



**ROYAL AUTOMOBILE CLUB OF AUSTRALIA**  
INCORPORATING IMPERIAL SERVICE CLUB LTD.  
ABN 44 000 016 044

Dear Members,

The Board and Management hope that this message finds you all well and managing in these difficult circumstances. We find ourselves in extraordinary times.

With the escalation of government measures in relation to the COVID-19 pandemic, there is a total shutdown of non-essential services commencing at midday today which will restrict most activity at the Club for several months. We are seeking urgent clarification as to accommodation and car parking which will continue in traditional hotels (assuming essential travel and accommodation).

Management has been dealing with the dynamic circumstances of this pandemic well, expeditiously preparing a contingency plan to limit the material financial effect that this pandemic must have on the business of the Club, now considering a total shutdown where the weekly permanent and part time wages cost for our loyal staff is approximately \$30,000 gross per week, and general expenses approximately \$14,000 per week.

The potential cost to the Club, without stand down or reduction of staff hours, will cost the Club approximately \$700,000 to 30 June 2020.

A revised forecast was prepared last week having regard for the up to \$300,000 of business cancelled as at 20 March 2020. This figure, with a total shutdown, will increase significantly. The only material income for the Club prior to 30 June 2020 will be:

- Collection of outstanding debtors of \$200,000, some up to 120 days (please kindly make it a priority to make payment);
- Accommodation and garage as used during the shutdown (which remains available to members serviced as normal);
- Government relief (both the timing and amount cannot be accurately forecast); and
- Subscriptions which will go out in May 2020 (we urge all members to have regard for the importance of your support and selflessness in these abnormal and extraordinary times).

Our primary concern has been, and remains, the safety of our management and staff, and you our valued members. We must now ensure that any short term steps taken by the Board and management to react to this pandemic preserve the future operations of the Club, but at the same time minimises the financial impact on our permanent staff, who have been so loyal to all of us over many years, and the Club.

There is a balance which must be found, acting expeditiously and responsibly.

As members have been aware, at the beginning of this financial year the Club was in a fortunate position of owning the Club's property debt free, with an ongoing business supported by subscriptions and trading gross surplus.

Your Board is now mindful of the fact that, there being no services provided during a shutdown (apart from accommodation and garage which remain open) that in that closed period, members may assert that they are then deprived of value for their subscriptions and minimum spend, and

therefore that some consideration of rebate or deferral should be actioned, or even suspension of membership.

As members will understand these revenues are essential in running your Club and providing services for you all, and are comparably significantly lower than other city Clubs by many hundreds of dollars. A strong balance sheet has enabled many past Boards in the last decade to only increase subscriptions by CPI. This pandemic, and economic circumstances, could materially change this landscape.

The first quarter of trading in FY 2020 was better than for the same period in FY 2019, FY2019 having produced revenues comparable to the best revenues in the previous five years of Club trading.

Unfortunately, the cumulative effect of a general economic downturn, and now a pandemic will result in the Club operating in FY 2020 at a deficit which could be as material as \$700,000 before depreciation and income received between now and 30 June 2020 (hopefully at least \$200,000 plus government subsidies since subscriptions usually underpin the future operational position).

As a result, for the first time in a decade, the Club will commence FY 2021 with an overdraft facility liability.

The cost of using our overdraft to support borrowings from the commencement of FY 2021 will increase the annual general costs of the Club by some \$25,000 to \$35,000.

Notwithstanding, the Club remains in a strong financial position (a borrowing of only \$700,000 on an asset worth up to \$80 million is very low gearing) provided that we all remain calm in this crisis, deal with its consequences, and continue to be positive about our future, and not only support our Club, but also realise that these are not times where the Club can afford to provide rebates and credits, or reduce costs of services, as we collectively manage this pandemic.

Despite these difficult times, the Board can report that it has responsibly continued to pursue any opportunities to raise capital for the upgrade the premises.

Whilst these activities continue, we have been able to obtain an extension of the request by Council to remove the Albert Street hoardings which may require remediation of the façade in the short term (approximate cost of up to \$1.5 million). A further extension will be required.

The Board is pleased to report that we have welcomed 157 new members this financial year, including 27 in the month of February!

We thank our loyal members for introducing their friends and colleagues and encourage you all to continue to do so throughout even these most difficult times, in addition to some excellent work by Membership and Marketing.

The Board has engaged with the “*renewourclub*” team in an endeavour to invite their constructive and positive views and, as appropriate, engage with our Board committees to not only stabilise the Club, but also workshop the best alternatives and options for the Club’s future.

Your CEO has introduced an initiative to assist our elderly members over 70 years of age by offering toilet paper, tissues and hand sanitiser at cost prices should you be having difficulties buying them at your supermarket. We do not have an abundance of stock, so we would have to limit the amounts per member to 6 rolls of toilet paper and 2 boxes of tissues and 1 bottle of

hand sanitiser which would cost \$16 for the lot. The Club cannot guarantee it will have enough for everybody, but the Club will certainly do their best to accommodate where they can.

You can order these products with either Markus Friedler or his Assistant CEO Lisa Waayer. Their emails are [Ceo@raca.com.au](mailto:Ceo@raca.com.au) or [Assistant@raca.com.au](mailto:Assistant@raca.com.au) otherwise please call 8273 2300 and ask for either of them. Should you wish to have them sent to you there would be an additional postage charge. The Club requests that payments be made by cash, eftpos or credit card.

In summary, the Board hopes that all members embrace the future months with understanding, patience, positivity, and a generous common spirit for our future.

During the unexpectedly short period of inactivity imposed on all of us, your Board and management will make every endeavour to fund, progress and develop our future.

Michael Callanan  
**President**  
**Royal Automobile Club of Australia**  
**incorporating the Imperial Service Club Limited**