

THE GAMBLING ACT 2003: SOCIAL IMPACT REVIEW OF CLASS 4 GAMBLING 2010

1.0 PURPOSE OF REPORT

In accordance with section 102 of the Gambling Act 2003, the purpose of this report is to review the social impact of the Class 4 gaming industry at a national and local level in order to assist Council planners to establish an updated Class 4 Venue Policy appropriate for the Kāpiti Coast District.

2.0 INTRODUCTION

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 both casinos and premises containing electronic gambling machines as well as TABs.

Section 101 of the Act sets a requirement for every territorial authority to have a Class 4 Venue Policy. Section 102 of the Act established an additional requirement that every territorial authority must review this Policy every 3 years.

The Kāpiti Coast District Council last reviewed its Class 4 Venue Policy in July 2007 and therefore now needs to review the impact Class 4 Gambling has on the Kāpiti Coast community and consider if any changes are required to the existing Class 4 Venue and Gaming Machine Policy.

2.1 What is a Class 4 Gambling Venue

A class 4 venue is a place that conducts class 4 gambling or is a venue owned or leased by the NZ Racing Board or a Racing Club that is:

- i) used mainly for racing or sports betting or
- ii) a racecourse

Class 4 gambling involves gambling:

- i) that utilises or involves a gaming machine (aka: ‘pokie’ machine);
- ii) where the proceeds are distributed for authorised purposes;
- iii) where no commission is paid;
- iv) that satisfies relevant gaming rules; and

v) is categorised by the Secretary for Internal Affairs as class 4 gambling

2.2 What is problem gambling?

Problem gambling is a pattern of gambling behaviour that disrupts and damages a person's life, their friendships, family relationships and job interests. It is a serious issue and concern about it is growing.

2.3 What harm is suffered by problem gamblers?

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.

2.4 How does problem gambling affect our communities?

The effect on the community is far reaching but there remains insufficient research to identify how many people are affected by a person's problem gambling. However, a 1999 Australian report estimated that around seven other people are affected to some extent by a single problem gambler's behaviour.

Problem gambling can often lead to family break-ups, alcohol abuse, poor health, workplace problems and can result in crime. It puts pressure on health services and the criminal justice system. Problem gamblers may also spend money gambling instead of providing the essentials of life, like food or housing, for themselves and their families.

2.5 Objectives of the Gambling Act 2003

The Gambling Act 2003 has four main objectives:

- to control the growth of gambling;
- to prevent and minimise harm caused by gambling;
- to ensure money from gambling benefits the community; and
- to ensure community involvement in some decisions about the provision of gambling.

2.6 Territorial Authorities Responsibilities under the Gambling Act 2003

The Act required Councils to assess the impact of gaming in their respective communities every three years, and if necessary regulate this activity through the following means:

- Regulate the number of non-casino gaming machines operating within their District.

- Have some control over the number of machines per venue.
- Restrict where those machines can be located in the venue.

3.0 KĀPITI COAST CLASS 4 GAMBLING POLICIES

3.1 Kāpiti Coast District Council Class 4 Gambling Policy 2003

A social impact study on Class 4 Gambling has been carried out every three years starting in late 2003 and again in early 2007. At the time of the 2003 review the country was experiencing significant growth in Class 4 gambling venues and machines, and 83.6 percent of callers to the Gambling Helpline said that Class 4 gambling was their primary problem (PGF 2003).

Studies also showed that Māori, Pacific Island and Asian people from low socio economic groups were the most vulnerable to problem gambling, were the least able to afford to gamble, but tended to be the largest spenders. This was recognised by gaming machine societies through their placing of high concentrations of machines in areas where these groups live¹.

In June 2003 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, Māori or Polynesian, no formal qualifications, unemployed, plant and machine operators and other elementary occupations, lower income earners and larger household size'. The Kāpiti Coast District in total scored low in terms of susceptibility to problem gambling, but there were specific areas such as Ōtaki that were at higher risk.

Ōtaki, with a lower median income level, younger population, and higher Māori and Pacific Island population when compared to the rest of the District, had a higher potential (according to the problem gambling indicators) for more people to be gamblers. The Ōtaki Ward also had the lowest ratio of gaming machines per adult over 18 years of age in the District.

In 2003 the Kāpiti Coast District Council recognised the negative potential impact of problem gambling and the spiraling growth of Class 4 venue and gaming machine numbers at the time. The 2003 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.

¹ Problem Gambling Foundation of New Zealand, June 2006 Newsletter.

3.2 Kāpiti Coast District Council Class 4 Gambling Policy 2007

In early 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.

At that point 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.

Despite this slight reduction in Class 4 Gambling expenditure the Problem Gambling Foundation of New Zealand² reported that the most addictive mode of gambling remained non-casino gaming machines (pokies), with 78.6% of callers to the Gambling Helpline stating that pokies were still their primary problem (PGF 2005).

The 2003 Policy cap on stand alone TABs, Class 4 gaming venues, and Class 4 machines had been beneficial for the Kāpiti Coast District in terms of curtailing the rapid growth of this gambling activity. 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. 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 gaming machines to adults over 18 years of age from 1 machine for every 121 adults in December 2003 to 1 machine to 152 adults in December 2007.

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%³ of the monies lost 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 of the District⁴.

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

² The Problem Gambling Foundation of New Zealand (PGF) 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

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'⁵ 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.

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 impacts on existing Class 4 gambling activities when those venues close for six months or more and lose their Class 4 vending license.

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 Māori Racing Club to install Class 4 gaming machines.

4.0 WHAT HAS HAPPENED SINCE THE LAST GAMBLING REVIEW IN 2007?

4.1 National Trends since the 2007 Policy Review

In 2008/09 gambling expenditure (player losses) decreased by 0.3%, from \$2.034 billion in 2007/08 to \$2.028 billion. This is a result of an increase in expenditure on Lotteries Commission products, but decreases in expenditure on racing and sports betting, non-casino gaming machines and casino gambling. The 2008/09 figure is below the peak expenditure figure of \$2.039 billion in 2003/04.

- **Non-casino gaming machine expenditure decreased by 5.3% from \$938 million to \$889 million.** This continues the decrease in expenditure of 1.3% in 2007/08. Expenditure on non-casino gaming machines had previously peaked at \$1.035 billion in 2003/04.
- **Expenditure on racing and sports betting decreased by 1.2% from \$272 million to \$269 million.** This reverses the recent growth in racing and sports betting of 4.2% in 2007 and 1.2% in 2008. This year's nominal figure is the same as in 2007. When inflation is taken into account, however, expenditure is still behind the \$232 million figure of 1989, which was for racing only.

³ This figure may not include regional charities or sports groups that serve the wider region including Kāpiti.

⁴ Some of this money may be given to charities or sports organisations who service the wider region including Kāpiti.

⁵ 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.

- **Expenditure on Lotteries Commission products increased by 16.7% from \$346 million to \$404 million.** This is a dramatic increase compared to the previous year's 4.7% increase, and is the highest ever expenditure for the Commission.
- **Casino gambling expenditure (which includes casino gaming machines) decreased by 2.4% from \$477 million to \$465 million.** This reverses the 1.6% increase from the previous year.

4.2 How big is the Class 4 gambling problem and who is at greatest risk?

A wide range of gambling activities are available in New Zealand, including casino gambling, electronic gaming machines, Lotto, Instant Kiwi (scratch tickets), track betting, sports betting, Keno, housie, internet gambling and telephone gambling.

Electronic gaming machines, track betting and casino games have been cited as being more addictive and for causing more problems than other types of gambling such as lotteries, because they are forms of gambling that allow people to gamble continuously without stopping (Abbott and Volberg 2000). The majority of new clients at problem gambling intervention services in 2007 cited class 4 gaming machines as their primary mode of harmful gambling (see Table 1).

Table 1: Primary mode of gambling for face-to-face problem gambling intervention services and Gambling Helpline, 2007.

Primary mode of gambling	Face-to-face intervention services (% of new clients)	Gambling Helpline (% of new gambler clients)
Class 4 gaming machines	66.8	75.6
Casino gaming machines	9.7	9.1
Casino tables	10.1	5.7
Track betting	3.4	5.5
Sports betting	3.0	1.5
Other	7.0	2.5

Results from a 2006/07 New Zealand Health Survey conducted by the Ministry of Health indicate that:

- serious problem gambling affects 0.4% or 13,100 of New Zealand adults over the age of 15;
- moderate-risk gambling affected 1.3% or 40,100 of New Zealand adults over the age of 15;
- people aged 35-44 years had the highest prevalence of problem gambling;
- Māori and Pacific adults were approximately four times more likely to be problem gamblers; and
- the highest prevalence of problem gambling was amongst adults living in neighbourhoods of high deprivation with fewer educational qualifications.

Overall, 2.8% of people aged 15 years and over had experienced problems in the last 12 months due to someone's gambling, representing about 87,000 adults. Whilst these numbers are relatively small compared to the number of adults with hazardous drinking behaviour (551,300) or who are current smokers (619,000) (Ministry of Health 2008), this study has shown that there is still a burden of gambling-related harm in the New Zealand community.

5.0 LOCAL TRENDS SINCE THE 2007 POLICY REVIEW

5.1 Venue & Machine Numbers

As at March 2010 the District had 15 Class 4 gaming venues and 224 gaming machines in operation (see Table 2 for a summary of venues and machines).

Table 2: Summary of Class 4 Gambling in the Kāpiti Coast District, June 2010

Pokie Trust	Venue	Pokie Numbers	Ward
The Ōtaki RSA Inc	Ōtaki RSA Clubrooms	18	Ōtaki
First Sovereign Trust	Punters Corner Sports Bar & TAB	8	Ōtaki
NZ Community Trust	Telegraph Hotel	15	Ōtaki
NZ Community Trust	The Railway Hotel	18	Ōtaki
Pub Charity	Family Hotel	*13	Ōtaki
The Lion Foundation	Finn's Paekākāriki	9	Paekākāriki-Raumati
Pelorus Trust	The Village Inn	18	Paekākāriki -Raumati
Golden Coast Chartered Club Inc	Golden Coast Chartered Club	8	Paraparaumu
Kāpiti Club Inc	Kāpiti Club	15	Paraparaumu
NZ Community Trust	The Jolly Miller Inn	18	Paraparaumu
Pub Charity	The Pinetree Arms	18	Paraparaumu
The Lion Foundation	Debo's Tavern	18	Paraparaumu
The Paraparaumu RSA	Paraparaumu RSA Club	18	Paraparaumu
Endeavour Community Trust	Waikanae Hotel	18	Waikanae
Waikanae Chartered Club	Waikanae Chartered Club	12	Waikanae

*Licensed for 17 but only operating 13.

Since 2007 there has been a reduction of 5 machines in the Paekākāriki-Raumati ward. This reduction has resulted in a more even spread of machines across this ward with Paekākāriki Township being less targeted. The five machines lost in Paekākāriki-Raumati have now moved to Paraparaumu, and the ward ratios now stand as follows (see Table 3):

Table 3: Ratio of Class 4 Gaming Machines 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
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.

Kāpiti's overall ratio of machines to adults over the age of 18 years of age has improved slightly since 2007 as a result of population increases and a District cap on venue and machine numbers. However, the latest District ratio of 1 machine to 162 adults (as at July 2010) is worse than the national ratio of 1 machine to every 218 adults (as at June 2010). This is a significant shift, with the District recording a better ratio than the national average when the social impact review was last conducted in July 2007. More importantly, the above ratios highlight that the District continues to show significant disparities in the spread of machines across each ward. Some of these disparities can be explained by factors other than the assumption gaming societies are targeting highly vulnerable communities. For instance, it could be argued that Paraparaumu Ward is the District's commercial and entertainment centre. It therefore has the higher concentration of pubs and clubs and a correspondingly higher number of Class 4 gaming machines. Whilst the ward ratio of machines to adults (1:151) appears to be reasonably poor when compared to Paekākāriki-Raumati, Waikanae and the overall District and National ratio, it could be argued that Paraparaumu receives a large number of visitors from neighbouring wards and areas outside of the District. These visitors also use these facilities and their gaming machines, making the impact of these machines on the local ward population less severe.

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 being targeted because of the community's 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 higher numbers of gaming machines to adult population.

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 visitors⁶. Four

⁶ 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

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 of 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. It is an area least able to afford gambling losses, placing extra pressure on the community's wellbeing⁷.

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 implement 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.

5.2 Economic Cost/Benefit from Class 4 Gambling on the Kāpiti Coast

A recent summary compiled by the Problem Gambling Foundation found that the quarterly loss to Class 4 gambling in the Kāpiti District was \$59.13 per head of adult population⁸, this figure was slightly down on the rest of the year, but it still means that Kāpiti has the 29th biggest loss per head of population out of all 73 Territorial Authorities (as at June 2010). This 29th gambling loss position is positive when considering that Kāpiti has the 27th highest number of Class 4 gaming machines.

This indicates that the Kāpiti District loses less money per person than the national average. However, this loss per person is averaged out over all adults in the Kāpiti District, and does reflect the fact that venues and gaming machines are not evenly spread across each community. Some wards (such as Ōtaki and Paraparaumu) are likely to experience a far greater loss per person than the District average, while others such as Waikanae, experience far less.

Gaming societies are required to pay out up to 33% of gambling player losses to charities and non-profit organisations, but not necessarily in the same district where the money was taken. The last social impact study in July 2007 indicated that Kāpiti tended

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.

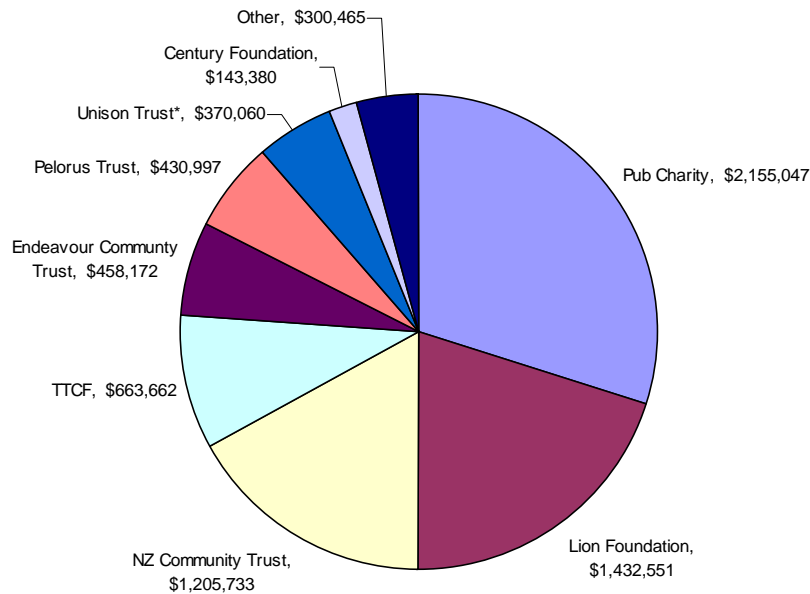
⁷ Refer to PGF report: 'Pokies, poverty, foodbanks and problem gambling in New Zealand', Problem Gambling Foundation, June 2010. www.pgfnz.org.nz.

⁸ PGF Gambling Report – Kāpiti Coast District June 2010.

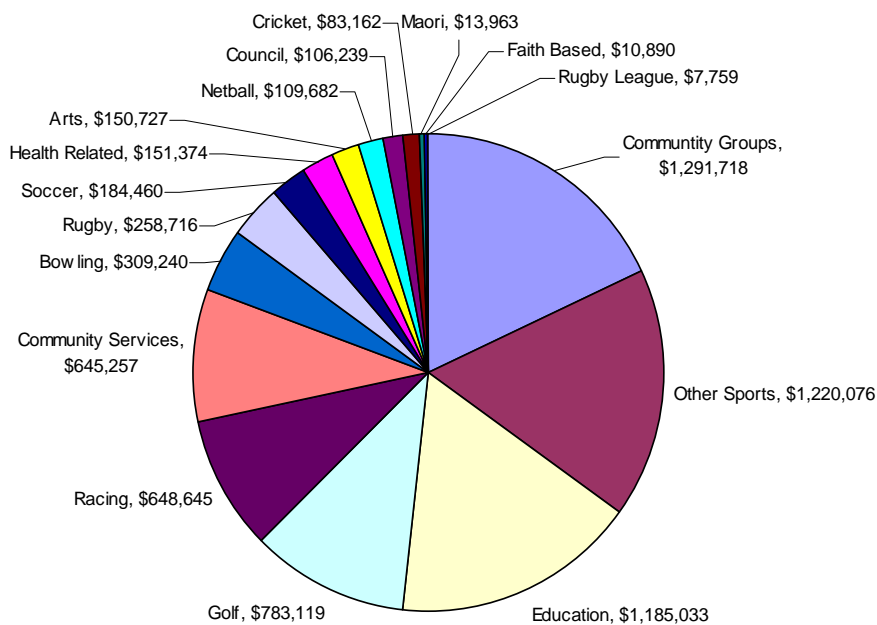
to not receive its full percentage of charitable pay outs, and was instead helping fund charities and non-profit organisations outside of the District.

It is not always easy to get an accurate summary of gaming societies' charitable payouts but the following information collated by the Problem Gambling Foundation provides a reasonable summary of the gaming societies payout to charities, non-profit organisations and sports clubs in the Kāpiti District.

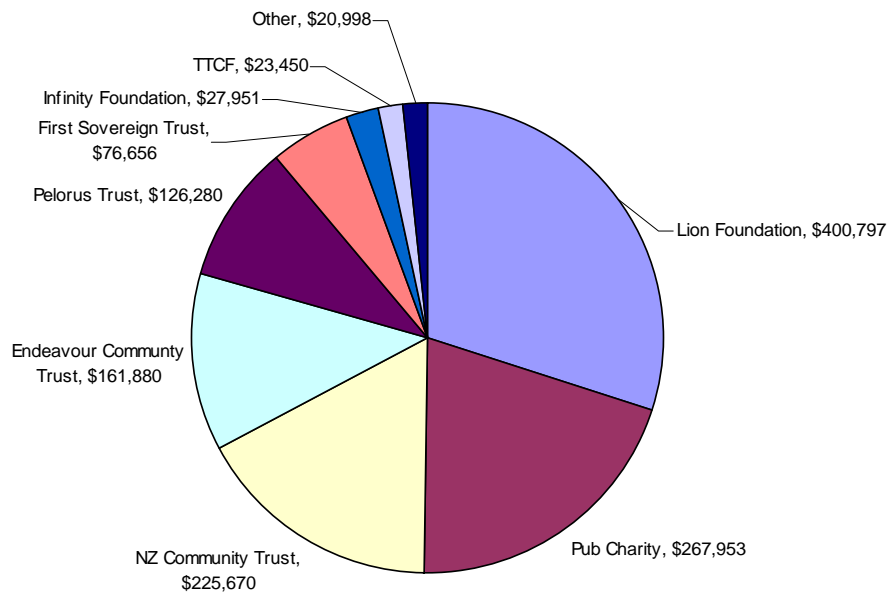
Graph 1: Historical Grants to Kāpiti 1/04/05 – 31/3/09 – Sorted by Pokie Trust



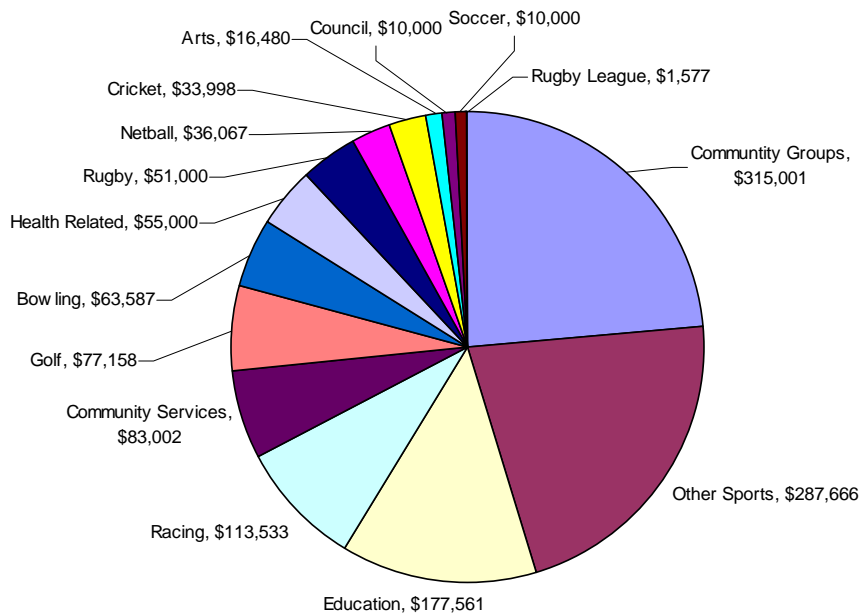
Graph 2: Historical Grants to Kāpiti 1/04/05 – 31/3/09 – Sorted by Non-Profit Type



Graph 3: Recent Pokie Grants (April 09 – March 2010) – Sorted by Pokie Trusts



Graph 4: Recent Pokie Grants (April 09 – March 2010) – Sorted by Non-Profit Type



5.3 Summary of Leading Pokie Trusts Operating in the Kāpiti District

1. The Lion Foundation operates 149 venues across the country with 3902 pokies nationwide (as at Sept 2009). In January 2010 it merged with the Perry Foundation making it the biggest Gaming Trust in the country.

It has 2 venues (Finn's Paekākāriki & Debo's in Paraparaumu) and 27 pokie machines in the Kāpiti Coast. It made 57 separate grants to the Kāpiti Coast TLA for the period 1/3/2009 – 31/3/2010. Its main grant is to Community Groups (27% of total recent grants). Its biggest single grant was to the Kāpiti Emergency Medical Service Trust - \$45,000.

Traditionally the Lion Foundation has been one of Kāpiti's most generous Trust organisations.

2. Pub Charity was the first organisation in New Zealand licensed to operate gaming machines. Pub Charity has 1838 pokies nationwide (as at Sept 2009).

It has 2 venues with 31 pokies in the Kāpiti Coast District. It is the 2nd biggest contributor to the District granting \$267,953.97 for the period 1/4/2009 – 31/3/2010. It administered 55 separate grants to the Kāpiti Coast in the recent year. The largest single grant was to the House of Hope Trust for \$26,602.

3. The New Zealand Community Trust (NZCT) is based in Wellington and operates 2354 pokie machines nationwide.

NZCT has 3 venues (Telegraph & Railway Hotel, Ōtaki and The Jolly Miller Inn, Paraparaumu) with 51 pokie machines. It is the third biggest contributor to the Kāpiti Coast TLA but has the most venues and pokies in the area.

Historically (refer Graph 1 for details) the New Zealand Community Trust has consistently underperformed in terms of returning a fair percentage of gambling losses directly back to the Kāpiti Community. This record is even worse when one considers the fact that it draws the majority of its gambling revenue from one of Kāpiti's most vulnerable communities (Ōtaki). Of note is that very little of the Trust's grants over the previous financial year went to Community groups or services that could potentially help counteract any gambling harm caused to communities like Ōtaki. Instead the NZCT's main grant over the previous financial year went to Racing (35% of total grants), with the biggest recipient being three grants to the Ōtaki Māori Racing Club Inc for \$65,000.

6.0 SUMMARY

Problem gambling is a concern for all communities in New Zealand. One problem gambler has the potential to adversely affect on average up to seven other people. Problem gambling can lead to family break-ups, alcohol abuse, poor health, work place problems and crime. Problem gambling indicators also show that the people least able to afford to gamble are often the most vulnerable to gambling opportunities. This is perhaps reflected by the propensity for gambling societies to cluster Class 4 venues and gaming machines in low decile communities with a high proportion of Māori, Pacific Island or Asian residents.

The Kāpiti Coast demographic on average records a low propensity for problem gambling, and as a whole the District spends less on gambling than the national average.

However, there are communities within the District that go against this trend and are extremely vulnerable to problem gambling. The Ōtaki Ward in particular has a far higher proportion of gambling machines and venues to adult population than any other ward in the District and, despite a sinking lid policy on Class 4 gaming machines in this ward, little has changed for this community over the last three years since the last social impact review was conducted. In many ways the Ōtaki Ward, through its gambling losses, disproportionately funds much of the wider District charities and non-profit organisations receiving gambling grants, when it is the ward least able to do so. This must put tremendous pressure on many families and individuals in the Ōtaki community.

Gaming societies do return a percentage of player losses to non-profit organisations, but not always to the same district or ward where the money was lost. Of particular concern is the consistently low return from the New Zealand Community Trust, the District's largest pokie trust. The New Zealand Community Trust coincidentally also has the highest number of gaming machines operating in the Ōtaki Ward. Their biggest payout in the District last financial year was to the Ōtaki Māori Racing Club, a gambling venue. There should be greater emphasis, particularly in vulnerable communities like Ōtaki, for pokie trusts to allocate a greater proportion of their gambling grants to community groups and social/health services in an effort to counteract any gambling harm caused by Class 4 gambling.