



Australian Hotels Association
WESTERN AUSTRALIA

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Mr John McGrath MLA
Chairman
Joint Standing Committee on the Review of the
Racing and Wagering Western Australia Acts
Parliament House
PERTH WA 6000

Dear Mr McGrath

Review of the Racing and Wagering Western Australia Acts

Thank you for your invitation to provide a submission to the Joint Standing Committee on the Review of the Racing and Wagering Western Australian Acts.

The specific and primary focus of our Submission will be in the following areas:

- Commission Rates
- Venue staff wages
- RWVA's impediments
- Support for Western Australia's racing and wagering

The Association represents nearly 200 TAB outlets and we appreciate how any changes or amendments to the Racing and Wagering Western Australia Act may affect our members' businesses and the future success and livelihood of the racing industry.

The Australian Hotels Association (WA) is Western Australia's peak tourism and hospitality industry association. The Association represents a broad membership base across the state which includes internationally recognised accommodation hotels and resorts, taverns, hotels, small bars, restaurants and suburban and country pubs.

The industry provides over 45,000 jobs, generates \$2 billion to the state economy, pays over \$200 million in taxes and contributes over \$20 million a year to charities and community groups.

In relation to your invitation to provide a submission to this inquiry, the AHA (WA) is pleased to submit the following, the scope of which is limited to PubTAB arrangements.

PubTABs

The RWWA 2008/09 annual report states that the retail network as at 31 July 2009 consists of 92 full time dedicated shops, 188 PubTABs and 31 self-service outlets. Of these 188 licensed PubTab outlets a large percentage are members of the AHA (WA) and have provided us with the following information for your consideration.

Commission Rates

One of the chief concerns from our membership relates to PubTAB commission rates. The following is the weekly commission rate payable:

Base Fee: \$150 per week on turnover up to \$40,000
 \$100 per week on turnover between \$40,001 and \$60,000
 \$75 per week on turnover between \$60,001 and \$75,000
 Nil on turnover over \$75,001 per week

Plus Ticket fee: 1.6 cents per investment and telephone deposit ticket

Plus Commission: 0% on turnover to \$4,000
 2.1% on turnover from \$4,001 to \$20,000
 2.5% on turnover from \$20,001 to \$60,000
 2.0% on turnover above \$60,001

The current commission arrangements do little to provide incentives for operators to grow this element of the business. Regardless of whether turnover is \$15,000 or \$75,000, establishment and operational costs are comparable.

For example, if an outlet generated a turnover of approximately \$80,000 per week based on 6,000 wagering tickets, their commission would be \$1,696 (which consists of a \$96.00 ticket fee plus \$1,600 commission).

While a wagering outlet in a licensed premise is said to be an additional revenue stream to complement food and beverage sales, this is not necessarily the experience of our membership. There is no guarantee that punters do engage in ancillary business activities. Generally an avid punter may come in and sit on one drink whilst punting over the course of many hours.

Venue Staff Wages

One of the largest ongoing costs associated with a wagering outlet is staff wages. In 1998 wages for a casual bar attendant who operated a computer

terminal for the receipt and payment of bets placed through a licensed PubTAB, was paid \$13.02 per hour¹. On public holidays this rate was \$20.75 per hour².

With the introduction and modernisation of the new Federal awards the current equivalent rates of pay for a casual grade-three food and beverage attendant is as follows:-

Monday – Friday (7am – 7pm)	\$16.58 per hour
Monday – Friday (7pm – 12am)	\$16.93 per hour
Saturdays	\$24.87 per hour
Sundays	\$25.70 per hour
Public Holidays	\$38.96 per hour ³

In 1998 a casual bar attendant working for 38 hours per week received a gross wage of \$494.76. Working similar shifts a casual employee in 2010 will receive a gross wage of \$734.50.

The industry understands that RWWA has been impacted by increased fees, similarly our membership has also faced fiscal demands with increased overheads for training, superannuation, insurance, licence fees, utilities costs and staff wage costs.

RWWA's Impediments

We recognise that RWWA has made considerable efforts in recent years to introduce new technology to reduce operating costs, replace redundant operating systems and provide leadership in customer service and training.

There are however, limitations on RWWA's ability to provide further incentives and financial rewards to TAB outlets and PubTAB operators due to the taxation structure imposed by the Western Australian Government.

The recent difficulties facing the industry, including the global financial crisis, the increased level of interstate competition and the equine influenza virus has impacted RWWA's turnover by as much as \$80 Million.

Other limitations on RWWA's ability to provide incentives, includes the Western Australian State Government's withholding of the GST rebate, and not approving new products, such as Trackside.

Trackside

Trackside is a wagering product that is an animated race simulation of thoroughbreds, greyhounds and harness racing that offers fixed odds. It has

¹ The Hotel and Tavern Workers' Award 1978

² The Hotel and Tavern Workers' Award 1978

³ The Hospitality Industry General Award (HIGA) has transitional arrangements which means that these rates have a pre-arranged increase over the next five years separate from annual AWOTE increases

been available in Victoria for nearly a decade, and in July the New South Wales Government Minister for Racing & Gaming, Mr Kevin Greene, announced that Trackside would be allowed in New South Wales.

Trackside is classed as a wagering product in both New South Wales and Victoria.

In 2003 the AHA recommended that the Western Australian Government give favourable consideration to Trackside being available through hotel PubTAB venues. Western Australian authorities determined that the product was a gaming product and its use was restricted to the Burswood Casino.

In 2004, the then Premier, Dr Geoff Gallop, stated in Parliament that *"Trackside is a video-presented, electronically simulated race upon which the usual types of win-place trifecta bets can be placed at fixed odds. It is not a gaming or poker machine, but it is considered a casino game in all States except Victoria and Tasmania. I am pleased to announce that my Government will not grant approval for that game to be played outside the Burswood Casino."*

The recent enquiry into wagering in New South Wales determined that Trackside is a wagering product. The Minister for Racing & Gaming, Mr Kevin Greene stated on 22nd July 2010 that *"we're now reclassifying Trackside as a wagering product which more accurately fits its design and market. It also brings NSW into line with Victoria where Trackside already operated in TAB outlets as a wagering product, providing invaluable support to its racing industry."*

As a result of the reclassification of Trackside in New South Wales, the AHA encourages this Committee to give due consideration to an appropriate mechanism to independently review and consider the determination of Trackside as a wagering product and for it to be available in hotels TAB venues.

There is considerable evidence to suggest that Trackside should be available and offered as a wagering product in TAB locations as a supplement to wagering on real life animals.

In addition, problem gambling research and reports commissioned by State Government's and the Commonwealth, particularly the Productivity Commission, have not determined that Trackside would encourage problem gambling.

Attached to this document is information provided by Tabcorp Holdings on their Trackside website.

Sky Channel

An overhead which is a mandatory requirement for a wagering outlet is subscription to Sky Channel and/or Racing Radio. The subscriptions are also aligned with TAB turnover and fluctuate weekly.

The current rates to calculate Sky Channel subscription is as follows:

Weekly Base Fee \$65.00

Plus percentage of TAB turnover (for each \$ of turnover in the range)

*1.25% on turnover to \$8,000
 0.2% on turnover from \$8,001 to \$25,000
 0.16% on turnover from \$25,001 to \$60,000
 0.14% on turnover above \$60,001 to \$120,000
 0.10% on turnover above \$120,000*

Sky Channel subscriptions are anticipated to increase shortly given the introduction of Sky Racing 2.

To illustrate the impact on operators of PubTABs we would like to provide you with two case studies. The venues both have similar size PubTAB areas, and are operated by one staff member per shift whose focus is servicing the wagering facilities. Hours of operation are 10am to 10pm Monday through to Sunday.

Metropolitan

Please see table below of a suburban pub that generates a turnover of approximately \$80,000 per week based on 6,000 wagering tickets:

Commission	\$1696
Subscription to Sky Channel	(\$177)
Wages for a total of 84 hours per week of operation	(\$1606.89)
Superannuation	(\$144.62)
Total (shortfall in this example)	(\$232.51)

Variables and outgoings (utilities, insurances, training etc) have not been calculated for this exercise however should be noted.

Country

Please see table below of a country pub that generates a turnover of approximately \$20,000 per week based on 6,000 wagering tickets

Commission	\$666
Subscription to Sky Channel	(\$105)
Wages for a total of 84 hours per week of operation	(\$1606.89)
Superannuation	(\$144.62)
Total (shortfall in this example)	(\$1190.51)

Variables and outgoings (utilities, insurances, training etc) have not been calculated for this exercise however should be noted.

Summary

PubTAB operators are not seeking to make massive profits from their wagering facilities but expect a reasonable return for the hard work, responsibility and effort that goes into running a punting agency for RWWA however as illustrated in the above examples the return on investment is negligible to the point of unviable.

In addition, the commission rate structure with RWWA entered into some time ago should be reviewed in light of the increased associated costs of running PubTABs.

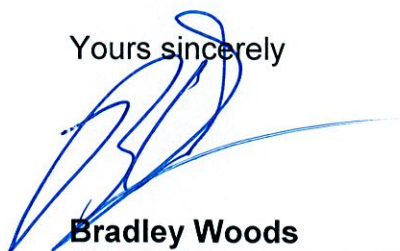
There is a general view amongst operators that RWWA are looking to decrease commission rates which based upon the examples illustrated above would be deleterious to the industry.

Recommendations:

1. That the Minister for Racing and Gaming implements a review of the commission rates payable to PubTAB operators in light of rising costs associated with utilities, wages, and other ancillary business costs.
2. That the commission rates payable to PubTAB operators, are increased annually in accordance with C.P.I.
3. That an independent review be carried out to consider and determine the use of Trackside as a wagering product, with consideration for it to be available in hotels TAB venues.

We hope that you will give this matter your serious consideration.

Yours sincerely



Bradley Woods
CEO/EXECUTIVE DIRECTOR