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To: Commerce Committee  
From: Prof. Linda Hancock

RE: New Zealand Convention Centre Bill 2013

This submission is from Prof. Linda Hancock of Deakin University, Melbourne, Australia. I offer the following comments in relation to the New Zealand Convention Centre Bill 2013

### **Specific Comments:**

#### **1. Concerns about the concessions granted to SkyCity Auckland casino**

*In return for the construction and operation of a \$402 million International Convention Centre (including construction and fit out of \$315 million)*

*The Government has agreed to the following:*

- *Extending SkyCity's Auckland casino licence, due for renewal in 2021, to 30 June 2048, and amending it to cover all of SkyCity's properties in Federal Street*
- *Allowing an additional 230 "pokie" machines*
- *Allowing 40 extra gaming tables*
- *Allowing a further 12 gaming tables, with SkyCity able to swap each table for an automatic table game that seats up to 20 players*
- *Allowing up to 17 per cent of electronic gaming machines to accept banknotes greater than \$20, but only in restricted areas*
- *Allowing ticket-based and card-based cashless gambling across the Auckland casino (Ticket in-ticket out), with differential limits applied to the amounts that could be deposited and withdrawn*

#### **This section deals with:**

- **The detrimental impact of increased gambling footprint of SkyCity Auckland (Auckland Casino) and expansion of gambling (electronic gaming machines, table games and automated gaming terminals)**

Auckland Casino is not a destination casino in a remote location but a casino located in a prominent position in the largest city in New Zealand, in an area with a densely settled residential community, tourists and daily business commuters. It is thus easily accessible by foot, car and public transport. Expanded gambling facilities pose considerable risk to international and domestic university students, tourists, city dwellers and to other groups who are considered vulnerable to problem gambling. In these circumstances, the provisions in the Bill raise concerns about the impact of expanded gambling facilities being granted to SkyCity Auckland Casino, on increased incidence of risky and problem gambling. This is concerning in light of the fact that the NZ government Cabinet has acknowledged the likely impact on problem gambling:

‘The increased opportunities for gambling may potentially increase the incidence of problem gambling, which is a significant health issue in New Zealand that affects some groups disproportionately and contributes to poverty and socio-economic inequalities’ (p. 1).

Internationally, impact studies link exposure to gaming machines with harms, especially in relation to vulnerable/disadvantaged population groups and to those

living within two to five kilometers of venues<sup>1</sup> (Productivity Commission, 2010; Smith and Rubenstein, 2009). On the basis of research evidence on accessibility to gambling, the increase in gambling facilities will impact in terms of increased exposure to risky and problematic gambling for those from the Auckland suburbs surrounding the casino and given its size, accessibility and location, on the Auckland region.

- **Allowing 12 gaming tables to be converted to automated table game consoles for 240 individual players**

Automated table games (for example, Rapid Roulette and Baccharat) are relatively new products that seem to be the latest addition to casino gambling product line-ups. For example, the Australian –manufactured StarGames has developed a fully automated roulette, Aussie Roulette, that uses touchscreen technology and a central controller.

They epitomise the platform of successful revenue-generating continuous automated console/individual player stations that has proven so successful with high-revenue generating electronic gaming machines [or in US terminology slots and video lottery terminals]. They are also the form of technology most associated with loss of control or player ‘dissociation’ that results in patrons going into ‘the zone’ of lack of control that results in them spending more time and money gambling than they intended. As the Australian Productivity Commission states:

Gaming machines dominate as the form of gambling where dissociation is most likely (figure 4.5) — which is a probable reflection of the continuous nature of play and the lack of social contact while playing (Blaszczynski and Nower 2007; Hing and Breen 2002)<sup>2</sup>.

Table games have an element of sociality to them and can also enable dealers and pit bosses to observe player behaviour and to observe the signs of risk and problem play that are an integral part of the SkyCity Auckland Host Responsibility Program and the 32 or more Player Identification indicators that can trigger protective interventions.

These ‘automated table games’ only differ from electronic gaming machines in that they link any number of players to a central automated, semi automated or central dealer with the roulette wheel or cards (in the case of baccharat) appearing on a central screen and on individual players’ consoles.

These machines are promoted by manufacturers as more efficient than table games in terms of revenue. At Crown Casino Melbourne the installation of over 250 of these terminals has been a resounding success in terms of revenue but has also been associated with significant reductions in floor staff as banks of 50 or more machines require at most only an announcer on a microphone. As StarGames promotion of the use of semi automated terminals at Crown

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<sup>1</sup> See Productivity Commission, 2010. Gambling Final Report, Productivity Commission, Melbourne; Smith, G. & Rubenstein, D. (2009). *Accountability and Social Responsibility in Ontario's Legal Gambling Regime, Final Report*. Ontario: Ontario Problem Gambling Research Centre.

<sup>2</sup> Productivity Commission, 2010. Gambling Final Report, Melbourne. Productivity Commission.

## Casino Melbourne says:

Crown, cognizant of its management agreement in Victoria, required a semi-automated game, so that it could be classified as a single table as opposed to a multi-terminal slot machine.

“Our game of Rapid Roulette is different. We use a real roulette wheel and a real dealer. However, we have an advantage in that we automate the bet process, and add extra functionality.

“Players can place their own bets via their own terminal. They don’t have to place their chips on a table and find that some other player has grabbed their winnings,”

Rapid Roulette at Crown, with 12 betting stations, is classified as a single table game according to the regulatory authorities in Victoria. The joint venture patent involving Crown and Stargames specifies that the game is based on the “dealer-determined game, dedicated to electronic betting at the table...”.

“We are still experimenting with different limits from \$1 to \$20, to establish the best mix,” said Mr MacDonald. The maximum \$500 bet equates to a total outlay of \$30,000 per game if all spread betting options are taken. “To date, the \$10 and \$20 minimum outlay tables are performing extremely well,”

## Of the product Kelly says:

Imagine a game that has the traditional qualities of roulette – the same odds, a real roulette wheel and dealer - the game of pure chance and excitement of the ball landing on a winning number. Add dedicated touchscreen terminals and extended betting features incorporated in a clever, imaginative patent application lodged in countries around the world – and the results are extraordinary.

The new game of Rapid Roulette has been operating at Melbourne’s Crown Casino for the past few months, attracting queues of both table game and slot players – and all the while, exceeding profitability of their American Roulette tables by more than 75%.

Rapid Roulette’s benefits have a flow-on effect. The compact unit reduces labour overheads for the casino by increasing the number of betting positions for each game. As it’s semi-automated, there is optimal game play, with the spin rate jumping from an average 36 games per hour to 45. Floor space is also maximized, offering a modular choice of six to 24 terminals per game.

Indeed, profitability is not the only reason to explain Rapid Roulette’s winning streak. Players can also bet on slot options such as mystery jackpots, progressives – and even quinellas and trifectas, if they’re racing enthusiasts. Perhaps most importantly, initial indications at Crown’s 350 table, 2500 slot complex show that the players have taken to the game with an absolute passion<sup>3</sup>.

From the above it can be concluded that:

-the Bill, in permitting regulatory concessions for the introduction of new fast-loss technology automated ‘table games’ will result in the introduction of products marketed as more profitable (ie harmful) that result in reduced harm minimisation oversight by staff and reductions in the number of floor staff.

- The Bill makes no stipulation that any such machines need to be a compulsory part of the Focal player tracking system since this is voluntary and restricted to certain players.

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<sup>3</sup> Kelly, J. ‘New game revolutionizes roulette’ Accessed August 10 2013 at: [http://gamingfloor.com/features/Rapid\\_Roulette.htm](http://gamingfloor.com/features/Rapid_Roulette.htm)  
Aussie companies spin a straight-up

- **Allowing up to 17 per cent of electronic gaming machines to accept banknotes greater than \$20, but only in restricted areas**

De-regulating note acceptors anywhere in the casino is problematic from the point of view of harm minimization. As noted by the Productivity Commission:

(T)he capacity for regulation to be targeted at those with problems, or at risk of experiencing substantial harm, without much effect on recreational gamblers.

The need to uphold the principle of self-responsibility is reduced if ‘responsible’ people can still freely undertake an activity without burdensome constraints. For instance, it is hard to see what degree of freedom is lost by a capacity to insert no more than \$20 of cash into a gaming machine while the credit balance is above \$20, as recommended by the Commission (chapter 11). Nothing stops a gambler inserting more money when the balance falls below \$20, and given their usual intensity of play, this will occur only rarely for ‘responsible’ gamblers. Indeed, it even increases the demand on them to behave responsibly by actively requiring them to think about the personal consequences of investing more. Where such a measure would act most would be on impulsive people spending continuously at very rapid rates (p. 3.14).

Allowing \$100 note acceptors will also to make money laundering more attractive. It is well recognised that casinos are frequently associated with money laundering and allowing \$100 note acceptors will increase the attractiveness of the casino to such activities.

- **Allowing ticket-based and card-based cashless gambling across the Auckland casino (Ticket in-ticket out)**

Ticket-in ticket out is problematic from the point of view of tracking player behaviour as it is not part of card-based play and will therefore not be included in the Focal data analysis. If high limits are allowed for money in and money out via tickets in restricted areas, this will also attract money launderers as the ticket – out at values of \$5000 are very attractive to money launderers.

## **2. Harm minimization measures that ‘lack teeth’**

- **A predictive model created by Focal Research which analyses loyalty data as a tool to identify players who are at risk from gambling harm;**

This is a model based on robust research that has been tested at various sites including Saskatchewan for which I provided international comment. However it will not have much power as a harm minimization tool if it is not implemented across the casino and for all patrons. In this respect if entry to the casino were to be via a player card for all patrons (with loyalty cards kept separate) then there would be a good fit with the current observation based indicators harm minimization host responsibility program. As laid out in the Bill, the Focal player tracking will be ad hoc and will not necessarily achieve the aim of harm minimization.

- **A voluntary pre-commitment system whereby Single Terminal Gaming Machine players may elect to restrict the amount of time they play and/or the amount they spend on machines over a selected period;**

As verified in Australian research (Productivity Commission 2010) for precommitment to be useful as harm minimization it should be mandatory and via a universal player ID (eg card) system. If modeled on the Crown Casino Melbourne Play Safe, this is largely ineffectual as players are told when they have reached their limit but are not stopped from playing on.

- **A doubling of the number of Host Responsibility Executives employed at SKYCITY Auckland so as to provide 24hr/day, 7 day a week, coverage at the SKYCITY Auckland site**

The use of staff depends more on how they are organized and the effectiveness of the interventions are.

- A requirement that the issuance and redemption of Ticket In Ticket Out (TITO) tickets and some cashless gambling credit above \$500 in non-restricted areas is linked to suitable player identification. The specific detail concerning thresholds for player identification is set out in the Annex.

As argued above ticket in-ticket out is not a good system and attracts money laundering.

### **3. Impact of the proposal on Auckland City Council's 'sinking lid' policy on numbers of electronic gaming machines**

The proposal brokers a new convention centre in return for legislation that increases gambling opportunities, the size of the gambling floor area and the number of machines and tables at SkyCity Auckland Casino. By giving a long-range contract to 2048, the Bill undermines the provisions previously laid down under the Gambling Act 2003 mandating independent impact assessments as part of a regular process for reviewing the operator's suitability to continue to hold a casino license.

The Auckland City Council's Regional Development and Operations Committee adopted the Auckland Council New Zealand Racing Board (TAB) Venue Policy and the Auckland Council Class 4 Gambling (Pokie) Venue Policy effective from 24 July. This policy replaced that of the seven former councils to create a regionally consistent approach and places a sinking lid on the number of class – 4 EGMs and a cap on the number of dedicated TAB premises in Auckland<sup>4</sup>.

The current Auckland city Council policy of a sinking lid on the number of non-casino gaming machines aimed at decreasing the density of machines, was a response to concerns about the high level of gambling-related harms associated with gambling (an estimated at 10% of NZ gambling revenue came from Auckland in 2010)<sup>5</sup>. From a public policy perspective, the proposal to expand the casino will directly undermine this policy. When Auckland city Council Council reviewed its gambling machine policy in 2010, '97 percent of the nearly 4000 submissions on the draft policy were in

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<sup>4</sup> Auckland Council 'Gambling venue policies' Accessed July 2 2013 at <http://www.aucklandcouncil.govt.nz/en/planspoliciesprojects/councilpolicies/gamblingvenuepolicies/Pages/home.aspx>

<sup>5</sup> Cooke, M. 2010. 'Shift on sinking lid', East & Bays Courier, 2 April 2010, citing Problem Gambling Foundation CEO Graeme Ramsey.

favour of retaining the sinking lid approach'<sup>6</sup>. Auckland City Council quotes a reduction of machines in class-4 venues from over 5200 in 2004 to 4054 in March 2013<sup>7</sup>. To then grant an increase of 470 additional EGMs to Sky City Casino under the International Convention Centre Bill is a step backwards that will exacerbate the risk of gambling-related harms for those whom the sinking lid policy is meant to protect.

#### **4. Impact of Extending the License to 2048**

The Government has agreed to extend the SkyCity Auckland Casino licence, due for renewal in 2021, to 30 June 2048.

New Zealand currently has a system of casino regulation that is acknowledged international best practice by the Australian Productivity Commission in its 2010 international review and by international gambling research experts<sup>8</sup>. SkyCity Auckland Casino is currently subject to mandatory independent assessments of the social and economic impact of the Auckland casino under section 134(3) of the Gambling Act 9

S.134 Application for renewal of casino venue license.

**(1) The holder of a casino venue licence may apply to the Gambling Commission to renew the licence.**

(2) An application under subsection (1) must be—

(a) made in the period that is at least 1 year but not more than 2 years before the date on which the licence is due to expire; and

(b) on the relevant form; and

(c) accompanied by a casino impact report.

(3) A casino impact report must be prepared by a person approved by the Commission as independent of the applicant, and must—

(a) report on the expected social and economic effects on the local and regional areas affected by the operation of the casino, and on New Zealand generally, of—

- (i) the continued operation of the casino; and
- (ii) the closure of the casino; and

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<sup>6</sup> Figures attributed to City Vision councillor Cathy Casey in Cooke, M. (2010) 'Shift on sinking lid', East & Bays Courier, 2 April 2010.

<sup>7</sup> Howarth, 2009 p. 5 and Auckland City Council Meeting, August 13, 2013 Item 9 Auckland Plan Committee, 'New Zealand International Convention Centre Bill – Auckland Council Submission, p. 14. Accessed August 14, 2013.

<https://www.google.com.au/#fp=971f53ad680182e3&q=auckland+city+council+submission+on+sky+city+casino+to+gambling+commission>

<sup>8</sup> See for example, Delfabbro, P. 2013, 'SkyCity Auckland: Host Responsibility Programme: Submission to Gambling Commission, New Zealand, January.

<sup>9</sup> Parliamentary Counsel Office, New Zealand Legislation, Gambling Act 2003, at <http://www.legislation.govt.nz/act/public/2003/0051/latest/DLM209306.html>

(b) report on matters identified by the Gambling Commission.

(4) The Gambling Commission may specify the research to be undertaken in preparing a casino impact report.

(5) The applicant for renewal of a casino venue licence must pay for the casino impact report.

### **136 Information and matters to be considered**

**Before deciding whether to renew a casino venue licence, the Gambling Commission must consider—**

**(a) the application; and**

**(b) the casino impact report; and**

**(c) any additional information or evidence provided by the applicant or person with a significant influence at the Gambling Commission's request; and**

**(d) any written submissions and other written and oral evidence; and**

**(e) the compliance record of the applicant and persons with a significant influence; and**

**(f) any views conveyed by a local authority after an opinion poll or community consultation process; and**

**(g) the results of investigations under [section 125](#).**

Under the Act as it stands, reviews of the operating license would be due in 2021 and 2036<sup>10</sup>. Extending the Auckland Casino license to 2048 as outlined in the draft Bill would remove the opportunity for the Gambling Commission to assess an independent report on the social and economic impact of the casino and for community stakeholders to put their views to the Gambling Commission concerning the operation of the casino and its social and economic impacts. This would in particular, impact on community stakeholders such as Auckland City Council and would directly undermine the intent of the current Gambling Act 2003; which outlines a rigorous process involving a casino impact report prepared by an independent third party, but paid for by the license holder, which reports on the expected social and economic effects of the operation of the casino, both locally and regionally if the casino is allowed to continue operation or if it were to close. In other words, the draft Bill takes away both the process and the option of withdrawal of license by giving overall precedence to a license up to 2048. The public protections lost by extension of the license would be considerable and would undermine the capacity for regulators to enforce consumer protection and public health measures that may be merited. The extension of the licence which is currently to 2021 to June 30<sup>th</sup> 2048 appears to be in conflict with Cabinet's understanding that '(a) failure to fulfil its obligations under its host responsibility programme could lead to the suspension or cancellation of SkyCity's casino operator's licence'. What Cabinet seems to be saying is that it needs the Bill to have preeminence when concessions are inconsistent with the Gambling Act 2003 'or any regulations, rules or licences made or granted under that

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<sup>10</sup> Auckland City Council Meeting, 2013

Act'<sup>11</sup>. The Cabinet brief acknowledges that 'the Bill is inconsistent with fundamental common law principle of equality before the law, to the extent that it modifies the Gambling Act 20013 to give effect to the regulatory concessions. However the Bill reflects a commercial arrangement whereby the Crown and SkyCity receive roughly equal benefit'<sup>12</sup>.

Concerns about the concessions granted to SkyCity Auckland casino  
What does the agreement involve?

In return for the construction and operation of a \$402 million International Convention Centre (including construction and fit out of \$315 million)

The Government has agreed to the following:

- Extending SkyCity's Auckland casino licence, due for renewal in 2021, to 30 June 2048, and amending it to cover all of SkyCity's properties in Federal Street
- Allowing an additional 230 "pokie" machines
- Allowing 40 extra gaming tables
- Allowing a further 12 gaming tables, with SkyCity able to swap each table for an automatic table game that seats up to 20 players
- Allowing up to 17 per cent of electronic gaming machines to accept banknotes greater than \$20, but only in restricted areas
- Allowing ticket-based and card-based cashless gambling across the Auckland casino (Ticket in-ticket out), with differential limits applied to the amounts that could be deposited and withdrawn

The concessions will begin on the day the main construction contract is signed and apply for the length of the agreement between SkyCity and the Government, which is 35 years

...the agreement says that if the regulatory concessions are changed before the 35 year period is up, SkyCity will be compensated by the Government under the agreement<sup>13</sup>.

## Conclusion

The Bill outlines the overarching purpose of the NZICC Agreement 'to provide economic benefits to New Zealanders'. It is really a form of PPP (Public Private Partnership) where the beneficiaries are said to be the Crown and SkyCity but the real payment comes from the losses of the (mainly) community members who will gamble on the expanded facilities outlined in the Agreement.

The Howeth International Convention and Exhibition Centre study (2009) established a clear business case for an international convention centre; with an optimistic

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<sup>11</sup> Office of the Minister for Economic Development, July 8 2013, The Chair, Cabinet. New Zealand International Convention Centre Bill 2013: Approval for introduction, at para 5 to 8. Accessed August 20 at <http://www.med.govt.nz/sectors-industries/regions-cities/pdf-docs-library/nz-international-convention-centre/information-release/cabinet-papers/NZICC-Bill-2013-Approval-for-introduction.pdf>

<sup>12</sup> Office of the Minister for Economic Development, 2013, The Chair, Cabinet at para 12.

<sup>13</sup> International Convention Centre – Questions and Answers. Accessed August 19 at: <http://www.med.govt.nz/sectors-industries/regions-cities/pdf-docs-library/nz-international-convention-centre/international-convention-centre-QA.pdf>

benefit-cost ratio of 1.433 (which translates into a benefit to the economy of \$1.433 for ever \$1 spent)<sup>14</sup>.

Aside from the short-term stimulus to jobs of the construction phase, a convention centre with capacity for 1000 delegates would create about 800 new jobs and attract up to 35 additional conferences of between 150 and 2500 delegates per year (an additional 22,000 additional international visitors and more than 200,000 extra visitor days, worth approximately \$85.4 million in tourism-related expenditure per year<sup>15</sup>. It is therefore questionable as to why this venture needs to be captured by gambling interests, which will also dictate the location. This points to the efficacy of a non-casino provider being able to tender for establishment of an International Convention Centre that could be run profitably without being part of the for-profit model based on expanded gambling machines/revenue.

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<sup>14</sup> Howarth, 2009, p. 5

<sup>15</sup> Howeth, 2009, p. 5.

Appendix A.

Brief bio: Prof. Linda Hancock

**Professor Linda Hancock** (Ph.D) has a Personal Chair in Public Policy at Deakin University.

Past professional roles include a number of Ministerial appointments as Chair of the Independent Gambling Research Panel of Victoria (2000–2004); Commissioner, Victorian Law Reform Commission; and Presiding Member on the Social Security Appeals Tribunal. Other positions include: Director of the Corporate Citizenship Research Unit at Deakin University and Partnerships Manager at the Deakin University Alfred Deakin Research Institute (ADRI).

In terms of international public policy, Prof. Hancock was appointed 2008-2011 as Research Director for the Responsible Gambling Fund UK (RGF, formerly the Responsibility in GamblingTrust) - the national charity responsible for commissioning research, prevention and treatment of gambling in the UK. She regularly reviews for Australian and international journals and publishing houses and for New Zealand, UK and Canadian provincial governments.

Her recently published monograph, *Regulatory Failure? The Case of Crown Casino* (Australian Scholarly Publishing, 2011), interrogates responsive regulation theory and reports on original empirical research on casino Codes of Practice on responsible gambling and responsible service of alcohol, based on interviews with 225 Crown Casino workers via a partnership with the union, United Voice.

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