

20 June 2012

Committee Secretariat  
Commerce Select Committee  
Parliament Buildings  
Wellington

Submission on the Gambling (Gambling Harm Reduction) Amendment Bill

Introduction

1 Social Service Providers Aotearoa (SSPA) is a peak body representing some 280 or so Non-Government Organisation (NGO) social service providers who are co-funded by the Ministry of Social Development (MSD) and private sources to provide a range of services for children with vulnerabilities and their families, see www.sspa.org.nz

2 SSPA runs professional development for members (and others) through written material, regional meetings, seminars and conferences with the aim of improving the effectiveness and efficiency of practice and managerial decision-making.

3 SSPA prepares its submissions through a synthesis of member views, in house regulatory experience, research and contracted specialist advice. Member views were sought through a variety of means including surveys, an open invitation to members for comment on issues of interest, regular newsletters and regional meetings. Please note the views in this submission don’t represent the views off all SSPA members, but the initial conclusions reached by the Board.

General Comments

4 Pokies cause major problems for some gamblers, significant spill over problems to partners, families and friends and create costs to taxpayers and others in addressing addiction, crime etc. Pokies are also a source of harmless fun for many New Zealanders.

5 In Western countries, more problem gamblers report problems with pokies than any other form of gambling (Dowling et al., 2005). This is related to the fact that they are ‘continuous’ forms of gambling that offer a much higher frequency of play/reinforcement (Williams, West & Simpson, 2007; 2008). Thus, pokies tend to be reliably associated with increased rates of problem gambling and indices related to problem gambling when they are first introduced but not after they are increased after extended prior exposure (see, *The Social & Economic Impacts of Gambling: Final Report*, Robert J. Williams, Ph.D. et al, Canadian Consortium for Gambling Research, November 3, 2011).

6 The Gambling (Gambling Harm Reduction) Amendment Bill, by design, focuses on pokies alone, but as a consequence could result in the differing regulation across all gaming activity i.e. online gaming; casinos; dog races; football pools; other lotteries; private bets; fruit machines; bingo; horse racing; scratch-cards; and national lotteries creating perverse impacts and additional unnecessary harm.

7 In some ways internet gambling makes a mockery of national regulation, the conceptual risk of an outright bans on pokies is a substitution effect by which problem gamblers simply move from pokies to other forms of regulated or non-regulated gambling. Estimates of the size of the online gambling industry in the United States vary widely, from as low as $6 billion to as high as $100 billion, see <http://www.nytimes.com/2011/12/25/us/online-gaming-loses-obstacle-at-justice-department.html?pagewanted=all> The size of any substitution effect is unknown and the limited research does suggest very small impacts, see Lund, I. (2009 March 26). *Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned: A natural experiment*, Journal of Gambling Studies, 25:215-225, but the gambling future is increasingly on-line, very difficult to regulate and requires attention to minimise material harm at low cost.

8 While accessibility, physical and time, is considered in the Bill, the use of price to influence behaviour is not. It is likely that increasing the front end cost and/or reducing the return could have an important role in reducing material harm. The issue with using price in this manner is people may move to other forms of gambling, given the wide range of costs and returns of the different gaming activities noted in paragraph 6. However, price would have an impact on demand, but like alcohol and tobacco, the most problem areas will be the most inelastic. That said, price is likely to reduce the uptake of new entrants, of whom a proportion would end up becoming problem gamblers. Although there has been virtually no empirical study of these types of issues, low stake pokies with limited prize size that are common in European countries appear to cause fewer problems than the high stakes high prize pokies common in most other countries (Williams et al., 2007; 2008).

Key Sections of the Bill

9 The Gambling (Gambling Harm Reduction) Amendment Bill has the following key sections:

* gives councils and communities the power to cut the number of pokie machines in their area or eliminate them altogether;
* raises the amount distributed from machines to the community from 37% to at least 80%;
* ensures the money goes back to the community where the gambling took place;
* phase out the trusts which currently distribute pokie earnings and replace them with local distribution committees, similar to those already set up for the Community Organisations Grants Scheme;
* removes racing as a charitable purposes which may receive gambling funds; and
* introduces player tracking and pre-commit cards, enabling gamblers to put controls on the amount of time and money they lose.

10 To assess the policy merits of allowing local authorities to reduce or eliminate entirely pokies in a given geographic area, a judgement needs to be made about whether gambling, in this case pokies, is a legitimate business activity? If pokies are legitimate, what place has local government got in banning it entirely, given that both business and communities make investment/planning decisions on basis of expected returns? Is it acceptable to have pokies activity subject to such unpredictable swings? So regulators have to balance the harm caused with the benefits created, some certainty for producers but also the communities desire to limit material harm at low cost.

11 Our preference is that all pokies licences become renewable after 4 years. Further the renewal process is open to community input against publicly available criteria set by the Dept of Internal Affairs, subject to the Regulations Review Committee scrutiny.

12 The intent to raise the amount distributed from pokies machines to the community from 37% to at least 80% sounds good in principle. However, Government should model the impact on trusts, as 20% may be alright to cover the administration and other costs for some but not all. Intuitively 20% seems arbitrary and too low.

13 At face value, ensuring the pokies money goes back to the community where the gambling took place seems equitable. However, the efficiency of such an approach is highly questionable; don’t funders want to promote allocative efficiency i.e. a highest value test regardless of location?

14 Further the suggested approach has practical difficulties and would need a unit (by electorate?) to clarify what is a community, further to promote allocative efficiency some means for “units” to aggregate if projects/investments cut across different communities.

15 The desire to phase out the trusts which currently distribute pokie earnings and replace them with local distribution committees, similar to those already set up for the Community Organisations Grants Scheme jumps to an answer with little underpinning analysis of the costs/benefits of the proposed change. Nor are alternative distribution approaches considered.

16 The key question to ask is who i.e. central Government, Lottery Commissions, current trusts or local Government are best placed in terms of incentives, information and capacity at the lowest administrative cost to distribute the tax to the greatest need? While acknowledging that a wide range of charities currently receive pokies funding, is there a case for more specific targeting? This means considering some very hard choices i.e. the public interest of pokies funding going to a pony club versus, by way of example, the transition of vulnerable children in CYF’s care back into the community, meaningful education and training or employment? It would be possible to progressively move funding from low to high priority needs over a period of 4 years, which would allow a smooth transition and the ability to explore and get alternative Government and private funding.

17 To be frank, the robustness of central Government budget processes considering how to best allocate pokies funding, to gazetted priorities which have been subject to community consultation and Regulations Review Committee scrutiny has some appeal. Such an approach would be subject to the Official Information Act, the Ombudsmen and the Office of the Auditor General, which would provide essential protections.

18 The desire to remove racing from the list of charitable purposes which may receive gambling funds should be considered on its merits, subject to the commentary in paragraph 16 above.

19 The introduction of player tracking and pre-commit cards, enabling gamblers to put controls on the amount of time and money they lose has merit, see Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, chapter 10.

20 For some gamblers, an impaired ability to control spending and time during gaming is not about pathology, but an almost automatic response that despite all the notices and warnings etc is overridden regardless. That said, the cost of voluntary, limited or full implementation would need to be modelled, with the roll out costs borne by both users and producers.

21 Representatives of SSPA would appreciate the opportunity to present this submission to the Commerce Select Committee in due course.

Recommendations

22 It is recommended that you:

(a) **note** that regulators have to balance the harm caused by pokies with the benefits also created, and provide some certainty for producers but also allow communities the ability to limit material harm at low cost;

(b) **agree** all pokies licences become renewable after 4 years, with the renewal process being open to community input against publicly available criteria set by the Dept of Internal Affairs, subject to the Regulations Review Committee scrutiny;

(c) **note** intuitively 20% for operating costs seems arbitrary and too low;

(d) **agree** central Government allocate pokies funding, to gazetted priorities which have been subject to community consultation and Regulations Review Committee scrutiny. Such an approach would also be subject to the Official Information Act, the Ombudsmen, the Office of the Auditor General and specific Dept of Internal Affairs regulation;

(e) **agree** to progressively move funding from low to high priority needs over a period of 4 years, which would allow a smooth transition and the ability to explore and get alternative Government and private funding;

(f) a**gree** that player tracking and pre-commit cards be piloted, enabling gamblers to put controls on the amount of time and money, subject to evaluation to determine partial or full roll-out; and

(g) **agree** to analysis the costs and benefits of actively using of price to reduce demand for problem pokies use by lowering the return.

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