

Hon Brooke van Velden
Hon Matt Doocey

13 February 2025

REPORT ON THE PROPOSED PROBLEM GAMBLING LEVY: 2025-2028

1. INTRODUCTION

- 1.1 This Report is submitted by the Gambling Commission (the “**Commission**”) pursuant to section 318(5) of the Gambling Act 2003 (the “**Act**”). It makes recommendations on the total annual amount of the Problem Gambling Levy for the period 1 July 2025–30 June 2028, and the levy rate for each gambling sector subject to the levy.
- 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**”). The formula for determining the levy is set out in the Act. A key part of the formula is the decision fixing the weighting to be applied between current player expenditure and presentations to problem gambling services.
- 1.3 Section 319(1) of the Act provides 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 has a statutory role to provide independent advice to Ministers on the total amount to be levied and the rate each gambling sector subject to the levy is to pay.
- 2.2 In the advice submitted to Ministers following the 2022 levy round, the Commission explicitly noted that, while at that time it supported the Ministry’s strategy, it “attaches a significant caveat to this support in so far as it might be seen to represent an ongoing endorsement of a similar approach in future levy rounds”.
- 2.3 The Commission noted that “the level of gambling expenditure continues to rise, presentations to problem gambling service continues to decline and the rate of problem gambling prevalence remains static”. It, therefore, recommended that it was time for the Ministry to consider a fresh approach to the Problem Gambling Strategy and recommended that “the Ministry should undertake a major strategic review of its problem gambling strategy and use that review to determine the necessary funding requirements”.
- 2.4 The Commission also set out factors that it believed should be considered by the Ministry when undertaking that review. In particular, it stated that the Ministry should not accept “a historically determined budget envelope” but should “re-assess the future analytical and

operational requirements of an integrated problem gambling strategy and develop an updated comprehensive strategy with costings based on those requirements”.

- 2.5 The Ministry did not review the Strategy in the period following the 2022 consultation. It proposes to undertake a review in the next levy period. The Ministry’s proposals for the 2025-28 levy, therefore, are to cover the cost of developing, managing and delivering essentially the same Strategy that the Commission considered in 2022.
- 2.6 The Commission considered available evidence on the overall level of funding that the Ministry proposes be recovered by the levy as well as the data provided on the other components set out in the Act to calculate the rate at which each sector would be required to contribute to the levy.
- 2.7 The Commission noted changes in the available data recording numbers of presentation of problem gamblers and also the significance of increased levels of online gambling activity. Online gambling providers are not yet included in the levy but problem gamblers from this sector do present for treatment and support.
- 2.8 The Commission recommends a change in the weightings between expenditure and presentations from 30:70 to 35:65 for the following reasons:
- i. A small increase in the weighting on expenditure is consistent with a public health approach;
 - ii. As presentations to problem gambling services are declining significantly, it is appropriate to place a lesser weighting on presentations and a greater weighting on expenditure;
 - iii. It better reflects the growing significance of online gambling. Although online gambling providers are not currently covered by the levy, the cost of supporting problem gamblers using online services is borne by services covered by the levy. A greater emphasis on expenditure is appropriate to reflect this, particularly as casinos, TAB and Lotto all have an online presence, while the NCGM sector does not.
- 2.9 The levy proposed by the Ministry is \$91.805m, which is a 20.6% increase in funding. It includes a 100% increase in agency costs, but reduced allocations to research and evaluation, and to new services.
- 2.10 The Commission was disappointed that the Ministry had not undertaken any strategy review and, after considering evidence presented to it, reached a view that it could not support the proposed increase for the following reasons:

- i. The Commission was not provided with evidence that the Ministry's Strategy and Service Plans have achieved the most basic outcome of preventing and minimising harm, nor that the current Strategy has had a substantial impact on the level of gambling harm in New Zealand.
- ii. The absence of a monitoring and reporting framework for the Strategy means that it is not clear to the Commission or its expert what aspects of the Ministry's Strategy are working and what are not.
- iii. The failure to review the Strategy and assess the costs required to implement a refreshed Strategy meant it is not clear to the Commission or its expert that the sum sought by the Ministry is appropriate.
- iv. As the Ministry did not spend all of its current budget, the Commission cannot endorse an increase of such magnitude in the absence of clear evidence of the benefit of existing expenditure and a compelling basis for the proposed increase, particularly in relation to agency costs.

2.11 The Commission's recommendations are as follows:

- i. The total amount of the levy for the period 1 July 2025–30 June 2028 should be set at \$76.123 million, as it is for the current levy period. The Commission does not support the increased sum sought by the Ministry, of \$91.805 million.
- ii. The weightings of W1 (expenditure) and W2 (presentations) should be set at 35:65.
- iii. The Ministry should undertake its planned impact evaluation of the Strategy. The evaluation should have independent oversight to ensure that it is rigorous and takes place in a timely manner.

3. BACKGROUND

- 3.1 As required by the Act, there was a two-step consultation process to developing the recommended levy and levy rates, initially involving consultation by the Ministry, and then by the Commission.
- 3.2 The Ministry prepared a Consultation document entitled "Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28". This document set out the Ministry's proposed Strategy in draft, together with the costings for it.

- 3.3 On 23 August 2024, the Ministry published the Consultation document and invited submissions on it by 6 October 2024. As required by section 318(1)(h) of the Act, a range of stakeholders and potentially affected groups were consulted on the Ministry's Consultation document.
- 3.4 As part of the consultation process, the Ministry convened 13 consultation meetings and two information meetings. The consultation meetings comprised two general meetings with the rest focused on specific interests; namely the gambling industry, service providers, people with lived experience (four), Māori, Pacific, Asian and young people/rangatahi.
- 3.5 The Ministry received 64 written submissions from a wide range of stakeholders.
- 3.6 Following consultation, the Ministry amended its draft Strategy and costings. On 18 December 2024, the Ministry submitted the resulting Proposals document to the Commission. The Proposals document set out the proposed strategy and levy rates, as required by section 318(2) of the Act. The Ministry also provided the Commission with a copy of the submissions analysis prepared by Allen + Clarke, together with a document summarising the key issues raised by parties in submissions to the Ministry, and the response by the Ministry and Health New Zealand ("**HNZ**") to each issue. The Commission provided all three documents to the invitees to its Consultation meeting, which was held on 31 January 2025.
- 3.7 As required under section 318(4) of the Act, the Commission requested the attendance at that meeting of the Ministry & HNZ, the Department of Internal Affairs ("**DIA**"), representatives of gambling operators who will be subject to the levy, representatives of providers of problem gambling services, and representatives of other groups which the Commission believed were likely to be significantly affected by the levy.
- 3.8 The Commission held its consultation meeting in Auckland on 31 January 2025. **Attached** as Annex 1 is a list of those who attended the meeting, and those who were invited but did not attend.
- 3.9 The Commission engaged an expert, Synergia Limited, to provide independent advice on the Ministry's proposal, as provided for in section 318(6) of the Act. Synergia's report to the Commission is **attached** as Annex 2.
- 3.10 The Commission is required to report, within 10 working days of its consultation meeting, to the responsible Ministers with recommendations on the total annual amount of the problem gambling levy for the next three years, and the proposed levy rate for each gambling sector subject to the levy. 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 next three-year period and the levy rate for each gambling sector. The consultation undertaken by the Commission focused principally on those two key matters.

4.2 In making its recommendations, the Commission has considered each of the component values of the formula used to calculate the proposed levy rates. The formula is set out in section 320(2) of the Act, as follows:

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

4.3 The top line of the formula determines the share that each sector must contribute to the levy requirement, while the bottom line of the formula establishes how much, per dollar of expected revenue (or player expenditure), a sector is required to pay by way of levy to the Inland Revenue Department (the “**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 current 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 customer presentations to problem gambling services in which a sector that is subject to the levy can be identified;
- C** is the Ministry’s funding requirement for the period for which the levy is payable;
- D** is the forecast player expenditure in a sector for the period during which the levy is payable;
- R** is the estimated under-recovery or over-recovery of levy from a sector in previous levy periods; and

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

4.5 In addition, section 320(3) provides further statutory guidance on the sources of information which must be taken into account in setting the component values.

5. ANALYSIS OF COMPONENT A – CURRENT PLAYER EXPENDITURE

5.1 Component A represents the estimated percentage of total player expenditure for each of the four sectors subject to the levy. Section 320(3)(b) provides that the Component A amount “must take into account the latest, most reliable, and most appropriate sources of information”. Although the Act does not specify a time period over which to estimate the Component A percentage, section 320(5)(a) provides that the period used “may be for less than a year (for example, a week, a month, or a quarter)”.

5.2 In its Proposals document, the Ministry set out expenditure figures provided by the Department from 2013/14-2023/24. The Department calculated player expenditure using a variety of sources of information, including its Non-casino Gaming Machine (“**NCGM**”) electronic monitoring system, gambling operators’ annual and half-yearly reports and information from the IRD. The expenditure figures from 2013/14-2023/24 are as follows:

Gambling Expenditure Statistics 2013/14-2023/24

Gambling Sector	2013/14 (\$m)	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 (\$m)	2023/24 (\$m)
NCGM	806	818	843	870	895	924	802	987	833	1070	1037
Casinos	486	527	586	572	578	616	504	559	387	604	628
TAB	310	325	342	338	350	332	315	385	380	376	388
Lotto	463	420	437	555	561	530	631	694	654	710	728
Total	2065	2091	2209	2334	2383	2402	2252	2625	2254	2761	2781

5.3 The table above shows that gambling expenditure (not adjusted for inflation or population growth) has increased steadily over the last decade from just over \$2 billion in 2013/14 to almost \$2.8 billion in 2023/24.

5.4 The percentage shares of expenditure for each of the four leviable sectors from 2013/14 to 2023/24 are as follows:

Gambling Sector	2013/14 (\$m)	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 (\$m)	2023/24 (\$m)
NCGM	39	39.1	38.2	37.3	37.6	38.5	35.6	37.6	37	38.8	37.3
Casinos	23.5	25.2	26.5	24.5	24.3	25.6	22.4	21.3	17.2	21.9	22.6
TAB	15.0	15.5	15.5	14.5	14.7	13.8	14	14.7	16.9	13.6	13.9
Lotto	22.4	20.1	19.8	23.8	23.5	22.1	28.4	26.4	29.0	25.7	26.2

5.5 This table shows that the percentage share of expenditure has decreased over time for the NCGM, casino and TAB sectors. Lotto’s share of expenditure has increased steadily over the same 11 year period.

5.6 At the Commission’s consultation meeting, the Department noted that it had updated the expenditure figures from those previously provided to the Ministry. The expenditure figures

for casinos and TAB have decreased, while Lotto's has increased. This, in turn, has affected each sector's percentage share of total expenditure; Lotto's percentage share has increased, while the percentage shares for the NCGM, TAB and casino sectors has decreased.

- 5.7 The Component A figure for each sector for 2023/24, as provided in the Proposals document, is as follows:

	NCGM	Casinos	TAB NZ	Lotto NZ
Sector share of Component A	0.373	0.226	0.139	0.262

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

- 6.1 Component B represents the customer presentations to problem gambling services attributed to gambling in a sector. Section 320(3)(b) provides that the amount must take into account the latest, most reliable, and most appropriate sources of information. As with Component A, the Act does not indicate the applicable time period but, as it is neither expressly current, future nor an estimate, it is presumed to require use of reasonably recent actual data.
- 6.2 The data for Component B are generated from data collected by psychosocial intervention service providers and recorded in the Client Information Collection database ("**CLIC**"). The numbers cover all clients who received a full, facilitation or follow up intervention session, and exclude brief screening interventions and all presentations from persons whose primary problem gambling modes did not include one of the levied sectors. Each qualifying client seen in the period counts as one presentation, regardless of how many sessions in fact occurred. Responsibility for the collection of presentation data now lies with HNZ.
- 6.3 Below is a table setting out the presentations attributed to each of the four levy paying sectors from 2013/14-2023/24.

Presentations attributed to the four levy-paying sectors, 2013/14-2023/24

	NCGM		Casinos		TAB NZ		Lotto NZ		Total
	n	%	n	%	n	%	n	%	n
2013/14	3871	59	1413	22	651	10	590	9	6525
2014/15	3674	57	1449	22	729	11	624	10	6476
2015/16	3251	54	1221	20	696	12	812	14	5980
2016/17	3060	54	1240	22	593	10	820	14	5713
2017/18	2635	53	1135	23	515	10	657	13	4941
2018/19	2403	55	942	22	489	11	514	12	4348
2019/20	2098	54	898	23	405	10	508	13	3909
2020/21	2331	57	845	21	422	10	513	12	4110
2021/22	2111	55	808	21	394	10	535	14	3848
2022/23	1987	55	771	21	388	11	490	13	3636
2023	2118	54	794	20	399	10	586	15	3897
2023/24	1943	54	808	22	359	10	514	14	3615

6.4 The Proposals document made a number of observations about the presentation data (including observations on data collated prior to 2013/14) as follows:

- (a) The number of NCGM presentations peaked in 2009/10, but the share of NCGM presentations peaked in 2004/05. Both figures have been declining unevenly since those respective dates. Since 2015/16, NCGM's share of presentations has remained in the range of 53-57%.
- (b) The number of casino presentations has increased each year since 2004/05, until peaking in 2014/15 and has been declining steadily since then. However, the share of casino presentations has remained steady at around 22-23% since 2016/17.
- (c) The number of TAB presentations has risen each year since 2004/05 until peaking in 2014/15 with a steady decline since. The share of TAB presentations has remained steady at around 10-11% since 2016-17.
- (d) The number of Lotto presentations peaked in 2016/17 at 820 but has decreased to around 500 each year more recently. The share of Lotto presentations has remained steady over the last few years – in the range of 12-14%.

6.5 In the Proposals document, the Ministry noted that it is relying upon presentation data collected by HNZ for the calendar year 1 January 2023 – 31 December 2023, rather than from 1 July through to 30 June of the following year. This is because a major procurement of treatment services was undertaken in 2023, resulting in 19 new gambling harm treatment providers whose services all commenced from January 2024. Six of these new providers, accounting for around 15% of treatment activity, did not submit their presentation data for the period 1 January 2024 to 30 June 2024 meaning that the total dataset is incomplete for

this six-month period. HNZ does not believe that this lack of data skewed the remaining data because the treatment data that were submitted (85%) have similar presentations to the data for the 2023 calendar year. Nevertheless, HNZ considers that the data for the 2023 calendar year are the most reliable and as such, those are what have been used to calculate the share of presentations for each sector.

- 6.6 At the Commission's public hearing, New Zealand Community Trust ("**NZCT**") addressed the significant reduction in presentations to treatment services, noting that presentations have halved between 2013/14 and 2023/24.
- 6.7 The Gaming Machine Association of New Zealand ("**GMANZ**") also noted that presentation numbers have halved since 2013/14 and stated that while GMANZ supports face to face counselling, "the demand for that is not where it used to be".
- 6.8 GMANZ also commented on the accuracy of the presentation figures due to the six new providers not submitting their presentation data. In contrast to the presentation data, GMANZ submitted that the expenditure data are 100% accurate.
- 6.9 In an exchange with HNZ, GMANZ questioned the wisdom of basing the levy rates on presentations when there are issues with these data, and when there are issues with the CLIC database.
- 6.10 Clubs NZ submitted that the NCGM sector should be split into Clubs and Commercial NCGM Venues for levy purposes because clubs are different to other NCGM venues. It submitted that, if presentation and expenditure data were collected separately for clubs, they would be significantly less than the data generated for Commercial NCGM Venues.
- 6.11 Lotto submitted that, although gambling harm is under-represented in the presentation data, they remain the best data that is presently available.
- 6.12 PGF noted that the people who are experiencing harm at the lower levels of the harm continuum are not the people who are accounted for in the data around presentations to services.
- 6.13 Next Payments asked whether any consideration had been given to interlinking the CLIC database with the CONCERN database. HNZ said that it intends to do so but is still to determine how to do this.

7. COMPONENT C – MINISTRY OF HEALTH FUNDING REQUIREMENT

7.1 Component C is the Ministry’s “funding requirement” for the 2025-2028 levy period. The amount “must take into account the approximate cost to Government of the integrated problem gambling strategy”¹ in the levy period.

7.2 The Ministry stated funding requirement for the 2025-2028 levy period is \$91.805m. This represents an increase of \$15.682m (or +20.6%) on the funding requirement for the current period (\$76.123m).

7.3 The table below sets out the funding requirement for the 2025-28 period in each of the five categories of expenditure, together with the equivalent figure for the current period, the dollar value difference between the two periods and the percentage change:

Costs for categories of funding

Service	25/26 (\$m)	26/27 (\$m)	27/28 (\$m)	Total 25-28 (\$m)	Total 22-25 (\$m)	(\$m) diff b/w 22-25 & 25- 28	% change b/w 22-25 & 25-28
Primary prevention (public health)	9.838	9.461	10.020	29.319	24.840	+4.479	+18.03%
Intervention services	14.313	15.791	16.280	46.385	34.213	+12.172	+35.58%
Research and evaluation	1.575	2.296	1.173	5.044	5.658	-0.614	-10.85%
New services	1.198	1.405	1.497	4.099	7.941	-3.842	-48.38%
Ministry/ Health NZ Agency operating	2.181	2.475	2.302	6.958	3.471	+3.487	+100.46%
Total	29.105	31.429	31.272	91.805	76.123	+15.682	+20.6%

7.4 Compared to the budget for the current levy period, the Ministry is seeking significant increases for Primary Prevention (public health) and Intervention Services. Agency operating costs are budgeted to double, while funding for research and evaluation, and new services, are budgeted to decrease significantly.

7.5 At the Commission’s public hearing, submitters were divided on the sum sought by the Ministry. NZCT argued that funding should remain at the current level with a CPI increase to service providers. NZCT noted that the Ministry did not expend its full budget for the current period with \$5.6m remaining unspent for 2022-25.

7.6 NZCT also submitted that the Ministry’s approach lacked fiscal responsibility, true strategy and any form of accountability measure. Speaking for NZCT, Mr Knell said as follows:

¹ Section 320(3)(c) of the Act

What really concerns us, and I think I speak for the sector in a lot of ways, the fiscal responsibilities at the moment are greater than ever. I don't think the Ministry of Health's strategy is a strategy for health, it's more a strategy -- an operational strategy to spend the income. And there is a defining difference. It amazes us that this time three years ago we were here under the intention that there was going to be a review into the strategic direction and funding needs. The obvious part missing in the strategy, as I see it, is the element of measurement. There's not a strategy that I'd suggest that a Board would accept unless you had a measure in which you can be held accountable and responsible for. And if that was to say that our objective is to reduce the prevalence by 0.5%, great, but there's no measurement in there to justify the effectiveness of the spend.

7.7 GMANZ similarly submitted that funding should remain at the current level with a CPI increase. GMANZ also argued for fiscal responsibility and noted that the Commission had made clear observations in its 2022 Report to Ministers in relation to its support for future funding requirements. In addressing the Commission for GMANZ, Mr True stated as follows:

... You guys are the guardians of the levy to make sure that only the amount of levy spent -- only the minimum amount is there is necessary and to make sure that that money is spent wisely. And making sure it's the only amount of the money levied is actually needed is important, particularly in relation to the Class 4 sector, because every extra dollar that the Class 4 sector has to pay in levy is a dollar that doesn't go out to community grants.

And it's submitted that at this round the Commission can't recommend to the Minister full approval of the \$91 million that's now sought. The increase that is sought is significant. An extra \$15.6 million is sought, it's a 20.6% increase. And the Ministry is seeking that additional funding, despite the fact that they haven't been able to spend the current budget, and we have a \$5.6 million under-spend.

Very importantly, the last time we were here, the Commission issued a report in relation to the 2022/25 spending and said that there would be a significant caveat when it came to future funding. "A significant caveat" was the Commission's words in relation to future funding. That the future funding would not be endorsed unless there was a major reset, a review, a fresh approach. A fresh approach based on sound data and collaboration with the industry.

That caveat now applies. There has not been a fresh approach. There has not been a reset. There's not been a major strategic review. ...

All that the Ministry has done is said that they'll get around to doing the review over the next three years. And, in my submission, that's unacceptable. It's unacceptable because the Commission was very clear last time. But it's also unacceptable that this was signalled six years ago. It was also recommended in the 2019 report from the Commission that that strategic review was needed and needed to be undertaken.

...

Importantly, the Commission has been asked to endorse a very large new budget, despite again the refusal by the Ministry to include any performance monitoring or performance targets. And if you look at the original consultation document, page 1 of the document, in the forward from the Minister of Health, the Minister said he wanted to see a monitoring framework and performance targets. The Ministry's response to that is we might look at setting some targets up in 2028. Again, that's not acceptable.

GMANZ submits that what the Commission should recommend to the Ministers is the budget remain the same, perhaps with a CPI increase, and that the Ministry do the strategic review, which is very very important, and they do that within the next 12 months. Then what the Ministry should do, which they've got a statutory power to do under section 322, is have an early review of the levy in 12 months' time. That's important for three reasons: It would enable any funding pressures to be addressed at that stage. It would enable changes to be made in accordance with the review that's

just been done. But importantly, it would enable the new 15 online gambling licence providers, coming into effect in early 2026, February 26, to start paying the levy to and contributing to the levy at that stage as opposed to waiting until 2028.

7.8 ILT supported the GMANZ submission, but additionally noted that its:

... focus here today is on the need for support services funded through the levy to be increased. ... We support expenditure that is focused on support solutions such as free face to face counselling. This must be increased ... specifically ... for Invercargill ...

7.9 ILT also noted that “the current strategy has resulted in reduced support services without any evidence of a reduction in the problem gambling rates.”

7.10 Not all gambling operators supported the retention of the Ministry’s current budget; Lotto supported the increase sought by the Ministry, but did note that:

... 20.6% is a large increase, again within the envelope of fiscal constraint that we’re all experiencing. And we support the increase, but as long as it’s for investment not just cost growth, to get an outcome, along with the other participants.

7.11 Service providers supported the Ministry’s proposed funding increase. In addressing the Commission for PGF, Ms Thompson stated that:

Overall we are obviously supportive of an increase in the funding bucket; we think it’s relatively modest in terms of the growth in the spending from gambling products. And that, you know, it’s under 1% of future earnings, we think that’s entirely reasonable as a bundle.

7.12 Asian Family Services also supported the proposed increase. It noted New Zealand’s changing demographics with the Asian population group set to become the second largest in the country by 2043. Auckland’s demographics in particular will change with Asians comprising around 44% of that city’s population by that time. Asian Family Services stated that its funding is limited and it needs to be capable of addressing these demographic changes.

7.13 Te Rangihaeata Oranga supported the proposed funding increase, as did Purapura Whetu Trust, which quipped that it “rarely supported extra spending at the government end.”

7.14 At page 33 of its Report to the Commission, Synergia addressed the funding sought by the Ministry, as follows:

While, in the 12 years we have been writing these reports, we have been supportive of the Ministry’s direction, including the requirements to increase the cost of the Service Plan, we are now finding it harder to support. There is little evidence that the Strategy is achieving its goals, presentations to harm reduction services continue to decline, and operating costs have risen significantly. In our last report we supported the 18 percent increase in the Ministry’s operating costs, which followed many years of no increase. However, the 100 percent increase proposed in the proposed Service Plan is harder to support, given that internal issues created by the health restructuring rather than any needs within the gambling harm sector are driving the increase.

In our last report, we stated that, while the overall levy was justified, our key issue was that funding should be based on need and the actions needed to address that need. The current approach, while containing much that is of value, needs not just a refocus but a rethink. A rethink that is done in close collaboration with providers and the gambling industry.

- 7.15 Synergia further addressed the sum sought by the Ministry at the Commission's hearing. Speaking for Synergia, Dr Rees said:

I know we're going to be asked at some stage what's our view of the quantum.

The simple answer is we don't know. We don't know if it's enough, we don't know if it's too much. And that's a point made by a number of people. A lack of data, a lack of understanding, we don't know what's working, we don't know what's not working. So that is our fundamental, and people who have read our reports in the past, know we have raised this a number of times. And we've used various language, a complete re-think, we need to do bottom up, we need to engage the sector, that's the gambling harm organisations, the gambling providers et cetera, in a development of a real strategy based on data. And given some of the changes, again, I am going to pre-empt it, because it's going to come up later, is around research and evaluation, is that has been declining, it was 6 and a half million, it's now just on 5 million. I'm concerned whether that's a budget -- if we're going to do this properly, you know, there are big questions...

...

So if I'm going say anything about the number, I don't know whether 91 million is enough, or too much. What I will say is I think we really need to beef up the research and evaluation, do it properly, and do what a number of people have said, develop a strategy in consultation with the gambling harm providers, the gambling industry itself, and then find out is that 91 million being spent in the right place, is it enough or do we need more? I don't know the answer, so that's where we are at the moment.

Commission's recommendation

- 7.16 In its 2022 Report to Ministers, the Commission supported the Ministry's increased funding requirement for 2022-2025. In doing so, the Commission noted that the Ministry's proposal represented a necessary increase after many years of managing expenditure, and that additional funding was required to address key changes being proposed at that time. However, the Commission attached a significant caveat to this support insofar as it might be seen to represent an ongoing endorsement of a similar approach in future levy rounds. The Commission set out that caveat in paragraphs 7.16-7.20 of its 2022 Report, as follows:

Qualification to Commission's support

- 7.16 While the Commission supports the Ministry's strategy and funding requirement for 2022-25, the Commission attaches a significant caveat to this support in so far as it might be seen to represent an ongoing endorsement of a similar approach in future levy rounds.
- 7.17 In circumstances where the level of gambling expenditure continues to rise, presentations to problem gambling services continues to decline and the rate of problem gambling prevalence remains static, the Commission is of the view that it is time for consideration of a fresh approach by the Ministry. Within the next levy period, the Ministry should undertake a major strategic review of its problem gambling strategy and use that review to determine its

future funding requirements. Rather than working from a historically determined budget envelope, the Ministry should undertake a full re-assessment of what should be required of a comprehensive public health strategy to address gambling harm, and base future costings upon the re-assessed requirements. The strategy funded by the levy should be based on sound data about both the incidence of gambling harm and what has been shown to be effective in reducing it.

- 7.18 Synergia raised this issue in its 2019 Report to the Commission, suggesting that the Ministry should undertake a thorough review during the current levy period. At page 10 of that Report, Synergia stated as follows:

Given that there are significant signs, outlined above, that the strategy is not reducing the harm generated by gambling, we suggest that the Ministry, in close collaboration with the industry and providers, incorporate into the next three-year cycle a thorough review of the sector, resulting in a much more detailed and fully costed strategy. That then is used to determine the levy during the next review period. Rather than accept a historically determined budget envelope, the Ministry should assess what the needs are and develop a comprehensive strategy based on those needs. The levy should be based on the level of gambling harm and a robust strategy designed to address it.

- 7.19 As the Ministry did not undertake the review suggested, Synergia has raised the matter again in its 2022 report to the Commission. At page 36, Synergia stated as follows:

While the overall levy is justified, our key issue is that funding needs to be based on need and the actions needed to address that need. It is clear that the current approach, while containing much that is of value, needs not just a refocus but a rethink. A rethink that is done in close collaboration with providers and the gambling industry.

Since our last report gambling expenditure continues to rise and presentations have decreased...

Given that expenditure continues to rise, presentations are decreasing, and the prevalence of gambling harm remains static, there is no rationale to reduce the levy.

In our last report, we recommended the Ministry undertake a major strategic review of the gambling strategy and use that review to determine funding requirements. The two macro trends continue, namely decreasing presentations and increasing expenditure. Our concern is that the Ministry does not know why this is occurring, nor does it know what strategies, other than the policies to reduce the number and location of class 4 machines, have had any impact upon these trends.

Our concern, is less on the overall level of expenditure than on the fact that it would be very difficult for the Ministry to answer very legitimate questions from the gambling industry, namely:

- What impact is the over \$20 million each year having on gambling harm?
- Which of the strategies that have been implemented over the last 10 years has had the most positive impact?
- If the Ministry cannot answer these questions, why not, and how can we be confident that the increased

expenditure planned for the next three years is going to have any positive impact at all?

Extending the comments, we made in our 2019 report we suggest that the Ministry has the opportunity for a 'reset'. Factors supporting this are, the fact that gambling is now incorporated within the Mental Health and Addiction Unit, that there is a strong Government push to address issues of equity across all areas of health, and that Government is pushing radical new ways of addressing poor health amongst Māori and finally the health sector is undergoing a major process of reform which opens up significant opportunities to do things differently.

Central to this reset is the initiation of a long-term [beyond the three-year cycle] research programme that is focused on answering the questions noted above, what works, what doesn't and how will we know what makes a difference to the level of gambling harm. The next 12 months should involve the design and planning for this programme, and all funded research should fit within and contribute to this single, overall research programme. The reduction in the research budget in this cycle only emphasises our major concern. The funding is justified, given the trends we are seeing, but with the additional funding comes the responsibility to answer the big questions, so that those who provide the funding can clearly see the impact it is having.

7.20 The Commission fully supports Synergia's suggested "rethink" and the reasons for it. Like Synergia, the Commission supports the proposed funding requirement for 2022-2025, but with that additional funding comes additional responsibility.

7.20 The Commission's expectation in 2022 was very clear - the Ministry should undertake a major strategic review of its problem gambling strategy and to use that review to determine its future funding requirements. The Ministry did not do so. While some of the Ministry's language has changed, the overall intent and direction of the Strategy has not.

7.21 At the Commission's public hearing, the Ministry noted that such a review was proposed under the current Strategy and the failure to complete such a review in the last three years was due to the health reforms. It said that there was no funding allocated at that time, but that it is a specific action within the proposed plan and it has been costed accordingly.

7.22 While the Commission notes that work is scheduled for the 2025-28 period, it remains of the view that the review should have taken place prior to undertaking this levy round.

7.23 The Commission notes that prior to its recommendation in relation to the 2022-25 levy, Synergia had raised this issue six years ago in its 2019 Report.

7.24 At page 6 of its 2025 Report, Synergia stated as follows:

For many years we have called for a review of the Strategy and we are still in a position that, despite the increasing costs of the Strategy and Service Plan, we are no closer to knowing whether they are achieving the outcomes of preventing and reducing gambling harm. We welcome therefore, the commitment in the Strategy to undertake an impact evaluation of the Strategy itself. However, this support is tempered by the ongoing reduction in funding for research and evaluation, as we are not confident that

the review of the Strategy will have the funds available to be undertaken in enough depth. We would recommend therefore, that some independent oversight is put in place to ensure that the process of designing, contracting for, and delivering the evaluation happens in a timely manner. This is important given that it is expected that the Strategy will be folded into the forthcoming 'Mental Health and Wellbeing Strategy' within the next 12 months.

7.25 The Commission supports Synergia's call for independent oversight to ensure that the recommended evaluation takes place in the next levy period. The independent oversight should ensure that the evaluation is rigorous and takes place in a timely manner. This is vital to ensure that future strategies and service plans benefit from this work.

7.26 Turning to quantum, the Commission does not support the increased sum sought by the Ministry and recommends that the budget remains at \$76.123m, as it is for the current levy period. The Commission cannot support an increase in funding when:

- The Commission was not provided with evidence that the Ministry's Strategy and Service Plans have achieved the most basic outcome of preventing and minimising gambling harm. The Ministry has spent hundreds of millions of dollars over a prolonged period of time but there is no evidence that the Strategy has had a substantial impact on the level of gambling harm in New Zealand.
- The absence of a monitoring and reporting framework means that it is not clear to the Commission or its expert what aspects of the Ministry's Strategy are working and what are not.
- It is not clear to the Commission or its expert that the sum sought by the Ministry is appropriate. At the Commission's public hearing, Dr Rees readily admitted that he does not know whether \$91m is the correct funding requirement. The major rethink previously suggested by him in 2019 and 2022 would have addressed this issue with appropriate funding requirements being based upon a newly conceived and detailed Strategy.
- More broadly, the Commission considers that it is unacceptable for the Ministry to be seeking an increase in excess of 20% in the current economic climate, and to be increasing Agency costs by over 100% (discussed further below). The Ministry should be exercising restraint, consistent with the entire New Zealand Public Service, and should be imposing the minimum levy necessary, rather than increasing it in a manner that is inconsistent with the current financial climate. The Commission also notes that the Ministry did not spend all of its current budget.

7.27 The Commission has not reached this decision lightly and is cognisant of the possible consequential effects on Service Providers, but it cannot endorse a significant increase in

expenditure when it is not clear that the Ministry's approach is working or that the sum sought is appropriate.

7.28 In its 2022 Report to the Commission, Synergia noted that it would be very difficult for the Ministry to answer a series of fundamental questions. In its 2025 Report, Synergia said that it can only repeat these questions, as follows:

- What impact is the nearly \$30 million each year having on gambling harm?
- Which of the strategies that have been implemented over the last 10 years have had the most positive impact?
- If the Ministry cannot answer these questions, why not, and how can we be confident that the increased expenditure planned for the next three years is going to have any positive impact at all?

7.29 The Commission does not believe that it is unreasonable for the Ministry to provide answers.

New Services

7.30 The Ministry has budgeted \$4.099 million for new services, as follows:

Budget for new services, 2025/26 to 2027/28

Service area	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	Total (\$m)
Expand peer workforce	0.578	0.595	0.607	1.779
Service promotion (clinical)	0.240	0.240	0.240	0.720
Develop NZQA gambling harm content	0.080	0.120	0.100	0.300
Clinical internships	0.300	0.300	0.300	0.900
Online gambling exclusion system	0.000	0.150	0.250	0.400
Total	1.198	1.405	1.497	4.099

7.31 For the reasons just articulated, the Commission cannot support expenditure for an expansion of the current approach when there is no evidence that it is making a positive difference, or that the sums sought are appropriate.

7.32 At the Commission's public hearing, Dr Rees reiterated key conclusions from previous Synergia Reports; that there is a need for the Ministry to undertake "a complete rethink" and that this needs to be done in consultation with the gambling industry and the gambling harm providers. He also recommended that the research and evaluation be "beefed up" in order for the rethink to be done properly.

7.33 The Commission agrees and considers that funding should be directed to research and evaluation before current services are expanded.

Research and evaluation

- 7.34 The Ministry has budgeted \$5.044 million for research and evaluation for the 2025-28 period, a reduction of \$0.614m on the current levy period, or -10.85%. Synergia addressed this decrease at page 15 of its Report:

This is the third levy period in a row where research funding has decreased. From \$6.7 million in the levy period 2019/20 to 2021/22, to \$5.5 million in the last levy period to \$5.044 million in the current Service Plan.

The continuing decrease in research is an ongoing concern. We have highlighted this several times and can only repeat the fact that there is no long-term data, other than the DIA policies that have resulted in a reduction of class 4 machines, that can speak to the effectiveness of services and interventions over the last ten years.

To their credit, the Ministry has taken up our concern about the lack of long-term research and has, as part of their research budget, a plan to “Invest in research and evaluation to inform policies and service improvement.” This “will include an impact evaluation of the Strategy itself, and all services commissioned under it.”

While this is to be commended, it will take place within a continually decreasing research budget. This new and significant research stream will result in even more drastic reductions in other research areas.

- 7.35 The Commission endorses Synergia’s concerns in relation to the research and evaluation budget. As articulated above, there is an ongoing information vacuum and it cannot be filled without appropriate research and evaluation. There is simply no research to indicate that the Ministry’s expenditure is making a difference. The Ministry needs to begin building this information as quickly as possible.

Agency operating costs

- 7.36 The proposed budget for this category of spend is \$6.958 million, set out as follows:

	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	Total (\$m)
Health NZ Commissioning	0.815	0.815	0.815	2.445
Health NZ Health Promotion	0.747	0.747	0.747	2.241
Ministry of Health	0.619	0.913	0.741	2.273
Total operating costs (\$m)	2.181	2.475	2.302	6.958

- 7.37 This represents an increase of \$3.487 million on the current levy period, or +100.46%.
- 7.38 At the Commission’s public hearing, GMANZ referred to the large increase in the Ministry’s “bureaucratic costs”.
- 7.39 Synergia addressed the Ministry’s increase at page 13 of its Report, as follows:

Operating costs have risen even more sharply. From operating costs of \$2.937million in the 2019/20 to 2021/22 levy period, to \$3.471 million in the 2022/23 to 2024/25 levy period, to \$6.958 million for the levy period 2025/26 to 2027/28 levy period. This is a

137 percent increase. This is hard to justify and, as the Strategy acknowledges, has been driven largely by the changes in responsibility resulting from health sector restructuring.

Despite these large increases in operating costs, there does not seem to be an accompanying improvement in services...

These rising costs of the Service Plan only increase our concern that, despite more and more dollars being spent on gambling harm services, there is no research to indicate if all that expenditure is making a difference. The last increase included \$6.796 million to increase the FTE rate for gambling harm service providers to align with other Ministry-funded mental health and addiction clinical FTE rates. Despite that significant amount, half of the increase proposed for this levy round is driven by cost and volume pressures, including service expansion and responses to **wage pressures** [our emphasis]. One has to ask what happened to the nearly \$7 million allocated to ease wage pressures during the last levy round.

- 7.40 The Commission agrees that the significant rise in Agency operating costs is difficult to justify, particularly in the current economic environment. Further, the increase of over 100% has been driven by broader health governance reforms rather than needs within the gambling harm sector and activities governed by the gambling levy.

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 results to the Ministry.
- 8.2 The Department’s forecasts of player expenditure for each of the four levied sectors is shown in the table below:

Forecast player expenditure by sector, 2025/26 to 2027/28

Forecast expenditure	NCGM	Casinos	TAB NZ	Lotto NZ
2025/2026 (\$m)	1085.05	679.39	413.43	784.73
2026/2027 (\$m)	1110.12	706.39	426.86	813.27
2027/2028 (\$m)	1135.77	734.45	440.73	841.81

- 8.3 At the Commission’s meeting, the Department elaborated upon the rationale for its forecasts, set out at pages 47-48 of the Proposals document. The Department noted that it takes “an average approach” and is able to predict, with reasonable accuracy, the likely expenditure in each of the four leviable sectors. It then adjusts the average approach to improve the accuracy of its forecasts and noted, for example, that it has a history of over-estimating the TAB’s rate of growth, so it adjusted downwards its initial figures for this sector.
- 8.4 Participants at the Commission’s hearing addressed the effects that legislative changes may have on the forecasts. Te Rangihaeata Oranga wondered if the TABs “monopolis[ation of] the online sports betting space ... [had] been taken into consideration.”

The Department noted that “we’ve only got Cabinet agreement” and as such “there hasn’t been any change that we feel able to take into account in terms of this calculation for the TAB.”

- 8.5 GMANZ raised a similar point in relation to the effect that 15 online gambling licences would have on existing physical gambling markets once they are granted in 2026. It queried whether this change had been factored into the forecasts.
- 8.6 The Department again noted that Cabinet has only made policy decisions thus far, so this change cannot be factored in as part of the current process.
- 8.7 The Department noted that there is a mechanism within the Act that allows for an early review of the levy should there be a “significant change”.

9. COMPONENT R – ESTIMATED LEVY UNDER-RECOVERY OR OVER-RECOVERY

- 9.1 Component R is the estimated under-recovery or over-recovery of levy from a sector in the previous levy periods. Component R was introduced as a new component in the levy formula by the Gambling Amendment Act 2015.
- 9.2 In its 2019 Report to Ministers, the Commission set out what it considered to be the correct approach to the assessment of Component R; namely that R requires hindsight reconsideration of the previous values of Components C and D. Consistent with this approach, the Ministry calculated R for the forthcoming levy period by calculating its projected total spending for the period 2004-25. The total was \$385.083m. It then estimated that the levy payments received by the IRD will total \$383.375m by 30 June 2025. R is the difference between the expected levy payments for each sector and the actual amount received up to 30 June 2025.
- 9.3 The estimated under or over payments are set out below, with the positive figures indicating an underpayment and the negative figure indicating an expected overpayment.

Sector	Net difference total \$m (GST excl)
NCGM	1.147
Casinos	0.466
TAB NZ	-0.404
Lotto NZ	0.496
Total	1.708

- 9.4 Component R generated no discussion from participants at the Commission’s public hearing.

10. WEIGHTINGS

- 10.1 The Act requires the Ministry to apply a weighting between current player expenditure ($A \times W1$) and presentations ($B \times W2$) to help determine the cost (C) that each sector that is subject to the levy is required to pay.
- 10.2 The weighting, and its application to Components A and B, is fundamental to the formula and to determining the final share of levy payable by each of the four sectors. The selected weighting shifts the balance between sectors paying according to their relative gambling revenue (or player expenditure), or according to the relative number of people presenting for treatment attributable to each sector.
- 10.3 The only legislative guide to what they should be is the general requirement 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.
- 10.4 The Ministry did not propose a weighting for the 2025-28 levy period, instead stating, at page 28 of the Proposals document, that:

... any weighting from 30/70 to 5/95 would comply with the rationale for including weighting provisions in the Act. We have previously recommended a 30/70 weighting but have not yet concluded whether we will make a similar recommendation this time to inform Ministers’ decision-making.

We are not aware of any factors that might suggest an alternative weighting should be considered this time but would be interested in the Gambling Commission’s views on the appropriate levy weighting that should apply for the next levy period.

- 10.5 Several parties at the Commission’s hearing commented on the weightings that could be applied to components A and B. Lotto submitted that a 10:90 weighting would be appropriate because presentations, although not perfect, remain the best indicator of harm. It stated that presentations need to be given weight because “... someone who’s suffered gambling harm, or someone in their family/whānau who cares enough, has come forward and created a presentation...”
- 10.6 Te Rangihaeata Oranga Trust supported a 5:95 weighting, while PGF Group was less concerned with the weightings than the total funding. PGF also noted that too much focus should not be placed on presentations, as follows:

We’re not particularly stringent about a 30/70 split or whatever it is, but what we do want to emphasise is that anything that relies too heavily on the number of presentations to services is kind of missing the point in terms of a preventative strategy ...

...the way the weightings are split, that is a conversation I think that has suggested there is no perfect answer, and whichever way you look at it, it levies a cost into one group or another. However, it cannot just focus on presentations to services because it overlooks the broader context of what is happening in the gambling harm space.

10.7 NZCT and GMANZ both advocated for a 50:50 weighting. NZCT submitted that increasing the weight on expenditure is consistent with a public health approach. It also noted the significant decrease in presentation figures, and suggested that from a business sense "... you'd have to sort of align with that ...".

10.8 GMANZ submitted that:

... having a higher weighting on expenditure is appropriate given the increase in online gambling harm; the increase of funding that is in the new strategy to address online gambling harm' and the fact the non-casino gaming machine sector is the only sector that doesn't have an online offering.

10.9 GMANZ also commented that presentation data is not accurate, whereas expenditure data is.

10.10 Lotto strongly opposed a 50/50 weighting.

10.11 In its Report to the Commission, Synergia recommended any weighting between 30:70 and 40:60. At page 34, it stated:

Our comments on the macro trends of decreasing presentations and increasing expenditure support a weighting of between 30:70 and 40:60. Expenditure continues to increase and we need to ensure that this is acknowledged in the weighting.

Until we know what is driving the continuing increase in gambling expenditure, and until we know more about the harm that is being created by this expenditure, we cannot support any move to decrease the weighting given to expenditure.

10.12 The Commission determined that it is appropriate to recommend a weighting which places more emphasis on expenditure and less on presentations than the weighting for the current period. The Commission therefore recommends a 35:65 weighting for the 2025-28 period.

10.13 In its previous two Reports to Ministers, the Commission recommended that a 30:70 weighting be adopted for the following (summarised) reasons:

- Harm is broadly defined. Presentations are limited to only a sub-set of gambling harm, at the acute end of the continuum. They are not representative of all those who suffer harm. There is no sound reason to think that the harm that each sector is associated with will be reflected in the presentations to intervention services from each sector.
- The strategy is not limited to intervention services. It is required to promote public health and to encourage gambling research and evaluation (not limited to problem gambling). The share of presentations to intervention services attributable to a sector is not necessarily an appropriate basis for determining each sector's share of the public health, research and evaluation costs incurred.
- A shift to a 5:95 weighting puts further emphasis on the acute end of gambling harm and runs counter to the Public Health approach required by the legislation.
- There has been a steady decline in both expenditure and presentations attributed to NCGMs and the weighting needs to reflect this shift.
- The NCGM sector accounts for a higher burden of gambling related harm, and the 30:70 weightings still give recognition to this.

- A weighting formula that increases the weight on expenditure is consistent with the public health approach. A 30:70 weighting is an appropriate step in the direction of looking beyond the acute end of the harm continuum and takes into account the wider determinants of harm.
- Expenditure on gambling, which is increasing, by those in highly deprived populations adds financial pressure to families already under stress. An increased weighting on expenditure would reflect this. This is of special significance, given that much of the harm resulting from this expenditure is experienced by children.
- A substantial part of the gambling levy investment (around 34%) is on public health strategies that build resilience in the broader population to problem gambling, support safe gambling environments and supportive communities; a larger expenditure component would better reflect this aspect of how funds generated through levy are distributed.
- Presentations do not of themselves fully capture the harms that are due to gambling; a greater weighting towards expenditure would reflect this.

10.14 The points above are also applicable to a 35:65 weighting, including that a weighting formula that increases the weight on expenditure is consistent with a public health approach; the steady decline in expenditure and presentations attributable to the NCGM sector, while still recognising that this sector accounts for a higher burden of gambling related harm; and that presentations do not fully capture the harms that are due to gambling.

10.15 As with Public Health expenditure, all sectors should bear the burden of the Research and Agency operating costs.

10.16 Additionally, the Commission noted two significant trends which support a shift to a 35:65 weighting. First, presentations to problem gambling services are declining significantly; down from 6,525 in 2013/14 to 3,615 in 2023/24. This represents a decrease of approximately 45% over the 11 year period in question. Given this general decline, the Commission considers that it is appropriate to place a lesser weighting on presentations and a greater weighting on expenditure.

10.17 Secondly, the growing significance of online gambling in New Zealand. At the Commission's hearing, there was widespread acceptance that online gambling is real, that it is causing harm and that it will continue to grow rapidly. Speaking for PGF, Ms Thompson stated that "...there's been a lot of talk about online gambling here today as if it's something in the future, something that's not harming now. It's harming now. It's really impactful."

10.18 Mr Knell for NZCT said "Online gambling: we can't fool ourselves...and some experts think that we could easily be at \$1b to \$2b in the next 5 to 10 years..."

10.19 The Commission addressed online gambling in its 2022 Report, including making recommendations on the collection of online gambling data, and for the Government to include online gambling as a leviable sector for future levy rounds. The Commission notes that the Government is moving to regulate this space and that it is possible that online

gambling will be a leviable sector when the Commission next undertakes its work in this space. However, for now, the cost of addressing harm from online gambling is borne by the existing four leviable sectors. A greater emphasis on expenditure is appropriate in these circumstances, particularly given that casinos, TAB and Lotto all have an existing online presence, whereas the NCGM sector does not.

Impact of weighting changes

- 10.20 Changing the weightings does not affect the total levy amount, but does impact upon the contributions by the individual sectors. The higher the weighting on expenditure, the higher the share of the levy will be paid by Lotto and TAB, whereas the higher the weighting on presentations, the higher the share to be paid by the NCGM sector.
- 10.21 The share of levy to be paid by casinos is not sensitive to weighting changes because the casino sector's share of expenditure is relatively close to its share of presentations.
- 10.22 In previous reports to Ministers, the Commission has included tables setting out the levy rates and sums payable by each of the four leviable sectors at a range of weightings. These tables were provided by the Ministry within its Proposals documents which addressed the range of probable weighting options, based upon its nominated C values.
- 10.23 The Commission is unable to provide this information with this Report because it is recommending a C value and weightings that were not anticipated by the Ministry, and were not included within the latter's Proposals document. As this Report is recommendatory only, there is no utility in the Commission calculating the levy rates and sums payable; the Ministry can do this easily should Ministers accept the Commission's recommendations on either the proposed quantum or the proposed weightings, or both.

11. OTHER

Early Review

- 11.1 At the Commission's hearing, GMANZ suggested that the Ministry could undertake an early review of the levy, rather than wait for a further three years. Speaking for GMANZ, Mr True submitted as follows:

GMANZ submits that what the Commission should recommend to the Ministers is the budget remain the same, perhaps with a CPI increase, and that the Ministry do the strategic review, which is very very important, and they do that within the next 12 months. Then what the Ministry should do, which they've got a statutory power to do under section 322, is have an early review of the levy in 12 months' time. That's important for three reasons: It would enable any funding pressures to be addressed at that stage. It would enable changes to be made in accordance with the review that's just been done. But importantly, it would enable the new 15 online gambling licence providers, coming into effect in early 2026, February 26, to start paying the levy to and contributing to the levy at that stage as opposed to waiting until 2028.

- 11.2 Mr True asked Dr Rees if he supported an early reconsideration of the levy once the Ministry had undertaken its review and the online licences had been issued. In response, Dr Rees said that “It’s a point that needs discussing. I don’t think such a review can be done in 12 months; it’s a bigger task than that...”
- 11.3 As Dr Rees indicated, it is unlikely that the Ministry will have completed its planned evaluation within the next 12 months, and it uncertain when legislation to authorise online licences will come into effect. As the Department noted at the public hearing, only Cabinet Approval has been received to date and it is quite conceivable that other legislative priorities could overtake the legislation required to implement online gambling.
- 11.4 The Ministry is aware that section 322 of the Act allows for an early reconsideration of the strategy, levy or levy rates within the 3-year period if it considers that there has been a sufficiently significant change in the gambling environment to warrant it. If the abovementioned events conclude faster than anticipated, the Ministry could consider an early review.

Technology

- 11.5 In its 2022 Proposals document, the Ministry included a budget line for “Technology related innovation”, within the “New Services and Pilots expenditure” budget. That budget line was not included in the Proposals document for the forthcoming levy period.
- 11.6 At the Commission’s public hearing, there was discussion on the use of technology, including Facial Recognition Technology (“FRT”) and Multi-Venue Exclusions, to assist with identification and support of problem gamblers. Submissions were made by two technology providers, Next Payments and Torutek Limited, with Next Payments suggesting that a share of the levy should be applied towards FRT so that a significant share of industry could take advantage of this technology.
- 11.7 NZCT addressed the high licensing cost of FRT cameras but was clear on their benefits.
- 11.8 Clubs NZ echoed NZCT’s comments and said that venues would like to be supported to access this technology.
- 11.9 It appears obvious to the Commission that technology has a central role to play in the detection and assistance of problem gamblers. Advances in AI, for example, are happening exponentially and it is impossible to predict exactly what impact this could have in the gambling/problem gambling space. The Commission is of the view that the Ministry should allocate a budget for Technology related innovation, as it did in 2022, in order to remain apprised of technological developments and implementation, where appropriate.

12. RECOMMENDATIONS

- 12.1 The Commission is required by the Act to provide recommendations on the total annual amount of the problem gambling levy for the relevant three-year period and the levy weight for each gambling sector. The Commission recommends that the total amount for 2025-28 be **\$76.123m**. The Commission recommends a **35:65** weighting with the levy rate for each of the four sectors to be calculated by the Ministry.

13. CONCLUSION

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



Susan Hughes KC

Chief Gambling Commissioner
Gambling Commission
PO Box 137295
Parnell
Auckland 1052

Telephone: (09) 353 7223
Email: info@gamblingcom.govt.nz