

Fair game

In this issue we remind societies to publish lists of their grants in newspapers.

This is because all societies will have to attach a copy of their published lists to their next renewal applications. We report on our new 'e-government' initiative and include a feature on maintaining gaming machines. We explain the basics of electronic monitoring and how the actual working of machines can be affected if licence condition requirements are not followed. We also have an update on illegal lotteries.

New Wellington Senior Inspector Martin Legge talks about the effect of public awareness of gaming, while Gaming Licensing Officer Brent Addison gives us an insight into the daily workings of the department.

A two-way communication with you is vital to us and we're pleased to report on some successful and productive meetings, but there must be more! Let us know about meetings and events in which we can take part.

Surveying the scene

An update on two recent surveys

In two recent surveys Gaming Licensing sought feedback from gaming machine societies about how we could improve our service and your access to information and forms, and the department's research unit asked how gaming machine profits are being used in the community.

Client survey

Gaming Licensing conducted a client satisfaction survey. We asked gaming machine societies to comment on the standard of our service, the forms we use and the licence conditions and guidelines. We sent out 854 surveys and received almost 500 responses – an excellent result. Thanks to all those who took the time to respond. The information is now being analysed and we'll publish a summary in the next issue.

Grant proceeds survey

David Mulholland of the department's research unit is working on another survey of the use of gaming machine proceeds for community and club purposes. All gaming machine societies will have received survey forms asking about grant recipients and how grants were used. The project will build on the research carried out in 1996, entitled *Where Do Gaming Machine Profits Go?*

The current research will be looking at information relating to the period October 1999 to September 2000.

Gaming Review

As we reported last issue the Minister of Internal Affairs released a public consultation document in late February, entitled *Gaming Reform in New Zealand: Towards a New Legislative Framework*. More than 1,200 submissions were received by the close-off date of 30 April, and these are now being considered as new legislation is developed. Find out more by visiting the Gaming Review page on the department's web site at www.dia.govt.nz.

Read all about it

Societies must publish their list of grants

In recent issues of *Gambits* we have reminded societies of their obligation to publish a list of grants at least once a year. Your society should publish these details soon if it hasn't already.

At renewal time this year, we will ask all licensees to attach a copy of the relevant newspaper page or pages to their renewal application. Failure to publish lists of grants is a serious breach of licence conditions and may result in non-renewal of licence.

Under licence condition 54 societies must, at least annually, publish in an appropriate newspaper a list of all the grants they have made from their gaming machine revenue. Here is what must be published:

- the amount of each grant
- the grant recipient (individuals may only be listed with their approval)
- a summary of the society's authorised purpose(s)
- advice that the public is able to apply for grants and how to do so.

In conference

Let us know if we can helpfully participate at an event, as we did at the Chartered Clubs Conference

Gaming Compliance and Gaming Licensing were both present at the Chartered Clubs Conference held in Rotorua in March. Gaming Licensing had a stand in the Conference Expo, where it provided copies of forms, pamphlets, information sheets and the discussion document for the Gaming Review. We also had staff on hand to talk to club members and their guests.

The conference provided a good chance to talk to licensees and answer their particular questions about operating gaming machines and other gaming activities, such as lotteries. "The conference was especially useful for Gaming Licensing," says Manager Lois Markland. "It gave us the opportunity to get out and talk to our clients."

Societies wanting to arrange for the department to participate in their events are invited to contact Lois Markland at Gaming Licensing, or Warwick Hodder, Manager of Gaming Compliance.

An "appropriate newspaper" means one that covers the area serviced by the society. So, if you are a national trust making grants from one end of New Zealand to the other, you need to publish your lists of grants in a newspaper that covers the whole country. If you are a regional trust, you publish in a newspaper that covers the relevant region, and local trusts should use local newspapers.

It is standard practice for community and charitable trusts to publish lists of any distributions they make and the gaming machine sector is no exception to this rule.

A useful meeting

We report on our recent meeting with gaming machine manufacturers and distributors

In March we met with representatives of most manufacturing and distribution companies to discuss some key issues. The discussion covered the following issues:

- how suppliers can assist societies to provide Gaming Licensing with evidence of ownership of gaming machines
- who pays when machine details are incorrectly filled-in on forms
- licence condition 6, on gifts and promotional activities.

In relation to the evidence of ownership issue, we remind societies and site operators that machines cannot be delivered to sites until they are paid for and cannot be turned on unless a site approval is displayed on the wall of the site.

Suppliers often help societies complete application forms, and this is fine so long as it's an area relating to gaming machine equipment. We advised suppliers that, generally, they will have to pay for amendment fees arising from their own errors.

We explained to suppliers that societies and their representatives and site operators cannot accept gifts, promotional offers or gratuities in association with the sale or promotion of gaming machine equipment. To do so would amount to a serious breach of licence condition and result in loss of licence and/or site approval.

The meeting ended with the suppliers agreeing to support a united approach to an important technical aspect of electronic monitoring systems (see page 4).

It's a lottery

Two recent lottery problems that affect many societies

Membership lotteries

In the Dec 2000 issue of *Gambits*, Gaming Compliance issued a warning to clubs and hotels running illegal lotteries. Since then, we have developed a new Membership Lottery licence to cover the most common form of illegal lottery, generally known as "lucky member draws".

The new licence will be required for all club membership lotteries with a total prize pool exceeding \$500. Each licence will state the dates of the draw period, the prize pool and the specific prizes. The club will have to post the licence on its notice board and comply with other licence conditions.

If the total prize pool doesn't exceed \$500, the lottery can be run without a licence, but will have to meet certain rules set out in section 34 of the Gaming and Lotteries Act. However, clubs can apply to Gaming Licensing for an exemption from most of these requirements.

Information packs have been sent to all clubs.

Overseas lotteries

We have been informed of people being invited to join a syndicate whose primary purpose is to purchase Australian Lotto tickets. Our legal advice is that such invitations may amount to a breach of section 30(1) of the Gaming and Lotteries Act, which prohibits advertising about an illegal lottery. Overseas lotteries are illegal lotteries in New Zealand unless approval is obtained from the Minister of Internal Affairs, and the Australian Lotto does not have such approval.

Working order

Why it's vital to keep your gaming machine equipment maintained and operating correctly

Recently players at a site experienced problems with the gaming machine jackpot system. The problem was found to be faulty wiring, resulting from the rearrangement of the gaming machines connected to the jackpot system. People without the necessary technical training had rearranged the machines. In fact, they weren't authorised by the jackpot manufacturer/distributor to have any technical responsibility for the system.

We also found that the site wasn't completing the daily forms essential to the jackpot operation. Had it being doing so, the fact that the system wasn't working correctly would have come to light straight away. It should then have been shut down as required by the Blue Book.

All gaming machine equipment is approved to exacting standards. Societies must then make sure it is operating correctly by:

- following the appropriate procedures for daily, weekly and/or monthly record keeping
- checking those records, so any problems can be quickly identified
- taking appropriate action where problems or potential problems are indicated.

Sites should also follow the manufacturers' recommendations for operating the equipment. Preventative maintenance and regular servicing by people with the required knowledge will help ensure the equipment continues to operate as approved.

Some items of gaming machine equipment, such as jackpots, have additional approval requirements, specifying that only the manufacturer

or its authorised agents can install, modify, maintain or service the equipment. These requirements are *in addition* to those in the licence conditions and the Blue Book and must also be strictly complied with.

The following points are essential in making sure gaming machine equipment or devices are operated in a way that complies with the appropriate conditions or restrictions:

- install the equipment correctly
- follow the procedures in the Blue Book
- ensure that staff operating the equipment know their responsibilities when problems arise
- devise a regular maintenance programme
- check that those who install, modify, maintain or service the equipment have the necessary training and are authorised by the society to do so.

If you are unsure about anything, your first step should be to consult the manufacturer. This applies particularly if you use third-party agents when making a purchase.

Team building

Martin Legge has taken over from Kevin Coffey as Wellington Senior Inspector. Meanwhile, Stuart Fuller and Geoff McCambridge have taken up positions as Gaming Inspectors in our Christchurch office.

What is EMS?

EMS stands for Electronic Monitoring System. It is a method of automatically recording metering information from a gaming machine. Seems fairly simple, but why then are there 2 flavours of EMS, termed 'Management' Systems and 'Monitoring' Systems?

The answer lies in the fact that you have to take both the 'hard' and 'soft' meter readings on the gaming machines in order to fill in the Monthly Machine Analysis form (MMA).

Hard meters

Hard meters are electro-mechanical devices with interconnected number wheels that advance each time the gaming machine sends a pulse to them. However, the gaming machine does not verify that the hard meter is actually operating and that the correct number of pulses have been sent and received. Hard meters can be read electronically by introducing equipment that records and stores the pulses sent to them. This is the same method used to operate jackpots and gives rise to the name 'pulse' systems.

The information obtained by pulse systems, limited though it may be, can be of value to societies for management purposes, therefore they can be called Electronic Management Systems. However, pulse systems cannot read the soft meters and the information from these systems cannot be used for accounting purposes. The soft meter data must still be recorded manually and used for meeting Blue Book requirements.

Soft meters

Soft meters are a method of storing information digitally in electronic memory. In modern machines, this information is stored in more than one memory location for safety and error checking.

The gaming machine may also perform a self-audit of the accounting meters similar to the reconciliation done on the MMA.

Soft meter data cannot easily be altered without leaving evidence of manipulation and is, therefore, regarded as more reliable and of

higher integrity than that recorded by hard meters.

The department has always insisted that the soft meter data is the primary accounting meter data because of this integrity. Soft meter data is also more extensive and records other information such as number of games played, return to player percentage, and security events.

Currently, without EMS, soft meters can only be read by operating the audit key to display the audit information on the gaming machine screen.

Protocol

What is needed is a way to automatically access the soft meter data. This is technically quite simple and has been done overseas for some years. It requires the gaming machine software to include software called a "protocol" and associated interface hardware that allows a computer to connect to a gaming machine. Think of a protocol as a language that enables two people to talk and understand each other. Gaming machines must "speak" the same language as the computer for the soft meter data to be understood.

The use of a protocol and hardware is referred to as allowing 'serial' connection, which is different from reading hard meter pulse information. Systems that record soft meter information from gaming machines are called Electronic Monitoring Systems.

Because these systems directly read the high integrity soft meter data, they usually do not require soft meter readings to be taken manually.

Depending on the protocol used, such systems can read all the soft meter data on demand and can be used to remotely manage the gaming machine e.g. to turn it off or on, configure game details, advise of

security breaches, or check and confirm game software integrity.

This can all be done via a standard hardware serial interface. Pulse systems could do some of this, but each gaming machine would require some form of modification.

Where to now?

We don't have Electronic Monitoring Systems in operation yet. It wasn't specified when gaming machines were first regulated, such systems were then in their infancy and not in common use. As a result, our current game software does not have a protocol.

The department has often looked at introducing these systems on a centralised basis. However, to have done so would have been horrendously expensive, requiring a significant increase in license fees. Now, the hardware is dropping in price, protocols are more readily available and there has also been a growing acceptance that these systems should be introduced.

Back in March a major step forward was taken by gaming machine equipment manufacturers when they unanimously decided to adopt the QCOM protocol. This protocol was developed by the Queensland Office of Gaming Regulation and is in use within Queensland and Tasmania. It is a sophisticated and modern protocol and the department is working with the Queensland regulators and manufacturers to introduce this protocol into New Zealand.

There are still a number of issues to be resolved but it is hoped QCOM or some such protocol will be introduced in new models of gaming machines and would be able to be retro-fitted to some of the current models of gaming machines. We will keep you posted.

Contact Info – Today!

The new version of our web page containing contact addresses for societies that distribute grants is up and running. The new page is searchable and provides site addresses and society contact details, including the statement of authorised purpose. Find out more by visiting our web site at www.gaminglicensing.dia.govt.nz

In the past we posted lists of site addresses on our web site at regular intervals. With sites moving from society to society, and new societies starting up, the information on the web site was soon out of date. Now the information available on the web site is taken from a view on our database, which is replicated on the web server on a daily basis. This means the information you read there will always be accurate and up to date.

This development is a good example of e-government in action. It provides community groups with easy access to information about where to go for grants and assists societies achieve their purpose of fundraising for community benefit.

A word of caution. The new web page is not suitable for statistical analysis of all gaming machine societies, as it only lists those societies that distribute grants to the community. Societies such as clubs are not listed as, generally, they do not distribute funds to the community. This means you cannot add up all the societies and sites listed in an area to get the total number of societies and sites operating in that region.

Gaming Machine Numbers by Region

We occasionally get requests from members of the public for information about the number of machines in a given locality. The department cannot provide this information because multi-site societies are able to move machines around from site to site without notifying the department. Some people assume this means that the department cannot check, or will not know, if additional, unlicensed, machines are operating unlawfully on some sites. The fact is, this is not the case.

We know exactly how many sites there are in every part of New Zealand and the number of approved machines

and games that each gaming machine society is licensed to operate. This information is attached as schedules to societies' licences and these schedules are updated each time a site changes hands or the society applies to add or delete gaming machines and games. The level of detail includes the serial number of each machine and the approval numbers of all games and devices that the society is licensed to operate.

So Gaming Inspectors are always able to check the machines and games at a site against the equipment that is listed on the society's licence schedule.

Getting the goo-ahead

Goo numbers, or game approval numbers, will soon play a vital role in e-licensing

Since 1996 each approved game has been issued with a unique approval number and, because the 4-digit sequence started with 00 (eg, G0010/98), game approval numbers came to be known as "Goo" numbers.

Approval numbers were originally used by the approvals officer to as a way of identifying individual games, along with all the associated information needed before they could be approved. (Jackpot operating parameter sets are also issued a number from the same sequence.)

It has become standard practice to use this approval number as a primary means of identification.

The other advantage of a Goo number is that it can be used as a unique key in computerised systems, allowing easy reference to the game name, manufacturer and what gaming machines a game is approved to be used in.

The department will use this number as part of the development of the e-licensing project. This will allow societies to amend and renew their licenses on line. However, before this can be done, a Goo number must be allocated to all games approved prior to the issue of the first one in 1996, a task we hope to have completed by 30 June. We will advise all societies and gaming machine manufacturers when this is done.

Meet Martin Legge

Martin Legge joined the Wellington Compliance team in April, bringing with him 18 years of valuable Police experience. "My last position as the officer in charge of the Criminal Investigation Branch in Horowhenua gave me an excellent background in managing a variety of serious investigations," says Martin.

Before he took up his current post as Senior Inspector, Martin says he had no idea of the amount of money going into gaming machines. "Because of the amount of money involved and the problems associated with gambling, the gaming sector has and will continue to receive a large amount of negative media attention," he says. "The general public have become more informed and it is more crucial that the major stakeholders in the industry run a tight ship."

A day in the life

An eye for detail

Gaming Licensing Officer Brent Addison enjoys his responsibilities for Pub Charity's licence applications and casino employee licensing "You have to be very meticulous and organised," says Gaming Licensing Officer Brent Addison of his role as client liaison officer for Pub Charity, the largest national trust in the country.

With around 408 sites and 2,700 gaming machines that are constantly being changed or updated, the trust keeps Brent busy throughout the year. "Each time they buy a new machine, update an old one, trade one in or apply for a new site, the licence has to be

amended-and I usually receive one amendment each week," he says. "It's an administrative job, and I enjoy making sure it's done well. With such a large volume it can get quite tricky."

When Brent's not working on licence amendments for Pub Charity, he's likely to be dealing with applications for certificates of approval for casino employees.

Although Gaming Licensing doesn't licence casinos, it does approve the people working in them. "There are currently five casinos in New Zealand, though that will rise to six when the Hamilton casino opens," says Brent, "Gaming Licensing normally receives around 20 applications from prospective casino employees a week."

"The police prepare a report on each applicant," explains Brent, "while Gaming Licensing, conducts character, credit and background checks. We take the Police report into account before an application is approved or declined."

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Payments to Site Operators

You may have seen the article about site rentals in the last issue of Gambits. We want to remind societies and site operators that payments to site operators must be justified. Payments that exceed \$250 per machine per week, or include extraordinary expenses, will be subject to close scrutiny. We have declined to approve a number of applications lately where site operators have claimed excessive expenses. Problems have arisen with unjustifiable labour costs being claimed and with societies directly linking site payments to gaming machine turnover.

The site agreement must contain these key points about payments to site operators:

- the nature and amount of all payments must be stated in the site agreement, with the total amount being stated as a 'per machine per week' (pmpw) figure
- the total pmpw figure is a maximum; payments can be less than the maximum, but cannot exceed it
- the pmpw figure is made up of itemised costs, usually site rental, plus direct costs such as labour and electricity.

The pmpw figure cannot be directly related to gaming machine throughput, because that would amount to payment by commission, which is prohibited by section 8(2) of the Gaming and Lotteries Act 1977.

If you want more information about what are acceptable site expenses, contact Gaming Licensing.

