

Gambits

NEWSLETTER OF
GAMBLING ISSUES

SEPTEMBER 2010

THE DEPARTMENT OF INTERNAL AFFAIRS

Te Tari Taiwhenua

Fanciful claims rejected

Claims in the news media that the Department is indulging in sting operations, entrapment and other underhand tactics in investigating the suitability of key persons under the Gambling Act 2003 are fanciful and baseless.

Gambling Compliance Director, Mike Hill says, investigators work under a set of “guiding principles”.

“The Gambling Compliance Group (GCG) works in an environment that is complex and unpredictable. The guiding principles provide consistency, are a clear statement about beliefs and values and provide a structure for how things are done.

“There is a general expectation that everyone regulated by GCG will be dealt with in a fair and consistent manner.

“All decisions made must be fact-based and informed by the knowledge available and all known information on a particular matter must be taken into account when determining an outcome. The reasons for coming to a decision must be clear and be able to withstand scrutiny from the sector, particularly if decisions are appealed to the relevant authorities.”

Work undertaken by GCG is:

- **Outcomes-focused** – all activities should be focused on ensuring compliance with the purposes of the Act
- **Targeted and informed** – resources should be applied to the right area at the right time
- **Transparent and accountable** – actions and systems must be open to tests of probity and provide an example of action without bias or malice
- **Proportionate and responsive** – better regulation only regulates to the extent necessary to achieve a goal. Responses must be proportionate to the risk and the potential impact of actions
- **Consistent and fair** – interaction with all parties must be to the same high standards in similar circumstances
- **Collaborative and cooperative** – increased cooperation with the sector will improve GCG’s intelligence and knowledge, and the sector itself may provide solutions that improve regulation.

There are about 50 investigations currently in progress. Many of them involve sections 113 and 118 of the Gambling Act – grants should be transparent and free from conflicts of interest or conditions. Others include theft or fraud of gaming machine profit, venue costs, fraud by grant recipient, suitability of key person and breaches of harm prevention and minimisation requirements.

(Management companies must assist inquiries, page 4)

CONTENTS

- 2** ALL GAMBLING
- 4** PUBS AND CLUBS
- 10** SANCTIONS
- 12** LEGAL ISSUES
- 14** MEDIA RELEASES

Index

December 2003 – September 2010
available on www.dia.govt.nz

ALL GAMBLING

Change in GST

The rate of GST increases from 12.5 per cent to 15 per cent on 1 October 2010 and will mean an increase in the fees paid to the Department.

It will also have an impact on the bottom lines of gambling operators and, therefore, on the amount of money raised for a variety of community purposes and on the purchasing power of the money they raise. This will be a concern for gambling operators and the groups they fund.

Fees increase

The Department's fees will increase from 1 October 2010 to incorporate the increase in GST. The Department's forms are being amended and from 1 October 2010 the new forms are to be used.

These new forms will be available towards the end of the last week of September 2010, with the old forms being removed on 30 September 2010.

Potential impacts

A reduction in players' personal tax is unlikely to stimulate much additional gambling expenditure so the value of the non-casino gaming machine sector's community purpose contribution could reduce.

The GST increase will have another impact on the non-casino gaming machine sector. When gaming machine societies operate machines in commercial venues such as pubs they may reimburse the venue operator for costs incurred in hosting the machines. These reimbursements must be actual, reasonable and necessary. In addition, a Gazette notice limits the GST-exclusive amount that a society may pay to the venues that host its machines to no more than 16 per cent of the society's GST-exclusive gross proceeds.

These are all matters that societies will need to take into account when considering their operations in the coming year.

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.

New fees

The GST increase means an increase in the fees the sector pays for a range of gambling products and services.

FEES FROM 1 OCT 2010 (GST RATE 15%)

PRODUCT / SERVICE	CURRENT FEE (12.5%) GST INCL.	NEW FEE (15%) GST INCL.
CLASS 3 OPERATOR LICENCE		
New or renewal (prizes not exceeding \$50,000)	\$100.00	\$102.22
New or renewal (prizes exceeding \$50,000 and all housie)	\$707.00	\$722.71
AMENDMENT	\$344.00	\$351.64
CLASS 4 OPERATOR LICENCE		
New (Clubs, NZ Racing Board, Racing Clubs)	\$4,068.00	\$4,158.40
New (Other Societies)	\$4,068.00	\$4,158.40
Amendment (Key Person)	\$636.00	\$650.13
Notification (Key Person)	\$636.00	\$650.13
Amendment (Other)	\$254.00	\$259.64
Notification (Other)	\$254.00	\$259.64
Renewal (Clubs, NZ Racing Board, Racing Clubs)	\$1,271.00	\$1,299.24
Renewal (Other Societies)	\$2,543.00	\$2,599.51
Class 4 Operator's Annual Compliance Fee	\$4,063.00	\$4,153.29
CLASS 4 VENUE LICENCE		
New (Clubs, NZ Racing Board, Racing Clubs)	\$763.00	\$779.95
New (Other Societies)	\$1,017.00	\$1,039.60
Amendment (Key Person)	\$636.00	\$650.13
Amendment (Other)	\$254.00	\$259.64
Notification (Key Person)	\$636.00	\$650.13
Notification (Other)	\$254.00	\$259.64
Renewal (Clubs, NZ Racing Board, Racing Clubs)	\$127.00	\$129.82
Renewal (Other Societies)	\$191.00	\$195.24
Class 4 Venue Annual Compliance Fee (per machine)	\$425.00	\$434.44
LICENSED PROMOTER LICENCE		
New or Renewal	\$1,375.00	\$1,405.55
Temporary Authority	\$100.00	\$102.22
Certificate of Approval	\$328.00	\$335.28
Associated Person	\$330.00	\$337.33
Electronic Monitoring Fee (per active machine per day)	\$1.35	\$1.38
GAMBLING COMMISSION APPEALS		
Appeal filing	\$250.00	\$255.55
One day hearing	\$450.00	\$460.00
Half day and part (after first day)	\$450.00	\$460.00

PUBS AND CLUBS

Management companies must assist inquiries

The Department's powers to review, audit and investigate extend to companies employed to manage a society's gaming machine operations.

Section 333 of the Gambling Act provides the power to require any person to provide information necessary or desirable for the purpose of auditing or investigating a Class 4 gambling operator.

The fact that a society operates through an external service provider is immaterial to the Department's ability to access information relevant to compliance with the Act. Regulated activities such as venue liaison, venue payments and costs management need to be as accessible to the Department as they are when societies conduct them in-house.

When such access is denied, inevitably it will throw a spanner into the works and cause us to dig deeper. Refusal to comply fully with our request for information under section 333 could contribute to a proposal to refuse to renew a Class 4 operator's licence, as the Secretary will not be satisfied about the grounds in section 52 due to lack of available information.

Therefore, where management and administration service providers act as agents for a society in ensuring compliance with the Act, a review, audit or investigation into that society's compliance with the Act may require some information to be provided directly from those agents. This is particularly important where a society itself does not have, or is refused, access to such information.

Inactive gaming machines

The Department reminds societies of their responsibilities where a venue is inactive and no gambling occurs for more than four weeks.

Section 71 of the Gambling Act says in such cases a society must surrender its venue licence or seek approval from the Department for an extension for a specified period of inactivity.

The venue being inactive means that no Class 4 gambling is being conducted at the venue whatever the reason. It does not just mean four weeks of not being connected to the EMS or four weeks with no machines at the venue.

Where venues are being renovated or rebuilt, the notification should be given before the planned cessation of the machines using the form "Class 4 Venue Licence – Amendments and Non-Key Person Notifications GC4A" available on our website www.dia.govt.nz. There will be occasions like a fire or vandalism where machines are destroyed or incapacitated and are unlikely to be usable within four weeks. In such situations notice can only be given after the event and must follow as soon as practicable, but before the expiration of four weeks, if the society thinks it will need an extension.

Venue costs resubmission update

The Department is assessing venue costs for all Class 4 venues after asking societies to resubmit them on a standardised form.

This will ensure that only actual, reasonable and necessary expenses are being paid as stipulated in the Gambling Act. There should be no surprises in this regard.

Resubmission will mean venues are correctly recompensed for their gambling-related work within the confines of the Gazette notice, helping to achieve one of the Gambling Act's key purposes — ensuring that money from gambling benefits the community.

The Department has found it difficult to access comprehensive and reliable cost data for all Class 4 venues.

The resubmission exercise:

- Provides consistent data for the Department to analyse the operation of the Gazette Notice, including the limits
- Enables the Department to gather further information on the timeframes attributable to labour task costs, and
- Will feed into any further work around venue costs options.

Impacts on licensing

Venue cost schedules received as part of the licensing applications are also being assessed to ensure that they contain only expenses that are actual, reasonable and necessary.

Some venue licence approvals have been delayed, due partly to 'teething' issues within the Department. But delays were exacerbated by some societies submitting licensing applications with schedules that included some very high costs, for example, a submission on a labour cost of \$100 per hour for attending to machines.

The Department cannot accept claims that appear high unless we are satisfied that high costs are justified; and where we cannot be satisfied, we have requested explanations. In some cases these were provided and costs revised to a more reasonable level. In other cases societies have failed to supply adequate explanations while also refusing to revise costs. This is a particular problem where the venue has agreed to transfer to a new society on a higher venue cost rate. Our processes have been seriously impacted by the high number of societies reworking their figures.

The Department will commence a review of the Gazette Notice when all venue cost schedules have been approved and we are confident we are working with accurate industry data.

The Department will commence a review of the Gazette Notice when all venue cost schedules have been approved and we are confident we are working with accurate industry data.

PUBS AND CLUBS

Guidelines on GM payouts to non-club members

The Department has been asked to clarify its position over clubs that choose to have in-house rules preventing non-members, not signed in as guests, from playing gaming machines and collecting any winnings. These guidelines have been drafted in consultation with RNZRSA and Clubs NZ.

The Gambling Act 2003 requires club venues to be non-commercial premises used mainly by club members (section 65(3)). Rules preventing non-members, not signed in as guests, from playing gaming machines and collecting winnings are consistent with the non-commercial nature of clubs. Clubs may choose to have these rules but they are not a requirement under the Act. Clubs may want to consider the need for a national policy to manage this issue.

Subject to the points below, the Department considers that if a club has a rule and displays suitable and easily visible signage, clearly stating that non-club members who are not signed in as guests cannot play the gaming machines and will not be paid winnings, then clubs can withhold payment. This includes jackpot winnings and cancelled credits.

To ensure player fairness signage must be suitable and easily visible, clearly warning non-members that if they are not signed in as guests they **cannot play gaming machines and will not be paid out if they win**. The club's sign-in procedures and the requirement that all non-members be signed in by a member of the club as their guest must also be made clear to non-members before they enter the club. The Department suggests that a best practice approach

would also include bar staff checking gaming machine patrons' eligibility to continue gambling when they request an eftpos cash withdrawal or order drinks, and reminding patrons of the rule when clearing glasses from the gaming room etc. Staff should have a good idea of who are club members.

There are specific requirements under the Gambling Act (Class 4) Game Rules 2006 (the Game Rules) relating to the non-payment of gaming machine winnings. Player disputes and unpaid winnings are dealt with under Game Rules 82-85 and adjustments to the Electronic Monitoring System (EMS) recorded data are dealt with in Game Rule 133:

- If gaming machine winnings are not paid for any reason an "Unpaid Prize Report" **must** be completed
- If a player disputes the non-payment of gaming machine winnings a "Gambling Equipment Fault/Player Dispute Report" **must** be completed
- If winnings are unpaid, an EMS adjustment **must** be posted equal to the amount of the win.

If a club does not have a rule suitably displayed as described above, a club must pay out all prizes in accordance with the Gambling Act 2003.

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

Check for misleading signage



Some jackpot signage displayed at venues (see left) is misleading because it ignores the Gambling Act (Class 4) Game Rules 2006.

Jackpot signage simply stating that "any malfunction voids all plays and wins" fails to acknowledge the level of responsibility societies and venues carry when such events arise. These responsibilities, which relate to player disputes, are set out in game rules 82-84.

The Department asks societies to check jackpot signage at all their venues to ensure that it does not convey such restrictive messages.

Daylight saving

Daylight saving begins on Sunday 26 September, when clocks go forward an hour at 2am to become 3am.

The extra hour of daylight in the evenings will run till Sunday 3 April 2011, when clocks go back an hour at 3am to 2am.

PUBS AND CLUBS

Sector assists IGP development

The Gambling Compliance Group leadership team would like to thank all those who participated in recent meetings on the Integrated Gambling Platform (IGP) project.

The IGP is making progress following the signing of a heads of agreement in June between the Department and Intralot.

Departmental officials met Class 4 sector reference groups, drawn from the Community Gaming Association, The Lion Foundation, Pub Charity, New Zealand Community Trust, Trillian Trust, Producers (represented by Marco Management), Mainland Foundation, Southern Victorian Charitable Trust, Clubs NZ and RNZRSA, to better understand and minimise the impacts of the IGP and discuss benefits.

“We appreciate the time they took to talk to us and their willingness to be open and honest in their comments,” Gambling Compliance Director, Mike Hill said. “We had good discussions during the workshops, which challenged our thoughts and ideas.

“We are now taking all that information and contemplating our next steps. For example, one of the major concerns from the workshops was the grants’ database module of the IGP. They expressed concern over the amount and type of information the Department was intending to collect. We have taken the feedback on board and will look at options to minimise impacts to the sector and community.

“There have been other societies, not part of the sector reference groups, who are interested in the IGP project and we will be talking to them about how they can participate. This is a great example of us working together. We hope to see more of this collaborative approach in the future.

“Please feel free to contact any of the leadership team for further information, or Sanjay Sewambar or Sophan Chhim who have been directly involved in the engagement sessions.”

Kerry Wood from Mainland Foundation said the discussions were open and frank and the sector had an opportunity to voice its concerns while potentially contributing to the end result. Mearl Caskey from Southern Victoria Charitable Trust said he felt listened to and thought their concerns and suggestions were taken seriously. Rebecca Griffin from Trillian Trust said the IGP workshops were a great opportunity to have input from the sector that should help ensure that the end result will work well for the end users.

The Department is also engaging with other stakeholders and has attended a community forum of researchers and providers. Gaming Technology has discussed the IGP initiative with authorised testing facilities (ATFs) in Australia.

The IGP is using existing infrastructure and resources wherever possible to assist in reducing costs and deliver additional business efficiencies. It will provide an integrated online system to manage all gambling activity in the country’s 1450 pubs and clubs and improve the integrity of the Class 4 gambling sector and the transparency of grants to the community.

It will complement the proven electronic monitoring (EMS) of 19,000 non-casino gaming machines. EMS was introduced in March 2007 to track and monitor gaming machine operations in pubs and clubs, ensuring the integrity of games and the accurate accounting of money.

The first results of the IGP will be seen about July/August next year when the Department and sector move from a paper-based licensing system to electronic licensing and online gaming machine approvals. Other modules will follow in stages, including managing gambling compliance and investigations workflow, complaints and the grants’ database.

Mike Hill said the IGP will bring efficiencies through the gambling sector interacting online with the Department.

“The IGP will provide the Department with a web-enabled, rules-based licensing and compliance system, improved information and grants’ monitoring capability,” he said. “It will give us a single view of how the cash flows through the gambling sector, from money going into a pokie machine to its dissemination to the community for the purposes authorised under the Act”.

Information and regular updates on the IGP are available on the Department’s website: www.dia.govt.nz/igp. An email address is also available for any questions or comments at: igp@dia.govt.nz

(System to improve gambling sector integrity page 15)

Regional forums scheduled

The Department will hold another round of regional forums in Auckland, Wellington and Dunedin this month to discuss a range of compliance topics with gaming machine societies.

Society trustees, management and field staff are invited to attend along with three or four venue operators per society.

Forum topics

Attending the forums will be representatives from the Gambling Compliance Group's Compliance, Gaming Technology, Performance Assurance, Investigations and Operational Policy units. Topics for discussion include:

- An overview of the Department's venue agreement resubmission process
- A presentation by Departmental Legal Advisor, Saar Cohen - Ronen, on the key messages from the Gambling Commission's decisions on The Trusts Charitable Foundation and The Southern Trust appeals
- Multi-venue exclusion orders
- Investigation issues involving ss113 and 118 investigations.

The dates for these forums are:

Dunedin:

Date: Monday 27 September 2010

Time: 11.00 am

Venue: Burns House (Level 6), 10 George Street

Department contact: Duane.Calvert@dia.govt.nz

Telephone: (03) 470 1509

Wellington

Date: Wednesday 29 September 2010

Time: 11.00 am

Venue: Department of Internal Affairs, Head Office, Waring Taylor St (Level One)

Department contact: Hayley.Bilton@dia.govt.nz

Telephone: (04) 494 0616

Auckland

Date: Thursday 30 September 2010

Time: 11.00 am

Venue: Richmond Yacht Club, Westhaven Drive, Auckland City. (Note: This venue is at the foot of the Harbour Bridge)

Department contact: Pamela.Yee Joy@dia.govt.nz

Telephone: (09) 363 0754

Anyone wishing to attend should advise the appropriate Department contacts above of the numbers attending.

GM proceeds

The table of non-club society gaming machine proceeds for the year ended 31 March 2010, published in the June issue of *Gambits*, inadvertently omitted The North and South Trust and its total of \$7,844,548.95.

The total GMP of \$739,532,610.49 was correct.

PUBS AND CLUBS

Sanctions

The following is a list of sanctions relating to Class 4 licences decided between 31 January 2010 and 30 June 2010.

SECRETARY'S DECISIONS CONCLUDED (DECISIONS APPEALED TO THE GAMBLING COMMISSION NOT INCLUDED)

OPERATOR	LICENCE TYPE	PROPOSED SANCTION
Perry Foundation Trust	Venue Licence: <i>Rojji Buffet Restaurant & Bar</i>	Suspension: One day proposed
NZCT	Venue Licence: <i>The Rose and Crown</i>	Cancellation
NZCT	Venue Licence: <i>Ibiza</i>	Cancellation
NZCT	Venue Licence: <i>Stadium Bar</i>	Cancellation
Trillian Trust	Venue Licence: <i>Star Tavern Kihikihi</i>	Cancellation
Prime Community Trust	Venue Licence: <i>Royal Hotel</i>	Cancellation
Pelorus Trust	Venue Licence: <i>Aberdeen Steakhouse & Bar</i>	Cancellation
The Lion Foundation	Venue Licence: <i>Maki's Bar</i>	Suspension
Eureka Trust	Venue Licence: <i>Esplanade Tavern</i>	Refuse to renew
Water Safety Education Foundation	Venue Licence: <i>Spot 81</i>	Cancellation
Pelorus Trust	Venue Licence: <i>Loaded Hog</i>	Cancellation
Grassroots Trust	Venue Licence: <i>Spankyz</i>	Refuse to renew
Water Safety Education Foundation	Venue Licence: <i>The Palace</i>	Refuse to grant
Pelorus Trust	Venue Licence: <i>Horse & Hound Bar & Cafe (Petone)</i>	Suspension
Perry Foundation Limited	Venue Licence: <i>Hillcrest Tavern</i>	Cancellation
Perry Foundation Limited	Venue Licence: <i>Palms Tavern</i>	Cancellation
Pelorus Trust	Venue Licence: <i>Chances Sports Bar</i>	Suspension
Pelorus Trust	Venue Licence: <i>Cruza Bar</i>	Suspension
Air Rescue Services Ltd	Venue Licence: <i>Robbies Bar and Bistro Richmond</i>	Refuse to grant
The Lion Foundation	Venue Licence: <i>Strathern Inn</i>	Suspension
First Sovereign Trust	Venue Licence: <i>After Dark</i>	Cancellation
NZCT	Venue Licence: <i>Kai Restaurant (Blue Moon)</i>	Cancellation
The Lion Foundation (2008)	Venue Licence: <i>Armazem Restaurant & Bar</i>	Refuse to grant
The Southern Trust	Venue Licence: <i>Gladstone Grand Hotel</i>	Cancellation
The Lion Foundation	Operator's Licence	Suspension
Oxford Sports Trust	Venue Licence: <i>Tote & Poke</i>	Suspension

PUBS AND CLUBS

BREACH/REASON	DATE OF DECISION	OUTCOME/STATUS
Failure to notify Secretary – change of venue manager/operator	February 2010	Proposal withdrawn – society disabled gaming machines indefinitely
Key person suitability (venue manager) – late banking; underage gambling; poor harm minimisation training	February 2010	Proposal withdrawn – venue manager no longer involved. Instead, licence suspended for three days. Venue additionally closed for 4 days by Liquor Licensing Authority
Key person suitability (venue manager) – late banking; poor harm minimisation training	February 2010	Proposal withdrawn – venue manager no longer involved
Key person suitability (venue manager) – late banking; poor harm minimisation training	February 2010	Proposal withdrawn – venue manager no longer involved
Key person suitability (venue manager) – late banking	January 2010	Licence surrendered
Key person suitability (venue manager) – late banking	March 2010	Proposal withdrawn – venue manager no longer involved
Key person suitability (venue manager) – late banking	March 2010	Proposal withdrawn – venue manager no longer involved
Late banking	March 2010	Licence suspended: three days
Key person suitability; late banking	March 2010	Proposal withdrawn after society's submissions considered
Failure to notify Secretary – gaming machines disconnected. Late Banking. Inactive gaming machines for more than 4 weeks	March 2010	Licence surrendered
Key person suitability (venue manager) – late banking	April 2010	Proposal withdrawn – venue operator went out of business
Key person suitability (venue manager)	April 2010	Proposal withdrawn – venue manager no longer involved
Concerns around primary activity and possible inactivity for extended period	May 2010	Proposal withdrawn after society's submissions considered
Failure to issue exclusion order to self-identified problem gambler; poor harm minimisation training	May 2010	Licence suspended: two days
Key person suitability (venue manager) – late banking. Failure to turn off gaming machines	May 2010	Licence suspended: three days; change of venue manager and society
Key person suitability (venue manager) – late banking. Failure to turn off gaming machines	May 2010	Licence suspended: three days; change of venue manager and society
Late banking	April 2010	Licence suspended: three days
Late banking	April 2010	Proposal withdrawn – venue manager no longer involved
Building under construction	May 2010	Proposal was withdrawn; venue completed
Late banking	May 2010	Licence suspended: three days
Late banking	March 2010	Proposal withdrawn. 7 day suspension served instead
Venue used mainly for operating gaming machines	June 2010	Licence cancelled
Unsupervised access to gambling area	May 2010	Refusal to grant licence
Large number of issues mostly related to harm prevention and minimisation; signage and information requirements and record keeping	March 2010	Licence cancelled
Failure to maximise proceeds/minimise costs	June 2010	Licence suspended: four days
Late banking	July 2010	Licence suspended: three days

LEGAL ISSUES

Court reinforces infringement fee

A \$5000 infringement fee imposed by the Department on an Auckland company for publishing an overseas gambling advertisement in New Zealand has been backed by Auckland District Court, Judge E M Aitken.

Smilelines Ltd operated a webpage for New Zealand-based lotto results and included 16 hypertext links to overseas gambling related sites, contrary to s16 of the Gambling Act 2003. The company challenged the infringement notice and sought a lesser penalty.

Judge Aitken said it was a strict liability offence.

"There was clearly a deliberate flouting of the law, certainly once the company had been notified by the Department that they were breaching the law and there is no doubt that, even prior to that notification, the actions of the company were purely for financial gain," she said.

Judge Aitken said she was not persuaded that the company, which could pay a director's fee of \$110,000, would be unable to pay the \$5000 infringement notice.

"On the contrary, it seems to me that there would be inherent unfairness if the company is not fined the infringement fee amount of \$5000 when other like companies in a similar situation, who immediately accept responsibility for their offending, would be required to pay that amount," the judge said.

She also imposed court costs of \$130.

"On the contrary, it seems to me that there would be inherent unfairness if the company is not fined the infringement fee amount of \$5000 when other like companies in a similar situation, who immediately accept responsibility for their offending, would be required to pay that amount," the judge said.

Open 24 hours a day

0800 654 655

**Gambling
Helpline**
NEW ZEALAND

Department appeals poker decision

The Department is appealing to the High Court an Auckland District Court decision by Judge David J Harvey that tournament poker is not gambling as defined in the Gambling Act 2003.

This relates to four charges of TV Works Ltd breaching section 16 over their promotion of the Asia Pacific Poker Tour (APPT) in advertisements for pokerstars.net.

The Department brought multiple charges against the company for advertising overseas gambling on TV3 and C4, associated with the Celebrity Joker Poker series.

Judge Harvey said he did not consider the way in which the APPT was structured amounted to gambling.

"It does not involve the payment of consideration based upon the outcome of the game. It involves the splitting of a sum of money derived from the payment of entry fees between the winning players. Although poker is usually associated with some form of gambling, because players in the tournament do not make side bets on the outcome of each hand, that element of wagering upon the outcome or paying consideration or a stake, is present."

Judge Harvey dismissed all charges saying he was not satisfied beyond reasonable doubt that the prosecution had made out its case.

"I am not satisfied that the advertisements for pokerstars.net constitute an overseas gambling advertisement and, for that reason, the element of an overseas gambling advertisement, promoting a gambling operator or inducing persons to gamble outside New Zealand, must fail," he said.

The Department's appeal is limited to a question of law – whether Judge Harvey was correct in interpreting the definition of gambling in s4 of the Gambling Act 2003 so as to exclude tournaments like the Asia Pacific Poker Tour.

The appeal is scheduled to be heard in the High Court in Auckland next month.

The Department brought multiple charges against the company for advertising overseas gambling on TV3 and C4, associated with the Celebrity Joker Poker series.

GAMBLING COMPLIANCE KEY CONTACTS

0800 257 887

MEDIA RELEASES

Pokie thief jailed

19 August 2010

A former North Shore bar owner was jailed for 21 months when he appeared for sentence in the Oamaru District Court over the loss of almost \$120,000 of pokie money.

Shane Norton, 47, now lives at Shingle Creek in Otago but last November pleaded guilty in the North Shore District Court to six charges of theft by a person in a special relationship by failing to account for \$118,935.48 of gaming machine profit owed to the Pelorus Trust.

Norton was the venue operator of two North Shore bars, Pat's Garage, Takapuna and Brownsy Sports Bar, Browns Bay. He should have banked the gaming machine money to the Pelorus Trust account but used it to prop up his businesses when they got into financial difficulty.

The Department says the community missed out on at least \$44,000 in grants as a result. Judge Mary O'Dwyer ordered

Norton to pay that amount in reparation and said he could seek home detention if suitable accommodation can be found.

Internal Affairs Director of Gambling Compliance, Mike Hill said gaming machine money does not belong to a venue but must be banked into the account of a gaming trust that is then responsible for distributing funds to the community.

"The community must be the ultimate beneficiary of gaming machine proceeds as the Gambling Act makes clear," he said. "This case underlines to venues that gaming machine proceeds do not belong to them but are held in trust. Not dealing with the funds as the law requires deprives the community of money and constitutes theft."

Waiheke competition illegal

17 August 2010

A website competition offering a house, car and boat on Waiheke Island as the prize was illegal and the Department told the organiser to stop the promotion.

Temo Van Tongeren of Surfdale, Waiheke Island, marketed his fundraiser as the 'Win a Waiheke Island Lifestyle' competition. The Department said this is "remote interactive gambling" under s 9(2) (b) of the Gambling Act 2003. Only the Lotteries Commission and the TAB are allowed to operate online gambling in New Zealand.

Northern Region Manager, Rob Abbott said Mr Van Tongeren took immediate steps to prevent people entering his competition after the Department contacted him and his willingness to cooperate was acknowledged.

"We warned Mr Van Tongeren that any future fund raising must be conducted within the law," Rob Abbott said.

Late banking fine

A former venue manager of the Star Tavern in Kihikihi, Te Awamutu, was fined \$2500 for late banking.

Stirling Henare, 54, sought a court hearing over an infringement notice he received for the offence but then pleaded guilty. He had already been warned after The Trillian Trust advised the Department of two previous instances of late banking. Trillian subsequently surrendered its venue licence.

System to improve gambling sector integrity

28 June 2010

An integrated online system to manage all gambling activity in the country's 1470 pubs and clubs will improve the integrity of the Class 4 gambling sector and the transparency of grants to the community, Internal Affairs Director of Gambling Compliance, Mike Hill said today.

The Department of Internal Affairs (DIA) and Intralot NZ Ltd have signed a heads of agreement for an integrated gambling platform (IGP) that will complement the proven electronic monitoring (EMS) of 19,000 non-casino gaming machines. EMS was introduced in March 2007 to track and monitor gaming machine operations in pubs and clubs, ensuring the integrity of games and the accurate accounting of money.

"EMS provided the Department with a significant system to improve compliance with the Gambling Act 2003," Mike Hill said, "and the IGP project will expand our compliance capabilities further. There will also be benefits for the wider community through the provision of more transparent information about the gambling sector."

The first results of the IGP will be seen next year when the Department and sector move from a paper-based licensing system to electronic licensing.

"This will bring efficiencies and enable the gambling sector to interact online with the Department," Mike Hill said. "The current licensing system has reached the end of its useful life."

"The IGP will provide the Department with a web-enabled, rules-based, e-licensing, systems integration, improved reporting and grants monitoring capability. It will give us a single view of how the cash flows through the gambling sector, from money going into a pokie machine to its dissemination to the community for the purposes authorised under the Act."

"It will further support our approach of using the licensing system as a 'gatekeeper' to prevent inappropriate people entering the sector and enhance our investigations through better data collection, collation and integration."

"Increased returns to the community should also result through the sector gaining efficiencies under the IGP."

The IGP will be a joint collaboration between the Department and Intralot, using existing infrastructure and resources wherever possible to assist in reducing costs and delivering additional business efficiencies.

"Several factors were involved in our decision to develop the IGP with Intralot including financial, leveraging off existing and proven systems, the early delivery of benefits to the community through improved information and reduced administrative sector costs and comprehensive, locally-based project management," Mike Hill said.

"We have each built on our experience with the development and running of EMS to produce an excellent, lower risk deal for both sides and for the wider community."

Intralot Group General Director of Strategy, John Katakis, said: "We are really pleased with the extension of our contract in New Zealand, since it ratifies the trust and confidence on behalf of DIA. This is the result of the efficient and mutually beneficial cooperation we had with DIA in implementing successfully the EMS project and achieving a high level operating service performance out of EMS. The state-of-the-art services provided through EMS helped both DIA and the gambling sector to improve its efficiency in complying with the Gambling Act. We both believe that EMS will improve further the effectiveness, transparency, and integrity of the surveillance of the country's gaming sector through the addition of the IGP services. Our dedicated teams both in New Zealand and Greece will work hard with the same commitment and methodology in cooperation with DIA, so as to provide a state-of-the-art integrated gambling platform."

MEDIA RELEASES

Annual pokie spend continues down

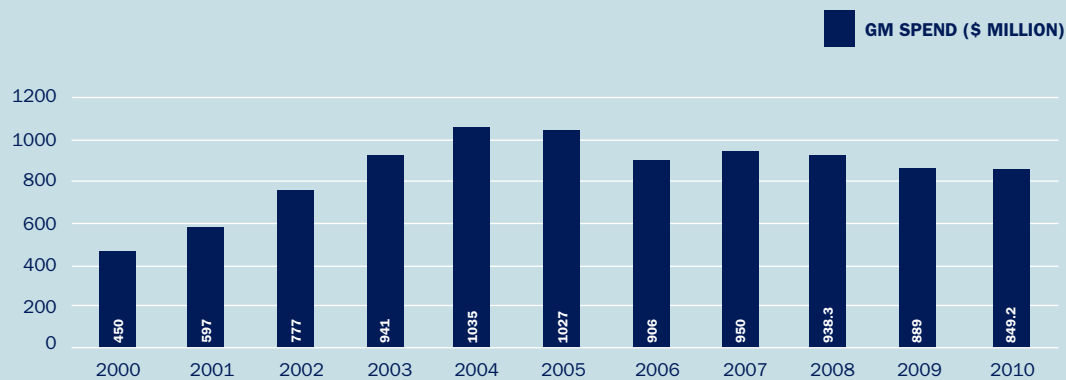
20 June 2010

For the third year running gaming machine expenditure in the country's 1455 pubs and clubs dropped.

In the year ended 30 June 2010 expenditure fell 4.5 per cent, from \$889 million at 30 June 2009 to \$849.2 million. Since June 2007 expenditure has fallen by over 10 per cent.

ANNUAL NON-CASINO GAMING MACHINE EXPENDITURE

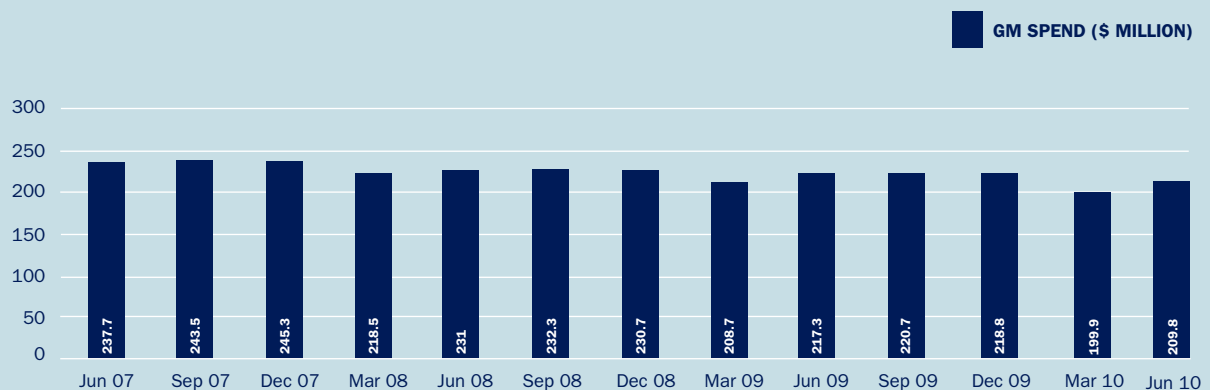
JUNE 2000 – JUNE 2010



But the second quarter of this year was higher than the first, with spending up 5 per cent or almost \$10 million to \$209.8 million in the three months to 30 June from \$199.9 million in the March 2010 quarter. It was similar story last year, when the second quarter showed a 4 per cent increase in expenditure on the first.

QUARTERLY NON-CASINO GAMING MACHINE EXPENDITURE

JUNE 2007 – JUNE 2010



MEDIA RELEASES

The Department tracks and monitors non-casino gaming machine operations and captures spending through electronic monitoring (EMS), ensuring the integrity of games and the accurate accounting of money. EMS became fully operational in March 2007.

NON-CASINO GM SPENDING BY SOCIETY TYPE – APRIL TO JUNE 2010

SOCIETY TYPE	TOTAL GMP QUARTER	% OF TOTAL
NON-CLUB	\$180,997,910.63	86.3%
Sports Clubs	\$4,244,655.33	2.0%
Chartered Clubs	\$16,368,279.06	7.8%
RSAs	\$8,206,086.57	3.9%
TOTAL CLUB	\$28,819,020.96	13.7%
TOTAL ALL	\$209,816,931.59	100.0%

There were fewer licence holders, gambling venues and gaming machines at the end of the June year. Licence holders dropped 4 per cent from 384 to 370, venues dropped 3 per cent from 1501 to 1455 and gaming machines were also 3 per cent down, from 19,479 to 18,944.

LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

DATE	LICENCE HOLDERS	VENUES	GAMING MACHINES
30 June 2010	370	1455	18,944
31 March 2010	374	1470	19,115
31 Dec 2009	378	1491	19,359
30 Sept 2009	377	1486	19,296
30 June 2009	384	1501	19,479
31 March 2009	394	1527	19,739
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

Further information, including numbers of venues, machines and expenditure by territorial authority and changes in the quarter, is available from the Department's Gaming Statistics web page at: www.dia.govt.nz

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.

SOCIETY	COMPLIANCE INSPECTOR	LICENSING INSPECTOR
CAVERSHAM FOUNDATION LTD	Ron Grob ext 6603	Craig Holmes ext 5486
CONSTELLATION COMMUNITIES TRUST INC	Scott Carsons ext 7920	Jasmine Rangiwetu ext 5491
CUESPORTS FOUNDATION LTD	John Hennebry ext 7939	Jasmine Rangiwetu ext 5491
ENDEAVOUR COMMUNITY TRUST	Garth Cherrington ext 5520	Judy Rohloff ext 5466
EUREKA TRUST	Greg Clark ext 3153	Judy Rohloff ext 5466
FIRST SOVEREIGN TRUST	David Batenburg ext 7922	Janet Wong ext 5505
FOUR WINDS FOUNDATION LTD	David Batenburg ext 7922	Kahill Madden ext 5630
GRASSROOTS TRUST	Stephen Balmer ext 7923	Judy Rohloff ext 5466
HOROWHENUA COMMUNITY TRUST LTD	John Gualter ext 5614	Janet Wong ext 5505
HUCKLEBERRYS SPORTS & CHARITABLE SOCIETY INC	Peter O'Reilly ext 5569	Jasmine Rangiwetu ext 5491
ILT FOUNDATION	Tony Climo 03 409 2158	Janet Wong ext 5505
INFINITY FOUNDATION LTD	Daryl Watene ext 5667	Kahill Madden ext 5630
KAIWAKA SPORTS ASSOCIATION INC	Cliff Simpson ext 7937	Janet Wong ext 5505
LIONS CLUB OF OHAI-NIGHTCAPS INC	Tony Climo 03 409 2158	Craig Holmes ext 5486
MAINLAND FOUNDATION LIMITED	Greg Clark ext 3153	Judy Rohloff ext 5466
MANA COMMUNITY GRANTS FNDN	Garth Cherrington ext 5520	Kahill Madden ext 5630
MANUKAU COUNTIES COMMUNITY FACILITIES CT	Scott Carsons ext 7920	Kahill Madden ext 5630
MT WELLINGTON FOUNDATION LTD	Stephen Balmer ext 7923	Janet Wong ext 5505
NAUTILUS FOUNDATION	Cliff Simpson ext 7937	Judy Rohloff ext 5466
NEW ZEALAND COMMUNITY TRUST	Peter O'Reilly ext 5569	Janet Wong ext 5505
OXFORD SPORTS TRUST INC	Cliff Simpson ext 7937	Anna Panchenko ext 5764
PELORUS TRUST	Daryl Watene ext 5667	Niall Miller ext 5485
PRIME COMMUNITY TRUST	Daryl Watene ext 5667	Niall Miller ext 5485
PRODUCERS TRUST INC	Scott Carsons ext 7920	Jasmine Rangiwetu ext 5491
PUB CHARITY	Peter O'Reilly ext 5569	Niall Miller ext 5485
REDWOOD TRUST INC	Dave Bermingham ext 3151	Janet Wong ext 5505
SOUTHERN VICTORIAN CHARITABLE TRUST INC	Nicole Turvey ext 6611	Niall Miller ext 5485
ST KILDA COMMUNITY SPORTS SOCY	Nicole Turvey ext 6611	Janet Wong ext 5505
THE AOTEAROA SPORTS FOUNDATION LTD	Stephen Balmer ext 7923	Niall Miller ext 5485
THE BENDIGO VALLEY SPORTS AND CHARITY FNDN	Nicole Turvey ext 6611	Jasmine Rangiwetu ext 5491
THE BRUNNER RUGBY LEAGUE CLUB INC	Mark Thomson ext 3142	Janet Wong ext 5505
THE LION FOUNDATION	John Hennebry ext 7939	Craig Holmes ext 5486
THE LION FOUNDATION (2008)	John Hennebry ext 7939	Craig Holmes ext 5486
THE NORTH & SOUTH TRUST	Scott Carsons ext 7920	Jasmine Rangiwetu ext 5491
THE RUNANGA COMMUNITY SWIMMING POOL TRUST	Dave Bermingham ext 3151	Jasmine Rangiwetu ext 5491
THE SOUTHERN TRUST	Ron Grob ext 6603	Anna Panchenko ext 5764
THE TRUSTS CHARITABLE FOUNDATION INC	Dave Bermingham ext 3151	Niall Miller ext 5485
THE TRUSTS COMMUNITY FOUNDATION LTD	Dave Bermingham ext 3151	Niall Miller ext 5485
TRILLIAN TRUST	Lance Daly ext 7921	Kahill Madden ext 5630
TRUST AORAKI LTD	Dave Macdonald ext 3152	Jasmine Rangiwetu ext 5491
TRUST HOUSE CHARITABLE TRUST	Peter O'Reilly ext 5569	Anna Panchenko ext 5764
WATER SAFETY EDUCATION FNDN	Garth Cherrington ext 5520	Judy Rohloff ext 5466
WHITEHOUSE TAVERN TRUST	David Batenburg ext 3151	Craig Holmes ext 5486
YOUTHTOWN INC	Lance Daly ext 7921	Judy Rohloff ext 5466

GAMBLING ISSUES KEY CONTACTS

0800 257 887

Craig Armitage

Acting 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.

Dave Sayers

Acting 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.

Kate Reid

Manager Anti-Money Laundering/Countering Financial Terrorism

Under The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 this unit monitors casinos, non-deposit-taking lenders, money changers and reporting entities not covered by the other supervisors, The Reserve Bank and the Securities Commission.

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
Web: www.dia.govt.nz

Postal address and fax numbers:

CASINO COMPLIANCE

PO Box 805, Wellington 6140, 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

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

Organisation name: _____

Contact person: _____

Media releases: _____

e-mail: _____

Gambits postal address: _____

