

Briefing to the Incoming Minister of Internal Affairs

April 2023

Introduction

The Gambling Act 2003 is first and foremost a public health act with the prevention and minimisation of harm at its core. While the purposes of the Act may be of equal weight, the definition of *harm* from gambling is inherently broad:

- (a) *means harm or distress of any kind arising from, or caused or exacerbated by, a person's gambling; and*
- (b) *includes personal, social, or economic harm suffered –*
 - (i) *by the person; or*
 - (ii) *by the person's spouse, partner, family, whānau, or wider community; or*
 - (iii) *in the workplace; or*
 - (iv) *by society at large.*

The Minister of Internal Affairs is the Minister responsible for the administration of the Act. In reality, this is a shared role with the Minister of Health who is responsible under the Act for the *Strategy to Prevent and Minimise Gambling Harm*, which is reviewed every three years. The Minister of Health also has responsibility for the subsequent planned and contracted provision of clinical and public health services for the prevention and minimisation of gambling harm.

As a national service provider, we know that preventing and minimising gambling harm extends beyond community advocacy and providing treatment services. Aotearoa New Zealand needs a strong legislative and strategic public health approach to address the gambling environment that contributes to harms. This is about the location, density, and provision of gambling products and services in both land-based and online environments.

However, since the introduction of the Gambling Act, the emphasis on harm minimisation and prevention has been downplayed and weakened. This erosion has come through a series of applications and appeals to the Gambling Commission and to the Department of Internal Affairs (DIA) itself for licence changes, rule changes, and the overturning of decisions on venue relocations. These successive decisions have undermined, in some cases, the Class 4 policy decisions made by Territorial Local Authority elected representatives, many of whom feel their hands are tied.

The Gambling Act is now 20 years old and no longer adequately represents the changes in the gambling environment that have taken place since its introduction. The Act needs to be reviewed to account for the ever-changing digital world that we live in and the growth and development of online gambling. The DIA must also consider how the Act will address growing concerns around the convergence of gaming and gambling and its impact on our young people/rangatahi.

It is also timely to address another purpose of the Act which is to ensure that money from gambling benefits the community. This funding model has inextricably linked gambling harm with the survival of community groups, sports, and services. The inequity of the Class 4 gambling funding model, in particular, cannot be ignored. Evidence has repeatedly shown that this model transfers wealth from more deprived communities to less deprived communities. Further research shows that gambling disproportionately harms our Māori and Pacific communities who reside in areas where the majority of Class 4 venues are located. Given that Class 4 gambling is the most harmful form of gambling in

Aotearoa, this inequity is unacceptable and does not uphold the principles of Te Tiriti o Waitangi.

In 2022, the DIA led a review into Class 4 gambling that has resulted in changes to harm minimisation regulations, some of which are expected to be in place in the first half of this year. This has been the most significant change to the Class 4 Gambling (Harm Prevention and Minimisation) Regulations 2004 to reduce harm from pokies. These changes are a step in the right direction, but further efforts are needed to ensure harmful gambling is prevented and minimised across all forms of gambling in Aotearoa New Zealand.

Executive Summary

PGF Group is a national provider of services for the prevention and minimisation of gambling harm with specialist teams providing culturally and linguistically appropriate support for Asian and Pacific communities. We have first-hand experience supporting gamblers and affected others in navigating the impact that harmful gambling has had on their lives. Our clinical and public health efforts are to prevent and minimise gambling harm by supporting clients, raising awareness, and advocating for policies that better protect our communities.

This briefing provides background on the impact of harmful gambling in Aotearoa New Zealand. Harmful gambling is widespread, and it is estimated that one in five people in New Zealand experiences harm in their lifetime due to their own or someone else's gambling. Of significance, gambling harm is an equity issue that disproportionately impacts Māori, Pacific peoples, Asian peoples, and young people/rangatahi.

This document also discusses key areas where opportunities exist to address gambling harm. These opportunities are interconnected and our recommendations for the Minister are to:

- 1) Review and update the Gambling Act 2003**
 - a. The Act is outdated and does not address our current gambling environment. It also does not protect groups who are most affected by gambling and perpetuates inequities in gambling harm.
 - b. Amendments to the Act must include: 1) the regulation of online gambling, 2) the regulation of the use of gambling industry tactics in games, and 3) uncoupling gambling with funding community groups, sports, and services.

- 2) Strengthen the DIA's role in the prevention and minimisation of gambling harm**
 - a. Immediate action is needed by the DIA with support from the Minister to further reduce gambling harm in Aotearoa New Zealand.
 - b. This includes: 1) limiting the proliferation of online gambling products from Lotto and the TAB, 2) adopting and implementing evidence-based harm minimisation practices for Class 4 gambling, and 3) address misinterpretations of terms by the industry to guarantee robust host responsibility programmes.

PGF Group is grateful for the DIA's recent efforts to reduce gambling harm from pokies, ensure stronger compliance, and improve accountability of the Class 4 gambling sector. We hope developments to prevent and minimise gambling harm will continue, and we look forward to working in partnership with the new Minister.

Impact of gambling harm

While most New Zealanders gamble without experiencing any apparent harm, a significant minority do experience harm from their gambling, including negative impacts on their own lives and the lives of others. It is estimated that about one in five people in New Zealand will experience harm in their lifetime due to their own or someone else's gambling (1). The impact of harmful gambling is diverse, affecting multiple domains of health and wellbeing, including physical, social, emotional, and mental health.

For the gambler, harmful gambling typically presents with other health issues and has been consistently associated with a range of co-existing health issues, such as higher levels of smoking, hazardous alcohol consumption and other drug use (2). Several studies have also shown a clear link between problem gambling and suicidality (3), and our services regularly support clients who have considered or attempted taking their own lives. Unfortunately, the harm caused by gambling does not necessarily stop once a person stops gambling. Even if their gambling addiction has been resolved, a person may still experience impacts, such as gambling-related debt, relationship issues, loss of employment, and poor physical and mental health (4).

Wider impacts of harmful gambling to whānau cannot be ignored. According to the 2020 Health and Lifestyles Survey (HLS), 4.5% of respondents (183,000 New Zealanders aged 16 years and older) had reported that they either: 1) had an argument about time or money spent on gambling, or 2) had to go without something they needed or bills not being paid because too much money was spent on gambling by another person (5). Family violence is also a concern for whānau experiencing gambling harm. One study from New Zealand revealed that more than 50% of people in counselling reported being a victim of family violence, and 44% reported committing violence or abuse at least once in the past 12 months (6).

Research suggests that the accumulation of gambling harm likely has ongoing costs and impacts across all sectors of society (4). For example, monetary crimes, such as theft, fraud, and embezzlement, are often associated with gambling (7). Of those who engaged in illegal activities in New Zealand, 25% stated that they would not have committed such a crime if it had not been for their gambling (8). However, there is significant under-reporting and detection of gambling-related crime, particularly where offending is committed against family, friends, and employers who do not report the offence (7).

Populations most affected by gambling harm

Gambling harm is an equity issue that disproportionately impacts Māori, Pacific peoples, Asian peoples, and young people/rangatahi. These population groups have been identified in the Ministry of Health's *Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25* as bearing a burden of harm that greatly outweighs that being experienced by other groups.

The 2020 HLS results indicated that Māori were 3.13 times more likely to be moderate-risk or problem gamblers than non-Māori and non-Pacific peoples, and Pacific peoples were 2.56 times more likely to be moderate-risk or problem gamblers than non-Māori and non-Pacific peoples (5). While the proportion of Asian peoples who gamble is relatively low when compared with Māori, Pacific peoples and European/Other, Asian people who do gamble are more likely to experience harm compared with

European/Other (5).

Research also shows that young people/rangatahi are likely to be experiencing gambling harm. According to 2020 HLS results, about 46% of youth aged 16–24 years had gambled in the past year (5). While this is expectedly lower than the total population average, young people make up approximately 14% (9,000 people) of moderate- and high-risk gamblers (1.6% of all adults or 65,000 people) (5).

Unfortunately, the existing gambling environment in Aotearoa New Zealand does not adequately address nor have strong measures to prevent and minimise the inequitable harms experienced by these population groups. Further legislative and strategic reforms are necessary to recognise the needs and better protect Māori, Pasifika, Asian peoples, and our rangatahi.

Review and update of the Gambling Act 2003

The Gambling Act 2003 is outdated and no longer fit-for-purpose. PGF Group supports the DIA's internal review of the Act and encourages them to extend this to the public for feedback and further change. PGF Group would like the following key areas to be considered in the review and update of the Act.

Review of the Class 4 community funding model

Class 4 gambling is the most harmful form of gambling in Aotearoa New Zealand (9). Historically, pokies were introduced with the primary purpose of funding communities following the removal of tobacco funding. Class 4 Trusts and Societies are required to return 40% of the gaming machine profits (GMP) to the community by the way of grants or applied funding. This has inextricably linked gambling harm with the survival of community groups, sports, and services.

When examining where Class 4 venues (or pokies in pubs, clubs and TABs) are located in Aotearoa New Zealand, approximately 61% are in areas of medium-high or very-high deprivation (10). We also know that our Māori and Pacific communities disproportionately reside in areas where the majority of gambling venues are located.

Additionally, the distribution of Class 4 gambling funds is inequitable as funds are less likely to return to the communities in which they were raised. Overall, less deprived communities (decile 1-5) provide 26% of the GMP but receive 88% of the grants. Conversely, more deprived communities (decile 6-10) provide 74% of the GMP but receive only 12% of the grants (11). Further reports reveal that pokies in the most deprived areas provide over half of the total Class 4 gambling expenditure (12).

A report commissioned by the DIA, *Assessment of the effects of Class 4 gambling on wellbeing in New Zealand*, revealed that “one of the most striking features of this report is that [qualitative and quantitative analyses] both indicate that Class 4 gambling tends to magnify community disadvantage. The evidence strongly suggests that it transfers wealth from more deprived communities to less deprived communities” (11).

Given that losses on Class 4 pokies are now over \$1 billion per annum, the source of these funds needs to be considered in the interests of justice and equity when assuming the societal and ethical value of this funding system. Currently, around \$250-\$300 million per annum is provided to a range of beneficiaries from 34 different Trusts and Societies. The gap between the amount lost on Class 4 gambling and the amount returned to community and sports groups continues to widen as a significant amount of this money is used in operational costs.

The Class 4 funding model is inequitable and breaches the principles of Te Tiriti o Waitangi. Relying on a model that disproportionately affects our Māori, Pasifika, and most deprived communities is unethical. PGF Group strongly recommends the consideration of a taxpayer contribution for activities of nationwide benefit or need, or a user-pay method, or a combination of both approaches to replace the existing funding model.

Online gambling

Online gambling is one of the riskier forms of gambling as it is continuous, easily accessible, and easy to hide. The Ministry of Health's *Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25* states that people using overseas gambling websites are much more likely to be at risk of experiencing harm (1). However, New Zealanders are largely unprotected from overseas online gambling as it is unregulated and not addressed in the Gambling Act 2003.

In 2019, the DIA commenced a [review into online gambling](#), which included a public consultation that sought New Zealanders' views on the future of online gambling. The outcome of this review is still to be released. Over this time, the number of clients accessing gambling harm service providers has increased. The Ministry of Health's 2021/22 client intervention data reveals a record number of people (1182 clients) accessing support services for their own or someone else's gambling citing 'Other' gambling as primary gambling mode (13). Of the 1182 clients, 826 clients (approximately 70%) cited overseas gambling as their primary gambling mode (13).

Since the DIA's review into online gambling, some gambling operators, namely SkyCity Casino and Christchurch Casino, have circumnavigated New Zealand law by introducing online casino gambling with operations based in Malta. Advertisements and access to offshore online gambling have also increased. For example, the aggressive marketing of [22Bet on YouTube](#) has caused serious concern due to its misleading and incentivising messages.

PGF Group has undertaken work with many banks to provide awareness training to staff on harmful gambling and how to approach the topic with customers showing signs of harmful gambling through bank transactions. Kiwibank was the first bank to address the issue after seeing online gambling spending spike during COVID-19 lockdowns. In 2020, [Kiwibank](#) estimated it helped 127 customers avoid about \$13,000 each per year in losses in the year to June, which was about \$1.7 million in total. Kiwibank now offers customers the choice to block transactions for online gambling sites on their Visa debit or credit cards.

PGF strongly recommends the regulation of online gambling in Aotearoa New Zealand. Harm minimisation efforts must also be considered and addressed in conjunction with this amendment, including changes to the calculation of the gambling levy.

The convergence of gaming and gambling

Gambling regulators around the world are grappling with the blurred lines between gaming and gambling. This is due to game developers increasingly using gambling industry tactics to encourage players to engage with their games.

The Ministry of Health has recognised that while games may look and feel like gambling, they do not meet the current definition under the Act because there is no opportunity to stake, win or lose real money (1). One such example is loot boxes, which are digital boxes that reward players with in-game items. The rewarded items are generated randomly and are based on chance. Given this, loot boxes have sparked a global debate over whether they constitute gambling, and therefore, whether they should be regulated.

While research in Aotearoa is limited, growing evidence suggests that there are parallels between problem *gaming* and problem *gambling* behaviour, particularly for those who purchase loot boxes. This is especially concerning for our young people/rangatahi. In 2021, it was reported that more parents in Aotearoa were asking for support for rangatahi who were 'addicted' to gaming (14). A recent paper from Massey University and the University of Tasmania examined loot boxes in 22 games rated as appropriate for audiences 17 years of age or younger (15). Results revealed that these loot boxes have structural and psychological similarities with gambling and that nearly half (45%) of the games they analysed met all five of the psychological criteria to be considered a form of gambling (15).

The convergence of gaming and gambling has been addressed as a growing concern in the Ministry's recent *Strategy to Prevent and Minimise Gambling Harm*. PGF strongly recommends the DIA to review and regulate the use of gambling tactics in games to protect our rangatahi from experiencing harmful gambling in the future.

Further opportunities to reduce gambling harm

While changes to the Gambling Act 2003 are paramount, we have also identified other key concerns that require the Minister's attention to prevent and minimise gambling harm. The solutions to these concerns may include addressing them in the revision of the Act. However, immediate action can be taken by the DIA with support from the Minister in order to reduce gambling harm in a timelier manner.

Growing access to and proliferation of gambling products

Lotto and TAB are the only authorised providers of online gambling in Aotearoa New Zealand. More New Zealanders are accessing online Lotto and TAB products. According to the 2020 HLS, over 1,093,000 (or 27%) New Zealand adults took part in online gambling in 2020 (5). The most common form was purchasing tickets via the MyLotto app (24%) followed by betting online with TAB (4%) (5).

We are concerned about the development of new and more harmful Lotto products (such as online bingo) and the growth of online sports betting. Accompanying the growth of online gambling products,

marketing efforts through advertisements have proliferated. The TAB, in particular, use aggressive and predatory marketing tactics, including providing financial incentives to encourage gambling. These tactics have been targeting young working professionals and have the potential to create a new demographic of gamblers.

The Racing Industry Act 2020 and Gambling Act 2003 share the same public health purpose to prevent and minimise harm from gambling. This is contradicted by the primary purpose of the Racing Industry Act 2020, which is to promote the long-term viability of New Zealand racing through the facilitation of betting. The dual purpose of the Racing Industry Act 2020 – to ensure industry sustainability and harm minimisation – is an impossible and contradictory mandate.

Recently, the TAB has revealed its intention to sign a 25-year partnership with the global betting giant, Entain. Entain has incurred a raft of regulatory failures, including a £17 million fine in 2021 by the UK Gambling Commission for failures in social responsibility and anti-money laundering practices. PGF Group strongly urges the reconsideration of this proposed partnership. If a partnership with Entain is finalised, PGF Group strongly recommends the DIA monitor the TAB to ensure that the TAB is committed to increasing its efforts to prevent and minimise gambling harm.

Cashless pokie gambling and mandatory pre-commitment

PGF Group supports and commends the DIA for the measures taken to increase accountability and transparency of Class 4 Trusts and Societies. Implementing the new changes to the Class 4 Gambling (Harm Prevention and Minimisation) Regulations 2004 will require the DIA to provide strict monitoring of venues to ensure compliance and impose penalties to any venues that do not comply with the law. While this is a step in the right direction, more effective harm minimisation measures must be considered to further reduce gambling harm from Class 4 gambling.

In New South Wales (NSW) Australia, a Crime Commission report released in 2022 found criminals were laundering billions of dollars in crime proceeds into pokies in NSW pubs and clubs each year (16). This has become a significant election issue in NSW. Currently, a package of reforms to reduce harm from pokies and address money laundering is being discussed.

One of these reforms includes introducing cashless pokie gambling. Cashless gambling involves the use of non-cash gaming cards for land-based gambling where a set amount of money can be preloaded on to the card before using a pokie machine. There can be limits on how much can be loaded or spent in a given time. Pairing cashless pokies gambling with a mandatory, universal pre-commitment system for all players can be used as an effective harm minimisation tool. Norway has one of the most advanced regulatory systems and has demonstrated reductions in pokie machine expenditure and harmful gambling (17).

PGF recommends the DIA consider utilising cashless gambling alongside mandatory pre-commitment as a standard of consumer protection to reduce the harm from pokie machines in Aotearoa.

Understanding the term “problem gambler”

The Gambling Act 2003 defines a problem gambler as “a person whose gambling causes harm or may cause harm”, while harm, as mentioned in the introduction, employs a broad definition. The Ministry of

Health has also employed this definition and applies a continuum-of-harm approach, which describes levels of gambling behaviour and its associated harm as mild, moderate, and severe (1). These categories have been aligned with the Problem Gambling Severity Index (PGSI), which is a classification tool that identifies at-risk behaviour in problem gambling. A low-risk gambler may experience mild gambling harm, a moderate-risk gambler may experience moderate gambling harm, and a problem gambler may experience severe gambling harm.

In practice, we have observed that gambling operators focus on the PGSI classification of problem gambler who experience severe gambling harm rather than the Act's broader definition. This has led to host responsibility programmes that *only* focus on those experiencing severe gambling harm and disregarding those experiencing mild and moderate harm. This misinterpretation has undermined the purposes of the Act to prevent and minimise harm and is yet to be addressed by the DIA.

Next Steps

PGF Group will continue working on ways to prevent and minimise gambling harm in our communities and to support the work of the DIA to uphold the purposes of the Gambling Act 2003.

We welcome any opportunity to engage with the Minister, officials, and the industry to achieve the public health goals for the safe provision and oversight of gambling in Aotearoa New Zealand.

About PGF Group



The Problem Gambling Foundation trades as PGF Group, with Asian Family Services, Mapu Maia Pasifika Services and PGF Services as part of this overarching brand. The organisation is a charitable trust operating nationally with services delivered under contract to Te Whatu Ora and funded from the gambling levy.



PGF Group delivers treatment and public health services nationwide. We have a skilled and diverse workforce with staff who are qualified in clinical work and in health promotion.



Our specialist teams provide culturally and linguistically appropriate support to Asian and Pasifika communities living in New Zealand. Asian Family Services provide free, professional and confidential counselling, information and support in several languages and operate a nationwide helpline. Mapu Maia Pasifika Services provide a holistic, family-centred service which is free, confidential and delivered by experienced and qualified staff who can support people in English, Fijian, Samoan and Tongan. PGF Services provide free counselling, advice and support to gamblers and their families and works to ensure that support for our Māori clients fits a kaupapa Māori way of working.



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