"Where Good Friends & Good Times Meet"

REPORT

ON THE IMPACT OF PRE-COMMITMENT ON POKER MACHINES

TO

THE JOINT SELECT COMMMITTEE ON GAMBLING REFORM

January 2011

Club Background

Pittwater RSL Club is situated on Mona Vale Road in the suburb of Mona Vale, on the Northern Beaches of Sydney in the Commonwealth Electoral Division of Mackellar. The Club was established in 1958 when the local council donated an area of land in Huxley Street, Mona Vale to a group of returned soldiers. In 1960 the land was to be resumed by Council however the Harbord Diggers lent the fledgling club enough money to purchase the land. A liquor license was obtained and the Club began trading officially on December 8th 1961.

The Club is situated on 9 acres of land bordered by Mona Vale Road, Foley Street and Jubilee Avenue.

The 7km radius around the Club encompasses 14 suburbs and has a population of over 71,000 people. 90% of the Club's members reside within this 7km radius. The current membership, as of January 2011, is 23,288.

What the Club Offers the Local Community

The Club maintains 3 x Bowling greens and facilities, a Club bus, 2 x Club function rooms (The Main Sail Room and Auditorium) which are provided free of charge to community organisations, i.e. schools, surf clubs, etc. and at a moderate cost to private individuals & organisations.

We have recently completed the construction of a 6 x court Futsal complex on the western border of the property, as part of our projected growth strategy.

We offer Bingo (Monday to Friday), Day Club (every Thursday), we host the Narrabeen Probus clubs – both men & women – on a monthly basis and support Rotary's Christmas Carols by Candlelight.

The Club maintains a staff welfare fund which enables a staff member who is suffering temporary hardship to request a loan, which is then paid back at an agreed rate.

Apart from donations to local schools, the Club also supports training initiatives such as the Northern Beaches Business Education Network Inc. Over the past 10 years we have supported their Structured Workplace Learning Programme which offers work placement for students who are doing their HSC.

The WG Taylor Village (nursing home) in Narrabeen has incorporated the club as an emergency evacuation site as part of their Disaster Emergency Plan.

The Club provides many sub-club options which are offered to the community via the services of volunteers drawn from the Club's staff, directors and members. These include:

Day Club (for elderly & isolated members of the community)
Fishing
Golf
Indoor bowls
Snooker
Men & Women's bowling clubs

Each committee for the above activities is made up entirely of Club members who volunteer their talents and their time for their fellow members' enjoyment.

In 2010 the Club supported local sporting clubs throughout the Peninsula with sponsorship amounting to just under $130,000. The organisations sponsored included three of the local surf life saving clubs and a diverse range of other sports including hockey, football, cricket, baseball, basketball, horse riding, AFL, rugby, dragon boats and more.

Sponsorship from the Club is provided in 2 ways:

- Financial assistance to help purchase supplies – e.g. uniforms, equipment, supplies, etc.

- In-Kind sponsorship by providing the use of the Club's meeting rooms and facilities free of charge for committee meetings, fund raisers, AGMs, Presentation Nights, etc.

Promotion of Responsible Gambling

Our Club is committed to upholding the Government's legislation regarding responsible gambling. Our gaming attendants all hold valid Responsible Conduct of Gaming certificates and we are a fully accredited training facility, with RCG and RSA courses running every month.

We offer self-exclusion to members who suffer from gambling addiction and currently have 12 people in our system who have adopted this option.

Our gaming area has been carefully designed, with appropriate signage readily visible. The Club has two floors and we have 2 x ATM's which have been placed in positions that are remote from our poker machines.

Since 2007 Pittwater RSL has made an annual donation of $10,000 to Lifeline which is used to fund a 24 hour problem gambling hotline. We also display flyers from Lifeline for a Support Group for problem gamblers.

We are a member of Club Safe, an initiative of Clubs SA which is run by an independent Board, an Executive Director and two Project Officers. Club Safe's objectives are to:

1. support the Club industry to identify problem gamblers
2. facilitate early access to gambling support services and
3. promote a closer working relationship between gaming venues and local gambling support services.

Club Safe also provides assistance in relation to compliance matters with the regulatory Responsible Gambling Codes of Practice, the Gaming Machines Act and the Liquor Licensing Act.

Drop in Revenue – Forecasted Effects

Over the past few years times have been tough for the Club industry due to a combination of factors but mostly due to the direct impact of government reforms & the global financial crisis.

A comparison of our trading figures from 2007 as compared to 2010 serves to highlight this:

Total Club revenue for 2007 was $18,499,732. Of this figure, the income from Gambling was $12,487,528

Total Club revenue for 2010 was $18,790,558. Of this figure, the income from Gambling was $11,933,693

As you can see from the above figures, revenue from our gaming area made up 68% of the Club's income in 2007 compared to a lower 64% in 2010. The Club suffered a drop of $553,735 in gaming revenue between the two years under review.

Over the past 10 years the Club has been working towards a global plan, which has overseen significant improvement to the Club's facilities and also encompasses the development of business opportunities that will compliment the operations of the Club and deliver alternative sources of revenue, other than relying on gaming opportunities. To this end the Club have invested in the construction of a Futsal Complex, which, apart from being of great benefit to the local community, should eventually provide us with a viable income.

By investing in the Club's facilities, it is hoped that the improved amenities will attract more members and encourage increased patronage from existing members. These are long term goals, however, and in the short term these strategies have resulted in the Club entering into debt

A drop in revenue of between 30 to 50% (Mr Wilkie anticipates a drop of approximately 40%) would directly impact on the Club's viability. The contribution that the Club makes to the local community would also drop correspondingly by 30 to 50%

Should the proposed reforms proceed, we expect that there will be an immediate and punitive effect on the Club's financial situation. This could be illustrated as follows:

95% of the Club's revenue is derived from Gaming (64%) and Bar & Catering (31%). If there is a drop in gaming revenue by 40% and based on our current 2010 operating characteristics, the immediate impact would be a massive reduction in net gaming profits of $3.3m.

($'000)	2010	2010 Post Pre-Commitment	Assumption
Gaming income	11,934	7,160	-40%
Expenses			
Direct wages & related costs	599	419	-30%
Variable costs (include pokie tax, promotion etc)	3,323	1,994	-40%
Fixed Costs (include depreciation, insurance etc)	1,247	1,247	
	5,169	3,660	
Contribution to Club net profits	6,765	3,500	reduce by $3.3m

With the reduction in gaming income, it would be reasonable to estimate a 15% reduction in Bar and Food income and this would hit the Club's bottom line by a further $300k. Given that the Club made only $1.5m net profits in 2010, it is obvious that the Club may not survive the proposed reform or it's core operations have to be significantly scaled down to avoid losses.

Other areas of concerns due to the proposed reform are:

- job losses
- decrease in club membership
- much lower (30%-50%) CDSC contribution to the society

Clubs Australia has predicted the loss of 11,500 jobs and $820 million from the NSW economy (KPMG finding).

Conclusion

Using the uppermost estimated figure of problem gamblers, i.e. not 80,000 but double that at 160,000, this still means that less than 1% of the population fall into this category.

The introduction of a mandatory pre-commitment scheme may simply have the effect of diverting seriously addicted gamblers into other, less proscribed forms of gambling which are readily available, i.e. on-line gambling and phone betting – as promoted throughout televised sports matches.

It could be argued that people who fall into the low to moderate category are not “problem gamblers” and therefore have no need for the pre-commitment system.

Pittwater RSL Club is against the introduction of a mandatory pre-commitment system. We would, however, support a *voluntary* pre-commitment system for targeted problem gamblers, which could be incorporated into our current responsible gambling policy. Such a system would necessarily have to be phased in over a period of time, to spread the cost of implementation.

Yours faithfully,

BRUCE SMITH JP ACCM
CHIEF EXECUTIVE OFFICER