

ANNEXURE 2

REPORT ON MEETING CONVENED BY GAMBLING COMMISSION ON PROBLEM GAMBLING LEVY AMOUNT AND RATES

16 JUNE 2004

This report sets out the main themes and issues that arose at the meeting convened by the Gambling Commission on 16 June 2004. A list of the abbreviations used in this report is attached at the end of the report.

General Interest and Support

1. All the representatives, in particular those from the gambling industry sectors, expressed their support for the treatment of problem gamblers and a public health harm minimisation program. The support from some of the industry representatives was subject however to the riders that:
 - (a) there were no defined parameters of "problem gambling", so the full scope of the strategy and what the industry was required to fund was unclear (Chch Casino & Lion Foundation), and
 - (b) "harm minimisation" strategies under the public health program should target those at risk and irresponsible gambling behaviour, not discourage legitimate gambling in general (SkyCity, HANZ & Sthn Trust).
2. All representatives expressed a desire to continue to be involved in efforts undertaken towards treating and reducing problem gambling following the transfer of responsibility to MOH.

Total Levy Amount

Method of Calculation of Total Levy Amount

3. Some representatives raised concerns that the total levy amount had been based only on an amount of funding approved by Cabinet in December 2001 and that the amount claimed therefore had no evidential basis (Clubs, HANZ & Problem Gambling Foundation). The Problem Gambling Foundation was concerned that the data available to Cabinet in 2001 was now out of date, particularly in relation to the developing gambling problem among new immigrants, and that the amount agreed upon by Cabinet was based upon an amount which the industry had been prepared to volunteer in past years.
4. The MOH indicated that it had undertaken a needs analysis, but confirmed it had used the Cabinet agreed figures as the original benchmark as otherwise the potential spend could have been infinite.

Lack of detail in support of levy amount

5. Industry representatives said that the strategy contained insufficient detail and evidence in support of the proposed total levy amount so it was unclear whether or not the amount requested was appropriate. This concern tied into the problems regarding the lack of definition of key terms and the current lack of research described in paragraphs 1 and 36 of this report.

6. Industry representatives wanted assurance that a needs analysis justified the total amount claimed (SkyCity, Chch Casino, Sthn Trust, Clubs & HANZ). Chch Casino's representative said that the industry was prepared to pay the amount claimed, so long as it was justified.

Sufficiency of Total Levy Amount

7. Representatives of problem gambling service providers were concerned that the proposed total levy amount was insufficient and that it would not enable the MOH to provide adequate services (Problem Gambling Helpline, Salvation Army & Problem Gambling Foundation). The reasons put forward in support of this view were that: the present Problem Gambling Cttee services are already under funded; there are gaps in the services proposed under the strategy (eg. for: youth, elderly, those in custody, "affected persons" and those participating in internet gambling); some of the services provided by the strategy have insufficient funding allocated to them (eg. youth and research); and that the public health campaign will increase demand for the already under funded services as there is significant under presentation by problem gamblers (eg Asian).

Affordability of Total Levy Amount

8. Representatives of the non-casino gambling machine operators expressed concern that they would not be able to afford the cost of the levy, as their sector was to pay the largest proportion towards the total amount (Lion Foundation, Gaming Machine Assocn, HANZ, Sthn Trust & Charity Gaming Assocn). They said that, following the introduction of the Gambling Act 2003 and the smoke free environments legislation, the sector was already facing a potential downturn and increased costs, and that this should be taken into account in determining the total levy amount and how much they were levied. The Problem Gambling Foundation disagreed that there would be any long term downturn in gambling as a result of the new measures highlighted by this sector.

Transitional Costs

9. The representative for Clubs and the Problem Gambling Foundation, in its written submission, questioned the \$1.5 million claimed by way of transitional costs. Clubs made the point that the industry had contributed millions of dollars over the last 10 to 15 years, partly for problem gambling, and yet the government was now seeking to claw back even more money. The Problem Gambling Foundation raised the concern that the strategy provided no auditable justification for the quantum of the transitional costs amount.
10. Both representatives suggested that the 1.5 million should properly be spent in other areas, for example research programs or youth education strategies. The MOH said that the transitional amount had been reviewed by Treasury and approved by Cabinet.

Impact of Total Levy Amount on Charitable Grants

11. It was stated by some representatives that the total levy amount, and the amount to be contributed by any one sector, should not be so high as to substantially deplete amounts given to the community for charitable purposes, including sport and the arts (SPARC, Charity Gaming Assocn & Local Govt NZ).

Customer Presentation Data

Problem Gambling Cttee data not representative of problem gambling

12. Concerns were raised that the presentation levels recorded by the Problem Gambling Cttee (used in "B" of the levy rate equation) were too low and did not accurately reflect the number of problem gamblers in New Zealand (Racing, NPGP, GRC, THW, Problem Gambling Foundation & Salvation Army). It was suggested that in particular presentations of Asian problem gamblers did not reflect the prevalence of problem gambling in Asian communities. The Salvation Army reported that the results from a study which it is currently undertaking show that problem gamblers often do not present at problem gambling service providers, but instead present at agencies which provide food, accommodation and other welfare basics.
13. The PGPA stood by the accuracy of the data, but did agree that the data was only ever compiled for internal purposes to monitor its services. The Problem Gambling Cttee had not collected the data on the basis it would be used for the calculation of a levy. The presentation data was therefore accurate data for what it was, but not necessarily appropriate data for determining the incidence of problem gambling and for the purposes of the levy calculation. The MOH said that it would collect data on a more rigorous and appropriate basis for use in future levy periods. In relation to the initial levy period it was generally agreed however that the Problem Gambling Cttee presentation data was the best data available to use in the levy rate equation.
14. Only the Sthn Trust directly challenged the accuracy of the Problem Gambling Cttee's data. The Sthn Trust said that it understood that if a client presenting at a problem gambling service gave his or her primary mode of gambling as gaming machines, that problem gambling service providers automatically attributed such presentations to the non-casino gaming machine sector, rather than making any further inquiry as to whether the machine was in a casino or non-casino venue.
15. The DIA noted that the data used in the final levy rates would be updated to reflect the Problem Gambling Cttee's data for the complete 2003 year. DIA's preliminary analysis of this data showed that the inclusion of the data would place an even greater percentage of presentations on the non-casino gaming machine sector.

Customer Presentation Information used in the Equation

16. There were a number of issues raised around what "customer presentations" should properly be counted in the levy rate equation. The DIA and the Problem Gambling Cttee confirmed that the figures used were for each individual who presented (therefore, even if an individual presented more than once, he or she was only counted once) and that presentations from "affected parties" (for example, family or whanau) were not included in the presentation numbers.
17. The DIA also confirmed that only primary modes of gambling were used in the presentation rate calculations. A number of representatives questioned the lack of use of presentation data for additional modes of gambling, which they believed should be considered so that the levy cost was spread more fairly across the gambling sectors (Woodlands, Sthn Trust & Clubs). Despite this, the general consensus from the representatives was that there was no appropriate data source which could provide suitable additional mode statistics. It was unclear whether the low number of additional modes that appeared in the Problem Gambling Cttee data were because most presenters only had a problem with a single mode of gambling, or whether they simply chose not to disclose additional modes (Lotteries Commn & Problem Gambling Cttee). The Lotteries Commn in particular strongly opposed the use of additional mode data because of its unreliability.

18. Woodlands was also concerned that there was a lack of distinction in the presentation data between “real” problem gamblers, and people who just presented at Problem Gambling Cttee with a gambling related problem. The Chch Casino representative said that this issue, which really related to whether the appropriate factor was “treatment levels” or “presentations”, went to the formulation of the levy rate equation and had been discussed previously in length by the industry.

Forecast Player Expenditure

19. The DIA explained that it was responsible for the forecasting of future player expenditure in each sector (part “D” of the levy rate equation). Some representatives of the gambling industry, particularly representatives of the non-casino gaming machine operators sector, questioned the estimated growth forecasts as there were so many unknown factors facing the industry (Gaming Machine Assocn, HANZ, SkyCity, Sthn Trust & Charity Gaming Assocn). These unknowns included changes arising under the Gambling Act 2003 and its regulations and under the Smokefree Environments legislation. This concern seemed to relate to the ability and extent to which the non-casino gaming machine sector would be able to afford the levy, rather than to be a criticism of the forecasts. SkyCity, HANZ and CGA said that they did not expect to meet the forecasts given by the DIA. No representatives put forward any alternative forecasts for their sector.
20. The DIA confirmed that it had taken all possible information in to account when estimating the forecasts. The DIA said that to the extent that the predictions were inaccurate and this affected the amount of levy collected, this could be taken into account in later levy periods. Later comments from the representatives from the industry indicated however that there was some uncertainty over the extent and timing of corrections of levy rates.

Allocation of Levy Amount Between Industry Sectors

The Formula

21. There was some discussion of the levy calculation equation in the Act and whether it ensured an appropriate allocation of the levy amount across the industry. Some were of the view that the advertising spend should be a factor in the equation, which would have the effect of increasing the Lotteries Commn share (Racing & Lion Foundation). A common view was advanced by other industry representatives who said that, over the years in which the levy was voluntary, industry had worked through a number of potential equations and come to the conclusion that presentations and forecast expenditure were the correct factors, and that other factors, including advertising spends, were not appropriate for inclusion in the equation (Lotteries Commn, Clubs & ChCh Casino). The Charity Gaming Assocn disagreed with this position on the basis that non-casino gaming machine operators had previously always been able to be outvoted on the Problem Gambling Cttee, so that previous levy decision were not necessarily fair. The Charity Gaming Assocn felt that the Lotteries Commn, Casinos and Racing should pay more. Notably, although the Chch Casino and Clubs agreed with the formulation of the equation they still thought that the Lotteries Commn should pay a greater amount to problem gambling to take into account the Lotteries Commn’s advertising spend.

Weightings

22. It was discussed that in the strategy the MOH has accepted the .9:1 (presentation figures: expenditure) weighting that Cabinet agreed in December 2001, but that these weightings are not yet the subject of regulation and are still reviewable.
23. One reason which representatives put forward for the need to change the weighting ratios was that the presentation data did not accurately reflect the problem gambling situation (see paragraphs 12 to 15 above) and therefore the levy rate calculations

should not place too much emphasis on the presentation data (HANZ, Sthn Trust & Woodlands). In this regard, Sthn Trust suggested 0.5:0.5 weightings until the data was improved and Woodlands recommended a weighting of no more than 0.7 on presentations.

24. Another reason put forward to support a change to the weightings was that the Lotteries Commn was not paying enough, given its perceived role in introducing and encouraging people to gamble through its advertising (Racing, Chch Casino, Clubs & Gambling Watch). The only suggested weighting change in this respect was from Clubs which suggested a weighting of 75:25 (presentation:expenditure). The Lotteries Commn did not think any change in the weightings was necessary, or acceptable, and said a 90:10 weighting was fair. The Lotteries Commn said that advertising was not a factor to be taken into account under the equation generally and that the industry had previously agreed this.
25. Non-casino gaming machine operators also supported caution in considering the weighting on presentations. This was on the basis that the sector could not afford to carry such a large portion of the total levy amount given the sector's increasing compliance costs, predicted decrease in growth and obligations to provide community funding. Woodlands also questioned such a high weighting on presentations when a large amount of the total levy amount was for use in a public health campaign, and not only for those who presented at problem gambling support services.
26. The DIA said that it initially suggested a 0.8:0.2 (presentation:expenditure) weighting, but that its current position was only that presentations should have a higher weighting than forecast expenditure, given the aims of the Gambling Act 2003 to reduce harm.

Accountability

27. There was wide spread concern from the gambling industry and service providers that there was a lack of accountability in the strategy, and generally in the system set up by the Gambling Act 2003.

Quantitative Accountability

28. A number of representatives were concerned that sums contributed by the industry should be "ring fenced", and proposed that the MOH should be required to report regularly on the use of the levy (SkyCity, Sthn Trust, Problem Gambling Foundation, Clubs, Local Govt NZ & Charity Gaming Assocn). Woodlands was also concerned that the budget for pathological and severe problem gamblers should not be eroded by the provision of services to people with other gambling related issues. The Charity Gaming Assocn suggested that an independent forum should be established to monitor the MOH and contractors so that their expenditure was transparent and accountable.
29. The MOH said that there were a number of accountability measures that would apply to the funding obtained for implementation of the strategy. It said that the money was explicitly coded so that it could not be used for other purposes, and that MOH would be accountable for the expenditure of the money. It was noted that MOH had reporting requirements to parliament and its Ministers on both financial capability and performance.
30. Some gambling industry representatives also wanted assurance that the levy amount was not used for other purposes, including a treatment of drug and alcohol problems when these intersected with problem gambling issues (SkyCity & Sthn Trust). The MOH said that it had to find a balance between treating people holistically and streamlining treatment for individual problems and that this was a challenge that it faced.

Qualitative Availability

31. A large number of representatives also expressed concern about the lack of benchmarking in the strategy (SkyCity, Sthn Trust, Problem Gambling Foundation, Clubs, Local Govt, Gambling Helpline & Charity Gaming Assocn). The gambling industry in particular wanted the Ministry of Health to demonstrate their success against targets so that they could check that the services offered were performing and that the levy was therefore being well spent. The MOH said that they are experienced in benchmarking and that this will be incorporated into the Funding Plan and service contracts with suppliers. Additionally, the MOH said that all programmes would be evaluated and funding for research of programs was built in to each area's funding.

The Strategy Generally

Lack of Detail

32. A general comment from many representatives was that the strategy was at a reasonably high policy level and lacked sufficient detail for them to enable them to comment properly on the strategy or to consider whether it would be effective or not (Problem Gambling Cttee, Problem Gambling Foundation, Racing & Chch Casino, SkyCity). The MOH accepted that the strategy was at a reasonably high policy level but maintained that this necessary was because it was an evolving document and needed to be flexible.

Objectives of the Strategy

33. There was general support for the basic objectives of the strategy. The only query over the objectives came from the gambling industry which expressed concern as to what the Ministry of Health's objective would be in the public health campaign. Industry representatives stressed that gambling was a legitimate activity in an already highly regulated environment, and that the Ministry of Health should not adopt an "anti-gambling" approach, that would stigmatise the industry (SkyCity, HANZ & Sthn Trust). It was suggested that the Ministry of Health should focus on minimising harm by advertising how gambling could be undertaken responsibly and one representative asked if industry could participate in the development of the campaign (SkyCity). Sthn Trust's representative summed up the general feeling by saying that appropriate comparable public health campaigns were the "sun safe" and "safe sex" campaigns, rather than "like minds/like mine" and anti-smoking campaigns. There was also concern that a disproportionate amount should not be spent on this aspect of the strategy, at the expense of helping those directly at risk or existing problem gamblers (Clubs, Lion Foundation & HANZ).

Gaps in the Strategy

34. There was wide spread concern that the strategy did not adequately provide for youth (Racing, Chch Casino, Clubs, Lion Foundation, Sthn Trust, NPGP, Problem Gambling Helpline & Problem Gambling Foundation). These representatives were concerned about an emerging youth problem in particular because of the technological abilities of youth and their ability to access internet gambling opportunities. All were in support of a programme to be placed and run in schools. The Problem Gambling Foundation reported that a lot of time and money had already been spent in developing and piloting a programme for schools but that surprisingly not enough money was allocated in the strategy to roll that programme out. The MOH said that it did not deliberately leave out youth, and that they are incorporated in a number of categories in the funding plan. The MOH had developed the strategy on the basis of ethnic populations, rather than life stages.
35. There were also concerns expressed that the strategy did not adequately provide for: elderly; those in custody; or "affected others" (Salvation Army, NPGP, THW & Problem Gambling Foundation). The MOH said that in the strategy it had targeted

money to population groups primarily and that it had decided not to target age groups as this would have fragmented the available funds to such an extent that no group would have sufficient funding. Racing and Clubs raised issues too regarding the need to provide strategies for those involved with offshore gambling over the internet and within non-contributing sectors like Housie.

Research

36. All the representatives agreed that there is a need for more research regarding problem gambling in New Zealand but differed in terms of where research efforts should be focused.
37. Industry representatives expressed concern at the implementation of new services before research was undertaken, and said that any services or strategies adopted should be evidence based, not based on best guesses. Industry representatives therefore advocated a period of research and testing, rather than the implementation of a wide range of new initiatives which had no evidential basis (Lotteries Commn, Clubs, Sthn Trust, Gaming Machine Assocn, Racing, Charity Gaming Assocn, Lion Foundation & HANZ). In comparison, the MOH and representatives of service providers (PGF & Salvation Army) preferred the approach used in the strategy, of implementing programs thought to be required while at the same time undertaking research to better understand problem gambling. Under this approach, services can later be changed to reflect research outcomes.
38. There was broad agreement that the research that is required includes evaluation of any services or interventions that the MOH implemented, and longitudinal and other studies to better understand the extent, cause, and effects of, problem gambling. There was recognition of the need, in particular, to better understand the extent of problem gambling in Asian communities, and gambling risks for youth.

Under Funded Areas

39. As well as discussion of under funding for youth, a number of representatives raised concerns that the research component in the strategy was under funded (Lions, Clubs, GRC & Problem Gambling Foundation). The Gambling Research Centre said that currently 7% of voluntary levy is allocated to research and suggested that, rather than the current static amount that this 7% allocation of the total spend should continue. The MOH said that the figures allocated under the heading research in the strategy was not all the money set aside for research. The MOH would also use some money under each of the other funded areas to evaluate the programmes provided in those areas.
40. The Problem Gambling Helpline, PGF and Clubs expressed concern about the static amount of money given to the Problem Gambling Helpline. The Helpline service was described as an excellent and cost effective service. The Helpline said that it needed more money to allow the service to expand to cater for increasing demand and to roll out new services. There was also concern that as Asian groups may be under presenting that the funding allocations to this group should be increased (Racing, ChCh Casino, Clubs & Problem Gambling Foundation).

Removal of References to the Treaty of Waitangi

41. The Maori and Pacific Island service providers expressed concern that references to the Treaty of Waitangi which were contained in the March 2004 draft strategy, were removed from the proposed strategy (TROK, THW & NPGP). It was said that Maori should have proper acknowledgment as the Treaty partner within the strategy. It was expressed that this was very important in the current political climate, as if Treaty references were not included it would erode the bargaining power enabling Maori to get traction on the issue (THW).

42. The MOH said that the removal of the Treaty references was part of a Cabinet directive, and that it had not significantly affected any of the funding allocations or any of the descriptions or intentions around providing services for Maori. The MOH said that the strategy was guided by He Korowai Oranga: the Maori Health Strategy which referred to and was consistent with the Treaty.

Need to Provide Sufficient and Appropriate Services to all Population Groups

43. The need to provide a sufficient number, and appropriate services to all population groups, particularly in relation to Pacific Island and Asian communities (NPGP & Problem Gambling Foundation). Providing appropriate services would involve: undertaking research in which non-English speakers could be surveyed, providing services in which population groups would have self-ownership of the service, recognition that "Asians" were not all the same and that specific services were required within "Asian services" for the full spectrum of new immigrants.

Integration

44. Representatives were disappointed that the strategy did not set out a clear and continuing role for their inclusion in the new system (SkyCity, Clubs & Racing). There was a general concern that the strategy failed to provide ways in which the different: sectors; service providers; and government departments, could work together to share information and resources (Local Govt NZ, Gaming Machine Asscn, SkyCity, Clubs, Racing & THW). There was also concern that the lack of co-operation and network would lead to duplication of work and cross over of initiatives (THW).
45. Industry representatives in particular were surprised that the strategy did not incorporate initiatives or funding to involve the industry. Clubs and NZRB suggested that initiatives within the industry, similar to the host responsibility strategies in the alcohol industry, would be a cost effective and efficient way of addressing some parts of the problem. There was also support from industry representatives for the continuation of an industry forum, or other similar body (Lotteries Commn, SkyCity, Sthn Trust & Charity Gaming Asscn).
46. Concern was also expressed that although a "whole government approach" was discussed in the strategy, that it was unclear from the strategy how this was to work in practise, or how this was to be funded (Local Govt NZ, Gaming Machine Asscn & THW).

Organisation	Abbreviation
Ministry of Health	MOH
Department of Internal Affairs	DIA
Problem Gambling Purchasing Agency	PGPA
Lotteries Commission	Lotteries Commn
New Zealand Racing Board	Racing
Christchurch Casino	Chch Casino
SKYCITY	SkyCity
Clubs NZ	Clubs
Gaming Machine Association	Gambling Machine Assocn
Hospitality Association of New Zealand	HANZ
Southern Trust	Sthn Trust
Charity Gaming Association	Charity Gaming Assocn
Te Runanga O Kirikiriroa	TROK
Te Herenga Waka	THW
National Pacific Gambling Project	NPGP
Woodlands Charitable Trust	Woodlands
Gambling Research Centre, AUT	GRC
Sport and Recreation New Zealand	SPARC
Local Government New Zealand	Local Govt NZ