

MARCH 2002

# Responsible Gambling Bill is introduced

**The Responsible Gambling Bill was introduced to Parliament on 19 February and referred to Select Committee. The report back date for the Government Administration Select Committee is 14 May and the closing date for submissions is 2 April 2002,**

Anyone who is interested in reading the bill can find a copy on the department's website - [www.dia.govt.nz](http://www.dia.govt.nz) - or in a Bennett's bookshop. Have a look at the Bill, consider its impact, and make submissions to Select Committee on any issue that concerns or interests you. This is your opportunity to contribute to the shape of future gaming legislation.

Under the Bill, non-casino gaming machines will continue to be run by societies to raise money for community purposes. The Bill introduces certain changes to the sector, however, and here are some of them:

- Each society will need to be a "body corporate" ie be an incorporated society, a non-profit company or a charitable trust;
- Any new gaming sites or increased numbers of gaming machines on existing gaming machine sites will need a territorial authority approval;
- Clubs approved by the Minister will be able to amalgamate and run more than 18 machines on a site;
- The department could run an electronic monitoring system of non-casino gaming machines;
- Gaming machine sites will not be permitted to call themselves "casinos";
- There will be a stronger focus on dealing with problem gambling;
- There will be tighter controls on expenses and probity checks for people involved in gaming operations and grants.

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*From page 1.*

The Bill also introduces other significant changes. For example, activities like lotteries will no longer need a licence unless high prizes are to be paid. The Casino Control Authority will be disestablished. Some of its functions will transfer to the department. A Gambling Commission will consider casino applications, and hear appeals against departmental decisions to decline applications or cancel or suspend gaming licences.

You can get information about how to make a submission by logging onto Parliament's website and downloading all or part of the booklet on "How to Make a Submission". Go to [www.clerk.parliament.govt.nz/programme/committees/submissions](http://www.clerk.parliament.govt.nz/programme/committees/submissions) and click on "How to make a submission".

## Implementation of the Responsible Gambling Bill



When you read the draft legislation, you'll realise that its implementation will take a lot of work. With this in mind, the Department has set up an Implementation team. The team consists so far of Russell Rolland, the Programme Manager, and Kate Reid, Senior Programme Adviser:

Russell is a professional programme manager with extensive experience in information technology and business transformation projects in a number of government and private sector organisations.

You may remember Kate in a former life as the editor of Gambits, when she was a Policy Adviser with GCR. Since then she has been involved in planning and strategy for GCR, assisting with policy work for the Gaming Review, and most recently as the department's Acting Manager Marketing and Communications.

The team will expand as enactment date draws nearer. In the meantime, it is concentrating on scoping the changes and developing systems to give effect to the new legislation. Development and implementation of an electronic monitoring system is the first priority for the team and Bruce Manuge, who many of you know as our Senior Technical Adviser, will assist them with this.

The team will also:

- oversee the disestablishment of the Casino Control Authority and the amalgamation of some of its functions with DIA;
- look after the establishment of the Gambling Commission, which will consider casino licence applications and appeals against the department's decisions in relation to other forms of gambling;
- develop community participation mechanisms; and
- strengthen sanctions for non-compliance.

The programme will include the development of rules, regulations, conditions, technical specifications, and forms for the new legislation and the transfer of responsibility for problem gambling to the Ministry of Health. The programme will, of course, respond to any changes in the Bill between its introduction and passage.

# Gaming Machine Returns to the community

**It's great to start the year with a good news story! This one comes from Gaming Licensing, where the annual renewal round of gaming machine licences is almost complete.**

Societies applying to renew their gaming machine licences have reported higher than ever returns to the community during the previous financial year. Of the national trusts, Lion Foundation donated 39.41% of its income to the community and another trust gave away 36.73%. Most clubs returned far more than the minimum amount and many hotel based trusts reported a higher than average return as well. Five hotel based trusts spent more than 50% of their gaming machine profit on authorised purposes and 13 gave away more than 40%. Most HBT returns were between 34% and 40% of gaming machine profit. In fact, 33% is becoming the exception, not the rule.

Some observers laughed when the department first said that at least 33% of gaming machine profit should be spent on community purposes. A few societies did not take it seriously and failed to return 33%. They have either lost their licences or improved their performance. Despite our

reminders that 33% was a MINIMUM level of return, many people said that no society would ever contribute more than that amount. We're pleased to report that they were wrong and that four years after its introduction, we rarely have to suggest to societies that it's ok to give away more than 33%. Congratulations to the high performers - keep up the good work!

On the subject of renewals, please let Gaming Licensing know if you had any difficulty filling out your renewal application form last year. You'll find it easier to sort any problems out well in advance of your next application instead of waiting until your current licence is about to expire. We will happily provide you with all the information you need. It's in our interests too to get complete and accurate application forms from societies that are right first time. As always, our contact details can be found on the final page of Gambits.

## New Inspectors of Gaming

Last year we told you about the Government's intention to increase the number of audits of gaming machine societies so that every society will be audited at least once every two years. The Gaming Compliance Unit has employed a number of additional Inspectors of Gaming with a varied range of skills and experience to assist it in meeting this objective.

The number of inspectors has doubled, with the total number of staff in the Unit shortly to be standing at 35 nationally. The Northern Regional Office situated in Auckland will have 11 Inspectors once all vacancies have been filled; the Central

Regional Office situated in Wellington has eight inspectors, while the Southern Regional Office situated in Christchurch has nine inspectors. In addition there is a Regional Manager located in each of these Offices.

You can expect to see a lot more of the Gaming Compliance Unit in future. While audits and investigations will remain their primary focus, there will be more opportunities to provide you with advice and information about the right way to run gaming machines.

# Are you planning for 1 October 2002?

**The December 2001 issue of Gambits highlighted the new licence conditions that were introduced on 1 October 2001 but do not take full effect until 1 October 2002. This item reminds you about those licence conditions and suggests you plan for the changes now. The transition period expires on 1 October 2002, less than seven months away.**

## **Licence Condition 14 - No gaming machine "shops" or sub-divided premises**

Under licence condition 14:

- there can be no more than one gaming machine site in a building, and
- gaming machines cannot be the primary activity on any site.

Gaming machine "shops" will have to close or change the nature of their business by 1 October 2002 so that gaming machines become only an incidental activity on the premises. Any second site in a building that has more than one gaming machine site will need to close as well.

## **Licence Condition 15 - Sites need a "supervised" or "restricted" liquor licence.**

The Gaming and Lotteries Act does not explicitly stop children from playing gaming machines. This is why, when they were first licensed under the Act, machines were kept out of venues that were freely accessible to unsupervised children. They could operate in clubs, taverns and pubs but not in shops, takeaway bars or amusement parlours. Sites had to have the type of liquor licence that stopped minors roaming around or going onto the premises alone.

An ordinary "on" liquor licence will not serve this purpose. Sites need to have a restricted or supervised licence that sets aside at least a part of the premises as a "no go" zone for children. The machines must be placed in this area.

The new licence condition 15 makes the department's requirements absolutely clear. Sites without the necessary designation have until 1 October 2002 to obtain it. It will not be enough to put up signs saying that children cannot play the machines. Signs alone do not work.

Please note that the new condition states that machines can be played during the hours on the liquor licence only.

We are frequently asked whether TAB sites with no restricted or supervised liquor licence will have to close down. The answer is no. This is because the statutory prohibition on selling bets to minors is as effective as a club, restricted or supervised liquor licence in keeping unsupervised children away from machines.

## **Licence Condition 18 - Site agreements**

Gaming machine licences are issued to societies with a set of 60 standard licence conditions. Gaming Compliance audits each society's performance against those conditions and Gaming Licensing will not renew or issue a licence or site approval when a licence condition has been seriously breached.

It's absolutely essential that site operators know about any conditions that relate to their day-to-day management of machines. The key document for communicating the conditions is the site agreement.

Some site agreements are out of date and do not include all the relevant licence conditions.

Licence condition 18 gives societies until 1 October 2002 to amend any agreement that falls into this category. If your site agreements run for more than one year, be sure to provide in the agreement for updates from time to time to incorporate any new licence conditions or changes to the law. It goes without saying that site agreements will not be binding unless they reflect current legal requirements.

Licence Condition 56(3) - Site payments can be no more than \$150 per machine per week

**From 1 October 2002, societies may pay no more than \$150 (plus GST) per machine per week without a dispensation from Gaming Licensing. Societies have until 1 October to bring all their sites into line, although a site moving from one society to another before 1 October 2002 will be subject to any necessary adjustments at the time it switches trusts.**

This does not mean that completely unjustified and excessive payments can continue until 1 October 2002. The old pre-1 October 2001 licence conditions said that site payments must be “actual, reasonable and necessary”. Excessive payments are caught by that condition and are not covered by the period of grace, until 1 October 2002. If you have any doubts, make any necessary adjustments now!

**Site operators should note that societies are not obliged to pay as much as \$150 pmpw. This amount will be too much for some sites where lesser site value, labour and direct costs indicate that a lower total payment is called for.**

The first obligation for any society is to return at least 33% of its gaming machine profit to authorised purposes. Unless it does, it will lose its licence. Site payments and other expenses must be negotiated with that obligation in mind.

## Blue Book erratum

You should be aware that there is an error in the most recent version of the Blue Book.

Section 4.2 of the Gaming Machine Operations Manual (Blue Book) Version 1.3 outlines minimum requirements for application forms. The 5th bullet point on page 65 shows -

“provision for the name and signature of the site operator/agent recommending the grant (where applicable)”

This should read

“provision for the name of the site forwarding the application (where applicable)”

Licence condition 49(2) specifically prohibits site operator involvement in the consideration or decision process and site operators can only provide information about the application process.

Page 4 of the specimen “Request for Allocation of Gaming Machine Proceeds” form, which can be found following page 66, still contains a panel headed “Site Use (where applicable)”. This contains provision for the site operator’s name, the site name, signature of the site operator and date.

In terms of the department’s requirements, these fields are NOT MANDATORY, although societies may wish the site name to be entered for their own record purposes.

# Dispensations from the standard \$150 pmpw site payment

Gaming Licensing recently circulated the guidelines for dispensations from the \$150 pmpw (plus GST) standard maximum site payment. We have developed a fair and objective test that will be applied in the same way to all applications for dispensations.

According to our research, the \$150 pmpw (plus GST) maximum standard payment adequately covers the costs associated with an average gaming machine operation at site level. The department will not ask societies to set out detailed justification for payments up to \$150 pmpw in their application forms.

While a total site payment of up to \$150 pmpw is appropriate for most gaming machine sites, it may not be enough for the very few high turnover sites that generate considerable work and costs for site operators and their staff. There are a limited number of exceptional sites that would qualify for a dispensation and they are characterised by higher than average costs and gaming machine profit in excess of \$1 million per annum.

Any society applying for a dispensation must provide information about the “track record” of the site in question. Information about performance and costs over at least the past three months should accompany applications for dispensations, using the form we have developed for the purpose.

New sites with no track record will need to operate at no more than \$150 pmpw for three months while they document the costs and “track record” of the site. Approved higher payments can be paid from the date of issue of the dispensation only (they cannot be back dated).

Please note that all sites will be treated the same way, so moving from one society to

another will have no effect on a site’s entitlement to a dispensation.

Sites should be wary of societies offering payments in excess of \$150. Either those payments are unlawful or the promises will not be kept (unless yours is a very high performing site).

Dispensation forms are available from Gaming Licensing. Phone Gavin Duffy, Team Leader, Gaming Licensing on 04 495 9471 if you would like a copy. The guidelines to licence condition 56(3) on our website - [www.dia.govt.nz](http://www.dia.govt.nz) provide more information on dispensations. Open the DIA homepage and click on the “gambling” link. The “Licensing” link will take you to the Gaming Licensing page where you will find the guideline to LC56(3) in the 2001/02 Set B Public Premises set of Licence Conditions.

## Getting competitive quotes

Just a quick reminder that licence condition 52(a) for public premises, and 43(a) for clubs, requires competitive quotes for uniforms, sports goods or other purchases from authorised purposes money. Societies should seek (and retain) at least three quotes, so they can be sure they are getting the best price.

# Dispelling the myths

- A message from Warwick Hodder,  
National Manager, Gaming Compliance

**Here are a few of the more common misconceptions that Inspectors of Gaming are finding:**

- it's okay to use the gaming machine proceeds as a means of driving your business
- it's okay to be selective about who obtains a grant application form from your hotel
- lotteries (raffles) offering alcohol as prizes are okay
- lotteries (raffles) offering jackpotting prizes are okay
- sales promotions offering alcohol as prizes are okay
- sales promotions offering jackpotting prizes are okay
- if you get caught running an illegal lottery or sales promotion it will not affect your gaming machine operation
- as long as it's the local sports club who comes to you and "offers" something in recognition of them being recommended for a grant that's okay but if you arrange the deal it's not okay
- The department only warns you when it detects non compliance within your gaming machine operation
- a cancelled or suspended site approval will not affect your future suitability to be involved in being involved with running gaming activities of any type (including gaming machines)
- a conviction under the Gaming and Lotteries Act, Racing Act or Crimes Act will not affect your suitability to operate machines
- a non-discharged bankrupt may continue to be associated with running a licensed gaming activity.

The Gaming Compliance Unit wants to dispel these myths. None of these statements is true and if you believe them, you are likely to place your gaming machine licence or site approval in jeopardy. Site operators are encouraged to do everything they can to protect what is now an essential part of their business operations by operating lawfully.

The Gaming Compliance Unit has recently doubled in size. This increases the risk associated with being involved in unlawful activities.

The Unit's audit model is no longer 'new technology' and everyone operating gaming activities should be well aware of our focus on compliance with the Blue Book and licence conditions. Accordingly certain high-risk failures will attract a much higher penalty than before. High risk failures include sites' late banking, societies' failure to notify cases of late banking, lack of appropriate signage and/or problem gambling material, preconditions being placed on grants, grant application forms not being made available on request, staff playing gaming machines, operating unauthorised gaming machines, making unauthorised modifications to gaming machines, etc.

The Unit is also being made increasingly aware of some societies or their employees or agents offering unlawful arrangements. Some examples of these arrangements are:

- site operators accepting cash incentives to change from one society to another
- site operators being offered refurbishment or theme-ing of their gaming machine rooms as an incentive to change from one society to another
- site operators being reimbursed for alterations to their gaming room which do not actually happen, either as an incentive to stay or to transfer from another society
- site operators being reimbursed for alterations that take place elsewhere on the premises
- site operators and/or employees having "pet" suppliers to which they direct recipients
- finance companies offering cash incentives to preferential customers
- sites being "sold" in return for a share of the gaming machine proceeds
- societies holding bank accounts or "slush" funds that have so far passed an audit

We want to make it very clear that we intend to fully investigate any of these or similar types of arrangements that come to our notice. I can assure all concerned that we will be much less tolerant when we find serious wrongdoings.

I encourage you to operate within the rules.

# New General Manager for Gaming and Censorship Regulation



We welcomed our new General Manager, Keith Manch, to GCR at the end of February. Keith came to the department after more than six years as General Manager of the Ministry of Consumer Affairs.

Keith has worked closely with the private sector on developing codes of practice and disputes resolution processes and has an extensive background in investigation and compliance. He began his career as a police officer, became an investigator with the Commerce Commission and went on to become National Manager in its Fair Trading Division where he played a significant role in developing investigation, enforcement and compliance policies.

In announcing his appointment, the department's Acting Chief Executive, Katrina Bach, said Keith's experience in working with industry and consumers to achieve better compliance with the law, at lower cost, would be of particular help in his new role.

Gerald Scanlan, Acting General Manager until Keith's appointment, is returning to his role as Director Strategic Support in the department. Those who met Gerald in the last few months will know what a valuable contribution he has made to the gaming machine sector in a very short time, particularly to the new set of licence conditions.

We will miss him and wish him well for the future.

## TO CONTACT US...

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## Filling in the machine forms

Traditionally we have met with a lot of resistance with regard to the forms you are obliged to complete when running a gaming machine operation. Despite our assurances to the contrary, the popular belief seems to be that these forms are imposed by the department as a means of making life difficult for those administering gaming machines.

In the past week, three clubs of various types have discovered some rather large instances of theft from their gaming machines. Without exception, the thefts would have been discovered almost immediately had the required forms been completed and analysed at the time.

More importantly, the thefts might never have occurred because those committing them would be likely to know that the club had good systems and procedures in place.

Do yourselves a favour and familiarise yourself with the Gaming Machine Operations Manual (the Blue Book). If you have misplaced your copy don't despair as you can access another copy from the department's website.