

Mayor and Councillors  
**COUNCIL**

**16 DECEMBER 2010**

Meeting Status: Public

Purpose of Report: For Decision

## APPROVAL TO RELEASE THE DRAFT CLASS 4 GAMBLING POLICY 2010

### **PURPOSE OF REPORT**

- 1 In accordance with the Gambling Act 2003, the purpose of this report is to present the findings of a recent social impact review of Class 4 gambling in the Kāpiti Coast District, and based on the results from this study, recommend to Council a draft Class 4 Gambling Policy appropriate for the Kāpiti Coast District to be released for public consultation.

### **SIGNIFICANCE OF DECISION**

- 2 The Council's Significance Policy is not triggered by this report.

### **BACKGROUND**

- 3 The Gambling Act 2003 (the Act) came into effect on 18th September 2003 and replaced the Gaming and Lotteries Act 1977 and the Casino Control Act 1990. It covers casinos, premises containing electronic gambling machines, and TABs.
- 4 The Gambling Act 2003 was introduced at time when the country was experiencing very rapid growth in Class 4 gaming venues and gaming machine numbers<sup>1</sup>. This growth in Class 4 gambling opportunities was causing serious concern amongst many communities and social agencies. Domestic and overseas studies were presenting more evidence to show that Class 4 gambling was a significant driver of problem gambling.
- 5 A nationwide gambling survey conducted in 2003 showed that 83.6% of callers to the gambling helpline blamed Class 4 gambling machines (pokies) as the primary cause for their gambling addiction. TABs and other forms of sports betting did not appear to be so addictive.
- 6 Problem gambling is described as a pattern of gambling behaviour that disrupts and damages a person's life, their friendships, family relationships and job interests. Problem gamblers suffer from increased rates of bankruptcy, arrest, imprisonment, unemployment, divorce and poor physical and mental health. There is also evidence to suggest that problem gamblers have higher rates of alcohol abuse and suicide. The effect on the community is far reaching and a

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<sup>1</sup> Class 4 gambling encompasses pubs and clubs who operate non-casino gaming machines (commonly referred to as 'pokies'), it also includes TABs and sports betting outlets.

1999 Australian report estimated up to seven other people are affected by a single problem gambler's behaviour.

- 7 Two key sections of the Gambling Act 2003 focused on attempting to manage the growth and social impact of Class 4 Gambling. Section 101 of the Act empowered territorial authorities to set their own local limits on the location and number of Class 4 gambling venues and machines, following an assessment of the social impacts of Class 4 gambling in their respective communities. Section 102 of the Act established an additional requirement that every territorial authority must review their policy every 3 years. The Council last reviewed its Class 4 Gambling Policy in 2007 and this report is presented in accordance with legislative requirements

## CONSIDERATIONS

### *Kāpiti Coast District Council Gambling Policy 2004*

- 8 In June 2004 a study was conducted to measure the demographics of the Kāpiti Coast District relative to the indicators that identify problem gamblers. The indicators for problem gambling were: *aged 25 – 34, Maori, Asian or Polynesian, no formal qualifications, unemployed, plant and machine operators and other elementary occupations, lower income earners and larger household size*<sup>2</sup>. Overall the Kāpiti Coast District scored low in terms of susceptibility to problem gambling, but there were specific areas such as Ōtaki that were at higher risk.
- 9 In late 2003 the Kāpiti Coast District Council recognised the negative potential impact of problem gambling and the spiralling growth of Class 4 venue and gaming machine numbers at that time. The 2004 Class 4 Gambling Policy introduced a cap on stand-alone TAB venues (1), Class 4 gaming venues (15) and gaming machines (228), effectively holding them at December 2003 levels.

### *Kāpiti Coast District Council Gambling Policy 2007*

- 10 In July 2007 in accordance with section 102 of the Gambling Act 2003 the Kāpiti Coast District Council conducted a second review of its Class 4 Gambling Policy.
- 11 At that time national statistics showed that Class 4 gambling expenditure had experienced a slight decline (less than 1%), possibly as a result of the impact of the Gambling Act 2003, but more likely as a result of competition from other modes of gambling, such as internet gambling, Lotto or racing and sports betting, which all experienced an increase in gambling expenditure.
- 12 Despite this slight reduction in Class 4 gambling expenditure the Problem Gambling Foundation of New Zealand<sup>3</sup> (PGF) reported that the most addictive mode of gambling remained non-casino gaming machines (pokies), with 78.6%

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<sup>2</sup> Why Do People Gamble, Tse et al (2005)

<sup>3</sup> The Problem Gambling Foundation of New Zealand is a national non-profit organisation predominantly funded by the Ministry of Health with funds received from the gambling levy. PGF is the largest single treatment provider for problem gambling in Australasia with over 60 locations throughout New Zealand and a website providing information on gambling statistics, gambling harm and trends: [www.pgfnz.org.nz](http://www.pgfnz.org.nz)

of callers to the Gambling Helpline still reporting that pokies were their primary problem (PGF 2005).

- 13 The 2007 Social Impact Review showed that the 2004 Gambling Policy Cap on stand alone TABs, gaming venues and machines, had been beneficial for the Kāpiti Coast District in terms of curtailing the rapid growth of Class 4 gambling opportunities. By December 2007 the District recorded an average of 1 gaming machine to 154 adults over the age of 18 years compared to 1 gaming machine to 149 adults in December 2003.
- 14 Over the same period a combination of factors such as the impact of territorial authorities' gambling policies, industry consolidation of venues and gaming machine numbers, and a rising national population, resulted in a national improvement of 1 machine for every 121 adults in December 2003, to 1 machine to 152 adults in December 2007.
- 15 The 2007 Social Impact Review also continued to show a significant disparity in the spread of machines across the District, with higher risk locations like Ōtaki continuing to record a far higher ratio of gambling machines to adults. The review also showed that from the grants information supplied, on average only 24%<sup>4</sup> of the monies spent on gambling in the Kāpiti Coast Community was directly returned to charities or sports institutions in the District. This is well below the 33% that societies are required to return, which means that the Kāpiti Coast loses money to charities outside the District<sup>5</sup>.
- 16 The primary goal of the Kāpiti Coast District Council Gambling Policy 2007 was to acknowledge and deal with the disproportionate number of Class 4 gambling machines in some of the District's most vulnerable locations. In response to this issue the 2007 Policy retained the district wide cap of venues and gaming machines at existing levels thereby retaining the ratio of gaming machines to adults at 1:154, but applied this ratio at a ward rather than district level. The Policy acknowledged the vulnerability of some communities in the District to problem gambling. It meant that some wards in the District, such as Ōtaki and Paekākāriki, were left with a 'sinking lid'<sup>6</sup> on gaming machine numbers, while other areas of the District could increase their number of gaming machines. However, increases could only occur if there were corresponding decreases in Ōtaki and Paekākāriki first.
- 17 Despite adopting a sinking lid policy in the wards with the highest vulnerability, the Council could not force existing venues in those locations to reduce the number of gaming machines in operation. The Policy is very effective at stopping new venues and gaming machines from entering the District, but only has an impact on existing Class 4 gambling activities when those venues close for six months or more and lose their Class 4 vending license.

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<sup>4</sup> This figure may not include regional charities or sports groups that serve the wider region including Kāpiti.

<sup>5</sup> Some of this money may be given to charities or sports organisations who service the wider region including Kāpiti.

<sup>6</sup> A sinking lid policy means that if a current venue loses its trading license for a period of 6 months or more then it also automatically loses its license to run gaming machines.

18 In addition to the above changes, the 2007 Policy also approved a TAB venue at the Ōtaki Māori Racing Club. This was done in recognition of the Māori Racing Club’s importance to the District and the need to help secure its ongoing financial viability. This change increased the number of TABs in the District to a maximum of two, but made no provision for the Ōtaki Maori Racing Club to install Class 4 gaming machines.

*Summary of the Kāpiti Coast District Council Social Impact Review 2010*

19 Attachment One is a social impact study conducted in July this year. This study covers both national and local gambling trends and considers the impact of Class 4 gambling in the Kāpiti Coast District. Key trends from the study are as follows:

- There is a continuing decline at a national level in gambling expenditure on Class 4 gambling (including TABs), and a shift to other modes of gambling such as Lotto.
- Class 4 gambling still accounts for a significant proportion of problem gambling calls to the gambling hotline<sup>7</sup>.
- The Kāpiti Coast District now records on average more gaming machines to adults than the national average (refer Table 1).
- At a ward level, Ōtaki continues to record a very high number of machines to adults – over double the national average.
- In terms of problem gambling indicators, the District continues to show an overall low to mid range problem gambling risk. However, at a ward level, Ōtaki records a much higher potential risk for problem gambling.
- The District spends slightly less on Class 4 gambling than the national average.
- There has been little change to venue and gaming machine numbers in Ōtaki despite a sinking lid policy being adopted in July 2007.
- Since the last Policy review in July 2007 five Class 4 gaming machines have moved from Paekākāriki to the Paraparaumu Ward.
- It appears that the Ōtaki community continues to subsidise sports and charity groups throughout the District and wider region.

Table 1: Ratio of Class 4 Gaming Machines to adults per Ward as at June 2010.

| Ward                  | *Population over 18 yrs | Number of Licensed Class 4 Gaming Machines as at June 2010 | Gaming machines to adults |
|-----------------------|-------------------------|--|---------------------------|
| Paekākāriki-Raumati   | 7,290                   | 27   | 1:270                     |
| Paraparaumu           | 14,353                  | 95   | 1:151                     |
| Waikanae              | 8,505                   | 30   | 1:283                     |
| Ōtaki                 | 6,847                   | **76   | 1:90                      |
| Kāpiti Coast District | 36,910                  | 228  | 1:162                     |

<sup>7</sup> PGF Gambling Hotline Survey, 2007.

| Ward        | *Population over 18 yrs | Number of Licensed Class 4 Gaming Machines as at June 2010 | Gaming machines to adults |
|-------------|-------------------------|--|---------------------------|
| New Zealand | 4,184,600               | 19115  | 1:218                     |

\*Total population statistics for NZ and Kāpiti District have been sourced from the Department of Statistics using 2006 Census results. Kāpiti ward population statistics have been calculated by KCDC Electoral Role counts which in total show an 85 person difference to the total Kāpiti District Population as recorded in the 2006 Census results.

\*\*Licensed for 76 but only operating 72

- 20 The area of greatest concern remains the Ōtaki Ward. With five venues (one less than the Paraparaumu Ward), the second highest number of machines, and the lowest ward population, it is clearly an area where there is a greater exposure to gambling opportunities and a community which would appear to have the characteristics of a higher likelihood of gambling. According to the indicators for problem gambling Ōtaki remains high risk. It has the highest Māori, Asian and Pasifika population in the District and the lowest socio-economic indicators. It is the ward with the least money to spend but is oversupplied with gaming machines to adult population.
- 21 Compounding the situation is the fact that many of Ōtaki's gambling machines are highly concentrated in a shopping area more popular with locals than visitors<sup>8</sup>. Four venues and fifty four gaming machines are in close proximity of each other along Main Street, Ōtaki. These venues are well away from the State Highway One retail area which receives the greatest volume of visitors from outside the Ōtaki area. The argument that these venues and gaming machines service a large number of visitors in addition to local residents is less persuasive than for the Paraparaumu Ward for example. In some cases there are exceptions, such as the Ōtaki Returned Services Association whose members come from throughout the wider area. However, some of the worst deprivation statistics in the District are recorded in the immediate vicinity of Main Street. This area is the least able to afford gambling losses, placing extra pressure on the community's wellbeing<sup>9</sup>.
- 22 Under existing legislation the Council has no capacity to arbitrarily reduce existing Class 4 venue or machine numbers, no matter how vulnerable the community is to problem gambling. However, despite this limitation, it is still important that the Council implements a Policy that recognises the risk of problem gambling in some of Kāpiti's most vulnerable communities, and at the very least, continues to take steps to ensure these vulnerable communities are not made any worse off.

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<sup>8</sup> The availability of gambling opportunities is fundamental to problem gambling and gambling-related harm. The opportunity to gamble has been identified for some time as an important risk factor for problem gambling. Both participation in gambling and the likelihood of problem gambling increase when gambling opportunities increase (Dickson et al 2002; Korn and Shaffer 1999; Lester 1994; Volberg 1994). Marshall (2005), in a study of two communities on the Gold Coast of Australia, showed that this was the case even when the average distance to a gambling venue was the same, but the density of gambling venues was higher. Marshall went as far as to suggest that his data supported the notion that gambling was 'supply' rather than 'demand' driven.

<sup>9</sup> Refer to PGF report: 'Pokies, poverty, foodbanks and problem gambling in New Zealand', Problem Gambling Foundation, June 2010. [www.pgfnz.org.nz](http://www.pgfnz.org.nz).

*Proposed Changes to the Kāpiti Coast District Class 4 Gambling Policy***Option One**

- 23 Option One proposes an amendment to the current Gambling Policy, whereby the national ratio of gaming machines to adults rather than the district ratio is used to set district and ward caps. The current 2007 Gambling Policy maintained the existing 2003 venue and gaming machine caps, but also uses the District wide ratio of gaming machines to adult population (as measured at the time of the last social impact review) to set gaming machine limits at a ward level. Using the District ratio to set ward limits does not measure the District's controls on gaming machines against the rest of the country. Using the national ratio of machines to adults as a benchmark to set ward limits is a more useful measure to ensure Kāpiti's gaming machine objectives are both reasonable and consistent in the national context.
- 24 The national ratio (or average) of gaming machines to adults is a reliable goalpost that helps to ensure Kāpiti's Gambling Policy is continuing to aim for a 'middle of the road' policy position that is neither 'anti' nor 'pro' Class 4 gambling. This policy position is justified by:
- the District's low to mid level overall gambling risk;
  - the potential for problem gambling in specific communities; and
  - the benefits Class 4 gambling proceeds bring to many local charities and sports groups.
- 25 Of course this national average is constantly changing, but it is recommended that the Kāpiti Coast District Council continue to gauge its policy position relative to the national average every three years when the social impact review is done.
- 26 Making this change will result in a policy goal for the next three years that encourages the following shift in gaming machines across the District:

Table 2: Gaming Machine Limits Under Option One

| Ward                  | Current no. of gaming machines as at June 2010 | Permitted no. of gaming machines in each ward under 2010 Policy | Potential Change | Gaming machines to adults (apprx) |
|-----------------------|--|---|------------------|-----------------------------------|
| Paekakariki – Raumati | 27   | 33  | +6               | 1:218                             |
| Paraparaumu           | 95   | 66  | -29              | 1:218                             |
| Waikanae              | 30   | 39  | +9               | 1:218                             |
| Ōtaki                 | 76   | 31  | -45              | 1:218                             |
| TOTAL DISTRICT        | 228  | 169   | -59              | 1:218                             |

- 27 The changes proposed in Table 2 will result in the current sinking lid policy on gaming machines remaining in place for the Ōtaki Ward. It will also mean a sinking lid policy on gaming machines in the Paraparaumu Ward. The overall result of these two sinking lid policies is a district wide reduction of 59 gaming

machines. This will mean that for the next three years the district wide cap on gaming machines will change from 228 machines to 169 machines.

28 Table 2 also shows that there are opportunities for more gaming machines in the Paekākāriki-Raumati and Waikanae Wards, but only once the new district wide cap of 169 non-casino gaming machines has been achieved and subject to the following conditions:

- the total overall district wide venue cap (15) is not breached;
- that any additional gaming machines in the Paekākāriki-Raumati Ward will only be placed in Raumati;
- Section One of the Kāpiti Coast District Gambling Policy is not breached, and
- the Gambling Act 2003 is not breached.

29 Option One directly focuses on the Kāpiti Coast’s biggest issue with regard to Class 4 gambling – the clustering of gambling machines in Kāpiti’s most vulnerable communities. The national average will be subject to rises and falls but is unlikely to ever record ratios of gaming machines to adults as intense as Ōtaki’s. Aiming for the national average is a mid range goal for a District with an overall mid range problem gambling risk.

30 An example of what Option One would look like as a Draft Policy is attached as Attachment 2.

**Option Two**

31 Option Two proposes no change to the existing district and ward caps in the 2007 Kāpiti Coast District Class 4 Gambling Policy. This would mean the District’s wards would continue to aim for the District average which now stands at a ratio of 1 machine to 162 adults (as at June 2010). Although a slight improvement on the 2007 average (as a result of population increase), this ratio is now well behind the national ratio of 1:218. Three years ago Kāpiti recorded a better ratio than the national average. Table 3 provides a summary of Class 4 gaming machine controls under Option Two.

Table 3: Gaming Machine Limits Under Option Two.

| Ward                  | Current no. of gaming machines as at June 2010 | Permitted no. of gaming machines in each ward under 2010 Policy | Potential Change | Machines to adult ratio if changes are made (apprx) |
|-----------------------|--|---|------------------|---|
| Paekākāriki – Raumati | 27   | 45  | +18              | 1:162   |
| Paraparaumu           | 95   | 88  | -6               | 1:162   |
| Waikanae              | 30   | 53  | +23              | 1:162   |
| Ōtaki                 | 76   | 42  | -34              | 1:162   |
| TOTAL DISTRICT        | 228  | 228   | 0                | 1:162   |

- 32 Retaining the District average to set ward gaming machine limits would mean a sinking lid policy would remain in place in the Ōtaki Ward. Paraparaumu Ward would also be subject to a sinking lid policy for the next three years and increases in other wards would only be able to occur if there were corresponding decreases in Ōtaki and Paraparaumu first. Increases in these other wards with spare capacity would also only occur subject to the following conditions:
- the total overall district wide venue cap (15) is not breached;
  - that any additional gaming machines in the Paekākāriki-Raumati Ward will only be placed in Raumati;
  - section one of the Kāpiti Coast District Gambling Policy is not breached, and
  - the Gambling Act 2003 is not breached.
- 33 Option Two, like Option One, prevents Kāpiti's most vulnerable community, Ōtaki, from getting any worse and encourages gaming machine reductions in the most oversupplied wards. The difference between the options is that Option One is measured against national trends and Option Two compares Kāpiti against itself.
- 34 An example of what Option Two would look like as a Draft Policy is attached as Attachment 3.

### **Recommended Option**

- 35 It is recommended that the Council approves the release of Option One as the proposed Policy to be released for public consultation. Setting a benchmark against the national average establishes a middle ground Class 4 gaming machine policy position appropriate to Kāpiti's mid range level of gambling risk.
- 36 The strength of Option One is that, while adopting a middle ground approach overall, it also targets the greatest area of concern in the District with regard to social well-being.
- 37 Option One aims to achieve a more even spread of gaming machines to adults across each ward by adopting a policy approach that determines gaming machine numbers based on the national average of gaming machines to adult population. Using the national average as a guide to setting gaming machine controls is justified on the basis that Kāpiti's latest Social Impact Review continues to indicate that the District (as a whole) is at low to mid range risk of problem gambling harm.
- 38 The only significant issue with this policy approach is that it is a fairly simplistic instrument, in that it only uses one measure (machines to adult population) to determine appropriate ward caps. It fails to take into account other factors such as the potential for outside visitors to each ward, the average age of ward residents or their respective incomes. For example some wards such as Paraparaumu could possibly accommodate more machines than the national average, while others such as Waikanae, with a high number of elderly resident on fixed incomes, fewer. Overall however, the national average is a sound guide



that helps to ensure the Council cannot be perceived as holding a position of bias for or against Class 4 gambling (particularly when the District records a low to medium risk of gambling harm) while still allowing the targeting of areas of concern.

### Financial Considerations

- 39 There are no financial implications for the Council to consider in approving the release of the Draft Kāpiti Coast Class 4 Gambling Policy 2010 for public consultation.

### Legal Considerations

- 40 The Council is required by the Gambling Act 2003 to review its Class 4 Gambling Policy every three years. This report recommends a process that meets that requirement.

### Delegation

- 41 The Council has authority to approve the Draft Class 4 Gambling Policy for public consultation.

### Consultation

- 42 Section 102(1) of the Gambling Act 2003 sets a requirement that gambling policies must be adopted in accordance with section 83 of the Local Government Act 2002; and in accordance with subsection (1)(e) of that section, the territorial authority must give notice of the proposed policy, in a manner that the territorial authority considers appropriate, to:

- a) each society that holds a Class 4 venue license for a venue in the territorial authority district; and
- b) organisations representing Maori in the territorial authority district.

- 43 The Gambling Act 2003 also sets a requirement that once a Policy is adopted, amended or replaced, the territorial authority must provide a copy of the final policy to the Secretary for Internal Affairs

### *Proposed Consultation Plan*

| <b>TASK</b>   | <b>DATE</b>      |
|---|------------------|
| Council approval of Statement of Proposal for public consultation | 16 December 2010 |
| Submissions Open  | 21 January 2011  |
| Submissions Close   | 25 February 2011 |
| Hearing Submissions   | TBA              |
| Council Decision  | TBA              |

**Policy Implications**

44 The proposed Policy is an amendment to the existing Gambling Policy 2007.

**Publicity Considerations**

45 The proposed Gambling Policy will be advertised in local papers and copies made available on the Council's Website and at Council Service Centres.

**RECOMMENDATIONS**

- 46 That the Council approves Option 1 in report SP-10-990 as the most appropriate draft Class 4 Gambling Policy option for the Kapiti Coast District.
- 47 That the Council approves the release of the Draft Class 4 Gambling Policy 2010 (Attachment 2), Statement of Proposal (Attachment 4) and Summary of Information (Attachment 5) appended to report SP-10-990 for public consultation, subject to any amendments.

**Report prepared by:**

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**ATTACHMENTS:**

- Attachment One: Social Impact Review of Class 4 Gambling 2010
- Attachment Two: Draft Option One Gambling Policy 2010
- Attachment Three: Draft Option Two Gambling Policy 2010
- Attachment Four: Statement of Proposal
- Attachment Five: Summary of Information.