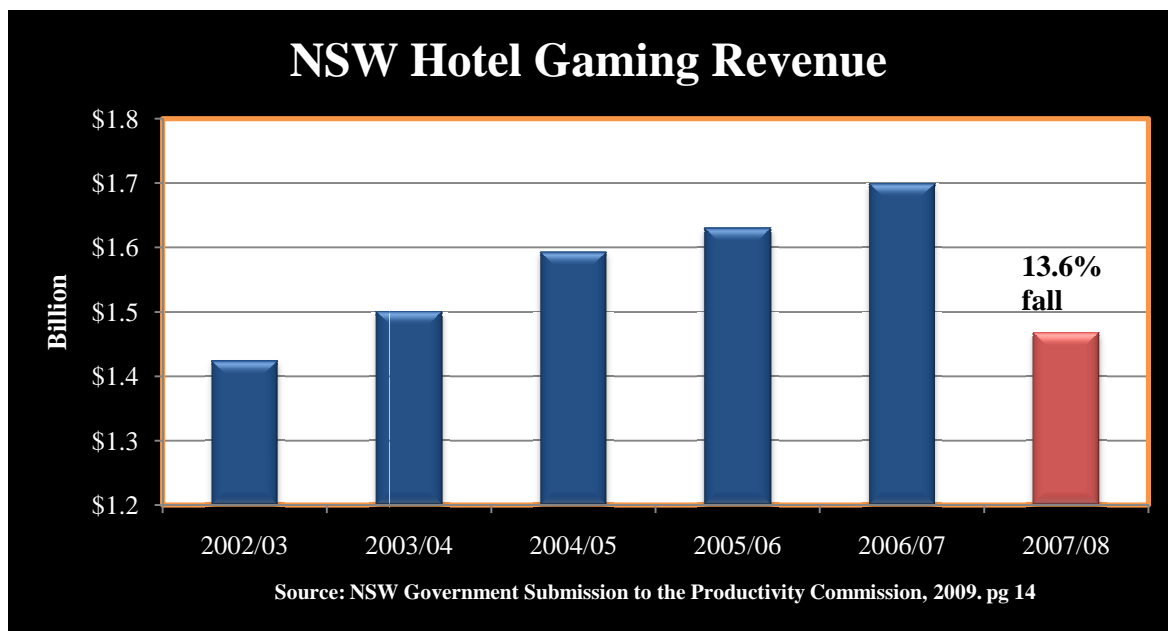
⁴ West, G. NSW Minister for Gaming & Racing. Media release 3 July 2008.



Falls have also been recorded in both NSW gaming expenditure as a percentage of household disposable income⁵ and NSW real per capita gaming machine expenditure.⁶

It is also important to note these Queensland Treasury figures are only for the period to 2006/07 and do not include any smoking impact on gaming machine play.

As can be seen in the table below, smoking bans resulted in NSW hotel gaming revenue falling by 13.6% in 2007/08.



⁵ Queensland Treasury. Australian Gambling Statistics 2009: Table Gaming Machines 9

⁶ Queensland Treasury. Australian Gambling Statistics 2009: Table Gaming Machines 8

Contrary to remarks made by some headline seeking anti gambling spokespeople, NSW gaming expenditure has not experienced a significant 'bounce back' in 2009.

The most recent hotel gaming figures released by the NSW Office of Liquor, Gaming & Racing (below) reveal NSW hotel gaming revenue has only grown by 2.8% when comparing the March 2008 (non smoking) quarter with the March 2009 (non smoking) quarter.

It must also be recognised this small growth rate was recorded during the distribution period of the Commonwealth Government's economic stimulus handouts.



NSW Hotels – low intensity gambling

Slightly over half of Australia's 3,448 hotels with gaming machines are located in NSW⁷.

However, unlike other Australian states, gaming machines in NSW are not concentrated in a small number of venues. In fact, two thirds of NSW hotels operate no more than 15 gaming machines⁸. No NSW hotels operate more than 30 gaming machines.

As the overwhelming majority of NSW hotels operate no more than 15 gaming machines, it is vitally important to recognise that any regulatory change targeted at larger, high intensive club and interstate hotel gaming venues is likely to have a significant unintended impact on the viability of over one thousand small NSW hotels.

These small NSW hotels, many of whom are located in country and regional NSW make important contributions to their local community through sponsorship, the purchase of local goods and services and the employment of local staff.

With only a handful of gaming machines, these hotels do not have the financial strength or economies of scale to implement substantial gaming related regulatory change without threatening the ongoing operation of their businesses.

As can be seen in the table below, the average NSW hotel with gaming operates only 13 gaming machines, significantly less than almost all hotels & clubs in other jurisdictions.

Hotel & Club Gaming Machines - Australian States

Rank	Venue	Ave EGMs per venue	EGM Venues
1	ACT Clubs	78	65
2	Victorian Hotels	55	249
3	NSW Clubs	55	1,352
4	Victorian Clubs	49	274
5	Qld Clubs	38	573
6	QLD Hotels	24	770
7	Tasmanian Hotels	24	94
8	NT Clubs	22	32
9	SA Hotels	22	499
10	SA Clubs	20	79
11	Tasmanian Clubs	18	10
12	NSW Hotels	13	1,784
13	NT Hotels	9	38
14	ACT Hotels	6	14

Source: Australasian Gambling Council 2008, Fact Sheet: Overview of the Gambling Industry p 8 & 10

Unfortunately gaming machine expenditure data in each state & territory broken down by club sector & hotel sector is not freely available in all jurisdictions.

⁷ Australasian Gaming Council 2008, Fact Sheet: Overview of the Gambling Industry p 8

⁸ NSW OLGR gaming data 2008

However the table below clearly shows gaming expenditure in each NSW hotel is significantly lower than gaming expenditure in hotels & clubs in Australia's four largest states.

Hotel & Club Gaming Expenditure

Rank	Venue	Expenditure per venue
1	Victorian Hotels	\$7,041,644
2	Victorian Clubs	\$3,481,420
3	NSW Clubs	\$2,349,112
4	Qld Clubs	\$1,510,136
5	SA Hotels	\$1,370,074
6	QLD Hotels	\$1,292,589
7	SA Clubs	\$946,734
8	NSW Hotels	\$822,870

Source: Australasian Gaming Council 2008, Fact Sheet: Overview of the Gambling Industry p 8 & 10

Victorian Clubs & Hotels VCGR data for 08/09.

NSW OLGR 2009, NSW Productivity Commission submission p14

SA Clubs & Hotels - Office of the Liquor & Gaming Commissioner Annual Report 2007/08. table 4

QLD Clubs & Hotels - Qld Dept of Employment, Economic Development & Education. FY 08/09

It is also important to note that any gaming related regulatory change will impact almost 90% of all NSW hotels.

This is in contrast with other states and territories where the majority of hotels will not be affected by any change to gaming regulation.

Hotels with gaming as a % of total hotels

Rank	State / Territory	Hotels with EGMs %	EGM Venues	Total Hotels	EGMs per Gaming hotel
1	NSW	89%	1,784	2,000	13
2	SA	79%	499	630	22
3	QLD	70%	770	1,100	24
4	Tasmania	30%	94	310	24
5	NT	30%	38	127	9
6	Victoria	18%	249	1,400	55
7	ACT	12%	14	120	6

Source: AGC 2008, Overview of the Gambling Industry p 8 & AHA National Hotel data @ June 2009

NSW hotels are not high intensity gaming venues. They operate fewer gaming machines and record lower expenditure per venue than other clubs & hotels.

It therefore must be recognised that any gaming related regulatory change targeted at larger gaming venues will impact almost all NSW hotels, the two thirds of which operate no more than 15 gaming machines.

NSW Hotels – no concentration of gaming

Hotel gaming machines in NSW are not concentrated in Sydney.

In fact the overwhelming majority of NSW hotels operating gaming machines are located in other parts of NSW⁹.

There are significantly more hotels with gaming machines in NSW regions outside Sydney (1,048) than there are hotels with gaming machines in the whole of Victoria, South Australia, Tasmania, the Northern Territory and the ACT combined (894)¹⁰.

As a result, any gaming related regulatory change will to have the greatest impact on NSW country & regional hotels.



In terms of the location of NSW hotel gaming machines, the table below reveals the even spread of hotel gaming machines throughout the state.

Outside Sydney there are 1,048 hotels offering gaming. These hotels operate 11,032 machines at an average of 10.5 EGMs per hotel¹¹.

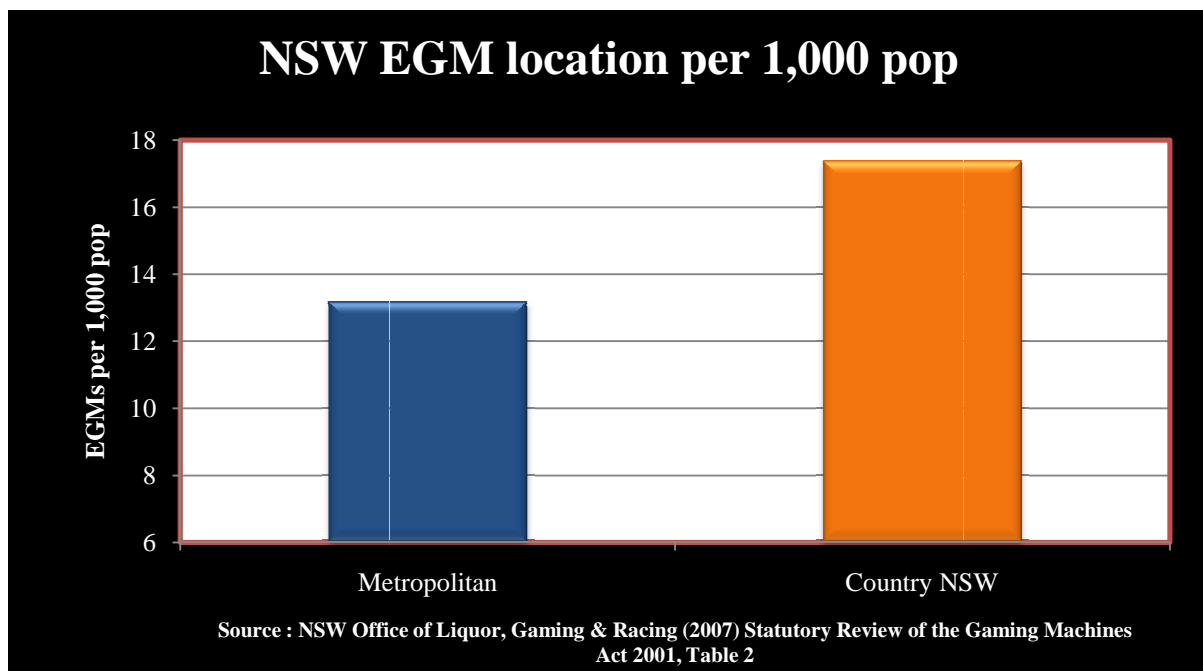
⁹ Note: Sydney includes the outer Sydney LGAs of Camden, Campbelltown and Hawkesbury.

¹⁰ Australasian Gaming Council 2008, Fact Sheet: Overview of the Gambling Industry p 8

¹¹ NSW OLGR Gaming data 2008

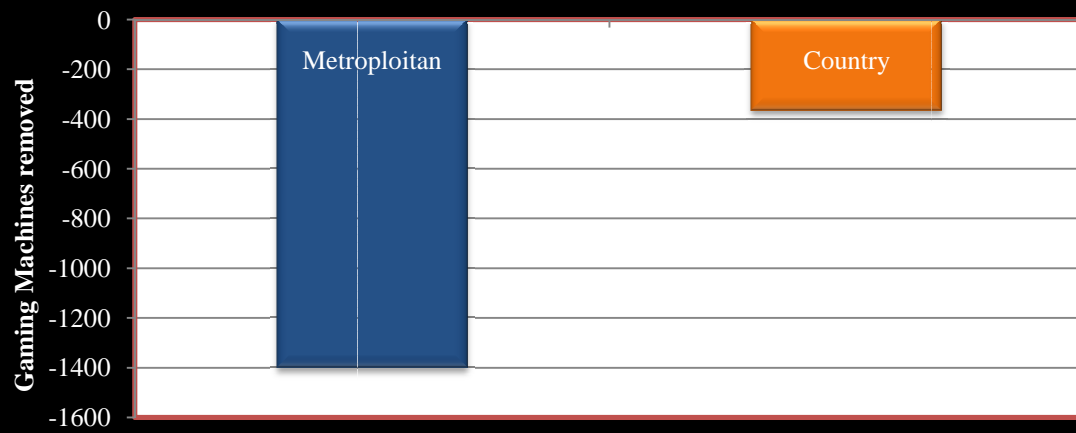


In terms of gaming machine concentration per capita, there are significantly more gaming machines per person in country NSW than there are in metropolitan NSW.



Finally, it is important to note that over recent years almost four times as many gaming machines have been removed from operation in metropolitan areas than in country NSW.

NSW Gaming Machine Reduction 2002 - 2006



Source : NSW Office of Liquor, Gaming & Racing (2007) Statutory Review of the Gaming Machines Act 2001, Table 2

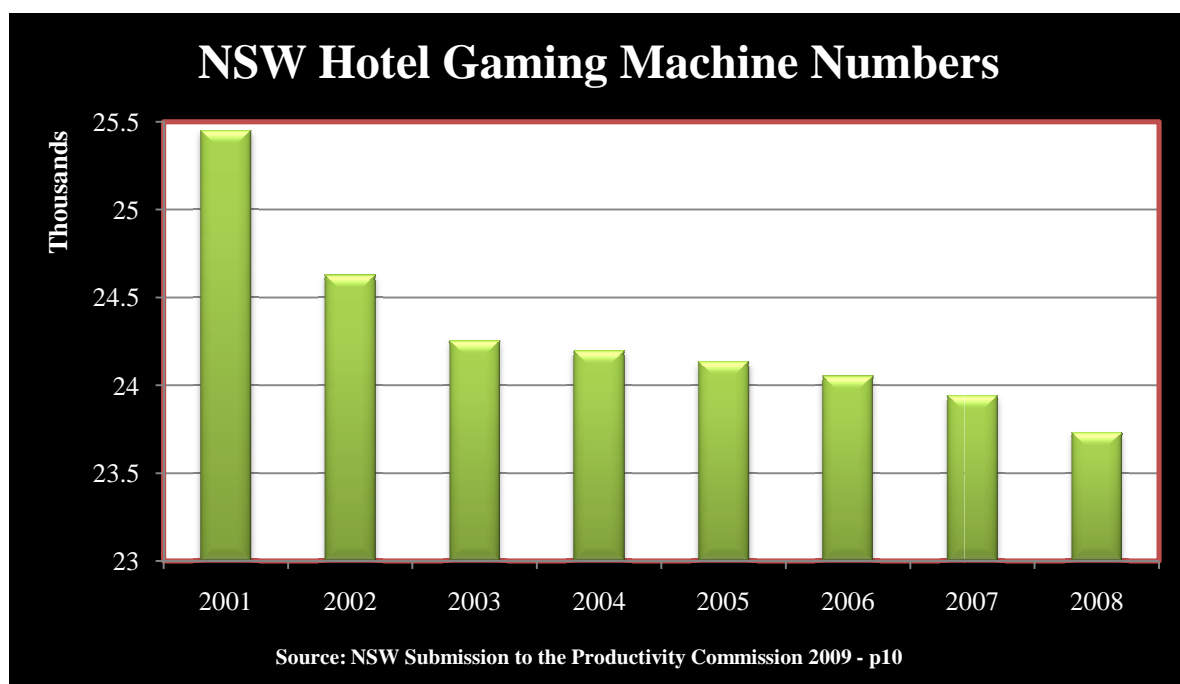
NSW Hotels – Reduction in gaming machines

The number of gaming machines in NSW hotels has fallen consistently over recent years as a result of the NSW gaming machine forfeiture scheme.

As shown in the table below, NSW hotel gaming machines numbers have fallen every year for the past 7 years.

Today there are 1,720 fewer gaming machines in NSW hotels than there were in 2001.¹²

This number will continue to fall as NSW hotel gaming machines are forfeited at a rate of 1 in every 3 traded.



In addition, recent amendments to the NSW Gaming Machines Act now prevent gaming machines being purchased by hotels located in high gaming density, high expenditure & low socio economic areas – a decision strongly supported by the AHA (NSW)

¹² NSW Office of Liquor, Gaming & Racing 2009

NSW Hotels - primarily food & beverage businesses

NSW Hotels are still primarily focused on the sale of food and beverages.

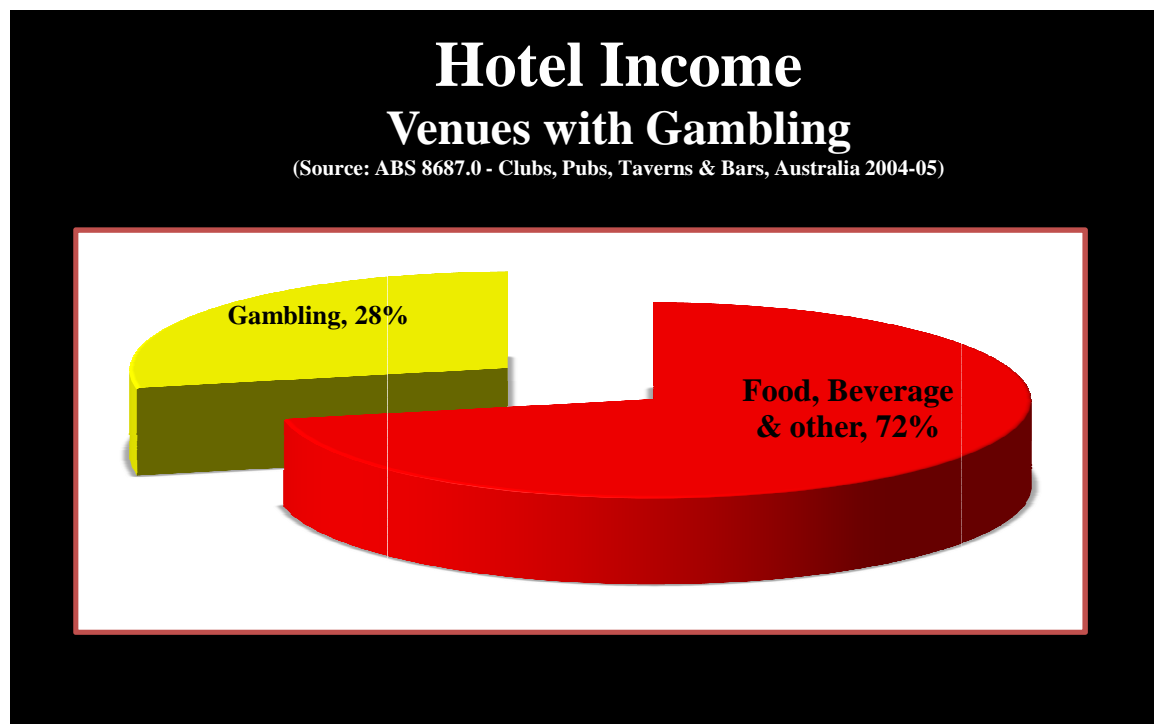
Gambling is certainly an important part of hotel business, but there is a lot more to NSW hotels than simply gambling .

Over recent years many NSW hotels have invested considerable time and money to improve the quality of their restaurants and the variety of food they offer. Today NSW hotels serve an average of 1,046 meals each week. As shown in the table below, the traditional items on a hotel menu are most affordable in NSW.¹³

Average hotel food prices

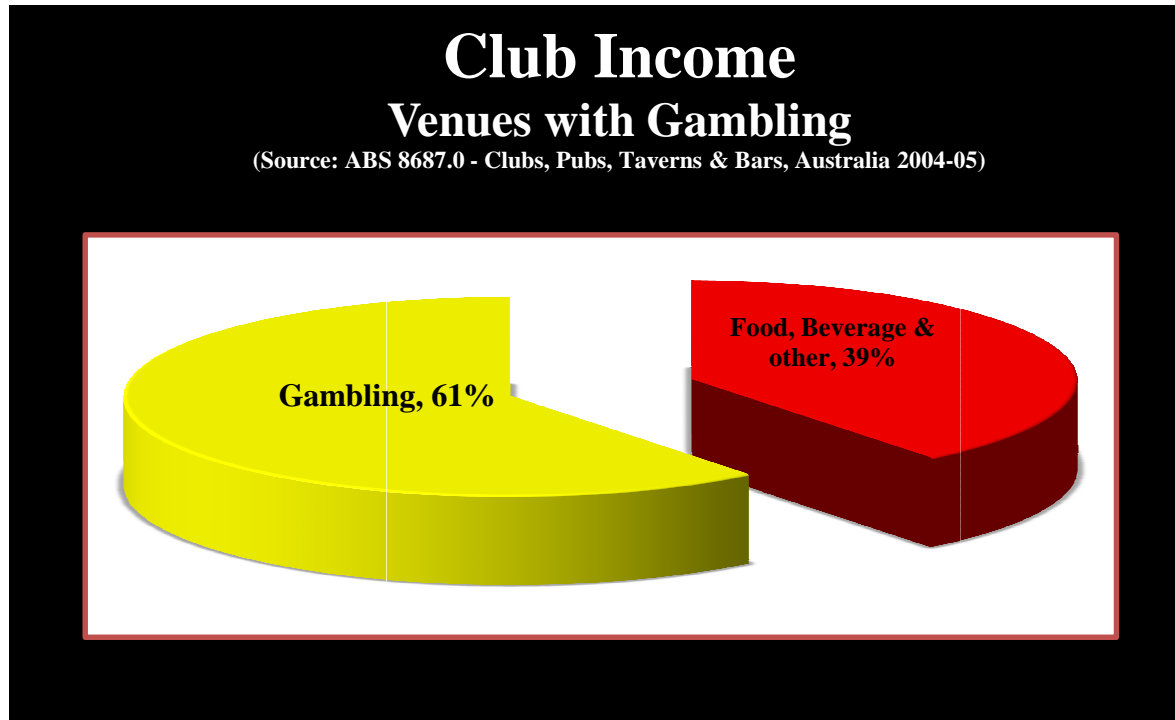
Rank	State	Steak	Schnitzel	Burger	Fish & Chips	Total cost
1	NSW	\$17.84	\$14.41	\$10.89	\$14.32	\$57.46
2	SA	\$20.91	\$15.18	\$12.50	\$14.04	\$62.63
3	TAS	\$22.23	\$17.01	\$11.92	\$17.10	\$68.26
4	QLD	\$23.89	\$17.50	\$12.89	\$17.54	\$71.82
5	NT	\$25.07	\$16.88	\$12.97	\$16.97	\$71.89
6	ACT	\$26.38	\$18.70	\$10.50	\$17.87	\$73.45
7	VIC	\$24.17	\$18.34	\$14.55	\$19.01	\$76.07
8	WA	\$27.04	\$19.20	\$14.17	\$19.16	\$79.57
Source: PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009.						

In 2004-05 the Australian bureau of Statistics found that in pubs, bars and taverns with gambling facilities, an overwhelming 70% of income was generated by food & beverage sales – sales unrelated to gambling.



¹³ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009. p 21

This income split contrasts sharply with Club income, as shown below.



Further, the recent PricewaterhouseCoopers survey of Australian hotels confirmed these ABS findings when they reported that 69% of hotel income was generated by food and beverage sales.¹⁴

Based on these ABS and PricewaterhouseCoopers findings, we do not believe Dr Charles Livingstone was referring to gaming machines in NSW hotels when made the following statement to the Senate Standing Committee on Community Affairs in Melbourne last year:

“our goal should be to make EGM revenues a reasonable element of club and hotel revenues rather than the whole purpose of their business.”¹⁵

It certainly cannot be argued that 28% represents the “whole purpose” of a NSW hotel’s business.

In NSW the overwhelming majority of hotel patrons do not play gaming machines, even though gaming machines are present in 90% of NSW hotels.

It is most important to recognise that any gaming related regulatory change, such as the removal of ATMs from all hotels with gaming facilities is likely to have the most significant impact where patrons spend most of their money – on food and beverages.

¹⁴ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009. p 17

¹⁵ Dr Charles Livingstone. Senate Standing Committee on Community Affairs, 11 September 2008 pg CA2

The typical NSW hotel customer uses the in-venue ATM because it is a safe & convenient place to withdraw cash for the purpose of either buying food and drinks or to spend elsewhere.

Removing ATMs from NSW hotels will unfairly inconvenience these customers and members of the general public, adversely impact hotel food & beverage sales and threaten the viability of the hotel and the employment of staff.