



## Moving Forward

Our December Gambits brings you information about significant changes to the gaming machine sector.

We canvas the impact of important new licence conditions, including changes to site payments, and we provide further detail about recent announcements on the Gaming Review.

We tell you more about e-Licensing, now up and running on our "new look" website and we give you some more reasons to explore our website.

We explain some changes to the Blue Book and tell you how best to deal with player disputes or possible gaming machine malfunctions.



### CHANGES TO LICENCE CONDITIONS

## New Conditions Introduced

As the regulator, we have to ensure that gaming machines are operated in accordance with the Gaming and Lotteries Act and licence conditions. It is vital that you recognise that the only reason that gaming machines can be operated outside casinos is to raise money for the community. The Act prohibits the operation of gaming machines for commercial gain. We can't stress this point enough and it has a lot to do with a number of the changes to the licence conditions.

So what has been changed in the licence conditions? The first thing is that all licences were amended to be subject to the new conditions from 1 October 2001. This was done to ensure fairness to all societies. All societies had to comply with the new set of licence conditions as from that date, irrespective of the expiry date of their licence.

As in past years, there are two sets of conditions - one for clubs and one for public sites. In late September, we sent copies of the licence conditions and guidelines to all societies. Please tell us if you haven't received a set and we'll send you one, but be sure to give us your correct contact details. We have posted electronic versions of the conditions and guidelines on the website, where the Blue Book is also now available.

The new licence conditions are designed to be very clear so that societies and site operators know what standards they must meet in their operation of gaming machines. If, however, you are uncertain about the meaning of a specific licence condition, please put your question in writing and send it to the Manager of Gaming Licensing.

You should bear in mind that the new legislation arising from the Gaming Review (see the article later in this issue) may overtake the licence conditions. We will keep you informed of any changes.

# Impact on Site Operators

Site operators can expect to see a number of changes as a result of the new licence conditions.

**Site Approvals** - As you know, sites have to comply with a number of requirements before we will approve them. We have made these requirements explicit in order to ensure that the non-commercial objects of the Gaming and Lotteries Act are met.

## *Kinds of sites*

Gaming machines cannot be the primary activity - that means no gaming shops. No site will be approved unless it has clearly been set up for purposes other than gambling, for example a bar or hotel. We will assess the activity at the site and we will make physical inspections, as necessary.

No subdivision of premises - that means no getting round the 18-machine limit. Where a building has an existing site in it, we will not approve another site within that building.

## *Restricting access by minors*

Every site must be able to enforce a restriction on unsupervised persons under the age of 18. The main way of doing this is by an "on" liquor licence with a designated area (restricted or supervised). The gaming machines must be operated only in the designated area, because that is the area in which the site operator can restrict underage access to the machines. For the same reason, the machines can be operated only within the hours of business specified by the liquor licence.

Established sites that presently don't comply with these conditions have until 1 October 2002 to become compliant. If they don't, the site approval will be cancelled and the machines will have to be removed. Sites in this position should be talking to their societies now.

**Responsible Gambling** - The new licence condition 23 requires societies to develop and implement a responsible gambling programme at each site.

The minimum requirement is for signage and brochures, giving basic information about problem gambling, how to gamble in a responsible manner

and where to get advice and assistance about responsible gambling. Societies need to have the appropriate signs and information on sites before the beginning of 2002.

We have not set out detailed requirements, because we believe that societies should take the lead in managing this issue. In addition, it is expected that other agencies, including the department and the Ministry of Health, will be involved in setting standards and promoting programmes in this area in the near future.

In the meantime, a really good source of information is the Compulsive Gambling Society of NZ (Inc). They can be contacted on 0800 664 262 or by email at [cgs@cgs.co.nz](mailto:cgs@cgs.co.nz), or you can access their very good website at [www.cgs.co.nz](http://www.cgs.co.nz).

In the clubs sector, Clubs NZ has rolled out its new ClubSafe programme, which includes a comprehensive training package and the RSAs have a standard policy in place. In the public premises sector, the Gaming Machine Trusts Association has developed a brochure and is working on other resources. These initiatives are welcomed by the department, as are the steps taken by individual societies, such as Pub Charity Inc, and site operators.

This licence condition also prohibits inducements to play gaming machines. This means you can't offer rewards to players, whether through the machines, by prize draws or by providing free jugs of beer. Site operators should apply the old yardstick to this issue, "if in doubt, leave it out".

**Access to grants** - It is really important that site operators read the new licence conditions relating to decisions about grants. You should focus on conditions 48, 49 and 52 in particular, because they spell out your role in the grant process. The principle is that societies are licensed to operate machines to raise money for the community and it is their sole responsibility to decide which applicants receive grants.

Licence condition 48 requires societies to install large signs on each site saying that the society owns the gaming machines and operates them for its stated authorised purposes. The signage also has to advise grant applicants where application forms can be obtained.

As a minimum, the signage must clearly state the name of the society and identify the society's ownership of the machines. Contact information for the society must also be given, including a postal address or telephone number. The signage must also include the society's statement of authorised purposes, as approved by the department.

The society must be explicit about where applicants can obtain grant application forms. Where the society makes its forms available at the site, it must ensure that forms are always available and that access is not restricted for any reason.

The signs must be large, prominently placed and must provide the information clearly and concisely. **Societies need to have the appropriate signs out on sites before the beginning of 2002.**

All applicants must have access to application forms and all completed forms must be sent to societies, to reassure the community at large that non-casino gaming machine operations are fair to the public in every way. Unfortunately, some site operators have given the sector a bad name by using their influence over the grants system for personal gain. The new rules protect good site operators and cut out those who bring the sector into disrepute.

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# \$150 is the limit

We have set a standard payment limit of no more than \$150 per machine per week (pmpw), plus GST. Societies should pay up to, and no more than, this amount in total. The \$150 standard was introduced because some site payments well in excess of reimbursement of costs and reasonable site rental were being made.

We found from the research we did earlier this year (see March 2001 issue of Gambits) that about 70% of site operators were receiving less than \$150 pmpw. We believe that the \$150 standard is a fair maximum payment. In very rare cases, societies may be able to justify higher payments, but we won't approve such payments unless they are soundly based.

Societies have until 1 October 2002 to obtain dispensations for any site payments in excess of \$150 pmpw. However, if circumstances change on such sites requiring an amendment before 1 October 2002, the society will have to apply for a dispensation for the existing higher payment at the time of the amendment application.

Inspectors may require a society to apply for a dispensation if, in the course of an audit, they find that the society is paying more than the standard amount without a dispensation. However, prior to 1 October 2002, this would only amount to an audit failing where the payment:

- was clearly unreasonable, unjustified or excessive; or
- was based on commission.

Whatever the situation, there must be no "under the counter" payments made by societies to site operators and societies cannot pay expenses, such as "theme fitouts", that are not necessary to the gaming operation.

Sites will not be able to seek higher payments by threatening to move to another society if there is a valid site agreement in place. The department cannot remove a site from a society's list of approved sites during the term of a site agreement, unless the society consents. Exceptions to this may include cases where there has been unlawful conduct (we would revoke site approval), or where there are proper grounds for the site agreement to be set aside (the society and site operator must sort this out).

Societies should also bear in mind the caution we gave earlier, about the impending new legislation. The site payments regime of the current licence conditions may be replaced by a different regime in the new Act.

## Rules for Grants

Licence condition 52 now spells out some rules for grant applications. For example, grant applicants should provide competitive quotes or other evidence for the goods or services they intend to buy with the grant money. All grant applicants must sign a consent to audit clause, to ensure that the Inspectors can verify that the funds have been used properly. These rules are intended to make the grants process clearer and more accountable and to assist in preventing "double-dipping" by grant applicants.

# e-Licensing Goes Live

## Is your society registered?

Gaming e-Licensing is an initiative to allow applications from societies to be received over the Internet (see the August 2001 issue of Gambits).

The launch of the new Gaming e-Licensing system took place on 1 October 2001 to coincide with the launch of the new DIA web site. The Gaming e-Licensing system has been designed to blend seamlessly with the main web site.

At the time this article went to press 66 societies were registered to use Gaming e-Licensing and 17 applications had been processed through this system.

We decided that, as the system is very straightforward to use, face-to-face training courses were not warranted. We have provided a comprehensive Help database.

For those societies that would like to take advantage of the benefits offered by the system, a registration form may be downloaded from the e-Licensing pages on the Gaming Licensing website. The Help database for the system may also be viewed from these pages.

Feedback from societies and Licensing Officers about the system has been very positive. An application to add a significant number of new



machines was processed in less than one hour whereas an equivalent paper application would have taken several hours to process. The new schedule can be made immediately available on the website through Gaming e-Licensing.

One of the main advantages of e-Licensing is that now we don't send you a copy of your schedule through the postal system. Instead, we send you an email once we have completed processing your application, to tell you that it has been approved and that you can download your society's new schedule from the website yourself.

## Game approval numbers

Game approval, or "Goo", numbers act as the primary means of identification of gaming machine games. They are unique keys that provide easy reference to the game name and the gaming machine(s) for which a game is approved.

Societies have to provide Gaming Licensing with correct machine model and game approval numbers so we can action their applications.

Now that e-Licensing is up and running, the use of correct game approval numbers is really important. Societies entering new machine information will find that they cannot submit their applications if the game approval number does not match the machine model being licensed.

In these situations, societies will have to contact their supplier for the correct combinations of numbers before they can submit their e-licensing applications to Gaming Licensing.

# Blue Book

## (Gaming Machine Operations Manual)

The Gaming Machine Operations Manual, otherwise known as the Blue Book, has been amended. The version that you should now refer to is version 1.3. The following is a summary of the significant changes affecting day-to-day operations:

- it is now mandatory to record both hard and soft meters every time the Weekly Gaming Machine Profit Return (WGMPR) is filled out. In the previous version, recording the hard meters was optional, but strongly recommended. Experience has shown us that it really is necessary for both sets to be recorded at the same time. Apart from anything else, the hard meters provide a continuous record in the event that the soft meters are for any reason are reset or “lost”. Also, comparing the differences on a weekly basis will highlight any imbalances between the two sets of meters more quickly. (See Section 2.7.2)
- there is more flexibility in completing the “Monthly” Machine Analysis (MMA)-which previously should have been done, as a minimum, on a calendar monthly cycle. Now MMAs can cover up to five successive “weekly” periods. One of the functions of the MMA is to verify the amount of gaming machine profit (GMP) generated by a particular machine over the “monthly” period, so it follows that the start and finish points must align with the readings used on the first and last WGMPRs for the same time frame. If they don’t, it means that there is no proper reconciliation or validation of the weekly GMP figure used by most societies for their reporting; the two will always be out of step and impossible to compare. Also, it is no longer sufficient just to put the month in the top panel of the MMA -the precise dates must be entered. (See Section 2.8.1)
- the Daily Jackpot Cancelled Credit form has been changed - the previous one could only cope with a two level jackpot system and some systems are capable of having more than two. The new format

can be used for 1 - 4 levels. There are, however, now three alternative Weekly Jackpot System Analysis report formats, from which the appropriate one needs to be selected. Please make sure you choose the correct one. (See Sections 2.9.6 and 2.9.7)

Finally, a word of warning about computers, and in particular, the use of spreadsheets, programs and computer-generated forms. They can save a good deal of time and effort by calculating meter differences, and performing other arithmetical calculations - for example subtracting opening from closing hopper counts, but they must not be used to substitute for or circumvent the required procedures. In other words, if a program or spreadsheet calculates what soft meter readings should be from the entry of hard meter data, the results must be compared with the actual meter readings displayed on the machines.

Similarly, there should be no “defaults”, formulae or anything else to “calculate” fields where actual “hard” data is required to be entered; for example, on the MMA form, actual hopper counts (A) and (B), total cash cleared (I), total cancelled credits paid (M), total short pays (N), total hopper refills (O). All of these entries must show the physical cash amounts counted and/or recorded on base documents such as Cash Clearances Details, Cancelled Credit & Short Pay records. The object is not to produce “perfect” records, but to highlight any significant differences in these areas.

Other basic rules are set out in Section 1.4: “Electronically Generated Records”.

For the first time, the Blue Book is available on our website ([www.dia.govt.nz](http://www.dia.govt.nz) - select “gambling” and then “gaming licences”). Apart from increased accessibility, one advantage is that standard forms can be downloaded as and when required.

Site operators should be able to obtain a copy of the Blue Book from your society. Alternatively, you can contact the department or download a copy from our website.

# New Look Website

Users of the Gaming Licensing website will have noticed changes recently in layout and colour. It's part of the redesigned Internal Affairs website that was launched on 1 October 2001.

The new look site is quick and easy to use. People in rural areas and others with slow internet connections will find its simplicity reduces the time it takes to download. The website was designed for accessibility and users can get from the home page to nearly anywhere on the site with only two mouse clicks. The site can also be navigated solely by using the keyboard.

When you logon to the Internal Affairs Home Page, just click on "gambling" and this will take you directly to our "Services" page. Here you'll find a list of all the information available on the site, as well as an index down the left side of the page, and you can scroll down the screen to see the complete list.

It's Gaming Licensing's policy to put as much information as possible on the website so societies wanting to conduct a gaming activity will have all the relevant information they need. Latest additions include the new licence conditions and the Blue Book.

The web page has information on casino and non-casino gaming, as well as how to obtain licences for the various forms of gaming activities conducted in New Zealand.

You can also find the latest information on the gaming review, gaming machine statistics as well as the current and earlier copies of Gambits.

There are links to e-licensing, information on societies that distribute gaming machine profits to the community, our application forms and remittance advices, relevant legislation - check out the website to see what's available.

You can still reach us by using the address "www.gaminglicensing.dia.govt.nz" - this takes you directly to our part of the website.

## Gaming Machine Totals by Sites

Gaming Licensing provides quarterly statistics on gaming machines and gaming machine societies on the DIA website. The most recent figures have been posted for 30 September, and you can find this information on our website under "Gaming Statistics". There are a variety of views to ensure that we've provided for different types of requests. For example, the information about sites, societies and gaming machine numbers is set out in table form (and this view also includes the average number of gaming machines per site) while the percentage of gaming machines or gaming machine sites per society is displayed as a pie-chart. On 10 October 2001 we wrote to all multi-site hotel based trusts and the national trusts asking them to provide us with the details of all the gaming machines they have on their sites, as well as in storage, as at close of business 17 October 2001. We incorporated the information from single site societies into the results from the multi sites societies. You can see the results of this self-reporting on the website. Societies told us they owned 20,200 gaming machines as at 17 October 2001, and where they were located. The total number of gaming machines being operated as at 30 September was 20,097. The difference in figures is accounted for by the fact that some multi-site societies have gaming machines in storage due to a variety of reasons such as awaiting sale or destruction or awaiting site approval.

# Latest News of the Gaming Review

The Cabinet papers relating to the Gaming Review were put on the department's website on 22 November 2001.

The Government has agreed that:

- gambling will be primarily used to raise funds for the community,
- gambling will cause less harm,
- communities will have a greater say in decisions about the more risky forms of gambling, and
- there will be controls on the growth of gambling.

The Responsible Gambling Bill will be introduced in December and referred to a select committee for further submissions. The Bill will replace the current Gaming and Lotteries and Casino Control Acts. The Racing Act will continue as a separate piece of legislation.

## *Gaming Machines.*

The Bill will propose limits on the number of gaming machines per site. The general thrust is that new sites will be restricted to nine gaming machines and existing sites will be able to keep the present 18-machine limit. The Bill will make this limit retrospective to 18 October 2001.

Communities will have the right of veto on new gaming machine sites and proposals to add machines to existing sites. Subject to the community veto there will be ministerial discretion to vary gaming machine numbers upwards - this will apply only to clubs on non-commercial premises.

The Bill will include provisions to ensure operator integrity, including:

- minimum standards for community grants,
- a prohibition on site operator involvement in the making of grants, and
- auditing of grant recipients.

In the longer term the Bill will make provision for electronic monitoring of gaming machines.

To discourage societies from investing in gaming machines before the Act comes into force, the Bill will propose a retrospective nine-machine cap on gaming machine sites approved on or after 18 October 2001. Sites existing as at 17 October 2001 will not be subject to the cap, but expansion on such sites after the date the legislation is passed will have to be approved by the local community. When the Bill is passed operators of gaming machine sites licensed on or after 18 October 2001 will have to remove all machines in excess of nine, and may have to remove all gaming machines at the site if the community exercises its veto right.

## *Other Review decisions.*

No more casinos will be licensed and existing casinos will be unable to expand their gambling operations. The department will handle the regulation of casinos. Casinos will be treated as a separate class of gambling, although they will continue to operate under licence conditions.

The New Zealand Lotteries Commission and the Lottery Grants Board will remain publicly owned and the Commission will not be allowed to expand into high-risk types of gambling such as casino games and gaming machines. It will continue to pay its profits to the Lottery Grants Board for distribution to community purposes.

The TAB will keep its monopoly on racing and sports betting and will be the only business allowed to operate remote interactive gambling (e.g. Internet gambling). The proposed bill allows the TAB to set up agencies in casinos. The proposed bill also allows the TAB to operate gaming machines, but only in TABs and racing clubs and subject to the community veto and the limits on machine numbers.

Problem gambling will be managed as a public health issue. Prevention and treatment programmes will be the responsibility of the Ministry of Health. Casinos, gaming machine operators, the Lotteries Commission and

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the TAB will pay a levy to fund the Health Ministry's problem gambling programmes.

It is proposed that gambling age limits be 18 years for the TAB, non-casino gaming machines and Instant Kiwi, and 20 years for entry to and gambling in casinos.

As is the case under current legislation, all gambling (except for existing casinos) will be non-commercial and all gambling will be prohibited unless it is specifically allowed under the Responsible Gambling Act or the Racing Act. The Department of Internal Affairs will have responsibility for most gambling regulation. An independent person appointed by the Minister of Internal Affairs will act in a semi-judicial function on matters such as hearing applications for renewal of casino licenses.

The review took into account about 1300 public submissions made during the consultation process in April. There will be a further opportunity for public submissions during the committee stages of the Responsible Gambling Bill in 2002.

## TO CONTACT US...

### Gaming Licensing

Tel: 04 474-0700. 0800 257-887

Email: [gaming.licensing@dia.govt.nz](mailto:gaming.licensing@dia.govt.nz)

Postal: PO Box 10-095, Wellington

Fax: 04 494-0656

### Gaming Compliance

#### *Christchurch*

Tel: 03 353-8303, Fax: 03 353-8309

#### *Wellington*

Tel: 04 494-0700, Fax: 04 495-7214

#### *Auckland*

Tel: 09 362 7938, Fax: 09 362 7945

### Web Site

[www.gaminglicensing.dia.govt.nz](http://www.gaminglicensing.dia.govt.nz)

## Last Game Replay - Player Disputes

What can you do if a player disputes a payout or claims that game isn't playing properly?

This situation is dealt with in the Blue Book. Section 3.2 of the current version describes how site operators can resolve Player Disputes and it makes reference to the "last game replay" facility of the gaming machine.

Many gaming machines have a facility to re-display the last game, or a number of previous games - this can often resolve the conflict by clearly showing the player the results of that game or games. However, this facility may not be of use if game play has been allowed to continue after the event.

There have been some instances recently where a player dispute or possible game malfunction has been difficult to resolve to the player's satisfaction because a site may have allowed play to continue on

the machine. If a game malfunction has indeed occurred, the 'last game replay' function is of great assistance to Gaming Inspectors or our technical experts in determining the state of the machine at the time of malfunction.

If a player dispute cannot be resolved immediately and a machine malfunction is suspected then the machine should be switched off IMMEDIATELY and the technician or service agent contacted to examine the machine.

The "Last Game" feature on machines is a powerful tool to resolve player disputes or provide accurate information on game play state if a game malfunction has occurred. Learn how to access this feature and use it properly.

## *Christmas Greetings*

*From all of us in Gaming at the Department of Internal Affairs!*