



17 December 2009

Productivity Commission Gambling Inquiry
GPO Box 1428
Canberra City ACT 2601

Re: Productivity Commission's Draft Report on Gambling

Dear Commissioners,

Thank you for the opportunity to provide a submission in response to the recently published Productivity Commission Draft Report into Australia's gambling industry.

Outlined in this submission is information pertaining directly to Hornsby RSL Club, its members and the value this Club returns back to the community as a whole.

Hornsby RSL Club offers a wide variety of legal entertainment including Poker Machines, TAB and Keno, from which the Club receives the majority of its revenue to continue trading.

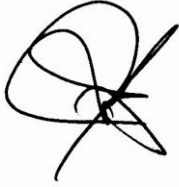
Hornsby RSL Club plays an integral role in the contributing to the local community through financial means as well as through support for local Sub Clubs and sporting bodies.

Hornsby RSL Club has submitted this report as well as one earlier in March 2009 to offer an opportunity to provide accurate information for this inquiry and to highlight the true value of the Club movement within NSW and nationally.

For this reason, we request the Productivity Commission cover ALL Terms of Reference including those that require an analysis of the economic and community/social contribution of Clubs and recommend the Productivity Commission measure the costs of the Draft Recommendations as well as the benefits.

For this reason we request due consideration of this submission and the Clubs previous submission by the committee prior to the final report into the Australian gambling industry is presented.

With Regards,

A handwritten signature in black ink, appearing to be 'Mario Machado', written over a light grey rectangular background.

Mario Machado
Chief Executive Officer

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1. Executive Summary

This submission has been developed to provide accurate and clear information on Hornsby RSL in response to the Commissioners draft report into the Gambling Industry of Australia.

- Hornsby RSL has 22,000 members and has been operating for 53 years since 1956, currently employing 180 staff.
- Hornsby RSL is one of 1359 Registered Clubs in NSW and is a member of the Returned Services League of Australia.
- Hornsby RSL members and visitors are looking for a value for money entertainment experience.
- Hornsby RSL gaming revenue has suffered significant falls since the introduction of the new Smoking Legislation in July 2007
- Expenses of Hornsby RSL have consistently increased since 2006 by 17%
- Profitability of Hornsby RSL dropped by 75% in 2007 with an increase by 45.7% for 2008 due in part to the temporary capping Poker Machine taxes.
- Hornsby RSL provides integral support to the local community with over \$250,000 in financial support in 2008, as well as providing first class facilities for its members and visitors.

Poker machine revenue raised from the responsible gaming practises has allowed Hornsby RSL Club to continuously improve and update the facilities for the members and visitors of the Club whilst still providing a safe environment for entertainment suited to the Club's wide audience.

- **2. Scope and Position**

General Information

Hornsby RSL is located on the western side of Hornsby and has been operating for 53 years since 1956. Currently the Club has 22,000 members providing these members with a clean, safe social environment for entertainment and interaction.

Hornsby RSL is one of 1359 registered Clubs in NSW and is a part of the Returned Services League of Australia supporting men and women having served or serving in the Australian Defence Force. The Club offers various forms of entertainment to all its members and visitors including:

Waratah Bistro dining

Palms Café with FREE wireless internet connection

Social and Sports lounges

TAB

KENO

Poker Machines

Function Centre

Pool Tables

Snooker & Billiard Tables

Table Tennis

Indoor Bowls

Darts

LIVE Entertainment that is both Free and paid ticketed shows.

Membership

The Club draws its membership from the local geographical region bounded by a 10 km radius and Galston Gorge to the west. This membership base is not limited to this constraint as Hornsby is a major hub of Public transport with easy access to train, bus and taxi services within 50 metres of the Club entrance.

Hornsby RSL Club members are situated in a mid level socio economic demographic. This demographic is looking for a quality social venue without the expensive cost. Value for money is what this demographics' aim.

3. Economic Position

Revenue

Hornsby RSL creates its revenue from a number of streams within the business.

	2008	2007	2006
Bar, Catering & Gaming	21,894,835	21,716,188	21,934,960
Membership Subscriptions	169,035	173,319	173,967
Interest	73,449	53,109	93,511
Other income	123,413	150,075	131,660
Total Ordinary revenue	22,260,732	22,092,926	22,334,098

Poker machine revenue is the largest component of revenue for the Club accounting for 65% of the total revenue for 2008. This however has suffered a further fall to that in 2007 as a result of the full smoking ban introduced in July 2007. The significant falls in gaming revenue seen in previous years have been arrested now that Poker Machine taxes have been temporarily capped.

Catering and bar turnover has steadily increased over the last 3 years; however the margins in these areas have fallen with the absorption of supplier price increases.

Expenses

	2008	2007	2006
Ordinary Expenses			
Cost of Goods Sold	3,414,279	3,085,608	2,879,557
Depreciation & Amortisation	2,510,086	2,712,655	2,455,073
Employee Expenses	7,604,116	7,509,373	7,277,100
Marketing & Entertainment	1,142,237	1,202,282	1,258,885
Poker Machine Gaming Tax	3,606,873	3,620,066	3,412,380
Other Expenses	2,803,016	2,924,046	2,996,221

Total Ordinary Expenses	21,080,607	21,054,030	20,279,216
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Expenses of Hornsby RSL club have increased over the last 3 years with a significant impact felt with the increases in Poker Machine taxes from 29.8% to 32.2% adding an additional \$195,000 (in 2008) to the annual tax paid in conjunction with the onset of the new Smoking legislation having been in full force for over 12 months. Gaming expenses account for 17% of the overall expense paid.

Employee expenses for Hornsby RSL are the largest of single expense accounting for 36% of the overall expenses per annum.

Club servicing of its debt is consistently maintained in the interests of the members and debt levels have reduced despite higher interest levels.

Profitability

Profitability of Hornsby RSL has fallen considerable with the introduction of the new smoking legislation banning indoor smoking. This in conjunction with the gaming taxes has had a significant impact on the profitability of the Club. Over the last 3 years Hornsby RSL has experienced a profitability drop of 75% from \$1.845 million profit in 2006 trading to \$474,327 profit in 2007. This has increased to \$655,023 for the trading year of 2008 or 45.7% increase. The temporary capping of the poker machine taxes has had some impact on this increase in profitability.

Increasing profitability through diversification and property development is restricted at Hornsby RSL due to the boundaries of the premises. Hornsby RSL club has reached the boundaries with its current premise and therefore does not have the ability to extend outwards. The only options for development include extending upwards or re-developing within the business. Council restrictions on extending upwards deny this course of action.

Hornsby RSL club owns a significant block of land adjacent to the existing premises which had a development application approved by Hornsby Shire Council to build a sporting facility comprising of 2 basketball courts, gymnasium and 25 metre indoor swimming pool. Due to the poker machine tax increase this development has been put on hold, however Hornsby RSL hopes that in the future it will become financially viable to build the facility for the benefit of it's members and Hornsby Shire community.

4. Employment and Training

Staffing

Hornsby RSL Club currently employs 180 staff for its 7 days a week operations (70 Full-time, 56 Part-time and 54 Casual staff). These staffing levels include administration, bar staff, gaming staff, catering staff, cleaning staff and maintenance staff.

All staff employed by the Club is required to have Responsible Service of Alcohol certification. For those employed in gaming related roles, the responsible conduct of Gaming certification is mandatory.

Education

Management, Directors and staff are encouraged to seek further education and attend industry related meetings and trade shows. Other education includes:

- Senior First Aid
- Advanced Resuscitation
- Duty Managers Development Course
- Armed Robbery
- External TAB & KENO accreditation courses
- Workplace Relations Seminars
- Occupational, Health and Safety training
- Certificate IV in hospitality
- Directors Foundation Course

5. Community Benefits

Financial Support

Hornsby RSL Club provides an integral support for the local community at large with extensive financial support for local businesses and charities. Hornsby RSL Club in 2008 supported the local community projects and charities with over \$250,000 in financial grants through the Community Development Support Expenditure Scheme (CDSE) in 2008 alone. *Full list of CDSE recipients see Appendix 1.*

This financial support covers the Category 1 of the CDSE program and does not include the Category 2 support offered to groups by way of in-kind donations for free room hire or club facilities for meetings and functions.

Sub Clubs

Sub Clubs of Hornsby RSL are consistent recipients of these in-kind donations of free room hire and use of facilities. Sub Clubs of Hornsby RSL include:

Adult Dance Club	Computer Club
Australian Order of Old Bastards (AOOB)	Darts Club
Charter Boat Fishing Club	Golf Club
Indoor Bowls Club	Klaverjas Club
Pipe Band	Rifle Club
Snooker & Billiards Club	Soccer Club
"Frogs" Swim Club	Table Tennis Club
Women's Hockey	Youth Club

These Sub Clubs offer a wide variety of activities to suit a wide portion of Hornsby RSL Club's membership base providing new experiences, new skills and social interaction.

Hornsby RSL Club has also been actively involved in local disaster relief. During the 2007 bushfires the Club extended its premises and staff to assist the many stranded

commuters due to the closures of the F3 and northbound trains as severe bushfires had cut these transport options.

6. Responsible Conduct of Gaming

Hornsby RSL Club's ongoing responsible gambling commitments include ensuring staff are continuously up to date with their responsible conduct of gaming certification as well as maintaining self exclusion registers and offering support where possible with information of problem gambling services and support groups.

Hornsby RSL Club is an active supporter of the Club Safe program initially implemented by ClubsNSW with significant input from the Australian Institute for Gambling Research. This program helps Hornsby RSL Club actively manage responsible gambling operations that meet legislative compliance and community expectations.

Poker machine revenue raised from the responsible gaming practises has allowed Hornsby RSL Club to continuously improve and update the facilities for the members and visitors of the Club whilst still providing a safe environment for entertainment suited to the Club's wide audience.

7. Consequences of Adoption of Productivity Commission's Draft Report

If the government were to adopt the Productivity Commission's Draft Report into Gambling, Hornsby RSL Club would not remain financially viable and would likely need to make adjustments in the following areas:

- Reduced staffing levels of the Club sacrificing service levels across all areas of the business.
- Reduce financial assistance to local schools and community organisations through cash donations and in kind donations.

- Reduce financial assistance to Sub Club and Sporting Clubs within Hornsby RSL Club, which would ultimately lead to the closure of such Clubs.
- Significant price increases for food and beverage products to cover costs of goods sold and maintain minor product margins.
- Price increases on Membership costs.

8. Conclusion

Hornsby RSL Club is a medium sized club with 22,000 members, supplying a venue for entertainment and socialisation. Providing accurate information on the Club in this submission can only assist your inquiry into the gaming industry of Australia.

Hornsby RSL Club derives 65% of revenue from Poker Machines; however without this level of revenue the Club as we know it now would not exist and the facilities and community support that it offers would also no longer exist for the betterment of the local community, the members and its visitors.

9. Reference Material

Allen Consulting Group 2008, *Socio Economic Impact Study of Clubs in NSW (2007)*
February 2008.

Hornsby RSL 2007, *Annual Report*,
2008

Hornsby RSL 2008, *Annual Report 2008*,
2009

ClubsNSW 2002, *Club Safe Responsible Gambling Management Manual Edition 2*,
2002

9. Appendix

Support Expenditure Scheme (CDSE) Recipients 2008

Community Development Alzheimer's Australia NSW
Aunties & Uncles Family Project
Autism Spectrum Australia
Babybumps Support Group
Bridge for Asylum Seekers foundation
Camp Quality
Chinese Elderly Welfare Association
Chronic Pain Association
Computer Pals for Seniors
Cumberland Industries
Delta Society Australia
Easy Care Gardening
Epilepsy Action
Friends of Richard Greeves Centre
Hornsby Area Residents for Reconciliation
Hornsby Community Access Bus
Hornsby Legacy Widows Club
Hornsby & Districts TPI Social & Welfare Club
Hornsby Kuring-gai Hospital
Hornsby Rosemary Legacy Club
Hornsby RSL Sub-Branch
Hornsby SES
Hornsby Shire Senior's Advisory Committee
Hornsby Woodworking Men's Shed Inc
Leukaemia Foundation
Life Education
Lifeline
Lifestart Co-Operative
Lupus Association of NSW
Multiple Sclerosis Society
Northcott Disability Services
Prostate Cancer Foundation of Australia
Relationships Australia
Royal Institute for Deaf & Blind Children
Spastic Centre
Streetwork Inc
Studio Artes Northside Inc
The Twenty Ten Association
Vision Australia
War Widows Guild of Australia
Young Achievement Australia
Youth Off the Street