

TREASURY EXECUTIVE MINUTE

Minute No.

22 March 2011

Assistant Treasurer and Minister for Financial Services and Superannuation cc: Deputy Prime Minister and Treasurer

MEETING WITH MR DAVID GALLOP, CEO, NATIONAL RUGBY LEAGUE (NRL), ON WEDNESDAY 23 MARCH 2011

Timing: You and Minister Macklin are scheduled to meet Mr Gallop at 3.30pm on Wednesday 23 March 2011.

Recommendation/Issue:

- That you note this background information for your meeting

Noted

Signature:

...../...../2011

KEY POINTS

- You and Minister Macklin are scheduled to meet Mr David Gallop, the Chief Executive Officer of the NRL, at 3.30pm on Wednesday, 23 March 2011.
- As the governing body for the NRL competition, the NRL is likely to be concerned about the potential impact of full pre-commitment on clubs' revenues and on clubs' contributions to NRL teams, and the NRL competition.
 - Suggested talking points are at **Additional Information**.
 - A recent Clubs Australia media release on this issue is at **Attachment A**.
- Currently 14 of the 16 teams represented in the NRL competition are financially supported by their respective leagues clubs.
 - Financial contributions by clubs vary but are estimated to range up to \$4.5 million annually per team. Leagues clubs also provide financial support to grassroots local rugby football teams in the community.
- Minister Macklin's Office has previously provided you with a letter for joint signature, addressed to the chairs of the NRL, Australian Football League and Football Federation Australia, addressing their concerns.
- This briefing has been developed in consultation with FaHCSIA and similar information has been provided to Minister Macklin.

Contact Officer:

Senior Adviser
Social Policy Division

ADDITIONAL INFORMATION

Suggested talking points

- The Australian Government is committed to introducing reforms to reduce the impact of problem gambling in our communities.
- As a part of our commitment to reduce the harm from problem gambling, the Government will:
 - implement pre-commitment arrangements for poker machines commencing in 2012 with the full pre-commitment scheme commencing in 2014;
 - implement poker machine dynamic warning and ‘cost of play’ displays to provide more information to players; and
 - implement a \$250 daily withdrawal limit from automatic teller machines (ATMs) in venues with poker machines, except for casinos.
- The Government understands the important role that the NRL and Leagues Clubs play in local communities, particularly in New South Wales, Queensland and the ACT. We are supportive of the contributions made by clubs to these communities.
- We are consulting widely with industry and community groups, state and territory governments and researchers, to get the rollout of our gambling reforms right.
- We would like to work with the National Rugby League to ensure that the implementation of these reforms is delivered in a way that minimises the impact on Leagues Clubs and the National Rugby League.

Pre-commitment

- The Government supports the implementation of pre-commitment because we agree with the Productivity Commission that this is the most targeted and effective measure to help problem gamblers, and those at risk, without adversely impacting on recreational gamblers.
- Pre-commitment is a tool that will allow people to set limits at the beginning of a gambling session and not exceed these limits.
- The Government has ruled out the use of biometric technology, such as fingerprints, to identify players.
- section 22
- Working together, we can create a safe and responsible gambling environment that supports a strong a vibrant club industry, with continued support for the NRL.

Background

Recent media coverage

- In addition to the media release by Clubs Australia at **Attachment A**, there have been several recent items in the media that relate to the expected impact of the implementation of full pre-commitment on the NRL and Leagues Clubs.
- An article on the NRL website ('NRL welcome Liberal party policy', 6 February 2011) outlines a commitment made by the Leader of the NSW Opposition, the Hon. Barry O'Farrell MP, to give leagues clubs a greater opportunity to support their football clubs.
 - The agreement would recognise contributions to professional rugby league clubs as a 'community investment'. ClubsNSW estimates this would allow contribution of an extra \$10.2 million over the next four years to professional NRL clubs
- An article from the Sydney Morning Herald ('Clubs toss pennies in NRL wishing well', 16 March 2011) identifies the three outcomes anticipated by Sydney NRL clubs to alleviate the impacts of the Government's gambling reforms. These are "the election of a Coalition government in New South Wales; a billion-dollar broadcasting deal for rugby league; and a High Court decision upholding a turnover on wagering".
 - The article also makes mention of the Memorandum of Understanding signed by the NSW Liberal Party and ClubsNSW that provides for a reduction in gaming machine tax rates for clubs with a gaming revenue band of \$1 million or greater.

Clubs and the National Rugby League

- Formed in 1998 under a partnership agreement between the Australian Rugby League and News Limited, the NRL administers the premier rugby league competition in Australia and New Zealand.
- The NRL markets the premiership on behalf of the clubs, as well as organising and overseeing the competition itself. Clubs competing in the premiership have their own CEOs and organisational structure but are bound to the NRL by club agreements and a common set of rules.
- Leagues clubs make significant contributions to their NRL teams.
 - In evidence provided to the PC's Inquiry into Gambling, Leagues Clubs Australia and Redcliffe Leagues Club stated that in 2009 ACT and New South Wales based leagues clubs provided just over \$27 million in direct funding to their respective NRL teams.
- However, it is important to note that Clubs competing in the NRL premiership also receive grants from the NRL to assist with operating expenses, as well as revenue from external sources.
 - In the book *Casino Clubs NSW: profits, tax, sport and politics* (2009), Betty Con Walker notes that Parramatta Leagues Clubs and Penrith Rugby Leagues Club each received \$2.5 million from the NRL in 2006 in addition to substantial external revenue sourced through sponsorship, signage money, advertising, promotion, catering, gate receipts and merchandise.

- Accurate information relating to NRL grants and leagues club contributions for other clubs could not be determined.

Leagues Clubs Australia

- Leagues Clubs Australia is an association made up of 82 member clubs, with a further 32 licensed venues being amalgamated entities.
- The association includes membership by clubs that have affiliations with NRL teams, as well as state based clubs that provide support for state based teams and junior rugby league competitions. Leagues Clubs Australia itself has no official affiliation with the NRL.
- Contributions by leagues clubs provide financial support to the game of rugby league at all levels of representation, from grassroots local leagues to professional teams competing in the NRL.
- In its submission to the Joint Select Committee on Gambling Reform Leagues Clubs Australia stated that member clubs provide substantial financial support to the funding of the NRL, with 11 of the 16 clubs in the competition relying on financial support from their Leagues Clubs.
- Broadly, the concerns of the association relating to pre-commitment are as follows:
 - monetary and non-monetary costs to the venue and player;
 - player privacy;
 - loss of player autonomy;
 - receptiveness of players to reforms; and
 - the effectiveness of the measure.

Sponsorship

- There has been recent public scrutiny and debate over the emergence of sponsorship of NRL teams and stadiums by gaming companies.
 - This year, Star City Casino and Crown Casino have signed sponsorship deals with the South Sydney Rabbitohs and the Melbourne Storm NRL clubs, respectively.
- The increase in the promotion of sports betting in recent years, specifically within the NRL competition, has also attracted attention from media and the public. The home stadium of the Penrith Panthers NRL club has been sponsored by Centrebet, which provides the sports betting company with naming rights for the stadium.
- Leagues Club Australia receives sponsorship from numerous gaming affiliated entities, including: Aristocrat Technology Australia, International Gaming Technology (IGT) Independent Gaming (IG), Maxgaming, Shuffle Master Australasia, Ainsworth Game Technology, Bally Technologies, Konami Australia, Paltronics Australasia, Aruze Gaming Australia, Keno and eBet.

MEDIA RELEASE



Clubs Australia

4 March 2011

RUGBY LEAGUE SPEAR TACKLED BY GOVERNMENT'S NEW POKIE LAWS

Proposed new laws agreed to by the Prime Minister and Tasmanian Independent MP Andrew Wilkie that place bet limits on poker machines will cost the 14 leagues clubs that financially support teams in the NRL more than \$215 million.

Under the deal mandatory pre-commitment technology will be required in all clubs and hotels across Australia in 2014 at a total cost of \$2.5 billion and will reduce club income by 40%.

Before a person can play a poker machine they must register for a 'license to gamble', and then through the internet set a bet limit. If they reach this limit they are actually locked out from playing any poker machine.

Once registered, players will receive a card which stores their gambling activity and can be tracked by the Federal Government.

Other leagues clubs that support junior rugby league will also be spear tackled by the plan. The technology will cost these clubs \$237 million meaning the total hit to NSW leagues clubs will be more than \$450 million.

More than 400,000 people, mostly children, play rugby league in NSW and Queensland. Leagues clubs last year donated \$40 million to help fund the purchase of items such as football jumpers, shorts, socks, trophies, insurance, medical kits, referee outfits and ground developments.

Executive Director of ClubsAustralia Anthony Ball said mandatory pre-commitment will devastate rugby league.

"For more than 50 years clubs have been the financial backbone of rugby league. This is now under threat from this new technology that will kill registered clubs and the 1,200 junior rugby league teams they support.

"Experts say that mandatory pre-commitment technology won't help problem gambling and will simply drive them to other forms of gambling. The only sure thing is that clubs will close and that is very bad news for rugby league.

"Already St George Leagues Club has said it will be withdrawing its \$3 million annual support of the Dragons when mandatory pre-commitment technology starts. That means the current NRL premiers will either fold or be sold into private ownership.

"This technology is a lemon. It has never even been tested in Australia and we know it is going to send clubs and rugby league to the wall," Anthony Ball said.

CLUB	INSTALLATION COST	ANNUAL INCOME REDUCTION
Canterbury (Bulldogs League Club)	\$9,540,000	\$27,419,368
Parramatta Leagues Club	\$7,080,000	\$20,930,094
Penrith Rugby League Club	\$10,650,000	\$15,525,766
St George Leagues Club	\$6,180,000	\$14,732,885
Broncos Leagues Club	\$4,200,000	\$5,201,200

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