

ANNEX 2

SUMMARY OF MEETING CONVENED BY GAMBLING COMMISSION ON THE PROBLEM GAMBLING LEVY 17 NOVEMBER 2006

Introduction

1. This report sets out a summary of submissions made by attendees at the meeting convened by the Gambling Commission on 17 November 2006.

Non casino gaming machine operators (“NCGM”) – commercial venues

2. *Charity Gaming Association (“CGA”)*

- Welcomes the decision to reduce expenditure by 15% on psychosocial interventions and support, but believes it should be reduced by 20%.
- Endorses the intention to create a contingency fund but believes it should be 5%, not 10%.
- Believes the Ministry of Health (“**MoH**”) proposal continues to be flawed because:
 - it has failed to advance cogent responses to the criticism of its lack of measurement of the outcomes of the services its purchases;
 - it lacks general support for its public health campaign;
 - the social marketing programme as currently constructed is an ineffective use of public money;
 - it proposes that the social marketing programme proceed without completing the behaviour change indicators survey in advance. This is needed in order to establish a benchmark position from which the social marketing campaign can be measured;
 - it proceeds on the assumption that because public health approaches are long term and hard to measure, the MoH is relieved of the burden to appropriately justify its expenditure of public money;
 - it fails to disclose key current expenditure numbers which have been relied upon to calculate the formula set out in the legislation;
 - presentation rates should include both the primary and additional modes of gambling;
 - it fails to acknowledge the recent research which questions the validity of measuring harm in terms of presentation rates;

- it fails to address industry concerns about the lack of transparent and accountable management of the funds it derives from class 4 gambling.

- Believes the player expenditure data used in the calculation of the levy rates presents an incorrect picture.
- The 10:90 weighting split is not appropriate – it prefers the model proposed by the Woodlands Trust because it is more equitable.
- The existing levy rate should be retained for 12 months to permit a more comprehensive examination of the service plan in anticipation of the new three year plan applying from July 2008.

3. *Lion Foundation*

- Endorses CGA's submissions.
- Is concerned about the standard of governance and management being applied to funds generated by the problem gambling levy.
- The quality of information contained in the CLIC database is questionable.
- There are fundamental errors in the assumptions on which the formula to calculate the levy is based, including over-estimates of projected expenditure.
- There is no effective method to evaluate the effectiveness of treatments and interventions.
- There has been a reluctance to acknowledge progress in harm minimisation by venue operators.

4. *Pub Charity*

- Endorses CGA's submissions.

5. *NZ Community Trust*

- Endorses CGA's submissions.
- An increase in the money sought by the MoH cannot be justified with a downward trend of presentations.
- The increase sought by the MoH is excessive.
- Some of the research has been undertaken without adequate transparency and consultation, meaning it is flawed.

- A disproportionately large amount of money is sought from the NCGM sector.

6. *Southern Trust*

- Endorses the CGA's submissions.
- The MoH has not correctly accounted for the problem gamblers who are unable to supply a primary mode of gambling, meaning that its methodology is inequitable and burdens NCGM operators with a disproportionate share of presentations.
- Casino gaming machines and the Lotteries Commission products are the two highest additional modes of gambling yet no account is taken of this in the calculation of the presentation component.
- In the Commission's last report on the levy, it recommended that the MoH undertake a review of data requirements to best reflect harm in the future calculation of Component B. This review has not been completed, meaning that NCGM operators are in the same disadvantaged position as they were previously.
- The under-recovery resulted from incorrect forecasts and failure to monitor expenditure and adjust the levy.
- The weighting should be based on a logical and reasoned assessment of relevant facts, rather than on the basis that submissions are evenly divided between 10:90 and 20:80.
- Components B and C do not include an allowance for any funding requirement that is generic in nature.
- A mathematical model should be developed that distinguishes between individual sector costs and generic costs and identifies the applicable weighting that should be applied in the levy calculations. The Woodlands Trust model could be used.

7. *Scottwood Trust/Castle Trust*

- Endorses the CGA's submissions.
- There is a decline in presentations because class 4 venues take their harm minimisation responsibilities seriously, and there has been an influx of new management.

8. *Hospitality Association of New Zealand*

- Endorses CGA's submissions.
- Not in support of the 10:90 weighting – supports the Woodlands Trust proposal.

- Does not think that the social marketing campaign will result in an increase in presentations.
- Harm minimisation measures are contributing to decline in presentations, that decline being a sustainable trend.

Non casino gaming machine operators – non-commercial venues

9. *Clubs New Zealand Inc (“Clubs”)*

- Speaking on behalf of Clubs and RSA.
- Endorses the previous submissions.
- Asks the Commission to recommend the creation of a new sector for clubs, to be levied independent by the other NCGM operators.
- The research it has provided shows that only 3.7% of problem gamblers indicated that clubs were their primary mode of gambling and this could be used to inform part B of the levy calculation.
- There is a lack of robust research and reasonable business process to support many of the MoH's intended initiatives – the Commission should be harsh in its condemnation of the MoH's poor practices.
- The MoH has failed to provide any justification for the weightings ratio and it should not be decided by “popularity polls”.
- An ACC model where those who create the most harm pay the most money should be implemented.

Casino licence holders

10. *SKYCITY Entertainment Group*

- Supports contributing through the levy to a problem gambling programme that meets the needs of clients in the wider community, provided that accountability requirements are met and effectiveness is demonstrated.
- Should be no increase in the total levy across three year period - New Zealand funding per problem gambler is high compared with other jurisdictions, while prevalence is low. There is no analysis supporting an increase.
- No change is recommended by SKYCITY to the proposed funding for public health and research; funding of this nature will, if effective, prevent harm.

- The evaluation and audit component of the levy should be funded at 5% of the adjusted service budgets.
- An increase of \$100,000 is suggested for the National Co-ordination Service, to support working with a broader range of stakeholders.
- There should be an increase of \$100,000 per year in the MoH's operating budget to provide further capacity within the MoH, for policy, planning and analysis.
- Intervention service funding should be devolved to DHBs.
- Supports the 90:10 ratio.
- Recouping the under-recovered levy should be done at the 2004-2007 rates.
- Should be an annual reconciliation of expenditure and industry forecasts, and readjustment of the levy.
- Should be a decrease of 25% in the funding for intervention services to reflect the decline in service utilisation.
- A MoH target for service uptake would enable more robust calculations around service funding requirements.

11. *Christchurch Casinos Limited*

- Nothing to add.

12. **New Zealand Racing Board**

- Supports the 90:10 weighting.
- A three year time frame is too long and a system more akin to ACC's annual calculations would be appropriate.
- The current under-recovery proposal would have the NZ Racing Board making a disproportionately high contribution.
- Wants the Commission to take into account the small percentage of wagering in the gambling market (12% and declining) and the smaller proportional impact on problem gambling.

13. **Lotteries Commission**

- Strongly endorses the retention of the current levy weighting at 10:90.
- Forecast expenditure for Lotteries Commission is accurate in levy calculations.

- Has concerns about the quantum of the levy being sought.
- Greater accountability required in areas of evaluating outcomes and intervention effectiveness.
- Reduction proposed by MoH to interventions funding is appropriate.
- The contingency fund hasn't been consulted on.

Providers of problem gambling services and researchers

14. *Problem Gambling Foundation ("PGF")*

- Data which informed service plan is flawed.
- Lack of input from providers into plan.
- There is no sound evidence of declining incidence in gambling harm and in the absence of such evidence, the Commission should adopt a precautionary approach which ensures there is no reduction in resources.
- If research suggests there has been a reduction in harm, the Commission will need to consider whether resources should be applied to further minimise harm consistent with the principles of the Act or whether the levy should be stayed.
- Presentations are of themselves not an adequate single measure of proxy for harm. Presentation rates are influenced by the external environment, such as the smoke-free legislation, which international research has shown to have a transitory impact.
- A lack of advertising for services has meant that people have not sought services.
- There has been a disruption to services caused by short term contracts, lengthy delays in settling contracts, and uncertainties around changes to contracts.
- Taking all of this into account, the PGF puts much less emphasis on presentations as being a very valid measure.
- The plan does not propose to fund or reward successful initiatives in host responsibility.
- The plan proposes to continue to inform funding decisions using resources which have informed such decisions for the past three years, which is inadequate.
- The levy formula must reflect actual harm or risk of harm, and should be considered to be equal amongst industry groups unless proven otherwise. There is no sound

research which supports a formula in which casino pokie machines are rated as less harmful than those in a bowling club.

- The plan fails to take account of the needs of communities. In particular the needs of Asian, refugee and migrant communities are not addressed.
- Resources for public health and social marketing are inadequate.
- Greater emphasis needs to be placed on other proxy, expenditure.
- Gamblers and problem gamblers are the contributors to the levy and the plan and the levy must be developed in consultation with them.
- Has sympathy for the 12 month moratorium, but it is not provided for in the Act.
- Has sympathy for parts of the formula developed by the Woodlands Trust, but it is not provided for in the Act.
- The current formula is too crude as the presentation data is unreliable. The ratio should be changed and more emphasis put on the expenditure, rather than just presentation data alone.
- The data published in the media about presentation rates for PGF does not tally with PGF's own records.

15. *Problem Gambling Foundation - Asian Services*

- "Counselling" is a foreign term for Asian people and it takes a huge effort to educate the Asian community.
- Asian problem gamblers are not a big group, but their losses are.
- Asian services has funding for 1.7 FTE and this is to cover Auckland, Hamilton, Wellington, Christchurch and Dunedin in all the various Asian languages.
- Services delivery will focus beyond Chinese and Korean population groups, and will continue to promote services in a culturally appropriate way. More use will be made of internet.
- Need to do a study on prevalence in a cultural and linguistically appropriate manner.
- Need for more public health training.

16. *Te Runanga o Kirikiriroa Trust Inc*

- Wants to highlight the continued omission of the Treaty of Waitangi as an overall framework for harm prevention and minimisation.
- Recommends that separate funding be provided for Maori and Pacific gambling service providers to develop their own work force development framework.
- Public health training is inadequate in terms of recognising culturally appropriate ways of working with the communities.
- The Gambling Commission should play a more active role in policy development.

17. *National Pacific Gambling Stakeholders Fono*

- Concurs with the call for a 12 month moratorium.
- More resources are needed for Pacific communities.

18. *Gambling Helpline*

- Main concern is the rigidity of the service plan and the funding - there is no opportunity to innovate or adapt as the environment changes.
- Supports the contingency fund proposed by the MoH given the unknowns about social marketing and the results from the research projects currently underway.
- Supports MoH having additional resources so long as they are targeted to policies and ideas.
- Would like to see more advertising of provider services, particularly to coincide with social marketing campaign.
- Because we are doing well does not mean we should slow down and stop.

19. *Salvation Army*

- Support emphasis on early intervention, recognition of cultural difference, and focus on evaluation and research.
- At a critical point. New research projects, eg barriers to help-seeking, will support the development of new strategies. The social marketing campaign will build community awareness.
- The debate about presentation to services must include a strong concern for those who are not accessing help.

- There are areas of society where a significant difference could be made if services were developed with a focus, eg the prison population.
- More flexibility required in public health and interventions.

20. *Gambling Watch*

- There is a close link between the availability of pokie machine gambling opportunities and the incidence of problem gambling.
- Urges Commission to discard any suggestions that the levy is unfairly high.
- Gambling advertising is unregulated.
- Would like to see an increase in treatment provision and a major expansion of health promotion services.
- Would like to see more research. More support for TLA planning processes, including into economic and social effects of widespread gambling.

21. *Woodlands Charitable Trust*

- The weighting of either 10:90 or 20:80 is unacceptable in the absence of any mathematical support. A mathematical model needs to be established to take the guesswork and forced choice options out of the levy process. Woodlands has proposed a model to establish appropriate weightings for W1 and W2 in a flexible manner that can accommodate any gambling industry perspective, public health perspective and provide intervention perspective.
- The proposal doesn't change the formula.
- A range of costs set out in C, including the costs of public health and other costs of delivering the Strategy, should be levied proportionately on turnover.
- An adjustment in the weightings is required to accommodate those customer presentations that cannot identify with a levied sector. These presentations should be proportioned 100% on turnover.
- Comment sought on the fact that there is no mechanism for under and over-recovery when forecast customer presentations do not meet actual customer presentations.

22. *Problem Gambling National Co-ordination Service*

- Should be cautious about taking one year's trends and turning them into a major strategy - statistical trends can change over time. Even if there is a downturn in

presentations, there are still many problem gamblers who don't actually access services.

- Supports the concept of an innovation fund.
- There is a strong call from Maori for the MoH to develop a purchasing strategy for Maori.

23. *Centre for Gambling Studies, University of Auckland*

- Important to have an innovative approach, to have a vision and be creative.
- Disheartened to see a reduction of research money in the MoH's plan.
- Need more money to do research in a collaborative fashion.

24. *Te Herenga Waka o Te Oro Whanau*

- Gambling is cultural baggage for Maori.
- The MoH must recognise that any purchasing strategy must recognise the position of tangata whenua.
- Questions why the Maori health policy, He Korowai Oranga, is not the overarching policy for developing a purchasing strategy.
- There is no recognition of the Treaty of Waitangi in the purchasing strategy.
- The formula needs to be amended so that the gambling industry pays specifically for the harm they have created in Maori communities.
- Maori as tangata whenua are entitled to a fair share of the profits that the gambling industry receives from Maori losses through engaging in gambling.
- Maori have had minimal involvement in the development, implementation and review of gambling policy, and no funding to do this.
- Maori have not been involved in deciding where gambling is established.
- Need a Maori specific purchasing plan.
- Need to increase public health budget.
- Need to support building Maori capacity to organise against the placement of gambling venues in our community.
- A whole of government approach is needed.

- Maori specific research and funding is needed.
- Recommends that the Gambling Commission works with Te Herenga Waka o Te Oro Whanau to co-ordinate the development of a Maori specific purchasing strategy.

Other interested parties

25. *Local Government New Zealand*

- For setting the levy, it is not simply a matter of individuals presenting, but the net harm generated by overall gambling losses.
- Is amazed at the suggestion that overall expenditure should be reduced because of a reduction in presentations - measures that are effective should be continued.
- Suggest \$7m be allocated amongst the 75 TLA's to assist with their gambling venue policies.

26. *Health Sponsorship Council*

- Responsible for the social marketing programme, the behaviour change indicators survey, and some of the public health resources.
- Important to focus on the detail of the service plan.
- Support an evidence based and a public health approach.
- Endorses the comments from participants about a focus on investment in public health, Maori public health, Asian public health and Pacific public health.
- Support the changes that the MoH has made to the proposed service plan.

Levy formula

27. *Components A & D*

- Component A is the estimated player expenditure in a sector, divided by the total estimated expenditure for all sectors subject to the levy.
- Component D is the forecast player expenditure in the sector for the period.
- Department of Internal Affairs (“DIA”) projects zero growth within the non-casino gaming machine sector, with DIA commenting that there may be some recovery over time from decreases associated with smoke-free environments legislation.
- NCGM operators project negative growth.
- Clubs New Zealand Inc wants a new separately levied “clubs” sector.

- Lotteries Commission forecast of 1% growth was questioned by Gambling Helpline, with DIA commenting they are coming off high growth base.
- DIA confirms that the introduction of EMS means it will have more immediate data on expenditure on NCGMs.

28. *Component B*

- Component B is the number of presentations to problem gambling services that can be attributed to the sector, divided by the total number of presentations for all sectors subject to the levy.
- MoH says a number of improvements made to data collection, with roughly 96% of all new clients identify a primary mode. MoH says it is too difficult to try to incorporate a secondary mode.
- NCGM sector raise various difficulties with presentation data. Discussion of primary/secondary modes; attribution of problem gamblers who do not identify a primary mode; accuracy of presentations as proxy for harm; excluded modes (eg housie); variation in treatment costs for individuals presenting.
- Casino representative notes that formula is a disincentive for operators to refer to treatment as this increases the presentations for which a sector is responsible, and ultimately that sector's share of levy.

29. *Component C*

- Component C is the MoH's funding requirements for the period for which the levy covers.
- Discussion of under-recovery.
- Discussion of funding for Maori, with MoH indicating that of total funding for intervention services 2006/07, approximately \$4.8 million for mainstream services, \$4.7 million through Maori providers and \$405,000 for Pacific providers. For public health, mainstream funding is approximately \$1.5 million, Pacific is \$710,000 and Maori is about \$1.3 million. MoH acknowledgement that Asian Services also need to be accommodated, these currently being counted within funding provided to PGF.
- Discussion of social marketing campaign, and timing. The CGA urged that the behaviour change indicators survey be completed before the social marketing campaign, to establish a benchmark position. The MoH says this would occur, with the survey being completed this year in advance of the social marketing campaign being initiated in 2007/08.

- Discussion about projected demand and need going forward, and in particular whether the current decline in presentations is sustainable. A number of treatment providers said that the proposed social marketing campaign and other initiatives could potentially increase presentations, although some also disputed this as the campaign is primarily targeting avoidance rather than encouraging those with a problem to present. Some industry representatives say presentations will continue to decline, in part because of host responsibility initiatives by industry.
- Treatment providers say that the current levels of help-seeking (around 10-12% of estimated problem gamblers) could be improved by identifying and addressing barriers to access and by providing additional funding to allow treatment providers to advertise their services (presently 10% of contract value can be used for promotion with the Problem Gambling Foundation explaining that at a practical level this is not generally available). Industry representatives suggested that around 12% may be a natural ceiling.
- FTE system causing problems for treatment providers, lack of flexibility.

30. *Weightings*

- W1 and W2 are weights that sum to 1 and are currently set at 90:10.
- There is no science to the current 10:90 ratio.
- Discussion of fairness.