

CGA

Integrated

business  
sustainability

and

responsible  
gambling

Strategy

2008-2014



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## Introduction

The Class 4 gaming machine gambling sector faces its greatest challenge since the introduction of legal gaming machine gambling in New Zealand 20 years ago.

Members of the CGA operate their businesses in the hospitality sector where ongoing public endorsement is essential to survival and business sustainability.

The Gambling Act 2003 sets out Parliament's (and therefore the wider community's) expectations about the elements which make it permissible to continue to operate Class 4 gaming machines in pub and club venues. In essence the Act sets out those essential balancing elements which the community says must be taken into account when making decisions about the future of gambling and, in the case of CGA members, Class 4 gambling.

These are that:

- harm to individuals, their families and their communities must be minimised;
- the proceeds of gambling must be returned to the community; and
- gambling must be conducted responsibly

They are also the core of our social licence to operate – and the judgments made by voters, consciously or not when they assess the impact of gaming machines in their community.

They raise the following implicit questions:

- Do gaming machine operators do everything they reasonably can to minimise harm to individuals, their families and communities?
- Do gaming machine operators do the best they can to distribute the proceeds of gaming machine gambling back to **my** community?
- Do gaming machine operators make sure they provide responsible gambling?

Many detailed legislative provisions surround those essential elements, but there are also the unwritten, unlegislated expectations which nevertheless shape community perceptions.

A critical driver of key regulatory decisions by central and local government politicians will be community perceptions – irrespective of the facts.

Therefore central and local governments will only allow us to continue to operate unchanged provided gaming machine gambling is perceived to be delivering more benefit to the community than causing harm.

In 2008 the Class 4 sector is close to a tipping point.

We can either have further change imposed upon us, or make the bold decisions to arrest the slide in public endorsement of and confidence in the Class 4 gaming machine gambling sector.

This strategy document sets out a plan for change to enable us to retain those elements of the Class 4 structure which are essential to our sustainability and ongoing survival as fund raising organisations distributing the proceeds of gambling back into the communities from whence it came.

## Executive Summary

- Recent research shows gambling is declining in popularity
- EMS figures show Class 4 gambling revenues were down 11% in the first quarter 2008
- Public perceptions about class 4 gambling are increasingly negative
- CGA members' business sustainability is at risk from public concerns about host responsibility and grant distribution
- CGA and members' efforts to paint a positive picture based on benefits to the community have not gained traction
- Sector faces risk of political interference unless it takes positive action itself
- CGA members want the CGA to show leadership and take the initiative instead of being reactive
- Current harm minimisation activities rely on ambulances at the bottom of the cliff
- There is an opportunity for industry to show leadership and gain credibility if it starts to erect fences at the top of the cliff
- The public clearly assigns most responsibility for dealing with problem gambling issues to individual gamblers and their families
- Industry and Government share a heavy responsibility for reducing harm from problem gambling
- There is an opportunity for CGA to show leadership by taking active steps to create safe and responsible gambling environments
- There is an opportunity to build positive working relationships with problem gambling treatment providers, Health Sponsorship Council, Ministry of Health and DIA to create safe and responsible gambling environments in venues
- The key to change will be engaging positively with venue operators and supporting a change of culture with new technology, public education, gambler education and venue operator and venue staff training
- Other changes in reimbursement arrangements are required to ensure venues have incentives to achieve best practice
- Extensive consultation to develop detailed initiatives including development of best practice standards
- Comprehensive communications programme to support achievement of initiatives

- Plans to achieve greater transparency around grant distribution decisions
- Initiatives to engage more effectively with communities where gaming machines are operated to establish community needs for funding
- Proposal to provide comprehensive industry performance data to stakeholders, decision makers and the public twice yearly
- Increased focus on performance management and achieving positive changes in public perceptions

# Background

## Some facts from recent research<sup>1,2</sup>

### *Gambling Participation*

- Non-participation among adult New Zealanders (defined as 15+ in the research) in gambling of any form has doubled between 1990 (10%) to 2005 (20%) i.e. participation in any form of gambling at least once in the past 12 months has dropped from 90% of the 15+ population to 80%.
- Those buying a Lotto ticket at least once a year has fallen from 80% to 66%.
- People buying Instant Kiwi scratchies has dropped from 66% in 1990 to 41% in 2005.
- People betting on horse races has dropped from 23% in 1990 to 14% in 2005.
- People betting in casinos went up from 5% in 1995 to 16% in 2000, then down to 11% in 2005.

### *Non-casino gaming machine participation*

- The number of 15+ New Zealanders playing on Class 4 gaming machines has fallen steadily from 28% in 1990 to 19% in 2005 (i.e. 81% of 15+ New Zealanders DO NOT play pub or club gaming machines).
- Therefore, of the New Zealand 15+ population of 3.16 million in the 2005 census approximately 600,000 played pub and club gaming machine machines at least once in the previous year.
  - **NOTE:** The total number of 15,16 and 17 year olds in the population in 2005 was 120,000.
- Of this total in 2005
  - 347,000 played less than once a month;
  - 158,000 played at least once a month;
  - 94,000 played at least weekly.

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<sup>1</sup> 2006/07 Gaming and Betting Activities Survey (HSC) 2007

<sup>2</sup> People's Participation in and Attitudes to, Gambling, 1985-2005 (DIA) 2008

- Assuming that these numbers are still valid for 2007 (and the trends show the numbers have stayed unchanged while the proportion of the total population has fallen further):
  - 600,000 players put approximately \$2.4 billion into Class 4 gaming machine machines<sup>3</sup> in 2007 = \$4,000 per player on average and took approximately \$1.45 billion back in cleared winnings (after churn and reinvestment of winnings);
  - Class 4 gambling proceeds were \$950 million in the year to 30 June 2007.
- Only 10% of players say they spent more than \$1000 in the previous year – the average expenditure reported is \$96 per year.
- 56% of regular gaming machine players believe they lost money, 21% believe they broke even.
- 55% of regular gaming machine players play for 30 minutes or less. 8% play for more than 2 hours a session.

*Public attitudes towards gambling*

- Support for using gambling to raise money for worthy causes remain high at 84% but is down from 93% in 1990 – support has fallen sharply since 2000 (92%).
- The CGA survey of grant applicants in 2007 showed a high degree of support (94%) among those who have interacted with the charity gaming trust grant distribution process – even those whose applications were declined overwhelmingly supported gambling as an excellent way to fund community projects (88%)
- 66% are happy or largely happy that some of the profits from gambling go to sports, charities and the community.
- 40% say they were not happy or have concerns about profits from gambling being given to sports, charities & communities – major concerns are about perceived lack of transparency around grant making decisions.
- People who operate gambling activities were the least favoured group (13%) to distribute gaming machine profits in the 2005 Participation & Attitudes survey. Community representatives received 48% support. However, a subsequent survey by Colmar Brunton<sup>4</sup> of gaming machine grant applicants shows that 72% believe charitable gaming trusts should distribute gaming machine profits and 37% community representatives.

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<sup>3</sup> EMS data 31 December 2007

<sup>4</sup> CGA Grant recipients survey 2008

- 41% of the public believe there are too many places to gamble in their community while 46% believe there are about the right number.
- Of the 41% who said there were too many places to gamble nearly 90% say there are too many Class 4 venues.
- In 2005, 64% of the population aged 15+ said non-casino gaming machines were socially undesirable – substantially up from 30% in 1990. The same applies to casinos but not to other forms of gambling.
- New Zealanders have been increasingly concerned about perceived problems with heavy gambling – 90% believe there is a growing problem compared with 71% in 1990.
- 78% believe gambling providers (e.g. CGA members) should do more about customers gambling to excess – 77% believe Government should do more.
- 18% believe more should NOT be done.
- 84% of the public believe gamblers and their families should have an extensive role in preventing people from gambling too much.

#### *Problem gambling*

- Prevalence rates for problem gambling (moderate to severe symptoms) and at risk gambling (mild symptoms) in New Zealand in 2002/03 were 1.2% and 0.7% respectively (15+ population)<sup>5</sup>.
- Assuming the prevalence rate did not change in 2005 terms that means 22,000 people are experiencing mild gambling related problems (at risk).
- 38,000 people have moderate to severe gambling related problems (problem gamblers).
- It can also be reasonably assumed that problem and at risk gamblers are more likely to be frequent gamblers and therefore are a very significant proportion of the 30,000 people who say they gamble on gaming machines at least two to three times each week.
- Studies indicate 5 to 10 people associated with each problem and at risk gambler are directly experiencing negative effects of the gambler's behaviour -approximately 420,000 people – taking the total of affected to 480,000.
- The number seeking treatment increased steadily from the mid 1990's and peaked in 2004. Since then the number seeking treatment has

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<sup>5</sup> Problem Gambling in NZ; Analysis of the 2002/03 NZ Health Survey – July 2006

dropped, but this does not necessarily indicate a reduction in problem gambling.

#### *Media perceptions*

- News media perceptions about gambling in general and Class 4 gambling in particular are overwhelmingly negative.
- A two week survey of headlines done by CGA showed 90% of headlines (and subsequent stories) featured negative perceptions.
- Anti gambling spokespeople and organisations have waged successful media campaigns which the industry has been unable to counter.

#### *Harm Minimisation*

- Addictive gambling behaviour causes harm to individuals and the people and organisations around them.
- CGA members are committed to ensure customer protection (Code of Practice), and to ensure the society and its venue operators accept a duty to provide a safe and responsible gambling environment.
- Harm minimisation is regulated in a number of ways (including size of wager, prize and jackpot; age limits; signage; advertising limits; lighting; venue staff training; exclusion provisions; mandated player information displays etc) as well as being the basis for the Problem Gambling Levy, which contributes the whole cost of treatment services, research and public health initiatives – about \$20 million annually.
- A CGA stock take of harm minimisation activity shows good compliance with legal requirements by societies but a large gap between expectations and daily performance on the part of venues (for multiple reasons).
- Effective harm minimisation activity at venues requires trained staff assigned specifically to the task with the tools to do the job.
- MOH has initiated several programmes aimed at improving quality of performance and outcomes from PG treatment sector and from research.

### *Grant Distribution<sup>6</sup>*

- CGA members distribute approximately \$300 million a year back into the community.
- Over 50% of grants are less than \$3,000 in value; average grant size is \$7,500.
- 47% of grants went to sports & physical activities, 40% to social and community services (including education and health).
- Increasingly, media reports reflect negative perceptions about money from Class 4 gaming machine gambling going to racing (stakes going to owners, jockeys etc), and rugby (already the wealthiest sport in NZ due to the emergence of professionalism).
- CGA survey of territorial authority gambling venue policy reviews showed significant negative perceptions about gambling money being transferred from the community, where the fund raising was done, to unrelated activities in another community.
- Widespread negative perceptions that venue owners still unduly influence decisions on where grant money is allocated (breach of Section 113 of the Gambling Act 2003 and the CGA Code of Practice).

### *Political – Local Government*

- The Gambling Act 2003 requires each territorial authority (TA) to have a Gambling Venues Policy and to review the policy every 3 years.
- A CGA analysis of the current round of reviews shows a significant trend towards reduced Class 4 gambling opportunities through local policies on sinking lids (non-replacement) and fixed cap (numbers of venues and/or machines).
- Consistent demand for more information about revenue and grant distribution to assist local decision making.
- Consistent demand for retention of gambling proceeds within the community where the gambling occurred.
- Consistent perception that Class 4 gambling has negative impacts on local community.

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<sup>6</sup> Where do gaming machine profits go? A survey of the allocation for authorised purposes of NCGM profits in 2005 – DIA 2007

*Political – Central Government*

- Election 2008 likely to feature gambling as an election issue.
- National Party and Labour Party have no policy to change Gambling Act going into the election.
- Two key parties to post-election negotiations (Maori Party and Greens) have strong anti-gambling policies.

*Regulatory*

- Several key issues, such as: financial viability, role of management companies, minimum return to AP, venue payments Gazette Notice, etc remain as outstanding issues to resolve with DIA.
- DIA has developed a new management structure and intends greater use of new technology to regulate the industry.
- On going pressure from DIA for effective and accountable governance of societies.
- Focus on community input and community decision making.
- Lack of quality information about overall performance of sector and the community dividend it delivers.
- Absence of robust economic analysis of the extent of the community dividend derived from Class 4 gambling on which to base future policy decisions.

## **Feedback from Members**

As part of the preparation of this paper each member organisation was separately canvassed to bring them up to date with the current environment.

The opportunity was also taken to discuss a number of the strategic opportunities set out in this paper and to take on board suggestions made by managers and board members.

The consensus was clearly for change; to take some bold steps to establish a new direction so that the future of the Class 4 gambling sector as we know it can be more effectively protected. The option of continuing to do what we've done before, without making change, was not attractive to any of the people interviewed for this paper.

Therefore this paper represents the enthusiastic and overwhelming majority of views of the member organisations of the Charity Gaming Association (Inc).

## Challenges

In seeking a stable operating environment which is sustainable over the long term the Class 4 sector faces a number of critical challenges.

These are:

- To overcome, or mitigate, perceptions that gambling activity in New Zealand is socially undesirable.
- To overcome, or mitigate, perceptions that the sector does not care whether or not its customers are harmed by the gambling product being offered.
- To overcome, or mitigate, perceptions that gaming machine players are allowed (or even encouraged) to exhibit pathological gambling behaviours because Class 4 societies and venue operators don't care and won't intervene.
- To overcome, or mitigate perceptions, that the Class 4 gambling sector preys on vulnerable people and doesn't deliver sufficient community dividend to offset the damage it does.
- To overcome, or mitigate, perceptions that grant distributions have been captured by some recipients and some people and organisations benefit disproportionately from grant making by gaming machine societies.
- To overcome, or mitigate, perceptions that grant distribution processes are not transparent and don't reflect real community needs.
- To overcome, or mitigate perceptions, that money is taken from poorer communities and transferred to people in relatively wealthier communities.
- To overcome, or mitigate perceptions, that venue operators generally are being paid excessive amounts for what they do in hosting gaming machines.

- To overcome, or mitigate, perceptions that problem gambling is a huge social problem which has disastrous impacts in local communities despite research data.

### *Strategic risks*

As a result of the above it is clear the sector risks being perceived as being predominantly self interested and behaving in a manner which conflicts with the underlying expectations of the way charitable fund raising organisations should operate in the community.

That is not a tenable situation for the sector going into the future.

Since the passage of the Gambling Act 2003 several Ministers of the Crown have pointed out their belief that the Class 4 sector needs to change and if the sector doesn't make those changes then Ministers will be forced to make further changes to reflect public concerns.

Therefore the key risk is that politicians will intervene and impose changes on the sector which are contrary to the long-term sustainability of the current fund-raising and grant distribution model. This will be justified by the claim that public confidence has been eroded so much the current situation cannot be allowed to continue.

### *Waiting is not an option*

The sector can either wait for change to be imposed or take the initiative with positive steps, which demonstrate that Class 4 gambling providers (societies and venues):

- are determined to provide responsible gambling within a safe gambling environment;
- will show they care about people who have moderate to severe gambling related problems arising from a gambling addiction by intervening to help them control their gambling behaviour;
- will make their grant making processes more transparent and responsive to community needs and put a very high proportion of gambling proceeds back into the community from which it came;
- will provide regular information to and actively engage with local government to ensure it can make informed decisions

- will adopt a high standard of ethical personal and professional practice in the operation of their fund raising and grant making businesses

### **Strengths**

Realisation that change is essential

Present Unity

Existing relationships

Industry knowledge

### **Weaknesses**

Ability to monitor ongoing commitment to new initiatives

Competition among members

Ongoing stream of "bad" stories as DIA investigations produce more evidence of breaches

Partial compliance with Code of Practice

### **Opportunities**

Recommit to a stronger Code of Practice

Explicit moratorium for 12 months on society initiated venue transfers

Industry agreement that current venue payment be frozen for 12 months even after transfer to new society

### **Threats**

Non-member societies try to steal CGA member venues during moratorium

Hidden payments and inducements

Government imposes changes despite industry action

## Strategic Objective

A. *That, by 2014*

CGA members and their venues are widely acknowledged by the public, the news media, regulators and political decision makers as:

- leaders in provision of safe gambling in responsible gambling environments
- leaders in delivering a highly valued community dividend from Class 4 gambling

Leading to:

- Sustainable charity gaming businesses including venues which continue to operate successfully as community fund raisers and grant distributors, with wide public, news media, regulator and political support in the Class 4 gambling sector

B. *That, by 2011*

Perception and attitude surveys undertaken for CGA show movement in a positive direction among all target audiences and on all target indicators

## CGA Vision

**That CGA** is the recognised leader in the effective advocacy of safe and responsible Class 4 gambling opportunities in the community

**That CGA** members and venues recognise that Class 4 gambling business is only sustainable in safe and responsible gambling environments

**That CGA** members are recognised as the leading providers of safe and responsible Class 4 gambling opportunities in New Zealand

**That CGA** advocacy is trusted, valued, respected

### *Overarching strategies*

- Maintain a focus on Class 4 gambling business sustainability
- Provide leadership towards the industry vision
- Establish and maintain mandatory best practice standards
- Support members to achieve best practice
- Strengthen relationships with external stakeholders in pursuit of the vision
- Undertake and support quality research to develop evidence-based documentation and policy initiatives
- Consistent advocacy of:
  - a. commitment to customer protection, and
  - b. community dividend from Class 4 gambling
  - c. legislative, regulatory and policy change to achieve an appropriate balance between safe and responsible gambling, business sustainability, and community benefit from Class 4 gambling

## Reporting Progress and Measurement

1. At least 6-monthly reports on progress towards the strategic objective

Reporting on:

- a. Aggregated revenue, taxation and cost data by TA district, regionally and nationally
  - b. Aggregated grant distribution data including breakdown of recipients and beneficiaries by TA district, regionally and nationally
  - c. Aggregated harm minimisation effectiveness measures by TA district, regionally and nationally
  - d. Aggregated problem gambling data by TA district, regionally and nationally
2. Regular (at least 6 monthly) surveys of perceptions and attitudes undertaken for CGA, measuring the responses among target audiences and movement in target indicators
  3. Annual reports on progress towards:
    - a. Membership compliance with best practice standards
    - b. Key legislative, regulatory and policy changes
    - c. Achievement of objectives addressed by key initiatives set out in this paper
  4. A small group of key managers should be established to define reporting requirements and processes.