

# **Categorisation of Venue Costs under the Gazette Notice**

**and**

# **The Reasonable Timeframes Associated with Labour Tasks**

**Operational Policy  
Gambling Compliance Group**

April 2009

## **SUMMARY: APPROACH TO ASSESSING VENUE COSTS**

The Department of Internal Affairs (the Department) has reviewed its approach to assessing venue related costs. This review has included identifying reasonable timeframes for conducting labour activities and recreating categories under which all class 4 venue costs will be assessed.

It is considered that this approach covers all venue related costs, ensures costs are ascribed to the correct Limits in the *Gazette* Notice, and provides class 4 societies and venues with certainty as to the Department's interpretation of reasonable labour costs.

The Department has taken the results of the Class 4 Venue Labour Costs Benchmarking Report and, in conjunction with the results of the Colmar Brunton Survey on labour costs, developed the set of reasonable timeframes for completing labour tasks associated with class 4 gambling. It is important to note that these reasonable timeframes represent the maximum amount the Department will consider is *reasonable* to attribute to any particular cost. If the actual costs at a venue are less than the reasonable timeframes included here, this should be reflected in the venue costs claimed.

The Department will publish a "Venue Costs Claim Form" for use throughout the sector to reflect the approach below. This schedule is intended to simplify the current process, reflect all venue related costs payable under the *Gazette* Notice, and achieve consistency in treatment throughout the sector. The schedule of costs is proposed to include:

### Limit A

- Hopper Refills
- Cancel Credits
- Malfunctions/Equipment Fault
- Jackpot Wins
- EGM Customer Service
- Resolving Player Disputes
- Supervision
- Administering Harm Prevention and Minimisation Policies
- Electricity

### Limit B

- Start-up/Close-down of Gambling Operation
- Gaming Machine Analysis
- Shift Changes
- Liaison
- Rent/Lease Payments for Hosting Gaming Machines
- Insurance
- Interest on Float

### Limit C

- Banking
- Cleaning
- Training
- Security Costs
- Enhancements, Developments and Maintenance

### **Limit A**

*“Hourly Operating Costs” are:*

- (i) labour costs for the performance of tasks required for the hourly operation of machines;*
- (ii) electricity costs of operating gaming machines;*
- (iii) fees, for managing the provision of the services specified in (i) and (ii), not exceeding 25% of the sum of (i) and (ii).*

### Hopper Refills

The Department proposes to use data from the Electronic Monitoring System (EMS) to ascertain the number of hopper refills that can be expected to occur on a weekly basis at a class 4 venue. The Department will use 2008 data from that venue to establish the average figure.

The Department proposes a reasonable timeframe for completion of a hopper refill of 2 minutes and 50 seconds. The Department will provide societies with the relevant EMS data for making the claim.

### Cancel Credits

The Department proposes to use data from the EMS to ascertain the number of cancel credits that can be expected to occur on a weekly basis at a class 4 venue. The Department will use 2008 data from that venue to establish the average figure.

The Department proposes a reasonable timeframe for completion of a cancel credit of 3 minutes and 10 seconds. The Department will provide societies with the relevant EMS data for making the claim.

### Malfunction/Equipment Fault

Under this heading a distinction is made between faults that are fixed at the venue level and faults that require service providers/technician assistance to fix. The common faults that have been identified as being fixed by venues are: Coin-In Faults (includes coin jams), Coin-In Yo-Yo, Hopper Jams, Note Acceptor Jams, and Note Acceptor Faults. EMS collects this data.

The data from the Benchmarking Report and the Colmar Brunton Survey is not conclusive with respect to the above faults. The Department asks for society and venue input on the average timeframes considered necessary to remedy each of the above faults.

In the absence of further information, it is proposed a reasonable timeframe is two minutes per fault with an upper limit of 3 hours per week, if supported by the EMS data. The Department will provide societies with the relevant EMS data for making the claim.

#### Jackpot Wins

This category only applies to non-downloadable jackpots. The Department proposes to use data from the EMS to ascertain the number of jackpot wins that can be expected to occur on a weekly basis at a class 4 venue. The Department will use 2008 data from that venue to establish the average figure.

The Department proposes a reasonable timeframe for administering a jackpot win to be 3 minutes and 45 seconds. The Department will provide societies with the relevant EMS data for making the claim.

#### EGM Customer Service

This category is intended to cover a range of “bar-bound” activities that are involved in hosting a class 4 gambling operation. These activities have not traditionally been claimed by some societies. This section includes, as a single claim, EFTPOS transactions, coin changes, note changes and float transactions.

The Department proposes a reasonable timeframe for administering an EFTPOS transaction or a note change as 30 seconds. The Department proposes a reasonable timeframe for administering a coin change of 50 seconds. The Department proposes a reasonable timeframe for administering an inter-float transaction of 2 minutes.

Venues are in the best position to estimate the incidence of these task with respect to the gambling operation at the venue. Societies will need to discuss the level of activity at a venue and work that estimate into the amount claimed.

The Department will assess these figures taking into account observations of instances of these transactions as noted in the Benchmarking Report and the Colmar Brunton Survey and the intensity of activity at a venue as indicated by GMP. It is recognised that it is not an exact science in coming to these calculations, but the Department will be able to assess what is demonstrably unreasonable.

#### Resolving Disputes

On the basis of the Colmar Brunton Survey, the Department considers it reasonable to ascribe a maximum 15 minutes per week to resolving player disputes. No documentation is required to be submitted.

### Supervision

Supervision is defined as a staff presence in the gambling area for the primary purpose of monitoring the patrons. Regular “gambling area sweeps” feature in most class 4 venue harm minimisation policies. These sweeps also often involve cleaning away glasses etc. This multi-tasking is reasonable.

The Department considers it reasonable for a “sweep” to occur every 15 minutes of the gambling operation being open. It is proposed 30 seconds is a reasonable timeframe for conducting this activity. No documentation is required to be submitted.

### Administering Harm Prevention and Minimisation Policies

This category is distinct from supervision. Venue staff have obligations under the Gambling Act 2003 (the Act) to apply its policy for identifying problem gamblers, provide information to people reasonably considered to have a gambling problem, exclude those persons should it be considered appropriate, exclude all persons who request such action, and monitor for excluded patrons.

It is proposed 15 minutes per day (1 hr 45 minutes p/week) is a reasonable average timeframe to complete the “tasks” associated with conducting this activity. No documentation is required to be submitted.

### Electricity

As is the current practice, the Department will accept a proportion of the electricity cost for a venue based on the proportion of the gambling area to the rest of the venue. Societies are welcome to provide the Department with more sophisticated assessments.

The Department will require a copy of at least one electricity bill which is representative of the average monthly usage.

### **Limit B**

“Weekly Operating Costs” are:

- (iv) *labour costs for the performance of tasks required for the weekly management of machines;*
- (v) *rent or lease payments for hosting machines;*
- (vi) *insurance costs;*
- (vii) *interest costs; and*
- (viii) *fees, for managing the provision of the services specified in (iv)-(vii), not exceeding 25% of the sum of (iv), (v), (vi) and (vii)*

### Start-up and Close-down of Gambling Operations

This is a daily activity at venues which requires a series of tasks to be undertaken. In many venue cost schedules used by societies (and past examples on the DIA website), this activity is broken into many parts. This has resulted in venue cost schedules that are more complicated than they need to be and create complexity in estimating

reasonable costs for completing these activities. This category contains all activities involved in the start-up and close-down process.

Incorporating the weekly full reconciliation and the start up and close down processes, the Department proposes following timeframes:

- 9 machine venue: a maximum 9.5 hours per week for a 7 day operation
- 18 machine venue: a maximum 19.75 hours per week for a 7 day operation

No documentation is required to be submitted.

#### Gaming Machine Analysis

Game rules require that venues conduct a GMA for every gaming machine at least 12 times per annum. This process requires comprehensive meter readings on all the venue's gaming machines.

The Department has taken the results of the Benchmarking Report and created a weekly figure. The following timeframes are proposed:

- 9 machine venue: 0.5 hours per week
- 18 machine venue: 0.75 hours per week

No documentation is required to be submitted.

#### Shift Changes

Some venues conduct short cash reconciliations when a shift change occurs. If a venue has a policy of conducting such reconciliations, a proposed timeframe of 20 minutes per day is considered reasonable. No documentation is required to be submitted.

#### Liaison

Venue staff will often need to liaise with a variety of people as part of the management of the gambling operation. Staff will need, from time to time, to have contact with different organisations such as societies, Intralot New Zealand (EMS Help Desk), gaming machine service providers and the Department.

It is proposed that one hour per week is a reasonable timeframe for this activity. No documentation is required to be submitted.

#### Rent/Lease Payments for Hosting Gaming Machines

This payment covers the reasonable lease/rental and rates costs associated with the provision of the gambling area. This cost is calculated on the proportion of the gambling area to the rest of the premises. This is a continuation of the Department's current policy.

The documentation required to be submitted is a copy of the relevant lease/rental agreement.

### Insurance

As is currently the case, the insurance costs incurred by a venue in hosting gambling equipment and managing gaming machine proceeds can be claimed. Copies of the relevant insurance policies need to be submitted to the Department.

### Interest on Float

All venues are required to provide a suitable float for the efficient management of the gambling operation. The interest cost (actual or lost) on that float is a venue cost. No documentation is required to be submitted.

### **Limit C**

*“Venue Operating Costs” are:*

- (ix) labour costs for the performance of tasks required for the weekly provision of a venue;*
- (x) security costs;*
- (xi) developments and/or enhancements and/or maintenance of the venue; and*
- (xii) fees, for managing the provision of the services specified in (ix) to (xi), not exceeding 25% of the sum of (ix), (x), and (xi).*

### Banking

Banking practices differ between venues. A venue may have contractors that come and collect the gaming machine proceeds, or venue staff who bank it directly, and it may be banked daily or weekly. All methods of banking involve tasks that can be reimbursed.

If the proceeds from gaming machines are cleared by an external contractor, a copy of the relevant invoice should be submitted to the Department. If a security firm collects the banking, no more than 5 minutes of staff time can be attributed to the task. The preparation for banking occurs as part of the start-up process.

### Cleaning

Cleaning is often done by third party contractors. An amount proportionate to the gambling area can be claimed as a cost. Where staff are involved in cleaning after hours in addition to any contracted work, it is proposed 10 minutes per day is a reasonable timeframe. Where there is no third party contractor, 30 minutes per day is proposed as a reasonable timeframe.

Cleaning throughout the day is considered to be covered during the conduct of other gambling related tasks. The only documentation required is a copy of any cleaning contract.

### Training

The direct costs of any training provided by a third party are society costs. However, there is a cost to the venue operator in terms of the time staff spend receiving that training. A society needs to calculate, as accurately as possible, the time staff will spend throughout a year in receiving training. This figure can then be expressed as an average weekly cost.

The Department will seek an explanation from societies of the level of training that is provided to venue staff. Day-to-day training of staff provided by a venue manager or experienced staff is considered to be covered by the 25% management fee.

### Security Costs

A proportion of any general security associated with a venue can be claimed under this limit. For example, if a venue has a monitored alarm, security personnel or CCTV dedicated to the gambling area, the portion which relates to the gambling area may be claimed.

Copies of invoices for any security contracts should be submitted to the Department.

### Enhancements, Developments and Maintenance

Limit C provides for “developments and/or enhancements and/or maintenance” of the venue. The premise is that improvements to the “gambling space” can occur at a venue (to the extent any cost is actual, reasonable and necessary) and be paid for by the society as a legitimate venue cost. That is, a society can agree with a venue that a particular environment is *necessary* for a gambling operation and can provide for those enhancements.

It is proposed in the main document that where societies pay upfront for any enhancements to the gambling space, that that cost must be recouped during the term of the venue agreement. This is proposed on the basis of societies’ obligations in holding funds for the community on trust, the obligation in the Act to minimise costs and maximise returns to the community, creating administrative ease, and achieving consistency in the sector thereby reducing competition. It is also proposed that venue agreements contain references to help safeguard community funds “loaned” to venues.

## **CATEGORY DEFINITIONS AND REASONABLE TIMEFRAMES**

### **Cost Categories for the Venue Costs Schedule**

The Department proposes to include the following categories on venue cost schedules for use by all class 4 societies. This schedule is intended to simplify the current process, reflect all venue related costs payable under the Gazette notice, and achieve consistency in treatment through the sector.

The categories under which venue costs can be claimed are:

#### **Limit A**

- Hopper Refills
- Cancel Credits
- Malfunctions/Equipment Fault
- Jackpot Wins
- EGM Customer Service
- Resolving Player Disputes
- Supervision
- Administering Harm Prevention and Minimisation Policies
- Electricity

#### **Limit B**

- Start-up/Close-down of Gambling Operation
- Gaming Machine Analysis
- Shift Changes
- Liaison
- Rent/Lease Payments for Hosting Gaming Machines
- Insurance
- Interest on Float

#### **Limit C**

- Banking
- Cleaning
- Training
- Security Costs
- Enhancements, Developments and Maintenance

## **Assessment of Costs: Generic Requirements**

It is important to note that these reasonable timeframes represent the maximum amount the Department will consider is *reasonable* to attribute to any particular cost. If the *actual* costs at a venue are less than the reasonable timeframes included here, this must be reflected in the venue costs claimed.

Some of the cost categories below have factors in common for calculating the correct amount to be claimed. These factors are: hours of operation, wages, and calculating the proportion of the gambling area to the venue as a whole.

### Hours of Operation

Limit A is calculated on the basis of the number of gaming machines and hours of “gaming machine operation”. This means the number of hours that can be attributed to Limit A are those where the gaming machines are in operation. It does not include the time before ‘start-up’ or after ‘close-down’. The labour costs associated with those times are covered under Limit B.

### Wages

The Department will require copies of wage slips for all employees to verify the amounts claimed. For the purpose of assessing the costs of conducting a class 4 gambling operation, the wage rates can include the costs associated with the venue operator funding holiday pay. It can also include any Kiwisaver contribution that is made for an individual.

Some venue operators will be running their own business and will not receive a wage or salary as a result. In these instances, a proxy wage rate can be established based on the average salary and wage rates. Information on the average wage rates has been supplied by HANZ. The average wage/salary for an owner/operator is \$47,234.

As these figures are updated over time, so will this document.

### Proportion of the Gambling Area to the Venue

This calculation is used to identify portions of costs that can be attributed to a gambling operation. It is relevant to the calculation of rental/lease payments and also is used in calculating portions of costs that attach to a venue as a whole but are necessary to the class 4 gambling operation (e.g. electricity, cleaning contractors).

For the purpose of calculating the relevant proportion, it should be assessed on the basis of the square footage of the gambling area to the square footage of the venue premises. This includes all outdoor seating/dining areas that form an integral part of any business but do not include the calculation of areas such as gardens, outdoor smoking areas, gardens etc. Should there be a cost associated with providing the Department with accurate professionally drawn plans, this cost would be considered a society administration cost and would fall outside the *Gazette Notice* limits.

## **Assessment of Costs: The Categories**

### **Limit A**

*“Hourly Operating Costs” are:*

- (xiii) labour costs for the performance of tasks required for the hourly operation of machines;*
- (xiv) electricity costs of operating gaming machines;*
- (xv) fees, for managing the provision of the services specified in (i) and (ii), not exceeding 25% of the sum of (i) and (ii).*

*A corporate society, when incurring costs under Limit A, must not incur costs (excluding GST) of more than \$0.60 per gaming machine per hour of gaming machine operation.*

### **Hopper Refills**

Hopper refills are common and constant events at class 4 venues. The number of events that occur at a particular venue will depend on the intensity and nature of gaming machine play that occurs. In conducting a hopper refill, the staff at a venue are required to complete a “Cancel Credit, Short Pays and Refills Report” (class 4 game rule 41).

The Electronic Monitoring System (EMS) records every hopper refill as a single event. This enables societies and venues to have an accurate understanding of how often this task is conducted. When assessing the costs associated with hopper refills, the Department will provide data on the number of ‘hopper refill events’ which occurred the previous year. From this figure, an estimation can be made on the number of events that can be expected on a daily basis. In conjunction with the “reasonable timeframe” considered for processing a hopper refill, and the wage rate of the employee involved, the cost can be calculated.

The “Class 4 Venue Labour Costs Benchmarking Project Report 2008” (the Benchmarking Report) recorded 107 instances of hopper refills at an average timeframe of 2 minutes and 37 seconds. It is recognised that occasional problems in conducting this activity could lengthen the average time taken to complete the task. To this end, the Department will assess these activities with a reasonable timeframe of 2 minutes and 50 seconds (75<sup>th</sup> percentile of recorded range). It is noted that 2 minutes 50 seconds is the same as the average timeframe for processing a hopper refill as estimated by venue employees during the Colmar Brunton survey.

The Benchmarking Report also noted this activity is often undertaken, as a matter of policy, by the Duty Manager. Of the 107 recorded instances, 10 were conducted by general staff. The Department will accept cost schedules that list the Duty Manager as conducting hopper refills. Societies are responsible for knowing the venue policy on who actions hopper refills and reflecting this information accurately.

Number of 2008 Hopper refill events / weeks of venue operation in 2008 x 170 seconds / 3600 x wage rate

This will provide the average number of hours per day spent on this activity and then the weekly claim amount.

For example:

$3241 \text{ HR} / 51 \times 170 / 3600 \times \$25.65 = \$76.97 \text{ per week}$

Documentation: None required. The Department will provide societies with the relevant data for making the claim.

### Cancel Credits

Cancel credits are common and constant events at class 4 venues. The number of events that occur at a particular venue will depend on the intensity and nature of gaming machine play that occurs. In conducting a cancel credit, the staff at a venue are required to complete a "Cancel Credit, Short Pays and Refills Report" (class 4 game rule 46).

The EMS records every cancel credit as a single event. That is, where a player chooses to 'collect' and a gaming machine locks up. This event condition does not include "residual cancel credit lock up". EMS also records an event titled "Cancel Credit Cancelled". This is an event whereby a cancel credit "lock up" condition has been logged by the system but a player then chooses to continue. As such, the event data used for the purpose of determining the number of staff attended cancel credits is the difference between "cancel credits" and "cancel credit cancelled".

When assessing the costs associated with cancel credits, the Department will provide data on the number of actual 'cancel credit events' requiring staff action which occurred the previous year. From this figure, an estimation can be made on the average number of events that can be expected on a daily basis. In conjunction with the "reasonable timeframe" considered for processing a cancel credit, and the wage rate of the employee involved, the cost over a week can be calculated.

The Benchmarking Report recorded 58 instances of cancel credits at an average timeframe of 2 minutes and 53 seconds. It is recognised that occasional problems in conducting this activity could lengthen the average time taken to complete the task. To this end, the Department will assess these activities with a reasonable timeframe of 3 minutes and 10 seconds (75<sup>th</sup> percentile of recorded range). It is noted that 3 minutes 10 seconds is just under the average timeframe for processing a cancel credit as estimated by venue employees during the Colmar Brunton survey (3 minutes 16 seconds).

The Benchmarking Report also noted this activity is often undertaken, as a matter of policy, by the Duty Manager. Of the 58 recorded instances, only three were conducted by general staff. The Department will accept cost schedules that list the Duty Manager

as conducting cancel credits. Societies are responsible for knowing the venue policy on who actions cancel credits and reflecting this information accurately.

It is proposed that the Department use the following calculation is assessing venue costs:

Number of actual 2008 Cancel Credit events / weeks of venue operation in 2008 x 190 seconds / 3600 x wage rate

This will provide the average number of hours per day spent on this activity and then the weekly claim amount.

For example:

$4938 \text{ CC} / 50 \times 190 / 3600 \times \$25.65 = \$133.69 \text{ per week}$

Documentation: None required. The Department will provide societies with the relevant data for making the claim.

### Malfunctions/Equipment Fault

There are many instances of malfunctions/equipment faults that are fixed at the venue level (e.g. coin jams). Other faults requiring the intervention of service providers are not included under this heading. The costs of service providers to fix/investigate faults are society costs and the time taken at the venue level to organise a 'fix' (where the potential fault is not identified and managed by a third party) for such faults is intended to be compensated under the "Liaison" category below.

The common faults that are remedied at the venue level are identified by the EMS and recorded as faults. The following common faults noted as events in EMS that will generally require attendant action are:

- "Coin-In Fault" (this includes Coin jams)
- "Coin-in Yo-Yo"
- "Hopper Jammed"
- "Note Acceptor Jammed"
- "Note Acceptor Fault"

All of these faults 'lock up' the gaming machine and require attendant action. These faults, as minor events, do not generally require the completion of an equipment fault report but take staff time to initially diagnose and then remedy. The amount of time taken to remedy a particular fault will vary and, as such, it is difficult to ascribe appropriate reasonable timeframes

The Benchmarking Report recorded 35 instances of equipment faults with an average 2 minutes and 3 seconds taken to remedy each instance. The median time was 1 minute and 15 seconds. However, this is a small sample that covers many different fault conditions. The data on malfunctions ranges from 20 seconds to clear a fault to 10

minutes. In some instances it may simply be a question of ‘keying off’ the error, or it may take longer.

The Colmar Brunton Survey noted an average of 28 minutes per week associated with “resolving gambling equipment faults” and 38 minutes per week associated with clearing “coin jams”. From the 10 “high performing venues” in the Survey, the maximum self reported hours per week spent on remedying a fault was just less than 3 hours. However, the survey did not stipulate what these faults were or seek the views of venue employees on the average timeframe for addressing these faults.

Ascribing a value of 2 minutes to remedy each fault listed above and applying that to the venues that were monitored during the benchmarking exercise, there is a range in time presumed in attending faults from 30 minutes per week up to 6 hours.

***The Department requests input from venues and societies on their views of the average timeframe for remedying each of the above faults.***

It is understood that some faults of the same type can take longer to remedy than others, nevertheless, your views on the average timeframes would be appreciated and worked into the final document. Those views will be considered in conjunction with the Benchmarking Report and Colmar Brunton survey results.

In the absence of further information, it is proposed at this stage that an average timeframe of two minutes be ascribed to the identified faults and the Department exercise a limit of 3 hours per week that can be claimed to remedying malfunctions where supported by the EMS data.

EMS data suggests that hopper jams are by far the most common occurrence amongst the above faults. Other common faults are coin jams and note acceptor faults. It is noted at this point that regular maintenance of gaming machines, and societies monitoring the frequency of faults and directing service providers to attend to machines where clusters occur could significantly reduce the amount faults of recorded.

There are several other faults that are noted as events by EMS. These faults may be noted at the venue level (perhaps through a Venue Management System) or will be noted at the society level. These faults will generally require technician attention to fix:

- “Cash Box Optic/Diverter Fault”
- “Excessive Notes Rejects Fault”
- “Hopper Runaway/Overpay”
- “EGM I/O Controller Fault”
- “Touch Screen Fault”
- “Note Acceptor Disconnected” (nb: a large number of instances are the result of a technician touching it as part of another fault fix)
- “Low NV-RAM Battery”
- “Low PF Door Detection Battery”
- “EEPROM Error/Fault”
- “EGM NV-RAM Cleared”

To the extent that these faults may come to a venue's attention, it is considered that the resulting action will either be the venue contacting a service provider or the society itself. To this end, the labour costs associated with any such action will be covered under the "liaison" category (see below).

Documentation: None required. The Department will provide societies with the relevant data for making the claim.

### Jackpot Wins

This category only applies to non-downloadable jackpot wins in that staff action is required to pay the prize. This requires the payment of the prize and the completion of the "Daily Jackpot Cancel Credit Report" (Class 4 Game Rules 48, 70). EMS captures each incidence of a non-downloadable jackpot win which enables the average number of instances per day to be estimated.

The Benchmarking Report recorded 15 instances of jackpot win transactions at an average timeframe of 3 minutes and 28 seconds. It is recognised that occasional problems in conducting this activity could lengthen the average time taken to complete the task. To this end, the Department will assess these activities with a reasonable timeframe of 3 minutes and 45 seconds (75<sup>th</sup> percentile of recorded range). The Colmar Brunton survey did not record an average timeframe for completing this activity (rather it noted estimated time spent per week averaging at 27 minutes).

The Benchmarking Report also noted this activity is often undertaken, as a matter of policy, by the Duty Manager. Of the 15 recorded instances, none were conducted by general staff. The Department will accept cost schedules that list the Duty Manager as conducting cancel credits. Societies are responsible for knowing the venue policy on who actions cancel credits and reflecting this information accurately.

It is proposed that the Department use the following calculation in assessing venue costs:

Number of actual 2008 non-downloadable jackpot win events / weeks of venue operation in 2008 x 225 seconds / 3600 x wage rate

This will provide the average number of hours per day spent on this activity and then the weekly claim amount.

For example:

$648 \text{ JP} / 50 \times 225 / 3600 \times \$25.65 = \$20.77 \text{ per week}$

Documentation: None required. The Department will provide societies with the relevant data for making the claim.

### EGM Customer Service

This is a generic term for bar based activities such as EFTPOS transactions, coin changes, note changes and float transactions that result from customer interaction. These activities account for a significant amount of venue labour time directly related to the gambling operation. It is intended to group these activities for the purpose of reflecting venue costs on the schedule attached to venue agreements.

The Benchmarking Report noted instances of these transactions and recorded the times taken to complete the activity. However, while the average amount of time taken to complete the activity has been measured, the number of instances of these activities is heavily dependant on the nature of the gambling operation and venue policies. The number of actual instances will also be determined by the time of day and the intensity of gambling at the venue. To this end, it will be for the society and venue to estimate the number of such instances and submit it to the Department for approval as being a reasonable estimation. The following comments are made to assist in determining the amounts to be claimed.

### *EFTPOS and Note Changes*

This aspect of EGM Customer Service relates to the processing of EFTPOS transactions related to the conduct of gambling. Often venues will have separate EFTPOS facilities for the gambling operation as distinct from the rest of the business. Other venues will not. It is difficult to accurately attribute the number of EFTPOS transactions for a cash withdrawal where a purchase is also involved but the cash is withdrawn for the purpose of gambling.

The Benchmarking Report, in 118 hours of recorded observations, noted 227 instances of EFTPOS transactions related to the gambling operation at an average timeframe of 30 seconds. The 75<sup>th</sup> percentile was 35 seconds.

Note changes are defined as the provision of change for \$50 and \$100 notes into denominations suitable for gaming machine play. It also noted that the incidence of this activity will also depend on the nature of the gambling operation. The Benchmarking Report noted 85 instances of this transaction at an average time of 26 seconds to complete. The 75<sup>th</sup> percentile was 30 seconds.

The Colmar Brunton Survey has data reported by venue staff on the number of instances of EFTPOS transactions and note changes (as a single category) that occurred at the “high performing” venues in a single week. The Survey resulted in data that had an enormous range (from 77 – 1097 instances). The median number of instances was 272 with the average set at 350 instances of EFTPOS transactions and note changes. The median estimate by venue staff of the time taken to conduct one transaction (either EFTPOS or note change) was 1 minute.

On the basis of the Benchmarking Report having recorded observations for what is a short and simple task, it is proposed that a reasonable timeframe to attribute to both of these activities is 30 seconds.

As noted above, it will be the venue staff who are in the best position to estimate the incidence of withdrawals. Societies will need to discuss the level of activity at a venue in this regard and work that estimate into the amount claimed. The number of instances should be multiplied by the average timeframes the Department consider reasonable as noted above.

The Department expects that the majority of these transactions will be conducted by general staff.

### *Coin Changes*

Coin changes are the result of a patron bringing coins to the bar either at the end of a session or during the session of play. The coins are then converted into notes. This is a frequent activity for a gambling operation and includes the bagging and weighing of coins collected.

The Benchmarking Report noted 233 instances of coin changes at an average timeframe of 47 seconds. The 75<sup>th</sup> percentile was 50 seconds. The Colmar Brunton Survey recorded a category termed “Handling Coins”. Coin changes would come under this heading but it is unclear whether any additional bagging and weighing of coins outside of the coin change process would be included. The Survey records a range of reported instances of 165 – 780 per week, with a median of 250 instances and an average of 323 instances. The Survey also reflected staff perceptions that, as a median figure, these transactions take one minute to complete.

The Report notes that in most observed instances, following a coin change, the patron would then return to the gambling area. The result of this is the gradual accumulation of coins at the bar and hoppers emptying thus resulting in increased numbers of hopper refills. This practice increases demand on venue staff with little gain and many venues have adopted in-house policies restricting coin changes for patrons cashing up to leave with subsequent time savings. However, the Department will not be attempting to restrict the number of coin changes claimed on the basis that such “mid-session” coin change instances would not appear to be *necessary*. The question of whether it is an appropriate customer service facility is best determined at venue level. However, venues may wish to consider whether such a policy is appropriate in their circumstances.

On the basis of the Benchmarking Report having recorded observations for what is a short and simple task, it is proposed that a reasonable timeframe to attribute to coin changes is 50 seconds.

Again, the coin change component of EGM Customer Service will be a matter for societies and venues to estimate the incidences and then submit them to the Department for approval. The number of instances should be multiplied by the average timeframes the Department considers reasonable. The Department expects the majority of these transactions to be completed by general staff.

### *Inter-float Transactions*

During the course of the gambling day as EFTPOS and note and coin changes take place, it is not uncommon for floats to run short of either coins or notes. This may require staff to obtain notes and/or coins from other floats (e.g. by swapping coins from the gambling float for notes from the main till). These inter-float transactions need to be recorded for the purposes of cash balancing.

The Benchmarking Report notes 54 such transactions at an average timeframe of 1 minute and 49 seconds. The 75<sup>th</sup> percentile is 2 minutes.

Societies and venues will need to arrive at an estimate of the instances per week of this type of transaction. It is noted that there will likely be some correlation between the number of float transactions and the number of EFTPOS, note and coin change transactions. If float transactions are occurring with high frequency and out of proportion to other transactions, it is likely that the gambling float that has been set is inadequate. The number of instances should be multiplied by the average timeframes the Department considers reasonable.

It is proposed that the Department use the following calculation in assessing EGM Customer Service costs:

Number of EFTPOS transactions per day x 30 seconds/ 3600 x wage rate x 7 days +

Number of note changes per day x 30 seconds/3600 x wage rate x 7 days +

Number of coin changes per day x 50 seconds/3600 x wage rate x 7 days +

Number of float transactions per day x 120 seconds/3600 x wage rate x 7 days

= EGM Customer Service claim

The Department will assess these figures taking into account tolerances from the observations of instances of these transactions as noted in the Benchmarking Report and the Colmar Brunton Survey and the intensity of activity at a venue as indicated by GMP. It is recognised that coming to these calculations is not an exact science, but the Department will be able to assess what is demonstrably unreasonable.

It is noted that venue inspections by Department staff will have the ability to look at EFTPOS records, float transaction records, and observe any venue policy that may impact on the costs claimed.

Over time it is expected that the Department will be able to gather widespread data on the level of these costs that are claimed, overlay that information with GMP data, and provide the sector with more guidance on what are considered reasonable levels of occurrence.

No documentation is required to be submitted.

### Resolving Player Disputes

From time to time there will be a player dispute with respect to class 4 gambling. If the dispute cannot be easily resolved, Game Rule 84 requires a player dispute form to be completed.

In observing class 4 gambling operations for the Benchmarking Report, only one instance of a player dispute was noted. This instance took two and a half minutes to resolve. The Colmar Brunton Survey collected information on the time taken per week spent on resolving player disputes and completing the “gambling equipment fault and player dispute” form.

The 75<sup>th</sup> percentile was 0.24 hours per week resolving disputes and 0.07 hours per week completing the forms.

The Department considers it reasonable to ascribe 15 minutes per week on average to resolving player disputes.

No documentation is required to be submitted.

### Supervision

Supervision is defined as a staff presence in the gambling room for the primary purpose of monitoring the patrons. At all venues visited for the Benchmarking Report, staff undertook more or less regular supervisory “sweeps” of the gambling area, usually for fairly short periods. The activity often involved cleaning (e.g. removing empty glasses and bottles) and, on occasion, responding to player queries. It also involves monitoring activity for the purpose of harm prevention and minimisation (monitoring for excluded persons). This multi-tasking is perfectly reasonable.

It is a common factor of many class 4 venue harm minimisation policies that staff are required to do a “sweep” of the gambling area every 15 minutes. This enables staff to maintain an awareness of who is in the gambling area (including any excluded patrons) and, consequentially, how long someone has been in the gambling area.

The Benchmarking Report noted 225 instances of such supervisory sweeps. This equated to approximately one every 30 minutes. Many venue observations in the past by Departmental staff and the Gambling Commission have noted an absence of such “sweeps” at individual venues despite the venue's own policy. However, the Department considers such supervisory work to be good practice and recognises the need for it to be reflected in venue payments. If a society is paying a venue to manage its operation in this manner, the society should expect such supervision to occur.

The data gathered under the Benchmarking Report shows the median timeframe for conducting such sweeps was 30 seconds. While supervision of the gambling area in this manner may take longer from time to time, attributing this timeframe is considered reasonable as the regular 15 minute interval being ascribed for the purpose of this cost will often be met by staff presence in the gambling room for other purposes such as cancel credits and hopper refills. That is, if a staff member had just been in the room to

process a cancel credit, it is unlikely they would return a few minutes later to perform the “regular sweep”.

Attributing the correct labour rate to this activity will depend on the structure of the gambling operation. The data for the Benchmarking Report noted a split between general staff and manager involvement in this activity. It is likely to be dependant upon the time of day and staffing levels.

It is proposed that the Department use the following calculation is assessing venue costs:

Hours of gambling operation per week x 4 sweeps x 30 seconds / 3600 x wage rate

This will reflect a sweep every 15 minutes, provide the average number of hours per week spent on this activity and then the weekly claim amount.

For example:

96 hours x 4 x 30 seconds / 3600 x \$16.22 = \$51.90 per week

No documentation is required to be submitted.

#### *Administering Harm Prevention and Minimisation Policies*

This category is distinct from supervision. Venue staff have obligations under the Act to apply its policy for identifying problem gamblers, provide information to people reasonably considered to have a gambling problem, exclude those persons should it be considered appropriate, exclude all persons who request such action, and monitor for excluded patrons.

In discharging these responsibilities, venues maintain exclusion registers and also often have incident registers whereby information is kept on the gambling behaviour of patrons (e.g. session length and expenditure of regulars). The Department considers this to be a positive measure.

It is considered reasonable to attribute 15 minutes per day to these activities (1hr 45 minutes per week). It is unlikely that every day of the week will result in these actions occurring while some days may require more than 15 minutes to complete the tasks.

Supporting these specific tasks and being a responsible host of a class 4 gambling operation also requires a general awareness of what is occurring in the gambling environment. Maintaining this awareness is general to the whole operation. At every “sweep” of the gambling area, cancel credit, jackpot win and EFTPOS transaction etc, venue staff should be building this picture. It is not a matter that requires specific recognition as a labour task, but a result of a series of tasks and part of the venue’s general expertise in conducting class 4 gambling.

The majority of the statutory requirements are the obligation of the venue manager, while many of the other tasks (e.g. incidents register) can be completed by all staff. It

is the societies' responsibility to ascertain the appropriate division of labour in this category.

It is proposed that the Department use the following calculation in assessing this venue cost:

15 minutes per day x 7 days x wage rate

For example:

$15 \times 7 \times \$22.58 = \$52.68$  per week

No documentation is required to be submitted.

### Electricity

Most venue agreements currently claim electricity costs associated with the gambling operation by taking the percentage of the venue that the gambling operation represents and applying that percentage to the electricity bill. For example, if the gambling area represents 15% of the venue's size, 15% of the annual electricity bill is claimed over 52 weeks.

Some societies look at the power usage of machines to provide a more accurate figure as to the use of electricity. This is acceptable to the Department but it is noted that this has the potential to become complicated if a society tries to ascribe power usage to every electrical device used in the conduct of gambling. For example, devices that consume electricity that are part of a gambling operation also include jackpots, site controllers, any venue management systems, lighting, heating etc.

On this basis the Department considers it reasonable to use the percentage approach as a proxy for a reasonable cost. Calculating the actual usage of all gambling related equipment is a cumbersome methodology. However, the Department has no objections to a society using this approach if it wishes to provide that level of information for approval. That said, if a society and venue suspects that the percentage figure represented to the Department is grossly inaccurate at a particular venue, it is welcome to revise its assessment for the Department's consideration.

Documentation: To avoid unnecessary paperwork, please provide a copy of at least one power bill which is considered representative of the average monthly usage. Societies are welcome to provide more if they wish to substantiate the amount.

Note: Societies are responsible for ensuring the amounts claimed are actual and representative of annual usage. This is a matter that is open for audit.

## **Limit B**

*“Weekly Operating Costs” are:*

- (xvi) labour costs for the performance of tasks required for the weekly management of machines;*
- (xvii) rent or lease payments for hosting machines;*
- (xviii) insurance costs;*
- (xix) interest costs; and*
- (xx) fees, for managing the provision of the services specified in (iv)-(vii), not exceeding 25% of the sum of (iv), (v), (vi) and (vii)*

*A corporate society, when incurring costs under Limit B, must not incur costs (excluding GST) of more than \$75 per gaming machine per week.*

### *Start-up and Close-down of Gambling Operations*

This is a daily activity at venues which requires a series of tasks to be undertaken. In many venue cost schedules used by societies (and past examples on the DIA website), this activity is broken into many parts. This has resulted in venue cost schedules that are more complicated than they need to be and created complexity in estimating reasonable costs for completing these activities.

The Benchmarking Report reflects observations during the close down and start up processes, noted the tasks that were involved in conducting those processes and the reasonable timeframes to conclude those processes. It is proposed that this category be used in venue cost schedules as a standalone category.

The close-down and start-up processes typically involve the following actions:

- Securing cash in the safe
- Clear cashboxes
- Completing cash clearance details reports
- Accessing cash from the safe
- Printing reports from EMS and any venue management software (i.e. jackpot turnover reports, cash clearance reports, meter readings etc)
- Checking recorded transactions from the previous day, including cancelled credits, hopper refills, jackpots and EFTPOS receipts
- Counting cash
- Reconciling the cash float
- Recording float transactions (often on spreadsheets)
- Ensuring float contains sufficient mix of coins and notes
- Preparing cash for banking
- Completing the Daily Jackpot Turnover Report for those venues with non-downloadable jackpots
- Investigating any discrepancies
- Processing any adjustments
- Turning on machines and clearing errors
- Printing and filing reports

- Sending reports to the society

The Benchmarking Report noted that for a 9 machine non-club venues start up, including all processes preliminary to daily operations and reconciliation of the previous day's operations, should take no more than 0.5 to 0.75 hour for days other than Mondays. On Mondays, assuming hopper weighing and full reconciliation, start up should take no more than 1 hour to 1.5 hours. Daily close down for 9 machines should take no more than 0.5 hour.

For 18 machine non-club venues, start up should take no more than 1.5 hours to 2 hours for days other than Mondays. On Mondays, assuming as above, 2.5 hours should be sufficient. For daily close down, 0.5 to 0.75 hour should also be expected.

Some venues conduct a more extensive close down process including recording float transactions and balancing against cancelled credits, hopper refills and jackpots paid during the course of the shift. Extended close down processes will however result in a shortened start up process the following day.

It is proposed that the greater of the timeframes noted above be adopted for the purpose of assessing venue costs. From time to time there may be imbalances that need to be resolved which can increase the time taken to complete a start up. While venues are, on the basis of what has been observed, capable of completing the processes in the lesser of the above referenced times, it is considered appropriate to add some weighting to this measure to take account of processing and investigating imbalances.

To this end, incorporating the weekly full reconciliation and the start up and close down processes, the following times are proposed:

- 9 machine venue: a maximum 9.5 hours per week for a 7 day operation
- 18 machine venue: a maximum 19.75 hours per week for a 7 day operation

The Benchmarking Report noted that the start up process can be extended at some venues when hoppers are weighed each evening with a fuller reconciliation. Game Rule 16 requires a full cash float reconciliation once per week. Under the rules, more frequent reconciliations are not required and the practice of doing so appears to be fairly rare. The reason for conducting these more frequent reconciliations is often in response to previous problems with cash balancing and employee dishonesty.

For the purpose of recouping venue costs, this is not considered a *necessary* cost that requires separate recognition. It may be an exercise that some venues wish to undertake, but in order to investigate potential employee dishonesty, such an exercise on a daily basis is not necessary; periodic exercises should unearth and resolve any problems and finding continual imbalances may be the result of substandard record keeping and other processes.

The weighting that has been added above by taking the greater of the times may also compensate for more frequent hopper weighing and reconciliations. Activities beyond this measure can appropriately be recompensed under the 25% "management fee" under Limit B.

The Department considers it appropriate that duty/venue managers are responsible for conducting these activities.

Should a venue operate a number of gaming machines other than 9 or 18, the society in conjunction with the particular venue may, taking into account the above rates, estimate the time taken to complete those activities.

No documentation is required to be submitted.

### Gaming Machine Analysis

Game rules require that venues conduct a GMA for every gaming machine at least 12 times per annum. This process requires comprehensive meter readings on all the venue's gaming machines. The Benchmarking Report noted that this process can take up to three hours for a reasonably large turnover 18 machine venue and up to two hours at a smaller venue.

It is proposed that the maximum times identified represent the reasonable timeframe for the completion of the activity. Rather than ascribing a monthly figure, the reasonable timeframes have been calculated across a four week period. That is:

- 9 machine venue: 0.5 hours per week
- 18 machine venue: 0.75 hours per week

This calculation and the use of the maximum timeframe identified provide a weighting to claims for this activity. This takes into account the times whereby isolated analyses are required for individual machines. For example, analyses as required by Game Rules 26 and 27 following the installation, removal or servicing of gambling equipment.

The Department will accept duty/venue managers being attributed this role should that be the case.

No documentation is required to be submitted.

### Shift Changes

The Benchmarking Report noted this as an activity that is, in part, related to the management of gaming machine operations. This is not a matter that has been noted as listed on venue cost schedules to date.

When shift changes occur between one duty manager and another, a short cash reconciliation is completed with the floats being signed off. This relates to the cash for both the main business and the gaming machine operation. The timeframes that were involved in these shift changes and the subsequent cash counts ranged from 20 – 30 minutes for the entire operation.

As this activity relates to the entire operation, attributing a timeframe of 20 minutes per day is considered reasonable.

It is noted that not all venues will conduct shift changes of this nature. Some venues with experienced staff will not have this activity as part of the usual business operation. Societies are responsible for determining whether this activity occurs and reflecting this appropriately in the venue cost schedules. It is noted that whether shift changes occur at a particular venue is a matter open to audit.

No documentation is required to be submitted.

### Liaison

Venue staff will often need to liaise with a variety of people as part of the management of the gambling operation. Staff will need, from time to time, to have contact with different organisations such as societies, Intralot New Zealand (EMS Help Desk), gaming machine service providers and the Department.

This category is designed to capture those interactions that occur from time to time. Not all parties that a venue has contact with in managing the operation of gaming machines will be interacted with every week and the interactions that occur will be of varying lengths depending on the issue at hand. Attributing the exact time timeframes to these activities is an impossible task.

It is arguable that this category falls within the notion of the 25% fee attributed under this Limit “for managing the provision of services”. Nevertheless, these interactions are also arguably discrete tasks and can, from time to time, be more than nominal.

The Colmar Brunton Report found that the average time spent per week at the ten “high performing venues” on interactions with the Department, service providers, Intralot and societies was one hour in total. It is noted that this figure was above the median score.

The Department considers it reasonable to attribute one hour per week to this task.

Documentation: None required

### Rent/Lease Payments for Hosting Gaming Machines

This payment covers the reasonable lease/rental and rates costs associated with the provision of the gambling area. This cost is calculated on the proportion of the gambling area to the rest of the premises.

In addition, a portion of the building insurance and body corporate fees can also be included to the extent that these costs are demonstrated in the relevant leasing/rental documentation as long as there is no double dipping. This means that if the rent, as set in the lease agreement, already includes rates, building insurance or body corporate costs, such items cannot be counted again as an additional item in the rental paid by a society.

If a venue is held freehold, a society can still pay the venue operator an equivalent rent based on the portion of the premises that relates to class 4 gambling. To determine this

amount, the society should obtain an independent market valuation of the rental value of the square footage of the venue. The cost of the market valuation would be considered a society administration cost.

If there is not a dedicated gambling area for the hosting of gaming machines (e.g. the gaming machines are hosted in a general bar area), a proportion of the rental/lease costs can still be paid. The Department considers it reasonable to apportion 2.5 square meters per gaming machine to cover the situation where gaming machines are operated in a general public area.

If a venue leases car parking spaces separate to the main lease of the premises, a proportion of that cost can be paid. This portion is calculated on the same percentage basis that is applied to the gambling area.

Documentation: A copy of the relevant lease/rental/rates documents should be provided to the Department. A professionally drawn and legible venue plan demonstrating the proportion of the gambling area to the rest of the venue accurately should be included.

### Insurance

A venue hosting gaming machines is holding the proceeds from those machine on trust for the society which holds the licence. While the proceeds are in the control of the venue, the venue operator is liable for any loss. The venue operator has the same responsibility for safeguarding the property of a society (e.g. gaming machines) which it holds and operates on its behalf.

As such, any insurance taken out by the venue to cover any potential loss is a legitimate cost which can be claimed. If gambling equipment is covered by a general contents policy, a portion of that policy as it relates to the value of the gambling equipment can be claimed.

Documentation: A copy of the relevant invoices/receipts for the insurance.

### Interest on Float

All venues are required to provide a suitable float for the efficient management of the gambling operation. The interest cost (actual or lost) on that float is a venue cost.

The interest claimed on the float will differ if the venue has debt. If the venue has debt, in lieu of repaying some of that debt, the interest rate charged for that debt may be substituted. If the venue has no debt, a reasonable long term deposit interest rate may be claimed.

Documentation: None required.

## **Limit C**

*“Venue Operating Costs” are:*

- (xxi) labour costs for the performance of tasks required for the weekly provision of a venue;*
- (xxii) security costs;*
- (xxiii) developments and/or enhancements and/or maintenance of the venue; and*
- (xxiv) fees, for managing the provision of the services specified in (ix) to (xi), not exceeding 25% of the sum of (ix), (x), and (xi).*

*A corporate society, when incurring costs under Limit C, must not incur costs (excluding GST) of more than \$800 per venue per week.*

### *Banking*

Banking practices differ between venues. A venue may have contractors that come and collect the gaming machine proceeds, or venue staff who bank it directly, it may be banked daily or weekly. All methods of banking involve tasks that can be reimbursed.

As noted in the Benchmarking Report, preparation of banking is part of the start up process where cash representing the gaming machine proceeds for the previous day's operation is identified and separated from float cash. For venues with high weekly turnover which have the proceeds collected by a security firm, a deposit slip will be prepared and the cash (including takings from non-gambling activities) will be sorted and bagged ready to be picked up. As a result, beyond the start up process, banking labour activities are limited to dealing with security staff when they arrive to pick up the deposit. Observations indicate that this would be approximately 5 minutes per event.

The Department will accept invoices from security firms as evidence of a cost to be reimbursed. However, it is noted that in many instances the security firm will be banking both gambling and non-gambling proceeds. In these instances the Department considers it reasonable to ascribe half of the security costs to venue costs as the firm is conducting two distinct tasks. The Department will also accept 5 minutes of labour activity per 'pick-up'.

Some venue staff will take the proceeds to banks personally. Among urban venues, this tends to happen where the bank is a short walk from the venue. As such, the activity does not usually take more than half an hour, provided the cash has been properly sorted and bagged. In rural areas, the banking can take longer depending on the distance to the nearest bank. It is the Department's experience that banking occurs less frequently in such circumstances. This cost must be evaluated on a case-by-case basis. It is noted that where non-gambling proceeds are banked at the same time, it is considered reasonable to ascribe half the labour costs involved to class 4 venue costs.

Documentation: If the proceeds from gaming machines are cleared by an external contractor, a copy of the relevant invoice should be submitted to the Department.

If the banking is conducted by venue staff, an explanation of that process should be provided explaining the frequency and amount of time taken.

### Cleaning

In preparing the Benchmarking Report, it was the Department's experience that cleaning within the gambling area occurs predominantly during the start up process and is usually carried out by cleaning staff while the venue manager is performing his/her duties.

Where cleaning is conducted by a third party, the cost that can be claimed is a proportion of that contract based on the size of the gambling area in proportion to the rest of the venue.

The Benchmarking Report also noted that cleaning can also occur in the evening after closing. Generally this involves, after securing the cash from note stackers, ensuring the gambling area is free from rubbish, bottles and glasses etc as well as arranging stools neatly. It is considered 10 minutes is a reasonable timeframe to attribute to this activity. If this level of cleaning occurs in the evening in addition to any third party cleaning contractors, it can also be claimed.

If there are no third party cleaners, the Department considers it reasonable to ascribe no more than 30 minutes per day to cleaning activities as a sum of morning and evening cleaning. This is close to the 192 minutes per week indicated as the mean in the Colmar Brunton Survey.

During the course of the day, there is cleaning that occurs in the form of collecting bottles, glasses, cups, and other rubbish from the gambling area. This occurs during those times where staff are supervising the gambling area or conducting other gambling related tasks. This is not a separate activity from those that are claimed under Limit A.

Documentation: Any invoices for third party cleaning contractors.

### Training

This category allows venues to claim the costs associated with staff participation in formal training. Throughout the year, venue staff will receive harm prevention and minimisation training, ideally refresher harm minimisation training and, if new staff, training in how to complete tasks in a class 4 gambling operation.

The direct costs of training provided by a third party are a society cost. However, there is a cost to the venue operator in terms of the time staff spend receiving that training. A society needs to calculate, as accurately as possible, the time staff will spend throughout a year in receiving training. This figure can then be expressed as an average weekly cost.

Any ongoing training in the work environment during the conduct of duties (e.g. venue manager assisting staff in the completion of a gambling related task) is considered to be

covered by the 25% management fee attached to Limit C. That is, it is an example of the general expertise involved in the provision of a gambling operation.

Documentation: To justify any claim, societies will need to explain who provides training to staff, the number of staff involved in the training, and the frequency and length of the training.

### Security costs

A proportion of any general security associated with a venue can be claimed under this Limit. For example, if a venue has a monitored alarm or CCTV dedicated to the gambling area, the portion which relates to the gambling area may be claimed. (It is noted that once the cost of any CCTV has been recouped, it should not form part of a claim).

Some venues also have security staff in the venue or on the external door at differing times of the week or security in the evenings after closing. The portion of this cost can be claimed on the basis of the proportion of the gambling area to the rest of the venue.

It is noted that security on a door simply as a means to negate an access licence condition is not a reasonable and necessary cost.

Documentation: If a venue receives third party security, a copy of the relevant invoice should be supplied. Other relevant receipts must be available on demand.

### Enhancements, developments and maintenance

#### *The Nature of Capital Costs*

Limit C provides for “developments and/or enhancements and/or maintenance” of the venue. The premise is that improvements to the “gambling space” can occur at a venue (to the extent any cost is actual, reasonable and necessary) and be paid for by the society as a legitimate venue cost. That is, a society can agree with a venue that a particular environment is necessary for a gambling operation and can provide for enhancements to the “gambling space”.

The term “**gambling space**” is used in this document to mean;

- a room in a venue solely occupied by gaming machines (i.e. a gaming room), or
- that part of a venue that is occupied by gaming machines, and the area immediately adjacent to the gaming machines.

It is *not* necessarily the same as the “gambling area” defined in the Act.

Developments, enhancements and maintenance include any item that is part of the chattels, decoration or fitting of the gambling space that is related to the conduct of gambling.

*Examples:*

- Paint for the gambling space
- Carpet for the gambling space
- Lighting in the gambling space
- Ventilation systems for a gaming room only
- Any other fittings or chattels placed in the gambling space for development, enhancement or maintenance purposes.

Capital improvements to areas other than the gambling space cannot be funded by venue payments. For example, societies cannot pay venues for maintenance of toilets or car parks.

All such costs must be actual, reasonable and necessary to the gambling operation. Providing a clean and inviting space is considered reasonable. Theming, of any description including society branding, is not considered a reasonable or necessary cost.

Developments and enhancements under Limit C attach to the venue and improve the value of the venue. The rationale under Limit C is that these improvements would not have been *necessary* but for the gambling operation. As such, it is appropriate that these costs are recouped by the venue operator. However, the enduring benefit and ownership of these improvements attach to the venue. In essence, when a society pays for these enhancements, it is paying the venue for the use of that improvement to the gambling space.

These costs are distinct from ancillary equipment for the conduct of class 4 gambling. Such equipment is not part of developing, enhancing or maintaining a venue. For example, venue management systems, coin scales, EMS cabling are directly related to the conduct of gambling but are not “developments or enhancements” to the venue. These chattels are society costs and remain the property of the society.

A society or a venue can pay directly for capital costs under Limit C but these costs must be appropriately reflected in the venue cost schedule. If a society pays directly for such costs (i.e. enhancements, developments and maintenance), it must ensure the venue is not being paid again for those enhancements (i.e. double dipping).

*Term of Repayment and Protecting Community Interests*

If a society pays for enhancements to the gambling space, this is money already spent, and a society has an obligation to “recoup” that money. As such, this is the first amount that should be reflected under Limit C. It is not an amount that is deducted from Limit C once all other costs have been itemised (e.g. assessing Limit C at \$1000 per week then subtracting \$300): the effect of this practice would be an extension to the Limit.

If a society pays for enhancements upfront the society has, in effect, provided the venue with an interest free loan from community money. As such the Department expects to see these “loans” to venues reflected in societies’ balance sheets as a non-current asset.

Societies hold all gaming machine proceeds on trust for the community and also have an obligation to minimise costs and maximise returns to the community. With this in mind, and considering any payments are in effect loans to venue operators, the Department considers societies have an obligation to seek the “return” of that money spent in a managed and expeditious way. This minimises the value of the “loan” to the venue and minimises the chance of that money being lost to the community.

The previous guidelines have referenced that the amount can be recouped either over the length of a venue agreement or at the rate set out in the IRD depreciation schedule. In terms of protecting community funds and minimising costs, the Department now considers some of these depreciation rates for chattels are too long to adequately safeguard the community money, minimise costs, and, from the Department’s perspective, administer and track such costs in a meaningful way.

In the case of venue enhancements costs being paid upfront by the society, the Department considers payments should, as a maximum, be structured over the period remaining on the venue agreement (on a new venue agreement this would be a maximum of 3 years). It is through the venue agreement that a society has a contract with a venue and can help safeguard the return of the cost of an upgrade. This is a natural cycle of the relationship between a society and venue and is a natural cycle for the Department to monitor costs through the venue agreement.

There have been examples in the sector where venues have changed societies or surrendered licences and these payments have been lost to the community. Societies have written off these costs as bad debt. It is considered that societies that fail to have in place mechanisms to recoup community funding and ‘write off’ outstanding debt from venues when it changes hands, are failing to serve community interests and meet their obligations under the Act.

If a venue were to change societies while there was an outstanding enhancement cost not fully accounted for, this outstanding amount must be repaid to the society by the venue. Likewise, if a venue ceases a gambling operation, the liability must be settled with any outstanding amounts reimbursed. The Department considers venue agreements with venues for whom enhancement ‘loans’ have been made should have a mechanism to recoup the money. Approvals of venue cost schedules attached to venue agreements will be made on this basis.

The enhancement cost is a “loan” to a venue to bring it up to an agreed standard suitable for the conduct of class 4 gambling. It is not a mechanism to provide an incentive for a venue to enter a venue agreement.

It is proposed that the Department assess these costs on this basis. The Department considers this a reasonable approach, in line with the purposes of the Act, and will provide clarity and consistency across the sector.

#### *Representing these Costs in the Venue Costs Schedule*

For example, if a society decides that capital enhancements of \$5000 are required for a venue, then the following two repayment options are available:

- If the venue were to pay for this enhancement, the society would reimburse the venue over a series of weeks (e.g. at \$150 per week); or
- The society decides to pay for this enhancement, the society would add a notional entry to the venue costs schedule (e.g. \$150 per week). That is, if the Limit C costs without the enhancements were to total \$450 per week, the venue costs schedule would reflect a \$600 cost per week while only \$450 would actually be paid. The “loan” amount should be entered into societies’ balance sheets as a non-current asset.

Once the amount has been repaid, the Department expects the venue cost schedule to be amended and submitted for approval.

The Department expects all documentation associated with any “enhancements or development” to be submitted.

### **Categories not included**

Some labour tasks that have been included in some venue cost schedules submitted to the Department have not been included in the categories above. Examples are:

- Putting pamphlets in holders / restocking forms

The time associated with achieving these tasks is minimal. It is considered to be easily covered under the categories above and as part of the management fee for the provision of services.

- Key register checks

The key register should be signed during the completion of activities referenced above. Checking the register for compliance with game rules is simple task and considered part of the management fee for managing the provision of services.

- Short Pays

This should be a very rare occurrence. If it is not, then it is a matter that is likely to be a gaming machine fault. The Colmar Brunton Survey recorded a median occurrence of less than 2 minutes per week.

- Interim note stacker clearances

Note stackers will usually be cleared during the close down process. If they are not, then the time ascribed in that section will cover this eventuality. Outside of regular clearances, the need to clear a note stacker should be a very rare event. If note stackers are being cleared on a regular basis during the day, this may indicate that the float the venue supplies is not large enough.