

Class 4 Information Project

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

Please send us your submission by 23 February 2007.

All submissions may be made publicly available, unless you say you don't want that. Even if you do ask that your submission (or part of it) be kept confidential, we might have to release it at a later date if someone makes a request under the Official Information Act.

You may send us your submission in any of the following ways:

EMAIL TO: Kate.Reid@dia.govt.nz

OR

POST TO: Kate Reid
Manager, Operational Policy
Department of Internal Affairs
P O Box 805
Wellington

OR

COURIER TO: Reception
Department of Internal Affairs
46 Waring Taylor Street
Wellington
(Attention: Kate Reid)

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1. What this paper is about

This paper is part of a project 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.

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 information on machine operations at venues that has recently become available via the electronic monitoring system (EMS).

However, some class 4 gambling information, particularly information required for policy 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. The Department and many key stakeholders require a more regular supply of detailed information in a consistent format.

This paper is about identifying stakeholder information requirements that are not being met by the Department and establishing realistic processes for collecting that information.

To do so, we would like stakeholders to tell us what information they would like to see the Department providing. Also, we need feedback from gaming machine operators on their ability to provide the required information and on processes that could be implemented to make it easier to collect and provide the information.

Two main areas have already been identified as areas in which information (for purposes other than compliance) is deficient. The areas identified to date are:

- Information on funds applied or distributed to authorised (community) purposes
- Information on exclusion orders.

Just to note, this paper is not about information the Department currently collects for compliance and licensing purposes, or will have available from the EMS.

We would very much appreciate your comments on the issues raised in this paper. We have provided questions to help identify certain issues, but you are welcome to comment on any issues not raised in the questions. You're welcome to comment on all the questions, or just the ones that particularly interest, or are relevant, to you. Some questions are specifically directed at gaming machine operators. We want to know what you think, even if that is only a couple of lines about one issue.

Please feel free to copy this paper, or pass it on, to anyone you think might be interested. It is also available from the Department's website (www.dia.govt.nz).

2. Why the Department requires this information

The Gambling Act 2003 (the Act) is intended to ensure (among other things) that opportunities for crime or dishonesty associated with gambling are limited; that the funds raised by gambling benefit the community; that the harm caused by gambling is prevented and minimised; and that the community can be involved in decisions about the provision of gambling. These purposes spell out 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. The purposes of the Act are unlikely to be achieved unless regulators and stakeholders have access to regular, accurate information about gambling operations.

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 (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
- The transparency and accountability of information from class 4 societies is improved, enhancing public confidence in gaming machine society operations.

2.1 Current information collection

As the agency responsible for administration of the Act, the Department has both a major interest in gathering this information and the authority to do so. Section 365 of the Gambling Act allows the Department to collect information from operators for policy and research purposes.

However, current requests for information under section 365 may not provide the required information. As they 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.

The Department is very keen to establish a formal information gathering process that provides consistent, timely and useful information while minimising the burden on operators.

2.2 Addressing information collection issues

Addressing the ad-hoc nature of information collection can be done in any number of ways. We would appreciate your feedback on the easiest way of regularly collecting the required information.

i. Schedule of section 365 requests

One way could be to establish a schedule of information requests under section 365 of the Act. For example, operators are aware that at a certain time every year the Department will request particular information under section 365. Similarly, different information could be requested at different times of the year.

A regular schedule of section 365 requests would provide a regular alternative to the current ad-hoc nature of requests for information. It could also detail the information required at certain times, and would provide a “no surprises” approach to information collection.

ii. Regulations

Regulations detailing what information needs to be collected, how it needs to be stored, when and how it should be supplied to the Department, etc could be created to provide regular and consistent information. See Part 4 for further discussion of possible regulations.

iii. Other ways?

Are there other ways you can think of for addressing the current ad-hoc nature of the Department’s information collection?

1. What do you believe is the best approach for the Department to take regarding information collection?

3. Information types identified to date

Two main areas have already been identified as areas in which information (for purposes other than compliance) is deficient. The two areas identified to date are:

- Information on funds applied or distributed to authorised (community) purposes
- Information on exclusion orders.

3.1 Information on funds applied or distributed to authorised purposes

Regular, accurate, and detailed information on the money that goes to the community from class 4 gambling is essential to enable the Department's policy advisors to (among other things) evaluate the outcomes of the Gambling Act and provide information to Ministers on trends in community funding.

Territorial authorities have expressed a need for regular, accurate information on the distribution of gaming machine funds within their communities. This information feeds into the 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. For similar reasons, organisations such as the Problem Gambling Foundation have expressed interest in receiving this type of information.

The type of information required by stakeholders is:

- How much gaming machine profit is **applied** to authorised purposes (e.g. a club funding its own purposes)?
- How much is **distributed** to authorised purposes (e.g. by way of grants)?
- How much gaming machine profit is allocated to authorised purposes:
 - in each territorial authority?
 - to regional organisations (eg which have benefits across more than one territorial authority, like Auckland)?
 - to national bodies?
- The category of the applicant:
 - by type eg sport, education, arts?
 - by specific cultural/ethnic group (e.g. Maori, Pacific, Asian)?
 - by specific age group?
- The purpose of the grant:
 - by type eg sport, education, arts?
 - by specific cultural/ethnic group (e.g. Maori, Pacific, Asian)?
 - by specific age group?

The distinction between the category of applicant and the category of purpose 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.

i. Survey data

In the past, the Department has undertaken detailed surveys of the application and distribution of funds to authorised purposes (*Where Do Gaming Machine Profits Go?*) at irregular intervals since 1996.

Unlike published grants data, these surveys provide a regional (or in the latest case territorial authority district) breakdown of grants and a detailed breakdown of recipient/ purpose categories. Also unlike the published data, they include both societies that distribute funds through grants and societies that apply funds to their own purposes.

While we believe they provide a generally accurate overview, the surveys have the following drawbacks:

- They rely on self-reported responses to a questionnaire and the response rate has never been 100%
- They are based on the researchers' "best guess" about information that is often vague and provided in an inconsistent format
- They are not repeated frequently and information is often out of date
- Because they are infrequent they are an added burden for operators
- Often the information is requested for a fixed time frame (eg a calendar year), which does not always coincide with the various time frames used by operators for collecting the information.

Because of the surveys' drawbacks, the Department would like to see the regular collection of information relating to the application and distribution of gaming machine funds.

ii. Current record keeping and publication requirements

All societies are required to keep documents and data relating to the conduct of their class 4 gambling that are up to date and accurate and enable the verification of all transactions relating to the conduct of gambling. This includes documents relating to the application or distribution of funds to authorised purposes, and records recording all financial transactions (Gambling (Class 4 Net Proceeds) Regulations 2004, section 5). However, this information need only be made available if the Department specifically requests it, for example in the course of an audit or under section 365 of the Act.

Operators that mainly distribute funds to the community are required to publish the following, at least annually (Gambling Act 2003, section 110):

- Details of all grant applications and whether the applications have been accepted or declined
- The amount (if any) granted in each case.

In practice this results in a list of grant applicants and amounts. Such lists generally 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.

Societies that mainly apply funds to their own purposes (including most clubs) are not required to publish information on how the funds were applied, although they are required to maintain records of this information.

2. Do you keep some or all of this information already? What categories of information do you currently collect?
3. How do you keep this information, e.g. in a database, on a spreadsheet, in hard copy format? Is it easily accessible?
4. Would you be able to provide the Department with this information at regular intervals?
5. What are the challenges to collecting the data in a format that identifies the location, category of authorised purpose allocation, purpose and whether it intends to benefit a specified ethnic or age group?
6. What would be the estimated time and costs associated with doing so?

iii. What would make collecting the information easier?

Operators that distribute gaming machine funds to authorised purposes

The Department realises that few, if any, grant application forms include questions that would enable a consistent assessment of:

- category of grant applied for (e.g. sport, social services, arts)
- category of applicant
- specific purpose of the grant applied for
- whether grants are intended to benefit any specific cultural/ethnic group (e.g. NZ European/Pakeha, Maori, Pacific, Asian), or any specific age group.

The Act includes a power for regulations to be made “prescribing requirements for the methods and processes used to deal with applications for the distribution of net proceeds from class 4 gambling”. The current Gambling (Class 4 Net Proceeds) Regulations 2004 do not prescribe for this type of information in the minimum required information content of application forms, but it would be possible to make such regulations. See Part 4.1 of this paper for further discussion.

7. Would a simple, standard set of categories for authorised purpose allocations, ethnic, age groups, etc be useful?
8. Would anything else make collecting the information easier?
9. Should the Department create regulations prescribing the information content of application forms to include location, category, purpose, etc?

Operators that apply gaming machine funds to own authorised purposes

Clubs and other societies that **apply** gaming machine funds to their **own** authorised purposes may face different challenges in recording and providing this information.

We do recognise that many societies that apply funds to their own authorised purposes, particularly clubs, are run by volunteers. We are mindful of ensuring that any processes implemented to collect information from these operators is fair and not an undue burden. If anything, we would hope there would be efficiencies to be gained from establishing a routine record of how gaming machine funds are applied.

Information on the category of the applicant and location of the authorised purpose may be easier to ascertain as presumably there fewer types to record compared to an operator that mainly distributes funds.

A standard set of categories for ethnic groups, age groups, etc, that is applicable for operators who distribute gaming machine funds may not be appropriate for operators who apply to their own authorised purposes. Specific categories could include:

- How much is applied to clubs' premises (rent, rates, building repairs and maintenance, etc)?
- How much is applied to members' welfare?
- How much is applied to mortgage repayments?
- How much is applied to administration expenditure (power, insurance, postage, wages, etc)?

10. Should different categories be created especially for operators that apply gaming machine funds to their own authorised purposes?

iv. Providing the information to the Department

The Department would be looking to receive the information in a consistent and useable format.

Given the number of grants and applications of gaming machine profits to authorised purposes, the Department would be interested in receiving aggregate figures for the information discussed above. This would require operators to calculate the totals within various categories. Another approach would be for all recorded information to be provided to the Department in a collated document. This would essentially be a list of all grants made or how funds have been applied.

The Department could prepare a standard form for providing the information. This could include a standard set of categories to fill out and return by a certain date. This would be similar to the questionnaire that was sent to complete for the latest gaming machine profits survey.

It would be preferable for the Department to receive the information in an electronic format. This could be in a standard form spreadsheet. If operators

found it useful, the Department could investigate an Internet based format for providing the information.

11. Do you have any ideas for providing the information to the Department?
12. Would it be easier to provide the Department with a list of authorised purpose allocations or aggregate figures?
13. Would a standard form for providing the information to the Department be useful?
14. Would you be able/willing to provide the information electronically? via the Internet?

v. Time period for providing the information

The information would need to be provided on the basis of a fixed time frame to enable accurate comparisons between operators and over time.

The time period could be based on a calendar year or on a specified year ending date. This could coincide with the Department's financial year (1 July to 30 June), or based on the most utilised financial year of operators. Not all operators use the same financial year period.

Similarly, the time period for collecting the information could be monthly, quarterly (13 weeks), six monthly (26 weeks), or yearly.

15. What would be the best time period to provide the Department with the information? Monthly? Quarterly? Six monthly? Yearly? Other?

3.2 Information on exclusion orders

An exclusion order prevents a person identified as a problem gambler from entering a gambling area. Problem gamblers can request exclusion orders themselves, and venues must issue an exclusion order, or venues can initiate the exclusion order. A single person can be issued with exclusion orders from multiple venues.

Exclusion orders are vital to the Gambling Act's harm prevention and minimisation scheme. Exclusion order data, if regularly available in a standard format, will be helpful to the Department in evaluating the Act's impacts and is also likely to be useful to a variety of stakeholders including:

- Ministry of Health
- Problem gambling service providers.

Information relating to exclusion orders that we might want to collect includes:

- the number of venue initiated exclusion orders by venue
- the number of self-exclusion orders by venue
- the stage of the exclusion orders eg new, current, expired as at a certain date
- the number of excluded people who have attempted to enter a venue
- the number of approaches to possible problem gamblers.

i. The current situation

Currently the Department holds no information on the overall numbers, type, or locations of problem gambler exclusion orders issued by class 4 venues under sections 309 and 310 of the Act.

As a result, we do not know how many self or venue initiated exclusion orders there are. Nor is it known what type of statistics societies keep on exclusion orders. Anecdotal evidence suggests that some societies do not collate this data at all – it is left with the individual venues. There is no explicit requirement in the Act for either venues or societies to keep records of exclusion orders – although it is implicit in the legislation, and particularly in the penalties for allowing a gambler to breach an exclusion order, that records of some sort will be kept.

16. Do you keep some or all of this information already? If so, what information do you currently collect?

17. Would you be able to provide this information to the Department at regular intervals?

18. What are the challenges to recording that information?

ii. Excluded persons demographic information

It has been suggested that it would be useful to obtain demographic information (age, gender, ethnicity, etc) from excluded persons. However there are barriers to collecting that information, including issues of privacy.

Demographic information on excluded persons may be useful to the Ministry of Health when developing its problem gambling strategy. It could also be useful for problem gambling treatment providers. It may also help identify occasions where one problem gambler has been issued with multiple exclusion orders, rather than treating them as multiple problem gamblers.

Issues of identifying a particular person from the information could be mitigated by providing Privacy Act information, making providing demographic data optional, and by only making aggregate information publicly available.

A concern is that requesting this personal information might discourage problem gamblers from requesting an exclusion order.

19. Do you think it would be beneficial to request demographic information from persons issued with exclusion orders?

iii. What would make collecting the information easier?

Some venue staff education may be required if information on exclusion orders is to be gathered in a specific format, and/or if information is to be gathered which is additional to just numbers of exclusion orders (such as numbers of potential problem gamblers approached).

Standard forms that venues could use to record the information on exclusion orders could be useful. The Department could prepare a guide on the information that would need to be collected. Minimum information collection requirements on exclusion orders could be set by regulations, and this is discussed further in Part 4.2.

20. Would venue staff education make collecting the information easier?

21. Would a standard form for venues to use be useful?

22. Would anything else make collecting the information easier?

iv. Providing the information to the Department

The Department would be looking to receive the information in a consistent and useable format.

The Department could prepare a standard form for providing the information. This could include a standard set of categories to fill out and return by a certain date.

It would be preferable for the Department to receive the information in an electronic format. This could be in a standard form spreadsheet. If operators found it useful, the Department could investigate an Internet based format for providing the information.

23. Do you have any ideas for providing the information to the Department?
24. Would a standard form for providing the information to the Department be useful?
25. Would you be able/willing to provide the information electronically? via the Internet?

v. Time period for providing the information

The information would need to be collected on the basis of a fixed time frame to enable accurate comparisons between operators and over time.

The time period could be based on a calendar year or on a specified year ending date. This could coincide with the Department's financial year (1 July to 30 June), or based on the most utilised financial year of operators. Not all operators use the same financial year period.

Similarly, the time period for collecting the information could be monthly, quarterly (13 weeks), six monthly (26 weeks), or yearly.

26. What would be the best time period to provide the Department with the information? Monthly? Quarterly? Six monthly? Yearly? Other?

3.3 Other information needs

Part of this project is identifying the information needs of stakeholders. You may have identified information that you would like to see the Department providing other than those discussed in 3.1 and 3.2. We would appreciate your suggestions and a brief explanation of why the information is required.

27. Are there other types of information that you require? If so, what type of information and what would you use it for?

4. Possible regulations

4.1 Funds distributed or applied to authorised purposes

The Act includes a power for regulations to be made “prescribing requirements for the methods and processes used to deal with applications for the distribution of net proceeds from class 4 gambling”.

Gambling (Class 4 Net Proceeds) Regulations 2004

The current Gambling (Class 4 Net Proceeds) Regulations 2004 require licence holders to keep documents and data relating to the conduct of its gambling. These include documents relating to the application of funding to authorised purposes and grant distributions for authorised purposes.

Record keeping requirements of net proceeds committees

Operators that mainly distributed net proceeds to the community are required to keep records on: the date that each grant is made; the name of the grant recipient; the specific purpose of the grant; and the amount of the grant. Similarly, grant application forms must include: the applicant’s name and contact details; specific reasons for the grant application; and the total amount sought.

The current Gambling (Class 4 Net Proceeds) Regulations 2004 could be amended to clarify the type of data that operators must keep relating to the conduct of its class 4 gambling. These could specify that the location of applicant, category of each grant, purpose of grant, and whether the grant is intended to benefit a particular ethnic or age group are data that is required to be kept. The record keeping requirements of net proceeds committees could be similarly amended.

Minimum requirements for grant application forms

As was referred to in Part 3.1 iii, regulations currently contain minimum requirements for grant application forms. These could be amended to require applicants to provide information on the category of the applicant, the category of the purpose, and whether the grant is intended to benefit a specific ethnic or age group.

28. Should the Regulations be amended to clarify the type of data that operators are required to keep?
29. Should the record keeping requirements of net proceeds committees be amended?
30. Should the minimum requirements for grant application forms be amended?

4.2 Exclusion orders

It could be possible to create regulations that establish the minimum information collection requirements of operators and venues in relation to issuing exclusion orders. These would probably require venues and operators to record the number of venue initiated exclusion orders, self-exclusion orders, excluded persons who have attempted to enter a venue, and approaches to possible problem gamblers. If it was beneficial, demographic information on excluded persons could also be included in the information required to be collected.

Regulations could also provide forms for recording the information and for providing the information to the Department.

31. Should regulations be created to define the minimum information collection requirements for operators and venues?

Summary of Questions

1. What do you believe is the best approach for the Department to take regarding information collection?

Information on funds applied or distributed to authorised purposes

2. Do you keep some or all of this information already? What categories of information do you currently collect?
3. How do you keep this information, e.g. in a database, on a spreadsheet, in hard copy format? Is it easily accessible?
4. Would you be able to provide the Department with this information at regular intervals?
5. What are the challenges to collecting the data in a format that identifies the location, category of authorised purpose allocation, purpose and whether it intends to benefit a specified ethnic or age group?
6. What would be the estimated time and costs associated with doing so?
7. Would a simple, standard set of categories for authorised purpose allocations, ethnic, age groups, etc be useful?
8. Would anything else make collecting the information easier?
9. Should the Department create regulations prescribing the information content of application forms to include location, category, purpose, etc?
10. Should different categories be created especially for operators that apply gaming machine funds to their own authorised purposes?
11. Do you have any ideas for providing the information to the Department?
12. Would it be easier to provide the Department with a list of authorised purpose allocations or aggregate figures?
13. Would a standard form for providing the information to the Department be useful?
14. Would you be able/willing to provide the information electronically? via the Internet?
15. What would be the best time period to provide the Department with the information? Monthly? Quarterly? Six monthly? Yearly? Other?

Information on exclusion orders

16. Do you keep some or all of this information already? If so, what information do you currently collect?
17. Would you be able to provide this information to the Department at regular intervals?
18. What are the challenges to recording that information?

19. Do you think it would be beneficial to request demographic information from persons issued with exclusion orders?
20. Would venue staff education make collecting the information easier?
21. Would a standard form for venues to use be useful?
22. Would anything else make collecting the information easier?
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25. Would you be able/willing to provide the information electronically? via the Internet?
26. What would be the best time period to provide the Department with the information? Monthly? Quarterly? Six monthly? Yearly? Other?

Other information

27. Are there other types of information that you require? If so, what type of information and what would you use it for?

Possible regulations

28. Should the Regulations be amended to clarify the type of data that operators are required to keep?
29. Should the record keeping requirements of net proceeds committees be amended?
30. Should the minimum requirements for grant application forms be amended?
31. Should regulations be created to define the minimum information collection requirements for operators and venues?