

## The Department's Strategic Approach to Gambling

16 March 2010

### Summary

A strategic approach to gambling confers major benefits, including progress towards strategic goals; the ability to inform future policy; and harmonisation of operational and policy activities.

A strategic approach is inherent in many of the Department's current activities, and this is reflected in indications that progress is being made towards its goals.

The Department will continue to enhance its leadership and strategic approach, especially:

- Through improving internal capability, emphasis on good practice, and gathering and analysing information,
- By engaging with, and responding to, communities to address issues and concerns at a community level, and
- By engaging with a wide range of other organisations, ensuring that gambling funds provide sustainable community benefit and preventing and minimising harm and crime.

### Purpose of document

1. This document is about how the Department of Internal Affairs is providing leadership and implementing a strategic approach to the regulation of gambling. It covers:
  - Where we want to be - the objectives that the Department seeks to achieve in its gambling regulatory activities;
  - Where we are now – what the gambling sector currently looks like and emerging risks and themes;
  - How we will get where we want to be - the work we are undertaking to respond to emerging issues and enhance our strategic leadership role in relation to gambling regulation;
  - How far we have got – indicators of progress towards the goals.
2. Major work streams supporting our strategy are outlined in the main text of the document. The Appendix provides a summary of work currently underway or planned.

### Background

#### *The Gambling Act*

3. The Gambling Act 2003 (the Act) represented a major change in public policy relating to gambling. The Act introduced a strongly regulated regime for gambling. At the time decisions were made, Cabinet explicitly acknowledged that such a regime was likely to impose costs on the gambling sector<sup>1</sup> and that compliance cost reduction was not a priority.
4. Among other significant innovations, the Act:
  - Shifted the emphasis from entertainment and commercial benefit to public health, harm prevention, and community involvement in decisions related to gambling;
  - Shifted the onus for licensing gambling – whereas previously the regulator was obliged to license gambling unless it was demonstrably non-compliant, the regulator must now not grant a licence unless applicants can demonstrate that their activity can comply with the legislation;

<sup>1</sup> CAB Min(01)29/5B.

- Prevented the establishment of any new casinos and the expansion of existing casinos;
  - Required transparency, accountability, and regular reporting as a standard component of gambling operations;
  - Contained explicit provisions designed to prevent and minimise gambling related harm.
5. The Act has already significantly changed the “landscape” of gambling in New Zealand. The Department, in addition to focusing on the operational mechanics of the legislation and implementing the Government’s priorities in respect of gambling, is thinking more broadly about how well the Act is working and the role of gambling in New Zealand society. We are well positioned to advise Government on issues relating to gambling in New Zealand, both from a detailed operational perspective and from a big picture perspective. We are also positioning ourselves to provide advice on alternative scenarios for the future of gambling regulation.
6. In order to do this, we:
- Continue to review and refine the goals and objectives of gambling regulation, together with information and processes required to measure progress towards the goals;
  - Maintain a strategic overview of how the policy settings and legislation are operating;
  - Keep enhancing our understanding of the role of gambling. This means gathering the widest possible range of information about gambling and ensuring we have appropriate processes and systems to analyse, use and disseminate that information;
  - Continue to work with others to establish community networks, educate and inform the gambling sector, address issues of gambling related harm, and prevent or reduce crime;
  - Continue to develop our internal capability to enable our leadership role and provide a strategic, goal-oriented approach to gambling regulation.

### *The Department’s role as a regulator*

7. Our activities in gambling also need to be seen in the broader context of the Department’s overall approach to all its regulatory activities. Improving the quality of regulation is a priority for government. The Department is leading a whole-of-Government programme to improve operational capability in compliance activity across central and local government. The focus of the programme is on the way regulation is implemented.
8. We seek to continuously improve our regulatory practice and take a whole-of-Government, coordinated approach to regulatory issues whenever this is warranted. This focus on good practice and coordination/collaboration:
- Fosters robust, consistent, well informed regulatory principles and practices, drawing on a wider pool of expertise than is available within the Department;
  - Generates efficiencies by eliminating duplication between agencies;
  - Enables an informed, coordinated approach to operational issues;
  - In doing all of the above, enhances the Department’s and New Zealand’s reputation by helping to create a professional, integrated regulatory regime.

## Where do we want to be? The purpose and objectives of regulating gambling

### **Why we regulate gambling**

9. Gambling can be a harmless, enjoyable entertainment activity which provides positive social effects, and under New Zealand law can contribute to the strength and sustainability of communities by providing community funding.
10. The proceeds from non-commercial gambling, including New Zealand lotteries, gaming machines and “minor” forms of gambling such as raffles and housie, provide significant funding for a wide variety of community purposes. However, there is also some concern about the potential downside of relying on gambling funding to support community activities – for example, a concern that this undermines community capability in utilising traditional fundraising methods and/or developing innovative ways to raise funds.
11. “Commercial” gambling, arguably, provides economic benefits such as dividends for shareholders, tax revenue and employment (although the evidence for this is highly equivocal<sup>2</sup>).
12. However, gambling also has adverse effects on many individuals, their families and their communities. The community has an interest in ensuring that the benefits of gambling outweigh its negative social and economic impacts. The potential for gambling-related crime and the sophisticated nature of some gambling products also mean that consumers and the wider community are subject to significant risk unless there is effective regulation and enforcement.
13. Ensuring that the harms and costs of gambling are minimised, and any benefits maximised, through effective regulation and enforcement, contributes directly to a safer community.

### **Major goals**

14. Our major outcome in relation to gambling is that communities will be more satisfied with the way the harms and benefits associated with gambling are managed.
15. Five major goals reflect the principal areas of focus for the Department in relation to regulating gambling. These are reflected as the intermediate outcomes we reported in the 2009-12 Statement of Intent:
  - People participate in decision-making about gambling;
  - Community benefits from non-casino gambling are maximised;
  - Gambling is operated with integrity;
  - Gambling related harm is prevented and minimised;
  - Gambling related crime is prevented and minimised;
16. These intermediate outcomes are likely to be expressed differently in the upcoming 2010/13 Statement of Intent, due to work the Department is doing on developing a more

---

<sup>2</sup> For example, a study in Tasmania found no clear evidence that the gambling industry had significantly contributed to economic growth in the aggregate economy, or generated a net positive impact on employment or tourism [*Social and Economic Impact Study into Gambling in Tasmania, Vol. 1 - The South Australian Centre for Economic Studies, Adelaide 2008*]. The 1999 Australian Productivity Commission report [*Australia's Gambling Industries - Productivity Commission, Canberra 1999*] found that gains in jobs and economic activity were small when taking into account spending diverted from other areas of the economy and the costs of harm associated with gambling. It even suggested that some forms of gambling (notably gaming machines) might have net negative impacts.

coherent, consistent outcomes framework for "Safer Communities". However, the intent and effect of the outcome statements will not change significantly.

## Where are we now? Current and emerging themes and risks

### *Size and nature of the gambling sector*

#### *Size of the gambling sector*

17. Gambling is a significant economic activity in New Zealand. Following a decade of rapid growth, since 2004 New Zealanders' total expenditure on the major forms of gambling has remained relatively steady at around \$2 billion per annum. Overall expenditure in 2008/09 on major forms of gambling was made up of:

Gambling product	2008/09 Expenditure (Player Losses)	Increase / Decrease from 2007/08
Racing and sports betting	\$269m	-1.2%
Lotteries Commission products	\$404m	+16.7%
Casinos	\$465m	-2.4%
Non-casino gaming machines	\$889m	-5.3%
<b>Total expenditure</b>	<b>\$2.028 billion</b>	<b>-0.3%</b>

18. Overall expenditure on gambling decreased slightly between 2007/08 and 2008/09– this is only the second time this has happened since statistics began to be recorded in 1985<sup>3</sup>. The overall decline may be attributable to the economic downturn, combined with other factors that are specific to gambling products.

- The only form of gambling where expenditure increased – dramatically – was New Zealand Lotteries Commission (NZLC) products. This is attributable to two unusually large "must be won" jackpots for Powerball and Big Wednesday, both of which attracted record sales.
- Total casino expenditure has tended to fluctuate between years since the Act came into force (for example it decreased between 2005/06 and 2006/07, but increased again in 2007/08). However, 2008/09 casino expenditure was the lowest since 2003. SkyCity noted in 2009 that it was "feeling the economic downturn".
- The decrease in gaming machine expenditure may be due to a variety of factors, including the economic downturn, the introduction of "pop-ups" (player information displays), and the large expenditure on NZLC jackpots. There is a less certain link between the decrease in expenditure and the ongoing decline in gaming machine *numbers* (see below). Sometimes gaming machine numbers have decreased at a time when expenditure *increased*. The decrease has affected clubs (-6.1%) more than societies that operate gaming machines on commercial premises (-5.0%).

19. The number of gaming machines outside casinos was 19,359 at 31 December 2009. This number has dropped from a peak of over 25,000 in June 2003. In 2008 it appeared to have stabilised at around 20,000, but there has since been a further substantial decline, probably due to a combination of "natural attrition" – the closing of low-performing venues – and compliance action, such as licence cancellation, taken against some gaming machine operators and venues.

<sup>3</sup> The only other time that gambling expenditure decreased between financial years was between 2004/05 and 2005/06. The decrease at that time was entirely due to a decrease in expenditure on non-casino gaming machines, attributable to a variety of factors including the Gambling Act and the Smoke-free Environments Act.

20. In the six casinos, which under the Act cannot expand their gambling operations, there are 2,826 gaming machines and 197 table games.
21. The NZLC conducts New Zealand lotteries in order to generate profits for distribution to the community by the Lottery Grants Board. Its six national lotteries (including the twice-daily Keno and Instant Kiwi games) are sold at over 1,000 outlets nationwide and online.
22. The New Zealand Racing Board (NZRB) provides TAB betting on over 10,000 horse and greyhound races conducted by some 120 racing clubs at around 70 race tracks throughout New Zealand. It also provides betting on sporting events and on overseas races. Its profits are used to fund racing club infrastructure and raceday stake monies.

#### *Participation in gambling*

23. Gambling is a popular activity for many New Zealanders, although the popularity of gambling in general may be declining a little. About 70 per cent of adults gamble at least once a year<sup>4</sup>. Participation in major forms of gambling (at least once a year) is:
- NZLC ("lottery") products – 67% of adult population;
  - Non-casino gaming machines – 19%;
  - Racing and sports betting – 14%;
  - Casinos – 10%.
24. A possibly significant factor is that a large and growing number of New Zealanders (about 30 per cent in 2006-07) gamble less than once a year or not at all.

#### *Internet gambling*

25. The NZRB and the NZLC sell a range of their products online. Conducting internet gambling is otherwise illegal under the Act, as is the advertising of overseas gambling. It is not, however, illegal for people to *participate* in internet or overseas gambling.
26. Participation by New Zealand based gamblers in internet gambling services with overseas operators is currently estimated at less than 2% of adults<sup>5</sup> – which, though still a very small proportion, may now be increasing after remaining stable at less than 1% for some years. The recent popularity of on-line poker may have had an effect on this apparent growth. Around 2% of New Zealanders approaching problem gambling service providers cite internet gambling as the primary mode of problem gambling<sup>6</sup>. Other jurisdictions have noted more rapid growth<sup>7</sup> and a greater association with problem gambling than to date in New Zealand. This difference may be due to differing regulatory approaches to internet gambling in other jurisdictions.
27. Along with the NZRB, NZLC, and others in the gambling and problem gambling service provider sectors, we are continuing to look closely at developments in relation to internet gambling.

#### *Technological developments*

28. There are two aspects to the rapid evolution of gambling related technologies:

<sup>4</sup> *A Focus on Problem Gambling – Results of the 2006/07 New Zealand Health Survey* – Ministry of Health 2009, pp 42-43.

<sup>5</sup> Based on data from a range of available sources.

<sup>6</sup> *Problem Gambling Intervention Services in New Zealand 2007 Service-user statistics* - Ministry of Health 2008. New clients citing "other and multiple" as the primary mode of problem gambling: 2.5% (internet gambling not given in statistics) while 2.4% of "significant others" approaching problem gambling service providers cite "internet" as the primary mode of problem gambling.

<sup>7</sup> *British Gambling Prevalence Survey 2007* - Gambling Commission, London 2008; *Internet gambling: a secondary analysis of findings from the 2007 British Gambling Prevalence Survey* - Gambling Commission/Nottingham Trent University 2008.

- Gambling operators (especially casinos and the Lotteries Commission) want to make use of new technologies to increase their customer base and profits. The Department has a role in ensuring that the introduction of such products does not carry an increased risk of harm.
- There is growing interest in utilising technology for harm prevention and minimisation purposes. This can take the form of altering existing features so that gambling products are less potentially harmful (e.g. reducing the limit for note acceptors on gaming machines) or introducing technologies specifically aimed at harm minimisation (e.g. a pre-commitment system allowing players to limit the amount they spend). An example in use in New Zealand is the “pop-up” Player Information Display (PID) which is required on all gaming machines and provides information on expenditure and session time approximately every 30 minutes.

### ***Compliance and enforcement issues***

#### *Integrity of gambling operations*

29. There is ongoing public and media interest in the integrity of gambling operations, in particular class 4 (gaming machine) operations. Issues that are of high concern to the Department, because of their negative effect on the distribution of funds, include:

- Questionable use of grant funding, e.g.
  - ‘Money-go-rounds’ whereby sporting interests funded by gaming machines have a commercial interest in pubs, which are financed using funds from the same machines. The Department considers this contrary to the Gambling Act as it involves ‘capture’ of a guaranteed stream of funding by relatively powerful community groups, thus denying those funds to less powerful, but equally deserving groups. It may also involve non-compliance ranging from suspected conflict of interest to outright fraud.
  - Funding for activities with a commercial flavour such as professional or ‘semi-professional’ sport.
- Questionable expense payments, e.g. payment for items that are not necessary to the gambling operation, and failure by societies to check that expenses are correctly claimed.

30. Non-compliant behaviour may be related to underlying conflicts that are inherent in the class 4 gambling regime, for example, a clash between the commercial motivations of the hospitality sector which hosts the machines, and the requirement to minimise the costs of the gambling operation. It is important for the Department to concentrate effort on investigating and sanctioning non-compliance, ensuring the sector knows the requirements for compliance, and developing robust systems to gather information on the effectiveness of the current regime.

#### *Gambling-related crime and criminality*

31. There is a continued focus on the potential for crime associated with gambling. This covers a broad spectrum including (but not limited to) cheating, theft of gambling profits, grant fraud, theft from employers and crimes such as drug trafficking or money laundering that are associated with an organised crime presence at gambling venues.

32. Ancillary or “fringe” activities with a potential criminal dimension such as loan-sharking, domestic violence and child abuse have been associated in the media with problem gambling. There is often a cultural and/or international dimension to gambling-related crime and there are strong links to other Government initiatives, such as the recent Anti-Money Laundering (AML) and organised crime legislation.

33. As one of three supervisors under the new AML legislation, with responsibility for the casino sector, the Department is well placed to focus on this aspect of gambling-related

crime. We have an ongoing and close working relationship with the Organised and Financial Crime Agency (OFCANZ) and other agencies with an interest in this area.

### *Other issues of concern*

#### *Debate on the distribution of gambling funds*

34. Non-commercial corporate societies are licensed to operate non-casino gaming machines only to raise money for authorised (i.e. community) purposes. This *countervailing community benefit* is seen to some extent as a counterbalance to the social costs associated particularly with gaming machines.
35. The public, local authorities, funding agencies, and the media are becoming more aware of issues related to how funds are distributed to community purposes. While Lotteries Commission profits are distributed by an independent board (the New Zealand Lottery Grants Board) in line with criteria based on analysis of community needs and benefits, gaming machine operators can make their own decisions about how funds are distributed. The Act was not intended to tell gaming machine societies where, or to what authorised purposes, they should make grants. However, there is increasing pressure for gaming machine operators to distribute funds on what some see as a more "equitable" basis, e.g. to a wider variety of social causes, and/or returning funds to the community in which they are raised.
36. In relation to sports grants, questions have been raised in the media about the large proportion of funds which some societies grant to certain sports (the racing industry in particular). There is concern that gambling funding for sport should create a *lasting benefit* for the community; and that grants should clearly have integrity. Concerns raised include:
- Some grants are for purposes of very limited or short-term value (some commentators associate this with the legislative prohibition on 'promissory grants' which, it is argued, may constrain societies' ability to fund on a long-term or strategic basis);
  - Some practices, such as the provision of "naming rights" to societies that make grants, are legally questionable;
  - Capture of funding through commercial interest in pubs (see para 29 above);
  - The existence of gambling funding may undermine the ability of sports organisations to attract corporate sponsorship;
  - Grants should be made to the community in which the gaming machines operate.
37. The recent economic downturn is likely to reduce the pool of money available to communities from philanthropic and charitable givers, giving added impetus to the idea that grants should be "smart", effective and address identified areas of need in the community.

#### *Gambling related harm and problem gambling*

38. Problem gambling continues to be a major focus for the Department and the Ministry of Health, and receives a lot of media coverage. While only a small minority of the population gamble in problematic ways at any given time, this fact in isolation does not give a true picture of the issue.
- Problem gambling is overwhelmingly associated with certain forms of gambling, especially gaming machines and casino table games. Around 20 per cent of *regular* gaming machine players (at least once a week) are likely to have a gambling problem<sup>8</sup>. Recent research indicates that the number of *regular* players may have fallen from about 3% of the adult population to less than 2%;<sup>9</sup>

---

<sup>8</sup> For example, New Zealand's 1999 National Prevalence Survey estimated that 18.9% of those who played non-casino gaming machines once a week or more were current probable pathological or

- Negative social impacts are out of proportion to the numbers of problem gamblers.<sup>10</sup> For example, gamblers may commit crimes to finance their gambling, causing harm to their victims and their families as well as themselves, and incurring costs in the criminal justice sector;
- Specific populations such as Māori, Pacific people, young people, migrant Chinese and Koreans, and Chinese students bear a disproportionate negative social impact;
- Problem gamblers contribute a disproportionate amount of gambling profits.

39. Recent developments include a high level of public awareness around problem gambling, and an increase in the number of people who regard certain forms of gambling as “socially undesirable”. A significant and increasing number of people strongly agree that there is a growing problem with people being heavily involved in gambling. More than 50% of participants in the Department’s 2005 Participation in and Attitudes to Gambling survey strongly agreed that this was so. Since 2000 there has been a marked increase in the proportion of people who think that internet gambling and non-casino gaming machines are socially undesirable. 68% of people think that internet gambling is undesirable. 64% think that non-casino gaming machines are undesirable, 59% casinos, and 53% telephone and text games/competitions.<sup>11</sup>

#### *Australian Productivity Commission Report*

40. In October 2009 the Australian Productivity Commission released for comment a draft report on gambling in Australia, with a focus on problem gambling. The draft report’s recommendations include, among other things:

- The gaming machine bet limit should be reduced to \$1 per button push (which, if implemented, is expected to substantially reduce income from gaming machines);
- A progressive move over the next 6 years to a universal pre-commitment system for gaming machines, using technologies that allow all consumers in all venues to set binding limits on their future play;
- Online gambling should be permitted, subject to a consumer protection regime.

41. The draft recommendations would pose major policy challenges for the Australian state governments, and are expected to be opposed by the gaming machine and club sectors in Australia.

42. New Zealand’s Gambling Act already focuses attention on harm prevention and minimisation, with the riskier forms of gambling attracting more intervention. However, these draft recommendations go further than the New Zealand requirements in some respects. There has already been New Zealand media attention on these recommendations. If they remain unchanged in the final report, there is likely to be pressure from some stakeholders for New Zealand to adopt similar measures. Legislative change would probably be required if such measures were adopted, and the gambling sector is likely to strenuously oppose some of these changes.

---

problem gamblers [M.W.Abbott and R.A.Volberg, *Taking the Pulse on Gambling and Problem Gambling in New Zealand: A Report on Phase One of the 1999 National Prevalence Survey* – DIA 2000]. At around the same time, the Australian Productivity Commission estimated that 22.6% of weekly gaming machine players were problem gamblers [*Australia’s Gambling Industries*, Productivity Commission, Canberra 1999]. A recent Victorian survey [*2003 Victorian Longitudinal Community Attitudes Survey* - ANU Centre for Gambling Research/Gambling Research Panel, Melbourne 2004] estimated that 27.8% of those regular gamblers for whom gaming machines were the favourite form of gambling, were problem gamblers. Other recent surveys (Queensland 2006/7, Adelaide 2008) give similar results.

<sup>9</sup> *Gambling and Betting Activities Survey* - Health Services Council/National Research Bureau 2007.

<sup>10</sup> For recent research on the social impacts of gambling see Centre for Social and Health Outcomes Research and Evaluation (SHORE), *Assessment of the Social Impacts of Gambling in New Zealand* – Massey University/Ministry of Health 2008

<sup>11</sup> *People’s Participation in, and Attitudes to, Gambling, 1985-2005* – DIA 2008

43. The final report went to the Australian Federal Government on 26 February 2010 and is expected to be publicly released in late March or April.

### **How we will get to where we want to be?**

44. The previous section outlined a variety of issues and risks that form the background to the Department's regulation and compliance strategy. The table in the Appendix summarises the highest priority issues, and the Department's proposed response to each issue. This section outlines the key responses (some of which apply to more than one strategic risk or opportunity).

#### ***Policy advice***

45. The Department is continuing to monitor and advise Ministers on high-priority issues including:

- Size and nature of the gambling sector, including the decline in gaming machine numbers and the possible growth in internet gambling;
- Pressure for more equitable, transparent funding from gaming machines;
- Impact of the economic downturn on community funding from gambling operators and other sources;
- Proposals from some groups to lift the prohibition on establishment of new casinos;
- The impact of the Australian Productivity Commission report on the gambling debate within New Zealand.

#### ***Information and monitoring***

46. The operational group is focused on generating high quality information on compliance issues and the impact of the Gambling Act. This is important for operational accountability and reporting purposes, and also feeds into policy advice and analysis of the overall effectiveness of the Act. A major focus over the past two years has been enhancing outcome frameworks and business reporting processes. At the process level a new audit model has been developed, and the audit and work programme for the year reflect a risk-based approach to enforcement.

47. The Integrated Gambling Platform (IGP) will introduce enhancements to the gambling compliance IT platform with the objective of improving operational efficiency and effectiveness and supporting enhanced information gathering, analysis, and reporting. Among other functions, the IGP includes a function that will routinely gather information on funding allocations to authorised purposes. This will provide comprehensive, up-to-date data on the uses to which gaming machine grants are put.

#### ***Fees review***

48. The Department will begin to review the third party fees charged to gambling operators to ensure there is a sustainable basis for funding our gambling compliance activity in 2010/11.

#### ***Stakeholder management***

49. The Department takes an active and planned approach to managing relationships with its stakeholders. The outcome sought is a high level of stakeholder understanding of, and confidence in, the Department's approach to compliance and educational activities. To this end a Stakeholder Engagement Plan has been put in place that looks at gambling operators, community interests, outside agencies and internal stakeholders.

50. *Engagement with gambling operators* is aimed at increasing compliance within the sector by ensuring that operators understand their legislative responsibilities and the Department's role, and view the Department as being effective and fair in the way it applies the Act, associated rules and policy. Engagement with non-casino gambling operators includes a programme aimed at identifying, discussing and resolving governance issues. Regional gambling forums have been established as the main mechanism to discuss sector issues, policy initiatives and other key messages. Objectives of the programme are to:
- Maximise the return to the community from non-casino gaming machine operations by minimising costs through the application of best practice initiatives;
  - Ensure that trustees understand their responsibilities with respect to compliance with legislative requirements and Departmental policies;
  - Influence gambling operators towards higher levels of compliance generally.
51. *Engagement with community interest groups* includes contact with the general public, problem gambling agencies and community referral agencies. The aim of working with community interest groups is to ensure that they:
- Have accurate knowledge of the gambling regime in order to take advantage of available community funding opportunities;
  - Know who to contact for information on problem gambling services;
  - Can take part in informed debate about the sector and participate in decision making on gambling related issues and policy (e.g. gambling policies of territorial authorities);
  - Can provide feedback to the Department on community gambling concerns.
52. *Outside agencies* that we engage with include central and local government, and overseas agencies. The key objective for those stakeholders is to work cooperatively with other agencies so that:
- Information and resources can be easily shared to increase compliance with gambling legislation;
  - Crime can be collaboratively investigated and prevented in a cross-agency or cross-jurisdictional setting;
  - The Department is consulted and has input into relevant policy development.

### ***Enforcement focus***

53. Despite an ongoing programme of education and information provision to class 4 gambling operators, compliance issues of major concern continue to be identified. In response to this, as part of our strategy to gain improved overall levels of compliance, we will take firm and resolute enforcement action when suspected non-compliance is identified. This will have the effect of:
- Identifying and dealing appropriately with those who break the law;
  - Deterring non-compliance;
  - Creating a body of case law;
  - Providing concrete data on the effectiveness of the Gambling Act which may feed into future policy development.
54. Our enforcement focus will concentrate particularly on the following areas, which have been identified as high priority because of their potential impact on funding and the integrity of gambling operations:
- Funding practices;
  - Society expenses;
  - Society governance.
55. In conjunction with this enforcement emphasis, we are reviewing our enforcement policy, which provides a principled, risk-based framework for enforcement decisions.

### ***Incentivising compliance***

56. Our strategy of taking strong enforcement action in areas of major risk needs to be balanced with providing incentives for compliant behaviour. We work with the gambling sector in order to increase compliance, integrity and good practice in gambling operations. We want to encourage gambling operators not only to comply with rules, but increasingly to adopt practices that exceed the minimum requirements.

### ***Communications***

57. The Department intends to put in place a communication and publication programme to encourage compliance and maximise deterrence. The aim of the programme will be to highlight successes in addressing non-compliance, and provide information on how the sector is performing, emphasising best practice when it occurs. The programme will seek to incentivise compliance by making the way in which the gambling sector operates more transparent and by making more information readily available to the sector, community groups, government agencies and the general public.

### ***Leniency and co-operation policies***

58. In the past, gambling investigations have been impeded by the frequent unwillingness of potential informants to “blow the whistle” on non-compliant behaviour. To encourage informants to come forward, the Department is developing leniency and cooperation policies under which, in strictly specified circumstances, the Department will agree not to take proceedings under the Act, or to take reduced enforcement action, in respect to persons who volunteer information about non-compliance with the Act.

### ***Addressing casino-related crime and criminality***

59. In 2006/07 the Department conducted an extensive study in an attempt to establish the nature and extent of criminal activity within Auckland and Christchurch casinos. The study highlighted the major area of risk in terms of criminality as being where the three main factors of Organised Crime (OC), specific group culture and casino business culture converged. An initial framework was developed as an overall response to countering OC's influence on and involvement with casinos and the effects this has on the wider gambling community. Three main outcomes were identified:

- To deter, disrupt and detect criminality in casinos – especially OC;
- To achieve a business culture of proactive crime prevention and detection within casinos;
- To assist gamblers to be less susceptible to risks presented by OC.

60. The Department's casino work programme targets the areas identified by the initial study and allows for tactical responses that involve a variety of initiatives based around enforcement, response, intelligence analysis, problem solving, and prevention and partnership strategies. We are working with the casinos with an aim of fostering a culture of vigilance against organised crime.

### ***Work on harm prevention and minimisation***

61. Several multi-venue exclusion order (MVEO) programmes have been initiated to help the Department achieve its outcomes around reducing gambling related harm. The programmes are a one-step mechanism enabling problem gamblers to exclude themselves from more than one gambling venue within a defined area. Anecdotal feedback from problem gambling treatment services in one area indicates that since the inception of the MVEO process the number of persons seeking problem gambling counselling has reduced significantly. This has been attributed directly to the MVEO process. The first multi-venue exclusion order model was adopted in Queenstown in 2006. MVEOs are now up and running in Invercargill, Dunedin, Nelson, Hamilton and

Kaitaia, and the Department is working with service providers for MVEO implementation in Lower Hutt. Three more initiatives are currently being scoped for the North Island.

62. We continue to work with New Zealand casinos as they put in place Host Responsibility Programmes (HRPs). The aim of these programmes is to prevent and minimise gambling related harm by a combination of targeted initiatives, standard operating procedures, learning and development plans and external stakeholder management. SkyCity Auckland introduced its HRP in December 2007. New Zealand's five other casinos have now each submitted HRPs to the Gambling Commission for approval.
63. We continue to collaborate with the Ministry of Health, problem gambling service providers, and researchers, to monitor and address issues related to preventing and minimising gambling related harm. An example is the Stakeholder Reference Group on Preventing and Minimising Gambling Harm (previously known as the Expert Advisory Group), which brings together representatives from the gambling, problem gambling, research, and community sectors to discuss relevant issues with the Department and the Ministry of Health.

### **How far have we got? Current indicators of progress**

64. The relatively stable state of gambling availability in recent years (and the reduction in some areas) can in part be attributed to the Act's aim of controlling the growth of gambling – for instance the Act prohibits the establishment of new casinos and allows communities, through territorial authorities, some control over gaming machine and venue numbers. It is also likely that the Smoke-Free Environments Act, the economic downturn, and some sector-specific factors have had a limiting effect on gambling availability.
65. Increased public awareness about the potential harm associated with gambling, and the high media profile given to issues of gambling related harm and crime, are indicators of public support for the direction taken by the Act, and may encourage community involvement in crime prevention and harm prevention initiatives. There is clear demand from some sections of the community for increased community involvement in gambling issues, including the location and nature of gambling, crime prevention, and harm prevention initiatives. This is associated with a number of influences, including:
- The Act's requirement for public consultation on territorial authority gambling policies;
  - Publicity campaigns and community action by problem gambling service providers and lobby groups;
  - The Ministry of Health's contracting of providers at a local level.
66. The success of the multi-venue exclusion order programme is shown by its adoption in localities throughout New Zealand (see para 61 above).
67. There are indications that the Act's emphasis on transparency and accountability is starting to work for all involved parties. For example:
- The Department, the Ministry of Health and problem gambling treatment providers are providing better quality gambling statistics to the public on a more regular basis;
  - There are encouraging signs that parts of the sector are beginning to consider formal assessment of community needs and the long-term value of funding;
  - Since its introduction in 2006/07 the non-casino gaming machine Electronic Monitoring System (EMS) has enabled rapid detection of and a reduction in insufficient or late bankings or failure to bank by venues, which accounted for an estimated 5 per cent of gaming machine profit under the previous legislation.

68. There remain some areas where progress has been slow. For example, in relation to non-casino gaming machines there is still evidence of endemic poor compliance in the sector. However, even here we are starting to see results. The renewed emphasis on taking decisive enforcement action in relation to high-priority compliance issues has led to a series of Gambling Commission appeals. There has already been a Gambling Commission decision (Eureka Trust 2009) which endorsed a strong enforcement approach in cases of serious non-compliance and in fact increased the penalty originally proposed by the Department. A number of appeals are still under way, several relating to the compliance issues raised in this paper. Regardless of the outcome of these appeals, they will be helpful to reinforce the Department's approach, suggest a more appropriate approach, and/or provide evidence of any weaknesses in the existing regime.

**Appendix – The Department’s response to strategic risks and issues in the gambling sector**

<b>Risk/Issue</b>	<b>Relevant intermediate outcome</b>	<b>Response</b>	<b>Success factors</b>
Community pressure for more equitable, transparent funding from gaming machines	Community benefits from non-casino gambling are maximised	<ul style="list-style-type: none"> <li>• Monitor and provide policy advice</li> <li>• Gambling Funding Initiative</li> <li>• Grants database (IGP)</li> <li>• Community stakeholder management plans</li> </ul>	<ul style="list-style-type: none"> <li>• Policy implications identified and high quality advice provided</li> <li>• Public well informed on grants</li> </ul>
Decline in funding due to reduced sector and economic downturn	Community benefits from non-casino gambling are maximised	Monitor and provide policy advice	Policy implications identified and high quality advice provided
Compliance issues and perception of lack of integrity in some aspects of gaming machine operations e.g. funding practices, expenses	Gambling is operated with integrity; community benefits from non-casino gambling are maximised	<ul style="list-style-type: none"> <li>• Increased focus on enforcement with a priority of maximising funding to authorised purposes and increasing integrity in funding practices</li> <li>• Communication programme to maximise deterrent effect of increased enforcement focus</li> <li>• Measures to incentivise compliance (e.g. leniency and cooperation policy)</li> <li>• Focus on competence of gambling operation governance</li> <li>• Sector stakeholder management plans</li> <li>• Cross-agency enforcement and information sharing</li> <li>• Explore incentives to</li> </ul>	<ul style="list-style-type: none"> <li>• Increased compliance</li> <li>• Increased sector understanding of requirements</li> <li>• Increased % returns to authorised purposes</li> <li>• Effective investigation and enforcement</li> </ul>

Risk/Issue	Relevant intermediate outcome	Response	Success factors
		compliance through fee structures	
Possible growth of overseas internet gambling and associated gambling problems	Gambling related harm is prevented and minimised	Monitor, provide policy advice, and take enforcement action if necessary	<ul style="list-style-type: none"> <li>• Policy implications identified and high quality advice provided</li> </ul>
Pressure to lift casino moratorium – public controversy	Gambling related harm is prevented and minimised	Monitor and provide policy advice	<ul style="list-style-type: none"> <li>• Policy implications identified and high quality advice provided</li> </ul>
Australian Productivity Commission Report stimulates public pressure to introduce more stringent controls on gambling	Gambling related harm is prevented and minimised	Monitor and provide policy advice	<ul style="list-style-type: none"> <li>• Policy implications identified and high quality advice provided</li> </ul>
Continued community focus on gambling related harm	Gambling related harm is prevented and minimised	<ul style="list-style-type: none"> <li>• Multi-venue exclusion order programme</li> <li>• Gather statistics on exclusion orders (IGP)</li> <li>• Community stakeholder management plans</li> <li>• Continued cross-agency and cross-sector work</li> </ul>	<ul style="list-style-type: none"> <li>• Problem gamblers' help-seeking supported</li> <li>• Sector compliance monitored</li> <li>• Robust information on exclusion orders collected</li> <li>• Community well-informed on problem gambling issues</li> </ul>