Money from gambling is an important source of funding for sport.

A rough estimate, but a reasonably good one, is that $1billion has made its way from gambling machines to “sports/physical activity” purposes over the last 10 years.

At one end of the scale, individual sports clubs have invested in the operation of gambling machines. At the other end of the scale a wide range of clubs and sporting
codes receive considerable funding from gambling machine societies.

In the last 10 years the gambling landscape has evolved significantly in New Zealand.

It’s probably fair to say that, from a regulatory perspective at least, the overall trend has been towards greater accountability, transparency and responsibility in respect to gambling and the uses that gambling proceeds are put to.

However, gambling is, and probably always will be, a controversial topic.

The combination of several factors provides a rich source for discussion and debate.
There's:

- myth and fact
- harm and benefit
- the historic and, in some cases, very contemporary association of gambling with crime, and,
- in this country at least, the challenging mix of charitable and commercial activities and incentives.

As part of this colourful picture, the Department's top priority is achieving positive outcomes for the community in terms of the operation of the gambling sector.

Historically those outcomes have been around the “basic” regulatory issues of integrity of gambling operations. More recently the focus has been increasingly on preventing and minimising harm and crime; and now the
Department’s focus is expanding again to include a broader view of the costs and benefits of gambling and the way the community is involved and engaged in the gambling that occurs in our communities.

**NET BENEFITS IMPORTANT**

- Risk and opportunity
- The community is the primary stakeholder
- Benefits need to outweigh costs

Gambling by its nature is about risks and opportunities. As regulator the Department’s prime role is about managing risks. Regulation is essentially a risk management tool.

In terms of the risks and opportunities in gambling activities, the community is the primary stakeholder group; community interests include, for example, sporting groups for whom gambling provides funds.

I’d like to talk to you today about the risks and opportunities associated with gambling funding for sport.
The starting assumption is that gambling is a legal activity and it’s here to stay.

What happens from there—how gambling is regulated and managed—is and should be a result of prevailing community attitudes, good information, analysis, advice and decision making.

The community is now much more aware of and interested in the social impact of gambling. It wants gambling managed so that the benefits outweigh the costs.

Part of this equation relates to the integrity and effectiveness of grant making by gambling trusts.

Grant recipients have a big part to play in supporting, or undermining, that integrity and effectiveness.

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**INTEGRITY**

- Integrity ... or ...

- Regulatory action ... and ...

- Community tolerance undermined
The **integrity** element is about whether grant making occurs according to the letter and spirit of the Gambling Act.

The Act requires separation between gambling trusts, gambling machine venues and grant recipients. It requires the application and distribution of grants to be transparent.

Where this doesn’t occur there can be two consequences. First, those who try and circumvent the rules can face regulatory action; second, the cumulative effect of poor behaviour undermines community tolerance for the system as a whole.

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**LETTER AND SPIRIT OF THE LAW**

- Inappropriate use of grant funding
- Shady (not transparent) deals
- Naming rights and sponsorship
The kinds of risky things I am referring to are:

- The inappropriate use of gambling funding for individual sports professionals and professional club expenses
- Arrangements between sports organisations and venue operators (pubs) designed to guarantee funding to the sporting organisations from the trusts whose machines are operated at the venue. Some of these can be quite sophisticated arrangements that might, in tax terms, be regarded as avoidance - and therefore against the spirit of the Act; but not evasion - and therefore against the letter of the law.
- Another example of risky behaviour is sporting groups conferring naming rights or other benefits on gambling machine societies in return for grants. The naming rights for some events are worth many thousands of dollars\(^1\). That grant recipients would give away these rights to gambling machine societies out of gratitude, rather than sell them to a genuine sponsor is hardly credible. Either sports groups enter into such arrangements because they are unaware, or don’t care, that they are inconsistent with the law; or they enter into them because they fear further grants won’t be forthcoming if the gambling machine society’s

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\(^1\) Anecdote: recently I was at a high profile NZ sporting event where a gambling society’s “branding” was prominently displayed and that society was thanked for its *sponsorship* – as part of a group of otherwise commercial sponsors.
contribution is not recognised in some way. These sponsorship deals seem to encourage grants to high profile televised events rather than to a range of activities.

- Another development we are watching closely is the creation of gambling machine societies with close associations to particular sporting codes or sporting franchises. These are often referred to as end user trusts. End user trusts are legal. However, views on whether they are OK seem to depend on whether the end use is something you support or not. End user trusts tend to narrow the breadth of grant making in an overall sense. Those involved in influencing the way the gambling societies operate need to think carefully about how this phenomenon sits in respect to legitimate community expectations about the way gambling funding is distributed.
EFFECTIVENESS

• Real and lasting benefits

• Community capital

• Focus on community needs and priorities

This topic leads well into the next issue - the **effectiveness** of grant making, the key issues are around real and lasting benefits.

We all know the framework of the Act focuses on authorised purposes and proper grant making processes. It doesn’t address whether the “investment” from gambling funding provides long term community benefits and/or addresses real needs. Also, we don’t know to what extent areas funded by gambling might otherwise miss out. Would other forms of voluntary activity, or other sources of grant funding, fill the gap if gambling funding wasn’t available? And would the development of community capital through such activity be good or better from a sustainable community perspective.

From the perspective of the strict “letter of the law” it may not be our business to focus on this.
However, the Gambling Act was based on the understanding that gambling machine societies would be very transparent about what they were doing; that community needs and priorities would be at the forefront of their allocation decisions. So, in terms of the spirit of the law and the outcomes the community deserves from gambling, it is our business.

It is also your business as sporting organisations/grant recipients. You are part of the system in which gambling societies operate. Your actions and demands influence the way those societies distribute funds and impact on whether it is transparent and meeting real community needs and priorities.

**PREVAILING COMMUNITY ATTITUDE**

- **Unease about grants distribution**

- **Unease about gambling as a source of grants**

- **Crisis of perception**

So, how well regarded is the gambling funding distribution model? What is the prevailing community attitude.
The Department’s 2005 Participation and Attitudes to Gambling survey reveals a reduced public satisfaction with gambling operators distributing gambling profits.

In 1995 25 per cent of respondents supported the current distribution model but in 2005 this had fallen to 13 per cent. Most respondents to that survey supported the distribution of gambling profits by the Lottery Grants Board or a similar body.

A more recent survey of grant applicants by the Charity Gambling Association paints a more positive picture however – suggesting that 69 per cent of respondents believe the current system is fair and transparent.

There is of course significant potential to critically analyse all surveys – though some are more open to criticism than others - and there’s potential to challenge the nature of the questions, sample sizes, response rates and target groups etc. But there is still a message there: whether it’s 31% of people or 87% of people who don’t like the current system suggests there is room for improvement.

And a recent Health Sponsorship Council survey reinforces that suggestion. That survey indicated that 51 per cent of adults (that is, over half the adult population) think that raising money through gambling does more harm than good. And only 29 per cent thought it did more
good than harm. It’s worth thinking about that figure from the perspective of your own sector for a moment. Around $1 billion went to sport from gambling machines over the last decade, yet over half the adult population thinks that raising money through gambling does more harm than good.

Also, the public is becoming increasingly aware that gambling machines are concentrated in low socio-economic communities.

The public is concerned that money is being taken from those communities and given to others in different and perhaps better-off communities or interest areas.

In this context, representatives from the gambling sector seem well aware of the tight rope on which they walk.

The headline for a recent article in New Zealand Gambling magazine was:

“A CRISIS OF PERCEPTION - Some in the gaming industry are checking the way the industry is perceived in the eyes of the public. It is not a good look, they say. So concerning, in fact, some people are voicing concern for the future of the industry in New Zealand.”
The Department believes the gambling industry can and should address these perception issues; and because the industry is part of a system, others in the systems have a responsibility to address this as well.

Issues of integrity, harm and crime are fundamental matters that should be addressed actively and responsibly by the sector and all involved as a matter of course. Our communities expect that – but it’s not enough.

The “system” needs to demonstrate a focus on making sure its benefits - in the widest sense – exceed its costs; all gambling societies must primarily focus on good grant making – as opposed to some whose main focus seems to revolve around being part of the hospitality sector; sporting groups who receive gambling grants need to understand and operate as part of a broader community seeking transparent and equitable access to grant funding.
Grant making by the gambling sector amounts to around 1/3rd of the grant making by trusts and foundations in New Zealand. It needs to be approached strategically, with a clear focus on outcomes derived from the investments made, and based on a strong understanding of community needs.

This is what Parliament entrusted the gambling trusts with doing through the Gambling Act. As the Minister of Internal Affairs said in opening the New Zealand Gaming Expo in Auckland earlier this year: “While it is imperative that the legal requirements outlined in the Act are met, societies are expected to recognise the Act’s objectives in their decision making, both in terms of their day-to-day operations and in their planning for the future. Harm prevention and minimisation, and maximising community benefits should be the ultimate goal.”

And grant recipients need to take a similar approach. Sporting organisations have a big part to play in this by avoiding the kinds of behaviours that call the reputation of the sector into question.

However, change, if it does occur, shouldn’t necessarily be seen by sports groups or any grant recipients as a threat. Alternative distribution models could be developed; there is no reason why they would affect
negatively the total amount of money available to the community or sections of the community.

For example, community-based distribution committees could make decisions about funding on the basis both of local priorities and the strategic priorities of organisations like SPARC and the national sporting bodies.

This sort of approach might, for example, encourage community capability through funding that targets grassroots, children’s sport, and that encourages higher rates of participation in a wide range of sporting and recreational activities.

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**END GAME**

- System operates transparently, with integrity, for sustainable community benefit and all participants uphold the spirit of the system

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So, looking to the future, everyone seems to understand and be aware that the continued existence of the system in its current form will rely on it operating transparently,
with integrity, for sustainable community benefit and for all participants to uphold the spirit of the system.

While the Department of Internal Affairs’ role is to take a lead in facilitating the achievement of the Act’s objectives and the outcomes they relate to, it is the responsibility of all participants in the “system” to ensure that this balance is met. Thank you.