

# **Class 4 Venue Labour Costs Benchmarking Project**

## **Project Report**

Operational Policy  
Gambling Compliance Group

December 2008

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## ABBREVIATIONS

Act:	Gambling Act 2003
BR:	Gambling (Class 4 Banking) Regulations 2006
DJTR:	Daily Jackpot Turnover Report
EMS:	Electronic Monitoring System
GAA:	Gambling Amendment Act 2005
GMA:	Gaming Machine Analysis
GMP:	Gaming Machine Proceeds
GR:	Class 4 Game Rules 2006
HMR:	Gambling (Harm Prevention & Minimisation) Regulations 2004
HPM	Harm Prevention and Minimisation
MS:	Minimum Standards
NPR:	Gambling (Class 4 Net Proceeds) Regulations 2004
WVAR:	Weekly Venue Activity Report
WJSR:	Weekly Jackpot Summary Report

## EXECUTIVE SUMMARY

This report is the result of a Departmental project commissioned on the conclusion of the work of the joint Department and sector Venue Costs Working Party<sup>i</sup>. The purpose of the project was to provide benchmarking analysis of the labour input costs associated with conducting class 4 gambling at venues. The project consisted of direct observation of the labour input at 8 club venues and 17 non-club venues operating class 4 gambling. The project found:

- Generally the results of the Colmar Brunton survey are supported. For example, a '70/30' split in manager/non-manager costing for labour activities (as suggested by the results of the earlier Colmar Brunton survey) on observation appears reasonable in some cases.
- It is not recommended Limits B or C be reduced (as the Department previously suggested throughout the Working Party as an option to counter a rise in Limit A).
- Education is needed to ensure costs are related to the correct limits. (For example some Limit A costs should be classified under Limit B and some Limit C costs should be placed under Limit A).
- As far as possible, a standard category/process with regards to labour costs should be adopted by the sector. This in turn could aid the assessment of labour costs by Departmental Licensing and Compliance staff.
- In terms of the assessment of labour costs by Departmental staff, staff could use a mixture of EMS data, wage slips, indicative average transactional timeframes (set out below) and EFTPOS or till receipts to assess a venue. Some items that are not recorded (such as coin changing) or non-transactional in nature (such as observation or supervision of a gaming room) are more difficult to assess and may require site visits.
- There is room for some minor efficiency savings in terms of labour activities in venues (such as coin changing), which could be educated to the sector. Aside from these, there were no obvious labour inefficiencies at venues observed.
- This report gives insight into indicative 'reasonable' times for labour inputs at venues. It does not comment on 'actual' inputs at venues (which vary week to week, venue to venue) or 'necessary' costs to a great extent.
- Provided activities are ascribed to the correct limit, nothing was observed to suggest Limits A, B and C could not accommodate the cost of best practice labour activities.
- There is room for significant improvement in terms of the harm prevention and minimisation (HPM) tasks venue staff undertake as a matter of course. Staff must be undertaking, for example, regular and meaningful supervision of the gaming rooms in accordance with venue HPM policies, and must be able to recollect their HPM training.
- A project team comprised of subject matter experts should be created to use the recommendations and findings of this report as a basis for adopting a consistent and robust venue costs licensing and enforcement strategy.

## 1.0 BACKGROUND

The Gambling Act 2003 requires that costs associated with the conduct of class 4 gambling be confined to those that are “actual, reasonable and necessary” to the conduct of class 4 gambling and otherwise comply with the requirements of the Act and associated regulations and game rules. Class 4 operators are required to minimise their costs and maximise their distributions to their authorised purposes.

Venue payments, being a significant cost of conducting class 4 gambling, are required to be set, in respect of any particular venue, at a level that reflects the actual cost of operation at that venue subject to the proviso that the actual costs reflect only necessary costs and that they are ‘reasonable’. To the extent that an actual cost may exceed a reasonable level, then only the reasonable portion of the actual cost can be paid.

The Department has found it historically difficult to assess venue costs set by societies and their associated venues. In part this has been due to differing methods adopted by societies for categorising these costs. There has also been a lack of robust supporting data to support claims that have been made on behalf of venue operators<sup>ii</sup>. In part this is often due to the fact that many venues and societies do not routinely acquire such data. Whilst some have kept data in the form of rough time and motion studies, this is fairly rare.

Venue costs are subject to express limits made pursuant to section 116 of the Act<sup>iii</sup>. These limits were imposed following a period over which the Department reviewed its policy relating to the way it assessed and monitored venue payments. Payments are divided into 4 categories of limits, three of which relate to payments to individual venues and one relating to an overall cap on all venue payments by a society. Those that relate to payments to venues are:

- Limit A: Hourly Operating Costs (capped at \$0.60 per gaming machine per hour). These are costs incurred through the actual *operation* of gaming machines during the period they are switched on and available for use by the public. The main components are labour, for the performance of common gaming tasks, and electricity.
- Limit B: Weekly Operating Costs (capped at \$75.00 per machine per week). These includes provision for payment of rental for use of venue floor space, insurance<sup>iv</sup>, interest<sup>v</sup> and costs incurred through the weekly *management* of gaming operations (this particularly relates to cash reconciliations and balancing, use of venue management software to print reports, recording meter readings etc). The bulk of this activity occurs before and after operational hours.
- Limit C: Venue Operating Costs (capped at \$800.00 per week). These include costs not otherwise provided for and includes provision for security, enhancements and maintenance of the gaming area and labour costs such as banking of GMP, cleaning, liaison with the society and DIA, training etc.

The limits are intended to represent **reasonable** maximum dollars payable for

necessary activities across venues. The structure and level of the limits have not been significantly amended (bar a clarification of the role of GST on 17 July 2008) since their introduction in 2004. Neither is there a mechanism for the limits to periodically increase at intervals to reflect the effects of inflation, increases in labour costs and costs of utilities etc. That the limits have remained static can be attributed to a lack of consistent, robust data from the sector as to why the limits are set incorrectly.

The first major attempt to collect detailed data relating to labour costs at venues was a Colmar Brunton survey commissioned by the Charity Gaming Association. This sampled 10 venues over a four week period.

The potential for conflict in assessing 'actual, reasonable and necessary' costs between the Department and the sector means it is particularly important that the Department is able to better determine what the 'reasonable' costs of conducting class 4 gambling at venues are from an examination of actual venue labour activities. Some work has been done in respect to associated costs such as rental of floor space and electricity. However, the major component of venue payments, the costs associated with labour, requires detailed scrutiny.

The principal component of venue payments (and the most difficult to assess) is the labour required of venue staff. Such labour comprises such activities as:

- 'Start up' processes (activities associated with preparing the gaming machine operation for the public, cash handling, cash reconciliations, investigating previous period anomalies, downloading EMS data, recording meter readings etc).
- 'Operational' processes (activities associated with the operation of gaming machines including cancelled credit and jackpot payments, hopper refills, customer enquiries, dealing with faults and malfunctions, attending to player disputes, supervision of the gaming area, EFTPOS cash withdrawals etc). Such activities might be divided into 'transactional' ones (those associated with specific activities such as hopper refills that can be more easily assessed) and 'non-transactional' ones (such as general observation of the gaming area, dealing with customer queries and complaints etc), many of which do not result in specific recording.
- 'Close Down' processes (activities occurring after opening hours, including meter readings, preparing reports, handling, counting and securing cash etc).
- 'Other' processes (including banking GMP, training activities, liaison with society and maintenance / repair contractors).

The present benchmarking exercise was an agreed 'next step' resulting from the recent Venue Costs Working Party. The Department agreed to conduct the benchmarking exercise so that its results might be compared to those obtained from the Colmar Brunton survey in order to reach an understanding as to reasonable labour costs and validate the findings of the Working Party (whether agreed outcomes or Departmental suggestions).

## 2.0 OBJECTIVES

Key objectives of the venue labour costs benchmarking project are:

1. Obtain a better idea of what class 4 gambling related activities occur at venues and how those activities are classified;
2. Observe how the labour activities at class 4 venues compare to the findings of the 2007 Colmar Brunton Report<sup>vi</sup>;
3. Identify and describe efficiency costs savings that might be made to reduce costs of labour at class 4 venues that might result in lower venue payments or reduce pressure to increase venue payments;
4. Provide data relating to the labour costs of conducting class 4 gambling that will better enable gambling licensing and compliance inspectors to evaluate the reasonableness of venue payments and claims for venue payments (as they relate to labour) during the course of their functions;
5. Evaluate, as far as possible, against the data observed, whether the current gazetted limits on venue payments (in respect to labour costs) represent the reasonable costs observed at venues.

### 3.0 METHODOLOGY

Any methodology used to assess labour costs would be inevitably informed by the outcomes and limitations of the research of the Working Party. In effect, the data obtained from this project usefully supplements (and critiques) the data obtained by Colmar Brunton. As opposed to self-reported data (as in Colmar Brunton) it was a priority for this project to obtain original, first-hand data across a broad sample of venues.

To meet the stated objectives above the following methodology was adopted:

1. *Planning Stage*: Determine number and identity of target venues, liaise with key stakeholders to obtain maximum 'buy in' by the class 4 gambling sector.
2. *Club Venue Data Collection*: Over time visit a selected group of club-venues to obtain detailed information of class 4 gambling related labour requirements. These venues were selected on the basis that the size of their operations (principally in terms of turnover) were comparable with those of medium to large turnover non-club venues.
3. *Non-Club Venue Data Collection*: Over time visit a selection of diverse non-club class 4 venues to collect data of labour requirements associated with class 4 gambling activities.
4. *Benchmarking of Labour Costs*.
5. *Reporting*.

The Department understands, both through its knowledge of commercial venues and from anecdotal evidence obtained through the Working Party process, that there is a potential commercial incentive to inflate venue costs payments versus actual expenses. Unlike commercial venues, club venues have no incentive to 'appear' to over-emphasise the labour costs associated with their gaming machine operations. Club societies own their own venues and therefore there are no venue payments to be made with respect of their gaming machine operations. In fact, because club societies keep their GMP for internal use ('apply' instead of 'distribute'), they have an incentive to operate their gaming operation efficiently, thus maximising the amount of GMP available for their own purposes. It follows that club type venues form a useful comparison to the processes observed at non-club venues. For these reasons, a number of substantial club venues were chosen initially for observation.

The adopted process for collecting data relied on personal observation, rather than collecting self-reported data. Personal observation was desirable because the Colmar Brunton survey has already provided adequate self-reported data<sup>vii</sup> and there are other available sources of labour costs data. Data available from EMS is detailed but limited to those transactions it records. EMS does not provide much data on the length of time recorded activities take to complete. In addition to EMS, CCTV recording can provide information on activities within venue gaming areas. However, it became apparent very early on in the present project that such recordings were not a reliable presentation of labour activities because much gaming related activity actually

occurs outside the gaming area, for example at the bar.

To properly evaluate actual and reasonable labour costs associated with the conduct of class 4 gambling by venue staff required actual presence at such venues for extended periods. This included observation of gaming related activities before, during and after operational hours.

### **Limitations**

There are significant variations that make data collected in respect of one venue of limited use in respect to another. The Gazette Notice and its limits were set in place partly to take account of the variation between actual costs at different class 4 venues.

The emphasis is more on determining what appear to be the 'reasonable' costs based on collating data from many venues, which can then be used by inspectors to assess the actual costs that might be claimed by a particular venue.

This report does not include any discussion of the 16% cap on venue payments provided for by Limit D of the Gazette Notice nor any impact it is alleged to have on the payment of venue costs.

The methodology will now be discussed further in detail:

### **Identification of Venues: Club**

A number of club venues were chosen to be visited prior to non-club venues. Club venues were chosen based on size of gaming operations as disclosed in EMS records over a 15 week period. Clubs included within the project were-

- New Lynn Memorial Returned Services Association Inc
- Onehunga & Districts Returned Services Association Inc
- Mangere Cosmopolitan Club Inc
- Onehunga Workingmen's Club
- Weymouth Cosmopolitan Club Inc
- Manurewa Returned Services Association Inc
- Otahuhu Workingmen's Club
- Auckland Confederation of Billiard Sports Inc

### **Identification of Venues: Non-Club**

Help was sought from gaming machine societies to identify venues to be examined during the course of the project. The Charity Gaming Association (CGA) was particularly helpful in facilitating this. Venues were also nominated by the Lion Foundation. The following non-club venues were included within the project:

- Korner Bar, Trusts Charitable Foundation (TTCF)
- Arthurs Bar, New Zealand Community Trust (NZCT)
- Right Track Sports Bar, NZCT
- Strike Manukau, NZCT
- Corner Bar, Mt Wellington Charitable Trust
- Landmark Bar, Mt Wellington Charitable Trust
- Cock n Bull, Ellerslie, NZCT
- Star Hotel, NZCT

- Papakura Tavern, Water Safety Trust
- Whitehouse Tavern, Whitehouse Tavern Trust
- The Alamo, Lion Foundation
- Oaks Tavern, Lion Foundation
- The Bog, Lion Foundation
- The Playhouse, Lion Foundation
- Ngatea Hotel, Water Safety Trust
- Jays Place, Southern Trust
- West End Tavern, Southern Trust

### **Direct Observation Data Collection**

Direct observation was the primary means of information collection. This involved attendance at venues for substantial periods (i.e. generally periods of 6 to 10 hours), to observe and record all aspects of gaming operations. As well as periods of gaming machine operations (hourly machine labour costs), observations were also made prior to and following operational periods to record time spent reconciling gaming machine cash processes and dealing with cash (generally, weekly gaming labour costs associated with Limit B). Records included, as well as the identification and timing of particular activities, a description of who was tasked to carry them out (i.e. whether management level or non-management staff).

Venue visits were generally timed to coincide with a shift, either morning/early afternoon or afternoon/evening. Club venues were visited twice each, including one morning and one evening shift. Some venues were attended over an extended period during the course of a day, i.e. from morning start up process to evening close down process.

All venue visits were arranged in advance with representatives of the venue operator.

Data obtained from venue visits is appended to this report.

### **Interviews of Staff**

Interviews involved direct recorded discussions (by way of job sheets and note book recordings) with venue staff, including venue managers and staff directly involved with gaming related activities. The purpose of such interviews was to record impressions of the time requirements of gaming related activities on a daily, monthly and seasonal basis. In particular, there was an emphasis on activities occurring prior to and subsequent to hours of normal operation.

### **EMS Reports**

Static reports in EMS provide much useful, relevant and up to date information relating to transactions at venues, including, cancelled credit, jackpot payments, hopper refills, machine errors and malfunctions. Such reports are less useful when assessing claims for non-transactional activities, such as dealing with customer complaints, observation of the gaming area, harm minimisation interventions etc.

EMS reports were used to verify transactions recorded during venue visits.

## 4.0 LIMIT A LABOUR COSTS – DATA AND ANALYSIS

### Limit A Labour Activities

Assessing hourly venue labour costs is particularly problematic as there can be wide variations in the actual amount of labour involved during the course of a day and over the course of a week. However, hourly labour activities observed at all the venues visited, both club and non-club, were remarkably similar. Although there were some variations based on 'in-house' policies, most gaming related activities follow fairly standard processes. As such, the time taken to conduct various standard activities were also remarkably similar across all venues (both club and non-club). There was some impact on times taken for tasks by variables (which will be discussed below). From observations made during venue visits, the following general categories of labour activities can be listed:

- Transactional activities, including:
  - Cancelled Credits (including recording and cash handling)
  - Hopper Refills (including recording and cash handling)
  - Jackpot payments (including recording and cash handling)
  - Machine errors and malfunctions
  - EFTPOS cash withdrawals by gaming patrons
  - Coin changes (coins to notes)
  - Note changes
  - Float transactions (including weighing and bagging coins, changing note to coins and vice versa) and recording transactions.
- Non-Transactional activities, including
  - Supervision of gaming area
  - Customer queries and complaints
  - Harm prevention and minimisation activities (also discussed below under Limit C).

These categories embrace all of the usual gaming activities occurring during a venue's hours of operation without attempting to sub-divide activities into too many component functions. One issue that affected the Colmar Brunton survey was the complexity of the survey forms. Certain activities listed under Limit A as **hourly** gaming activities, for example, 'cash clearance details report', 'daily jackpot turnover report', 'checking daily EMS report on website' and 'investigating variances on jackpot turnover' are not hourly costs.

Such activities normally occur within the start up and/or close down processes and are more correctly classified as Limit B **weekly** labour costs. The cash clearance report is an essential part of daily reconciliations. If the values surveyed for these activities in the Colmar Brunton survey are correctly transferred to Limit B, this may go a long way to explaining why the Limit B labour costs reported in that survey differ from that observed during the benchmarking project. This would in turn result in an overall lower Limit A labour claim.

### Transactional Hourly Activities

These form the bulk of hourly labour costs associated with gaming operations. They can generally be divided into two broad sub categories – machine related activities and bar related activities. The former includes cancelled credits, hopper refills, jackpot payments and machine errors. These activities involve access to

gaming machines and require adherence to standard processes set out in the Class 4 Game Rules.

Bar related activities include EFTPOS transactions, coin changes, note changes and float transactions. These activities occur within the bar area rather than the gaming area and do not generally relate to specific machines, do not generally require presence in the gaming area or access to machine keys. Bar related activities are not subject to the Class 4 Game Rules.

'Float transactions' is a general description for dealing with float monies and recording transactions during the course of the day. These are related to and are often occasioned by patron demand for EFTPOS cash withdrawals, providing change for \$50 and \$100 notes and changing coins for notes. As these transactions occur, it is not uncommon for floats to run short of coins or notes. This may require staff to obtain notes and/or coins from other floats (i.e. by swapping notes from the gaming float for coins from the main till). These inter-float transactions need to be recorded for the purposes of cash balancing the following day. Float transactions also include weighing and bagging coins obtained as a result of coin changes.

Machine related activities can be monitored through EMS. This can enable the Department to verify the reasonableness of labour claims in this respect by determining the number of such transactions that occur in a given period multiplied by the average time taken per transactions. Bar-related activities such as EFTPOS transactions, coin changes and float transactions are more problematic to assess as records will be limited. EFTPOS receipts may be obtained but it will be difficult to determine the number of coin and note changes. Data obtained from venue visits do indicate that most venues deal with substantial numbers of these transactions during the course of an average day, particularly coin changes.

The actual numbers of transactional hourly activities, particularly hopper refills, cancelled credits and jackpot payments, vary widely from day to day. The introduction of PIDS features on gaming machines has had a noticeable effect on numbers of cancelled credits, particularly now that most venues have these features installed on a significant number of machines. It was noticeable, during the course of venue visits, that patrons are experiencing confusion as to what their options are when a pop-up message interrupts their play. It is very common for players to press the 'collect' button, believing that it will remove the pop-up display and enable them to resume playing. What it does is lock the machine and require a cancelled credit to be performed. Many of these transactions are for very minor amounts and it has been the cause of much frustration for both staff and players. Nevertheless, players will soon learn the functionality of these features.

### **Non-Transactional Hourly Activities**

Non-transactional activities are particularly difficult to assess. 'Supervision' is used here to describe the presence of staff in the gaming area for purposes other than performing transactional activities, such as hopper refills or payment of wins etc. These activities relate to keeping the gaming area under observation, attending to any needs or questions of patrons and generally keeping the area clean and tidy. At all venues visited, both club and non-club, staff undertook more or less regular supervisory 'sweeps' of the gaming area, usually for fairly short periods. Most staff supervisory activity appeared to be limited to cleaning (i.e. by removing empty glasses and bottles etc). Supervisory activities also indicate some level of

monitoring for the purposes of problem gambling harm prevention and minimisation. During the course of all venue visits, only one instance of actual harm minimisation activity occurred. This was at Strike Manukau on Monday 12 May when staff recorded an attempt by a gambling patron to borrow money in the venue's incidents register. Apart from this, there were no observed approaches to gaming patrons to discuss harm minimisation or processing of exclusion orders.

Instances of observation recorded during venue visits also include dealing with player queries. On the occasions when staff spent more than very small amounts of time within the gaming area, this was commonly due to conversations with gaming patrons.

### **Variables Affecting Hourly Labour Costs**

It is important to acknowledge that there are variables that affect actual labour costs from venue to venue and, within a venue, from day to day. Most venues visited during the current project reported reasonably similar generalised variations in labour costs during a typical week. Data obtained from venue visits shows that the level of staff engagement in gaming activities can vary widely, from long periods of very little gaming patronage to periods of very intense activity. In most venues staff stated that jackpot levels were a major driver of gaming patronage and demand on staff time. A substantial amount of labour can be generated in the period immediately following a jackpot win as numbers of patrons 'cash-up' their remaining credits and leave the premises. This can require hopper refills and coin changes.

Other variables can include matters such as the distance between the gaming area and the bar, where staff are normally located. This impacts on the length of time taken to carry out cancelled credit and jackpot payments and hopper refills. Another variable affecting the labour component of these transactions is the location of the venue's cash float. Where float funds are retained in the office safe, timeframes can be increased by the need to obtain cash from the office. This is rare, however, as almost all venues keep at least a portion of the float at the bar, which is topped up from time to time as required.

### **Recording and Evidence**

All hourly operating activities were recorded, including nature of the activity, time to complete and staff member(s) involved. Over the course of the project, this produced sufficient data to set out indicative average timeframes for common gaming activities. These are set out in the following table:

<b>Indicative Average Timeframes for Hourly Activities</b>				
<b>Activity</b>	<b>Instances</b>	<b>Time (total)</b>	<b>Time (average)</b>	
Cancelled Credit	58	10045s	173s	2m53s
Hopper Refill	107	16825s	157s	2m37s
Jackpot	15	3115s	208s	3m28s
EFTPOS	227	6965s	31s	31s
Coin Change	233	10910s	47s	47s
Note Change	85	2215s	26s	26s
Float Transactions	54	5880s	109s	1m49s
Malfunction	35	4230s	123s	2m03s

The above figures represent indicative reasonable timeframes to perform the most commonly recurring gaming activities. Some loading needs to be added to take into account occasional problems which can extend the time taken to completed a particular transaction. Even so, a reasonable upper limit on time taken to process hopper refills and cancelled credits would be 3 minutes with 3.5 minutes for jackpots. Based on these figures, a busy day at an 18 machine venue, including say 20 hopper refills, 15 cancelled credits and 3 jackpots, would amount to just under two hours of labour time (1hr55m30s).

### **Staffing**

Many of the venues visited tend to make use of a minimum number of staff on duty, based on levels of patronage generally experienced during various times of the day. Venues without a substantial non-gaming clientele during the morning and early afternoon might make do with a single staff member, the duty manager. Otherwise it is usual for the duty manager to work with one junior staff member.

One common feature across almost all club and non-club venues is a policy limiting performance of activities involving float monies (and cash handling generally) to duty managers and venue managers. Junior staff generally do not have access to float monies and therefore do not carry out activities such as cancelled credits, hopper refills or jackpot payments<sup>viii</sup>. In large measure this explains the high proportion of management time used to perform routine gaming duties. Involvement by junior staff in gaming related activities tends to be limited to those occurring at the bar, including handling EFTPOS withdrawals, changing notes and coin changes. This substantially limits their involvement as those tasks tend to be very short in comparison to activities such as hopper refills and cancelled credits. Staff attendance in the gaming area is widely limited to supervision and cleaning activities only.

This division of labour is sensible, given the risk associated with conducting class 4 gambling at venues. It is desirable, whilst junior staff are on duty, for them to be involved with less sensitive and more routine processes as far as possible.

## 5.0 LIMIT B LABOUR COSTS – DATA AND ANALYSIS

### Limit B Labour Activities

Labour activities included within weekly venue costs are particularly associated with the start-up and close-down processes that occur outside operating hours. They also include activities associated with duty manager shift changes.

In the Colmar Brunton survey these were divided into the following categories:

- Reconcile cash float
- Record cash float transactions
- Weekly gaming machine proceeds reports
- Gaming machine analysis reports
- Recording soft meters
- Daily start up process
- Close down process

The Colmar Brunton survey recorded a variety of responses in respect to these categories of labour activities, ranging from 5.31 hours to 20.66 hours per week. The mean was 12.63 hours. The wide variation in reported labour costs appears to be anomalous, given the reasonably standard processes involved. These include:

### Close Down Process

After the venue has been secured the gaming machines are opened and cash removed from the note stackers and secured in the office safe (most venues have a safe specifically used for gaming operations). In some cases the stackers are themselves removed and secured. The gaming area is cleaned. Machines are usually left with doors open. For most venues, particularly club venues, that is generally the extent of close down process. The primary objective is to secure cash. Counting and reconciliation activities take place the next morning. The main considerations limiting the close down process is the appreciation that the period immediately after closing can be very sensitive. Most venues reported a general feeling that if a robbery was to occur, this would be the time it would happen. It was felt by many duty managers and venue managers that the primary aim is to close up and get staff off the premises as quickly as possible.

Some venues do complete a more involved process when closing down operations, including counting float monies and balancing against cancelled credits, hopper refills and jackpots paid during the course of the shift. Some venues also weigh their hoppers each evening, which can add considerably to the time taken to complete the close down process.<sup>ix</sup> This appears to be fairly rare, and is motivated by an abundance of caution, often in response to previous problems with cash balancing. It also appears that venues that do this have previously experienced problems with employee dishonesty.

Close down processes are carried out by the duty manager in charge of the evening shift. General staff are not usually involved due to security concerns. With non-club venues it is also common for the duty manager to sign for the float after it has been counted.

For most venues, time taken to complete close down processes is 30 to 45 minutes. If hopper weighs are included this can take 1 to 1.5 hours for an 18 machine venue. Venues that do have extended close down processes are generally carrying out activities in the evening that most other venues would do in the morning. As a result, the longer the close down process, the shorter the following morning's start up process.

### **Start Up Process**

The start up process can be involved and usually requires:

- Accessing cash from the safe.
- Printing reports from EMS and 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.
- Completing cash clearance details reports.
- Clear cashboxes.
- Counting cash.
- Reconciling the cash float<sup>x</sup>.
- Recording float transactions (often on spreadsheets).
- Ensuring float contains sufficient mix of coins and notes.
- Preparing cash for banking.
- Investigating any discrepancies.
- Turn on machines and clear errors.
- Print reports and file.
- Send reports to society.

This process is more involved on Monday mornings when WGMPRs are prepared and hoppers weighed. In addition, there is an extended process each month as hard meters are read and GMA records completed.

The time taken for the standard start up process in public venues to be completed can range from 30 to 45 minutes (for a 9 or less machine venue) to 1.5 to 2 hours (for a high turnover 18 machine venue). This time frame is expanded on Monday mornings when WVAR reports are obtained and full cash reconciliations completed (requiring hopper weights). This takes approximately 1 to 1.5 hours for a 9 or less machine venue and 2 to 2.5 hours for a high turnover 18 machine venue. Once per month venues are required to complete GMA analysis of each gaming machine. This can considerably increase the time taken to complete the start up process as it requires hard meter readings (though venue management software can substantially facilitate the time taken to complete recording). Venue managers at both club and non-club venues indicated that this process can take up to three hours<sup>xi</sup>.

Most club venues were able to complete start up processes within 1 to 2 hours. Start up processes at non-club venues were remarkably similar in terms of activities undertaken and timeframes. Venues that performed float reconciliations in the evenings took substantially less time in the mornings. Actual times observed were:

Venue	Date	Start Time	End Time	Period	Note
New Lynn Returned Services Association	25 March 2008	8am	9:50am	1hr50m	
Onehunga & Districts RSA	27 March 2008	9:30am	10:30am	1hr	
Mangere Cosmopolitan Club	1 April 2008	9am	10:40am	1hr40m	
Onehunga Workingmen's Club	4 April 2008	9am	11am	2hr	Incl hopper weighs
Weymouth Cosmopolitan Club	8 April 2008	9am	10am	1hr	
Otahuhu Workingmen's Club	14 April 2008	8:30am	11:45am	3hr15m	Inc GMA, hard meter readings and hopper weighs
Manurewa Returned Services Association	21 April 2008	8:30am	10am	1hr30m	
Auckland Confederation of Billiard Sports	26 May 2008	7am	10am	3hr	Incl obtaining cash from machines and hopper weighs
Korner Bar	5 May 2008	8:30am	11:30am	3hr	Incl hard meter readings and hopper weighs
Arthurs Bar	6 May 2008	8:30am	9:30am	1hr	
Right Track Sports Bar	9 May 2008	7:45am	9:30am	1hr45m	
Corner Bar / Landmark Bar	13 May 2008	8am	10:30am	2hr30m	Process includes both venues
Star Hotel	16 May 2008	7:30am	8:30am	1hr	
Papakura Tavern	21 May 2008	8am	9:30am	1hr30m	
Whitehouse tavern	22 May 2008	9am	11am	2hr	
Cock n Bull	23 May 2008	5:30am	8am	2hr30m	Incl hopper weighs and hopper refills
Oaks Tavern	27 May 2008	8:15am	9:40am	1hr35m	
The Bog Irish bar	29 May 2008	8:30am	10:30am	2hr	Incl hopper weighs & investigating imbalance
Playhouse	30 May 2008	9:30am	10:30am	1hr	
Ngatea Tavern	4 June 2008	9:30am	10:45am	1hr15m	
Jays Place	5 June 2008	10am	11am	1hr	
West End Tavern	6 June 2008	10am	11:15am	1hr15m	

Start up processes extending beyond 1.5 hours can be explained by reference to extra activities such as taking hard meter readings, completing GMAs, weighing hoppers or other internal accounting processes. As a result, 1.5 hours could generally be taken as a reasonable time frame to complete a normal start up process, with extra time being added to take account of the above extra activities. Any claims exceeding this on a regular basis (as opposed to mornings where extra weekly and monthly processes are required) would need to be explained with reference to clear data justifying the extra time. An element of load could be built into this to take into account situations where the venue's gaming operations do not balance and the matter requires further investigation.

## **Shift Change**

Most of these activities occur as part of the daily start up and close down processes, along with shorter cash reconciliations that usually occur during a shift change from one duty manager to another. During the course of the current project several shift changes were observed. The timeframes involved ranged between 20 and 30 minutes. This represents a reasonable timeframe for a full safe count.

## **Timeframes**

As the activities undertaken during start up and close down processes are standard, the timeframes involved tend to be broadly similar from venue to venue. Amongst the club venues start up processes averaged 1.5 hours per morning, with close down processes averaging 0.5 hours. Additional time must be added to take into account for extra weekly and monthly reconciliation activities.

For 9 machine non-club venues, start up including all processes preliminary to daily operations, including reconciliation of 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 .75 hour should be expected but this may be extended if hoppers are weighed each evening, in which case close down processes average 1 to 1.5 hours (though this would usually result in a swifter start up process).

## **Staffing**

The nature of the start up process, involving a substantial level of cash handling, as well as the reconciliation of the gaming operation (and hence the task of finding and investigating and discrepancies or anomalies) means that it is invariably performed by the venue manager or other senior manager. Cash reconciliations occurring during shift changes are performed by duty managers. As a result, junior staff are rarely if ever involved with these activities.

## **Final Thoughts on Limit B**

As with hourly operating activities, there is a large measure of commonality amongst venues (including club as well as non-club) in respect of the activities performed and the time frames involved. There are differences between those venues that weigh hoppers daily (thereby performing a comprehensive float reconciliation each day) and those that only perform that task weekly (usually on a Sunday evening or Monday morning). Generally, morning start up processes take approximately between 1 and 2 hours to complete. Once per month venues are required to produce GMA analysis for each machine. This requires comprehensive meter readings, including hard meters. This results in a start up process that can take up to 3 hours for a reasonably large turnover 18 machine venue and up to 2 hours at a smaller 9 machine venue.

Evening 'close down' processes normally take between 30 minutes and 1 hour to complete. For some venues, evening activities can be more involved, including fuller reconciliation activity and weighing hoppers. However, this is compensated by a shorter start up process the following morning.

Safe counts conducted on a shift change usually take approximately 30 minutes.

More difficult to analyse is the labour cost of correcting errors and resolving imbalances. This often requires some guesswork, even for experienced venue managers. This was certainly not a common occurrence at any of the venues examined. On the occasions that imbalances of more than a purely nominal amount were found, matters were generally resolved within half an hour. It would be fair for some measure to be built into the Limit B labour costs to represent these costs. Alternatively, it is arguable that this is covered by the intent behind the 25% "management fee".

Generally, reasonable Limit B labour costs for an 18 machine high turnover venue would be 14 to 17 hours per week (7 days), taking into account shift changes. The nature of the labour involved is such that the main component is carried out by venue managers. Shift changes and close down processes are normally performed by relevant duty managers. General staff are not involved with these processes at all due to their sensitive nature, often involving large sums of money. For a smaller 9 machine operations, reasonable Limit B labour costs would be approximately 10 to 12 hours per week.

## 6.0 LIMIT C LABOUR COSTS – DATA AND ANALYSIS

Limit C labour costs are more difficult to assess because they generally relate to activities that are conducted irregularly and therefore, unlike labour costs under limits A and B, are not uniform week to week.

### Banking

One labour component commonly charged to Limit C is banking. As indicated above, preparation of banking is part of the start up process where cash representing GMP for the previous day's operation is identified and separated from float cash. For venues with high average weekly turnover, a deposit slip will be prepared and the cash (along with other takings from non-gaming activities) sorted and bagged ready to be picked up by a security firm, such as Armourguard. This is done daily. As a result, beyond the start up process, banking labour activities would be limited to dealing with security staff when they arrive to pick up the deposit. Observations indicate that this would be approximately 5 minutes per day<sup>xii</sup>.

Banking is more problematic where venue staff arrange to take cash to the bank themselves. Amongst urban venues visited, 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 that cash has been properly sorted and bagged. Outside of urban centres, the time taken for banking invariably depends on the distance to the nearest bank. In these venues banking is more likely to be undertaken weekly, rather than daily. It is therefore important that this be evaluated on a case by case basis for rural venues. However, for urban venues where cash is picked up, the amount of time associated with 'banking' ought to be minimal.

### Cleaning

Cleaning within the gaming area occurs predominantly during the start up process and is usually carried out by cleaning staff whilst the venue manager is performing cash reconciliations etc. This takes 15 to 20 minutes per morning. In addition, supervision of the gaming area undertaken during the course of the day also involves a significant amount of cleaning, usually in the form of collecting bottles, glasses and cups left in the gaming area. However, this is not a separate activity, and, for the purposes of this report, is included within the supervision activity listed under the Limit A hourly labour costs.

Cleaning activities also often occur in the evening, after closing. Generally this involves, after securing the cash from note stackers, ensuring the gaming area is free from rubbish, bottles and glasses etc as well as arranging stools neatly. This takes no more than ten minutes<sup>xiii</sup>.

### Other Limit C Labour Activities

In the Colmar Brunton survey, activities included within Limit C claims included matters such as

1. Training of staff in gaming related matters,
2. Securing the gaming area,

3. Handling customer queries,
4. Discussion between management and staff,
5. Advice to identified problem gamblers,
6. Monitoring required problem gambling resources,
7. Processing exclusion orders,
8. Liaison with society, service provider or DIA staff,
9. Keeping up with compliance requirements,
10. Checking security seals, and
11. Activities relating to installation and removal of gaming machines.

## **Training**

This does not appear to be an activity generally undertaken on an ongoing or weekly basis. Some training was observed at the Papakura Tavern, which related to compliance requirements and was carried out by service providers contracted by the Water Safety Education Foundation. None of the venues visited indicated that 'refresher' harm minimisation training was carried out at intervals following staff first receiving it. Generally these kinds of activities are only carried out as and when required. However, the scheduling of refresher courses in harm prevention and minimisation is to be encouraged. Many duty managers spoken to during the course of venue visits expressed some puzzlement as to what the Department/Gambling Act 2003 expected of them in terms of problem gambling harm minimisation.<sup>xiv</sup> At no time during the venue visits were there any approaches made to players to offer advice, even though there were occasions where particular players were observed making frequent EFTPOS cash withdrawals or gambling for long periods<sup>xv</sup>.

Some sector representatives have advocated that the allowed level of venue cost reimbursement should be increased in order to encourage venue staff to actually engage in best practice (if not base line) HPM activities. In the Department's view attempting to 'incentivise' HPM compliance at venues with venue payments or changes to the Limits in the Gazette Notice could have dubious legality in terms of section 116.

## **Harm Prevention Activities**

It is not apparent why such activities are classified as Limit C in the Colmar Brunton survey. Active and remote supervision of the gaming area (which includes checking for signs of symptoms of gambling harm) are included under Limit A. This would also include noting any necessary observations in the venue's incidents register<sup>xvi</sup>. Approaching a player to provide information about problem gambling, together with processing any resulting exclusion order, would logically also be provided for under Limit A.

No exclusion orders were issued during any of the venue visits undertaken. This was the case with club as well as non-club venues.

## **7.0 GENERAL BENCHMARKING COMMENTS**

### **Labour Costs Generally**

The various categories adopted to describe venue labour costs, together with their associated average timeframes, are more fully described above. Overall there did not appear to be much evidence of obvious inefficiencies in terms of excessive time taken to carry out gaming activities. Staff who attended to these activities did so promptly.

### **Adequacy and Location of Float Funds**

Average times taken to perform common activities like cancelled credits and hopper refills can be affected by how a venue manages its float. It was clear that a number of venues do not maintain a sufficient float to adequately handle their average daily gaming activities. This can result in staff having to clear cash from machines in order to replenish the float. This is highly undesirable as it can adversely affect the venue's cash balancing and ability to bank GMP promptly. Inadequate floats therefore contribute to labour cost inefficiencies and have other undesirable outcomes.

A minority of venues kept only small portions of the gaming float at the bar. This would be replenished from the gaming safe from time to time as required. This has certain advantages from the point of view of security. However it also contributes to the frequency and length of float transaction activities as, particularly on busy evenings, staff have to regularly obtain cash from the gaming safe.

### **Performance of Non-Essential Activities**

Across most venues, a common and recurring staff activity was changing coins. This occurs following a hopper payout. It is not uncommon for patrons to collect their coins and take them to the bar, where they are weighed by staff and exchanged for notes. In most observed instances, patrons would then return to the gaming area to resume gambling, using notes instead of coins. The result of this is a gradual accumulation of coins at the bar as the hoppers are emptied. Coins are regularly weighed and bagged by staff to make up subsequent hopper refills. This in itself can be time consuming during busy gaming periods and also results in increased numbers of hopper refills. Many staff spoken to expressed some frustration with this aspect of gaming patrons' behaviour. Overall it increases demands on staff time whilst having no real rationale.

A number of venues have adopted in-house policies restricting coin changes to patrons cashing up to leave, rather than those returning to continue gambling. This practice not only reduces staff labour weighing coins and counting notes, it also reduces the number of resulting hopper refills.

### **Staffing**

The Colmar Brunton survey indicated a large portion of gaming related labour is performed by managers, either a duty manager or the venue manager. Overall, that survey showed that up to 70% of all labour is performed by managers, as opposed to junior staff. The Department expressed some misgivings regarding the

substantial amount of management time incurred and the resulting higher labour cost. One focus of the current benchmarking survey was to examine the relative proportion of management versus staff involvement with gaming related duties and to determine to what extent management involvement might be unnecessarily high. In particular, the practices of club-type venues were compared to non-club venues in this regard.

No great variance was found between club and non-club venues in their staffing policies. With few exceptions, amongst all venues examined, activities involving substantial cash handling, such as start up and close down processes, were limited to trained duty managers only. Another factor tending to increase the portion of management labour is the fact that some venues may only have one duty manager on duty during the course of a morning/early afternoon shift (often when non-gaming activities at the venue are minimal). During those periods all gaming activities are necessarily performed by the duty manager.

Given the sensitivities involved in a venue's gaming operations, including the generation and handling of substantial amounts of cash, security considerations tend to offset possible efficiency gains that might be obtained by allowing junior staff to handle a wider range of gaming related activities. Given that duty managers are often required to sign for the gaming float at the start of their shift (and thereby become responsible for it) there is a natural reluctance by duty managers to allow junior staff to perform functions such as hopper refills and payments of prizes. This limits junior staff to bar activities such as EFTPOS transactions and changing notes, activities that are relatively brief.

It is recommended that the Department accept the rationale why such a large portion of labour costs incurred at venues is at management level in many cases. An attempt to require venues to increase the role of junior staff in gaming activities would involve an increased assumption of risk by venues and also impose increased training requirements on senior staff. In some case it would require venues to employ a second staff member on shift which would otherwise be covered by a single duty manager.

### **Start up & Close Down Processes: Use of EMS**

All venues visited were utilising some form of venue management systems. It is apparent that for most, this, rather than EMS, provides the main tool for information management. Not all venues routinely downloaded EMS reports each day.

It was not generally apparent that the introduction of EMS has had much effect on venue processes, which still depend on internal management software. Soft meter readings are downloaded by such software and utilised to print out all the records and forms relied upon by venue staff to perform their gaming related duties, particularly when carrying out cash reconciliations. What was often observed was that daily EMS records were printed and compared to internal records as a 'check' to ensure both sets of figures matched. On Monday mornings WVAR forms were printed and compared to calculations made through venue management software and the cash balancing process to ensure that the amount of GMP banked each Friday is correct. Any imbalances between the two systems would result in an investigation.

Some venue staff have reported EMS has increased the time taken on start up

processes by adding one further step in the process. Though most venue staff interviewed were generally impressed with the EMS system.

While EMS is capable of providing comprehensive daily soft meter readings, it is not practical to discourage the continued use of venue management software. Venue management software provides a great deal of additional functionality, for both the venue and the society, including the ability to print standard forms and collate data relating to the performance of various machines. Also, these systems provide a necessary 'back up' in the event of any period that EMS may be unavailable.

## 8.0 CONCLUSIONS

### The Gazette Notice & Colmar Brunton

Generally, the labour input findings of the Colmar Brunton survey are supported by evidence obtained in the current benchmarking project. However, variances between venues surveyed by Colmar Brunton indicate different policies relating to how activities are classified. This impacts on whether certain labour costs are classified under Limits A, B and C.

Limit B labour costs, when including all activities relating to start-up and close-down processes, were found to be somewhat higher than those reported in the Colmar Brunton Survey. Some of the data recorded in that survey for Limit B activities do not match that observed at both the club and the non-club venues. The case for reducing Limit B labour costs, to compensate for a slight increase in limit A<sup>xvii</sup>, is therefore not as sound as that survey would arguably indicate.<sup>xviii</sup>

Alternatively, some activities reported in the Colmar Brunton survey as hourly labour costs (Limit A) ought to be better classified as part of the labour activities claimed under Limit B, specifically as part of start up processes (e.g. obtaining, printing and filing EMS reports<sup>xix</sup>).

Some activities reported under Limit C by the Colmar Brunton survey should be better classified under Limit A as hourly costs, including dealing with player enquiries, advising problem gamblers and processing exclusion orders.

It is recommended, as a means of establishing a **standard categories** of labour costs (which would also assist in comparing venue payment claims and assessing their reasonableness), that the categorisation used in this study be adopted, in consultation with the sector.

Information obtained from club and non-club venues indicates that gaming labour practices ought to follow, as far as possible, a **standard process**, subject to particular variations established on reasonable grounds. This common process includes:

- a. Daily cash balancing and reconciliations each morning. For high turnover venues, gaming proceeds should be banked daily to prevent large amounts of cash being accumulated at the venue with the attendant risk of theft. Ideally cash should be banked directly to the society's gaming account.
- b. Cash secured each evening.
- c. Regular observation of gaming areas (some venues have adopted a policy of sweeps of the gaming area every 15 minutes depending on staff availability, rather than relying on remote monitoring).
- d. Sensitive operational processes involving float monies, including hopper refills, cancelled credits and jackpot payments limited to trusted and responsible staff (in most venues the duty manager).
- e. Non-sensitive operational processes to be carried out by general staff,

subject to availability.

## **Evaluating Venue Payment Claims**

EMS reports provide a great deal of information relating to the numbers of hourly operating activities that occur at a given venue during a given period. Comparison of these to average transactional time frames (set out below) then gives a good idea of the reasonable labour costs. However, these alone do not give a complete picture of the total labour costs incurred. Much staff time is taken up with transactions occurring at the bar, particularly EFTPOS cash transactions, changing of notes and, in particular, the often time consuming process of changing coins to notes and then weighing and bagging coins. Whilst EFTPOS records are available that will indicate the number of transactions occurring, it is not always apparent which apply to gaming and which to non-gaming purchases. There are no readily available records detailing the number of coin and note changes that occur, though these are often numerous.

Non-transactional labour costs, such as observation and supervision of the gaming area are not easily verifiable or quantifiable. The amount of time staff devote to those activities vary widely between venues and, at a particular venue, during the course of an average day. Observation becomes more difficult, and happens less often, during evening periods when staff are busy at the bar. During quieter periods, staff at non-club venues were seen to make regular, though usually very short, sweeps of the gaming area. This would appear to indicate that staff are aware of their obligations to actively monitor gaming activities. However, often the purpose of sweeps appeared to be more concerned with cleaning and removing empty bottles and glasses, than active assessments of patrons' gambling activity. It was not apparent, during the course of this project, that any supervisory activity resulted in any interventions to provide information relating to problem gambling, even though there were a number of occasions when patrons were making numerous EFTPOS cash withdrawals, appeared to be seriously intoxicated or engaged in very lengthy gambling sessions. Nevertheless, most venues require staff to regularly sweep the gaming area.

The current process the Department uses for assessing venue payments against the test of "actual, reasonable and necessary", particularly through the Gazette Notice, is complex. This results in confusion amongst societies and venues as to how they should properly assess and categorise labour and other costs<sup>xx</sup>. It also makes assessing the reasonableness of venue payment claims very difficult to assess by Departmental Licensing and Compliance inspectors. Without actually spending significant amounts of time at a venue observing what is actually going on, inspectors currently have little they can use to verify claims, other than by comparing them to other venues of similar turnover. However, as indicated above, where substantial variances exist, it is often more a case of venues adopting differing models for classifying labour costs. Nevertheless, Colmar Brunton does indicate that a minority of venues do claim labour costs that are out of proportion to the norm.

## **Efficiency Savings on Labour Costs and Best Practice**

At none of the venues visited were there any obvious labour inefficiencies visible, particularly in the sense of staff taking longer times to perform common tasks compared to other venues. Timeframes for performing standard tasks were remarkably similar. In fact, given staffing levels apparent at most venues visited, staff simply did not have the luxury, particularly during the evening, to spend more

time than was strictly necessary on these activities. Where venue payment claims indicate far more time being spent on activities compared to comparable venues, this is more likely a result of inflating labour costs as opposed to inefficiencies.

It was apparent that some Limit A labour costs could be reasonably reduced without adversely effecting an efficient gaming operation. These costs relate to changing coins to notes in situations where the gaming patron does not intend to cash up and leave the premises. This not only results in labour costs associated with weighing coins, it also results in great numbers of hopper refills. Some venues have already adopted a policy of refusing to change coins unless the patron is cashing up. This would likely result in avoidance of unnecessary hourly labour costs.

## 9.0 LIMITATIONS OF DATA AND THE WAY FORWARD

Along with the Colmar Brunton survey, the data presented here provides further useful information that enables the Department to better understand labour costs of conducting class 4 gambling at venues. Better understanding can translate into more effective monitoring and assessment as to the reasonableness of claims.

However, this data is subject to obvious limitations given that actual labour costs at venues will vary widely, not only between venues, but also within individual venues day to day and week to week. Some venues, particularly those located in suburban areas, report very steady gaming activity week by week. Many venues located in commercial centres reported sluggish gaming activity over the past few months due to the general economic climate.

This benchmarking exercise is limited to considering what 'reasonable' inputs of labour are as opposed to 'actual' or 'necessary'.

The benchmarking exercise looked at time inputs as opposed to the cost (such as in wages) of the time utilised on gaming machine operations. However, there was nothing to suggest the time spent on these activities was incapable of being reimbursed by the limits in the Gazette Notice. The nature of the commercial operation at non-club venues means an incentive to **minimise** hours spent on gaming machine duties as far as possible. Provided activities are ascribed to the correct limit, in the absence of further evidence, it does not appear there is a need to alter the dollar values of the limits at this stage.

### **Harm Prevention and Minimisation**

Good HPM practice labour activities at venues must (and for most venues do appear to) include provision for regular staff attendance in the gaming area to ensure adequate monitoring of gaming activities and patrons. Each such attendance does not have to be of long duration (these tended to average 10 to 20 seconds) provided they are sufficiently frequent (one every 15 minutes appears to be the practice at several venues). In some venues, the gaming machines are sufficiently close to the bar area that adequate supervision would not require actual attendance in the gaming area. Limits A to C should not be increased to incentivise good HPM practice. There is nothing to suggest the existing limits are not sufficient for reimbursing baseline HPM practices (if not best practice).

### **Mechanism for recognising increases in real costs**

Whilst the quantum of labour activities can be examined in exercises such as the present, and best practice recommendations made (including, for example, an examination of the seniority of staff undertaking those activities), the actual cost of those activities then have to be measured by reference to current salary and wage levels within the hospitality industry. Such figures appear to be regularly compiled and published by the Hospitality Association.

### **Project Team**

The Department needs a strategic approach to take the recommendations of this report forward into interactions with the sector, common understandings and robust enforcement actions. To this end a project team comprised of internal

subject matter experts should be created. The aim of this project would be to ensure the Department operates as efficient gatekeeper in the licensing process and that it backs up comprehensive education on expectations with robust enforcement. A robust compliance/licensing process was a sought outcome of the Venue Costs Working Party.

## 10.0 APPENDIX 1: SUMMARY OF RECOMMENDATIONS

1. Generally the results of the Colmar Brunton survey are supported. For example, a '70/30' split in manager/non-manager costing for labour activities (as suggested by the results of the earlier Colmar Brunton survey) on observation appears reasonable in some cases.
2. It is not recommended Limits B or C be reduced (as the Department previously suggested throughout the Working Party as an option to counter a rise in Limit A).
3. Education is needed to ensure costs are related to the correct limits. (For example some Limit A costs should be classified under Limit B and some Limit C costs should be placed under Limit A).
4. As far as possible, a standard category/process with regards to labour costs should be adopted by the sector. This in turn could aid the assessment of labour costs by Departmental Licensing and Compliance staff.
5. In terms of the assessment of labour costs by Departmental staff, staff could use a mixture of EMS data, wage slips, indicative average transactional timeframes (set out below) and EFTPOS or till receipts to assess a venue. Some items that are not recorded (such as coin changing) or non-transactional in nature (such as observation or supervision of a gaming room) are more difficult to assess and may require site visits.
6. There is room for some minor efficiency savings in terms of labour activities in venues (such as coin changing), which could be educated to the sector. Aside from these, there were no obvious labour inefficiencies at venues observed.
7. This report gives insight into indicative 'reasonable' times for labour inputs at venues. It does not comment on 'actual' inputs at venues (which vary week to week, venue to venue) or 'necessary' costs to a great extent.
8. Provided activities are ascribed to the correct limit, nothing was observed to suggest Limits A, B and C could not accommodate the cost of best practice labour activities.
9. There is room for significant improvement in terms of the harm prevention and minimisation (HPM) tasks venue staff undertake as a matter of course. Staff must be undertaking, for example, regular and meaningful supervision of the gaming rooms in accordance with venue HPM policies, and must be able to recollect their HPM training.
10. A project team comprised of subject matter experts should be created to use the recommendations and findings of this report as a basis for adopting a consistent and robust venue costs licensing and enforcement strategy.

## **11.0 APPENDIX 2: SUMMARY OF REASONABLE LABOUR ACTIVITIES- -9 AND 18 MACHINE VENUES**

NOTE: These figures are indicative only. Actual labour costs will vary between venues and week by week.

### **'9 Machine Venues'**

Daily Start Up: Limit B (including all processes preliminary to daily operations, including reconciliation of previous day's operations):  $\frac{1}{2}$  to  $\frac{3}{4}$  hour for days other than Mondays. 1 hour to 1  $\frac{1}{2}$  hours on Mondays (assuming hopper weighing and full reconciliation).

Daily Close Down: Limit B (including all processes related to shutting down daily gaming operation, including securing cash and float balancing):  $\frac{1}{2}$  hour

Safe Counts (occurring upon shift change): Limit B –  $\frac{1}{4}$  hour

Hourly Labour Costs – Limit A (including matters such as hopper refills, cancelled credit and jackpot payments, EFTPOS and cash handling transactions etc) – these individual activities vary between venues and within venues. Reasonable timeframes for individual activities are referred to on page 13.

Supervision of gaming area should reasonably include quarterly 'sweeps'. This would generally require  $\frac{3}{4}$  hour to 1 hour on average per day.

### **'18 Machine Venues'**

Daily Start Up: Limit B (including all processes preliminary to daily operations, including reconciliation of previous day's operations): 1  $\frac{1}{2}$  hours to 2 hours for days other than Mondays. 2  $\frac{1}{2}$  hours on Mondays (assuming hopper weighing and full reconciliation).

Daily Close Down: Limit B (including all processes related to shutting down daily gaming operation, including securing cash and float balancing):  $\frac{1}{2}$  to  $\frac{3}{4}$  hour. This may be extended if hoppers are weighed each evening, in which case close down processes average 1 to 1  $\frac{1}{2}$  hours (though this would usually result in a swifter start up process).

Safe Counts (occurring upon shift change): Limit B – 20 minutes to  $\frac{1}{2}$  hour

Hourly Labour Costs – Limit A (including matters such as hopper refills, cancelled credit and jackpot payments, EFTPOS and cash handling transactions etc) – these individual activities vary between venues and within venues. Reasonable timeframes for individual activities are referred to on page 16.

Supervision of gaming area should reasonably include quarterly 'sweeps'. This would generally require 1 hour to 2 hours on average per day.

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## 12.0 END NOTES

- <sup>i</sup> Findings of the Working Party were reported 20 February 2008.
- <sup>ii</sup> The Department is told that acquiring detailed and robust data as to labour costs can be time consuming and imposes significant extra labour costs on venue staff.
- <sup>iii</sup> To date, the only expense category relating to the conduct of class 4 gambling subject to limit or exclusion.
- <sup>iv</sup> i.e. insurance against loss of gaming proceeds whilst they are in the possession or control of the venue operator.
- <sup>v</sup> i.e. interest paid as a return on use of the venue operator's gaming float.
- <sup>vi</sup> Prepared for the Charitable Gaming Association dated 2 April 2007.
- <sup>vii</sup> Additional self reported data is unlikely to provide much more useful information. In particular, it is apparent that the data collection methodology for the Colmar Brunton survey was complex, requiring staff to break common tasks down into many components.
- <sup>viii</sup> This is not ubiquitous. A few venues had a more relaxed policy in this regard. These were generally venues located outside of Auckland and those that had a small number of staff who had been employed for a substantial period of time. But for most venues, the relatively high turnover amongst junior staff in the hospitality industry also limits their usefulness in performing float related transactions.
- <sup>ix</sup> The majority of venues, including all club venues surveyed, weigh hoppers once per week, usually on Sunday evenings or Monday mornings, when full gaming operation reconciliation occurs in association with calculating the required weekly banking.
- <sup>x</sup> This may involve weighing hoppers, though most venues only do this once per week. One venue, Cock 'n' Bull Ellerslie, as well as weighing hoppers daily, also carries out manual hopper refills to ensure all hoppers are full at the start of each day. This increases the time required for the start up process considerably, but provides for savings in terms of hourly gaming labour costs by substantially reducing the number of hopper refills required to be completed by staff. This practice also provides some added security by reducing the risk of float monies being stolen during the course of a hopper refill.
- <sup>xi</sup> A full monthly reconciliation including preparation of GMA forms was observed at the Otahuhu Workingmen's Club. This process took three hours to complete.
- <sup>xii</sup> The fact that high turnover venues commonly bank proceeds daily may well have implications when assessing regulatory requirements for banking GMP within minimum timeframes. For most of the non-club venues visited, GMP for a particular week would be banked to the venue's own account (initially daily) and would be fully balanced and banked by the end of the day following the availability of the previous week's WVAR through EMS. In that case, there would appear to be no good reason, absent problems with the balancing process, why GMP could not be banked prior to the Friday (being the 5<sup>th</sup> working day after the WVAR). At many of the venues visited, cash was banked daily into the venue operator's account and that cash was then retained until a single weekly transfer of GMP at the end of each week.
- <sup>xiii</sup> Taken together, including morning cleaning, this would involve approximately 30 minutes per day. This is close to the 192 minutes per week indicated as the mean figure in the Colmar Brunton survey.
- <sup>xiv</sup> Under the Gambling Act it is for societies to ensure their venue staff are trained and a harm prevention and minimisation policy is being given effect
- <sup>xv</sup> Though it is important to note that this is not in itself evidence that staff were failing in their duties. It was relatively rare for a person to spend a significant amount of time at a single venue. Even where a venue's gaming area was consistently busy during a period of time, there was invariably a regular 'churn' of the players (except during periods when the jackpot was particularly high).

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<sup>xvi</sup> As was the case at Strike Manukau on 12 May.

<sup>xvii</sup> As was agreed by the Venue Costs Working Party.

<sup>xviii</sup> Some of the time claims in respect to Limit B in the Colmar Brunton survey are quite small, particularly for venues 3, 5 and 9, and would seem to indicate venues that do not carry out cash reconciliations every day. That would be very unusual for such high turnover venues. This might be better explained by these venues not properly recording all their Limit B activities. A clear example of this is venue 3, which records only 3 minutes of start up processes.

<sup>xix</sup> Given that some venues in the Colmar Brunton survey reported very low values for start up processes, it would appear that they have divided the common activities carried out therein into a number of categories spanning both Limit A and Limit B. If so, this would avoid double claiming. Though it does unnecessarily increase the complexity of recording labour inputs.

<sup>xx</sup> Likely contributing to the wide variances in labour cost claims made in the Colmar Brunton survey.