



Review of Wagering Taxation

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About ClubsNSW

ClubsNSW aims to deliver a range of services that creates an environment for long-term sustainability, as well as strengthen industry conditions for the benefit of those working within the NSW club industry and the local communities they support.

Clubs are not-for-profit organisations whose central activities are to provide infrastructure and services for their members and the community. There are 1,348 registered clubs in NSW, of which 40 per cent are located in metropolitan Sydney and 60 per cent in regional or rural areas.

The Industry has a combined membership base of 6.7 million club memberships – equivalent to one membership for each adult in NSW.

Registered clubs make a considerable contribution to the NSW Economy. In 2015, the industry:

- generated combined revenues of \$5.8 billion from their diverse operations;
- paid approximately \$1.4 billion in state taxes;
- support 62,000 NSW jobs;
- utilised over 50,000 volunteers, including 26,000 in the provision of sporting assistance (including junior sport coaching, refereeing and management); and
- invested \$2 billion in new assets over the past 5 years.

It is estimated that the total contribution of registered clubs in NSW to value added (i.e. the value of production less the value of intermediate goods used in production) was \$3.7 billion in 2017.

Registered clubs also provide many tangible social benefits to NSW through community infrastructure provided below cost. As of 2015, clubs provide:

- 1,300 bowling greens;
- 379 tennis courts;
- 290 golf courses;
- 218 sporting fields;
- 187 squash courts; and
- 108 gyms and fitness facilities.

Clubs also provide a range of other facilities. These include 1,779 meeting rooms, 1,181 entertainment venues, 1,670 accommodation places, 47 child and aged care facilities. Again, these are often provided to members and the general public below cost.

It is estimated that the value of the social contribution of registered clubs from these activities totalled \$1.3 billion in 2015.

Wagering in NSW Clubs

Wagering is a part of the product mix offered to members by many clubs in NSW.

There are over 730 clubs in NSW that have retail wagering facilities. Clubs have typically provided retail wagering opportunities to drive patronage to other club services, such as food and beverage.

Retail wagering in clubs provides significant benefits to racing industry stakeholders. ClubsNSW has been advised by Tabcorp that in wagering in clubs generates the following revenues for stakeholders:

- Tabcorp - \$63 million p.a.
- Racing & sporting bodies - \$40 million p.a.
- NSW Government (State Tax) - \$14 million p.a.
- Federal Government (GST) - \$12 million p.a.

In contrast, NSW clubs lose a combined \$2 million p.a. on their retail wagering facilities, before accounting for labour costs. A key reason for that loss-making position is the high costs associated with providing racing vision.

Impact of Online Wagering on Clubs

The changing structure of the wagering industry, as consumer preferences switch towards online wagering, is having a serious impact on the sustainability of wagering within clubs.

The shift of wagering turnover away from retail wagering options towards betting with online corporate bookmakers has reduced commissions earned by clubs without any commensurate reduction in costs.

Despite the shift in betting behaviours clubs remain key locations for wagering customers to watch sport or horse racing vision. Many of these consumers use online wagering apps to bet on these events while at their local club.

The 732 clubs who host retail wagering facilities face significant costs against a backdrop of declining revenues. The average cost per venue of a subscription to SKY Racing is \$21,000 per annum.¹ The total cost to the NSW club industry of providing SKY Racing Vision is over \$15 million per annum.²

Many clubs also pay subscriptions to Fox Sports to be able to publicly broadcast sporting events. Subscriptions range between \$15,000 and \$90,000 per annum depending upon the size of the club.

Previously, clubs could recoup these expenses, at least in part, through the commissions earned on cash bets placed in the venue. However, betting behaviour has shifted towards online wagering, including betting on mobile phones within clubs, drastically reducing the commission earned by clubs.

A survey done by ClubsNSW in 2016 revealed that 95% of clubs reported that their TAB/SKY racing outlet is unprofitable.³ This situation is only likely to worsen as more wagering activity moves online.

The change in market structure is dramatically affecting the future viability of wagering in clubs.

¹ Tabcorp Data, 2016

² Tabcorp Data, 2016

³ ClubsNSW Survey of Members 2016

Transition Assistance Fund

ClubsNSW sought to address the structural challenges faced by clubs, by creating a commercial arrangement with CrownBet that would allow clubs to earn commissions on digital bets, in addition to their traditional retail wagering arrangements with Tabcorp. However, the NSW Government was unwilling to provide guidance to clubs with respect to the legality of proposed arrangements, creating a risk that prevented club take-up.

As a result, clubs are effectively limited to receiving commissions from only one wagering provider - Tabcorp. Most corporate bookmakers, which represent a significant portion of the market pay nothing to clubs despite their customers utilising the vision and facilities at the club for free.

When the racing industry faced a similar free-rider problem with online wagering the NSW Government introduced legislation under the *Betting and Racing Act 1998*, which allows racing control bodies to charge for access to use race fields information ('Race Fields Fees') and creates an offence for the unauthorised use of such information. The Minister for Racing second reading speech stated:

The main purpose of the race fields proposal is to address the issue of wagering operators 'free-riding' on New South Wales racing events. Some operators do not contribute to the cost of staging racing events but they use them as a platform for their gambling services from which they profit.

The NSW Government should extend this precedent and support the NSW club industry manage the transition toward an increasingly online wagering market, by quarantining a portion of the proposed POC tax to set up a licensed venue transition assistance fund. The fund would be used to help small clubs, with an average weekly wagering turnover of less than \$10,000 as the commencement of the POC Tax.

ClubsNSW estimates there are 290 such small clubs, predominantly located in regional areas. The wagering commissions paid to these small clubs is not sufficient to offset the cost of SKY Racing. The average annual shortfall is around \$8,600 per annum. Offsetting this shortfall would allow the additional funds to be utilised for the club's community purpose, such as maintaining golf courses and bowling or providing support to local community groups and charities.

We propose that the Transition Assistance Fund be used to cover the shortfall for these clubs for a 5-year period. We estimate a cost of the Transition Assistance Fund to be being \$2.5 million p.a. (\$12.5 million over 5 years); equivalent to 2.5% of the reported \$100 million estimated or additional revenue from a POC Tax.⁴

ClubsNSW is willing to engage with treasury about the practicalities of implementing this proposal.

Should your office require further information or wish to arrange a meeting please contact Josh Landis – Executive Manager, Public Affairs at jlandis@clubsnsw.com.au to arrange a meeting.

⁴ <https://www.theaustralian.com.au/national-affairs/state-politics/nsw-tax-hit-on-online-bookies-tipped-to-rake-in-100m/news-story/fb0680fc4988a0686b1700d6dba60ed1>