

The Case for a Reduced Levy on Gambling in Clubs Compared with Gambling in Hotels

In New Zealand there are two distinct types of class 4 non casino gaming providers, clubs and charitable trusts. Each of these providers operates gaming in very distinctly different venues. Charitable trusts venues are predominantly within hotels, whereas clubs operate from their own premises. Both clubs and hotels have liquor licences, however the conditions of their licences are quite different. Hotels are open to the public while clubs are owned by their members and all persons within the club are either members of the club or are guests of members.

Both clubs and hotels offer gambling facilities to patrons. However, there is clear evidence from both Australian and New Zealand research that clubs provide a safer gambling environment than hotels. The gambling experience is different in clubs from that in hotels, and as these differences are reflected in the reduced risk of harm while gambling in clubs as opposed to hotels, this difference should be reflected in the calculation of the Gambling Levy.

The data collected on non-casino machine gambling by the Department of Internal Affairs, Ministry of Health and others has invariably combined machine gambling in hotels and clubs as a single category. The basis for this is that the rules governing these machines in hotels and clubs are the same, whereas machines in casinos are subject to different regulations which allow for larger prizes etc. However, although the rules for hotel and club gambling are the same, it is suggested that the gambling environments of these venues are significantly different and these differences change the gambling experience in clubs thus differentiating club gambling from the gambling in hotels.

Problem Gambling in Hotels and Clubs

The difference between the safety of the gambling environment in clubs and hotels was first identified in a report prepared for the Gaming Industry Operators Group Australia by the University of Sydney by Blaszczynski, Sharpe and Wallker (2001). This study was

This is the annexure marked "PLT1" referred to in the affidavit of
PHILIP LANCE TOWNSHEND sworn
at this 24th day of April 2013 before me:

Signature 
(A Solicitor of the High Court of New Zealand)

funded by the Gaming Industry Operators, a broad cross sectional group of gaming providers that approached the University of Sydney to conduct an independent and objective study into the likely effect of a series of changes in the gambling regulations proposed by the New South Wales Liquor Administration Board.

The study recruited patrons in a sample of clubs and hotels into four separate studies including a behavioural observational study that identified the patterns of play and degree of gambling problems in players of Video Gaming Machines or VGMs (Study 2). They found that using the South Oaks Gambling Screen (SOGS) (Lesieur 1987) that 16.2% of VGM players in clubs scored 5 or more on the SOGS, indicating a possible gambling problem. Of this group 3.7% scored 10 or more indicating the possibility of pathological gambling. This compares to 28% of hotel VGM users who obtained scores over 5 on the SOGS and 7.3% who had scores of 10 or over indicating pathological gambling behaviour (p.5).

Thus possible pathological gambling rates in clubs were found to be not significantly different to the prevalence of pathological gambling in the general community but significantly less than the rates of pathological gamblers using VGMs in hotels. Clubs in NSW provide very different gambling environments than clubs in New Zealand with much larger numbers of machines and open entry to the public. However, in a further analysis of this data (Section 8.4, p.56) the authors report that when other possible variables that might account for this difference were controlled it seemed that the difference between proportions of problem gamblers in clubs and hotels reflected the different age group of the patrons of these environments. This demographic feature is also found in comparisons between the patrons of clubs and hotels in New Zealand. This suggests that despite the other differences in venues, this finding is likely to apply to clubs in New Zealand.

The finding that clubs provide a less harmful gambling environment was also found in a recent study commissioned by the Victorian Gambling Research Panel prepared by the Australian Institute for Primary Care at La Trobe University Melbourne 2006. Notably this study showed that found

“that there are significant differentiations within the aggregated EGM [Electronic Gaming Machine] gambling consumption data”

Although in Victoria there are similar numbers of VGMs in hotels and clubs, in the year 2000-01, the amount lost per machine in hotels was 149.8% of the amount lost in clubs. This indicates that a significantly more moderate and restrained gambling environment exists in clubs than hotels in Australia.

This finding has been supported by New Zealand Research carried out jointly by the Problem Gambling Foundation of New Zealand and CBG Health Ltd (PGF-CBD) (2006, in print). This research indicates that though clubs operate 21% of the VGMs in New Zealand club patrons lose only 13% of the total money lost in this country. Further analysis of this data indicates that club patron's losses per VGM amount to an average of \$17 per week whereas hotel patrons lose an average of \$75 per week.

This research also found that hotel patrons tend to underestimate their VGM losses by 69% and that is they report or acknowledge only 31% of their actual losses, whereas club VGM gamblers over estimate their losses by 130%. There are a number of variables that could account for this under-reporting in hotel gamblers and over-reporting in club gamblers. However, as the same study identified a significant cross over between individuals gambling in clubs and hotels, this effect cannot be explained simply by the demographic differences between club and hotel gamblers, and maybe consistent with clubs providing a safer VGM gambling environment than hotels. The kind of variable that may account for this difference may well be that clubs have better host responsibility programs than hotels.

The frequency of VGM gambling has been related to problem gambling with New Zealand studies suggesting that up to of regular VGM gamblers are problem gamblers. The PGF-CBG (2006) study found that frequent gambling on VGMs as defined by gambling once a month or more is almost twice as likely in hotels as in Clubs. This combined with the significantly larger amount spent per session in hotels suggests that clubs are safer gambling venues compared to hotels.

The Presentation of Hotel and Club Gamblers to Treatment Services

The ultimate test of the relative safety of VGM gambling in clubs over similar gambling in hotels is shown in the numbers of presentation of problem gamblers to services. The gambling levy is closely tied in to the harms of various sectors of the gambling industry. The Gambling Act 2003 under which this levy is collected specifically ties the levy to Problem Gambling Harm Minimisation. The levy regulations are in Part 4 of the Act which deals with Harm Minimisation and S319 (2) defines the purpose of the levy as to

“Recover the cost of developing, managing and delivering the integrated problem gambling strategy”.

Further the levy is weighted S320 (2) with a variable “B” which is

“the customer presentations to problem gambling services that can be attributed to gambling in a sector divided by total customer presentations in which a sector that is subject to the levy can be identified”

This clearly identifies the levy as being explicitly moderated by a variable representing the harms that identified sectors of the gambling provider industry produce. There have been no New Zealand wide studies that have distinguished between hotel and club VGM gamblers presenting to treatment services. However, a study by Townshend (2005) found in a time selected sample of 74 problem gambling clients presenting in one region there were none whose venue of choice was a club. This research is currently being replicated nationally, however given such an extremely significant result on a complete sample of presenting clients this result is likely to be reproduced and a preliminary analysis of the data suggests that this will occur.

It is significant that no problem gamblers volunteered clubs as their venue of choice given the explicit relationships found in the levy formula between presenting clients and attributed levels of harm.

A Separate Levy for Clubs

As clubs are an identifiable sector of the gambling provider industry that can be differentiated from other class 4 gambling providers clubs are entitled under the Act to argue for a separate levy calculation based on identified sector harms. That this did not happen in the first levy calculation probably reflects the lack of information available at the time. However, for this levy round there is both hard data and anecdotal evidence that clubs are not only an identifiable separate sector of the gambling industry but that they are less harmful than the remainder of the non casino gambling sector, that is hotels.

In this context it should be noted that in S317 of the Act the “Integrated Problem Gambling Strategy” (which the levy exists to fund) should be informed by independent scientific research and evaluation. Clearly Clubs NZ cannot be considered as independent in this context. However given that the Ministry of Health administers the funds to collect independent information on gambling, and has been approached with research proposals that would have given this information it could be argued that the Ministry has been remiss in not funding the collection of the information it would need in order to empirically develop the New Zealand Integrated Problem Gambling Strategy.

References

A National Telephone Study of Gambling in New Zealand: September 2006. Problem Gambling Foundation of New Zealand and CBG Health Ltd, 2006 (in print).

Blaszczynski A. Sharpe L. Walker M. (2001) *The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling. A report for the Gaming Industry Operators Group. Final Report.* Sydney: The University of Sydney, Gambling Research Unit. On line URL: http://www.psych.usyd.edu.au/gambling/GIO_report.pdf

Department of Justice. Victorian Gambling Research Panel. (2006) *The Changing Electronic Gaming Machine (EGM) Industry and Technology*. Victoria: Department of Justice. On line URL:
http://www.justice.vic.gov.au/wps/wcm/connect/DOJ+Internet/resources/file/ebcf434d2684c9d/Changing_EGM_industry_and_technology_full.pdf

Lesieur HR. & Blume SB. (1987). The South Oaks Gambling Screen (SOGS): A new instrument for the identification of pathological gamblers. *American Journal of Psychiatry* 9: 1184-87.

Townshend P. (2005) *A Potpourri of Research Findings and Community Action*. Presented at the AUT International Conference on Gambling, Auckland. On line URL:
http://www.pgfnz.co.nz/conf_files/Potpourri.pdf