



Clubs Australia

**SUBMISSION TO THE  
PRODUCTIVITY COMMISSION INQUIRY INTO  
THE CONTRIBUTION OF THE NOT FOR PROFIT SECTOR**

**29 May 2009**

## TABLE OF CONTENTS

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### Chapter 1 Economic contribution of clubs

1.1	Introduction	1
1.2	Executive summary	2
1.3	Economic impact of the Club Movement	4
1.4	Industry characteristics	5
1.5	Revenue	5
1.6	Employment	9
1.7	Taxation	22
1.8	Club expenditure	24
1.9	Debt	30
1.10	Clubs produce significant flow-on economic benefits	33
1.11	Linkages to tourism	34
1.12	Aged care	38
1.13	Diversification	38
1.14	Alignment with community needs	43
1.15	Impact of clubs in rural and regional development	46
1.16	Partnerships with local government	47
1.17	Clubs and new/planned communities	49

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### Chapter 2 Social contribution of clubs

2.1	The social contribution of clubs	51
2.2	The nature and beneficiaries of clubs social contributions	52
2.3	Clubs contribution to social capital	53
	2.3.1 Gaming revenue and “compulsory” community support	53
	2.3.2 Non-compulsory support	57
2.4	Sporting infrastructure and support	63
2.5	Ageing population	70
2.6	Support for people with disabilities	74
2.7	Support for young people	75
2.8	Promoting social connections	76
2.9	Volunteering	77
2.10	Club tax	80

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### Chapter 3 Club Governance and Regulation

3.1	The club mode – not for private gain	81
3.2	Roles of board and management	81
3.3	Complexity of governance requirements	82

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## TABLE OF FIGURES

	Page
<b>Chapter 1 Economic contribution of clubs</b>	
1.1 State and Territory comparisons, all organisations	5
1.2 Division of income across the states and territories	6
1.3 Selected sources of income, all organisations	6
1.4 Sources of revenue, NSW	7
1.5 Sources of revenue for each club size (percentage of total revenue)	8
1.6 Revenue by types of revenue- ACT clubs	8
1.7 Key characteristics by organisation size, all organisations	10
1.8 Share of club (hospitality) employment by jurisdiction	10
1.9 Number and type of employment over time	12
1.10 Type of employment by club size	12
1.11 Age of employees by NSW club size	12
1.12 Age of employees by ACT club size	13
1.13 Current positions and total employment at Revesby Workers Club	15
1.14 Positions that are most difficult to fill	16
1.15 Wage bills and contract payments by club size	18
1.16 Training expenditure over time	19
1.17 Formal and informal training expenditure by club size (\$ million)	20
1.18 Gambling taxes as % of total State revenue	23
1.19 Clubs average rates (total tax including GST and community levy)	24
1.20 Sources of expenses for NSW clubs	25
1.21 Sources of expense (percentage) by NSW club size, 2007	25
1.22 Total value of assets over time by NSW club size	26
1.23 Proportion of total assets held by clubs, by NSW club size	26
1.24 Club assets by NSW type	27
1.25 NSW club assets by type of asset (\$ million)	27
1.26 Proportion of clubs reporting capital expenditure over time by NSW club	28
1.27 Capital expenditure of NSW clubs over time size	28
1.28 ACT club expenses by types of expense	29
1.29 ACT club assets by type of asset	30
1.30 Total value of debt by club size in NSW — over time	30
1.31 Total debt split by debt instruments, by NSW club size, 2007	31
1.32 Total interest payments over time by NSW club size	32
1.33 Club performance ratios by club size	32
1.34 Number of venues licensed for and amount spent on live music by jurisdiction	37
1.35 Response strategies – next five to ten years all clubs	39
1.36 Business diversification; legitimacy of business options- all clubs	39
1.37 New lines of business – preference	40
1.38 Sources of revenue - comparison 2003 to 2007	41
1.39 Master plan- mixed use development of Revesby Worker's Club site	43
<b>Chapter 2 Social contribution of clubs</b>	
2.40 Categorisation of clubs social contributions	51
2.41 Type and number of sporting facilities provided by clubs, by club size	65
2.42 Directors – time in industry	76

## 1.1 INTRODUCTION

This submission will detail the significant economic and social benefit that the Club Movement brings to the Australian community. It is a far reaching contribution that is not easily quantified and often underestimated.

ClubsAustralia represents Australia's 4000 registered clubs and these clubs have around 10 million club memberships. Club members are people from all walks of life and with many different interests. Clubs, as local community organisations, are highly responsive in addressing the needs of their members, guests and broader community.

Clubs are not-for-profit community based organisations whose central activity is to provide infrastructure and services for the community. Clubs contribute to their local communities, through employment and training, direct cash and in-kind social contributions and through the formation of social capital by mobilising volunteers and providing a diverse and affordable range of services, facilities and goods. ClubsAustralia estimates that the Club Movement makes a direct national social contribution of over \$1.2 billion annually. This is in addition to the more than \$7 billion dollars in revenue generated by clubs annually nation wide.

This does not incorporate the indirect social contributions made by clubs that are difficult to quantify, but are real. The nature of intangible, social contributions made by clubs are explored in this submission.

The Club Movement represents one of the few remaining social connections many elderly Australians are able to maintain with their community at a time of decreasing social participation for many. Such interaction has vital health and well being benefits to this important and growing segment of our society.

Clubs stand out within the not-for-profit sector as they have relatively stable, independent revenue streams and are highly regulated largely as a result of the provision of entertainment, food and beverage services.

The level of community service that the Club Movement provides is evolving to meet emerging societal challenges like the housing of our growing aged population and the shortage of affordable child care services.

Given the level of regulatory accountability of clubs the expansion of their traditional social service beyond social, cultural and sporting investment represents a genuine opportunity for government partnership and investment with clubs, particularly in regional and rural areas where many clubs maintain a significant social and economic presence.

ClubsAustralia welcomes the Productivity Commission's inquiry to measure and enhance the performance of the Club Movement and the broader not for profit sector's contribution to Australian society.

## 1.2 EXECUTIVE SUMMARY

Australia's registered clubs are a unique and significant part of Australia's 'Third Sector' with a diverse, complex and growing social and economic contribution that reaches the entire community.

Clubs are not-for-profit community based organisations whose central activity is to provide infrastructure and services for the entire community.

ClubsAustralia represents Australia's 4000 registered clubs and these clubs have around 10 million club memberships. The ABS found hospitality clubs in 2004/05 employed 64,000 people and generated \$7.3 billion in revenue; the current figures for clubs across Australia are likely to be higher. Since this time club revenues have grown in line with the Consumer Price Index (CPI).

The involvement of volunteers is a defining feature of clubs, large and small. It is conservatively estimated that there are 65,000 club volunteers committing their time as club directors, assisting with trading activities or organising sporting and community events.

Clubs, especially in regional areas where banks, post offices and other institutions have withdrawn services, remain significant employers and contributors to local economic activity. Indeed, in many regional and suburban areas, local clubs are the largest employers.

Clubs exist to provide social benefit for their members, guests and the wider community. In an era of increasing social isolation the Club Movement stands out as one of the few institutions that encourages, facilitates and nurtures community connectedness.

Indeed club-going, and the social participation derived from it, is linked to positive health outcomes particularly for the elderly who still attend clubs at a time of decreasing social interaction and reduced economic means.

Club attendance can help the elderly generate symbolic independence as club-going can continue at a time when many other activities outside the home have ceased.

In 2008, the NSW Independent Pricing and Regulatory Tribunal (IPART) examined the contributions the registered clubs industry makes to social infrastructure and services, and to employment and economic opportunities in NSW. IPART estimated the value of the NSW registered clubs industry's social contributions in 2007 at \$811 million. This included the value of cash donations, in kind services and the time of volunteers coordinated by clubs. Extrapolating the \$811 million NSW valuation nationally, using total club revenue as an approximate scaling device, ClubsAustralia estimates a direct social contribution of at least \$1.2 billion annually.

### **Delivery of Community Services and Infrastructure**

Clubs are unique in the not for profit sphere as they do not rely upon external grants or donations to sustain their operations and are highly accountable due to the legislative requirements for the provision of food, beverage and entertainment services.

Increasingly, registered clubs have sought to build upon their established role by responding to growing community demand for essential services by providing services such as affordable aged care, child care and sporting / recreational infrastructure.

Clubs have developed these services largely in the absence of the level of government funding and consultation that would normally typify the involvement of the not-for-profit sector, noting that Clubs established for the purpose of sport are tax exempt.

The independence of the club model of community investment could provide government with an efficient and cost effective opportunity to invest in community services and infrastructure.

The Richmond Club in outer Sydney is a prime example of the involvement of clubs in aged care and senior's living. It has become the biggest supporter of aged care living in the region without government support.

Dubbo RSL's construction of a Health Centre with an indoor heated pool, gymnasium, squash courts and a sauna for use by the entire community is consistent with the types of projects clubs in regional centres are undertaking on behalf of the community.

The Centre runs programs such as special needs classes run for disabled children, rehabilitation classes for heart-attack victims, programs targeted at obese children and programs run for diabetes sufferers.

Many clubs have invested in similar facilities, typically without government financial support, to provide infrastructure at affordable prices which would not otherwise exist. The maintenance of such facilities often costs clubs millions of dollars and spares taxpayers from this burden.

IPART was not able to determine a value for the intangible benefits provided by clubs. These include improved health and social interaction as well as longevity. Any Productivity Commission assessment of the contribution clubs, as not for profit organisations, make to the community would be supported by ClubsAustralia.

### **Club Governance and Regulation**

Clubs regardless of their size and the number of people they employ are subject to an onerous level of corporate accountability and governance to comply with the regulatory requirements for the provision of alcohol and gaming.

ClubsAustralia supports the Commission's investigation of impediments to the efficient and effective operation of not for profit organisations. However, any move to alter the regulatory regime needs to account for the fact that unlike other segments of the Third Sector clubs are already highly regulated.

Clubs are an essential part of the community and they make a disproportionately substantial contribution to Australian life. Greater recognition and support from government could see the number and variety of services clubs provide to the community increase even further.

## CHAPTER 1

### ECONOMIC SIGNIFICANCE OF CLUBS

#### 1.3 ECONOMIC IMPACT OF THE CLUB MOVEMENT

Clubs play a significant role in Australian economic life. Clubs are important engines of economic activity and job creation, generating significant economic flow-on benefits and acting as catalysts for economic growth especially in regional areas (e.g. tourism).

Clubs, especially in regional areas where banks, post offices and other institutions have withdrawn services, remain significant employers and contributors to local economic activity. Indeed, in many regional and suburban areas, local clubs are among the largest employers.

The Australian Bureau of Statistics Report 8687.0 – *Clubs, Pubs, Taverns and Bars, Australia 2004/05* found that the total industry value added by the nation's 2,116 'hospitality' clubs was \$4,086.1 million, which is the equivalent of 0.5 per cent of Australia's gross domestic product for 2004/05. As outlined in Chapter 2, this figure represents only part of the club industry and thus is a significant underestimation of the Club Movement's full contribution. Hospitality clubs are defined as those which provide drinking facilities, meals, gambling and other hospitality services; this excludes clubs whose main purpose is providing sporting services.

However, in the absence of other nationwide figures it goes some way to demonstrating the importance of the industry. Throughout this chapter, ClubsAustralia presents the ABS data, followed by the available State and Territory data obtained from various Socio-Economic Impact Studies.

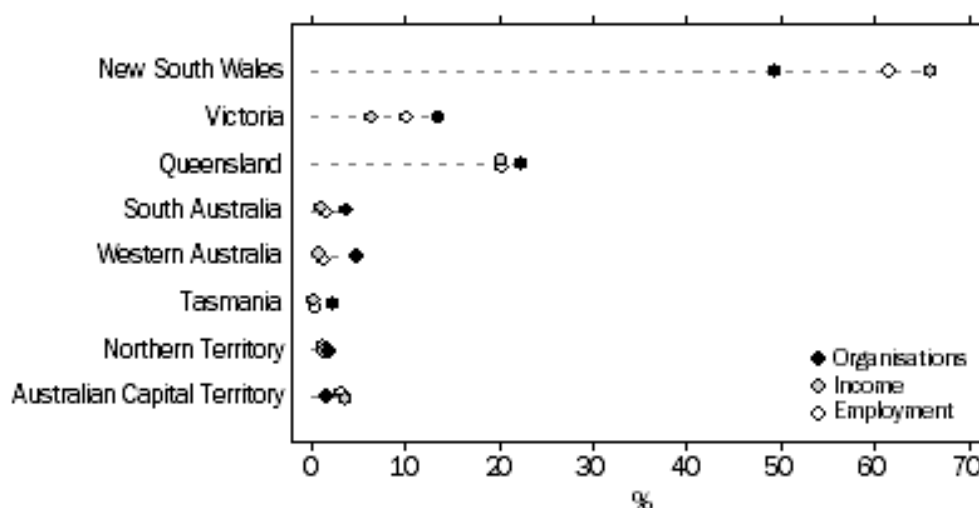
## 1.4 INDUSTRY CHARACTERISTICS

The ABS found that the majority (59.2 per cent or 1,252) of hospitality club organisations employed fewer than 20 persons. These small organisations accounted for 18.7 per cent of total employment in hospitality club services, 30.6 per cent of income from sales of liquor and other beverages, 10.9 per cent of gambling income and 16.3 per cent of total income.

In comparison, there were 120 organisations (or 5.8 per cent) which recorded employment of 100 or more persons. These large organisations accounted for 34.4 per cent of total employment in hospitality clubs, 24.3 per cent of income generated from sales of liquor and other beverages, 47.3 per cent of gambling income and 40.2 per cent of total income. In other words, the size of gaming revenue is generally in proportion to the size of a club's income, expenditure on sales and liquor and ability to generate employment. The 'multiplier effect' of gaming in clubs, is significant and facilitates disproportionately large social and economic dividends.

New South Wales accounted for just under half of all hospitality clubs (49.4 per cent), while Queensland accounted for 22.4 per cent and Victoria accounted for 13.5 per cent. However, NSW accounted for two-thirds of all income (65.9 per cent), while Queensland accounted for 20.3 per cent and Victoria 6.5 per cent.

**Figure 1.1 State and Territory comparisons, all organisations**



(a) As a percentage of total for each state/territory.

Source: ABS 2005 Report 8687.0 - *Clubs, Pubs, Taverns and Bars, Australia 2004/05*

Employment in New South Wales comprised 61.5 per cent of all employment, while Queensland had 20.4 per cent of all employment. Victoria had 10.2 per cent of all employment.

## 1.5 REVENUE

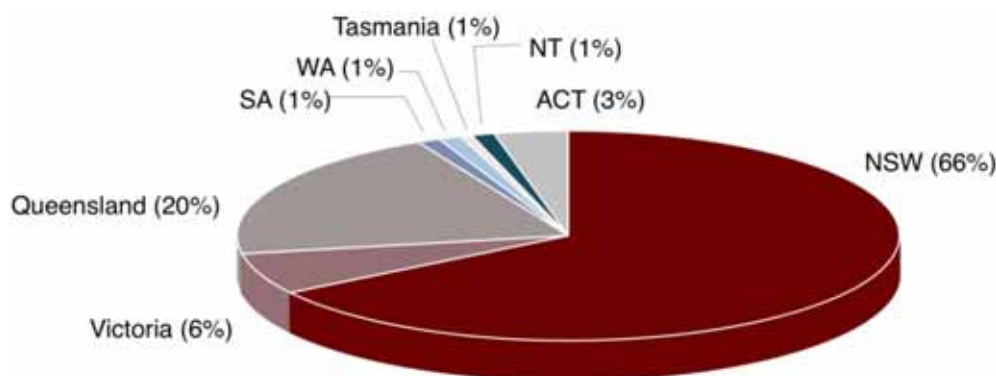
### (a) National ABS data

According to the ABS, during 2004/05, income generated by hospitality clubs was \$7,374.7 million, which represented an average of \$3.5 million per organisation. (It should be noted that income in 2004/05 excluded GST paid by consumers to hospitality clubs.)



The figure below shows the division of income between jurisdictions.

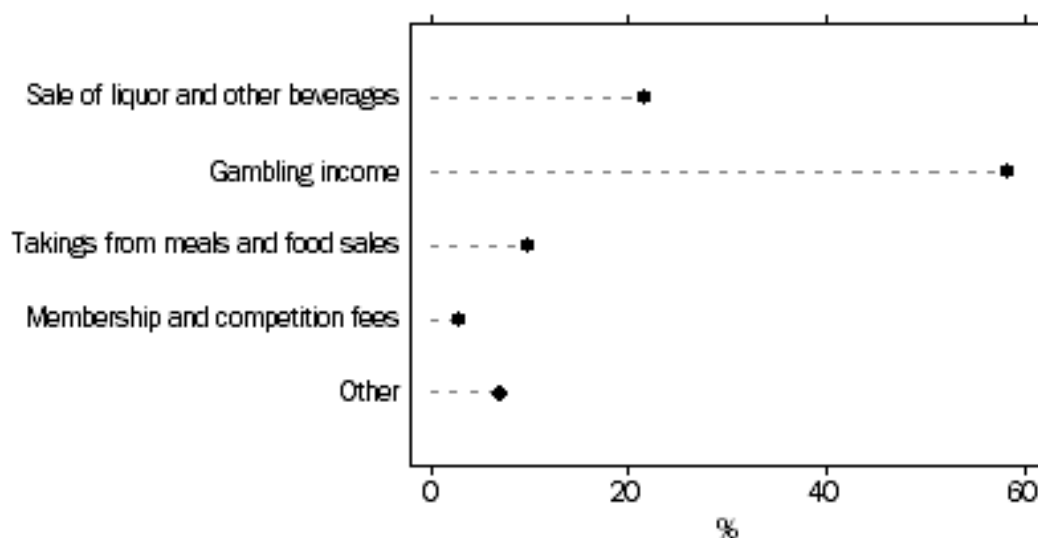
**Figure 1.2: Division of income across the States and Territories**



Source: ABS 2005 Report 8687.0 - *Clubs, Pubs, Taverns and Bars, Australia 2004/05*

The figure below shows that the main source of income for hospitality clubs in 2004/05 was from gambling (\$4,305.1 million or 58.4 per cent of total income). Other major income items were sales of liquor and other beverages, which accounted for 21.7 per cent (\$1,600.8 million) of total income, and takings from sales of meals and food, which accounted for 9.9 per cent (\$726.4 million).

**Figure 1.3: Selected sources of income, all organisations**



(a) As a percentage of total income.

Source: ABS 2005 Report 8687.0 - *Clubs, Pubs, Taverns and Bars, Australia 2004/05*

Other major sources of income included membership fees (\$210.4 million), casual playing fees (\$82.7 million), sponsorship and fundraising (\$80.2 million), rent, leasing and hiring (\$58.1 million) and interest income (\$44.7 million).

Since the ABS statistics were completed, club associations have completed independent analysis of the size of State and Territory Movements which give a more complete picture of the industry's economic value. ClubsNSW and ClubsACT have completed Socio-Economic Impact Studies by The Allen Consulting Group (2007 and 2008 respectively). A review of the data from these studies follows.

Based on these data sets national club revenue is estimated at approximately \$10 billion per annum.

**(b) New South Wales**

Clubs in NSW provide a range of services that generate income (revenue). The 2007 Allen Consulting Group Survey estimates that total revenue earned by clubs in NSW was around \$5.4 billion in 2007.

**Figure 1.4: Sources of revenue, NSW**

	% of total revenue		Change since 2003 (percentage point change)
	2003	2007	
Membership	1.4%	3.2%	1.8%
Food	7.0%	7.0%	No change
Bar	14.8%	16.6%	1.8%
Facilities & venue rental	0.8%	1.1%	0.3%
Gaming machines	68.4%	63.2%	-5.2%
Other gaming	1.9%	2.2%	0.3%
Sports	1.3%	2.0%	0.7%
Ancillary business	1.4%	1.8%	0.4%
Other <sup>(a)</sup>	3.1%	2.9%	-0.2%
Total	100.0%	100%	

Note: May not add precisely to 100 per cent due to rounding.

(a) Other includes donations, cash grants, abnormal & extraordinary and other revenue.

Source: Allen Consulting Group, *2007 Survey of Clubs in NSW*.

Figure 1.5 summarises the share of revenue for each club size category.

**Figure 1.5: Sources of revenue for each club size (percentage of total revenue)**

Sources of revenue	\$0 – 200K	>\$200K – 1M	>\$1M – 5M	>\$5M – 10M	>\$10M	Total clubs
Membership	31.2%	6.2%	1.5%	0.8%	0.6%	3.2%
Food	9.5%	5.0%	6.0%	8.8%	7.2%	7.0%
Bar	24.8%	37.5%	21.1%	15.5%	8.1%	16.6%
Facilities/venue rental	1.3%	3.3%	1.3%	0.7%	0.6%	1.1%
Gaming machines	10.2%	33.6%	61.9%	66.7%	76.9%	63.2%
Other gaming <sup>(a)</sup>	0.9%	4.3%	3.5%	2.6%	1.0%	2.2%
Sports	11.1%	6.0%	1.2%	0.6%	0.8%	2.0%
Ancillary business	2.3%	0.5%	1.4%	2.4%	2.1%	1.8%
Other <sup>(b)</sup>	8.7%	3.6%	2.1%	1.9%	2.7%	2.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: May not add precisely to 100 per cent due to rounding.

(a) Keno, TAB, Raffles, etc

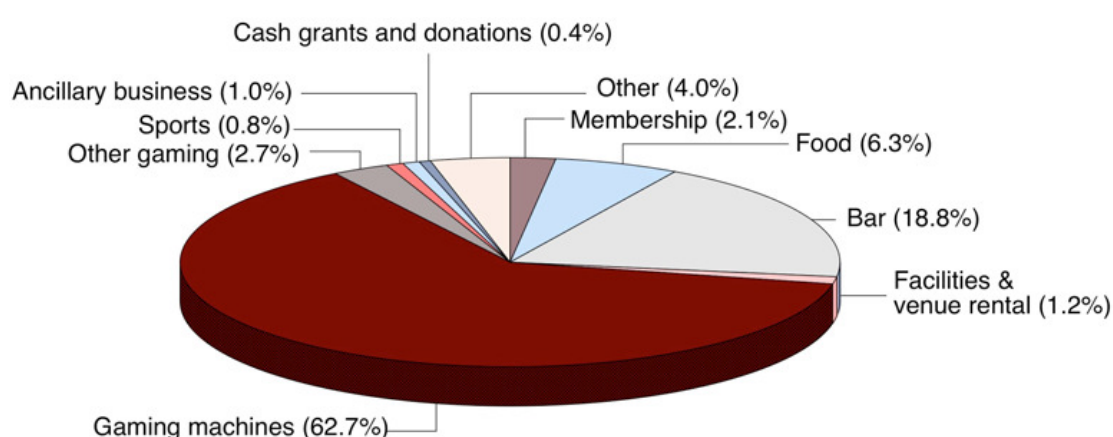
(b) Other includes donations, cash grants, abnormal & extraordinary and other revenue.

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

### (c) Australian Capital Territory

According to the 2007 Socio-Economic Impact Study (SEIS) of the ACT Clubs Movement by The Allen Consulting Group, clubs generated \$272 million in gross revenue in 2006/07. In 2002, the reported level of revenue earned was \$280.2 million (CPI adjusted), indicating that clubs' overall revenue has declined by 3 per cent in the five years to 2007.

**Figure 1.6: Revenue by types of revenue – ACT clubs**



Source: Allen Consulting Group, Survey of Clubs in the ACT 2007.

In terms of club size, gaming machine revenue was relatively more important for the large clubs in the ACT than for medium and small clubs. Large clubs relied on gaming machine revenue to source 70 per cent of their total revenue, while medium and small sized clubs reported a considerably reduced dependence on gaming machine revenue (53 per cent).

Medium and small sized clubs had a relatively larger reliance on membership subscriptions (4 per cent compared to 1 per cent for large clubs), bar sales (23 per cent compared to 16 per cent for large clubs) and other gaming (4.7 per cent compared to 1.3 per cent for large clubs) as sources of revenue.

**(d) South Australia**

It is estimated that South Australian clubs have annual turnover of \$272 million.<sup>1</sup>

**(e) Queensland**

Clubs in Queensland generate \$1.895 billion in revenue every year.<sup>2</sup>

## **1.6 EMPLOYMENT**

**(a) Jobs in industry**

At the end of June 2005, according to the ABS, there were 63,734 persons employed in Australian hospitality clubs. Of the total employment, 30,897 persons (48.5 per cent) were casual employees, 21,060 persons (33 per cent) were permanent full-time employees and 11,777 persons (18.5 per cent) were employed in a permanent part-time capacity. Female employees accounted for 54.8 per cent of total employees, 39.9 per cent of permanent full-time employees, 65.8 per cent of permanent part-time employees and 60.8 per cent of casuals.

However, as with all ABS data relating to this sector, this is a substantial underestimation as the data omits a significant number of clubs. Estimated employment statistics for each State and Territory are more instructive. Data held by State and Territory club industry bodies indicates there are approximately 43,300 people employed in NSW clubs, 2,200 in the ACT, 3,200 in South Australia, 440 in Tasmania, 36,450 in Queensland<sup>3</sup> and more than 800 in the Northern Territory.

This gives a total of 86,390 jobs, not including Victoria, for which data are unavailable at the time of writing.

According to the ABS, the total number of employees in clubs with gambling facilities was 60,200 persons, or 94.5 per cent of total employment in all hospitality clubs. Clubs with gambling facilities had 19,798 persons employed in a permanent full-time capacity, 11,586 persons employed on a permanent part-time basis and 28,815 persons employed on a casual basis. Of the total number of employees, 23,813 (37.4 per cent) were licensed gaming staff.

In comparison, the ABS found that there were 3,534 persons employed in clubs without gambling facilities in 2004/05. Over one-third of all persons employed were female casual employees who accounted for 36.8 per cent of the total employment in these organisations.

Figure 1.7 shows that the few clubs with large numbers of employees have disproportionately large revenue.

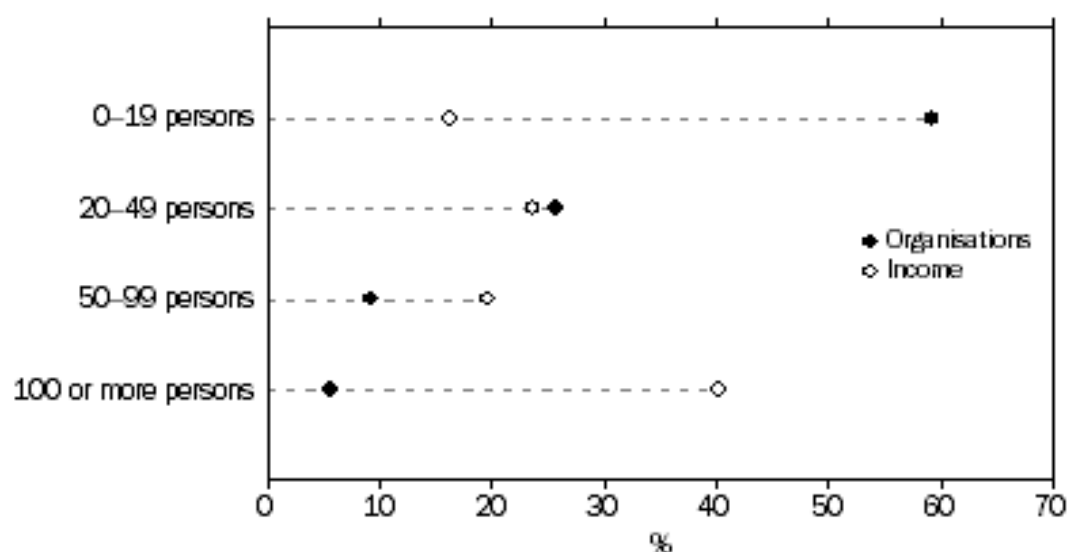
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<sup>1</sup> Unpublished data provided by ClubsSA

<sup>2</sup> ClubsQueensland, Submission to the Productivity Commission *Review of Australia's Gambling Industries*, March 2009

<sup>3</sup> ClubsQueensland, Submission to the Productivity Commission *Review of Australia's Gambling Industries*, March 2009

**Figure 1.7: Key characteristics by organisation size, all organisations**

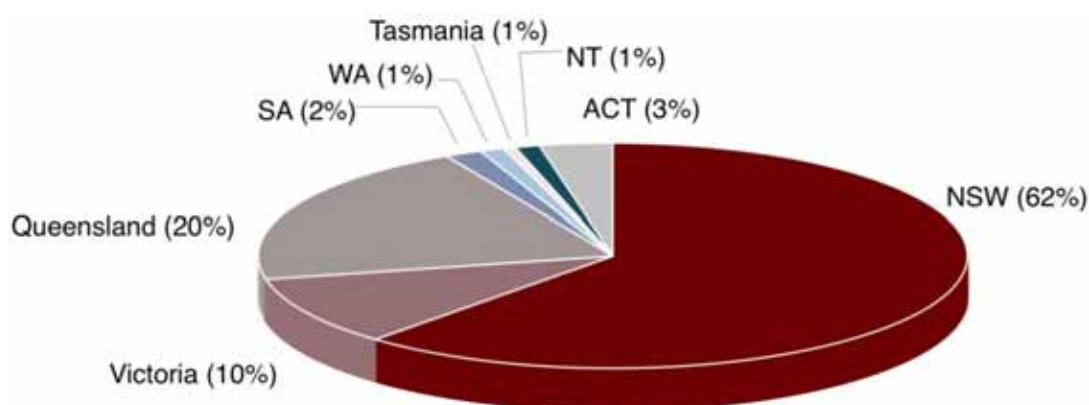


(a) as a percentage of total for each size category.

Source: ABS 2005 Report 8687.0 - Clubs, Pubs, Taverns and Bars, Australia 2004/05

A breakdown by State of club employment shows that three States account for over 90 per cent of all club industry employment, with NSW making up nearly two-thirds of club jobs.

**Figure 1.8: Share of club (hospitality) employment by jurisdiction**



Source: ABS 2006a.

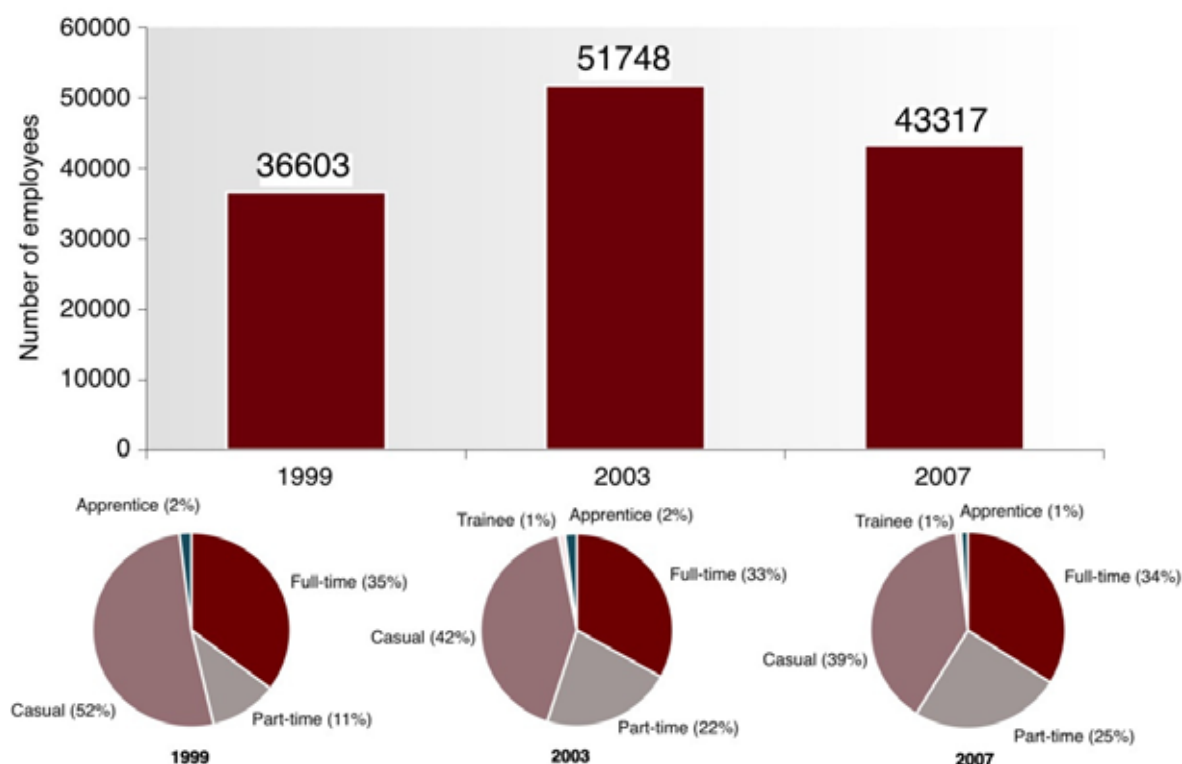
## (b) Employment Trends

Employment in the largest club jurisdiction, NSW, has fallen in recent times. Clubs are significant providers of employment to communities across NSW. Figure 1.10 shows that there were around 43,300 people employed in the NSW club industry in 2007. This represents a 16 per cent fall in club employment since 2003 (when around 51,700 were employed) and contrasts with the 7 per cent growth in employment in NSW during this period.<sup>4</sup>

<sup>4</sup> Australian Bureau of Statistics, 8601.0, *Service Industries Statistics Newsletter*, March 2007, March 2003

Furthermore, there has been a change in the types of club employees (full-time, part-time, casual, trainee, and apprentice positions). The proportion of casual employees has decreased from 52 per cent in 1999 to 42 per cent in 2003 to 39 per cent in 2007. Part-time employees, on the other hand, have increased in the share of total employment in the club industry. Part-time workers have increased from 22 per cent in 2003 to 25 per cent in 2007.

**Figure 1.9: Number and type of employment over time**



Source: Allen Consulting Group, *2007 Survey of Clubs in NSW*.

The explanation for the decrease in employment between 2003 and 2007 is the significant increase in NSW gaming machine tax paid by the largest clubs. In order to meet their increased tax obligations, clubs sought to control employment costs by reducing the number of employees and restructuring their workforce (changing the mix between full-time, part-time and casual employees, and trainees).

Apart from pressures in the club industry, the general economy experienced a shortage of workers during this time (as evidenced by the low unemployment rate). This may also explain why clubs found it hard to attract skilled staff between 2003 and 2007. Clubs and other service industries have been identified as industries with significant skills shortages.<sup>5</sup> Furthermore, recent research on job vacancies showed that the food and hospitality industries were in the top four occupational groups with job vacancies.<sup>6</sup> A recent survey of clubs in NSW identified that the most difficult positions to fill included bar staff (54 per cent of respondents), duty managers (38 per cent of respondents), chefs (29 per cent of respondents) and food staff (27 per cent of respondents).<sup>7</sup>

<sup>5</sup> Australian Bureau of Statistics, *8601.0, Service Industries Statistics Newsletter*, March 2007

<sup>6</sup> Commonwealth Department of Education, Science and Training, *National Skills Shortages Strategy – About*, accessed at <http://www.skillsinitiative.gov.au/about.htm>, July 2007

<sup>7</sup> ClubsConsulting, *Survey of NSW Clubs*, 2006

Figure 1.10 shows the number of employees by club size in 2007. The largest clubs (those earning more than \$10 million in gaming machine revenue) employed 35 per cent of all club employees in NSW. Middle-sized clubs (those earning between \$1 million and \$5 million in gaming machine revenue) employed 27 per cent of all staff.

For the three smallest clubs size categories, casual employees represented nearly half of all employees whereas they represented around 35 per cent of all employees for the other club size categories.

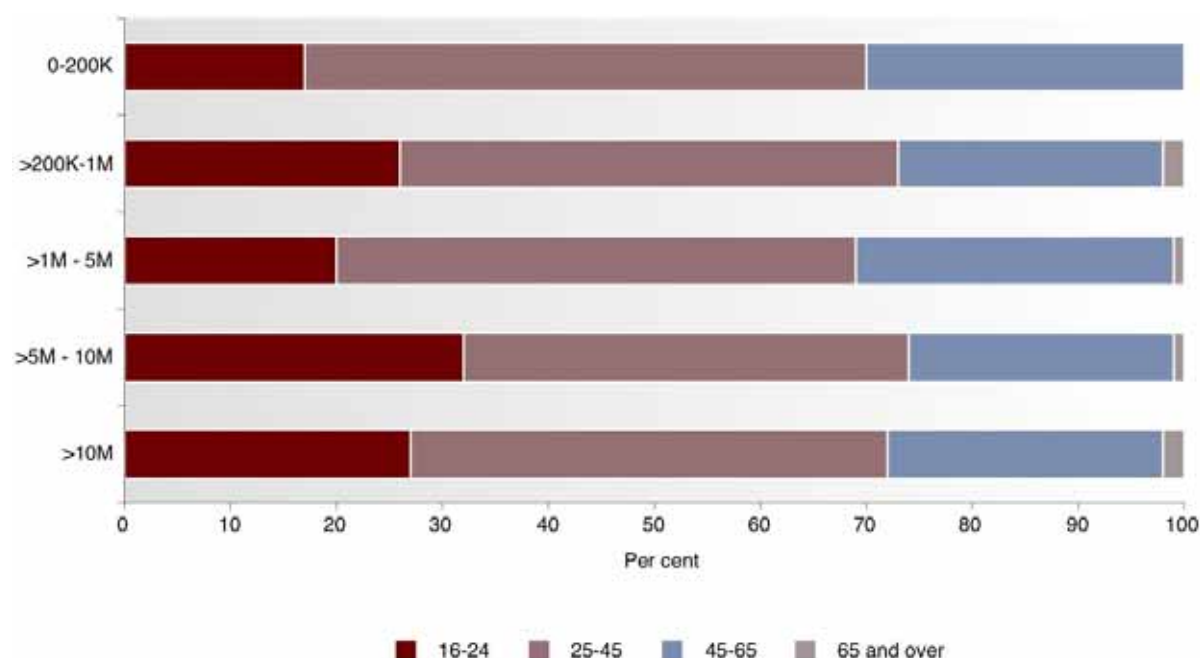
**Figure 1.10: Type of employment by club size**

Club size (by gaming revenue, \$)	Full-time	Part-time	Casual	Trainee	Apprentice	Total
0-200K	1,384	531	1663	14	123	3,715
>200K – 1M	1,659	865	3,186	30	132	5,872
>1M – 5M	3,566	2,784	5,145	177	137	11,808
>5M – 10M	2,150	1,929	2,519	57	83	6,738
>10M	5,792	4,651	4,454	115	172	15,185
<b>Total</b>	<b>14,550</b>	<b>10,760</b>	<b>16,967</b>	<b>394</b>	<b>646</b>	<b>43,318</b>

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Figure 1.11 shows that most employees are between 25 and 45 years of age. Larger clubs also tended to employ more young people.

**Figure 1.11: Age of employees in NSW in 2007 by club size**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.



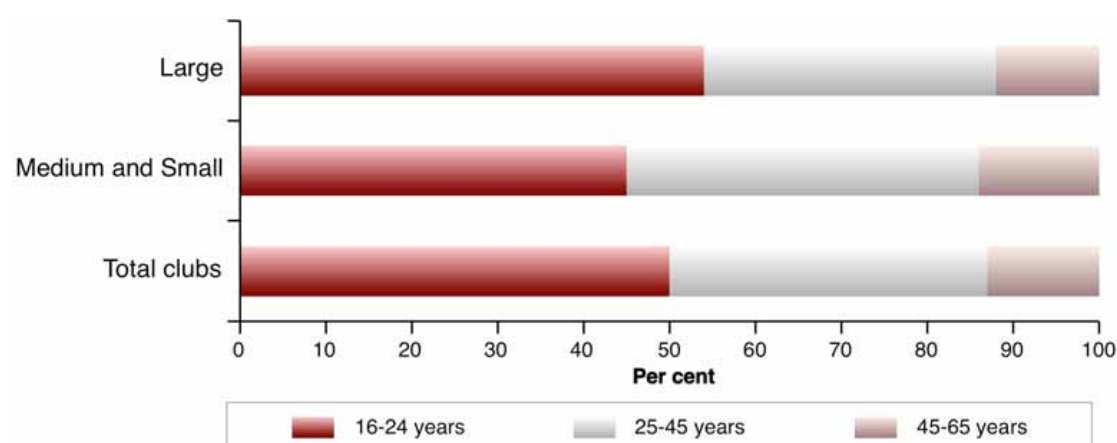
The survey also asked respondents to identify the number of men and women employed by the club. In aggregate, clubs in NSW employed similar proportions of men (47 per cent) and women (53 per cent). The two smallest club size categories employed slightly more men (around 56 per cent) than women (44 per cent) compared to other clubs.

### (c) Employment in ACT clubs

Clubs in the ACT employed 2,177 people in 2007. Of all employees, 62 per cent were casual workers and an additional 29 per cent of workers were employed full-time. Large clubs provided 60 per cent of the total club employment in the ACT.

Clubs in the ACT employed a large number of younger ACT residents to provide club services. Of all club employees, 50 per cent were between 16 and 24 years of age and 37 per cent of employees were aged between 25 and 45 years. Large clubs employed a greater proportion of younger people (54 per cent between 16 and 24 years of age), while medium and small clubs employed a slightly smaller proportion of younger people (45 per cent between 16 and 24 years of age). In addition, clubs generally employed even numbers of men and women across all clubs in the ACT. Large, and medium and small clubs had similar distributions of staff by gender.

**Figure 1.12: Age of employees by ACT club size**



Club employees were also engaged in a number of different occupational groups. Of all clubs in the ACT in 2007, a large number of bar managers and attendants (31.1 per cent) and licensed gaming staff (19.3 per cent) were employed. Occupational groups by club size showed similar distributions of staff.

However, between 2002 and 2007 there were some large changes in the number of employees by occupational group. For example, the number of chefs in clubs in the ACT increased by over 270 per cent and the number of maintenance and cleaning staff and apprentices increased by around 105 per cent over the time period. One reason for this large change may be that clubs in the ACT have moved from contracting these services to taking these roles on as employees.

### (d) Employment in Queensland and South Australian clubs

The Socio-Economic Impact Study of clubs in Queensland reports 36,450 people are directly employed in Queensland clubs. It is estimated that SA clubs employ 3,200 people directly and 2,200 people indirectly.<sup>8</sup>

<sup>8</sup> Estimate, ClubsSA



### **(e) Clubs as employers of choice**

Clubs consider themselves to be employers of choice and they demonstrate some of the most progressive and successful human resource strategies in the hospitality and entertainment industry.

#### **Model club employer – case study**

Dee Why RSL, the 2007 ClubsNSW Awards for Excellence winner in the large club category:

- Employed 507 full, part-time and casual staff;
- Had 125 active traineeships in place and six apprenticeships;
- Ran 150 in house training sessions and 112 varied off site seminars;
- Provided funding for 50 employees to attend university and TAFE courses;
- Had 100 per cent of staff attend some form of training with an average expenditure of \$3000 per person and an average of 130 hours per employee;
- Had an annual voluntary turnover of 4 per cent (compared to a benchmark across all industries of 17 per cent).<sup>9</sup>

#### **Clubs are employers of choice – case study**

The Vikings Group is a major employer in the ACT private sector, currently engaging 300 fulltime, part time and casual staff, and providing career opportunities in a variety of disciplines ranging from traditional hospitality roles through to accounting, HR, marketing, horticulture, and building services.

In 2008 the Vikings Group was placed in the top three finalists for Australian Employer of the Year at the peak national awards for vocational education and training, which recognise innovation and excellence in the training sector.

The Club was also crowned one of the nation's best trainers, winning the Australian Service Industry Award. Past recipients of the award have included major corporations such as McDonalds Australia.

This national recognition complements the Vikings Group being named the 2008 ACT Employer of the Year, receiving a Judges' Award of Recognition at the ACT Chief Minister's Inclusion Awards (for people with disabilities) and winning a number of categories in the 2008 ClubsACT Awards for Excellence in 2008, including Human Resource Management, Promotion of Sport and the ACT Club of the Year.<sup>10</sup>

<sup>9</sup> ClubsNSW, Submission to Independent Pricing and Regulatory Tribunal *Review of the Registered Clubs Industry in NSW*, July 2007

<sup>10</sup> ClubsACT, Unpublished Case Study, "The Vikings Group", March 2009

## Diverse employment opportunities

A club like Revesby Workers<sup>11</sup> also demonstrates the breadth of employment options in a club. Figure 1.13 highlights all the current positions at the club and is clearly extensive.

**Figure 1.13: Current positions and total employment at Revesby Workers Club**

AREA	POSITIONS
Administration	Chief Financial Officer, Accountant, Accounts Payable, Accounts Clerk, Membership co-ordinator, Payroll Officer, Systems Administrator, Rosters Manager, Door Attendants, Guest Relations Officers, Safe Attendant and Car Park Attendants.
Executive	Chief Executive Officer and Personal Assistant.
Beverage	Beverage Manager, Beverage Attendant, Data Entry Clerk – Beverages, Beverage Cost Control, Floor Attendant, Bottle Shop Attendant, Beverage Higher Duties
Catering	Executive Chef, Restaurants Manager, Senior Sous Chef, Chef De Partie, Commis Chef, Demi Chef, Kitchen Hand / stewards, Apprentices, Catering Supervisors, Catering Attendants, storeperson.
Gaming	Gaming Manager, Gaming Attendants, Gaming Analyst, Gaming Administration Assistant, Cashier, TAB Operator, Customer Service Officers, Keno Operator, Gaming Technicians and Gaming Higher Duties.
Functions	Functions Co-ordinator, Functions Assistant and Function Attendants.
Operations	Operations Manager, Senior Duty Managers, Duty Managers and Supervisors.
Health Mates (Gym)	Gym Manager, Exercise Programmer, Fitness Centre Administration, Gym Floor Attendant, Dietician, Masseur, Member Co-ordinator, Gym Floor Supervisor and Pilates/Yoga Teachers.
Human Resources	HR Manager, Staff Development Officer and Administration Assistant.
Maintenance	Maintenance Supervisor, Maintenance Tradesperson, Painter and Gardener.
Cellar/Stores	Cellarman
Marketing	Marketing and Entertainment Manager, Marketing Assistant, Creative Co-ordinator and Multimedia Video Editor.
Mooney Mooney Club (separate premise)	Club Manager, Supervisor, Catering Attendants, Bar Attendants, Head Chef, Sous Chef and Apprentices.
<b>Total employees</b>	<b>291</b> (*as at 10 July 2007)

Source: Revesby Workers Club, accessed July 2007.

<sup>11</sup> ClubsNSW, Submission to Independent Pricing and Regulatory Tribunal *Review of the Registered Clubs Industry in NSW*, July 2007

#### (f) Difficulty finding quality staff

While clubs provide significant employment opportunities, like many employers they are experiencing difficulty finding and keeping suitable staff. Ucomm's survey of club managers and directors found the majority of clubs in NSW are experiencing difficulty in finding quality staff across the range of skilled positions available. Two out of three survey respondents have difficulty finding or retaining quality staff. The positions that are most difficult to fill, according to club managers, are outlined in Figure 1.15 below.

**Figure 1.14: Positions that are most difficult to fill**

POSITION	%
Bar staff	54%
Duty/supervisor management	38%
Chefs/cooking	29%
Food staff	27%
Managerial	12%
Gaming management	8%
Marketing management	7%
HR management	4%

Source: ClubsConsulting, Directors and Managers Survey, 2006, p. 148.

#### (g) Clubs suffering from skill shortages

The challenge to find quality staff needs to be seen in the context of skills shortages being experienced on a national scale. In 1999 the Australian Government launched the National Industry Skills Initiative (NISI) and later its successor the National Skills Shortages Strategy (NSSS). One of the industries the Government identified as having a significant skills shortage was the food trade (chefs and cooks).<sup>12</sup> In NSW specifically, the data also points towards State-wide shortages in the food trades. These shortages clearly create challenges for the club industry in recruiting and retaining employees, as food service is a core component of their business activity.

More generally, the ABS has also identified a significant skills shortage in 'service' industries (of which clubs are a part) and are currently developing surveys to identify the degree of the skills shortage.<sup>13</sup> The latest data (June 2007) from the national Skilled Vacancies Index, which is used to measure skills shortages, indicated that the food, hospitality and tourism industry was in the top four occupational groups with job vacancies.<sup>14</sup>

Feedback from regional clubs suggests it is difficult to address these shortages due to the inability to access training locally. Clubs are forced to send staff to metropolitan centres for

<sup>12</sup> Commonwealth Department of Education, Science and Training, National Skills Shortages Strategy – About, accessed at <http://www.skillsinitiative.gov.au/about.htm>, July 2007

<sup>13</sup> Australian Bureau of Statistics, *8601.0 - Service Industries Statistics Newsletter*, March 2007

<sup>14</sup> Commonwealth Department of Education, Science and Training, *Vacancy Report*, June 2007, accessed at [www.workplace.gov.au](http://www.workplace.gov.au), July 2007

even the most basic customer service training and this has significant impacts in costs and lost productivity.

#### **(h) Club Movement as a career for graduates**

The employment opportunities provided by clubs are generally not well advertised or understood by the broader labour market. While clubs play a useful role in sustaining tertiary students, assisting their passage through study and teaching valuable workplace skills, compared with other professions it fails to attract tertiary graduates and does not generally target this group. Particular roles to which graduates could be suited include financial management, business development, marketing, event management, communications and human resources.

#### **(i) Labour 55 years of age and upwards**

The club industry operates in a way that requires flexible deployment of staff on a casual basis. This is unlikely to change in the foreseeable future. Whereas clubs have traditionally looked to the student labour market for casual staff, changing demographics (an ageing workforce) favour an approach that targets older workers.

Notwithstanding the need to improve levels of permanent staffing, an opportunity exists to attract over-55 casual labour. The economic circumstances of many over-55 people – those in semi-retirement, early retirement or retrenchment – are such that full-time employment is not their preferred option. Yet they are often highly skilled in areas relevant to club operation. Segments of the club industry are predisposed to greater use of older workers, aligning their workforce with a significant proportion of their patrons.

#### **(j) Opportunities for people with disabilities**

There is a notable tradition in amongst clubs of employing people with disabilities. This is particularly prevalent among RSL and ex-services clubs. As an example, ClubsNSW and the RSL and Services Clubs Association was recently presented with a certificate of appreciation from Jobsupport (which promotes and facilitates employment for people with an intellectual disability) for clubs' ongoing commitment to employing people who have intellectual disabilities.

#### **(k) Contractors**

The Allen Consulting Group found that clubs in NSW pay around \$265 million to contractors each year. ACT clubs paid \$25.8 million to contractors in 2007, with large clubs making the majority of payments to contractors (78 per cent).

Contractors are most commonly engaged for catering, maintenance, green keeping, trades and security. There was a marked increase in contractor payments between 1999 and 2003 suggesting a structural shift toward outsourcing services, in part an attempt to save costs and create efficiencies.

#### **(l) Wages and salaries – national ABS data**

The Australian Bureau of Statistics reports that hospitality clubs incurred \$6,763.9 million in expenses during 2004/05. Of that, labour costs represented the largest single expense item (\$2,121.6 million or 31.4 per cent of total expenses) which represented an average cost per employee of \$33,300.

The ABS reported in 2004/05 that the main expense item for organisations with gaming was labour costs (\$2,022.6 million). The main contributors to total expenses incurred by clubs without gaming in 2004/05 were also labour costs (\$98.9 million). According to The Allen Consulting Group, clubs pay a significant amount in wages to employees and to contractors to provide additional services (for example, cleaning, catering and security services).

## New South Wales

Figure 1.15 shows the estimated wage bill and payments made to contractors by club size in 2007. The Allen Consulting Group found NSW clubs paid \$1.27 billion to employees in wages and entitlements. In addition, clubs paid \$235 million to contractors.

The largest category of clubs contributed most to the employee wages bill (36 per cent), followed by clubs that earn between \$1 million and \$5 million in club revenue (27 per cent). The smallest clubs contributed 9 per cent of total employee wages and entitlements. Similarly, the largest clubs made the most payments to contractors (35 per cent), followed by clubs that earn between \$1 million and \$5 million in club revenue (32 per cent).

**Figure 1.15: Wage bills and contract payments by club size**

Club size (by gaming revenue, \$)	Wages (\$ million)	Payments to contractors (\$'000)
0 – 200K	108.2	16.5
>200K – 1M	164.3	30.8
>1M – 5M	343.7	74.4
>5M – 10M	192.2	32.4
>10M	460.8	81.6
<b>Total clubs</b>	<b>1 269.2</b>	<b>235.6</b>

Source: Allen Consulting Group, *2007 Survey of Clubs in NSW*.

Wages increased by 7 per cent between 2003 and 2007. This is smaller than the growth seen in average annual earnings, which increased by 18 per cent over this period; however, this should be seen in the context of a fall in employee numbers of 16 per cent. As stated earlier, the significant increase in gaming machine tax paid by the largest clubs restricted wages growth between 2003 and 2007. Clubs affected by the tax increases, in order to meet tax obligations, sought to control employee numbers and total wages.

Payments to contractors have decreased by 11 per cent between 2003 and 2007, in contrast to a growth in the CPI of approximately 11 per cent over the same time period.

In addition, around 78 per cent of all NSW clubs had a paid Chief Executive Officer, Secretary Manager or General Manager. Those clubs that did not have a paid executive were more likely to be the smallest clubs than any other club size category.

## Australian Capital Territory

The Allen Consulting Group found clubs in the ACT paid \$60.3 million to employees in wages and entitlements in 2006/07.

Wages have remained relatively stable over the last five years, with only a small decrease (1 per cent) in real wages. However, in that same time period, the number of employees has

increased by 15 per cent. One reason for this shift in wage patterns may be that over time, part-time and casual employees, who generally work fewer hours and for whom less employment entitlements are required, are replacing full-time employees.

## South Australia

It is estimated that South Australian clubs pay \$60 million per year in wages.

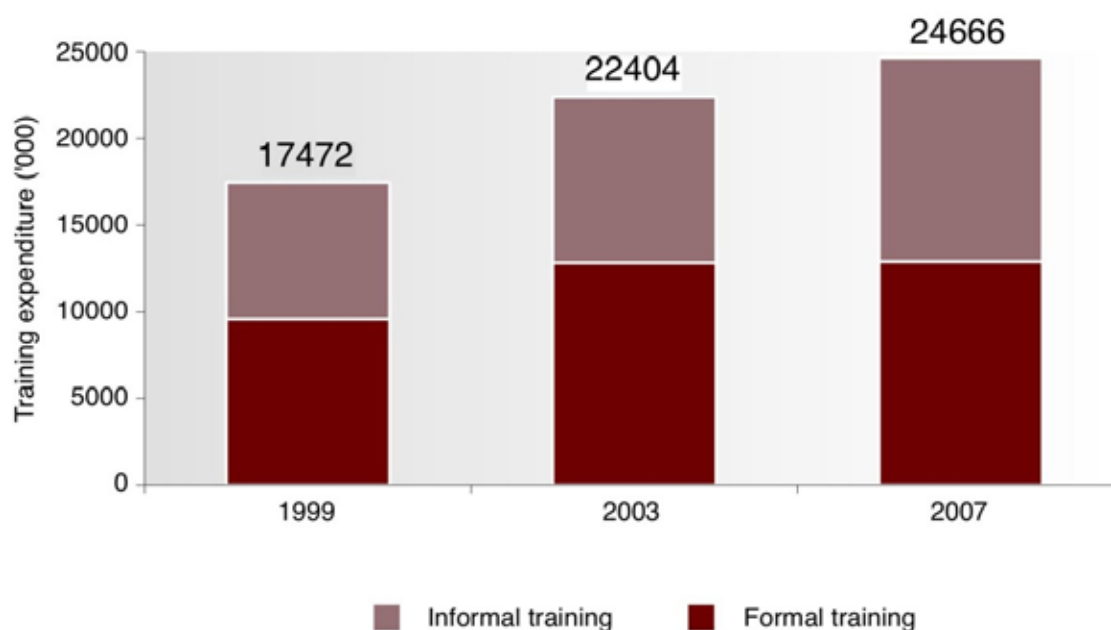
### (m) Training

As employers, clubs provide training to employees, and to a lesser extent, volunteers. Training may be formal (including organised courses, seminars or classes) or informal on-the-job training. The most common formal training courses are the responsible service of alcohol and responsible conduct of gaming.

## New South Wales

Figure 1.16 shows the level of training expenditure over time. Expenditure on training by NSW clubs totalled \$24.7 million in 2007, an increase by 10 per cent since 2003, according to The Allen Consulting Group's findings. Of all training provided in 2007, 52 per cent was provided through formal training, with the remaining 48 per cent provided in informal (on the job) training.

**Figure 1.16: Training expenditure over time**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Figure 1.17 shows the extent of formal and informal training expenditure by NSW club size. The largest clubs provided around 46 per cent of all formal and informal training, followed by clubs that earn between \$1 million and \$5 million in gaming machine revenue (23 per cent). The smallest clubs provided 5 per cent of all formal and informal training.

**Figure 1.17: Formal and informal training expenditure by club size (\$ million)**

Club size	Formal training	Informal training	Total
0 – 200K	0.7	0.5	1.3
>200K – 1M	1.2	1.5	2.7
>1M – 5M	3.1	2.5	5.6
>5M – 10M	1.9	1.8	3.8
>10M	6.0	5.5	11.4
<b>Total clubs</b>	<b>12.9</b>	<b>11.8</b>	<b>24.7</b>

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

### **Australian Capital Territory**

Clubs in the ACT spent \$2.5 million in 2007 in training for employees, and to a lesser extent, volunteers. Training may be formal (including organised courses, seminars or classes) or informal on the job training. The most common formal training courses are the responsible service of alcohol and responsible service of gaming.

Of all training provided, 56 per cent is through formal training, with the remaining provided in informal, on-the-job training. Large clubs provide around 64 per cent of all formal and informal training.

#### **(n) Tertiary training opportunities**

In 1993 Southern Cross University established the Centre for Professional Development in Club & Gaming Management to offer tertiary programs in business management theory and practice geared to the club marketplace. To date, the program has had over 450 graduates, many of whom occupy senior management positions in the industry.

#### **(o) Hospitality industry training**

Clubs are significant training providers for the hospitality industry, especially casual and part-time labour. As such, clubs add important flexibility to the labour market providing valuable work and training opportunities, particularly for young people.

Many of the staff trained and employed by clubs move around the broader hospitality sector both locally and nationally. This improves the overall skill base available to the hospitality industry and leads to significant savings in training costs for smaller employers.

Clubs have adopted innovative education and traineeship programs for young people in particular. For example, the ClubStart program, an initiative of ClubsACT, is addressing sector skills shortages and improving access to employment for school leavers. The Program also promotes responsible service of gambling and alcohol in the ACT and provides valuable life skills for participants. It trains secondary students in the responsible service of alcohol and the responsible conduct of gambling, focusing on harm minimisation strategies not just from a service perspective but from the perspective of moderating their own behaviour. To help reduce the cost to students of undertaking the ClubStart program, clubs sponsor its delivery at a college in their area. At the completion of the program, students who are seeking employment either during or post their secondary education have the option of undertaking an employment interview with the human resources manager of the sponsor club.



Since its May 2007 launch, about 750 students have been trained and over 90 students have gained employment as a direct result of completing the program. This excellent result positions ClubStart as the number one hospitality training provider in the VET (Vocational Education and Training) sector at ACT colleges.

#### **(p) The Maxpotential program**

Clubs also engage in training for the broader community. An example of a strategic initiative that demonstrates how clubs facilitate training that enhances workforce skills and participation is the Maxpotential program. Maxpotential, a joint initiative of ClubsNSW and the Future Achievement Australia Foundation, encourages clubs to engage in community capacity building and personal leadership development through coaching. Clubs such as the Deniliquin RSL, Panthers, Mudgee Soldiers, Goulburn Soldiers and others have engaged in the training and development of the community using volunteers from within the club (including employees), contractors and community members.

Initiated and led by the local club, Maxpotential has fostered collaboration between the Department of Education, the Catholic Education Office, Independent Schools, Local Government, Universities (University of Western Sydney), TAFE's, business leaders and community organisations.

Maxpotential involves training adults who volunteer to fulfil coaching roles for the youth of their community. These volunteers have two days of intensive training followed by four intensive personal coaching sessions spread across 22 weeks. These coaches then go on to provide 22 weeks of personal leadership development, including coaching, to young leaders from high schools and TAFE to help them maximise their potential during their final years of school and beyond. The program also encourages the students to focus on the local community and ways they can work to improve it through a community service project.<sup>15</sup>

Clubs' assistance to young leaders demonstrates their commitment to developing future community leaders, including a new generation of talented young people with the potential to become successful club managers or directors and chairpersons of boards. From this perspective, the investment of community funding into a community engagement activity has a positive 'flow-on' impact on the club's long-term success.

#### **(q) In-kind training support**

Another example of how clubs engage in training for the broader community was highlighted in the Ucomm focus groups. In some areas club management are offering their skills and knowledge to less-resourced and voluntary run community organisations. This type of training is another example of the in-kind support clubs provide in their local communities.

*...we have a lot of community organisations who are struggling. So the clubs are talking to me at the moment about giving a two hour session so that I can put together either a day or two hours every Wednesday over six weeks and they will give me a finance person, an HR person, an OH&S person and they will run training sessions for community groups and I think that's a terrific idea and they're very receptive to that kind of giving of resources.<sup>16</sup>*

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<sup>15</sup> ClubsNSW, Submission to Independent Pricing and Regulatory Tribunal *Review of the Registered Clubs Industry in NSW*, July 2007

<sup>16</sup> Ucomm, *Community Organisations Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 10



## 1.7 TAXATION

Clubs pay a range of Commonwealth and State and Territory Government taxes and charges. In 2004/05 poker/gaming machine and other gambling taxes and levies totalled \$1.104 billion. Currently clubs pay the following taxes and charges:

- **Gaming machine tax**

In 2006/07, total revenue from taxing gaming machine revenues in clubs and pubs (including operators' taxes) was \$2.95 billion, which accounted for 6 per cent of total State and Territory tax revenues. Western Australia received no revenue from taxing gaming machines in clubs and pubs, as gaming machines are not permitted. South Australia received the largest share of its revenue from taxing gaming machines in clubs and pubs, with almost 10 per cent of its tax revenue coming from this source, reflecting the high tax rates in that State.

- **Goods and services tax (GST)**

The GST commenced on 1 July 2000. Under the GST, registered businesses charge GST when selling goods and/or services to another business or to consumers. GST is paid at a rate of 9.09 per cent on all 'gross gaming revenue', that is, revenue before any expenses or taxes are deducted. The introduction of GST on gaming machine revenue was affected by a principle of taxation revenue neutrality. (In NSW, this consideration resulted in the need for a rebate on the first \$200,000 of gaming machine revenue. Prior to the introduction of GST, the marginal tax rate was 0 per cent for earning gaming machine revenue up to \$100,000 and 1 per cent for earning gaming machine revenue between \$100,000 and \$200,000).

- **Payroll tax**

Payroll tax is levied on employers by the State and is incurred once the value of the payroll exceeds pre-determined amount. Employers are liable for payroll tax when their total Australian wages exceed a certain level called the 'exemption threshold'.

- **Pay-as-you-earn (PAYE) tax**

PAYE tax is remittances made by clubs to the Commonwealth on behalf of employees. These tax remittances are tax contributions of employees, not the club as an employer. Nevertheless, the level of PAYE contributions provides an indication of the level of employment and wages paid by clubs.

- **Fringe benefits tax (FBT)**

FBT is a Commonwealth tax levied on non-salary type benefits provided by employers to employees. FBT payments are tax contributions made by clubs on behalf of employees. The level of FBT contributions provides an indication of the level of employment and wages provided by NSW clubs.

- **Company income tax**

Company tax is a Commonwealth tax paid by all corporate entities. Since 2001/02, the company tax rate has been 30 per cent. In general, clubs are regarded as companies for income tax purposes and their income is subject to the prevailing company tax rate of 30 per cent. However, there are certain exceptions, which provide clubs with exemptions from payment of income tax

Division 50 of the *Income Tax Assessment Act 1997* and *Tax Ruling TR97/22 'Income tax: exempt sporting clubs'* allow for certain sporting clubs to be exempt from income taxation. Determination of this exemption depends on the club's purpose and activities and whether these club activities are carried out with the primary purposes of promoting a game or sport. This exemption is given on an annual basis and clubs must meet the criteria each year in order to receive the exemption. Clubs that meet the criteria are exempt from income tax, regardless of the source of income.

The second exception from the general rule relies on the principle of mutuality. This is a common law principle and not a legislative exemption from income tax. Therefore, any surplus of these subscriptions and contributions over club expenditures does not constitute taxable income. However, any income derived from non-members and from non-mutual activities is fully assessable. Correspondingly, costs associated with earning member and mutual incomes are deductible. Income from non-mutual activities includes investment income, property rents and ancillary business income.

### Gaming tax by jurisdiction

The figure below shows total gambling and betting taxes as a percentage of State and Territory taxes and total revenues for financial year 2007/08. It is clear that States and Territories are not 'reliant' upon gambling revenue.

**Figure 1.18: Gambling taxes as percentage of State revenue**

2007-2008	Gaming as % of State tax	Gaming as % of total revenue
NSW	9.2%	3.6%
Victoria	13.2%	4.5%
Queensland	9.4%	2.7%
SA	12.5%	3.3%
ACT	5.6%	1.7%
NT	14.8%	1.7%
Tasmania	11.8%	2.4%
WA	4.9%	1.5%

Source: State and Territory budget papers 2007-08

**Figure 1.19: Clubs average rates (total tax including GST and community levy)**

Annual Gaming Revenue	NSW	VIC	QLD	SA	ACT	NT
20,000	0.0%	33.3%	9.1%	9.1%	15.0%	22.0%
50,000	0.0%	33.3%	9.1%	9.1%	15.0%	22.0%
100,000	0.0%	33.3%	9.1%	14.3%	15.0%	26.0%
200,000	0.5%	33.3%	16.7%	22.2%	16.5%	29.0%
300,000	3.4%	33.3%	20.1%	24.8%	21.0%	30.0%
500,000	5.7%	33.3%	22.9%	28.5%	25.4%	30.8%
750,000	6.8%	33.3%	24.2%	31.5%	28.4%	33.2%
1,000,000	7.4%	33.3%	25.2%	33.2%	30.3%	35.4%
2,000,000	22.7%	33.3%	27.9%	38.2%	33.2%	39.7%
3,000,000	25.2%	33.3%	29.6%	42.6%	34.1%	43.8%
4,000,000	26.4%	33.3%	30.6%	47.0%	34.6%	45.9%
5,000,000	27.1%	33.3%	31.5%	50.4%	34.9%	47.1%
7,500,000	29.8%	33.3%	32.7%	55.0%	35.3%	48.7%
10,000,000	31.1%	33.3%	33.2%	57.2%	35.5%	49.5%
15,000,000	33.4%	33.3%	33.8%	59.5%	35.7%	50.4%
20,000,000	34.6%	33.3%	35.6%	60.7%	35.8%	50.8%
30,000,000	36.4%	33.3%	38.7%	61.8%	35.9%	51.2%
50,000,000	37.8%	33.3%	41.2%	62.7%	35.9%	51.5%

(The orange cells indicate the approximate annual gaming machine revenue of the largest clubs in the jurisdiction.)

## 1.8 CLUB EXPENDITURE

According to the ABS the total expenses of hospitality clubs with gambling facilities were \$6,497.1 million in 2004/05. The total expenses of hospitality clubs without gambling facilities were \$266.9 million.

### (a) New South Wales

The estimated expenditure of clubs in NSW was \$4.2 billion in 2007. In 2003, the reported total expenses paid were around \$4.0 billion, indicating that clubs' overall expenses increased by nearly 5 per cent in the four years to 2007.

As shown in Figure 1.19, 'other' expenses comprise nearly one-third of all expenses for clubs in NSW.<sup>17</sup> This is followed by gaming machine expenses (17.7 per cent), State Government gaming machine taxes (15.2 per cent) and bar expenses (14.3 per cent). Apart from 'other' expenses, the largest increase in club expenses has been in gaming machine taxes, which has increased by 5.3 per cent since 2003.

<sup>17</sup> 'Other' sources of expenditure include the short and long term rental accommodation, aged care facilities, childcare facilities, promotional activities and donations and cash grants.

**Figure 1.20: Sources of expenses for NSW clubs**

	% of total expenditure		Change since 2003 (percentage point change)
	2003	2007	
Membership	1.8%	2.4%	0.6%
Food	7.8%	8.0%	0.2%
Bar	15.3%	14.3%	-1.0%
Facility & venue rental	0.9%	1.1%	0.2%
Gaming machine taxes	9.9%	15.2%	5.3%
Gaming machine	28.7%	17.7%	-11.0%
Other gaming <sup>(a)</sup>	3.1%	3.3%	0.2%
Sports	3.6%	3.7%	0.1%
Ancillary business	2.8%	2.4%	-0.4%
Other <sup>(b)</sup>	26.2%	32.0%	5.8%
Total	100%	100%	

Note: May not add precisely to 100 per cent due to rounding.

(a) Keno, TAB, Raffles, etc

(b) Other includes donations, cash grants, abnormal & extraordinary and other expenses.

Figure 1.21 summarises the sources of expenses as a share of total expenses for each club size category. One-fifth of the expenses for the largest sized clubs were paid to State Government gaming machine taxes, followed by the 'other' category. For the smallest sized clubs, 'other expenses' comprised a significant share of all expenses, followed by bar, sports and membership expenses.

**Figure 1.21: Sources of expense (percentage) by NSW club size, 2007**

Sources of expenses	0 – 200K	>200K – 1M	>1M – 5M	>5M – 10M	>10M	Total clubs
Membership	16.1%	3.8%	1.6%	2.0%	1.1%	2.4%
Food	7.1%	5.9%	7.2%	9.4%	8.3%	8.0%
Bar	20.4%	29.1%	19.8%	13.2%	8.1%	14.3%
Facility/venue rental	3.6%	2.5%	1.2%	0.4%	0.6%	1.1%
Gaming tax	0.0%	3.1%	12.4%	15.0%	20.8%	15.2%
Gaming machine	2.1%	12.9%	18.8%	20.6%	18.9%	17.7%
Other gaming <sup>(a)</sup>	0.6%	4.5%	4.9%	3.4%	2.4%	3.3%
Sports	17.4%	11.1%	3.3%	2.4%	1.4%	3.7%
Ancillary business	1.4%	1.8%	3.4%	2.1%	2.3%	2.4%
Other <sup>(b)</sup>	31.3%	25.2%	27.4%	31.5%	36.0%	32.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: May not add precisely to 100 per cent due to rounding.

(a) Keno, TAB, Raffles, etc

(b) Other includes donations, cash grants, abnormal & extraordinary and other expenses.

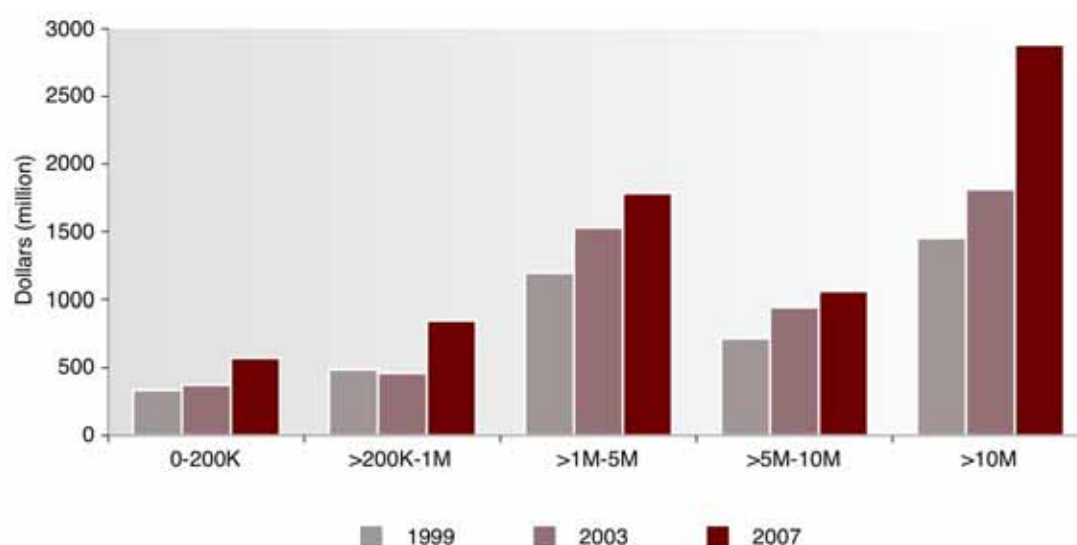
Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

## Capital expenditure

Capital expenditure is another crucial element of clubs' economic and social contribution. It may include expenditure related to extending or maintaining club facilities, the purchase of capital items such as gaming machines or motor vehicles, or the purchase of additional club facilities.

The improved financial position of clubs in NSW has seen a reinvestment back into club facilities and other assets. The total value of club assets in NSW was estimated by The Allen Consulting Group to be around \$6.2 billion in 2007. This represents a nominal increase of 21 per cent in the value of total assets since 2003. As shown in Figure 1.22, the total value of assets increased for all club categories by size between 2003 and 2007.

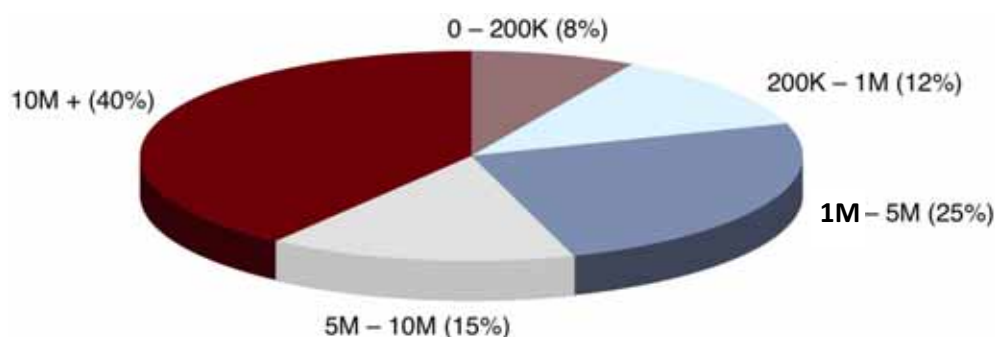
**Figure 1.22: Total value of assets over time by NSW club size**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Figure 1.23 shows that the largest clubs held over 40 per cent of total assets while the smallest clubs held 8 per cent of total assets.

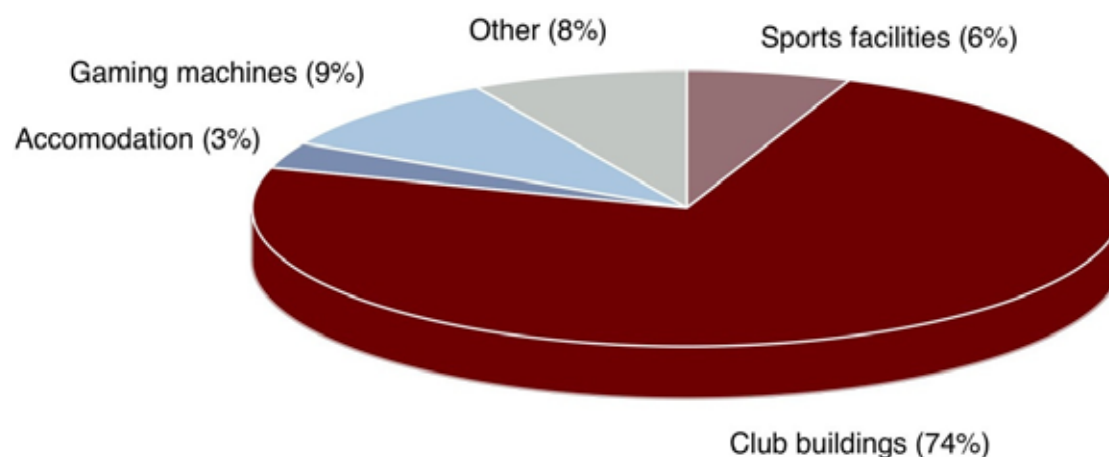
**Figure 1.23: Proportion of total assets held by clubs, by NSW club size**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Most NSW club assets are held in club buildings and facilities (74 per cent) followed by gaming machines (9 per cent). The 'other' category is also a significant component of club assets and includes items such as furniture, plants, equipment, motor vehicles, shares and other investment and machinery.

**Figure 1.24: Club assets by NSW club type**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Figure 1.25 summarises the amount of assets held by clubs for each club size category.

**Figure 1.25: NSW club assets by type of asset (\$ million)**

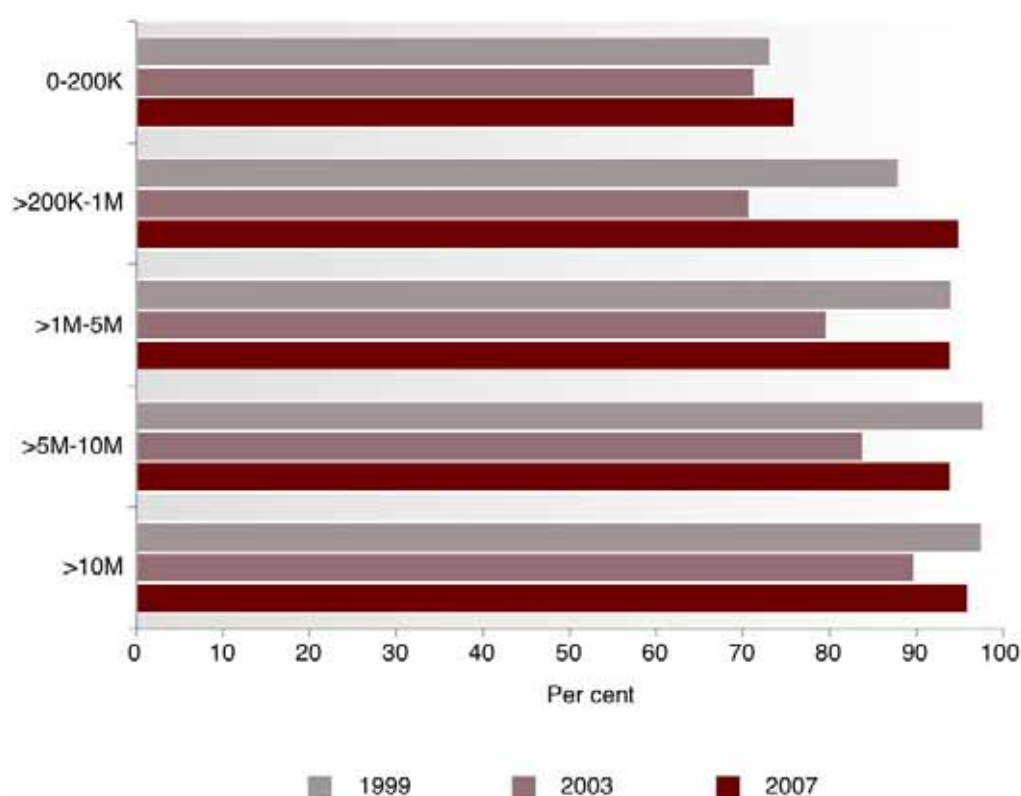
Club size	Sport facilities	Club building/facilities	Accommodation	Gaming machines	Other	Total
0 – 200K	124.2	328.1	0.2	10.6	48.6	511.8
>200K – 1M	74.1	465.4	5.6	66.5	63.3	674.8
>1M – 5M	86.2	1 236.6	64.8	171.8	80.1	1 639.5
>5M – 10M	28.8	656.2	16.1	82.6	74.0	857.6
>10M	82.1	1 842.1	128.2	204.5	260.3	2 517.1
<b>Total</b>	395.4	4 528.4	214.9	536.0	526.3	6 200.9

Note: Other included items such as furniture, plants, equipment, motor vehicles, shares and other investments, machinery and other items.

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

The vast majority of clubs (over 90 per cent) reported some capital expenditure in 2007. However, the smallest clubs had a lower level of capital expenditure (around 80 per cent). All club size categories experienced an increase in the proportion of clubs reporting capital expenditure between 2003 and 2007. This is reflected in figure 1.26.

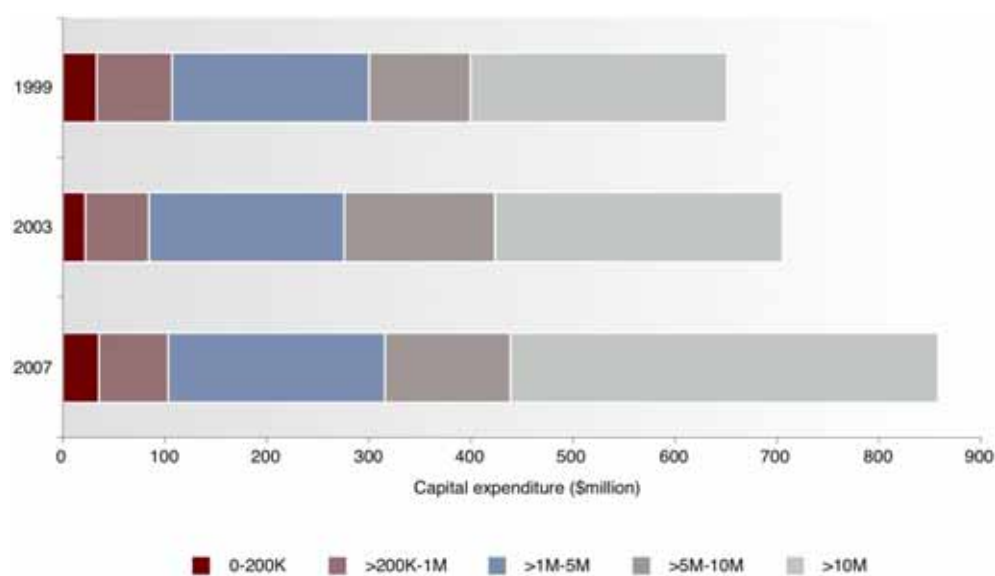
**Figure 1.26: Proportion of clubs reporting capital expenditure over time by NSW club size**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Investment intentions have materialised in greater capital expenditure over time. Figure 1.27 shows that NSW clubs invested \$858.2 million in capital expenditure in 2007. Capital expenditure has increased by 22 per cent from 2003. The largest clubs (49 per cent) and the smallest clubs (60 per cent) experienced the greatest increase in capital expenditure.

**Figure 1.27: Capital expenditure of NSW clubs over time**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

Clubs in NSW spent \$705 million in 2003 extending, renovating or maintaining club facilities and purchasing capital items and additional businesses or facilities. This represents growth of two per cent per annum since 1999. Clubs with gaming machine revenue of \$1 million or more contributed 88 per cent of the total spend.

### Future investment by clubs

In 2007, NSW clubs plan to invest \$3.3 billion over the next three years with over 85 per cent of this being invested in club facilities.

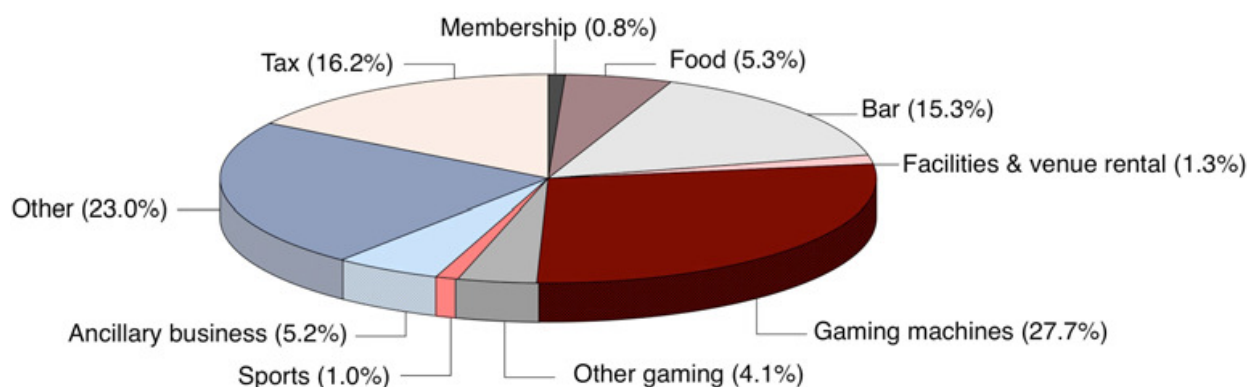
NSW clubs plan to invest \$2.8 billion in club facilities over the next three years. Seventy-four per cent of all clubs are likely to invest in club facilities. This investment is likely to be in new buildings and extensions (48 per cent), followed by refurbishments (14 per cent) and gaming machines (14 per cent).

NSW clubs plan to invest \$447 million over the next three years in sporting facilities. Around 35 per cent of all NSW clubs intend to invest in sporting facilities over the next three years. This investment is planned for fields and grounds (36 per cent), followed by other sporting facilities (30 per cent) and sporting infrastructure (28 per cent).

### (b) Australian Capital Territory

The Allen Consulting Group found that the estimated total expenditure for clubs in the ACT in 2007 was \$207.8 million. In 2002, the reported total expenses paid was \$240.4 million (CPI adjusted), indicating that clubs' overall expenses has declined by 14 per cent in the five years to 2007.

**Figure 1.28: ACT club expenses by type of expense**



Source: Allen Consulting Group, Survey of Clubs in the ACT 2007.

The Allen Consulting Group found in 2007 that clubs in the ACT invested \$40 million in capital expenditure in 2007, with the major investment in new buildings and extensions (34 per cent), gaming machines (34 per cent) and refurbishments (22 per cent). Clubs estimate they will spend another \$189 million over the next three years on facilities and sporting organisations.

Total assets held by clubs in the ACT are estimated to be worth \$211.3 million, representing a decrease of 22 per cent in the value of total assets since 2002 (when assets were valued at \$271 million). One reason for this decrease is that, in recent years, some clubs in the ACT have been selling capital assets that have not been productive.



Of total assets currently held by clubs in the ACT, 70 per cent were club buildings and facilities, 7 per cent were accommodation assets and 9 per cent were gaming machines assets. In 2007, small and medium clubs were responsible for 54 per cent of the total debt held by clubs in the ACT and 80 percent of the total interest payments. On average, clubs reported a debt to asset ratio of 29 per cent, with large clubs reporting a lower debt to asset ratio than small and medium clubs. ACT gaming machine taxes represent, by far, the largest percentage of the expenses paid in 2007 (54 per cent).

**Figure 1.29: ACT club assets by type of asset (\$ million)**

Club size	Sport facilities	Club building/facilities	Accommodation	Gaming machines	Other	Total
Large	\$1.0	\$106.0	\$15.0	\$18.1	\$22.2	\$162.3
Medium and small	\$6.9	\$41.0	\$0.0	\$1.0	\$0.1	\$49.0
<b>Total</b>	<b>\$7.9</b>	<b>\$147.0</b>	<b>\$15.0</b>	<b>\$19.1</b>	<b>\$22.3</b>	<b>\$211.3</b>

Note: 'Other' included items such as furniture, plants, equipment, motor vehicles, shares and other investments, machinery and other items. Source: Allen Consulting Group, *2007 Survey of Clubs in NSW*.

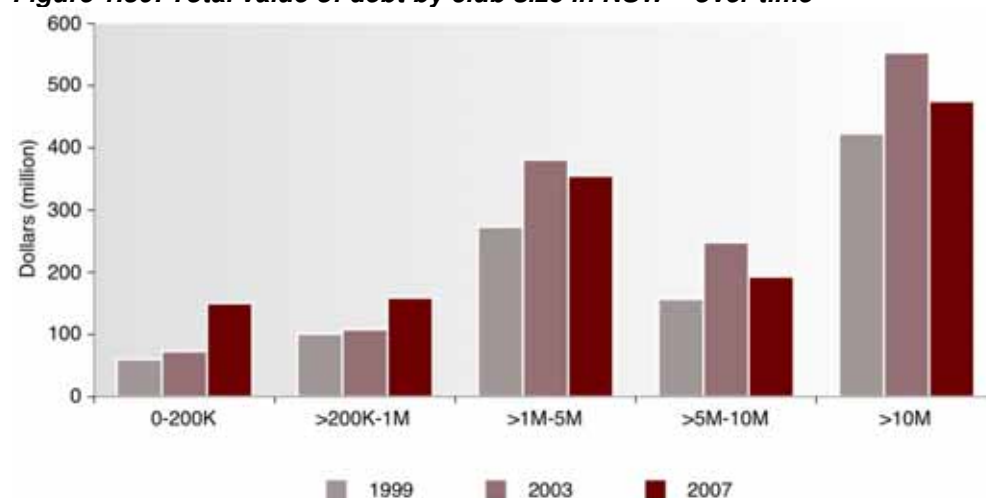
## 1.9 DEBT

Clubs accumulate debt to invest in new facilities for their members or to cover shortfalls in cash flow. The level of debt held by clubs is closely related to capital expenditure. Clubs' ability to service debt depends on continued revenue growth, especially from gaming. We are seeing financial institutions, in response to the Global Financial Crisis, declining finance for many clubs and seeking to pressure clubs into refinancing existing facilities.

### (a) New South Wales

Figure 1.30 summarises the total level of debt held by NSW clubs by club size. In 2007, the total value of debt held by clubs in NSW was estimated to be \$1.33 billion. This represented a two per cent reduction from the level estimated in 2003 (\$1.36 billion).

**Figure 1.30: Total value of debt by club size in NSW – over time**



Source: Allen Consulting Group, *2007 Survey of Clubs in NSW*.

Smaller-sized clubs suffered a sharp increase in total debt which contrasts with the decrease in debt held by medium and large-sized clubs. The survey shows an interesting pattern in the financial performance of smaller clubs (those earning less than \$1 million in gaming machine revenue) – between 2003 and 2007, there has been an increase in total revenue, assets and profitability coupled with an increase in debt held by these clubs.

Clubs earning more than \$5 million but less than \$10 million in gaming machine revenue reported a 22 per cent reduction in their total value of debt – the largest of any club type. The survey shows that for the larger clubs (those earning more than \$5 million in gaming machine revenue) there has been an increase in total revenue and assets coupled with a fall in debt and profitability.

Debt was held in a variety of financial instruments (see Figure 1.31). The data shows that as the size of the club increased, their use of commercial bill facilities also increased, while their use of overdrafts and 'other finance' decreased. Smaller- and medium-sized clubs also tended to rely on operating leases and chattel mortgages more than larger-sized clubs.

**Figure 1.31: Total debt split by debt instruments by NSW club size, 2007**

Debt instrument	\$0 – 200K	>\$200K – 1M	>\$1M – 5M	>\$5M – 10M	>\$10M	Total clubs
<b>Bank debt</b>						
Term loans	23%	29%	37%	25%	13%	28%
Commercial bill facilities	5%	8%	17%	40%	53%	20%
Overdrafts	12%	7%	4%	2%	3%	5%
<b>Equipment finance</b>						
Operating lease	8%	8%	9%	6%	3%	7%
Finance lease	5%	9%	7%	3%	7%	7%
Commercial hire purchase	9%	7%	7%	9%	8%	8%
Chattel mortgage	1%	1%	2%	0%	0%	1%
<b>Other finance*</b>	38%	32%	17%	16%	13%	23%
<b>Total</b>	100%	100%	100%	100%	100%	100%

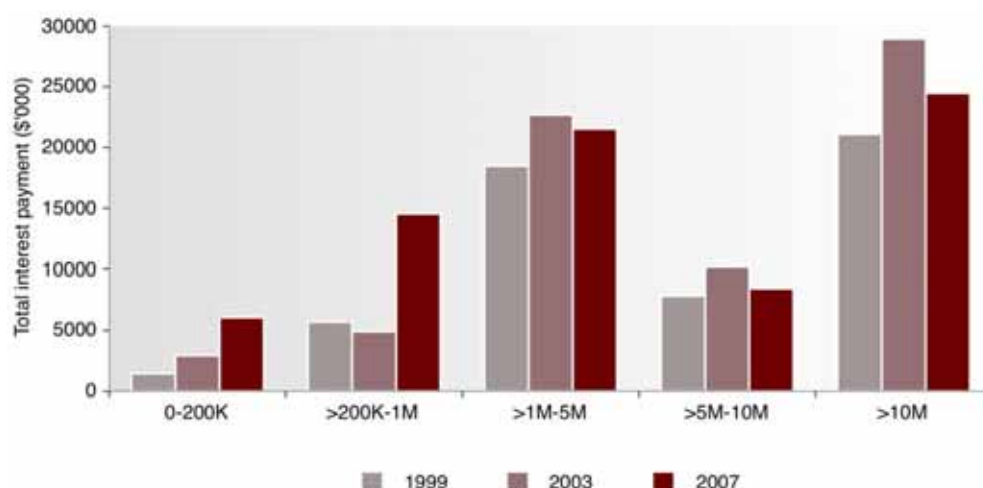
Note: Other finance includes Trade Creditors and short term provisions.  
Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

## Interest payments

Despite the decrease in total debt held by clubs, total interest payments increased to \$75 million in 2007 representing an 8 per cent increase since 2003.

Figure 1.32 summarises total interest payments in NSW by club size. There is a close association between the level of debt and the level of interest payments. Reflecting the increased level of debt held by small clubs, the level of interest payments for these clubs has increased since 2003. Similarly, larger clubs experienced a reduction in total debt and in interest payments.

**Figure 1.32: Total interest payments over time by NSW club size**



Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

## Performance ratio

One way of establishing the overall financial position of a club is to measure the debt to asset ratio. Figure 1.33 shows the proportion of debt to assets by club size category. On average, the survey suggested that club performance has improved with NSW clubs' debt to asset ratio falling by 7 percentage points to 9 per cent. Interestingly, the smallest clubs moved against this trend with their debt to asset ratio increasing by nearly 6 percentage points over this period. This is explained by the faster growth in debt relative to the growth in total assets for the smallest sized clubs.

For the larger clubs, the debt to asset ratio fell by 13 percentage points since 2003. The increased proportion of clubs that were profitable in 2007 (as defined in Figure 1.33) may explain the reduction in the performance ratio of these clubs. Note this was prior to the smoking band and global financial crisis.

**Figure 1.33: Club performance ratios by club size**

Club size	% Debt/asset		Change since 2003 (percentage point change)
	2003	2007	
0 – 200K	20.2%	26.1%	5.9%
>200K – 1M	21.8%	18.7%	-3.1%
>1M – 5M	24.5%	19.9%	-4.6%
>5M – 10M	24.2%	18.2%	-5.9%
>10M	29.6%	16.5%	-13.1%
<b>Total clubs</b>	<b>25.7%</b>	<b>18.6%</b>	<b>-7.0%</b>

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW.

## **(b) Australian Capital Territory**

The Allen Consulting Group found that in 2007 clubs in the ACT held a total of \$72.6 million in debt through a variety of debt instruments. The total level of debt held by medium and small clubs represented just over half (54 per cent) of the total debt held by all clubs in the ACT.

### **Interest payments**

As a result of financing debt, the Allen Consulting Group has estimated that clubs in the ACT paid a total of \$7.7 million in interest payments in 2007. The higher levels of debt for medium and small clubs translated into considerably higher levels of interest payments. Medium and small clubs made more than 80 per cent of the total interest payments. This variance between the levels of interest paid may reflect the differences in the types of debt instrument used and the higher level of perceived risk in providing finance to medium and small clubs.

### **Performance ratio**

On average, ACT clubs that responded to the Allen Consulting Group 2007 survey reported a debt to asset ratio of 29 per cent. Large clubs had a lower debt to asset ratio than small and medium clubs. This result mirrors the high level of profitability currently being experienced by large ACT clubs, and hence their capacity to finance new facilities for members without acquiring debt. Additionally, the low levels of debt held by large clubs may reflect their higher capacity than the medium and small sized clubs to minimise debt.

## **1.10 CLUBS PRODUCE SIGNIFICANT FLOW-ON ECONOMIC BENEFITS**

Clubs generate flow-on *employment* and activity in a number of industries, including:

- Gaming machine manufacturing, maintenance and repairs industry;
- Food and beverage supply industry;
- Sport and recreation industry;
- Tourism industry (for example, accommodation, restaurants and taxi and bus transportation);
- Entertainment industry (for example, live shows, cinemas and recorded music);
- Building and construction industry (for example, upgrading and expanding buildings and facilities);
- IT and communications industry (for example, telephone, computer, radio and television services);
- Child and aged care industry;
- Retail industry (for example supermarkets, travel agents, hairdressers); and
- Security industry.

In examining the economic contribution of clubs, it is necessary to not only take into account their direct economic contributions, but also the club sector's flow-on economic contributions. Input-output analysis provides a basic estimate of the flow-on economic contributions of clubs through club investment and employment.

The following sections examine the nature of club linkages with other linkages and their flow-on economic contribution.

### (a) Input-output analysis, New South Wales

Using output and employment multipliers derived using the Australian Bureau of Statistics national input-output tables for 2001/02<sup>18</sup> it is estimated that, in terms of:

- *output* — every \$1 million of goods and services invested by clubs induces \$1.04 million of flow-on output to the national economy. Using capital expenditure as a proxy for club investment, it is estimated that due to the operation of clubs alone there is an additional \$888.44 million in direct and flow-on output to the national economy (the flow-on component is equal to \$30 million); and
- *employment* — for every person employed by clubs, it is estimated that an additional 1.06 employees are directly and indirectly employed across the NSW economy, which is equal to 45 931 employees. The flow-on component is equal to 2600 employees outside the club sector.

In the absence of equivalent surveys of the Club Movement nationally it is possible, though not scientific in approach, to extrapolate these figures. ClubsAustralia would welcome the Productivity Commission's input in calculating the economic flow-on benefits of clubs to Australia.

### (b) Input-output analysis, Australian Capital Territory

Using output and employment multipliers derived for the ACT in 2001/02 (EconSearch 2003), it is estimated that, in terms of:

- *output* — every \$1 million of goods and services provided by clubs in the ACT induces \$1.36 million of flow-on output to the ACT economy. Using capital expenditure as a proxy for club investment, it is estimated that there is \$54.44 million in direct and flow-on output to the national economy (the flow-on component is equal to \$14.44 million); and
- *employment* — for every person employed by clubs in the ACT, it is estimated that an additional 1.27 employees are directly and indirectly employed across the ACT economy, which is equal to 2754 employees (the flow-on component is equal to 577 employees outside the club sector).

## 1.11 LINKAGES TO TOURISM

Clubs actively participate in economic development initiatives around tourism and are crucial to tourism development and promotion in their local areas, especially regionally. This is particularly the case for sport-related tourism.

### Contribution to tourism – case studies

#### Tweed Heads

Twin Towns Services Club is a key facilitator of tourism in the Tweed region, attracting over 700,000 visitors per annum, mostly from Queensland, to its facilities at Twin Towns, Club Banora and Twin Towns Resort. Since 2000, Twin Towns has expanded its club and resort facilities, which has made the club increasingly attractive to both locals and tourists. These developments include:

<sup>18</sup> Information from Table 2 of the ABS' 2001/02 *Input-output tables* was used for the 'sport, gambling and recreational services' sector. The output and employment multipliers are based on national input-output tables, not those specific to NSW.

- Opening the Club's Millennium Tower
- Opening 'Breezes Live', a venue for bands and other entertainment facilities,
- Refurbishment of many existing facilities, including the Buffet Grill and sports bar
- The Resort has moved to an online booking system
- Purchase of site administration centre and decentralised accounting and administration functions
- Opening of the Grandview function room
- Opening of Visions conference centre
- Purchase of Twin Towns Juniors
- Construction of the \$94m Harbour Tower

The club has increased both the number and quality of attractions it offers. Its 1,050-seat auditorium now holds 14 major events per month, a major expansion from the six held in 2000. Events are varied. For example, in the month of July 2007, music acts ranged from the famous Jimmy Barnes to the locally produced Tweed Theatre Company. These events are in addition to the 150 hours per week of free live entertainment and music provided at the club which caters to both the tourist and local markets. Free entertainment includes movie screenings every Monday in the Twin Towns Showroom. This program of entertainment is particularly beneficial for the area's many younger people.

The majority of growth experienced by the club and tourism in the area is a result of the increase in conferencing and daytime entertainment events. Twin Towns provides first-rate conference facilities and its provision of convention facilities is significant for the region. The club provided these facilities when no one else was willing or able to invest in them. The facilities are well located for conferences due to its proximity to the airport (three kilometres). Twin Towns offers 15 meeting rooms over its three main properties. Its conference facilities were recently used for the Australian Tourism Export Council symposium. Without conference facilities of this scale, the region may not have been able to host the more than 600 delegates who attended.

The club's future plans include the development of a \$12 million new conference centre, as part of a \$25 million redevelopment, which will accommodate up to 1000 delegates.

Apart from conference facilities, Twin Towns has two 18 storey resort towers: Ocean Tower and Harbour Tower, with a total occupancy capacity of 800 people. Facilities include indoor and outdoor pools, spa, gymnasium, private balconies, valet parking and a range of services. The Harbour Tower was a joint \$90 million development of 198 rooms. This has enabled Twin Towns to host more tourists in the region because it focuses on providing holiday accommodation. This is in contrast to Ocean Tower, which has more owner-occupiers. It is of note that ten specially designed immobility units have been included in the Harbour Tower. Many club members have purchased, and live in, units in Ocean Tower because of its close proximity to the club.

However, in December 2007, Twin Towns outsourced management of the club's hotel facilities and sold the management rights over the apartment complexes. These are, therefore, no longer members' facilities. The club felt it needed to distance itself from these facilities because of a long-standing expectation amongst members that they be cheap. Since December 2007, prices in the hotel have risen by 40 per cent.

These changes were made directly because of falling revenues that occurred subsequent to legislative changes affecting poker machine taxes and smoking regulations.<sup>19</sup>

<sup>19</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

## Dubbo

Dubbo RSL draws many visitors from regional areas, because of the facilities and entertainment it offers. The RSL therefore has a substantial impact on communities beyond its immediate catchment area. An example of Dubbo RSL providing a draw card for rural visitors is Dubbo RSL's Health and Aquatic Centre, the largest centre of its kind west of Penrith. The centre attracts weekly visitors from as far as Lightning Ridge, 350 kilometres away. The broad scope and quality of entertainment acts that Dubbo RSL secures also attracts many regional tourists. In 2006 the reported economic benefit for the Dubbo community from such entertainment acts was approximately \$7 million.

Dubbo RSL's conference centre facilities and 34-room motel also facilitates economic development and promotes tourism in the city. During 2008, Dubbo RSL hosted approximately 1,100 corporate functions, conferences and meetings (up from 600 in 2006), many of which were regional events attracting participants from out of town. Such events provide a significant flow-on injection into Dubbo's local economy, increasing demand for local accommodation and goods and services.<sup>20</sup>

## Lightning Ridge

The area of Lightning Ridge is growing increasingly reliant upon a steady influx of tourists who enjoy the opal field experience. The Lightning Ridge Bowling Club makes a direct and much needed contribution to this tourist market through its sponsoring, staging and managing of the bi-annual Opal Jewellery Design Awards Festival. The festival draws international judges, visitors and many Australian celebrities who model new designs. The economic benefit brought to the town and its local businesses twice a year by the festival is invaluable. In addition to the festival, the club holds the long running Gem Expo and Ball which attracts people from other regional areas.

The club also provides financial and in-kind assistance to the local Tourism Office. For example, the club provided a coffee machine for visitors to the centre valued at \$5,600 and provided \$8,500 for signage works. As in-kind support, the club provides a meeting space and offers both administrative and management assistance. The general manager envisages that in the future the Club will provide support for staff costs for the Tourism Office, because Walgett Shire Council, which is in administration, may cease future funding support.

Each year Lightning Ridge hosts the 'Great Goat Race', which attracts thousands of tourists to the region each April. In 2008 the race organisers could not afford to pay the public liability insurance for the event, so the Club negotiated an insurance arrangement covering the event under the club's public liability insurance, allowing the race to go ahead and continue to take place in the future.<sup>21</sup>

### (a) Live entertainment, including music

According to the ABS, in 2004/05, hospitality clubs provided 114,082 paid live performances. According to APRA (Australasian Performing Right Association), most clubs are licensed for live music. NSW clubs alone provide nearly one-third of the Australian live music spend by hospitality venues.

<sup>20</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>21</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009



**Figure 1.34: Number of venues licensed for and amount spent on live music by jurisdiction**

APRA venues licensed for live music	ACT	NT	NSW	QLD	SA	TAS	VIC	WA	Nation	Live music %
<b>Hotels/bars/nightclubs</b>	19	26	540	549	212	56	457	234	2,094	23%
<b>Clubs</b>	26	19	752	326	80	15	170	58	1,446	58%
<b>Restaurants/cafes</b>	3	5	72	177	46	6	101	35	445	1%
<b>TOTAL</b>	48	50	1,364	1,052	338	77	728	327	3,985	8.22%

Estimated \$ spend on live music	ACT	NT	NSW	QLD	SA	TAS	VIC	WA	National
<b>Hotels/bars/nightclubs</b>	769,708	2,017,029	23,164,363	19,194,706	7,127,004	1,879,785	19,833,955	12,545,356	86,541,854
<b>Clubs</b>	1,376,339	567,034	51,630,356	14,940,661	769,301	59,536	4,677,217	1,087,648	75,108,090
<b>Restaurants/cafes</b>	86,635	64,305	1,037,655	1,772,520	223,457	200,615	1,551,766	851,511	5,788,464
<b>TOTAL</b>	2,232,682	2,648,368	75,832,373	35,907,887	8,119,762	2,139,936	26,062,937	14,484,515	167,438,407

Within the entertainment industry, many successful careers have been launched from the club circuit. Whereas many hotels and performance venues have cut back significantly on live acts, clubs continue to provide significant opportunities for local entertainers and bands to advance their talents.

Clubs also support emerging acts through programs such as the Talent Development Project in Western Sydney, which has nurtured artists such as Paulini and Human Nature, as well as thousands of talented secondary school students.

Many clubs seek to provide a broad range of live entertainment options. For example, Dubbo RSL seeks to meet the interests of its broad membership profile with a diverse array of acts. Recent acts include Merrick and Rosso, the Howie Brothers, the Carlotta Revue, Grinspoon and a Red Hot Chilli Peppers Tribute band – with the diversity of the acts reflecting the diversity of the audiences Dubbo RSL seeks to attract. The quality of acts that Dubbo RSL secures also attracts regional tourists, ensuring an economic benefit for the Dubbo local community.

Dubbo RSL also supports the development of local music, ensuring Thursday, Friday and Saturday night a local band performs and showcases community talents. Local talent is developed by Dubbo RSL through its 'Music Club', which is made up of a diverse membership, and is charged with teaching members both performance skills and how to play instruments. Many of the local bands that perform at Dubbo RSL were born from 'Music Club' activities.<sup>22</sup>

<sup>22</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009, pp.37-38



## 1.12 AGED CARE

Clubs are not only important meeting places and social outlet for the elderly but they are increasingly supporting the needs of this growing demographic by moving into aged care services.

### Case study: The Richmond Club, NSW

The Richmond Club in outer Sydney is a prime example of the involvement of clubs in aged care and senior's living, particularly in a regional area where the private sector has been unwilling to provide this necessary service. The club sees this as a service to its ageing members who want to retire and remain living in the area.

The Club, in conjunction with its affiliate Hawkesbury Living, is the largest aged-care provider in the Hawkesbury. Hawkesbury Living is the aged care service encompassing Norman Court Retirement Village and Richmond Community and RSL Nursing Home. These facilities include both high care and independent living units, and the Hawkesbury's first specialist dementia ward.

The Club merged with the local nursing home in 2005 and since then has committed in excess of \$800,000 to improve the facilities and ambience of the nursing home. The Club has supported Hawkesbury Living's nursing home facility through the purchase of new electric beds and other equipment and materials. It spent approximately \$100,000, including \$10,000 on linen. The facility expanded in February 2009 to 88-beds.

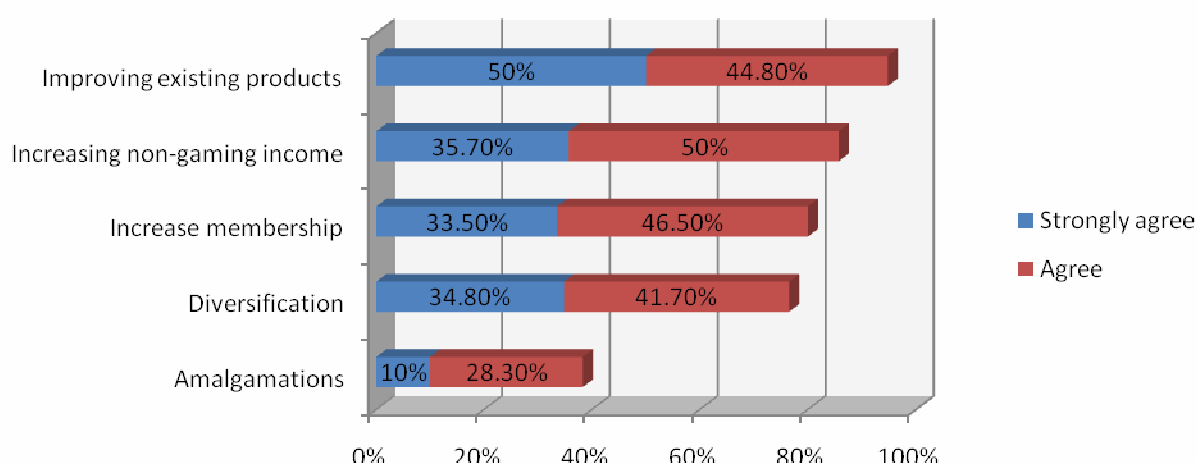
The need for these aged-care facilities is reflected in the fact that the beds have an occupancy rate of 99.8 per cent. Having these facilities in the Hawkesbury region means that the aged can remain within their community and near their families, which is of benefit to their physical and emotional wellbeing.

The nursing home is currently in the first stage of a master plan for the future to further provide for aged-care within the community. This will involve an extensive aged care development within and around the existing aged care facility. Five extra bed licences have been obtained for this. Hawkesbury Living is applying for a further 12 bed licences and assessing options to provide disability services, social housing and additional independent living units for the community.

## 1.13 DIVERSIFICATION

Clubs are driving economic activity through the process of income diversification. Although gaming is considered part of clubs' core business and forms a large proportion of revenue, clubs are diversifying their operations for a number of reasons, among them competition from other gaming and gambling operators, increased gaming machine taxes, and member/community demand. Clubs recognise that a range of business strategies must be pursued in the interests of financial viability, and that diversification may feature prominently among these. Ucomm asked clubs in NSW to consider strategies that might address the financial challenges that exist. Figure 1.35 outlines clubs' response to this question.

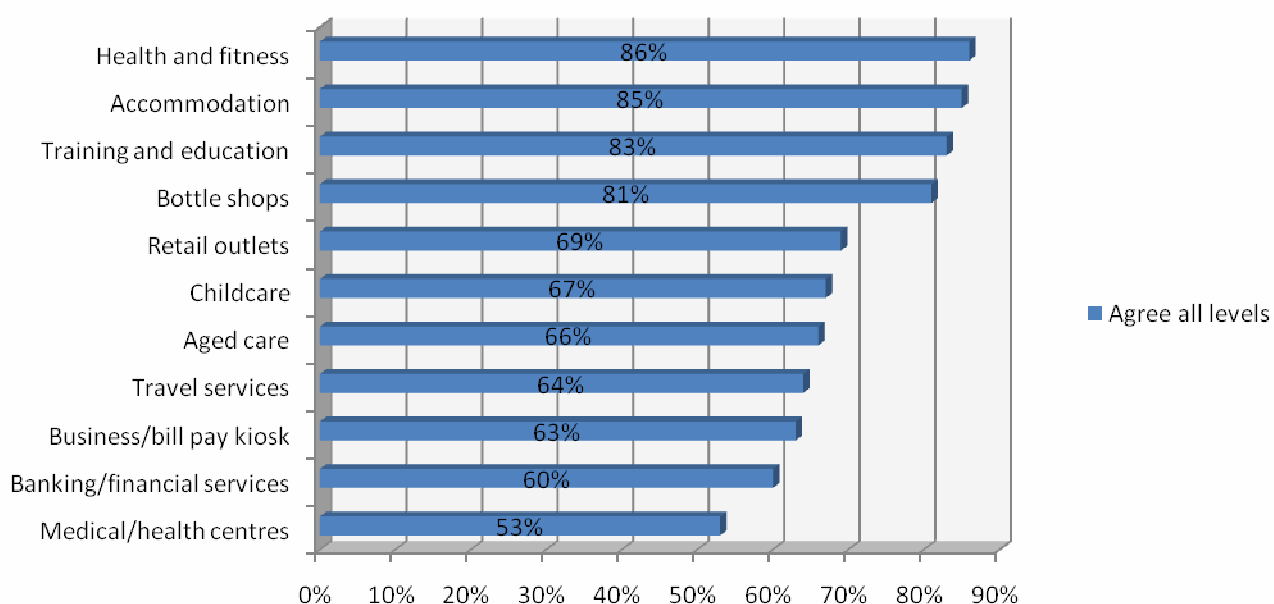
**Figure 1.35: Response strategies – next five to ten years, all clubs**



Improving the return on existing products and services is the most highly ranked strategy and some of the issues relating to this are discussed later. However, diversification and increasing non-gaming income figure prominently.

A wide range of responses of possible business diversification were submitted and are outlined in Figure 1.36.

**Figure 1.36: Business diversification; legitimacy of business options, all clubs**



There is also acceptance among the broader community that diversification is a legitimate business strategy for clubs. ClubsConsulting found that club-goers rank health and fitness facilities, childcare and aged care highly among potential new lines of business and service facility options for clubs.

ClubsAustralia agrees with IPART's finding that diversification will not reduce the reliance on gaming machine revenue as a cornerstone of their long-term financial viability<sup>23</sup>. There are significant financial risks for clubs, particularly those taking on large projects and relying heavily on expensive outside project management assistance to bring them to fruition.

As IPART has pointed out, it will take considerable time to reduce clubs' reliance on gaming. It will also involve considerably more support and assurance from government in dealing with:

- Ongoing uncertainties and ambiguities in regard to regulation governing the industry;
- The current state of flux in planning;
- Ongoing ambiguities in regard to smoking legislation in some jurisdictions;
- The period of time to physically deliver the construction of new facilities that capture the diversification income streams, assuming planning approvals are achieved; and
- Once constructed those additional income streams need between one and three years to establish projected profitability.

Club diversification can assist the government in pursuing its own policy goals, for example in the provision of aged-care facilities and attempts by governments to address the shortage of aged-care places, a problem that will escalate as the population ages. Importantly, the form diversification takes should not be restricted by government at any level.

**Figure 1.37: New lines of business – preference**

BUSINESS TYPE	PREFERENCE RESPONSE
Health and fitness	67%
Childcare facilities	37%
Aged care facilities	30%
Travel agencies	21%
Loan/investment advice	14%

Source: ClubsConsulting, Club Goers Survey, 2006, p. 49.

### Reduced gaming dependency

Diversification is seeing club reliance on gaming reduce over time. In NSW, the 2007 SEIS Report indicated that clubs' dependence on gaming revenue as an overall percentage of revenue has decreased since 2003 from 68.4 per cent to 63.2 per cent. This significant decrease in the dependence on gaming revenue indicates that diversification is occurring and that clubs are increasingly focusing more heavily on hospitality and membership as sources of revenue. The figure below compares clubs' sources of revenue from 2003 to 2007.

<sup>23</sup> IPART, Review of the Registered Clubs Industry in NSW, June 2008, p6

**Figure 1.38: Sources Of Revenue – Comparison 2003 To 2007**

	PERCENTAGE OF TOTAL REVENUE		CHANGE SINCE 2003 (% POINT CHANGE)
	2003	2007	
Membership	1.4%	3.2%	1.8%
Food	7.0%	7.0%	No change
Bar	14.8%	16.6%	1.8%
Facilities & venue rental	0.8%	1.1%	0.3%
Gaming machines	68.4%	63.2%	-5.2%
Other gaming	1.9%	2.2%	0.3%
Sports	1.3%	2.0%	0.7%
Ancillary business	1.4%	1.8%	0.4%
Other <sup>(a)</sup>	3.1%	2.9%	-0.2%
<b>Total</b>	<b>100.0%</b>	<b>100%</b>	

Note: May not add precisely to 100 per cent due to rounding.

(a) Other includes donations, cash grants, abnormal & extraordinary and other revenue.

Source: Allen Consulting Group, 2007 Survey of Clubs in NSW

### Identifying alternative income streams

Clubs need to identify alternate activities that are compatible with the services already provided and relevant to the needs of members and the wider community. Such facilities may include accommodation, new community facilities and other commercial activities that can be focussed on the needs of members. Examples already in existence include residential and retail tenancy, accommodation hotels, aged-care facilities, tourist activities (guided tours, outback adventures and other travel services), fitness centres and carwashes and in one case, a service station.

Clubs considering diversification as an opportunity to enhance future viability are most likely exploiting an under-utilised or under-developed asset to provide a commercial return that would be impossible if the asset were to be acquired on an open market basis and then developed. These opportunities typically involve the club generating a one-off capital gain through the development of such property, which is applied to reducing debt or improving the building from which the club operates.

### Case study: diversification at Dee Why RSL Club

This case study illustrates that where there is an undersupply of a proven community need and a proper feasibility study supporting diversification, such projects can be extremely successful for the club and the surrounding community.

Dee Why RSL has for some time followed a strategy of revenue diversification to reduce its reliance on gaming income. The club opened a carwash in 1995 which is extremely profitable and at the same time leased premises to a child-care centre operator. In 2002 the club opened a 24-lane 10-pin bowling centre. This is leased to AMF, the market leaders in 10-pin bowling and is a successful arrangement generating a surplus of \$514,000 in the year

ending June 2006. The club strengthened its relation with the bowling centre's new owners (Macquarie Leisure) during the year and this continues to perform well.

Recently the club signed a Development Rights Agreement with FKP for the development of a retirement village adjacent to the club premises. The DA has been prepared and submitted to council. This project will provide a significant capital injection plus long-term deferred management fee income. Construction of a second car wash catching northbound traffic and featuring water recycling was undertaken in 2006.<sup>24</sup>

### **Diversification to meet community needs**

Any diversification of club activity should be sensitive to the needs of members and the broader community. Diversification should be actively encouraged by government policy. Importantly, the form diversification takes should not be dictated or engineered by government at any level. In most cases diversification, where it is happening now, is widely accepted by the community.

Indeed, club diversification can assist the government in pursuing its own policy goals. An example relates to the provision of aged-care facilities and attempts by the NSW Government to address the shortage of aged-care places, an issue that will escalate as the population ages.

### **Case study: diversification building hubs of social and economic activity, Revesby Workers Club**

The experiences of Revesby Workers Club in pursuing a diversification strategy with the aim of becoming a community hub illustrate both the potential and challenges of such a strategy.

The Club set itself a series of long term objectives to change the nature of the business to maintain its long-term profitability. It determined to do this by using its land assets to better service a wider range of demographic and socio-economic groups. In this way the gaming revenue reliance would be significantly diminished.

It set itself an ambitious target of reducing its reliance on gaming from a current 68 per cent of EBITDA to 30 per cent upon completion of a program that includes growing an existing Health Club business fourfold, bringing to the community an Aquatics Centre with Learn To Swim and hydrotherapy facilities, and a high quality 90 place child care facility providing special facilities for 0-2 year olds and disabled children. These lifestyle uses that otherwise would not be available to the community will represent 29 percent of the Club's forecast income.

The Club recognised this would require considerable investment in optimising the use of existing Club property assets to diversify and grow its income and value. This investment to fulfil the diversification objectives will require years to fulfil, using appropriate resources and prudent management.

The Club achieved an appropriate commercial zoning for its property to allow a mixed use development in September 2006 after four years in planning consideration. The development management process with full professional resourcing has taken a further two years. The Master Plan calls for a construction completion of all elements of the development by mid 2011. This means that, rezoning aside, the Club will have taken a total

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<sup>24</sup> ClubsNSW, Submission to Independent Pricing and Regulatory Tribunal *Review of the Registered Clubs Industry in NSW*, July 2007

of six years to achieve the proposed diversification as a result of various constraints imposed by government policy and the practicalities of development.

The Club received two Development Consents in March 2008 for increasing the size of its existing Health Club and the Long Day Care Child Care Facility after eight months in planning consideration. A fully detailed Master Plan Development Application was lodged with Bankstown City Council in February 2008 and is currently under review. The Club does not expect a Consent or Rejection before the end of 2008 to enable development to proceed.

The figure below details the master plan for diversification at Revesby Workers Club which will create a mixed use development of 38,935m<sup>2</sup>.

### Club diversification and government policies

The Club's diversification strategy is delivering additional and relevant products and services, which its research has identified as being required by the community. In a number of key areas these services are not being funded by private enterprise or levels of government.

Diversification through development involves a major investment and comes with considerable risk to a Club. Revesby Workers Club has found that these risks are being exacerbated by conflicting government policies that are delaying the process, despite the fact the Club's diversification strategy has the potential to assist various levels of government in pursuing their own policy goals.<sup>25</sup>

**Figure 1.39: Master plan – mixed use development of Revesby Workers Club site**

ITEM	EXISTING	MASTER PLAN
HOSPITALITY VENUE:		
Premises	16,105 m <sup>2</sup>	15,910 m <sup>2</sup>
COMMERCIAL PRECINCTS:	0	1,660 m <sup>2</sup>
Aquatic Centre		1,425 m <sup>2</sup>
Child Care Facilities	0	9,735 m <sup>2</sup>
Community Retail Centre	820 m <sup>2</sup>	4,440 m <sup>2</sup>
Fitness Centre	0	5,765 m <sup>2</sup>
Hotel		
TOTAL	16,925 m <sup>2</sup>	38,935 m <sup>2</sup>
Car Parking	492 spaces	1,300 spaces

Source: Revesby Workers Club, April 2008.

## 1.14 ALIGNMENT WITH COMMUNITY NEEDS

Clubs are also becoming increasingly sophisticated in the way they identify the needs of their community, consult with stakeholders, and plan and execute decisions about facilities and infrastructure. For example:

<sup>25</sup> ClubsNSW, Submission to Independent Pricing and Regulatory Tribunal *Review of the Registered Clubs Industry in NSW*, July 2007

- Dubbo RSL has met an identified community need through the provision of a town centre car park, at the cost of \$3 million. The car park provides free entry for the entire Dubbo community, and is used by many people who commute into town for work.
- Mingara Recreation Club, on the NSW Central Coast, has also responded to the increasing suicide rate in its area through assisting with the establishment of the Central Coast Suicide Prevention Network. Mingara's Sports and Community Manager was actually a founding member of the network. The network works with a variety of other community representatives to address the suicide issue on the Central Coast. Thanks to Mingara's support, Wesley Mission now runs a new, similar program in Port Macquarie.<sup>26</sup>

The economic opportunities clubs provide for local businesses was also highlighted in focus groups conducted by Ucomm in NSW:

*We have three different bakers. Their orders from us alone would probably be worth 50 per cent of their business.*<sup>27</sup>

*If you took our club out of our community 3000 businesses would lose however much money that we actually spend with them. Just in a little place like [regional town], we'd probably be worth \$80,000 to \$100,000 to each of the butchers. If you take that out of there, well, it's full whack out of their income and that's before you go to the rest, as he said, 3000 suppliers. It would probably be the same for a lot of us and if we sat down and worked how many there is.*<sup>28</sup>

Clubs in some way fulfil roles and needs that are unmet by Government. A typical comment in focus groups conducted by Ucomm in July this year was:

*Government... does not know we exist out there. We know that our local hospital needs support for the bus which takes people from the retirement home around. We know what they want, because they're asking us, they're telling us. If they were to ask the government, because they are such a little organisation, they would miss out completely and that's my greatest concern in country areas in particular that they would be the ones that miss out. And we could provide that for them.*<sup>29</sup>

The following UMR case study illustrates how, particularly in regional areas, clubs play a central role in almost every facet of community life.

### **Case study: clubs and their communities – Lightning Ridge Bowling Club**

Lightning Ridge, in far western NSW, is a unique community involving those driven by the lure of opal-based riches and those who are committed to the uniqueness of living in a cohesive, rural community with all its concomitant values. Whilst the opal industry is not as lucrative as it was some 20 years ago, UMR is advised that about \$80 million per annum is still churned out of the district. Given the somewhat transient nature of the Lightning Ridge population, it remains difficult to accurately measure the town's population. The club's General Manager believes it varies between 5,000 and 10,000, depending on the season. Many of the residents remain outside the 'system', so to speak, living in the cash and barter community. The area remains typified by high numbers of those receiving social security benefits. The community is ageing, but still has significant numbers of younger people (in the 3-21 years group). The LRDBC remains 'the focal point for every major community-driven initiative in the town'.

<sup>26</sup> In February 2006, Mingara amalgamated with the former West Port Macquarie Bowling Club.

<sup>27</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 32

<sup>28</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 8

<sup>29</sup> Ucomm, *Directors Focus Group Report*, commissioned by ClubsNSW, July 2007, p.8



### **New and expanded programs**

In 2000, the club's revenue was falling and it was facing having to curtail its community programs, donations and support. However, due to astute management and massive amounts of unpaid labour, this situation did not arise, with the club now providing more from less revenue. Bar revenue has dropped by a third and the club has now reduced its poker machines from 100 to 91. However, the Board and Executive staff have continued to expand their social programs.

### **The new pre-school**

Since 2000, the Club has helped upgrade and repair a public preschool centre for children in the 0-5 years age group. This program has a particular focus on helping young children 'get ready' for their primary school orientation. It has an approximate 60/40 split between indigenous and non-indigenous children. The club provided two-thirds of the \$40,000 capital funds required. It donates \$10,000 per annum in a cash grant, and a further \$10,000 to subsidise the school's annual fundraising event. The club provides a bus free of charge to transfer the children to and from preschool to further their early learning. No one misses out because of any economic disadvantage.

### **Youth issues**

The Lightning Ridge Bowling Club has expanded its long-term commitment to youth services through sports and various social functions. The club's 14 and 39 seat buses, with fuel and maintenance costs provided by the club, are available, at no charge, to five junior soccer and six junior rugby league teams. The local 'Blue Light Disco' operates in the club's upstairs auditorium. This is an ongoing project, with growing patronage. The local central school continues to use the club for public exams and various theatrical performances.

### **Older citizens**

The club has a long-term involvement with 'older citizens'. Since 2000 it has supported the Secretary/Manager in total maintenance of the twelve aged units as well as one cottage which also houses older citizens. The Club has helped with fund-raising for the units for the aged committee, which has purchased land for a further six units to be built in the next 12 months. This funding involves \$350,000 raised for the building and furnishing of the new unit block and approximately \$80,000 to purchase the small cottage for an elderly woman. The club still continues to support the Funeral Advisory Service, a voluntary organisation chaired by the Secretary Manager. The service carries out 25-30 fully-services funerals per year at a highly subsidised cost of \$500 for club members. The program is now under review due to audit requirements, but will still operate without the subsidy.

### **Women's Health Project**

The Yawarra Mea Mei Group provides a discrete health discussion clinic for a growing number of women in the community. The club provides meeting space, staff support and a referral service when necessary. This group operates in association with the Neighbourhood Centre, Domestic Violence and also handles emergency relief for those in need. Exercise classes for older women, tai chi, yoga and ballroom dancing are all new additions to the programs for older residents.

The club cooperates fully with the NSW Health Clinic (Hospital) in Lightning Ridge, allowing shared usage of the Club's morgue facilities and other building facilities and also helps with ongoing maintenance to their refrigeration. The club actively supports the United Hospital Auxiliary with funding from its CDSE contribution and in the past donated \$6,000 towards the purchase of a much needed humidicrib.

The TCC project provides support for the many residents in the area who do not have English as a first language. The club supplies fuel and vehicle maintenance for the

interpreter and visitor program, at a cost of approximately \$5500 per annum. This program has expanded significantly over the past three to five years, as more prospecting has developed at the nearby Grawin Opal Fields. The Club provides an additional \$5500 to the local SES from its CDSE contribution.

The Club essentially provides the only meeting facility in town. This in itself is an invaluable asset for the community. Over 70 groups use the meeting facilities and premises of the club, from State Government departments to the local piano teacher.<sup>30</sup>

In addition to employment, clubs act as catalysts for local economic activity, providing opportunities for and developing programs that support local businesses. This is specifically the case in regional areas and is illustrated by the following case study.

### 1.15 IMPACT OF CLUBS IN RURAL AND REGIONAL DEVELOPMENT

Clubs play a particularly important role in regional and rural areas, where they are often the focus point for an entire town and surrounds. Forty five per cent of clubs are located in regional areas and the remainder (55 per cent) in metropolitan centres.

Comments made in focus groups conducted by Ucomm clearly identified the importance of clubs in regional towns:

*There are hundreds and hundreds of clubs in regional New South Wales who have become the focus of a town of 100, 200, [who] will never be required under the law to make any formal contribution to CDSE, but they do huge amounts of work for their local community...anyone who lives in that little town knows that they can go to their local bowling club because that's where the mothers' group meet and the bingo players go and the knitting circle...40 per cent of the clubs in New South Wales are in regional areas...Deniliquin, Dubbo, Mudgee, all those areas where you're talking to people out there...All around up the coast and in the bush they are the centre of their community.<sup>31</sup>*

*If you're in the country, quite often the club in the country is the heart of the town...everyone is a member of the club and everyone uses that club. It's a real hub for that town. Social and business network. It's used for everything.<sup>32</sup>*

Clubs also play an important role in regional economic stability through their support for local business as major purchasers within a town. For example, the Mildura Working Man's Club purchases goods and services from 150 local businesses. The club pays approximately \$400,000 per quarter to suppliers, a majority of which are within the local community.

Likewise, Dubbo RSL participates in Dubbo City Development Corporation (DCDC), a community-based organisation whose purpose is to promote and expand Dubbo as a business destination. In the past, the RSL has provided financial support to the corporation. The RSL's involvement in this group ensures the RSL is up to speed with initiatives designed to promote Dubbo city, allowing the Club to identify areas where it can contribute to the city's economic development. Dubbo RSL also promotes the town's economic development with a

<sup>30</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>31</sup> Ucomm, *Directors Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 34

<sup>32</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009, p. 12

program providing a discount for in-club purchases to members who purchase products from local businesses.<sup>33</sup>

Clubs also work hard to ensure they support their State or Territory's economy. In the ACT, 79 per cent of all goods and services sourced by Clubs were provided by suppliers within the Territory.<sup>34</sup>

## 1.16 PARTNERSHIPS WITH LOCAL GOVERNMENT

Clubs are increasingly partnering with other sectors of the community, including Local Government, to meet common needs. This can take the form of joint venture projects that match the particular needs and characteristics of the local population and reflect the diverse nature of communities. Clubs also seek advice from council, local community groups and State community service departments when making funding decisions to ensure their donations are directed in the best way possible.

ClubsAustralia believes this trend has accelerated as governments at all levels come under increasing pressure to deliver improved community facilities that underpin the Australian way of life. It is a natural and mutually beneficial act for clubs and governments to turn to one another to deliver the services that will improve their local area.

A 2000 KPMG report for ClubsNSW<sup>35</sup> found a clear trend towards a joint venture approach by clubs in the provision of sports and recreation facilities in their communities. In the associated survey of 175 Councils, 33 per cent were aware of arrangements struck with clubs to develop sporting facilities within their respective communities. The extent of community partnerships in country areas was marginally higher than the Sydney metropolitan area. Joint ventures included:

- Councils and clubs providing 'dollar-for-dollar funding' towards community projects;
- Councils providing the land for sporting fields which the clubs maintain; and
- Complex joint ventures including not only the council and club, but other bodies such as sporting groups, environmental and tourism groups and State and Commonwealth government agencies.

In these community partnerships, clubs donate land or cash or assist in fundraising to develop local sporting facilities. They usually operate and maintain the facilities at their own costs for the benefit of the community, while the facilities are usually government-owned.

### **Case studies: Joint venture approach in the provision of sporting facilities**

- Mingara Recreation Club, on the NSW Central Coast, is credited with the development of the Mingara Leisure Centre (Olympic standard indoor pool, international standard athletics track and national standard playing field) in partnership with local, State and Federal Government and sporting organisations.
- Lightning Ridge Bowling Club in western NSW played a pivotal role in the development of an Olympic standard pool and water theme park in Lightning Ridge. It did so in partnership with local residents and three tiers of government.

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<sup>33</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>34</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory*, March 2008

<sup>35</sup> KPMG Consulting, *NSW Clubs in their Local Communities Report*, commissioned by ClubsNSW, August 2000

- The Dubbo RSL Health Centre in the NSW Central West has an overall philosophy of encouraging general wellbeing in the Dubbo community. Its facilities cater for the entire community, with programs such as special needs classes run for disabled children, rehabilitation classes for heart-attack victims, programs targeted at obese children and programs run for diabetes sufferers. The facilities of the Health Club include a 25-metre indoor heated pool, gymnasium, squash courts and sauna. In Dubbo, there is nothing to compare directly with this Health Centre. It reveals Dubbo RSL's commitment to 'fill the gap' in the city's community services and infrastructure, by investing in a project which is much needed, yet not economically viable for other investors, including local government. In past years the RSL also bequeathed Jubilee Oval and sporting fields to Dubbo City Council for general community use.<sup>36</sup>

The KPMG work in NSW confirmed this symbiotic nature of the relationship between clubs and local government. The study showed that the concept of 'community partnership' which became apparent in the detailed case studies is a common theme, particularly in the country areas. Moreover, these community partnerships have often occurred at the instigation of the clubs themselves, following recognition of a community need or an opportunity that could be realised. Some key findings of the survey are as follows:

- 84 per cent of councils consider that clubs play an important role in providing sports and recreation facilities and services in their local areas.
- The majority of support is in the general encouragement of sports participation followed by the provision and management of sporting facilities, particularly for amateur sports.
- A high proportion of councils – 44 per cent – indicated that clubs play a role in tourism, arts or cultural activities. Again, more regional councils recognised this role: 51 per cent compared with 30 per cent for the metropolitan area. Activities included:
  - The organisation and support of local festivals;
  - Promotion of regional tourism;
  - Free use of club facilities for arts and cultural groups; and
  - Clubs acting as tourist information centres.<sup>37</sup>

ClubsAustralia believes that the relationship between clubs and local government has strengthened and grown in sophistication in the time since 2000.

### **Case studies: working with local councils<sup>38</sup>**

- Since 2002, Mingara has expanded its relationship with Local Government (especially Wyong Shire Council and more recently Port Macquarie-Hastings Council) to help provide a number of sporting and social programs in the respective regions. In its latest 'Social Plan', Wyong Shire Council seems to be relying more and more on the registered clubs' CDSE program to resource a number of social programs. Over the past five years councils in the area have begun charging commercial rates for the rental and use of community meeting spaces and halls. Given this, the meeting space facilities provided by Mingara on a subsidised basis are therefore facing increasing demand by various welfare groups, sporting clubs and local service clubs. The use of facilities is valued by the club at some \$35,000 per annum.

<sup>36</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>37</sup> KPMG Consulting, *NSW Clubs in their Local Communities Report*, commissioned by ClubsNSW, August 2000

<sup>38</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

- Dubbo RSL is currently developing a Community Resource Centre that will provide adequate infrastructure for local community groups and services such as meals on wheels and disability support to operate from and possibly expand their capacities. (The development will cost the Dubbo RSL \$2.5 million over ten years.) The establishment of such a Community Resource Centre has been identified as a number-one priority in Dubbo City Council's 2007/08 Social Plan 'wish list'. The club's role in working with the council and providing for the local community is clear in Dubbo.
- Dooleys Club works closely with Auburn Council in western Sydney in the master planning of the Lidcombe business district to ensure Dooleys meets the changing needs of the community and fits in with the council's plans over the next five to 20 years. Dooleys is actively involved in the regeneration of Auburn City. The club is completed a \$20 million upgrade of its Lidcombe premises in August 2008, expanding services for the local community to use such as:
  - Expanded food and beverage outlets catering for 400 people;
  - Outdoor terraces and courtyards;
  - New lounge area with the capacity to host family entertainment;
  - New underground, security accredited parking facilities;
  - Dedicated kids area catering to children aged 2-12;
  - New sports facilities;
  - New computer/Internet area for members; and
  - Significant investment in facilities management.

Dooleys has also invested an additional \$3.5 million in the local community by redeveloping Waterview Dooleys at Silverwater, with membership growing 300 per cent since the re-opening of the Club in 2004. Services which Dooleys provides that have a social impact on the Auburn and Lidcombe community include:

- Subsidised meals. The club provides 10,368 steaks, 20,184 fish and chips and 1608 free kids meals per annum, at a cost to the Club of \$120,000 per annum.
- Free use of the club's function rooms and associated facilities to community groups.
- Provision of equipment and facilities for Dooleys intra-clubs including table tennis, indoor bowls, tai chi, art classes, photography classes and shuffleboard
- With the introduction of NSW's no-smoking laws, Dooleys offers 'quit smoking' packages and substitute products such as lollies, chewing gum and coffee.
- Employment of 165 people from the local community, supported by a talent management plan that underwrites tertiary education for trainees and senior management.

## 1.17 CLUBS AND NEW/PLANNED COMMUNITIES

Clubs play a central role in improving the urban environment of our cities and towns and ensuring recreational and cultural opportunities.

Clubs have long been at the centre of the provision of recreational and sporting facilities, without which the community would simply be unable to access the infrastructure that underpins our unique way of life. For example, club funding is vital to the NSW Government's strategy – set out in the NSW State Plan – that aims to improve health and social outcomes by increasing involvement in volunteering, group sporting and recreational activity by 10 per cent by 2016.

Clubs are uniquely placed to deliver facilities that match the needs of local communities, in an efficient and effective manner. Similarly, there are existing residential areas where the level of recreational facility is deficient that could benefit from club involvement.

In recognition of this fact, IPART recommended that new clubs be given ten free gaming machine entitlements<sup>39</sup> and that new clubs be supported to establish through facilitating access to suitable land in new development areas<sup>40</sup>.

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<sup>39</sup> Op. cit. IPART final review, June 2008, recommendation 64

<sup>40</sup> Op. cit. IPART final review, June 2008, p200



## CHAPTER 2

### THE SOCIAL CONTRIBUTION OF CLUBS

The social contribution of Australia's Club Movement is a highly diverse and responsive contribution aimed at meeting the needs of club members, guests and increasingly those of the broader community.

#### 2.1 THE SOCIAL CONTRIBUTION OF CLUBS

In 2008, the NSW Independent Pricing and Regulatory Tribunal (IPART) examined the contributions the registered clubs industry makes to social infrastructure and services, and to employment and economic opportunities in NSW. In recognition of the fact that certain industries provide similar services and generate similar economic opportunities to the clubs industry, IPART considered the broader question of whether the clubs industry makes a net positive social contribution that justifies it receiving government support.

IPART concluded that the registered clubs industry's net social contribution is positive and on this basis considered it appropriate for the Government to provide support to the industry, to help ensure the industry's financial viability so that clubs can continue to contribute to positive social outcomes in the State.<sup>42</sup>

#### 2.2 THE NATURE AND BENEFICIARIES OF CLUB ACTIVITIES

IPART determined that the social contributions clubs make can be divided into three categories:

##### *1. In-house contributions for the club's primary purpose*

These contributions are for the exclusive benefit of club members and their guests, and relate to achieving the club's primary purpose. Examples include a bowling club's provision of bowling greens, and a golf club's provision of a golf course. While members may be charged to use these facilities, the charge is usually less than the commercial rate.

##### *2. In-house contributions for general member benefit*

These contributions are also for the exclusive benefit of club members and their guests, but they do not relate to the club's primary purpose. Examples include restaurants, bars, gaming machines, pool tables, professional entertainment, function rooms, opportunities for social interaction, and a sense of belonging. Again, members may have to pay to use these services and facilities, but generally pay less than a commercial rate.

##### *3. External contributions for community benefit*

These contributions benefit the wider local community within which the club is located. They can include support for community groups, such as sporting teams, schools, charities and welfare groups.<sup>43</sup>

IPART has illustrated these categories, as shown in Figure 2.40.

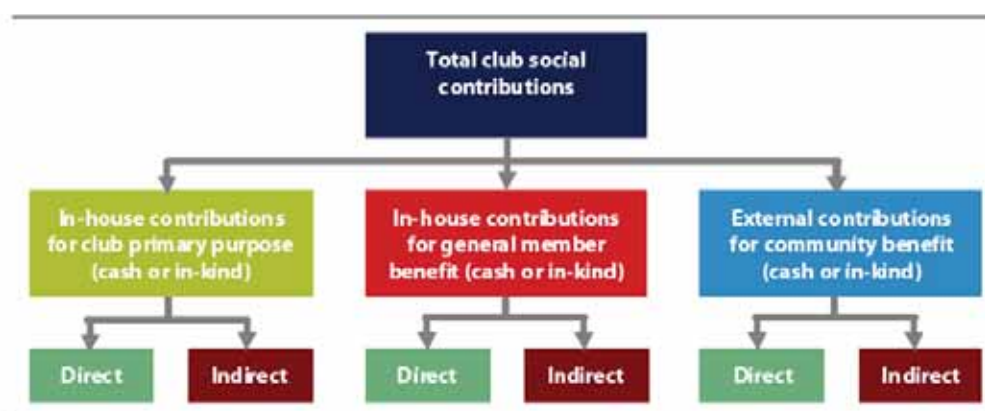
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<sup>42</sup> Independent Pricing and Regulatory Tribunal of NSW, *Review of the Registered Clubs Industry in NSW*, Final Report, June 2008, p.41

<sup>43</sup> *Ibid*, pp.42-43



**Figure 2.40: Categorisation of registered clubs' social contributions**



The contributions in each category can be either a direct contribution or an indirect contribution. Direct contributions are the result of direct action by a club. For example, the provision of a cash grant is an example of direct external contribution for community benefit. The provision of discounted meals is a direct in-house contribution for general member benefit.

Indirect contributions are a by-product of the existence of the club, its facilities and its actions. Indirect contributions are generally intangible benefits. For example, the improved fitness levels that members of a golf club might achieve as a result of playing golf at the club are an example of an indirect in-house contribution for the club's primary purpose. The sense of belonging club members might feel is an indirect in-house contribution for general member benefit. The greater social cohesion a community might experience as a result of having a club where people can meet and socialise is an indirect external contribution for community benefit. Some of these benefits (such as fitness benefits) are essentially private in that they accrue to the individual and not the broader community.

Additionally, the contributions in each category can be either cash or in-kind contributions. For example, clubs might provide cash grants to members or subcommittees to fund sporting activities or sub-clubs. They may also provide cash grants to local schools or sports teams. Alternatively, they can provide in-kind support, such as access to club-owned sports, meeting and function facilities, at no charge or a subsidised rate. Other examples of in-kind support include the provision of:

- capital equipment (and maintenance) for sporting and other club-related activities
- club employees to staff activities and functions
- transport
- food and beverages (where these are not associated with the promotion of trade).

IPART developed a methodology for identifying and recording the value of the registered clubs industry's social contributions, specifically its provision of social infrastructure and

services. Using this methodology, IPART valued clubs' direct social contributions in 2007 at \$811 million.<sup>44</sup>

This estimate included the value of cash donations, in-kind provision of sporting and community facilities, and volunteer labour. It did not include the indirect contributions made by clubs (such as the sense of community well-being generated by their existence). Under IPART's methodology, indirect contributions are identified and recorded qualitatively rather than quantitatively. This makes the dollar valuation conservative.

Extrapolating the \$811 million NSW valuation nationally, using total club revenue as an approximate scaling device, ClubsAustralia estimates a direct social contribution of \$1.2 billion annually.

This does not incorporate the indirect social contributions made by clubs that are difficult to quantify, but are real. The nature of indirect, or intangible, social contributions made by clubs are explored later in the submission.

## **2.3 CLUB CONTRIBUTION TO SOCIAL CAPITAL**

### **2.3.1 Gaming revenue and 'compulsory' community support**

The first way of assessing clubs' contribution is to look at government-directed programs. In several jurisdictions clubs are required or strongly encouraged by law to allocate a certain percentage of gaming machine revenue to community development or charitable causes.

Government sponsored schemes linked to gaming revenue are an obvious, quantifiable example of clubs' contributions to social capital.

However, these schemes are, in the view of ClubsAustralia, a relatively small part of the overall social contribution clubs make. It does enable the industry and community to value, to an extent, the physical, cash and in kind contributions made by clubs – usually the larger ones. However, it overlooks other significant contributions.

For example in NSW, CDSE (see below) only applies to clubs with annual gaming revenue over \$1 million, and does not account for these larger clubs' broader contribution (both unreported support and less tangible contributions), or any of the contributions of the other 1,000 or so clubs in the State.

#### **(a) New South Wales**

In NSW, clubs with gaming machine revenue of \$1 million or more per year are required to allocate 1.5 per cent of that revenue to community groups and charities in their local area, through the Community Development and Support Expenditure (CDSE) scheme. At least 0.75 per cent must be allocated to 'Category 1' projects, which meet strict criteria set by the Office of Liquor and Gaming, while the remainder may be allocated to either Category 1 or Category 2, which includes amateur sporting activities.

If clubs do not allocate the 1.5 per cent according to the CDSE Guidelines they are required to pay the balance in additional gaming tax.

The funding is generally allocated through local committees, developed on the basis of local government area, where Council, a representative of the local community sector, and a

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<sup>44</sup> Ibid, p.68

representative from the Department of Community Services provide advice on appropriate local priorities for funding, and the extent to which funding applicants meet these priorities.

In 2007/08, NSW clubs allocated \$58.7 million through the scheme. This was \$22.7 million in excess of the required amount.

The following list outlines just some of the projects funded through the scheme:

- Tweed Heads Bowls Club contributed \$6,000 funding to the Tweed Heads Police Service to help educate the general public on alcohol abuse, domestic violence, and theft. The funding will allow the Community Crime Prevention Officer to lease a car to travel around the Tweed area, educating the community on these issues.
- Liverpool Catholic Club contributed \$15,000 to Macarthur Community College for the development of a program to help unemployed people in Liverpool. The funding will go towards the Get-a-Job program for unemployed people in the community who want to update their skills and return to the workforce.
- Ashfield Catholic and Community Club contributed \$12,000 to local community projects in 2004 which included Inner West Neighbourhood Aid, Berne Education Centre, and SHARE at Summer Hill.
- Nine clubs from the Gosford area have contributed \$78,393 to 16 local projects including the Umina Beach PCYC, Beachside Family Centre and Camp Quality.
- Thirty-three clubs in Newcastle presented more than \$670,000 to 100 community organisations and charities such as Newcastle Alzheimer's Network, Glencare Special Needs Association and Maycare Community Centre.
- Smithfield RSL Club contributed \$10,000 towards specialised electric high-low adjustable beds at Braeside Hospital in Fairfield.
- The Maitland Local Committee consisting of Maitland City Bowling Club, East Maitland Bowling Club, Maitland District Leagues Club and Telarah Bowling Club contributed \$100,000 to local charities in 2005.
- Singleton Returned Servicemen's Club contributed \$53,000 to local community groups including St Patrick's Parish Playground, Singleton Scouts, Singleton Youth Centre, Singleton Heights Public School and Mercy Nursing Home.
- In 2004, nine Bankstown clubs contributed \$237,521 to local charities including Bankstown Community Resource Group, Coolaburoo Neighbourhood Centre, Bankstown Youth Development Services and Bankstown Aboriginal Corporation.
- In 2007, Mounties contributed \$21,000 to the Spastic Centre allowing for the creation of a 'Mobility Equipment Loan' program, which gives young children a chance to stand and walk, some for the first time. In the past Mounties has contributed \$32,000 to Drug ARM, which will train more than 30 volunteers to help people with drug and alcohol problems as well as homeless youth.
- Parkes RSL has for many years supported Meals on Wheels, providing up to 60 meals daily to the frail, aged and disabled. This valuable community service not only maintains the health of the recipients and prevents unnecessary institutionalisation but ensures daily communication is made with a vulnerable group in the community. The club claims

this service as Category 1 in kind expenditure under the CDSE scheme, constituting over 80 per cent of its total CDSE expenditure. Effectively, the club provides approximately \$37,000 in, in kind support annually so the service can continue to operate.

## **(b) Victoria**

Clubs in Victoria returned to the community more than \$33 million in gifts, sponsorships, voluntary services and subsidised activities in the financial year ending 2007. Victorian clubs are required to submit annual audited Community Benefit Statements to the Victorian Commission for Gambling Regulation, detailing their social support, sponsorships and other community donations made for the previous financial year.

The club must account for contributions of at least 8.33 per cent of net gaming revenue as community benefits, or will they be subjected to the same (higher) gaming tax rate paid by hotels.

The Victorian Commission for Gambling Regulation says it received Certified Community Benefit Statements from clubs made up as follows:

- Gifts of funds \$4,258,182
- Sponsorships \$2,283,579
- Gifts of goods to the community \$973,106
- Voluntary services provided to the community \$15,762,440
- Volunteer expenses \$511,373
- Activities subsidised \$9,519,645.

A survey of Victorian clubs conducted by ClubsVIC<sup>45</sup> indicates that:

- 50 per cent support Rotary
- 45 per cent support Lions
- 28 per cent support kindergartens
- 20 per cent support drought relief
- 19 per cent support bushfire relief
- 17 per cent support Apex
- 16 per cent support community events
- 16 per cent support flood relief
- 15 per cent support visits to clubs by nursing homes
- 11 per cent support community building projects
- 7 per cent support Meals on Wheels
- 77 per cent support other charities and activities not listed.

## **(c) Australian Capital Territory**

Clubs in the ACT are required to contribute 7 per cent of gaming revenues to the local community. In 2007/08 they provided a total of \$14.6 million in cash and in-kind support to over 1,000 groups, up 14 per cent from the previous year when they gave \$12.8 million.

This was more than double the \$7 million required under the legislation, bringing the total contribution to eligible community recipients over the last decade to over \$130 million. It

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<sup>45</sup> ClubsVIC, *Hear Our Voices: Celebrating Clubs As Communities Serving Communities*, March 2008. Copy available upon request

should also be noted that hotels and taverns in the ACT only provided roughly the same as their statutory requirement.<sup>46</sup> Likewise:

- The Ainslie Football and Social Club Group has always contributed well above the statutory requirement. In 2008 the club contributed \$2,596,510 to the community – more than three and a half times the statutory requirement of \$722,597,<sup>47</sup> and in 2007 these amounts were \$1,388,505 versus \$792,932,<sup>48</sup> representing an increase of over \$1.2 million in just one year.<sup>49</sup>
- The Canberra Southern Cross Club has committed to provide at least 20 per cent of its net profit as community assistance additional to that required by legislation. Last year the club's community contribution was almost \$1.4 million, compared to a legislative requirement of \$874,000.<sup>50 51</sup>

Clubs in the ACT estimate they will spend another \$189 million over the next three years on club facilities and sporting organisations. The majority of cash contributions from clubs in the ACT are for sport and recreation activities. Large clubs provide more support for non-profit and charitable and social welfare activities and less support for sport and recreation than medium and small clubs.<sup>52</sup>

In the past five years clubs have also agreed to pool contributions from a group of clubs, to provide significant financial support to a number of very worthy local organisations which service the Canberra community. Current examples of this include:

- the Community Partnership with The Spastic Centre of the ACT – which was renewed in October 2007 – and now involves 15 clubs – which has succeeded in having the services located in the ACT at Spence – at a cost of \$120,000 per year for the next three years;
- a partnership with Camp Quality at a cost of \$50,000 a year for two years – this initiative involves 14 clubs; and
- a number of fundraising and charity events throughout the year – including the ClubsACT Charity Golf Classic, which raises funds for a nominated charity – recent recipients have included Galilee, Ted Noffs Foundation, Koomarri, AFFIRM (mental health research), the ACT Branch of the National Breast Cancer Foundation and, most recently, 'Movember'.

The ACT Government also collects \$36 million in gaming taxes from clubs, and this money is then used to support community infrastructure, including roads, hospitals and schools.

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<sup>46</sup> ACT Gambling and Racing Commission, "Community Contributions made by Gaming Machine Licensees, 1 July 2007 to 30 June 2008," October 2008, pp. 20, 21, accessed 20 March 2009 at: <http://www.gamblingandracing.act.gov.au/Documents/Community%20Contributions%20Report%202007-08.pdf>

<sup>47</sup> ACT Gambling and Racing Commission, "Community Contributions made by Gaming Machine Licensees, 1 July 2007 to 30 June 2008," October 2008, pp. 20, 21, accessed 20 March 2009 at: <http://www.gamblingandracing.act.gov.au/Documents/Community%20Contributions%20Report%202007-08.pdf>

<sup>48</sup> ACT Gambling and Racing Commission, "Community Contributions made by Gaming Machine Licensees, 1 July 2006 to 30 June 2007," October 2007, pp. 19, 20, accessed 20 March 2009 at: <http://www.gamblingandracing.act.gov.au/Documents/CCMinisterial%20Report%202006-07.pdf>

<sup>49</sup> ClubsAustralia, Submission To The Productivity Commission Inquiry into Gambling, March 2009

<sup>50</sup> ACT Gambling and Racing Commission, "Community Contributions made by Gaming Machine Licensees, 1 July 2006 to 30 June 2007," October 2007, pp. 19, 20, accessed 20 March 2009 at: <http://www.gamblingandracing.act.gov.au/Documents/CCMinisterial%20Report%202006-07.pdf>

<sup>51</sup> ClubsAustralia, Submission To The Productivity Commission Inquiry into Gambling, March 2009

<sup>52</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory*, March 2008

As the ACT Minister for Sport said in November 2007:

*'It is important to know that the [ACT] club industry takes its responsibility very seriously. Through the provision of social facilities and community contributions, its contribution to the community is a valuable and critical part of our community infrastructure. Without the revenue from gaming machines it would not be possible for all of these community facilities to be made available. I conclude by saying that the club industry provides a valuable role and a critical role in our society by providing essential community facilities that would otherwise not exist.'*<sup>53</sup>

#### **(d) Tasmania**

Four per cent of hotel and club gaming machine revenues in Tasmania are put into a community service levy.<sup>54</sup>

### **2.3.2 Non-compulsory support**

The vast bulk of clubs' social contributions are made outside mandated programs and this reflects the long-term commitment clubs have to their communities.

For example, the comments from representatives of community service organisations below highlight how local clubs in NSW contribute in their communities both through CDSE and in other valuable ways:

*We run intellectually disabled services from Armidale in the north, to Gunnedah to Wollongong in the south and in every area we operate the club is the main area of focus point for having meetings, holding conventions, getting together. Getting our guys involved in a social fabric. Every one of those clubs welcomes our people in – meetings, dinners, other activities, which we couldn't do without the clubs – over and above that, each one of those clubs contributes through CDSE. So, although we've got some government funding that doesn't go to providing the nice things in life, in each of the houses, for instance, that comes from the local club. We've had staff come over from the local club to help with the houses, renovating, plus the CDSE grant. So there's a whole range of activity from funding support, to staff involvement. We couldn't do it without them.*<sup>55</sup>

*There is also a lot of in-kind support. They very often lend their meeting rooms out to committees as well as lots of little tiny things – borrowing their mower, assisting them with using the local minibus to go to an event. It varies – there are lots of little ways that the local club can help out.*<sup>56</sup>

Given that clubs are not required to systematically measure their social contribution outside of any mandated funding that applies (and some States and/or clubs do not qualify for such requirements – in NSW, no formal measurement is undertaken at all for the 1,000 clubs with annual gaming revenue below \$1 million), there is a need to improve our understanding of the nature of these community contributions. In this way, clubs will be able to improve the effectiveness of the cash and in-kind support they provide.

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<sup>53</sup> The Hon Andrew Barr MP, Minister for Sport, speaking in Parliament of the Australian Capital Territory, *Legislative Assembly Hansard*, November 2007

<sup>54</sup> Centre for Independent Economics, *Gambling with policy: The economic contribution of gaming machines to the Australian economy*, January 2009

<sup>55</sup> Ucomm, *Community Organisations Focus Group Report*, commissioned by ClubsNSW, July 2007, p.78

<sup>56</sup> Ucomm, *Community Organisations Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 15



It is an unfortunate aspect of public policy-making that activities that cannot be measured and are not reported upon can be ignored when the costs and benefits of policy shifts are being assessed.

#### **(a) The nature of clubs non-mandatory support**

The following list, indicates the many and varied areas in which clubs provide cash and in-kind support to the community:

##### *Health and welfare*

- Funding for hospitals;
- Funding for early childhood, palliative, women's and Aboriginal and Torres Strait Islander health services;
- Funding for community nursing;
- Community transport particularly for older residents;
- Funding, catering and use of vehicles for services such as Meals on Wheels;
- Affordable meals;
- Involvement in aged care hostels or retirement homes;
- Seniors events and hospital visitation;
- Recreational facilities such as bowling greens;
- Funding and housing of internal and external day care centres;
- Funeral services;
- Child and family services;
- Mental health services;
- Support of health promotion initiatives;
- Drug and alcohol services;
- Dental services;
- Home and community care services; and
- Disability services (including equipment such as wheelchairs).

##### *Education*

- Sponsorships and scholarships;
- Funding of specific educational purposes such as the construction of wheelchair ramps and school crossing attendants;
- Training opportunities;
- Use of facilities, catering and administrative support for training programs such as TAFE;
- Career development seminars for the young, disadvantaged or unemployed.

##### *Employment*

Funding allocated to:

- Employment placement services;
- Group training;
- Employment advocacy;
- Community enterprises; and
- Local job creation schemes.



## **Sport – Junior**

- Funding or sponsorship of activities for in-house and external sporting clubs, teams and individuals;
- Construction and maintenance of sporting fields and facilities;
- Grants to junior sporting associations and other sports clubs/groups, schools and other organisations for the supply or provision to players, referees and officials of uniforms, trophies, insurance, medical kits, administration, referees' payments, travelling and accommodation expenses;
- Junior coaching clinics;
- Educational and sporting scholarships;
- Meeting rooms and offices for junior sports administration;
- Gymnasiums and equipment including maintenance of these facilities; and
- Grounds and ground improvements including but not limited to council fees, lighting, change rooms, ground rentals and maintenance.

## **Sport – Senior (not including any expenditure on professional sport)**

- Funding or sponsorship of activities for in-house and external sporting clubs, teams and individuals; and
- Development and maintenance of sporting fields and facilities (including golf courses and bowling greens).

## **Voluntary non-profit organisations**

Funding and support of:

- Counselling services;
- Child care;
- Aged, disability or youth services; and
- Volunteer services such as surf life-saving and rural fire services.

## **Registered charities and State agencies**

- Funding for various children's charities such as Starlight Foundation and Variety Club of Australia;
- Funding for charitable and community organisations, welfare groups, churches;
- Organising and/or hosting of charitable fund raising events;
- Subsidising or providing free the use of venues and facilities, including providing the services of club staff; and
- Funding for State agencies such as the SES, hospitals, fire and ambulance services.

## **Local community infrastructure**

- Construction and maintenance of local community infrastructure (including sporting facilities);
- Providing venues and facilities for use by local residents (for weddings, functions, training events and so on) and by visitors (conference facilities), and in some instances, by State agencies;
- Providing venues and facilities at a subsidised rate or free of charge to local community groups, charitable groups and sporting groups;
- Use of Club staff for grounds and facility maintenance, in some cases, relieving councils of on-going day-to-day management and or maintenance responsibilities;

- Direct contributions to the work of Local Government by providing facilities, financial contributions, planning involvement, catering and/or staff for local Government initiatives;
- Enhancement of services and facilities provided by Local Government;
- Provision and maintenance of gardens and urban landscape upgrading;
- Sponsorship of local festivals and community events; and
- Environmental initiatives.

## Emergency relief

- Providing emergency accommodation and shelters during natural disasters, most recently during flooding in the Hunter Valley;
- Providing resources to support community recovery in times of crisis by way of material aid to victims and support workers;
- Financial support for families who have lost their homes to fire or as a result of other disaster, or for other individuals in need of assistance.
- Australian clubs collectively donated \$3.3 million to the Red Cross Victorian Bushfire Appeal; \$3.2 million to South East Asian Tsunami relief efforts; and \$700,000 to victims of Cyclone Larry in Northern Queensland.

The role clubs play in emergency relief and the contributions they make to volunteer rescue is clear from the focus group quote below:

*From a rescue point of view, clubs gives us equipment: fire equipment, rescue equipment ... From a small kit to large items of equipment, we're talking thousands of dollars worth of the 'jaws of life'. The other thing they do is provide a venue for training and meetings and the clubs locally. You might say you would get another venue somehow but there's a whole range of other resources there. They also allow fundraising within the club environment ... the club is an evacuation point as well. They've got catering, comfortable dry warm environment, bathrooms, plenty of them. So they've got catering facilities to feed evacuees or we can cater from the club, give it to vehicles or choppers and get it out to operatives or other evacuees.<sup>57</sup>*

The list above is not exhaustive. However, it illustrates the way clubs direct their physical support. The list provides clubs with guidance on the activities that are most easily identified and quantified. It does not ask clubs to analyse, for instance, the valuable contributions made by volunteers, nor the intangible benefits of socialisation at the club.

However, it is unlikely that clubs, individually, and without a significant commitment of resources, would be able to accurately quantify the value of this type of social contribution.

## (b) New South Wales

Using an expenditure approach, the 2007 Socio-Economic Impact Study indicates that the total dollar contribution by clubs in NSW to community causes is around \$1.1 billion per year.

This includes the Club Movement's contribution through cash and in-kind support, volunteer opportunities and investment in sporting and non-sporting facilities. This estimate is likely to be a 'lower bound' as it does not take into account other services that are provided at subsidised rates (such as discounted meals relative to that offered by pubs and restaurants).

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<sup>57</sup> Ucomm, *Community Organisations Focus Group Report*, commissioned by ClubsNSW, July 2007, p.7

This approach also does not take into account other indirect benefits from club community services, such as enhancing social capital and 'healthy communities' by encouraging people to participate in sport and volunteer activities. For example, the expenditure estimate does not take into account the benefit to the community associated with registered clubs providing meeting places for the elderly — both a social outlet and as a place for support.

### **(c) Australian Capital Territory**

As noted above, ACT clubs are required by law to donate 7 per cent of their net gaming revenue to eligible recipients. However, over the past 11 years the average annual contribution has been about 13.5 per cent of net revenues – nearly double the required amount, totalling approximately \$140 million.

This still understates the level and breadth of support that clubs provide to the Canberra community, with undeclared contributions often including the use of meeting rooms for a diverse range of social groups, the provision of office space, and the supply of equipment to groups including charities, schools, aged care, art and craft groups, and regional and ethnic community services groups.

### **(d) Victoria**

In addition to providing support for external organisations and activities, clubs provide facilities and surroundings that enable members (and non-members) to socialise and feel 'connected'. Many Victorian clubs also offer financial and wellbeing support to members in times of need:

- 47 per cent support members who are, or have recently become disabled
- 47 per cent support members who are recently bereaved
- 44 per cent support members who are seriously ill
- 35 per cent support promising school students who need financial help
- 32 per cent support club members who have fallen on hard financial times.<sup>58</sup>

ClubsVIC Executive Director Margaret Kearney's evidence to a parliamentary committee illustrates how clubs have been established by local communities specifically as fund-raising instruments, as does the following case study of Buckley's Entertainment Centre in Geelong:

*There is the model like Horsham [Sports & Community Club] that was purpose-built for the community. We have a few of these now. In Horsham the local businessmen decided "If we are going to have gaming here, we should have the ability to have as many people as possible partake in the benefits of the gaming".*

*They set up a purpose-built hospitality facility with gaming. The job is to raise money – literally that is its job. It raises money and at the end of every year it declares its dividend, if you like – the surplus. In the whole Horsham area community organisations tender for some of that money. There is a foundation of local business people and community people and mums and dads who decide who will get it each year. They distribute their entire surplus. The club is a purpose-built facility for raising money for the community.<sup>59</sup>*

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<sup>58</sup> Percentages calculated on data obtained from 88 ClubsVIC member clubs

<sup>59</sup> Kearney, Margaret (ClubsVic Executive Director), Evidence to the Victorian Parliament's Legislative Council Select Committee on Gaming Licensing, 11 December 2007

## **Case study: Buckley's Entertainment Centre**

Buckley's Entertainment Centre in Geelong was purpose-built as a fundraising facility, established by around 27 other clubs. The venue was established for the purpose of promoting football, and raising funds for the participating clubs' operations.

Buckley's is well known for the support and sponsorship the club provides throughout the Geelong and Bellarine regions. For some years, Buckley's has been a major sponsor of Relay for Life, a community-based 24-hour walkathon, raising funds for cancer research. This giving back also includes social opportunities for older citizens, support for local kindergartens and schools, and as the children grow up, providing hospitality jobs to help them with their education.

The club is run as a community benefit, unlike a hotel. It exists to serve the community, unlike pubs that provide sponsorships but focus on the profit to be gained from making the deal.

Buckley's sponsors the three local football leagues – Geelong Football League, Bellarine Football League and Geelong and District Football League – and distributes money each year to the local football clubs in the Geelong and Bellarine area. Twelve clubs own the facilities but 38 benefit from their connection with Buckley's. Football clubs use Buckley's as a fundraising hub for their activities. But Buckley's is not just a footy club – it's also one of the biggest sponsors of cricket in Geelong, and the board is widening its focus.

Aside from supporting sport, the club regularly hosts groups of hundreds of nursing home residents and bingo players.

Board members and other volunteers are keen to help, particularly when they see that it is not run like an 'old boys' club'. They are not looking for recognition but they do enjoy a sense of achievement as the club and its activities expand. The more amenities Buckley's offers, the more new members it attracts.

With over 16,000 members who help create the club's home away from home atmosphere, the focus is on providing a variety of entertainment and activities. Members enjoy promotions that provide cars, boats and white goods. But the bottom line is the club's family and community values and its safe environment for families, elderly citizen groups and schools needing to stage activities and events.

In 2007, Buckley's put more than \$140,000 into local football and over \$20,000 into local community needs through sponsorship.<sup>60</sup>

### **(e) South Australia**

ClubsSA estimates the value of club donations, community contributions (cash and in-kind) and sponsorships at \$17 million per annum.<sup>61</sup>

### **(f) Queensland**

A recent study of Queensland clubs indicates that clubs in that State provide community contributions valued at \$245 million annually, which is over and above the facilities they provide and maintain in their local communities.<sup>62</sup>

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<sup>60</sup> ClubsVIC, *Hear Our Voices: Celebrating Clubs As Communities Serving Communities*, March 2008

<sup>61</sup> Unpublished data provided by Clubs SA

<sup>62</sup> ClubsQueensland, *Social and Economic Impact Study of Community Clubs in Queensland – 2009 Report*

## 2.4 SPORTING INFRASTRUCTURE AND SUPPORT

One of the major areas in which clubs contribute to both social infrastructure and the broader economy is through their support of sport – be it junior, amateur or professional.

The provision of affordable and accessible facilities is at the core of club operation, and the financial and organisational structure supports this. Although members pay for the use of these types of sporting facilities, the charges are mostly below the full cost of provision. The difference, however, is made up from income earned from other parts of clubs' operations. In aggregate terms across clubs, the total charge for providing these facilities does not cover the costs of provision.

Although cash outflows on non-professional sport are greater than the related inflows, clubs accept that the provision of sporting services and facilities to the community provides a valuable social contribution to the health and well-being of the community and is fundamental to their core purpose.

### (a) Community benefits

Non-professional sport plays a vital role in the community by providing a means for individuals to become more physically active, and to establish social networks within their community. The benefits of participation in sport are diverse and include those relating directly to the participant, as well as to the broader community, including:

- Physical and psychological benefits for individuals by improving their health status through exercise and increased social interaction;
- Community benefits from reduced healthcare costs due to the improved health status of participants; and
- Enhancement of community identity and promotion of community integration along socio-economic and ethnic lines.

### (b) Deterrence of antisocial behaviour

Participation in non-professional sport can also have a deterrent effect on antisocial behaviour. Young people involved in organised team sports have substantially higher levels of self-esteem than their peers that don't participate, with a higher likelihood of behaving better in and outside of school. The range of benefits that sport and other physical activities can have in preventing or reducing crime and other antisocial behaviours among young people are widely documented.<sup>63</sup> This reduction in antisocial behaviour brings many benefits to the community, such as reduced vandalism and associated costs and lower truancy rates.

For example, The Hellenic Club in the ACT provides funding and in-kind support for Barnardos Australia's Kids + Sport Program, a locally designed program that focuses on using sport mentoring as a way to build relationships between disadvantaged children, young people, their families and the community and provide them with not only a wonderful physical and social outlet but also strong leadership and direction in their lives.

### (c) Benefits for indirect participants

Even being a sports spectator is increasingly being acknowledged as a major contributor to social capital. As Robert Putnam observes:

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<sup>63</sup> Morris, L, J Sallybanks and K Willis, "Sport, Physical Activity and Antisocial Behaviour in Youth", *Research and Public Policy Series*, Issue 49, Australian Institute of Criminology, Canberra, 2003

*This increase in sports spectatorship is not a dead loss from the point of view of social capital. Sitting with friends in the bleachers for a Friday night high school football game might be just as productive of community as sitting across a poker table. Moreover, at least for the fans of winning teams, the sense of shared enthusiasm of a common passion can generate a certain sense of community. As long-suffering Red Sox fans know, even shared adversity can build community.*<sup>64</sup>

#### **(d) Social contributions from support for professional sport**

Based upon Putnam's research of indirect participation, Government should look favourably at the role clubs play in funding professional sport. In 2007 club expenditure on professional sport was more than \$28 million per annum in NSW alone.<sup>65</sup> Quite simply, without the clubs' investments, communities would be deprived of the enjoyment and camaraderie they derive from many professional sports, especially from Rugby League and Australian Rules Football.

Evidence of the impact of these contributions was offered during the Ucomm Managers Focus Groups:

*A guy told me in Campbelltown on one occasion that there are two things that give Campbelltown its own identity. One of them is the local radio station and the other one is the Wests Tigers. We support Wests Tigers. We've got a financial obligation to them, funds their games out at Campbelltown and that's not even seen as a community contribution. You ask anybody in Campbelltown the importance of football or the importance of having local NRL games, they'll say it's substantial and yet it's not recognised.*<sup>66</sup>

Likewise, in 1997 Ainslie Football and Social Club constructed a world-class sports ground at a cost of \$3.5 million, primarily for Australian Football; however, the Brazilian Soccer team used the oval as a training facility during the 2000 Sydney Olympics. The Club has also provided scholarships and financial support for a number of developing elite athletes including, Olympic representative, two-time Commonwealth Games hammer throw champion and 2001 World Athletics Championships team captain Stuart Rendell, and Matildas Captain Sasha Wainwright. Their support has added to Australia's status as a sporting leader worldwide.<sup>67</sup>

#### **(e) Role of tax incentives in promoting investment in sport**

Government does (and should) play a proactive role in supporting and encouraging this investment in sport. The positive response of clubs to Commonwealth tax incentives illustrates the significant role governments can play in encouraging sport through clubs and the willingness of clubs to play their part.

The *Income Tax Assessment Act 1997* exempts a club from income tax if its primary purpose is the encouragement of sport.<sup>68</sup>

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<sup>64</sup> Putnam, Robert, "Bowling Alone: America's Declining Social Capital", *Journal of Democracy*, Volume 6, Issue 1, January 1995, p.113

<sup>65</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs in New South Wales (2007)*, February 2008, p. 48

<sup>66</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 8

<sup>67</sup> ClubsAustralia, Submission To *Productivity Commission Gambling Inquiry*, "Ainslie Football and Social Club", March 2009

<sup>68</sup> The sporting club exemption had its genesis in the wartime Entertainment Tax Act of 1942. That Act was amended in 1949 to provide a concessional rate of entertainment tax where the entertainment consisted solely of



As a result of a 1952 Report by the Commonwealth Committee on Taxation, sub-paragraph 23(g)(iii) was inserted into the *Income Tax Assessment Act 1936*. This sub-paragraph provided for the exemption from tax of the income of an association or club which was established for the encouragement or promotion of an athletic game or athletic sport in which human beings were the sole participants.

With the 'simplification' of tax laws in 1997 the exempting provision took its current shape as Item 9.1(c) of section 50-45 of the *Income Tax Assessment Act 1997*. The word 'promotion' was removed and now the requirement is that the organisation be a club, society or association established for the *encouragement* of a game or sport and carried on for the profit or gain of its individual members in Australia (pursuant to section 50-70).

The legislative history indicates that the exemption has been broadened over six decades, along with the community's interests in sport.

The current law demands that clubs satisfy the following three tests:

- The club cannot be carried on for the purpose of profit or gain to its individual members;
- The club must be carried on for the encouragement of a game or sport. That encouragement must be the club's main purpose; and
- The club must have a physical presence in Australia and pursue its objectives principally in Australia or is located outside Australia and is exempt from income tax in its country of residence.

The incentive provided through the federal tax arrangement has overwhelmingly achieved its goal of building and maintaining sporting infrastructure and encouraging community participation.

In the opinion of ClubsAustralia, this has contributed significantly to the success Australia has enjoyed worldwide in sporting competitions and should be maintained.

#### **(f) NSW clubs' support for sport**

According to The Allen Consulting Group, 94 per cent of clubs in NSW provide sporting facilities, including 1,547 bowling greens, 81 gymnasiums, and 366 golf courses. Many squash courts, swimming pools, tennis courts, billiard tables, carpet bowls, darts and table tennis tables are provided by clubs. The breadth of the sporting facilities provided and maintained by the club industry is outlined in the figure below.

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a game or sport where humans were the sole participants and the entertainment was promoted by a society, institution or committee not established or carried on for a profit.



**Figure 2.41: Type and number of sporting facilities provided by clubs, by club size, by gaming machine revenue**

CLUB SIZE (by gaming machine revenue \$)	0 – 200K	>200K – 1M	>1M – 5M	>5M – 10M	>10M	TOTAL CLUBS
Bowling greens	346	525	476	113	87	<b>1547</b>
Gyms	9	0	10	19	42	<b>81</b>
Fields	47	11	48	10	46	<b>163</b>
Golf courses	175	128	40	17	5	<b>366</b>
Swimming pools	0	11	5	19	31	<b>66</b>
Tennis courts	137	110	144	66	71	<b>528</b>
Squash courts	28	68	48	17	20	<b>182</b>
Billiard tables	185	185	334	152	278	<b>1134</b>
Carpet bowls	147	166	382	126	163	<b>985</b>
Boat/ski facilities	47	15	104	5	8	<b>180</b>
Darts	5	49	185	56	83	<b>377</b>
Other	62	132	316	64	58	<b>632</b>
<b>Total</b>	<b>1189</b>	<b>1402</b>	<b>2093</b>	<b>663</b>	<b>893</b>	<b>6240</b>

Source: The Allen Consulting Group, Socio-Economic Impact Study of Clubs in NSW (2007), p. 45.

The following quote from the Ucomm Managers' Focus Group demonstrates the important role just one registered club plays in providing, maintaining and investing in sporting facilities for the NSW community:

*Now our club sits on 31 acres and it's our responsibility to look after our 31 acres, but on that 31 acre site you've six soccer fields, a rugby league field, five tennis courts, three squash courts, eight netball courts. We've got every high school in the area utilising those facilities on a daily basis at no charge. We're running at least 14 teams from the age of 12 right through. We're the leaders in women's soccer. We've produced 21 Australian Socceroo players that have come through the Club ... We have to maintain that ground, which costs us \$2.5 million dollars a year.<sup>69</sup>*

### Case study: Support for sport

In 2003 Mingara Recreation Club, situated on the NSW Central Coast, assumed direct management of its world-class athletics centre. This expanded Mingara's ability to meet its community's needs, including the needs of those with aspirations but lacking in resources such as disabled athletes. Since it opened in 2000, the athletics centre has been the venue for regional primary and secondary school athletics carnivals. Usage has increased from approximately 35 to 65 carnival days annually. Without this facility and contribution, the bulk of the schools involved would not be able to offer their students the experience of a well-run

<sup>69</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 11

carnival. These 65 carnival days per year result in many thousands of young people and their families enjoying the benefits of a well-managed and community-based facility.

In addition to various programs, the club's facilities themselves are of great benefit to schools. Over the past three years, some 250,000 school students have used Mingara's facilities, ranging from carnivals at the aquatic and athletics facilities to speech nights, formals and various cultural events in the club's function facilities.

Outside the normal domain of high school sporting carnivals, Mingara donated \$10,000 to the local surf life saving organisation to arrange a surf carnival in which 15 Central Coast high schools took part. Importantly the challenge was not aimed at elite participants but successfully aimed at the 'casual' surf swimmer. The club saw the carnival as an opportunity to encourage the young participants to join a local surf life saving club and show how sport can be used to encourage participation in the community.

Mingara has developed a strong relationship with NSW Institute of Sport (NSWIS) since 2003 under NSWIS's Emerging Athlete Program. From 2003 to 2006 this program has allowed 12 local NSWIS athletes to train at the pool, gym and athletics centre at no cost to them. The annual cost to Mingara is \$7,000. In 2006, another three-year sponsorship agreement was signed between Mingara and NSWIS allowing 20 athletes to train at Mingara facilities, again, at no cost to them. The annual cost to Mingara is almost \$10,000.

Mingara provides scholarships and financial support for a number of developing adolescent athletes which fits in well with its involvement in the NSWIS regional program. This assistance allows athletes the opportunity to strive for success, while minimising the financial burden on their families and makes the Central Coast Academy of Sport a stepping stone to the NSWIS program.

Mingara makes a \$3,500 annual contribution to the Tuggerah Lakes College Athletics program, which commenced in 2006. It covers the cost of coaches and facilities and involves 20 students from three college campuses.

Mingara has also supported professional sport through the Central Coast Mariners, who are integral members of Australia's national A-League Football (soccer) competition. The Mingara management team played an important role in assisting in the development of the Mariners, supplying management expertise and financial support. Additionally, Mingara provides training and conditioning facilities for the Mariners. Importantly Mingara continues to encourage Mariners' players to retain their community links, supporting and assisting young players on elite and non-elite levels.

Mingara also runs various sporting and social programs under the banner of 'Life without Barriers' for those dealing with physical and intellectual disabilities. The club is largely credited with the Central Coast's sports participation rate for disabled people being 40 per cent higher than the State average.

Mingara supports sport at all levels in its community, from financially supporting amateur and professional athletes and providing facilities for high school sporting carnivals to getting disabled people active.<sup>70</sup>

*Regional areas show greater dependence on club support for sport*

On a regional basis, 97 per cent of non-Sydney clubs provide their members with sporting facilities, as compared with 89 per cent of Sydney clubs. This difference highlights the

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<sup>70</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

importance of clubs in non-metropolitan regions in providing the community with sporting facilities.<sup>71</sup>

There is significant provision of sporting facilities across all clubs, regardless of size. The type of facilities provided, however, is heavily influenced by the correlation between the type and size of clubs. The provision of bowling greens is most common among smaller clubs, which tend to be the smallest clubs in terms of gaming revenues. Leagues and football clubs tend to earn high gaming revenues and provide various types of sporting fields.

#### **(g) ACT clubs' support for sport**

ACT clubs provide a wide range of sporting venues and make significant contributions to major sporting teams and to a large number of sporting organisations. The vast majority of clubs in the Territory are sporting clubs, with a specific charter to encourage and support sport in the community.

As is the cases across Australia, clubs do not only provide cash and in-kind support to amateur sporting groups, but also the benefit of professional advice. For example, Ainslie Football and Social Club has provided management expertise to assist in the development and consolidation of a number of local sporting bodies, including the development of Softball Canberra to become one of Australia's strongest competitions, and the relocation of North Canberra Gungahlin Cricket Club.

In 2006/07 the ACT Club Movement's support for sport was valued at \$9.3 million. In addition, the ACT Academy of Sport is a major beneficiary of club support through the 1 per cent sports levy – which is now embedded in gaming tax.

The industry, through ClubsACT, has also been the major sponsor of ACTSPORT's Sportstar of the Year Awards for the past decade.

Sport is very much a bona fide community contribution and is treated as such by the ACT Government's Community Contribution Guidelines, which were confirmed by the *Gaming Machine Act 2004*. Sport and recreation are generally regarded as investments in social capital and act as preventative measures which over the medium and longer term reduce the need and demand for social welfare funding by governments and the community.

Sporting and community facilities like ovals, stadiums and bowling greens are primarily provided by clubs in the knowledge that the costs will not be recovered and, at best, there will be a low return on investment. Private investors, for example, would balk at investing in these types of infrastructure, but clubs do not because they have an obligation to their members and in turn the wider community.

#### **Case study: Vikings Club, ACT**

The ACT's Vikings Group of clubs is committed to the promotion of sport in the Tuggeranong Valley, boasting 55 affiliated sporting clubs and 602 affiliated teams with 5,912 junior athletes and 3,631 senior athletes. In addition to this, the club supports over 1,400 more athletes through major sporting grants to amateur sport. Major outcomes of recent sponsorship include:

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<sup>71</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs in New South Wales (2004)*, April 2004, p. 49

- \$588,000 to Tuggeranong Valley Rugby Union Club , allowing over 511 players to participate
- \$100,000 to ACT Rugby Union
- \$126,100 to Affiliate Club Grant Scheme for junior and senior athletes to compete in local competitions
- \$40,000 to Primary Schools Rugby Union Program, supporting 500 local children
- \$35,000 to High School/College Rugby Union Program, supporting over 150 students
- \$78,400 to Affiliate Clubs (in-kind assistance to enable athlete participation in meets).

In addition to cash grants, Vikings also provides extensive sports infrastructure, including the \$6 million multisports facility Viking Park, Vikings Capital Golf Course, Vikings Health & Fitness Centre, bowling greens, tennis courts and ovals. Highlights from 2007 are:

- \$433,000 direct funding for Viking Park, used by local sporting teams for Rugby Union and baseball matches as well as hosting the Australian Schoolboys Rugby Championships and the Australia vs Samoa Rugby Union Schoolboys Test Match. The Brumbies also hosted training sessions at Viking Park and hosted a professional Japanese Rugby team for a two week training camp.
- \$433,500 direct funding for Vikings Capital Golf Club Course, Canberra's cheapest public to join and play, also offering free monthly coaching clinics for junior golfers.
- \$432,000 for three international standard championship-sized bowling greens.
- \$47,000 direct funding for oval maintenance of government-owned fields.<sup>72</sup>

#### **(h) Queensland clubs' support for sport**

##### **Case Study: Redlands Sporting Club, Queensland**

Redlands Sporting club was established in October 1980 with a social and bocce committee formed a few months later to hail the real beginning of the Club. Multi-sport club membership in 2008 numbered nearly 22,000 full members - with more females than male members.

The Club is associated with swimming, social golf, equestrian, bocce, bowls, cricket, fishing, karate, and netball. Associations also include darts and cheese clubs. The Club maintains leased land from the local council, three ovals with turf wickets, a cricketers' clubhouse, grandstand, dressing rooms for home and visitor teams, equipment building, two lawn bowls greens with a total of 16 rinks, a bowlers' lounge, office and equipment shed, eight indoor bocce courts and netball courts.

The club also fosters junior development in karate, cricket and bocce. Active hours from juniors, seniors and master grade cricket, bowls, bocce, karate for both seniors and juniors and other sports total close to 190,000. The majority of participants are female and under 18 years of age.

Redlands employs 72 employees and 29 contractors. Wages expense totals over \$2.2 million. Volunteer hours by the board and sub committees total 1,300 per annum. Remainder volunteer hours are provided for general administration, sports coaching, sports administration and maintenance, managers, and canteen<sup>73</sup>.

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<sup>72</sup> ClubsAustralia, Submission To The *Productivity Commission Inquiry into Gambling*, March 2009

<sup>73</sup> Clubs Queensland, *The Social and Economic Profile of Community Clubs in Queensland*, May 2009

Redlands contributed over \$630,000 worth of sporting and community contributions in cash and in-kind donations were delivered by the Club in the 2008 financial year with an extensive list of recipients.

### **Case Study: Easts Leagues Club, Queensland**

Incorporated in 1974, Easts Leagues Club (Easts), has widely been regarded as a foundation licensed venue in Brisbane. The Club's objectives include fostering rugby league as well as providing a sporting club for its members.

Easts was one of the first clubs to introduce gaming machines in Queensland and since commencement of gaming machine trading in 1992 has invested more than \$3.5 million into the support of its football operations and sporting facilities.

The cornerstone of Easts' broader community engagement and commitment stems from the Easts Leagues Foundation Community Benefit Fund. The fund was established in May 2007 with its primary goal to provide support for charitable organisations within the local community area, particularly those with limited resources.

Established in perpetuity, the fund is expected to become a significant source of philanthropic funds for the Eastern suburbs community in the years ahead. The Trust Fund provided almost \$300,000 in cash benefits to local community groups in the year preceding this report. The Fund targets three broad areas for support - childhood wellbeing, the environment, and community services. The Club's total sporting and community contributions for 2008 were over \$1 million, with over 85% as cash contributions. Over 65% of its total contributions are applied to the affiliated sporting groups<sup>74</sup>.

## **2.5 AGEING POPULATION**

Clubs play a vital role in the lives of older Australians, providing access to facilities and services, and a social network that maintains or even improves the quality of life for many in their later years. The extent of the challenge presented by the ageing of the population is reflected by the Australian Government's Intergenerational Report, which found that the proportion of people aged over 55 is steadily rising.

There are currently just over four million Australians aged 55-plus (or about 21 per cent of the population). This is projected to increase to more than double to around 9.2 million – or around 36 per cent of the total population – by 2042.<sup>75</sup>

And approximately 13 per cent of the population – some 2.8 million people – is aged 65 years or older. This is expected to rise to 18 per cent by 2021 and to 26 per cent (around 7 million people) in 2051.<sup>76</sup>

With more leisure time available, this burgeoning demographic group can be expected to increasingly turn to their local club for activities. Clubs play an important role in the lives of older Australians. In NSW, for example, more than half of those aged 60 or older visit a club

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<sup>74</sup> Clubs Queensland, *The Social and Economic Profile of Community Clubs in Queensland*, May 2009

<sup>75</sup> Commonwealth of Australia, *Intergenerational Report*, Budget Paper 5, May 2002

<sup>76</sup> Commonwealth Minister for Ageing, Media release "Australian Government's Positive and Active Ageing Plan", 23 June 2008, accessed at <http://www.health.gov.au/Internet/ministers/publishing.nsf/Content/mr-yr08-je-je099.htm>

at least once a week.<sup>77</sup> For this group, a club environment is safer and offers a sense of 'community', with recreational opportunities geared to their stage of life.

### **Case study: The Richmond Club**

The Richmond Club is cognisant of meeting the needs of ageing members in its community. Therefore it has tailored many of the services and functions of club to meet these needs. Apart from operating an aged care facility, which is discussed in detail in Chapter 5, the club provides a crucial community service simply by providing a meeting place for seniors. For example, each day approximately 130 older members participate in bingo, an activity from which the club does not profit, but from which seniors enjoy the fun and company.

The club's gym (Active8) program is deliberately tailored to promote the participation and health of older members. The 'Living Longer, Living Stronger' program is a strength training program specifically for the over 50s. This program is endorsed by the Council on the Ageing. The gym has reached near full capacity, with over 1,000 members.

The club also runs a program that supports grandparents who have responsibility for minding their grandchildren. This program was developed in response to findings that a significant number of older residents in the local community were spending at least one day per week minding grandchildren. Parts of the club were made child-friendly and children's activities are run on certain days. Kids' meals are offered free.<sup>78</sup>

#### **(a) Club-going is linked to positive health outcomes**

The Adelaide Health Development and Social Capital Project found that:

*... social participation has a strong link with health and that becoming involved in the social life of the local community, therefore, does improve health and it appears to act as a buffer to poorer health as age increases and socio-economic status declines.*<sup>79</sup>

Their analysis also demonstrates that social participation declines with age or economic means, emphasising the crucial role of clubs where membership is biased towards older people and lower income workers. This has important implications for public policy-makers, particularly in relation to an ageing population and economically disadvantaged areas where levels of social capital may be low and/or declining. The Adelaide researchers conclude:

*... the challenge is to build the social capital of communities in a way that encourages the social participation of men and women as they get older, and of people in lower socio-economic groups.*<sup>80</sup>

This thesis is supported by recent research conducted by Simpson-Young<sup>81</sup> on the use of registered clubs by the elderly and the associated health and social benefits. The research

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<sup>77</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs In New South Wales (2007)*, February 2008

<sup>78</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>79</sup> Baum, Fran, Catherine Parker, Carolyn Modra, Charlie Murray and Robert Bush, "Chapter 10: Families, social capital and health" in Ian Winter, *Social Capital and Public Policy in Australia*, 2000, p.257

<sup>80</sup> Baum, Fran, Catherine Parker, Carolyn Modra, Charlie Murray and Robert Bush, "Chapter 10: Families, social capital and health" in Ian Winter, *Social Capital and Public Policy in Australia*, 2000, p.257

<sup>81</sup> Simpson-Young, Virginia, "Club-going as a strategy for managing change and maintaining social connectedness in later life: an ethnographic account of the day-to-day life of the older club-goer", in C Shanley



found that registered club use enables the elderly to manage the impact of late life transitions on well-being by facilitating social participation, reducing social isolation and enabling access to resources to improve the quality of daily living.

Put simply, elderly club-goers are able to forge and maintain relationships with others among their age group who share common experiences with, for example, bereavement and relocation. Club-goers, in particular elderly women, feel safe in the club environment and can access a nutritious meal and gain enjoyment out of club activities such as bingo, bridge or carpet bowls.

## **(b) Independence for the elderly**

Simpson-Young discusses how the elderly gain 'symbolic independence' from club participation and how such participation structures their daily and weekly routines and provides a safe and financially accessible venue to frequent outside their home:

*Club-going can continue when many other activities outside the home are no longer possible. In this context, being finally unable to attend the club would constitute a major blow to their view of themselves as an independent person. This may explain why some club-goers could not envisage their future without club involvement, as well as the observation that extensive efforts were made to overcome obstacles posed by ill-health to continue to attend the club.<sup>82</sup>*

This is reflected in the example of Clayton Bowls Club, which was the 2007 Bowls Club of the Year winner at the ClubsVIC Achievement Awards. The Club helps improve the health and well-being of members by providing social and intellectual stimulation, adding an extra purpose to daily living and providing the retired with an interest outside the family. The club has many examples of how members are benefiting from club life and how the club itself benefits, including an 89-year-old member who attends every Monday to help maintain gardens and flower boxes. Spouses and families say that club life has provided retirees with opportunities to use their intellectual and physical skills. The Club can harvest these skills and a lifetime's experience for sub-committee work or for one-off tasks such as reviewing the constitution or by-laws.<sup>83</sup>

Similarly, the ACT's Ainslie Football and Social Club has for many years hosted, free of charge, the ACT Government Chief Minister's breakfast for the Council for the Ageing. The Club also provides annual Christmas luncheons for the elderly residents of the nearby Goodwin Homes, hosted by the directors and management, who provide the table service with food and beverage at no charge.<sup>84</sup>

A club manager made the following comments in a Ucomm Focus Group that also supports Simpson-Young's position:

*I had a little old lady, when we were talking about the pokie tax, come in and say, "Please don't cut out that free bus because I come here three days a week. That's my three days I go out and I go shopping too in between times." So she takes her*

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and T Roberts (Eds), *Proceedings of the 5th National Conference of Emerging Researchers in Aging: Research Informing Positive Outcomes in Older Persons*, University of Sydney, 21st November 2006

<sup>82</sup> Simpson-Young, Virginia, "Club-going as a strategy for managing change and maintaining social connectedness in later life: an ethnographic account of the day-to-day life of the older club-goer", in C Shanley and T Roberts (Eds), *Proceedings of the 5th National Conference of Emerging Researchers in Aging: Research Informing Positive Outcomes in Older Persons*, University of Sydney, 21st November 2006, p. 181

<sup>83</sup> ClubsVIC, *Hear Our Voices: Celebrating Clubs As Communities Serving Communities*, March 2008

<sup>84</sup> ClubsAustralia, *Submission To Productivity Commission Inquiry Into Gambling*, March 2009



*shopping home on our free bus, but that gets her out of her four walls ... So how do you measure the health and the well-being of your community? And council said to us as well if the club stops giving your meeting room, they can't build more venues. They can't build more. How do you then measure that in dollar value?*<sup>85</sup>

### **Case study: Subsidised meals, Maroubra Seals, NSW**

According to a UMR case study, the Maroubra Seals Board and Management has seen its role as providing a leisure, support and quasi 'welfare' facility for those on pensions, low incomes and facing social challenges in the area.

In 2003, Maroubra Seals prepared and supplied an average 2,700 subsidised meals per week to its disadvantaged members and patrons. In 2009 this has risen to 3,300 meals a week, costing some \$286,000 per annum.

A significant portion of these meals are provided to various disability groups. In liaison with Randwick Council and agencies like 'Sunny Homes', Maroubra Seals has increased its commitment to providing subsidised meals and meeting facilities to various disability groups. Over the past three years, Maroubra Seals has served over 300 (\$4) subsidised meals per week to such recipients.

Other support programs funded by the Maroubra Seals are the School Breakfast Program at South Sydney High School (\$35,000 per year over the last four years) and the breakfast program at La Perouse Primary School (\$6,000 per year over the past four years). Maroubra Seals management noted that during January and February 2009, the number of subsidised meals has begun to steadily increase. Members will often bring along their families to take advantage of low-cost meals during increasingly difficult economic times.

Removing just this one service from the clubs program would place a big strain on State and local government welfare agencies.<sup>86</sup>

### **(c) Reduced pressure on public healthcare services**

In support of Simpson-Young's concept of 'symbolic independence,' there is strong anecdotal evidence that, for example, an elderly person living alone, but with access to a network of individuals of similar age and a common interest, is less likely to seek medical treatment for depression. It is this observation that leads Simpson-Young to conclude:

*Given the large number of older people who attend registered clubs, and clubs' contribution – identified in this research – to social connectedness and the management of day-to-day life, the time has come for researchers, policy-makers and practitioners working with older people to take registered clubs seriously. In being aware of the effectiveness of club-going in dealing with some of the transitions of later life, practitioners can consider the local club as a referral option for older clients at risk of social isolation.*<sup>87</sup>

This is reinforced by comments made during the Ucomm Managers Focus Groups:

*We've then got the 70 plus – and we're talking about a third of our membership – that are coming to our club ... they say that it's their second home. Half of them were married there and they've had their children ... and their grandchildren christened there*

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<sup>85</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 9

<sup>86</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>87</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p.9

*and the Holy Communion and everything that goes on in their life. The actual club industry itself has become the heart of the community and if they weren't sitting in our venues, not spending any money, because they don't from the age 70 ... they would be sitting in a doctor's surgery and wanting to talk to doctors for 45 minutes.*

*... We actually help the infrastructure of the whole government with what we provide from that aspect. You can have a person sitting at a poker machine and people might turn around and say, well, we're only interested in that dollar ... but it's their club and it's their community and if she's telling my staff that she's going away for a week, she's doing that for a reason. She's doing that because she wants someone to know that if she's not here for a week there's a reason why she's not here and if... she hasn't been in our club for a week she expects one of my staff to notify us so that we can check to make sure she's still alive at home, and you can't put a price on that, and the government needs to have a clear understanding, and so even the economics of that, they have got no understanding of that.<sup>88</sup>*

*We offer free hearing tests, every week to non-English-speaking people and we have translators. If the government had to pay for that, how much would it cost them to have four different people that can speak – like most of my staff can speak five languages, most of my staff, so we're able to communicate with these people. Now if they went and got a hearing test in Macquarie Street, they would have to then go and find somebody that can speak their language to be able to communicate with them and we're providing that on a weekly basis.<sup>89</sup>*

## **2.6 SUPPORT FOR PEOPLE WITH DISABILITIES**

Due to their community-oriented nature, clubs also play an important role in supporting people with disabilities. They provide employment and training opportunities, offer facilities that are both physically and financially accessible, and provide a warm, inclusive environment in which to socialise. Because of their not-for-profit nature they are more prepared than other venues to host events for people with disabilities which may run at a loss due to increased running costs and/or the patrons' limited capacity to pay.

For example, The Richmond Club in the Hawkesbury region of Sydney hosts an annual Disability Expo to inform the community about the resources available to assist its members with disabilities. It also runs two gym classes per week specifically for members with disabilities.<sup>90</sup>

Likewise, the Hellenic Club's support for Koomarri – Canberra's leading service provider of support and employment services for people with moderate to severe disabilities and their families – includes a sponsorship providing \$200,000 from 1 July 2005 for five years, to help fund their construction of new premises. The Club has been actively involved in the redevelopment planning, and also provides volunteer assistance for functions such as Koomarri's annual Christmas Party. Finally, the Club also provides important mainstream employment opportunities to Koomarri's disabled clients, hiring the Koomarri garden keeping team to maintain the Club's landscaping.<sup>91</sup>

During a community focus group conducted by Ucomm, the following comments were made in regard to clubs' support for the disabled:

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<sup>88</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p.10

<sup>89</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, pp.10-11

<sup>90</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

<sup>91</sup> ClubsAustralia, Submission To The *Productivity Commission Inquiry into Gambling*, March 2009

*I would say on behalf of the people we look after and support, their level of socialising and general exposure to community activities would almost disappear in a social sense if not for the clubs. It is very difficult for our guys to integrate into the social sphere of the community unless they are supported by clubs, whereas the club environment is much more warm and open and friendly and receptive. They can let you in bowling clubs, they can do all the activities in the club and you can see them grow and develop and work out their own social skills through that exposure. So it is a tremendous aid in developing our people. And they thrive – it might be bingo night to someone else, but it's a great night out for our guys and they just love it.<sup>92</sup>*

### **Case study: Benalla Bowls Club, Victoria**

Chris Randell, 24, owes his successful bowling career to the Benalla Bowls Club. Chris says bowling is the “hardest game on earth for a bloke with a disability. Had it not been for my good friends at the club, I would never have realised my goal of playing competitively.” Chris has joint and nerve damage in both arms but that didn’t stop him from practising his bowling technique every day.

Club members were impressed by Chris’s enthusiasm. They decided to buy him a bowling arm, a device that makes it easier for people with decreased muscle strength to achieve a sense of balance when bowling. They gave him lessons and Chris accepted the challenge, training for up to two hours each day for eight years after school and on weekends. The bowling arm, the lessons and his diligent approach catapulted Chris’s bowling career to a gold medal in the International Bowls for the Disabled Championships in Sydney.

“I can’t think of a prouder moment in my life,” Chris says. “Not only had I represented Victoria for the first time in Adelaide at the Australian Championships in September, but I was then given the honour of representing my country.” Chris now coaches local school students aged between 13 and 18 who come to the Benalla Bowls Club every week. He knows that his achievements and the potential success of his students would not have been possible without the support of the Benalla Bowls Club and its members.<sup>93</sup>

## **2.7 SUPPORT FOR YOUNG PEOPLE**

Although clubs are popularly perceived as venues for older people, they are strong supporters of children and young people.

Clubs work to provide a family-friendly dining and entertaining environment. While many pubs are unsuitable for a family meal, clubs are welcoming to parents and children alike, often providing extensive services such as crèches, games rooms and videos to help keep children entertained and provide a break for parents. For example, Twin Towns Resort has a ‘Kidspace’ for children visiting the Club. This provides fully supervised entertainment for the children. The space includes a theatrette, electronic games, sports area, ‘sleeping cave’ and snack bar. Kidspace is subsidised by the Club. This service provides a safe and secure environment for the children of members and their guests.

Clubs are also often the only venue in an area willing and able to host all-ages concerts and dance parties, meaning teenagers are able to see touring performers and socialise in a safe environment.

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<sup>92</sup> Ucomm, *Community Organisations Focus Group Report*, commissioned by ClubsNSW, July 2007, p. 26

<sup>93</sup> ClubsVIC, *Hear Our Voices: Celebrating Clubs As Communities Serving Communities*, March 2008

Through their charitable and community support, clubs also actively support initiatives to improve the lives of Australian youth. Most clubs provide funding and/or support for local schools, and for drop-in centres, sporting activities, drug, alcohol and nutrition education programs, and outreach services for young people who are homeless, have mental illnesses and/or other issues.

Other examples include:

- The Richmond Club joined with Hawkesbury police to create a project to benefit youth called 'Kokoda'. The project partners a local youth with a local police officer to complete the Kokoda Trail. More recently, this program has been developed into a mentoring tool for employees of the Club.
- The Richmond Club also supports Father Chris Riley's Youth off the Streets, having introduced a traineeship to allow young people to gain experience working in the hospitality industry. The Club also supports an intervention called Turning Point, a program for children who can no longer live with their parents.
- In 2007 Mingara Recreation Club established the Mingara Dymocks Literacy Foundation, a partnership with the major book retailer to purchase books to donate to schools, pre-schools and child-care centres across the Central Coast. In 2008 Mingara delivered over 2,500 books to eight community pre-schools and two special needs schools across the Central Coast. Mingara arranges for Mariners players and local MPs to read to local children, encouraging them to develop a love of books early in life.
- Mingara also offers a learn-to-swim school for young babies and a social opportunity for those mothers attending the program. Over 80 new mothers and their babies attend the club weekly on an informal basis, which provides the mothers with a safe, healthy social outlet and networking with other new parents.
- Maroubra Seals gives financial support (\$5,000 in 2008) to The Shack Youth Services, which provides support and entertainment for local youths.
- Maroubra Seals has funded a 'garage-gym' project to encourage younger 'beach kids' and young 'Bra Boys' to channel their energies into organised physical activities. Additionally, the Club hosted and funded a series of lunches for 49 young men, again with the aim of trying to instil in the boys an ethic of respect for themselves, their community and their future.
- Maroubra Seals donated \$15,000, and worked with local Police to send two young men from the above group to walk the Kokoda Trail. This is part of the Club's ongoing youth leadership campaign.<sup>94</sup>

Of course, via the support of junior sport, millions of younger Australians are able to enjoy healthy participation in sporting activities.

## 2.8 PROMOTING SOCIAL CONNECTIONS

The club industry has also had a role in promoting multiculturalism in NSW alone 3 per cent of clubs are ethnic or religious orientated. Across Australia clubs provide a community 'melting pot' where people of different cultural backgrounds can mingle. One club manager has commented:

*I don't think the Government has ever picked up and had a really clear understanding of the social impact the clubs do actually have ... I mean the fact that it's a multicultural area and to be able to get people from different cultures to be able to mix together and create an environment where they can mix together without conflict assists the*

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<sup>94</sup> UMR Research Pty Ltd, "NSW Clubs in their Local Communities – A Case Study", commissioned by ClubsNSW, 27 February 2009

*government in not having to expend money in trying to resolve conflicts out in the public arena.*<sup>95</sup>

Moreover, clubs actually provide facilities and services catering to that multicultural community's needs:

*We have a solicitor once a month that comes in, so all these non-English speaking people – he can speak nine languages ... and he sits there and goes through all their legal paperwork and everything and there's a queue, a huge queue.*<sup>96</sup>

### **Case study: The Hellenic Club, ACT**

The Hellenic Club was founded by Canberra's Greek community in 1979. For the last three decades the Club has, through its community contributions, promoted Greek language, culture and heritage, sport, and the care of the elderly including:

- St Nicholas Home for the Aged – The Club helps pay running costs for the Home's operations, whose residents include those of Greek descent and a variety of cultural backgrounds. Last year, in addition to the annual support provided, the Club made a significant monetary contribution of \$75,000 towards the building of a car park.
- St Nicholas Greek pre-school – This year, in addition to the annual support provided to fund the operational costs, the Club provided an additional contribution of \$30,000 for the refurbishment of the pre-school.
- The Greek Glendi – This event is a feature of the National Multicultural Festival and showcases Greek cuisine and the diversity of Greek music and the arts, with live music and dancing performances. Funds raised are distributed to the St Nicholas Bilingual Preschool and the St Nicholas Afternoon School teaching Greek as a second language to children.

## **2.9 VOLUNTEERING**

A further measure of clubs' contribution to social capital is through the level of volunteering.

It would not occur to many volunteers closely involved in the operation of a registered club that their time is worth assigning a dollar value to, or indeed that they were making an important contribution to the social fabric of their community. However, there is a growing awareness that volunteerism is integral to establishing and maintaining social networks and cohesion and to delivering services that the community needs.

Volunteering contributes to social capital in two main ways. First, it provides significant benefit to the volunteers themselves by increasing their sense of belonging and contributing to their community, by facilitating new friendships, and by developing and maintaining skills. This is especially important for older volunteers, who may not wish or be able to continue to work full time, or at all, but derive enormous benefit from regular voluntary work.

The second aspect is in the value of the work contributed by the volunteers. Clubs act as an important catalyst and organising force for people to find 'causes' to which they can devote themselves.

One noteworthy aspect of volunteering in the club industry is that those who volunteer do so for a long period, especially in the case of directors. This has both benefits and risks for

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<sup>95</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p.10

<sup>96</sup> Ucomm, *Managers Focus Group Report*, commissioned by ClubsNSW, July 2007, p.15



clubs. Benefits include experience, continuity and ‘corporate memory’. Risks include lack of fresh ideas and renewed energy, entrenched attitudes and skills deficiencies.

Figure 2.42 outlines the trend for club directors to volunteer over long time periods.

**Figure 2.42: Directors – time in industry**

AGE GROUP	LESS THAN 5 YEARS (%)	6 – 10 YEARS (%)	11 – 15 YEARS (%)	16-20 YEARS (%)	MORE THAN 20 YEARS (%)
< 40	14	19.8	31.4	27.9	7
41-50	5.1	10.2	13.3	32.7	38.8
51-60	13.5	5.6	13.5	14.6	52.8
61-70	12	4	4	0	80
70+	0	0	0	0	0
<b>Total</b>	<b>22.1</b>	<b>27.9</b>	<b>17.5</b>	<b>10.4</b>	<b>22.1</b>

Source: ClubsConsulting, Managers and Directors Survey, 2006, p. 35.

In the Final Report of its Review of the NSW Clubs Industry, IPART stated that: “IPART considers it essential that clubs continue to involve and retain volunteers.”<sup>97</sup>

#### (a) National statistics

The significance of clubs in respect of volunteering nationally can be seen in the 2006 ABS report on voluntary work. Two types of organisations together claimed almost half of all volunteer hours: sport/physical recreation (26 per cent) and community/welfare (19 per cent). Together with religious (17 per cent) and education/training (10 per cent) organisations, they accounted for almost 75 per cent of all volunteer hours. These four categories were also the largest in terms of the number of volunteer involvements.

The ABS also casts light on gender variations. Male volunteers were most likely to be involved in sporting or recreational organisations. For females, community/welfare organisations involved the largest number. Although there were slightly more female (36 per cent) than male (32 per cent) volunteers overall, there were many more male involvements than female in the fields of sport/recreation and emergency services.<sup>98</sup>

According to The Allen Consulting Group’s 2004 and 2007 SEIS, between 1999 and 2007 the number of volunteers in NSW clubs fell from 59,904<sup>99</sup> to 44,000,<sup>100</sup> while the number of volunteer hours increased significantly, from 2.8 million to 6.3 million hours in 2007.

This reflects, in part, the difficulty experienced by clubs in attracting volunteers. This is also an issue experienced more broadly in the community. In its 2007 Survey of Volunteering

<sup>97</sup> Independent Pricing and Regulatory Tribunal of NSW, *Review of the Registered Clubs Industry in NSW*, Final Report, June 2008, p.64

<sup>98</sup> Australian Bureau of Statistics, *4441.0, Voluntary Work Survey*, 2006

<sup>99</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs in New South Wales (2004)*, April 2004, p.37

<sup>100</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs In New South Wales (2007)*, February 2008, p.51

Issues, Volunteering Australia found that a significant number of organisations experience barriers in involving volunteers.<sup>101</sup>

#### **(b) New South Wales**

IPART's valuation of clubs contribution included volunteers. The Allen Consulting Group estimated that in 2007 there were 44,000 club volunteers in NSW, committing over 6.3 million hours of their time as club directors, assisting with trading activities or organising sporting and community events. This contribution is estimated to be worth approximately \$126 million.<sup>102</sup> The Allen Consulting Group recognised this is a conservative estimate given the difficulties clubs have quantifying the contribution made by volunteers. Moreover, directors represent only a fraction of the volunteer complement. Each sub-club has its own group of volunteers, including coaches, event organisers, and many others who contribute their time and efforts.

#### **(c) Australian Capital Territory**

Clubs in the ACT provided opportunities for at least 2,553 volunteers in 2007, who contributed a total of at least 186,243 hours.

In addition, in recognition of the role played by volunteers in the community, the Canberra Labor Club Group's largest recipient of support is Volunteering ACT, the peak body for volunteer organisations in the Territory, which coordinates and facilitates large number of community members. Groups specifically targeted by Volunteering ACT's own programs are at-risk youth and seniors.

Total support provided by the Labor Club Group last year was \$234,500, of which \$135,723 was a cash contribution. The Club Group provides unlimited free use of its office building to ensure that Volunteering ACT has the infrastructure and administrative capacity required to facilitate its numerous programs.<sup>103</sup>

Figures for the other jurisdictions are unavailable at the time of writing. However, volunteers play a crucial role in each State and Territory and particularly the other jurisdictions which have smaller average club sizes, because smaller clubs tend to rely more heavily on volunteers.

#### **(d) Queensland**

Preliminary figures from the Queensland Club Movement's socio-economic impact study indicate clubs in that State facilitate and support 5.097 million volunteer hours per year, with a monetary equivalent value of \$109 million.<sup>104</sup>

#### **(e) Barriers to involving volunteers**

The 2007 National Survey of Volunteering Issues<sup>105</sup> found that 51 per cent of organisations experience barriers to involving volunteers. This includes attracting and retaining suitable volunteers, skills and training, and costs and administration associated with complying with

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<sup>101</sup> Volunteering Australia, *National Survey of Volunteering Issues*, 2007

<sup>102</sup> The Allen Consulting Group, *Socio-Economic Impact Study of Clubs In New South Wales (2007)*, February 2008, pp.42-43, 53

<sup>103</sup> ClubsAustralia, *Submission To Productivity Commission Inquiry Into Gambling*, March 2009

<sup>104</sup> ClubsAustralia, *Submission to the Productivity Commission Inquiry Into Gambling*, March 2009

<sup>105</sup> Volunteering Australia, *National Survey of Volunteering Issues*, 2007



legislative and procedural requirements. This is consistent with the experience of many clubs.

Clubs – and in turn their ability to build social capital – would benefit from assistance in overcoming these burdens and revising unnecessary regulation to remove red tape to attracting volunteers.

## **2.11 CLUB TAX**

It should be noted that clubs' considerable tax burden, and particularly gaming tax, plays a significant role in building social capital in Australia. The more than \$1 billion in tax paid each year in revenue to the States, Territories and the Commonwealth allow the governments to provide extensive social services for the population, including education, health and policing. In this way, every resident of Australia benefits from clubs, even if they do not frequent them.

## CHAPTER 3

### CLUB REGULATION AND GOVERNANCE

Registered clubs are subject to complex regulatory and governance requirements in the provision of food, beverages and entertainment. This has created a challenging compliance environment for clubs given their not-for-profit status and the fact that many of those who sustain the Club Movement do so in a voluntary capacity.

#### 3.1 THE CLUB MODEL - NOT FOR PRIVATE GAIN

Clubs occupy a unique position as not-for-profit organisations that exist for the benefit of their members and the community. This role has been enshrined in legislation via a range of provisions relating to membership and operations.

As a group, not individually, club members are the owners of club assets but importantly, they do not have property rights to their share in the common funds that support the club's activities. They cannot sell their share, and when they cease to be members they lose their right to participate and receive no financial compensation in return.

In contrast, a non-mutual trading corporation is established and operated for the purpose of making profits for its shareholders. Such corporations trade for commercial gain and have no obligation to support community activities or contribute to local social services or infrastructure. Annual profits may be distributed to shareholders, who are free to dispose of their shares for value on the open market.

Most corporations do not have a principal purpose of providing to members and assisting the community, but may trade at large with the public for profit. The public is aware that any profits from trading may be distributed to the corporation's shareholders. On winding up, excess assets of a non-mutual trading corporation are distributed to its shareholders.

In the case of clubs, any trading surpluses are held and applied for the benefit of the membership as a whole and, by extension, the surrounding community. In practice, surpluses are channelled into facilities to promote the club's purpose or to support its chosen cause or community services. These characteristics of clubs distinguish them from normal commercial trading entities.

Anyone wishing to become a member must generally be nominated and seconded by current members and have their application approved by the club's Board. This is distinct from the shareholder provisions for public companies in the Corporations Act.

#### 3.2 ROLES OF BOARD AND MANAGEMENT

As in the corporate world, club leadership is a significant contributor to the strategic and operational success of the organisation. Club Boards take responsibility for establishing strategic priorities, performance targets, policies and recruitment of the most senior management positions. Club management implements these policies on a day-to-day basis and seeks to deliver on club performance targets. This responsibility carries with it an obligation to ensure that the operations and management of the club is conducted with efficiency, fairness and integrity.

An important distinction however is that, whereas directors, management and staff of a corporation aim to make profits for shareholders, their club counterparts have traditionally seen their role as custodians of members' property. The creed of 'not for private gain' has led many club Boards to focus on the provision of services to members rather than production of fiscal surpluses.

Unlike boards of publicly traded companies that have a relatively simple mission to maximise shareholder return, club boards have to balance a complex and often conflicting array of social, political and economic interests. Given that club board members are volunteers, such demands can become onerous and a deterrent to participation.

### **3.3 COMPLEXITY OF GOVERNANCE REQUIREMENTS**

Club board members are volunteers. As such, they have limited time available for club related duties. The imposition of complex governance requirements, liabilities and up skilling is a significant burden which tends to discourage potential directors from donating their time and efforts. The decline of the volunteer spirit due to increasing demands on individuals' time is having a significant bearing on the governance of clubs.

Club directors have significant obligations under a variety of legislation including the various taxation acts, the Corporations Act and numerous other pieces of legislation varying from Employment Protection to Equal Opportunity, Occupational Health & Safety and Trade Practices.

Club directors must contend with the myriad of regulatory compliance from all three tiers of government along with financial imperatives, members' needs and community expectations, all in the context of a not-for-profit organisation.

ClubsAustralia believes that the current governance framework that clubs have to contend with in fulfilling their purpose should be considered before any move to alter the regulatory landscape they operate within is considered. In particular, ClubsAustralia would not support any additional compliance or regulatory framework for not-for-profits be applied to clubs, unless existing requirements are removed.

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