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available on www.dia.govt.nz



Where do gaming machine profits go?

The Department of Internal Affairs is undertaking another survey about the distribution of profits from gaming machines.

Gambling Compliance Director, Mike Hill, says the survey is an opportunity for operators to highlight the benefits gaming machines bring through the funds they raise for community purposes.

"From past experience, the results of the survey will be useful, not only for the sector and the Department, but also to help inform the public at large," he added.

In 1996 and 2000 the Department produced reports entitled 'Where Do Gaming Machine Profits Go?' A third survey, now under way, asks gaming machine operators about the distribution of profits to authorised purposes in the calendar year 2005. The information being sought is already required to be kept by operators.

"I would like to see this survey used to establish a better understanding on profit distribution," Mike Hill said. "I will work with the sector to agree on a process for routinely gathering this material. I want to ensure that we can keep the community fully informed, as the Gambling Act intends."

The survey was introduced because, while the amount, recipients and purpose of funding such as Lottery Grants were well documented, no comparable statistics were readily available for the gaming machine sector as a whole.

"The Gambling Act 2003 seeks, among other things, to ensure that money from gambling benefits the community and to facilitate community involvement in decisions about the provision of gambling," Mike Hill said. "The survey will help provide an assurance that the sector is meeting the first of these objectives, and will provide some of the information communities need for the second."

"Section 365(1) of the Act allows us to collect information for research, and policy analysis and development, associated with the purposes of the Act. I encourage operators to complete and return the questionnaire."

PUBS AND CLUBS

EMS monitoring fees set

Regulations setting the monitoring fees for gaming machines connected to EMS took effect on 9 May 2006.

The Gambling (Electronic Monitoring Fees) Regulations 2006 establish a monitoring fee of \$1.14 (GST inc) per day for each gaming machine connected to the system. The regulations also provide for a late connection fee of \$250, which may be charged if a venue is not connected to the EMS on the date specified by the Secretary in accordance with the Gambling Act 2003.



EMS testing laboratory

Initial testing of EMS components and host software has been completed successfully. But the testing schedule is being extended by about a month to accommodate a software modification. This is necessary following the identification of an issue with data matching between the Department's licensing system and the interface to the EMS host. The pilot will now begin in June and the roll out will now commence in July 2006.

While the Department wants to avoid delays it also wants to ensure the system is tested thoroughly prior to deployment. This change will impact on roll out dates for a limited number of venues only and those societies involved will be contacted to discuss alternative dates. The deadline for connection of all venues by no later than 18 March 2007 will not be affected.

The Department encourages all societies to continue to process amendments for changes to gaming machines and the cabling of venues without regard to the change of pilot and roll out dates. Societies prepared to meet any previous date will then be ready well before time and venues should have no readiness issues.

New game rules deal with electronic monitoring

New Class 4 Game Rules have been implemented to take account of electronic monitoring.

The Gambling Act (Class 4) Game Rules 2006 were gazetted on 1 June 2006 and will come into effect on 29 June 2006. A copy of the game rules will be mailed to each corporate society, venue and gaming machine manufacturer. Some fact sheets to explain the content and changes will accompany the game rules.

Both the game rules and fact sheets are located on the Department's website at www.dia.govt.nz or can be obtained by writing to the Gambling Compliance Group, Department of Internal Affairs, PO Box 805, Wellington.

Parts 1, 2 and 3 of the game rules have been changed marginally. The main change is the addition of Part 4, which deals specifically with electronic monitoring. It covers new and additional requirements in respect of connection, reports, security, faults, record keeping, jackpots, gaming machine profits, reconciliation and adjustments. The standard forms, also located on the website, have been slightly amended too.

Section 118 and ‘kickbacks’

The general manager of a gaming machine trust recently became the first person to be convicted under the Gambling Act 2003 for attempting to receive gaming kickbacks. The man was convicted and fined \$1000 for offering a benefit as a kickback for supplying a charity with gaming money. The court suppressed the man’s name; his conviction and sentence is being appealed.

This person was convicted under section 118. It is important that societies and other key parties in gambling operations understand the requirements of this section. Section 118 prohibits the following persons from knowingly seeking or receiving money, a benefit, advantage, privilege or gift from certain parties if there is a direct or indirect condition attached:

- A class 4 operator
- A key person in terms of a class 4 operator’s and a class 4 venue licence
- A person who sells, repairs, services or maintains gambling equipment.

The section is intended to mitigate the risk of conflicts of interest and ‘favours for favours’ that could affect the integrity of the gaming operation and grants process.

As well as the obvious example of kickbacks, there are other arrangements between societies, venues, service providers and grant recipients that may fall foul of section 118. The Department is aware that grant recipients do provide benefits to societies by acknowledging their contribution in media releases or on websites. Provided these were not a condition of the grant, the Department may not object. The key question is whether the society would have made the grant anyway if the positive feedback were not proffered.

However, it would not be appropriate to publicly acknowledge the local pub where a society’s gaming machines are operated. Grants are made by societies with a class 4 operator’s licence and not by venues. Since the key persons in relation to a venue are prohibited from any involvement in the distribution of grants, the Department would question why a grant recipient felt it necessary or appropriate to thank the pub.

The Department will look very closely at circumstances where a grant recipient provides a benefit, advantage or privilege with an actual monetary value to a society or its key persons. Note that a benefit does not necessarily need to be sought to breach the section and to ‘knowingly receive’ it may be enough.

The following are examples where a grant recipient could have sold the benefit, advantage or privilege to another party and thereby raised more money:

- The gift of tickets to an event
- Free advertising space at a sports ground
- Naming rights to an event or sports team, particularly where this implies sponsorship.

That a grant recipient has decided to forgo potential revenue to acknowledge a society could suggest that a condition was attached to the grant.

Another factor that may influence the Department is if a grant recipient were under an impression that future grants would not be provided unless a benefit, advantage or privilege was provided.

As well as the option of prosecution, issues that raise presumptions of kickbacks or inappropriate relationships of obligation and benefit may affect whether the Secretary can be satisfied as to a party’s integrity under the licensing process. It may also lead the Secretary to determine that individuals involved are not suitable to be key persons under the Gambling Act.

We encourage all societies and venues concerned about a possible breach of section 118 to contact the Department in the first instance.

PUBS AND CLUBS

Fortune jackpot prize receipts unacceptable

Some venues are failing to meet game rule requirements by using 'Fortune' system-generated printed jackpot prize receipts as the principal record of jackpot prizes paid manually. This was revealed in a recent DIA investigation into the alleged fraudulent non-payment of a jackpot prize and routine examination of gaming machine accounting records.

The procedures and recording requirements for all cancelled credit and jackpot 'hand pay' transactions are set out in game rule 56 of the Gambling Act (Class 4) Game Rules 2004. Other relevant rules are rules 12 (Manual payments), 26 (Standard gaming machine accounting reports), 27 (Electronically generated reports), 55 (Cancelled credits and hand pays jackpot systems).

The rules require that standard gaming machine accounting reports, as published on the Department's website, must be used in all cases for recording these types of transaction. The Daily Jackpot Cancelled Credit Report is the applicable report for jackpot systems of the Fortune type. There is no provision for any other format or combination of records to be used. These reports provide for and require the player's *name* to be recorded during the payment process as well as a signature obtained.

It is recognised that, in practice, many players are reluctant to sign for gambling winnings, let alone provide their names, but these are fundamental accountability measures, intended to provide a measure of protection for both parties where often quite large sums of cash are involved. If a player is not prepared to sign the record or

provide the required details, the venue manager or staff member would be quite justified in withholding payment, subject to observing the requirements of game rule 94, which deals with unpaid winnings.

The Department recognises that the Fortune system-printed receipts do have some advantages, for example ease of use, convenience and automatic time and date-stamping, but they do not, by themselves, meet all the requirements of the standard Daily Jackpot Cancelled Credit Report. A significant omission is provision for recording the player's name. As well, these receipts are small and fragile and printed on thermal paper, which can cause smudging and deteriorate over time. So use the Daily Jackpot Cancelled Credit Report instead.

Venue managers and staff at venues where Fortune jackpot systems are operated **MUST** ensure that the requirements set out in the Game Rules for manual payments and completion of Daily Jackpot Cancelled Credit Reports are observed and that each entry on these forms is completed with **ALL** of the required details, including the **name and signature** of the player being paid.

All Gambling Compliance staff can be contacted by phoning the Department's tollfree number

0800 257 887

Gazetted expense limits are maxima NOT benchmarks

Recently the Department became aware that some societies pay expenses money to their venues at levels that depend upon the venue Gaming Machine Profit (GMP) for that week.

For example, if a venue has 'under performed' in terms of the GMP it has paid in its weekly amount, a society may pay less expense money to that venue, on the understanding it will be paid more if and when turnover increases up to the gazetted limits. This practice is occurring so that societies meet the 37.12 per cent return to authorised purposes (AP) and stay within limit D (16 per cent) of the 'Limits and Exclusions on Class 4 Venue Costs Notice 2 September 2004'.

While a society that does not exceed Limit D and does not pay more than the maximum limits to the venue may not be exceeding the upper limits in the notice, the payments must still be **actual, reasonable and necessary**. The overarching duty of the Gambling Act 2003 is to minimise expenses and maximise the return to the community. The limits in the Gazette Notice provide for *maximum* payments to venues for costs that are actual, reasonable and necessary – they are not benchmarks to be achieved at the expense of funds that should be returned to the community.

Payments to venues must be based on the reimbursement of costs plus a maximum 25 per cent management fee while staying within limits A, B and C. Societies must manage limit D over all their venues. Anything other than that could suggest a commission prohibited under the Act. It is worth noting that if a society were paying all of its venues the maximum in expenses money then it would be in excess of Limit D. It would also suggest that the payments were excessive.

If the society cannot 'afford' from week to week to pay actual reasonable and necessary expenses, then the Department queries whether it can 'afford' to retain the machines at the venue.

The making of back-payments by societies is also unacceptable. Societies should know that venues have busy times and slow times during the year. Accordingly societies should be able to assess an average appropriate payment.

The Department takes any practice that appears to be a commission payment very seriously. It can audit expense payments at any time.

The limits in the Gazette Notice provide for maximum payments to venues for costs that are actual, reasonable and necessary – they are not benchmarks to be achieved at the expense of funds that should be returned to the community.

PUBS AND CLUBS

Society remuneration costs

The Department is gathering information on expenses and fees paid to trustees, society staff, management and service companies and conference expenses during the audit process. As with the article on conference expenses (see page 7) we wish to engage with the sector on guidelines around this expenditure.

The Department believes there is a need for transparency to the community around all financial transactions regarding gaming machine money.

The information being collected will provide a broad picture of payments made in the current market. This will be more detailed than the information currently provided in the gaming machine account summary.

The information will also be used for research and policy development purposes. The Department is not intending to report on it publicly at this stage. If in the future we decided to release a report it would contain aggregate figures and not identify individual societies. Additionally, in line with the principles of the Official Information Act, the Department will not publicly release material that may be personal or commercially confidential, unless there is a countervailing public interest that outweighs those personal or commercial considerations.

Alfresco gaming a “no - no”

There have been recent examples of class 4 venues extending gaming machine areas to create an additional “outside” spot where gaming machines can be played. The rationale has been to allow smokers to smoke while also playing the gaming machines.

The Department does not consider this acceptable. One of the Gambling Act’s purposes is to prevent and minimise the harm caused by gambling, including problem gambling. Extending the gambling area to accommodate smoking causes concern for that purpose.

Research indicates that gambling on gaming machines is the most harmful form of gambling due to the continuous, repetitive nature of the activity.

The 1999 National Prevalence Survey found that problem gamblers have elevated levels of regular tobacco use. The survey found that half the identified problem gamblers had smoked in the previous 12 months (as opposed to 30 per cent of the adult population). The smoke free legislation has had the effect for some gamblers, including problem gamblers, of facilitating breaks in play. Changing the gaming machine environment in a manner that encourages harmful behaviour (indirectly or otherwise) is contrary to the Act’s purpose.

Conference expenses

Agreement on what is an acceptable level of expenditure for conferences and seminars is to be sought by the Department in consultation with stakeholders.

Conferences and training sessions are a legitimate way for societies to inform their venue operators of Gambling Act requirements but, as with all trust running costs, expenses must be reasonable and necessary.

Gaming machine funds are held in trust for the benefit of the community and the Act requires that returns to the public be maximised. When planning conferences, societies need to consider, for example, likely community reaction to what is proposed.

The Department has provided guidelines to the sector when requested but would now like to formalise them in consultation with the sector.

Current guidelines provide a starting point for discussion. They state, for example, that:

- Conferences should be held near where the majority of venues are located
- Time allocated should not exceed what is necessary to cover compliance issues
- Travel and accommodation expenses must be kept as low as possible
- Conference expenses cannot include entertainment and the cost of gifts
- Free-time activities should be paid for by the participants themselves.

Comments are welcome and should be directed to: Kate Reid, Manager, Operational Policy, Gambling Compliance. Email: kate.reid@dia.govt.nz

Gaming machine income tax exemption

New tax legislation has been passed, making gross gambling machine proceeds exempt from income tax.

A new section, CW 40B has been introduced to the Income Tax Act 2004 (Income from conducting gaming-machine gambling). This provides a tax exemption for gaming machine income of licensed non-casino gaming machine operators if they distribute the income as required by the Gambling Act 2003. This exemption applies from 3 April 2006.

Organisations whose only source of income is from gaming machines should advise Inland Revenue of this. Inland Revenue can be contacted by calling 0800 377 774.

Organisations with income from other sources as well as gaming machines will automatically qualify for a tax exemption on their gaming machine income.

However, their other income is taxed as normal. For a full income tax exemption, organisations will need to apply to Inland Revenue, for example under charitable purposes or for promotion of amateur sports.

PUBS AND CLUBS

Clubs hosting society machines

The Department is aware that some clubs may wish to host the gaming machines of another society in their class 4 gaming venue. While there is nothing in the Act directly prohibiting this type of arrangement, it is worth bearing in mind the following points:

- Where a club hosts machines owned by another society, it will be treated as a class 4 venue hosting gaming machines
- It is likely that the Department would insist that the society's authorised purpose statement prevent it making grants to a club that hosts its gaming machines
- If a club were to receive grants from a society, it is unlikely that it would be licensed to have gaming machines from that society
- The club could be paid only the actual, reasonable and necessary expenses it incurs as reimbursement for hosting the gaming machines in accordance with the Venue Payments Gazette Notice.

The venue expense limits gazetted by the Department are designed to ensure venues receive only the 'actual, reasonable and necessary costs' involved in the hosting of gaming machines. It is not anticipated that venues should be making a significant profit from these site costs.

The rationale for clubs not receiving grants from a society whose machines they host comes from sections 113 and 118 of the Gambling Act. These relate to prohibitions on conflicts of interest and 'kickbacks'. Section 118 prohibits a venue receiving from a society "a benefit, an advantage, a privilege, or a giftif the receipt has a condition attached to it and whether the receipt or condition is direct, indirect, formal, informal, or otherwise".

A club could only receive grants from a society whose machines it hosted if the Secretary was satisfied that the venue operator or venue owner did not have any actual or potential influence, direct or indirect, over the distribution of grants from machines operated at the venue.

Such arrangements may involve the society in a conflict of interest, for example, because the society may feel obliged to grant applications from the venue operator in order to retain the goodwill of the venue.

The Department may have serious concerns about possible breaches of section 118 if a club were receiving grants from the licence holder. Depending on the facts, it may be the case that the goodwill of the venue was conditional on receiving the grant. It may have to be demonstrated that hosting gaming machines was not a prerequisite to receiving a grant.

When such situations come to our attention, the Department, as regulator, must reserve the right to take appropriate action to rectify them. An appropriate response may be for the Department to seek to attach a licence condition to the relevant venue licence or authorised purpose statement prohibiting the provision of any grants to the venue in question.

All Gambling Compliance staff can be contacted by phoning the Department's tollfree number

0800 257 887

Is your website compliant?

A recent check of websites that are required to be maintained by gaming machine licence holders has identified a number of them as non-compliant. Some of the common areas of non-compliance relate to such publication requirements as:

- Not updating details of accepted and declined grants
- Not publishing the availability of grant funds for authorised purposes.

The Gambling (Class 4 Net Proceeds) Regulations 2004 (regulation 13) require the holders of a class 4 operator's licence that mainly distribute net proceeds to the community to maintain a website.

The website must include the following publicly accessible information and features:

- A grant application form that can be printed or downloaded off the website
- Details of where to send the grant application form
- A daytime contact telephone number for the licence holder
- Information required to be published under section 110(2) to (4) of the Gambling Act 2003. This includes the following:
 - At intervals of not more than three months, the availability of net proceeds
 - At least one month before any net proceeds are distributed through grants:
 - Details of where to obtain a grant application form

- Who will consider the applications
- Criteria against which applications will be considered
- The names of the persons who hold office in the society and a brief summary of their background
- The complaints process in the event a complaint is made to the society regarding distribution of proceeds
- At least every six months:
 - Details of all grant applications received for the year, including details of whether the applications have been granted or declined and
 - The amount of net proceeds granted, if any, in each case
- At least annually, the results of the society's annual review of the criteria, methods, systems and policies it uses for considering the distribution of net proceeds.

The Department intends to check website compliance in future audits. It will ask the relevant licence holders required to maintain a website, to review their website and ensure it complies with and maintains the publication requirements.

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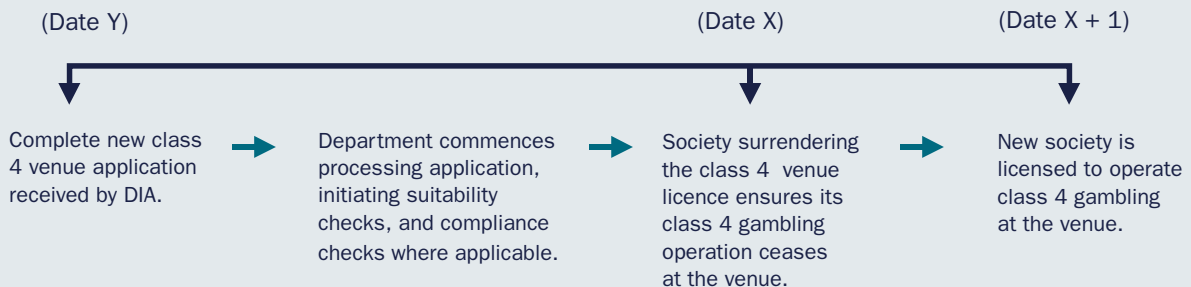
PUBS AND CLUBS

Venue transfer process

A new set of arrangements for corporate societies transferring venues has been agreed in discussions between the Department and the Charity Gaming Association. These were presented to the Compliance Managers' forum in February.

BASED ON THE RECEIPT OF A COMPLETE NEW CLASS 4 VENUE APPLICATION, THE DEPARTMENT UNDERTAKES TO PROCESS THE NEW APPLICATION AS FOLLOWS:

New class 4 venue applications processed within 20 working days



PUBS AND CLUBS

- Referring to the timeline opposite, here is an example:
New class 4 venue application is received Wednesday 15 February 2006. The surrender date from the outgoing society is listed as 15 March 2006, being 20 working days from the receipt of the complete application. The application is processed during that time. The outgoing society stops operating at the venue on 15 March 2006, and the new class 4 venue application is issued on 16 March 2006.
- The date on the notice from the society surrendering the class 4 venue licence (Date X) is the date that the society *must* ensure its class 4 gambling ceases at the venue. The Department is reliant on the surrendering society actioning the cessation of its gambling operation, and will not check with the surrendering society to ensure that they have actioned their surrender notice.
- To ensure a “seamless” transition, incoming and outgoing societies may negotiate a “future” surrender date, which should be at least 20 working days from the day on which the DIA will receive the complete application to allow for the application to be processed.
- Only one class 4 venue licence can be issued at one time, and the introduction of EMS will not allow new class 4 venue licences to be issued on the same day on which the old licence is surrendered. Therefore, where the surrender notice allows for a 20 working day processing period, it is the Department’s intention to issue the new class 4 venue licence the following day after the surrender date (Date X + 1).
- In some instances, the Department may be unable to process the class 4 venue licence within the 20 working day period. Variations that affect timeframes may include (but are not limited to) extended timeframes for probity checks, investigating areas not disclosed on probity forms, investigating probity issues and venue suitability issues.
- It is the Department’s intention to advise the applicant society, when necessary, of the delays (listed above), and advise that the new class 4 venue licence will not be issued within the 20 working day timeframe. The Department will allow the applicant society to submit a new surrender date from the surrendering society when necessary, which would allow the class 4 gambling to continue at the venue until the issues are resolved.
- The Department refers to a complete new class 4 venue application. Incomplete applications may be returned by the DIA, pursuant to section 65(5) of the Gambling Act 2003. Documentation that must be attached to the application:
 - Complete “Application for New Class 4 Venue application” signed by two trustees or officers of the applicant society
 - Application fees
 - Personal information forms for all key persons. (Companies Office printout on company will assist in ensuring all key persons’ personal information forms are listed)
 - Approved venue agreement between all named parties
 - Venue-specific harm minimisation policy
 - Evidence of ownership of the gaming machines detailed in the application
 - Financial agreements when finance is being sought to purchase the gaming machines
 - Surrender notice if applicable
 - Liquor Licence if applicable
 - Territorial authority consent if applicable
 - A floor plan certified by the venue operator.

PUBS AND CLUBS

Venue compliance high in provincial areas

The Department's southern gambling inspectors found venue compliance was high during their latest series of town visits. They visited 34 hotels and clubs in Temuka, Geraldine, Fairlie, Pleasant Point, Timaru and Waimate over three days.

Southern Regional Manager, Kevin Owen, says the team has always carried out venue checks but targets at least one region each year as part of its education programme.

The team tries to visit all class 4 venues in the region as well as conducting presentations to a range of stakeholders such as community groups.

Venue staff can ask about anything they are unsure of and inspectors also check that they are fully aware of harm minimisation requirements.

"On our latest series of town visits we were pleased to find compliance was of a high standard," Kevin Owen said. "This is good work on behalf of this sector."

"We also spoke to Timaru District Council who are responsible for overseeing the district's gambling policy for class 4 venues."

While in the Timaru area Kevin and a local gaming machine charity representative talked to a range of sporting, charitable organisations and schools about the grant application process.

"It was good to have a representative of a local gaming machine society attend the presentation to put across their side of the process, instead of just doing it from our point of view," Kevin said. "It was also good to learn more about issues affecting organisations who apply for gaming machine grants."

"Applicants were concerned that there appears to be less money for distribution and, therefore, their chances of receiving funds were reduced. The gaming charity representative told them that the decision was entirely up to the societies and stressed that they should make sure they find out exactly what the societies' grant application guidelines were before applying."

Funding for community groups, visit www.dia.govt.nz

The Department's website provides extensive information about the gambling sector, including details of gaming machine societies that make grants to community groups.

Click on "gambling" for

**funding for community groups • gambling statistics • relevant law
application forms for licences, including housie and raffles • and much more**

Click on "resources" for press releases.

Click on "what's new" for new additions to the website.

Composition of net proceeds committees

This article intends to clarify the Department's expectations over the composition of net proceeds committees. Regulation 8 of the Gambling (Class 4 Net Proceeds) Regulations 2004 requires net proceeds committees to decide on the application or distribution of net proceeds to or for an approved authorised purpose. The regulation says that a net proceeds committee must comprise at least three natural persons who are key persons in relation to the class 4 operator's licence.

This regulation does not mean that all members of a net proceeds committee must be key persons but simply that a minimum of three members of the committee must be key persons. Note that a person is not a key person solely by virtue of being on a net proceeds committee.

There can be additional members of a committee who are not key persons. The regulation enables the creation of regional or specialist committees to deal with areas of expertise. On a practical level, such committees would be difficult to create if the prerequisite to membership of a specialist or regional committee is that the member is a key person. In addition, it does not automatically follow that every member of every potential committee is a key person by virtue of exercising a significant influence in the management of the society. Not all committee members will exercise this level of influence.

Whether a net proceeds committee member is a key person of the society is invariably a case-by-case assessment. It is expected that, for societies that have only one net proceeds committee, in almost all cases all members of that committee are key persons due to the level of responsibility attached to that role.

However, for societies with more than one committee, relevant factors for considering the members' key person status include (without limitation):

- the number of committees a society has
- the fiscal responsibility attributed to the committee(s)
- the number of members on the committee(s)
- whether the member has full voting rights or works only in an advisory capacity
- whether the member has a role in the annual review of policies regarding the distribution of net proceeds.

The Department encourages the development of additional net proceeds committees where the society wishes to focus its funding within a region or a specialised area. Societies should submit class 4 operator's licence amendment applications for a new committee member to enable the Department to assess whether the member is a key person. Where the new committee member is found not to be a key person, any amendment fee would be refunded.

This regulation does not mean that all members of a net proceeds committee must be key persons but simply that a minimum of three members of the committee must be key persons.

LOCAL GOVERNMENT

Territorial authority gambling policies – FAQs

We have been receiving feedback from territorial authorities (TAs) on our last Gambits' article on class 4 gambling venue policy. We thought it might be useful to answer some frequently asked questions:

1. When do we need to review our gambling venue and TAB policies?

Section 102(5) of the Gambling Act 2003 states that policies must be reviewed within three years of being adopted and, thereafter, every three years from review. Each TA will have different deadlines depending upon when it adopted its policy, but all TA policies will have been reviewed by 19 March 2007.

2. How do we get an up-to-date list of venues and machines in our TA?

There are statistics on venues and machine numbers by TA on our website. However, the information on the website is only updated quarterly and, therefore, may not be completely up to date. In addition, some venues may have lost their licence and will not appear on our website. But under section 98(c) a notional entitlement to a licence remains for six months without the need for a TA consent. It is also possible that some venues are operating fewer gaming machines than their consent allows. Finally, do not assume that a venue that is not operating machines is unlicensed. It may still hold a licence and have obtained permission from DIA to cease operation for a specific period. However, these venues will be listed in our website.

Under section 103 of the Gambling Act TAs can request from the Department the names and addresses of class 4 societies and venues in their district as well as the number of gaming machines they are permitted to operate.

If you need up to date information on venues in your TA, including recently lapsed or cancelled venues that may still have a notional entitlement, please contact Gambling Licensing on 0800 257 887. Finally, it is possible that a TA consent has been issued but the society has yet to apply for a licence. It is up to TAs to know how many consents they have issued and take these (as well as venues that do not need consent) into account when setting caps.

3. Can we place expiry dates on consents we have issued?

The Gambling Act does not allow TAs to place any conditions on the consents they issue, except for the number of machines allowed.

4. Can we ban advertising, under 18s, other matters in our TA policy?

A TA can include matters such as this in its class 4 venue policy, but it cannot issue conditional consents with conditions that relate to anything other than the number of machines. The TA can, however, refuse to issue a consent if a venue does not meet the TA's policy objectives.

There are statistics on venues and machine numbers by TA on our website. However, the information on the website is only updated quarterly and, therefore, may not be completely up to date.

LOCAL GOVERNMENT**5. What must a TA have regard to in setting its policy?**

Section 101 (2) provides that in adopting a class 4 gambling policy, the TA must have regard to the social impact of gambling within the TA district. Under section 101 (3) the policy must specify whether class 4 venues may be established in the TA district, where any venue may be located, and any restrictions on the maximum number of gaming machines that may be operated.

Section 101 (4) provides a non-inclusive list of relevant matters a TA may have regard to in determining its policy including:

- (a) the characteristics of the district and parts of the district
- (b) the location of kindergartens, early childhood centres, schools, places of worship, and other community facilities
- (c) the number of gaming machines that should be permitted to operate at any venue or class of venue
- (d) the cumulative effects of additional opportunities for gambling in the district
- (e) how close any venue should be permitted to be to any other venue
- (f) what the primary activity at any venue should be.

6. Do you have any research that could help us formulate our policy?

The DIA website contains gaming machine statistical data. There are also a couple of reports on the Ministry of Health website (www.moh.govt.nz) that may be useful:

- Problem Gambling Geography of NZ (2003)
- Problem Gambling Intervention Services in NZ - 2004 National Statistics (2005).

By October 2006, DIA should have two new reports available: A survey of "Where Do Gaming Machine Profits Go?", which will cover the 2005 year and include a local or regional breakdown of grants, and "People's Participation in and Attitudes to Gambling 2005".

The Auckland University of Technology has also released a "Literature Review to Inform Social Marketing Objectives and Approaches, and Behaviour Change Indicators, to Prevent and Minimise Gambling Harm", which contains useful information on the NZ context. It can be found at the Health Sponsorship Council website (www.hsc.org.nz).

7. Does our policy allows for this situation or not?

If there is anything you are not sure about, feel free to contact the Department to discuss. We are more than willing to provide advice about policies or consents. Please contact Douglas Hancock, Senior Policy Advisor, Operational Policy on (04) 495 7249.

All Gambling Compliance staff can be contacted by phoning the Department's tollfree number

0800 257 887

ALL GAMBLING

Poker under scrutiny

The Department of Internal Affairs is continuing to monitor poker activity and advise on what is legal. It has warned successfully against potentially illegal poker games, advised casino staff against playing poker with patrons in private premises and fielded numerous calls from the public about running tournaments.

DIA gambling inspectors recently warned the owners of the Poker NZ website that promoting an overseas internet gambling website was illegal, as was its advertisement of an Auckland poker tournament with a \$200 buy-in. The organisers considered the Department's view and, after an amicable discussion, cancelled the tournament. They are rebuilding their website to comply with the Gambling Act.

The Department also reminds casino staff that they risk their jobs by playing poker with patrons in private premises. A casino operator alerted inspectors to the issue after receiving information that staff had been playing poker with patrons away from the casino. Among the risks from such activity is the possibility of a casino employee becoming indebted to a patron who the employee later deals with in the casino, for example by dealing a game or conducting transactions for that patron. Such situations may lead the employee to compromise the integrity of gaming in the casino in order to repay a debt.

Inspectors have also warned two hotels that poker games they were hosting were not lawful. One venue was running a tournament that crossed the boundary between Class 1 gambling (both prize limit and turnover each not exceeding \$500) and Class 2 gambling (prize limit of \$5000 and turnover of less than \$25,000). The other venue was running poker games that were clearly Class 2 gambling. Neither venue was entitled to conduct Class 2 gambling because they were not societies with an authorised purpose. Both venues were reminded of the requirements for Class 2 gambling. The first venue returned to Class 1 gambling, while the other temporarily ceased operation. This is a good example of voluntary compliance built on education and persuasion.

While poker may be conducted legitimately in some circumstances outside of a casino, certain restrictions will apply. DIA has produced a fact sheet on poker and it is available on www.dia.govt.nz

Coin tossed

The Racing Act 2003 will have to be amended because of changes in New Zealand's coinage.

The five cent coin ceases to be legal tender from 1 November this year but TAB dividends are rounded to the nearest five cents and must be paid accordingly to the punter.

The Act is expected to be amended before the five cents is phased out. From 31 July our small change of 10, 20 and 50 cent coins will become smaller and lighter and the 10 cent coin will become copper coloured rather than silver.

Gambits' Editor is Trevor Henry.

If you have any questions about articles in Gambits, would like further information or have comments about what information we could provide to make Gambits more useful to you, please contact: Trevor Henry

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Regulators focus on poker

The massive increase in poker playing is impacting on gambling worldwide. It will be one of the topics at the International Association of Gaming Regulators' (IAGR) conference in Spain in October and it also featured at the 2006 Australasian Casino and Gaming Regulators' conference in Queensland.

The poker phenomenon, where people not necessarily involved in gambling are attracted to poker, was one of three significant issues discussed in Australia. The conference also covered advances in gaming technology, including blending games of chance and skill through gaming machines, and considered the growth in sports betting, particularly through on line 24 hour international "betting exchanges".

The October conference of the IAGR is also likely to focus on gambling harm, with the Department's Gambling Compliance Group playing a significant role in preparing this conference session.

Deputy Secretary, Andrew Secker, a member of the IAGR steering committee, says New Zealand, with the Gambling Act 2003, is recognised as having one of the strongest statutory regimes for preventing and minimising gambling harm and of fostering responsible gambling.

Funding for community groups, visit www.dia.govt.nz

The Department's website provides extensive information about the gambling sector, including details of gaming machine societies that make grants to community groups.

**Click on "gambling" for
funding for community groups • gambling statistics • relevant law
application forms for licences, including housie and raffles • and much more**

Click on "resources" for press releases.

Click on "what's new" for new additions to the website.

MEDIA RELEASES

Fewer 'pokies' in the community

The number of licensed gambling operators, venues and gaming machines are continuing to decline, according to the gambling licensing statistics for pubs and clubs for the first quarter of the year.

In the three months to 31 March 2006 licence holders declined by 2.5 per cent on the December 05 quarter and by 10 per cent on the year ended 31 March 2006. There were five per cent fewer gaming machines over the same 12-month period.

LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS			
DATE	LICENCE HOLDERS	VENUES	GAMING MACHINES
31 March 2006	513	1721	21,026
31 December 2005	526	1747	21,343
30 September 2005	535	1770	21,684
30 June 2005	553	1801	21,846
31 March 2005	568	1838	22,159
31 December 2004	584	1850	22,231
31 December 2003	672	2031	22,734
30 June 2003 ¹	699	2122	25,221
31 December 2002	729	2137	24,330
31 December 2001	785	2129	21,012
31 December 2000	860	2065	17,679

¹ Machine numbers peaked in the quarter before the Gambling Act was passed.

DIA Director of Gambling Compliance, Mike Hill, says the figures show that the Gambling Act 2003 is controlling the growth of gambling, one of the law's purposes.

"The impact has been principally on the shape of the industry, with a number of operators on the fringe, leaving the sector," Mr Hill said. "Returns per machine are starting to grow as the sector becomes more efficient."

Machine numbers peaked in the June 2003 quarter before the Gambling Act was passed. Since then gambling operators have declined by 27 per cent from 699 to 513 at March 06, venues are down by 19 per cent from 2122 to 1721 and there were 17 per cent fewer machines, down from 25,221 to 21,026.

Christchurch City, which now includes the Banks Peninsula District, has the most machines of any territorial authority – 2099 or almost 10 per cent of the nation's total

– with Auckland City second with 1749 machines or 8.32 per cent. But greater Auckland, which includes Waitakere, Manukau and North Shore cities, makes up almost 19 per cent of the nation's total with 3905 machines.

The Gambling Act 2003 introduced a much stricter licensing regime and reduced limits on the numbers of machines allowed in venues. In general, venues licensed at 17 October 2001 can have up to 18 machines, while others can have up to nine. The Act also gave communities a say, through their local authorities, which can make policies preventing or limiting new venues and controlling the expansion of existing venues.

Further information, including numbers of venues and machines by territorial authority and the changes in these numbers, is available from the Department's website:

www.dia.govt.nz

GAMBLING COMPLIANCE KEY CONTACTS

0800 257 887

Andrew Secker

Deputy Secretary, Regulation and Compliance Branch
The Department reorganised its internal structure in 2004 and created a Regulation and Compliance Branch that encompasses all the roles where the Department is, in effect, the regulator of a sector of the economy.

In addition to gambling, this includes censorship compliance, local government services, fire service policy and identity services policy. For the sake of simplicity, the functions outside the gambling sector are not included on this page.

Important changes for gambling regulation include bringing management of Gambling, Censorship and Racing Policy into the same branch, and separating the management of gambling and censorship compliance. As part of these changes the Gaming and Censorship Regulation (GCR) group was separated into two units, Gambling Compliance and Censorship Compliance in 2005.

John Markland

Manager Gambling, Racing and Censorship Policy
This team is responsible for policy advice to the Government, especially in relation to Acts and Regulations. A significant change the Department has made is to disband what was a separate Policy Group, and to bring this Policy team into the same branch as the Gambling Inspectors and other Gambling Compliance staff. This means that policy and operational staff can benefit from each other's knowledge and experience.

Mike Hill

Director Gambling Compliance

This position is responsible for the Inspectors and other staff working with the gambling sector to bring about compliance with the law. The Director works closely with the Manager Gambling, Racing and Censorship Policy so that there is a constant flow of information between the staff involved in applying the law and those who develop the law.

Kate Reid

Manager Gambling Operational Policy

Operational policy provides support and advice to the Gambling Inspectors and other staff working in the sector. In broad terms, its role is to develop the Department's policies about how the law will be turned

into the work done in the field. This unit also does technical work, such as setting standards and testing requirements for gambling equipment.

Gregory Crott

National Manager Licensing and Compliance

This unit is responsible for licensing and compliance of all gambling outside casinos. This includes gaming machines in pubs and clubs, lotteries, housie and other games of chance. Staff make decisions on licence applications, carry out audits, conduct investigations and receive public complaints.

- Northern Regional Manager (based in Auckland), Geoff Lawry
- Central Regional Manager (based in Wellington), Neove Christoforou
- Southern Regional Manager (based in Christchurch), Kevin Owen
- Licensing is carried out by a team in Wellington.

Debbie Despard

National Manager Casino Compliance

The Department has Gambling Inspectors working in each of the country's six casinos. They carry out audits, ensure ongoing suitability of casino staff, investigate incidents and gamblers' complaints and ensure that the casinos comply with the Gambling Act.

- Northern Regional Manager (based in Auckland), Maria Bradshaw
- Southern Regional Manager (based in Christchurch), Dennis Petersen.

Geoff Owen

Manager Investigations Unit

The Investigations Unit is responsible for undertaking significant (complex, cross group, lengthy and sensitive) investigation projects involving criminal, legal and financial issues related to the governance and operation of gaming sector people and organisations. It also provides expertise and support to investigations and audits across the group.

CONTACTS

All gambling compliance staff can be contacted by phoning the Department's tollfree number

0800 257 887

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Web: www.dia.govt.nz

Postal address and fax numbers:

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PO Box 805, Wellington, Fax: (04) 494 0562

GAMBLING LICENSING

PO Box 10-095, Wellington, Fax: (04) 494 0656

GAMBLING COMPLIANCE

Auckland

PO Box 2220, Auckland, Fax: (09) 362 7945

Wellington

PO Box 10-095, Wellington, Fax: (04) 495 7214

Christchurch

PO Box 1308, Christchurch, Fax: (03) 353 8309

GAMBITS

The Department of Internal Affairs produces Gambits quarterly. Copies are distributed in March, June, September and December.

Gambits provides information about the Department's recent work and significant issues in the gambling sector.

It is intended for sector organisations and the community in general, to increase understanding of and compliance with the law.

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Do you want to receive Departmental media releases and Gambits?

If you would like to have your organisation added to the Department's distribution list for media releases about gambling issues, or want to receive Gambits but are not currently on the mailing list, please fill out this form and return it, or e-mail the information to:

Department of Internal Affairs, PO Box 805, Wellington. Communications Advisor Trevor Henry, telephone (04) 495 7211, fax (04) 495 7224, e-mail trevor.henry@dia.govt.nz

Organisation name: _____

Contact person: _____

Media releases: _____

e-mail: _____

Gambits postal address: _____

