

A league of their own

Panthers is a prime target in the stoush over poker machine tax - and the club's boss is more than ready for the fight.
Anne Davies and Paola Totaro report.



IT'S DESTINED to become a fight to the death. In one corner is Michael Reuben Egan, the state's pugnacious Treasurer. A prodigious hater, he is hellbent on imposing a hefty new tax regime on poker machines after a failed bout in the ring with the club industry in 1997.

In the other corner is Roger Maxwell Cowan, 62, the chief executive officer of Australia's biggest club chain and a 40-year veteran of the gaming industry. Willy, lean and prodigiously fit, Cowan presides over an empire worth \$300 million, 13 clubs and a statewide web of 1500 poker machines which churn out \$150 million a year.

As the rugby league season reaches its climax, the empire that powers the minor premiers, Penrith, is under the microscope.

From day one of the battle over the new tax regime, both the Premier, Bob Carr, and Egan have used the big clubs as their political bete noir, exploiting perceptions of largesse with executive salaries and lavish capital works to illustrate the Government's argument that they can afford to pay more. The clubs may turn only tiny profits, says Egan, but they manage to spend millions on "waterfalls in their foyers".

Egan has made it a mantra to publicly query how clubs like Panthers spend their money, comparing the \$100 million a year spent by the industry on donations and sponsorships with the \$3 billion they reap in gaming revenues.

Of Panthers, he said: "Panthers is no longer a community club. It's become a massive poker machine business. Penrith might be premiership material on the footy field but the registered club is a wooden spooner when it comes to supporting the community." Penrith supported the community through donations of \$2.26 million in 2001-02. It gave its football team \$2.8 million. And it made a net profit of \$2 million. The rest of the \$150 million in revenue went on running the clubs and paying tax of \$23 million.

The Government insists the issue is also about corporate governance: whether the clubs are run efficiently, and transparently.

But Cowan, who has been running Panthers for 38 years and is paid a salary of nearly \$600,000, is holding his corner. "You just can't put a thousand machines out in a paddock and hope they make some money for us," he says of Egan's suggestion clubs spend too much on their premises.

The sprawling, multimillion-dollar Vegas-style Panthers World of Entertainment is at the receiving end of an investigation by the Department of Gaming and Racing. But as the football team rests before its big match on Sunday, Penrith fans can also rest easy.

This is not a Bulldogs-style tale, where last season's salary-cap scandal engulfed both the leagues club and the football team. The investigation, which began as an audit of the top 50 clubs, is focusing only on Panther's club side.

This week Cowan came out fighting, claiming the Government was targeting Panthers - and him personally. "I make a challenge to Michael Egan and Bob Carr: put any investigator into Panthers to look at corporate governance and if we don't come up as good or better than most public companies I will give the game away. They won't have to worry about my salary because I'll have resigned."

IT'S worth backtracking a little to understand the Panthers story.

During the late 1990s a group of five directors was elected to the board. They were younger than many of the other Panthers directors, who were in their 70s and 80s.

One, a local businessman, ran a newspaper. Another was a local solicitor, another an accountant with a large company, another a private investigator, the last an engineer.

Dubbed the "footy five", they were worried that the club was too

interested in expanding its poker machine empire at the expense of the football team, which has won only one grand final in its 35-year existence. This is despite having the biggest junior league in Australia.

It did not take long before the directors had a head-on collision with Cowan, who was used to running the club with little or no board intervention. It began over whether they should amalgamate with Parramatta. The footy five felt Cowan was trying to reverse the board's decision against a merger.

Relations went into freefall when the footy five began querying Cowan's remuneration. Cowan has a 10-year employment contract signed in 1995. When the board members asked when there had last been a performance review, they were told never. They were also told they could not see the contract because it was confidential. Only the three-member executive committee was privy to it.

Eventually they were shown a censored version, without amounts. Most learned of Cowan's nearly \$600,000 package only when it was disclosed in the 2001-02 annual report as a result of changes to the Registered Clubs Act. Details of dealing by Cowan's family company, Phyro Holdings, with the Panthers remained known only to the executive. While directors are required to disclose related-party transactions to the members, there was no legal obligation in the Registered Clubs Act for the dealings of executives to be disclosed to the board or members.

An election in October last year saw the footy five ousted in favour of a ticket more sympathetic to Cowan, a point Cowan says vindicates his leadership of the club.

But as Cowan told members in the annual report, the "election saga" attracted the attention of Gaming and Racing. It is still under investigation.

When the annual meeting was held in March, two of the now-ousted footy five directors turned up



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MICHAEL EGAN, NSW Treasurer

necessary checks and balances to manage a multimillion-dollar project. And at the head of the Bulldog family was the league club president, Gary McIntyre, widely acknowledged as the omnipotent power behind the successful club. He had a board but many of the Bulldog directors had been there for more than a decade, and were retired policemen, small retailers and the like. They shared a passion for rugby league but little business expertise.

While McIntyre received only a small honorarium for his role as president of the leagues club, closer scrutiny of the accounts revealed that the law firm he ran from his home in Lugarno had billed the club hundreds of thousands for legal and consultancy services.

He also received \$220,990 from the football club, plus the famous Jaguar, with Dogs number plates and corporate credit cards and a tab at the club. And he received \$200,000 as chief executive of the Oasis Development Corporation, the company steering the ill-fated sporting complex the Bulldogs hoped to build at Liverpool.

ONE issue seems to be the inability of the Department of Gaming and Racing to cope with the job of monitoring clubland.

The department has 25 inspectors to cover the 12,200 registered clubs and hotels in the state. By comparison, the Casino Control Authority has 20 full-time and 10 temporary inspectors just for Star City. Given that the Panthers empire alone has more poker machines than the casino, it seems an unequal spread of resources.

With the issue of whether or not the clubs can afford to pay tax squarely on the table, thanks to analysis done by the National Rugby League which said clubs backing league teams would be plunged into deficit, the focus will quickly turn to whether the clubs are run well.

Carr wants to clamp down on the club industry and the political big stick - the spectre of a judicial inquiry with wide-ranging powers to investigate issues outside the realms of the Registered Clubs Act - has been waved far and wide.

Indeed, a furious Carr made very clear when he accused the Sydney ad man John Singleton of a close approximation of political blackmail last week, that he was capable of threat or two himself: "I think there's a strong case for government looking more closely at the propriety and governance especially of the largest clubs. And I'm looking at ways of doing that."

But this week, with Carr overseas, the Government was taking a softly, softly approach, writing directly to the state's 36,000 nurses to formally pledge the pokies tax to the state's public hospitals.

the blowtorch asking questions about Phyro Holdings and its dealings with the club. The company has been in existence since 1965, its name a hybrid of Cowan's wife's name and his own first name.

The meeting was told that the company provided certain services to the club, including the provision of legal advice. The footy five say this was the first time they became aware that the club's solicitor, Stephen Bowers, was in fact engaged by and paid by Phyro.

Cowan told the Herald that Phyro provides a number of services to the club, including those of Bowers.

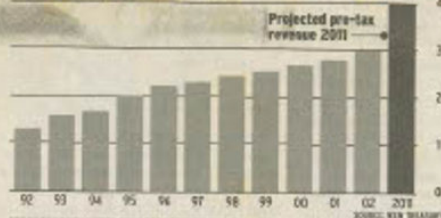
Cowan has confirmed that in 2001-02 the club was billed \$2.9 million, although the net profit to Phyro after expenses was only \$43,500.

While Phyro may be tax-effective for the Cowans, it is less clear what the club gets out of the arrangements.

The chairman, Barry Walsh, said the executive committee had always been aware of Phyro and the new board was also fully aware of it. "We've got nothing to hide, love. When you hose it all down, there's nothing there."

HOW THE MONEY ROLLS IN

NSW clubs pre-tax gaming revenues



Cowan rejects the idea that poor corporate governance is at the heart of the Panthers' boardroom spats.

"Well look, there was an unholy dispute at the time, I must admit, but that is no different to NRMA and Coles. These things happen, every now and again. Boards blow up," he said.

HOWEVER, the Government and the Department of Gaming and Racing are less sure about the club sector.

Without shareholders, there is little scrutiny of these massive businesses except by the board. Yet club boards

Hard play... the Panthers club, top left, and above, its tough-talking CEO, Roger Cowan.