



## **Submission to North Shore City Council**

### **1. Choice of Option**

- 1.1. The Charity Gaming Association firmly supports the retention of the status quo in the absence of evidence to suggest that a reduction in the number of venues or machines would lead to demonstrably positive outcomes for the North Shore community.
- 1.2. The CGA therefore strongly supports Option One as identified in the Statement of Proposal dated 4 July 2008.

### **2. Reasons to decline alternative options**

- 2.1. The Gambling Act 2003 requires Councils to define a policy on Gambling Venues (S101).
- 2.2. The intent of the requirement is to define local parameters for issuing consents for Class 4 gambling activity in the district governed by the territorial authority.
- 2.3. Implicit within the Gambling Act is the requirement for local councils to balance the opportunities for the community to derive benefit from Class 4 gambling through local fund raising against the harm to individuals and their families, whanau, workmates etc arising from maladaptive gambling behaviour.
- 2.4. As stated above the Charity Gaming Association does not believe there is substantive evidence that the other options being considered will result in demonstrable improvements in harm minimisation whereas they will inevitably

reduce the ability of licensed charitable gaming trusts to raise funds for community purposes on the North Shore.

## **Key submissions**

3. This submission responds to the proposed North Shore City Councils Gambling and TAB venue policies posted for consultation in August 2008.

## **Favoured approach**

4. Only the North Shore City Council's proposed status quo policy is fully consistent with the CGA's favoured position for local policies to provide the highest degree of reasonable opportunity for licensed charitable gaming organizations to maximize opportunities for raising community funds within the constraints of the limits on machine numbers imposed by the Gambling Act 2003. This reflects the social contract which is enshrined in the Gambling Act 2003.
5. In this submission the CGA provides additional information and analysis in an effort to assist the Council to come to a balanced decision which achieves an acceptable trade-off between fund-raising opportunities for the North Shore communities and the need to address issues of problem gambling in the same communities.

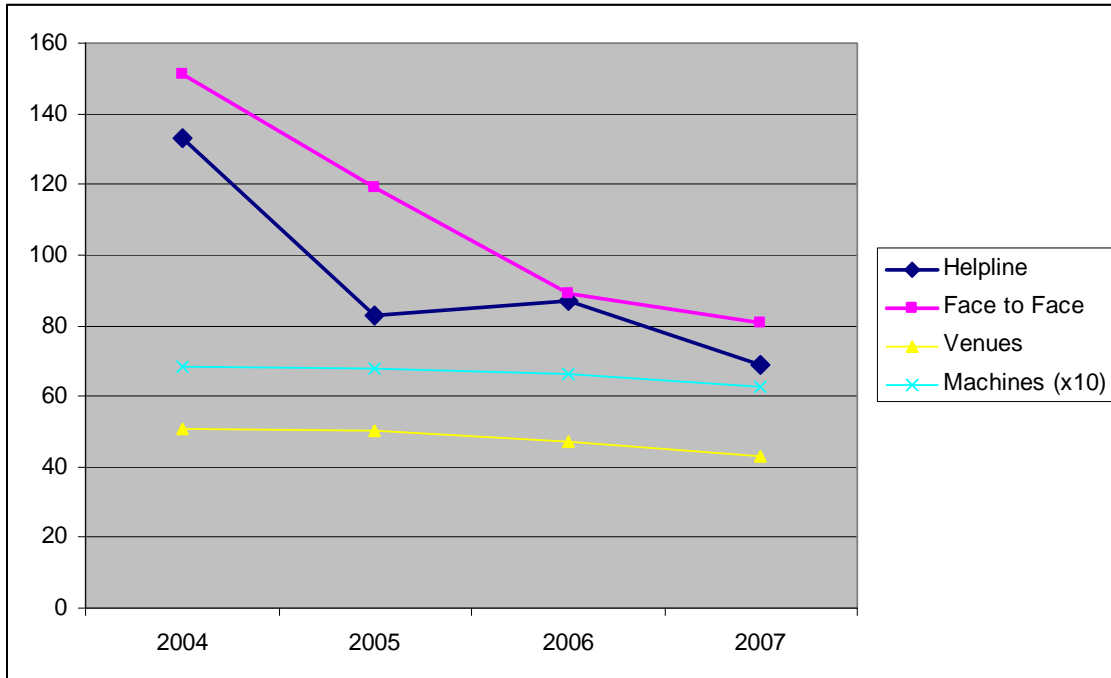
## **Scope of Class 4 gambling in North Shore**

6. The Department of Internal Affairs licensing system has recorded 650 machines in the District as at 30 June 2008. Of these 317 were operated on that date by members of the Charity Gaming Association.
7. North Shore has a resident population of 205,608 according to the 2006 Census. 77.1% of this population is aged 18 and over (i.e. 158,524). Therefore the current ratio of machines to 1000 adult resident population as at 30 June 2008 is 4.1 or 1 machine to 244 adults. The ratio for North Shore is substantially lower than the ratio of non-casino gaming machines for the whole of the country – 6.82 machines per 1000 adults

8. As the Council's own analysis shows the total number of venues and machines is also low when compared with the city's proportion of national and regional population.
9. Total proceeds of gaming in the city are slightly more than \$32m.
10. CGA data collected from members operating 20 of the 46 venues in North Shore shows their total annual revenue in the year to June 30, 2008 was approximately \$16.5m of which \$7.6m was returned to the community by way of grants and another \$2.8m was paid to local venue operators to reimburse them for the costs of operating gaming machines on their premises.
11. The Crown received \$5.5m from CGA members in duties, taxes, licence fees and levies - \$290,000 per venue.

### **Problem gambling in North Shore**

12. The Gambling Impact Assessment prepared for the Council by Dr Peter Adams to inform the development of the 2004 policy is now a dated document and has a number of errors.
13. The operational constraints on Class 4 gambling venues are considerable and all have been designed to reduce problem gambling. Dr Adams report ignores changes arising from the 2003 Act so that gamblers cannot obtain credit to gamble, have only limited jackpots available, have maximum bets, are about to get Player Information Displays (at a cost of \$3.25m in North Shore City alone). The Council should consider commissioning another social impact assessment.
14. The number of problem gamblers seeking treatment in the North Shore has fallen dramatically since 2004 when 284 people received assistance either from the Gambling Helpline or from problem gambling treatment services.
15. In the most recently published statistical report from the Ministry of Health (*2007 Service User Statistics*) the number of people receiving assistance from the Gambling Helpline or from face to face treatment services is down to 150 – a reduction of nearly 50%. It is important to note only part of this reduction is explained by improved quality of data collection; there is still evidence of double counting which means the real cases will be less than the recorded statistics.
16. The following graph shows clearly that the rate of reduction in clients is far steeper than the rate of fall in venue numbers and machine numbers over the same period.



17. There is no substantive evidence to show there is any direct link between machine numbers or venue numbers and the prevalence of problem gamblers in a community or the incidence of problem gambling behaviour.
18. Prevalence of problem gambling (i.e. being an addicted gambler) in New Zealand is estimated to be in the region of 0.8% of the adult population while those at risk of developing a gambling addiction could be another 1%.
19. While frequent users of electronic gaming machines present more frequently for treatment this does not mean that pokies cause more harm. There is some evidence that racing and sports bettors, as well as casino gamblers, develop more intransigent forms of addiction.
20. 150 clients seeking help represent less than 0.01% of the adult population in North Shore City.
21. As Dr Max Abbott says elsewhere in this submission there are a large number of factors at play and simple causal relationships cannot be established with any certainty.
22. The total amount raised for problem gambling treatment and research in North Shore, through the Problem Gambling Levy on gaming machine revenue, was \$616,000 or more than \$13,000 per venue.

### **The need for balance**

23. Therefore Councils need to balance the rights of non-problem gamblers to enjoy the odd flutter against the community's desire to see harm from gambling minimized (not eliminated).
24. The Gambling Commission, in a recent decision (GC03/07), said "The Act permits gambling and accordingly it is not permissible to reduce the permitted activity (gambling) in order to reduce problem gambling..."
25. It then went on to say "...measures can only be imposed which reduce the harm caused by problem gambling as distinct from simply reducing gambling activity, which is a lawful and permitted activity under the Act..."
26. The Gambling Commission's statement that "...[DIA] cannot seek to make gambling less attractive generally in order that it appeal less to problem gamblers..." would appear to apply equally to the decisions of territorial authorities under the same piece of legislation because of the TLAs role as a local regulator.
27. The burden of the Gambling Commission decision is that, within the already applicable constraints of the Gambling Act 2003, local councils and the DIA must have sustainable evidence of the positive effects of their proposed decisions as harm minimization measures.
28. A failure to adequately demonstrate a positive effect on harm from gambling would also potentially render the policy decision unlawful and therefore unable to be upheld.
29. The CGA's proposed changes to the objectives of the Gambling Venues policy would reflect the need for the Councils to strike the appropriate balance between community fundraising and prevention and minimisation of harm.

### **A balanced cap on machine numbers**

30. The CGA strongly believes that the Council has not made out a case for reducing the existing cap on the number of gaming venues (52) to be permitted in the city.
31. The fact that the current market only supports 46 venues does not call into question the appropriateness cap – it ensures there is capacity within the consents framework for new 9 machine venues to be opened provided they can be economically justified.

32. The additional 54 machines in six venues which are permissible under the current policy would have minimal impact on the overall density of machines or venues in the city. The density ratio would rise from 4.1 machines to every 1000 adults to 4.4 machines for every 1000 adults.
33. It is clear there are many factors at work which drive problem gambling prevalence and the incidence of problem gambling behaviour in a community – density changes or the order which is possible in North Shore City has not been shown to be one of them.
34. However, there is a substantive link between machine numbers and the ability to raise funds for community purposes. Research shows that Class 4 gambling revenue is highly sensitive to disposable income in the community and to general economic trends.
35. The CGA favours an approach which allows the local gambling market to determine, through economic indicators to Class 4 gambling providers such as the CGA's members, how many venues and how many machines are viable in the Districts or in a venue – within the tight regulatory framework imposed by the Gambling Act 2003.
36. The CGA believes the evidence shows that the economic viability of local venues is a far better determinant of the appropriate number of machines in a District than caps or sinking lids which are set according to external benchmarks. The population mix of a District, plus other dominant economic drivers (such as tourism) are what will determine how many gaming machines can be sustained.

### **Maximising returns to the community**

37. The Council's job is to balance the economic benefit of having gaming machines (about \$12m in 2007/2008 in North Shore from CGA members alone) against the social impacts and social costs of having a relatively small number of problem gamblers in the community.
38. Councils have a legitimate concern that the return to their community from Class 4 gambling activity should be maximised.
39. The CGA has made it clear in submissions to Parliament that Class 4 operators should return at least 50% to 80% of the money raised in a community back to that community – with a strong bias towards the 80% mark. At the present time the government's net proceeds regulations impose no such requirements.

40. The CGA has also recommended to Parliament that dominant purpose trusts (which apply funds to themselves rather than the wider community or capture money for a single category of grant recipient) should have limits imposed which control the number of machines they can operate, the number of venues they can operate in and their geographical spread. Once again the government has provided no means of regulating these activities.
41. The CGA also believes that limits should be re-imposed by the government which control the total amount which can be allocated to a single grant recipient organisation or to a dominant category of grant recipient.
42. The North Shore City Council would enhance its Class 4 gambling venue policies if it focused its attention on ensuring that the grant distribution return to its community was maximised.
43. A large amount of public debate has been generated about the distribution of grant money from the charitable trusts which hold operator licences.
44. Data from a survey of grant applicants undertaken by Colmar Brunton shows that grant money has been distributed disproportionately to school age children from lower income neighbourhoods.
45. The CGA notes that North Shore could enhance future policy making processes by seeking detailed information about the distribution of grants by corporate societies which operate at venues within the city. The CGA supports initiatives to generate greater transparency about gambling operations and the provision of treatment services.
46. The CGA notes the importance of the Class 4 gambling net proceeds committees having a broad understanding of the needs and priorities of the communities in which they operate.
47. We are happy to work with the Council and the gaming trusts which operate in North Shore City to develop structured liaison systems to identify what the local community believes are the priorities and needs of the community for funding support.
48. A number of societies already have local advisory structures in place but we believe the effectiveness of decision making could be enhanced on a much broader basis by closer liaison between the council and the Class 4 sector.
49. In some communities this may make it necessary for the council to take a leadership role to develop local community structures which would identify worthwhile

community projects suitable for funding and develop the necessary accountability structures to ensure successful completion.

50. The fiduciary duty of grant distribution entities to make decisions consistent with their trust deeds and existing policies is paramount. However, grant distribution policies can be amended through governance processes to reflect new appreciation of the needs and priorities of communities.
51. The CGA acknowledges the difficulties confronted by Councils as they try to access information about grants in their communities.
52. The Charity Gaming Association has been working closely with the Department of Internal Affairs and the Ministry of Health to develop better information about the Class 4 gambling sector so all stakeholders can make more informed judgments and decisions.
53. Lack of quality information about the national and local impacts and benefits of the New Zealand approach to management of gambling militates against quality decision making.

## Background information

### 1. The Charity Gaming Association (Inc)

- 1.1. The CGA is the industry organization representing charitable trusts/corporate societies which are licensed by the DIA to operate electronic EGMs (Electronic Gaming Machines) in hotels and bars for the sole purpose of raising money for grants to community organizations
- 1.2. As at 30 June 2008 the DIA had licensed 55 societies to operate EGMs for charitable purposes. Of these the majority (44) operate machines at more than one venue.
- 1.3. Membership of the Association is voluntary. The CGA has 27 member organizations which, between them, operated 11,114 machines at the end of June 2008 (70% of the corporate society sector) (*DIA statistics June 2008*).
- 1.4. The CGA has a Code of Practice which its members are required to comply with. The Code exceeds regulatory requirements in the areas of governance and management practice.

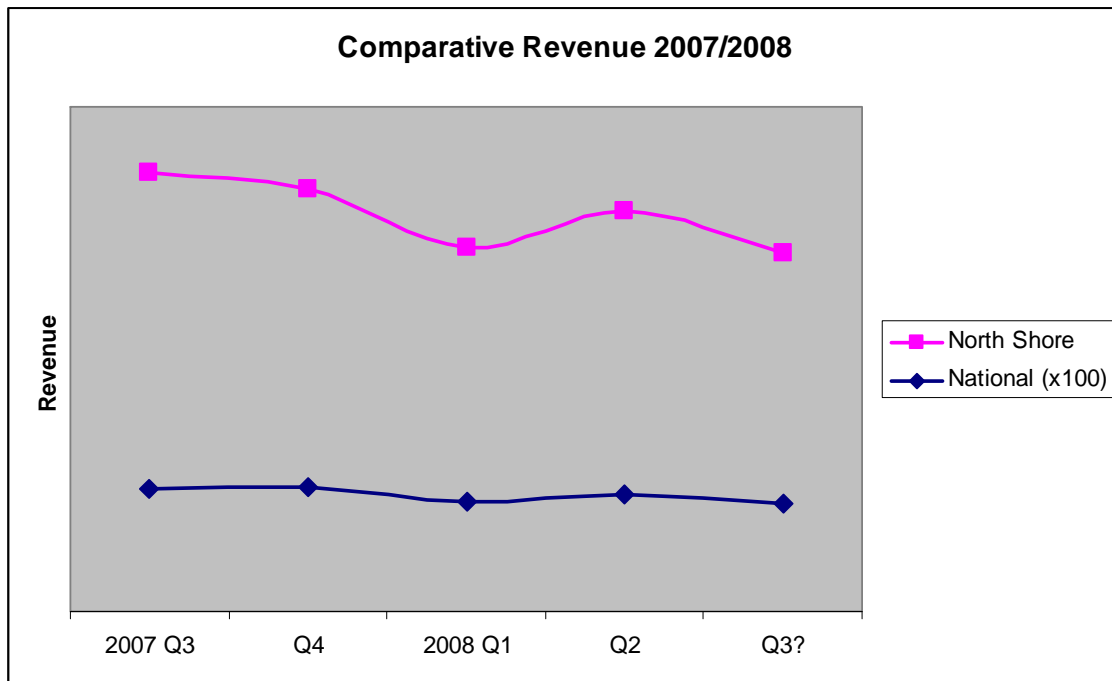
## **2. Class 4 Gambling - Current situation**

- 2.1. Gambling on EGMs outside casinos (Class 4 gambling) has been legal in New Zealand since 1988
- 2.2. Gambling on EGMs is heavily regulated and operations are subject to intense scrutiny by DIA
- 2.3. New Zealand is unique in the world in that the proceeds from non-casino gaming must be distributed to the community – “the community” is defined very broadly
- 2.4. Money derived from EGMs outside casinos is public rather than private money and is held in trust for the wider community by the charitable trust which owns the EGMs
- 2.5. No EGMs can be owned by a licensed venue owner
- 2.6. Trustees are required to distribute the proceeds of gaming in accordance with the stipulations of their trust deeds and the Gambling Act 2003. No venue owner, or person associated with a venue owner (other than in the case of elected Licensing Trusts), can be involved in any way in the process for determining which grant applications will be approved.
- 2.7. Trusts are audited by the DIA and by their own auditors on a regular basis.
- 2.8. Approved machine lists issued by the DIA show manufacturers have approval for a minimum Return to Player of 78% (or 78 cents in each dollar) as winnings.
- 2.9. Corporate societies which operate machines on licensed premises are required to return a minimum of 37.12% of gross machine proceeds to community purposes. Failure to comply with this requirement puts the corporate society’s licence in jeopardy.
- 2.10. Payments made to local venue owners are limited by regulation and are not permitted to exceed 16% of gross machine proceeds.

### **3. Changes in gambling activity**

- 3.1. Since the passage of the Gambling Act 2003 there have been substantial changes to the gaming industry.
- 3.2. Among the changes which have been wrought by the legislation has been:
  - 3.2.1. the very significant reductions in the number of corporate societies licensed to operate EGMs – down from 113 at the end of 2003 to 55 now (-54%).
  - 3.2.2. Sports and chartered clubs operating EGMs are down from 525 in September 2004 to 360 in June 2008 (-32%).
  - 3.2.3. Gaming machine numbers outside casinos are down more than 20% since the Gambling Act was passed into law in 2003.
  - 3.2.4. The number of machines operated by corporate societies (excluding clubs) has dropped more than 11% since March 2004 from 17,841 to 15,824 – a national reduction of 2017 machines.
  - 3.2.5. Nationally, venues operated by corporate societies have reduced by 267 from 1,447 since March 2004 to 1,180 (-18.5%).
- 3.3. These changes have had a significant impact on the revenue derived from EGMs and, as a result, the amount of money available for distribution to community groups by the charitable societies.
- 3.4. Revenues are relatively volatile. The newly available EMS (Electronic Monitoring System) data appeared to show a slight recovery in revenue since the middle of 2007 which was then followed by a significant drop of 11% in the first quarter of 2008.
- 3.5. After flattening off in the second quarter of 2008 there is strong anecdotal evidence to suggest revenues fell fairly significantly on the quarter just completed – probably as a result of the negative economic situation generally. This has a direct impact on the amount of money available for grant distribution. This pattern was replicated in the North Shore.

3.6. The 2008 Q3 data below is based on anecdotal reports from CGA members. The accurate EMS data will be available about the time of the North Shore City submissions hearing.



3.7. Unfortunately data collected by the government agencies involved in regulation and monitoring of gambling, DIA and MOH, does not provide a great deal of assistance at the present time to the industry or to TLAs which are required to review gambling venue policies.

3.8. It was anticipated that this situation would improve from the end of 2008 when a number of joint data collection initiatives between the DIA and the gambling industry start to bear fruit.

3.9. Most studies appear to show over 80% of New Zealanders, over the age of 18, participate in gambling activities on a regular basis.

3.10. Estimates derived from national studies of gambling activity (the most recent study was done in 2003) show a prevalence rate for at risk problem gamblers (those whose lives, work, economic status etc is negatively affected by their gambling behaviour) of about 0.8%-1%.

3.11. National data gathered by the Ministry of Health for the consultation on the Problem Gambling Levy shows that the number of new people seeking

assistance from problem gambling treatment providers fell by more than 20% in 2005 over the previous year. The trend was accelerated in the first half of 2006 with new clients reducing a further 24% over the same period in 2005.

- 3.12. Total clients (new clients plus repeat admissions and clients carried over from the previous year) also showed a reduction of about 19%.
- 3.13. Unfortunately the data is not presented in such a way that makes further interpretation possible.
- 3.14. It is also important to recognise that the MOH data only captures information from treatment providers it funds and therefore under-reports the actual amount of help-seeking. Alternative sources of help for problem gamblers include treatment providers treating a co-morbid condition (such as alcohol and drug addiction counselors), budgetary advice services, general practitioners, and most importantly, friends and family.
- 3.15. These treatment alternatives have been reported since the original Abbott study in 1991 where they were more frequently accessed than specialist problem gambling treatment providers.

#### **4. Grant distribution processes**

- 4.1. Each licensed gaming machine society distributes proceeds of gaming – often through a dedicated trust structure
- 4.2. Each grant making organization has a Statement of Authorised Purposes and/or a Deed of Trust (its founding document) which specifies the activities which the trustees are legally bound to support. These documents are available on the website which each society is required to operate.
- 4.3. Societies are required to publicise their grant making processes on a regular basis and publish, at least once each year, a list of grant recipients and declines.
- 4.4. Societies strive to return money to the community from which it was raised. However, they are dependent on local community groups submitting valid applications for grants.
- 4.5. Grant applications may be declined for a number of reasons. The most common are:
  - 4.5.1. Application was retrospective
  - 4.5.2. Applicants did not send in the required minimum information in time to be considered
  - 4.5.3. Applicants had already benefited substantially from previous grants
  - 4.5.4. Applications did not meet Donations Criteria
  - 4.5.5. Insufficient funds available in local region
- 4.6. The ability to make grants to local community groups is determined by:
  - 4.6.1. The financial performance of venues in the Districts
  - 4.6.2. The extent to which applicants fully meet the minimum requirements for information, multiple quotes etc, when submitting applications
  - 4.6.3. Timing of applications and the availability of proceeds to distribute

- 4.7. Most societies report excess grant applications over available grant money.
- 4.8. However, most grant declines happen because grant applicants have failed to follow the process.
- 4.9. The process needs to be strict to ensure every applicant organization gets a fair opportunity to receive a grant.
- 4.10. Grant money pools have to be emptied every three months (legal requirement).

## 5. Local v National grants

- 5.1. Of the 55 societies licensed by the DIA as at 30 June 2008 there were 11 which operated a single venue. 44 were multi-venue operators and of these there are a number of relatively large societies which have venues in many different communities.
- 5.2. When assessing the distribution of grants it is important to recognise that each society has the freedom to make its own decisions, within the constraints of its trust deed or its constitution, about what priority areas it wishes to distribute the money it raises to.
- 5.3. Some societies, as set out above are single purpose end user trusts.
- 5.4. Other societies may have decided to concentrate on sport because that is what their founders decided was appropriate.
- 5.5. Yet others may have decided to focus on a specific community – most of the 11 single venue societies fit into this category.
- 5.6. Most of the major multi-venue societies have adopted policies which allocate grant money on a proportionate basis and included within those proportions will be an allocation for recipients which have a national or regional rather than local role. In the last year organizations like the NZ Olympic Committee, Deaf Association of NZ, Hospice NZ, Special Olympics NZ, Life Flight Trust, Antarctic Heritage Trust, Edgar National Centre for Diabetes Research, Otago Natural History Trust, Barnardos, Life Education Trust etc have all received substantial grants for national or regional projects.
- 5.7. While the benefit to the community is not directly to local recipients there will still be people in local communities who, because of their participation in national activities, will derive some benefit.
- 5.8. When some organisations set out to criticize the sector and highlight the apparent lack of support for local communities they often ignore the indirect benefit to be derived locally from national grants. North Shore represents approximately 0.94% of national population but, trying to apportion the national grants on a population based formula to recognise local benefit is likely to be misleading.

## 6. End user or dominant purpose trusts

- 6.1. There are principally two types of Class 4 corporate society; those general purposes trusts which tend to distribute funds to a wide range of community groups in a number of geographical locations, and; those which have been set up to support a specific purpose like a particular sport. The latter are called end user trusts.
- 6.2. The DIA has licensed end user trusts because their authorised purpose statements fit within the parameters prescribed by the legislation.
- 6.3. The end user trust is not entitled to link itself to a particular recipient organization but there is no restraint on a purpose statement which identifies a particular sport such as racing or rugby, or a charitable purpose such as aerial ambulance services or water safety.
- 6.4. There has been some growth of end user trusts as community groups which were previously able to satisfy most of their funding needs from the general purposes trusts have sought to secure greater levels of funding from EGMs.
- 6.5. A number of consequences arise. But the principal one is that the amount of money which can be returned to the wider community is reduced by the amount which is now being delivered to the limited community interests of the end user trust's beneficiary(ies).
- 6.6. CGA does not wish to appear critical of these arrangements – after all a number of its members are end user trusts.
- 6.7. But their existence does tend to distort assessments of the distribution of grant money and make it appear that the community is getting less than it really does.
- 6.8. On the other hand there are hybrid end user trusts (like the Mana Community Grants Foundation and South Canterbury Charities Ltd) which distribute all their grant money locally and make no contributions at all to national entities.

## 7. Harm Minimization and Problem Gambling

- 7.1. In the interests of harm minimization Class 4 gaming venues have significant constraints on their ability to advertise and are prohibited from advertising the presence of a jackpot at the venue
- 7.2. Class 4 venues also have significant constraints applied with respect to access.
- 7.3. Gaming occurs in premises licensed to sell alcohol in part as a measure to control or reduce access to gaming by minors.
- 7.4. Gaming machine societies have a statutory obligation to ensure venue managers and staff have received harm minimization training and to take a number of other steps to assist those with a gambling addiction to deal with their problem.
- 7.5. Unlike other addictions gambling addiction has a high rate of self recovery.
- 7.6. Some researchers, including Professor Max Abbott, have publicly spoken about the theory of adaptation in which gambling, particularly that involving EGMs, shows relatively high levels of problems for a period after introduction but after society becomes adapted to their presence the number of people presenting with clinical issues diminishes.
- 7.7. In a recently published scientific paper Dr Abbott makes the following points:
  - 7.7.1. In New Zealand and Australia, despite substantial increases in EGM (gaming machine) availability and expenditure, current national prevalence estimates are between a third and a half of what they were 15 years ago (*Abbott, M.W. (2006). Do EGMs and problem gambling go together like a horse and carriage? Gambling Research, 18(1), 7-38*)
  - 7.7.2. In Australia there are indications that the relationship between availability and prevalence breaks down somewhere between six to 10 EGMs per 1000 adults (*Ibid*) – North Shore has a current rate of 8.4 machines per 1000 resident adult (18+) population (*DIA data and 2006 Census data*).

- 7.7.3. EGM reductions and the introduction of caps generally appear to have little impact (*Ibid*)
- 7.7.4. While regular EGM participation is strongly linked to problem gambling, problems associated with this gambling form appear to be typically of short duration (*Ibid*)
- 7.7.5. "I have long had nagging doubts about the validity of a number of problem gambling 'sacred cows', availability theory included" (*Ibid*)
- 7.7.6. "...since the mid-1990s, I increasingly thought that availability or exposure theory was over-simplistic and misleading." (*Ibid*)
- 7.7.7. "...Abbott et al (2004) cite research strongly suggesting that problem gambling prevalence will eventually level out and decline, even if accessibility increases..." (*Ibid*)
- 7.7.8. "Shaffer stated: Observations about gambling related problems in Nevada provide support for the adaptation hypothesis of addiction. That is, after the novelty of initial exposure, people gradually adapt to the risks and hazards associated with potential objects of addiction..." (*Ibid*)
- 7.8. Abbott then goes on to postulate four hypotheses which his paper sets out to evaluate. They are:
  - 7.8.1. During exposure to new forms of gambling, particularly EGMS and other continuous forms, previously unexposed individuals, population sectors and societies are at high risk for the development of gambling problems.
  - 7.8.2. Over time, years rather than decades, adaptation ('host' immunity and protective environmental changes) typically occurs and problem levels reduce, even in the face of increasing exposure.
  - 7.8.3. Adaptation can be accelerated by regulatory and public health measures.
  - 7.8.4. While strongly associated with problem development (albeit comparable to some other continuous forms when exposure is held constant) EGMs give rise to more transient problems
- 7.9. Current evidence may be demonstrating these effects.

- 7.10. However, in recent correspondence with the CGA Dr Abbott said "...At present too little is known, in any particular context, to be able to predict with certainty the consequences of increased or decreased EGM availability..."
- 7.11. In calendar year 2004 the number of presentations of new clients seeking face to face treatment for gambling problems appeared to peak at 3464.
- 7.12. Since then numbers of new clients presenting to face to face treatment services have fallen steadily. In 2005 they were down to 2725 (-21.3%) and in 2006 were down a further 1.2% on the previous year to 2692.
- 7.13. In 2007 the numbers of new clients seeking face to face assistance continued to decline and fell to 2643 (-1.8%).
- 7.14. Until 2007 similar reductions were shown by the Gambling Helpline which provides a telephone helpline. Calls to the Helpline (and from the Helpline to clients for follow-up contact) peaked in calendar year 2004 when there were 21,363. In 2005 this had fallen to 18,334 (a reduction of 14.2%). In 2006 this fell again to 15,851 (-13.5%).
- 7.15. Then in 2007 the number of total contacts increased to 17,905 (+13%) on the back of the social marketing campaign undertaken by the Health Sponsorship Council. Only 1812 of these were from new problem gambler clients – up from 1628 the year before.
- 7.16. Therefore the total maximum number of new problem gambler clients seeking help, nationally, in 2007 was 4,455.
- 7.17. However it is also clear that this number is an overstatement of the degree of help seeking because the failure to use National Health Identifier numbers means that there is at least some double counting of clients. It may be relatively extensive. Frequently problem gambling clients move between treatment and service providers and are counted more than once.
- 7.18. The nationally and regionally recorded reductions have come at a time when there has been a significant drop in EGM availability as a result of the new legislative environment. However, it is too simplistic to suggest the two factors are directly linked. The changes which were made in other areas, such as the requirement for venue staff to undertake brief and early interventions, are also likely to have had a significant impact.
- 7.19. At the same time there has been a significant expansion of treatment services available to problem gamblers and there has been more focus than ever

before on early intervention by venue staff. This may indicate the accelerating effect talked about by Abbott in his third hypothesis.

- 7.20. These results are encouraging in that they signify something successful is happening out there. The challenge is to find out which measures are having the greatest impact and to build on them.

## **8. Further changes**

### **8.1.Player Information Displays (Pop-Ups)**

- 8.1.1. By July 2009 all machines will be required to have a Player Information Display installed – which will interrupt play in an attempt to reduce problem gambling.
- 8.1.2. It is expected the capital cost of this change will be approximately another \$988,000 in the Wairarapa.
- 8.1.3. There is no research based evidence at this stage that PIDS have any substantive impact on gambler behaviour over time – and especially no evidence that PIDS affect the behaviour of a gambler who is experiencing gambling problems. Nova Scotia, which introduced PIDS 4 years ago, has announced it is ceasing the requirement for mandatory PIDS.
- 8.1.4. Effectively all this money is withdrawn from the pool of money available for distribution to the community.

## 9. Role of TLAs

- 9.1. The Gambling Act 2003 (Section 101-102) requires TLAs (Territorial Local Authorities) to adopt a Class 4 venue policy and to review that policy every 3 years.
- 9.2. The TLA is required to consider the social impact of gambling and ensure its policy addresses issues such as venue location, numbers of venues and numbers of machines.
- 9.3. Each TLA makes its decisions within the framework of the constraints on gambling applied by the legislation and its derived regulations etc.
- 9.4. Of the issues set out above the only ones which are directly influenced by the policy of the TLA is the control on the number and location of venue licenses which the TLA believes to be appropriate and the total number of machines in the district.
- 9.5. Venue location and maximum machine numbers in each venue are also controlled by legislation.
- 9.6. The principal role of the TLA, therefore, is to balance the need to minimize harm from gambling in the community while at the same time ensuring the opportunity to use legal gambling for generation of funds for community activities is sustained.
- 9.7. The following is a list of questions we suggest the North Shore City Councils may want to incorporate into their consideration process should they determine that changes to the proposed policy may be warranted:
  - 9.7.1. Do the citizens of the North Shore demonstrate such a propensity to develop problems with gambling that special protective steps need to be taken by the Districts Council to control gambling in Class 4 venues to a greater extent than that already required by the DIA?  
– The answer to this is clearly no!
  - 9.7.2. Do the operators of Class 4 gambling venues demonstrate behaviours which should be addressed through the North Shore City Councils gambling venue policy?

9.7.3. Will placing limits on Class 4 gaming venues have any impact on problem gambling in the Wairarapa? Again, the answer is clearly in the negative.

## **10.Social and Economic Impacts of Gambling**

- 10.1. Gambling has been a feature of human societies for as long as history has been recorded.
- 10.2. People are risk takers and have devised many opportunities to wager money in an effort to win a larger sum through some element of chance or expertise (or combination of both). Opportunities to gamble exist all round us.
- 10.3. Calculated risk taking is normal human behaviour. Gambling is an entertainment extension of normal behaviour.
- 10.4. The vast majority of people who gamble regard it is a bit of fun.
- 10.5. Internationally researchers appear to agree that the percentage of non-problem gamblers in our communities is in excess of 99%.
- 10.6. Problem gambling is not limited to EGMs (which are a relatively recent development). Gambling on horses or sports etc was almost entirely responsible for perceptions about problem gamblers until 25 years ago.
- 10.7. Research (Abbott 2006) shows problem gambling associated with EGMs is much more transient, and therefore easier to overcome, than problem gambling associated with track and sports betting.
- 10.8. In the last 25 years the opportunities to gamble have increased exponentially. Lotto, Keno, scratchies, EGMs, elimination of most restrictions on raffles, casinos etc.
- 10.9. Now people can gamble from the comfort of their own home on the internet. This gambling is totally obscure to the legitimate gambling sector and as a result it escapes the normal processes of data gathering.
- 10.10. Internet gambling, because it will tend to happen in non-public places, also escapes efforts to provide effective intervention services for problem gamblers.
- 10.11. The increased public and policy focus on problem gambling as an issue (as a result of the Gambling Act 2003) has served to expose more completely the size of the issue in New Zealand.

- 10.12. The consequent rise in public knowledge has ensured increasing numbers of people who have addictive gambling behaviour have been identified by problem gambling service providers.
- 10.13. As shown already there are clear indications that numbers have peaked. New callers to Helpline services have been tracking downwards for the last two years and problem gambling counseling services in some parts of New Zealand are reporting a downturn in client numbers.
- 10.14. Research is providing greater insight into the scope and dimensions of problem gambling – what it particularly needs to do is identify the treatment approaches which provide optimum results for individuals.
- 10.15. It is vital that local authorities carefully balance the needs and requirements of the entire community when determining policies on what gambling should be permitted to occur, where, and how.
- 10.16. Gambling is a legal activity enjoyed by most New Zealanders on a reasonably regular basis. Gambling takes many forms. EGMs in local licensed venues have a place in that spectrum.
- 10.17. Central government has legislated and regulated the sector extensively to ensure those playing games do so having knowledge of the risks they are taking, that the games are fair within the rules, and that about 95 cents in every dollar gambled will be returned either as winnings, is distributed as grants back into the community or is returned as payments to the Crown.
- 10.18. The majority of the balance is also returned to communities as wages, rents, and purchases of goods and services from suppliers etc.
- 10.19. Local government has a role to ensure that gambling activities do not encroach on other activities in the community in an inappropriate manner. So local government can decide how many machines and how many venues the community wants (within the context of existing licence rights) and where gambling should be located. It is a contiguous role with the role local government has in liquor licensing.
- 10.20. In making that decision local government must balance the significance of the fund raising opportunities for local groups (and national groups which may provide local benefit) against the community impact created by addictive gambling behaviour.

- 10.21. The total exclusion of EGMs from a community will not eradicate problem gambling from that community. Problem gamblers are highly adaptive people and will find other outlets (possibly in other communities) for their gambling.
- 10.22. Perversely, if the arguments of anti-gambling advocates are accepted in full, it could be said that the presence of EGMs provides the best opportunity for identification and initiation of treatment of problem gamblers. It is only the operators of gaming machine venues who have a statutory obligation to identify and then intervene when they have a problem gambler in the venue.
- 10.23. It is only the operators of gaming machine venues who have the statutory right to exclude a person from a gaming venue on account of their gambling behaviour.
- 10.24. Total removal of gaming machine venues, as advocated by some, would remove from a local community the opportunity to take effective action to start dealing with problems created by addictive gambling behaviours.

## Appendix 1:

### CGA views on social impacts

#### *The Impacts of Gambling*

##### 1 Well being framework

- 1.1 The consideration of the impacts of gambling as vigorously promoted by the Problem Gambling Foundation and others appears to be excessively negative and unbalanced.
- 1.2 For instance, several assessments undertaken by TLAs have ignored the fact that social development is funded through gaming machine grants to Kohanga Reo, to schools, to groups providing health, to the performing arts and to social services as well as to other community groups.
- 1.3 Those assessments have tended to overlook the economic and social efficiency impact as these groups (which are often run by voluntary labour) are alleviated of the obligation to look to alternative sources of fund raising for worthwhile community projects and activities. Sources such as already over-pressed local business and TLAs themselves.
- 1.4 SIAs (Social Impact Assessments) have also tended to overlook the fact that investment by charitable gaming trusts in community sports facilities and activities is a huge benefit for the social and physical infrastructure of the Districts and which would otherwise have to be found by the Districts Council (maybe by rates increases).
- 1.5 Investment in amateur sports teams, particularly junior teams, is entirely consistent with national and local strategies for healthy life styles and physical activity. Many school age children and junior sports people would not be able to participate in sports at the representative level without the generosity of grants from the funds generated by EGMs.

- 1.6 Gaming machine trusts are also frequent supporters of Kapahaka and other cultural groups which need funds to travel and to perform in other centres.

## **2 Review of policy - Mitigating harm.**

- 2.1 The challenge facing TLAs is balancing the desire to establish an appropriate level of opportunities for Class 4 gambling activities while at the same time taking appropriate action to mitigate harm from gambling.
- 2.2 There is a conventional wisdom that gambling harm is directly associated with availability and that if you reduce availability then you reduce harm. This thesis is not supported by current research – see the views of Dr Max Abbott set out in this paper.
- 2.3 The challenge then becomes to determine, what if any, level of harm can be attributable to Class 4 gambling. As Dr Abbott points out the developing view is that while there is harm from class 4 gambling it tends to be more transient than harm derived from other forms of gambling such as track and sports betting, housie etc.
- 2.4 This is as a result of a comparatively high rate of adaptation to gambling on gaming machines in which harmful behaviours appear to diminish quite rapidly with minimal intervention. In fact there is evidence to suggest that, in the New Zealand context, a very high proportion of people who demonstrate problem gambling behaviours self-cure, without any intervention at all, within 7 years of problematic behaviour being identified.
- 2.5 In addition, looking to a national average of the numbers of machines per 1000 population and trying to set the local ratio at that level ignores the importance of local considerations. It is an entirely meaningless surrogate for informed local decision making. But worst of all, that sort of measurement against a national benchmark does nothing at all to inform a local community about ways in which it should be addressing local harm from gambling. The benchmark can have no meaning unless the benchmark reflects what we know to be an optimum rate.

### 3 Gambling in NZ

- 3.1 While it is true that total gambling expenditure increased between June 1992 and December 2004, since then expenditure on Class 4 gambling has fallen more than 16%. During that entire period, according to research, the prevalence of pathological problem gambling in the adult community remained unchanged at 0.8%-1.2%.
- 3.2 For every \$100 dollars wagered in an EGM in New Zealand:
- \$90.00 is returned to player(s) as winnings
  - \$3.20 is paid to the government in Gaming Duty, GST, Problem Gambling Levy and fees and licences
  - A statutory minimum of \$3.72 is paid out to community groups by way of grants
  - About \$2.70 is paid out in operating costs (ownership, repairs and maintenance of machines, payments to venues etc), and
  - \$0.51c is paid out for administration.
- 3.3 Motivations for gambling are complex. The reasons people gamble are multifaceted and are not particularly helpful in determining policy.
- 3.4 The key issue, in the eyes of the CGA, is the responsibility of gambling providers to offer gambling activities responsibly in a safe environment.
- 3.5 Many of the rules which protect the punter have been incorporated in the legislation, regulations or game rules. These ensure that punters are informed about the risks they take and that the games of chance are fair with the odds in favour of the punter rather than the "house".
- 3.6 What none of the rules, regulations and legislation can do is protect individual punters from the fact that for some people to win others have to lose.
- 3.7 Each player risks money to take the chance they will win.

- 3.8 Problem gambling, and its harmful consequences, arises when individual punters are unable to control their gambling through rational decision making.
- 3.9 The vast majority of New Zealanders, including the vast majority of people who gamble in Wairarapa, are able to control their gambling. It is only an estimated 0.8% to 1.2% of adults who end up needing help.
- 3.10 Extrapolation of averages drawn from national expenditure returns, as stated above, is highly likely to lead to an erroneous picture.
- 3.11 It is statistically inappropriate to seek to extrapolate average revenue per machine derived from national data to a particular Districts.
- 3.12 Revenue generated by gaming machines varies widely and is significantly affected by location, machine type/age/game, venue opening hours, characteristics of the Districts (e.g. importance of tourism to economy of local area) etc.
- 3.13 Revenue generated by North Shorevenues is highly unlikely to reflect national averages.
- 3.14 Data gathered by CGA from its members tends to indicate that the grant distributions generated by gaming machines in the North Shorewill exceed the amounts cited by opponents. What is not known, and cannot be deduced from existing data, is the contribution made to the revenue (and therefore the grants pool) by tourists.

#### **4 Returns to the community**

- 4.1 Societies licensed to operate gaming machines must, by law, distribute more than 37.12% of all revenue generated to authorised purposes.
- 4.2 Each society's authorised purposes are approved by the Department of Internal Affairs.
- 4.3 Each society is required to maximize distributions and minimize its costs – it is frequently audited by the DIA to ensure the legislative objectives are being achieved.

- 4.4 Some societies have been lawfully established to support particular community activities, such as specified sporting codes, rescue helicopters, ambulance services, water safety etc.
- 4.5 Other societies have been established to support particular communities.
- 4.6 The major national societies support local communities and national fund-raising recipients.
- 4.7 All societies are legally required to publish their grants and declines at least once each year.
- 4.8 The government takes:
- Gaming Duty of 20%
  - GST of 12.5%
  - Problem Gambling Levy of 1.70%
  - Licensing fees for societies and venues
  - EMS fees of \$1.14/machine/day
  - Community groups get a minimum of 37.12%
  - Depreciation, maintenance costs, payments to venue operators, operating overheads etc cost about 27%
  - Administration, including grants administration costs about 5%
- 4.9 In 2007 the DIA reported a survey which sought to establish where Class 4 gambling dollars were distributed in 2005. The analysis shows significant differences between 2005 and the previous time the survey was carried out.
- 4.10 The latest data shows that while sports organizations are still the largest benefactors there is a trend away from support for sports towards other community activities.
- 4.11 Many societies invest significant proportions of their grant money in infrastructure for community organizations at the local level. Every

published grants list shows major investments in buildings, plant and equipment for a whole range of community groups.

- 4.12 Territorial local government needs to reflect on where the replacement funding for community groups will come from if gaming machine societies are unreasonably constrained.

## **5 Negative impacts of gambling**

- 5.1 The regressive tax argument set out in some SIAs is over-simplistic and flawed because it ignores the fact that participation in Class 4 gambling, and any of the other legal forms of gambling permitted by legislation, is optional and the result of a conscious choice by individuals to risk money in pursuit of a possible reward.
- 5.2 It is acknowledged that pathological gamblers exercise little or no control over their gambling. Problem gamblers demonstrate some loss of control over their gambling. But the majority of recreational gamblers have full control over their gambling.
- 5.3 The vast majority of people choose to gamble knowing the risks, knowing that a portion of revenue goes to the government as taxes and also knowing that some also goes back to community groups. That information is all required to be displayed in Class 4 gambling venues.
- 5.4 Parliament requires a heavy and highly focused commitment from the gambling industry to minimize the harm suffered by problem gamblers and their significant others. All venue operators must have trained staff on duty, and must provide information about problem gambling and treatment services when they have reason to believe a person with a problem controlling their gambling is using the venue.
- 5.5 The industry pays a levy which reimburses MOH for a series of programmes: public health, treatment services and research, costing about \$20m a year.
- 5.6 There is still a great deal of debate about prevalence of problem gambling in the community.
- 5.7 In recent years the numbers of people seeking help for gambling problems has been falling steeply. As with other addictions it is clear

that people are unlikely to seek help until a crisis arises in their lives which bring their gambling problems into sharp relief.

- 5.8 Social impact studies frequently repeat an assertion from the MOH that only 12% of people classed as problem gamblers access treatment services.
- 5.9 What the MOH statement fails to acknowledge is that the MOH only counts those people who access the services funded from the Problem Gambling Levy. There is strong anecdotal evidence to suggest that many people with gambling problems access help services from non-funded providers (i.e. alcohol and drug addition services, Citizen's Advice and budgeting services, family doctors, family friends).
- 5.10 In the past the MOH also failed to acknowledge the contribution made by the brief and early interventions which are triggered by gambling venue staff.
- 5.11 There is a large piece of research work to be done to establish exactly what the picture is nationally and locally.
- 5.12 The service user presentation statistics continue to show that people cite non-casino gaming machines as their primary mode of gambling. In large measure this can be attributed to the availability of non-casino gaming machines in the community compared with gaming machines in casinos.
- 5.13 All the respected opinion on harm from gambling experts asserts that presentation statistics are not a proxy for or a measure of gambling harm.
- 5.14 There is a growing view that harm from gaming machines may be much more transient because players adapt much more quickly than they do to track and sports betting. The harms from the latter may be much more difficult to treat and therefore persist much longer and are much more costly.
- 5.15 While the health impacts associated with problem gambling are well known it is also acknowledged by many professionals working in the area that problem gambling is likely to be a consequence of other health issues rather than the primary cause of the problems.

- 5.16 Therefore treating problem gambling will only be successful when the root causes of the gambling problem are also addressed. Removing affected people from the gambling environment is the appropriate intervention – as mandated through the self-exclusion and venue-initiated exclusion provisions of the Gambling Act 2003.
- 5.17 Total removal of legal gambling opportunities will not reduce problem gambling – it will just drive it out of the sight of the responsible authorities.
- 5.18 The social impacts of gambling reflect the incidence of problem gambling. All participants in the industry recognise their responsibility to provide safe venues and responsible gambling – which includes taking active steps to assist gamblers who have lost control of their gambling to seek help.
- 5.19 In recent months there has been a concerted attempt to characterize charitable gaming trusts and the people involved in the sector as lacking in probity – while there may have been isolated instances where there have been frauds and other illegal activities in the past the adoption of a Code of Practice by CGA members has eliminated this practice. Illegal activity has never been part of the culture of the sector.
- 5.20 Venue operators have strong incentives to ensure financial probity – the recent jailing of a venue operator for failing to bank machine takings is a clear signal about what will happen if a venue allows bad practices to develop.
- 5.21 The La Trobe University economic impact study, frequently cited in social impact assessments, is totally irrelevant to the New Zealand situation because of the fundamental differences between the industries in Victoria and New Zealand.

## **6 Total social impact**

- 6.1 It would be a mistake to assume the total revenue from gambling is diverted away from other industries.
- 6.2 Apart from the fact that expenditure on gambling is discretionary spending in the main, and therefore likely to have been spent on

other entertainment in the Districts, the assertion doesn't stand up if what actually happens is closely scrutinised.

- 6.3 Up to 16% of total revenue can be applied to venue costs (e.g. staff wages, proportion of venue floor rental, electricity costs etc) which will all be spent in the community.
- 6.4 Locally-based service people are likely to service machines and be involved in the construction and maintenance of Class 4 gambling venues.
- 6.5 The presence of Class 4 gambling opportunities enhances the offering of hotels, bars and clubs and increases the entertainment spend in the Districts from local people, visitors and tourists.
- 6.6 Grant money comes back into the community from the charitable gaming trusts which is spent by local people for the benefit of local people.
- 6.7 Some visitors to the district (for cultural and sports events) use grant money from gaming trusts to purchase local accommodation, food transport etc.