There is an irony to consultation. It tends to make the decision making process slower and more difficult because there are more steps to go through and more points of view – sometimes conflicting – to consider. However, done properly, it supports better decisions because more and better information is available.

A regulator, in this case the Gaming and Censorship Regulation Group (GCR), will know a lot, but cannot know everything, about the sector it regulates. It must get information from and about the sector to develop accurate understanding and good policy, which in this case is expressed in the licence conditions. This involves a commitment from both sides. We must be open-minded about our proposals and take notice of feedback. At the same time, interested parties must make the effort to respond logically and analytically to our proposals.

I would like to thank the sector for the effort it put into its responses in this consultation round. We had 74 people attend four meetings to discuss the proposed licence condition changes, and 15 gaming machine societies made written submissions. The result was further development of and changes to the proposals we distributed in discussion documents (summarised over page).
Summary of changes to gaming machine licence conditions

In general, the changes made to the licence conditions this year are minor, mostly corrections and updates of policy developments.

For example, some of the grounds that required licence amendments have now been changed to require notification only. This will reduce some compliance costs and improve the flow of information between societies and the Department.

The main emphasis this year is on the process by which grants to authorised purposes are made. This is achieved by a number of changes.

• First, it is made clear that societies must return all available funds to the community, not just the bare minimum of profit.

• Second, significant improvements are required in the public’s access to grant application forms. Societies must ensure that the forms are freely available and not under the control of site operators. This includes them being openly available near the gaming machines without applicants having to ask staff or a manager for copies. Societies must also make information about the availability of grants freely accessible through community networks, for example citizens advice bureaus and the Internet.

• Additionally, the application forms must not be returned to the sites and must instead be sent directly to the societies.

• Finally, the Department recognises that societies may need to use more flexible processes for considering and deciding on grant applications. As long as societies use reasonable, documented, systems and notify the Department before implementation or changes, the Department will accept the use of such systems.

The condition relating to site staff playing gaming machines has been amended to reflect the practical approach agreed to last year. Under the new condition, no person involved in the management or operation of gaming machines at a site shall play the machines at that site on any day they are employed at the site.

The Department will collect and collate complaints about staff playing machines and send this information to societies so that corrective steps can be taken. The Department strongly supports societies and sites that have a policy banning employees playing machines.

In relation to expenses, a number of issues, such as the cost of security at sites, have been clarified by the addition of expanded guidelines. In addition, details of the criteria for dispensations for high performing sites from the $150 limit are now included.

The new conditions will come into force on 1 October 2002, for all societies.

Full text of the new conditions will be available from the Department’s website, www.gaming.dia.govt.nz, and hard copies are being sent to all societies.
‘Gaming shops’ banned and only one gaming site per building from October

“Gaming shops” will, in effect, be banned and only one gaming machine site will be allowed in a building from October 1 this year. Gaming shops are gambling machine sites where gambling is the primary activity.

The law allows non-casino gaming machines as a means of community fund raising only, and they must not be used for commercial or personal profit by the societies that own them or the sites where they operate.

However, in recent years some sites have opened with a bar that does little or no business and the primary activity is gambling.

In addition, some previously existing public sites have been sub-divided so that they could get gaming machine licences for each part of the business, while some site operators have rented additional space in their buildings so that they could get additional licences.

Both approaches are inconsistent with the rationale for allowing non-casino gaming machines.

As a result, in September last year the Department amended its gaming licence conditions so that it will not issue licences:

- to sites where gaming machines are the primary activity
- where there is more than one site in a building.

These licence changes took effect on 1 October 2001. Societies were given a one-year transition period to ensure that sites existing at that date complied with these conditions. Any new sites established after 30 September 2001 had to immediately comply with these conditions.

The Department has distributed guidelines to all societies to help them identify if any of their sites are “gaming shops” (see Are gaming machines the primary activity on a site?, page 6).

Department staff are currently identifying and listing possible gaming shops and multiple-site buildings.

The Department expects that:

- “gaming shops” will be closed by their operators
- at multiple-site buildings, either
  - all but one site will be closed
  - the total number of machines would then be limited to 18 between the sites.

The Department can suspend or cancel licences for breaches of conditions. Gaming machines operated without a licence are illegal games of chance under the Gaming and Lotteries Act, which allows for fines of up to $12,000 for each offence or terms of imprisonment.

Fewer machines at some sites

Currently, sites are allowed to have up to 18 machines. However, under the Responsible Gaming Bill in its current form, sites that were not approved on 17 October 2001 will have to reduce the number of machines to nine when the Bill is given Royal Assent. This applies to about 132 sites.

The exact date when these sites will have to reduce the number of machines is not yet known as the Bill was not reported back to Parliament by the Government Administration Select Committee before Parliament dissolved for the early election. Parliament carried the Bill over and the new Parliament will decide how to handle it.

e-Licensing renewals

Many societies have already used the Department’s e-Licensing service to amend their gaming machine licences, and the system has proved itself to be much quicker than manual licensing. Now, those societies that have chosen to register for e-Licensing can use it to renew their licences. These societies are being sent instructions about this new option.

E-Licensing is done through the Department’s website www.gaming.dia.govt.nz and societies interested in it should visit the site to obtain a registration form.
Gaming machine statistics

The Department of Internal Affairs is often asked for statistical information about the non-casino gaming sector. The Department's website, www.gaming.dia.govt.nz includes large amounts of information in the form of tables, graphs and reports. The website is regularly updated. Some of the information from the website is included in this issue of Gambits. On this page is a table showing the size of the sector as at June 30 this year, and on the next page a graph showing the increase in the number of gaming machines over time.

GAMING MACHINE STATISTICS as at 30 June 2002

<table>
<thead>
<tr>
<th>Categories of Sites</th>
<th>Total Non-Club</th>
<th>Sports Clubs</th>
<th>Chartered Clubs</th>
<th>RSAs</th>
<th>Total Club</th>
<th>Total All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of Sub-Total</td>
<td>Percentage of Total</td>
<td>Percentage of Sub-Total</td>
<td>Percentage of Total</td>
<td>Percentage of Sub-Total</td>
<td>Percentage of Total</td>
</tr>
<tr>
<td>Pub Charity</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Lion Foundation</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>New Zealand Community Trust</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Community Grants Foundation Inc.</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Scottwood Group</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>The Southern Trust</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
<td>1 16.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Sub-Total National Trusts</td>
<td>6 100%</td>
<td>0.8%</td>
<td>1,071 100%</td>
<td>49.7%</td>
<td>11,557 100%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Hotel-Based Trusts</td>
<td>140 18.2%</td>
<td>19.6%</td>
<td>450 100%</td>
<td>20.9%</td>
<td>5,707 100%</td>
<td>25.8%</td>
</tr>
<tr>
<td>Total</td>
<td>146 100%</td>
<td>19%</td>
<td>1,521 100%</td>
<td>70.6%</td>
<td>17,264 100%</td>
<td>78.1%</td>
</tr>
<tr>
<td>Average GM/Site</td>
<td>11.35</td>
<td>4.15</td>
<td>10.50</td>
<td>10.39</td>
<td>7.67</td>
<td>10.27</td>
</tr>
</tbody>
</table>
The Department of Internal Affairs is taking action to protect community fund raising by taking enforcement action against illegal housie games. Three Palmerston North women were convicted in May and search warrants have been executed at two illegal Whangarei housie games. Prosecutions are likely to follow in Whangarei.

Under the Gaming and Lotteries Act courts can impose fines of up to $4,000 per charge on individuals and up to $12,000 per charge on organisations for running illegal games of chance.

“The law allows non-casino gambling as a means of community fund raising only,” the General Manager of the Department’s Gaming and Censorship Regulation Group, Keith Manch said. “That is why the law requires housie and other forms of gambling to be licensed.

“We are taking action against illegal housie because it is used for the personal profit of the people who organise and run it, and it takes money away from community groups.”

Both investigations began after members of the public made complaints to the Department about unlicensed housie games. The Palmerston North District Court ordered Bronwyn Maria Tawa, Elizabeth Te Ture and Mura Whakarau to pay a total of $1,450 in fines and costs after they pleaded guilty to running an illegal game of chance. The Court also ordered the to forfeit the $810.10 seized when Department staff executed a search warrant at the Vegas Housie Parlour in West Street.

The games in Whangarei were being run several nights a week from private homes.

“We will not release further details of the Whangarei investigation before it is concluded,” Mr Manch said.
Are gaming machines the primary activity on a site?

The Department of Internal Affairs has developed the following guidelines to help its staff and the gaming sector decide if gaming machines are the primary activity at site.

Copies of the guidelines have been sent to all societies operating gaming machines on public sites.

- The location of the site; is it a shop in a retail or shopping centre?
- Does the site have a track record of operating without gaming machines or is it a new site?
- What proportion of the floor space (not including toilets, kitchens, and other staff-only or utility areas not open to the public) is given over to the operation of gaming machines?
- Is it evident from the floor plan that a range of other activities – a bar or bars, a restaurant, or entertainment other than gaming machines – is available on the site?
- Are the other activities well stocked and well promoted?
- Is more prominence given to the gaming machines or to another activity? Where are the machines situated – at the entrance to the site or behind other activities on the premises?
- What activity is promoted most heavily on the site or on signs outside the site? The gaming machines or some other activity?
- Can the machines be seen through windows?
- Are most of the patrons on the premises playing gaming machines or taking part in some other activity?
- Are there any other factors that show that the site was set up and is being run for another purpose or purposes and that gaming machines are only an ancillary entertainment?

None of these factors is determinative. Each one contributes to an overall view on the role of gaming machines on a site. Each site is different and there may be particular factors on some sites that are not described in this guideline but which lead to the conclusion that gaming machines are or are not the primary activity on the site.

George Hawkins, Minister of Internal Affairs

George Hawkins (right) has been re-appointed Minister of Internal Affairs. Mr Hawkins is the Labour Member of Parliament for Manurewa, first elected in 1990. He is ranked 13th in Cabinet.

He held various portfolios during the nine years when Labour was in opposition, including Police, Serious Fraud Office, Local Government, and Urban Affairs.

After Labour’s election win at the 1999 General Election, Mr Hawkins was elected to Cabinet, taking on the ministerial responsibilities for Police, Civil Defence, and the new portfolio of Ethnic Affairs. In 2000 he became the Associate Minister of Internal Affairs (with responsibility for citizenship), and then Minister of Internal Affairs in November 2000.

Following Labour’s re-election in July 2002, he held his Police, Internal Affairs, and Civil Defence portfolios. Ethnic Affairs became a responsibility of Chris Carter. Mr Hawkins was appointed Veterans’ Affairs Minister, a portfolio previously held by Mark Burton.

Prior to entering Parliament, Mr Hawkins served as the Mayor of Papakura for nine years. He served one term as a Councillor (1980 to 1983) before being elected Mayor in 1983. He was elected unopposed in 1986 and 1989.

Mr Hawkins previously worked as a primary and secondary school teacher in various schools in Counties Manukau. He was the Head of Department of Art at Rosehill College in Papakura.

He is married to Jan, and they have one adult son.
Gaming licence suspensions

Victoria Tavern Sports and Education Community Trust, Victoria Tavern, Wellington

The Victoria Tavern Sports and Education Community Trust has had its gaming machine licence suspended for three months after numerous serious breaches of its licence conditions. The Trust operates one site, the Victoria Tavern in Petone.

The suspension started at midnight Sunday August 25 and will be in effect until midnight Sunday November 24. It stops the Trust operating gaming machines on any site but does not prevent it making grants from the funds it holds.

The suspension also includes a schedule of 18 conditions that the Trust must meet to correct problems with its gaming machine operation. If it does not meet the conditions, then the licence will be cancelled. The reasons for the suspension centre on the Trust not having adequate systems to run its gaming operation. Examples of the problems this caused include the Trust:

- failing to pick up an under-banking of $22,471.57 from its gaming machines
- failing to have the site operator repay the outstanding amount
- failing to pick up that the site operator was using gaming machine funds as a float
- having inaccurate and incomplete records from its gaming machines and grants made to community groups.

A Department of Internal Affairs audit raised concerns about the operation of the Trust, and an investigation followed. All gaming machine societies are audited by the Department at least once every two years.

After discussing the outcome of the investigation with the Trust and considering the Trust’s responses, the Department decided to suspend the licence. Inspectors will check that the machines are not operating.

Operating a gaming machine without a licence breaches the Gaming and Lotteries Act, which prohibits illegal games of chance. Section 6 of the Act provides for terms of imprisonment of up to three months per offence or for fines of up to $12,000.

New Zealand Community Trust, “The Corner”, Wellington

The Department of Internal Affairs suspended the gaming machine licence of a New Zealand Community Trust gaming site, “The Corner”, in Wellington after it refused to provide application forms for community funding.

The licence was suspended for two weeks from midnight Sunday August 11 until midnight Sunday August 25.

Site operators must have no involvement in funding decisions, and only the societies that own the machines can make these decisions.

Refusing to give application forms to some applicants, putting conditions on applications and not passing some applications to the society that owns the gaming machines are all activities that breach the current licence conditions because they can give the site operator the ability to profit from the machines, and that takes money away from the community groups it was raised for.

In this case an applicant complained to the Department that The Corner had refused to give them an application form.

Follow up action by the Department provided further evidence of a breach of the licence conditions relating to access to grant forms, leading to the two-week suspension.
‘Mystery shoppers’ have difficulties getting funding application forms

In July this year, the Department of Internal Affairs wrote to all gaming machine societies that have machines on public sites to advise them that it would be carrying out a “mystery shopper” exercise to look at the availability of grant application forms from gaming sites.

The objective was to obtain qualitative information about the sorts of responses that are made by sites when people make requests for application forms.

In August about 30 Gaming Inspectors visited sites throughout the country, and, without identifying themselves, asked for application forms.

Licence condition 48 2001/2002 stated:

“The society shall ensure that all prospective applicants for grants have access to the society’s application form. The society shall install large signs, in clear public view, above or beside the gaming machines, stating the society’s name, contact details, authorised purpose and where grant application forms can be obtained. It will be a breach of this licence condition for forms not to be available at the stated locations.”

Most sites provided the forms on request, though many did not.

A very common response was that “only the manager can give out application forms”. While in itself this response might not breach the licence condition, it raises the question of, why use this practice?

At times site staff or managers questioned the “mystery shopper” and then declined to give them an application form.

Others imposed conditions before they would give out forms. These included, the applicant’s club must drink or eat at the site, applications must be below certain amounts, forms were only available for sports teams, and only local organisations could apply.

Limiting applications to certain amounts, sports teams or local organisations might be acceptable under a society’s authorised purposes, but site operators cannot be involved in making these decisions.

Other responses included telling applicants to come back in several months because the society had run out of money; there was not enough money available from this site, contact the society; no forms were kept on the site; the operator did not know who the society was; and the forms must be returned to the site.

The information gathered by this exercise has been considered by the Department in its review of licence conditions (see page 2) and will be used to support further activity by the Department in this area, which may lead to suspensions of sites where improper practices continue.
Trusts cannot write off debts or losses against community funding

The Department of Internal Affairs is advising societies that own gaming machines that they cannot write off bad debts or any other losses against the money they must pay to community groups.

Gaming machine societies must return a minimum of at least 33% of the profits from their gaming machines to community groups. Profits are the money gambled in the machines, minus the prizes paid out.

Decisions to write off debts or losses are for the societies to make, but must not prevent them meeting their minimum obligation to community funding. Instead, they must make up any losses out of their discretionary expenses. Ideally, their accounting systems should make provision for possible bad debts or other losses based on historical data.

Societies are required to have good internal systems and practices in place to recover funds where a debt or loss is identified.

In any audit or application for renewal of a licence, the Department expects to see that the society had taken all practical steps to recover funds, as any prudent organisation would do.

In some instances this might mean taking legal action against a person or organisation, while in others an agreement with the debtor might be appropriate. However, where at times it might not be practical to pursue the matter and the funds should be written off, this must not be at the expense of community funding.

The Department has reviewed what is referred to as a “write off policy” (section 3.10) in the Gaming Machines Operation Manual, which is also known as the Blue Book. It has decided that it will not continue with this practice and the section will be removed from the manual.

Security guards can at times be a legitimate gaming machine expense

The Department of Internal Affairs has been asked for its view on the possible payment of security guards for about an hour when cash is being reconciled and banked at a small number of high risk gaming machine sites.

The Department’s view is that in these circumstances this cost could be treated as an expense payable out of gaming machine funds.

Societies would have to take all possible steps to ensure that the security related to the gaming machine cash handling only and did not provide any commercial benefit to the site operator. Security guards at any other time will not be regarded as legitimate gaming machine expenses.

If the society paid the cost of a security guard directly to the security company, then it could not include a security component in the payments it made to the site operator. The site payment should be reduced accordingly.

If the site is already paying for security to cover its trading activities, then the society should pay only that proportion that covers cash handling for the gaming machines.

In most cases the cost of security relating to cash handling for gaming machines should be no more than $1 or $2 per machine per week and would fall within the standard up to $150 per machine per week allowable site expenses.
Gaming machines must have cashboxes

Gaming Inspectors have found that some recently-installed gaming machines have been installed without cashboxes.

These installations have generally been found where the main body of the machine has been bolted directly to a shelf or bench-type arrangement rather than on the more traditional freestanding base.

The rationale seems to have been that, if the hopper probe is set at a sufficiently high level, there is a note acceptor, and the machine is enabled for cancelled credits, the chances of the hopper overflowing and discharging coins into the body of the machine proper is remote, so that a cashbox is not necessary.

This is incorrect. In order to meet standard approval requirements, gaming machines must have a cashbox, situated in a specially assigned, separately locked compartment in the:

- gaming machine proper
- base on which the gaming machine might stand.

Unless appropriate coin-shunting and cashboxes are provided, there can be operational, security and safety issues. It is not acceptable to simply allow coins to drop into or roll around inside the main cabinet of a gaming machine. The Australian/New Zealand Gaming Machine National Standard, which has recently come into force for both the casino and non-casino segments, specifically mandates against spillage of coins to the internal floor of the machine.

A few machines do have suitable approved “internal” cashboxes (i.e. within the main body of the gaming machine) as an option.

As a rule of thumb, if a gaming machine has coin acceptance facilities, then it must have a specially assigned, separately locked cashbox. All machines, apart from those connected to a cashless system must allow coin acceptance.

Societies are reminded that Licence Conditions 19(2) Set A and 24 (2) Set B require that all gaming machine equipment must be operated within the terms of approval for that equipment, and that Licence Conditions 25 (Set A) and 30 (Set B) state that no item of gaming machine equipment may be altered or modified in any way without the prior approval of the department.

Where Inspectors find gaming equipment operating outside the terms of approval, or not otherwise complying with the department’s requirements, they will require that the equipment is taken out of service immediately.

Of names and their spelling

Relationships between gaming machine societies and the sector regulator, the Department of Internal Affairs, are at times tense, but can also produce some humour.

Recently, when looking at the grants made by a gaming machine society, we saw that an individual, Brian Irving, had received $5,000.

We queried why a grant had been made to an individual. The society responded promptly, “The donation to ‘Brian Irving’ for $5,000 is a major typo, the payment was to the Brain Injury Assoc.”
Department commends gaming machine societies

As the regulator of the gaming machine sector, one of the functions of the Department of Internal Affairs is to audit gaming machine societies. Some audits reveal problems, some produce satisfactory results and some show exemplary compliance. The following are two examples of societies that have recently won praise from the Department.

**Mainland Sport Limited**

The Department has commended Mainland Sport Limited for the on-going very high standard of its record keeping in relation to its gaming machines at the Holy Grail site in Christchurch.

Inspectors were again highly impressed with the professionalism of the records of the day-to-day operation of the gaming machines, profits from the machines, bankings and monthly analyses of the gaming operation.

“The thoroughness of the book keeping makes the regular audits carried out by Inspectors much quicker and easier for all concerned,” the General Manager of the Department’s Gaming and Censorship Regulation Group, Keith Manch said.

**Marlborough RSA**

The Marlborough Returned Services Association has been commended by the Department of Internal Affairs for the very high standard of its record keeping.

The Inspector who carried out the audit was impressed by the high level of professionalism and cooperation shown by the two RSA staff responsible for the gaming machine operation, and asked that their efforts be acknowledged to the RSA.

“These staff deserve recognition for their keenness to try to do the right thing at all times and their success in producing such full and accurate records,” the Inspector said.
Recent appointments

Project Manager ‘Link Project’
Natalie Reid has been appointed Project Manager of the “Link Project”, which is part of the Gaming Review Implementation (GRI) programme.

GRI is looking at how the Department of Internal Affairs will implement the Responsible Gambling Bill when it is enacted.

The role of the Link Project is to link the changes identified by GRI to specific work teams within the Department and to the tasks that they carry out. This will include identifying which managers are responsible for particular changes, tracking the changes and ensuring that there are no gaps in the process.

Ms Reid is currently part of the GRI team, and joined the Department after four years in project and human resource management roles at IBM. Prior to that she spent seven years as a project officer at IRD.

Manager Gaming Operational Policy
Kate Reid has been appointed Acting Manager of Gaming Operational Policy.

She reports directly to the General Manager of the Department’s Gaming and Censorship Regulation Group (GCR).

Ms Reid has an extensive background in research, planning and policy analysis, including the last six years in various policy, planning and management support roles in GCR and having been the Acting Manager of the Department’s Marketing and Communications team.

The focus of her new role will be implementing the changes that will result from the enactment of the Responsible Gambling Bill.

“We want to make this process as straightforward as possible,” Ms Reid said, “and for the new regulatory regime to have clear rules, and to enforce it consistently, fairly and firmly.”

Gambits

Gambits is produced by the Department of Internal Affairs to provide information to the gaming sector in New Zealand. It is intended as education and communication that will help the sector comply with the law and licensing conditions by explaining what the law and conditions require, and how the Department operates.

Editor
Vince Cholewa
Ph: 04 495-9350 or 025 272 4270
Email: vincent.cholewa@dia.govt.nz

Gaming Licensing
Ph: 04 494 0700 or 0800 257 887
Email: gaming.licensing@dia.govt.nz
Postal: PO Box 10-095, Wellington
Fax: 04 494-0656

Gaming Compliance
Christchurch
Ph: 03 353-8303 Fax: 03 353-8309

Wellington
Ph: 04 494-0700 Fax: 04 495-7214

Auckland
Ph: 09 362-7938 Fax: 09 362-7945

Website www.gaming.dia.govt.nz

ISSN : 1175-9453