

ASSESSING THE SOCIAL IMPACT OF GAMBLING IN THE ROTORUA DISTRICT

November 2016

Prepared by: Aimee McGregor, Strategy Manager

1. Introduction

In 2004, all local authorities were required to adopt a policy about gambling machines (or pokie machines) in their districts as a requirement of the Gambling Act 2003 (the 'Gambling Act') as well as a Policy on TAB Board venues under the Racing Act 2003 (the 'Racing Act'). Rotorua Lakes Council ('Council') adopted a Policy in 2004, which has subsequently been reviewed and is currently titled the 'Class 4 Gambling Venue and Board Venue Policy 2011' ('Policy').

Section 102 of the Gambling Act and section 65E of the Racing Act require the Policy to be reviewed every three years. However it also notes that the policy does not cease to have effect because it is due for review or being reviewed. Further, section 102 of the Gambling Act requires the Council to consider a relocation policy and the social impact of gambling in high deprivation communities within its district. The nature of a review should start with an assessment of the social impact of gambling and how this may have changed over the years, particularly since the last review.

This report reviews:

- gambling at the national level
- gambling machine and gambling venue trends since 2010 at the local level
- the social benefits from gambling machines, and
- the social costs from gambling machines.

2. National Level

Gamblers in New Zealand spent¹ \$2,091 million dollars on the four main forms of gambling in the 2014/15 financial year, \$25.5 million (1.2 per cent) more than the previous year. They spent more in casinos, on non-casino pokies, racing and sports betting; but less on Lottery products.²

Analysis of the expenditure in the 2015 year compared to the 2014 year shows that:³

- TAB racing and sports betting expenditure increased by 4.8% from \$310 million to \$325 million. This increase was driven by an increase in sports betting and the introduction of a new TAB mobile app that attracted thousands of new customers.
- Expenditure on NZ Lottery products decreased by 9.2% from \$463 million to \$420 million. In 2015, fewer customers were drawn to Lotto products, since there was only one week in which the Powerball jackpot went above \$20 million. Prior to 2015, Lotto sales were on an upward trend, with an average increase of 5.0 per cent per annum from 2010-2014.
- Casino gambling expenditure increased by 8.5% from \$486 million to \$527 million. This increase followed a period of significant capital investment by the SkyCity casino operator in particular.

¹ Expenditure is amount wagered less winnings, it is also termed Gaming Machine Proceeds (GMPs), Gross Profit, Losses, which is different to turnover which equals the total amount wagered.

² Department of Internal Affairs, *Gambling Expenditure Statistics*

http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics

³ Department of Internal Affairs, *Gambling Expenditure Statistics*

http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics

- Expenditure on non-casino gambling machines in pubs and clubs increased by 1.5% from \$806 million to \$818 million. This increase in expenditure occurred against a backdrop of declining numbers of venues and machines, but a higher average expenditure per machine and venue.

When adjusted for inflation, gambling behaviour has varied only slightly over the past six years, ranging from a low of \$2,060 million in 2011 to a high of \$2,099 in 2012.

Of the \$2,091 million spent by gamblers, an estimated \$655 million (31.4 per cent) was distributed to a variety of community purposes from gambling proceeds nationally.

Non-casino gambling machine trusts raised an estimated \$260 million for authorised purposes⁴. NZ Lotteries transferred \$201 million to the Lottery Grants Board for community services and projects. The New Zealand Racing Board allocated \$140 million, mostly to support racing club activities and infrastructure. Casinos paid just over \$4 million to their community trusts. In addition, gambling operators were required to pay a levy from their profits to meet the costs of an integrated problem gambling strategy – estimated to be \$54 million (GST exclusive) for the current 2013-16 levy period.⁵

From 2010 to 1 July 2016, the number of gaming machines nationally decreased by 15 percent from 19,115 to 16,250.⁶

3. Local trends

Of the \$818 million spent by gamblers nationally on pokie machines in the 2014/15 financial year, \$19.5 million was spent in the Rotorua district (or 2.3 per cent), when Rotorua has only 1.5 per cent of New Zealand's population.

At November 2016, there were 26 Class 4 gambling venues in the Rotorua district, which represents 2.13 per cent of venues nationally. The venues are licensed to contain a total of 389 gambling machines or 2.39 per cent of national gambling machines. As Rotorua has only 1.5 per cent of the population this means Rotorua has a higher proportion of venues and machines than the national average. If Rotorua had the "national average" numbers of machines for population we would have 247 machines.

Specifically, for every thousand people in Rotorua there are 5.9 machines available versus a national average of 3.8. If average Rotorua visitors are included within the population, this is 5.4 machines per thousand people.

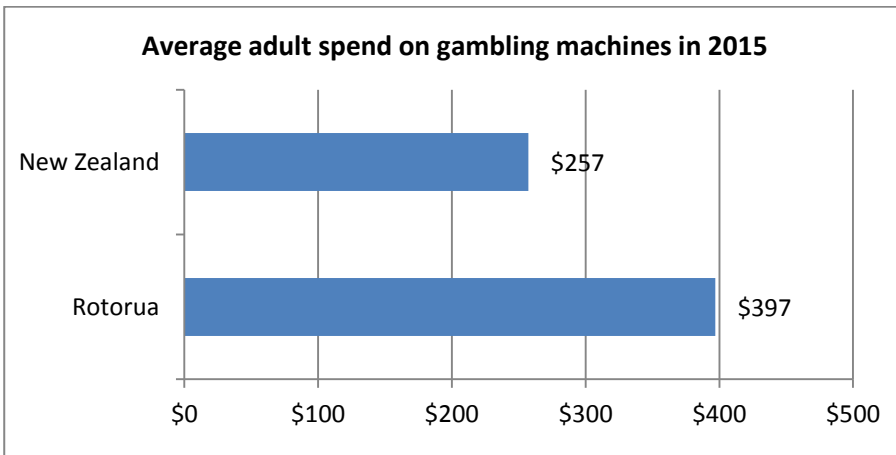
Rotorua also has a higher than average adult (20 and over) spend on gambling machines versus the national average, despite having a lower median income.⁷

⁴ Authorised Purposes are the purposes for which societies can make grants. Different societies have different authorised purposes, but all must benefit the community.

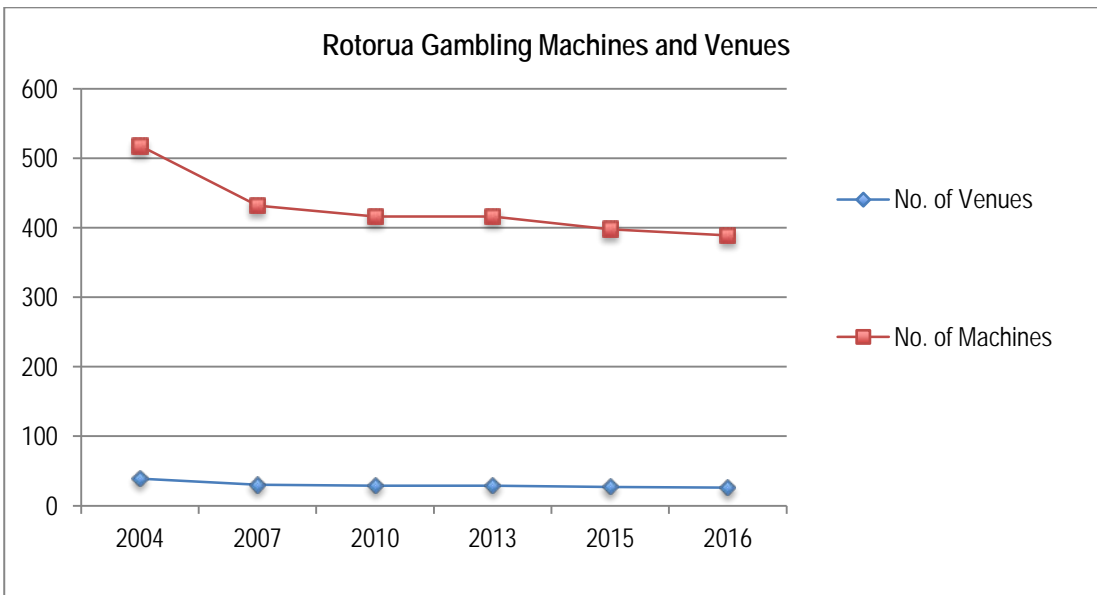
⁵ Department of Internal Affairs, *Gambling Expenditure Statistics*
http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics

⁶ Department of Internal Affairs, *Gambling Expenditure Statistics*
http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics

⁷ Analysis using data from Statistics NZ 2013 Census and Department of Internal Affairs, <http://www.dia.govt.nz/Resource-material-Information-We-Provide-Gaming-Statistics?OpenDocument>



The effect of the Council’s current Policy has been the gradual reduction of venues and machines within the district over the past 10 years, with a plateau more recently. From 2010 to 2016 the number of machines reduced from 416 to 389 licenses for machines (6.5 percent reduction compared with 15 per cent nationally).



	2004	2007	2010	2013	2015	2016
<i>No of Venues</i>	39	30	29	29	27	26
<i>No of Machines Licensed</i>	518	432	416	416	398	389 ⁸

⁸ It should be noted that while VC’s Turf Bar and Hennessy’s Irish Bar are licensed to have 18 and 9 gambling machines, at November 2016, their actual numbers of gambling machines were 15 and 0 respectively (Hennessy’s is undergoing new building work).

Current venues and the number of gambling machines for the Rotorua district

Society Name	Venue Name	Venue Physical Address	Number of Gambling Machines Licensed (Operating as at Nov 2016)
First Sovereign Trust Limited	The Outlaw Bar	1153 Arawa Street	18
Four Winds Foundation Ltd	Crates n Cues Bar	1237 Pukuatua Street	18
The Southern Trust	Brookland Glassy Junction	Shops 5-6, 2 Brookland Road, Mangakakahi	15
First Sovereign Trust Limited	Colonial Tavern	Te Ngae Shopping Centre, Te Ngae Road, Rotorua Central	18
New Zealand Community Trust	Hennessy's Irish Bar	1208-1210 Tutanekai Street, Rotorua Central	9 (0)
Trillian Trust	Kalah Bar	11B Hall Road, Ngongotaha	12
New Zealand Community Trust	Kaspers Sports Bar	1302 Tutanekai Street, Rotorua Central	18
The Lion Foundation	Copthorne Hotel Rotorua	Corner Fenton Street and Ward Avenue, Fenton Park	15
The Southern Trust	Kiwi Spirit	1232 Arawa Street, Rotorua Central	18
New Zealand Community Trust	Malfroy Tavern	172-176 Malfroy Road, Rotorua Central	12
The Lion Foundation	Mitchell Downs Tavern	12 Goldie Street, Pukehangi	18
New Zealand Community Trust	Mo's Bar	1142-1144 Tutanekai Street, Rotorua Central	18
Rotorua Citizens Club Inc	Rotorua Citizens Club	Corner Arawa and Rangiuuru Streets, Rotorua Central	18
Rotorua Club Incorporated	Rotorua Club	274 Fenton Street, Rotorua West	8
Rotorua Commercial Travellers Association Incorporated	Rotorua Commercial Travellers Association Incorporated	Moncur Drive, Tihiotonga	12
First Sovereign Trust Limited	Ruck N Maul	1279 Amohia Street, Rotorua Central	18
The Southern Trust	Selwyn Tavern	14-16 Kokako Street, Selwyn Heights	8
New Zealand Racing Board	TAB Rotorua	1156 Eruera Street, Rotorua Central	18
Infinity Foundation Limited	The Fentons Bar	1295 Fenton Street, Rotorua Central	18
New Zealand Community Trust	The Sidepocket Bar	1129 Hinemoa Street, Rotorua Central	18
The Southern Trust	Vault Bar	1122 Hinemoa Street, Rotorua Central	18
Four Winds Foundation Ltd	VC's Turf Bar	1184 Arawa Street, Rotorua Central	18 (15)
Pub Charity Limited	Village Sports Bar/Cafe	262 Ngongotaha Road, Ngongotaha	14
The Southern Trust	West End Tavern	221-223 Old Taupo Road	9
New Zealand Community Trust	H2O Gaming & Sports Bar	318 Malfroy Road, Hillcrest	18
First Sovereign Trust Limited	Woolshed Tavern	3820 Broadlands Road, Reporoa	5

There is one TAB Board Venue in the district: Rotorua Central, located at 1154-1156 Eruera Street.⁹

Note that since around the time of the last Review of the Gambling Policy in 2011:

- 18 gambling machines operated by the Rotorua RSA were moved to the Outlaw Bar on Arawa Street (Inner City to Inner City) in December 2015;
- 18 gambling machines operated by Kiwispirit were moved from Hinemoa Street to Arawa Street (Inner City to Inner City) in September 2015;
- 8 gambling machines operated by the Rotorua Club on Fenton Street moved to the Racing Club

⁹ A TAB Board Venue is a premise that is owned or leased by the New Zealand Racing Board and where the main business carried is providing racing betting or sports betting services under the Racing Act. In addition, there were eight premises that hosted a Pub TAB and two that hosted a TAB self-service terminal, but these facilities are not such to territorial authority control under the Racing Act.

immediately behind them on Fenton Street (City fringe to City fringe) in August 2010;

- 9 machines operated by Valentines were removed 6 months after that business closed down in February 2016; and
- 18 machines operated by the Locker Room were removed when that business closed down in February 2014.

4. The social benefits from gambling machines

Entertainment

The fact that people pay money to gamble (rather than spending the money on some other commodity or service) suggests that there is entertainment value derived from gambling.

A Department of Internal Affairs ('DIA') survey, *People's Participation in and Attitudes to Gambling 1985-2005* found that around two-thirds of participants had gambled on gambling machines as a form of entertainment, with participants also saying this was a way to be with people or to get out of the house.¹⁰ While no updated DIA survey has been prepared regarding gambling as a form of entertainment since the last review, more recent 2011 research suggests that the vast majority of adults (84%) never use gambling machines.¹¹

A 2007 research project, *Whakatau Mai Ra: The Impacts of Gambling for Maori Communities: A National Maori Collaborative Approach*, drew a conclusion that "... socialising, enjoyment and fun was directly related to more communal activities such as housie and community raffles. Based on the findings, there is a clear view that people genuinely do enjoy participating in gambling activities, and the benefits of being able to socialise with others, particularly whanau members".¹² No updated report has been found regarding gambling and Maori communities since the last review.

Employment

The Community Gaming Association (an association of non-club corporate societies who run Class 4 gambling machines), completed a survey in 2009 that estimated there were 300 full-time equivalents directly employed by Class 4 non-club corporate societies. It estimated there were 215 employees of external service providers and contractors providing either full-time or part-time services directly to the societies. No updated survey has been found regarding gambling and employment since the last review.¹³

A report from 2010 by the Australian Productivity Commission concluded that employment in the gambling industry, and economic activity as a result of gambling, was not likely to result in significant benefits because there were alternatives available for consumer spending (retail products or other forms of entertainment) that, if gambling did not exist, would contribute to the economy in terms of the labour and capital and the benefits people derive from these activities (retail and entertainment).¹⁴ Another Australian report found that every million dollars spent on gambling created half the number of jobs versus retail.¹⁵

Consideration has been given as to whether Class 4 Gambling is a significant part of the visitor industry in Rotorua. When reviewing expenditure by quarter there is no uplift (in fact there is a drop) of expenditure during the higher visitor periods, which suggests this is not the case.

¹⁰ Department of Internal Affairs, *People's Participation in and Attitudes to Gambling 1985-2005: Final Results From the 2005 Survey*, page 21.

¹¹ Gray, R. (2011). *New Zealander's participation in gambling: Results from the 2010 health and lifestyles survey*. Wellington. Health Sponsorship Council.

¹² "Whakatau Mai Ra": *The Impacts of Gambling for Maori Communities - A National Maori Collaborative Approach* (2007), page 26.

¹³ See Kaipara District Council, *Class 4 Gambling Venue Policy Review Statement of Proposal* (March 2015), page 6.

¹⁴ See, Productivity Commission (Australia) 2010, *Gambling: Report No. 50*, page 10.

¹⁵ South Australian Centre for Economic Studies with the Department of Psychology, University of Adelaide (2005, November).

Community Funding

The Gambling Act provides for Class 4 gambling to be permitted only where it is used to raise funds for community purposes. Gaming machine societies are required under the Gambling Act and the Gambling (Class 4 Net Proceeds) Regulations 2004 to distribute a minimum amount of 40 per cent of their proceeds to the community.

Recipients may include sports, arts, heritage, conservation, education, leisure, hobby groups and other activities and organisations. Often the work of these organisations is carried out by volunteers. Without the financial resources available from the proceeds of gambling, the levels of such activities would likely be less. Moreover, the financing of community organisations has moved to reflect the availability of funds from gaming societies to an extent that some may find it hard to operate were this source of funding removed or reduced, at least in the short term.

Aggregated national figures show sporting organisations receive almost half of the funding made available from gaming machine societies, with rugby union receiving the largest portion, followed by horse racing, soccer, cricket and netball. Social and community services received most of the remainder.¹⁶

Determining the amount of funding that is allocated to the Rotorua district by gaming machine societies is difficult, as there is no single comprehensive source of this information. In addition, grants recipients are published predominantly on a regional basis, making it difficult to accurately identify which districts are benefiting. As the name of the grant recipient often does not allow district identification either, there is little ability for the Council to make the calculations.

As gaming machine societies are not required by legislation to allocate funding to community groups and organisations on the basis of the region/district where the money was lost, it is very likely the portion of proceeds from gaming in Rotorua that could be returned is not entirely returned to the district.

Analysis undertaken by the Problem Gambling Foundation ('PGFNZ') using a database of grant data collected from publications and websites concluded that for the January 2012 – June 2014 period grants totaling \$11,776,086 were allocated to Rotorua by gaming machine societies. This is equivalent to 33.6 per cent of expenditure versus the minimum requirement at that time to grant 37.12 per cent (and actual national average of 42.1 percent for 2013). This equates to a net result of Rotorua gamblers funding approximately \$1 - 2m to grant recipients outside Rotorua each year. However, it should also be noted that residents of Rotorua likely benefit to some extent from activities funded outside the district when they participate in or benefit from those activities (e.g. surf lifesaving activities).

The biggest contributor (39% or \$4,624,113) of the grants was First Sovereign Trust, which is based in Rotorua. It had 72 gambling machines in 4 venues. The second biggest contributor was the NZ Community Trust (21% or \$2,507,338), with 93 machines in 7 venues. Education was the biggest recipient of grants (\$2,124,090), which was 18% of the total grants. The next biggest type of recipient was Māori (\$1,329,383), which was 11% of total grants followed closely by Community Groups which amounted to \$1,300,637 (or 11% of the total).¹⁷

5. The social costs from gambling

The costs associated with gambling include: the private impacts of problem gambling; the social and health impacts of problem gambling; net reduction in income and employment (diversion of expenditure from more productive industries); tax and administrative leakage from the local economy; and a net reduction in the contribution to social cohesion compared with other forms of fundraising.

¹⁶ Department of Internal Affairs, *The Distribution of Non-Casino Gaming Machine Profits in New Zealand* (2011), page 4.

¹⁷ Problem Gambling Foundation of New Zealand, *Gambling Report with Grants and Analysis January 2012 – June 2014*

Gambling machine gamblers in Rotorua lose around \$19.5 million per year or around \$53,425 per day.¹⁸ This loss is not borne evenly across the community, with the majority of losses borne by a small minority of gamblers.

Not all problem gamblers will incur serious negative effects beyond their personal gambling losses. However, evidence suggests that their behaviour is likely to adversely affect 5-10 additional people through their actions/issues with domestic violence, alcohol abuse, theft, bankruptcy, poor employment performance and poor mental health.

Based on the national prevalence of problem gambling, the number of problem gamblers in Rotorua district is estimated to be in the range of 459 to 918 people. As the behaviour of each severe problem gambler is likely to affect between 5 and 10 other people, this suggests that there could perhaps be as many as 9,183 people affected by problem gambling in Rotorua.¹⁹

Children will be amongst those negatively affected if their parents have problems with gambling. Gambling can lead to neglect, broken homes, damaged relationships between children and parents, physical and emotional harm, and a higher risk of children becoming problem gamblers themselves.²⁰

New Zealand research shows that gambling-related harm affects some sections of the community more than others. In particular: (a) people living in high deprivation neighbourhoods are more likely than people living in other neighbourhoods to be problem gamblers, and are more likely to suffer gambling-related harm; (b) Māori and Pacific peoples are more likely than other groups to be problem gamblers, and are more likely to suffer gambling-related harm; and (c) Māori and Pacific women are more likely than other groups to suffer harm related to non-casino gaming machines.²¹

Across New Zealand there is a clear trend in the concentration of machines across deprivation areas: electronic gambling machines are more likely to be found in the more deprived areas of New Zealand.²²

It has been stated that 71% of the gambling machines are in the poorest 30% of the Rotorua district.²³ The maps in Appendix A show the location of all 26 Class 4 Pokie Venues in the Rotorua district against the deprivation index. The maps confirm that Class 4 Pokie Venues are predominantly located in areas of higher deprivation in Rotorua.

Drawing on these factors, the Rotorua district is at risk of greater impacts of problem gambling due to: a relatively high rate of unemployment and benefit dependency (including sole parent families); a relatively high proportion of residents aged less than 25 years; a relatively high proportion of Māori residents; increasing numbers of Māori, Pacific Island and Asian residents; over 50% of the district's population living in areas that are considered the most deprived in New Zealand; and increasing numbers of older residents on fixed incomes.²⁴

Research by the Problem Gambling Foundation suggests that the problem gambling statistics for Rotorua are higher than other selected territorial authorities.²⁵ Data from the Ministry of Health shows that from

¹⁸ Rotorua District Council, *The Impacts of Gambling in Rotorua - A Draft Report to Support the Rotorua District Council Gambling Policy Review* (April 2014), page 34.

¹⁹ At any given time, between 0.3% and 1.8% of adults living in the community in New Zealand are likely to score as problem gamblers on standard questionnaires. This is between about 10,000 and 60,000 people. See Department of Internal Affairs, *Problem Gambling in New Zealand – A Brief Summary*, paragraphs 1 and 24.

²⁰ Problem Gambling Foundation of New Zealand, *Submission on the Rotorua District Council Gambling Venues Policy (2015)*, paragraphs 45-54. See also the research of Laurie Morrison at www.aut.ac.nz/profiles/laurie-morrison

²¹ At any given time, between 0.3% and 1.8% of adults living in the community in New Zealand are likely to score as problem gamblers on standard questionnaires. This is between about 10,000 and 60,000 people. See Department of Internal Affairs, *Problem Gambling in New Zealand – A Brief Summary*, paragraphs 1 and 24. See also the research of Laurie Morrison at www.aut.ac.nz/profiles/laurie-morrison

²² Francis Group. *Informing the 2009 problem gambling needs assessment: Report for the Ministry of Health* (2009)

²³ Problem Gambling Foundation of New Zealand, *Submission on the Rotorua District Council Gambling Venues Policy (2015)*, paragraph 6

²⁴ For more detailed information about Rotorua's demographic profile, see <http://nzdotstat.stats.govt.nz/wbos/index.aspx>

²⁵ Problem Gambling Foundation of New Zealand, *Submission on the Rotorua District Council Gambling Venues Policy (2015)*, paragraphs 7-8. Rotorua District Council, *The Impacts of Gambling in Rotorua - A Draft Report to Support the Rotorua District Council Gambling Policy Review* (April 2014), page 36.

July 2012 to June 2013, there were 328 new clients who contacted an intervention service for the first time for psychosocial support either by phone or face-to-face. This compares with 52 in July 2004 – June 2005.²⁶

A 2009 New Zealand Research Report concluded that: “from the perspective of public policy, and particularly harm minimisation, holding or reducing EGM [electronic gambling machine] numbers would appear to be prudent ... and is likely to lead to reduced harm both through reduced availability and by enabling adaption processes.”²⁷

6. Conclusion

As of November 2016, there were 26 Class 4 gambling venues in Rotorua district, with the venues licensed to contain 389 gambling machines. The Rotorua district ratio of persons per machine and spend per person is higher than the national ratios. In addition, there was one TAB Board Venue in the district.

In terms of the main social benefits, although sports, arts, conservation and other community organisations based in Rotorua are the recipients of grants related to the proceeds from gambling machines, determining the precise amount that is returned to the district by gaming machine societies is difficult to quantify.

In terms of the main social costs, the problem gambling statistics show that Rotorua has higher levels than nearby districts. In addition, Rotorua has a higher proportion of factors leading to greater gambling-related harm, such as people living in high deprivation neighbourhoods, a higher proportion of Māori residents and people on benefits.

From the information available, it is reasonable to conclude that there are ongoing social costs to Rotorua from gambling machines that outweigh the social benefits.

7. Response

The Gambling Act and Racing Act give local authorities certain limited powers to regulate the number and location of venues and gambling machines through Class 4 Gambling Venue and Board Venue policies. Essentially, local authorities can opt to have a ‘cap’ on the number of machines in their district or apply a ‘sinking lid’ approach.

The current Rotorua Policy:

- establishes a ‘cap’ of 380 on the number of gambling machines in the district;
- sets the number of gambling machines allowed per venue;
- allows for the movement of gambling machines between venues; and
- establishes certain criteria and conditions about where gambling machine venues and TAB Board venues may establish in the Central Business District, other commercial zones and other locations in the district.

Although this Policy had the effect of significantly reducing the number of venues and gambling machines in its first five years of operation, the reductions have been far less in the last five years. Indeed, the number of venues and gambling machines has remained at around the same level since 2010. The number of gambling machines licensed is currently 389, which is still above the cap of 380 set in 2004. There have been no relocations from outside the Inner City into the Inner City since the last review.

²⁶ Rotorua District Council, *The Impacts of Gambling in Rotorua - A Draft Report to Support the Rotorua District Council Gambling Policy Review* (April 2014), page 36.

²⁷ Abbott, M., Storer, J., & Stubbs, J. (2009 December). *Access or adaptation? A meta-analysis of surveys of problem gambling prevalence in Australia and New Zealand with respect to concentration of electronic gaming machines*. *International Gambling Studies*, 9(3), 225-244.

In light of the overview above concerning the social costs of gambling in Rotorua, it is opportune for the Council to consider how the current Policy might be adjusted to address further the social costs of gambling and workshop options before consulting with the community.

Appendix A

