

8. REVIEW OF GAMING VENUE POLICY

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PURPOSE OF REPORT

1. The purpose of this report is to consider options for a review of the Gambling Venue Policy for Christchurch City Council as adopted on 15 March 2004 (and amended on 22 April 2004) and recommend a preferred option for adoption under a Special Consultative Procedure under the Gambling Act 2003 and Local Government Act 2002. It should be noted that the change relates only to the class 4 venues gaming machines ('pokies') portion of the policy, not that relating to TAB venues. No change to the policy for TAB venues arose from the review and this policy will continue to apply in the preferred option.

EXECUTIVE SUMMARY

2. The original concern of the Council for an early review of the policy adopted in 2004, which is required to be reviewed in 2007 under the Gambling Act 2003, was stated to be on the basis that societies operating gaming machine venues were perceived to be unable to provide the level of community grants as they could prior to the introduction of the prohibition on new venues. Concern was also expressed that new possible venues were unable to be used by societies owning machines owing to the policy and therefore that opportunities to gain income for the venues had been limited. It was also alleged that the trusts were withholding community grants from organisations in the Christchurch City area owing to the perceived restrictive policy but it has not been possible to find any evidence supporting such a contention. A few societies which replied to a question about this latter point stated they had not taken such action.
3. There has been a decline in both the number of venues and non-casino gaming machines in Christchurch City since the introduction of the policy, but it tends to reflect a nation-wide decline in such gaming venues since the introduction of the Gambling Act 2003. Nationwide there has also been a small decline in expenditure through non-casino gaming machine gambling (at least to the December 2005 year) but there was still over \$1 billion expended annually. Anecdotal information has been put forward that since June 2005 there has been a further decline in expenditure on gaming machines partially owing to the introduction of the Smoke Free Environments Amendment Act 2003 but also owing to the further controls on societies paying the operators of venues for installing and servicing machines. In conclusion it is unclear that the introduction of the policy alone has reduced the expenditure on gaming machines in Christchurch and hence the funds available for community groups.
4. Since the introduction of the policy the Government has introduced regulations ¹ aimed at harm prevention and minimisation which includes a list of unsuitable class 4 venues, including the following.
 - A dairy, supermarket, fast food outlet, or similar venues
 - Offices, private residences, sports stadiums, circuses or fairs, amusement parlours, or other similar venues
 - Internet cafes or other venues where the primary activity is electronic media
 - Libraries, art galleries, museums, theatres, cinemas or similar premises
 - Places of worship or venues not fixed permanent structures, including tents or vehicles.
5. The regulations also require additional controls on gaming machines to interrupt play and provide information on the duration of play, how much the player has spent, net wins or losses and ask whether the player wishes to continue to play. Information must be provided at the venue about problem gambling and there are requirements to provide problem gambling awareness training to personnel employed at the venue to approach persons they consider may have problems. They can advise of the potential risks and consequences of problem gambling, advise of problem gambling services, and advise players they could self ban themselves from the venue for up to two years. In some cases the venue manager may ban the player from the gambling area of a venue for two years.

¹ *Gambling (Harm Prevention and Minimisation) Regulations 2004*, 30 August 2004

6. The Department of Internal Affairs has a number of requirements² for licences for class 4 gaming machine venues including that the gaming machines are not the primary activity on the site; the site is not part of a building or premises where there is currently an approved site; and evidence is provided that there is the capability of enforcing a restriction on unsupervised persons under the age of 18 years. This latter is generally met by ensuring an “on” or a “club” licence under the Sale of Liquor Act 1989 is held by the site operator and must show a designated area (either supervised or restricted). The societies must develop and implement a responsible gambling programme at all sites on which it operates gaming machines.
7. There may be a continued decline in spending discretionary income on gaming machines as further controls are introduced by the Government under the Gambling Act 2003 and from comments from industry sources it appears that the decline is associated with wider issues in society than just territorial authority gambling venue policies. It is also unclear that increasing the number of venues will necessarily improve the situation of community funding. For example, at the peak year for machines nationwide (2003) there were 25,221 machines and expenditure of \$941M. By June 2005 expenditure rose to \$1,027M from 21,846 machines nationwide. Machine numbers fell by 13.4% while expenditure rose 9.1%. In undertaking the loosening of the prohibition on new venues it is considered the Council needs to take into account that an increase in the number of venues will increase operational and administrative costs from the gambling money and, unless accompanied by significant increases in gambling, could further reduce funds available for community grants.
8. There is some evidence, at least on a national level, that money being spent on gambling is declining, albeit at a slow rate, and requests for community grants is increasing. As noted above there does not appear to be any strong association between numbers of gaming machines and expenditure hence this factor may not be a significant explanation for the perceived reduction in funds available for community grants. Conversely, given the increase in harm minimisation measures now required of venue operators; the list of venues that are considered to be unsuitable to be class 4 venues; and the limitations applied to recovery of venue operator costs means that the growth of gambling is likely to continue to be constrained. For this reason, and given that there is some uncertainty as to the extent that problem gambling is created by Class 4 machine availability, it may be that freeing up the constraints on venues in Christchurch City could be considered.
9. The preferred option recommended is considered, of all the options examined, to provide the lowest cost to implement by the Council, and to societies owning machines. This would permit any number of commercial venues subject only to the premises holding Sale of Liquor licences with a designated area to exclude persons under the age of 18 years. The premises would be required to comply with the Department of Internal Affairs requirements for gaming machine licences (including harm minimisation measures); and that gaming machines were neither the primary activity on the site nor was the site part of a building or premises where there was another approved site. Subject to meeting such conditions it would be possible to enable the approvals to be given by delegation to officers to remove any possibility of bias and predetermination by requiring any councillor involvement either because of individual or collective association with recipients of gambling funding including the Council itself.³

FINANCIAL AND LEGAL CONSIDERATIONS

10. The Council is required to adopt a Gambling Policy under the Gambling Act 2003, with a requirement to review that policy at least every three years by way of the special consultative procedure. This process is a review of the Council's policy adopted in 2004.
11. In adopting a replacement policy the Council must have regard to the social impact of gambling within the district. This report considers that issue partially by relying on the information gathered and considered at the time the original policy was adopted, (see paragraph 33 of this report), but also as discussed in paragraphs 31, 34 and 41 of this report.

² *Guidelines for Gaming Machine Licence Conditions – Set B – Public Premises*, Department of Internal Affairs, 1 October 2002

³ Duncan Ferrier, Simpson Grierson, *The Gambling Act 2003 and Conflicts of Interest*, 13 November 2003

12. The policy adopted by the Council must also comply with the requirements of section 101 of the Gambling Act 2003:
 - *must specify whether or not class 4 venues may be established in the Council's District and where they may be located; and*
 - *may specify any restriction on the maximum number of gaming machines that may be operated at a class 4 venue (up to the maximum numbers allowed by the Act)*

In determining what it will include in a policy in relation to these things the Council may have regard to any relevant matters, including various matters outlined in section 101(4).

13. The policy proposed for adoption as a draft to be consulted on, attached to this report in the statement of proposal, meets the requirements of the Gambling Act 2003. It allows class 4 venues to be established in the Council's district, and provides that they may be located at premises that have a Sale of Liquor Act licence, with no restriction on the number of machines other than is provided for in the Gambling Act 2003.

STAFF RECOMMENDATIONS

It is recommended:

1. That the Council resolve that the attached Gaming Venue and TAB Policy as included in the statement of proposal be adopted for consultation.
2. That the attached statement of proposal and summary be adopted and made available for public inspection at all Council Service Centres, Council libraries and on the Council's website.
3. That public notice of the proposal be given in "The Press" and in the "Christchurch Star" newspapers and on the Council's website on 31 May 2006.
4. That the period within which written submissions may be made to the Council be between 1 June 2006 and 28 July 2006.
5. That the Council appoint a Hearings Panel to consider and where necessary hear any submissions on the Proposed Gaming Venue and TAB Policy 2006.

BACKGROUND ON GAMING VENUES POLICY

14. The Gambling Venue Policy was adopted by the Council under the Gambling Act 2003 at its meeting on the 15 March 2004 (with an amendment to Clause 1 adopted on 22 April 2004). This was undertaken through a Special Consultative Procedure as required under the Local Government Act 2002. The Preferred Option, a prohibition on consents for any new Class 4 venue in Christchurch City, put forward by the Council was supported by a large number of submitters.

15. The Council at its meeting on the 26 May 2005 requested the matter be reviewed as follows.

"That Council staff be requested to report back to the Council on:

(a) the effect of paragraph 1 of the Council's Gambling policy adopted in March 2004; and

(b) recommendations regarding any change to that policy and the process for changing paragraph 1."

Paragraph 1 provides:

"The Christchurch City Council will not grant a consent for any class 4 venue licence under the Gambling Act 2003 except for a consent under section 98(d) of that Act."

16. An officer report to the Council was presented to the meeting on 21 July 2005 which confirmed that the effect of paragraph 1 was to place a prohibition on any new venues for class 4 gambling and no increase in the number of gaming machines. It was noted that, in adopting the policy, the Council took into account the purposes of the Gambling Act 2003 to control the growth of gambling and social impacts of this increase. The majority of submissions received through the special consultative procedure supported restrictions on non-casino gaming in this way. The report advised that the policy had been effective in controlling the growth of venues and machines in accordance with the purpose of the Act. Despite this decline Christchurch had (at March 2005) the second highest percentage of class 4 venue sites on a national basis at 8.05%, slightly below that of Auckland at 8.11%. It had the highest percentage of class 4 machines on a national basis at 9.39% compared to the next highest, Auckland at 8.57%.⁴

17. While it was clear that nationwide there had been a decline in the number of venues and machines since the introduction of the Act, and despite a percentage decline in the **growth** of expenditure on class 4 machines since 2001 this still remained the major gambling expenditure source (at least to the June 2005 year). This was compared with the other sources of racing, lotto, and casinos. To the June 2005 year, nationally, gaming machines outside casinos accounted for over \$1 billion of gambling expenditure, half the money expended legally on these sources. At the time of writing the July 2005 report it was unclear what the purpose of reviewing the policy was as the Notice of Motion did not indicate such. It was assumed, again from anecdotes, that some concern had been expressed regarding reductions in funds being made available to community organisations but there was no officer information that there had been demand for additional venues. The only matter that had been mentioned was the apparent reduction of gaming machine use, together with reductions of bar and pub takings since the introduction of the smoke-free legislation in December 2004. This assumption was confirmed by newspaper reports in which "major trusts" which ran pokie machines reported they had experienced a drop-off of up to 25% in turnover since December when smoking in bars was banned.⁵ More recently a Ministry of Health report⁶ on the effects of the first nine months of the smoking ban have indicated that there appears to be no significant trend changes in revenue to the hospitality industry since the smoke-free amendment came into effect. The effects appear to be on the use of pokie machines alone.

⁴ As at 31 March 2006, with the inclusion of Banks Peninsula Ward, Christchurch has the highest percentage of class 4 venue sites on a national basis at 8.66% and the highest percentage of class 4 machines at 9.98%.

⁵ Catherine Couch, *Smoking law impacts on clubs*, The Christchurch Star, Friday July 1 2005

⁶ Ministry of Health, *The Smoke is Clearing: Anniversary Report 2005*, Wellington, December 2005

18. During the discussion at the Council it was stated that there were concerns about the decline in community funding but also the restriction on introducing new venues for class 4 machines. One trust requested a return to the number of machines in operation as at 19 September 2003 and the ability to shift machines from one venue to another. The policy, as currently worded, is operating in a way not apparently intended by the Council's "moratorium" in 2004, as it does not allow for this sort of situation, or for an existing club to continue operating its machines if it wants to locate to a new premises, even if this would not result in an increase in the number of machines in Christchurch. Clause 1 of the policy now needs to be amended as there are unlikely to be any further applications for section 98(d) consents, so there is no need for the policy to refer to these.
19. The Council at its meeting on the 21 July 2005 resolved:
1. *That a review of the policy be undertaken, recognising that as a result of the Council's Gambling Policy 2004, the overall number of gaming machines in the city is reducing.*
 2. *That the review include options as to the rights of gaming machine owners to transfer machines between existing and new venues, i.e. what controls should the Council have over the transfer of machines between the venues and removing the "No New Venues" clause from the policy.*
 3. *That the review include an option of setting the number of gaming machines in the city at the 19 September 2003 levels, with an ongoing annual adjustment based on the 19 September 2003 ratio of machines v population.*
 4. *That the review include options for the annual allocation of the addition of (or removal of) gaming machines based on the above ratio.*
20. If the purpose is to increase the amount of turnover going through class 4 machines and hence the amount of money going to community funding it is unclear that increasing the number of machines, or venues, would necessarily do this. The Department of Internal Affairs advised, in July 2005⁷
- The Department does not accept the arguments made by some gambling operators that if numbers of machines and venues drop, then necessarily, so do profits and there is less money for grants to community purposes.*
- In the previous financial year, the opposite happened. From June 2003 to June 2004 machine numbers reduced by 11%, venue numbers reduced slowly, but profits increased by 10%*
- The Department believes that profits continued to increase because gamblers simply went to other venues.*
21. One society alleging a reduction in funds for community distribution has not experienced any reduction in venues or machines since the policy came into force, indeed since September 2003 to June 2005 the number of venues operated by this society alone increased from 8 to 14 and machines from 80 to 201. In that particular case the society wished to transfer machines from one site to another and actually reduce the number operated. One issue that has not been addressed in relation to community funding is if there is an increase in machines there is an increased cost to societies, from the gambling money pool, to venue operators and hence a potential reduction in the profits distributed for community purposes.
22. There has been a decline in the number of venues and machines in Christchurch City that is reflected over the whole country, and the Act itself restricts any increases in class 4 machines in casinos to only occurring if there are reductions in other gaming tables at the site. In effect there has been an overall reduction in such gaming machine opportunities nationwide. However, Andrew Secker of DIA has pointed out that this decline may have advantages.

⁷ Andrew Secker, Deputy Secretary, Department of Internal Affairs, *Gambling trends continue: machine numbers down but operators and venues get bigger*, Media Release 6 July 2005.

“We think there is room for more consolidation in the pub-based sector. Fewer operators should mean that overall costs go down, because there are fewer fees and salaries to pay, fewer offices, cars, computers, phones and faxes to pay for, and so on. When the number of operators drops, the remaining operators benefit from economies of scale. The average number of venues for each pub-based operator grew from under 13 to more than 16 between June 2003 and December 2005. Reducing costs in this way could maintain a good return to the community even if the amount players spend on the machines is reduced.”⁸”

23. The figures for national gambling expenditure to the year ended June 2005 have recently become available from the Department of Internal Affairs (DIA). These reveal that overall, taking into account racing and sports betting (TAB); lotteries; casino; and pokies, expenditure between the 2004 year and the 2005 year overall fell from \$2.039 billion to \$2.027 billion a fall of 0.6%. The change is not constant over the categories as follows. Racing and sports betting showed an increase of 3.3%; lotteries a decline of 0.7%; non casino gaming machines a decline of 0.8%; and casinos a decline of 2.5%. Despite this decline between years “pokies” were still responsible for over a \$1 billion expenditure in the 2005 year, or half the expenditure on these categories overall. The DIA advises that there were apparently increased expenditures at both casinos and on pokies in the first half of the 2004/05 year with a decline in the second half. They considered that was the result of regulatory changes and the effects of the smoke-free legislation.⁹
24. At a recent Creating Strong Communities Portfolio Group meeting advice was given that some at least of the trusts had advised Councillors they were not willing to provide community funds to groups in Christchurch City owing to the Gaming Venue Policy that had been adopted with its restrictions on increased venues. The Portfolio Group requested officers to obtain information on the changes of community funding to Christchurch community groups, including professional sports bodies, from before to after the introduction of the policy. As many of the trusts operating machines in Christchurch are situated outside Christchurch there have been difficulties in obtaining such information. We have, however, requested this information and some comments on the matters contained in the first sentence above.
25. The table below sets out the information obtained.

<i>Trust</i>	<i>2004</i>	<i>2005</i>	<i>Notes</i>	<i>Venues #.</i>
Century Foundation	\$1,799,924.76	\$1,465,407.43		4
Eureka Trust	\$907,727.00	\$2,994,216.00	1.	13
Southern Trust	\$10,407,851.14	\$8,105,210.48		9
Lion Foundation	Awaiting data	Awaiting data		14
Community First	Awaiting data	\$79,906.74		1
Air Rescue	\$564,248.61	\$740,945.06		3
Bendigo Valley	\$792,255.00	\$575,230.00		4
First Sovereign Trust	\$87,432.23	\$453,235.27	2.	1
Canterbury Foundation Limited	Awaiting data	Awaiting data		8
Caversham Foundation Limited	Awaiting data	Awaiting data		6
Mainland Sport Limited	Awaiting data	Awaiting data		1
Metro Charitable Trust	Awaiting data	Awaiting data		5
New Zealand Community Trust	Awaiting data	Awaiting data		14
Pub Charity	\$1,410,910.25	\$1,008,469.31	3.	12
Scottwood Trust	\$5,555,610.00	\$2,853,141.00		14
The Trusts Charitable Foundation	\$934,603.44	\$939,976.86		2

Notes:

1. Growth from 6 venues in 2004 to 20 venues in 2005. Venues taken from New Zealand Community Trust; Pub Charity; Metro Charitable Trust; Lion Foundation and Caversham Foundation. (Quoted from email from Parker Chief Executive)

2. 2004 figure for six months only

3. 2004 figures from 1 October 03 to 30 September 04 2005 figures 1 October 04 to 30 September 05

#. Venue numbers taken from DIA website tables as at September 2005

⁸ Andrew Secker, Deputy Secretary, Department of Internal Affairs Press Release, 31 January 2006

⁹ The Smoke-Free Environments Act came into force on 10 December 2004

26. A few of the societies responded to the question about the effects of the Council's policy. One society which had increased the number of venues from two in 2004 to three in 2005 advised it had experienced an overall increase in its authorised purpose distribution due to the increase of operating sites but had experienced decreases in the amount of funding available following the introduction of antismoking legislation. Another society took issue with the allegation that they were intentionally reducing community funding as a result of the policy. That society had experienced a downturn in revenue over the past 12 months which they believe to be the result of the new non-smoking legislation and new harm minimisation measures. Another Trust, which operates a significant number of venues, has seen a 48% decrease in grants to the Christchurch area between 2004 and 2005. They saw the reasons for the reduction to include the anti-smoking legislation (less patrons in venue therefore less patrons playing machines); the implementation of the new Gambling Act 2003 has made it more difficult for publicans to operate gaming machines (a number of hospitality venues are closing across the sector); and perceived negative views of gaming by local and central government.
27. The Portfolio Group also requested names of the venues and the number of machines that had ceased to operate since the Council introduced the policy. There has been a reduction of 14 venues between June 2004 and September 2005. Of the 14 venues seven were club sites which effectively largely use the funds for their own operations. The clubs are as follows and the closures removed 15 machines overall: Belfast Bowling Club; Burnside Bowling Club; Edgeware Bowling Club; Harewood Golf Club; New Brighton Bowling Club; Waitakiri Golf Club; Woolston Park Bowling Club. DIA staff consider these clubs have given up the operations because they were uneconomic.
28. The list below contains the names of those other than club venues (commercial venues) which closed between June 2004 and September 2005 and the number of machines that were involved.

<i>Baillies 818,</i>	818 Colombo Street	18
<i>Diggers Café Casino,</i>	173 Cashel Street	18
<i>Kingly Internet Café,</i>	617 Colombo Street	9
<i>Miss Q's Pool Bar & Café,</i>	127 Cashel Street	9
<i>Mmooza,</i>	148 Victoria Street	9
<i>Prebbleton Hotel,</i>	Springs Road	8
<i>The Corner Pocket,</i>	224 Colombo Street	4
Total Machines		75

29. Mr Bruce Robertson, Chief Executive of the Hospitality Association, has been quoted as saying that the number of gaming machines and the level of turnover would be dependent on decisions of the Department of Internal Affairs, not local councils. He said the more important factor would be the DIA's decision on how much venue operators could be reimbursed. Mr Robertson stated it was simplistic to suggest that it is only the number of machines that defines turnover. Opening hours are just as important and that is influenced by whether the venue operator is sufficiently recompensed for keeping the venue open. That decision is not in the hands of local authorities but the DIA.¹⁰ This is a view of an Association which represents venue operators who receive, in many cases, a significant amount of income from such gaming machine activities. Some of the changes that have occurred since the introduction of the policy that may affect venue operator's income are restrictions on operating costs per machine and venue operating costs, as well as a cap of 16% a society can pay in expenses to its venues. There are also increased requirements for monitoring, including Electronic Monitoring Systems to be introduced by 2007, or on new machines as installed. The purpose is to reduce fraud and ensure the distribution of the required level of profits to the community.¹¹

¹⁰ Press Release, Hospitality Association of New Zealand, 14 July 2004

¹¹ The licence of one society was revoked because it was found to be distributing only 8% of profits rather than the 33% required at the time.

30. Parliament's Regulation Review Committee considered a number of matters related to the recovery of costs for venue operators in regard to a complaint from the Charity Gaming Association. The argument made by the complainant was based on their perception that because of the limits on costs that operators could recover the venue operators will make commercial decisions *that result in people having less opportunity to gamble, less money will go into gaming machines, and consequently the trusts will have less money to distribute to charity.*¹² The Committee did not consider that a reduction in funds to the community, as argued by the complainant was contrary to the Act as that is only one of the purposes that must be considered with the seven others. These include controlling the growth of gambling; preventing and minimising the harm caused by gambling (including problem gambling); and authorising some gambling while prohibiting the rest. They rejected the complaint on the basis that the notice was in accordance with the objects and intentions of the Gambling Act 2003 including that of ensuring costs are minimised and are actual, reasonable and necessary.¹³
31. In conclusion it is unclear that the introduction of the policy alone has reduced the expenditure on gaming machines in Christchurch and hence the funds available for community groups. There may be a continued decline in spending discretionary income on gaming machines as further controls are introduced by the Government under the Gambling Act 2003. From the comments from industry sources it appears that the decline is associated with wider issues in society than just territorial venue policies. It is also unclear that increasing the number of venues will necessarily improve the situation of community funding. For example, at the peak year for machines nationwide (2003) there were 25,221 machines and expenditure of \$941M. By June 2005 expenditure rose to \$1,027M from 21,846 machines nationwide. Machine numbers fell by 13.4% while expenditure rose 9.1%. Conversely, given the increase in harm minimisation measures now required of venue operators; the list of venues that are considered to be unsuitable to be class 4 venues; and the limitations applied to recovery of venue operator costs means that the growth of gambling is likely to continue to be constrained. For this reason, and given that there is some uncertainty as to the extent that problem gambling is **created** by Class 4 machine availability¹⁴, it may be that freeing up the constraints on venues in Christchurch City could be considered. In 2003 Taylor Baines and Associates, in a report for Local Government New Zealand¹⁵ stated:
- There does not appear to be any strong relationship between current exposure to non-casino gaming machines to estimates of vulnerability to gambling problems.*
32. In undertaking the loosening of the moratorium imposed by the present policy it is considered the Council needs to take into account the fact that an increase in the number of venues will increase operational and administrative costs from the gambling money and, unless accompanied by significant increases in gambling through such sources, could further reduce funds available for community grants. There is some evidence, at least on a national level; that money being spent on gambling is declining albeit at a slow rate and requests for community grants is increasing. Information from the Ministry of Health seems to indicate a decrease of problem gambler callers to the Gambling Helpline between 2003 and 2004¹⁶ and there is some reported anecdotal information that there will be a further decline in the 2005 year.¹⁷ As noted above there does not appear to be any strong association between numbers of gaming machines and expenditure hence this factor may not be a significant explanation for the perceived reduction in funds available for community grants.

¹² Report of the Regulations Review Committee, *Complaint regarding the Limits and Exclusions on Class 4 Venue Costs Notice 2004*, June 2004

¹³ Report of the Regulations Review Committee, *op cit.* p.11

¹⁴ Non-casino gaming machines were identified as the 'primary' mode of gambling by new clients accessing problem gambling services in the 2004 year. Ministry of Health, *Problem Gambling Intervention Services in New Zealand, 2004 national statistics*, October 2005

¹⁵ Taylor Baines & Associates for Local Government New Zealand, *Analysis of Exposure to Non-Casino Gaming Machines and TABs and Vulnerability to Gambling Problems by Territorial Authority*, October 2003

¹⁶ Ministry of Health, 2005 *op cit*

¹⁷ News release, Charity Gaming Association, *Ministry of Health demonstrates dangers inherent in quoting dated statistics*, 2005

33. The Gambling Act 2003 require territorial authorities in developing Class 4 venue policies to take into account the social impacts of gambling in the community. During the development of the original policy (adopted in 2004) a report was prepared on the social impact of gaming and included as section 3 in the *Matters Considered by Committee of the Background Report on the Gambling Venue and Totalisator Agency (TAB) Venue Policy*.¹⁸ There was limited information available on the social impact of gaming in Christchurch but some evidence was obtained based on international evidence. Matters that were considered included the “enjoyment” factor as evidenced by people paying money to undertake such activities; economic factors where it was seen as substitutable consumption expenditure which created no extra jobs; tourist expenditure but limited in the case of Christchurch where less than 1% of the tourist dollar is spent on gaming (including the casino); tax benefits to Government are significant on a national basis but it was unclear what figure applied to Christchurch; site payments were considered; and funds for community purposes were estimated as being \$36 million from Christchurch based non casino class 4 machines. It was not clear that the majority of this went to Christchurch based organisations as some trusts were national in operations.
34. Most reports on social impacts of gambling tend to point to the difficulties of determining the effects in New Zealand. A report, *Social Impacts of Gambling in Manukau City*¹⁹, stated *There has been no systematic research measuring the social benefits or costs of gambling in Manukau City or any other regional area of New Zealand. There is as yet no agreed measurement tool for estimating the social impacts of gambling.* A similar comment was made in a report produced by the Centre for Gambling Studies, University of Auckland *Gambling investigations and research are relatively new in New Zealand; in particular the causes and effects of gambling problems, and the best means of identifying and responding to problems are aspects that are not very well understood both here and internationally. ..., there is no agreed way to measure the social or economic impact of gambling on a community.*²⁰ They pointed to the large number of provisions in the Act relating to minimising and preventing harm which are outside the responsibility of local authorities.

OPTIONS

35. **Option 1.** In examining the options the Council has suggested one option was to refer back to the number of **machines and venues existing at September 2003**. This was the peak number of both machines and venues in Christchurch, respectively 2297 and 176. It is unclear what purpose a restricted number would serve and there would be significant costs in setting up a monitoring system to track changes from time to time. Such an option would not even meet a “no restriction” option that was considered at the time of the introduction of the Gambling Policy in 2004. This option would provide that all class 4 venues licensed on or before 17 October 2001 would have been able to continue and machines able to increase to the legal maximum. Many of the latter have ceased to operate for one reason or another at this time.
36. **Option 2.** Set a limit on the number of **machines** on a population basis with an adjustment for population increases. If the date taken is 2003 it is difficult to determine accurately the true population existing at that time except on estimated figures and a similar problem exists for population increases between censuses. In reality, due to limits on the age at which persons may play such machines (18 years or older) a total population comparison is meaningless. There is little information on the extent that various age groups undertake gambling in neither Christchurch nor whether persons on reaching the appropriate age do so. There may be other reasons for using an increase in population for an increase in pokies but that certainly is not clear.

¹⁸ Christchurch City Council, 15 March 2004

¹⁹ Rankine, Jenny and Haigh, David, A report for Manukau City Council, July 2003

²⁰ Centre for Gambling Studies, *Gambling Impact Assessment for Auckland City Council, Manukau City Council, North Shore City Council, Waitakere City Council, Franklin City Council, Papakura District Council, and Rodney District Council*, Part One: Introduction and overview, January 2004

37. **Option 3.** Set a limit on the number of **venues**, based on the number existing at 19 September 2003, with the number of machines set only by the legal requirements but allowing for the transfer to new sites on the closure of any site. Based on current numbers of venues at 30 June 2005, initially this would permit an additional 33 venues, or about 297 additional machines, immediately the policy came into effect. The limit could then continue until the next policy review which would be required within three years of adoption. Unless there are good reasons against it approvals should be on a first in first served basis as the Council cannot differentiate between applicants on any rational grounds and this avoids accusations of bias. There could be a difficulty in tracking numbers of venues accurately and this could require a duplication of record keeping with the Department of Internal Affairs. The change from one venue closing to a new venue of existing machines could be built into the option.
38. **Option 4.** There is a need to consider the “do nothing” option which could be considered as the present policy. The Council has effectively determined (see paragraph 16 of this report) that it does not wish to consider the continuance of this approach despite it appearing to fulfil one purpose of the Act and having some support through the community consultation undertaken at the time of its introduction. All the other options may increase the growth of gambling availability and may be out of step with the general national trend. The move away from the policy is likely to be controversial on these latter grounds. However, one of the two possibilities in the present policy is to apply for a consent under section 98(d) of the Gambling Act 2003. It is unlikely that any further consent applications would be needed under this section, which served as a transition from the former licensing regime to the new 2003 Act regime. This means the current policy, in respect of class 4 venues of such types, is largely redundant and needs some sort of amendment in any case.
39. While it was not part of the original request for review the opportunity has been taken to examine the Gambling Venue Policy of the Banks Peninsula District Council. The approach taken is somewhat more complicated than that of the Christchurch City Council. They have a cap of one venue to every 890 residents, with an ultimate goal of one venue to every 1000 residents. This equated to nine venues in the district which are also limited to certain zones, Town Centre, Lyttelton Port, Boat Harbour, Industrial, Rural and Recreation Zones. The approvals are subject to a number of conditions, many of which are also set down in DIA licences, but that they may not be located close to schools, kindergartens, or places of religious worship. *Close to* is not defined in the policy. They also provide an ability of a minimum of 5% of registered electors in the electoral ward in which the venue is proposed to be established to demand a public hearing into the application. This review also includes the Banks Peninsula District Council area.

PREFERRED OPTION

40. **Option 5.** As the Council has suggested options all of which could increase the opportunities for class 4 gambling the preferred option is that which would place no restrictions on numbers of venues or machines except through general market and regulatory mechanisms. This is the lowest cost option and requires the lowest amount of officer involvement in giving approvals. In this option no restrictions would be placed on the location or number of new class 4 venues under the policy except that the premises must be licensed under the Sale of Liquor Act 1989 with either an on-licence, club licence, or be chartered. Controls would still exist under the Gambling Act 2003 provisions in relation to the maximum number of machines at new sites which is nine machines per commercial site. There are Department of Internal Affairs requirements for Gaming Machine Licences²¹, including site approvals only where gaming machines are not the primary activity on the site and the site is not part of a building where there is currently an approved site. There is a requirement that the premises must be licensed under the Sale of Liquor Act 1989 with a designated area. Provisions for requirements for staff to be trained in harm minimisation have been introduced and regulations aimed at harm prevention and minimisation were introduced in 2004²², which include a list of unsuitable class 4 venues, requirements for features to interrupt play, and the provision of problem gambling awareness training for staff. As areas for gaming machines must be restricted to persons over the age of 18 years most will be situated in either on-licence or club premises licensed under the Sale of Liquor Act and therefore location is controlled by planning provisions of the District Plan. It is possible that this option does not represent community views expressed through the Special Consultative Procedure in the adoption of the present policy in 2004. It does, however, by not requiring any Councillor involvement, avoid the possibility of bias and predetermination, either because of individual or collective association with recipients of gambling funding including the Council itself.²³
41. While Option 5 above would seem to not support the submissions made at the time of the introduction of the current policy, changes since 2004, including the gambling regulations, and other measures aimed at reducing the growth of gambling have produced the effect of a reduction in venues and gaming machines. These regulation changes were referred to at the time of introducing the original policy as being unknown so effects were not then able to be determined. The Charity Gaming Association Inc has surveyed approximately 66% of the machines located in hotels and bars and this has revealed that in the last six months of 2005 there was \$31m less available to distribute to community groups. In their view a number of factors have combined to create the situation. There are tighter legislative controls reducing the numbers of venues and machines in the community; the ban on smoking continues to have an impact; and the requirement on societies to reduce the amount paid to venues for operating gaming machines has reduced operating hours. They see future requirements such as electronic monitoring and player information displays will add to costs and may lead to reduced funding to community groups. This is because only larger operators will be efficient enough to cover compliance costs.²⁴ It is pointed out that *the relatively uncontrolled growth which occurred leading up to 2003 was detrimental to the sector by leading to non-viable venues being established where the payments to venue operators was the determining driver rather than the economic viability of the site.*²⁵ Their view is that, given the controls on gaming machines through DIA requirements including harm minimisation, allowing the market to determine the numbers of venues would protect all the interests of the Christchurch community in the interests of safe and responsible gambling.

²¹ *Guidelines for Gaming Machine Licence Conditions – Set B – Public Premises*, Department of Internal Affairs, 1 October 2002

²² *Gambling (Harm Prevention and Minimisation) Regulations 2004*, 30 August 2004

²³ Duncan Ferrier, Simpson Grierson, *The Gambling Act 2003 and Conflicts of Interest*, 13 November 2003

²⁴ Charity Gaming Association Inc, *Letter to Dr Lesley McTurk, Chief Executive, Christchurch City Council*, 3 March 2006

²⁵ Francis Wevers, CEO Charity Gaming Association, *personal communication*, 24 February 2006

ASSESSMENT OF OPTIONS

The Preferred Option

Option 5 - "Approvals will be granted for any Class 4 machine venue subject only to the premises holding an on-licence or club licence under the Sale of Liquor Act 1989 with the Class 4 machines situated in restricted or supervised areas and in compliance with Department of Internal Affairs gaming machine licence conditions."

	Benefits (current and future)	Costs (current and future)
Social	Fulfils perception that increasing number of venues will increase community funding. Only viable venues are likely to be continued and reduce possible failures of operations.	Does not reflect wider community views as to restrictions sought through the previous consultation process. May increase social problems through problem gambling.
Cultural	Venues able to be spread through various areas of the city. Market driven selection.	Inconsistent with idea that gaming machines availability should be controlled. May not fulfil the purpose of the Act to control the growth of gambling.
Environmental	Venues only in premises that are already approved for Sale of Liquor purposes and controlled under the City Plan.	May lead to increased use of premises and increased adverse environmental effects.
Economic	Provides opportunity for venues to obtain further income from servicing machines. Relatively inexpensive to administer.	Diversion of consumer spending from other businesses. Community losses possible compared to potentially limited returns to community funding.
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome <i>A Prosperous City</i> at least in relation to the support of businesses operating gaming machines on behalf of Trusts. Also contributes to <i>A City for Recreation, Fun and Creativity</i> to the extent gambling is seen as a leisure activity. Community grant money from such sources supports arts and sports activities.</p> <p>Impact on Council's capacity and responsibilities: Limited effects – cost recovery for applications.</p> <p>Effects on Maori: Previous policy supported by He Oranga Pounamu</p> <p>Consistency with existing Council policies: Inconsistent with Christchurch City policy and Banks Peninsula District policy adopted through SCP in 2004</p> <p>Views and preferences of persons affected or likely to have an interest: Possible support from Gambling Trusts and hospitality industry. Probable concerns from public health and problem gambling groups</p> <p>Other relevant matters:</p>		

Maintain The Status Quo (If Not Preferred Option)

Option 4 - "The Christchurch City Council will not grant a consent for any class 4 venue licence under the Gambling Act 2003 except for a consent under section 98(d) of that Act where societies are merging and seeking Ministerial approval.

	Benefits (current and future)	Costs (current and future)
Social	Fulfils one of the purposes of the Act in restricting the growth of gambling opportunities.	Possible decline in number of venues and hence discriminates between new operators and those existing.
Cultural	Limits risk of problem gambling occurrence.	Reduce numbers of venues able to be attended for such activities.
Environmental	Venues only in premises that are already approved for Sale of Liquor purposes and controlled under the City Plan	May lead to increased use of existing premises and increased adverse environmental effects
Economic	Current operators have advantage as competition reduced.	May limit growth in money raised for approved purposes
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome <i>A Well-Governed City</i> in that there was strong support for this option through the consultation process in 2004. Also contributes to <i>A Safe City</i> to the extent it reduces crime associated with problem gambling which is associated with gaming machine playing.</p> <p>Impact on Council's capacity and responsibilities: Limited impact – only requirement to advise of policy</p> <p>Effects on Maori: Policy supported by He Oranga Pounamu</p> <p>Consistency with existing Council policies: Consistent with Council submissions on Gaming Reform</p> <p>Views and preferences of persons affected or likely to have an interest: Strong support in 2004 from public submissions for this option</p> <p>Other relevant matters:</p>		

Other Option Considered

Option 3 - Set a limit on the number of venues, based on the number existing at 19 September 2003, with the number of machines set only by the legal requirements but allowing for the transfer to new sites on the closure of any site. Based on the numbers of venues at 30 June 2005, initially this would permit an additional 33 venues.

	Benefits (current and future)	Costs (current and future)
Social	Fulfils perception that increasing number of venues will increase community funding. Still retains restrictions on numbers.	Will not comply with purpose to reduce growth of gambling but would still place a cap on numbers.
Cultural	Limited benefits as venues added are small percentage of total. May be spread to higher income suburbs.	Providing wider population with exposure to possibility for problem gambling and associated harm.
Environmental	Venues only in premises that are already approved for Sale of Liquor purposes and controlled under the City Plan.	May lead to increased use of some premises and increased adverse environmental effects.
Economic	Expenditure through venues in 2003 with the numbers less than in 2005.	More costly to administer and need to additional record keeping
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome <i>A Prosperous City</i> at least in relation to the support of businesses operating gaming machines on behalf of Trusts. Also contributes to <i>A City for Recreation, Fun and Creativity</i> to the extent gambling is seen as a leisure activity. Community grant money from such sources supports arts and sports activities.</p> <p>Impact on Council's capacity and responsibilities: Increased administration required to keep track of number of venues. Possible need to have criteria for choosing numbers of venues to be added.</p> <p>Effects on Maori: Previous policy on no increase supported by He Oranga Pounamu</p> <p>Consistency with existing Council policies: Inconsistent with policy adopted in 2004</p> <p>Views and preferences of persons affected or likely to have an interest: Possible support from Gambling Trusts and hospitality industry. Probable concerns from public health and problem gambling groups</p> <p>Other relevant matters:</p>		