

REVIEW OF QLDC **GAMBLING POLICY**

Roger Taylor
General Manager Regulatory and Corporate Services
11 January 2010

BACKGROUND

Council is required to adopt a Gambling Policy under the Gambling Act 2003. The primary purpose of the policy is to control the number and location of Class 4 gaming machines ("non-casino pokies") in the district and the number and location of TAB outlets in the district.

The four key objectives of the Act are:

1. to control the growth of gambling;
2. to prevent and minimise the harm caused by gambling;
3. to ensure that money from gambling benefits the community; and
4. to ensure community involvement in some decisions about the provision of gambling.

A substantial research and consultation programme was undertaken by Council in developing the policy in 2004. A copy of the current policy is attached. Council is required to review its policy every three years. The last such review was undertaken in 2007 and confirmed existing policy. A further review is required to be undertaken now.

The relevant provision in the Act that sets out Council's obligations is:

102 Adoption and review of class 4 venue policy

- (1) A policy on class 4 venues under section 101 must be adopted in accordance with the special consultative procedure in section 83 of the Local Government Act 2002 and, for the purpose of subsection (1)(e) of that section, the territorial authority must give notice of the proposed policy, in a manner that the territorial authority considers appropriate, to—
 - (a) each society that holds a class 4 venue license for a venue in the territorial authority district; and
 - (b) organisations representing Maori in the territorial authority district.
- (2) A policy may be amended or replaced only in accordance with the special consultative procedure, and this section applies to that amendment or replacement.
- (3) Subsection (1)(b) does not affect the ability of a territorial authority to take similar action in respect of any other population group.
- (4) A territorial authority must, as soon as practicable after adopting, amending, or replacing a policy, provide a copy of the policy to the Secretary.
- (5) A territorial authority must complete a review of a policy within 3 years after the policy is adopted and then within 3 years after that review and each subsequent review is completed.
- (6) A policy does not cease to have effect because it is due for review or being reviewed.

Note that while the adoption of the policy and any proposal to amend or replace the policy must be undertaken using the special consultative procedures (SCP) in the LGA, the triennial review (subsection 5) is not required to use the SCP unless it proposes to amend or replace the policy.

DISCUSSION

Introduction and Summary of Gaming Act 2003 Provisions

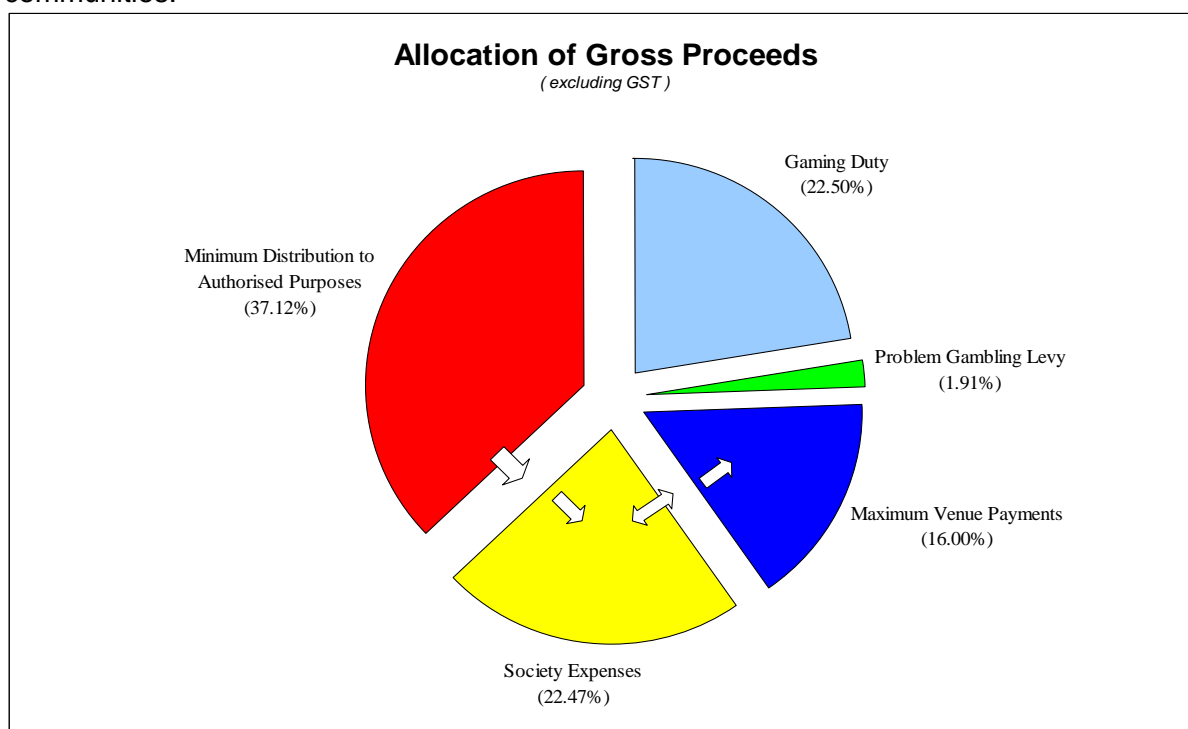
Council's role within the overall implementation of government's objectives for the control of gambling is limited. The specific obligations are specified in sections 98 to 103 of the Act.

Within the framework of the legislation the functions of Council are limited to:

1. Developing a policy on whether new class 4 and TAB gambling venues may be established in the district and if so where they may be located; and
2. Receiving and considering applications for Council consents consistent with that policy.

Generally, gaming machines are owned and operated by “Societies”. These are charitable organisations that contract with venue operators to place gaming machines in the venues. Each society has a series of purposes to which the net proceeds of the gaming machine it operates can be put. The following chart shows the proportionate allocation of net proceeds from gaming machines. The exception to societies operating gaming machines is that Chartered Clubs that had machines at the time the Act came into effect could continue to operate those machines. Chartered clubs can apply the net proceeds to their own purposes and are not required to make external grants.

There are issues around the distributions of money. Whilst the current Act improves the previous situation where venue operators were involved in grant allocation (and granted funds to those organisations that patronised their facility), there remain issues around the channelling of grants to national or regional organisations that do not necessarily benefit communities.



Ministry of Health. 2009. *Problem Gambling Resource for Local Government*. Wellington: Ministry of Health. May 2009

Summary of current Council policy

The challenge with developing any policy is to select the mix of measures and settings that provide the opportunity to undertake the proposed activity to the level determined by Council with an appropriate set of controls and mechanisms for creating information flows about the operation of the policy.

The current policy is *prima facie* permissive. It allows for new Class 4 and TAB gambling venues to be created and it provides for the maximum statutory number of gaming machines to be able to be approved in each venue. These policy settings were chosen based on the consultation undertaken with community stakeholders and on the social impact analysis that was undertaken at the time the policy was developed. Other policy options – such as the proposal not to specify particular distances that gambling venues must be from each other or from educational, religious or community facilities – were based on the particular characteristics of the communities, particularly the small, dense, mixed-use nature of the CBD in each town. Some requirements in the policy might be considered to be restrictive.

Class 4 venues may only be approved where the primary purpose of the venue is on-premise sale of alcohol. This limits both the potential venue locations – through the operation of the district plan – and patronage at venues as it tends to exclude minors.

Council's policy provides the communities with the opportunity to have input into each decision about new class 4 or TAB venues or increases in the number of gaming machines at any venue. This is achieved through the requirement for all applications to be publicly advertised and for applications that receive submissions to be heard publicly. These policy settings were aimed to provide a mechanism to meet legislative objectives 4 and 1. These features and others in the policy (such as the information required with applications) provide the control mechanisms to balance against the permissive nature of the policy. The community has control of each decision that is made about new venues or increases in gaming machine numbers.

Effects of the current policy

The current policy has been in effect for six years.

The following tables and analysis identifies the changes to class 4 gaming in the district since the inception of the policy. This can generally be summarised overall as:

1. An insignificant reduction in the number of venues with gaming machines (2 less venues over 6 years a 7.7% reduction); and
2. A significant reduction in the number of machines - a 25% reduction - in the first three year period of the policy, and status quo for the second three year period.

Site Name	# machines on sites Sep. 2003	# machines on sites Dec 2006	# machines on sites Jan 2010	Change '06 - '09 %
Albert Town Village Inn	12	9	7	-22.2%
Arthurs Point Tavern & Bar	4	9		
Frankton Arm Tavern	18	18	18	0.0%
Lake Hawea Hotel	2	2	6	200.0%
Monty's	9			
New Orleans Hotel	8	8	8	0.0%
Scruffy Murphys	9	9		
Pig and Whistle	12	1		
Pub on Wharf			9	
The Buffalo Club	18	1	1	0.0%
Shooters Wanaka	9	9	9	0.0%
Wakatipu Tavern	18	18	18	0.0%
Wanaka Bullock Bar	18	18	18	0.0%
Wanaka Districts Club	7	7	4	-42.9%
The Frankton Ale House			9	
Machines	144	109	107	-1.8%
Licensed Venues	13	12	11	-8.3%
Machines/Venue	11.1	9.1	9.7	7.1%

As a consequence of these minor reductions in machine numbers, venues and density and increases in the normally resident 18+ population, densities of machines and venues to population are significantly reduced. Overall, the policy is working in reducing the number of machines and the population's exposure to machines. The number of machines per 1000

usually resident population aged 18 and over has decreased from 9.78 in September 2003 to 5.27 in January 2010.

The policy requires any proposals for increases in the number of machines or for new venues to be notified in local papers, with community members having the right to make submission on the proposal. This requirement for advertising has been complied with. New venues, such as the Frankton Ale House and Pub on Wharf have been granted consents for new venues. One application (Glenorchy Lodge) resulted in a hearing and the subsequent refusal to grant a Council consent. Another application (Willows Tavern) was withdrawn after the need for a hearing on the proposal was identified.

Gaming machines are spread throughout the various communities in the district. The following tables show the distribution of machines and venues through the various communities. The significant changes have been the reduction in the number of machines in Wanaka (52 – 31, 40% reduction) and Queenstown (48 – 28, 42% decrease) and the increase in machines in Frankton (18 – 27, 50% increase) over the six year period.

Machines by Location	# machines on sites Sep. 2003	# machines on sites Dec 2006	# machines on sites Jan 2010	% ^ '06 - '09
Albert Town	12	9	7	-22.2%
Arrowtown	8	8	8	0.0%
Arthurs Point	4	-	-	
Lake Hawea	2	2	6	200.0%
Queenstown	48	20	28	40.0%
Frankton	18	18	27	50.0%
Wanaka	52	52	31	-40.4%
Total	144	109	107	-1.8%

Venues by Location	# Venues Sep. 2003	# Venues Dec 2006	# Venues Jan 2010	% ^ '06 - '09
Albert Town	1	1	1	
Arrowtown	1	1	1	
Arthurs Point	1	-	-	
Lake Hawea	1	1	1	
Queenstown	4	3	3	0.0%
Frankton	1	1	2	100.0%
Wanaka	4	5	3	-40.0%
Total	13	12	11	-8.3%

Net losses from gambling machines in the District over the 12 months to September 2009 (the last data available) were \$3,155,749¹ – an average loss of \$29,492 per machine for the year. This figure is the net return from the machines in the district – the difference between the money put into the machines and the money dispensed by the machines. This figure can be variously described as net revenue, gaming machine spending, or gross community cost depending on perspective. Applying the average loss per machine shows an indicative gross cost to the individual communities within the district that have gaming machines as follows:

¹ Source: Department of Internal Affairs. "Gaming Machine Spending by District and Society Type". October to December 08, January to March 09, April to June 09, July to September 09. DIA, Wellington.

Machines by Location	# machines on sites Jan 2010	Gross cost to community
Albert Town	7	206,444
Arrowtown	8	235,936
Arthurs Point	-	-
Lake Hawea	6	176,952
Queenstown	28	825,776
Frankton	27	796,284
Wanaka	31	914,252
Total	107	3,155,644

The only area where the policy has proven ineffective is in obtaining information from the gambling societies that operate the machines in the district. Whilst some societies agreed to provide information, two in particular, The Southern Trust and Pub Charity were adamant that they would not provide the simple information sought.

Data is now available from Society websites. Some Societies provide grant information by TLA area, making the analysis reasonably simple, whilst others simply provide a list of all grants. The following table sets out an analysis of the various Societies' revenue and granting performance in the District over twelve months:

Society	# machines on sites Jan 2010	Gross cost to community	Minimum Payout for Society⁵	Actual Payout in QLD⁶	Net Community Loss	Real Community Loss
Caversham Foundation Ltd	1	29,492	10,947	-	10,947	29,492
Lion Foundation ³	18	530,856	197,054	191,920	5,134	338,936
Pub Charity	6	176,952	65,685	19,781	45,904	157,171
The Southern Trust ¹	7	206,444	76,632	5,200	71,432	201,244
Wanaka Districts Club Inc	4	117,968	43,790		43,790	117,968
NZ Community Trust ²	18	530,856	197,054	24,000	173,054	506,856
Mainland Foundation	18	530,856	197,054	12,820	184,234	518,036
The Trusts Charitable Foundation	8	235,936	87,579	37,201	50,378	198,735
First Sovereign Trust ⁴	27	796,284	295,581	15,937	279,644	780,347
Total	107	3,155,644	1,171,375	306,859	864,516	2,848,785

¹ Excludes \$10,032 paid to regional sporting bodies where ST appears to have made an allocation to QLD.

² No data available for September 2009 quarter

³ April 08 to March 09

⁴ July 08 to June 09

⁵ Minimum payout is 37.12% of Gaming Machine Proceeds

⁶ Data sourced from latest 12 month data available from Society website. Date of analysis 8 January 2010.

As can be seen, there is a considerable disparity between the gross cost to the community – the net proceeds from gaming machines – and the grants paid to Queenstown Lakes District community groups. Overall, only around a quarter of the minimum society payout of funds taken in the District are returned to organisations within the district. On an individual society basis, the Lion Foundation is a standout in that virtually all the funds required to be paid out

from proceeds taken within the community are paid back into the community. By comparison, the Caversham Foundation made no grants to local organisations and The Southern Trust, Mainland Trust and First Sovereign Trust all paid out less than 10% of the minimum payout taken from the community back to the community.

Achievement of statutory objectives:

This final section evaluates the outcomes of Council's policy against the Act's objectives.

Objective	Outcome
Control the growth of gambling	Number of machines installed and number of venues are both down on the numbers at the time of the Act's introduction. Growth in gambling appears to be controlled.
Prevent and minimise the harm caused by gambling	Not a function of the Council policy. Council policy limits the locations of venues away from public places as best as possible and limits the types of venues that may be granted gaming consents to ensure as best as possible exposure to gaming machines is restricted to those aged over 18 years.
Ensure that money from gambling benefits the community	Council has no control over this, but the evidence is that generally, money taken from this community is not being returned to organisations within the Queenstown Lakes community.
Ensure community involvement in some decisions about the provision of gambling	The public notification element of the policy enables community involvement in each decision to be made regarding the granting of a new venue consent. This seems to be operating effectively with two new venues approved and one application declined and another withdrawn.

CONCLUSIONS

To the extent that Council's policy is able to promote the objectives of the Act, the current policy appears to be consistently achieving those objectives. The current policy should remain unchanged.

Societies continue to not provide the information required under the policy, but that information is now able to be sourced from other means. The policy should continue to require them to provide the information, albeit that they do not comply.

The analysis shows that there is a substantial flow of gambling funds out of the Queenstown Lakes community. Council's policy is unable to address this matter.