

11. REVIEW OF THE 2009 GAMBLING VENUE POLICY

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PURPOSE OF REPORT

1. This paper reports on a review of the Council's Gambling Venue Policy. It proposes that the Council retain a "sinking lid" policy with an amendment to enable the relocation of venues where they have been damaged or destroyed by circumstances beyond the control of the property owner. A draft policy is attached for consultation with the community (**Attachment 1**).

EXECUTIVE SUMMARY

2. The Council's current class 4 gambling venue policy is a sinking lid policy that aims to reduce the number of gaming venues and machines by attrition. The policy is due for review by 31 August 2012. This report responds to a Council directive that staff review the policy early and report back in February 2012.
3. Class 4 gambling is gambling on non-casino gambling machines, or "pokies". The benefits of class 4 gambling include the fun and entertainment derived by individuals and the return of profits to the community through grants to community organisations. However, these benefits are offset to a greater or lesser extent by the harm associated with problem gambling. Economic analysis suggests that the net impacts on the Christchurch economy are largely negative through lost output, lost employment and lost household income, although there may a small benefit to Christchurch's Gross Domestic product (GDP).¹
4. Gaming venue and machine numbers have declined under the current policy. Research suggests that reduced access to gambling should reduce the prevalence of gambling and problem gambling in the community. Expenditure on gambling has also decreased over time, although there has been an increase in expenditure following the Canterbury earthquakes and Christchurch has one of the highest levels of expenditure per capita in the country.
5. The underlying objective of the Council's current gambling venue policy is to minimise the harm associated with gambling. While Council could opt for a different policy direction, staff consider that this remains an appropriate policy objective and recommend that the objective be stated more explicitly in the new Council policy.
6. There are four broad options the Council could take to its gambling venue policy:
 - Option 1: Maintain a sinking lid policy
 - Option 2: Enable new venues to be established but place constraints on the number of machines per venue and their location
 - Option 3: Enable new venues to be established but cap the total number of venues and/or machines in the district; or
 - Option 4: Allow the market to decide on the appropriate number and location of machines.
7. Of the four options, maintaining the sinking lid policy is the preferred option because it most clearly contributes to achieving the objective of minimising gambling harm through the reduction of gaming venues and machines over time. It also provides continuity from existing policy settings, appears to be well supported by the community and is relatively simple to administer. Options two and four risk increasing the number of gaming venues and machines in the district, potentially undermining the objective of minimising harm, and there is no clear basis for determining appropriate caps on venue or machine numbers under option three. Option four was strongly opposed by the community during consultation on the policy in 2006.

¹ Covec. 2009. The Economic Impacts of NCGMs on Christchurch City: Report Prepared for Christchurch City Council

COUNCIL 23. 2. 2012

11 Cont'd

8. Under the existing policy, businesses are unable to relocate their gaming machines to a new venue. At present, therefore, businesses affected by the Canterbury earthquakes can either surrender their gaming licences or repair/rebuild their buildings and reopen as a gaming venue on the same site. In normal circumstances a venue that does not operate for six months will have its licence removed by the Department of Internal Affairs (DIA) but, in the case of the earthquakes, the DIA has allowed many venues to retain their licences beyond the six month period. Where a business surrenders its venue licence, it is possible for another society or trust to pick up the licence and start operating within the first six months. Council consent is not required in these circumstances.
9. There has also been some advocacy from the gaming sector to amend the Gambling Act 2003 to permit the 'grandparented' right to 18 gaming machines to be transferred with a relocating earthquake-damaged venue. Although, this request has not been investigated further at present, DIA staff consider that if the Act was to be amended it would occur within the next three years (in order to be timely and address the issue).
10. Having regard to the objectives of Council's policies and also to the extraordinary circumstances created by the earthquakes, staff recommend an amendment to the current sinking lid policy to enable businesses in venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their gaming machines to a new venue. Staff propose that relocation be subject to the conditions that:
 - (a) the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
 - (b) the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence;
 - (c) the new venue is located within a three kilometre radius of the old venue; and
 - (d) the maximum number of machines at the new venue is the same or a lesser number that were operated at the old venue (and, in any case, is no more than 9 machines).
11. These conditions would minimise the risk of another operator picking up the surrendered licence within the first six months and re-establishing a gaming venue on the site, while a new venue is established elsewhere. Businesses would only be able to relocate the number of machines they are currently operating (not the number they are licensed for). Businesses also would not be able to relocate their machines to an existing venue, or to split their machines across multiple venues.
12. The Council's gambling venue policy may only be amended by way of the special consultative procedure. A draft statement of proposal, with the Proposed Gambling Venue Policy 2012, and a summary of information are attached for this purpose (**Attachment 1** and **Attachment 4**).
13. The existing policy document includes the Council's Totalisator Agency Board (TAB) Venue Policy, which is also due for review by 31 August 2012. To date, no issues have arisen in relation to TAB venues. Staff propose to review that policy separately and report back to Council before 31 August 2012.

FINANCIAL IMPLICATIONS

14. If the Council agrees to amend the policy, a special consultative procedure will be required. The associated costs include printing and distribution of the statement of proposal and summary of information, the placement of public notices and staff costs in supporting a hearings panel. These costs, including the cost of the review, are budgeted for in the City and Community Long-Term Planning Activity in the LTCCP.
15. Enabling gaming venues to relocate in exceptional circumstances is likely to increase the costs of administering the policy. The current application fee for a consent is \$153 (inclusive of GST).

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Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

16. See above.

LEGAL CONSIDERATIONS

17. Under the Gambling Act 2003, gambling on Non-Casino Gaming Machines (NCGM) is class 4 gambling. Each Territorial Authority (TA) is required to have a policy on class 4 gambling and to review it every three years. If a policy is to be amended as a result of the review this must be by way of the special consultative procedure in section 83 of the Local Government Act 2004 (see section 102). Christchurch City Council's Gambling Venues Policy was last reviewed in 2009 and was retained without amendment. The current proposal is that the policy be amended.

18. In adopting a policy the Council must have regard to the social impact of gambling within the district (see section 101(2)). If amendments are to be proposed to a policy the Council should again consider this matter. Information on the social impacts of gambling was prepared as part of the 2009 review and is also set out in this report, and in **Attachment 2**.

19. The policy adopted by the Council (and any amended policy) must meet the requirements of section 101(3) of the Gambling Act 2003. The policy:

*”(a) **must specify** whether or not class 4 venues may be established in the Council's District and where they may be located and*

*(b) **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)”*

20. The maximum numbers of machines allowed by the Act for any new venue is 9 machines. In determining what the Council will include in a policy in relation to new venues and numbers of machines the Council “*may*” have regard to “*any relevant matters*”, which include those outlined in section 101(4):

“In determining its policy on whether class 4 venues may be established in the territorial authority district, where any venue may be located, and any restrictions on the maximum number of gaming machines that may be operated at venues, the territorial authority may have regard to any relevant matters, including:

(a) the characteristics of the district and parts of the district;

(b) the location of kindergartens, early childhood centres, schools, places of worship, and other community facilities;

(c) the number of gaming machines that should be permitted to operate at any venue or class of venue;

(d) the cumulative effects of additional opportunities for gambling in the district;

(e) how close any venue should be permitted to be to any other venue;

(f) what the primary activity at any venue should be.”

21. Section 87 of the Local Government Act 2002 applies to the use of the special consultative procedure in this situation. In a recent decision concerning a council's adoption of amendments to a gambling policy (*Nelson Gambling Taskforce Inc v Nelson CC*, High Court Nelson, 7 September 2011), the Court stated at paragraph 11 of its decision: “*So when ‘adopting’ a policy, what is to be done is to publish the draft policy. However, when amending a policy, what is needed is a detailed statement of proposal, which is defined in s 87(3) as requiring the reasons for the proposal, and an analysis of options.*”

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22. This proposal concerns an amendment to the existing policy, so a detailed statement of proposal and an analysis of the options has been prepared. The detailed statement of proposal also includes the proposed draft policy, as amended.

TAB Policy

23. The Racing Act 2003 has provisions relevant to racing and sports betting. That Act includes a requirement for a territorial authority consent if the New Zealand Racing Board proposes to establish a Board venue, and also requires territorial authorities to have Board Venue policies. The Board venue policy requirements (sections 65D and 65E) are almost identical to sections 101 and 102 of the Gambling Act 2003 requiring a class 4 gambling policy, and such policies must also be reviewed every 3 years. The current policy on Board venue consents has remained the same since the first policy was adopted in 2004.
24. The focus of the current policy review has been on class 4 gaming machines. As noted above, staff propose to review the Council's TAB Venue Policy separately and report back later in the year.

Have you considered the legal implications of the issue under consideration?

25. Yes, as above.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

26. This report is broadly aligned to the City and Community Long-Term Planning Activity through the provision of advice on key issues that affect the social, cultural, environmental and economic wellbeing of the city.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

27. See above.

ALIGNMENT WITH STRATEGIES

28. There are no strategies that relate specifically to this issue.

Do the recommendations align with the Council's strategies?

29. See above.

CONSULTATION FULFILMENT

30. Staff sought community views on the current gambling venue policy and possible amendment(s) to it, to assist in undertaking the review. Community views were obtained in a variety of ways: through the 'have your say' website; by attending community networking forums; contacting key stakeholders directly (community board members, corporate societies, clubs and providers of health services); and commissioning a research company to conduct focus groups.
31. Providers of health services and the general public supported the sinking lid policy and most did not wish to see it amended. However, some community members considered that operators of venues affected by the Canterbury earthquakes should be able to relocate their machines to a new venue. Corporate societies and clubs generally preferred a cap on venue and machine numbers instead of a sinking lid, preferably at pre-earthquake levels. A summary of community and stakeholder views is included in **Attachment 6**.

COUNCIL 23. 2. 2012

11 Cont'd

32. The Council has also heard from stakeholders and the public through deputations at Council meetings. The most recent deputations were heard at the 8 December 2011 Council meeting in regard to the report on an application by Mainland Trust to relocate nine machines. Graham Paull of Mainland Trust was present in support of the Trust's application and Bridgett Thornley of Problem Gambling was present in support of the staff recommendation to decline the application. At the September 2011 Council meeting where Council determined to undertake a review of its Gambling Policy, deputations were made by the following:
- Sara Epperson, Health Promoter, Problem Gambling Foundation
 - Graham Paull, Director Mainland Foundation
 - Phil Holden, Chief Executive Officer, Lion Foundation, on behalf of Lion Foundation, NZ Community Trust, Pub Charity and Southern Trust
 - Doug Sellman Director, National Addiction Centre, University of Otago
 - Lucy D'aeth, from the Canterbury District Health Board
 - Shaun Cottrell, on behalf of Air Rescue Services Limited
 - Mary Richardson, Chief Executive, Christchurch Methodist Mission
 - Greg McClurg, owner of Stockxchange Bar and Café; and
 - Bruce Telford.
33. The Council will be aware of the wide cross section of views expressed at the meeting and a consistent position maintained for some time of the main agencies.
34. If the Council agrees to amend the policy a special consultative procedure (SCP) will be required. If the Council reconfirms the existing policy there is no requirement for an SCP. However, as the Council reconfirmed its policy without an SCP at the last review Council may elect to undertake an SCP at this time, even if the policy remains the same.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Reconfirm that the objective of the Council's gambling venue policy should be to minimise gambling harm, and that this objective be stated in the policy as:
- "To minimise the harm associated with gambling";*
- (b) Agree to amend the current policy (**Attachment 3**) to allow businesses in venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their gaming machines to a new venue, provided that:
- (i) The Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
 - (ii) The Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence,
 - (iii) The new venue is located within a three kilometre radius of the old venue; and
 - (iv) The maximum number of machines at the new venue is the same number that were operated at the old venue (and, in any case, is no more than 9 machines);
- (c) Adopt the Proposed Gambling Venue Policy 2012 as included in the statement of proposal (**Attachment 1**) and the summary of information (**Attachment 4**) for consultation;
- (d) Determine that the statement of proposal and the summary of information be distributed to key stakeholders (including corporate societies, clubs, providers of health services and community boards) and made available for public inspection at all Council Service Centres, Council libraries and on the Council's website;

COUNCIL 23. 2. 2012

11 Cont'd

- (e) Agree that public notice of the proposal be given in The Press and in the Christchurch Star newspapers and on the Council's website on 14 March 2012;
- (f) Agree that the period within which written submissions may be made to the Council be between 14 March 2012 and 19 April 2012;
- (g) Appoint a Hearings Panel to consider, and where necessary, hear any submissions on the Proposed Gambling Venue Policy 2012.

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BACKGROUND (THE ISSUES)

35. The Christchurch City Council's current class 4 Gambling Venue Policy, which has remained unchanged since it was first adopted in 2004, is a "sinking lid" policy. Its purpose is to prevent any increase in the numbers of gambling venues or machine numbers in the city.
36. Section 102(5) of the Gambling Act 2003 requires councils to complete a review of a policy on class 4 gambling venues within three years after the policy is adopted, and then within three years after that review and each subsequent review is completed. Section 102(2) of the Act provides that a gambling venue policy may be amended or replaced only in accordance with the special consultative procedure provided in Section 83 of the Local Government Act 2002. The next scheduled date for review is 31 August 2012.
37. Following the Canterbury earthquakes, on 22 September 2011, Council decided that the policy should be reviewed early and directed staff to report back in February 2012.
38. In reviewing the policy staff have:
 - considered the social impacts of gambling (see **Attachment 2**)
 - updated the economic analysis undertaken in 2009 (see **Attachment 5**)
 - considered the effects of the earthquakes on the gambling environment
 - talked with key stakeholders (community board members, corporate societies, clubs and providers of health services) to obtain their views and
 - sought views from the wider community through the 'have your say' website, focus groups and community networking forums (see **Attachment 6** for a summary of community and stakeholder views).

Controls on gambling

39. The Gambling Act 2003 restricts and controls gambling through several means. Under the Act gamblers must be 18 years and over and class 4 gambling may only be conducted by a corporate society that holds a licence for the gambling as well as a venue licence for the place where the gambling is conducted. These licences are issued by the DIA.
40. The Act also provides for the maximum number of machines allowable at venues. Venues with license on or before 17 October 2001 area are allowed a maximum of 18 machines, while venues with license after 17 October 2001 are allowed a maximum of nine machines.
41. The Act also requires each territorial authority (TA) to adopt a policy on class 4 venues which specifies:
 - whether or not class 4 venues may be established in the district and if so, where they may be located and
 - may specify any restrictions on the maximum number of machines that may be operated at a class 4 venue.
42. No commission is paid to, or received by, a person for conducting the gambling as the proceeds (net profit/losses) of Class 4 gambling must distributed to charitable and community organisations. Pokie machines are set to return to the gambler an average of 90 cents for every dollar wagered, which leaves an average proceeds of 10 cents for distribution. Of this societies return a minimum of 37.12% to the community by way of grants; some societies consistently distribute 40-50% to the community.

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The effects of gambling

43. Social benefits accrue to the individual from the fun and entertainment people derive from playing on gaming machines. Benefits to the community as a whole arise from the return of profits either as grants to community organisations through the various trusts that own the machines, or to benefits provided to members of Chartered Clubs. Where the proceeds from gaming machines are distributed is determined by the relevant Trust Deed and the funding decisions made by the Trust. Trust Deeds normally require the proceeds to be redistributed to the very general area in which they arose e.g. New Zealand, South Island or region, rather than the immediate suburb or local area. Although, Trusts are required to publish the value of the grants they distribute, there is no standard reporting format and most data available is at a regional level. It is difficult to accurately identify how much funding has been provided at a local level or to specific communities.
44. The benefits of gambling are also offset to a greater or lesser extent by the harms gambling causes either to the individual who has a gambling problem and their family/whānau and associates, or to the wider community through crime and dishonesty occurring related to gambling.
45. An economic analysis estimated that non-casino gaming machines generated \$174 million of annual output and \$94 million of GDP to the Christchurch economy in 2008. However, once opportunity costs are taken into account, the figures are quite different. The net impacts were:
 - Lost output of \$13 million
 - Additional GDP of \$2 million
 - Lost employment for 630 full-time equivalents and
 - Lost household income of \$8 million.
46. Hence, the economic impact of gaming machines is largely negative. Aside from small GDP benefits (which are subject to uncertainty), gaming machines appear to reduce incomes and employment. Moreover, gaming proceeds to charities are a redistribution of wealth from gamblers to society as a whole. Gambling literature shows that use of non-casino gaming machines is correlated with low socioeconomic status, and charitable organisations represent a wide range of society; therefore gambling often results in a redistribution of wealth from lower socio-economic groups to the wider public, which may exacerbate inequalities.
47. The economic analysis also considered the importance of gaming machines to venues by talking to a number of venues. The consensus was that gaming machines are not a particularly important source of revenue, and that they divert expenditure from other purchases (such as alcohol). The chief executive of the Charitable Gaming Association expressed the view that it is well accepted in the industry that trusts need venues, but not vice versa.

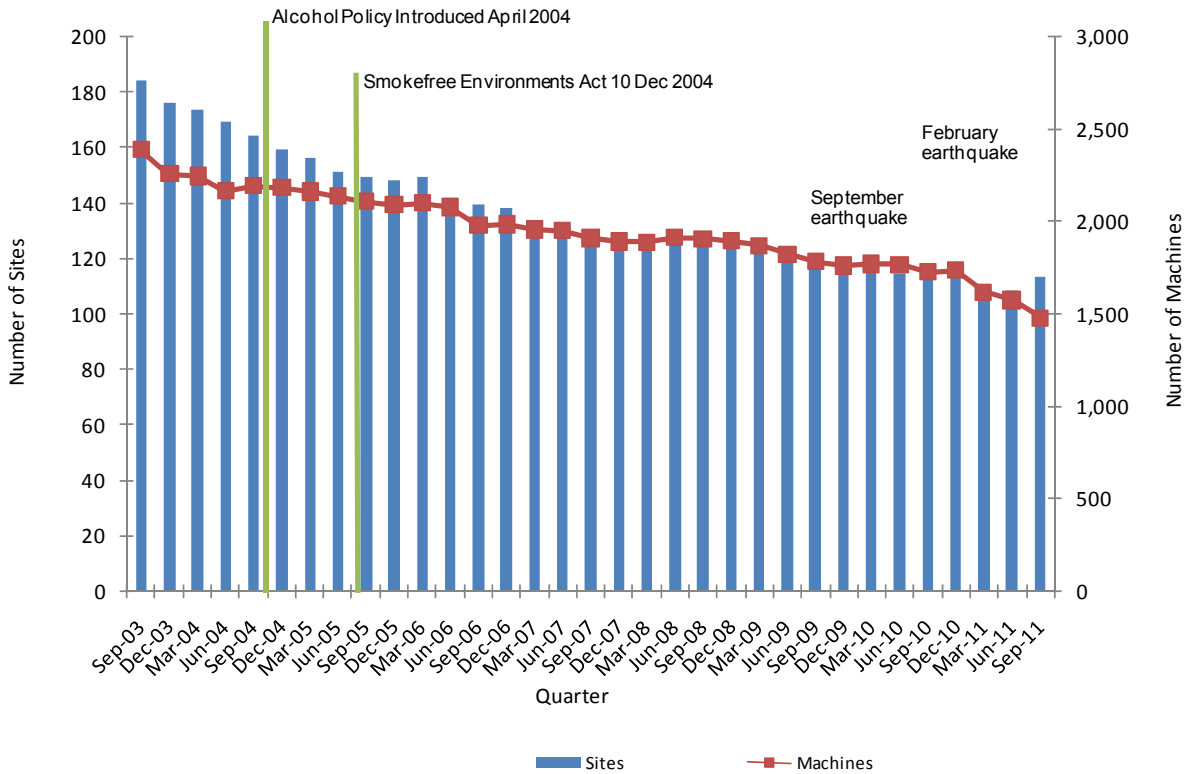
Gambling in Christchurch under current policy settings

48. The current policy has been in place since 2004. The aim of the policy is to reduce gambling harm by reducing access to gambling venues and machines by attrition. Research indicates this will tend to reduce the prevalence of gambling and of problem gambling.²
49. The policy appears to be achieving its aim in contributing to a decline in the numbers of venues and gaming machines in the city. Figure One shows that the number of venues and machines generally declined steadily from March 2004 until December 2010 and then fell more steeply as a consequence of the 2011 earthquakes.

² Ministry of Health. 2008. *Raising the Odds? Gambling behaviour and neighbourhood access to gambling venues in New Zealand. Public Health Intelligence Occasional Bulletin No. 47.* Wellington: Ministry of Health.

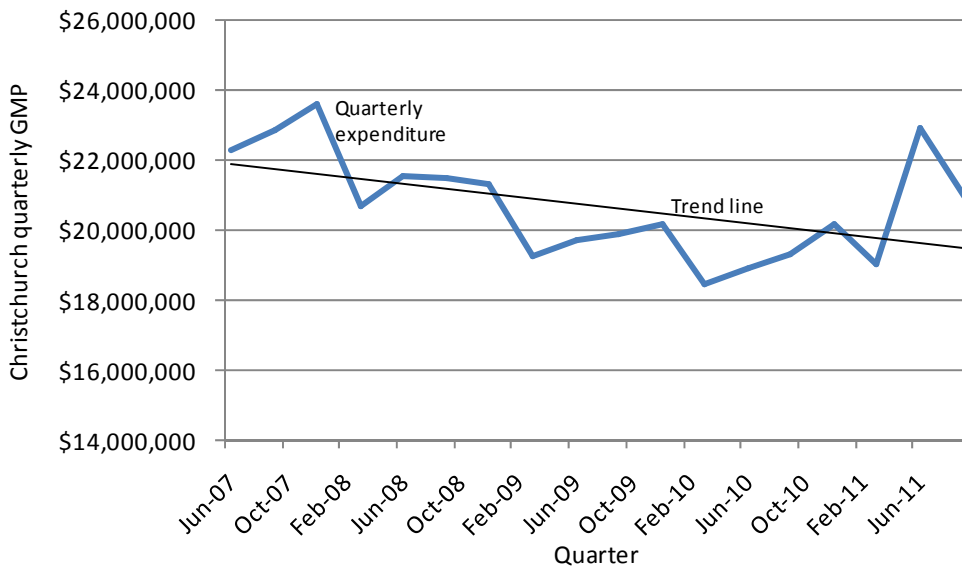
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Figure One: Gaming venue and machine numbers in Christchurch city



- 50. A number of venues operate fewer machines than they are licensed for. Consequently the number of machines in the City could increase without Territorial Authority consent. For example, as at 17 January 2012, there were 84 venues operating 1,334 machines. If these venues were to operate the total number of machines they are licensed for the number of machines would increase by an additional 31 machines.
- 51. Quarterly expenditure on gaming machines has been slowly declining along with the decline in number of venues and machines. However, the economic analysis considered the effect of a reduction in machines on player expenditure and found there appears to be no statistical relationship between expenditure and number of machines – fewer machines are likely to result in higher expenditure per machine and vice versa.³ Since the earthquakes occurred, expenditure has increased, as shown in Figure Two.

Figure Two: Class 4 quarterly gaming expenditure in Christchurch City



³ Covec. 2009. *The Economic Impacts of NCGMs on Christchurch City: Report Prepared for Christchurch City Council*

11 Cont'd

52. Table One below compares Christchurch gambling statistics with those of other cities. Per capita gambling expenditure in Christchurch was the second highest as at September 2011.

Table One: Comparative data on gaming venues, machines and expenditure as at 30 September 2011

Area	Venues Sept-11	Machines Sept-11	Population June-11	Yearly expenditure (\$)	Venues per 1,000 residents	Machines per 1,000 residents	Expenditure per machine (\$)	Yearly expenditure per resident (\$)
Auckland	102	1,335	456,600	78,542,039	0.22	2.9	58,833	172
Christchurch	105	1,481	367,700	83,064,188	0.29	4.0	56,087	226
Dunedin	43	531	126,000	19,002,737	0.34	4.2	35,787	151
Hamilton	30	453	145,300	23,969,020	0.21	3.1	52,912	165
Manukau	66	958	383,000	71,197,519	0.17	2.5	74,319	186
North Shore	43	624	232,500	30,455,687	0.18	2.7	48,807	131
Waitakere	37	496	211,400	34,277,544	0.18	2.3	69,108	162
Wellington	47	715	200,100	39,121,987	0.23	3.6	54,716	196
Total NZ	1,409	18,167	4,405,200	862,364,701	0.32	4.12	47,469	196

53. The extent of problem gambling in Christchurch is difficult to determine because it relies on self-reporting, which can be influenced by factors such as increased public awareness and the availability of funding for treatment services. Table Two shows Ministry of Health data on the number of new contacts for problem gambling services, where available, from 1999 to 2007, which appears to show a decline in Christchurch city over time. It should be noted that these figures relate to problem gambling associated with all forms of gambling, not just non-casino gambling machines. More recent service user data on the Ministry of Health website suggests that the level of new calls to the Gambling Helpline has continued to decline since 2007 and that new contacts for other services increased around 2007/08 before declining again.⁴ The total number of clients receiving psychosocial support in Christchurch city has increased over time.

Table Two: New contacts for problem gambling services – Christchurch City⁵

	New Gambling Helpline contacts	New contacts for face- to-face services
1999	317	
2000	364	
2001	376	
2002	396	
2003	335	
2004	283	594
2005	166	390
2006	165	365
2007	170	337

Effects of the earthquakes

54. The earthquakes have been a serious disaster for Christchurch and have had, and will continue to have far-reaching effects. With regard to class 4 gambling, the earthquakes affected 36 venues, of which 21 remain closed and 5 surrendered their licences. The number of machines operating in the city declined from 1,767 at 30 June 2010 to 1,334 at 17 January 2012. While damaging for individual gaming trusts and venue operators, the earthquakes have had the effect of rapidly accelerating the attrition of venues and machines desired under current policy settings.

⁴ <http://www.health.govt.nz/our-work/preventative-health-wellness/problem-gambling/service-user-data>, retrieved 12 January 2012

⁵ Ministry of Health (2008) Problem Gambling Intervention Services in New Zealand: 2007 Service-user Statistics, Wellington: Ministry of Health

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55. Disaster literature studies have acknowledged that disasters place added challenges on individuals affected by substance use disorders, and these effects can be related to the effects on those who gamble, particularly problem gamblers.⁶ This is consistent that in spite of the reduction in the numbers of venues and machines, gaming expenditure increased.
56. There are numerous hypotheses explaining why higher rates of substance abuse are observed initially after disasters, including that substances are used as a coping mechanism.⁷ Some studies have indicated that increased substance use may not surface for nearly a year or more after the stressful event.⁸

Key policy issues

57. There are three key issues for the Council to consider in reviewing its gambling venues policy:
- (1) The desired policy objective;
 - (2) The most appropriate policy approach for achieving this objective; and
 - (3) Whether provision should be made in the policy for exceptional circumstances such as the effect of the Canterbury earthquakes.
58. Each of these issues is discussed in turn.

THE OBJECTIVES

59. The purpose of the Gambling Act 2003 is to:
- Control the growth of gambling
 - Prevent and minimise the harm caused by gambling, including problem gambling
 - Authorise some gambling and prohibit the rest
 - Facilitate responsible gambling
 - Ensure the integrity and fairness of games
 - Limit opportunities for crime or dishonesty associated with gambling
 - Ensure that money from gambling benefits the community and
 - Facilitate community involvement in decisions about the provision of gambling.
60. Many of these goals are addressed through legislative requirements and other measures that apply nationwide and which are the responsibility of central government. However, local authorities also contribute to the achievement of these goals, particularly the first two goals, through their responsibility to determine whether or not class 4 venues can be established in their districts and their ability to place controls on the location of venues and the number of machines.
61. As already noted, the Council's current policy aims to progressively reduce the opportunities for class 4 gambling by attrition. The underlying objective of the policy is to reduce the harm associated with gambling. The Council could opt for a different policy direction. However, given the purpose of the Gambling Act 2003 and what is known about the social and economic impacts of gambling, staff consider that this remains an appropriate policy objective. Staff recommend that this be reflected more explicitly in the Council's gambling venue policy through a statement that the objective is to minimise gambling harm.

⁶ The DSM-IV recognises gambling addiction as an impulse disorder rather than a substance abuse disorder. However, in the context of post-disaster behaviour and in the absence of post-disaster research that looks specifically at gambling, the issues of substance abuse and addiction are relevant. Fornilli, K. (2006). Disasters and Substance Use Disorders: Response and Responsibility. *Journal of Addictions Nursing*, 17, 71-76.

⁷ Ahern, J., Galea, S., Kilpatrick, D., Resnick, H., & Vlahov, D. (2004). Sustained Increased Consumption of Cigarettes, Alcohol, and Marijuana Among Manhattan Residents After September 11, 2001. *American Journal of Public Health*, 94:2, 253- 254.

⁸ Stewart, S. (2002). Effects of the Swissair Flight 111 disaster on affected communities and volunteers: Post-traumatic drinking? PowerPoint handouts from SAMHSA-sponsored Trauma and Substance Abuse Treatment Meeting, January 16-17, 2002, Bethesda, Maryland, USA; cited in Fornilli, K. (2006). Disasters and Substance Use Disorders: Response and Responsibility. *Journal of Addictions Nursing*, 17, 71-76.

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THE OPTIONS

Policy approach

62. All aspects of the gambling venue policy can be considered by the Council as part of this review. There are a range of approaches the Council could take to its gambling venue policy, from being very prescriptive about the location of gaming venues and the number of machines to taking a hands-off approach and removing regulatory controls on gambling venues altogether. Staff have considered the following options:
- (1) Maintain a sinking lid policy;
 - (2) Enable new venues to be established but place constraints on the number of machines per venue and their location;
 - (3) Enable new venues to be established but cap the total number of venues and/or machines in the district;
 - (4) Allow the market to decide on the appropriate number and location of machines.

Option One – Maintain sinking lid policy

63. Under the sinking lid policy, no new venues or machines are allowed anywhere within the district and so the number of venues and machines would remain the same or continue to decline over time by attrition. As noted earlier, research suggests reducing access to gaming venues and machines tends to reduce the prevalence of gambling and of problem gambling. This option is therefore likely to contribute to the desired policy objective of minimising gambling harm over time. Maintaining a sinking lid policy is the preferred option for providers of health services consulted during the course of the review, and other community members who chose to share their views.
64. As discussed earlier, the current sinking lid policy has been effective in reducing the number of gaming venues and machines, a situation accelerated by the effect of the earthquakes. However, while the research suggests that this should have a positive effect on gambling, staff have been unable to establish whether this has resulted in a reduction in problem gambling and gambling-related harm in practice.
65. A possible limitation of this option is that the policy does not allow societies to close uneconomic venues and shift their business to a more profitable location. In addition, it does not provide any flexibility to deal with exceptional circumstances such as the Canterbury earthquakes. However, the inability to relocate machines and the rapid decline in the number of gaming venues and machines as a result of the earthquakes may also be considered significant benefits given the policy objective. Should the Council wish to enable the relocation of venues and machines in specific situations, variations of this option are possible,. This issue is discussed separately in paragraphs 72 to 77 below.

Option Two – Place constraints on the number of machines and location of venues

66. This option would enable new venues to be established but would aim to minimise the harm associated with gambling by restricting the number of machines that may be operated at any one venue and placing controls on where new venues could be located. The Gambling Act 2003 already provides for a maximum of nine machines at a new venue but the Council could stipulate a lower maximum in its gambling venues policy (for example, seven). Additional controls on the location of venues could require that venues are not located near sensitive sites such as community facilities, schools and/or places of worship, or create other conditions on the location of venues.

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67. The advantage of this option is that it would provide greater flexibility for societies to close uneconomic venues and relocate, just as other business types are able to do. However, there is a risk that the overall number of venues and machines in the district would increase, potentially increasing access to gambling and the incidence of problem gambling and associated harm. Constraints on the number and location of machines may not be sufficient to reduce the risk of harm. It is not clear what the maximum number of machines would need to be to minimise gambling harm. Likewise, there is no clear evidence that controls on location would minimise harm.

Option Three – Cap the total number of venues and/or machines in the district

68. Under this option, new venues could be established but there would be a cap placed on the total number of venues and/or machines allowed in the district as a whole. This could be set either as an absolute number (for example, 1,500 machines) or on the basis of a per capita level that would adjust in response to changing population levels (for example, 5 machines per 1,000 people aged 15 and over). Alternatively, sub-district caps could be established at the ward or suburb level.
69. This approach would clearly indicate the level of machines and venues that the Council considers acceptable, either for the district as a whole or in varying areas of the district. As with Option Two, it would provide flexibility for societies to relocate venues in response to changing economic circumstances or unforeseen events like the Canterbury earthquakes. This is the option generally preferred by the Corporate societies and clubs, who would ideally like to see venue and machine numbers capped at pre-earthquake levels.
70. However, the major drawback of this option is that there is no clear basis for determining what the caps should be. As shown in Figure Two, Christchurch has relatively high numbers of venues and machines per capita compared to other New Zealand cities, although there are now several other cities with higher levels than Christchurch given declining venue and machine numbers as a result of earthquake damage. It is not clear what further reduction would be necessary for the Council to be confident that gambling harm is being minimised.

Option Four – Allow the market to decide

71. The fourth approach would be to abandon any attempt to control venue or machine numbers and allow the market to determine how many machines the community is willing to bear and where they should be located based on the profitability of venues. This is the simplest option to administer.
72. This approach does not really address the objective of minimising gambling harm and could undermine that objective if it resulted in a proliferation of gaming venues and machines in some communities. The Council could opt to address the objective of minimising harm in other ways (for example, through supporting organisations that aim to reduce problem gambling). However, there is a risk that the Council could be seen as being irresponsible and unconcerned about the harm to the community arising from gambling. This option was proposed in the 2006 review and received a strong adverse reaction from the Christchurch community during the consultation.

Provision for exceptional circumstances

73. If the Council opts to maintain a sinking lid policy, a further issue the Council needs to consider is whether provision should be made for businesses to relocate their machines following exceptional circumstances such as the Canterbury earthquakes. This issue does not arise under the other options because they would all enable new venues to be established.⁹

⁹ Even if the cap was already reached under Option Three, a new venue could be established because it should simply be replacing a venue that is no longer operating.

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74. A number of corporate societies and clubs have expressed concern with their inability to relocate machines from earthquake-damaged venues under current policy settings. They consider that the earthquakes were extraordinary and unforeseen events and that businesses should be allowed to relocate their machines to new premises. Health service providers, on the other hand, note that there are now fewer machines in low income areas and consider that these more vulnerable communities are better off without them. Members of the public who provided feedback on this issue have mixed views. Many respondents consider that the sinking lid policy should be retained without amendment. However, many of those who participated in focus groups, particularly those who are gamblers, consider that the earthquakes were a unique circumstance and allowance should be made for the damaged venues to relocate with some or all of their gaming machines.
75. While this issue has arisen because of the Canterbury earthquakes, there is a wider question about whether provision should be made to enable machines to be relocated following damage due to other unforeseen circumstances beyond the control of the property owner, such as fire or floods. There are therefore three sub-options for the Council to consider:
- (a) maintain the sinking lid policy without amendment;
 - (b) maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by the Canterbury earthquakes and that are not able to reopen, to relocate their machines to a new venue (subject to conditions);
 - (c) maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue (subject to conditions).
76. Staff consider that, if the Council adopts either sub-option (b) or (c), relocation of machines should be subject to the condition that the new venue is located within a three kilometre radius of the old venue. This would avoid the risk of multiple venues being relocated to a new area of the city, which may already be host to one or more gaming venues. The community within the radius of the new venue is also used to that class 4 gambling venue being in their area. Venues should also be required to operate no more machines at the new venue than they operated at the old venue and, in any case, no more than nine machines (in line with the Gambling Act 2003).
77. Under the Gambling Act 2003, if a venue's licence is surrendered or cancelled, any corporate society is able to apply to the Department of Internal Affairs for that licence within six months of the cancellation or surrender date and territorial consent is not required. There is therefore a risk, during that six month period, that the number of venues and machines could increase. To avoid the risk of the old damaged venue being reinstated and the venue licence reactivated, additional conditions should be that the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen, and the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence.

Relocation in other circumstances

78. Staff have considered the possibility of the policy including a more general allowance for relocation (not linked to exceptional circumstances). Some councils allow a corporate society to relocate its machines if it disestablishes the existing venue. However, given the risk of the venue licence being taken up by a different society within six months of the licence being surrendered, staff recommend against including such a provision in the Council's gambling venue policy.

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THE PREFERRED OPTION

79. Staff recommend Option One (c): maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue. As discussed in paragraphs 66 and 67, relocation should be subject to the conditions that:
- (i) the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
 - (ii) the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence;
 - (iii) the new venue is located within a three kilometre radius of the old venue; and
 - (iv) the maximum number of machines at the new venue is the same or a lesser number that were operated at the old venue (and, in any case, is no more than 9 machines).
80. A sinking lid policy is preferred because it most clearly contributes to achieving the objective of minimising gambling harm through the reduction of gaming venues and machines over time. It also provides continuity from existing policy settings, appears to be well supported by the community and is relatively simple to administer.
81. Sub-option (c) is preferred because it acknowledges that some existing venues have been adversely affected due to unforeseen circumstances, beyond the control of the venue operators or property owners. Having regard to the uncontrolled nature of some type of effects, staff consider that there should be some provision to enable venues to relocate in these circumstances and that this should not be restricted to venues affected by the Canterbury earthquakes. Proposing this option through the special consultative procedure will best enable the community to express its view on how the Council's policy should respond to the issue of earthquake-damaged venues.

Next steps

82. The Council's gambling venue policy may only be amended by way of the special consultative procedure. A draft statement of proposal, with the Proposed Gambling Venue Policy 2012, and a summary of information are attached for this purpose (Attachment 1 and Attachment 4). If the Council agrees, public notice of the proposal will be given in The Press and the Christchurch Star and on the Council's website on 14 March 2012, with a submission period from 14 March 2012 to 19 April 2012. Staff recommend that the Council appoint a Hearings Panel to hear any submissions on the proposed policy and make final recommendations to the Council.

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ASSESSMENT OF OPTIONS (SUMMARY)

The Preferred Option – Option One (c)

Maintain a sinking lid policy, but amend it to allow venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate to a new venue

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> Reduced accessibility of gaming machines likely to reduce problem gambling and associated harm over time 	<ul style="list-style-type: none"> Possible reduction in funds raised for approved purposes (e.g. grants to community organisations)
Cultural	<ul style="list-style-type: none"> Expected reduction in problem gambling likely to most benefit groups particularly vulnerable to problem gambling 	<ul style="list-style-type: none"> Reduction in opportunities for recreational gambling over time
Environmental	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Nil
Economic	<ul style="list-style-type: none"> Increased output, incomes and employment to Christchurch economy through likely reduction in problem gambling Would enable existing damaged venues to keep operating through relocation provisions 	<ul style="list-style-type: none"> Lack of opportunity for new operators
<p>Extent to which community outcomes are achieved:</p> <p>Maintaining a sinking lid policy would contribute to a safer, healthier city as reducing numbers of gaming venues and machines is expected to reduce the prevalence of problem gambling and associated harm.</p> <p>Impact on the Council's capacity and responsibilities:</p> <p>Some increase in administration costs is likely as operators of damaged venues apply to relocate to new venues.</p> <p>Effects on Māori:</p> <p>Māori are significantly affected by gambling related harm yet received very few of the perceived benefits from gambling. Maintaining the sinking lid policy could reduce the negative effects on Māori through reduced access to gambling opportunities over time. He Oranga Pounamu support maintaining a sinking lid policy, but would prefer it not be amended.</p> <p>Consistency with existing Council policies:</p> <p>Not applicable.</p> <p>Views and preferences of persons affected or likely to have an interest:</p> <p>Key stakeholders have been consulted and the wider community invited to share their views as part of the review process. Providers of health services and the general public support maintaining the sinking lid policy. Some community members consider that operators of venues affected by the Canterbury earthquakes should be able to relocate their machines to a new venue, but service providers and other community members would prefer the policy not be amended. Corporate societies and clubs generally prefer a cap on venue and machine numbers instead of a sinking lid policy.</p> <p>Other relevant matters:</p> <p>This would allow up to 26 venues with consents for up to 398 machines to potentially relocate.</p>		

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Maintain the Status Quo – Option One (a)

Maintain the existing sinking lid policy (unamended)

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> Reduced accessibility of gaming machines likely to reduce problem gambling and associated harm over time 	<ul style="list-style-type: none"> Possible reduction in funds raised for approved purposes (e.g. grants to community organisations)
Cultural	<ul style="list-style-type: none"> Expected reduction in problem gambling likely to most benefit groups particularly vulnerable to problem gambling 	<ul style="list-style-type: none"> Reduction in opportunities for recreational gambling over time
Environmental	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Nil
Economic	<ul style="list-style-type: none"> Increased output, incomes and employment to Christchurch economy through likely reduction in problem gambling 	<ul style="list-style-type: none"> Lack of opportunity for new operators Individual operators affected by inability to relocate damaged venues

Extent to which community outcomes are achieved:

Maintaining a sinking lid policy would contribute to a safer, healthier city as reducing numbers of gaming venues and machines is expected to reduce the prevalence of problem gambling and associated harm.

Impact on the Council's capacity and responsibilities:

Limited impact as no new consents are issued under this policy.

Effects on Māori:

Māori are significantly affected by gambling related harm yet received very few of the perceived benefits from gambling. Maintaining the sinking lid policy could reduce the negative effects on Māori through reduced access to gambling opportunities over time. He Oranga Pounamu support maintaining the existing sinking lid policy.

Consistency with existing Council policies:

Not applicable.

Views and preferences of persons affected or likely to have an interest:

Providers of health services and the general public support maintaining the sinking lid policy. However, some community members consider that operators of venues affected by the Canterbury earthquakes should be able to relocate their machines to a new venue. Corporate societies and clubs generally prefer a cap on venue and machine numbers instead of a sinking lid policy.

Other relevant matters:

Nil.

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Option Two

Place constraints on the number of gaming machines and location of venues

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> • Could increase level of community funding – although there is little evidence for this 	<ul style="list-style-type: none"> • Possible increase in social problems associated with problem gambling if venue and machine numbers increase
Cultural	<ul style="list-style-type: none"> • Ability for venues to relocate could improve opportunities for recreational gambling • Controls on location could help to mitigate risks to vulnerable communities 	<ul style="list-style-type: none"> • Any increase in problem gambling likely to disproportionately impact on some groups
Environmental	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Nil
Economic	<ul style="list-style-type: none"> • Would enable societies to close uneconomic venues and relocate to more profitable location 	<ul style="list-style-type: none"> • Any increase in gambling could reduce output, incomes and employment to Christchurch economy • Possible increased costs to individuals and families affected by problem gambling
<p>Extent to which community outcomes are achieved:</p> <p>This approach may make a small contribution to recreational opportunities but any increase in gaming venues and machines could undermine the city's desired health and safety outcomes.</p> <p>Impact on the Council's capacity and responsibilities:</p> <p>Some increase in administration costs is likely as new applications for consent would need to be processed.</p> <p>Effects on Māori:</p> <p>Māori are significantly affected by gambling related harm yet received very few of the perceived benefits from gambling. There is a risk that this option could lead to an increase in venue and machine numbers, increasing problem gambling and disproportionately impacting on Māori.</p> <p>Consistency with existing Council policies:</p> <p>Not applicable.</p> <p>Views and preferences of persons affected or likely to have an interest:</p> <p>None of the key stakeholders consulted or community members who chose to share their views expressed a preference for this option.</p> <p>Other relevant matters:</p> <p>Nil.</p>		

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Option Three

Cap the total number of gaming venues and/or machines in the district

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> Possible reduction in number of venues and machines, and thus reduction in gambling harm, if cap set below existing levels 	<ul style="list-style-type: none"> Conversely, could increase problem gambling if cap set at higher level
Cultural	<ul style="list-style-type: none"> If cap set at higher level, could increase opportunities for recreational gambling 	<ul style="list-style-type: none"> Possible reduction in opportunities for recreational gambling, if cap set below existing levels Risk of concentration of venues in vulnerable areas if district-wide approach taken
Environmental	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Nil
Economic	<ul style="list-style-type: none"> Would enable societies to close uneconomic venues and relocate to more profitable location Possibility of increased output, incomes and employment to Christchurch economy through reduction in problem gambling, if cap set below existing levels 	<ul style="list-style-type: none"> Conversely, could increase negative effects on Christchurch economic if cap set at higher level
<p>Extent to which community outcomes are achieved:</p> <p>The effect on the achievement of community outcomes would depend on the level at which the cap(s) are set. If venue and machine numbers were allowed to increase, recreational opportunities might increase but the policy could have a detrimental effect on the city's health and safety outcomes. Conversely, if cap(s) were set below existing levels, this could have a positive effect on the city's health and safety.</p> <p>Impact on the Council's capacity and responsibilities:</p> <p>Some increase in administration costs is likely as new applications for consent would need to be processed.</p> <p>Effects on Māori:</p> <p>Māori are significantly affected by gambling related harm yet received very few of the perceived benefits from gambling. Maori could be disproportionately affected by this option in either a positive or negative way, depending on the level of the caps set.</p> <p>Consistency with existing Council policies:</p> <p>Not applicable.</p> <p>Views and preferences of persons affected or likely to have an interest:</p> <p>Corporate societies and clubs generally prefer this option and consider that venue and machine numbers should be capped at pre-earthquake levels. Providers of health services and the general public do not support this option and would prefer to maintain the sinking lid policy.</p> <p>Other relevant matters:</p> <p>There is no clear basis for determining what the caps should be; that is, what numbers of gaming venues and machines would strike an appropriate balance between providing for gambling opportunities while minimising the harm associated with problem gambling.</p> <p>This approach would clearly indicate the number of venues and/or machines at which the Council considers the harm created by class 4 gambling would be at an acceptable level.</p>		

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Option Four

Allow the market to decide – no regulation of gaming venue or machines

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> • Could increase level of community funding – although there is little evidence for this 	<ul style="list-style-type: none"> • Possible increase in social problems associated with problem gambling if venue and machine numbers increase or are concentrated in vulnerable communities
Cultural	<ul style="list-style-type: none"> • Could increase opportunities for recreational gambling 	<ul style="list-style-type: none"> • Any increase in problem gambling likely to disproportionately impact on some groups
Environmental	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Nil
Economic	<ul style="list-style-type: none"> • Provides opportunity for venues to obtain further income from servicing machines • Provides a level playing field for competition 	<ul style="list-style-type: none"> • Possible reduction in output, incomes and employment to Christchurch economy if problem gambling increases • Possible increased costs to individuals and families affected by problem gambling
<p>Extent to which community outcomes are achieved:</p> <p>This approach would support Christchurch being a city for recreation, fun and creativity. However, any increase in gaming venues and machines could undermine the city's desired health and safety outcomes.</p> <p>Impact on the Council's capacity and responsibilities:</p> <p>This option would be simple to administer.</p> <p>Effects on Māori:</p> <p>Māori are significantly affected by gambling related harm yet received very few of the perceived benefits from gambling. Any increase in opportunities for gambling would increase the negative effects on Māori.</p> <p>Consistency with existing Council policies:</p> <p>Not applicable.</p> <p>Views and preferences of persons affected or likely to have an interest:</p> <p>This option is unlikely to be supported by the Christchurch community. None of the key stakeholders consulted or community members who chose to share their views expressed a preference for this option. In 2006, there was a strong adverse reaction to this approach.</p> <p>Other relevant matters:</p> <p>There is a high level of risk in this option as it is difficult to predict accurately how the market would react.</p>		

STATEMENT OF PROPOSAL TO AMEND THE CHRISTCHURCH CITY COUNCIL GAMBLING VENUE AND TOTALISATOR AGENCY BOARD (TAB) VENUE POLICY

This statement is made for the purposes of Section 83 of the Local Government Act 2002.

Nature of Proposal

This proposal concerns the Christchurch City Council Gambling Venue and Totalisator Agency Board (TAB) Venue Policy, originally adopted by the Council on 23 November 2006. The Council intends to amend this policy following the consideration of submissions received under this special consultative procedure.

The Council will adopt the amended policy in accordance with sections 101 and 102 of the Gambling Act 2003. The policy will continue to be a 'sinking lid' policy and will not generally allow for any increase in class 4 gaming venues or class 4 machine numbers. However, the policy will make an exception for businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue. This exception will be subject to the conditions that:

- (a) the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
- (b) the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence;
- (c) the new venue is located within a three kilometre radius (from the centre of the premises) of the old venue; and
- (d) the maximum number of machines at the new venue is the same or a lesser number that were operated at the old venue (and, in any case, is no more than 9 machines).

The amended policy will also clarify that the objective of the policy is to minimise gambling harm. Provisions relating to the merger of corporate societies remain the same and there are some minor amendments to one of the general administrative provisions of the Policy.

Reasons for this Proposal

Under the Gambling Act 2003, gambling on non-casino gaming machines is class 4 gambling. Each territorial authority is required to have a policy on class 4 gambling and to review it every three years. The Racing Act 2003 includes a similar requirement for territorial authorities to have and review a policy on TAB venues. The Christchurch City Council's gambling venue and TAB venue policy is due for review by 31 August 2012. However, the Council has undertaken an earlier review of the class 4 gambling venue part of the policy in light of the damage caused to some gaming machine venues following the Canterbury earthquakes.

Relevant Considerations

In adopting or amending a policy on class 4 gambling, the Council must have regard to the social impact of gambling within the district. The policy:

*“(a) **must specify** whether or not class 4 venues may be established in the Council's District and where they may be located; and*

*(b) **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)” (section 101(3) of the Gambling Act 2003).*

In reviewing the current policy, the Council has:

- considered the social impacts of gambling;
- updated an analysis of the impacts of non-casino gaming machines on the Christchurch economy undertaken in 2009;
- considered the effects of the earthquakes on the gambling environment;
- talked with key stakeholders (community board members, corporate societies, clubs and providers of health services) to obtain their views; and
- sought views from the wider community through the 'have your say' website, focus groups and community networking forums.

The benefits of class 4 gambling include the fun and entertainment derived by individuals and the return of profits to the community through grants to community organisations. However, these benefits are offset to a greater or lesser extent by the harm associated with problem gambling. Economic analysis suggests that the net impacts on the Christchurch economy are largely negative through lost output, lost employment and lost household income, although there may be a small benefit to Christchurch's Gross Domestic Product (GDP).

Gaming venue and machine numbers have declined under the current policy. Research suggests that reduced access to gambling should reduce the prevalence of gambling and problem gambling in the community. Expenditure on gambling has also decreased over time, although there has been an increase in expenditure following the Canterbury earthquakes and Christchurch has one of the highest levels of expenditure per capita in the country.

The underlying objective of the Council's current policy is to minimise the harm associated with gambling. Given the purpose of the Gambling Act 2003 and what is known about the social and economic impacts of gambling, the Council considers that this remains an appropriate policy objective.

Options

The Council has considered four broad options:

- (1) Maintain a sinking lid policy;
- (2) Enable new venues to be established but place constraints on the number of machines per venue and their location;
- (3) Enable new venues to be established but cap the total number of venues and/or machines in the district;
- (4) Allow the market to decide on the appropriate number and location of machines.

Option One – Maintain a sinking lid policy

Under the sinking lid policy, no new venues or machines are allowed anywhere within the district and so the number of venues and machines would continue to decline over time by attrition. As noted earlier, research suggests reducing access to gaming venues and machines tends to reduce the prevalence of gambling and of problem gambling. This option is therefore likely to contribute to the desired policy objective of minimising gambling harm over time.

A possible limitation of this option is that the policy does not provide any flexibility to deal with exceptional circumstances such as the Canterbury earthquakes. The Council has therefore considered three sub-options:

- (a) maintain the sinking lid policy without amendment;

- (b) maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by the Canterbury earthquakes and that are not able to reopen, to relocate their machines to a new venue (subject to conditions);
- (c) maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue (subject to conditions).

In the case of sub-options (b) and (c), relocation would be subject to the condition that the new venue is located within three kilometres of the old venue. This would avoid the risk of multiple venues being relocated to a new area of the city, which may already be host to one or more gaming venues. The community within the radius of the new venue is also used to that class 4 gambling venue being in their area. Venues would also be required to operate no more machines at the new venue than they operated at the old venue and, in any case, no more than nine machines (in line with the Gambling Act 2003). To avoid the risk of the old damaged venue being reinstated and the venue licence reactivated, additional conditions would be that the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen, and the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence.

Option Two – Place constraints on the number of machines and location of venues

This option would enable new venues to be established but would aim to minimise the harm associated with gambling by restricting the number of machines that may be operated at any one venue and placing controls on where new venues could be located. The Gambling Act 2003 already provides for a maximum of nine machines at a new venue but the Council could stipulate a lower maximum in its gambling venues policy (for example, seven). This option would provide greater flexibility for societies to close uneconomic venues and relocate. However, there is a risk that the overall number of venues and machines in the district would increase, potentially increasing access to gambling and the incidence of problem gambling and associated harm. Constraints on the number and location of machines may not be sufficient to reduce the risk of harm.

Option Three – Cap the total number of venues and/or machines in the district

Under this option, new venues could be established but there would be a cap placed on the total number of venues and/or machines allowed in the district as a whole. This could be set either as an absolute number (for example, 1,500 machines) or on the basis of a per capita level that would adjust in response to changing population levels (for example, 5 machines per 1,000 people aged 15 and over). Alternatively, sub-district caps could be established at the ward or suburb level. This approach would clearly indicate the level of machines and venues that the Council considers acceptable and would provide flexibility for societies to relocate venues in response to changing economic circumstances or unforeseen events like the Canterbury earthquakes. However, the major drawback of this option is that there is no clear basis for determining what the caps should be and what further reduction in venue and machine numbers would be required for the Council to be confident that gambling harm is being minimised.

Option Four – Allow the market to decide

This approach would not attempt to control venue or machine numbers and would instead allow the market to determine the appropriate number of machines, and their location, based on the profitability of venues. This is the simplest option to administer but does not really address the objective of minimising gambling harm and could undermine the policy objective if it resulted in a proliferation of gaming venues and machines in some communities. This option was proposed in the 2006 review and received a strong adverse reaction from the Christchurch community during the consultation.

Preferred option

The Council's preferred option is Option One (c) - maintain the sinking lid policy but amend it to allow businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue, applying the conditions noted above.

A sinking lid policy is preferred because it most clearly contributes to achieving the objective of minimising gambling harm through the reduction of gaming venues and machines over time. It also provides continuity from existing policy settings, appears to be well supported by the community and is relatively simple to administer. Sub-option (c) is preferred because it acknowledges that some existing venues have been adversely affected due to unforeseen circumstances, beyond the control of the venue operators or property owners. In the interests of fairness, the Council considers that there should be some provision to enable venues to relocate in exceptional circumstances and that this should not be restricted to venues affected by the Canterbury earthquakes.

The Proposed Policy

The Proposed Gambling Venues Policy 2012 is similar to the existing Christchurch City Council Gambling Venue and Totalisator Agency Board (TAB) Venue Policy, adopted by the Council in 2006.

The amended policy now states that the objective of the policy is to minimise the harm associated with gambling.

The policy continues to provide that no new consents under section 98 of the Gambling Act 2003 will be granted for class 4 gaming venues or class 4 machine numbers. However, it provides for a new exception for venues that have been damaged by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate to a new venue. This exception is subject to the conditions that:

- (a) the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
- (b) the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence;
- (c) the new venue is located within three kilometres of the old venue; and
- (d) the maximum number of machines at the new venue is the same number that were operated at the old venue (and, in any case, is no more than 9 machines).

The existing exception for two or more corporate societies that are merging and require Ministerial approval to operate up to the statutory limit in accordance with section 95 (4) of the Gambling Act 2003 has been retained. As before, the total number of machines that may operate at the venue must not exceed 18 machines. The policy now also makes it clear that no other consents will be granted in any other circumstance.

Some minor amendments have also been made to the general administrative provisions regarding the three yearly review of the policy, to update the fact this is not now the first policy adopted by the Council under the Gambling Act 2003. The other change is to clarify that the application must be accompanied by all information necessary to satisfy the Council of any conditions related to an application, and the applicable fee. The monetary amount of the fee, and the fact it may change annually, is now noted at the end of the policy instead of as part of the policy.

The TAB Venue part of the 2009 policy will be reviewed separately and remains unchanged in the 2009 policy at this stage. The Council is not currently seeking community views of the TAB venue part of its policy.

Submissions

Submissions on this proposal should be made either:

- through the Have Your Say website: www.ccc.govt.nz/HaveYourSay/
- via email to: gamblingvenues@ccc.govt.nz
- in writing to:

Freepost 178
Proposed Gambling Venues Policy 2012
Council Support Team
Christchurch City Council
PO Box 73013, Christchurch 8154.

Submissions on this proposal may be made to the Council between 14 March 2012 and 5pm on 19 April 2012.

The Council's Hearings Panel will hear oral submissions on this proposal from 7-9 May 2012.

Appendix 1

Proposed Gambling Venues Policy 2012

Objectives of this Policy

1. To minimise the harm associated with gambling.

Class 4 Gaming

2. The Christchurch City Council will grant a consent under section 98 of the Gambling Act 2003 only in circumstances where a business operating from a venue that has been damaged or destroyed will relocate to a new venue. A consent will only be granted if the following applies:
 - the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
 - the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence; and
 - the new venue is within a radius of three kilometres from the centre of the existing premises' damaged or destroyed venue.

A condition of the consent will be that the maximum number of machines allowed at the new venue is the same number that **operated** at the damaged or destroyed venue, or 9 machines, whichever number is less.

(Note: the number of machines operating at a venue may be less than the number for which the venue is licensed.)

3. The Christchurch City Council will also grant a consent where two or more corporate societies are merging and they require Ministerial approval to operate up to the statutory limit in accordance with section 95(4) of the Gambling Act 2003. The total number of machines that may operate at the venue must not exceed 18 machines.
4. The Christchurch City Council will not grant a class 4 gambling consent in any other circumstances.

General

5. All applications for consents must be made on the approved form, and accompanied by the application fee and all information necessary to satisfy the Council of any conditions related to the application.
6. The Chief Executive of the Council is delegated the power to process consent applications in accordance with this policy and may further delegate this power to other officers.
7. If the Council amends or replaces this policy, it is required to do so in accordance with the special consultative procedure outlined in the Local Government Act 2002.
8. In accordance with the Gambling Act 2003, the Council will review this policy every three years.

This policy was adopted by the Christchurch City Council at its meeting on X.

The Council's first policy under the Gambling Act 2003 was adopted in 2004. An amended policy was adopted in 2006. The 2006 policy was reviewed by the Council in 2009, at which time the Council resolved that the 2006 policy would be retained without amendment.

The application fee is reviewed annually through the Annual Plan process and is currently \$153 (inclusive of GST).

CONSIDERATION OF SOCIAL IMPACTS

Background

The 2011 nation wide Health and Lifestyle Survey conducted by the Health Sponsorship Council (HSC) section on gambling¹ show in general that the number of people participating in gambling activities has not markedly changed from the figures obtained by the Department of Internal Affairs 2005 Participation and Attitudes to Gambling survey². In general, four in five people report participating in some form of gambling over the last twelve months prior to being surveyed, with the most common activity being purchasing lottery tickets. One in six people had played pokie machines at a club or pub, while one in ten had played pokies at a casino.

On average most people participate in two types of gambling activities. It is recognised that higher participation in gambling activities is more likely to lead to gambling problems, and in 2010 the number of people participating in three or more gambling activities was slightly higher than in previous years (although the HSC report highlights this could be due to the questions being answered differently in the most recent survey). The report does not provide information specific to geographical areas.

It is also accepted that participation in gambling activities is closely linked to the accessibility of gambling activities.³ The Department of Internal Affairs survey identified that gambling behaviour was associated with the distance to the nearest gambling venue more than with the number of gambling venues within the area.

Introduction

The Christchurch City Council's 2009 Gambling Venue and Totalisator Agency (TAB) Venues Policy is that of a "sinking lid" which has contributed to the decline in the numbers of venues and gaming machines in the City. Research conducted by the Ministry of Health (2008)⁴ indicates this will tend to reduce the prevalence of gambling and of problem gambling.

Under the Gambling Act 2003 Councils are required to review their Class 4 Venue and Totalisator Agency Board (TAB) Venue Policy every three years. The Council's policy was due for review by 31 August 2012, however, following the 2010 and 2011 earthquakes, it was decided to review the policy earlier.

As the policy must consider the social impact of gambling, the review of the policy involves assessing the social impact of gambling on communities within Christchurch. The Council undertook a detailed assessment of social impacts (The Assessment) during its 2009 review of the policy which included an analysis of the economic impacts of non casino gaming machines on Christchurch City.

The Assessment concluded that although the benefits of gambling accrue to the individual from the entertainment people derive from playing on gaming machines and to the community as a whole from the return of profits either as grants to community, these benefits are offset to a greater or lesser extent by the harms associated with problem gambling.

¹ Health Sponsorship Council, 2001. *New Zealanders' Participation in Gambling*. Retrieved 19 January 2011 from <http://www.hsc.org.nz/publications/2011/new-zealanders-participation-gambling>

² Department of Internal Affairs. 2005. *People's Participation in, and Attitudes to, Gambling, 1985 – 2005. Results of the 2005 survey*.

³ Ibid.

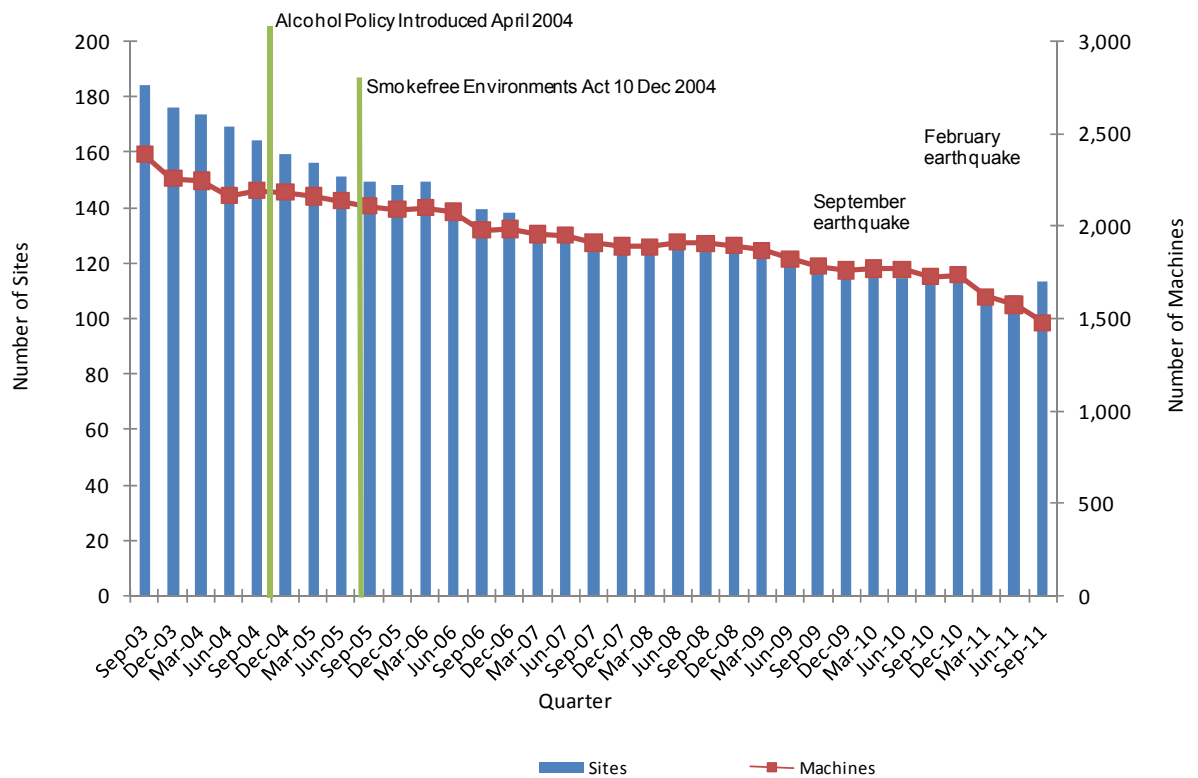
⁴ Ministry of Health (2008). *Raising the Odds*. Retrieved on 19 January 2012 from [http://www.moh.govt.nz/notebook/nbbooks.nsf/0/E4A9E7FBD23D181CCC25748000817D08/\\$file/raising-the-odds-may08.pdf](http://www.moh.govt.nz/notebook/nbbooks.nsf/0/E4A9E7FBD23D181CCC25748000817D08/$file/raising-the-odds-may08.pdf)

This report provides a brief update and analysis on the non-casino gaming machines or pokies situation in Christchurch since the earthquakes.

Accessibility in Christchurch

The current policy appears to be contributing to a decline in the numbers of venues and gaming machines. Figure 1 shows that the number of venues and machines generally declined steadily from March 2004 until December 2010. In Christchurch, from September 2003 to December 2008 the number of sites fell from 184 to 124. The number of machines fell from 2,386 to 1,896 and then fell more steeply as a consequence of the 2011 earthquakes.

Figure 1 Gaming venue and machine numbers in Christchurch city



Prior to the earthquakes Christchurch had 110 venues operating 1,767 machines. The earthquakes affected 36 venues, of which 21 remain closed and 5 surrendered their licences⁵. The number of machines operating in the city declined from 1,767 in 2010 to 1,432 at 17 January 2012. The potential number of machines which can be increased without Territorial Authority consent⁶ in the city is shown in Table 1.

⁵ Under the existing policy, businesses are unable to relocate. At present, therefore, businesses affected by the earthquakes can either surrender their licences or repair/rebuild their buildings and reopen as a gaming venue on the same site. In normal circumstances a venue that does not operate for six months will have its license removed by the Department of Internal Affairs. In the circumstance of the earthquakes DIA has allowed venues to retain their licences beyond the six month period.

⁶ Where a business surrenders its venue licence, it is possible for another society or trust to pick up the licence and start operating within the first six months. Council consent is not required in these circumstances.

If the venues closed due to earthquake damage were allowed to relocate, this would allow up to 26 venues with consents for up to 398 machines to potentially relocate (including those that have surrendered their licences).

Table 1 Number of venues and possible machines in Christchurch City as at 17 January 2012

	Number of venues	Machine count	Total potential number additional of machines	Maximum machine count
Venues open	84	1,334	31	1,365
Venues closed	21	98	221	319
Venues 6 months from surrender date	2	0	36	36
Venues past 6 months of venue date	3	0	43	43
Total	110	1,432	331	1,763

Although quarterly expenditure on gaming machines has been slowly declining, along with the decline in number of venues and machines Covec's 2009 economic analysis found that there appears to be no statistical relationship between player expenditure and number of machines – fewer machines are likely to result in higher expenditure per machine and vice versa.⁷

Per capita gambling expenditure in Christchurch for those aged 15 and over was the second highest of New Zealand cities in the September quarter at \$69 up from \$61 in the June 2010 quarter. Table 2 compares Christchurch gambling statistics with those of other cities. Since the earthquakes occurred, expenditure has increased, as shown in Figure 2.

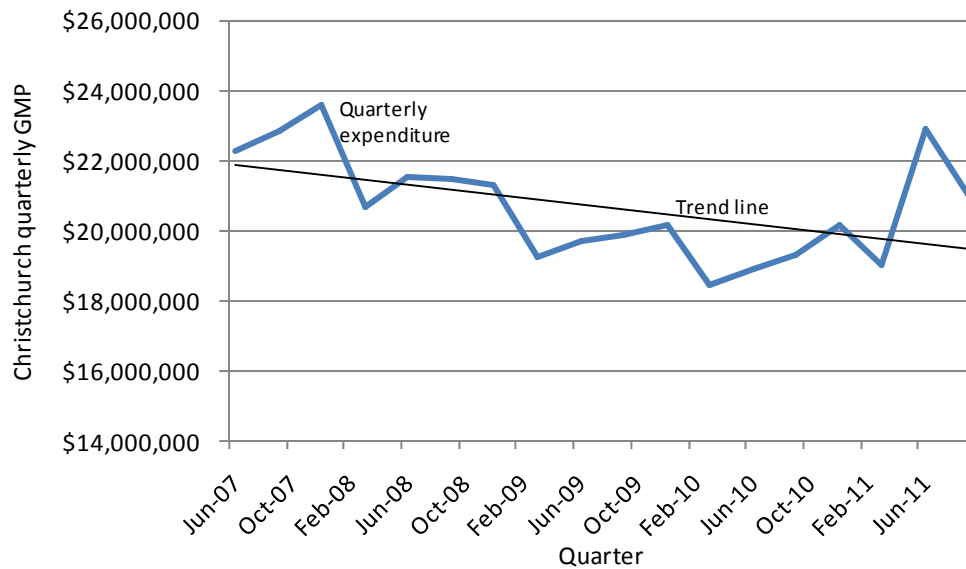
Table 2 Comparative data on gaming venues, machines and expenditure as at 30 September 2011

Territorial Authority	Number of Venues Sept-11	Number of machines Sept-11	Population 15 years and over June-11	Expenditure Sept-11 quarter (\$)	Venues per 1,000 residents	Machines per 1000	Expenditure per capita 15 years and over (\$)
Auckland City	102	1,335	377,900	20,672,733	0.27	3.53	54.70
Christchurch City	105	1,481	303,600	20,943,951	0.35	4.88	68.99
Dunedin City	43	531	106,500	4,844,965	0.40	4.99	45.49
Hamilton City	30	453	113,900	6,098,417	0.26	3.98	53.54
Manukau City	66	958	288,300	18,818,548	0.23	3.32	65.27
North Shore City	43	624	188,200	8,182,675	0.23	3.32	43.48
Tauranga District	41	563	91,700	7,166,358	0.45	6.14	78.15
Waitakeri City	37	496	163,500	9,085,398	0.23	3.03	55.57
Wellington City	47	715	166,300	10,303,358	0.28	4.30	61.96
Total NZ	1,409	18,167	3,510,800	221,424,476	0.40	5.17	63.07

⁷ Covec. 2009. The Economic Impacts of NCGMs on Christchurch City: Report Prepared for Christchurch City Council

It is difficult to ascertain why expenditure has increased. It is possible that there are less entertainment venues or activities in the City and/or people are spending more time at their local clubs. It is also possible that there are more people trying pokies.

Figure 2 Class 4 quarterly gaming expenditure in Christchurch City



Disaster literature studies also acknowledge that disasters place added challenges on individuals affected by substance use disorders, and these effects can be related to the effects on those who gamble, particularly problem gamblers.⁸ This could be one reason that in spite of the reduction in the numbers of venues and machines, gaming expenditure increased.

There are numerous hypotheses explaining why higher rates of substance abuse are observed initially after disasters, including that substances are used as a coping mechanism.⁹ Some studies also indicate that increased substance use may not surface for nearly a year or more after the stressful event.¹⁰ With regards to the Christchurch earthquake situation where there have been a number of events and where people are still attempting to deal with a variety of issues, it is possible that the effects will only be known several years from now.

Social effects of gambling

The New Zealand system is unique in providing a community dividend from the proceeds of gambling - this is the main benefit of gambling to the community. Proceeds from gaming machines in Chartered Clubs are spent by the Clubs for the benefit of their members and

⁸ The DSM-IV recognises gambling addiction as an impulse disorder rather than a substance abuse disorder. However, in the context of post-disaster behaviour and in the absence of post-disaster research that looks specifically at gambling, the issues of substance abuse and addiction are relevant. Fornilli, K. (2006). Disasters and Substance Use Disorders: Response and Responsibility. *Journal of Addictions Nursing*, 17, 71-76.

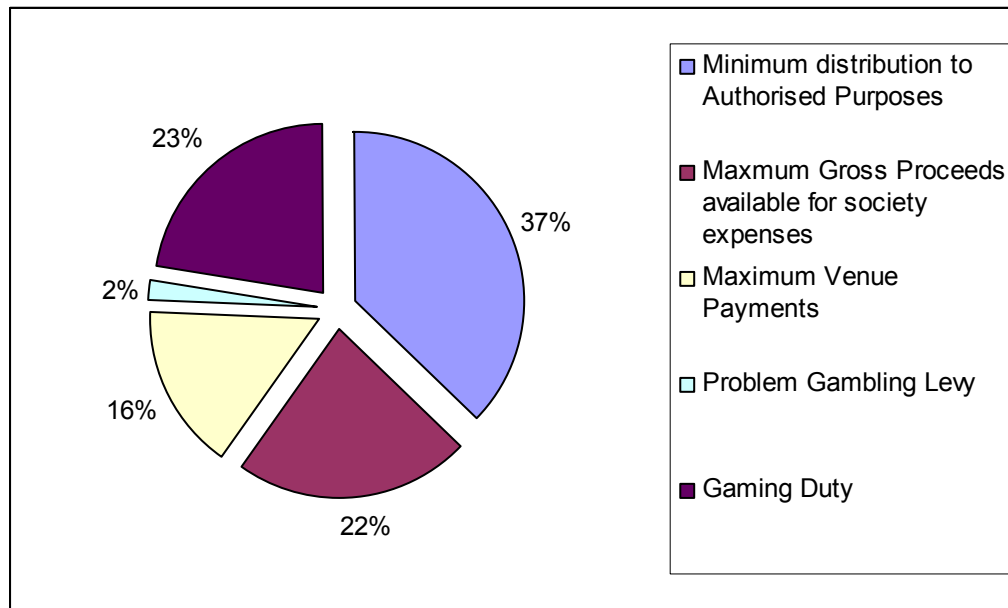
⁹ Ahern, J., Galea, S., Kilpatrick, D., Resnick, H., & Vlahov, D. (2004). Sustained Increased Consumption of Cigarettes, Alcohol, and Marijuana Among Manhattan Residents After September 11, 2001. *American Journal of Public Health*, 94:2, 253- 254.

¹⁰ Stewart, S. (2002). Effects of the Swissair Flight 111 disaster on affected communities and volunteers: Post-traumatic drinking? PowerPoint handouts from SAMHSA-sponsored Trauma and Substance Abuse Treatment Meeting, January 16-17, 2002, Bethesda, Maryland, USA; cited in Fornilli, K. (2006). Disasters and Substance Use Disorders: Response and Responsibility. *Journal of Addictions Nursing*, 17, 71-76.

proceeds to Trusts are redistributed to charities and community organisations. However, there is no requirement for Trusts to redistribute proceeds from gaming machines back to the communities from which they arose.

It is uncertain whether a reduction in machines would have a negative impact on funds distributed as it appears that changes in machine numbers have no material impact on expenditure – fewer machines are likely to result in higher expenditure per machine and vice versa.¹¹ Many charitable and community organisations depend on the proceeds of pokie machines. It is possible therefore that any reduction in expenditure will affect charity and community funding and the activities the funds support.

Graph 1 below shows how the total gross proceeds may be distributed.



In addition to the distribution of gaming machine profits which provide improved facilities and services through this funding, other positive social impacts from gambling are entertainment and social interaction it provides to users. However, if one considers where the gambling proceeds are obtained (gambling literature shows that pokie machine use is correlated with low socioeconomic groups), this funding is essentially a redistribution of wealth from one sector of the community (the gamblers) to the general community. This redistribution of wealth from gamblers to charities and community organisations therefore represents a net outflow from low socioeconomic groups which is likely to exacerbate income inequalities, and may have various social implications.

It is also important to note that gaming proceeds are not the only funding option for charitable and community organisations. Any reduction in pokie machine revenue therefore does not necessarily mean a complete lack of funds as there are many other means of raising funds.

The extent of problem gambling in Christchurch is difficult to determine because it relies on self-reporting, which can be influenced by several factors such as increased public awareness and the availability of funding for treatment services. Table 3 shows Ministry of Health data on the number of new contacts for problem gambling services, where available, from 1999 to 2007, which appears to show a decline in Christchurch city over time. It should be noted that these figures relate to problem gambling associated with all forms of gambling, not just non-casino gambling machines. More recent service user data on the Ministry of Health website suggests that the level of new calls to the Gambling Helpline has continued to decline since 2007 and that new contacts for other services increased around 2007/08 before declining

¹¹ Covec. 2009. Op cit.

again.¹² The total number of clients receiving psychosocial support in Christchurch city has increased over time.

Table 3 New contacts for problem gambling services – Christchurch City¹³

	New Gambling Helpline contacts	New contacts for face-to-face services
1999	317	
2000	364	
2001	376	
2002	396	
2003	335	
2004	283	594
2005	166	390
2006	165	365
2007	170	337

Public Attitudes

Part of the initial policy review process, involved undertaking consultation with the Christchurch community as well as talking to key stakeholders. Consultation was undertaken through several methods in late 2011. Please refer to Attachment 6.

Further feedback through the special consultative procedure, will be sought from the Christchurch community once a proposed policy has been agreed to.

Conclusion

Social benefits accrue to the individual from the fun and entertainment people derive from playing on gaming machines. Benefits to the community as a whole arise from the return of profits either as grants to community organisations through the various trusts that own the machines, or to benefits provided to members of Chartered Clubs. However, these benefits are offset to a greater or lesser extent by the harms gambling causes either to the individual who has a gambling problem and their family/whānau and associates, or to the wider community through crime and dishonesty occurring related to gambling.

The Council's current Gambling Venue Policy is that of a "sinking lid" which has likely contributed to the decline in the numbers of venues and gaming machines in the City. Research¹⁴ indicates this will tend to reduce the prevalence of gambling and of problem gambling. It is difficult to ascertain if problem gambling has actually been reduced because it relies on self-reporting. However, it is also unclear what effect the Council's current policy has had on the availability of community funds since 2003, although it appears the wider Canterbury community continues to obtain funding through the various trusts.

Since the earthquakes, Christchurch has lost 26 venues and approximately 300 pokie machines. Initial (informal) consultation undertaken in late 2011, with the Christchurch community and stakeholders show that in general most are supportive of the current policy, which aims to reduce the number of machines over time. Many people also consider that venues damaged by the earthquakes should be allowed to move with some or all of their machines.

¹² <http://www.health.govt.nz/our-work/preventative-health-wellness/problem-gambling/service-user-data>, retrieved 12 January 2012

¹³ Ministry of Health (2008) Problem Gambling Intervention Services in New Zealand: 2007 Service-user Statistics, Wellington: Ministry of Health

¹⁴ Ministry of Health. 2008. Op cit.

EXISTING POLICY

CHRISTCHURCH CITY COUNCIL GAMBLING VENUE AND TOTALISATOR AGENCY BOARD (TAB) VENUE POLICY

Class 4 Gaming

1. The Christchurch City Council will not grant consent under section 98 of the Gambling Act 2003 to allow any increase in class 4 gaming venues or class 4 machine numbers except in the circumstance set out below.
2. The Christchurch City Council will grant a consent where two or more corporate societies are merging and require Ministerial approval to operate up to the statutory limit in accordance with section 95 (4) of the Gambling Act 2003. The total number of machines that may operate at the venue must not exceed 18 machines.

Totalisator Agency Board (TAB)

3. The Christchurch City Council will grant a Totalisator Agency Board (TAB) venue consent to the New Zealand Racing Board to establish a Board venue (the Board must meet all other statutory requirements, including the City Plan requirements, in respect of such proposed venue).

General

4. The consent fee is \$150 (inclusive of GST) and will be reviewed annually through the Annual Plan process.
5. All applications for consents must be made on the approved form.
6. The Chief Executive of the Council is delegated the power to process consent applications in accordance with this policy and may further delegate this power to other officers.
7. If the Council amends or replaces this policy, it is required to do so in accordance with the special consultative procedure outlined in the Local Government Act 2002.
8. In accordance with the Gambling Act 2003, the Council will complete a review of the policy within three years of its adoption and then every three years thereafter.

This policy was adopted by the Christchurch City Council at its meeting on Thursday 23 November 2006. The 2006 policy has been reviewed by the Council and on 27 August 2009 Council resolved that the 2006 policy would be retained without amendment.

SUMMARY OF INFORMATION FOR PROPOSAL TO AMEND THE CHRISTCHURCH CITY COUNCIL GAMBLING VENUE AND TOTALISATOR AGENCY BOARD (TAB) VENUE POLICY

The Christchurch City Council is undertaking consultation on the Proposed Gambling Venue Policy 2012. This policy will replace the class 4 gambling venue provisions of the Christchurch City Council Gambling Venue and Totalisator Agency Board (TAB) Venue Policy, adopted by the Council in 2006. The Statement of Proposal and this Summary of Information are available for inspection or to obtain a copy at all open Council Service Centres, Council libraries and on the Council's website.

Reasons for this Proposal

Under the Gambling Act 2003, gambling on non-casino gaming machines is class 4 gambling. Each territorial authority is required to have a policy on class 4 gambling and to review it every three years. The Racing Act 2003 includes a similar requirement for territorial authorities to have and review a policy on TAB venues. The Christchurch City Council's gambling venue and TAB venue policy is due for review by 31 August 2012. However, the Council has undertaken an earlier review of the class 4 gambling venues provisions of the policy in light of the damage caused to some gaming machine venues following the Canterbury earthquakes.

Relevant Considerations

In adopting or amending a policy on class 4 gambling, the Council must have regard to the social impact of gambling within the district. The policy:

*“(a) **must specify** whether or not class 4 venues may be established in the Council's District and where they may be located; and*

*(b) **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)” (section 101(3) of the Gambling Act 2003).*

In reviewing the current policy, the Council has:

- considered the social impacts of gambling;
- updated an analysis of the impacts of non-casino gaming machines on the Christchurch economy undertaken in 2009;
- considered the effects of the earthquakes on the gambling environment;
- talked with key stakeholders (community board members, corporate societies, clubs and providers of health services) to obtain their views; and
- sought views from the wider community through the 'Have Your Say' website, focus groups and community networking forums.

Options

The underlying objective of the Council's current policy is to reduce the harm associated with gambling. Given the purpose of the Gambling Act 2003 and what is known about the social and economic impacts of gambling, the Council considers that this remains an appropriate policy objective.

The Council has considered four broad options:

- (1) Maintain a sinking lid policy;
- (2) Enable new venues to be established but place constraints on the number of machines per venue and their location;

- (3) Enable new venues to be established but cap the total number of venues and/or machines in the district;
- (4) Allow the market to decide on the appropriate number and location of machines.

Maintaining a sinking lid policy is the preferred option because it most clearly contributes to achieving the objective of minimising gambling harm through the reduction of gaming venues and machines over time. It also provides continuity from existing policy settings, appears to be well supported by the community and is relatively simple to administer. Options two and four risk increasing the number of gaming venues and machines in the district, potentially undermining the objective of minimising harm, and there is no clear basis for determining appropriate caps on venue or machine numbers under option three. Option four was strongly opposed by the community during consultation on the policy in 2006.

The Council has also considered possible amendments to the sinking lid policy to enable businesses at venues that have been damaged or destroyed by exceptional circumstances to relocate their machines to a new venue. The Council is proposing to amend the policy to make an exception for any venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as fire, flood or earthquake), not just those damaged during the Canterbury earthquakes.

The Proposed Policy

The objective of the Proposed Gambling Venues Policy 2012 is to minimise gambling harm. Providing for an objective for the policy is an amendment from the current policy.

The policy provides that no new consents under section 98 of the Gambling Act 2003 will be granted for class 4 gaming venues or class 4 machine numbers. However, an exception is made for businesses at venues that have been damaged or destroyed by circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and that are not able to reopen, to relocate their machines to a new venue. This exception is subject to the conditions that:

- (a) the Council is satisfied that the previous venue has been damaged or destroyed in circumstances beyond the control of the property owner (such as earthquakes, fire or floods) and is not able to reopen;
- (b) the Council is satisfied that there is no risk of the damaged or destroyed venue being occupied as a class 4 gaming venue for six months following the surrender of its licence;
- (c) the new venue is located within a three kilometre radius (from the centre of the premises) of the old venue; and
- (d) the maximum number of machines at the new venue is the same or a lesser number that were operated at the old venue (and, in any case, is no more than 9 machines).

The proposed policy retains the existing exception for two or more corporate societies that are merging and require Ministerial approval to operate up to the statutory limit in accordance with section 95(4) of the Gambling Act 2003. There are also some minor amendments to the general administrative provisions of the policy.

The TAB Venue provisions remain the same in the 2009 policy and will be reviewed separately. The Council is not currently seeking community views of the TAB venue part of its policy.

Submissions

Submissions on this proposal should be made either:

- through the Have Your Say website: www.ccc.govt.nz/HaveYourSay/

- via email to: gamblingvenues@ccc.govt.nz
- in writing to:

Freepost 178
Proposed Gambling Venues Policy 2012
Council Support Team
Christchurch City Council
PO Box 73013, Christchurch 8154.

Submissions on this proposal may be made to the Council between 14 March 2012 and 5pm on 19 April 2012.

The Council's Hearings Panel will hear oral submission on this proposal from 7-9 May 2012.

ECONOMIC IMPACTS OF NON-CASINO GAMING MACHINES ON CHRISTCHURCH CITY¹

Context

This report was developed in 2009 by Covec, and the statistics and conclusions were updated and reviewed by Christchurch City Council in December 2011.

In March 2004, Christchurch City Council (the Council) adopted a policy to restrict the number of non-casino gambling machines (NCGMs) at existing venues, and to prevent new installations. Under current legislation, Council must review this policy every three years. The policy was first reviewed in 2006. This report was first developed as part of the second review in 2009, and has been reviewed and updated for the 2011 third review.

Scope of this report

This report estimates the impact of NCGMs on the Christchurch economy using traditional input-output analysis. It also describes the current state of the industry to provide some context, and considers the potential effect of a change in machine numbers.

Current state of the industry

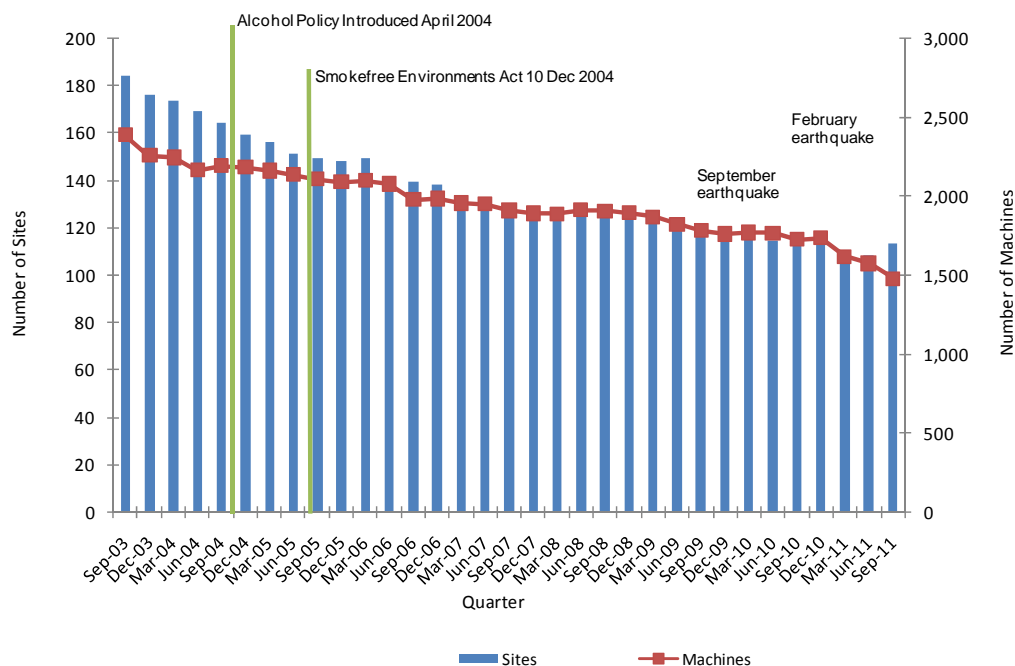
As at January 2012:

- There were 1,432 NCGMs operating across 105 venues in Christchurch. This is a reduction of 14 venues and 343 machines since June 2009.
- This represents 81% of permissible machines, with scope for a further 252 under existing licences as well as the 79 from 5 licensed venues that surrendered their licences after the earthquake.
- The September and February earthquakes affected 36 venues, with 21 still closed and 5 venues surrendering their licences.
- As at September 2011, across major New Zealand cities, Christchurch had one of the highest numbers of NCGMs per capita at 4.0 per 1,000 residents, with only Dunedin having more at 4.2 per 1,000 residents.
- In 2008 Christchurch and Dunedin had the highest number of NCGMs per capita, with 5.1 NCGMs per 1000. This is a reduction of 1.1 machines per 1,000 residents in Christchurch, which is mostly attributable to the venues destroyed in the earthquake.
- Christchurch had the highest expenditure per capita in both 2008 and 2011, with \$226 gambled per capita in 2011 compared with \$231 in 2008. The lowest expenditure per capita was in Dunedin, which was \$179 in 2008 and \$151 in 2011.
- Net expenditure on gaming machines – defined as the difference between machine turnover and player winnings - totalled nearly \$85 million in 2008 and over \$83 million in 2011.
- This translates to around \$910 million being wagered annually on NCGMs alone.

¹ This is the Executive Summary of *The Economic Impacts of NCGMs on Christchurch City*, a report prepared by Covec in 2009 and updated by Christchurch City Council staff in December 2011.

- While the earthquake destroyed a number of venues, the amount gambled increased October 2010 to September 2011 from the previous 12 months prior to the earthquakes (\$76.8 million compared with \$83.1 million)
- The effect of Council's venue policy on machine numbers (if any) is unclear.
- There are small but significant links between the concentration of NCGM venues and low household income. This is consistent with international findings.
- Gaming proceeds to charities are a redistribution of wealth from gamblers to society. Gambling literature shows that NCGM use is correlated with low socioeconomic status, and charitable organisations represent a wide range of society, therefore gambling often results in a redistribution of wealth from lower socio-economic groups to the wider public, which may exacerbate inequalities.

Figure 1: NCGMs and Venues in Christchurch City



Economic Impacts of NCGMs

The economic impact assessment was undertaken in 2008, however the results are still considered valid, as the expenditure on NCGMs between the 2008 and 2011 has not varied much, (\$85 million in 2008 and \$83 million in 2011).

As with most economic impact studies, this report measures the economic impact of NCGMs using input-output tables. Within this broad framework, two complementary measures were used and then averaged to form a single estimate.

The first approach applied 'gaming' industry multipliers to industry revenues to directly estimate economic impacts. The second approach traced NCGM-related expenditures throughout the regional economy to gain a more indirect – but arguably more accurate – assessment.

Once estimated, NCGM impacts were placed in context of their opportunity costs. These are the (hypothetical) economic impacts that would have occurred if gambling funds were spent on other goods and services. This is an important step, because it allows us to measure the net – not gross – impacts of NCGMs. Following are the results of our analysis.

Impact Measure	Direct	Indirect	Induced	Total
Output (\$m)	\$0	\$6	-\$19	-\$13
GDP (\$m)	\$1	\$8	-\$6	\$2
Household Income (\$m)	-\$16	\$8	\$1	-\$8
Employment (FTEs)	-831	195	6	-630

The net impact of NCGMs is the difference between the economic activity that gambling creates less the opportunity cost if the money was spent on other activities in proportion to what households normally spend their money on.

The estimated net impacts of NCGMs, which the Christchurch economy in 2008 were:

- Lost output of \$13 million
- Additional GDP of \$2 million,
- Lost employment for 630 full-time equivalents, and
- Lost household income of \$8 million

Hence, aside from small GDP benefits (which are subject to uncertainty), the impacts are largely negative. Coupled with their damaging social impacts, these economic impacts portray the sector in a rather unfavourable light.

Impacts of changes in NCGM numbers

So, what might happen if the number of machines was restricted further? To answer this question, we analysed NCGM statistics from the Department of Internal Affairs. These list, for each territorial authority, quarterly changes in:

- machine numbers,
- venue numbers, and
- player expenditure.

Covec used data from the most recent quarter to regress changes in expenditure on changes in machines and changes in venues (all on a per capita basis). The results suggest that there are no statistical relationships between these variables. In other words, changes in machine numbers appear to have no material impact on expenditures. Restricting the number of machines is therefore likely to have little effect (unless such restrictions were quite severe). Even then, the effects would be uncertain.

SUMMARY OF COMMUNITY AND STAKEHOLDER VIEWS

Community networking forums and the 'have your say' website

The 'have your say' website provided some background information on the current policy, the effects of the earthquakes and brief information on pokie machines. Two questions were posed and respondents were invited to provide reasons for their answers and whether they had any other comments. The questions were:

- 1 Do you agree with the current policy as it stands? Yes or No.
- 2 The policy could be amended to allow for the relocation of some or all machines at a venue, where the venue has been damaged by the earthquakes. Do you agree that the policy should be changed in this way? Yes or No.

There were 74 respondents to these questions. Respondents were a mixture of members of the public and members of the community networking forums. All of these respondents agreed with the current sinking lid policy and all but one did not want to see any change to it.

Focus groups

A total of 34 participants took part in the focus groups. One group consisted of non-gamblers (11 participants) and two groups consisted of gamblers (11 and 12 participants respectively).

Most of the focus group participants in the non-gambler group agreed that the sinking lid policy should be maintained. While all gamblers supported the idea of the sinking lid policy, many thought that the earthquakes were a unique circumstance and allowance should be made for the damaged venues to relocate with some or all of their pokie machines.

Focus group participants suggested three policy options for Council to consider:

- That damaged venues can relocate with the same number (or slightly fewer) machines as they had before the earthquakes. (This option was favoured by over half of those in the gambler groups).
- That venues can relocate with machines but the number of machines be capped at nine.
- That damaged venues can relocate with machines but with a Christchurch-wide cap on the number of machines allowed at any venue.

Key stakeholders

In general the corporate societies and organisations who were contacted or who sent in information¹ were not in favour of the sinking lid and preferred a cap on the number of venues and machines, possibly at the pre-earthquake levels. They also felt that the earthquakes were extraordinary and unforeseen events and that businesses should be allowed to relocate their machines to new premises.

Of the chartered clubs who responded to requests for information² New Brighton Club did not want any change in the current policy. Papanui Club thought that venues damaged by the earthquakes should be able to relocate. They also considered that if two clubs were to merge they should be able to have 30 machines rather than the 18 the current policy restricts them to.

He Oranga Pounamu, Oasis (Salvation Army), the Problem Gambling Foundation, Community and Public Health, and the Methodist Mission fully support the current policy and do not want it to be amended. The earthquakes have meant that there are now fewer machines in low income areas and their view is that these more vulnerable communities are better off without them.

¹ Southern Trust, Mainland Foundation, Lion Foundation, NZ Community Trust, Pub Charity, Community Gaming Association, New Zealand Metropolitan Trotting Club, and the New Zealand Racing Board.

² New Brighton Club, Papanui Club

Community Board members

Feedback was sought from Community Board members at the Combined Community Board meeting on 6 December 2011. Although there was support for the community grants derived from the return of profits there was also concerns raised around the number and location of pokie machines within the wards. There was a preference to have venues distributed across the City rather than clustered in certain areas.