



Impact of Pre-Commitment on Poker Machines

Club Central Menai

Joint Select Committee on Gambling Reform

December 2010

Club Central Menai is part of the Illawarra Catholic Club Group. The club was built to support the local Catholic community and has a long running relationship with local community, school and sporting organisations. The club was built in 1997 and is the only club in Menai and surrounding suburbs. Currently the group has 44,436 members and recent research showed that in the Menai area 1.17 people per household are members of the club. The club employs 102 employees, most of which reside in the local area.

The majority of members have young families that frequent the clubs Brassiere and Café as the food is good quality at a reasonable price. The Brassiere and Café are budgeted to run at a loss as the pricing of the food is subsidised by poker machine revenue.

The club offers a range of free services for local citizens and organisations. Some of these free services include function rooms free of charge, bingo, trivia nights, poker, entertainment and shows, courtesy bus and raffles. All of these services are enjoyed in a clean, safe and air-conditioned environment. Many participants in these activities are elderly, lonely or handicapped locals that have few other options available. These activities are made available directly from poker machine revenue.

In 2010 Club Central Menai donated \$191,685 to local sporting, school and charity organisations. These donations have ensured these organisations in the Menai area are financially strong and viable for the future. These local organisations have a far reaching positive effect on nearly every family in the Menai area. The club also runs every year the Menai District Business Awards, Menai District Sport Awards, Menai Kids Christmas Choir and Menai Australia Day Celebrations. In the process of supporting local organisations Club Central Menai has sort no acknowledgment or attempted to profit from these donations. The act of supporting the local community is central to the clubs purpose and desire to improve the quality of life for local citizens, not the financial gain of a minority.

All club staff are required to complete the accredited Responsible Conduct of Gaming (RCG) course. Along with this all gaming staff are required to complete an annual RCG refresher course. The club is a founding member of the Clubsafe RCG program. Along with this, club staff are instructed to provide any customer who enquires about self exclusion with a Self Exclusion Pack. This pack contains information to assist people with self exclusion and professional help available.

Based on 2009 – 2010 financial year results and taking into account statements made by proponents of pre-commitment (see attached financial comparisons) the effects of pre-commitment would be a serious risk to the sustainability of the club. Our forecasts predict a drop in overall club revenue of 36.2%. We also predict the business could not provide employment for the current level of staff and cuts would number upwards of 30 employees. State taxation would be reduced by \$1,049,000 per year. There would be a 20% reduction in the cost of goods which would have an adverse affect on supporting business (mostly local). CDSE donations for the local community would also be reduced by \$76,674.

Revenue 2009 – 2010

Gaming Revenue	8534005
Bar Sales	1688729
Food Sales	2063198
Other Income	150513
Total	<u>12436445</u>

Revenue – Post Pre-Commitment

Gaming Revenue	5120403	-40%
Bar Sales	1013237	-40%
Food Sales	1650558	-20%
Other Income	150513	
Total	<u>7934712</u>	-36%

Expenses

Wages	3167603
State Taxation	2623407
Cost of Goods Sold	1025144

Expenses

Wages	2217322	-30%
State Taxation	1574044	-40%
Cost of Goods Sold	820115	-20%

Entertainment / Promotions	911491	Entertainment / Promotions	911491	
Repairs / Replacements	427528	Repairs / Replacements	427528	
Energy	246045	Energy	246045	
Staff Amenities / Training	105054	Staff Amenities / Training	73538	-30%
Interest / Bank Charges	5994	Interest / Bank Charges	5994	
Cleaning	223673	Cleaning	223673	
Insurance	207986	Insurance	207986	
Rates	49589	Rates	49589	
Security	154234	Security	154234	
Superannuation	261432	Superannuation	183002	-30%
Other Expenses	450326	Other Expenses (inc Pre-Commitment Costs)	574326	
	<u>11300160</u>		<u>7668888</u>	
Operating Profit	<u>1136285</u>	Operating Profit	<u>265824</u>	
CDSE Donations	191685	CDSE Donations	115011	-40%
		Revenue Loss	-870461	

The Menai facility has an approx value of \$25 million. Taking into account the figures stated above we would expect an equivalent return of 1%p.a. This is considered unviable in any business circumstance. Any capacity for re-investment and improvements is removed as a result of pre-commitment rendering the facility unable to survive in the medium to long term.

Added to this is the cost of technology that is required to run pre-commitment. There are conservative estimates that this will cost \$4000 per gaming machine. Menai currently has 155 gaming machines and upgrading these machines would cost over \$620,000. This is a cost that the club simply cannot afford and in itself puts the club in financial danger.

If the club was made to adhere to these extreme measures it would no longer be able to offer the benefits that it was designed to do. There would be no opportunity for future investment and the club would quickly lose its appeal within the community. The club would struggle to survive in its most basic form. The Menai district risks losing the only community based club of its type. This would be considered a tragedy amongst local residents. This will also put addition financial pressures on local councils and state governments to provide places and activities for Menai residents.

Club Central Menai does not support the introduction of a **mandatory** pre-commitment systems. However the club is committed to assisting problem gamblers with proven harm minimisation measures that do not affect social and recreational gamblers. The club would also support the phased introduction of a **voluntary** pre-commitment system if the cost could be spread over a period of time.

For any further information please contact;

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