

STATEMENT BY PROFESSOR LINDA HANCOCK

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Norths' Takeover of the Bangalow Bowlo Is Too Risky

Norths Collective Club took out a 2-page advertorial in the November 2 Echo, urging Bangalow Bowlo club members to vote on November 13th in favour of the amalgamation [read takeover] with Norths. But it's curious there was no mention of increasing the number of pokies from 4 to 15 or the prospect that Norths could transfer more machines from their other venues once they have control (after the end of the MOU 10 year term) - if a majority of Bowlo members vote in favour on November 13th. There were also no reassurances about real "community benefit" or preventing money laundering by going over to cashless gambling.

First to the perceived "community benefits" of clubs framed in terms of sponsorship of local sporting clubs that surround the Bowlo. It will come as a shock that Clubs making less than \$1 million per year from gambling machines are not required to pay any tax [NSW Liquor and Gaming Commission] on the revenue. Those above this threshold have the choice of paying either 1.85% on the amount over \$1m or contributing the same amount to community projects under the ClubGRANTS scheme.

ClubGrant rules introduced in 2017, also allow clubs to use part of their own grants to build 'community care infrastructure' including childcare and aged care facilities. For the Bowlo, this could mean having these developments on Bowlo land. Does Bangalow want that?

Clubs like Norths that run as Not for Profits [NFP] can offset tax by expenditure on staff, running costs, travel, entertainment, sponsorships and donations. As a NFP they get tax advantages. In some other states the percentage required for community benefit is higher but across states, clubs spend a minimal amount in community support grants.

For example, clubs in Victoria are required by law to spend 8.33 percent of total pokies losses on community contributions. In return, they receive an 8.33 per cent rebate on tax compared to hotels that cannot count 'community benefit, but most spend below this threshold.



Analysis of clubs' returns to the Victorian Commission for Gambling and Liquor Regulation by Monash University, found that Victorian clubs' contributions to charitable or philanthropic purposes amounted to just 1.5 per cent of total net gambling revenue and not the one-third claimed. This is because 70.7 per cent of all community benefit claims (wages and on-costs, capital costs, outfitting and update of club equipment, insurance and utilities) were counted in the "official" reporting of community benefit.

Golf clubs with pokies contributed 0.75 per cent of net gambling revenue, racing clubs 0.45 per cent of net gambling revenue and AFL clubs 2.7 per cent of net gambling revenue. This is basically a way of hiding the fact that a lot of clubs are run as highly profitable businesses with minimal real community contribution and far from the claim they are run for "community benefit".

The NSW Crimes Commission recently published research into money laundering in NSW pokies venues. It concluded: 'criminals are funnelling billions of dollars of "dirty" cash through poker machines in pubs and clubs every year in NSW but there are no effective controls or data collection to identify or prosecute those involved.'

Currently, Clubs NSW gives some general but clearly inadequate policy guidance on money laundering:

"Money Laundering - the ClubSAFE program provides training in how to meet obligations under the Anti Money Laundering and Counter Terrorism Financing Act. A club will have these obligations if it has 16 or more electronic gaming machine entitlements".

With four, fifteen or one hundred pokies, the same method of laundering applies to black dirty money from sex trafficking, drug money or underworld sources. Sometimes this involves corrupt clubs' management staff paid off to give protected time [ie keeping watch for police or gambling regulators], or money launderers with a team going into a venue at a slack hour when not many people are around and gambling amounts under the AUSTRAC limit of \$10,000.

But on even one machine, money laundering involves feeding large denomination notes into the note acceptors, playing the machine for a while and then cashing out the lot as winnings. Voila-clean laundered money. There is no regulation stipulating that funds paid in have to be differentiated on receipts from winnings. Interestingly, Norths have no comment on the efficacy of cashless gambling which the Commission argues would eliminate these risks.

It's up to the Bowlo members to assess the risks of a merger with a company located 600 kilometres away and across six businesses after a merger with the Bowlo. The MOU is full of holes and in real terms, poses more risks than not keeping the Bowlo "local".

- Overall management of the Bowlo will be by the Norths CEO
- The MOU only commits Norths to an intention to "preserve" the Bowlo, and where possible its "enhancement". Intentions and possibilities are inherently uncertain and virtually unenforceable.
- The Norths Board and Management "must make decisions in the best interests of Norths (the Amalgamated Club) at all times". Therefore, the Bowlo's interests will be secondary to that of Norths. The Bangalow Bowlo will have no autonomy.
- No community support activities have been identified in the MOU, and no binding commitment is made to preserve anything. Community support "opportunities" will only be "explored" by Norths.
- Quite scandalously in terms of any commitment to "responsible gambling", the Norths "My Choice benefits program" will include funds spent on gambling in the rewards program; incentivising people with gambling problems to spend more.

Of course getting rid of the machines with a well-planned forward budget under a new Bowlo member Board, staying local and voting against amalgamation, would give the most community benefit.