



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Rating Issues: Proprietary Golf Clubs

9 March 2016

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Ms Claire Hanna (Deputy Chairperson)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Leslie Cree
Mr Gordon Lyons
Mr John McCallister
Mr Ian McCrea
Mr Gary Middleton
Mr Máirtín Ó Muilleoir
Mr Jim Wells

Witnesses:

Mr Kenneth Logan	Edenmore Golf and Country Club
Mr Robert Gallagher	Foyle Golf Centre
Mr Gary Henry	Galgorm Castle Golf Club
Ms Lynn McCool	Lough Erne Resort

The Chairperson (Mr McKay): Good morning. I welcome Kenneth Logan, director of Edenmore Golf and Country Club; Robert Gallagher, owner of Foyle International Golf Centre; Gary Henry, director of Galgorm Castle Golf Club; and Lynn McCool, director of golf and head PGA professional at Lough Erne Resort. Do you wish to make an opening statement? We will then go to questions from members.

Mr Kenneth Logan (Edenmore Golf and Country Club): We were planning to read out what we had written to you. I thank the Committee for inviting us along. It is probably a major point of concern for us to even be here because it just admits to customers and other folk that our sector is under duress, as we feel. That is not good for the customer perspective of our businesses.

I would like to open, if possible, by reading a letter from a former proprietary owner, Mr Jim Gillan, who probably intended to come here but, at the end of it all, did not. I will read that first, if that is OK. He says:

"My name is Jim Gillan and I was the former owner of Gracehill Golf course. Due to extreme financial pressure as a result of government decisions I was forced to sell my business at a very average price in April 2015. I started construction of my course in 1992 as there was demand for more recreational facilities and most golf club memberships were full. At that time everyone was on a level playing field as vat was applied to all sports facilities. This changed shortly afterwards

as members owned clubs became exempt from vat. How can any business compete when its competition has a 20% advantage? We then set up a licence scheme whereby members leased the course from the owners and vat was exempt. This was perfectly legal at the time but government kept moving the goalposts determined to drag proprietary owned clubs into paying the vat. To cut a long story short, we eventually went to a tribunal and lost the decision on what I felt was a fairly indecisive reason. This whole episode cost the business £150 k and combined with the recession when we lost members meant we could not survive. It took us 6 years approx. to find a buyer and we're now left with barely enough funds to buy a house. All members' golf clubs are run as businesses with some charging very high green fees with no tax to pay. Rates on proprietary clubs are a similar story. Members clubs are getting massive rates relief and then use their facilities to undercut local competitors with cheaper prices and are doing weddings, functions etc. for non-members who can't legally be there. Why is nothing done about this blatant unfairness? I always thought it was the role of government to provide a level playing field but everyone turns a blind eye!!!! Are there too many vested interests? No decisions taken now are going to help my family or dispel the grief/stress I went through but I would ask the finance committee in the interests of fairness to take an urgent look into these matters and where possible, do something about it.

Yours sincerely,

Jim Gillan"

A number of proprietary golf clubs in Northern Ireland have already either been sold or closed down. Quite a number have already closed down, but, at this minute in time, there are about 22 left. It would have been up around the 30 mark at one time.

I will read what I have, and, at any time, anyone can ask me if they are not sure what I am saying. It is important for me to state that, from the outset, I am stating this how I understand it. We are not trying to ridicule or disadvantage any other type of golf club. Our aim is to receive fair treatment for our members, be recognised for the vital role that our clubs play in our community and be treated fairly regarding VAT and rates by local and national government.

There are around 22 proprietary golf clubs left in Northern Ireland; there used to be a lot more. Local and national government policies have quietly and efficiently exterminated them. As a small group of golf clubs, we have been, in most cases, in existence for around 25 years, give or take a few years. We were initially encouraged into existence by government recommending diversification from agriculture and by the Royal and Ancient Golf Club (R&A), which identified the need for golf clubs because, despite the increase in the popularity of the game, there were no new traditional private members' clubs being created for people who wanted to play golf.

Because it was almost impossible to get a group of people together with the one aim in mind of building a golf club, it was essential to involve landowners. Historically, private members' clubs catered for members and their guests and were by law, as I understand it, unable to behave in any commercial fashion. People taking up the game had to join private members' clubs or to know a member to get them signed in to play a game. Otherwise, they just did not play.

In most instances in Northern Ireland, proprietary clubs were set up by farming families as a type of farm diversification. It would be fair to say that many proprietary clubs have developed from small family businesses, and, in many instances, that is still the case. Farming family businesses usually put their all into trying to keep the business going at all costs. That is still the case in many instances in Northern Ireland. However, through the years, much has changed, and a disadvantaged situation for the proprietary sector has developed. Today, most types of golf club are, in my view, businesses. Most, if not all, advertise for visitors in various ways, such as through the Tourist Board, on the Internet and in other ways. Corporate hospitality societies, fundraising days and visitors from all over the world are now an essential part of almost every golf club's season and income. Some private members' clubs in Northern Ireland have been exceptionally successful and have openly stated that they collect well over £1 million from foreign visitors alone. The Golfing Union of Ireland (GUI) is encouraging all clubs to be more businesslike and is actively providing advice on how to achieve that. It has set up an organisation called the Confederation of Golf in Ireland (CGI), which has the primary aim and key objective of helping golf clubs to become more businesslike.

A lot has changed through the years. All clubs now welcome visitors, provide membership and have captains and committees. Ours is no different. Private members' clubhouses and restaurants have become, in some cases, the place to go, and everyone is made welcome. Many are packed with

visitors for Sunday lunch and advertise to host weddings. With a strong rates advantage, they compete at a huge advantage over local restaurants and hotels, never mind the proprietary clubs, which are rated whether they attract business or not. As a result, many proprietary clubs are distressed, and all suffer from the distortions in VAT and rating policies.

We are here on behalf of some, if not all, in our sector to plead for your help before it is too late for some of our clubs. As I understand it, in many or most cases, private members' clubs get rebates of 80% off their rates. Municipal clubs are exempt from rates, and, in many cases, they are subsidised by the very rates that proprietary clubs pay to councils. Unbelievably, they use the subsidy to flood the market with prices as low as £5 per round, which is well below their cost, in an effort to justify their existence.

Proprietary clubs have to pay full rates because they are classified as businesses. They are not eligible for sport and recreational relief. Despite their identical provision of a golf course and the fact that they are being used for exactly the same purpose as private members' or municipal courses, proprietary clubs' sporting facilities, such as their course or changing rooms, are not eligible even for sport and recreational relief. How do I explain to my members that the clubs in our small group are the only ones not eligible to receive sport and rec relief or, in the case of municipal courses, probably to receive funding from their council to be there? We are all sporting facilities, warmly welcoming everyone who visits us. Sporting facilities should either be rated or not rated, and it should be the same for everyone. After all, it is the same people who walk the fairways.

The argument is that we are a business because we make money from it. Yes, we try to do so in an effort to repay the investment. If we make a profit, we pay either income or corporation tax. Have you ever considered what would happen if a private members' club in Northern Ireland sold over £1 million in green fees to strangers? It would still be on the rate valuation forms as being eligible for sport and recreation relief. It may well not make any money or pay any tax, despite government spending a lot of money on promoting it.

I plead with you to stop ignoring what is going on. Either make sports facilities liable for rates or do not. I feel it is illegal state aid if we provide the same thing and our members pay rates while members of other golf clubs do not. It is time to treat everyone equally, not to discriminate further by increasing the rebate to 100%. All rates and taxes on proprietary clubs that are charged differently or in addition to other clubs are, in my view, discriminatory because, ultimately, the members of those clubs have to pay them while other club members do not. Our members believe that we are exploiting them with higher fees each time we are forced to put the fees up to cover rates and VAT that other clubs are not even liable for.

Finally, once again, our aim is to be recognised for the vital role we play in our community and to be treated fairly and in the same manner as private members' clubs regarding VAT and rates by our local and national government. We urge that some sort of group be set up to progress those concerns and to understand our situation. Many issues are caused by the VAT and rates distortions, including, in some cases, the ability to continue, as demonstrated in this letter. I could have brought several other letters as well. The sale value of proprietary clubs has also been highlighted in this letter. The profitability of the unfair taxes that are being levied is an issue, as is the ability to secure investment. Proprietor morale is at an all-time low in many cases. I have spoken to most, if not all, of the 22 clubs when I was doing my research for this. Many of them were in a very distressed state. Vulnerability to banks is a real problem. Lottery funding to members' clubs creates an unfair advantage. We have examples close to home of where large sums have been given to clubs to improve their facilities. VAT refunds to private members' clubs will happen in the near future. Again, that will jeopardise our situation. There is a reduced VAT rate for municipal courses. Apparently, municipal courses in our areas pay just 4-9% VAT on their fees. The list is endless, and I could go on for a long time. We need you to listen to us.

The Chairperson (Mr McKay): Are there any other opening comments before we go to questions?

Mr Logan: Can our colleagues read their statements as well?

The Chairperson (Mr McKay): Are members content with that?

Mr Lyons: We have them all in our packs.

Mr Wells: Having had a brief look through them, I think they all seem to have the same problem. Some, obviously, are on a different scale, but the issue is VAT on green fees and rates. Those are the two core issues, as far as I can see, in all the submissions.

The Chairperson (Mr McKay): Thank you, first of all, for coming to the Committee. I think the evidence we have received is quite useful. Obviously, VAT is a reserved matter, but it is something that we, as a Committee, could explore between now and the new Committee being set up in May.

Can you give us some idea of the level or range of rates that you pay? I am not saying that you have to give us figures, but what about the range of rates you pay in comparison with competitors in amateur golf clubs?

Mr Logan: I will answer that, unless anybody else wants to. Our rateable valuation went from £75,000 to £84,500. That is our valuation. We get no sport and recreation relief. For example, Royal County Down's valuation went from £69,000 to £72,000, and it gets a 100% rate and sport and recreation relief. Theirs went up 3 29%, and ours went up 12 67%. I know that Gary is representing the Galgorm club.

Mr Gary Henry (Galgorm Castle Golf Club): Yes. To use Galgorm as an example, in 2015 our rates went up by over 60%, which shocked us. That was the first thing. We did some research following that and looked at most of the golf-related industries throughout the Province. It was very noticeable that they all went up by somewhere between 10% and 69%. Most of the private members' clubs are fortunate, because, even though their rates increased, they have that rate relief, so the increase had a minor impact on them. As Kenneth said, not only do the proprietary clubs get a significant rate increase but they have to pay the full pot of that. This just makes the playing field, which is uneven in every area from VAT to rates, even more uneven, and it seems as though there is another increase in that each year.

In summary, as Kenneth mentioned, this cannot continue. In the past 15 years, the whole golf industry has changed dramatically throughout the country. That now needs to be assessed and reviewed, and a way needs to be worked out to make the industry level again because it has, for various reasons, changed. Rates are just one of the issues. In our case, we are very active in the promotion of tourism. It is my understanding that, from a government perspective, tourism is one of the country's growth areas and is something that we all want to work hard on improving. Yet, when you look at the rates increases, you see that all the locations, such as ours and Lough Erne etc, have had massive increases in rates. There is no logic in why people who are trying to develop tourism are then heavily charged with providing that service. It just seems that there is no logic to the process. All we are asking is that the Finance Committee look at how to review the whole industry across the board from a golf, rates and tourism perspective.

Mr Wells: Does that mean you are paying £5,000, £50,000 or £100,000 a year in rates? What do those figures mean for what you have to pay DFP?

Mr Henry: Our rates for the Galgorm golf club alone are roughly £40,000. The rates for a private members' club, once it gets relief, may be £30,000, but when it gets its discount, they maybe have to pay only £5,000, for example. Each year, it gets greater.

Mr Logan: Ours is £46,000. That is what we pay at the minute.

Mr Henry: None of this is straightforward. It is quite complex, but it is strangling an industry that employs people, as well as having an impact from a tourism perspective.

The Chairperson (Mr McKay): Obviously, we are looking at amateur sports clubs in the round, so at one end of the scale you have these golf clubs, and some members have argued that you also have rugby and other clubs, which run a lot of functions, with rates relief. But at the other end of the scale, you have your small, rural, or even urban, soccer clubs, golf club, and small rugby clubs that have a small bar. Do you agree that, at this end of the scale, you maybe need a tailored approach to this issue, as opposed to removing the support mechanism for amateur sports clubs as a whole because that would have a disproportionate impact on those small clubs?

Mr Henry: Yes. I agree in principle that there are, genuinely, a lot of clubs that operate once a week, and those social events allow them to get the money to make them run. The golf industry is very

different because most of the golf clubs throughout the country are run as a business to the extent that, as Kenneth said, the Golfing Union of Ireland and the confederation are encouraging them to be run as a business. They are competing with us, but they are also competing with the food and hospitality industry in the local areas. The principle is that we want to support sport, so we want to find a way of doing that. We want to find a fair way of doing it because we are providing sport, even more so than a private members' club, given that our facilities are open to the public. We encourage everybody to come along and use the facilities. So, we are a key sports driver. It is about finding a way to have a fair playing field, rather than stopping anything.

The Chairperson (Mr McKay): Should there be a threshold whereby, if turnover for amateur clubs is above a certain level, a different policy should kick in?

Mr Henry: That is possibly a scenario.

Mr Logan: It is about thresholds and turnover, and everything is relevant in real terms. It is relevant to how many people you can employ and what you are doing for the community. We need to have fairness. I have been actively involved with the tourist board and have been in conferences where private members' clubs in this Province have openly disclosed that they had 10,000 visitor rounds from North America last year at £160 a round. They bring in £1.6 million of business, which is more than my entire turnover, but their rate valuation is less than that for my business. It is absolutely nothing whatsoever to do with their own members' income or all the other things that come along and are on top of their visitor rounds. It is nothing to do with the food that they will have sold and all the other things, yet they still get 100% support and cover.

We have a policy that applies to over 80% of your premises being used for sport and recreation. It is 80% of the valuation, as I understand it, but I could be wrong on any of these points. Essentially, if your golf course is worth more than 80% of the land and the changing facilities take up more than 80% of the value, all the rest becomes included. Essentially, those restaurants and things like that are still doing huge amounts of business, especially if you have 10,000 people coming through them.

It is impossible for us to compete, and we just cannot do it. I am talking about lots of small clubs as well. Lots of rural clubs are really and truly run by family members. They cannot employ people. The family members are working in them for free just to keep them there. They are disappearing, but we are doing exactly the same as all those private members' clubs, as we are providing the same facilities to folk, except that the pressure is all on individuals and owners. One Minister previously told me, "We will just give it to the members", but it does not cover your investment and does not pay the bill for you in the meantime. How else would you, for example, set three people up to sell things on the street? Take selling apples, for example. You set the first one up and say, "OK, you have no charges. You do not have to pay any tax on your apples and do not have to pay anything for your stall".

Mr Wells: We call those charity shops.

Mr Logan: Essentially, the second one will have to pay 20% tax on their apples and will have to pay for their stall. That is our scenario.

The third one is the municipal course, which will be paid for a stall to be there. The tax that he will pay will be only 5% apparently because, essentially, the VAT rate on municipal courses is only 5%. That has been hidden very well from us. Our local municipal courses are selling golf and have to pay only 5% VAT. My scenario is that two local municipal courses are selling golf for as little as £5 a round. I would have to sell 10,000 rounds of golf in the year at their price to cover my rates bill alone. I cannot do it any more.

Mr Wells: You alluded to this already, but one model would be to transfer the ownership of the club from the proprietor through membership buyout to form a member-owned club. You said that was difficult. Has it happened, and what are the obstacles to it? What is to stop your members at Edenmore, for instance, saying, "Right, we'll club together, buy the club and form a member-only club"? Immediately, your VAT on your green fees would disappear and, of course, your rates would reduce dramatically. Why is that not an option?

Mr Logan: Number one, the members would not be able to get together and borrow the money that would be involved in trying to reimburse the capital that is there. It would probably be more beneficial for us to wipe the golf courses out and return them to agricultural land because the members could not pay the money involved; they could not get the money together. We are seeing lots of schemes under

way. One course in Northern Ireland is being taken over by its members. I do not know how they have been able to do it, but it has happened.

Another example is Jim's scenario. Jim Gillan — I read his letter out at the start — set up a private club, and it leased the property for him to form what we would almost recognise as a not-for-profit organisation. That was perfectly legal at the time, but HMRC came back and said that what he was doing was regarded as tax evasion and came after him. He had been set up by a big English accountancy firm. That basically destroyed his business, and he was left with bills that he could not surmount. I know that at least two to three proprietary clubs will probably close this year. They are all playing an important role in their local community, but they cannot survive.

I can show you documentation where I have worked out that, by being a non-proprietary club, our club has been disadvantaged by about £1.3 million over the last 10 years. Our members pay £250 more tax than a members' club pays in rates and VAT. Whenever we pay our VAT and rates, we cannot do any capital expenditure, so, essentially, we cannot develop, and we become less viable and less attractive to our customers. That is what has been happening, and it has been accentuated by VAT levels increasing through the years. Years ago, when VAT was maybe at 10%, you could work on your business edge over a club that was sloppily run, but that is not there any more. Clubs are being encouraged to be businesses. The Committee needs to look objectively at whether a lot of our private members' clubs are actually private members' clubs, which are supposed to have visitors or whoever signed in. In real terms, treat us all the same; I do not mind. The folk walking down our fairways just want to play golf. If two of you live on the one street, why should one of you pay VAT to walk down my fairway and the other not pay VAT to walk down another fairway?

Mr Wells: Yes. I certainly understand that argument for a small, family-owned business like yours. I see, for instance, that someone from Lough Erne is here. Lough Erne is a vast complex attracting tourists from all over the world. It is a fabulous hotel in a huge setting. As a proprietary course, it would strike me as being on a rather different level from a small, family-owned business. It is obviously a huge, multinational tourist attraction. Can you understand, therefore, why DFP would not be that happy about giving relief on something of that scale, as opposed to a family-owned course run by Mr and Mrs Smith and their two children? Maybe Galgorm Castle is somewhere in between that. It hosts the Northern Ireland Open, so it must be a very important course.

Mr Henry: There are several issues there. The golf aspect of the business, the Galgorm segment of it, is not viable with its stand-alone golf. The remaining aspects of the Galgorm businesses offset to make it operate. One of the fundamental problems is that our members pay VAT on their fees and have to pay more for their membership because our rates are higher. There are the two aspects. You have the principle that one guy pays more and pays VAT, while the guy on another course does not pay as much and does not pay VAT. The principle is totally wrong, regardless of the course. I take your point about the bigger destination — that it is a big operation, so it is separate — but the specifics with regard to golf are no different. Our members are the same as any other member: they have to pay the money, they have to pay extra VAT on their fees, plus their fees are increased because of the rates. Regardless of a club's positioning, that is the fundamental issue. There is a difference in a member looking at it and saying, "Why am I paying VAT and that person is not paying VAT?"

Mr Wells: Why, for instance, in the Chair's constituency was there a huge lobby to create a new proprietary-owned club at Runkerry, which has not started yet, that will cost £90 million? There was a huge lobby by the local MP, the Northern Ireland Tourist Board, and others to get that up and running. Clearly, there were investors who thought that it was a good option. Why would somebody put £90 million into that type of project if it was not viable financially?

Mr Henry: I would argue whether it was viable, but that is a different story. It is being built for overseas visitors, not for the domestic market. That is great up there. Even though Galgorm is a big operation, the golf club is for the local community. Yes, we have overseas visitors, but the core of its operation is for the domestic market. Most members are local, working people, yet they have to pay VAT, but the club next door does not. That is a fundamental difference. The club down the street charges £600; we have to charge £800 because of VAT. That, in effect, is the difference.

Mr Wells: Is there a market to sell proprietary golf clubs? I understand that life is very tough at the minute, but are there investors who will buy the business and take on that liability?

Ms Lynn McCool (Lough Erne Resort): Sorry, Jim, but Lough Erne, which you mentioned, recently had new investors come into Northern Ireland to buy the resort. From our perspective and that of our

new owners — I am talking on their behalf — it is about fairness when you look at the VAT implications charged to a proprietary-owned club. They see the investment as a good one, but when we go out to pricing and selling our green fees, a club like Lough Erne has 20% VAT and then you have a club that is bringing in £1.5 million that is not being charged any VAT at all. That is a big question as well as the rates. Is that fair? It is a huge gap.

Mr Wells: You could maybe argue that it is. I am only playing devil's advocate. I have been down to Lough Erne; it is a fabulous facility and an amazing hotel. Obviously, having the golf club is part of the overall business that attracts tourists from all over the world. There could be an argument that the small family-owned concern like Edenmore is in a rather different situation from somewhere that has that huge business concerning catering, weddings and accommodation, and that the golf club adds to that business and could therefore sustain the VAT whilst the small family-owned club could not.

Ms McCool: If you look at the 20% VAT, you see that we are talking about 15% of golf courses that are proprietary owned. What we are asking is that we be brought under the same umbrella as the 85% that do not pay VAT because many golf courses are making huge profits — a lot more than even Lough Erne. For someone like Kenny, who is going out to the marketplace and having these rate charges and VAT, just handing it over to the members is not an option. We want to encourage people to bring businesses to Northern Ireland; we do not want to push them away.

Mr Wells: I understand that Lough Erne was up for sale and has now been bought, which is great news, so someone has looked at the books and felt that there is a good economic return on it. Maybe you could tell me why someone would write a cheque for £90 million to open a similar facility on the north coast? They must perceive that whilst the system is unfair, there is money to be earned at that level rather than at the lower level?

Ms McCool: It is not just the Lough Erne Resort; we have also have Castle Hume Golf Club, which has 400 local members. We see it more there. When competitors go out to price, we are 20% down already. Add in green fees. For example, in one town alone, there is Enniskillen Golf Club, which charges, say, £500 for membership. Castle Hume can only charge £500, yet it gets 20% VAT included in those fees. That does not seem fair.

Mr Wells: We used to describe British Airways as a pension fund with an airline attached. Equally, a lot of the golf clubs in my area are businesses, restaurants, catering companies with a golf course attached. In other words, it is clear that they are commercial concerns; they are member-owned but are very commercial and make a lot of money. Some local hoteliers say that they are undercutting them and they are finding life very difficult, but, legally speaking, those member-owned clubs have very strict rules on who can come in. You are supposed to sign people in; there are supposed to be rules. At my local club, that is certainly not enforced, but is that maybe the route: that those clubs should exist within parameters set by law and not become commercial concerns.

Ms McCool: We highlighted private members' clubs in the letter. Many of them have had to come over to the commercial side, so they go out into the market and sell themselves to attract visitors. Should they be able to do that?

Mr Wells: Technically, they are not allowed to do it; the law does not allow them to do it.

Ms McCool: You only have to go on the internet to see it. They all have their booking engines. Each year, I go to 10 trade shows around the world, and the private clubs are there beside me marketing themselves to attract visitors to Northern Ireland. I am not discouraging that; I want golf clubs here to attract people to Northern Ireland, but is it fair that I stand beside those people and have VAT and rates charges that affect my pricing?

Mr Wells: My final argument is that surely no member-owned club could ever reach the scale of Lough Erne. It is a huge business.

Ms McCool: You just have to look at Royal County Down, Royal Portrush, Portstewart Golf Club, and Castlerock. There are quite a few golf clubs doing a lot better than Lough Erne.

Mr Henry: Any business, Jim, is split into segments. For example, if the golf part of Lough Erne is not viable, the business will ask why that part of the operation continues to operate. In normal businesses if there is an area that is not viable it will be removed. That is how business works. The bigger

proprietary clubs, such as the ones that you are talking about, have other aspects linked to them. There is always the risk of them deciding that the golf is not working, so they will no longer provide the golf tourism, or the golf facility, which then impacts on the golf tourism offering. The point in developing the north coast links at Bushmills Dunes is because Northern Ireland does not have enough high-end venues to attract overseas visitors.

On the one hand, you want to develop an industry to attract overseas visitors; on the other hand, the industry is unfairly managed when it comes to taxation. We do not have all the solutions; there are many ways of dealing with this, but it needs to be addressed because it has developed over the past 15 years. The economy has changed, sport has changed, golf is now fully open to everybody, whereas, before, private clubs were very private. They are no longer private, as you said. It is about addressing the issue and identifying what can be done for the good of the domestic market and for the people who pay their fees every year, the good of local businesses, and also, from a tourism perspective.

Mr Wells: Two final points. I have laboured this a bit. First, do we know roughly how much your 22 members are paying in VAT? Is it hundreds of thousands, or is it millions? What sort of figure are we talking about in terms of the burden on that sector?

Mr Logan: I could find out for you.

Mr Wells: I presume that it is 20% on everything.

Mr Henry: Twenty per cent, yes.

Mr Logan: On VAT, you mean?

Mr Henry: It is in the millions.

Mr Logan: We pay over £120,000 in VAT.

Mr Wells: That is a significant amount of money when you multiply it by 22 —

Mr Logan: You referred to Lough Erne, and people view things as what they are, but I knew the two previous owners of Lough Erne, and I do not think that either of them wanted to sell. It was created originally by a farmer. The distortion in taxation just makes it unviable to run it as a small family business. That is what I want to get across to you folks: the core of proprietary golf in Northern Ireland is started as small family businesses. They are knocking their heads against the wall trying to stay competitive. Many guys are selling the remaining sites from their farms and various other things in an attempt to bring in money to keep their businesses going or to pay wages. Lough Erne is a fantastic establishment, but it certainly would not have been sold for anything like £90 million. As Lynn said — I am not trying to run down Lough Erne — as I understand it, it would not be in the same picture as Royal County Down or Royal Portrush when it comes to golf business. It is unfair for the Committee to view them as just what they see, because Lough Erne is very disadvantaged geographically and climate-wise too, but they are working hard to improve the employment and social aspects of the area. They have contributed an awful lot. You see a lot of private members' clubs, but what happens to the £1.5 million and where does it go? Does it go outside the private members' clubs? In real terms, it does not. It subsidises people's fees; if there are 500 members, it subsidises them by £3,000 per member. Members get cheaper fees in those places.

Mr Wells: Why should golf, for instance, be treated differently from, say, a private squash or tennis club? There are proprietary-owned clubs in other sectors that could make exactly the same arguments: that the member-owned or municipal clubs have these advantages. Can you understand why the tax authorities may see it as the thin end of the wedge, and others may start demanding the same, or is there something specific about golf that makes it different?

Mr Henry: Very few of the smaller clubs — tennis and cricket — operate on a similar scale to golf clubs or employ so many people. Golf is a big industry, whereas tennis and squash are much smaller and have less of an impact on the economy. The issues that we have brought up today are being brought up throughout the UK and Ireland. It is very different in GB; 40% of the clubs there are proprietary owned. This issue is being discussed there as well, and the same question comes back: what about the other clubs?

Mr Wells: One of those is Wentworth. Japanese investors have poured hundreds of millions into it and are charging, I think, a £160,000 joining-on fee.

Mr Henry: Yes.

Mr Wells: Can you see why the ratepayer in GB would feel a wee bit aggrieved if that were given a special concession? We have nothing at that level in Northern Ireland, but you can see how it could become quite ridiculous.

Mr Henry: My members are mostly working people. That is how they feel about a lot of the big clubs in Northern Ireland: they pay no VAT or rates, yet they enjoy significant benefits without paying their way. There is a perception in golf in Northern Ireland that the bigger clubs are getting away with not paying their way. Legally, they are doing it correctly — they are doing nothing wrong — but the law is not correct. The issue needs to be reviewed. As Kenny said, you have 10,000 Americans coming in and paying a significant amount of money. That is not being taxed, but the local guy is paying tax on his membership. That is an imbalance.

Ms McCool: When we refer to the bigger courses, it is important to know about their finances. Some of the bigger courses, such as Wentworth, are really pet projects for the wealthy. Are they really making money? I worked in a five-star establishment that lost £5 million a year because it was the pet project of a wealthy gentleman. It is very hard to make comparisons. You would think that Wentworth must make millions, but does it? It is the same with some of the big courses in Ireland: are they making a huge amount of money? One or two that are proprietary owned are for the wealthy. It needs to be carefully looked at.

Mr Robert Gallagher (Foyle Golf Centre): We are looking for a level playing field, as, I believe, the First Minister said in October. If this proposal goes ahead, it will be even more uneven. My family — my wife, my son and I — work seven days a week to keep the business going and to compete with the local clubs that do not have that disparity. It is the same thing. There may be a couple of big clubs, but most of the 22 clubs are small businesses. We are not looking not to pay; we are looking for others to pay their share.

The Chairperson (Mr McKay): Do members have any other questions?

Thank you all for your evidence. We will hear from Brian McClure from rates right after this. There are a number of questions arising from the points that you have made that we will put to him. Thank you very much.

Mr Logan: Thank you very much for allowing us to come along.