SUBMISSION TO:

Joint Select Committee on Gambling Reform

SG.60 Parliament House Canberra ACT 2600

Australia Wide
Stronger Clubs,
Stronger Communities

Western Australian Clubs:

"An underdeveloped resource"

December 2010

EXECUTIVE SUMMARY – PETER J SEAMAN JP (EXECUTIVE DIRECTOR)

Western Australia is currently the only state in which clubs are not permitted to provide a broad range of gaming products.

As a result, *the Western Australian community is missing out* – not only on access to a safe, social, enjoyable minor gambling product, but on realising the full suite of benefits that clubs can provide.

Clubs are *unique, democratic community organisations* that make important social and economic contributions in Western Australia and across the country. They provide affordable entertainment, facilities and services and promote social connection. As not-for-profits they are driven by member and community benefit, not shareholder return.

The Western Australian club industry *does not enjoy the vitality of other jurisdictions* where broader forms of gambling are permitted. Clubs in other states have thrived thanks to their revenue advantages, and now provide extensive facilities, services, and social benefits as well as boosting the economy (and tax revenue) in their jurisdiction. Clubs with gaming account for the vast bulk of the industry's economic activity, from employment to tax to community support.

By comparison, Western Australian clubs are smaller and have much lower revenue and smaller capital expenditure, employ fewer people, are able to donate less to charity and sport groups, provide more limited services, and have a smaller economic presence and contribution.

A stronger club industry in Western Australia would *bring benefits to all*. It would increase club viability and expand the benefits they could provide to their communities

Gaming Options would:

- Increase club revenue, boosting their viability;
- Increase clubgoing and social exchange by enhancing their entertainment offering;
- Increase employment in Western Australia;
- Allow clubs to increase their community support and charitable donations;
- Allow greater investment in sporting facilities and community services;
- Improve entertainment options and equity in regional areas;
- Nurture community linkages and cohesion by attracting people to clubs;
- Help ensure the industry's longevity so that Western Australians can benefit from their local community club for generations to come;
- Increase government taxation revenue.

A more robust club sector would also ease pressure on the federal, state and local governments to provide sporting facilities and social support.

Community-owned gambling through clubs is a desirable model. IPART, the Productivity Commission and the Western Australian Government have all recognised that clubs are motivated not by profit, but by providing benefits to members and the community. Their surpluses flow to improved facilities and services, not private shareholders. Clubs are

community-focused and have provided gaming options interstate for decades in a proven safe environment.

Clubs are genuine providers of state wide facilities for social exchange, and offer a safer gambling environment. Clubs have a proven track record as conscientious providers of products requiring responsible service, such as alcohol and other low-level gambling products like various forms of bingo, Video Lottery Terminals and ClubTAB agencies. They would apply the same level of prudence to other gaming products.

In Western Australia – and particularly in regional areas – where no or few other gambling offerings exist for consumers, the internet – which is unsupervised and unregulated – is the only option. Given the explosive growth in online gambling and high incidence of problem gambling among internet gamblers, it is concerning that no planning has gone into restricting the exposure of this known dangerous product in a state that does not have an adequate level of support services, based purely around a view that denying other legitimate gaming is a workable policy.

As not-for-profit organisations, all club gaming revenue would be directed back into the community.

THE SUSTAINABILITY OF LICENSED CLUBS IN WESTERN AUSTRALIA IS UNDER SEVERE THREAT, CLUBS ARE REPLACING STAFF WITH VOLUNTEERS AND REDUCING THEIR COMMUNITY CONTRIBUTION.

AN EVALUATION OF PROBLEM GAMBLING INCIDENTS VERSUS COMMUNITY BENEFIT WILL SHOW THE WESTERN AUSTRALIAN MODEL WITH LIMITED GAMING IN A POOR LIGHT – THE PROBLEM GAMBLER ASSISTANCE PROGRAMS ARE LIMITED AND LESS EFFECTIVE AND THAT WILL BE WILDLY EXACERBATED AS ONLINE GAMBLING SPREADS ITS TENTACLES ACROSS AUSTRALIA.

ANECDOTAL EVIDENCE SUGGESTS THAT WEST AUSTRALIANS MAY BE LEADING THE NATION IN ONLINE GAMBLING

THE MASSIVE EXPLOSION OF ONLINE GAMBLING CANNOT BE STOPPED AT STATE BOUNDARIES.

TO DETERMINE THAT THE CLUBS MODEL IN WESTERN AUSTRALIA WITHOUT GAMING IS A CONSIDERATION FOR CLUBS THROUGHOUT AUSTRALIA WOULD BE A MASSIVE MISCALCULATION THAT WOULD

HAVE DISASTEROUS EFFECT TO COMMUNITIES THROUGHOUT AUSTRALIA.

GAMBLING REFORM DISCUSSIONS SHOULD BE AN OPPORTUNITY TO ENHANCE THE ROLE OF NOT FOR PROFIT COMMUNITY CLUBS THROUGHOUT AUSTRALIA

WA CLUBS: AN UNDER-DEVELOPED RESOURCE

1. Clubs are unique

Clubs are democratic, community-based organisations that have become an intrinsic part of Australian social life. They are formed by groups of people who share a common interest, coming together to provide facilities to promote and pursue that interest. This common interest can be related to a sport, religion, ethnic identity, political affiliation or occupation.

Clubs form an important part of the *social fabric* of the community. They provide a wide range of social, entertainment, lifestyle and community-focused services to their members and to the broader population. Clubs provide affordable facilities and services, and promote friendship, volunteering, self-esteem and a supportive social environment for people of all ages.

The club movement also contributes to the *economy* through job creation, training, investment in community and sporting infrastructure, spending money in the community and the payment of taxes to governments.

Registered clubs are not-for-profit organisations whose mutual basis is recognised by the Australian Taxation Office. Members contribute to a common fund created and controlled by them for a common purpose (sport, cultural, and so on). As these contributing members are essentially the same as those who participate in and benefit the fund, member contributions and expenditure in the club are not treated as taxable income by the ATO.

Unlike casinos and hotels, registered clubs are not driven by shareholder return. Ongoing viability is of course crucial, but members only benefit from profitability in the continuation of their club and the improvement of facilities, services and products offered.

Without the commercial driver of the bottom line, clubs' first priority is thus to meet the needs of their members and of the community. However, Western Australian clubs are limited in their ability to meet these needs and thrive like their interstate cousins, due to the lack of gambling revenue.

2. About Western Australia's clubs

Clubs WA represents around 1,000 licensed clubs in Western Australia. Of these, 439 have a *full club licence*. These clubs typically own or lease premises, invest in community infrastructure, and employ and train staff. The parent clubs typically represent themselves and an amalgamated group of affiliated smaller clubs that are not licensed but generally operate with the support and assistance of the parent club. These 439 clubs are broken down into the following types:

- Bowling – 66;

- Golf – 78;
- Other sport – 70;
- Community, Ethnic & RSL – 79;
- Multi-activity – 123;
- Other – 23.[1]

A further 560 clubs operate with a *restricted licence*. These clubs are run almost entirely by volunteers and tend not to employ staff or own premises.

Clubs have almost always been part of the Western Australian landscape, with the longest continually-operating club in existence since 1865.[2] Despite this long history, the state's industry is very different from other jurisdictions.

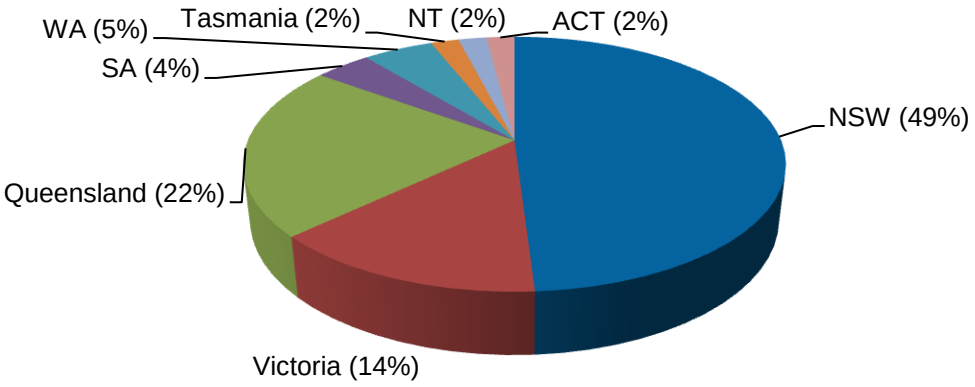
Unlike in other jurisdictions, Western Australia's clubs do not provide gaming. As a result, WA's club industry is notably different, comprised mostly of small, volunteer-run clubs. As noted in IPART's landmark review of clubs in NSW, small clubs "typically contribute to the community through their very existence, providing important facilities for their members to pursue their common social purpose.[3] The small clubs of Western Australia thus serve a unique and important role in the state, despite their size.

As this submission will outline, however, the state's clubs are limited in the services and facilities they can provide because of the absence of a broader range of gaming products. This section outlines the social and economic contribution of Western Australian clubs and provides a comparison to clubs in other jurisdictions.

The relative scale of the Western Australian industry can be seen in the figure below. On a numbers (and revenue) basis, the industry is dominated by those states where gaming options are available in clubs: New South Wales, Queensland, Victoria and the ACT comprise 87 per cent of clubs by number. Despite Western Australia comprising 10.2 per cent of the Australian population[4] it accounts for only five per cent of all clubs.

[1] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.13. Please note that throughout this submission, all Western Australian club statistics cited from the Allen Consulting Group report are based on survey data provided by these 439 full-licence and special-facilities licence clubs.
[2] Ibid, p.51.
[3] Independent Pricing and Regulatory Tribunal of New South Wales, *Review of the Registered Clubs Industry in NSW*, 2008, p.36.
[4] Australian Bureau of Statistics, *3101.0 – Australian Demographic Statistics, December 2009,* accessed at http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0

PERCENTAGE OF LICENSED CLUBS BY STATE AND TERRITORY[5]



About 55 per cent of the State's clubs are located in regional Western Australia; the remainder are located in the Perth metropolitan area.

GEOGRAPHIC DISTRIBUTION OF CLUBS IN WESTERN AUSTRALIA[6]

Club Type	Perth	South Western	Great Southern	South East & Midlands	Central	Pilbara & Kimberley	Total
Bowling	26	10	10	10	9	1	66 (15.0%)
Golf	21	19	13	19	4	2	78 (17.8%)
Other sport	42	12	6	5	4	1	70 (15.9%)
Community, Ethnic & RSL	45	8	5	14	3	4	79 (18.0%)
Multi-activity	52	14	15	18	10	14	123 (28.0%)
Other	11	6	1	5	-	-	23 (5.2%)
Total	197	69	50	71	30	22	439

These regional clubs represent a particularly underdeveloped resource; while in many cases they are a social hub for their local population, they are not able to play as sizeable a role in their community as clubs in other jurisdictions which offer gaming.

Regional communities have far fewer entertainment options than can be found in metropolitan areas. They currently face the inequitable situation where people living in regional Western Australia are unable to access broader entertainment options, while those who live in the city can, including access to gaming options at one location only.

While clubs have a natural place as gathering points, if they were able to provide a broader range of gaming options it would not only provide an additional entertainment outlet in itself, but the additional revenue both from the games themselves and from flow-on growth in club patronage would enable clubs to provide additional entertainment options.

3. Membership

Over 310,000 Western Australians hold club memberships, representing about 14 per cent of the State's population.[7] Some clubs have membership bases of over 1,000 (the largest

[5] Source: ABS 2005; in the Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory 2008*, Sydney 2008, Figure 2.4, p.9.
[6] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, Table 2.1, p.15.
[7] Ibid, p.14.

club by membership reported a membership base of 4,600) while other clubs have less than 50 members. On average, clubs in Western Australia have about 600 members.[8]

In contrast, NSW clubs account for 5.5 million memberships – equating to one membership for every adult resident in NSW. The typical NSW club is far larger than even WA's biggest, with an average 6,000 members.[9] Likewise, despite the ACT's lower population, its 61 clubs have 510,000 members; on average, each adult ACT resident was a member of 1.9 clubs, up from 1.7 in 2002 and 1.6 in 1998.[10] Queensland's 939 licensed clubs service 3.48 million members, representing one club membership for every 1.3 people in Queensland.[11]

Demonstrably, jurisdictions where gaming has supported the growth of the industry have a far higher average membership, penetration and average club size than in Western Australia. These clubs are able to attract more patrons, and, in an ongoing positive cycle of growth, have the revenue to build facilities and provide services to attract yet more patrons. This means more people are able to enjoy the services, facilities, and sense of connectedness offered by clubs than in Western Australia.

4. Club revenue

Western Australian clubs earned about $396 million in operating income during 2007-08, with an average club of $700,000.[12]

Across Australia, the Australian Bureau of Statistics Report 8687.0 – *Clubs, Pubs, Taverns and Bars, Australia 2004/05* found the nation's 2,116 'hospitality' clubs generated income of $7,374.7 million. This represented an average of $3.5 million per club: five times the industry average in Western Australia.[13]

In comparison, total revenue earned by clubs in NSW was around $5.4 billion in 2007. Gaming machine revenue accounted for a significant share of all NSW revenue (63 per cent) in 2007.[14] The estimated total revenue earned by clubs in the ACT in 2007 was $272.5 million.[15] Queensland clubs earned total revenue of $1.895 billion.[16]

The figure below shows the division of income between jurisdictions. It is relevant to note the extent to which Western Australia has little income, relative to the number of clubs in that jurisdiction, as opposed to other states. The key reason for this difference is Western Australia's absence of gaming.

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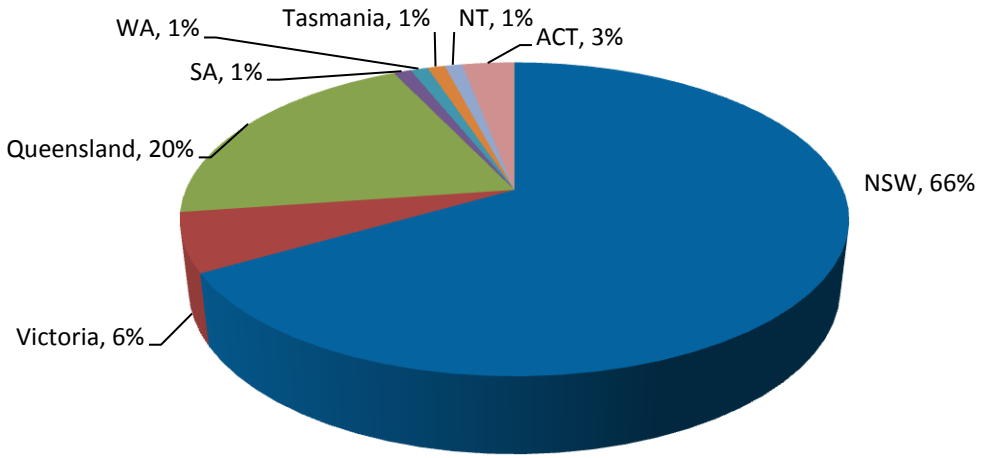
[8] Ibid.
[9] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008, p.9.
[10] Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory 2008*, Sydney 2008.
[11] Clubs Queensland, *Socio-Economic Contributions of Community Clubs to Queensland*, 2008.
[12] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.14
[13] This figure represents only part of the club industry and thus is a significant underestimation of the Club Movement's full contribution: "hospitality clubs" are defined as those which provide drinking facilities, meals, gambling and other hospitality services; this excludes clubs whose main purpose is providing sporting services. It should also be noted that income in 2004/05 excluded GST paid by consumers to hospitality clubs.
[14] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008.
[15] Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory 2008*, Sydney 2008, p.10.
[16] Clubs Queensland, *Socio-Economic Contributions of Community Clubs to Queensland*, 2008.

DIVISION OF INCOME ACROSS THE STATES AND TERRITORIES[17]



According to the ABS, the main source of income for Australia's hospitality clubs in 2004/05 was from gambling ($4,305.1 million or 58.4 per cent of total income). Other major income items were sales of liquor and other beverages, which accounted for 21.7 per cent ($1,600.8 million) of total income, and takings from sales of meals and food, which accounted for 9.9 per cent ($726.4 million).[18]

The relative importance of gambling products to Australian club income can thus be plainly seen. This also means that Western Australian clubs are drastically underrepresented for income and employment, relative to the number of clubs in the state and compared to other jurisdictions. As seen in the figure below, Western Australia has more clubs than South Australia, Tasmania, the NT and ACT, but it has one of the lowest rates of income – just 0.9 per cent of the national total, according to the ABS – and employment – just 1.3 per cent.

STATE AND TERRITORY COMPARISONS ON KEY STATISTICS FOR CLUBS (HOSPITALITY)[19]

		NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Organisations	no.	1,044	287	475	80	103	48	43	36	2,116
	%	49.4	13.5	22.4	3.7	4.9	2.0	2.0	1.7	100.0
Employment	no.	39,170	6,529	13,006	1,047	851	331	750	2,051	63,734
	%	61.5	10.2	20.4	1.6	1.3	0.5	1.2	3.2	100.0
Total income	no.	4862.5	475.9	1498.4	84.2	63.5	29.6	92.2	268.5	7374.7
	%	65.9	6.5	20.3	1.1	0.9	0.4	1.3	3.6	100.0

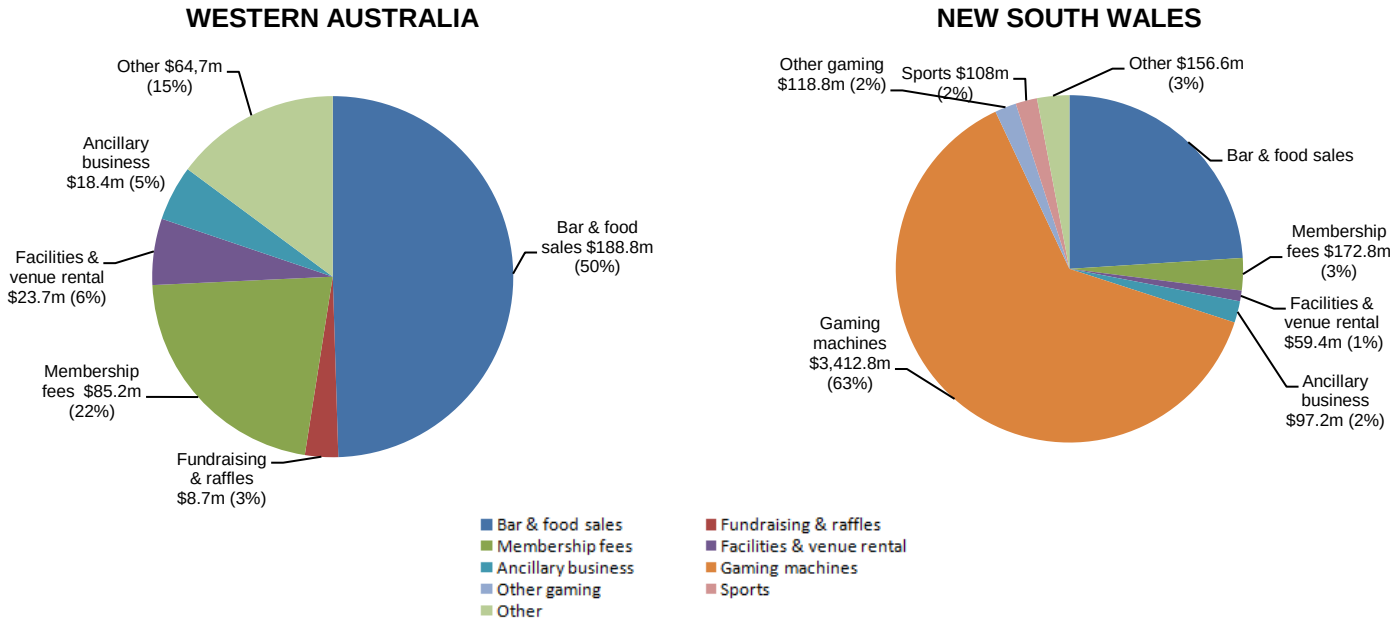
Western Australian clubs earn about 50 per cent of their income from bar and food sales. Other significant forms of income for Western Australian clubs are membership fees (22 per cent of total income) and facilities and venue rental (6 per cent of total income).

In New South Wales, by contrast, the main single source of income for clubs is from gaming machines (63 per cent), while bar and food sales are also significant at 24 per cent. In NSW, "other gaming" (which includes Keno) comprises $118.8 million, or 2 per cent of annual club

[17] ClubsAustralia, *Submission to the Productivity Commission Review of Australia's Gambling Industries*, April 2009, Figure 5.2.
[18] Ibid, Figure 5.3.
[19] Australian Bureau of Statistics, *8687.0 – Clubs, Pubs, Taverns and Bars 2004-05,* 4 July 2006, accessed at http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/98006EE6FB741DC7CA2571A00013F3EA/$File/86870_2004-05.pdf

revenue.[20] The extent to which gaming machine revenue can subsidise other club activities is plainly seen.

CLUBS' OPERATING INCOME, WA & NSW



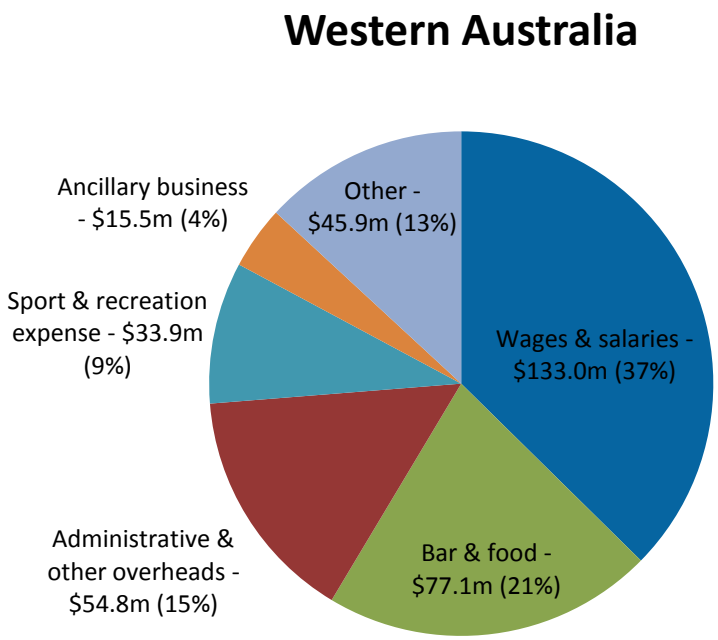
Note: Percentages are rounded to nearest whole number so the sum of individual pie segments may not add to 100 per cent

[20] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.53.

5. Club operating expenditure

Clubs make a considerable contribution to the Western Australian economy. The state's clubs had total operating expenditure of about $360 million in 2007-08, broken down as follows.

OPERATING EXPENDITURE OF CLUBS[21]



About 78 per cent of club expenditure was made by clubs located in the Perth area, while clubs in regional areas accounted for 22 per cent or $78.4 million. As the Allen Consulting Group noted, the majority of Western Australian clubs' expenditure was spent within the state's economy, supporting local industry:

> *While not all expenditure made in a particular region necessarily stays in a region, it is expected that a large proportion of the money spent by regional clubs would stay in the local area – thus benefitting local businesses.*[22]

6. Taxes

Clubs with gaming have a predictably much higher contribution to their jurisdictions' tax coffers. While Western Australian clubs paid between an estimated $41.8 million and $63.3 million in 2008,[23] NSW clubs paid $1.26 billion in tax in 2007,[24] while Queensland clubs paid $377 million in State Government taxes and levies in 2008.[25] Clubs in the ACT had a tax bill of $50.5 million in 2007.[26]

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[21] Ibid, p.24.
[22] Ibid, p.23.
[23] Ibid, p.26.
[24] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008, p.26.
[25] Clubs Queensland, *Socio-Economic Contributions of Community Clubs to Queensland*, 2008.
[26] Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory 2008*, Sydney 2008, p.22.

7. Capital expenditure and assets

The state's clubs reported capital expenditure of $110 million in 2007-08. Sporting facilities accounted for three quarters of the total capital expenditure made by clubs:

- sporting infrastructure – 50 per cent (or $55 million) of total capital expenditure;
- sporting fields – 17 per cent (or $19 million) of total capital expenditure; and
- sporting equipment – 8 per cent (or $9 million) of total capital expenditure.

Other items of capital expenditure included club buildings and extensions, refurbishments of buildings and motor vehicles. In 2008, 72 per cent of Western Australian clubs reported plans to develop or expand club buildings and facilities over the next three years. It is estimated that clubs will spend over $266 million on future development over this period, with average per-club expenditure of slightly above $600,000 per club.[27]

The total value of assets (buildings, equipment and investments) held by clubs in Western Australia at the end of 2007-08 is estimated at about $860 million.[28]

The lower revenue base experienced by clubs in the West means they are able to provide facilities on a far lesser scale than in other jurisdictions, and clubs with Keno and other forms of gambling have much higher asset holdings. In NSW, total capital expenditure was around $858 million in 2007. Clubs planned to invest $3.3 billion over the next three years,[29] and held capital assets worth $6.2 billion in 2007 – nearly three-quarters of which were held in club buildings and facilities.[30] Queensland clubs hold total assets of $2.424 billion; of this, $1.776 billion (at replacement value) is made up of community assets for public use, such as sporting fields, memorials, dressing sheds, swimming pools, and bowling greens.[31]

8. Employment

Western Australian clubs employed 5,895 people in 2007-08. Given the hospitality-based nature of the industry it is unsurprising that the most common form of employment was casual employment (accounting for 44 per cent of total, or 2,596 people). Full-time staff comprised 1,709 positions (29 per cent), while part-time workers accounted for a further 1,352 (23 per cent). Seventy per cent of club employees (or 4,149 people) are located in the Perth metropolitan area. The remaining 1,745 employees are located in regional areas.[32]

Clubs in Western Australia paid about $133 million in wages and salaries (including superannuation) to employees during 2007-08. Average wages and salaries paid per employee equated to about $22,600.[33]

As previously outlined in section 2.4, Western Australia's clubs are able to employ far fewer people than in other states. In NSW, clubs had 43,300 employees in 2007 and paid $1.27 billion to employees in wages and entitlements, and an additional $235 million to

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[27] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.39.
[28] Ibid, p.26; this estimate excludes land value, as in the majority of cases clubs do not own the land on which the club is located. Ownership is usually vested in municipal councils or the State.
[29] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008, pp. 39, 57.
[30] Ibid, p.22.
[31] Clubs Queensland, *Socio-Economic Contributions of Community Clubs to Queensland*, 2008.
[32] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.22.
[33] Ibid, p.20.

contractors.[34] Queensland clubs directly employed 26,900 staff and 3,400 contractors, paying $480 million in net wages and superannuation in 2008.[35]

The Productivity Commission notes that club employees' earning power is linked to the availability of gambling products in the venue, stating:

> *The statistical evidence suggests that employees in gambling venues earn more than those in venues without gambling, with an average premium of around 25 per cent.*[36]

Clubs WA believes that clubs in Western Australia could hire more employees if Keno were available – not just to administer the game, also as a result of overall growth prompted by the additional entertainment offering.

Training

In 2007/08, clubs in Western Australia employed 79 trainees and 158 apprentices and provided formal training to over 2,700 people. In total, clubs spent approximately $920,000 on formal training for employees at an average cost of about $280 per person that received training. [37]

Clubs in larger jurisdictions with other gambling options were able to spend dramatically more on training, indicating that the industry in other states is, overall better skilled. Clubs in New South Wales spent more than 25 times as much as Western Australia on training, totalling $24.7 million in 2007.[38] And despite the ACT having dramatically fewer clubs and fewer employees than Western Australia,[39] club training expenditure totalled $2.5 million in 2007.[40]

If Western Australian clubs were able to spend more on training the industry would become more professional in its operation – improving services and marketability, especially to tourists – and both employees and the state would benefit from an overall increase in the hospitality sector's skill base.

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[34] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008, pp.33, 36.
[35] Clubs Queensland, *Socio-Economic Contributions of Community Clubs to Queensland*, 2008.
[36] Productivity Commission, *Gambling*, Report no. 50, Canberra 2010, Volume 1, 6.29.
[37] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, pp.19, 22.
[38] Allen Consulting Group, *Socio-Economic Impact of Clubs in NSW (2007)*, February 2008, p.37.
[39] ACT clubs have only 53 club venues compared to WA's 1,000, and 2,177 employees, according to the Allen Consulting Group, *Socio-Economic Impact Study of Clubs in the Australian Capital Territory 2008*, Sydney 2008, pp.3,9.
[40] Ibid, p.28.

Live Music

Many successful entertainment careers have been launched from the club circuit. While many hotels and performance venues have cut back significantly on live acts, clubs continue to provide significant opportunities for local entertainers and bands to advance their talents. According to the ABS, in 2004/05, hospitality clubs across Australia provided 114,082 paid live performances. According to APRA (**Australasian Performing Right Association)**, most clubs are licensed for live music, including in Western Australia, where 57 per cent of clubs provide live entertainment.[41]

However, the figure below indicates that while Western Australian clubs account for 4 per cent of clubs licensed for live music (and 1.5 per cent of all music venues), they make up only 1 per cent of club industry expenditure on live music.

AMOUNT SPENT ON LIVE MUSIC BY JURISDICTION[42]

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

This is unsurprising, given the Productivity Commission has found that "clubs with gambling are more entertainment-oriented than clubs without gaming". The Commission noted:

> *...clubs with gambling extend such entertainment to other areas, underpinned by the revenue of gaming machines and the capacity for gaming machines to attract patrons into the premises. For instance, on average, there was more than one live performance per week in clubs with gambling and only around one a month in venues without gambling. (Notably, in pubs the reverse held, with pubs with gambling providing significantly fewer live performances).* ***So, gambling has broadened and altered the roles of clubs from their historical functions and, given patronage numbers, consumers have revealed that they value this transformation****.*[43]

9. Social contribution

Clubs provide a range of social contributions to the Western Australian community. As noted by IPART:

> *Clubs... provide considerable intangible social benefits that are impossible to quantify but should not be ignored. These include the sense of belonging that some club members feel and the greater social cohesion a community might experience as a result of having a club where people can meet and mix.*[44]

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[41] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.27.
[42] ClubsAustralia, *Submission to the Productivity Commission Review of Australia's Gambling Industries*, April 2009, Figure 5.35.
[43] Productivity Commission, *Gambling*, Report no. 50, Canberra 2010, Volume 1, 6.12.
[44] Independent Pricing and Regulatory Tribunal of New South Wales, *Review of the Registered Clubs Industry in NSW*, 2008, Executive Summary, p.2.

IPART divides clubs' social contributions into three categories:

1 **In-house contributions for the club's primary purpose.** These contributions are for the exclusive benefit of club members and their guests, and relate to achieving the club's primary purpose. Examples include a bowling club's provision of bowling greens, and a golf club's provision of a golf course. While members may be charged to use these facilities, the charge is usually less than the commercial rate;
2 **In-house contributions for general member benefit.** These contributions are **also** for the exclusive benefit of club members and their guests, but they do not relate to the club's primary purpose. Examples include restaurants, bars, gaming machines, pool tables, professional entertainment, function rooms, opportunities for social interaction, and a sense of belonging. Again, members may have to pay to use these services and facilities, but generally pay less than a commercial rate.
3 **External contributions for community benefit.** These contributions benefit the **wider** local community within which the club is located. They can include support for community groups, such as sporting teams, schools, charities and welfare groups.[45]

IPART says these categories can in turn be broken down into *direct contributions,* "the result of direct action by a club" such as cash grants, discounted meals and so on, and indirect contributions – intangible "by-product[s] of the existence of the club, its facilities and its actions" such as improved fitness from sports facilities, a sense of belonging and social cohesion. The contributions can also be *cash* or *in-kind.*

10. Sport

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

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

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

Community benefits

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

- Physical and psychological benefits for individuals by improving their health status through exercise and increased social interaction;
- Community benefits from reduced healthcare costs due to the improved health status of participants; and

[45] Ibid, p.42.

- Enhancement of community identity and promotion of community integration along socio-economic and ethnic lines.

Deterrence of antisocial behaviour

Participation in non-professional sport can also have a deterrent effect on antisocial behaviour. Young people involved in organised team sports have substantially higher levels of self-esteem than their peers that don't participate, with a higher likelihood of behaving better in and outside of school. The range of benefits that sport and other physical activities can have in preventing or reducing crime and other antisocial behaviours among young people are widely documented.[46] This reduction in antisocial behaviour brings many benefits to the community, such as reduced vandalism and associated costs and lower truancy rates.

Benefits for indirect participants

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

> *This increase in sports spectatorship is not a dead loss from the point of view of social capital. Sitting with friends in the bleachers for a Friday night high school football game might be just as productive of community as sitting across a poker table. Moreover, at least for the fans of winning teams, the sense of shared enthusiasm of a common passion can generate a certain sense of community. As long-suffering Red Sox fans know, even shared adversity can build community.*[47]

11. Ageing population

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

There are currently just over four million Australians aged 55-plus (or about 21 per cent of the population). This is projected to increase to more than double to around 9.2 million – or around 36 per cent of the total population – by 2042.[48]

And approximately 13 per cent of the population – some 2.8 million people – is aged 65 years or older. This is expected to rise to 18 per cent by 2021 and to 26 per cent (around 7 million people) in 2051.[49]

With more leisure time available, this burgeoning demographic group can be expected to increasingly turn to their local club for activities. Clubs play an important role in the lives of older Australians. For example, nearly 40 per cent of bowling club members in Western Australia are aged over 65 years and about 26 per cent of members of multi-activity and

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[46] Morris, L, J Sallybanks and K Willis, "Sport, Physical Activity and Antisocial Behaviour in Youth", *Research and Public Policy Series*, Issue 49, Australian Institute of Criminology, Canberra, 2003.
[47] Putnam, Robert, "Bowling Alone: America's Declining Social Capital", *Journal of Democracy*, Volume 6, Issue 1, January 1995, p.113.
[48] Commonwealth of Australia, *Intergenerational Report*, Budget Paper 5, May 2002.
[49] Commonwealth Minister for Ageing, Media release "Australian Government's Positive and Active Ageing Plan", 23 June 2008, accessed at http://www.health.gov.au/Internet/ministers/publishing.nsf/Content/mr-yr08-je-je099.htm

other clubs are also within this age bracket.[50] The Adelaide Health Development and Social Capital Project found that:

> *… social participation has a strong link with health and that becoming involved in the social life of the local community, therefore, does improve health and it appears to act as a buffer to poorer health as age increases and socio-economic status declines.*[51]

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

> *… the challenge is to build the social capital of communities in a way that encourages the social participation of men and women as they get older, and of people in lower socio-economic groups.*[52]

This thesis is supported by recent research conducted by Simpson-Young[53] on the use of registered clubs by the elderly and the associated health and social benefits. The research found that registered club use enables the elderly to manage the impact of late life transitions on well-being by facilitating social participation, reducing social isolation and enabling access to resources to improve the quality of daily living.

12. Community donations

In 2007-08, Western Australia's clubs donated approximately $5.4 million in cash grants to charities and community groups. About 70 per cent of clubs – equivalent to 307 clubs – contributed towards this total. The majority of funding support was provided to education and training.

About 50 per cent of clubs provided 'in-kind' donations of goods to community groups during 2007-08; in most cases, the per-club value of these contributions was less than $1,000. In rounded terms, the total value of goods donated to the community is estimated to be in the order of $500,000.[54]

Western Australia's clubs also support the community by making their facilities available to community groups at no charge or for a nominal fee. The majority of clubs (74 per cent) reporting making this contribution, with 20,000 'bookings' of club halls, meeting rooms and gyms, among other facilities, in 2007-08.[55]

Although Western Australian clubs' contribution is sizeable, it cannot compete with the donations made in other states where club revenues are boosted by gambling operations.

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[50] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.16.
[51] Baum, Fran, Catherine Parker, Carolyn Modra, Charlie Murray and Robert Bush, "Chapter 10: Families, social capital and health" in Ian Winter, *Social Capital and Public Policy in Australia*, 2000, p.257
[52] Ibid.
[53] Simpson-Young, Virginia, "Club-going as a strategy for managing change and maintaining social connectedness in later life: an ethnographic account of the day-to-day life of the older club-goer", in C Shanley and T Roberts (Eds), *Proceedings of the 5th National Conference of Emerging Researchers in Aging: Research Informing Positive Outcomes in Older Persons*, University of Sydney, 21st November 2006.
[54] Allen Consulting Group & Edith Cowan University, *Social and economic contributions of licensed clubs in Western Australia,* August 2009, p.34.
[55] Ibid, p.35.

In 2007/08, NSW clubs allocated $58.7 million through the CDSE scheme. This was $22.7 million in excess of the required amount. However, the vast bulk of clubs' social contributions are made outside mandated programs and reflect the long-term commitment clubs have to their communities. Using an expenditure approach, the Allen Consulting Group estimated the total dollar contribution by clubs in NSW to community causes is around $1.1 billion per year.

Queensland clubs provide community contributions valued at $245 million annually, over and above the facilities they provide and maintain in their local communities.[56]

In 2007/08, clubs in the ACT contributed $14.6 million in cash and in-kind support to over 1,000 groups. This was more than double the $7 million required under law, bringing the total contribution to eligible community recipients over the last decade to over $130 million.[57] It should not be overlooked that the ACT has less than half the number of clubs found in Western Australia, but nearly three times the donations.

Clubs SA estimates the value of that state's club donations, community contributions (cash and in-kind) and sponsorships at $17 million per annum,[58] while clubs in Victoria returned to the community more than $33 million in gifts, sponsorships, voluntary services and subsidised activities in the financial year ending 2007.

If clubs in Western Australia were able to provide Keno to boost their revenue, it would follow that a proportion of the additional revenue could be used for worthy charitable donations and support for local community groups.

13. Savings to government

As this section has shown, clubs occupy an important place in communities across Western Australia and the rest of the country. While clubs' size and economic capacity can vary greatly between suburbs and states alike, what does not change is the fact that they are community hubs that provide a wide range of valuable services to their members and to the wider population. Monetary valuations can only go so far as to estimate the worth of this infrastructure in the community – it is impossible to put a price on all the flow-on benefits from clubs, and on all the ways they save governments money.

Clubs provide savings to government in terms of opportunity cost by funding and providing important social, sporting and other infrastructure, as outlined above. For example, sporting fields maintained by clubs take pressure off local councils which would otherwise be called on to provide them; clubs that provide kitchens, food and transport for Meals on Wheels mean state disability and ageing departments do not need to subsidise private providers. And their harnessing of millions of volunteer hours means clubs are able to provide services and products at a fraction of the expense that would be incurred should they be provided by a for-profit operator or by government which has to purchase all its labour.

Quite simply, without clubs, communities would be at a substantial disadvantage and governments would be called on to meet new, costly responsibilities.

In areas where clubs do not exist or are only small, a gap thus arises – and it falls to local and state governments in particular to step in. Whereas in other states clubs are major providers of community facilities and services (particularly in lower socio-economic areas),

[56] Clubs Queensland, *Social and Economic Impact Study of Community Clubs in Queensland,* 2008.
[57] ACT Gambling and Racing Commission, "Community Contributions made by Gaming Machine Licensees, 1 July 2007 to 30 June 2008," October 2008, pp.20. 21, accessed 20 March 2009 at: http://www.gamblingandracing.act.gov.au/Documents/Community%20Contributions%20Report%202007-08.pdf
[58] Unpublished data provided by Clubs SA.

the Western Australian Government and local councils are required to provide a proportionally higher level of funding for everything from seniors' activities to junior sports -

It is important that clubs be provided with the opportunity to safeguard their own future sustainability. If clubs in Western Australia were extended the right to provide gaming, this would be an important added revenue stream that would be a 'shot in the arm' to revitalise this important industry in this state, help it to grow and ensure its longevity.

Moreover, it would also pay dividends to the Government and the Western Australian community. A more independent industry in which clubs could provide additional support to their local communities would mean less demand on public resources and facilities. It would increase opportunities for partnerships between clubs and local, state and federal governments to provide facilities, services and public education campaigns, which are far more common in other jurisdictions than in this state.

Western Australia would also benefit from boosted taxation revenues, both from gaming taxes and in increased payroll tax flowing from employment and spending growth in clubs.

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