

SOCIAL IMPACT ASSESSMENT OF CLASS 4 GAMBLING ON THE WAIROA DISTRICT COMMUNITY

MWH NZ Ltd

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1. Introduction

1.1 Context

The Gambling Act 2003 (the Act) became law in September 2003. It was a major review and update of the legislation controlling all forms of gambling.¹ The Act has specific purposes which are:

- to control the growth of gambling;
- to prevent and minimise the harm caused by gambling;
- to authorise some gambling and prohibit the rest;
- to facilitate responsible gambling;
- to ensure integrity and fairness of games;
- to limit opportunities for crime or dishonesty;
- to ensure that money from gambling benefits the community; and
- to facilitate community involvement in decisions about the provision of gambling.²

Territorial authorities have specific responsibilities in relation to consents for class 4 venues. Class 4 venues are defined as places where class 4 gambling is conducted.³ Class 4 gambling incorporates a range of types of gambling⁴ but is principally gambling that utilises or involves a electronic gaming machine (EGM), or is race or sports betting at an on or off-course venue owned or leased by the New Zealand Racing Board or a racing club under the Racing Act 2003.

The Act (and the Racing Act 2003) requires that each territorial authority must adopt a class 4 venue policy by 18th March 2004⁵, and may not consider applications until a venue policy has been adopted.^{6,7} An application for a license to the Department of Internal Affairs must be accompanied by a venue consent from the local authority, so territorial authorities are the first agencies to consider applications for new, expanded and existing venues.

¹ Although comprehensive, the Gambling Act does not provide a complete umbrella for all forms of gambling. For example Schedule 8 of the Act is important for local authorities. It is changes to the Racing Act 2003 brought in through this Schedule that require local authorities to adopt a Board Venue policy in parallel with the Class 4 Venue policy. There are also a number of other pieces of legislation controlling gambling which remain largely unchanged, such as the Casino Control Act 1990 and the Gaming and Lotteries Act 1977.

² Section 3 - Purpose

³ Section 4 - Interpretation

⁴ Section 30 provides that class 4 gambling is not gambling of another class, that net proceeds are distributed for authorised purposes and that the distribution does not involve payment of a commission.

⁵ Section 101 – Territorial authority must adopt class 4 venue policy.

⁶ Section 100 – Considering and determining application for territorial authority consent.

⁷ The scope of the policy appears to be quite limited: the policy must specify whether class 4 venues may be established in the district, and if so where, and may specify any restriction on the maximum number of gaming machines that may be operated at any venue. It is possible that the policy could however interrelate with other areas of a territorial authority's responsibility, including Resource Management Act responsibilities and social, cultural and environmental policy.

In developing and adopting a policy, a territorial authority must have regard to⁸ the social impact of gambling within its district, and may have regard to any other matters it considers relevant, including:

- the characteristics of the district and parts of the district;
- the location of kindergartens, early childhood centres, schools, places of worship, and other community facilities;
- numbers of gaming machines that should be permitted at any venue or class of venue;
- cumulative effects of additional opportunities for gambling in the district;
- how close one venue should be to another; and
- what the primary activity at a venue should be.

A local authority's responsibilities under the Act are separate from its responsibilities for land use consents under the Resource Management Act, liquor licensing under the Liquor Licensing Act, and a range of other legislation.

1.2 Social Impact Assessment

This social impact report is the outcome of a study undertaken for Wairoa District Council to assist it in developing and adopting a class 4 venue policy in accordance with the Act. It is the result of an investigation of the social, economic, cultural and environmental aspects of gambling that may affect the district. The study was undertaken by a team of investigators from MWH NZ Ltd and the Centre for Gambling Studies, University of Auckland in November 2003.

In assessing social impacts for the district the study has drawn on a wide range of sources. These include:

- international and national information about gambling behaviours and patterns
- information about the local area and community
- information relating to existing venues and charitable trusts for the distribution of funding from class 4 gambling in the district
- information relating to the roles and experiences of "caring" and other agencies who provide services in the district.

Although the Council is required to have regard to the social impact of all gambling in its district in developing its class 4 venue policy, the study has focussed on class 4 gambling. This focus is appropriate because the Council has limited ability to influence other types of gambling.

Class 4 gambling, particularly the use of electronic gaming machines or EGMs, differs from most other forms of gambling as it is available most of the time and offers the possibility of "instant gratification".⁹ Unlike many other wide-spread forms of gambling (such as Lotto ticket purchase) there is a minimal stand-down period between playing and a result. The only other type of gambling with these characteristics are casino gambling (not available in Wairoa), and "scratchies" where the

⁸ Case law under the Resource Management Act indicates that "having regard to" means that the matters are required to be considered as part of a weighing up process.

⁹ Or instant loss.

stakes are lower and there is no locational aspect. Racing and sports betting are also class 4 gambling, but involve at least some delay while the race or match occurs.

In evaluating social impacts of gambling both positive and negative impacts need to be considered.

The Act recognises and defines “problem gamblers”. These people are those “whose gambling causes harm or may cause harm”¹⁰ and so much of the adverse social impact of gambling generally, and class 4 gambling in particular, could be expected to be associated with the activities of that group of people. The Act includes a large number of provisions relating to minimising and preventing harm which are outside the responsibility of the local authority. These include requirements for every holder of a class 4 venue license to develop a policy to identify problem gamblers, and to take certain actions in relation to people identified¹¹, and the government retains responsibility to organise the development of an integrated problem gambling strategy.¹² Regulations may be made to require gambling operators to pay a problem gambling levy.¹³ Thus while problem gambling is addressed in the social impact assessment it would not be expected that the issue would be fully addressed in the Council’s policy.

This social impact assessment is not conclusive in many aspects. Gambling investigations and research are relatively new in New Zealand; in particular the causes and effects of gambling problems, and the best means of identifying and responding to problems are aspects that are not very well understood. There is no agreed way of assessing the social or economic impact of gambling on a community. However, a range of information can be integrated to give an overall picture.

This social impact assessment draws on a range of detailed information. This includes;

- Statistics NZ Census data
- information from the Department of Internal Affairs and other organisations which hold relevant data
- information from a workshop conducted in Wairoa, facilitated by MWH
- information from a number of follow-up phone calls.

The authors of the report acknowledge the time that people associated with the industry, with Wairoa District Council, and with a range of agencies in the district have contributed to the study. A list of those consulted in the course of the work is provided in Appendix 1.

1.3 Report Structure

The report is structured as follows:

- an overview of gambling information and trends in Australasia
- a description of the district and class 4 gambling within it
- use of venues and community aspects of class 4 gambling in Wairoa

¹⁰ Section 4 – Interpretation.

¹¹ Sections 307 to 312 – Admission to Venues.

¹² Section 317, 318 – Integrated Problem Gambling Strategy. This responsibility has been allocated to the Ministry of Health.

¹³ Section 319 – Regulations relating to problem gambling levy.

- a discussion of problem gambling and its impacts
- benefits of class 4 gambling
- issues and suggestions
- conclusions

2. Gambling Trends and Impacts

2.1 Introduction

Gambling is a popular activity but there has been little study of its benefits to the community or to individuals. In contrast, there has been a significant amount of investigation into the negative impacts of gambling.

Appendix 2 of this report gives a detailed analysis of what is currently known about gambling, and particularly about class 4 gambling. This section summarises the more detailed information provided in the Appendix. The Reference list at the end of the report gives the primary sources, many of which were drawn on in compiling Appendix 2.

From this information, extrapolations can be made to Wairoa District. Sections 3 to 6 describe the district and its people and the findings of the research.

2.2 Growth in Gambling

There has been a rapid growth internationally and nationally in gambling. In New Zealand this rapid growth has been largely associated with EGMs which are widely spread and accessible within communities and provide for “continuous” gambling.

In New Zealand, gambling expenditure (money lost¹⁴) rose from approximately around NZ\$0.5 billion in 1991 to NZ\$1.7 billion by 2002. Similar increases have been noted in Australia (A\$13.3 billion in 2000), in Canada and in several Western European countries.

Figure 1 shows the rise of expenditure by mode in New Zealand over the last 23 years. EGMs (outside casinos) were first introduced in 1991, and have accounted for \$777 million of the increase in expenditure, up \$180 million or 30% in the two years since 2001. This contrasts with TAB betting which accounted for \$228 million in losses, up just 1.8% from 2001. With 25,221 machines in pubs, bars and clubs, EGMs now account for 47 % of all gambling losses by New Zealanders.

2.3 Who gambles?

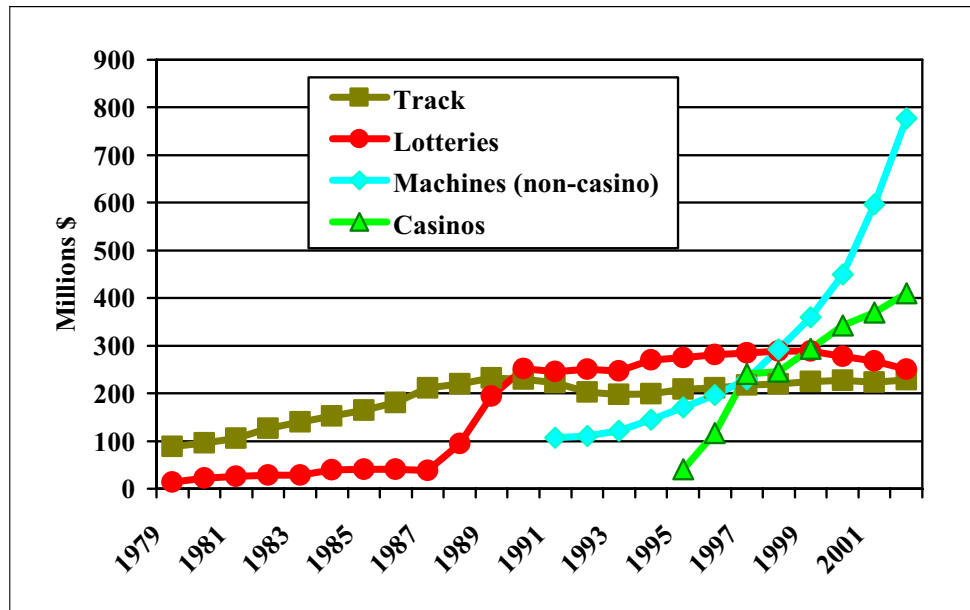
Gambling is a popular activity in New Zealand with participation rates that are high by international standards. While almost 90% of those aged 18 and over undertake some form of gambling¹⁵, approximately 10% of New Zealanders are “regular continuous gamblers” involved in EGMs, race betting or casino gambling. Regular users of continuous gambling opportunities tend to be male,

¹⁴ Figures here are reported as expenditure, meaning the amount spent minus winnings. Gross turnover (including winnings) is often used and tends to be five to ten times the expenditure depending on the average rate of return. Source: Department of Internal Affairs, 2002.

¹⁵ Based on a 1999 National Prevalence Survey, which was a nation-wide telephone survey. This figure was in response to a question as to whether the respondent had gambled within the last 6 months.

Māori, and of lower socio-economic status. Those using EGMs are also most likely to be employed and under 35 years in age.

Figure 1: Actual expenditure (loss) by mode in New Zealand. (Source: Department of Internal Affairs, 2002)



2.4 Problem gambling

Problem gambling affects a sub-set of gamblers, and as defined in the Act, is gambling that is likely to cause harm to the gambler and/or to others. This aspect has been the subject of detailed study, as it represents a significant community cost nationwide.

Twenty-six percent of regular EGM (outside casinos) gamblers and 18 % of regular race bet gamblers are considered to be problem gamblers. Furthermore, 19 % and 13 % respectively, have experienced gambling problems during the previous 6 months. Problem gamblers are more likely to report that they prefer playing EGMs (over 70 %) or betting on horse and dog races (over 8 %) than other forms of gambling.

Certain groups in the population have been found to have a greater likelihood of being problem gamblers. The main social and demographic factors most strongly associated with problem gambling nationally are gender, ethnicity, age, and household size. Māori and Pacific males aged between 25 and 34 years living in large households have very high rates relative to other groups. Individuals from lower status occupations and lacking formal educational qualifications also tended to have higher rates. Additional risk factors for problem gamblers were found to include those who indicate gambling as a habit, those who tend to gamble alone and those who have a problem gambling family member. Surveys of Pacific people, Asians, Māori women, and young people (students) have identified additional “at risk” sub-populations within these groups. In these populations, problem

gambling and harm associated with gambling, in particular associated with EGMs, has shown signs of increasing over time.

Another source of information on problem gambling is statistics from the counselling services. Information in Appendix 2 shows that those calling the national telephone helpline more than doubled in the five years between 1997 and 2002, and personal counselling services have also increased almost 2½ times. Many people each year are new callers. Eighty percent of helpline clients and 75% of personal counselling clients indicate EGMs as their main mode of gambling, rising to 90% and 95% when EGMs in casinos are taken into account. Womens' use of EGMs is increasing rapidly, and women make up about half of all those seeking help with gambling problems – particularly Māori and Pacific women. Although not all those seeking help have reached the stage of being problem gamblers, they are seeking help because they are experiencing financial or other difficulties and perceive gambling as the core issue.

2.5 Australian Information

Australian research provides a more complete picture of gambling issues. This research has been more extensive because Australian governments have been more interested in the implications of gambling on communities. Australian sources can throw light on New Zealand patterns, although New Zealand has a distinctive population. A report in 2000 by the Australian Productivity Commission identified a number of patterns which are likely to be relevant to New Zealand. These are summarised as follows:

- 40% of Australians gamble regularly
- expenditure on gambling has risen rapidly, but particularly in states where EGMs have also increased rapidly
- 75% of Australians believe that gambling does more harm than good
- 92% do not wish to see any increase in the number of EGMs
- 3% of the adult population provide 30% of the gambling industry revenue
- 15% of regular gamblers (excluding lotto players) are problem gamblers, and make up over 33% of the gambling industry's revenue (through their losses) each year
- increased accessibility of EGMs is the main driver for problem gambling because of the continuous nature of the gambling opportunity they create
- the lower an area's relative household and personal income, the greater the concentration of EGMs is likely to be in that area
- there is a strong relationship between the number of machines in an area and the amount spent on them
- because of this, communities that are already experiencing personal or financial difficulties are likely to have then compounded by gambling-related problems, including problem gambling behaviours, increased poverty and bankruptcy, family breakups, domestic violence, increased stress and anxiety and other effects on the wider community.

2.6 Gambling Impacts

The impacts of gambling on local communities is usually evaluated under the following headings:

- employment,
- local business,
- problem gambling,
- local community and crime.

The main findings of Australasian research are summarised in the following sub-sections.

2.6.1 Impact on Employment

Although increased gambling opportunities have often been promoted as enhancing and stimulating employment, this has not necessarily been the case with EGMs. Research has found that the relationship between gambling and local employment requires long-term local investigation, as complex interrelationships are involved. In particular studies have noted that gambling related jobs tend to be part-time rather than full time, and that any gain in jobs may be at the expense of other jobs elsewhere in the community.

2.6.2 Impacts on Local Business

Similarly, despite a number of in-depth Australian studies, there is little information on whether effects are positive or negative on other local businesses, and whether funds are diverted away from the local economy or not.

Most studies have shown that much gambling expenditure comes from savings or from money that would otherwise have been saved. Other studies have shown that retailing, sport and recreation, and alcohol spending contracts when gambling spending increases, although there can be enhanced spending on aspects allied with the gambling sector, such as sports clubs, restaurants and cafes associated with the gambling outlet.

A study in Bendigo indicated that because of taxes, and because of payments to centralised organisations owning machines, much gambling expenditure left the district and did not contribute to the local economy.

Another study in Australia¹⁶ asked people what they would have spent their money on if not on gambling. Twenty percent said it would have been saved, and almost 50% said they would have spent it on groceries, small household and personal items, and clothing and footwear.

The research suggests that if local businesses contract due to reduced expenditure because of increased spending on gambling, there may be flow-on effects in accessibility to and affordability of local goods and services.

2.6.3 Problem gambling impacts

A negative effect of gambling is the cost to individual, agencies and communities of problem gambling.

The prevalence of problem gambling in New Zealand is an area of debate. Life-time problem gambling (i.e. the proportion of people that sometime in their life are problem gamblers) has been

¹⁶ KPMG, 2000.

identified at between 3% and 7%, and at any time there may be between 1.3% to 5% of the population with a gambling problem. The differences between the lower and upper percentages reflect different times and different sources of information. It is estimated that for each problem gambler, 5 to 7 other people are directly adversely affected.

People who are problem gamblers may suffer from a number of psychological and physical problems, including depression and suicide attempts. Their activities can cause family deprivation and disintegration and they can be violent to family members. They also spend a high proportion of their household income on gambling and may go without food and groceries in order to maximise that expenditure.

2.6.4 Local community impacts

Gambling and EGM usage has been blamed for a reduction in social cohesion and vitality and for a decline in alternative leisure forms. However, there is no clear indication whether EGM use is a cause or an effect of social change. It appears that adverse effects of gambling are likely to be more serious in areas which have more disadvantaged social circumstances, where the community is already under stress due to a range of other causes.

2.6.5 Crime

There are two situations which link crime and gambling in New Zealand:

- offending by gambling operators and staff, such as cheating or misrepresentation of revenue
- offending by gamblers involving criminal activity.

A high proportion of prison inmates (up to 25%) may be problem gamblers, and those in prison are recorded to have spent six times more on gambling than the general population (NZ \$305 per month). Both male and female prison inmates indicate they have resorted to crime to finance gambling. Crime is a “last resort” after other sources of funds are exhausted.

2.7 Summary

Gambling is an activity which is very prevalent throughout societies. New Zealand has seen a rapid rate of growth in expenditure on gambling since the introduction of EGMs and the ready access to gambling they provide.

Some sectors of the population are likely to be more prone to harm from gambling than others. Those most at risk are male, Māori and of lower socio-economic status. There are also other groups particularly at risk including Pacific people, Asians, Māori women and young people. Problem gambling may affect up to 5% of the community at any time, and has a flow-on effect into the wider community.

While gambling has benefits, in that it is a form of leisure and money is returned to the community for beneficial use, there are aspects of gambling that need careful examination in terms of community effects and social impacts. These aspects include employment effects, effects on local



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businesses, problem gambling effects, crime and effects on the vitality and cohesion of local communities.

3. Class 4 Gambling in Wairoa

3.1 Wairoa District

Wairoa District is situated on the east coast of the North Island, between Gisborne and Hawke's Bay Districts. It is within the Hawke's Bay region.

The district is almost exclusively rural and contains part of the Urewera National Park and a number of wild and scenic areas in public and private ownership. The population is sparse but is concentrated in a few small rural centre and the district centre of Wairoa.

The district's total resident population at the 2001 Census was 8,916, a reduction of 1,200 people since the 1991 Census. Of the total population:

- 4,428 live in Wairoa
- 291 live nearby in Frasertown
- 897 live at Mahia
- 330 live at Nuhaka, near to Mahia
- 270 live at Tuai or nearby

The remaining 2,000 people are scattered throughout the district's rural and coastal area, or live in small settlements such as Raupunga, Mohaka and Kotemaori.

3.1.1 Population Characteristics

Wairoa District has one of the smallest population bases of all territorial local authorities in New Zealand – being 64th of the 74th units. It has 0.2% of the total population of the New Zealand, but 0.9% of the Māori population.

The Māori population comprises 58.8% of the population, with people categorising themselves as Pakeha or European comprising 52.1% of the population, compared with 14.7% and 80% respectively nationwide.¹⁷ Only 1.5% of the population categorise themselves as of Pacific origin (compared to 6.5% nationwide), and 0.9% are of Asian origin (compared to 6.6% nationwide).

The population structure of Wairoa District indicates that the total population has an age structure which is relatively similar to that of New Zealand as a whole. While the median age is similar, at 34, there is a higher number of people under 15 (28% compared with 22.7%). The population structure shows a very pronounced dip in the age groups 15 to 35, which is typical of rural New Zealand with young people moving to larger centres for education or out of the district for a more urban lifestyle or "OE".

¹⁷ The numbers add up to over 100% as some people count themselves as both being in more than one ethnic group.

In contrast, the Māori population is more youthful, with a median age of 25.8 (considerably younger than for the population as a whole, but somewhat older than for all Māori in New Zealand at 21.9). The age structure of the Māori population shows a significant dip in the young adult age groups similar to that in the total population. This suggests that a similar proportion of the larger cohort of young Māori people will leave the district in young adulthood to Pakehas, resulting in a similar age structure in the whole population over time. It is noticeable that women make up a larger proportion of the Māori population at all age groups over 25 years, whereas the total population has more men in each age cohort between 35 and 74.

3.1.2 Incomes

The Wairoa population is less well-off in terms of income than the NZ population as a whole. The median income in Wairoa District is \$14,600, compared with a nation-wide median of \$18,500. Only 4.8% of the population aged 15 and older have an annual income of more than \$50,000, compared with 11.5% for the total population, and 62.6% have an annual income of less than \$20,000 compared with 52.8% of the total population.

The median income for Māori is \$12,900 (some \$1,700 less than for the Wairoa District population as a whole, and \$1,900 less than for all Māori in New Zealand), and almost 70% of Māori in Wairoa 15 years or older have an annual income of less than \$20,000 (compared with just over 60% for Māori throughout New Zealand). Only 1.7% of Māori aged 15 and over in Wairoa District have an annual income of more than \$50,000 (compared with 5.2% of all Māori in New Zealand, and 4.8% of Wairoa District population as a whole).

3.1.3 Other Indicators

At the time of the Census, Wairoa District had a higher level of unemployment than throughout New Zealand at 11.9% compared to 7.6%. Māori unemployment in Wairoa similarly exceeded nationwide Māori unemployment, at 18.3% compared with 16.6%. These figures will have changed considerably in the 2½ years since the last census, but it is likely that the disparity between Māori and the population as a whole remains.

Household characteristics in Wairoa District (size, single or multiple-family and single person families) are similar to those throughout New Zealand.

There is a similar rate of home ownership in Wairoa District as throughout New Zealand. Rental housing is almost half the cost per week in Wairoa than in New Zealand as a whole (\$91/week compared to \$176/week).

3.2 Current Class 4 Venues in Wairoa District

There are six class 4 venues in Wairoa District with a total of 72 machines. These are listed with their details in Appendix 3.

There are 4 non-club venues in the district – three in Wairoa with 48 EGMs between them and one at Mahia Beach with 8 machines. There is also a non-club venue at Putorino just outside Wairoa District with 5 machines which is also available to Wairoa residents.

There are two clubs – one in Wairoa with 14 machines, and one at Tuai with 2 machines.

All 4 non-club venues in Wairoa town are large – two with 18 machines each, one with 14 and one with 12.

The Lion Foundation national trust relates to two venues in Wairoa District, with the Southern Trust, the Heretaunga National Community and Sports Trust (a local trust) relating to one each. The remaining two venues are club venues.

There have been significant changes in the structure of the industry since 2001 when there were 8 venues with a total of 64 machines. Since 2001, both the Clyde Hotel and the Ferry Hotel have increased the number of machines; the other 18 EGM venue in Wairoa has changed both its operator and its Trust; and both the Wairoa Bowling and Country Clubs have given up their machines. The other commercial venue and the two clubs have remained unchanged. The increase in EGMs has occurred in Wairoa where there are now 8 additional machines but two fewer venues. In summary, there has been a decrease in venues but an increase in number of machines per venue and an overall increase in number of machines.

Within Wairoa, three of the four venues are on Marine Parade, and one is north of the Wairoa River on Carroll Street. All are in commercial locations.

There is one TAB, also on Marine Parade.

A visual review indicates that there are no particular associations between locations of venues and schools, churches or other community facilities in Wairoa. Rather, the venues are in traditional established facilities. Similar comments apply to the smaller centres. In all these locations the distances that people have to walk from any place in the centre to a venue, or between venues, is small. Similarly, because of the small size of the settlements, there are no particular patterns of distribution of venues in relation to socio-economic variables in the communities.

3.3 Key Information about Gambling in Wairoa

To understand the possible scale and scope of class 4 gambling in Wairoa, some extrapolations from national information have been made.

In June 2003, there were 72 EGMs in the Wairoa District at 6 venues. Applying the 2001 Census total population data, this was equivalent to 1 per 124 residents. If the population over 18 is considered, there is one machine per 87 people of legal EGM gambling age (or 12 machines per 1,000 people over 18) in the district. This puts Wairoa District 22nd in terms of all territorial authorities in terms of population per machine (in a nationwide range that varies from 1 machine per 43 people to 1 per 270 people).

However, all parts of the district are not equally accessible to venues with EGMs. Little is known about patterns of travel to venues in New Zealand, particularly rural New Zealand. In Australia it

has been found that people travel on average 2.5km to a venue. In other parts of New Zealand¹⁸ it has been found that people move readily between venues over short geographic distances.

The areas of highest “exposure” to EGMs in Wairoa district are:

- Wairoa (including Frasertown) 1 per 76 people
- Tuai 1 per 135 people
- Mahia (including Nuhaka) 1 per 153 people

Wairoa people in particular have high levels of access to EGMs within the district.

The ethnic composition of the community also puts Wairoa district residents at greater risk than residents of many other parts of New Zealand. Table 1 shows the relative percentages of different groups in different parts of the community, compared to Wairoa as a whole, and to New Zealand. It is known that Māori along with Pacific people and those of Asian ethnicity are more at risk than Europeans for developing gambling-related problems.

Table 1: Ethnic Composition of the District’s Urban Areas

	Wairoa town	Tuai	Mahia	Wairoa District	New Zealand
European	51.6	33.3	53.9	52.1	80
Māori	59.0	70.5	64.0	58.8	15
Pacific Peoples	1.6	1.2	0.5	1.5	6.5
Asian	1.3	0.2	0.2	0.9	6.6
Other	0.1	-	-	0.5	0.7

(Note: numbers are percentages, but may total more than 100% as some people nominate more than one ethnic group)

Based on this data, it can be seen that the Wairoa district population is particularly at-risk of gambling-related harm. The settlements of Wairoa and Mahia have slightly higher proportions of Māori people than the district on average, with Tuai having substantially more. The combination of ethnicity and exposure results in a high-risk combination of circumstances, which is exacerbated by the average low household income and educational qualifications.

Gamblers lost \$777M on commercial EGMs in New Zealand in 2002.¹⁹ There was a total of 26,868 EGMs in New Zealand at the end of 2002. At the same time point, Wairoa District had 72 EGMs: 0.3% of the total. Direct extrapolation of these figures means that gamblers in Wairoa District probably lost \$2.08M on the machines in the district in that year.

During the same time period (approximately), just under \$166,500 was returned to the Wairoa community through grants from the national Trusts. Further money would have been returned to the

¹⁸ Specifically in the recent Hastings study (MWH, CGS, 2003).

¹⁹ Department of Internal Affairs, 2003.

community through grants from the two local clubs. By law, one third of the profits from EGMs must be returned to the community, i.e. \$693,000 for the Wairoa District in 2002.²⁰

It has been estimated nationally that, at a minimum, between 1.1 and 3.1 percent of the adult population may be problem gamblers and that at least 5 to 7 other people are negatively affected by each problem gambler. Thus, with a Wairoa District adult population²¹ of 6,282 (2001 Census data) this equates to 70 to 195 people with gambling problems in the area with a further 350 to 1,365 people negatively affected. If the higher figures of 3 to 5 percent (see section 2.5 of this report) are applied, the corresponding figures would be 190 to 315 problem gamblers and 950 to 2,205 people affected.

Relatively few people from Wairoa seek personal counselling for gambling-related problems. This implies that the large majority of people with a gambling problem are not seeking or obtaining help/treatment and could ultimately be a potential cost to the Wairoa District in terms of other aspects such as medical treatment (for depression or suicide attempts) or criminal offending.

3.4 Assistance with Gambling Problems

There are two sources of assistance for people affected by gambling-related problems (i.e. problem gamblers, family members of problem gamblers) within the Wairoa area:

- The Gambling Problem Helpline. This is a national telephone helpline incorporating mainstream, Māori, Pasifika and youth related services. The Helpline provides telephone counselling as well as information and referrals regarding personal (face-to-face) counselling/help services within the caller's vicinity.
- Personal Counselling Services. There is one specific gambling counselling service, Te Rangihaeata Oranga, which services the Napier-Hastings-Wairoa areas with a physical base in Hastings. Counselling is provided in each of the three main towns that are serviced. Counsellors travel to Wairoa depending on demand.

3.5 Summary

Wairoa District is a rural district, with a population widely spread over a large area including a number of small communities with class 4 venues. Approximately half the population lives in Wairoa town, with a further quarter in a number of smaller centres. A large proportion of the district's population is therefore within easy reach of a class 4 venue.

The district has a very high proportion of Māori population compared with the national situation, and the ethnic structure indicates that future generations will have a similar representation of Māori people. Because Māori, along with people of Pacific and Asian ethnicity have particular vulnerability to gambling problems, it is likely that the district has a high prevalence of gambling

²⁰ It is unlikely that the difference of \$525,000 is being made up by the clubs and the other (local) trust. It is therefore likely that Wairoa is not receiving its "fair share" of money back into the community. There may be a number of reasons for this, as discussed later.

²¹ Over 18 years.

problems which will continue over time. The district has a lower average income than nationwide, which indicates greater impact from money spent on gambling than in many other areas.

The district has a range of class 4 gambling venues and a single TAB. These are concentrated in Wairoa town. There has been a significant increase in machine numbers but a slight reduction in venues in the district in the last two years. People living in Wairoa town have a range of readily accessible class 4 gambling opportunities close at hand, and those in some smaller centres have access to one venue.

There are no particular patterns of venue location either in relation to the socio-economic status of the population or to other “sensitive” activities. This is largely due to the small geographic size of the centres within which the venues are located.

4. Use of Class 4 Venues in Wairoa

4.1 Clientele

Who plays EGMs in Wairoa? The main information in the course of the study came from those interviewed within the industry itself.

The non-club operator interviewed for the study stated that regular EGM players are a significant proportion, approximately 50%, of the overall clientele at the venue. There is a degree of crossover between the demographic profile of the general customer and the EGM player. There is no marked distinction in Wairoa between the social characteristics of players and other bar patrons. As the venues in Wairoa have a number of similarities, this is likely to be the case with all venues.

There is consensus amongst venue operators and bar owners that the demographic profile of regular and daily players is of a lower socio-economic status and Māori ethnicity. Those who are in paid employment are more likely to be 'blue collar' factory workers than professionals or service workers. The majority of regular players are welfare beneficiaries, homemakers and retired people who are not in paid employment and may be considered to be 'time rich' in their leisure patterns. These groups in society have lower incomes and are often described by venue operators as unable to afford their gambling habit.

Men and women appear to be playing the EGMs equally. However, women are more likely than men to dominate day-time use of machines between mid-morning and mid-afternoon. Day time players (playing between 11 a.m. and 3 p.m.) make 'playing the pokies' the main reason for their visit. Compared to 'evening' bar patrons, they are likely to visit more often, stay longer and rarely purchase food or drink at the bar. Daytime EGM players who have a substantial 'win' during the daytime are likely to return in the evening. The EGM rooms are most popular on Thursday, Friday and Saturday evenings amongst general bar patrons. 'Serious' players will dominate the room on Monday and Tuesday evenings.

A broad age range is interested in EGM playing in Wairoa, although there is prevalence for use amongst those aged between 40 and 60.

It was observed by others, including Māori commentators, that the class 4 gambling venues in both Wairoa and in the smaller communities were social foci in the centre of the communities, which attracted beneficiaries with time on their hands. There is little else to do and nowhere else to go.

4.2 Factors Encouraging EGM Use

4.2.1 General comments

People outside the industry interviewed in Wairoa indicated that the key factor in encouraging EGM use is accessibility. This is a combination of their availability (legal status), location and number.

Gambling is perceived as a socially acceptable pastime, particularly amongst the most negatively impacted groups.

Gambling “*has always been a problem in Wairoa*” but has become “*more dominant since the introduction of pokies*”. Many forms of gambling have become more accessible, including the provision of Lotto and instant gambling opportunities, in addition to EGMs.

Easily accessible credit facilities encourage borrowing to fund gambling habits. Credit is available in Wairoa to those with low credit rating. A very wide range of goods can be pawned.

Unemployment and a perceived lack of alternative activities is suggested as encouraging class 4 gambling, providing a degree of social interaction for time-rich persons.

EGMs are more accessible to low income groups. Other forms of gambling are more expensive per ‘hit’, eg horseracing.

There is a perception amongst the community, particularly low socio-economic groups, that “*playing the pokies is a means to make money*” and that it can contribute to family income.

4.2.2 Industry comments

Those within the industry elaborated on these general points, and added more.

They identified and discussed eight key factors that exacerbate EGM use in Wairoa and act as a catalyst for the success of venues operating machines. These factors are discussed below.

Legal status of class 4 gambling

As with their clients, the venue operators are advocates of free agency and feel unable to justify approaching a possible “problem gambler” because they have no legal authority to control a person’s gambling. EGMs are a permitted activity and if a venue chooses to provide EGMs as a source of entertainment then it would be applying a double standard to interfere with a customer’s decision to play. Thus those playing EGMs at venues in Wairoa are unlikely to be encouraged by venue operators to modify their behaviour, or to leave a venue.

Reduction in popularity of the TAB

Venue operators think that the TAB has declined in popularity in the last few years and that EGMs are now the option of choice amongst many gamblers who possess a “double my money quick” attitude.

Lack of alternative ‘high-street’ entertainment in Wairoa

Venue operators and bar managers commented on the lack of night-time entertainment facilities (other than the existing bars) in Wairoa as contributing to frequent EGM use.

Jackpot system

Venue operators identify full-time ‘professional jackpot chasers’ who move from venue to venue trying to win the jackpot. EGM payouts are structured around jackpots. The jackpot system works by linking all the machines in one venue. As the value of the jackpot approaches the winning value of \$1000, the EGM room fills up. If jackpots are near to ‘going-off’ at the end of the evening, then venue operators will expect a queue outside their door early the next morning. Venue operators commented that customers will travel to Napier or Gisborne seeking jackpots. Venue operators also believe that the jackpot system actively encourages people to gamble more often.

Concentration of venues

Venue operators express the view that EGM players do not display loyalty to any one venue and to some extent ‘jackpot chasers’ are ‘shared’ across the town. The number of available machines and minimal travel distances between venues has created a culture amongst regular EGM players of easily moving between venues on foot or by car, either to chase jackpots or disguise their frequent playing. The only exception to this is amongst venues that allow gang patches to be worn; these venues may engender loyalty from particular gangs. However, these venues also gain a negative reputation and may be avoided by other EGM players who opt for ‘safer’ venues which have a visible anti-gang policy.

Availability of cash and credit

The venue operators participating in the research, both clubs and non-clubs, offered EFTPOS as a cash-back facility but were reluctant to discuss any possible link between the availability of credit at the venue and prolonged and ‘unbroken’ sessions on the machines. The research informants did however concede that players were using the EFTPOS machine to request several hundred dollars at a time to feed the EGM machines.

The easy availability of cash and credit both at the venue, using EFTPOS and informal loans from other players, and in the immediate vicinity through ATMs is directly related to the effortless continuation of gambling sessions; players do not take a break when they require more funds, a facility which clearly encourages uninterrupted sessions on the machines.

Long opening hours

The legislation states that class 4 gambling must not be the mainstay of a venue’s business operation, but must remain ancillary, understated and never specifically promoted. In addition, until recently a venue has required a liquor licence to operate EGMs and the bar or restaurant must remain open at all times when the EGM room is ‘open’.

Venue operators talked about how this legislation is stretched, and to some extent undermined, across many venues operating EGMs in Wairoa, through opening hours policies tailored to meet the demands of the ‘day time’ pokie player. Bars and restaurants are opening outside of the hours that customers typically demand food or drinks, opening as early as 8 a.m. and remaining open until 2 a.m. ensuring that the problem gambler has choice and availability.

In most bars, demand for food and drink is over lunchtime and then again from 5 p.m. onwards, yet the demand for EGMs is sustained throughout the day, which can be at times when the bar is empty. This challenges the concept of class 4 gambling as a secondary activity because at any one time there might be more people playing the machines than drinking or eating in the bar. Longer opening hours are appealing to venue operators because they may capture some additional trade in the bar or restaurant during daytime hours, both from players and from other passers-by.

Layout and design of venues

The layout and design of the EGM room and the customer-service driven attitude of bar staff are contributing to longer and unbroken spells in the EGM room. Venue operators provide customers with easy access and a comfortable and safe environment, e.g. designated free car parking, the provision of free water, regular servicing and cleaning of the EGM room, availability of bar service without leaving the machine, air conditioning and comfortable lighting, and in some venues a strict door policy to impede anti-social behaviour or gang members.

4.3 Summary

Regular users of EGMs in Wairoa appear to reflect those who use machines nationwide, being of lower socio-economic status and predominantly Māori ethnicity. Because of the high proportion of Māori in the Wairoa district population, this aspect is particularly marked at Wairoa venues. Users are also “time-rich”, and women dominate day-time use.

Commentators indicate that a number of factors encourage use of EGMs in Wairoa, including social acceptability, legality, availability, lack of alternative entertainment, jackpots, availability of cash and credit, long opening hours, layout and design of venues, and (in Wairoa town) the ease with which it is possible to move from one venue to another.

5. Negative Community Aspects of Class 4 Gambling

The impacts of class 4 gambling on the community are largely seen as a negative in Wairoa, although it was recognised that there are benefits to the community in the availability of funding for community groups and projects.

This section looks at the perceived negative effects. The beneficial effects are addressed in the following section.

5.1 Negative Effects

5.1.1 General views

Apart from the specific issues related to problem gambling, a number of negative impacts of class 4 gambling were readily identified by those outside the industry who were contacted in the course of this study.

General negative impacts are seen to originate from financial difficulties through spending on gambling (including the diversion of funds from essential spending and loss of discretionary spending) beyond the means of the individual but primarily manifest themselves in a wide range of social problems. These include neglect of the family (insufficient funds to pay for essentials), family breakdown, violent abuse of partners and children and stress. Individuals may be deceitful and seek to hide the extent of their gambling problem, affecting both personal and work relationships. Work ethics including timeliness may decline.

These problems extend beyond the individual and the family to the wider community, including the business community through unpaid bills.

The social problems characteristic of 'problem gamblers' are however but one of, and intimately entwined with, a wide of range of social and economic issues facing the Wairoa community.

Gambling is not a crime so there are few records of gambling-related criminality. Recorded incidents involving gambling venues are linked to other matters, primarily alcohol consumption. The root cause of some crime, such as theft and domestic violence, is considered to be problem gambling.

Many frequent gamblers suffer from other personal difficulties such as mental health and obsessional behaviour patterns. When frequent gambling becomes a problem, it can be an addiction and people may lose the ability to interact or communicate effectively with others

Gambling appears to be a 'problem' for a (significant) minority of the community but the problem is large problem for those individuals. The effects of that individual's problems on the wider community are probably under-recognised.

Awareness of these negative impacts is high within those professions coming into contact with problem gambling (welfare agencies, regulatory authorities). There is an awareness within the wider

community but more acute in those groups most severely affected by problem gambling. Some agencies consider the community chooses to ignore the problems associated with gambling in the knowledge that it provides substantial community funding.

Welfare agencies report a rise in problem gamblers and problem gambling over recent years.

5.1.2 Industry views

In contrast venue operators downplay or minimise the negative aspects of class 4 gambling on the Wairoa community, partly to avoid self-contradiction (because they provide pokies to their customers partly) and because they firmly believe community funding outweighs any negative impacts.

They and others in the industry believe that it is difficult to isolate the causes and effects of class 4 gambling from wider ‘structural’ problems in Wairoa, such as the regional unemployment, social deprivation, family breakdown, lack of educational qualifications, gang violence and low levels of geographical mobility.

Additionally, the social consequences of gambling do not manifest themselves at venues and are more likely to reveal themselves largely in the home environment. It is also likely that ‘problem gamblers’ could be outside of the welfare loop and not be making contact with problem gambling services.

Those in the industry note that regular EGM players are more likely to be socially and economically marginalised compared to other members of the Wairoa community. EGM addicts are perceived not to be in paid employment, unable to afford their addiction and are unlikely to be members of social clubs and societies in receipt of community funding. It is considered that problem gamblers will only benefit from such funding if more money is channelled into welfare services such as food banks, the Budget Advisory Service and problem gambling organisations, or the venues themselves create ‘social clubs’ which can make a claim for funding.

5.1.3 Issues specific to Venues

The research revealed three negative impacts for venues resulting from the operation of EGMs. These are discussed below.

Theft of pokie money by bar staff

The misappropriation of EGM funds by bar staff is a common and costly problem amongst venue operators in Wairoa. Theft is most likely to occur when one member of the bar staff or junior bar staff are given sole responsibility for emptying the machines or is allowed to draw petty cash from them. Trusts often leave all responsibility for safekeeping of EGM funds to venues and were indifferent to how they received their money.

“Whether they tell me or not, where the money has come from doesn’t really matter, a venue operator can bank the gaming proceeds daily into their own bank account and once a week they draw the cheque for the trust, just as long as the cheque equals the report, if someone

has stolen it out of the bar, it really doesn't matter, we are still getting the gaming proceeds in our bank account and it's the operator's problem" (Charitable Trust)

Supervising pokie players

Venue operators draw attention to the sum total of human resource that needs to be channelled into auditing machines and the supervision and monitoring of pokie players. Time and financial pressures are experienced because resources are diverted away from the bar or restaurant, i.e. the profit making part of the business, to the EGM room which is not income generating. These time pressures include paying out winnings, EFTPOS transactions, dealing with customers abusing machines and entering into lengthy discussions with players who insist their machine isn't working properly if it has not paid out for a while. This type of query is often repetitive, comes from the same patrons and requires a lot of patience and tact to deal with. In addition, observing the behaviour patterns of problem gamblers, in case mediation is required, is an additional task for bar staff.

Being a responsible host

In addition to Department of Internal Affairs guidelines, venue operators are adopting some responsible host strategies designed to minimise the negative effects of class 4 gambling, but these are relatively underdeveloped in Wairoa largely due to venue operators' persuasion that they do not have the legal or moral authority to interfere with individuals decisions to play the pokies.

Examples of informal door policies which have been found to alleviate the negative impacts of class 4 gambling by reducing anti-social behaviour and minimising disturbance to other patrons in Wairoa include implementing a dress code, dissuading gang members wearing patches, and assisting gamblers who have come forward with a problem in self-regulating their addiction and refusing them entry to the EGM room. This does take additional time and effort for venues.

5.2 Problem Gambling

5.2.1 Defining Problem Gamblers

"Problem gambling" and "problem gamblers" are acknowledged as issues affecting the Wairoa community. The level of impact is difficult to quantify but is acknowledged as significant. Such problems affect individuals, the family and the wider community. It is one of many significant social-economic issues affecting the district.

Whether the level of gambling-related problems in the Wairoa district is higher than any other area of the country is difficult to identify.

In the view of most of those consulted in the research, it is not possible to "pigeon hole" the character of a "problem gambler" in the Wairoa district. They are identified, however, as likely to have "too much time on their hands", suffer from "attitude problems" or family issues and possibly be unemployed or a beneficiary. A "problem gambler" can only be identified with certainty when the level of the problem is severe and symptoms acute.

Venue operators observe their customers and calculate that “problem” gamblers account for a significant proportion of all people playing EGMs. Trusts were more likely to give a conservative estimate. A “serious problem gambler” is difficult to differentiate from a regular player for three reasons. Firstly, the amount of money gambled, won and lost is not proportional to the amount of time spent on the machines. It is possible to play a machine all day, one credit at a time, and only spend \$20. It is also possible to win or lose several hundred dollars in a short time period, making it difficult for bar staff to assess whether someone is having difficulty “walking away from the pokie machine” or whether they have spent more money than they can afford.

Secondly, bar staff are unable to appreciate the frequency with which players visit other venues, i.e. how much time or money a person has already spent on EGMs each day.

Thirdly, the origins and consequences of class 4 gambling addiction are rarely manifested at the venue itself and will present themselves in other contexts such as family life, household budgeting, managing childcare, seeking employment and escaping welfare and poverty. There is a perceived link by those in the industry between social deprivation, absence of household financial planning and gambling.

Despite the problem of “definition” that makes the extent of problem gambling in Wairoa difficult to measure, venue operators (both club and non-club) identify behaviours displayed by EGM players that are indicative of ‘problem gambling’. These observations include:

- A belief that it is possible to win ‘big money’ from EGMs
- Inability to accept that the machine always wins
- Daily visits to a venue lasting several hours at a time
- Playing alone rather than part of a social group
- Obsessively chasing jackpots around the town from venue to venue
- Feeding notes into the machine
- Spending several hundred dollars per session
- Immediately re-gambling substantial winnings
- Requesting additional EFTPOS withdrawals after a jackpot ‘crash-and-burn’ session
- Cashing-in credits just below the maximum cash payout so that they do not need to interact with bar staff or be ‘seen to have won’
- Borrowing money from other players
- Spending beneficiary money on EGMs on the day that it is received
- Questioning the validity of one machine over the another

- Developing a ‘territorial’ favouritism for one machine and pressuring others who use that machine to vacate it
- Playing two machines at once
- Leaving the machine only to go to the toilet
- Displaying aggressive behaviour towards the machines after losing
- Visible agitation when they leave the premise with less money than they started with
- A minority may approach the bar staff and ask for their money back

5.2.2 People Seeking Help

The Hawke’s Bay Problem Gambling Service, Te Rangihaeata Oranga (‘PGS’) was established in the year 2000. PGS advise they go up to Wairoa about once every 3 weeks. Appointment are made with anyone referred to them from the Problem Gambling Helpline (mainly) or by an other person or organisation (very few).

An increasing demand for its services has been identified by the PGS, linked to growing awareness of its services within the community and to a growing gambling problem. A high proportion of those seeking help from the PGS are single mothers and seasonal workers. A number suffer other problems, such as mental health problems.

In the year 2000, 40.7% of people accessing the PGS were women aged 24-40 years. In 2002 this had risen to 53.5%. Many of these women had children and did want their partners to know the extent of their gambling.

The Budget Advisory Service does not record the number of people seeking help with gambling. Of approximately 170 clients “on the books” (November 2003), three have confirmed gambling problems with several other “probables”.

Advisors at the Budget Advisory Services often suspect gambling as one cause of financial hardship when unexplained “holes” are identified in the client’s budget.

It is generally accepted that those who seek help are the “tip of the iceberg”. As well as information from the local sources above, the study has drawn on two sources of information about those seeking help.

Information from the National Gambling Problem Helpline

A detailed analysis of five years (1998 to 2003) of records of phone contacts was undertaken. The full analysis is provided as Appendix 5. This section summarises the main findings and compares the Wairoa District with national information.

The Gambling Problem Helpline operates nationally on a 24 hour basis. It has expert counsellors with specialist services for youth, and Pacific and Māori people. Of the almost 20,000 calls to the Helpline over the 5 year period, 34 were from the Wairoa District. Helpline calls include those from problem gamblers as well as those closely associated with problem gamblers (“significant others” or “interested others”).

Of those calling the Helpline from Wairoa, more identified themselves as gamblers than “others” than would have been expected on an equivalent national basis (Almost 80% compared with just over 60% nationally). Women in Wairoa seek help at a rate higher than nationally (76.5% Wairoa callers were women, compared with the national pattern of 57.5%). This may reflect a pattern of more Māori women seeking assistance. No under 20s sought assistance, but a markedly larger proportion of people aged 20-29 than nationally (41.5% compared with 25% nationwide), and a markedly smaller proportion of people aged 40 or more (27.6% compared with 42.5%) were amongst those who sought assistance. The reason for this is not known, but it may reflect awareness of problems amongst young adults or a greater comfort with phone counselling than face-to-face counselling. Approximately three times the number of calls were from Māori in Wairoa than the national pattern would indicate – reflecting the proportion of Māori in the community and possibly the expectation that more Māori will be affected by gambling problems.

Wairoa gamblers calling the Helpline identified EGMs as their primary problem gambling mode. In this, they exceed national averages (for EGMs, the Wairoa figure was 87.5% compared to the national figure of 63.1%). The prevalence of EMG problem callers is not surprising given the levels of “exposure” to machines in the district, particularly in Wairoa town, and the district’s demographic makeup. Wairoa gamblers calling the Helpline have more severe gambling problems than callers nationwide, being in the category of “pathological gamblers” rather than problem gamblers.

Personal Counselling

As with the Helpline analysis, written records were accessed from the Problem Gambling Committee database for personal counselling and analysed. This was for the year 2002. All 13 records were people who were in contact with Te Rangihaeata Oranga, the only personal counselling available service specifically for gamblers within Wairoa District. This section summarises the findings.

The overall gender distribution of the Wairoa District differed substantially to that of the national distribution. The national distribution was slightly biased towards males, with 51.3% of clients being male and 48.7% being female. Conversely, there was a strong gender bias in the Wairoa District, with the majority (over 60%) of clients being female. This may reflect the slight preponderance of Māori women in the adult population.

The overall ethnic composition of Wairoa clients was substantially different to the national composition. Nationwide, the majority of clients were Pakeha (47.9%), followed by Māori (with a considerably lower proportion of 20.4%). In comparison, the majority (more than 60%) of problem gambling counselling clients in the Wairoa District were Māori with the remainder being Pakeha. As with the Helpline information, this largely reflects the ethnic makeup of the community.

Substantial differences were observed between the age distribution for nationwide and Wairoa clients. Nationwide clients varied widely in age (from under 20 to 70+) and clearly peaked in the 20-39 age bracket (44.8%). However, the age distribution of Wairoa clients was considerably more

limited, with all clients being aged between 20 and 59. Overall, Wairoa counselling clients tended to be older. This confirms the earlier observation that younger people may prefer telephone Helpline assistance to personal counselling.

5.3 Summary

There is a wide recognition of problems associated with gambling in Wairoa. Problems are recognised, whether or not the person is considered to be a problem gambler. In an area with average low incomes, diversion of family income to gambling suggests that there will be negative impacts from such expenditure. In Wairoa, expenditure on gambling, particularly EGMs is associated with family neglect, family breakdown, stress, work problems, debt to a range of businesses, and a range of health and personal problems. Effects extend beyond the individual and into the family and wider community. Agencies believe that problems have increased in recent years. Those spending on gambling are unlikely to be receiving money back through community grants, as they are most likely to be socially and economically marginalised.

Venues report specific issues with theft and supervision of players, but are applying a range of techniques to limit negative effects of gambling on those who use EGMs.

Problem gambling is recognised in the community as a significant issue, but one that is difficult to deal with. It is also not known whether there is a greater prevalence of problem gambling than elsewhere, or whether Wairoa mirrors the “norm”. Relatively few people from Wairoa seek help for gambling problems. Information from the two agencies providing assistance in the area indicate that the two modes (telephone and face-to-face) relate to slightly different population groups, with telephone customers being predominantly young adults and women, and face-to-face counselling clients being slightly older, but also predominantly women. The substantial majority of clients in Wairoa are of Māori ethnicity. There is a high correlation between those seeking help and gambling on EGMs.

6. Benefits

Possible benefits from class 4 gambling include leisure benefits and employment, but most importantly, return of funding to community organisations through the operation of the trusts.

Little real information on benefits other than on community funding was able to be obtained. This section notes that information; describes the relationship between venues, trusts and groups seeking funding; and analyses the distribution of funding within the district and its urban centres.

6.1 Perceptions of Community Benefits

6.1.1 General views

Those outside the industry consulted in the course of the study were asked about the benefits they perceived.

The primary and overwhelming benefit identified is community funding. Grants from gambling trusts are seen as a major source of funding for community activities. There is an increasing trend of dependence upon this funding through reduced availability of other funding sources. The funds are, however, tapped with reluctance by some organisations as the money is “tainted by gambling” but there is “nowhere else to get funding”.

Direct economic benefits are considered minimal. Gambling is not considered to provide any extra employment in Wairoa.

To a lesser extent, there is a perception of personal benefits. These include entertainment and opportunities for social interaction. These benefits accrue primarily to ‘non-problem’, occasional ‘social gamblers’. ‘Pleasure gambling’ is seen as extending to charity raffles and other low-impact and one-off gambling opportunities, rather than to EGMs.

6.1.2 Industry views

Those within the industry identify similar benefits, as set out below.

Relieves fiscal pressures for community funding

The greatest single benefit of pokie machines for the Wairoa community is the generation of profits that can be distributed to community groups and charities by charitable trusts. The value of money available for distribution is of great significance to community groups, who depend on this finance for their continuation.

There is a consensus that sport and recreational activities, the arts, culture and heritage are unlikely to receive financial support from central or local government due to fiscal pressures. In addition many trusts note that many health, education and community development projects do not receive government support due to competing pressures for resource allocation.

Long-term social and economic development

Trusts highlight both the immediate impact and long-term vision of their work when distributing pokie funding. Trusts appreciate the opportunity to improve the Wairoa community at grass roots level; to adopt the role of social engineer or ‘community fairy-godmother’ whilst acting outside of the apparatus of the government and welfare state and beyond the sphere of political decision making. From this, and the analysis of funding, there was clear indication that money returned to the community directly improves the cultural, recreational and social well being of New Zealanders.

Employment Generation

Venue operators in Wairoa are unable to quantify any creation of employment in managing and maintaining the pokie room because bar staff are required to undertake duties such as cleaning pokie machines, servicing the pokie room, monitoring customers, counting and banking pokie money and liaising with charitable trusts.

General venue benefits

Venue operators nationwide perceive some benefits to their wider operation from renting space for machines.²² Wairoa venues were more circumspect and refused to discuss the relationship between the operating costs of the EGMs and the uses of site rental money as they do not believe that either the Department of Internal Affairs or the Council should be allowed to discover any details about a private business’ financial transactions.

However, the group had strong opinions about Department of Internal Affairs attempts to reduce the value of site rental money, claiming that any reduction in this money would have an impact on both their ability to run and service EGM rooms to a high standard, and on their profit margins.

The sale of food and drinks amongst EGM players was described as a small gain for venues but not a major source of income generation.

6.2 Transfer of Funds to the Community

Community funding from class 4 gambling takes place through an organised system linking venues, trusts, organisations and the Department of Internal Affairs.

Currently a number of charitable trusts have current working relationships with the 5 non-club venue operators in Wairoa. One is local and 2 are national. These have changed slightly in recent years, as described in section 3.2 of this report.

Those interviewed in the course of the study identified a lower level of understanding of the systems operating than anticipated, although the community recognises that monies spent on class four gambling are returned to the community through grants from the gambling trusts. It is understood that applications must be made and that funding forms are available from gambling venues. The

²² For example, Hastings venue operators in MWH, CGS, 2003.

extent to which the money spent in the district remains with the district (through grants to local organisations) is not known locally. There is some frustration that gambling venue money is pooled by national gambling trusts.

It is recognised that, in theory, an increase in the number of EGM machines will lead to an increase in community funding available. This is balanced by an appreciation that only a proportion of gambling revenue is returned through community grants, with taxation and operating costs taking a significant proportion.

One objective of the research was to understand the relationships between venue operators, charitable trusts and groups in receipt of class 4 gambling funds in the Wairoa district. The research was designed to discover the factors venue operators take into consideration when deciding which trust to work with, the amount of influence trusts exert upon the daily operations of EGM rooms, the application process community groups follow in order to obtain money, the distribution of community money and the destination of proceeds to different sectors of the community.

The research indicates that these relationships are transparent, accountable and operate with integrity.

Selecting a trust

The research found that venues wishing to install or update EGMs generally approach a charitable trust rather than trusts directly targeting venues. Awareness of trusts and their activities is high amongst the industry due to the transparency of trusts' operations and media coverage of funding. The factors that venue operators take into consideration when selecting a trust are:

- Previously established relationships with the trust through associated bar activities and liquor sales
- Evidence that proceeds are donated to local charities and groups

Trust involvement in venue operations

Trusts are actively involved in the operation of EGM rooms. Representatives from the trusts will make regular site visits to ensure that venues are complying with accounting procedures and will recommend changing games and machines if they are not performing.

Application process for community funding

All venue operators have funding application forms available in the EGM room and most have additional copies on hand at the bar. Trusts estimate that the majority of funding application forms is collected at venues, largely from the wider community who are not patrons of that particular bar. A minority of community groups contact the trusts directly.

Venue and trust influence in the allocation of money from EGMs

There is general agreement amongst the research participants that the Department of Internal Affairs' regulation of class 4 gambling in recent years has introduced accountability and transparency in the

distribution of EGM money by disarming the ‘one-pub, one-trust’ operation and replacing them with national trusts.

Non-club venue operators prefer not to be involved in the allocation of fund money; they only require a guarantee that the money is distributed within Wairoa.

Private members clubs with an affiliated trust and committee responsible for deciding how the money should be distributed internally, have the ability to directly benefit the players who have ‘paid for’ new club facilities. Club trusts are not closed houses; many welcome and grant applications from the wider community and have close associations with other private members clubs, whose projects they also support financially.

Perceptions on the distribution of pokie machine profits

Anecdotal comments from venue operators suggest that most EGMs money is staying within the Wairoa community.²³ The trusts participating in the research confirmed that they donated more to health and welfare, education and community development than to sport and recreation. This denotes a shift towards a more equitable distribution of money across the community than identified by the Department of Internal Affairs in the Report ‘Where do gaming Machine Profits Go 1999/2000,’ which identified 47% going to sport and recreation.²⁴

Trusts apply the following principles when granting funding applications. Firstly, only accredited charities and non-profit organisations with financial statements and accountability can benefit from gaming machine profits. This guards against ‘informal’ groups who frequent venues with EGMs exclusively benefiting from such funding. Several venues thought that this policy prevents these smaller and informal social groups, who may need the finance more urgently, from applying.

Secondly, groups applying for funding need to demonstrate that they are not relying on the trust’s donation as the sole source of finance for their project and that they can provide some of their own funding.

Thirdly, applicants need to provide a written application outlining the anticipated benefits for the local community.

The majority of applications (as high as 90% in some trusts) are successful. The Department of Internal Affairs “Authorised Purpose” guidelines are followed closely when granting applications. If a project is worthy and sufficient funds are available then the project will be fully or part-funded. Trusts also have clear grounds for deferring or rejecting projects. These included looking at how many people will benefit from a project and the impact on the wider community.

²³ However, this contrasts with the wider community perception, and the analysis indicates that Wairoa District may not be obtaining the full amount of money that it could expect. See sections 3.3 and 6.3.

²⁴ However, analysis of local funding did not bear out this comment. See next section.

6.3 Analysis of Funding Information

General

Despite Wairoa District’s small size, an attempt was made to identify and analyse information on where funding from EGMs goes to the community.²⁵ Appendix 4 describes how this information was obtained and analysed.

Currently two of the six National Gambling Machine Trusts (Lion Foundation and the Southern Trust) operate three of the gambling venues within the Wairoa District, a total of 38 machines. One of the smaller localised societies and two clubs operate the other venues which house 34 machines. The pattern has changed only slightly since October 2001, when Public Charity Inc. operated one venue, the Southern Trust one, and Lion Foundation two.

The funding by the trusts is set out in Table 2.

Table 2 Funds Distributed in Wairoa District (over approximately a year in 2001/2002)

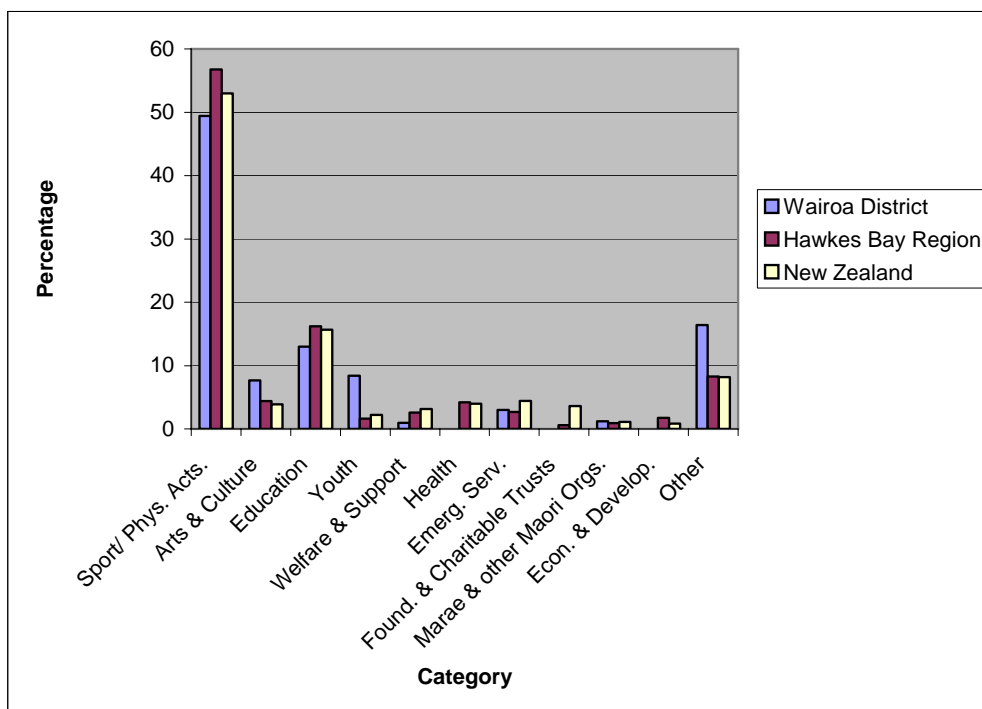
Trust	Grant Value (\$)
Public Charity	4,200
Community Grants Foundation	6,500
New Zealand Community Trust	0
Lion Foundation	155,762
Southern Trust	0
Scottwood Trust	0
Total	166,462

In the time period surveyed, three trusts made grants within Wairoa District. These were Public Charity Inc (which now is no longer represented with the district), Lion Foundation (which had and continues to have, two venues), and the Community Grants Foundation Inc (which had no association with the district, either at the survey period or now). The Southern Trust which has one outlet, made no grants. The Lion Foundation contributes most of the funding within Wairoa.

In general, the distribution of funds from the Trusts within Wairoa District was different from the distribution within the Hawke’s Bay region as a whole and at the national level, for each of the identifiable categories. Most of the categories in Wairoa District received lesser or no funding from the trusts. However, Arts and Culture and Youth along with the “other” category were allocated relatively more funding than the rest of Hawkes Bay and the national average. This is shown in Figure 2.

²⁵ Club information is not readily available and is used for a mixture of member’s benefits and support for community organisations. The national trusts provide 60% of the total monies available to community organisations nationwide.

Figure 2. The distribution of funds by the National Gambling Machine Trusts¹ within the Wairoa District, the Hawkes Bay region and the rest of New Zealand.



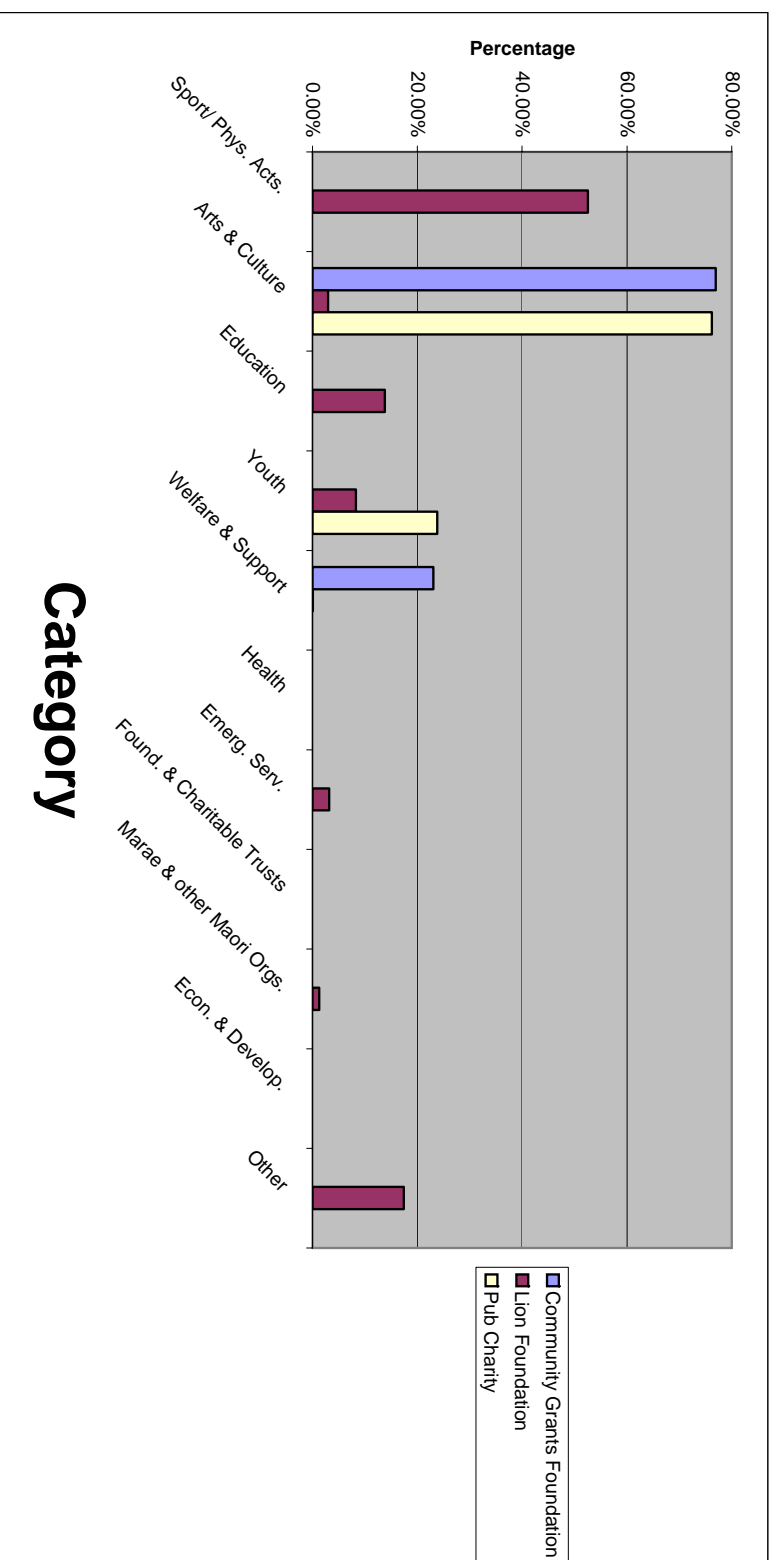
¹The trusts included in this data are: Community Grants Foundation Inc., Lion Foundation, and Public Charity Inc

Analysis of the donations by the individual trusts highlighted some differences in the allocations of funds to the Wairoa District. These differences, identified at the Wairoa District level for each trust, have been compared to the overall distribution of funding by these six to the Hawkes Bay region and to all of New Zealand. A comparison of the distribution of the funding allocations to Wairoa District by each Trust can be seen in Figure 3.

Community Grants Foundation Inc.

Community Grants Foundation Inc, despite not having a presence in the area, awarded two grants to Wairoa District. This money was distributed the between Arts and Culture and Welfare and Support. Arts and Culture received 76.92 per cent of the money awarded to the Wairoa District, compared with 2.31 per cent for the Hawkes Bay region and 3.89 per cent for all of New Zealand. Welfare and Support in Wairoa District were allocated 23.08 per cent, compared with 6.76 for the Hawkes Bay region and 3.14 per cent at the national level.

Figure 3. Funding allocation to the different categories by each of the National Gambling Machine Trusts operating in the Wairoa District, as a percentage of funding by each Trust. (Note: three of the Trusts made no grants in the period)



Lion Foundation

The money allocated by the Lion Foundation to the Wairoa District for Sport and Physical Activities (58.99 per cent) was slightly more than the national allocation (53 per cent); the Hawkes Bay region received 64.91 per cent. The amount of funding allocated to Educational groups in the Wairoa District (15.56 per cent) was higher than for the Hawkes Bay region (12.30 per cent) and on par with the national average (15.65 per cent). Youth organisations in Wairoa District (9.35 per cent) received more than the average for the Hawkes Bay region (1.95 per cent) and the national average (2.21 per cent). Marae and other Māori organisations in the Wairoa District (1.46 per cent) also received higher funding than the national (1.10 per cent) and Hawkes Bay region averages (1.30 per cent). Welfare and Support received a very low level of funding (0.06 per cent compared with 1.60 per cent for the Hawkes Bay region and 3.14 per cent for all of New Zealand) while Health received no money from the Lion Foundation Inc.

New Zealand Community Trust and the Scottwood Trust

Neither the New Zealand Community Trust and the Scottwood Trust are represented in the district, and neither made grants within the Wairoa District.

Public Charity Inc.

Wairoa District received two grants from Public Charity Inc., one for Art and Culture and one for Youth. Art and Culture received 76.19 per cent of the funding allocation to Wairoa District, Hawkes Bay region received 3.70 per cent and the national average was 3.89. Youth organisations were awarded 23.81 per cent of the money granted compared with 1.05 per cent for the Hawkes Bay region and 2.21 for all of New Zealand.

The Southern Trust

The New Zealand Community Trust made no grants to the Wairoa District in the period surveyed, despite having one venue in the district at the time.

Discussion

A relatively small amount of money is being returned to the Wairoa community by the national trusts.²⁶ Compared with what might be expected this situation may be explained in a number of ways. These include:

- lack of knowledge about funding availability with the community
- lack of the organised groups necessary to apply for and receive funding, given the small size of the community
- a level of integration between the Wairoa District community and organisations based in Gisborne, Napier and Hastings, meaning that local people are receiving the benefit of grants in those areas.

²⁶ A one-year analysis indicates only \$166,500 is being returned to the community from the Trusts. On the basis of the number of EGMs in the community, it could be expected that the community would receive \$770,000 and that about 60% of the total (based on the national figure) or 3 times the current funding would come from the national trusts.

It is likely that all three aspects combine to reduce the uptake of money available within the District.

6.4 Summary

Although there is recognition of personal benefits such as entertainment and social interaction, the main benefit of class 4 gambling is seen to be the return of funds to the community. Such funding is the only source available to many community organisations. EGMs do not result in additional employment in Wairoa.

The processes by which money is returned to the community are not particularly well understood in the wider community, but are found to be transparent, accountable and operating with integrity. However, on the information available, it is likely that the Wairoa community is not receiving an adequate share of such funding. There are a number of reasons why this may be the case, relating to the community rather than to the operation of the trusts. Of the money that does filter back to the community, almost half goes to sports and physical activities, with education, youth, and arts and culture receiving the bulk of the remainder, but with 15% of money going to the category of “other”.

7. Issues and Suggestions from Interviews

Those contacted during the study were given the opportunity to comment generally about the study and its purpose. This section records comments and suggestions.

7.1 Reactions to the Gambling Act 2003

Venue operators' and trusts' perceptions of regulation in the gaming industry and their reactions to the Gambling Act 2003 were discussed.

The objectives of the Act are seen to be an attempt to reduce the number of EGMs in the industry (a measured reaction to the previous mistake of granting too many licences) and giving local councils more power to grant permission for new sites.

Venue operators in Wairoa think that the Department of Internal Affairs has singled EGMs out as a socially undesirable activity and this has resulted in different standards of regulation for different forms of gambling. Venue operators in Wairoa are sceptical of increases in regulation for two reasons: firstly, new legislation is a form of 'red tape' designed to halt businesses' ability to run their operations free from local government interference and secondly, it is a manoeuvre designed to generate more revenue for the government rather than mitigate the negative social impacts of gambling.

Trusts also have doubts about the reduction of 18 machines per site to 9 because the trusts' fixed operating costs, as a proportion of total money gambled, will increase, resulting in less money available for the community.

"18 machines sites were a better run business operation from the trusts' point of view because you can have a better mix of machines and the fixed costs of having that site for 18 and for 9, in some cases, is the same, so it will put more pressure on us in assuring that we meet the 33% minimum, we will comply all around but the community might not get as much as it could"

Awareness of the Gambling Act 2003, its requirements and opportunities within the general community is considered to be very limited. Professionals in welfare organisations have some knowledge.

Whilst recognising that without the gambling venues the level of problem gambling in the district would be lower, there is an appreciation that the gambling venue operators are not providing a service which is illegal. Society (through legislation) has facilitated the provision of gambling. It is not now possible to withdraw that facility, even though negative impacts are occurring. It is considered better to continue to provide gambling opportunities in a controlled environment than drive gambling opportunities 'underground'. Such a move would likely make it more difficult to address the negative impacts of gambling.

7.2 Suggestions for Policy and Other Action

Research with venue operators and trusts indicates that the main benefit of class 4 gambling to the Wairoa community is the funding of local community and welfare projects. The main negative impacts are seen to be a high proportion of regular EGM players described as ‘problem gamblers,’ under-developed responsible host strategies, a lack of co-ordination amongst welfare groups, the jackpot system, theft of money from venues and the social marginalisation of ‘problem gamblers.’ These issues should not be viewed in isolation from the other social problems in Wairoa including unemployment, social deprivation and apprehensions about gang violence.

The industry suggests that the negative impacts of class 4 gambling may be mitigated through policies which achieve the following:

- Adopt a multi-agency approach to fraud and theft
- Involve mechanisms such as licensing or the district plan to control the spatial concentration of venues across each settlement, e.g. Wairoa, Frasertown and Mahia rather than controlling the number across the whole district
- Encourage responsible host behaviour
- Grow communication between different welfare organisations, such as WINZ, Child Youth and Family, Budget Advisory Service and problem gambling groups.
- Limit the opening hours of pokie rooms
- Regulate the destination of money so that it reaches across all community sectors, including EGM players
- Lobby the Department of Internal Affairs to change the jackpot structure
- Request trusts share audit data with Wairoa District Council.

Equally comprehensive suggestions and considered venues were obtained from those representing the wider community in the course of this study. It is recognised that the policy required by the Gambling Act offers a limited range of ‘tools’ to help address minimise the harm resulting from class 4 gambling whilst maximising the benefits. Many of the solutions suggested by the community are outside the scope available under the Gambling Act. This discussion includes all available options identified by the community in the course of this study.

It is recognised that a range of statutory gambling controls are in place and these controls should continue. The effectiveness of existing controls to address recognised problems was questioned. There is a high degree of frustration that the regulatory controls do not enable the perceived root causes of problem gambling to be addressed.

Controlling the proliferation and growth of class four gambling is important to the community. Given that costs are perceived as outweighing benefits, limiting gambling opportunities primarily through the number of EGMs is central to a community-driven policy.

There is a need to “*regulate*” the industry, “*prevent*” harm occurring, “*cure*” those with problems and “*stem the tide of addiction*”. This includes addressing the apparent lack of awareness by players that EGMs “*can’t be beaten*” and, in the long run, should not be seen as a source of additional income.

Promoting balanced attitudes towards gambling through community awareness and education is seen as beneficial. There is a need to change people’s habits, targeting at-risk groups in particular.

There is a perceived lack of funding for prevention and cure of gambling habits and problem gambling. Community groups are willing to be involved in the provision of counselling services but lack professional knowledge and training. They feel unable to tackle the scale of the problem.

Funding of these services through gambling trust grants is seen as going some way to redress community balance. However, the community does not necessarily understand the opportunities and how to benefit from them.

Though professional counselling services are available in the district, awareness is limited within the general community.

Those consulted as part of the research recognised that individual social responsibility remained central to community welfare. An individual’s problems could not be ‘off-loaded’ or blamed on others, though factors beyond an individual’s control may have strongly influenced their situation.

7.3 General Comments and Suggestions

In terms of the Council’s policy responsibilities under the Gambling Act, the research could not identify any links between the location of gambling venues and any other facilities. Their location reflects historical zoning regulations. Similarly, the research could not affirm strong links between the location of any one gambling venue and the negative impacts of gambling. Anecdotal evidence however suggests that gambling venue availability is central to the level of impact. The availability of class four gambling within a community of high social deprivation, particularly if that community is geographically isolated, is likely to focus potential community harm.

There is some frustration amongst individual professionals in welfare organisations that the Gambling Act imposes additional requirements and specific duties (such as the need to prepare a gambling policy by March 2004 and to carry out a social impact assessment to support development of this policy) on local government but does not provide the financial means or a realistic timeframe to undertake these. The Act provides the Council with only a very limited set of tools with which it can influence gambling activities (number of new machines, location of new venues) but does not facilitate addressing the perceived root causes of the economic and social problems that are important factors in the demand for class four gambling.

There is a consensus in Wairoa that any solutions for ‘problem gambling’ should target the cause of the initial problem. Two solutions are suggested as offering the greatest potential for improvement. Firstly, raising the socio-economic ‘bottom line’ of the community will help to address the appetite for gambling, helping people out of the ‘poverty trap’ that gambling may be perceived (however erroneously) as offering a means of escape from. Secondly, education of the community, particularly

the young, to make them more aware of the potential problems of gambling, enabling informed choice, is critical.

Education within a community where problem gambling is seen as entrenched is nevertheless considered to be fraught with difficulties. Gambling education programmes through schools offer a potential solution but young people remain enveloped in a community where gambling is seen as “the norm” and socially acceptable. Encouraging youth to follow alternative social patterns or not engage in some of the social habits of their elders is recognised as a significant challenge.

The importance of youth education is stressed not only for gambling but for a wide range of social issues. Some hold views that it is essential to “*get the youth out of Wairoa so they can see that not everywhere is like Wairoa...to let them see and experience other ways of living*”. This is not to encourage out-migration and loss of younger generation to other parts of the country, but to enable a broader education. The benefits of this broader perspective on life can then be brought back to the district to benefit all the community.

Educating youth is seen as a way of helping to “*minimise future risk to the community*”. The consensus is that gambling should not be promoted, as the costs are considered to far outweigh the benefits.

Provision of education and welfare services through marae and whanau can be helpful. It is important to note, however that whanau relationships may contribute to the persistence of problem gambling through, for example, financial subsidisation of an individual and collective family financial management.

As awareness of gambling problem educational literature at gambling venues appears to be limited, a stronger focus for the provision of such information at venues may help to minimise harm.

The community indicated support for a national gambling education campaign.

Similarly, support was offered to any initiatives to require ‘Host Responsibility’ training / accreditation of gambling venue staff. Liquor licensed premises can be fined large sums for serving intoxicated or underage persons. There may be some difficulty in applying such strict regulation to gambling as, for example, gambling is not illegal and identifying when someone has gambled ‘enough’ is not as simple as identifying someone is drunk but this approach offers a ‘hands off’ approach. In the longer term, the responsible attitude towards liquor could extend to gambling. This would require significant investment in education.

7.4 Conclusions

People in the Wairoa community believe that gambling problems, now particularly associated with EGMs, is an entrenched problem in the community and is associated with socio-economic circumstances and lack of options. There is a concern that successive generations will experience the same problems and that youth education is insufficient to avoid or substantially reduce problems. There is no “quick fix” for such problems.

Those consulted or interviewed in the course of the study have a large number of ideas and suggestions to help mitigate adverse effects of class 4 gambling. Almost all of these suggestions are not directly related to the content of the venue policy which needs to be prepared by the Council, as indicated in the Act. Rather, they relate to non-regulatory aspects including education, host responsibility, and other aspects such as how jackpots are managed (which is a national regulatory responsibility). Fundamental themes are community education about gambling and the need for information sharing and an integrated management approach across community agencies. However, there is general community support for limiting further growth in numbers of EGMs, and preventing their spread into additional small communities.

8. Conclusions

This study has looked at the social impacts of class 4 gambling in Wairoa District, as a precursor for the council developing a class 4 gambling policy as part of its responsibilities under the Gambling Act 2003. The Council has limited abilities to influence existing operations, but must consider the impacts any new venues or machines, and may grant or decline approval.

Wairoa has a relatively high number of EGMs within the District. These are particularly concentrated in venues in Wairoa town, but are also in three smaller communities. The ethnic makeup and socio-economic status of the Wairoa community makes it particularly vulnerable to adverse effects of class 4 gambling. This report documents those effects as perceived by the community and the industry, and as found by national and Australasian research.

The existence of problems arising from class 4 gambling in the district is being seen as both a cause and an effect of the more general socio-economic circumstances of the community, and not one that is amenable to a “quick fix”. It is recognised that such gambling is legal, although EGMs are considered to have worsened an existing problem.

While the community receives a benefit from class 4 gambling in terms of funding for community organisations from national and local trusts, there is evidence that Wairoa District is not receiving an equitable share of funding from national trusts. Funding from clubs is done on a local basis, and funding from this source will be channelled locally. Trust funding is the only source of funding available for many local groups. While there is some local concern that the funds available will reduce if the number of machines reduce, that is not necessarily the case, as more funding is probably available than is currently being taken up.

Class 4 gambling is estimated to take some \$2.33M out of the Wairoa community, of which \$770,000 could be estimated to be returned through grants. However, it is likely that the national trusts are contributing one-third of the national average return to the community.

Addressing gambling problems in the community is seen as a long-term requirement, which needs addressing on a range of fronts. The local authority’s powers and responsibilities are limited in this respect, and a multi-agency approach with full community involvement is needed. A need for education about gambling for youth is particular, and the wider community in general, is recognised. This could help overcome the social acceptability of gambling and work against the extent to which gambling is seen as being entrenched within the Wairoa community.

In terms of the aspects that the Council is specifically able to address; the District has a high number of EGMs for its population. Venues and EGMs are concentrated in Wairoa town, so approximately half the District’s population has very high accessibility to class 4 gambling opportunities. People living in the other small communities also have high access. There is little information about how far people travel to venues, but anecdotal information is that people from Wairoa travel to other urban areas to gamble, particularly for “jackpot chasing” but also recreationally. Because of the small size of the communities, there are no particular locational association with other activities (such as schools or preschools) that would increase community risk. However the possible impacts of approving new venues, particularly in residential areas or small communities, as well as generally,



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on the Wairoa District Community**

need to be considered very carefully. This is an important aspect to be evaluated when policy is developed.

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Appendix 1 List of People/Organisations Consulted

List of People/Organisations Consulted

Council Representatives

Mayor
Deputy Mayor
Environmental Health Officer
Community Safety Officer

Government Agencies

Welfare and Income New Zealand representative
Children, Young Persons and their Families representative
Police representative

Iwi

Individuals representing several local Iwis

Others

Age Concern
Local newspaper – Wairoa Star
Māori Women’s Welfare League
Gambling Problem Services Hawke’s Bay / Te Rangihaeata
District Health Board – Mental Health Provider
Bar operator (without EGMs)

Industry Representatives

Two venue operators
Four charitable trusts

Appendix 2 Overview of Gambling Trends and Impacts

(Note: Information in this Appendix was developed in the course of preparing a Social Impact Assessment of Class 4 gambling in Hastings District and is included with the permission of Hastings District Council. Sources of information in this Appendix are included in the list of References in the main report)

Overview of Gambling Trends and Impacts

1. Introduction

This section looks at general gambling trends. Gambling is a popular activity but there is very little information as to any perceived individual or community benefits. In contrast, significant research and analysis has been undertaken showing the negative impacts of gambling. Much of this has focussed on EMGs¹, which are a relatively recent addition to the range of gambling opportunities.

Many countries in the world are experiencing rapid and unprecedented increases in the frequency and intensity of consumption of gambling products. Details in specific countries are not easily obtained, but some annual consumption figures are beginning to become available.

In New Zealand, gambling expenditure (money lost²) rose from approximately around NZ\$0.5 billion in 1991 to NZ\$1.7 billion by 2002. Similar increases are noted in Australia (A\$13.3 billion in 2000), in Canada and in several Western European countries.

In most cases, the expansion is associated with the increased availability of higher intensity forms of gambling, most importantly, the introduction of new “continuous” forms. Non-continuous forms such as race betting and lotteries involve time delays between placing a bet and knowing the outcome. Continuous forms of gambling such as games at casinos and EGMs involve very short delays between betting and outcome and thereby enable rapid and repeated betting within a short period. Gambling expenditure on EGMs has risen sharply in the Netherlands, Australia and New Zealand to about half each country’s total gambling expenditure.

Figure 1.1 presents the rise of expenditure by mode in New Zealand over the last 23 years. EGMs (outside casinos) were first introduced in 1991, and have accounted for \$777 million of the increase in expenditure, up \$180 million or 30% in the two years since 2001. This contrasts with TAB betting which accounted for \$228 million in losses, up just 1.8% from 2001. With 25,221 machines in pubs, bars and clubs, EGMs now account for 47 % of all gambling losses by New Zealanders.

2. Demographics of New Zealand Gamblers

Gambling has increasingly become a part of the leisure activity of New Zealanders. The main sources of information regarding gambling and problem gambling in New Zealand are the two National Prevalence Surveys in 1991 and 1999.³ The more recent of these surveys involved telephone interviews with a representative sample of 6,542 New Zealanders aged 18 and over. The results indicated that 86 % of New Zealand adults had participated in at least one form of gambling during the previous 6 months. This participation rate is high by international standards.

¹ Electronic Gambling Machines.

² Figures here are reported as expenditure, meaning the amount spent minus winnings. Gross turnover (including winnings) is often used and tends to be five to ten times the expenditure depending on the average rate of return. Source: Department of Internal Affairs, 2002.

³ Abbott and Volberg, 1991; Abbott and Volberg, 2000.

The study also estimated that approximately 10 % of New Zealand adults are “regular continuous gamblers” who participate frequently in one or more forms of gambling such as EGMs, race betting or casino table games where winnings can be readily re-invested. They also found that among those more likely to engage regularly in continuous forms of gambling were relatively high proportions of males, Māori, people without educational qualifications and those with lower status occupations. Those who were more likely to use EGMs (outside casinos) tended to be male, Māori, unmarried, employed, lacking higher qualifications and aged under 35 years.

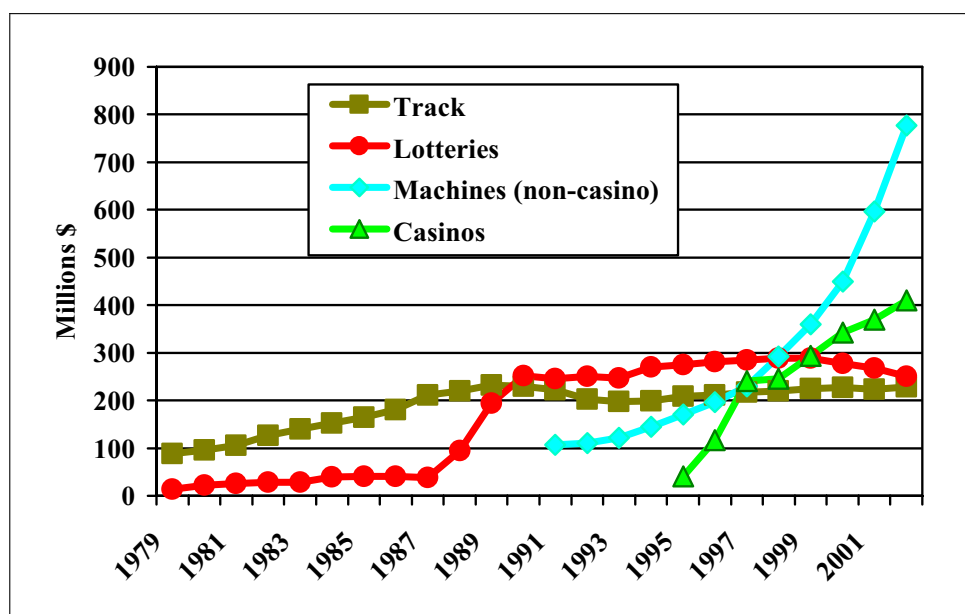


Figure 1.1: Actual expenditure (loss) by mode in New Zealand. (Source: Department of Internal Affairs, 2002)

3. Problem gambling

Much of the research has been into problem gambling. A major focus of the National Prevalence Surveys was providing an estimate of the prevalence of problem gambling.⁴ The more recent of these surveys found that people who reported participating regularly (weekly or more) in continuous forms of gambling were more likely to be classified as problem gamblers. Thus 26 % of regular EGM (outside casinos) gamblers and 18 % of regular race bet gamblers are considered to be problem gamblers. Furthermore, 19 % and 13 % respectively, have experienced gambling problems during the previous 6 months. From the other viewpoint, problem gamblers are more likely to report that they prefer playing EGMs (over 70 %) or betting on horse and dog races (over 8 %) than other forms of gambling.

The National Prevalence Surveys identified certain groups in the population as having a greater likelihood of being problem gamblers. The main socio-demographic factors most strongly associated with problem gambling nationally are gender, ethnicity, age, and household size. Māori and Pacific males aged between 25 and 34 years, living in large households have very high rates relative to other groups. Individuals from lower status occupations and lacking formal educational qualifications also

⁴ This is as defined in the Act, but includes varying degrees of problem.

tended to have higher rates. Additional risk factors for problem gamblers were found to include those who indicate gambling as a habit, those who tend to gamble alone and those who have a problem gambling family member. Subsequent surveys on Pacific people, Asians, Māori women, and young people (students) have each identified additional “at risk” sub-populations. In these populations, problem gambling and harm associated with gambling, in particular associated with EGMs has shown signs of increasing.

Another source of information on problem gambling in New Zealand is the annual report by the Problem Gambling Committee (PGC) on the statistics from the services they purchase for problem gamblers. The PGC manages a voluntary contribution by the gambling industries to purchase services for problem gamblers. The fund purchases the majority of problem helping services and their statistics are divided into clients using the national telephone helpline (Gambling Problem Helpline) and those using face-to-face personal counselling. During the 2002 year the total number of new clients using personal counselling was 2467, up 15.1 % from the previous year. New callers to the helpline were 4,715, which is a 131.9 % increase from those of six years earlier. Figure 1.2 presents the increases over the last six years.

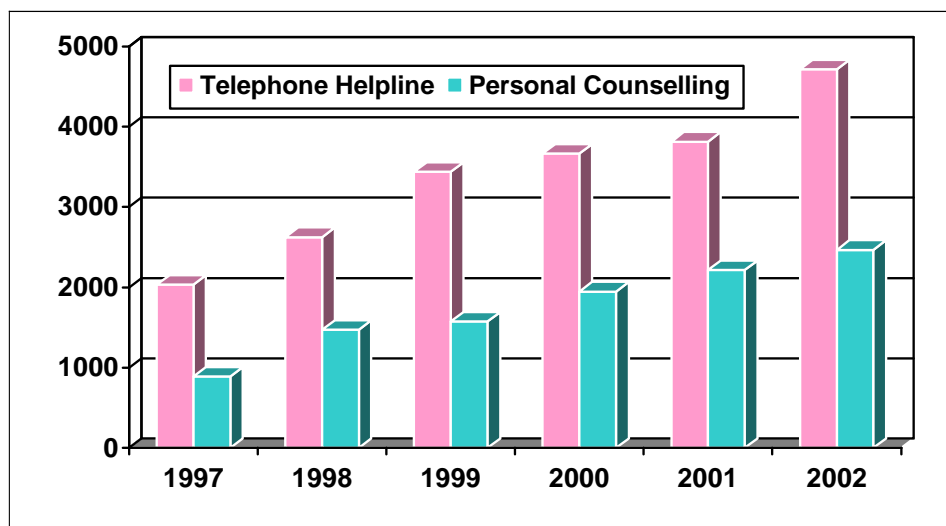


Figure 1.2: Number of new clients using telephone helpline and personal counselling services in New Zealand. (Source: Problem Gambling Purchasing Agent, 2003)

In terms of the type of gambling, 80.7 % of helpline clients and 74.8 % of personal counselling clients identified EGMs outside casinos as their main mode of gambling. This rises to 90.3 % and 95.2 % respectively when casino machines are included. The pie chart in Figure 1.3 presents this.

In terms of gender, the rates for women presenting for help have risen sharply and they now comprise approximately half those using the helpline service and 43 % of personal counselling. There is also a growing perception (based on informal observation and Helpline calls) that women, in particular Māori and Pacific women are increasingly using EGMs.

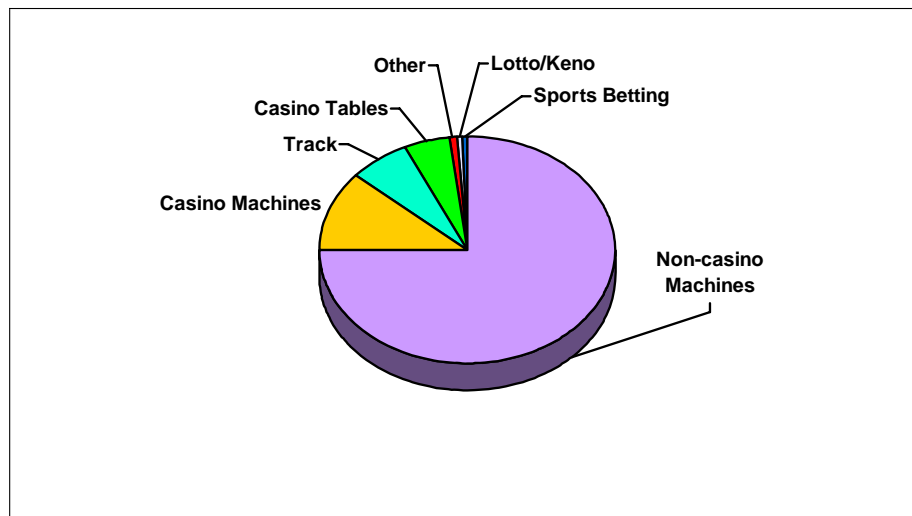


Figure 1.3: Primary mode of gambling for new personal counselling clients in New Zealand for 2002. (Source: Problem Gambling Purchasing Agent, 2003)

4. Comparison with Gambling in Australia

The information above sets out much of what is generally known about gambling in New Zealand. Information sources are currently limited in terms of volume, scope and quality.

Australia has developed a stronger research base, largely because of the country's size and longer experience particularly with class 4 type gambling. Taking into account the differences in population and context between the two countries, Australian research is also useful in considering impacts, costs and benefits of gambling in New Zealand. Again much of the research has focussed on negative aspects, with little reliable research on positive impacts.

In 1997 the Australian Federal Government was becoming increasingly concerned about the extent of state government reliance on taxation from gambling. This led to an investigation by the Productivity Commission to develop "*a better understanding of the performance of the gambling industries and their economic and social impacts across Australia, including their impact on the retail, tourism and entertainment industries and on Commonwealth and State/Territory Budgets*".⁵ This was because "little is known about the social impacts of the rapid growth in gambling." The investigation took place over an 18-month period, through a series of public surveys, qualitative interview projects, consultation meetings and public submission rounds. In early 2000 a report was released which has provided the most significant and comprehensive source of information on gambling within Australasia.⁶

The study identified gambling as a major leisure activity for Australians. Forty percent of Australian adults gamble regularly and levels of expenditure have risen across all states but particularly in the states of Victoria, New South Wales, South Australia and Queensland where the availability of EGMs has increased rapidly. The study found that, despite the rapid increases, the Australian public

⁵ Ordered by the Australian Treasurer, Peter Costello,

⁶ Australian Productivity Commission, 2000

are concerned. In a national survey of public attitudes to gambling it was found that over 75 % of Australians believed that gambling did more harm than good and 92 % did not wish to see any increase in the numbers of EGMs.

The study found that problem gambling made up a significant part of gambling activity as a whole, and that problem gamblers each lose on average 20 times more than other gamblers lose (\$A12000 each in 1999). Problem gamblers comprise 15 % of regular gamblers (excluding lottery players) and make up over 33 % of the gambling industry's revenue (through their losses) each year. This increases to 42 % of losses when looking at EGMs alone. This means that in Australia fewer than 3 % of the adult population are providing a third of gambling industry revenue. The study noted that the increased accessibility of EGMs had been the main driver for increases in problem gambling, primarily because of the continuous nature of play. Higher problem gambling rates were found in states where EGM numbers and per capita expenditure on machines is highest.

The Australian study also analysed the ways in which machines are distributed within communities and concluded that machines tend to be more densely located in lower income areas. For example, they confirmed that in Victoria there is a strong inverse relationship between the average income of people and the number of gaming machines in particular areas. Essentially the lower peoples' incomes, the more EGMs in the area. They note that the relationship was less clear-cut in some states (Queensland and NSW) than in others (Victoria). They also found a strong relationship between the number of machines in any area and the amount spent on them. The more machines, the more is spent. They pointed out that this is likely to have major implications for some local communities. For example, communities where a large proportion of people are already encountering personal or financial difficulties will have them compounded by additional problems that derive from gambling. There are likely to be associated increases in problem gambling behaviour, increased levels of poverty and bankruptcy, more family break ups, domestic violence, increased stress and anxiety and a range of wider community and (local) economic impacts.

5. Gambling Impacts

The impact of gambling has traditionally been assessed in terms of its effects within each of the sectors of

- employment,
- local business,
- problem gambling,
- local community and crime.

This summary follows this approach.⁷

⁷ Much of the material included here has been adopted from the Australian Institute for Gambling Research Report of 2001 on the Social and Economic Impacts of Gambling in New Zealand, and the Australian Productivity Commission Report on Gambling, 2000, *ibid*.

5.1 Impact on Employment

Gambling, and in particular the introduction and operation of EGMs, has usually been promoted as an economy boosting and employment creating opportunity for the local community. Increasing the number of EGMs has usually been anticipated to boost the local economy. Managing the gaming machine venue should provide new jobs.

There have been few New Zealand studies on the impact of gambling on employment. A summary by Connell Wagner Ltd reported that submissions to the 1995 Review of Gaming generally supported the idea that the expansion of gambling provided additional employment opportunities. Congruent with this, the report by the Department of Internal Affairs (1995) noted that employment opportunities associated with gambling expansion would be a positive impact. In a 1998 Study of the Social and Economic Impacts of New Zealand casinos⁸, it was found that New Zealand casinos had created numerous jobs for locals as well as additional jobs regionally and nationally. However it was also noted that longer-term, the net impact would depend on the extent of displaced employment and sustainability of casino jobs and thus could not be calculated for the study.

Australian studies, particularly those carried out at State level⁹ also suggested that growth of gambling led to increased employment opportunities. The Melbourne Institute of Applied Economic and Social Research released its report on gaming impacts on four inner-city local authorities¹⁰ late in 1997. This indicated that two-thirds of jobs in gambling venues were part-time; substantially higher than identified in the slightly earlier state-wide study. This suggests that employment effects need to be evaluated on the basis of detailed local data.

Qualitative data on the local employment impacts of gambling has also been reported in other Australian studies. These involved interviews with local stakeholders, including businesses, venue operators and workers, community service and non-government organisations, people with gambling problems and residents.

The issues that emerged in these studies can be grouped broadly into four main themes:¹¹

- Gambling venue - staff levels, recruitment, performance and training;
- Gambling venue workers' relationships with the general community;
- Local employment levels and patterns, and related investment behaviour;
- Work impacts of problem gambling.

This research offers preliminary insights into the impacts of gambling on local employment and suggests that the effects are far more complex and community-specific than quantitative research alone may convey.

⁸ Australian Institute of Gambling Research, 1998.

⁹ For example, that undertaken by the National Institute of Economic and Industrial Research, 1997, on behalf of the Victorian Casino and Gaming Authority.

¹⁰ Darebin, Maribyrnong, Moonee Valley and Moreland.

¹¹ Melbourne Institute of Applied Economic and Social Research, 1997a, MIAESR 1997b; Hames Sharley 1997 *Impact of Electronic Gaming Machines on Small Rural Communities*. VCGA and Hames Sharley Victoria: Melbourne, December; KPMG 2000a, op. cit.; KPMG 2000b.

KMPG surveyed community perceptions on employment in 2000.¹² In its survey, 1000 community residents (Dandenong, Geelong, Maribyrnong, Mildura, Moreland and Wellington) were asked whether gambling had increased local employment. The study showed widely diverging perceptions about the employment impacts of gambling across Victorian communities. The lowest levels of agreement were recorded in Wellington (39.5%) while Mildura respondents (55.3%) reported the highest rates. A significant finding of this study was that the majority of residents in the surveyed areas were sceptical about claims of overall benefits from gambling-related employment creation.

The Australian 1997 national study¹³ concluded that employment gains from the liberalisation of gambling may be illusory in that:

“... while there may be instances where additional jobs or income may have been generated – say in depressed regions – most of the resources in the gambling industries will have been diverted from other industries.”¹⁴

The Commission also suggested that:

“... the net gain in employment and activity from the (policy induced) expansion of the gambling industries are small at the aggregate level when account is taken of the impact on other industries that lose the consumers’ dollar to gambling.”¹⁵

Summary

The potential for additional employment has been a central rationale for the expansion of gambling machine operations, at least in Australia.¹⁶ However, it is difficult to substantiate this claim from available data sources. Only a handful of Australian local government areas have been the subject of detailed research on local employment impacts. The information which does exist is based on fairly small sample sizes and has produced inconsistent results. Quantitative data may not adequately reflect, for example, the casualisation and down-skilling of employees. From these data alone there is little foundation upon which to make any assessment of *actual* employment costs or benefits to the community stemming from gambling industry developments. To date there is no conclusive evidence of increased employment through expansion of gambling.

Participatory research approaches that facilitate community involvement are likely to produce more representative and valid information on local employment impacts.

5.2 Impacts on Local Business

Similarly, the question of whether class 4 gambling, and particularly EGMs, contributes to local economic growth or drain resources and business investments away from areas which may already be under-resourced does not have a straight-forward answer.

¹² KPMG. 2000a. *Longitudinal Community Impact Study: 1999 Report, Volume 1*. VCGA and KMPG Consulting: Melbourne, September.

¹³ Australian Productivity Commission, 200, *ibid.*

¹⁴ *ibid.*, p. 16.

¹⁵ *ibid.*, p. 5.36.

¹⁶ VCGA 1998. ‘Executive Summary’, *Summary of Research Findings: 1996-1997 Research Program*, VCGA, Melbourne. Also see NIEIR 1997a op. cit.; 1997b op cit.; NIEIR 2000.

While there has been little systematic work in this area in New Zealand, the issues have been explored in several Australian studies.¹⁷ Possible effects include increased competition for the consumer dollar and affect local leisure patterns, reduce savings rates and result in changed patterns of household expenditure when a new gambling venue or additional machines are installed in a locality.

Despite 80 % of small business in Victoria considering they had been adversely affected by the increase in gaming machines, the Australia Productivity Commission accepted that growth in gambling did not appear to negatively impact on other retail business, accepting from earlier Victorian studies¹⁸ that the increase in gambling expenditure was funded largely out of a reduction in household savings. These findings have been challenged and it is now largely accepted that since all products and services compete for a share of the consumer's budget, any increase in gambling expenditure must be at the expense of expenditure on others, either through an actual decline in retail spending or a slower growth than would otherwise be the case.

A recent report made the following point:

“... it is difficult to disentangle the effects of the expansion in gaming venues on local businesses from other economic factors affecting businesses ... however, inevitably, growth in consumer expenditure on gaming and investments in gaming venues have drawn resources away from other industries, reducing the size of these industries – relative to what they would have been if the gaming industry did not exist.”¹⁹

Other Econometric Studies

In submissions to the Australian Productivity Commission inquiry, several economic analysis firms applied equilibrium models to estimate the impacts of an expansion/contraction in gambling on other sectors of the economy.²⁰ The findings of these reports suggested that not all spending comes from savings. For example:

- the CIE model simulation suggests that with a 10 % increase in gambling, the retail sector will contract by about 1.6 %.²¹ Industries that lose the most are sport and recreation (2.1 %), wine and spirits (1.9 %) and beer and malt (1.8 %); and
- the Econtech simulation suggests that for a 26 % increase in gambling activity the retail sector will contract by about 0.5 %.

These economic simulations suggest that industries that accommodate or complement gambling may grow as a result of an increase in gambling. For example, hotel accommodation, sports clubs, cafes and restaurants associated with a gambling venue may expand with an increase in gambling. On the other hand, industries that compete with gambling are ‘chasing fewer dollars on the ground’ and may experience economic contraction. These industries include active recreation, organised sport,

¹⁷ PC, op. cit; NIEIR 1997a, op. cit.; NIEIR 1997c, op. cit.

¹⁸ NIEIR and Spiller Gibbins Swan 1997

¹⁹ KPMG 2000a, op. cit., p. 2.

²⁰ ACIL 1999, op. cit; Aristocrat Leisure Industries (1998) op. cit; Econtech (1999) op. cit.

²¹ Aristocrat Leisure Industries 1998, ibid.

furniture and household purchases (all of which have been claimed to be the biggest losers from a rise in gambling associated expenditure).

Input-Output Analysis in Bendigo

Regional input-output modelling and hypothetical extraction was used to estimate the net economic impact of increased gambling machines in the Bendigo region.²² Negative externalities associated with problem gamblers and the costs of lost productivity due to gambling were also factored into the equation producing an estimated net loss to the region of \$11.57m. The study's author acknowledged that this was a preliminary and, therefore, incomplete calculation.

A significant finding of this research for local business was that *“the backward linkages with the regional economy could be described as weak with a third of revenue going to the owners of the EGMs and another third payable to the State government”*. Further *“output for this sector is not really used as an input for other regional sectors”*.²³ The study also compared the opportunity cost of gambling and non-gambling expenditure in the region and concluded that the net effect of gambling would produce an overall loss in local output, income and jobs. Overall this study suggests that local businesses will not necessarily benefit from the introduction of, or increase in, EGMs: rather gambling operations may serve as a drain upon regional resources and jobs. This draining effect has been noted in relation to the high density of gambling machines in socio-economically disadvantaged metropolitan areas in Victoria and Sydney.²⁴

Qualitative Research

There have been a number of such studies in Australia. While not necessarily conclusive, the findings are similar to those of economic modelling. Two 1997 studies²⁵ found that the introduction of gambling machines was of benefit to the clubs and hotels that had acquired them. However, other businesses such as retail, had suffered from a diversion of consumer spending towards gambling:

“There were firm perceptions that EGMs lead to more bankruptcies and that the proliferation of gaming has resulted in less money being available for retail expenditure.”

One recognised that increased gambling expenditure was only one factor contributing to a general downturn in business performance.²⁶ This report suggested that:

“While in the short run savings appear to have borne the brunt of consumers spending on gambling, savings in the short run become consumption spending in the long run.”

KPMG's 2000 study²⁷ included interviews in each region with a wide range of stakeholders including gambling venues, non-gambling venues, community support agencies and local

²² Pinge, I. 2000. *Measuring the Economic Impact of Electronic Gaming Machines in Regional Areas - Bendigo, a Case Study*, Centre for Sustainable Regional Communities, La Trobe University, Bendigo.

²³ *ibid.*

²⁴ Doughney, J. & T. Kelleher 1999, *op. cit.*; Tremayne, K. 2000. *The Distribution and Social Consequences of Gaming Machines in Sydney Clubs*. AIGR, Sydney.

²⁵ Hames Sharley, and MIAESR 1997

²⁶ MIAESR, 1997.

government, along with consultations with industry players (such as Tabcorp and Crown Casino) and public forums in each region.

The results of this study are similar to those of previous research, particularly in relation to the perceived association between increased gambling expenditure and declining consumption in other sectors, especially those that competed with gambling. They also noted that it was

“difficult to disentangle the effects of the expansion in gaming venues on local businesses from other economic factors affecting businesses... however, inevitably, growth in consumer expenditure on gaming and investments in gaming venues have drawn resources away from other industries, reducing the size of these industries – relative to what they would have been if the gaming industry did not exist.”

This research added a new dimension to this line of investigation by surveying consumers' perceptions about “*what they would spend their money on if they hadn't spent it on gambling*”. Forty-six percent reported that they would have spent the money on groceries, small household items, personal items, clothing and footwear. Particularly noteworthy in relation to earlier studies was the finding that 20 % would have saved the money. The implication of these results is that gambling may be partly but is not completely simply funded through savings. It maybe drawn away from other consumption activities and, as this study indicated, often from basic necessities such as food and clothing.

Should local businesses consequently reduce staff numbers or close down there may be flow-on effects in accessibility to, and possibly affordability of, local goods and services.

Australia Productivity Commission

These findings were echoed in the Australian Productivity Commission's 1999 national study. They noted that,

“The negative effects appear to be most keenly felt by businesses that compete with gambling... for the consumers' dollar, so growth in gambling inevitably has an impact on the jobs and investments in these other industries ... Retailers are one group that can be expected to lose from the growth of gambling.”

Submissions to the inquiry emphasised two main areas of specific concern: impacts on the retail sector and on traditional gambling modes. The Commission's overview of relevant studies in Victoria, Queensland and South Australia found widespread perceptions of a decline in the performance of sectors in competition with gambling.

Summary

Studies conducted on gambling impacts on local business (all to date in Australia) indicate that they may suffer from competition with gambling machine operators. While this may not be of much importance in some areas, it may in others. For example, a low income area with a significant population of heavy gamblers might well experience a greater drain on consumer spending due to

²⁷ KPMG 2000a.

gambling operations. This could produce more significant negative effects on local businesses that compete with gambling and increased gambling expenditure may result in the downstream reduction in essential goods and services.

5.3 Problem gambling impacts

Problem gambling is now recognized as a significant area of social cost associated with gambling. The negative impacts of gambling include direct and indirect costs to individuals, families and communities of problem gamblers.

The Department of Internal Affairs (2001) include in “private costs” depression and anxiety, suicidal thoughts and behaviour of the problem gambler, along with financial debt and related legal problems and offences. It classifies as “social costs” the impacts on families, the impacts on employers and the costs for police, the criminal justice system and social welfare system.

In addition there are costs in providing and supporting the various agencies and non-governmental agencies that provide help to problem gamblers and those affected by them.

Prevalence

The prevalence of problem gambling in New Zealand is somewhat contentious. The two national surveys which have looked at this aspect²⁸ had the unexpected outcome of detecting a reduction in lifetime problem gambling prevalence rates from 7.0 % in 1991 to 2.9 % in 1999, while current problem rates decreased from 3.3 % in 1991 to 1.3 % (range 0.3 % to 1.8 %) in 1999, despite the marked growth in gambling opportunities between the two surveys.

The results of the 1999 survey have been greatly debated and many commentators argue that the telephone survey methodology that was used resulted in significant under-reporting of problem gambling, particularly among certain population subgroups.²⁹ The authors acknowledge that for a variety of reasons, “*it is considered that all of these estimates are probably conservative and possibly highly conservative*”. They suggest the actual lifetime rates (of problem gambling) are at least twice as high as reported – however this is little more than a guestimate.

Other means of estimating the prevalence of problem gambling in New Zealand, such as information about people seeking help from agencies that counsel problem gamblers, indicate a continuing increase in numbers presenting together with an increase in numbers calling the gambling Helpline (see Figure 3). Estimates based upon numbers seeking help (who are usually considered to represent around only 3 % to 10 % of those currently experiencing problems) suggest that there may be between 3 % and 5 % of the adult population who are currently experiencing gambling problems. This is in marked contrast to the range of 0.3 % to 1.8 % indicated in the 1999 national surveys.

Taking these two extremes – anywhere between 10,000 (lowest estimate based on the National Prevalence Survey) and 150,000 (based upon the number presenting for help) – there are a range of

²⁸ Abbott and Volberg in 1991 and 1999

²⁹ For example no Asians reported having experienced problem gambling during the 6 months prior to the survey, despite there being considerable anecdotal reports and other evidence to the contrary.

sources of estimates for others affected.³⁰ Current estimates indicate that each problem gambler will negatively affect between 5 and 7 other people, including their partners, their children, parents, friends and colleagues.

Thus there may be anywhere between 50,000 and 1 million New Zealanders negatively affected by problem gambling, either as the gambler or as someone related to, or interacting with, the gambler.

The Australian Productivity Commission³¹ noted that, among problem gamblers seeking help:

- 99% suffered from guilt over gambling
- 97% had control problems, wanting to stop but couldn't
- 96% suffered from depression
- 58% seriously considered suicide
- 14% attempted suicide

Those in counselling reported major adverse effects on their relationship through:

- misuse of money
- deception
- mood swings
- domestic violence
- neglecting children
- depriving children (through poverty)
- abusive relationships
- family disintegration
- loss of emotional security

That study also noted that:

- 60% of problem gamblers will go without food and grocery items
- 77% spend over a fifth of their household income on gambling
- 40% spend over half of their household income on gambling

It found that problem gamblers accounted for around 33 % of total gambling expenditure (losses) and emphasised that most of these gamble on EGMs or racing.

New Zealand figures confirm that over 70 % of those presenting for help gamble on EGMs and 8 % on racing. If this same relationship holds true in New Zealand it would suggest that over a third of the \$777 million lost to EGMs in 2002 and the \$228 million³² to racing came from problem gamblers.

³⁰ But is more consistent with the 1991 study's finding of 3.3% to 7%.

³¹ See footnote 18.

³² Problem Gambling Committee.

Summary

To date, the prevalence of problem gambling in New Zealand remains controversial. Problem Gambling Committee figures for New Zealand confirm that majority of those presenting for help gamble on EGMs and on racing. The impact from problem gambling is clearly a major cost, psychologically, socially and economically for the gambler, his (or her) family, colleagues and community.

5.4 Local Community impacts

There is some generalised qualitative information available on whether class 4 gambling adds to or detracts from local quality of life of community life.

Australian Productivity Commission

In the Productivity Commission's *National Gambling Survey* participants were asked whether they agreed or disagreed with the statement "*gambling does more good than harm for the community*". Seventy percent of Australians (including a substantial number of regular gamblers) considered that gambling did more harm than good to the community.

This finding is congruent with the 68 % to 81 % agreement that "*gaming machine gambling does more harm than good*" recorded in a series of community perception studies undertaken in Victoria on behalf of the Victorian Casino and Gambling Authority.³³

Much of the evidence presented to the Australian Productivity Commission regarding the negative effects of gambling on community life was in the form of submissions and statements at public hearings by local councils, individual citizens and church groups. Many submissions argued that gambling has had a deleterious effect on communities. The Commission's report reported:

"[it has] changed the nature of entertainment and recreation for the worse, and undermined norms of ethical behaviour that are vital for the functioning and wellbeing of our society – in effect, gambling was seen as unravelling the social fabric."

However, comments to the Commission covered a wide range of views. For example, the Australian Interchurch Gambling Taskforce contended, for instance, that gambling activities created great risks for communities including financial difficulties with money leaving the community, increased reliance on social security, pressure on charity and welfare groups, and increased crime (especially white collar crime). In contrast, other submissions argued that EGMs and gambling venues provided an additional source of entertainment and that the extra choice available to consumers can improve the lifestyle of the community.

The role of local government in the provision of community impact data was stressed in the Productivity Commission's report: "*Councils may have a better perspective on the impacts of gambling on families, households and community life than state government agencies*". They cited a submission from one council³⁴:

³³ Hames Sharley, op. cit; MIAESR 1997a, op. cit; MIAESR 1997b, op. cit; KPMG 2000a, op. cit; KPMG 2000b, op. cit.

³⁴ Yarra City Council

“Councils are in a key position to monitor [gaming machine] effects both through formal research methods and also through anecdotal evidence gathered through community networks and contacts. Local councils are often a “barometer” of social problem growth.”

Other submissions from local government agencies drew attention to the concentration of EGMs in socio-economically disadvantaged communities and the associated impacts on community life in these municipalities, based on a range of data sources and a specifically commissioned economic impact model.³⁵ Quantitative data used to document the concerns of local government included: local business statistics, official unemployment rates, percentages of low income earners, the Socio Economic Index For Areas developed by the Australian Bureau of Statistics, and data on machine numbers.

Research commissioned for local government in both Victoria and NSW has confirmed that the impact of EGMs tends to be more severe on already disadvantaged and impoverished communities.³⁶

New Zealand studies that have examined perceptions of gambling impacts at the local level have also revealed ambivalent attitudes in which the potential for increased gambling and in particular the growth in problem gambling are seen as serious negative community impacts that can be counterbalanced to some extent by the anticipated funding of community groups and charity causes from gambling.³⁷ However community perception has been generally negative, with specific concerns reported that communities are being seriously damaged by the growth of the gambling industry and its associated problems without any counterbalancing benefits, because profits are leaving the local area³⁸ and there are little financial or employment gains for impoverished communities.³⁹

Summary

Despite a range of methodologies, both Australian and New Zealand studies indicate that the costs of gambling to communities are perceived to outweigh the benefits.

Central to the impacts of gambling on community life are perceived trends towards the commodification and commercialisation of leisure generally and the corresponding pressures being placed on peoples' time and money.⁴⁰ The combination of these forces has contributed to increased EGM usage as a “pop-in, pop-out” form of recreation that demands less energy and commitment than other organised social activities.⁴¹ Concerns have also been expressed about the narrowing variety of entertainment available because of gambling.⁴²

It remains contentious as to whether increased gambling facilities are a cause or effect of a perceived deterioration in the social infrastructure of local communities, particularly in relation to

³⁵ Information from a range of local government agencies in Victoria.

³⁶ Doughney and Keller, 1999; AIGR-Tremayne, 2000.

³⁷ AIGR, 1998. Summary of submissions on the 1995 review of gaming in New Zealand

³⁸ Curtis and Wilson, 2001.

³⁹ Raeburn, 2001.

⁴⁰ AIGR, November 2001

⁴¹ Brown et al. 1999, p. 40.

⁴² Such as live hotel music for young adults

disadvantaged social groups. Several gambling studies have noted the need for a wider focus on the recreation sector generally and the possibilities for increased decision-making at the local level on that aspect of community life.

5.5 Crime

In New Zealand,⁴³ gambling tends to be linked with crime due to the large sums of money involved, cash transactions with relatively poor recording systems, the potential for gamblers to remain anonymous and the unequal balance of information between gambler and operator, so that, for example, gamblers must have faith in the integrity of the operator

The Department of Internal Affairs has found no direct evidence to link crime with gambling.⁴⁴ However, it does suggest that EGMs have the highest association with crime in the gambling industry, including theft, donation fraud and misappropriation of funds.

Crime in relation to gambling falls into two categories.

- Offending by gambling operators may include unlicensed or illegal gambling activities, cheating, and misreporting or misappropriation of gambling revenues. Clearly there are opportunities for fraud and organised crime involvement in almost every form of gambling. The Department of Internal Affairs is responsible for auditing and dealing with licensing offences. Recently there have been several high-profile instances of gambling machine operators misappropriating gambling revenues⁴⁵.
- Offending by gamblers has been investigated in a number of New Zealand studies. These studies have identified an association between gambling and criminal offending, that is highlighted by the prevalence of gambling problems among imprisoned offenders and those serving community sentences.⁴⁶

Problem gambling amongst New Zealand criminal populations has been reported to be as high as 26 % of that population⁴⁷ – substantially greater than in the general population – with New Zealand data indicating that imprisoned men have higher rates of participation in high risk gambling modes than the general population. Their reported average monthly expenditure before incarceration (NZ\$305) is six times that of men in the general population⁴⁸.

Interviewing prison inmates about their criminal activity indicated that 15 % of male prisoners had committed crimes to support their gambling habit. Burglary was the most frequent means of obtaining money for gambling, followed by theft, fraud and robbery. Twenty-six percent of female prisoners reported having committed a crime to finance their gambling. Fraud, burglary, shoplifting, drug trafficking, theft and robbery were the means of obtaining funds.⁴⁹

⁴³ Department of Internal Affairs, 1995.

⁴⁴ AGIR p 83.

⁴⁵ e.g. the recent Goldmines Trust case in 2003

⁴⁶ Brown et al, 1999; Abbott, McKenna and Giles, 2000.

⁴⁷ Brown et al, 1999; Abbott, McKenna and Giles, 2000.

⁴⁸ Abbott et al., 2000.

⁴⁹ Abbott et al, 2000.

The Australian Productivity Commission suggests that problem gamblers tend to become involved in gambling-related criminal activities as a last resort after other sources of money are exhausted. Typically before they reach the criminal offending stage,

“...gamblers initially draw on their savings and then make cash advances on their credit cards, borrow from family and friends, or take out loans with banks or financial institutions.”

The Productivity Commission found that approximately 11 % of problem gamblers admitted to criminal offences.⁵⁰ Other Australian studies report between 20 % and 75 % of problem gamblers admitting to criminal offending.

The Australian Productivity Commission concluded that:

- Around one in ten problem gamblers have committed a crime because of their gambling;
- Up to two thirds of problem gamblers in counselling have committed a crime to finance their gambling;
- Offences committed are mainly non-violent property crimes (embezzlement, misappropriation); and
- The majority of offences committed do not result in legal action (and many go unreported), but around 40 % of offenders are charged and convicted.

The Commission’s findings on this issue were not desegregated to the state or local level, and the sensitive nature of gambling-related crime also complicated data collection processes. To date community services, population surveys and self-report data have formed the basis for research in this field. Most researchers consider it is probable that most figures generated will involve considerable under-reporting and conservative estimates.

Summary

There is a reported link between problem gambling and crime which must impact on local communities. Offenders typically commit crimes of theft or dishonesty after having exhausted all legal means of obtaining further funds to continue gambling. The costs associated with gambling-related crime include the costs to victims and their families, the offenders and their families, the community and the government, including the costs of crime prevention and criminal detection and enforcement.

⁵⁰ These included theft, shoplifting, forging, embezzlement, misappropriation, drug trafficking, burglary and armed robbery.



Appendix 3 Gambling Venues and Machines

Gambling Venues & Machines

Name of Venue	Address	Gaming Machine No.	Trust
Chances Sports Bar	126 Marine Parade Wairoa	18	Heretaunga National
Cyde Hotel	Marine Parade Wairoa	18	Lion Foundation
Ferry Hotel	Caroll Street Wairoa	12	Lion Foundation
Wairoa Club	Marine Parade Wairoa	14	Wairoa Club Inc
Sunset Point Sports Bar and Bistro	Ratau St/Newcastle St Mahia Beach	8	The Southern Trust
Waikareomoana District Club Inc	State Highway 38 Tuai	2	Waikaremoana District Club



Appendix 4 Methodologies used in Information Collection and Analysis

Background data

Relevant gambling-related research reports and other documentation from New Zealand and Australia were reviewed. Information considered to be of relevance to this project (e.g. social impacts of gambling) was identified and summarised.

Venues and Trusts

A programme of qualitative research was undertaken with bar managers in the Wairoa district, including some who operate gaming machines ('pokies'), and charitable trusts that distribute gaming machine funds. The research consisted of one mini-focus group with venue operators and bar owners and 2 depth interviews accompanied by 2 written responses from charitable trusts.

The focus group discussion lasted 90 minutes and the depth interviews lasted between 45 and 60 minutes and were based around pre-approved discussion topics designed to assess the social impact of class 4 gambling on the Wairoa Community. These topics included identifying which sectors of the community pokie players come from, defining 'problem gambling', understanding factors which encourage pokie machine use in Wairoa, the benefits and negative impacts of class 4 gambling, evaluating strategies for venues acting as 'responsible hosts,' relationships between trusts and venues, the distribution of funds to the community, reactions to the Gambling Act 2003 and suggestions for policy development.

The focus group with venue operators formed part of a one-day workshop held in Wairoa, where a wide range of agencies including community groups, welfare organisations, council members and bar managers were invited to discuss their views on the social impact of class 4 gambling on the Wairoa community. There are six venue operators in Wairoa. The focus group contained two venue operators (representing one club and two non-club venues) and another bar manager who did not have pokies. One interview with a locally based trust was conducted face-to-face. Trusts based outside of the Hawke's Bay region were contacted by telephone for convenience.

Focus groups and depth interview techniques were chosen because the subject matter was largely exploratory and descriptive, required a comprehensive understanding of operations and practices and dealt with sensitive issues. These techniques enabled the researcher to build up a trust with the respondent, which encouraged the disclosure of sensitive information and allowed detailed probing on key issues. The interviews with charitable trusts were tape-recorded and verbatim comments from these interviews are included in this report. Two note takers were present at the focus group and these notes have been used in the compilation of this report.

Agencies and Others

A one-day workshop was held in Wairoa following a mail-out of invitations to individuals and organisations selected by the Council and its consultants and a public notice in the local paper. The workshop included focus group sessions lasting 90 minutes using a semi-structured format on an "interest group" basis. Follow-up interviews were held where appropriate.

A list of those attending the workshop, along with others consulted is given in Appendix 1.

Funding distribution

Information regarding the distribution of funds from the national trusts in a New Zealand wide context and in relation to the Hawke's Bay Region was obtained from a CD Rom supplied by the New Zealand Coalition for Gambling Reform, Incorporated. The five national trusts were: Lion Foundation, Community Grants Foundation Inc., New Zealand Community Trust, Public Charity Inc and The Southern Trust. The data gathered covers the period 1 October 2001 - 30 September 2002 (NZ Community Trust and Lion Foundation), October 2001 - October 2002 (Pub Charity Inc.), 1 January 2002 - 30 September 2002 (Southern Trust) and 1 April 2001 - 31 March 2002 (Community Grants Foundation).

Data for the Hawkes Bay region were extracted from the CD ROM and exported into an excel spreadsheet. Data were then categorised into Wairoa District and the Hawkes Bay region.

Data were analysed on an area specific basis and compared with the overall Hawkes Bay regional and nationwide distribution of gambling machine funds.

Gambling Problem Helpline Data

All available client records were accessed from the Gambling Problem Helpline (GPH) database for analysis on the 5th of December 2003,. The database records details regarding clients who have called for assistance during the total operating period (November 1998 to 5th of December 2003). It should be noted that callers could not be differentiated according to the date that they contacted the Helpline and that results have therefore been calculated and reported as an aggregate of callers who have made contact over the total operating period. In total, 20,293 client records nationwide were retrieved and subsequently analysed using SPSS.¹ Various data were available for each caller, including:

- Caller Type (Gambler, Significant Other/Interested Other);
- Gender;
- Age;
- Ethnicity;
- Information pertaining to suicidal ideation;
- DSM-IV Score for problem gambling² (only available for callers classified as gamblers);
- Primary problem gambling mode (only available for callers classified as gamblers).

However, as callers do not always disclose information pertaining to these variables there is a certain amount of missing data. When applicable, details regarding missing data are disclosed in the relevant section. It should also be noted that addresses were not always available, and as such the location (including city and/or TLA) of callers could not always be identified. Subsequently, when data was retrieved, callers were categorised as having called from one of two locations: 1. Within the Wairoa District, or 2. Elsewhere in New Zealand (i.e. Outside of the Wairoa District)³. In the case of no information being available regarding the caller's location (presumably because the caller chose not to disclose this information), callers were placed within the nationwide category. It should

¹ An analytical statistical computer resource.

² The DSM-IV (Diagnostic Statistical Manual – IV) is a screening tool which provides an indication of the severity of a gambling problem. A score of 3-4 indicates problem gambling, while a score of 5+ is indicative of pathological gambling.

³ Referred to as nationwide, and noted that these figures are exclusive of Wairoa data.

therefore be noted that this process has likely resulted in conservative estimations of the number of clients accessing help from within the Wairoa District.

Personal Counselling Data

All available records were accessed from the Problem Gambling Committee database for personal (face-to-face) counselling from 1997 to 2002. It should be noted that clients could not be differentiated according to the date that they sought help and that results have therefore been calculated and reported as an aggregate of clients who sought assistance between 1997 and 2002. In total, 4,996 client records were retrieved and subsequently analysed using SPSS. This included 13 records from clients who accessed personal counselling services from within the Wairoa District⁴. Available information for each client included:

- Gender;
- Age bracket;
- Ethnicity; and,
- Location (including Territorial Local Authority).

To ensure client confidentiality, the categories from some variables were combined (until at least five occurrences within each category were observed). Consequently the analytical outputs are limited in terms of detail.

As no data was available regarding client type (gambler, significant other, interested other), the results are reported as aggregate. Some data were classified as missing, presumably because the client chose not to reveal those details.

As with the GPH data, it should be noted that addresses were not always available for face-to-face clients, and as such the location (including city and/or TLA) of clients could not always be identified.

Subsequently, when data was retrieved, clients were categorised as residing in one of two locations: 1. Within the Wairoa District, or 2. Elsewhere in New Zealand (i.e. Outside of the Wairoa District)⁵. In the case of no information being available regarding the client's place of residence, clients were placed within the nationwide category. It should therefore be noted that this process may have resulted in conservative estimations of the number of clients accessing face-to-face help from within the Wairoa District.

⁴ Counselling for the Wairoa District is currently available through the *Gambling Counselling Service - Te Rangihaeata Oranga* which is based in Hastings.

⁵ Referred to as nationwide, and noted that these figures are exclusive of Wairoa data.



Appendix 5 Analysis of Gambling Problem Helpline Information

A. Introduction

Data regarding callers from within the Wairoa District in comparison to nationwide callers are outlined in the following sections. This includes a discussion of each of the above variables. However, it should be noted that to ensure client confidentiality, the categories from some variables were combined (until at least five occurrences within each category were observed). Consequently, some analytical outputs could not be fully reported in detail.

B. All Callers

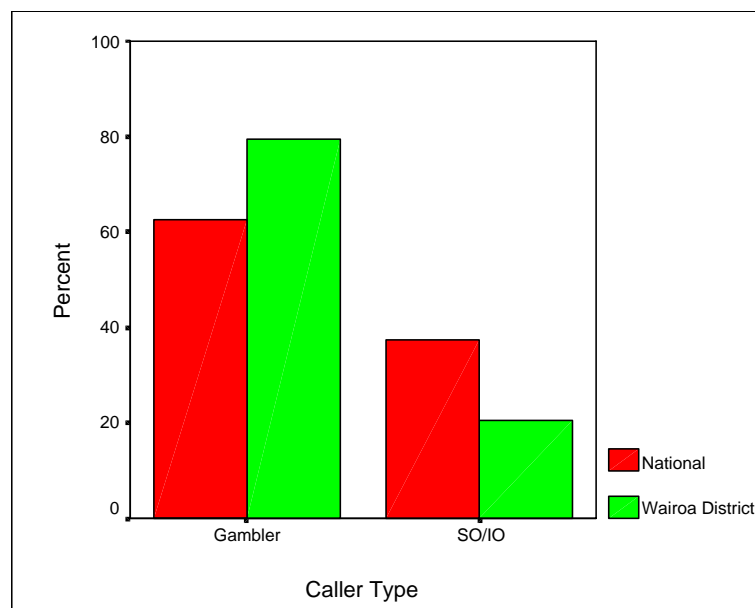
Number of Callers

Overall, 34 callers (who had called during the operating period from November 1998 to 5th of December 2003) were identified as being primarily located within the Wairoa District. This equates to 1 in every 262 Wairoa District residents over that period. A further 20,259 clients were identified as having called from outside this district.

Type of Caller

Regardless of location, proportionally more people identifying themselves as gamblers than as significant others/interested others called the Helpline. However, substantial variance was observed with regards to caller type distribution according to the origin of call: 79.4% of callers from Wairoa were gamblers (compared with 62.4% nationwide) and 20.6% were significant others/interested others (compared with 37.6% nationwide). See Figure 5.1 for details.

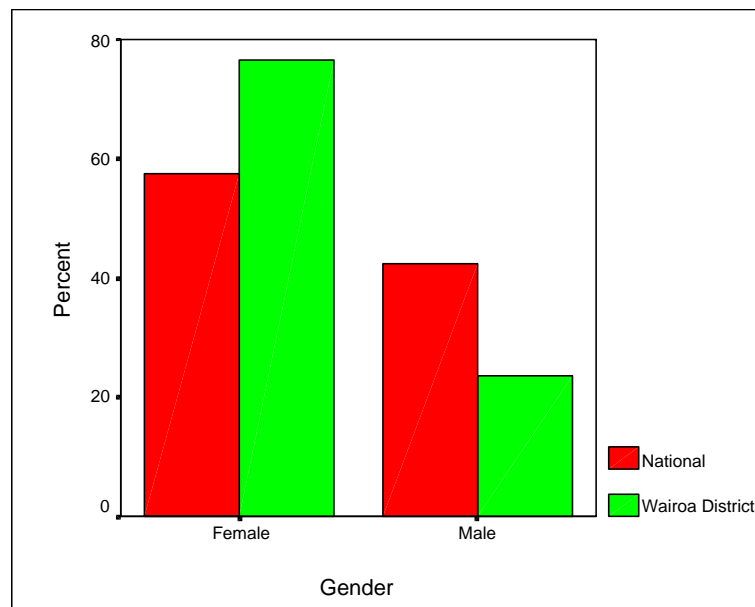
Figure 5.1: GPH Client Type Distribution – Wairoa and National (excl. Wairoa)
(N=20,293)



Gender

Regardless of location, proportionally more females than males called the Helpline. However, differences were observed according to caller's location, with a substantially higher percentage of female callers from the Wairoa District: 76.5% (compared to 57.5% nationwide). Only 23.5% were male (compared to 42.5% nationwide). See Figure 5.2 for details. Although there are more women than men in the Wairoa District population, the difference is concentrated at higher age levels, with cohorts between 35 and 74 having more men than women. However, there are more Māori women in all age groups over 25 than Māori men.

Figure 5.2: GPH Client Gender Distribution – Wairoa and National (excl. Wairoa)
(N=19,829)



Age

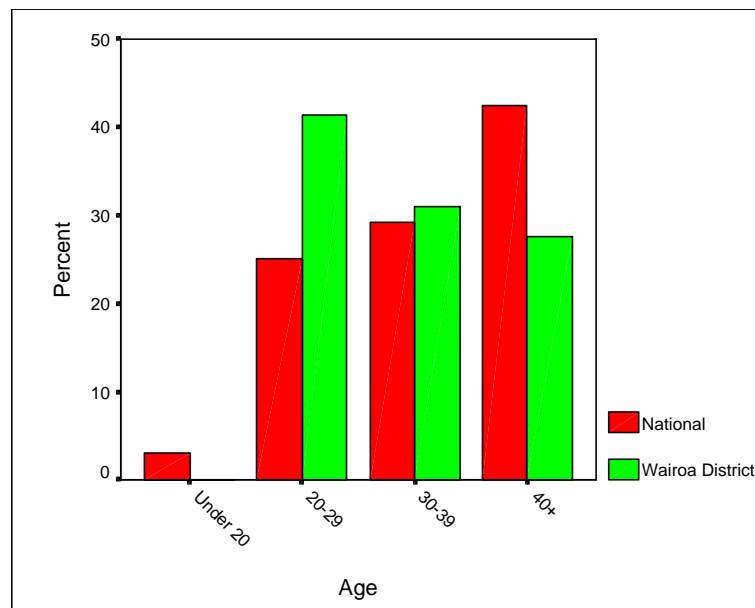
Regardless of location, callers to the Helpline varied widely in age. However, substantial differences were observed with regards to the distributions of Wairoa and nationwide callers:

- *Under 20*: 0% Wairoa, compared with 3.1% nationwide;
- *20-29*: 41.4% Wairoa, compared with 25.1% nationwide;
- *30-39*: 31% Wairoa, compared with 29.2% nationwide; and,
- *40+*: 27.6% Wairoa, compared with 42.5% nationwide.

It can be seen that despite there being no callers from the Wairoa District under the age of 20, Wairoa callers tended to be younger than nationwide callers and clearly peaked in the 20-29 age group. Overall, decreasing proportions of Wairoa callers were observed with increasing age, while the proportions of nationwide callers increased with age. See Figure 5.3 for details. Age data were missing for 5,476 clients (5 Wairoa, 5,471 nationwide), and some age groups were combined due to

small numbers. As the age structure is not markedly different from the national age structure except for a “bulge” in the under-14 cohort and a pronounced “pinch” in the 15 to 24 cohort, reasons for this pronounced reversal of pattern are not clear.

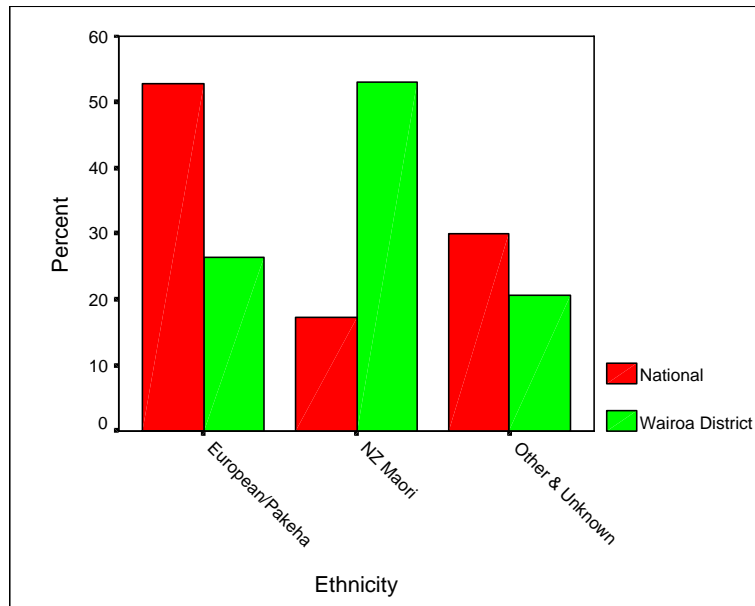
*Figure 5.3: GPH Client Age Distribution – Wairoa and National (excl. Wairoa)
(N=14,817)*



Ethnicity

The ethnic distribution of Wairoa and Nationwide callers were substantially different. The majority of callers from Wairoa were Māori (52.9%), this was approximately three times the proportion of Māori observed nationwide (17.3%). Conversely, the proportion of Pakeha clients were much lower in Wairoa (26.5%) compared with nationwide callers (52.8%). There was less variance with regards to the Other/Unknown category, although the proportions still varied substantially according to location: 20.6% in Wairoa compared with 29.9% nationwide. See Figure 5.3 for details. Due to small numbers, some ethnic groups were incorporated into the Other & Unknown category. Given the slight preponderance of Māori in the total population and the expectation that Māori are more at risk of harm from EGM gambling, this finding is not surprising.

Figure 5.4: GPH Client Ethnic Distribution – Wairoa and National (excl. Wairoa)
(N=20,293)



Suicidal Ideation

There were some regional differences regarding suicidal ideation. For example, 84.4% of Wairoa callers had not disclosed any suicidal ideation, compared with 88% of nationwide callers. Conversely, substantially more Wairoa callers (15.7%) were either classified as being ‘currently at risk’ or had ‘thought about it’ than nationwide callers (10.1%). None of the callers from Wairoa disclosed having attempted suicide in the past 12 months, compared to 0.8% nationwide. These data relate to 32 Wairoa and 18,527 nationwide callers. Some categories were combined due to small numbers.

C. Calls from Gamblers Only

The following two variables relate to callers who rang regarding their own gambling issues, i.e. were classified as a gambler (as opposed to a Significant Other/Interested Other).

DSM-IV Score¹

Overall, data regarding DSM-IV scores were available for limited numbers of gamblers. This data relates to 37% (10) of gamblers who called the Helpline from within the Wairoa District, and 39.3% (4,966) of nationwide callers. There were substantial differences between the distribution of Wairoa

¹ This is an index used to define mental health disorders, ranging from 1 (no or little disorder) to 10 (severe disorder). Criteria identify normal and pathological gambling. A normal population has a normal DSM-IV distribution.

and nationwide DSM-IV scores, with Wairoa gamblers gaining higher scores (indicative of more severe gambling problems):

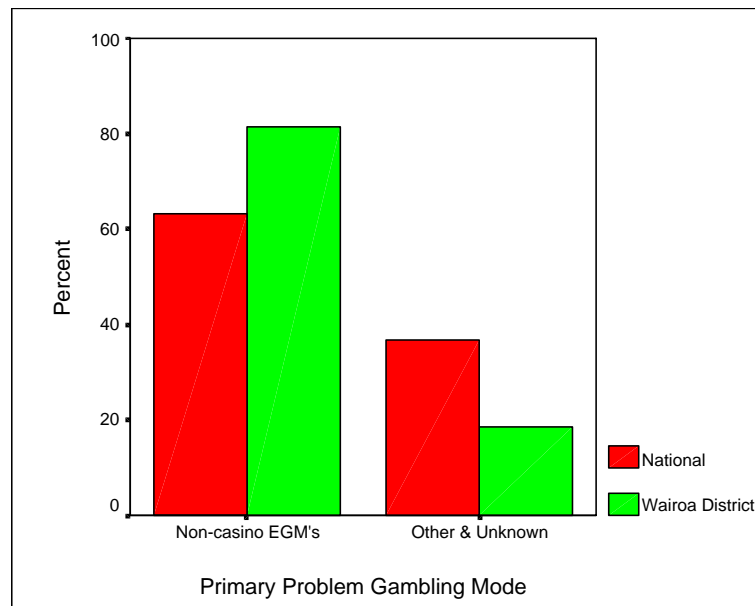
- 0% of Wairoa gamblers could be classified as ‘problem gamblers’ (scored 3 or 4 on the DSM-IV), compared with 9.6% of nationwide callers; and,
- 100% of Wairoa gamblers could be classified as ‘pathological gamblers’ (gained a score of 5 or more), compared with 86.2% of nationwide callers.

Primary Problem Gambling Mode

Some modes of gambling were combined for analysis due to small numbers. Thus, only two modes of gambling are reported here: ‘Non-casino EGM’s’ and ‘Other (including Unknown)’. This data relates to 27 Wairoa and 12,648 nationwide callers.

Overall, the most frequently cited problem mode of gambling was Non-casino EGM’s. However, there was noticeable variance between the distributions of Wairoa and nationwide callers: 63.1% of nationwide callers cited non-casino gaming machines as their problem mode, compared with 81.5% of Wairoa callers. Conversely, the proportion of Wairoa callers (18.5%) citing ‘Other (including Unknown)’ was approximately half that of nationwide callers (36.9%). See Figure 5.5 for details.

Figure 5.5: GPH Client Primary Problem Gambling Mode Distribution – Wairoa and National (excl. Wairoa (N=12,675))



Gambling Problem Helpline Data: Copyright, limitations and disclaimer

The data represent all callers currently entered on the Gambling Problem Helpline Database for New Zealand including the Wairoa District.

The data represents callers between the beginning of November 1998 and the 5th of December 2003.

Prior to November 2003 - cities and other place names were manually typed allowing spelling mistakes and typos. An attempt has been made to capture possible misspellings, however, no guarantee is given of 100% accuracy.

Some caller details include null or blank values where the caller has not provided the information, e.g., there may be some blanks for age, gender, gambling mode, etc.

Disclaimer: The Gambling Problem Helpline has made certain information and material available to the researchers. The researchers acknowledge that the Gambling Problem Helpline does not offer any opinion with respect to the nature, potential value or suitability of any particular use of this information. Use of information produced from the Gambling Problem Helpline database is at the researchers' and clients' own risk and the Gambling Problem Helpline is not responsible for any adverse consequences arising out of such use.

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