

THE DEPARTMENT OF INTERNAL AFFAIRS



Te Tari Taiwhenua

Class 4 Information Project

ESTABLISHING A STANDARD APPROACH TO INFORMATION GATHERING FROM CLASS 4 GAMBLING OPERATORS

Final Report

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Introduction

1. The Class 4 Information Project (the Project) is aimed at identifying stakeholder and Department of Internal Affairs (the Department) policy information needs in relation to class 4 gambling (gaming machines outside casinos) and recommending processes to meet those needs. This report discusses the issues, the advantages and disadvantages of possible solutions and the outcomes of consultation. The report finishes by recommending ways forward.

Executive summary

2. The Class 4 Information Project consulted with a wide range of stakeholders and identified a shortage of information relating to the allocation of gaming machine proceeds to authorised purposes and information relating to exclusion orders.
3. The Department should collect 'raw' un-tabulated data from operators for all applications for funding from gaming machine proceeds, which should include successful and unsuccessful applications for funding to operators that mainly distribute proceeds, and the application of proceeds by operators to their own authorised purposes.
4. The Department should establish a database to collect the information from operators via an electronic portal. The database should be incorporated into the Enterprise Reporting Warehouse.
5. The Department should establish a bi-annual section 365 request from gaming machine operators for information relating to exclusion orders and excluded persons. The information should be provided on a standard-form electronic spreadsheet. The information should be able to identify where persons have been issued with exclusion orders from multiple venues. The Department should issue a template exclusion order form that enables venues to collect the required information from excluded persons.

Background

6. The Project was identified in the 2006/07 Regulation and Compliance Branch Business Plan as "Standard approach to information gathering from class 4 operators – RC14". For convenience the project is referred to as the "Class 4 Information Project".
7. The Gambling Act 2003 (the Act) is intended to ensure (among other things) that gambling is operated fairly and with integrity; that the funds raised by gambling benefit the community; that the harm caused by gambling is prevented and minimised; and that the community is involved in decisions relating to the provision of gambling. The purposes and aims of the relevant legislation affirm the interests of the Government and the New Zealand community in gambling operations, and are based on the idea that gambling operators are accountable to the public for the impact of their operations.
8. In order for these purposes to be achieved, it is critical that regulators and stakeholders have access to regular, accurate information about gambling operations. Regular, accurate, and detailed information on class 4 gambling is

essential to evaluate the outcomes of the Act and provide information to Ministers, Members of Parliament, territorial authorities, community groups and other stakeholders on trends in community funding.

9. The Department currently gathers a variety of information from class 4 societies for compliance purposes. However, some class 4 gambling information, particularly information that would be useful for policy as opposed to compliance purposes, is currently collected on an ad-hoc basis or not collected at all. A more regular supply of detailed information in a consistent format would enhance significantly the way the Department and key stakeholders in the gambling sector make decisions and provide advice and submissions to Ministers and Government about the operation of the sector.
10. The Department identified two areas where information about class 4 gambling operations can be enhanced. These areas are:
 - Information on funds allocated to authorised (community) purposes; and
 - Information on exclusion orders.
11. Territorial authorities have expressed a need for regular, accurate information on the distribution of gaming machine funds within their communities. This information feeds into their regular review of class 4 gambling venue policies, which enables the community to have input into the number and location of gambling venues in a district.
12. Community groups and gambling sector groups have expressed a wish for better information on class 4 gambling operations in order to gauge and balance the costs (harm) and benefits created by gambling. Ethnic groups in the community, particularly Chinese and Maori, have also expressed similar concerns.
13. As the agency responsible for administration of the Act, the Department has both a major interest in gathering this information and the mandate to do so. Section 365 of the Act allows the Department to collect information from operators for policy and research purposes.
14. The benefits of gathering information on a regular basis and in a consistent format are:
 - Information is readily available for policy development purposes and for use both by societies and by external stakeholders such as territorial authorities;
 - Information is complete – there are no gaps;
 - Information is readily comparable between societies and over time;
 - The costs of gathering information are reduced in the long term, as ad-hoc projects do not have to be set up every time information is needed; and
 - The transparency and accountability of information from class 4 societies is improved, enhancing public confidence in gaming machine society operations.
15. The collection of information on a regular basis and in a consistent format ensures all communities are well informed and supports the Department's actions as an exemplar regulator. It also encourages efficiency as costs (to both the Department and operators) of gathering information are reduced in the long term, as ad-hoc projects/systems do not have to be set up every time information is needed.

Previous Department information collection practices

16. In the past, the Department has undertaken three detailed surveys of the allocation of funds to authorised purposes (*Where Do Gaming Machine Profits Go?* 1996, 1999, 2005). These surveys do provide a regional (or in the latest case local) breakdown of grants and a detailed breakdown of recipient/purpose categories. While they provide a generally accurate overview, the surveys have had the following limitations:
 - The surveys rely on responses to a questionnaire. The response rates have been 74% (1996), 63% (2000), and 76% (2005), which means there are gaps in the information collected.
 - Results are based on Departmental researchers' "best guess" about information that is often vague and provided in an inconsistent format.
 - Because they are onerous to undertake, they are not repeated frequently and information is often out of date and thereby not of greatest use to stakeholders.
 - As these are ad-hoc requests, operators may not have the information available. If they do, it may be difficult to access, collect and provide in a useable format. As such, they are time consuming for societies to manage and do not encourage 'buy in' from participants. They do not encourage operators to adapt their systems to facilitate the regular provision of this information.
17. It is also worth noting that while a reference to section 365 was made in the written request for information for the 2005 survey, in practice compliance was voluntary and no action was taken towards non-compliance from the sector. In the current state of the sector's information resources these surveys represent a significant compliance burden for some operators. The current surveys do not meet the expectations and information needs of the Department or stakeholders and cannot be relied on long-term as the only source of information in this area. A better approach to information gathering and analysis is required.
18. The Department has not previously collected information on class 4 exclusion orders.

Current sector information collection practices

19. The Department currently gathers a variety of information from class 4 operators for compliance purposes. This includes (among other things) licence application information, financial summary data, information for audit purposes, and the detailed gaming machine profit information on machine operations at venues that has recently become available via the electronic monitoring system (EMS).
20. However, some class 4 gambling information, particularly information required for policy purposes (as opposed to compliance purposes), is currently collected on an ad-hoc basis or not collected at all. Operators often have different systems for collecting such information and do not always collect the same data. While some larger societies have very comprehensive databases, this is not the case for the whole sector, particularly for clubs. Generally information pertaining to authorised purposes distribution, for example, is published at different intervals by different societies, in different formats. The Department understands that a great number of societies and venues are only collecting the bare minimum of information they perceive as necessary for complying with the (particularly publication) requirements of the Act.

21. Section 110 of the Act and the Gambling (Class 4 Net Proceeds) Regulations 2004 are the specific legislative requirements for societies' collection and publication of information. Section 110 describes the relevant information pertaining to net proceeds and the grants application process that must be published. Clause 5 of the Gambling (Class 4 Net Proceeds) Regulations 2004 also provides for the retention of grants process data and documents. Clause 13 of the same Regulations requires **some** of that information to be placed on a website.
22. The provisions/clauses operate as broad 'catch alls' with all encompassing language: for example 'details of all applications' in section 110 (4)(a). Unfortunately in practice, a lack of specificity has meant inconsistent understanding and *de minimis* practice from many in the sector in terms of publishing information.
23. Similarly, operators that mainly apply funds to their own purposes (including most clubs and so-called "end-user trusts") are not required to publish information on how the funds were applied.
24. Specific and **consistent** information, useful for policy creation, answering stakeholder queries and 'painting a picture' of the sector is not being collected by the sector. This is probably a result of the focus both by the sector and the Department of focusing on the core compliance requirements of the Gambling Act over the last few years. It is timely now to address the broader requirements of the Gambling Act around information collection and analysis in a more systematic way.
25. Two areas in particular, authorised purpose allocations and exclusion orders, have been identified as being important areas with a currently deficient information pool.
26. Firstly, information relating to exclusion orders issued by class 4 venues under sections 309 and 310 of the Act has been collected by licence holders sporadically, inconsistently and in a manner that is not useful for drawing conclusions as to how effectively this tool is being used. Currently the Department holds no data on the overall numbers, type, or locations of exclusion orders.
27. Secondly, with authorised purpose information, there has been no concerted effort to date – led either by the Department or the sector – to champion a joint, ongoing effort by societies to identify trends illustrating **who in what region** is asking for **how much** funding for **what purpose**. This has resulted in many societies keeping and furnishing (on request) simple lists of grant applicants and amounts. Such lists do not include details such as the amount originally applied for (if different from the amount granted), or the territorial authority district (if applicable) in which the grant was distributed. However, it should be noted that there is evidence of some societies making positive steps towards collecting and maintaining better information. The territorial authority gambling venue policy process, in particular, has given societies a previously lacking incentive to collect more detailed data on the local distribution of funds, to justify arguments that districts should continue to support gaming machine venues.
28. Few, if any, society grant application forms include questions that would enable an accurate assessment of distribution to authorised purposes by type, region and demography of beneficiaries. It may not be enough - in order to ensure gaming machine proceeds are benefiting communities – to only know an entity gave a grant to an 'authorised purpose'. Interested parties envisioned by the purposes of the Act should rightly expect to know information specific enough to chart regional and socio-

economic trends. For example, the number and type of unsuccessful grants in communities is one potentially informative data set that is not currently collated.

29. As said above, several of the larger class 4 operators do in fact possess comprehensive grants databases. The Project team were invited to observe the database being developed by the New Zealand Community Trust (NZCT). The NZCT system enables a detailed look into the history of specific grant applications. It also allows for aggregate reports to be created for trend information. However the database does not include the demographic information that could be useful for policy purposes. Also, it is unclear whether smaller societies would be able to support, technically or financially, a similar database.
30. The NZCT database is also linked into a database operated by Grants Monitoring Limited (GML). GML is a company equally owned by four gaming machine societies (NZCT, Scottwood Trust, The Lion Foundation, and The Southern Trust). Grant information is fed from these societies into the GML database, which is used mainly to identify 'double-dipping' from applicants. The costs of running the GML database are shared by the owners.

Class 4 Information Project

31. While the results of the surveys detailed above were of some value, the Department's experience with this type of information gathering reinforced its desire for a formal information gathering process that provided consistent, timely and useful information while minimising the burden on operators.
32. In September 2006, the Class 4 Information Project team was convened with the mandate of identifying regulator and stakeholder information needs in relation to class 4 gambling and recommending processes to meet those needs. The team began by outlining all interested stakeholders and their potential information needs. Data that needed to be collected would firstly have to be:
 - relevant to the purposes of the Gambling Act;
 - relevant to the policy/information needs of the Department;
 - relevant to the information needs of major stakeholders;
 - suitable for aggregating into statistics; and
 - consistent with government statistics (and E-Government if necessary) requirements.
33. Essential information needs for grants were identified as:
 - the identity and location of applicant (by region or regions or nationwide);
 - category of grant applied for (e.g. sport, social services, arts); and
 - category of the applicant including whether grants are intended to benefit any specific cultural/ethnic group (e.g. Maori, Pacific, Asian).
34. Essential information needs for exclusion orders were identified as:
 - Number of self exclusions versus venue initiated exclusions;
 - The identity of the excluded person and their location;
 - The status of the exclusion order, that is expired, in breach, etc;
 - The total number of venues the person has been excluded from; and

- Demographic information about who is being excluded.
35. Demographic information with regards to excluded patrons is important for building an understanding of the types of people who actually make use of this tool. This may assist in an overall assessment of the effectiveness of the exclusion order provisions for vulnerable populations. Information of this type, for example, could be compared with the Problem Gambling Intervention Services statistics.

External consultation

36. A consultation document was created that discussed current impediments to the gathering of quality information and what information was needed. The consultation document is attached as Appendix A. The paper sought detailed comment through a series of questions relating both to current information gathering processes and possible amendments in form and law. For example, the paper asked whether it thought the Department's information gathering powers were best utilised through further section 365 information requests or conversely, regulation. The paper also asked stakeholders to identify any other information requirements they would like to see the Department providing. In January 2007, around 450 copies of this paper were sent to an array of relevant stakeholders including:
- All Class 4 gambling operators and the Charity Gaming Association (the CGA);
 - Hospitality Association of New Zealand (HANZ);
 - Members of the Expert Advisory Group on Preventing and Minimising Gambling Harm;
 - Clubs New Zealand;
 - Returned Services Association;
 - Problem Gambling Foundation;
 - Gambling Watch;
 - Centre for Gambling Studies;
 - Problem Gambling Service Providers;
 - Local Government New Zealand and TAs; and
 - Maori cultural and academic interests.
37. Face to face meetings were held with key stakeholders such as the CGA, Clubs New Zealand, HANZ and others to ensure their concerns, potential obstacles and solutions were fully discussed. The Minister was informed of the consultation.

Internal consultation

38. While this document was out for external consultation, the Project team consulted extensively internally in order to assess capacity for change, different teams' potential information needs and the nature and cost of potential technological solutions. Teams consulted with included:
- Gaming, Racing and Censorship Policy;
 - Research and Evaluation Unit;
 - Gambling Compliance Group (Gambling Compliance Unit and Operational Policy Unit);

- Office of Ethnic Affairs;
 - Effectiveness for Maori;
 - Systems Support; and
 - Local Government and Community Branch (regarding Lottery Grants).
39. Feedback from the Research and Evaluation Unit was particularly useful as it was based on the experience of undertaking the gaming machine profits surveys. It was felt that it was important for the Department to maintain the ability to classify and manipulate 'raw' information received from operators. This is because it removes the burden of tabulating information from operators and ensures consistent classification practises for the information.
40. Consideration of the scope of section 365 indicates that information gathered for policy purposes should not be used directly for compliance purposes, although it may be used to "flag" areas requiring further examination or investigation in accordance with appropriate provisions of the Gambling Act. The Department intends to manage this issue carefully to ensure those providing information maintain confidence in doing so.
41. Discussion with relevant internal teams was on-going throughout the development of this report as various issues arose. These are discussed below, where appropriate.

Results of initial consultation

42. The first round of external consultation ended in February 2007. A copy of the detailed analysis of submissions received is attached as Appendix B. A large number of stakeholders, including all territorial authority submitters, supported enhanced gathering of information, particularly related to grants and exclusion orders. Stakeholders suggested that additional information (to that identified in the consultation document) could be collected, for example data regarding unsuccessful grant applications. Stakeholders also suggested additional information about exclusion orders, such as third party involvement, the exclusion history of the patron and amounts of money lost at venues with exclusions.¹
43. Other information stakeholders suggested would be useful included the extent to which entities were reliant on gambling grants and targeted information to aid territorial authorities in making their class 4 gambling policy reviews (for example, providing information at a ward level).
44. Generally stakeholders were keen to ensure that the collection of information was as unobtrusive as possible and did not add extra compliance burdens. Submitters were of the view that it would aid the process if the Department clearly specified what information it required so that its collection could be incorporated into business practices.
45. Requests for demographic and ethnic information were regarded as unhelpful by many submitters. In particular, some submissions raised the concern that the collection of demographic data about exclusion orders could pose a barrier to the tool being taken up effectively by its target audience. Many submitters also noted they had existing duties and processes regarding the implementation of the exclusion

¹ EMS would give an accurate history of turnover for a specific venue for a given period.

order process that should be taken into account in the setting of any information requirements.

46. In summary, consultation indicated to the Department that there was a will and desire for better information collection and publication from the sector and stakeholders. There was a strong emphasis on ensuring that any information collection regime did not create unreasonable compliance burdens and was not unnecessarily intrusive.
47. As a result of the external and internal consultation, the Project team approached the development of the response to each of the two issues (grants and exclusion orders) separately. Four options were developed and considered for collecting information on the allocation of proceeds to authorised purposes, which are discussed below. The feedback regarding exclusion orders resulted in a second consultation document proposing a system for collecting the required information and what that information would include.

Options explored for collecting authorised purpose information

48. With the range of useful internal and external comment that had been received, the Project team developed four potential options for collecting information on the allocation of authorised purposes. The four potential options are:
 - Option A: Class 4 societies' own databases with aggregate reports being provided regularly to the Department.
 - Option B: A Department owned database fed with individual application data or tabulated aggregate information from societies.
 - Option C: Regular and more frequent repetition of the Department's '*Where do Gaming Machine Profits Go?*' survey
 - Option D: Sector Wide adoption of an existing grants monitoring system (such as GML) with or without changes to its structure.
49. When using "database" in this discussion, the report is referring to an electronic solution for storing and manipulating data, which may or may not be a database in the technical sense. The technical features of the database are beyond the Project team's expertise and are an issue for IT/Systems Support to determine.

Option A – societies tabulate information

50. Societies would collect and tabulate the grants information and 'feed' the Department with regular aggregate reports.
51. This option has the advantage of ensuring greater society control over information. It creates a positive impression that societies are proactive and involved in information gathering. It may be the easiest option for clubs. However, with the different societies controlling the flow of information to the Department, it would place greater onus on them to ensure information is provided in a uniform manner. This could be mitigated by DIA providing a template or guidelines. However, some of the more complex data fields (e.g. purpose of grant) would require either a free text field (with potential for great variation in describing the same thing) or an exhaustive list of possible categories (which could be onerous for societies to work through).
52. There is also an issue of flexibility, in that, if the Department was only receiving pre-populated tables from the societies, there could be problems if it wished to generate

information in an unforeseen way (due to a stakeholder request). This option could also result in increasing costs for societies (as opposed to being borne by the Department) and potentially adverse public perceptions that the society databases were not neutral information repositories.

Option B – societies provide raw data

53. The Department would own and operate a database and populate it with information on applications and allocations at regular intervals. This information could then be tabulated in a host of useful formats. In theory, this option has the potential to be costly for the Department depending on how it is set up. That is, the cost of setting up a database can vary tremendously depending on its functionality and how it is being 'fed' (by Internet forms, hard copy, spread sheets, tables etc). This option would have the advantages of minimising cost to the sector while enhancing a perception as to the neutrality of the data presentation process. This option was the preferred one of many operators and would allow the Department the greatest ownership of the data. It would potentially allow the greatest level of consistency and give the Department greater ability to manipulate the data in any desired way.
54. The sector has indicated in consultation that the Department owning this information function could suggest an inappropriate encroachment by the Department in to the field of grants decision-making. Sufficient processes would need to be set in place in this process to eliminate that perception and make it clear the management and tracking of net proceeds allocation remained the responsibility of operators.

Option C – improve profits survey

55. This option would essentially be the status quo with modifications to improve the timeliness and accuracy of the information. While it has the advantage of being unobtrusive from the perspective of imposing a foreign data collection system on entities, as detailed above, responses to the survey tend to be inconsistent in quality and do not provide all the information that stakeholders require.
56. If this option was retained it would need to be modified from past practice to ensure it was done more regularly, with greater consistency, and with effective compliance. It would be beneficial to give notice that the request for information would be made for a certain period prior to the period commencing, so that operators can initiate information collection in the form requested by the Department as part of their business operations.

Option D – utilise existing grants monitoring database

57. This option would involve the imposition of an existing electronic information system on all societies. This could involve less cost to the Department and some (four at present) societies as it would involve 'piggy backing' on an existing database.
58. As noted above, existing grants databases such as that operated by GML already cover a great amount of the information required. This option was flagged during consultation as the preferred option of the CGA, whose larger members have an investment in this system. Imposing an existing system on other operators that do not currently use it (particularly clubs and smaller operators) would add significant costs for these operators.

59. Using a society-generated database reduces the Department's ownership of the information. It also raises perception issues relating to the neutrality of the data, as the shareholders of GML are four gaming machine operators.

Preferred option

60. At this stage, the preferred option for the Department for the collection and analysis of grants data was Option B. Subject to the exact costing of a database, this option presented the best mix of perception, ability to manipulate information for stakeholder's needs and possibility of universal acceptance by a variegated sector.
61. With a preferred grants information option selected by the Project team, submitters were informed in a July 2007 mail out of the process regarding grants information to date and the preferred option. A copy of this letter is attached as Appendix C. The sector raised no objections.

Progressing the development of the grants database

62. The grants database could be developed within the Department's Enterprise Reporting Warehouse, as part of planned work on an Integrated Gambling Platform (the business case and implementation plan work for this is underway). The benefit of this is that the Enterprise Reporting Warehouse is already built and maintained, meaning the grants database would not need to be built and maintained separately; and developments in this area would complement other technology developments supporting the regulation of gambling. The cost of setting up the grants database within the Enterprise Reporting Warehouse would also be less.
63. This system relies on defining data fields in a mandatory format, which can be provided to the Department from operators in xml or CSV comma delineated files sent directly to a holding box. An extraction process can be performed to transfer the data into the Enterprise Reporting Warehouse.
64. It would be extremely beneficial to develop a pilot of this system. It could involve two or three of the larger gaming machine operators, as well as a small number of clubs volunteering information. This would aid the development of the relevant data fields and enable us to analyse whether the fields produce the desired reports. It would also give us the opportunity to work through issues with operators in order to develop an efficient and useful scheme, and to foster sector acceptance of the proposal.
65. The Gambling Compliance Group should be the business owner for the development, piloting and establishment of a grants database.
66. As a note, it may be beneficial to have a discussion with the Local Government and Community Branch to align the information collected on the allocation of gaming machine proceeds with the information collected on the allocation of funding from LG&C-administered funds.

Interim recommendation: profits survey

67. It is important to gather information on allocations to authorised purposes while the grants database is developed. As an interim measure, the gaming machine profits survey should be repeated for the 2009 calendar year. It should take on the

suggestions discussed above in paragraphs 55 and 56. Formal notification should be sent to operators prior to July 2008 and should include an indication of the information the Department requires and how it proposes to collect it.

68. Resources should be allocated to Gambling, Racing and Censorship Policy or the Business Assurance function within the Gambling Compliance Group for undertaking the 2009 gaming machine profits survey.

Proposed authorised purpose information to be collected

69. Based on the outcome of the initial consultation, the Project team developed the type of information that would be useful to collect from operators regarding the allocation of gaming machine proceeds to authorised purposes. The Project team envisages that further consultation and testing on the details, format etc of information to be collected would be progressed as part of the development of a grants database. This is because the development of a grants database will require the establishment of mandatory data fields for input, which will need to be determined during the development stage [see the discussion in paragraphs 62 to 64].
70. A distinction needs to initially be made between operators that mainly apply gaming machine proceeds to their own authorised purposes (mainly clubs and “end-user trusts”) and operators that mainly distribute proceeds (gaming machines societies that make grants). It should also be noted that some operators that mainly apply proceeds may also distribute some proceeds to other authorised purposes.

*Societies that **distribute** proceeds to authorised purposes (i.e. via grants)*

71. The team saw benefit in submissions suggesting the Department collect information on all applications for grant funding from gaming machine proceeds. This would include collecting information on both successful and unsuccessful applications. This would provide information on the demand from community groups for this type of funding. This is an extension of what was included in the initial consultation paper as it only discussed collecting information on the actual allocation of proceeds. It is also an extension on the information collected in the gaming machine profits surveys.
72. As a result, the Department should request the following information from non-casino gaming machine operators that **distribute gaming machine proceeds to authorised purposes**, for each grant application:
 - regarding the applicant:
 - the name of the applicant organisation ;
 - the geographical category of the grant applicant;
 - the category of the grant applicant;
 - whether the grant applicant represents a particular sex, ethnic or age group;
 - regarding the application and its purpose:
 - the date of the grant application for a distribution of gaming machine funds;
 - the amount (\$) of gaming machine funds applied for in the application;
 - the purpose of the application;
 - whether the purpose relates to a particular geographic area;
 - whether the purpose of the application is to benefit a particular sex, age or ethnic group;

- whether the grant application was successful;
- if the application was successful, the amount (\$) distributed;
- if the application was unsuccessful, or partially successful, the reason for the decision;
- whether any amount distributed for successful applications was refunded to the operator, and if so, the amount (\$).

*Societies that **apply** proceeds to their own authorised purposes (e.g. clubs, “end user trusts”)*

73. The Department should request the following information from non-casino gaming machine operators that **apply gaming machine proceeds to their own authorised purposes**:

- the name of the operator;
- the geographical category of the operator;
- the (applicant) category of the operator;
- whether the operator represents a particular, sex, ethnic, or age group;
- the purpose funding was used for;
- whether the allocation of gaming machine funds to an authorised purpose has benefited any geographic area, or particular sex, ethnic or age group;
- the amount (\$) of gaming machine proceeds applied to each authorised purpose.

74. If an operator that mainly applies also distributes, the operator should also provide the Department with the information requested for distributions of gaming machine proceeds outlined above.

Categories of data

75. An indicative list of categories relating to sex, ethnic group, age group, geographical category, applicant classification, and purpose classification is attached as Appendix D.

76. The Project team decided there was merit in the profits survey convention of making a distinction between the category of the grant applicant and the category of the application's purpose. This is made to distinguish between who receives the money and why they spend it. These may be different. For example, a school that receives funding for sports team uniforms would fall within 'education' as an applicant category, but the purpose category would be 'sport'. A decision was made to have broader categories for the classification of the applicant than the purpose. This is to simplify the information as much as possible while still maintaining the collation of valuable information. It is envisaged that this will save resources while also making the information easier to access.

77. The geographical categories are to identify where in the country the money is being used. The classifications include a 'national' category for bodies that have a national focus and will tend to be peak bodies, eg the New Zealand Cancer Society. There is a 'regional' category for organisations that operate within a region but across more than one territorial authority district, eg Sport Waikato. The 'local' category applies to organisations that mainly operate within a single territorial authority district. Generally, clubs and RSAs are likely to be 'local' organisations.

78. Sex and age group categories follow the Statistics New Zealand standard. Operators should collect this information by asking applicants to identify whether their organisation represents a particular sex or age group. It is anticipated that many organisations may consider themselves as reflective of the general community. As a result, there would be no need for these groups to specify a particular sex or age group. Similarly, the same question should be asked regarding the purpose of the application. While an organisation may consider itself to represent the general community, the application for funding may be for a particular part of that organisation that is representative of a particular sex or age.
79. It is strongly suggested that ethnicity be self-reported by applicants. Organisations should be able to report more than one ethnic category. Again, it is anticipated that many organisations will consider themselves representative of the general community rather than any particular ethnic group. And again, there should be separate questions relating to the applicant organisation and the purpose.
80. Questions have been raised about whether the Department has a mandate to compel societies to gather demographic information from grant applicants. Our view is that gathering this information is strongly aligned to the purpose of the Act and is beneficial for all concerned. It greatly enhances the Department's ability to evaluate the impact of the Act and whether it is working as intended. It gives societies more information on which to assess applications. It enables societies to give the public better information on the destination of grants and thus be properly accountable to the communities which provide gaming machine funding. If societies fail to gather the requested information, regulatory options could be considered.
81. Our recommendation is that societies be requested under section 365 to provide the information on allocation of funds to authorised purposes listed in para 72. To assist societies in achieving this, a model grant application form should be developed that assists in gathering the appropriate information from applicants.

Exclusion order information consultation

82. As exclusion orders occur far more sporadically than grant applications, a simpler system can be utilised for the collection and tabulation of this information. The key issues to be resolved were how the information was to be collected and what information would need to be gathered.
83. A second consultation document outlining the options for establishing a standard approach to collecting information on exclusion orders was released on 6 July 2007. The consultation document is attached as Appendix E. The consultation document was sent to submitters from the first round of consultation, as well as other relevant stakeholders. Measures were taken to ensure that the consultation would also include the views of a selection of clients seeking problem gambling treatment.
84. The consultation document proposed collecting information on exclusion orders from gaming machine operators under section 365 of the Act bi-annually (being as at 30 June and 30 December). The consultation document provided for comment draft template exclusion orders and a proposed form for providing the information to the Department.

85. The proposal outlined included collecting certain information about exclusion orders and excluded persons. Information on the exclusion orders would indicate **where** and **what type** of exclusion orders were being issued. The demographic information on excluded persons would help build a picture of **who** was being excluded.
86. The information about exclusion orders proposal was to collect information on:
- the venue and TA of the venue to which the exclusion order relates;
 - the type of exclusion order, ie a venue-initiated exclusion order or a self-exclusion order;
 - the date the exclusion order was issued;
 - the date the exclusion order expires;
 - whether a third person (eg a problem gambling treatment counsellor) or significant other (eg a family member or a friend) is involved in obtaining an exclusion order; and
 - the number of times the exclusion order has been breached.
87. The proposal suggested looking at collecting the following information about excluded persons:
- initials;
 - date of birth or year of birth;
 - sex, eg male or female;
 - ethnicity; and
 - occupation and/or income.
88. The collection of initials and date of birth was proposed to enable the Department to identify situations where a person was excluded from a number of venues. The rationale was that matching initials, date of birth and other demographic information would enable an individual to be identified without requiring a name. This would allow for a more accurate analysis of exclusion order use, while providing some measure of protection of individuals' privacy.
89. There was a lot of discussion around the collection of information about excluded persons and the privacy implications of providing personal information to the Department. The consultation document outlined that the demographic information would need to be voluntarily provided by the excluded person. The discussion on privacy issues focussed around the collection of personal information to identify circumstances where one person was excluded from multiple venues. The draft exclusion order form provided with the consultation document gave information on what the personal information requested would be used for, and provided for a signed statement by the applicant that they had understood what the information would be used for.

Results of exclusion order consultation

90. The exclusion order consultation closed on 27 July 2007. An analysis of the submissions is attached at Appendix F.
91. There is general agreement to the proposal to collect information on exclusion orders as proposed. A number of submissions noted that the desire to collect statistical

information should not detract from the objective of the exclusion order system. The Project team has been particularly aware of this issue. Any information collection will need to balance the information needs of the Department and other stakeholders without discouraging people from requesting exclusions.

92. Responsibility for managing the exclusion orders information requests should be with the Business Assurance function within the Gambling Compliance Group, and resources should be allocated accordingly.
93. The collection of an income band was seen as too invasive. Feedback on the collection of whether a significant other was involved in obtaining the exclusion order, and the number of times the exclusion order was breached, indicated that there was a low likelihood of the information collected being reliable.
94. Consultation also indicated that the Department should develop a template exclusion order that covers both venue initiated and self initiated exclusion orders. It should enable venues and operators to collect the information about exclusion orders and excluded persons as above. It should be very clear what information is required, and what information is voluntary, both in terms of the words used and how the form is presented. It should also incorporate helpful information on the reverse. Operational Policy should be responsible for developing the template.

Privacy Commission's comments

95. There were a significant number of submissions that continued to express concerns around privacy issues. As indicated above the Department worked closely with its legal staff when developing the proposals. The Project team wrote to the Privacy Commissioner on 26 September 2007 requesting comments on the Department's proposal.
96. The Office of the Privacy Commissioner responded positively to the Department's proposal, particularly the attention to privacy details and that the information will only be collected on a voluntary basis as a safeguard for protecting individuals' privacy.
97. While acknowledging that the collection of the year of birth alone would involve less personal information than collecting the full date of birth, the Privacy Commission has no issue with either approach. It commented that the use of initials instead of full names would be an appropriate safeguard for individuals' privacy.
98. A particularly useful comment was in relation to the discussion about 'privacy waivers'. The Privacy Commission noted that individuals who allow their information to be collected and used by the Department are not waiving their rights to privacy. They are only consenting to the collection and use of the information for the specified purposes. The rights and safeguards provided under the Privacy Act remain in relation to that information outside of the uses to which the person has specifically consented.
99. The Privacy Commission also felt that the statement "your name and address will not be provided to the Department of Internal Affairs" found on the draft exclusion form could lead to people being unaware that their initials would be provided to the Department. The suggestion was to amend the statement so that it is clear that

initials only would be provided to the Department so that people know exactly what it is that their consent covers.

100. The Project team are of the opinion that the Privacy Commission's comments should be implemented.

Other information collection proposals

101. The initial consultation round resulted in the identification by some stakeholders of additional information requirements beyond the allocation of gaming machine proceeds to authorised purposes and exclusion order information.
102. Most of the suggestions came from TAs looking at their information needs for developing gaming venue policies. As a result, some of the suggestions were outside the scope of the Project, ie not related to non-casino gaming machine gambling. For example, Nelson City Council indicated that they would like to see information on the number of TAB venues (stand-alone agencies and in pubs/clubs) by TA (this information is freely available from the New Zealand Racing Board, which provides racing and sports betting under the TAB brand).
103. There was also a desire for problem gambling information to be disaggregated at a TA level. The Ministry of Health produces Problem Gambling Intervention Services Service-user Statistics. We should note that the 2006 statistics have been published since the initial consultation and these include origin of contact figures by TA.
104. The Wellington City Council noted an interest in establishing the reliance of clubs and other organisations on gaming machine funding. The Department should investigate research into this area, possibly with other government agencies, notably Sparc.
105. The Department's Casino Compliance Unit has been provided with the consultation documents relating to exclusion order information. There would be real benefit for the same information being requested of Casino operators relating to exclusion orders and excluded persons in order to have the information to compare between the different forms of gambling and operators that utilise this harm prevention tool. Similarly, it would be beneficial to collect this information from the New Zealand Racing Board relating to TAB agencies and account holders.

Conclusions

106. The Class 4 Information Project has undertaken a broadly consulted analysis of how to implement information gathering from class 4 gaming machine operators. Submissions have shown an almost universal desire for the Department to lead with certainty and authority in order to fill the information void in relation to allocations to authorised purposes and exclusion orders.
107. The recommendations below represent the Project team's views on the most appropriate processes for collecting information to meet policy and stakeholder information needs.

Recommendations

The Project team recommends that:

1. Allocation of gaming machine proceeds information recommendations

- 1.1. The Department should collect regular information on the allocation of net proceeds from class four (non-casino gaming machine) gambling;
- 1.2. The Department should request the following information from non-casino gaming machine operators that **distribute gaming machine proceeds to authorised purposes**, for each grant application:
 - 1.2.1. regarding the applicant:
 - 1.2.1.1. the name of the applicant organisation ;
 - 1.2.1.2. the geographical category of the grant applicant [see para 77 and Appendix D];
 - 1.2.1.3. the category of the grant applicant [see para 76 and Appendix D];
 - 1.2.1.4. whether the grant applicant represents a particular sex, ethnic or age group [see paras 78 and 79 and Appendix D];
 - 1.2.2. regarding the application and its purpose:
 - 1.2.2.1. the date of the grant application for a distribution of gaming machine funds;
 - 1.2.2.2. the amount (\$) of gaming machine funds applied for in the application;
 - 1.2.2.3. the purpose of the application [see para 76 and Appendix D];
 - 1.2.2.4. whether the purpose relates to a particular geographic area [see para 77 and Appendix D];
 - 1.2.2.5. whether the purpose of the application is to benefit a particular sex, age or ethnic group [see paras 78 and 79 and Appendix D];
 - 1.2.2.6. whether the grant application was successful;
 - 1.2.2.7. if the application was successful, the amount (\$) distributed;
 - 1.2.2.8. if the application was unsuccessful, or partially successful, the reason for the decision;
 - 1.2.2.9. whether any amount distributed for successful applications was refunded to the operator, and if so, the amount (\$).
- 1.3. The Department should request the following information from non-casino gaming machine operators that **apply gaming machine proceeds to their own authorised purposes**:
 - 1.3.1. the name of the operator;
 - 1.3.2. the geographical category of the operator [see para 77 and Appendix D];
 - 1.3.3. the (applicant) category of the operator [see para 76 and Appendix D];
 - 1.3.4. whether the operator represents a particular, sex, ethnic, or age group [see paras 78 and 79 and Appendix D];
 - 1.3.5. the authorised purposes the proceeds were used by the operator for [see para 76 and Appendix D];
 - 1.3.6. whether any application of gaming machine funds to an authorised purpose has benefited any geographic area, or particular sex, ethnic or age group [see paras 77, 78 and 79 and Appendix D];
 - 1.3.7. the amount (\$) of gaming machine proceeds applied to each authorised purpose;

- 1.4. The Department should establish a standing request under section 365 of the Gambling Act 2003 to require class 4 gaming machine operators to provide information on the allocation of net proceeds;
- 1.5. A form should be issued under section 366 of the Gambling Act 2003 to prescribe the form that the requested information is to be provided to the Department;
- 1.6. The Department investigates the creation of a database within the Enterprise Reporting Warehouse (the grants database) with an electronic interface to collect this information regularly from class 4 gaming machine operators;
 - 1.6.1. The Project team strongly recommends that the Department maintain the ability to classify the information itself to ensure consistency;
 - 1.6.2. The Department should consider aligning the information that is collected in relation to the allocation of gaming machine net proceeds with the funds administered by the Local Government and Community Branch;
- 1.7. The creation of a grants database in the Enterprise Reporting Warehouse should be the responsibility of the Gambling Compliance Group;
 - 1.7.1. A member of the class 4 information Project team should be involved in the development of the grants database;
 - 1.7.2. A pilot grants database should be developed initially, involving two or three of the larger gaming machine operators and a small number of clubs, in order to gather data and establish appropriate data elements for collection;
- 1.8. As an interim measure, the gaming machine profits survey should be undertaken for the 2009 calendar year:
 - 1.8.1. Operators should be advised of the information required and the format for the collection of the information for the 2009 gaming machine profits survey before July 2008;
 - 1.8.2. The gaming machine profits survey should specify prominently that the information is being requested under section 365 of the Gambling Act 2003;
 - 1.8.3. Resource should be allocated to either Gambling, Racing and Censorship Policy or the Business Assurance function within the Gambling Compliance Group for undertaking the 2009 gaming machine profits survey;

2. Exclusion Order information recommendations

- 2.1. The Department establishes a bi-annual section 365 request from gaming machine operators for information relating to exclusion orders;
- 2.2. The request should be for information as at 30 June and as at 30 December;
- 2.3. The request should ask for information to be provided on a standard form electronic spreadsheet;
- 2.4. The request should seek information on exclusion orders and excluded persons;
- 2.5. Information on exclusion orders includes:
 - 2.5.1. the venue licence number and Territorial Authority of the venue to which the exclusion order relates;
 - 2.5.2. the type of exclusion order, eg a venue exclusion order or a self-exclusion order;

- 2.5.3. the date the exclusion order was issued; and
- 2.5.4. the date the exclusion order expires;
- 2.6. Information on excluded persons includes:
 - 2.6.1. initials;
 - 2.6.2. date of birth;
 - 2.6.3. sex;
 - 2.6.4. ethnicity; and
 - 2.6.5. occupation;
- 2.7. Information on excluded persons should be collected on a voluntary, self-reported basis and consent should be acquired to enable personal information to be provided to the Department;
- 2.8. The Department should develop a template exclusion order that covers both venue initiated and self initiated exclusion orders. It should enable venues and operators to collect the information about exclusion orders and excluded persons. It should be very clear what information is required, and what information is voluntary, both in terms of the words used and how the form is presented. It should include a section to acquire consent to use personal information. It should also incorporate helpful information on the reverse.
 - 2.8.1. The development of a template exclusion order should be the responsibility of Operational Policy;
- 2.9. Resources should be allocated to the Business Assurance function within the Gambling Compliance Group to undertake the exclusion order information requests;
- 2.10. Consideration should be given to requesting the same information relating to exclusion orders from casinos and the New Zealand Racing Board.

3. Further information collection recommendations

- 3.1. The Department should consider undertaking, commissioning, or working with other agencies on research into the reliance of clubs and other organisations on gaming machine funding.

LIST OF APPENDICES

- A. Consultation document: *Establishing a Standard Approach to Information Gathering from Class 4 Gambling Operators*
- B. Analysis of submissions: *Information Gathering*
- C. Letter to stakeholders: *Class 4 Information Needs – Grants Information*

- D. Draft categories for authorised purpose information
- E. Consultation document: *Options for a Standard Approach to Information Gathering from Class 4 Gambling Operators: Exclusion Orders*
- F. Analysis of submissions: *Exclusion Orders*