



**Local Councils
have an active
role to play in
creating and
enforcing NZ's
laws.**

Gambling Act 2003

Local Government of New Zealand

Submission to the Department of Internal Affairs

In the matter of “public Consultation on Four Class 4 Gambling Proposals”

25 October 2013

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INTRODUCTION

1. *Local Government New Zealand* (LGNZ) welcomes the opportunity to make this submission to the Department of Internal Affairs (DIA) in relation to the Gambling Act 2003: Public consultation on four Class 4 gambling proposals.
2. LGNZ is a member based organisation representing all 78 local authorities in New Zealand. LGNZ's governance body is the National Council. Presently the members of the National Council are:
 - Lawrence Yule, President, Mayor, Hastings District Council
 - John Forbes, Vice-President, Mayor, Opotiki District Council
 - John Bain, Zone 1, Deputy Chair, Northland Regional Council
 - Richard Northey, Zone 1, Councillor, Auckland Council
 - Meng Foon, Zone 2, Mayor, Gisborne District Council
 - Jono Naylor, Zone 3, Mayor, Palmerston North City Council
 - Adrienne Staples, Zone 4, Mayor, South Wairarapa District Council
 - Maureen Pugh, Zone 5, Mayor, Westland District Council
 - Tracy Hicks, Zone 6, Mayor, Gore District Council
 - Len Brown, Metro Sector, Mayor, Auckland Council
 - Dave Cull, Metro Sector, Mayor, Dunedin City Council
 - Stuart Crosby, Metro Sector, Mayor, Tauranga City Council
 - Brendan Duffy, Provincial Sector, Mayor, Horowhenua District Council
 - Stephen Woodhead, Regional Sector, Chair, Otago Regional Council
 - Fran Wilde, Regional Sector, Chair, Greater Wellington Regional Council.
3. This submission has been prepared under the direction of the National Council. Individual councils may choose to make individual submissions. The LGNZ submission in no way derogates from these individual submissions.
4. The DIA consultation document has been discussed with the sector and this submission was prepared following consultation with local authorities. Where possible their various comments and views have been synthesised into this submission. However, many councils will choose to respond individually to reflect their own individual policy settings in relation to Class 4 gambling.
5. LGNZ prepared this submission following:
 - an analysis of the consultation document
 - analysis of all feedback from councils
6. This final submission was endorsed under delegated authority by Lawrence Yule, President, National Council.
7. LGNZ wishes to meet with the DIA to clarify the points made by this written submission as necessary.

LGNZ POLICY PRINCIPLES

8. In developing a view on the consultation document we have drawn on the following high level principles that have been endorsed by LGNZ. We would like the DIA to take these into account when reading this submission.
- **Local autonomy and decision-making:** communities should be free to make the decisions directly affecting them, and councils should have autonomy to respond to community needs.
 - **Accountability to local communities:** councils should be accountable to communities, and not to Government, for the decisions they make on the behalf of communities.
 - **Local difference = local solutions:** avoid one-size-fits-all solutions, which are over-engineered to meet all circumstances and create unnecessary costs for many councils. Local diversity reflects differing local needs and priorities.
 - **Equity:** regulatory requirements should be applied fairly and equitably across communities and regions. All councils face common costs and have their costs increased by Government, and government funding should apply, to some extent, to all councils. Systemic, not targeted funding solutions.
 - **Reduced compliance costs:** legislation and regulation should be designed to minimize cost and compliance effort for councils, consistent with local autonomy and accountability. More recognition needs to be given by Government to the cumulative impacts of regulation on the role, functions and funding of local government.
 - **Cost-sharing for national benefit:** where local activities produce benefits at the national level, these benefits should be recognised through contributions of national revenues.

KEY POINTS

9. The purpose of the Gambling Act 2003 (the Act) is to:
- control the growth of gambling;
 - prevent and minimise the harm caused by gambling, including problem gambling;
 - authorise some gambling and prevent the rest;
 - facilitate responsible gambling;
 - ensure the integrity and fairness of games;
 - limit opportunities for crime or dishonesty associated with gambling;
 - ensure that money from gambling benefits the community; and
 - facilitate community involvement in decisions about the provision of gambling.
10. The intention of gaming venue policies is to contribute to fulfilling the purposes of the Act. A territorial authority must adopt a policy specifying whether Class 4 venues may be established, if so where, and it can specify restrictions on the number of machines. The process of developing a policy requires community input and assessment of the social impacts of gambling within a local context. It involves consideration of a wide range of factors including the proximity of gambling venues to one another and to sensitive locations such as schools, the cumulative effects of gambling in the district, and the primary activity of any venue. Councils and their communities contribute significant time, energy, resources and funding into the development of these policies.

11. The Act currently requires that corporate societies ('pokie trusts') conduct Class 4 gambling, and distribute a proportion of the Class 4 gaming proceeds. This includes the requirement that the costs of conducting Class 4 gaming is minimised and the returns to the community are maximised. The regulations under the Act stipulate that this means a minimum of 37.12% of the trusts' GST exclusive gross proceeds are to go to the community per financial year.
12. The DIA have produced a consultation document which proposes:
 - increasing the transparency of grant-making decisions;
 - increasing the minimum rate of return to authorised purposes;
 - regulating local distribution of gambling proceeds; and
 - changing the Class 4 venue payments system.
13. LGNZ has responded to the consultation document and has listed which options it is recommending.

RESPONSE TO CONSULTATION ON FOUR CLASS 4 GAMBLING PROPOSALS

Increasing the transparency of Class 4 grant making decisions

1. LGNZ supports the policy objective to increase the transparency of Class 4 grant making decisions through publishing of information by the gaming societies.
2. LGNZ supports option 2, which proposes to introduce regulations that specify the type of information gaming societies are required to publish and where the information should be published. These regulatory requirements through section 114 need to specify the information required.
3. LGNZ believe this will provide greater transparency and will enable councils to scrutinise and analyse where grants are being allocated, which will assist in future decision making and consideration of any review of their Class 4 Gambling Venues Policies.
4. Some councils in the sector have suggested that each trust on an annual basis, by public notice, notify that the full years grant information is available on their respective websites.
5. LGNZ support the suggestion from the sector that the regulation require each trust to publish three years of data on their website and that there is value in requiring societies to publish information in a consistent format to allow comparability.

Increasing the proportion of proceeds returned to authorised purposes

6. LGNZ supports the policy objective to deliver increased rates of return to the community through the operation of Class 4 gambling activities.
7. LGNZ has often received concerns from councils and their communities that the rates of return from Class 4 gambling venues are too low. The costs of harms of gambling are often cited as being much more than the rate of benefits returned to the community.
8. LGNZ believe that an increased rate of return to the community will support a mitigation of the costs of harms.
9. LGNZ supports the sector's view that there should be consideration made to increasing the contribution that is made to problem gambling and harm minimisation initiatives.

10. LGNZ supports an increase in the proceeds returned and supports the proposal to raise the minimum rate between 40 and 43 percent.
11. LGNZ supports this proposal as it is likely to encourage some restructuring of the lower performing groups in order to meet the target.
12. LGNZ also recognises that smaller societies could cease to operate, because they are unable to shift their costs to returns. Therefore these societies would need to have time to consider working collaboratively in order to meet the target.
13. LGNZ would therefore suggest a phased approach of 40% year one moving to 43% by year three. This would put some certainty into the timescale and avoid the point raised previously. If this was not possible then option four is the preferred option.

Increasing the proportion of proceeds returned to the communities that generated them

14. LGNZ supports the policy to increase the proportion of proceeds returned to the local community. LGNZ also supports the definition of “local” being the region where proceeds were generated from. This approach will avoid cross council competition which may have resulted in councils viewing their Class 4 gambling premises as financial assets for their local area rather than decreasing the prevalence of gaming in a community.
15. LGNZ supports the proposal to use regional areas, as opposed to district boundaries as the gaming numbers are unequally distributed in many local areas.
16. LGNZ supports the regional approach because there is a risk that councils could end up vying for an increased number of gaming machines in the hope that they receive more funds. A regional boundary reduces the potential for cross boundary competition.
17. LGNZ support the reporting required to be at a district level so that the effectiveness of a council’s policy can be monitored.

Proposals to amend the current venue costs payment system

18. LGNZ supports the policy objective to maximise the funds that are returned to the community by implementing a system that reduces compliance costs for venues, societies and the Department.
19. LGNZ supports option three which would allow a commission-based venue payment system. The preference would be for a tiered commission system which would avoid excessive payments being made to premises.
20. Some councils have also suggested that the Department could make the tiered commission model mandatory for societies over a certain size. This would avoid the issue of smaller venues not being able to adequately cover their costs.