



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into elements impacting on the future of the ACT Clubs sector](#))

Members:

**MR B SMYTH (Chair)
MS M PORTER (Deputy Chair)
MS M FITZHARRIS
MS N LAWDER**

TRANSCRIPT OF EVIDENCE

CANBERRA

WEDNESDAY, 10 JUNE 2015

**Secretary to the committee:
Dr A Cullen (Ph: 620 50142)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

WITNESSES

ALWAST, MS ELIZABETH, Secretary, White Eagle Club Inc in the ACT..... **119**

BAJKOWSKI, MR ANDREW, Acting President, White Eagle Club Inc in the
ACT..... **119**

MACKAY, MR IAN, Chief Executive Officer, Canberra Southern Cross Club..... **80**

SYKES, MR ANDREW, Treasurer, Canberra North Bowling and ACT Rugby
Union Club..... **109**

WEIR, MR JOHN, Chief Executive Officer, Canberra Highland Society and
Burns Club **98**

Privilege statement

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

“Parliamentary privilege” means the special rights and immunities which belong to the Assembly, its committees and its members. These rights and immunities enable committees to operate effectively, and enable those involved in committee processes to do so without obstruction, or fear of prosecution.

Witnesses must tell the truth: giving false or misleading evidence will be treated as a serious matter, and may be considered a contempt of the Assembly.

While the Committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

Amended 20 May 2013

The committee met at 1.33 pm.

MACKAY, MR IAN, Chief Executive Officer, Canberra Southern Cross Club

THE CHAIR: Good afternoon, everyone, and welcome to this hearing of the public accounts inquiry into elements impacting on the future of the ACT clubs sector. We have a number of clubs appearing before us today, starting with the Canberra Southern Cross Club. We welcome their CEO.

On 26 March 2015 the Legislative Assembly referred this inquiry to the committee for inquiry and report by the last sitting day of September 2015. Specifically, the Assembly referred the following nine elements and any related matters to the committee for further investigation and consultation with the wider community: (1), revenue and profitability; (2), legislation and regulation; (3), taxation and charges; (4), land development and sales; (5), problem gambling; (6), diversification and mergers; (7), new business models; (8), poker machines and gambling technology; and (9), water and resource management.

On behalf of the committee, I would like to thank you, Mr Ian Mackay, for appearing today in your capacity as Chief Executive Officer of the Canberra Southern Cross Club. I remind you of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink-coloured privilege statement that is before you on the table. Could you please confirm for the record that you understand the privilege implications of this statement?

Mr Mackay: I do.

THE CHAIR: I also remind witnesses that the proceedings are being recorded by Hansard for transcription as well as being webstreamed and broadcast. Before questions, would you like to make an opening statement?

Mr Mackay: Yes, and thank you for the opportunity to appear today. It is a pivotal time for the Southern Cross Club. We are now at the tipping point in our efforts to diversify and remain relevant to the community and to our members. We have over 80,000 members, which is the largest in Canberra. We have a trusted name in the community and, we believe, an ongoing role to play in the heart and soul of the Canberra community. This role is through providing hospitality services, health and wellness centres, entertainment for members and visitors to the capital and, yes, wagering and gaming offers as well.

Our income from gaming is around 50 per cent of total revenue, and we forecast that to be significantly lower as a proportion of future revenues if we can accelerate our diversification into health and wellness provision and family care, particularly through the development of our pitch 'n' putt site in Woden. The Southern Cross Club wants to invest in Canberra. We want to show our commitment to our members and the broader community by investing in projects that enrich the lives of the people of Canberra.

We trust our commitment to diversify our income streams is supported by government and hope that the community clubs task force has the appetite for that challenge. This

request for support to assist with the diversification is the first of three recommendations that we made to this inquiry. In our case, we need assistance with sensible access solutions into the pitch 'n' putt site. This will enable us to take advantage of the unique location of the block in regard to its proximity to the Woden town centre and to the Canberra Hospital.

Our second recommendation of increased flexibility to poker machine storage has been addressed through the gaming reform bill passed last week. We are in support of this. As a show of this support, we are announcing later today that as soon as the bill is enacted, we will quarantine 100 poker machines. This will see 15 per cent of our total number of poker machines off the gaming floor. We believe the ACT market is over-machined and our decision is a practical display of our support of gaming reform. It shows we are willing to play our part and not sit back and wait.

This move will include the total removal of machines from the Canberra Southern Cross Yacht Club as we continue to develop this site as a premium waterfront hospitality event and entertainment destination for our members. We think it is a tangible expression of our support for gaming reform and the government's stated desire for clubs to diversify their business in a way to reduce reliance on poker machines. We will not be offering these machine authorisations for sale in the immediate quarantine period. Whilst there may be initial activity in trading of machines, we do not think selling our authorisations achieves the stated goal of reducing machine numbers on the floor in the marketplace.

This brings me to our final recommendation that we made—that is, the Canberra casino is not granted access to poker machines. Quite simply, allowing this to occur does not address broader reform issues and it would have a significant impact on the viability of community clubs in Canberra.

In summary, we are up for the challenge of diversification in a market that has too many poker machines, and we only ask that we receive the support from government to turn these words into action.

THE CHAIR: If we start with your recommendation 1, what sort of assistance do you need, particularly with the pitch 'n' putt site? Point (9) in the terms of reference from the Assembly was about water and resource management. Can you tell us how much of an impost the current water regime is on maintaining a big site like a golf course?

Mr Mackay: It is not relevant to us because the venue is closed. All we do at the moment is try and keep the lawns mowed. That basically is the total effort that we put in to the pitch 'n' putt site. Obviously that is an ongoing challenge as we wait for the opportunity to develop it into something more worthwhile for members and the community. So water is not a particular issue for us at the site; also it is not a concessional lease at the site. With respect to a lot of the discussions and recommendations from ClubsACT, whilst we support them, they are not relevant to that particular site.

Our request for assistance is very much to do with helping us to develop that. It is our major opportunity to diversify our income stream. It is a big land bank and it is an opportunity for us to do something good for the community that also reduces our

reliance on gaming. We believe the location near the hospital is an opportunity for a health and wellness hub that can service potentially child care, possibly aged care, as well as the full-service gymnasium that we need to move at the end of its existing lease in its current location. So we think there is a health and wellness centre that we can leverage there.

What we need—and we have asked for help through the clubs task force—is some genuine assistance to make this happen. As I said in my opening remarks, and we also alluded to it in the statement that we put forward, that needs to be real assistance. Certainly something we would support strongly is a case manager, as I think ClubsACT put forward, that can take our issue and help us get through all the channels of government and bureaucracy that we need approvals from, to help us get this thing built and developed. Through that, it is a further indication that we can diversify away from being reliant on gaming machines.

MR RATTENBURY: Chair, I have a supplementary on that.

THE CHAIR: Ms Porter asked for one first, and then you can have the second.

MS PORTER: My supplementary is in relation to what you were just talking about—that what you want is real help, real assistance. On page 9 you mention that you believe there is a lack of timeliness in the government's response in relation to these matters. You also talk about the task force being a move in the right direction. Could you tell us what it is that the task force is not doing and what it is that you want, apart from perhaps the case manager that you talked about? And what is it about the timeliness that is concerning you?

Mr Mackay: Through the task force and through the club directly, we have engaged with our specific issue, which is access onto the block. The block has no access currently other than pedestrian access. Clearly, that impacts the development opportunity of the site. It then becomes a question of how you gain access. There is either access off Yamba Drive and/or access off Irving Street in Phillip.

We have had some difficulty getting access approved across either access option. Potentially, the best option for us is both. Through the help of the task force, we have been able to engage with the Woden town master plan. They have come up with a four-year plan that they believe is a very viable option for us that we are in full support of. The only trouble is that that is a minimum of four years, and our lease at our current gym expires in two years. So we support it, but we need an interim solution whilst that occurs, or our major health club, the biggest health club in Canberra, effectively goes out of business unless we can find a third site to try and develop, which we are running out of time to do.

The particular need we have is access. Along one side we have a flood-prone area that has also been earmarked for future transport corridors for light rail. Across the other side we have TAMS saying we cannot get in off Yamba Drive because they are concerned that it is access off an arterial road. Our advice is that we can do so safely, at least ingress off that road, and then out back through Irving Street in Phillip, which we see as being a reasonable solution that provides what we require and also does so safely and not unreasonably. It is a common-sense decision whilst waiting for the

four-year plan that the Woden master plan group are developing.

MR RATTENBURY: You said it is not a concessional lease. What lease is it, then?

Mr Mackay: As I understand it—I apologise; I am quite new to the market—it is a market lease. It is a standard lease.

MR RATTENBURY: You answered my second question on the specifics of what was needed.

MS FITZHARRIS: To follow up on access to the site, from the response you have had back so far from directorates, are they effectively saying there is no way of accessing that site to develop it, or are they saying the option that is your preferred one is not viable, for whatever reason?

Mr Mackay: On the Woden town master plan, EPD have presented a very acceptable plan that, unfortunately, is four years away, which is beyond our window for development of the site. TAMS, with whom we have been able to arrange through the minister a follow-up meeting on Friday week, are saying the only option at the moment that they are considering is the bridge off Irving Street, which is across the flood plain. It is difficult because it is across a line that is nominated for future development of a public transport corridor and also, admittedly, it is very expensive and does not provide any access frontage back to the hospital. If we want to develop health and wellness opportunities for us and for the community, frontage off Yamba Drive to the hospital is, of course, a valuable asset.

MS FITZHARRIS: I do not know the roads around there too well. What you are saying is that there does not seem to be a viable option from the government at the moment that allows practical access to that site within a four-year period?

Mr Mackay: Correct.

THE CHAIR: With respect to the implications of that, you said your lease expires on the current gym. Just for the record, where is the current gym?

Mr Mackay: The current gym is in the old Yamba club, which is just across the road, across the pedestrian footway at the end of Irving Street. That lease expires at the end of 2017. Our plan has always been to have a new gym—we have about 4,000 members of our health club—and to have that operating by the end of 2017. What seemed like a long way in the future has now become quite an aggressive build plan if we are going to get there on time.

THE CHAIR: Ideally, where would you have access and egress off Yamba Drive? In both directions?

Mr Mackay: Admittedly, that is what we first hoped for—to get ingress and egress off Yamba. But we accept that, pragmatically, a concession solution would be to at least get ingress and then potentially have egress coming back on to Irving Street. That would allow the best possible option for the site and take away the issues that might occur with egress back on to Yamba Drive causing any traffic issues.

THE CHAIR: Ms Porter, a new question.

MS PORTER: My question is around the same subject. You say on page 4 that you have recently experienced developing Snapper by the Lake at the Canberra Southern Cross Yacht Club, which has proven to be a great initiative. You are talking more about removing the poker machines from that site and having that site develop in a different way. Do you need approvals for that, or is that just straightforward and there is nothing to have to apply for?

Mr Mackay: In the immediate sense there will be nothing we have to apply for because it will be internal to the building. Certainly, the experience with Snapper by the Lake has been a huge success. If you have visited, it has turned what was a little hole in the wall into a really lovely part of enjoying the lake with family. The business has flourished since we undertook that work in September last year.

This is the next step in a broader master plan. It is a premium venue. It has a wonderful location. It should not be a venue with poker machines in it, in our view. There is a revenue risk for that, but we hope we can offset the revenue from the loss of poker machines with creating another function space, private dining room and entertainment area that should be very popular given its wonderful location. That will not require any major approvals, and we do not need and we are not asking for help there. It is an example of how we are trying to diversify our business away from gaming.

At a future point in time we will be engaging with the National Capital Authority about how to better develop the site in a broader way. As you may know, we have a small marquee, a temporary marquee, on the lake. It is probably not a fabulous facility that really takes advantage of the location, and it is a temporary structure. Is there an opportunity to do something with that? We will be engaging with the NCA at a future point in time. We hope we can develop the site even further in a way that actually benefits the community by bringing people to the lake.

THE CHAIR: Ms Lawder.

MS LAWDER: My question does in a way follow on from that. In your opening statement you said you were going to announce giving up some poker machines or gaming machines—15 per cent, I think?

Mr Mackay: Fifteen per cent, which is 100 machines.

MS LAWDER: Will they all come from the yacht club site?

Mr Mackay: No, there are about 30 or 40 in the yacht club. There will also be reductions at Tuggeranong and Jamison. So there will be reductions in three of our four venues.

MS LAWDER: At the yacht club it is a deliberate change to your business model to go to a food and drink and enjoying the lake sort of venue rather than gaming machines?

Mr Mackay: Yes.

MS LAWDER: Would you have made that decision if it were not for the government reforms, or do you feel it suits your evolving business model?

Mr Mackay: It is a combination. We have a determination to diversify. That is very clear. I have been brought into the role to ensure that our business diversifies as much as possible away from gaming. The second point is, though, that in the initial submission we did not believe we had the opportunity to take the machines off the floor and keep them off the floor for an extended period of time. That has now been given to us. These authorisations may have a value in the future, and to literally hand them back might forsake that future potential value. So the opportunity we have been given to quarantine them allows us to do what we said we wanted to do—take them off—and also to hold on to the potential future value they may have.

MS LAWDER: You also made the point in your submission that you have 500 staff in the group. Will that change in business model mean a change to more or less staff?

Mr Mackay: Unfortunately, we have been shedding staff throughout this year. I expect that that is nearly complete. It is not something we want to do; we are a major employer in the city. Part of becoming a different business and changing to a different business model has meant that some people have left. The move to take away poker machines will not have a negative impact on employment. People will be doing different tasks. It takes just as many people—perhaps more—to service a function and private dining room than it does to service a poker machine room, in the yacht club's example.

MS LAWDER: I know, for example, your venue in the Tuggeranong town centre has upmarket dining upstairs. Is that an area you are hoping to pursue in some of your other clubs?

Mr Mackay: The Tuggeranong issue is an interesting one because whilst we are very proud of the food we serve in that venue upstairs, it is very hard to make that profitable. Upstairs dining is hard to make profitable in any club. We are looking at a master plan of what we will do with the broader Tuggeranong site. But we hope that food remains at the heart of what we do. We think we are good at it and we are trading well this year on food and beverage. It is something we would like to continue, and we have a group of chefs that are very good at what they do.

MS LAWDER: Finally, I think about half of your revenue was from gaming and the next biggest chunk was food and drink. If you are reducing the gaming, will that have a flow-on impact on the sporting and other community groups that you fund?

Mr Mackay: We hope not. We have also introduced a program that is called the community rewards program. We are now going to offer community groups support based upon their spend on food and beverage at our venues. So to try and take away that teat of gaming, and instead of awarding new funding based upon gaming turnover, we will award funding to community groups based upon their behaviour and activity with us, which obviously helps our business. It helps our business focus on food and

beverage and rewards those who actually use our venues for that purpose. That is about to launch amongst some primary schools and sporting groups that we currently support.

We will have to reduce direct sponsorships this year. We have some hard conversations coming up. What we hope is that by transferring those groups that we have to remove support from over to this community rewards program, they are no worse off and hopefully we are better off for it. That is the plan.

THE CHAIR: A supplementary, Ms Porter, then a new question from Ms Fitzharris.

MS PORTER: I want to clarify the grants situation and the rewards program. Are you saying there will be some groups who, because of the way they operate, will not be able to take advantage of your rewards program, so that they could possibly still be in line for a grant, and all the others that can take advantage of your rewards program will be switched to that model? Is that what you are saying? I am not quite sure what you are saying.

Mr Mackay: There will be a reduction. We have always paid—and I think most clubs would pride themselves on the fact—over and above what we are required to currently. We will be reducing that by \$100,000 this year because we just cannot afford to do it anymore. We are going to trade at a loss this year for the second time in three years.

What we will do to try and soften that for the community groups who are disadvantaged by us saying, “We cannot afford to support you to the level we once did”—it may not be total removal; it might be a 50 per cent reduction—is provide them with the opportunity to take that money again, to re-earn that money in support, through the community rewards program, which will pay them basically a sponsorship fund based upon their ability to engage with their community to come and spend money on food and beverage at our venues.

MS PORTER: I probably need to see it to understand it fully.

Mr Mackay: In its most simplistic form, if you ran a social group and you had 100 members, if you were able to encourage those members to have their cards tagged, it would mean that as you spend \$10, \$1 would go to the fund to support your group. We would pay that to you monthly or quarterly. That, hopefully, is enough to offset the community contributions.

MS LAWDER: What if you are a member of several community groups?

Mr Mackay: You can only choose one. We would give away a lot of money if you chose 10, so you have to make your choice and choose which group is most important to you, and that is the one that your spend will be tagged against and pooled into.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: Around the gaming issue, we have had evidence which effectively says probably 40 per cent of gaming revenue is from problem gamblers. As a proposition, if you agree that stamping out problem gambling is the objective, do

you see that translating into a 40 per cent reduction in your gaming revenue, so that a sustainable long-term stream of gaming revenue with absolute minimisation of problem gambling equals 40 per cent of your current gaming revenues?

Mr Mackay: Firstly, and importantly, we refute that number totally. We believe it is flawed in how it has been developed. In fact the studies we have show that nationally the number is lower than that. When it then drills down into the Canberra market, we would say it is lower again, because of the regulations that are already in place. It is very clear that our turnover by machine is lower than in other markets. The Canberra Southern Cross Club has a unique demographic when it comes to members. They tend to be older. We would argue that the level of problem gambling is about 0.5 per cent. I honestly believe it is not at that level at the Canberra Southern Cross Club because of local regulations as well as the type of customers that we have in our group.

MS FITZHARRIS: Do you have anything you can provide to us that is additional to your submission that would put that in black and white?

Mr Mackay: I might take that on notice, if I could. It would take extrapolation of research into what we believe is our local market that could show that there is a lower prevalence and incidence of problem gambling at our club than potentially what is presented as a national number.

MS FITZHARRIS: Yesterday Senator Xenophon was on a phone hook-up with the committee. He referenced quite frequently a Productivity Commission report which referred to \$1 maximum bets and I think \$120 per hour losses. What is your view on that model? What are its implications and what would implementation of such a model look like for your club?

Mr Mackay: Firstly, again, some of the numbers used yesterday were extraordinary. I heard the senator on radio and I was trying to work out in my head what I thought the average loss per hour was, the average spend per hour on gaming. Some of the numbers were just extraordinarily inflated. In fact there is a study that was done by the Victorian commission that says the average hourly expenditure on poker machines is \$13.56. In my mind, at our club, off a postage stamp estimation, I came to around \$18. The opportunity to spend that amount of money per hour in Canberra clubs is so overstated that it could be \$1,200 in an hour; it is just not happening and it is not doable. Even at the maximum spend, it would be nowhere near that number that is being spent by poker machine players. I would argue that at \$13.56 or \$18, that is a more likely spend on what many people view as a totally viable and legitimate entertainment option.

When it comes to the maximum bet, we would only support that if it was part of a broader national agreement. Another study indicated that the cost of implementing it would be \$1.5 billion. It would be very unlikely to make it a positive economic benefit to do so. So we do not support it, unless it was part of a national move and also unless there was an overall cost-benefit analysis done on the cost of actually implementing it.

MS FITZHARRIS: Partly the reason for that is because we are effectively an island in New South Wales.

Mr Mackay: That is part of it. If I were a problem gambler, as an example, my response would be to spend 10 minutes in my car and go over the border where the different regulations make it easier for me to spend my money. I think we are an island in that regard. With anything that happens here, we have already shown in one of the graphs some of the impact of the regulations that have occurred over the last 10 years. If we are pushing people over a border with that problem, I would far prefer to be dealing with them in my local marketplace, and I believe we are well placed to be able to deal with the problem gambler rather than pushing them over a border or pushing them into unregulated, often online wagering and gaming that is occurring in the privacy of a home with the use of a credit card.

We query why that is seen as a good outcome. Online, unregulated activity is a big issue. It is a very hard issue to get a state or a territory, let alone a federal, view on. I understand that, but it is a very big issue out there, and we believe we have a very low incidence of problem gamblers, and we handle them with compassion and care. We are a not-for-profit organisation. No club wants a problem gambler because, by definition, they are a problem. From a purely commercial point of view, it is not a recurring income that you can rely upon, so it is not great business. It is also, far more importantly, from a compassionate point of view, not what a not-for-profit organisation should be seeking to do.

MS FITZHARRIS: Would you be able to give us a quick example of how the club can identify, approach, deal with and show compassion to someone you have identified as potentially a problem gambler?

Mr Mackay: Clearly, when it hits the floor, it is a very difficult situation and it is a delicate situation. I asked my team this morning how often we would approach someone on the gaming floor and query whether they are okay. It is usually exhibited by behaviours that look like someone in distress. They have given me an indication that about once a month at our venues our gaming compliance officer, who is the person that is trained and on the floor, would make a direct approach to a customer who appears to be having some level of distress. Usually they are asked, in a caring way, if everything is okay. It does not go much beyond that in the first stage, but then at future stages, if it occurs again the next day or the next week, if it is continually escalated, it gets escalated to a point where we report it. We have had one incidence, I am told, where we have effectively reported an individual to not be allowed to game and play in our venues over the last year.

THE CHAIR: To follow up on that, is it realistic to say that you see one problem gambler in all of your venues per month?

Mr Mackay: No, that is an example of where we have been able to identify and assist. There are also, on the other side of it, people who self-report. I could not get an exact number of what occurs at our venues, but there are a number of those people who self-report. That, of course, is very difficult for us to manage, but we do our best in terms of making sure we try and identify through photos who the people are that we can help. So no; it is bigger than that, but the only number I could get was a handful of people who self-exclude from our venues as well.

THE CHAIR: To finish on the original question, we heard yesterday from Senator Xenophon that you could do a spin every three seconds. He talked about a thing called auto play, where you hit the button and it does it itself. Do we have auto play in the ACT?

Mr Mackay: To my knowledge we do not. I am not sure if Senator Xenophon has ever played a machine. I would argue that with the number of spins you could do in a minute or an hour—many of the machines have attractive features such as bonus games and features that go off, make a noise and there is all the excitement—it is just not possible to play at that speed. If you have ever tried feeding \$20 bills into a poker machine, that in itself is somewhat of an effort and takes time. Half of them spit back out at you. The number of game plays per minute are just not possible on the example that he provided. It is more likely, in our view, to be a game play probably every 15 seconds on average. That would be, we think, about the number that in reality occurs.

THE CHAIR: The issue of maximum bets: have you ever worked out what the average bet is in the club?

Mr Mackay: No. That is not a number I particularly track, admittedly. The team may. I spend more of my time on trying to diversify away from that, so I do not know that number. I can take it on notice. I am not sure of our average bet size.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Can I clarify your answer to Ms Fitzharris. You cited some studies; you were quite scathing in your assessment of the reports of 40 per cent problem gambling and you said there were some other studies. Are you able to provide those studies to the committee?

Mr Mackay: Yes. If taken on notice, I can provide the documents that relate to those studies.

MR RATTENBURY: That is the bit I am unclear about. Is it a yes or a no?

Mr Mackay: Yes, I can.

MR RATTENBURY: That 40 per cent figure comes from the Productivity Commission.

Mr Mackay: As I understand it, it is through the combination of problem gambling and moderate, medium-risk, problem gambling. It is the addition of those two numbers which is, I think, a spurious measure, because it is 0.5 per cent, which is the problem gambling, and they have added the two together to turn it to 1.8 per cent, which then goes out to creating that 40 per cent of revenue being the problem revenue.

MR RATTENBURY: Thank you; that clarifies what you were saying. You also spoke of \$1,200 an hour being not doable. Is that a technical thing or is that just your sense of how people play?

Mr Mackay: Admittedly it is my sense. I have not personally tried it, but I do not

think the maths work. As I said, when I first heard the number, I worked it through in my head as to whether it was actually possible to play at that level. I could not justify it, but I would need some time to mathematically provide what I believe is the right number of maximum spend even at the maximum available spend on the machine at any one time. I would need some time to work that through. All I do refute is that it is \$1,200; nor do I believe it is close to that number.

MS FITZHARRIS: It was \$120 an hour.

MR RATTENBURY: No; I think that was the limit that was suggested.

MS FITZHARRIS: Yes.

MR RATTENBURY: The discussion earlier was about the suggestion that up to \$1,200 an hour can be spent. Mr Mackay was saying that he did not think that was doable. I wondered whether that was a technical analysis or an observed practice analysis.

Mr Mackay: The \$1,200 assumption is that there is a \$10 spend with a return to the player of 90 per cent. The return to player number is wrong. In our market our return to player is higher than that. The second one is that the spin occurred every three seconds. As we have already discussed, and I have suggested, a spin every three seconds, or 1,200 spins per hour, is verging on being impossible to achieve in reality; because of the notion of the other things that occur on a machine, it is just not possible. If I was given the opportunity to work out what I believe at our club that number was—I am happy to do so—I am saying it would be a lot lower than \$1,200.

MR RATTENBURY: That clarifies that. In your submission you said that you thought the demand for the trading of poker machines will be quite low. I think I understand why you said that. I was going to ask you about it. You have basically said that you intend to keep your machines in quarantine because they may have a potential future value. Essentially, your analysis is that clubs will quarantine them rather than sell them because there is a better value in the future. Is that your thinking?

Mr Mackay: Firstly, the information and scuttlebutt of the industry since we wrote our submission is that there may be an initial market beyond what we and the club had originally expected. We did not expect there to be a market. There is enough information around and inquiries being made to suggest that there actually will be an initial market for trading. The purpose of that is likely, in our view, to be people hoarding for a future where they have to give up machines. If that is the view of other clubs and how they wish to make purchases and hoard for the future, that is all very well. That is not something we wish to do, so at least through the new legislation we have the opportunity to take machines off the floor in a big number—100 machines is a big number, we believe half of what the government was hoping for—in the initial period but, I suppose, keep up our sleeve the prospect that if they are, at a future point, worth a lot of money, we still have the authorisation to trade.

MR RATTENBURY: On the number you intend to take off the floor, my understanding is that the Southern Cross Club currently has 48 machines in storage.

Mr Mackay: Yes.

MR RATTENBURY: Will that 100 include those 48?

Mr Mackay: The difficulty with the old legislation was that those 48 had to come back on the floor in September. We were going to be forced to put those machines back on to the floor at a cost to us in an over-machined market that would have been a retrograde move. So no: the 48, we would hope, stay off, and another 52 come off to create the 100.

MR RATTENBURY: I also want to ask about the Turner bowling club. My recollection is that the Southern Cross Club own that or that it was part of the Southern Cross group at one point.

Mr Mackay: Yes.

MR RATTENBURY: It now is owned by the RUC. They are coming later, and I will ask them more about it. I am interested in why the Southern Cross Club decided to get out of that venue. What was the strategic thinking there? Why did you move away from it?

Mr Mackay: I am afraid I was not in the role when it occurred so I would have to take that on notice as well. I apologise. I can find out. I presume it was because we viewed it as an unviable proposition. Whether the RUC have been able to make it into a viable proposition is a question for them. I would have to find out the reasoning as to why we got out.

MR RATTENBURY: I ask you to take on notice as well how many gaming machines were in the Turner bowling club when you bought it and how many were in it when you left.

Mr Mackay: Sure.

MR RATTENBURY: That would be helpful.

THE CHAIR: A supplementary on the storage, Ms Porter.

MS PORTER: You talked about the 100 machines and these initial 48 having to go back on the floor within a certain time. What is the time limit now for the machines when you take them all off? Will another time limit be applied to the 48 and the 52 time limit be different? In your submission you say you were asking for an extended time.

Mr Mackay: That is a very good question and I do not think it has a very clear answer to it yet. We have sought the regulator's advice on the 48 that are in storage—do we have to take them back and then take them back out again? We need to work through that as the legislation is enacted. Then there is the phase 1 period which dictates how long one can quarantine a machine for. It could be up to three years, but it could be less than that.

As we understand it, at least there is a six-month notice period now that will occur if the phase 1 period is going to be less than three years. We would like it to be as long as possible, because we believe the machines are not required—that it is over-machined. At the moment, we would be quarantining them for the initial period and looking to extend that for as long as possible, as long as the government is comfortable that the number of machines it hopes are off the floor are indeed off the floor and quarantined out of the market. I do not think there is a clear answer on that, in my understanding.

MR RATTENBURY: One last question. As you know, the committee received a submission which made some comments about the Southern Cross Club that the Southern Cross Club was not impressed by, and you provided an additional comment. I was unclear at the end of that. The assertion was that directors of the club were paid a salary, or perhaps an allowance—

THE CHAIR: We just might be careful. We have to consider this in a private meeting.

MR RATTENBURY: Yes. I think I am going to ask it very carefully.

THE CHAIR: Be very careful, please.

MR RATTENBURY: That was the assertion. The club has come back and said, “We think this is untrue.” I was unclear. Were you saying that the directors are not paid an allowance or that they are paid an allowance?

Mr Mackay: They are not paid a salary, and that is very clear in our constitution. It is brought up at every annual general meeting every year that there is an allowance for travel, home office and the like that they are paid. It is—

MS PORTER: Out-of-pocket costs, would you call them?

Mr Mackay: Out-of-pockets, yes. It is a very small amount of money. I think it is about \$8,000 a year, which is taxed. For many of them that are still employed, it is \$80 a week in their pocket. For the hours—the hundreds and hundreds of hours—these people put in to helping run a community club, it is extraordinary. With the regulatory responsibility they take on as directors, I am surprised that anybody would take exception to that.

MR RATTENBURY: That is just a clarification.

THE CHAIR: That is all right. I will follow up on the time frames. Phase 1 may last three years or it may last six months.

Mr Mackay: Yes.

THE CHAIR: We had \$50 note bans; then we had smoking bans; then we had gaming levies changed; then we had ATM restrictions. It has been put to me by a lot of clubs that all you want is some certainty for a period of time. What is the period of time that would be a reasonable period where clubs can change? As you say in part of

your submission, for instance, the lack of the referral of the government gaming reforms to the committee means that it is being dealt with without a context that the rest of the inquiry, for example, is delving into. What is required to enable the clubs to diversify, wean themselves off the poker machines and get to a viable footing?

Mr Mackay: In our initial submission we asked for six years. That was probably at the broad end of what we think we require. Without being trite, we need as long as it takes for us to develop section 79. That is the pitch and putt site. When that is operational—we are not playing a game. We do not believe those 100 machines we are putting into quarantine are vital or important to our business, but they may have a future value. We do not need them. We want to be able to develop section 79 and get an answer and a solution to pitch and putt, because we see those opportunities as our future. I am sorry to be—

THE CHAIR: How long to develop section 79?

Mr Mackay: We need to be open by the end of 2017. That is now 2½ years, so three years would be a number that we would be comfortable with.

THE CHAIR: To go back to the problem gamblers, the last prevalence study said it was 0.5 per cent; then—sometimes included, sometimes not included—there are the moderate-risk gamblers, with a further 1.3 per cent. For terms of consistency, documents should only talk about the 0.5 per cent? Aren't those in the moderate-risk category at risk of falling into—

Mr Mackay: That is right. That is our view. It is the 0.5 per cent; that is one in every 200 customers. Is that representative of our customer base? We have a lot of members and, as I previously explained, we have a demographic that has a long tail, predominantly retired people who like to spend a lot of time at our club and, I would propose, spend a lower amount at machines. They spend time rather than money. I suspect we might even be lower again, but I am comfortable to accept that 0.5 per cent is the number that we would agree is the nub of the issue.

THE CHAIR: Are your staff able to differentiate between a problem gambler and a moderate-risk problem gambler? How would you know?

Mr Mackay: I think that is very difficult, because the cues that you are seeing are emotional cues. That is always a difficult thing. They are trained as well as they possibly can be, but it is a difficult emotional cue to read. Of course, quite clearly, the ability of one individual to spend a level of money versus another is based upon personal circumstances.

THE CHAIR: To follow on from what Mr Rattenbury was asking about with the Southern Cross Club at Turner, on page 7 of your submission you say:

Because of these changes—

and you list things like the note acceptors, the smoking ban, the gaming levy and the ATM restrictions—

CSCC has been forced to close businesses that became unviable—Yamba Sports Club, Southern Cross Club Kaleen, Southern Cross Club Turner and the Woden Pitch & Putt ...

Then you go on to say you have lost staff. Do you know how many staff have been lost over the period of those closures?

Mr Mackay: No. I would have to do some work on how many before I commenced. The number within the last 12 months would be up to 10. But there would be a far greater number through the closure of those businesses over the last few years. I would need to take time to work out exactly what the number was of each of those businesses and what staff members.

THE CHAIR: In regard to the new business model based on health and wellness, how long do you think the transition period would be before you moved off the total dependence, or the enormous dependence, that the clubs have on poker machines?

Mr Mackay: It is an important definition. It is not total. We see gaming and wagering as legitimate, legal and enjoyable pastimes for many of our customers. It is about getting the reliance down to a per cent that makes us a far more diversified business. It is currently 50. I think we would feel more comfortable if that was around the 30 per cent number. That would feel a lot better for us. That will occur through being able to diversify into broader health and wellness, as I mentioned, and with potentially aged care and potentially child care as well on the pitch and putt site.

THE CHAIR: So the target is approximately 30 per cent?

Mr Mackay: Yes. I must admit that it does not have a specified target in our strategy. There is not a percentage number because there are two ways you can get to a percentage. You can become really bad at what you do in one part of the business and you can become really good in the other. We are about becoming really good in the other part of the business. What falls out of that is necessarily a reduction in reliance on gaming machine revenue.

THE CHAIR: Ms Fitzharris, a supplementary.

MS FITZHARRIS: It is a pretty broad supplementary but, in terms of having 82,000 members, I am trying to find a way to make that sort of number meaningful. I know I belong to a number of clubs and I suspect many other people do too. How many people would you get through your door on average each week?

Mr Mackay: We think about a quarter of the membership are what you would call active and are visiting us monthly. Yes, we have a long tail of people who come for one event, one night out, join and then we struggle and one of our opportunities is, of course, to try to get them to re-engage. We are consistently trying to do that directly and more broadly in the market. But about a quarter of our members—

MS FITZHARRIS: Twenty thousand?

Mr Mackay: About 20,000 people are actively engaged in behaving in a way that

transacts with us at least monthly.

THE CHAIR: Ms Porter.

MS PORTER: With regard to the changing of the model—you are already doing that strongly at the yacht club—you were talking about the staff that were involved in the gaming area who are now going to be perhaps busier in providing service in the private dining area. Will you be retraining these staff? I imagine it is a different task altogether.

Mr Mackay: It is a challenge. But we have some really good staff. A lot of young people have their first job with us and, yes, they are trained in a way that they become what is called a duty manager, which is a broad management role throughout the venue. They deal in gaming, they deal in wagering, they deal in hospitality and they deal in membership. They have enough of a base to be able to be retrained, but they will require retraining because it is a different challenge. But by far and away our preference would be to retrain existing staff.

MS PORTER: You also talk in your submission on page 11 about MLAs and others having misconceptions. Could you talk about that, please?

Mr Mackay: Sorry?

MS PORTER: At the top of page 11, going on from page 10, you say that assumptions are simply views that would underpin a number of popular misconceptions about how best to tackle gambling addiction.

Mr Mackay: Even in some of the discussions on the numbers we have brought up that came from yesterday about the percentage of revenue that comes from problem gambling, the misconception, in our view, about the percentage of problem gamblers there are in the marketplace and then about the best ways to tackle reform, whether it might be taking a number of machines off the floor versus limiting the amount of money that can be fed in versus limiting something else, there are a lot, in our view, of misconceptions around particularly problem gambling and the size and quantum of that within particularly the Canberra marketplace.

THE CHAIR: Ms Lawder.

MS LAWDER: On page 7 of your submission you have a chart on the impact and profit from regulatory changes. You have identified some of the times when there were downturns. From about 2008-09 to 2010-11 there was a bit of an increase, a bit of a pick-up. Have you any thoughts about what that was from?

Mr Mackay: Often some of our spikes come from the disposal of assets. It could have been that. I cannot comment with absolute certainty. Often we get a little positive hit to our P and L if we dispose of assets within the year. Often that is the disposal of gaming machines. It could have been that. But by the same token, it is a spike of only around \$200,000. In terms of \$40 million or \$50 million total revenue, it is not a significant number. We regard as an acceptable aim being at about \$1 million. It allows us to reinvest in our business, to try and put money back into the community

and put money back into our venues. We have not been at that level for some years now.

MS LAWDER: You have said you will post a loss for the 2014-15 year. Overall it has been a significant drop over a 10-year period?

Mr Mackay: Yes.

MS LAWDER: It is generally government policy levers, I guess, which have driven that?

Mr Mackay: I think it would be fair to say it is government policy levers and the lack of our ability to quickly adapt to that. That is what we are seeking to change now. As I said in my opening statement, we are up for the challenge of adapting. We are ready. But we probably are looking for some assistance to help us make that adaptation efficiently and quickly so that we are not scraping along the bottom at a loss or break-even level for the next few years as well.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I am okay, thank you.

THE CHAIR: Mr Rattenbury to close.

MR RATTENBURY: Your submission calls on the government to better regulate online gaming. It is quite a vexed area. Do you have any specific ideas on where the ACT government might play a role there?

Mr Mackay: I come from a wagering background, and it is a very difficult area to regulate. I accept that. But there needs to be, in my view, a consistent national approach. I accept that it is very difficult for the ACT government—on the basis of the island principle, it is nigh-on impossible for the ACT government—to make any significant change if there is not federal and other state support for doing that. I only contend that it is a significant problem and it is exploding. More needs to be done but I accept that the opportunity to do it within our small island is somewhat difficult.

THE CHAIR: Members, we will call a halt there as our time is almost over. Thank you for your attendance this afternoon. You have taken a number of questions on notice. I have listed the percentage of problem gamblers, size of average bet, the studies you referred to, machines at the Turner club, potential staff losses, and there were possibly one or two others.

Mr Mackay: Could I ask if they will be supplied to me?

THE CHAIR: We will get that to you.

Mr Mackay: Fantastic, thank you.

THE CHAIR: If we could have an answer to those within two weeks, that would be appreciated so that we can further our work. Members, if you have any further

questions, if we could have those quickly. If there are further questions we will get them to you and if an answer could be given in two weeks that would be appreciated. On behalf of the committee I thank you for your attendance here today. When available, a proof transcript will be forwarded to you to provide an opportunity for you to check the transcript and suggest any corrections, if necessary.

The hearing will now be suspended and resume at 3 pm with the chief executive officer and the chairman of the Canberra Highland Society and Burns Club.

Meeting suspended from 2.29 to 3.01 pm.

CHALMERS, MR ATHOL, Chairman, Canberra Highland Society and Burns Club
WEIR, MR JOHN, Chief Executive Officer, Canberra Highland Society and Burns Club

THE CHAIR: Good afternoon and welcome back to the public accounts committee inquiry into the future of clubs in the ACT. On behalf of the committee I thank you for appearing today. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink-coloured privilege statement before you on the table. Could you confirm for the record that you have both read the statement and understand the privilege implications of that statement?

Mr Chalmers: Yes, I have.

Mr Weir: Yes, I have.

THE CHAIR: I remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast. Before we proceed to questions, Mr Weir, I invite you or Mr Chambers to make an oral submission.

Mr Chalmers: On behalf of the board and the members of the club, I want to thank the committee for the opportunity to appear before you today and give evidence as part of this important inquiry. I am particularly grateful that you have given this opportunity in the absence of a written submission.

The key message I want to leave with the committee today is that if we collectively want to ensure Canberra retains a viable and healthy clubs sector, the conversation between the key stakeholder groups—that is, the government, the political system, the industry, the media and the community—must change. We need a new conversation and a new debate. I think we need it urgently.

For too long the debate has been unhelpfully narrow, often ill directed and held without a proper understanding, I think, of the broader factors impacting on our industry. Perhaps the greatest failing I see is that the conversation is largely confrontational rather than collaborative and that there does not seem to be a shared agreement on the outcomes we are seeking to achieve. The result is that the industry continues to struggle, clubs continue to close and stakeholders generally blame one another for the cause of the demise. That cannot continue. We need a new approach to the discussion about our industry.

The strong view of the Burns Club is that this approach must have as its foundation a commitment to collaboration. The starting point must be that all parties agree on what the objectives are—what we are collectively trying to achieve—key factors threatening achievement of those objectives, and the processes and principles that will guide development of the actions we need to take. The key to achieving acceptable outcomes for all parties in any negotiation is to start in the areas of agreement, not the areas of disagreement. Unfortunately, I believe much of the debate about the club industry in the ACT starts with the latter.

I will expand briefly on some of these comments later in my statement, but first some

background on the Burns Club and the current state of our business. The Burns Club is Canberra's oldest club, formed in 1924 so the local Scottish community had an institutional where they could socialise, maintain their Scottish cultural interests and generally support one another in their newly adopted country. This year we celebrate 91 years of continuous service to the Canberra community and to our members. Perhaps most importantly, the club is proud to say that throughout those 91 years it has consistently remained faithful to the constitutional objectives of the founding fathers, which are to preserve and promote Scottish culture.

Throughout the 91 years the club has met and responded successfully to a number of significant challenges which threatened our viability, most notably the Great Depression, the Second World War and a significant downturn in our business in the 1980s brought about by a combination of intense new competition in the industry and demographic and social changes in Canberra's population. In my opinion, we are now in another one of those periods of significant change which threaten our future.

The threat is not only to the future of the Burns Club but virtually every other small club, single-site club, in Canberra. Many clubs have folded in Canberra in the last 10 to 15 years. I believe that more will certainly follow if changes to business models and government regulatory settings are not made. So this inquiry comes at a critical time and we congratulate those who had had foresight to initiate it.

In our case, a quick scan of our annual reports will show that over the last five years we have made accumulated losses of approximately \$1.5 million. EBITDA, which is earnings before interest, tax, depreciation and amortisation, as a percentage of our revenue, is the most commonly used measure of financial health of a business. For the Burns Club in 2013-14 that ratio was five per cent. Anything below 15 per cent is generally regarded as an indicator of business in financial stress. So our five per cent EBITDA ratio indicates a club under considerable duress.

I hasten to add, however, that we have made some significant changes to our business in the last six months which are showing encouraging signs of reversing that decline. There is some cause for optimism, but we certainly have a long way to go and the board remains very focused on executing the current strategy. I think that the important point for the committee that comes out of the numbers I have just talked about is that the financial stress faced by our club is overly common across a number of other clubs in Canberra.

In my earlier remarks I talked about the need for a new conversation and debate. I suggest that the starting point must seek agreement on three things: what are we collectively trying to achieve; what are the key factors threatening the industry's viability now and into the future; and what are the processes and principles that must guide the development of the strategy going forward?

Let me address these issues briefly. First, what outcomes do we want to achieve? I suggest the objective should be to have a club industry in Canberra which is healthy, diverse and growing, both in terms of its own activities and its contribution to the ACT community. Clubs play a critical role in our community at a number of levels. At a macroeconomic level, the industry in the ACT employs over 2,000 people; around 80 per cent of goods and services purchased are from local ACT businesses;

capital expenditure is around \$40 million a year; and the industry pays in excess of \$35 million tax annually to the government.

At a community level, the industry contributes around \$15 million annually to a wide variety of sporting, cultural and community service organisations. From a community wellbeing perspective, clubs provide a network of community hubs for social inclusion and interaction. I think this is a really important but often overlooked benefit that clubs provide. Social inclusion is a significant and essential contributor to developing a healthy, resilient society. Studies worldwide suggest that social interaction is at least as important to an individual's overall health as exercise and diet.

At a cultural level, clubs support, preserve and promote cultural diversity. This is a particularly significant issue in Canberra where we pride ourselves on our multiculturalism and we celebrate it annually through our multicultural festival. Of course, for the Burns Club, we are very much part of that multiculturalism. Without the support provided by the Burns Club and other ethnic-based clubs, much of Canberra's ethnic and cultural activities will not survive.

If we agree that the benefits of clubs are important and, therefore, must be preserved, we then need to look at the second key question: what factors threaten the viability of clubs now and into the future? This is a critical area because it is the area where I think the public debate has become too narrow and, therefore, unhelpful at a number of levels. The debate currently is almost exclusively on the regulation which applies to gaming machine activity. This is certainly a very important issue and minimising problem gambling is a high priority for all clubs. However, we must recast the conversation and the debate so it becomes more balanced.

It is important to understand that every dimension of the traditional club model is under threat principally from socio-demographic and technology changes occurring in our society. We must work collaboratively to address the issues if we are to achieve our shared objectives.

Clubs traditionally have four main revenue streams: first, the food offering. Clubs now compete with countless bars, cafes, and ethnic and other restaurants which all offer good value-for-money food. I suggest that each of us here today has perhaps up to 20 such offerings within a couple of kilometres of where we live. So the days of the club being the clear preference for value for money for food are gone.

Bar trade: 15 to 20 years ago I suggest that 70 per cent of the community's social drinking was at a club or a hotel with 30 per cent at a home or a private residence. That ratio now has flipped around. Seventy per cent is at home and 30 per cent would be at a licensed venue.

Events and entertainment is the third revenue stream. There are now so many options for pursuing entertainment, live or via electronic media, that the days of the club being a key entertainment outlet are finished. Similarly in terms of events such as weddings, birthday celebrations, Christmas parties et cetera, clubs are now competing with multiple other venues, such as bars, restaurants, wineries, other outside venues et cetera. The bottom line is that clubs now, particularly small clubs, have difficulty attracting events and even when they do, they are generally loss making.

The final revenue stream is obviously gaming machine revenues. For most clubs gaming machine revenue is typically 50 to 70 per cent of total revenue. This is clearly an unhealthy reliance on one revenue stream, particularly one which, in my view, will in the longer-term decline. I might attract some flak from my club colleagues, but I do not believe the decline in gaming revenue is simply or uniquely a result of government regulation or activity. It has clearly a big impact. There is no doubt about that.

But I think the bigger factors which are progressively coming to work on the gaming revenue stream are coming from two things: first of all, the rapid availability and emergence of 24/7 gambling which is now available online. The second one is that generation Y and subsequent generations coming through have little or no interest in playing a poker machine. Certainly, neither my 26-year-old daughter nor my 29-year-old daughter, or any of their friends, have an interest in a poker machine. In fact, increasingly they have little interest in a club as it is currently structured.

So I think there is a degree of natural decline which would occur at a time in gaming machine activity. This is one of the reasons why I think the current almost exclusive focus on gaming regulation in our political debate is skewing significantly the debate we need to be having about our industry. It also seems extraordinary to me that the government spends so much time seeking to regulate my gaming activity in a club yet there is nowhere near that level of scrutiny and regulation if I choose to go and bet at the races on Saturday, go to the TAB or simply sit at home and bet endlessly on my smartphone or my computer.

This highlights for me a classic problem we have with regulation. Typically, regulation is a reaction to activities and problems which have happened in the past rather than regulating problems which might happen in the future. So if industry change is minimal, there is a chance that regulation will remain irrelevant. But in an industry like gaming where significant change is occurring as a result of technology and online platforms and applications, regulation can quickly become irrelevant or inappropriate. I think this is a really important matter for further discussion, perhaps at another forum on another day.

The third and final issue in this new approach that I am suggesting relates to the processes and principles. I will not go into detail here, but we ask the committee to note our strong support for a couple of the recommendations in the ClubsACT submission to this inquiry—in particular, recommendation 1 that a ministerial advisory group be established with membership from the relevant stakeholder groups and recommendation 2, that any regulation or legislation that will impact on clubs should be preceded by an industry or sector impact statement.

Other ClubsACT recommendations which we are particularly supportive of are recommendation 3, which talks about an independent review of cross-border competitive issues, which are significant for our jurisdiction; recommendation 9, which talks about an independent review into the business practices of the ACT Gambling and Racing Commission; recommendation 17, which would allow clubs to reduce the cost of lease deconcessionalisation and LVC charges by surrendering a proportion of the gaming machine licences; and recommendation 18, which would

allow clubs to receive tax credits for costs associated with redevelopment which would demonstrably lead to a reduction in reliance on gaming.

In conclusion, the future for clubs, and small clubs in particular, is at best challenging and at worst bleak or perhaps non-existent. But such challenges are not new to this industry or, indeed, any other industry. Change is constant and to survive, business models must change accordingly. So too must the approach and philosophy of governments. As a relative newcomer to this industry, I have been struck by what I regard as an unnecessary, unproductive culture of engagement in debate between the industry, the government and the relevant community groups. I think it is time to reset the engagement philosophy and start a new conversation.

The Burns Club is eager to contribute and play whatever constructive role we can in that new conversation. Thank you, and I am happy to take any questions.

THE CHAIR: You mentioned a healthy, diverse and growing club sector looking at community wellbeing. In what way do clubs contribute to community wellbeing if they have problem gamers in them, problem gamblers in them? How does your club approach the issue of problem gamblers?

Mr Chalmers: I might give the issue of problem gambling to John but, first of all, the point in my statement is—and I am sure we have all been in clubs—it is a venue for people to interact and sit and have a drink or a coffee or a meal and talk to one another. That is a really important part of the wellbeing of a community. Studies show that social interaction is important for that and for the resilience of the community. Having said that, we recognise there are issues around potential problem gambling. So we need to try and put in place measures which will address that. The club does that. There are a number of practices in place to do that. What I would say is that we recognise there is a problem that we need to address but, at the same time, the bigger benefit, I think, of the clubs is that they contribute to this wellbeing of community because it is where people interact and socialise.

THE CHAIR: Can you run the committee through how you deal with a problem gamer?

Mr Weir: Like every other club in the ACT. I have been in this industry now for 24 years. My father sold and serviced poker machines. I have been eating out of a poker machine since the day I was born. From that respect, I have never once had a problem with gambling or poker machines. I do enjoy a flutter but that is neither here nor there.

Our club, the club that I run, has a broad spectrum associated with tackling problem gamblers in particular. We are a very community-based club. We recognise that there are untoward methods of gaining access to cash and other clubs that might stretch the rules associated with accessing that cash. We do not stretch those rules. We have implemented the strongest rules associated with accessing cash of any club in town that I know.

Following that, we have got educated and trained staff members that recognise that. We are only a small venue, so we know who comes into the venue. We know that those people that want to access cash have to come to our bar staff or have to come to

staff members. If they are going to do that on a continuing basis, yes, we are going to see them in person.

At the end of the day, problem gamblers need to recognise that there is a problem themselves. It is like any addiction, whether it be alcohol or drug based or anything like that. If they do not want to fix the problem themselves, there is not going to be any solution. Simply regulating to a point where nobody can play seems to me counterproductive. I am not going to harp on it and say, “I find it offensive that I cannot put a \$50 note into a poker machine in Canberra but I can drive to Queanbeyan and do it. I can afford to put a \$50 note into a poker machine, but you will not let me.” On the other side of the coin, I find it offensive that somebody thinks that I am not in control of my own money to be able to do that.

But in my venue, I have staff that recognise day to day those people that come into the venue. The staff work long hours, and they know the social responsibility. I am perfectly aware of, and have seen on numerous occasions throughout my 24 years, people destroying their lives around gaming machines—not at the Canberra Highland Society and Burns Club, not once. We run self-exclusion schemes. We run exclusion schemes that go across the whole of the ACT. We have got easily, I think, the most extensive method of self-exclusion anywhere in the country.

THE CHAIR: In terms of the club transitioning, what is a reasonable period before the next round of changes come down the government pipeline through legislation?

Mr Chalmers: For us?

THE CHAIR: A previous club said three to six years. They would like six but they would work within three. In the current legislation that was passed last week, the minister can now with just six months notice start with stage 2. Is six months long enough for you guys? Is there enough certainty in that for you to change your operations?

Mr Chalmers: In terms of our time frames, we have currently made some significant changes to our club, to the business model of our club. We are hoping that that at least gets us back in the black. But in terms of the time frames for the next set of changes, I have to say, the changes we have made are really in my mind step one. We need to do more. We need to diversify our business even more. But we have got to really work on a three to five-year time frame before we can actually go to the next stage. For us, this part is about getting the club back on a stable financial footing, hopefully generating a bit of revenue, making some profits rather than losses so that we can then look at what we do next. I do not think, as I said in my remarks, that the current model as a stand-alone model is sustainable. I think we need to do other things to preserve the club.

THE CHAIR: Ms Porter.

MS PORTER: I have a couple of supplementaries and then I will ask a substantive question. Going back to the requesting cash and the rules around cash, you said you have the strongest regulations. What is that? Is it a limit that you institute?

Mr Weir: There is a limit of \$240 out of our ATMs that a person can withdraw. Then there are other EFTPOS terminal devices which you can operate similar to that of an ATM, whereas with ours you still need the human interaction and the cash is dispensed by a staff member. It is not dispensed by a machine. You have to have that human interaction at all times. It is not just another machine. There is human interaction at all points, other than outside the ATM, which has a maximum of \$240.

MS PORTER: Then there is a limited amount on the EFTPOS as well? Do you say, “You have already had your limit on the ATM, therefore, you cannot—

Mr Weir: Physically, privacy laws prohibit me determining how much money you have got out of the ATM. I am just saying there is human interaction across all transactions outside the \$240 maximum withdrawal from the ATM.

MS PORTER: The other point was about clarifying the diversification. Have you a plan about what that diversification is going to be in that period?

Mr Chalmers: We spent most of the last 12 months trying to get to the point we are now where we have made a significant change to the business. That has sort of stabilised the business, I guess. The next part of our challenge as a board is what happens after that. Beyond saying we need to diversify, which is clearly important to us, the issue becomes: what is that diversification, what is the revenue stream we would like to develop, how much is it going to cost, can we fund it et cetera, et cetera? For me as the president, that is the really important next part of what we as a board have to do.

The signs are that what we have done currently is turning things around, which is obviously important. We need to now turn our minds to what that next bit looks like. In that case, looking at what other clubs have done is an important part of it. It is looking and saying what has worked in other clubs and what has not worked and then feeding that into our considerations. That is the next big call for us.

MS PORTER: My other question is around what you said at the beginning of your presentation about the way the government approaches you and the actual conversation. You said—correct me if I am wrong—you find that the conversation up to this point has been confrontational. What is it about the conversation that indicates that and what changes do you wish to implement?

Mr Chalmers: It is not a conversation I have personally had with the government. I am relatively new to this industry. I have only been on the board of the club for about three years; so I come, in some ways, with a fresh set of eyes, I guess. I look at it from where I sit in terms of the media discussion, the public debate. It does seem to me that there is bit of argy-bargy around this issue around the poker machines about, “We need to do that, you need to do this, you said you would do that and you didn’t do it,” et cetera.

It seems to me that that debate in isolation of where we are trying to go here with the whole club industry is unproductive. I think the danger we have is that if we keep tightening up on the regulation around gaming, the first thing is: does it actually help minimise problem gambling? I think the jury could be out on that. If you do that to the

point where you kill the revenue in the clubs the club will go and all the benefits of that will go but you have still got the problem remaining.

I think when I look at the debate we need to have that bigger picture in our mind. We need to keep in mind the clubs and what we can do to make sure that clubs survive and are prosperous. But we also are effectively trying to address the problem gaming issue.

It seems to me that the more we regulate poker machine players—I am not much of a gambler myself; \$5 is my limit—if I was a problem gambler and the scrutiny and regulation became so hard that my enjoyment of my gambling was diminished, I would go to some other form of gambling or I would go over the border. I do not see that tightening up that regulatory arrangement on gaming machines necessarily solves the problem because I think, particularly now, we can go and play a poker machine on our iPhone.

The consequence of that to me seems at least in a club we can observe people's behaviour. If you see somebody who has obviously got a gambling problem, you can then maybe try and intervene and do something. If we push those people outside the club environment where they actually gamble alone or at home, you have got no way of observing their activity. I think there is an argument that says it is better to have people gambling in a place where they can be observed rather than pushing them into other forms of gambling.

Now with online, if you watch the football now, you get bombarded with ads about what are the odds now and where you can bet and what the half-time odds are. You look at that and it shows how quickly this online gambling issue has developed. I think that is where the bigger problem is emerging. Yet we seem to be focusing on this one. It is probably easier to regulate, but I think the problem is going to move.

THE CHAIR: Ms Lawder.

MS LAWDER: You said you were the oldest club in Canberra?

Mr Chalmers: Yes.

MS LAWDER: You have had debt accumulating or losses over the past five years?

Mr Chalmers: Yes.

MS LAWDER: What are the challenges you face as a small single-site club that are different perhaps to multi-site or larger clubs?

Mr Chalmers: One is simply resourcing. Obviously, we do not have the revenue or the people to do some things. A good example is poker machine audits. If the commission audits our club, John or one of his staff has to spend a couple of hours with the commission to do that. I am assuming in a bigger club they have people who can do that across the whole sites, so they have an advantage that we would not have. It chews up resources. That is an example of an activity where there are a lot of opportunity costs for us which might not be the same for other clubs.

The bigger clubs have the revenue to diversify. I look at the reports of some of the bigger clubs, and upwards of 40 per cent of their revenue comes from non-club activities. That says to me that the club model as a stand-alone model does not actually work very well and that we need to keep the club going by identifying other revenue streams. We simply do not have the resources to do that. A good example now is that these changes we are making in the club cost a lot of money. Our issue has been with financing it. We are selling off some land that we had et cetera. We have had to stop the development at a point now because we do not have the cash to go to the next stage. It is really a resourcing and cash issue for us. The bigger clubs do not confront those same sorts of issues, certainly not to the extent that we do.

Mr Weir: On a micro level, you can drill down and say that if you are grouped up, you only need the one HR officer; you only need the one payroll officer. You have a marketing manager and so forth. From an administration point of view, I need to have all of those staff on board, whereas a multi-venue site does not need to have that; they can just have one person that services all venues.

MS LAWDER: Economies of scale.

Mr Weir: Yes.

MS LAWDER: Ms Porter mentioned your earlier comment that some of your engagement with government may be confrontational rather than collaborative. Have you been involved with the gaming reform task force?

Mr Weir: Yes.

MS LAWDER: How do you feel about that? Has that helped?

Mr Chalmers: John got involved in it, and that was a helpful process for us because at that point in time we were struggling with a particular application process, with our land sale process. We found that helpful. Certainly the feedback from John was that it played a role in allowing us to move forward. John might want to talk more about it.

Mr Weir: Yes, it played a role for us in our ability to have a subdivision approved. Also, the hoops that we had to jump through to get it to that point were overtly onerous. As somebody that has not come from the ACT regulated marketplace and has come from a New South Wales marketplace, the difference between what I was permitted or allowed to do in a New South Wales managed club and what I am permitted or allowed to do in an ACT managed club, without being disrespectful to the government—they are worlds apart.

An example is the number of times I see auditors coming through the venue and things like that, whereas in 20 years working in New South Wales, I never saw an auditor. We do not work in the grey; we work in black and white. If it is legal, we do it. If it is not legal, we do not do it. I do not see the need to be policed along those lines.

From the task force point of view, they got us at the tail end of our development. It

was more a case of moving forward and saying, “These are the difficulties associated with getting this development passed.” It was not really, “What can you do to help us along that path?”

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I have a quick supplementary and one substantive question. From what you are saying about the task force, it is not a policy forum, in a sense; it is assistance with navigating through government processes?

Mr Weir: That was my experience with the task force. Other clubs might be having different experiences; I cannot say.

MS FITZHARRIS: This is a very difficult problem. I agree with you on the nature of the community conversation. Without exception, I think the submissions to the committee from the clubs have been very focused on your willingness and all of your work to minimise problem gambling. I probably agree, too, that somehow the debates around clubs seem to be in that space and not in the other spaces. I know personally that if the P&C needs to meet for an informal meeting, there is nowhere else to go. Sporting clubs provide venues, and that really builds social capital. But in that sense, if there is problem gambling at sites and you are doing everything you can, is it still happening because that is human behaviour? Do you think it is still happening because of something you are missing? Is there some part of that explanation from your point of view to the rest of the community about the extent to which you can actually limit it that is missing?

Mr Weir: Everybody seems to think, or I am getting the impression, that clubs are this big den of iniquity where there are lots of people playing poker machines that cannot afford to do so.

MS FITZHARRIS: That was not my—

Mr Weir: I actually walked inside and sat at the bar when I was six. The lady behind the counter gave me a big glass of lemon squash and it was golden nectar. I thought, “I’m going to work in this industry. This is going to be fabulous.” I have done that for the last 22 years. I can honestly say, with my hand on my heart, that that does not happen. There are people that come in and play poker machines, yes. There are people that come in and socialise, watch football or talk about politics and what have you. There is not this big queue or line-up of people putting their wages through poker machines night in, night out. They are entertainment devices.

Brendan, you like to sit down and read a book. Meegan, you like to play golf. That is your time out. That is all these people are doing. They are not sitting there trying to gamble away their houses. I am not in the business of trying to send people broke. With respect to this argument about problem gambling, the percentage of people that gamble and that have a problem is so minute, yet it just seems to be the central focus. I am not saying that they do not exist, but the numbers simply do not justify the argument.

MS FITZHARRIS: What do you think is behind that?

Mr Chalmers: Behind the—

MS FITZHARRIS: Why is the perception there? What do you think needs to change?

Mr Chalmers: I would say there are undoubtedly problem gamblers; there is no doubt about that. John is arguing that it is really quite a small percentage in club land. From my observation, in our club at least, I think that might be the case. I suppose my main argument is that, yes, there are problem gamblers; there is no doubt about that. But if we focus on the problem gamblers in the gaming area and we move them from the gaming platforms, they will go to other platforms. I am not convinced that making it difficult to play a poker machine means the problem gambler is going to stop. Fundamentally, my position on all of this is: does it work? Does the regulation work or does it just move the problem somewhere else?

Mr Weir: I think the answer to the question is that what we have in place does work. If people want help and they want to seek help, help is there, and help is there 24/7.

THE CHAIR: We will have to end there. Thanks very much for your appearance this afternoon. I do not think you have taken anything on notice, but we will check the record. Members, if you have further questions for the Burns Club, get them in quickly. If you get any further questions, if we could have an answer within two weeks, that would be kind. We will send you a copy of the transcript when it is available. If there are any corrections you would like to make, we would be happy to receive those as quickly as possible. On behalf of the committee I thank you both for appearing this afternoon.

WILCOX, MR JEREMY, Secretary/Manager, Canberra North Bowling and ACT Rugby Union Club

SYKES, MR ANDREW, Treasurer, Canberra North Bowling and ACT Rugby Union Club

THE CHAIR: Good afternoon, Mr Wilcox and Mr Sykes. On behalf of the committee, thank you both for attending today.

At 4 o'clock we will be moving to the White Eagle Club. Before we do that, I need to bring to your attention the pink sheet in front of you, which is the privilege statement. I draw your attention to it and ask you to confirm for the record that you understand the privilege implications of the statement.

Mr Wilcox: No problems.

Mr Sykes: Yes.

THE CHAIR: I remind witnesses that proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast.

Before we go to questions, Mr Wilcox, would you like to make an opening statement?

Mr Wilcox: Thanks for having us along. The Canberra North Bowling and ACT Rugby Union Club is pleased to appear before the committee in its inquiry into matters affecting the future of ACT clubs. The two clubs that have amalgamated to form the Canberra North Bowling and ACT Rugby Union Club—the former Canberra North Bowling Club and the former ACT Rugby Union Club—were both established some 50 years ago. While there have been some significant societal and demographic changes over that period, the club would argue that there is still a space for small to medium-sized community or sports-based clubs.

Our experience is that clubs can be a valuable community resource, not only in terms of contributions from gaming machine revenue but, more importantly, in providing community sporting facilities, especially those that are not commercially viable; meeting facilities for smaller community organisations; support for the arts, especially music; in-kind support for community and sporting organisations; and affordable, family-friendly, locally based community facilities for entertainment, food and beverage.

However, the challenges facing the small to medium-sized clubs have increased significantly over that time. The entertainment and hospitality sector has expanded and competition has increased. We accept that and we have stepped up to the challenge by improving our offerings. Gaming machine revenue as a percentage of our total revenue has been reducing, and while the reduction in gambling revenue may have a community benefit, it is still the case that gaming machine revenue is a critical component of club revenue, and it is certainly critical to our bottom line.

Importantly, the regulatory load on clubs has also significantly increased over that time. These obligations include not only licensing and gambling regulations but regulations involving health, employment, work health and safety, money laundering

and so on. The larger clubs face the same regulatory environment but have the advantage of economies of scale in meeting compliance obligations. For example, larger clubs can afford to devote dedicated resources to compliance management. As a specific example, larger clubs can afford dedicated reception facilities to vet club entrants.

We accept that there are some good reasons and a need for many of the regulatory controls. But if the ACT government is serious about fostering community and sporting clubs—and we think it is—we suggest we move away from the one-size-fits-all approach to club regulation and enforcement and adopt a light-touch approach in regulating smaller clubs. Hence our suggestion to the committee that the requirement for postal voting for issue transfer or withdrawal of gaming licences be removed and that personal internet voting be allowed. We also suggest that a more outcomes-oriented approach be taken to compliance auditing. At present a club can be failed on an audit if an inspector has managed to bypass the club's entry controls. We suggest that a better test of the club's controls is whether there is a pattern of unauthorised entry into the gaming areas, not whether a single inspector can bypass the controls.

Finally—this was not in our submission—we think there is a potential to reduce the dependence of the small to medium clubs on gaming machines by assisting in the one-time change to their business models. For example, some clubs might be prepared to reduce their dependence on gaming machines if the ACT government was prepared to participate in a trading scheme and purchase existing machine licences. An alternative approach, and one we probably favour, could involve trading poker machine licences for reductions in lease variation charges.

We appreciate that there has been some community concern about the treatment of clubs' concessional leases, but in cases where there is a genuine refocusing of a club's business model and the concession will make the difference between a sustainable future and the demise of the club, we think that approach can be defended.

Thank you for allowing us to attend. We are happy to respond to any questions the committee might have.

THE CHAIR: Thank you for appearing today. In relation to the one-size-fits-all approach, in your submission you have given the example of the requirement for postal ballots. It is a safeguard: it protects the community; it protects the members. How can you guarantee, say, with people online or just walking in, that you are actually getting an accurate view of the club and what they want?

Mr Wilcox: There are two parts to that. One is an online system, which would probably take some regulation. I understand that. In the second and third ballots we held, we got a five per cent return from our members, so for and against. We think that was particularly low, given the questions we were asking. We think a notice to members, a *Canberra Times* notice and a vote in the club could be way more effective. I think an online ballot would increase the numbers from five per cent to something else.

THE CHAIR: How are you guys going to diversify? How many machines do you have between the two locations?

Mr Wilcox: There are 15 at Barton and 50 at—

Mr Sykes: I am happy to take this one. It is probably helpful to understand a bit of the background of the club. The ACT Rugby Union Club is traditionally a non-gaming club. We have 15 machines and we had about five to seven per cent of our revenue that came from gaming. It was not a large amount, but that five to seven per cent actually made the difference between profit and loss for the year.

We looked at the future of the club and decided to merge with the Canberra North Bowling Club. Our demographic had moved; our clubhouse in Barton was not performing. That led us into gaming, because we ended up with a bowling club that had three greens and we needed a greater expenditure. Most of that expenditure goes to the benefit of the community.

That led us to apply for 50 machines, because we found that we had two alternatives to fund the expansion and improvement of the club. One was to seek finance. Banks are not interested in talking to clubs; they will not lend to a club that does not have gaming. The only alternative we had was to go and seek gaming. We looked at the option of raising fees to bowling members. Sometimes we say, and it is a problem we have, “Why don’t just the bowlers pay what it costs to bowl?” If you look at the bowling demographic, the average income across Australia—Bowls Australia says it is pretty much the same in all jurisdictions—is less than \$40,000 a year and the bowler is a pensioner. They cannot afford it. We try to raise prices; they leave. It is not tenable to try and make the sport sustainable from the participants.

If you look at bowling, bowling is critical to the older demographic in our society. Australia wide about nine per cent of the population over the age of 60 participates in bowling. They tend to start bowling three to five years before they retire. Once they have been with a club for six years, they will attend the club on average 10 times per month and spend 10 hours per week within the club. It is critical to that part of society. We came to gaming through trying to make a sustainable club that would focus on actually providing a service.

To further Jeremy’s point on the difference between larger clubs and smaller clubs, there is a direct nexus between the funds that we generate through gaming, and the surplus we can have from doing that efficiently, and the benefit that can be seen in the community.

THE CHAIR: Ms Porter.

MS PORTER: I want you to clarify: when you said five to seven per cent of the income comes from the gaming—

Mr Sykes: Correct. That was at the Barton site.

MS PORTER: Where does the rest of the income come from?

Mr Sykes: Food and beverage.

Mr Wilcox: And functions.

Mr Sykes: And functions. We invested in a functions room some years ago. That does quite well for us at Barton—or it was doing very well. I do not know how familiar you are with Barton, but Barton is a suburb that is completely choked by parking. I find it quite embarrassing as a treasurer. I say to business colleagues, “Let’s go have a meeting at the RUC,” and they say, “The parking is terrible there. I don’t want to.” As a site for a club, it is mainly offices, and it does not really work well for a club.

MS PORTER: You do not have proper parking facilities at the club?

Mr Sykes: No.

MS PORTER: Have you got any applications in to improve that?

Mr Sykes: We do not have the land to do it.

MS PORTER: There is no land to put in an application on?

Mr Sykes: Yes. The increased densification of the suburb in terms of office space and residential development means that all that parking has now gone.

MS PORTER: Demographically, you were talking about changes. What have been the changes to the demographics over time? What kind of person now frequents your club?

Mr Sykes: The reason we exist is to support and encourage socialisation amongst rugby players and amateur sports people. It is the same type of people; they just do not live in Barton. When we look at the feasibility around a club, we say that 60 per cent of our patronage should come from within a 1,500-metre radius of the club. Barton has the lowest density of residential population in the ACT, I believe.

Mr Wilcox: I did the figures this morning. We have 500-odd members in Turner and we have 180 or 190 that live in Barton. Obviously that ignores the people that work in the area, but, for example, we are closed on Sundays and public holidays, and there is not much going on in Saturday. It is a during-the-week, during-the-day proposition.

MS PORTER: It is workers?

Mr Wilcox: It is workers.

MS PORTER: The age group we are talking about is?

Mr Wilcox: Thirty-plus, 35-plus.

Mr Sykes: The other alternative we canvassed was to sell our Barton site. We are still seeking to do that. We have a written offer from a developer of \$2.5 million. However, government charges—deconcessionalisation, lease variation charge—would leave the club with about \$700,000 at the end of it.

MS PORTER: In relation to these workers, this age group that come now to the club, are they a mixture of men and women or a majority of men?

Mr Wilcox: Both. Fifty-fifty, I would suggest. It is people that work in the area. It has to be now, because they cannot park. We have just relied on foot traffic, and foot traffic is the government departments and the industry associations that work in the area. Added to that, three big government departments have just up and left Barton. Now that parking is pay parking, being in the parliamentary triangle, obviously, and with all the construction workers, we rely on foot traffic. But we have had three big departments move out from the area. It is a double whammy.

MS PORTER: Why would you say they come to the club? For what reason?

Mr Wilcox: Coffee, food and beverage. To have meetings, to socialise, to have lunch.

Mr Sykes: To watch the rugby, to meet other members and enjoy the atmosphere. We think we have a terrific atmosphere in the club. One of the key issues with Barton and the reason to relocate is that Barton is a transient population. It is a population that drives in during the day and then leaves at night. Our evening trade is not sustainable. We have a membership base of about 9,000, and we serve significantly more of them at our Turner location.

THE CHAIR: Ms Lawder.

MS LAWDER: A part of your submission has focused on the costs and the impost on the clubs of the mail-out ballot. Apart from through this particular inquiry, have you had any engagement with or written to the government suggesting those changes to the ACT gaming machine regulations to allow, for example, for an online or in-person vote?

Mr Wilcox: Yes, we have.

MS LAWDER: How has that gone?

Mr Sykes: We made quite rigorous representations to the commission and they were supportive of it. However, the legislation does not allow it. Whether they were receptive to our submission or not, the legislation needs to change to allow it. Touching on the point that was raised before—how do we guarantee that members receive this?—technology is a lot better than it was some time ago. You can track individual member emails. We can actually track and make sure that members receive their ballot electronically far better than we can do by mail. The worst thing with the mail is that it seems to be so wasteful. It is \$10,000 and we get 400 or 500 envelopes back.

Mr Wilcox: We put that to the gaming clubs community consultative committee as well and the EDD said they would take it on.

MS LAWDER: How recently was that, do you know?

Mr Wilcox: A few months ago.

Mr Sykes: Three months ago.

MS LAWDER: So there is a possibility something may be in train?

Mr Sykes: We hope so, yes.

MS LAWDER: Do you have any feeling, in terms of the possibility of people perhaps voting in person at the club, of the number of your members who may attend the club on a regular basis?

Mr Wilcox: I think the number one priority would be, if possible, an electronic ballot. We would favour that. I think we would get as many results from as many backers as we have. I can go through it. I think it would be interesting to go through what we sent out to members. It was a letter to our members, a second letter to our AFPA members, a ballot paper and a printed, addressed, reply-paid envelope. Those letters were folded and placed in an envelope, sorted, lodged with Australia Post. We had to set up an Australia Post account, then also set up a reply-paid service. It was a fair bit to do the ballot, and to do three of them was just money we did not have.

MS LAWDER: I accept that it seems like a lot of effort to go to. But in terms of general tracking of your membership, do you have a feel for how many of your members come through the club on a regular basis—weekly, monthly or in a year, for example?

Mr Wilcox: We could easily get those figures for you if we took that on notice.

MS LAWDER: You use an electronic swipe kind of thing or is it a sign in, or what kind of system?

Mr Sykes: We do now. We have only just installed that technology. Of our bowling members, we would say that almost all of our financial bowling members are there every week. Of our social membership, it is hard to determine. We have a large membership as part of the AFPA and we are unsure how often that part of it uses the club. But given that we are always busy, we think our members value the club. It is a pretty busy little club.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: Sorry, the AFPA, is that the Australian Federal Police Association?

Mr Sykes: Correct.

MS FITZHARRIS: Is that linked to the college across the road largely?

Mr Wilcox: The Edmund Barton building now is the headquarters, around the corner.

MS FITZHARRIS: I want to ask two questions, one on the sale of the Barton site.

You are on a concessional lease now. If you were to sell to a developer, they would be responsible for paying LVC as opposed to you. It would depend on who would seek the lease variation. Are you saying you would seek the lease variation as the club before you sold it because you are in a better position to sell a block of land in that location that has its lease varied already, or is the developer effectively devaluing the sale price based on the LVC they will have to pay?

Mr Sykes: That is a very good question. If we start from the point that to a developer there is a certain commercial value to the land and they have struck that at \$2.5 million, they have come to us and said, “You’re a club. You have a chance of getting more concessions than we do. So we’ll contract with you to do that and you get to keep what’s left over,” or, alternatively, they are formulating a walk-away offer for us where they would just write us a cheque and then they would do the rest of that.

Mr Wilcox: “Sell” is in inverted commas. There is that option for a developer, but there is also an option with another club. There might be an option of that site going back to the government in some sort of poker machine hand-back. I do not think it is all about the sale. We want to take the value of the site to Turner, to transfer the value to ensure the club there and our future, the future of the bowling greens, the future of the clubhouse and the future of the RUC as well. We think it is a better prospect.

Mr Sykes: Over the period October through to March, we have a lot of barefoot bowling, and that is a very profitable enterprise for us. Given the nature of having to have pennant teams and host the tournament bowling, it conflicts with the barefoot bowling. So our proposal with our bowling community is that we would like to eventually build a covered, synthetic green that can operate all year round for them. That would allow us more space to do barefoot bowling. We believe that kind of investment would give us a sustainable pathway away from gaming.

MS FITZHARRIS: My second question was going to be what was the decision making behind purchasing Turner, but I think you have answered that pretty much.

Mr Wilcox: It was a merger. It was a merger of the two boards. What happened was the bowlers did not have enough members to get a liquor licence or a gaming machine licence. They approached us and we thought it was a reasonable prospect for our members too. That is how it came about.

THE CHAIR: For clarity, the intention is to move to the one site at Turner?

Mr Wilcox: Yes.

THE CHAIR: What would be required for you to be able to stay at Barton, or is it too hard?

Mr Wilcox: It is really hard. For the 10 years I have been involved it is a break-even club at best. Any variations that happen, like what has just happened in the last 18 months to Barton, yes, it is on a knife’s edge. It has always been that way. The club was established back in 1964. We are not exactly sure why it was placed there. We think it was there to be close to the parliamentary triangle and parliament and close for the Australian Rugby Union to lobby the government. It is certainly not near

any ovals. We think in the end the land was a grant. That is why it ended up there. It was an available site.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Sorry I came in a bit late, but when I did you were talking about the importance of bowls to that older demographic. How enshrined is bowls in terms of the partnership going forward? We have seen the closure of a few bowling sites around the city. What do you see as the long-term prospect?

Mr Sykes: Part of the merger was the review of our constitution. In our constitution it has been written that the club will maintain a minimum of two bowling greens while ever we have a bowling member. We wrote protection for bowling into our constitution.

MR RATTENBURY: You touched a bit on your social members versus your bowling members. I have seen in some places the suggestion that the option of having to either join the club or sign in to the club is a barrier to people casually visiting clubs. Is that something you have a view on?

Mr Wilcox: Big time, especially in Barton. We have a lot of people who end up in Barton for a day. They are travelling from interstate, they are visiting someone in the parliamentary triangle. They want to come in for a \$3.80 coffee. They are required to join up as a member. We have guys at the front door, with bags, straight off the plane or visiting the Farmers Federation next door. When we can man the front desk, we do. It is very frustrating. If they could come in and have a coffee and leave, if there was an interstate, for example, visitors law in this jurisdiction—there is not—or someone who is coming in to barefoot-bowl once a year with their work colleagues, I do not really see the requirement for them to have to be a full member. They can be signed in but then you have to be signed in and accompanied the whole time.

MR RATTENBURY: It does seem a bit of an old-style requirement. I am interested in whether you have any knowledge of the history of it and whether it is still relevant.

Mr Wilcox: I imagine it is to do with a community-based gaming model so that clubs can have poker machines and hotels cannot. Therefore we need to have members and we need to sign our members in.

Mr Sykes: I think it is also to do with the taxation of clubs and the mutuality principle where clubs are not taxable on income from members and being able to do that.

MR RATTENBURY: I want to ask you about the gaming machine issue at the Turner site particularly. It has had quite a history. It was the bowling club, then the Southern Cross Club took it over and now there is the partnership with the RUC. Do you know the change in numbers of gaming machines over time?

Mr Wilcox: I do, yes. Originally the bowlers—correct me if I am wrong—had between 15 and 20. The Canberra North Bowling Club had 15 to 20. Wests rugby then became the managers of that site and I think they acquired those 15 off the bowlers. They put in an additional 10 or so. When the Southern Cross Club bought

West's they then brought the machines up to 53 or 55. That is how it ended. Then there were none. The Southern Cross Club took all their machines with them when they left. So for 12 months the bowling club had no machines.

There is a business case with machines and there is a business case without. We lived the business case without machines and it would have shut the doors. I can show that to you if you are interested. So we put in 50 machines. That is what was left in the pool. We thought that was a reasonable amount. It is now 50.

MR RATTENBURY: Do you intend to participate in this trading scheme that has just been legislated or do you feel that number is right for you at the moment?

Mr Wilcox: It is early days. The machines have only been there for six months or so. We are not yet sure if we need more or less. But yes, I think the trading scheme is a fantastic idea. It is a shame the government is not participating.

MR RATTENBURY: In what way?

Mr Wilcox: If the government wants fewer machines, the obvious way to me would be to buy some.

Mr Sykes: Just enter the market and buy the machines.

MR RATTENBURY: That is phase 2, I think, is it not?

Mr Wilcox: I do not think there is any buying in phase 2.

THE CHAIR: I think phase 2 just takes.

MS PORTER: "Acquires" I think is the terminology.

THE CHAIR: We are just about out of time. If there were three things you want the report to say to the government, what are they? What are the three things you need to not just survive but to prosper?

Mr Wilcox: This lease variation charge remission in some way, shape or form I think is probably one, two and three for us. If there was a way that we could hand back some machines and get a remission on the lease variation charge, it seems to me that would be a win for the club and its members, it would be a win for the government in reducing machine numbers, it would be a win for a stimulus package for industry and it is not going to cost the government anything because you are not going to get that LVC anyway because we cannot redevelop because it is too expensive to do so. I think that is the key for us. I know it is the key for some other clubs too.

MS FITZHARRIS: What is a machine worth?

Mr Wilcox: How much is it to buy?

MS FITZHARRIS: Yes.

Mr Wilcox: A brand new machine is about \$25,000. Who knows what the price in the trading scheme will be.

THE CHAIR: We will bring this part of the afternoon session to a close. Thank you for your time, gentlemen. You have taken a couple of things on notice. We will remind you of what they are, but if you could provide them within two weeks the committee would be grateful. We will also provide you with a copy of the transcript. If you could view that for any corrections or alterations you might like to suggest, the committee will take those into consideration. Members, if you have further questions for the RUC and Turner bowling club, could they be forwarded to the secretary quickly and, again, if we forward you further questions, if they could be answered within two weeks that would be kind. Gentlemen, thank you for your time.

BAJKOWSKI, MR ANDREW, Acting President, White Eagle Club Inc in the ACT
ALWAST, MS ELIZABETH, Secretary, White Eagle Club Inc in the ACT

THE CHAIR: Good afternoon, Mr Bajkowski and Ms Alwast. Thank you for attending this afternoon. On behalf of the committee I thank you for the various capacities in which you are appearing on behalf of the White Eagle Club. One of the things the committee offers through the system is parliamentary privilege. There is a pink card with the parliamentary privilege statement on it. Could you please confirm for the committee that you have read the statement and understand the implications of privilege?

Mr Bajkowski: Yes.

Ms Alwast: Yes.

THE CHAIR: I remind witnesses that proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast. Would you like to make an opening statement to the committee?

Mr Bajkowski: I have been with the club since I joined the executive committee in 2011 and I have been an office-bearer there since 2013.

THE CHAIR: Would you like to make an opening statement?

Mr Bajkowski: Basically only to say that we really appreciate the opportunity to be able to help the inquiry in terms of its work. The White Eagle Club finds itself in unique and peculiar circumstances. Each club is unique but we have a reasonably interesting story to tell in terms of being one of the clubs in the ACT that has made the transition from poker machines to a concept with operations which sought to rely on other streams of income, in relation to being able to find a sustainable model for survival going into the future.

MR RATTENBURY: I will start on behalf of the committee. It would be appropriate first to welcome the Polish club back after recovering from the fire. Many members are very pleased to see that is the case. Congratulations.

Mr Bajkowski: Thanks also to the present and former MLAs who attended our reopening. It was a very heart-warming occasion.

MR RATTENBURY: You touched on the fact that the club has gone away from gaming machines since 2007. Can you tell us why the club decided to do that and how it has played out since then? It is fairly unique in the overall club scene in the ACT.

Mr Bajkowski: I was a member at the time but not a member of the executive committee. I do not think there are any present members of the executive committee who conducted that AGM who are on the current board. To the best of our understanding, in terms of the history that we have sought to explore in terms of that decision, it was essentially to do with the fact that there were increasing costs and liabilities associated with hanging on to and maintaining what was a set of ageing

machines. I think they would have been class Bs, the old slots. Also, there was a question of opportunity cost, given that our floor area is a reasonably small one in the club. To have that many machines occupying one room was an impediment to alternative amenity within the building.

That would have been the underlying justification in terms of the membership seeing the utility in trying to explore a different sort of model. The vibe of the club was obviously very different when those machines were in that room. I think they introduced smoking bans in 2006 or thereabouts. It is not a big building, so to have that dank kind of a space was probably going to inhibit the ability to attract and expand on what was then a declining membership.

MR RATTENBURY: You have raised in your submission the issue of live music, which, again, is perhaps a little unique in the club scene in the ACT. I know the club is well known for being a supporter of it. I am interested in what type of changes to current regulations would improve the viability of your club in that regard. Related to that is: are you getting noise complaints at the moment? Are there issues arising for you with the arrival of increasing urban density in areas around clubs?

Mr Bajkowski: The club itself has not received any notices from the EPA, and we have not heard specifically of any complaints from residents. The Turner Residents Association actually meets at the club, so we would hear about it from them, because they are generally the people that residents will turn to in relation to something to do with an ordinance or something like that.

Again, we are reasonably uniquely placed in terms of the location of that particular club, because we are in between a school and the PAs face out into what is generally a fairly large and expansive area in terms of the school oval behind that, rather than projecting out on to the street. The other thing is that we observe the noise curfews as well. We are licensed to trade until 12 am and we do not really want to keep the club open much longer than that, from the time from when the bands actually finish their sets. We are all volunteers. We have all got day jobs. We all need to go home to sleep ourselves, and a lot of people have families. In short, no, we have not experienced specific complaints in relation to the activities that CMC have been putting on.

MR RATTENBURY: How do current liquor licensing laws impact on your club? Do you find them onerous? Is the new model working reasonably well for you?

Mr Bajkowski: We read in the ClubsACT submission about the new tariffs being linked to the risk-based assessments for particular venues. We would like to think of ourselves as being fairly low risk in terms of other licensed premises—for instance, those in the city and so forth. We would certainly appreciate any thinking about how to adjust the tariff a little bit more in relation to risks, given that essentially we are paying a fee which is not reflective of our level of risk as a place where liquor is purchased and consumed.

MS FITZHARRIS: Can I clarify: other than particular events or live music, you are not open as a going concern day to day—or are you?

Mr Bajkowski: We are trying to expand the capacity of the building. There is

actually unspent capacity in the building in terms of the sorts of activities you could have.

MS FITZHARRIS: Do you have any paid staff at all?

Ms Alwast: We have one paid staff, and the rest of the work is done by volunteers. If we expand our activities, obviously we need more volunteers, and that restricts us to a large degree. If we can increase the revenue and the profit, we can afford to put on more people and we can do more. We have various Polish organisations that meet. There is a play group, there is a children's dance group and there are other organisations that meet, as well as a couple of dance clubs in Canberra. And we have a new restaurant.

Mr Bajkowski: Generally, before the fire, it was used at some point in the day by some group, notwithstanding the fact that the bar and the bistro may not have been trading at that time. By way of background, the bistro is contracted out to a separate operator, so his or her income is their own going concern. We receive, obviously, the income from the hire fee for the bistro.

MS FITZHARRIS: I am interested in your comments about the insurance. You were not able to get any insurance at all?

Mr Bajkowski: We were, but it was pretty difficult hunting around. We were not informed that there was potentially going to be an underinsurance issue before the fire event. Obviously, when the valuations were done for the building for the purposes of calculating the payout, there was a substantial underinsurance issue—67 cents in the dollar is I think what we got. That particular insurer then exercised its discretion not to continue having us as a client.

Ms Alwast: Despite paying for 40 years.

Mr Bajkowski: We do not know what the issue was. We were able to find someone at the eleventh hour, but it was literally the eleventh hour, and it would have resulted probably in the winding up of the club. Obviously, we have to pay a higher premium now as a result of what has happened; it is three times as much. Obviously, there is a new valuation on the building, presumably to take into account a whole lot of other things that would be associated with potential changes to lease variation and all of those sorts of things—unimproved value.

MS FITZHARRIS: In terms of your five-year plan, do you have a sense of what the club might be doing in five years? If you no longer rely on gaming machine revenue, do you see yourselves as being ahead of other clubs because you have already made that transition? Where do you see yourselves in five years?

Mr Bajkowski: For us it is probably a case of stepping off the ledge and seeing whether we are able to dust ourselves off after we got back up, and after we got a bit of awareness about just how sustainable an experimental model was going to be. It was very much flying by the seat of the club's pants. I would still actually characterise the situation of the club very much in that zone.

Sustainability for us is remaining open. As a bonus to that, over five years, if we were able to employ a full-time manager, just a single staff member, that would significantly decrease the risks we face through a diminution of our volunteer pool. We rely on thousands of hours a year from volunteers, but obviously that depends on relationships and people. We have a lot of support from the community, but always with volunteer pools there is a dedicated core of volunteers and they undertake the vast bulk of the work associated with the operating of the club.

THE CHAIR: Ms Lawder.

MS LAWDER: Congratulations on your volunteers. It is what helps the world go around. I am interested in the discussion in your submission about the difficulties in applying for and getting grants and funding. I presume, for example, it is your volunteers who have to search for and then prepare those submissions as well, which is a considerable overhead. Can you clarify: are the bar facilities the only reason, do you think? Have you had feedback that there are other reasons why you may not be receiving grants?

Ms Alwast: Profit.

Mr Bajkowski: Profit. Essentially, if you have a liquor licence, you can derive a profitable income from that, and that excludes us. We are a registered not-for-profit organisation, as far as I know.

Ms Alwast: It is because we were income producing. There is some financial constraint there that stops us being able to apply, which makes it harder for us.

MS LAWDER: You are trying to diversify, and—

Mr Bajkowski: People need our facilities and we offer our facilities at a fairly discounted rate. If community organisations do not have any income, we do not seek to charge them, or we seek to charge them a peppercorn sort of fee. They are available to get grants for their survival, but for us, in terms of having to maintain the building that actually makes those activities possible, we are excluded from the normal stream of grant funding.

Ms Alwast: I am doing the bookings for the hall facilities. Just in the short time I have been doing it, there is a lack of places that small community groups can use at a reasonable price. We have the multilingual group coming this week and using it because they had trouble finding anywhere within a reasonable price. We are keeping our fees very low and it is open to lots of groups to use.

Mr Bajkowski: There are parts of the building we hope to be able to upgrade further which would be designated for much greater use and availability for groups such as the one that Liz just mentioned. We want to see people using the building. We are glad that we are able to contribute to community life in that way.

Ms Alwast: But without a full-time manager, it means, for instance, when this group are coming on Sunday, one of us volunteers has to get up on Sunday morning and open up. There is that restriction. But we do that for them and help them out.

THE CHAIR: Ms Porter.

MS PORTER: On the grants, as a supplementary to what Ms Lawder was talking about, you are an incorporated organisation, are you not?

Mr Bajkowski: Yes.

MS PORTER: So you have people on your board of governance who have explored this—people with legal backgrounds and things like that—who have gone into this in some detail?

Mr Bajkowski: Insofar as the time allows people, given that they are working full time.

MS PORTER: Given that they are volunteers?

Mr Bajkowski: Any expertise we are able to access is purely through our contacts and networks. It is not something that is organic to the club.

MS PORTER: At point 19 you talk about the redevelopment of the surrounding areas. You say that conversion of sites in the area surrounding your club to medium density housing will impact on the club. In what way will it impact?

Mr Bajkowski: I think that is mainly in relation to the point that Minister Rattenbury was making in relation to proximity of residents and apartment dwellers to a building that is generating noise, particularly through amplified music.

MS PORTER: Another committee did an inquiry into this matter some years ago. We made some recommendations to government. There is some movement, I believe, in relation to that matter. I suggest you might like to inquire of the government as to what your position is in the case of your being already in that area before other people came. Do you understand what I am saying?

Mr Bajkowski: As in prior use?

MS PORTER: Prior use.

Mr Bajkowski: And some sort of presumption that prior usage will—

MS PORTER: I should be across it all, but I need to say that I am not.

Mr Bajkowski: We will be more than grateful and happy for the opportunity to chase it up. We see that as a risk. I cannot speak for the other clubs, but I am reasonably certain that they would share concerns—not so much concerns, but it would be a vulnerability in terms of the sustainability of those clubs as they are.

MS PORTER: It is the noise issue that is your major concern?

Mr Bajkowski: I think that would be the one which would be the No 1. It seems to be

the experience in other capital cities where there has been—

MS PORTER: Other capital cities and councils have introduced regulations around those sorts of things.

THE CHAIR: As an ethnically-based club, what percentage of the members are of Polish origin? How does the club keep Polish culture alive in the ACT?

Mr Bajkowski: At the moment the membership hovers between 200 and 300 full members. That is all ordinary members. They are the people who can attend AGMs and cast a vote. There is also an associate membership class for social visitors and those people do not have rights to vote at the AGM under the White Eagle Club constitution. There are not many associate members; it is mainly full members. Most people who attend the club are attending in the capacity of guests. Could you repeat the question; how does it maintain—

THE CHAIR: The nature of the club; it started as a club for people of Polish origin.

Ms Alwast: A lot of the people that come these days—

Mr Bajkowski: The majority of people who are using the club are not Polish, but it is still the main hub, the remnant hub, I guess you could say, for what were a number of separate Polish organisations within the ACT. There used to be an ex-serviceman's club, which is now the Hellenic Club in Moore Street in the city. Without going into details, the remnant of that organisation now uses the White Eagle Club as its base. There is the Council of Polish Organisations in the ACT.

Ms Alwast: There is the play group. There is the folk dance group.

Mr Bajkowski: The Polish seniors group and there is a Polish community and separate Polish community facilities in Narrabundah. They are separate to us. There used to be also a Polish association in Queanbeyan as well. As the Polish community has essentially—it really depends on what you define as “Polish”. Under the club's constitution you can have Polish extraction and there is a fairly liberal interpretation about what that can entail. We do not seek to exclude people.

There are obviously a lot of people who might not necessarily be Polish speaking but they might have a grandparent, for instance, who is Polish. On some level they identify with the club and the club's ancestry. They do have a passing interest. Sometimes they take a more developed interest in Polish cultural activities that take place at the club.

THE CHAIR: The plan long term is to keep that focus on Polish heritage?

Mr Bajkowski: Absolutely. Under our constitution we would not seek to change it. Again, it is probably something that is unique to the Polish community, but there is a reasonably high rate of assimilation, even for people who have recently come to Australia from Poland. There are a lot of mixed marriages and so forth. It is a fairly inclusive ethnicity in terms of people who can feel Polish and be part of the wider Bologna community.

THE CHAIR: If the club was not there, where would those organisations then reside?

Mr Bajkowski: During the fire they went to the RUC. There is no more ex-serviceman's club. I heard that the old club premises in Queanbeyan is up for sale as well, for private sale. Beyond that, it would either be the cultural centre in Narrabundah—

Ms Alwast: The kids group did not use that; they used the RUC.

Mr Bajkowski: That is right.

Ms Alwast: We also used the Croatian Club next door as well.

Mr Bajkowski: The one instructive thing of that fire was that it was a big surprise to us how many people who were long-term Polish members of the White Eagle Club who had never stepped foot inside either the Croatian Club—maybe they had stepped inside it but certainly not the RUC. They were quite pleasantly surprised by the different sorts of things that are going on at those places as well.

THE CHAIR: Apart from perhaps the size of the liquor licensing fees, what else can the government do to make your life easier and ensure the future of the club?

Mr Bajkowski: Easier access to grants and also our ability to be able to identify the grant streams as well. Again, we are not looking for a leg up. But there has certainly been a drive to get the younger generation involved with the club in order to ensure its survival. There is a lot of support from younger people who did not even know they could be involved with the club. These were in the hands of the older generation and for a long time there was probably an issue there in terms of committee structures and new blood and all of those sorts of things. But as time has gone on, there has certainly been a willingness.

Ms Alwast: I think grants—any assistance in that respect obviously, because we have continually rising costs. Insurance is significantly higher now. We cannot shop around. It is hard to get it. I think financially it just gets harder and harder to keep going. When you add up all the rates, water and insurance—you have got public liability for the building—there are so many costs just to keep it going. In addition, we have maintenance and repairs, because the building is getting old. That is a constant issue. Even though part of it burnt down and it has been fixed up, we have still got a great big area that is old. It is just being able to keep it going.

Mr Bajkowski: For instance, even \$20,000 a year would make a significant difference to us in terms of being able to look after the capital maintenance side of things. It is an ageing building. It is a delightful building. It was designed by Enrico Taglietti. That is obviously something which is very appealing to a lot of people who have an interest in those sorts of things. There is also a rich cultural heritage within the building and a folk lore associated with it, but it is old. For us, it is a hand-to-mouth existence in terms of that.

THE CHAIR: That is the end of our time. We thank you both for appearing today. I

do not think you took any questions on notice but we will send you a copy of the transcript. Sorry, I think there was one about the noise and complaints. If there is any further information you could give, that would be kind. We will get you a copy of the transcript. If you have any corrections or suggestions you would like to make to the committee, we would like to receive those. Members, if you have further questions, get them in quickly. If they appear, could they be answered in two weeks? That would be kind.

Mr Bajkowski: You will send us copies of—

THE CHAIR: If there is anything further, we will send it to you. That is it, members, until Monday, 17 August at 1.30 when the public hearing will resume.

The committee adjourned at 4.30 pm.