**Review of Class 4 Gambling**

**Submission support**

The following promotes some of the issues you might consider as part of a submission. It provides a generic submission that can be tailored, and points of view that you could consider. Only those questions thought to be relevant to sport have been considered. The full list of questions posed by the DIA is also included.

**Submission template (for tailoring)**

gamblingreview@dia.govt.nz

Thank you for the opportunity to submit of the Review of Class 4 gambling.

My organisation is ……. (name and what it does)

We have been recipients of gaming funding for ……. (type of initiatives)

It had following impact (e.g. improved quality of experience, enabled delivery, improved accessibility)

**General comments**

As a part of the sports sector I am aware of the critical importance of funds from Class 4 gambling to the ongoing delivery and sustainability of sport in New Zealand.

Class 4 funds contribute approximately $120m per annum to sport. This equates to a significant proportion of accessible funds available to sport, and is critical to the infrastructure and volunteer base for sport.

I understand the community good imperative of class 4 funding and appreciate that sport does not have the sole claim on delivering benefit to society. However, sport’s wide reach, impact and appeal across New Zealand communities makes it an effective channel for delivering community good.

This is evidenced through:

* 9 out of 10 boys and girls aged 5-14 years spent three or more hours a week on sport or recreation
* 74% of adults (2.5 million people) taking part in sport and recreation in any given week
* 1 million adults volunteer in sport and recreation every year, contributing 67.7 million hours of volunteered time, with an estimated market value of $1,030.5 million
* 7 out of 10 boys (72.6%) and 6 out of 10 girls (60.3%) said they like playing sport a lot
* 9 out of 10 boys of all ages take part in one or more sports/activities regularly
* 9 out of 10 girls in years 1-10 take part in one or more sports/activities regularly
* Sport helping to develop great young people – making them more resilient, developing social and leadership skills, and helping them do better in the classroom
* regular physical activity for adults helping prevent and manage over 20 chronic conditions, including coronary heart disease, stroke, type 2 diabetes, cancer, obesity, mental health problems and musculoskeletal conditions
* The economic, social, health, and personal benefits of sport and recreation to New Zealand being estimated at over $12.2 billion
* Sport and recreation’s contribution to New Zealand’s economy – at around $4.9 billion a year, that’s 2.3 per cent of GDP

The following are responses to questions you have posed that have relevance to my organisation.

1.1.1 **Given the changes in the sector since 2003, are the purposes of the Gambling Act still fit-for-purpose?**

The critical issue the 2003 Act was trying to resolve was the rapid growth in gaming machines which expanded in number from 13,800 in 2000 to 25,200 in 2003, largely resulting from a change in how venue operators could be reimbursed for hosting machines. This is no longer an issue, with the decline in machines and the corresponding sustainability of the sector now the issue. Sustaining the class 4 sector, and ensuring the community benefit is maintained and maximised should be prominent within the purposes of the revised Act.

1.1.2 **Do you think the recent stabilisation of class 4 gambling expenditure is due to economic/population changes or changes within the class 4 sector (or both)?**

We are concerned about the decline in class 4 funding that has occurred over the past decade. Sport has typically received about 50% of funds returned to the community. As total funds decline, so too do funds available to sport. The sport sector is reliant on class 4 funding. The decrease in available funding has already had a negative impact on the sector’s ability to provide sport and recreation services, and is threatening the infrastructure and volunteer base on which sport is founded.

We are also concerned about the suggested recent ‘stabilisation’ of class 4 funding. While class 4 expenditure has stabilised since 2014, this appears to be a short-term position within a long-term downward trend. As such, we believe there is a significant issue to address, and action is required to stabilise the sector to retain this critical source of community funding.

1.1.3 **Do you think any changes should be made to the requirements on the class 4 sector? If so, what changes?**

We suggest class 4 societies should be encouraged to make more long-term investments into community good projects. Currently, societies are focussed on distributing their net proceeds as quickly as possible. This means that some very worthy longer-term projects cannot be funded by class 4 societies.

We consider that competition amongst class 4 societies as well as the requirements to dispute net proceeds within a certain timeframe disincentives long term investment by societies. For example, class 4 societies are currently unable to invest in projects across a number of years due to regulatory constraints and uncertainty about whether they will retain their current stock of venues.

1.1.5. **Do the provisions in the Act go far enough in ensuring funds to communities are maximised?**

We believe that community good is maximised when funds are widely available and contestable. Narrow or single-use trusts allow for funds from the general community to be applied directly, or be distributed narrowly, to a small group or even a single recipient, reducing the amount of contestable funds. Racing is a significant recipient. We do not believe this approach maximises the benefit to the community.

 There is a perception in the sport sector that it is becoming harder for national bodies to obtain funding from class 4 societies. This is being driven by the apparent desire of class 4 societies to distribute funds in the area the funds were sourced/collected. This has the unintended consequence of preventing funds from going to very effective and well organised national bodies which often have a greater impact on communities than local organisations.

We also question the increasing transfer of facility ownership to trusts in order to take the costs off the owner’s books and to make them eligible to receive funds from funding sources including gaming. Territorial Authorities are a common example, whereby the users now have to pay for what was traditionally a function of local authorities and paid by rates - The Basin Reserve Trust, St James Theatre, Domains Music Trust have all requested funds from gaming societies to support their functions.

A rising number of racing clubs have followed suit whereby trusts will be handed the ownership of racing club facilities and racing clubs will then seek gaming funds for rental of facilities.

* + 1. **How have local venue policies impacted on both problem gambling and the sustainability of community grants from class 4 gambling?**

The ‘sinking lid’ policy adopted by some Councils has had a noticeable impact on funding available to the community. Our concern is that local politicians are making these impactful decisions without being fully appraised of the community good they are foregoing. We appreciate the problem gambling issue, but question whether this has been the only ‘voice’ local politicians have been hearing. It appears a little curious, that Councils with ‘sinking lid’ policies do not appear to have adjusted their appetite to receive funds from gaming trusts.

* + 1. **What influence do the Department’s regulatory functions and operational policies have on the sustainability of funding to communities?**

The sport sector has a strong interest in effective regulation by DIA. Effective regulation is crucial in ensuring that the best applicants receive funding and that class 4 societies are free of improper influence.

* + 1. **Do you think the cost of regulating the class 4 sector is reasonable?**

The cost of regulation at close to $16m appears high for a sector with 38 societies. While we seek effective regulation, funds spent in this area are not available for distribution for community good. We appreciate there is a balance to be struck between effective regulation and cost, but wonder if there is sufficient emphasis on trust as opposed to compliance. High trust environments result in high productivity and low cost.

* + 1. **What areas should the regulator focus on to reduce unwanted/illegal behaviour and problem gambling rates?**

We understand the impact problem gambling has on communities, families and individuals and support initiatives aimed at reducing problem gambling.

* + 1. **Do you think there are an optimum number of non-club societies, venues and machines that would maximise sustainable funds to the community, while minimising harm from gambling? What would this be?**

The current system is not perfect, however we are not supportive of radical change. There is a high level of uncertainty about the potential impact of significantly reducing the number of class 4 societies. We would not support reforms that risk reducing the amount of funding available for community good.

We believe recent reforms will have a positive impact on the sector, and the impact from these reforms should be given time to be realised ahead of considering significant changes.

* + 1. **Do you think the relationship between venues and societies can create problems? If so, what problems and why?**

We consider venue owners currently have too much power and influence over societies. The venue owner retains the ultimate power of choice – the ability to choose who will be the society that operates machines at their venue. This is a powerful bargaining chip and creates leverage for venue owners to dictate terms to societies around the ultimate destination of grant funds. The result of this can be funding decisions that are sub optimal and made with the motivation of appeasing the publican as opposed to maximising community impact.

* + 1. **Are there alternative approaches to the venue/society relationship that may reduce these problems?**

Consideration should be given to whether a venue’s ability to change societies should be reduced. This could include an increase to the minimum period of contract between a society and venue.

* + 1. **Is competition for venues between societies desirable? Why?**

Competition is desirable if it motivates societies to be the best they can be. It is not desirable if it empowers the publican to influence funding decisions.

* + 1. **Is a minimum rate of return the best way to maximise funds to the community?**

Requiring a minimum rate of return is a good thing if it maximises funding to the community.

However, any increase in the minimum rate of return would need to be carefully considered given the potential for unintended consequences, such as reducing the total amount of funding to the community – through the culling of venues with low returns.

We believe it is desirable for communities throughout the country to be able to access gaming funds. If the trend of societies returning more funds to the area in which the funds were raised continues, we need to be mindful that the culling of low performing venues is likely to increase the number of communities in New Zealand that have no access to gaming funds.

* + 1. **Do you think the process is accessible for everyone?**

There is a risk that applicants who are experienced and knowledgeable about class 4 processes are receiving a disproportionate amount of funding. This can lead to very worthy and impactful projects missing out on funding. Organisations that could put class 4 funding to good use may not be applying for funding, or may be unsuccessful in their applications, due to a lack of knowledge and experience about the process.

* + 1. **Do you have any suggestions for change that would benefit the community’s ability to gain grants funding?**

We suggest class 4 societies should have a similar ability to promote the community good from their fundraising as other forms of gambling such as lotto and TAB. In addition to promoting community good from class 4, it would also broaden awareness of the sector and the availability of funds. While we appreciate there is a reluctance to allocate funds on promotion, if carefully managed, we believe the upside in broadening education and awareness would outweigh any downside.

We also consider that DIA and/or class 4 societies should provide guidance to the public on how to make applications for funding and the criteria that will be applied. There is often uncertainty in the sport sector about what activities class 4 funding can be applied to. This uncertainty can result in potentially very worthy applicants not applying for funding.

* + 1. **Do you think the funding from class 4 gambling is achieving the maximum impact for the community?**

The impact of class 4 funding could be improved by encouraging the alignment of funding decisions with the outcomes sought by national, regional bodies or local authorities. For example, the impact of class 4 funding provided to the sport sector could be improved by aligning funding decisions with the outcomes of Sport NZ (national body), the relevant Regional Sporting Trust (regional body), or the local council.

Decisions made in isolation and project by project are unlikely to be strategic or to be maximising impact.

Consideration should also be given to how the impact of funding can be measured so that comparisons can be made between initiatives and funds directed to initiatives that have the greatest impact.

This would greatly assist the sector and Government to tell a compelling story about the impact of these funds

* + 1. **Should societies return funds to the communities where they were generated? Why?**

**There is a fairness argument that suggests a proportion of funds should be returned to the area from which it was raised. However, this should not come at the expense of maximising impact to community good. Significant funds returned locally are unlikely to maximise impact. The ability to provide funds to national and regional bodies needs to be retained as these bodies often have a greater impact on the community than local organisations**.

* + 1. **Overall, do you think the distribution of funding is equitable?**

We understand the sport and recreation sector receives approximately $120 million a year from class 4 funding. While this is a significant proportion of overall class 4 funding, we consider this is in line with the significant contribution sport and recreation makes to the community and the New Zealand economy. For example:

* 9 out of 10 boys and girls aged 5-14 years spent three or more hours a week on sport or recreation
* 74% of adults (2.5 million people) taking part in sport and recreation in any given week
* 1 million adults volunteer in sport and recreation every year, contributing 67.7 million hours of volunteered time, with an estimated market value of $1,030.5 million

**Questions from C4 Review consultation document**

There are four specific topics, 11 different sub-topics and 48 questions posed overall.

A listing of these, referenced to their page number within the document, follows.

1. **Factors influencing the class 4 sector**

**1.1 Legislative restrictions on the class 4 sector (p.16)**

1.1.1 Given the changes in the sector since 2003, are the purposes of the Gambling Act still fit-for-purpose?

1.1.2 Do you think the recent stabilisation of class 4 gambling expenditure is due to economic/population changes or changes within the class 4 sector (or both)?

1.1.3 Do you think any changes should be made to the requirements on the class 4 sector? If so, what changes?

1.1.4 What would the impact of any changes be on the responsibility to prevent and minimise harm from gambling?

1.1.5 Do the provisions in the Act go far enough in ensuring funds to communities are maximised?

**1.2 The role of local government through local venue policies (p.17)**

1.2.1 What should the role of local authorities be in balancing the benefits of class 4 funding to their communities with the potential negative impacts?

* + 1. Are there any requirements in the Gambling Act related to venue policies that should be changed? If so, which requirements?
		2. Is requiring councils to review their venue policies every three years a good policy? Should there be more or less time between reviews?
		3. How have local venue policies impacted on both problem gambling and the sustainability of community grants from class 4 gambling?

**1.3 The Department’s regulatory functions and the cost of regulating gambling (p.18)**

* + 1. What influence do the Department’s regulatory functions and operational policies have on the sustainability of funding to communities?
		2. Do you think the cost of regulating the class 4 sector is reasonable?
		3. Are there ways of effectively regulating the sector at less cost?
		4. What areas should the regulator focus on to reduce unwanted/illegal behaviour and problem gambling rates?
		5. Are there more efficient methods of recovering costs from the class 4 sector than the current gaming machine-number based model?
	1. **Problem Gambling**

***Non-casino GMs (p.19)***

* + 1. What is your experience of any changes in harmful gambling behaviour over time?
		2. What is your view on the class 4 sector’s approach to problem gambling?
		3. Do you have suggestions for how problem gambling could be reduced or better managed, i.e. how can both the legislation and practice (e.g. compliance procedures, good host responsibility measures) be improved?
	1. **Non-club class 4 gambling sector (p.20)**
		1. Do you think there are an optimum number of non-club societies, venues and machines that would maximise sustainable funds to the community, while minimising harm from gambling? What would this be?
		2. What criteria do you think should be considered to determine the optimum number of non-club societies
		3. What are the advantages and disadvantages of a larger non-club sector versus a smaller non-club sector?
		4. What are the advantages/disadvantages of large vs small non-club societies?
	2. **Non-club venues and their relationships with non-club societies (p.21)**
		1. Do you think the relationship between venues and societies can create problems? If so, what problems and why?
		2. Are there alternative approaches to the venue/society relationship that may reduce these problems?
		3. Is competition for venues between societies desirable? Why?
		4. What changes in the commercial environment for venues may have implications for their ability to host class 4 gaming machines?
	3. **Clubs (p.22)**
		1. How do you see the future of clubs and their operation of gaming machines? For example, how will demographic changes affect clubs’ membership?

1.7.2 Should clubs be supported to remain sustainable? If so, how?

**2. Class 4 funding to communities**

* 1. **Minimum rate of return (p.22)**
		1. Is a minimum rate of return the best way to maximise funds to the community?
		2. If not, can you suggest alternative tools to a minimum rate of return to maximise community returns?
		3. Do you have any suggestions on how society costs could be lessened to improve the return to communities?
	2. **Grants Process (p.23)**
		1. What is your experience of the grants process (e.g. application, notification, etc)?
		2. Do you think the process is accessible for everyone?
		3. How efficient do you think the process is?
		4. How fair and transparent do you think the process is?
		5. Do you have any suggestions for change that would benefit the community’s ability to gain grants funding?
	3. **Distribution of grants funding (p.25)**
		1. What are your views on the current legislative settings around societies’ authorised purposes?
		2. Do you think the funding from class 4 gambling is achieving the maximum impact for the community?
		3. If not, why and what could change?
	4. **Diverse community needs (p.26)**
		1. Should societies return funds to the communities where they were generated? Why?
		2. Overall, do you think the distribution of funding is equitable?
		3. If not, why and what could change?
1. **Online gambling (p.29)**
	1. Do you think the current policy settings for online gambling are fit-for-purpose?
	2. If not, how do we need to change the policy settings?
	3. Do you think other forms of gambling should be available online in New Zealand? Why/why not?
	4. If yes, what gambling products should this include and how could we ensure gambling harm is minimised?
	5. Do you think class 3 gambling operators such as the Heart Foundation and Coastguard NZ should be able to offer online lotteries?
2. **Part IV: further issues/ideas (p.30)**
	1. Are there issues or questions not set out in this discussion paper that you think need to be considered in this review?
	2. Can you suggest any further options for improving the status quo that do not fit elsewhere in this discussion paper and do not increase gambling harm or drive growth in gambling?