

## E-licensing moves closer

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Development of an integrated gambling platform (IGP) has entered a new phase with a request for information (RFI) sought through the government tenders service.

An RFI is a standard business process to collect written information about the capabilities of various suppliers and test their ability to supply an IT solution to meet the Department's requirements.

Gambling Compliance Director, Mike Hill, said key groups within the Department are clearly focused on automating manual business processes with a robust, modern, enterprise-based electronic system that streamlines the way the Department, gambling sector and the wider community engage with one another.

"We have defined the problems and limitations of what we work with currently and have set out our vision for how we want to work in the future," Mike Hill said. "Once we have identified potential candidates we will prepare a more detailed proposal for them to respond to through an RFP (request for proposal).

"Central to the IGP will be an electronic licensing system with good case management capability.

"It will also enable electronic licensing payments and gaming approvals and link a range of the Department's business systems such as EMS, finance and intelligence and eventually a grants database for monitoring Class 4 community funding. It will have to have the ability to allow mobile users such as inspectors and investigators to access the system and enable us to use and analyse all the information we have stored. It must have a search capability across all information stores and be secure.

"The IGP will not only improve the transparency, accuracy and availability of information for us, the community and stakeholders, it will also improve our efficiency and effectiveness and the ability of the gambling sector to comply with the Act. Transparency will give us a better picture of what happens to the pokie dollar, enable the better management of gambling compliance operations and improve the information we use for policy and strategy."

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December 2003 – March 2009  
available on [www.dia.govt.nz](http://www.dia.govt.nz)

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## ALL GAMBLING

# NZ Gambling Conference 2009 called off

The Department shelved plans for the gambling conference it was planning to hold in Wellington in May.

Deputy Secretary, Keith Manch, said the decision to call off the conference was not taken lightly.

“One of the reasons related to the cost of the conference,” he said. “While the Department expected to recover the costs through registrations we also needed to consider the cost impact on prospective participants.

“Many of the participants would be from the gambling/philanthropic area, either distributors or recipients of charitable funding. I believe it is unreasonable to expect such people or organisations to pay to attend such a two-day conference in the current economic climate.

“The worldwide economic downturn has seen trust funds suffer, meaning there is less money for distribution to community purposes. Trusts’ costs also affect the amount of money available for distribution and the law requires gaming machine societies to minimise costs and maximise return to the community.

“Also, the Department decided in early 2008 to hold the conference. The aim was to gauge progress towards getting the best outcomes from gambling five years after the Gambling Act 2003 came into force.

“With the recent change of government, the Department’s future work programme relating to gambling is still being determined and a broadly-based conference is not appropriate at present.

“Once a work programme has been agreed with the Minister further consideration will be given to engaging with the various groups that have an interest in the gambling sector.”

The conference wiki remains “open” allowing those with an interest in gambling in New Zealand an opportunity to share information about issues related to the costs and benefits of gambling, the way the community is engaged with gambling issues, and how integrity, harm and crime issues related to gambling are addressed. Information put on this wiki will be used to help the Department assess how well the gambling objectives are being met generally. The wiki can be accessed at: <http://gamblingconference2009.dia.govt.nz/>

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## GAMBLING COMPLIANCE KEY CONTACTS

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## Dialogue on community funding

By Keith Manch, Deputy Secretary, Internal Affairs

The Department wants to engage broadly with the community on gaming machine funding.

Grant recipients and their representative groups, the philanthropic sector and the gaming machine sector would explore:

- The quality of gaming machine funding and its contribution to community capability, in the broad context of funding and funding needs in New Zealand society
- Opportunities for improving the role of gaming machine societies in funding community purposes.

The economic downturn has had a major impact on financial returns in investment markets. This has affected, and continues to affect, the income of some philanthropic funders. Overall funds available for distribution may decline and smaller social organisations, in particular, are particularly exposed to a loss of income in the community and voluntary sector.

One of the effects of the Gambling Act 2003 was to make the community more aware of and interested in the social impact of gambling, particularly the effect of gaming machine proceeds allocated to the community. Gaming machine societies too are uncomfortably aware of a “crisis of perception” among the public around the way the funds they hold in trust for the community are distributed.

The Gambling Act focuses on the integrity of grant making and the Department’s emphasis has traditionally been around these integrity and compliance matters.

The legislation was not intended to tell gaming machine societies where, or to what authorised purposes, they should make grants. It is, however, implicit in the Act that gambling should generally produce more benefit than harm for the community.

People are increasingly aware of the harm associated with gaming machines and keen to see that harm offset by a tangible benefit for the community. The desire to see gaming machine funds address real community needs and provide sustainable, long term benefits has been expressed recently in forums such as public consultation on territorial authority gambling venue policies.

It is important that the Department can comment on the quality of funding in order to inform the Government on the impact of the legislation. It is equally important that gaming machine operators are afforded the opportunity to engage in dialogue with other community and funding organisations.

The Department will seek to link gaming machine societies and sector groups, the wider philanthropic/not-for-profit sector, local government organisations, and Departmental staff.

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## PUBS AND CLUBS

### Volunteer society passes the \$1m mark

The Lions Club of Ohai / Nightcaps is an example of a small, independent, non-profit making club, based in the community, distributing funds fairly and equitably for the benefit of their community.

Run by volunteers, the club recently granted its millionth dollar to community groups and organisations from the operation of gaming machines at the Railway Hotel, Nightcaps.

The club has operated gaming machines at various hotels in the Ohai / Nightcaps / Wairio district since 1988 and currently operates five machines at the one venue in Nightcaps.

Club President, John Carmichael, said the club aims to invest the highest percentage of gaming profits into its community and has consistently donated annually far more than the minimum legal requirement.

“This has been achieved by the voluntary efforts of the members of the Lions Club,” he said. “The club has maintained a very high standard of integrity, business policy and the latest games to achieve a high return rate of profits back to the community, as well as maintaining policies for problem gambling.

“The club has always achieved a high standard of compliance during audits by the Department of Internal Affairs.”

For the most recent annual period to 31 August, 2008, the club donated \$95,753, with \$69,133 (72 per cent) being distributed within the Ohai / Nightcaps District, \$17,620 (18 per cent) to Southland-wide organisations, \$6885 (7 per cent) to national trusts and appeals and \$2500 (3 per cent) to international agencies.

The allocation of grants by type for the same period was: Health and Welfare \$72,893 (76 per cent), Sport and Recreation \$9475 (10 per cent), Education and Youth \$ 6885 (7 per cent) and Cultural & Heritage \$6500 (7 per cent).

The club meets monthly, except January, to consider all funding applications. Decisions are based on a number of factors including available funds, the merit of the application, the compliance of the application and the overall community benefit.

### Racing must be specified in APs

Societies making grants to racing must ensure that these are covered by the authorised purpose specified in their licence otherwise they must seek an amendment to their licence.

Although grants to racing clubs is one of the authorised purposes in section 4 of the Gambling Act 2003, a trust can only make grants to the APs it has nominated in its licence application.

A recent High Court decision, involving the Travis Trust and the Charities Commission, held that in some circumstances the promotion of horse racing was not a charitable purpose in itself.

Questions were raised recently in the news media that Trillian Trust was funding racing when it was not specified in its trust deed. Section 106 (1) of the Gambling Act 2003, which came into force in July 2004,

says a society must apply or distribute the net proceeds from Class 4 gambling only to or for an authorised purpose specified in the corporate society's licence.

The Department advises that to avoid breaching S106 of the Act, funding racing purposes must be included in authorised purposes statements and must also be consistent with the society's trust deed or constitution. Societies must not make grants that are not in accord with their AP statement.

Trillian has applied to amend its AP and has been advised not to grant money to racing in the meantime.

## Focus on licensing

The Department will use the licensing process to address rorts in the Class 4 sector, minimise costs and see the returns to the community increased, Gambling Compliance Director, Mike Hill said in response to questions from the *NZ Gaming* magazine.

To ensure that gambling operators and venues meet the requirements of the Gambling Act the Department will pay close attention to Sections 52, 53, 56, 58, 67, 72, 74, 113 and 118.

“Where the Secretary is not satisfied that licences should be allowed to continue, they won’t be,” Mike Hill added. “There will be a strong focus on the financial viability of societies and, in the context of minimising costs, we will also be looking closely at societies that use management companies.

“Many societies share our concerns at the lack of integrity shown by some societies, venue operators and grant recipients. The Act gave societies the responsibility for managing the grants process, independent of venues and grant recipients. Societies must be transparent and have community needs and priorities at the forefront of their allocation decisions.

“A number of societies, operators and potential grant beneficiaries have been involved in complex structures to try and hide money flows.

“We will address these concerns through the relicensing process, putting the responsibility on societies to prove that they can operate with integrity and according to the law.

“Gambling operators wanted to be self regulating and are supposed to run a clean ship. We have encouraged and supported voluntary compliance with the Act in the expectation that operators would act responsibly, with integrity and in co-operation with the Department.

“However, what we’ve seen are many operators paying lip service to the law, and it seems that commercial interests overtake charitable purposes and integrity for many involved in the gambling sector when there is so much money around. It is these behaviours that encourage others to try and get away with rorting the system.

“As a result of interest taken by us, some organisations have cleaned up their act. In other cases, complex and time consuming work is under way to address the problems.”

### Funding for community groups, visit [www.dia.govt.nz](http://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.

## PUBS AND CLUBS

# Financial viability guidelines

The Department has issued guidelines to assist Class 4 gambling operators and their financial advisors/accountants understand how the Department will be assessing financial viability.

Financial viability is important because it is one of the matters that, if not satisfied, require the Secretary for Internal Affairs to refuse to grant a Class 4 operator's licence.

Financial viability is assessed for all licence applications, including renewal applications. It is an analysis of the applicant's proposed gambling operation for the next licence period.

The Department will be considering three essential elements in determining financial viability:

- Profitability
- Liquidity
- Equity.

These will be considered as a whole, with the overall picture of all three elements being of greater importance than each.

The five criteria outlined in the Act will also need to be met. These are the ability of the applicant to:

- Reward winners
- Pay levies and taxes
- Pay other costs
- Apply or distribute the net proceeds from Class 4 gambling to or for authorised purposes
- To consider these facets among other things, which includes consideration of a society's undistributed net proceeds.

Importantly, the guidelines discuss and address concerns relating to non-club societies accumulating undistributed net proceeds as a form of quasi-equity in order to appear solvent.

Non-club societies will be able to retain as a form of quasi-equity, an amount no greater than 7 per cent of that financial year's gross proceeds, to be recognised in the equity section of its Statement of Financial Position as "Community Equity". This recognises the need for societies to establish an equity base to remain financially viable, while also ensuring compliance with the requirement to distribute **all or nearly all** of the net proceeds in the financial year in which they are derived.

Non-club societies that have undistributed net proceeds greater than 7 per cent of gross proceeds will be asked to enter an agreement with the Department to reduce the excess amount over a reasonable timeframe.

All future applications for a Class 4 operator's licence, including renewal applications, will be assessed using these guidelines and applications are expected to be prepared in accordance with them.

The guidelines are available on the Department's website – [www.dia.govt.nz](http://www.dia.govt.nz).

### 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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## Assessing venue costs

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All Class 4 societies and venues that pay or receive venue costs should, by now, have a copy of the reasonable timeframes to attribute to these and the accompanying explanatory material.

This material, also available on our website [www.dia.govt.nz](http://www.dia.govt.nz), forms the basis of how the Department will assess venue costs for the immediate future. Once comment from the sector has been received, the material will be finalised.

The intent of this work is to provide consistency in interpreting venue costs, simplify the approval process and provide the sector with certainty in application. This work is further intended to progress the recommendations of the Venue Expenses Working Party and remove unhealthy competition in the sector.

The sector may be aware that a proposal for a commission-based venue payment system is under discussion. If it is decided that such a system is desirable, significant legislative change would be required. The timing of any change, were it to occur, is unknown. Nevertheless, providing a framework for the consistent interpretation of actual, reasonable and necessary costs is still valuable and, in the absence of change, will provide the structure for any amendments to the current Gazette Notice in the future. The Department looks forward to the constructive input and co-operation of the sector.

## Minimum standards for jackpot systems

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The Department consulted on minimum standards for jackpot systems in 2008 including a proposal to make downloadable jackpot systems mandatory by 1 July 2009.

Following concerns from the sector, primarily over harm minimisation, timing and cost, a decision was made not to proceed with this proposal. The Department told the sector it would develop and discuss appropriate policy and technology approaches that mitigated the identified issues and were sustainable.

The Department will be consulting soon on the future of jackpot systems in New Zealand. At this stage, the Department still wishes to mandate the

use of downloadable jackpot systems for all Class 4 gambling. As such, this will include consultation on an appropriate end date for non-downloadable jackpot systems. The consultation will also include discussion on potential solutions to the harm minimisation issues previously identified. The Department again looks forward to constructive submissions from the sector.

In the interim, any Class 4 societies considering purchasing new jackpot systems might like to consider any purchases in the light of the upcoming proposal.

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The consultation will also include discussion on potential solutions to the harm minimisation issues previously identified.

## PUBS AND CLUBS

### PIDs concern answered

Concern has been raised about operators' ability to reinstate gaming machines if they miss this year's 1 July deadline for upgrading software to provide player information displays (PIDs).

The Gambling (Harm Prevention and Minimisation) Regulations 2004 require all electronic gaming machines in Class 4 venues and casinos to have PIDs from 1 July 2009. Gaming machines that do not have the PID feature by then will not be recognised by the electronic monitoring system (EMS) and will not operate.

During April the Department will incrementally enable an EMS feature that allows the system to automatically disable any electronic gaming machine (EGM) that is running incorrect or unlicensed software. Each time the EGM is switched on, or after new software has been installed and the EGM is being enabled, EMS verifies that the gaming machine is running the software that it is licensed to run correctly. If the software fails this verification the EGM is disabled until appropriate corrective action is carried out.

At the beginning of March almost 70 per cent of the 20,000 Class 4 gaming machines had PIDs or were awaiting the installation of approved software.

The Department knows that some operators will not have all of their gaming machines PID compliant by 1 July because of, for example:

- Cost of upgrade
- Availability of compliant gaming machines
- Availability of technicians to install new gaming machines.

However, as long as some of the gaming machines at a venue have PIDs, operators can continue to operate, and reinstate the rest of their gaming machines as they become PID compliant. They will not need a further territorial authority consent before returning them to service.

Operators should use this opportunity to consider the most efficient number of gaming machines at each venue. In many cases fewer gaming machines could generate the same level of gaming machine proceeds. This information applies to any voluntary reduction in gaming machines being operated at a venue, not just reductions due to the PID requirement.

Operators who decide to reduce the number of gaming machines operating at a venue can do so by forwarding the appropriate amendment application to the Department.

A more detailed explanation can be found on the Gambling in Pubs and Clubs (Class 4) page on the Department's website: [www.dia.govt.nz](http://www.dia.govt.nz)

### Checking and using EMS reports

Many venues are not accessing and checking their EMS reports as required by the Game Rules.

This can lead to issues remaining undetected and uncorrected with a consequent impact on the accurate and timely reporting of gaming machine profit (GMP) and unnecessary work by societies in correcting discrepancies. It can also lead to player fairness being compromised and monetary losses from venue floats.

A recent example involved consecutive weekly jackpot reports for a venue with no operational data

whatsoever on them. When the error was eventually discovered and rectified, the following weekly jackpot report contained data relating to over two months' worth of jackpot winnings, amounting to over \$67,000.

This particular venue was obviously using some alternative means of calculating their GMP and banking, or else it had consistently over-banked for the entire period.

## PUBS AND CLUBS

Checking daily and weekly EMS reports is not onerous and, in most cases, will take only a few minutes. As the coal face of gaming machine operations, individual venues are the best placed to quickly identify issues that may affect EMS reporting, the integrity of the gambling equipment, or ability to bank the required amount of money in accordance with the Act and regulations. Here are a few pointers:

**Daily Gaming Machine Meter Snapshot:**

- Does it contain meter (gross and net values) data for all gaming machines in operation the previous day?  
*Note that if there has been polling failure, a “missing meters” report will be generated, which will contain only gross meter data. In these cases, the missing data will appear on the next daily report following successful polling.*
- Are any meter exceptions present?
- Are the meter totals for the various cash-related transactions consistent with the manual records of money physically paid out, put into, or taken out of the machines? (*i.e. Cancel credits, jackpot wins, cash box, note acceptor amounts and counts.*)

**Daily Jackpot Data report (non-downloadable ‘hand pay’ jackpot systems):**

- Does the jackpot turnover as reported by the Jackpot Controller match the turnover from the individual gaming machines’ QCOM Turnover meters?  
*Any variances will be highlighted and, if more than a few dollars, must be investigated unless the particular gaming machine or the jackpot controller itself has been RAM cleared.*
- Do the jackpot display values represent the correct number of prize levels (visible and hidden) and are they consistent with the jackpot activity of the previous day?  
*If no jackpots have been struck, the closing value pool(s) will be greater than the opening.*
- Do the daily jackpot wins correspond with the number and amount of actual jackpot prizes paid out?

**Weekly Jackpot Reconciliation report (non-downloadable ‘hand pay’ jackpot systems):**

- Are the start-up values, number of levels and increment rate consistent with the type of jackpot in operation?

- Does the daily EGM turnover show data for all seven business days?
- Are the closing pool display amounts consistent with the actual amounts currently showing on the jackpot display unit itself?
- Do the “JPC Prizes Struck” agree with the manual records of jackpot pay-outs?
- Finally, and importantly, is the “Jackpot Variance” (the final amount shown on the report) no more than a few cents or dollars – and certainly no more than \$10?

*A relatively small amount here can indicate a major issue. For example, a positive amount might mean a ‘missed’ jackpot win. A negative value could represent a player fairness issue because the jackpot has not paid out as much as it should.*

**Weekly Venue Activity report:**

- Does it include data for each EGM and each business day?  
*Again, if there have been communication issues such as polling failures during the week, the report may not include those days, but they should appear on the next weekly report, assuming communications have been restored.*
- If there are any GMP adjustments, are you aware of the reason for them?
- Does the final GMP amount agree with any alternative method you may have used to calculate it? (*e.g. venue management system*).

If you become aware of a fault or malfunction of gambling equipment or error in EMS reporting, don’t ignore it. Tell your society and the EMS Help Desk about it.

If a major fault or malfunction occurs with a gaming machine or jackpot equipment, remove it from service immediately and ensure it is not played until it has been examined by a technician. In the case of a gaming machine, you must turn it off by using the **internal** power supply switch only. Don’t forget to advise the EMS Help Desk, particularly if a jackpot controller is involved.

## PUBS AND CLUBS

# Decommissioning gambling equipment

Some venue managers and societies have been removing gaming machines from venues before completing the correct process for doing so.

This practice breaches the Gambling Act (Class 4) Game Rules 2006, specifically 114, which requires the venue manager to inform the EMS Help Desk before installation, servicing, repair, removal from service or decommissioning of any gambling equipment takes place.

Removing gaming machines in this manner is not only a breach of the Gambling Act, it also leads to unnecessary additional costs, increases the risk of fraud and could result in delays in the recommissioning of gaming machines and venues.

When the correct procedure is not followed it could also lead to the loss of valuable data and puts some gambling equipment at risk.

When gaming machines are removed from a venue please ensure the technician contacts Intralot before the work is started. By following this simple procedure technicians can ensure the Department has processed the notification and Intralot has received the correct data.

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## Funding for community groups, visit [www.dia.govt.nz](http://www.dia.govt.nz)

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## Anti money laundering challenges

The nature and expanding scope of the global casino sector presents a number of challenges to countering money laundering and terrorism financing according to a report for the Asia/Pacific Group on Money Laundering and the Financial Action Task Force.

The Department's Intelligence Manager, Rachael Horton, led the study and drafted the report on vulnerabilities in the gaming and casinos sector. It will be used as a practical resource for governments and gaming sectors to increase awareness, strengthen interventions and training, and support international policy formation.

Global casino revenue was estimated at over US\$70 billion in 2006, with the United States and Canada accounting for almost half of that figure. Macao, China, is the fastest growing casino jurisdiction and recorded more than US\$10 billion in gaming revenue in 2007. In addition, there is a proliferation of Internet gambling sites, with global revenues estimated around US\$15 billion, plus a significant amount of largely unmeasured illegal gambling occurring around the world.

Particular challenges for Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) include:

- Casinos are cash intensive businesses, often operating 24hrs per day, with high volumes of large cash transactions taking place very quickly
- Casinos offer many financial services (accounts, remittance, foreign exchange, cash issuing etc), but in some jurisdictions may only be regulated as 'entertainment' venues, rather than financial institutions
- In some jurisdictions casinos are poorly regulated or unregulated for AML/CFT
- A number of jurisdictions with well regulated casino sectors continue to identify significant levels of money laundering
- Many casinos are located in geographic areas characterised by poor governance, political instability or bordering regions with significant crime or terrorist problems

- The movement of funds associated with gaming-related tourism is poorly understood and may pose particular money laundering risks, e.g. international movement of funds for casino 'junket' operations
- In some jurisdictions casino staff turnover is high, sometimes due to seasonal factors, which can lead to weaknesses in staff training and AML/CFT competencies.

In considering policy implications the report says significant regional and global sector vulnerabilities and emerging issues have weakened AML controls and provide opportunity for money laundering and other financial crimes to flourish.

A key issue is casinos not doing enough to establish the source of funds and failing to recognise suspicious activity by their customers. Casinos have to pay particular attention to a customer's financial transactions and gambling behaviours, particularly if they do not correspond to that of a normal gambler or the intention to play to win is apparently absent or secondary.

It is not the casino's responsibility to determine that money laundering activity is taking place; rather the casino's role is to identify and report the suspicious activity. It is then up to the financial intelligence unit and law enforcement authorities to examine the matter further and determine if there is a link to money laundering or terrorist financing.

The APG/FATF Report – *Money laundering and Terrorist Financing Vulnerabilities and Indicators in the Casino and Gaming Sectors* can be found at: [www.apgml.org/](http://www.apgml.org/) or [www.fatf-gafi.org](http://www.fatf-gafi.org)

## CASINOS

### Counterfeit chips discovered

The Department's Auckland staff foiled a potential \$50,000 scam aimed at SkyCity Casino.

Customs officers alerted the Department to a parcel from China containing 50 \$1000 gambling chips and SkyCity decal stickers. The Department organised a controlled delivery of the parcel to an East Tamaki address in Manukau City and obtained a search warrant, which the police executed.

As a result, Qiudong Zhou, 47, a company director of Panmure, pleaded guilty in the Manukau District Court to possessing equipment for counterfeit chips. He was fined \$30,000, sentenced to 300 hours community work, one year's supervision and ordered to undergo problem gambling counselling.

The court was told that Zhou had intended to use the chips at the casino to win back money he had lost.

New Zealand's Police Asian Liaison Officer in Beijing was to alert Chinese authorities of the details of the chips' manufacturer.

The case illustrates the benefits of close inter-agency liaison, which has been fostered and developed by the Department. The Department has conducted seminars for Customs officers on gambling equipment, and consignments containing such goods are now flagged in mail surveillance and the Casino Compliance Unit is advised.

### One thing leads to another

The recent jailing of a drug syndicate leader who operated out of SkyCity Casino is another chapter in a saga that began almost five years ago and again illustrates how the Department of Internal Affairs works with other government agencies in fighting crime.

In September 2004, NZ Customs staff at Auckland Airport told the Department of gambling chips with a face value of almost \$500,000 and other gambling equipment being imported. Gambling inspectors traced the intended recipients to an illegal casino in Newmarket.

The casino was shut down and several convictions resulted, the first of their kind under tighter controls introduced by the Gambling Act 2003.

In the course of this investigation the Department noted the presence at SkyCity of others associated with this illegal casino and informed the police. During the subsequent police operation, 13 people were arrested and millions of dollars worth of P and cash seized from the drug ring. The drug syndicate leader, Ri Tong Zhou, 41, was jailed for 15 years, after admitting more than 30 methamphetamine-related charges.

## Caversham application fails

16 December 2008

The Gambling Commission has rejected Caversham Foundation's claim that the Secretary for Internal Affairs failed to act in good faith, or engaged in procedural misconduct, in deciding not to renew Caversham's gaming machine operator's licence.

The Commission said the Foundation's application for costs of \$37,500 against the Department was "misconceived". The Commission said it does not normally award costs but might do so if processes were abused.

"There is nothing to indicate that the Secretary conducted himself before the Commission in a way which would justify an award of costs against him," the Commission said in its decision.

Earlier this year, after the Foundation established its financial viability, the Department granted Caversham a six-month operating licence with reporting conditions. Caversham appealed the conditions to the Commission and Foundation chairman, Dr Wayne Morris, told the Otago Daily Times (October 17 2008) the Department was "out of control" and had been unfair. But last month Caversham elected to withdraw that appeal.

Internal Affairs Gambling Compliance Director, Mike Hill, welcomed the Commission's decision to reject the costs application.

"We work to be fair and objective in enforcing the Gambling Act and we had good grounds for originally refusing to renew Caversham's licence," Mike Hill said. "After Caversham's financial position changed we issued it with a conditional licence to 31 March 2009 and will reassess its performance after closely monitoring its cash flow management and compliance with the Gambling Act.

"A gambling operator's licence is a privilege, not a right, and gambling operators must meet high standards to justify remaining operational."

## House 'auction' illegal

20 January 2009

A Christchurch couple's plan to sell their house by a novel auction would be illegal gambling and the public is advised not to participate, Internal Affairs' Gambling Compliance Manager, Debbie Despard, said today.

Would-be buyers book a seat at an internet auction for \$100 each, with the house going to the lowest unique bid between 1c and \$1000.

Debbie Despard said under the Gambling Act 2003 the auction is illegal on several grounds.

"There is a huge element of chance in this so-called auction in which people pay to participate," Ms Despard said. "It is also online gambling, which the Act defines as 'remote interactive gambling'. Gambling with prizes exceeding \$500 can only be conducted by societies raising money for authorised charitable purposes but this sales scheme is conducted by a

private person for personal profit and cannot be licensed by the Department.

"Participating in illegal gambling is a criminal offence. Also, any sale and purchase agreement arising out of such an auction would be on shaky ground because the Gambling Act says contracts relating to illegal gambling would be illegal for the purposes of the Illegal Contracts Act 1970."

The Department advised the Trade Me and Premier Realty websites that the proposed sales method was illegal and also contacted the Real Estate Institute of New Zealand.

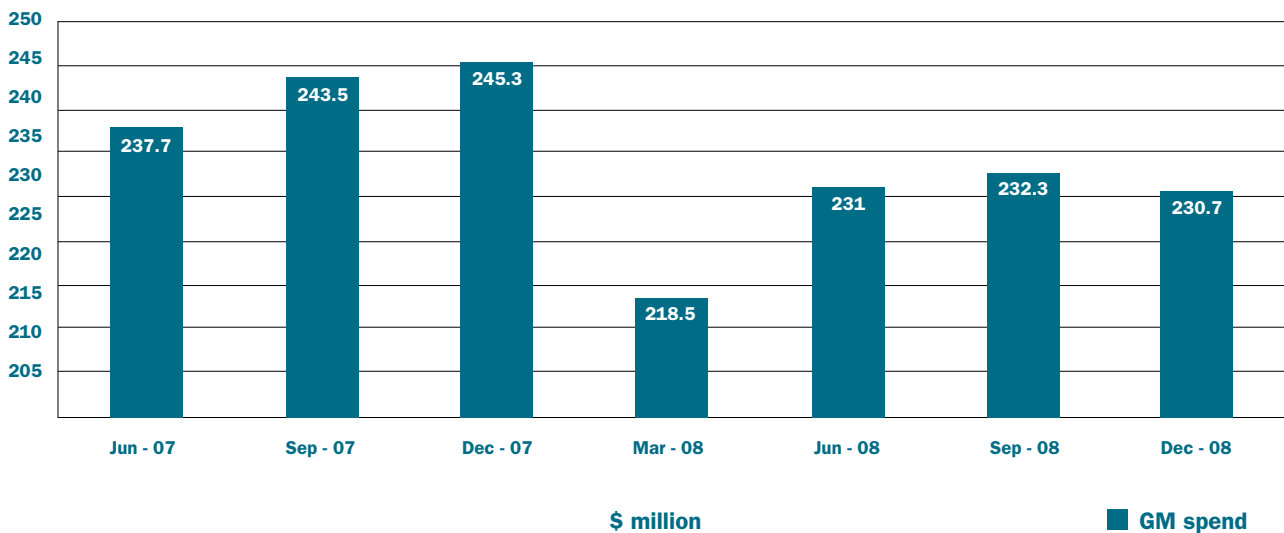
## MEDIA RELEASES

# Pokie spend down

28 January 2009

Gaming machine expenditure in pubs and clubs was down in the final quarter of 2008. Spending dropped just under 1 per cent from \$232.3m at 30 September to \$230.7m at 31 December and was 6 per cent lower on the same three-month period in 2007.

### Quarterly Non-Casino Gaming Machine Expenditure June 2007 - Sept 2008



The spending is captured through the electronic monitoring of non-casino gaming machines (EMS) that became fully operational in March 2007. The Department can track and monitor operations, ensuring the integrity of games and the accurate accounting of money.

### NON-CASINO GM SPENDING BY SOCIETY TYPE – SEPT TO DEC 2008

SOCIETY TYPE	TOTAL GMP QUARTER	% OF TOTAL
<b>NON-CLUB</b>	<b>\$199,113,208.93</b>	<b>86.3%</b>
Sports Clubs	\$4,815,330.13	2.1%
Chartered Clubs	\$17,677,862.12	7.7%
RSAs	\$9,059,348.04	3.9%
<b>TOTAL CLUB</b>	<b>\$31,552,540.29</b>	<b>13.7%</b>
<b>TOTAL ALL</b>	<b>\$230,665,749.22</b>	<b>100.0%</b>

**MEDIA RELEASES**

Internal Affairs Director of Gambling Compliance, Mike Hill, said the number of gaming machines was slightly down on the September 08 quarter, but remained at around 20,000 since the introduction of EMS. There were also fewer licensed societies and venues compared with the September quarter.

**LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS**

<b>DATE</b>	<b>LICENCE HOLDERS</b>	<b>VENUES</b>	<b>GAMING MACHINES</b>
31 DEC 2008	399	1537	19,879
30 SEPT 2008	405	1551	20,025
30 JUNE 2008	415	1552	19,856
31 MARCH 2008	421	1569	20,018
31 DEC 2007	428	1585	20,182
30 SEPT 2007	435	1593	20,163
30 JUNE 2007	439	1598	20,120
31 MARCH 2007	444	1607	20,302

**GAMBLING COMPLIANCE KEY CONTACTS**

**0800 257 887**

**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

**Ph: (04) 495 7211 or 0275 843 679**

**E-mail: [trevor.henry@dia.govt.nz](mailto:trevor.henry@dia.govt.nz)**

## MEDIA RELEASES

# Gamblers spent a little more in 2007/08

17 February 2009

Statistics released today show New Zealanders' gambling expenditure in 2007/08 increased by less than one per cent.

Releasing the annual gambling expenditure figures, the Department of Internal Affairs Gambling Policy Manager, John Markland, said that spending on the main forms of gambling increased by 0.71 per cent from \$2.020 billion in 2006/07 to \$2.034 billion in 2007/08. But the 07/08 figure is still less than the peak of \$2.039 billion in 2003/04.

"Spending on Lotteries Commission products, racing and sports betting and casinos were all up, while spending on pub and club gaming machines dropped by just over 1 per cent, reversing the 5 per cent increase of the previous year," Mr Markland said.

### OVERALL SPENDING IN 2007/08 ON GAMBLING WAS MADE UP OF:

GAMBLING PRODUCT	2007/08 Spending (Player Losses) Rounded	Increase / Decrease from 2006/07
RACING AND SPORTS BETTING	\$273M	+ 1.4%
LOTTERIES COMMISSION PRODUCTS	\$346M	+ 4.7%
CASINOS	\$477M	+1.6%
NON-CASINO GAMING MACHINES	\$938M	- 1.3%
<b>TOTAL SPENDING</b>	<b>\$2.034 BILLION</b>	<b>+ 0.7%</b>

The figures relate to the year ended 30 June 2008 except for racing and sports betting, which is for the year to 31 July 2008.

Mr Markland said the increased racing and sports betting continues the recent growth of 4.5 per cent in 2006 and 4.2 per cent in 2007 and was due largely to increased betting on racing.

"This year's nominal figure is the highest ever for racing and sports betting but, when inflation is taken into account, it is still behind the racing only figure of \$232 million in 1989," he said.

"It's a similar story for Lotteries Commission products. The 4.7 per cent increase, which reflects some large jackpots, the introduction of Lotto Online, and the 20<sup>th</sup>

birthday promotion, follows a 3 per cent increase in 2006/07. In nominal terms, \$346 million is a record for the Commission but when adjusted for inflation is still below the peak years of \$288 million in 1998 and 1999.

"The 1.6 per cent increase in casino gambling expenditure reversed the 4.7 per cent decrease from the previous year and was due partly to a return to full performance by the Auckland casino following the completion of construction on the main gaming floor.

"Reduced spending on non-casino gaming machines may reflect economic circumstances, and the impact of the first phase of a social marketing campaign."

Further details are available on the gaming statistics page at: [www.dia.govt.nz](http://www.dia.govt.nz)

Mr Markland said the increased racing and sports betting continues the recent growth of 4.5 per cent in 2006 and 4.2 per cent in 2007 and was due largely to increased betting on racing.

## GM societies' contacts

The Department's gambling compliance and licensing inspectors each have responsibilities for liaising with gaming machine societies. If societies have issues to discuss, they may contact these inspectors first by phoning the Department's toll free number 0800 257 887.

### LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

SOCIETY	COMPLIANCE INSPECTOR	LICENSING INSPECTOR
AHAURA/GREY VALLEY LIONS CLUB INC	Lisa Barclay ext 7031	Rochelle Goodwin-Kanara ext 5350
AIR RESCUE SERVICES LIMITED	Lisa Barclay ext 7031	Craig Holmes ext 5486
ASHBURTON TRUST		
CHARITABLE FOUNDATION	Greg Clark ext 7036	Jasmine Rangiwhehu ext 5491
AUCKLAND BOWLS TRUST	Scott Carsons ext 7920	Jasmine Rangiwhehu ext 5491
BENEFICIAL CHARITABLE TRUST	Scott Carsons ext 7920	Jasmine Rangiwhehu ext 5491
BULLER COMMUNITY DEVELOPMENT COMPANY LIMITED	Mark Thomson ext 7341	Craig Holmes ext 5486
CAVERSHAM FOUNDATION LIMITED	Ron Grob ext 6603	Craig Holmes ext 5486
CONSTELLATION COMMUNITIES TRUST INC	Scott Carsons ext 7920	Jasmine Rangiwhehu ext 5491
CUESPORTS FOUNDATION LIMITED	Artie McClelland ext 7578	Jasmine Rangiwhehu ext 5491
ENDEAVOUR COMMUNITY TRUST	Garth Cherrington ext 5520	Judy Rohloff ext 5466
EUREKA TRUST	Mark Thomson ext 7341	Judy Rohloff ext 5466
FIRST SOVEREIGN TRUST	Cliff Simpson ext 7937	Rochelle Goodwin-Kanara ext 5350
FOUR WINDS FOUNDATION LIMITED	David Batenburg ext 7922	Rochelle Goodwin-Kanara ext 5350
GRASSROOTS TRUST	Ann Hart ext 7918	Judy Rohloff ext 5466
HOROWHENUA COMMUNITY TRUST LIMITED	Dave Sayers ext 5484	Rochelle Goodwin-Kanara ext 5350
HUCKLEBERRYS SPORTS & CHARITABLE SOCIETY INC	Mike Sorensen ext 5364	Jasmine Rangiwhehu ext 5491
ILT FOUNDATION	Dave Macdonald x 7035	Rochelle Goodwin-Kanara ext 5350
INFINITY FOUNDATION LTD	Val Hawley ext 5614	Rochelle Goodwin-Kanara ext 5350
KAIWAKA SPORTS ASSOCIATION INCORPORATED	Artie McClelland ext 7578	Rochelle Goodwin-Kanara ext 5350
KIWI COMMUNITY TRUST LIMITED	Artie McClelland ext 7578	Craig Holmes ext 5486
LIONS CLUB OF OHAI-NIGHTCAPS INCORPORATED	Dave Macdonald ext 7035	Craig Holmes ext 5486
MAINLAND FOUNDATION LIMITED	Greg Clark ext 7036	Judy Rohloff ext 5466
MANA COMMUNITY GRANTS FOUNDATION	Garth Cherrington ext 5520	Rochelle Goodwin-Kanara ext 5350
MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST	Scott Carsons ext 7920	Rochelle Goodwin-Kanara ext 5350
MT WELLINGTON FOUNDATION LTD	David Batenburg ext 7922	Rochelle Goodwin-Kanara ext 5350
NEW ZEALAND COMMUNITY TRUST	Daryl Watene ext 5667	Rochelle Goodwin-Kanara ext 5350

## LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

<b>SOCIETY</b>	<b>COMPLIANCE INSPECTOR</b>	<b>LICENSING INSPECTOR</b>
OTAUTAU COMBINED SPORTS COMPLEX INCORPORATED	Dave Macdonald ext 7035	Craig Holmes ext 5486
OXFORD SPORTS TRUST INC	David Batenburg ext 7922	Niall Miller ext 5485
PACIFIC SPORTS & COMMUNITY TRUST	Cliff Simpson ext 7937	Jasmine Rangiwhehu ext 5491
PELORUS TRUST	Daryl Watene ext 5667	Rochelle Goodwin-Kanara ext 5350
PERRY FOUNDATION LIMITED	Ann Hart ext 7918	Judy Rohloff ext 5466
PERRY FOUNDATION TRUST	Ann Hart ext 7918	Judy Rohloff ext 5466
PRIME COMMUNITY TRUST	Daryl Watene ext 5667	Niall Miller ext 5485
PRODUCERS TRUST INC	Scott Carsons ext 7920	Craig Holmes ext 5486
PUB CHARITY	Val Hawley ext 5614	Niall Miller ext 5485
REDWOOD TRUST INCORPORATED	Dave Macdonald ext 7035	Rochelle Goodwin-Kanara ext 5350
SOUTHERN VICTORIAN CHARITABLE TRUST INC	Nicole Turvey ext 6611	Niall Miller ext 5485
ST KILDA COMMUNITY SPORTS SOCIETY	Jason Hewett ext 6601	Rochelle Goodwin-Kanara ext 5350
THE BENDIGO VALLEY SPORTS AND CHARITY FOUNDATION	Jason Hewett ext 6601	Jasmine Rangiwhehu ext 5491
THE BRUNNER RUGBY LEAGUE CLUB INCORPORATED	Mark Thomson ext 7341	Rochelle Goodwin-Kanara ext 5350
THE LION FOUNDATION	Stephen Balmer ext 7923	Craig Holmes ext 5486
THE NORTH & SOUTH TRUST	Scott Carsons ext 7920	Craig Holmes ext 5486
THE RUNANGA COMMUNITY SWIMMING POOL TRUST	Dave Bermingham ext 7034	Jasmine Rangiwhehu ext 5491
THE SOUTHERN TRUST	Dave Bermingham ext 7034	Rochelle Goodwin-Kanara ext 5350
THE TRUSTS CHARITABLE FOUNDATION INC	Lisa Barclay ext 7031	Niall Miller ext 5485
TRILLIAN TRUST	Stephen Balmer ext 7923	Craig Holmes ext 5486
TRUST AORAKI LIMITED	Greg Clark ext 7036	Jasmine Rangiwhehu ext 5491
TRUST HOUSE CHARITABLE TRUST	Mike Sorensen ext 5364	Craig Holmes ext 5486
WATER SAFETY EDUCATION FOUNDATION	Garth Cherrington ext 5520	Judy Rohloff ext 5466
WHITEHOUSE TAVERN TRUST	Cliff Simpson ext 7937	Craig Holmes ext 5486
MT WELLINGTON FOUNDATION LTD	David Batenburg ext 7922	Rochelle Goodwin-Kanara ext 5350
NEW ZEALAND COMMUNITY TRUST	Daryl Watene ext 5667	Rochelle Goodwin-Kanara ext 5350

## GAMBLING COMPLIANCE KEY CONTACTS

0800 257 887

## GAMBLING ISSUES KEY CONTACTS

# 0800 257 887

### Keith Manch

Deputy Secretary, Regulation and Compliance Branch  
The Regulation and Compliance Branch 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 and anti-spam compliance, fire service policy, identity services policy, civil defence and emergency management policy and crown entity monitoring functions. For the sake of simplicity, the functions outside the gambling sector are not included on this page.

For gambling regulation this includes the management of Gambling, Censorship and Racing Policy and Gambling Compliance.

### 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. This Policy team is in 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.

### Debbie Despard

National Manager Compliance

This position is primarily responsible for delivering compliance and audit services as well as developing and implementing an integrated compliance strategy.

### John Currie

National Manager Licensing

This position has prime responsibility for Class 4 Licensing, championing a new electronic licensing regime and management oversight of the Electronic Monitoring System contract with Intralot.

### Michael Cassidy

National Manager Gaming Technology

This position oversees the technical integrity of gaming issues across casino and all other classes of gambling.

### Heather McShane

National Manager Operational Policy

Operational policy provides support and advice to the Gambling Inspectors and other staff working in the sector. It develops standards, game rules and other "deemed regulations". 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.

### Geoff Owen

National Manager Investigations

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.

### Sanjay Sewambar

National Manager Performance Assurance

This unit focuses on ensuring that the Gambling Compliance Group achieves both its strategic objectives (short and long-term) and its business goals. It coordinates strategic and business planning for GCG as well as providing robust analysis, monitoring and reporting around performance.

## CONTACTS

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

**0800 257 887**

E-mail: [gaming.compliance@dia.govt.nz](mailto:gaming.compliance@dia.govt.nz)

Web: [www.dia.govt.nz](http://www.dia.govt.nz)

Postal address and fax numbers:

### CASINO COMPLIANCE

PO Box 805, Wellington, Fax: (04) 494 0624

### GAMBLING LICENSING

PO Box 10-095, Wellington 6140,  
Fax: (04) 494 0656

### GAMBLING COMPLIANCE

#### Auckland

PO Box 2220, Auckland 1140,  
Fax: (09) 362 7945

#### Wellington

PO Box 10-095, Wellington 6140,  
Fax: (04) 495 7214

#### Christchurch

PO Box 1308, Christchurch 8140,  
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.

Editor: Trevor Henry

Telephone: (04) 495 7211, 0275 843 679

E-mail: [trevor.henry@dia.govt.nz](mailto:trevor.henry@dia.govt.nz)

## 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 6140. Communications Advisor Trevor Henry, telephone (04) 495 7211, fax (04) 495 7224, e-mail [trevor.henry@dia.govt.nz](mailto:trevor.henry@dia.govt.nz)

Organisation name: \_\_\_\_\_

Contact person: \_\_\_\_\_

Media releases: \_\_\_\_\_

e-mail: \_\_\_\_\_

Gambits postal address: \_\_\_\_\_  
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