

Hon Chris Tremain
Hon Peter Dunne

20 November 2012

REPORT ON THE PROPOSED PROBLEM GAMBLING LEVY: 2013-2016

1. INTRODUCTION

- 1.1 This Report is submitted by the Gambling Commission (the "**Commission**") to Ministers pursuant to section 318(5) of the Gambling Act 2003 (the "**Act**"). It makes recommendations on the total amount of the proposed Problem Gambling Levy for the period 1 July 2013–30 June 2016, and the proposed levy rate for each gambling sector.
- 1.2 The purpose of the levy is to recover the cost of developing, managing and delivering the integrated problem gambling strategy proposed by the Ministry of Health (the "**Ministry**"). This report should be read alongside the Ministry's proposed strategy.
- 1.3 Section 319(1) of the Act contemplates that, after considering this Report, Ministers will recommend that the Governor-General make regulations by Order in Council, requiring gambling operators to pay a levy to the Crown.

2. EXECUTIVE SUMMARY

- 2.1 The Commission's recommendations are as follows:
 - (a) That the total amount of the levy for the 3-year period 1 July 2013–30 June 2016 be set at \$54,046,634.
 - (b) That the weightings attached to W1 (expenditure) and W2 (presentations) be set at 30:70.
- 2.2 30:70 is the most appropriate weighting as:
 - (a) The non-casino gaming machine ("**NCGM**") sector generates the most gambling-related harm. A 30:70 weighting recognises this.
 - (b) The shift in both expenditure and presentations away from NCGMs, and towards Lotteries Commission ("**Lotteries**") and NZ Racing Board ("**NZRB**") products, indicates a greater share of the burden should be borne by these sectors. A 30:70 weighting would achieve this.
 - (c) The Act's definition of "harm" is very broad. Presentations represent only a small portion of gambling harm and do not capture the full extent of the harm that is associated with gambling. A 30:70 weighting recognises that presentation data,

as collected, does not reflect the number of people experiencing harm as a result of gambling.

- (d) The Problem Gambling Levy is intended to recover the cost of developing and implementing the integrated problem gambling strategy focused on public health. In addition to intervention services, the strategy includes measures to promote public health by preventing and minimising harm from problem gambling. It also includes gambling research and evaluation. A gambling sector's share of presentations to intervention services is not necessarily an appropriate way of determining the share that a sector should bear of the public health, research and evaluation costs.
- (e) A substantial component of the gambling levy investment is to build resilience to problem gambling in the broader population. This is better captured by a 30:70 weighting as it spreads the burden more fairly across the four major gambling sectors.

- 2.3 Applying the proposed weightings to the quantum, the levy rates for collection be set as follows:

	NCGMs	Casinos	NZRB	Lotteries
Sector levy rates (%)	1.22	0.76	0.65	0.41
Expected levy (\$ millions, excl GST)	31.06	11.64	5.83	5.39

- 2.4 Changing the weightings from 10:90 to 30:70 slightly redistributes the relative burden for the NCGM sector. NCGM's share of the total sum payable would reduce from 61.7% (10:90 weighting) to 57.5% (30:70 weighting) – still the majority of the fund, but slightly reduced.

3. BACKGROUND

- 3.1 As contemplated in the Act, there was a two-step consultation process to setting the levy and levy rates, involving consultation by the Ministry and then the Commission.
- 3.2 The Ministry developed an Integrated Problem Gambling Strategy for the period 2013-2016. The Ministry developed this strategy within the context of the "Preventing and Minimising Gambling Harm: Six-year Strategic Plan 2010/11-2015/16."
- 3.3 The Ministry sought submissions on its proposal from 10 August 2012 to 7 September 2012. A wide range of gambling harm service providers, health sector groups, gambling industry groups, researchers and Local Government representatives were advised of the proposal.

- 3.4 The Ministry convened 10 meetings in total, comprising five general meetings in Auckland, Hamilton, Wellington, Christchurch and Dunedin; three designed to obtain Māori, Pacific and Asian viewpoints (all in Auckland); and two separate meetings with the Gambling Industry.
- 3.5 The Ministry received 37 written submissions in total.
- 3.6 Following its consultation, the Ministry reconsidered the draft Service Plan and levy rates set out in its initial document, in light of feedback in the consultation meetings and submissions. The Ministry also updated other information, such as gambling expenditure and presentation figures received after the consultation document was written.
- 3.7 On 15 October 2012, the Ministry submitted to the Commission its revised documentation and a report outlining its changes. The Commission provided these to the invitees to its consultation meeting, which was held in Auckland on 8 November 2012.
- 3.8 As required under section 318(4) of the Act, the Commission requested the attendance at that meeting of the Ministry, the Department of Internal Affairs ("**Department**"), representatives of gambling operators who will be subject to the levy, representatives of providers of gambling services, and representatives of other groups which the Commission believed were likely to be significantly affected by the levy. **Attached** as Annex 1 is a list of those who attended the meeting, and those who were invited but did not attend.
- 3.9 A summary of submissions made at the meeting is **attached** as Annex 2.
- 3.10 As contemplated in section 318(6) of the Act, the Commission engaged an expert, Synergia Limited, to advise it on the Ministry's proposed Service Plan and levy calculations. Synergia's report to the Commission is **attached** as Annex 3. The Commission's solicitors, Wilson Harle, also provided advice on the construction and interpretation of sections 318-320 of the Act. Sections 318 and 320 of the Act are **attached** at Annex 4.
- 3.11 The Commission is required to report to responsible Ministers within 10 working days of its 8 November 2012 consultation meeting, with recommendations on the total amount of the Problem Gambling Levy and the proposed levy rate for each sector. This Report is submitted in accordance with that requirement.

4. APPROACH TO ANALYSIS

4.1 Section 318(5) of the Act directs the Commission to make recommendations on the total annual amount of the Problem Gambling Levy for the three year period and the levy rate for each gambling sector. The consultation undertaken by the Commission, expert advice received by the Commission, and its own deliberations have focused principally on these two key matters.

4.2 In making its recommendations, the Commission has focused on each of the Component values of the formula used to calculate the proposed levy rates. This is set out in section 320 of the Act, as follows:

$$\text{levy rate} = \frac{((A \times W1) + (B \times W2)) \times C}{D}$$

4.3 The top line of the formula establishes the total potential levy liability of each gambling sector. The bottom line of the formula, once calculated, establishes how much, per dollar of expenditure, a sector is required to pay by way of levy to the Inland Revenue Department ("IRD").

4.4 The Component values to which reference is made in the formula are described in section 320(2) as follows:

A is the estimated current player expenditure in a sector divided by the total estimated player expenditure in all sectors subject to the levy;

B is the customer presentations to problem gambling services that can be attributed to gambling in a sector divided by total presentations from sectors subject to the levy;

C is the Ministry's funding requirements, taking into account the cost of the integrated problem gambling strategy in the period for which the levy is payable and any under-recovery or over-recovery of levy in the prior period;

D is the forecast player expenditure in a sector for the levy period; and

W1 and W2 – are weights, the sum of which is 1.

5. ANALYSIS OF COMPONENT A – CURRENT PLAYER EXPENDITURE

5.1 Component A represents the percentage of total expenditure for each of the four sectors. Although the Act does not indicate the relevant time period for the comparative calculation, section 320(3)(b) of the Act provides that the Component A amount “must take into account the latest, most reliable, and most appropriate sources of information.” The Department used expenditure data for the period 1 July 2011 to 30 June 2012, provided to it by the IRD.

5.2 The Department did not disclose the Component A data on the basis that it would result in the disclosure of tax details of individual taxpayers, which is prohibited under the Tax Administration Act, but did provide the Commission with the Component A share for each sector, as follows:

	NCGMs	Casinos	NZRB	Lotteries
Sector share of Component A	0.4216	0.2390	0.1399	0.1994

5.3 The Commission also notes that expenditure data are available from the Department’s website. Data for the past five years for each of the four sectors subject to the levy are shown in Table 1 below.

Table 1 – Gambling Expenditure Statistics 2007-2011

Gambling Sector	2007 (\$m)	2008 (\$m)	2009 (\$m)	2010 (\$m)	2011 (\$m)
NCGMs	950	938	889	849	856
Casinos	469	477	465	454	471
Lotteries	331	346	404	347	404
NZRB	269	272	269	278	273

Source: Department of Internal Affairs’ website 2012

5.4 Over this period, expenditure for the NCGM sector declined from 47% of overall expenditure in 2007, to 43% in 2011. Lotteries expenditure rose from 16% to 20%, while NZRB expenditure increased from 13% to 14%, and casino expenditure increased from 23% to 24%.

6. ANALYSIS OF COMPONENT B – CUSTOMER PRESENTATIONS TO PROBLEM GAMBLING SERVICES

6.1 Component B represents the percentage of customer presentations to problem gambling services attributed to gambling in a sector. As with Component A, the Act does not indicate the time period for comparison but the amount must take into account the latest, most reliable, and most appropriate sources of information.

- 6.2 The data for Component B is generated by the Ministry from data collected by problem gambling service providers and recorded in the Client Information Collection database (“**CLIC**”). The data presented to the Commission and relied upon is for the period 1 July 2011 to 30 June 2012.
- 6.3 Presentation data is collected by problem gambling treatment providers, from clients who receive a full diagnostic assessment in the course of seeking assistance with problem gambling. In each assessment, the client is asked to identify each type of gambling which has caused the person harm. Each person who received a full assessment during the period counts as a presentation whether he or she is a problem gambler, an affected family member, or an affected other. Presentation numbers are unaffected by the nature of the treatment or the degree of reported harm suffered. Brief interventions, which do not involve a full assessment in which sector harm is identified, are not included in the presentation data used.
- 6.4 Up to five gambling modes (forms of gambling which have caused the person harm) can be recorded for each client. If a client records more than one gambling mode, the client is split, for calculation purposes, equally between all modes recorded. The Ministry advises that 78% of clients record only one mode, with 94% of clients recording one or two modes.
- 6.5 The unique client presentation data for the July 2011–June 2012 period is shown in Table 2 below.

Table 2 – Total unique clients per gambling mode – 1 July 2011 – 30 June 2012

Gambling mode	2011-12
NCGMs (Pubs)	3234
NCGMs (Pubs) %	52%
NCGMs (Clubs)	474
NCGMs (Clubs) %	7.6%
Casino Gaming Machines	641
Casino Gaming Machines %	10.3%
Casino Tables	547
Casino Tables %	8.8%
Track Betting	362
Track Betting %	5.8%
Sports Betting	185
Sports Betting %	3%
Lotto	277
Lotto %	4.5%
Keno	10
Keno %	0.2%
Instant Kiwi	52
Instant Kiwi %	0.8%
Housie	142
Housie %	2.3%
Cards	73
Cards %	1.2%
NZ Other Gambling	111
NZ Other Gambling %	1.8%
Overseas	112
Overseas %	1.8%
Total unique clients	6216
Total %	100%

Source: Ministry of Health 2012 (Note that figures do not total 6216 due to rounding, but 6216 represents the total number of unique clients.)

- 6.6 Distilling this data to include only those sectors that are subject to the levy produces the data which is relied upon by the Ministry for Component B in the formula. This is shown in Table 3 below.

Table 3 – Sector share presentations 2011/12 – Component B

	NCGMs	Casinos	NZRB	Lotteries	Total
Presentations 2011/12	3708	1188	547	339	5782
Sector Share %	64.1%	20.5%	9.5%	5.9%	100%

Source: Ministry of Health 2012

Presentation trends

- 6.7 Table 4 below shows the total unique clients presenting for gambling problems from 2007/08 to 2011/12, by sector.

Table 4 – Unique client presentations 2007/08-2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12
NCGMs	3063	3933	4160	3945	3708
Casinos	849	1050	1131	1073	1188
Lotteries	97	304	332	332	339
NZRB	328	413	449	476	548
Cards	42	136	82	56	73
Housie	20	52	25	65	142
Other	42	127	187	186	223
Total	4441	6015	6367	6133	6216

Source: Ministry of Health 2012 (Note: Excludes brief interventions.)

- 6.8 Table 4 shows that the NCGM sector generated 69% of unique client presentations in 2007/08, reducing to 60% by 2011/12. Casino presentations remained steady at 19%, while Lotteries increased from 2.2% to 5.5%, and the NZRB increased from 7.4% to 8.8%.

New client presentations

- 6.9 Table 5 below sets out the new client presentations by gambling sector from 2007/08 to 2011/12. Synergia advises that this data points to the rate of growth of presentations, meaning that if there are fewer new clients, then a declining number of clients can be expected over time.

Table 5 – New client presentations 2007/08-2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12
NCGMs	1955	2429	2366	1961	1961
Casinos	542	648	625	562	614
Lotteries	66	243	227	205	240
NZRB	204	271	244	249	306
Cards	24	113	46	30	54
Housie	13	44	13	58	80
Other	30	105	117	115	148
Total	2834	3854	3637	3180	3406

Source: Ministry of Health 2012 (excludes brief interventions)

- 6.10 From 2007/08 to 2011/12, the NCGM share of new client presentations declined from 69% to 58%, casinos declined from 19% to 18%, while Lotteries and the NZRB increased from 2.3% to 7% and 7.2% to 9% respectively.

7. COMPONENT C – MINISTRY OF HEALTH FUNDING REQUIREMENTS

- 7.1 Component C comprises the Ministry's funding requirements for the 2013-2016 period. The Ministry seeks \$54,046,634, which is slightly less than the \$54,900,447 that it sought for the prior levy period. The quantum sought by the Ministry is calculated as follows:

Table 6 – Ministry's funding reconciliation

Problem gambling funding requirement	\$ (GST excl)
2013/14	\$19,195,542
2014/15	\$18,811,617
2015/16	\$17,331,169
Subtotal	\$55,338,328
Less forecast over-collect from 2010-2013 levy period	(\$1,146,200)
Less forecast Ministry under-spend from 2010-2013 levy period	(\$170,000)
Plus variation from forecast to 30 June 2010	\$24,506
Total funding requirement for 2013-2016	\$54,046,634

- 7.2 In calculating its requirements, the Ministry took into account any under-recovery or over-recovery of the levy in the previous period, as it is required to do under section 320(3)(c)(iii) of the Act, and a forecast Ministry under-spend for the 2010-13 period.
- 7.3 Table 7 sets out the Ministry's budget requirements for 2013-2016 in each of its four categories of spend, as shown below.

Table 7 – Costs for categories of funding

Services	2013/14 (\$)	2014/15 (\$)	2015/16 (\$)
Public health services	6,778,747	6,858,000	6,834,980
Intervention services	8,330,000	8,550,000	8,420,350
Research contracts	3,129,751	2,425,000	1,075,000
Ministry's operating costs	957,044	978,617	1,000,839
Total	19,195,592	18,811,617	17,331,169
Total 2013-2016			\$55,338,328

- 7.4 Overall, there was broad support for the Ministry's funding requirements at the Commission's meeting. Abacus Counseling, Training and Supervision Limited ("**Abacus**") submitted that the quantum was insufficient (as it contained no contingency for increased help-seeking; it contained no strategy for the likely impact of online gambling; it proposed insufficient funding for research; and it proposed little funding for innovative, new developments to address gambling harm), but the general tenor was that the quantum appeared to be appropriate.
- 7.5 The Commission is of the view that the sum sought by the Ministry is appropriate. The Ministry has set out a clear Service Plan for the next three years with associated costings. The Service Plan is comprehensive, well thought out and targeted, while the costings demonstrate a willingness to operate within tight fiscal parameters.
- 7.6 The sum sought is slightly less in dollar terms than the Ministry sought for the 2010-13 period, which in itself was less than the sum sought for the 2007-10 period. The reduction in real terms is, therefore, reasonably significant once inflation for those six years is incorporated.
- 7.7 This fiscal constraint is further emphasised by the Ministry's intention to test the market for a range of services in forthcoming years.
- 7.8 The Commission considers the Ministry's approach to be in accordance with the current need for the public sector to do more, with less.
- 7.9 In reaching its decision on quantum, the Commission noted Synergia's advice that the Ministry's funding requirements have been appropriately calculated and that the funding level appears to be well-founded and valid.
- 7.10 Each of the four categories of spend is considered below.

Public health

- 7.11 The Ministry is proposing to spend \$20.5 million (excluding GST) on public health. This represents a small decrease from the 2010-2013 period. Within this service line, the Ministry has increased funding for workforce development by 33% to \$480,000 over the

three years. In doing so, the Ministry has acknowledged the need to provide greater clarity around competency-based requirements and expectations of the workforce. This topic generated considerable debate at the Commission's meeting, with some of the NCGM sector seeking greater clarity in this area.

- 7.12 An increase in workforce development appears sensible to the Commission.
- 7.13 The Ministry also notes that a key priority is building capacity in the workforce in relation to Māori, Pacific and Asian populations. The Commission fully endorses this, given the high needs of these populations.

Intervention services

- 7.14 The Ministry is proposing to spend \$25.3 million (excluding GST) on intervention services in the 2013-16 period. This represents a reduction of \$226,000 on the previous period.
- 7.15 The most significant change within this service line is the reduction in funding for Gambling Helpline ("GH") – by \$1.3 million over the three years to \$3.3 million, as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Gambling Helpline	1,500,000	1,530,000	1,560,600	1,100,000	1,100,000	1,100,000

- 7.16 The Commission is of the view that the Ministry's basis for reducing this funding is soundly based. In reaching this decision, the Commission notes as follows:
- (a) The number of new clients using GH has declined significantly since 2002 (the number using the service in 2011 was only 46% of those using the service in 2002).
 - (b) The KPMG Value for Money Review in 2011 noted that GH is a very expensive service when compared to similar services in New Zealand and overseas.
 - (c) The reintegration of GH within Lifeline Aotearoa reduced overheads in service provision.
- 7.17 The Commission also noted Synergia's advice that the reduction for GH appears appropriate.

Research

- 7.18 The Ministry is proposing to spend \$6.6 million (excluding GST) in the 2013-16 period. This represents an increase of almost \$500,000 on the previous period.

- 7.19 The Commission is of the view that the funding level for research contracts is appropriate, but noted Synergia's advice; that consideration should be given for future research on the increased risk for young people in relation to online gambling. At the Commission's meeting, the Ministry stated this is on its future agenda.
- 7.20 Synergia also suggests that the Ministry should:
- (a) prepare and seek submissions on a research agenda for the period beyond 2015/16, with potential areas of interest including supply-side interventions and e-therapies; and
 - (b) review the scope and level of research investment given that many substantial research investments will have concluded by 2015/16.

Ministry's operating costs

- 7.21 The Ministry's proposed budget for 2013-2016 is the same as for the existing levy period. The Commission commends the Ministry for exercising fiscal constraint.

8. COMPONENT D – FORECAST PLAYER EXPENDITURE

- 8.1 Component D provides the forecast player expenditure in a sector for the period during which the levy is payable. The Department undertakes the forecast and reports its findings through to the Ministry.
- 8.2 The Department has forecast the following expenditure for each of the four sectors in Table 8 below.

Table 8 – Forecast player expenditure by sector

Forecast expenditure	NCGMs	Casinos	NZRB	Lotteries
2013/2014 (\$m)	848.7	500.6	293.1	420.7
2014/2015 (\$m)	848.7	510.6	298.9	441.7
2015/2016 (\$m)	848.7	520.8	304.9	452.7

- 8.3 The Department's reasoning for these forecasts is set out in the Ministry's Service Plan, and was elaborated upon by the Department at the Commission's consultation meeting.
- 8.4 Unlike previous consultation meetings, the Department's forecasts generated very little debate, although Pub Charity and the Community Gaming Association suggested that there will be a further over-collection in the next period. (Historically, Department forecasts have under-estimated actual expenditure, which has resulted in higher collection than intended, which is, in turn, taken into account in the levy calculation for the

following period. There has been a degree of controversy about how such “over-collections” should be treated as between sectors.)

9. WEIGHTINGS

- 9.1 The weighting variables, and their application to Components A and B, are central to determining the share of levy payable by each of the four sectors. The only legislative guide is in the statement of purpose in section 319(2) – that the levy is “to recover the cost of developing, managing, and delivering the integrated problem gambling strategy.” Section 320(2) provides that W1 and W2 must total 1 but gives no guidance on the allocation of value to each, a matter which determines the extent to which the balance should be struck between sectors paying according to their gambling revenue, or according to the number of people presenting for treatment attributable to each sector.
- 9.2 At the Commission’s consultation meeting, the majority of submitters supported a 30:70 weighting. The only alternative discussed substantively, 10:90, was supported (uniquely among the problem gambling service providers) by the Problem Gambling Foundation (“PGF”) (and its Pacific Unit, Mapu Maia), on the basis that NCGMs cause the most presentations so the “exasperator should pay.” Gambling operators supported the weighting most favourable to them.
- 9.3 The Ministry proposed a 30:70 weighting for the 2010-13 levy period and does so again for the 2013-16 period. The Ministry’s rationale for a 30:70 weighting is set out fully on pages 32-35 of its Service Plan, and includes the following:
- (a) Presentations to treatment providers who carry out a full assessment are not the only indicator of harm. Other examples include estimates of problem gambling prevalence using screening instruments, or survey questions. These “other” indicators of harm should be used, in addition to presentation data as collected, to inform the weighting decision.
 - (b) One important indicator is the harmful impact that gambling has on the wider family or household.
 - (c) The two indicators of harm, presentations and the “household harm” question in the NZHLS, when taken together, suggest that Lotteries should pay at least 5.9% of the total levy funding requirement, but no more than 15%.

A 30:70 weighting would require Lotteries to pay \$5.4 million of the \$54 million to be raised by the levy. This is a share that is almost exactly in the middle of the 5.9% to 15% range.

This type of analysis suggests that:

- the NCGM share should be between 64.1% and 55%;
- the NZRB share should be between 9.5% and 16%;
- the Lotteries share should be between 5.9% and 15%.

A 30:70 weighting is a good fit on these three criteria.

The share for the casino sector should be between 20.5% and 14%. Only a 0:100 weighting would bring casinos within this range. The proposed 30:70 weighting would require casinos to pay a 21.6% share.

- (d) The definition of harm in the Act is very broad. Presentations represent only a small subset of gambling harm, and that subset tends to be at the acute end of the continuum. Research findings indicate that gambling sectors are not associated with harm across the continuum of harm in the same proportion as they are associated with presentations to intervention services.
- (e) The Problem Gambling Levy is intended to recover the cost of developing and implementing the integrated problem gambling strategy focused on public health. In addition to intervention services, the strategy must include measures to promote public health by preventing and minimising harm from problem gambling. It must also include gambling research and evaluation. A gambling sector's share of presentations to intervention services is not necessarily an appropriate way of determining the share that a sector should bear of the public health, research and evaluation costs.

9.4 The Commission concurs with the Ministry's analysis and recommends a 30:70 weighting. In reaching this decision, the Commission notes as follows:

- (a) The NCGM sector generates the most gambling-related harm. A 30:70 weighting recognises this.
- (b) The shift in both expenditure and presentations away from NCGMs, and towards Lotteries and NZRB products, indicates a greater share of the burden should be borne by these sectors. A 30:70 split would achieve this.
- (c) Presentation data are not an accurate measure of harm caused by gambling, as they are limited to clients who approach problem gambling services and who receive a full assessment. Much gambling harm in the community is not reflected in those data. Shifting the weighting towards expenditure (from 10 to 30) more fairly reflects sector responsibility for harm overall.

- (d) A 30:70 weighting is a logical extension of the public health approach of the Ministry's Gambling Strategy and Service Plan, which focuses beyond treatment at the acute end of the harm continuum (represented by presentations to problem gambling service providers involving a full assessment).
- 9.5 The Commission also notes Synergia's advice that 30:70 is the most appropriate weighting.
- 9.6 The submissions by PGF (that NCGMs cause most presentations), focus on a very narrow subset of harm – presentations to problem gambling treatment providers.
- 9.7 Other service providers, such as the Nga Manga Puriri Trust, Hapai Te Hauora Tapui, Abacus and Woodlands Charitable Trust ("**Woodlands**") recognised the Act's broader definition, with some indicating that presentation data is not an accurate measure of harm. Local Government New Zealand ("**LGNZ**") supports the 30:70 weighting on the basis that it looks at problem gambling at a societal level, rather than the problems that individuals suffer. LGNZ also noted that with Lotto, for example, people do not need to have a diagnosed gambling problem for the gambling to be a problem at a household level. The Commission concurs with these submissions.
- 9.8 The Ministry is mandated by the Act to develop an integrated problem gambling strategy that is focused on public health. It must take an approach which goes beyond treatment at the acute end of the harm continuum, represented by presentations involving full assessment. Reducing the emphasis on presentations, and increasing the emphasis on expenditure, better reflects this public health approach, and spreads some of the burden more fairly across all four gambling sectors.
- 9.9 A substantial component of the gambling levy investment is to build resilience to problem gambling in the broader population, and this is better reflected by placing more emphasis on expenditure.

Impact of weighting changes

- 9.10 Changing the weightings does not affect the overall quantum but does reduce the relative burden of the NCGM sector slightly, with Lotteries carrying the greatest relative increase. The Commission considers that this is justified given the proportionate reduction in NCGM expenditure and presentations, and the proportionate increase by Lotteries.
- 9.11 A shift from 10:90 to 30:70 would reduce the sum payable by the NCGM sector from \$33.35 million to \$31.06 million, and increase the sum paid by Lotteries from \$3.95 million to \$5.39 million. The contribution by casinos and the NZRB would also increase,

although to a lesser extent than for Lotteries. The effects of the different weightings (including 20:80) on each sector are shown in the tables below.

Levy rate 30:70

	NCGMs	Casinos	NZRB	Lotteries
Sector levy rates %	1.22	0.76	0.65	0.41
Expected levy \$(m)	31.06	11.64	5.83	5.39

Levy rate 20:80

	NCGMs	Casinos	NZRB	Lotteries
Sector levy rates %	1.27	0.75	0.63	0.36
Expected levy \$(m)	32.33	11.49	5.65	4.73

Levy rate 10:90

	NCGMs	Casinos	NZRB	Lotteries
Sector levy rates %	1.31	0.74	0.60	0.30
Expected levy \$(m)	33.35	11.34	5.38	3.95

- 9.12 On the information available to the Commission, a 30:70 weighting best reflects the proportion of the occurrence of harm caused by each of the sectors, taking into account the prevalence and survey data in addition to the presentations involving full assessment data used in Component B.

10. OTHER ISSUE – PUBS/CLUBS SPLIT

- 10.1 In the Commission's 2006 report to Ministers, the Commission stated that there is a *prima facie* case for non-commercial NCGM venues to be recognised as a separate sector subject to the levy, based upon lower expenditure and presentations compared with commercial NZGM venues. Non-commercial NCGM venues have not, to date, been separated from commercial venues.
- 10.2 The Ministry states that the evidence for separating the non-commercial venues is now more equivocal, based upon the most recent expenditure and presentation data, and that separation might achieve very little. In any event, the Ministry states that the IRD has no capacity over the next three years to implement the separation as doing so requires significant changes to its IT system.
- 10.3 Clubs NZ expressed its frustration with the IRD's inaction to date, and further submitted that the 2012 data, in isolation, is an insufficient basis for postponing or abandoning the sector split.
- 10.4 The Commission's position on the issue is this. The IRD has stated that it does not have the capacity to create a separate non-commercial NCGM sector over the next three

years. The issue whether the NCGM sector should be separated for levy collection purposes is, therefore, moot – it cannot be done.

- 10.5 All that can happen, as Synergia suggests, is that the Ministry continues to monitor presentation and expenditure figures for commercial and non-commercial venues over the next three years to ascertain whether the 2012 data are an aberration, or not. The matter can be reconsidered again in 2015, by which time the IRD may have capacity to implement the separation if the data supports such a move.
- 10.6 The Commission also notes that when asked directly whether it would choose a split NCGM sector, or a 30:70 weighting, Clubs NZ answered that it would prefer a 30:70 weighting.
- 10.7 Finally, the NZRB submits that NCGMs in its TABs should also be recognised as an additional sector. The Ministry does not support the creation of a separate NZRB NCGM sector as there is no evidence that NCGMs in these venues justify the creation of a separate category for levy contribution purposes. As there are only around 30 such venues, any difference in resulting levy liability is likely to be minimal in any event. Synergia's advice is that such a separation is not a priority activity.

11. CONCLUSION

- 11.1 The Commission thanks Ministers for this opportunity to review and comment on the proposed levy and rates, and is available to answer any questions Ministers may have in relation to this Report.



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