



Problem Gambling and Harm Minimisation

The Richmond Club has been at the heart of the local community since it was inaugurated in the mid 1940s. The Richmond Club has a strong ethos of social commitment and responsibility within its community and has made a significant social contribution within the Hawkesbury community for many years by assisting in the development and support of local community facilities including 88 acres of sporting fields for the development of much needed sporting infrastructure for the greater Hawkesbury.

Richmond is an innovative club which is always looking for ways to expand and adapt to the changing demands of the local community, it now also boasts a leading gymnasium facility, a hairdressing salon, a function centre and bowling greens and tourist overnight stay facilities.

The Richmond Club has provided financial support and donations to the Hawkesbury Nursing Home dating back to 1957 and in 2000 became the leading organisation within the Hawkesbury Community in providing financial support to the Hawkesbury Nursing Home.

The support provided to the Hawkesbury Nursing Home by the Richmond Club includes the following:

- Significant cash donations and organisation of fund raising events to support various fundraising activities, goals and milestones;

- Loans to enable the building and upgrade of facilities;
- Use of club assets, such as utilisation of the Clubs courtesy bus; and
- Provision of senior management expertise and time with the club representative on the Board and utilisation of Club administration facilities and skills.

Previously, the Hawkesbury Nursing Home consisted of 65 bed high care nursing home with a status of non-accreditation when acquired by The Richmond Club following a sustained period of trading losses. Now the facility has 100 high care bed licences and a dementia facility providing a premium level of care to those residents suffering from dementia. The Richmond Club also acquired 14 self-care units (“Norman court Site”).

Since the merger, the Club has completed a master planning process for the expansion and redevelopment of the Nursing Home site. This new redevelopment of the Nursing Home will bring total investment by the Club in aged care within its local community to over \$4 million over the last five years.

The Richmond Club is proud to have over half of the 41,000 adults of the local area as members of our club, with 20,630 registered members. The Richmond Club also provides a valuable source of jobs for the local community with 132 staff employed in the club, including the gymnasium centre, and 119 in Hawkesbury Living.

Like many clubs gaming revenue is a vital source of revenue for the Richmond Club, representing 65% of the club’s total revenue or just over \$9.5 million. This revenue is not only important to maintain the financial viability of the club but it also helps subsidise and fund many projects which benefit our local community.

The Richmond Club participates in the Community Development and Support Expenditure (CDSE) scheme and each year the club donates significantly more than the required 1.5% of all gaming revenue over \$1 million. Last year the club exceeded the requirements of the scheme by 63% or \$80,000 more than the

required CDSE contribution. The funds were distributed to a wide range of recipients throughout the local community, with 212 community groups receiving support, some of the major recipients including:

- Local soccer, rugby and cricket clubs
- The Richmond Rotary club
- Hawkesbury Community Kitchen – to feed the homeless
- Turning Point Youth Accommodation services
- New Haven Farm – Supported accommodation for adults with an intellectual disability
- Martial Arts clubs

The Richmond Club also offered other services for the local community such as fundraisers for the Nursing Home and other charities and provided services such as 145 welfare car trips and allowing 288 community groups to use Richmond's courtesy bus.

The Richmond Club is currently finalising negotiations for the relocation and development of the North West Disability Centre on a site adjacent to the club's premises which will provide a state of the art facility and long term tenure at a nominal rental for this organisation.

The Richmond Club takes the provision of responsible gambling very seriously and is a member of the Club Safe program which is a comprehensive program designed to help registered clubs manage responsible gambling operations that exceeds legislative requirements and community expectations. The Richmond

Club is committed to the implementation of responsible gambling management practices that seek to prevent or minimise the harm that may occur as a result of problem gambling. Not only are all staff required to complete the Responsible Conduct of Gambling and educated about identifying and helping problem or “at risk” gamblers but the Richmond Club also contributes a % of its poker machine trading profit to help The Wesley Gambling Services, a counselling help line. The Richmond Club addresses the issue of problem gambling very seriously and as part of this commitment we have introduced a voluntary pre-commitment scheme.

Based on the 2010 financial year results for the Club (excluding the aged care facility) and factoring in an estimated decline in gaming revenue of between 30% to 40% as a result of the proposed introduction of the mandatory pre-commitment and assuming there was no other adverse impact on other revenue areas of the Club, the Club would not be viable unless annual cost savings in the order of \$1.7m to \$2.4m were achieved based on the elimination of all donations (currently approximately \$80,000) other than the CDSE requirements and a significant reduction of between \$785,000 and \$1,040,000 in State gaming duty .

The table below forecasts the impact of this estimated decline in gaming revenue of 30% and 40% on the club’s viability:

Richmond Club 2010

Analysis of Financial Performance

	Club	-30%	-40%
Revenue - Gaming (Inc GST)	10,482,046	7,337,432	6,289,228
Revenue - Gaming (Excl GST)	9,529,133	6,670,393	5,717,480
Lost Gaming Revenue		1,905,827	2,858,740
Revenue - Bars	1,625,223	1,625,223	1,625,223
Revenue - Catering	2,986,234	2,986,234	2,986,234
Revenue - Fitness Centre	666,952	666,952	666,952
Revenue - Other	643,712	643,712	643,712
Total Revenue	15,451,254	12,592,514	11,639,601
Finance Costs	508,462	508,462	508,462
Depreciation & Amortisation	1,731,376	1,731,376	1,731,376
CDSE	142,231	95,061	79,338
Donations	80,787	0	0
Income Tax	0	0	0
Wages & On-Costs	4,841,215	4,841,215	4,841,215
Poker Machine Duty	2,217,563	1,432,671	1,175,861
Other Expenses	5,708,140	5,708,140	5,708,140
Total Expenses	15,229,774	14,316,926	14,044,392
Net Profit after Income Tax	221,480	-1,724,412	-2,404,792

The primary variable cost in any club operation is wages which currently represents approximately 31% of the Club's total revenue. In order to achieve cost savings of this magnitude from its variable costs, as the majority of the club's cost are fixed in nature or tied to a set percentage such as cost of goods in food and beverage, we estimate the Club would need to terminate approximately one third to one half of its current complement of 132 staff. In view of the competitive customer service expectations which exist in the Hospitality Industry, the Richmond Club would not be able to continue trading to operate and meet the regulatory requirements with such a depleted staffing structure.

In the event that the cost of implementing the pre commitment technology was \$5,000 per gaming machine this would create an addition cost burden of \$900,000 based on the 180 gaming machines currently installed at the Club.

Failure to adjust the club's operating cost structure in line with the significant decline in revenue and any additional direct costs associated with the implementation of this technology would result in the Club incurring significant trading losses and materially impact on its solvency and survival.

The Club does not have other revenue possibilities which would potentially offset such a dramatic decline in gaming revenue (as the aged care sector has fixed funding agreements with the Commonwealth Government) and is extremely concerned by the potential adverse consequences that this proposal may have on its medium term survival strategy. The Club is currently a significant investor and employer with its community and prides itself on delivering much needed services to its members and visitors. The potential loss of the Club would increase the financial burden on the Local Council, State and Federal Government and adversely impact on the numerous benefits and social cohesion which the club provides within the Hawkesbury Community.

Whilst we acknowledge the importance of addressing Problem Gambling and the significant negative impact it has on our community we are strongly opposed to the idea of introducing mandatory pre-commitment scheme as we believe this will discourage recreational players, lead to a substantial loss of revenue and seriously jeopardise the financial viability of the Club. In the last financial year no person was identified or requested assistance for problem gambling at the Richmond Club. Accordingly, we believe the introduction of a Mandatory Pre-Commitment scheme at this club would have very negligible benefits but a very high cost to the club, its members and ultimately the whole Hawkesbury community.

The Richmond Club does not only oppose the introduction of a pre-commitment scheme simply based on the loss of income for the club, and the consequential loss of taxes and grants to various aspects of the community but we further believe that the proposed scheme will NOT help the majority of problem gamblers. The Productivity Commission states that a mandatory pre-commitment scheme may only achieve a very small reduction in the number of Problem Gamblers, as there will always be other avenues for problem Gamblers to satisfy their addiction such as through the internet.

The Richmond Club believes the cost of implementing the scheme will far outweigh any benefits that the scheme might achieve.

Currently the only country which has a fully operational pre-commitment scheme is Norway. Norway removed all gaming machines from July 2007 and introduced new machines with compulsory pre-commitment limits in January 2008. The cost of implementing the mandatory pre-commitment was paid for by the Norwegian government and in two years since implementation it has only managed to install 2,300 of 10,000 approved new machines.

Evidence from one survey¹ conducted in Norway in 2007 and 2008 showed that after the removal of Gaming Machines the proportion of the population identified as Problem Gamblers did not fall but rather increased from 0.7% to 0.8% and a large proportion of Problem Gamblers reported that internet gambling was now their most important form of gambling.

A report² made by a Senior Advisor to The Norwegian Gaming Authority, showed that the proportion of money spent on other forms of gambling after the banning of gaming machines did not vastly change in Norway. This shows that in Norway whilst there was a fall in the amount of individuals gambling there was not a fall in the number of Problem Gamblers, suggesting that the pre-commitment scheme lead recreational gamers away from the Gambling industry.

The quote below details the views on mandatory pre-commitment of Australia's leading problem gambling researcher Professor Alex Blaszczynski.

¹ Oren, A & Bakken, I & Weggeberg, H (2008). *Gambling behaviour and problem gambling in Norway 2008*, Department of Preventative Health Care, SINTEF Technology and Society.

² Engebo, J. (Sep 2010). *From slot machines to gaming terminals – experience with regulatory changes in Norway*, page 9. 8th European Conference on Gambling Studies and Policy Issues, Vienna.

“It is predicted that a mandatory system wherein gamblers set their own limits will only be effective for a minority and will not achieve the anticipated benefits. Given the extensive costs associated with a state and national wide integrated system of linked gaming machines and unknown benefits, a proper evaluative research study ought to be undertaken before the widespread introduction of pre-commitment systems.”

The Richmond Club believes that if the scheme were introduced in Australia a similar effect would materialise. That it would deter recreational gamers and have a very limited impact on reducing the number of problem gamblers. Further it would cause a significant financial burden on clubs to implement the scheme and lead to a massive loss of gaming revenue with dire consequences for the viability of the Richmond Club which would have a detrimental impact on the local Hawkesbury Community.