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| Gambling Act 2003:  Consultation on proposed changes to the minimum rate of return to authorised purposes  Department of Internal Affairs  October 2015 |
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# Glossary of abbreviations and terms

|  |  |
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| **Actual, reasonable and necessary costs** | *Actual* – the society and venue operator must be able to show that the costs were actually incurred; *Reasonable* - the costs must be in proportion to the size of the operation, and should take into account normal market values or prices for the goods and services provided; *Necessary* – the costs must be necessary to the conduct of gambling and legal compliance |
| **Apply** | Where a society spends its net proceeds directly on the society’s own authorised purpose |
| **Authorised purpose** | Means a charitable purpose, or a non-commercial purpose that is beneficial to the whole or a section of the community, or promoting, controlling and conducting race meetings under the Racing Act 2003, including the payment of stakes |
| **Class 4 gambling** | Gambling where the net proceeds are applied to or distributed for authorised purposes; where no commission is paid to, or received by, a person for conducting it; where it satisfies the relevant game rules; and it utilises a gaming machine |
| **Clubs** | Voluntary association of persons combined for a purpose other than personal gain |
| **Distribute** | Where a society makes a grant to another person for that person to spend on an authorised purpose |
| **Duty** | Tax paid to the Crown on gaming machine proceeds |
| **Fees** | Fees paid by gambling operators to the Department of Internal Affairs |
| **GMP**  **Gross proceeds** | Gaming machine proceeds: the aggregate winnings, minus payouts, from class 4 gaming machines  The turnover of the gambling plus interest or other investment return on that turnover plus proceeds from the sale of fittings, chattels, and gambling equipment purchased from that turnover or investment return, less prizes |
| **Levy** | Problem gambling levy |
| **Minimum rate of return** | This is the minimum amount of proceeds that a licence holder must distribute for authorised purposes and is currently equivalent to 40 per cent of GST exclusive gross proceeds per financial year |
| **Net proceeds** | The amount remaining to be distributed to authorised purposes, which is calculated by taking a society’s gambling turnover (less prizes) and *adding* interest or other investment return, and any gains from the sale of gambling assets above their book value, then *deducting* costs, levies and taxes, asset depreciation and any loss from selling or disposing of gambling assets below their book value |
| **Society** | A society that is incorporated under the Incorporated Societies Act 1908, or incorporated as a board under the Charitable Trusts Act 1957, or a company incorporated under the Companies Act 1993 that does not have the power to make a profit and is incorporated solely for authorised purposes, or a working men’s club registered under the Friendly Societies and Credit Unions Act 1982 |

# What is this consultation document about?

This document invites your comments about proposed changes to the Gambling (Class 4 Net Proceeds) Regulations 2004 under the Gambling Act 2003. It proposes adjusting the minimum rate of return to authorised purposes in light of concerns about the impact of recent cost pressures on corporate societies.

## Consultation requirements

Section 372 of the Gambling Act 2003 requires that, before Regulations are made, persons and organisations that are likely to be substantially affected by the Regulations must be consulted and given a reasonable opportunity to respond. Submissions on this discussion document will be given adequate and appropriate consideration.

## Sending us your submission

**Please send your submission to the Department of Internal Affairs by 20 November 2015.**

Please note that all submissions may be made publicly available. Even if you request confidentiality, we may have to release your submission at a later date if a request is made under the Official Information Act 1982. In your submission please highlight the information you would prefer was withheld should a request be made.[[1]](#footnote-1)

Your submission can be sent in the following ways:

Email: [minimumrateofreturn@dia.govt.nz](mailto:minimumrateofreturn@dia.govt.nz)

Post: Community Well-being Policy Team

Policy Group

Department of Internal Affairs

PO Box 805

Wellington 6140

Although all reasonable steps have been taken to ensure the accuracy of the information contained in this document, the Department of Internal Affairs disclaims responsibility for any inaccuracy in relation to the information; and fully excludes liability of any kind to any person or entity that chooses to rely upon the information.

# Introduction

1. The purpose of the Gambling Act 2003 (the Act) is to:

* control the growth of gambling;
* prevent and minimise harm from gambling, including problem gambling;
* authorise some gambling and prohibit the rest;
* facilitate responsible gambling;
* ensure the integrity and fairness of games;
* limit opportunities for crime or dishonesty associated with gambling and the conduct of gambling;
* ensure that money from gambling benefits the community; and
* facilitate community involvement in decisions about the provision of gambling.

1. In order to achieve these purposes, the Department undertakes gambling licensing, compliance and enforcement functions. These functions are funded through fees paid by gambling operators.

## Class 4 gambling

1. Class 4 gambling is gambling using non-casino gaming machines, also known as pokies. This type of gambling is operated by non-commercial societies (societies) that may operate machines in pubs and clubs that are licensed by the Department.
2. Societies must *apply* or *distribute* all net proceeds to authorised purposes. Club societies, such as RSAs, sporting clubs or cosmopolitan clubs, mainly apply the money raised from gambling to the club’s authorised purpose. Non-club societies have gaming machines in commercial pubs and bars and mainly distribute net proceeds to authorised purposes.[[2]](#footnote-2)
3. Table 1 shows a summary of the sector as at 30 June 2015.

Table 1: Class 4 gambling sector by societies, venues and gaming machines, as at 30 June 2015

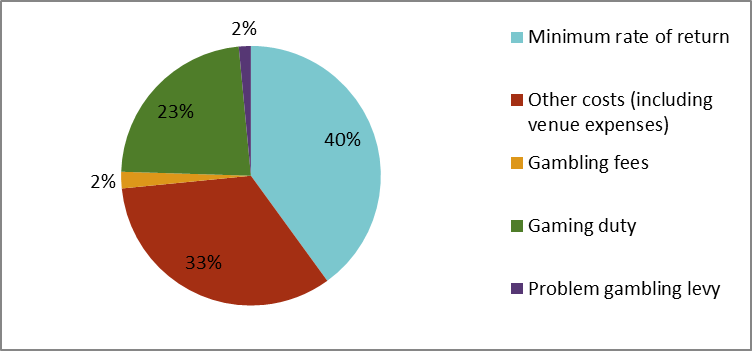
|  |  |  |  |
| --- | --- | --- | --- |
| Type of society | Number licensed | Licensed venues | Gaming machines |
| Non-club | 39 | 987 | 13,144 |
| Club | 270 | 279 | 3,435 |
| **Total** | **309** | **1266** | **16,579** |

1. In 2014, on turnover of $8.783 billion,[[3]](#footnote-3) $806 million (including GST) was lost by gamblers on these machines, with approximately $300 million being distributed or applied to community purposes.
2. As can be seen in Table 1 above, non-club societies have almost 80 per cent of the gaming machines. These societies also generate most of the gaming machine proceeds. Of the $300 million referred to above, about $256 million was in the form of grants.[[4]](#footnote-4)

### Minimum rate of return to authorised purposes

1. The legislative model for class 4 gambling is designed to raise money for authorised purposes in the community. Figure 1 shows how non-club societies’ class 4 gaming machine proceeds are currently allocated.

Figure 1: Allocation of non-club societies’ class 4 gaming machine GST-exclusive gross proceeds, from 1 September 2014



1. The minimum rate of return to authorised purposes (the minimum rate) is a way to help achieve this central objective, ensuring that a certain proportion of the money generated by gaming machines goes to community purposes. The minimum rate is prescribed under the Gambling (Class 4 Net Proceeds) Regulations 2004 (the Regulations).
2. Currently the minimum rate is set at 40 per cent of GST-exclusive gross proceeds. Societies that mainly distribute their net proceeds are required to meet this rate. Club societies that mainly apply their net proceeds have an agreed minimum rate set as a licence condition.
3. The minimum rate takes into account the amount of gaming machine proceeds that must be paid for taxes, gaming duty, and levies. Societies are also permitted to deduct the actual, reasonable, and necessary costs incurred in conducting the gambling, which for non-club societies includes payments to venues (the bars and pubs that host their machines).
4. All proceeds that remain after the deduction of permitted costs are net proceeds and all net proceeds must be applied or distributed by societies to authorised purposes. It is an offence for societies not to do so.[[5]](#footnote-5)
5. It is important to note that the rate in the Regulation is a *minimum*. The actual rate of return to authorised purposes varies between societies and some societies exceed the minimum rate. Those that do not meet the minimum rate are required to work with the Department to reconcile their performance, or face losing their licence if the period of non-performance is sustained.
6. Also, as a part of the licensing criteria in the Act, the Secretary for Internal Affairs must be satisfied that an applicant society will maximise their net proceeds and minimise their costs. Societies must be able to comply with applicable regulatory requirements (section 52(1)(f) of the Act).
7. The proposals in this document do not relate to club societies because they apply rather than mainly distribute their net proceeds.

## Differences between societies and their impact on the ability to meet the minimum rate

1. Along with the minimum rate, class 4 sector taxes, levies and fees are externally fixed. The remaining variable factors are those that affect societies’ ability to reach or exceed the minimum rate. These are:

* costs incurred in operating the gambling, being societies’ payments to venues and other society expenses; and
* the amount of gross proceeds generated at the venue that hosts a society’s gaming machines.

### Operating costs

1. Labour is the most significant component of venue costs. A society’s venue expenses are limited to 16 per cent of its annual GST-exclusive gaming machine proceeds, across all its venues (as shown in Figure 1).[[6]](#footnote-6)
2. Examples of why venue costs can vary include:

* using volunteers or staff with different rates of pay;
* managing ratios such as staff, management and contractor numbers per machine or per venue;
* security requirements for protecting large sums of money;
* managing cost drivers such as hours of operation and number of venues; and
* characteristics peculiar to the venue (such as the venue being in a popular location).

1. Society costs can vary because of different:

* rent or lease payments;
* staff costs;
* advertising and publishing costs;
* depreciation of gambling assets; and
* machine servicing costs.

#### Societies with low cost operating models

1. A small number of societies have specific operating models that are associated with lower costs, influencing their rates of return. For example, societies connected to licensing trusts may be able to leverage off lower rental payments in order to reduce costs and increase the rate of return. Additionally, some of the smaller single venue trusts operate with the support of volunteers and the local community, resulting in a lower operating cost and thus a higher rate of return.

### Venues that generate different levels of gross proceeds

1. Venues can be characterised as high or low in terms of generating gross proceeds. The amount of revenue generated at a society’s venues influences its ratio of gross proceeds-to-costs. The main reason for this is because the fixed costs associated with hosting gaming machines (such as the cost of renting floor space) will take up a smaller proportion of gross proceeds in a high revenue venue.
2. In low revenue venues the opposite can be true. The costs of operating the gaming machines will take up a relatively high proportion of the revenue in a venue where its gross proceeds are low.
3. Therefore, a society that operates mainly out of high revenue venues would generally need to spend a lower proportion of its gross proceeds on venue expenses, leaving more to be returned to authorised purposes.

# Increases to the minimum rate and other cost pressures

## Previous decision to increase the minimum rate

1. Class 4 sector reforms were initiated in 2012. One of the priorities of these reforms was to increase the proportion of proceeds that the community receives from class 4 gambling. Since the Act was introduced the minimum rate of return had been 37.12 per cent of GST-exclusive gross proceeds.
2. The minimum rate was reviewed in 2013 and the decision was made in 2014 to amend the Regulations to increase the minimum rate, as shown in Table 2.

Table 2: Minimum rate in the Regulations

|  |  |
| --- | --- |
| Minimum rate of return to authorised purposes as a % of GST-exclusive gross proceeds | Date minimum rate is effective |
| 40 per cent | From 1 September 2014 |
| 41 per cent | From 1 September 2016 |
| 42 per cent | From 1 September 2018 |

1. The increased minimum rates will apply to societies at the beginning of their respective financial years, as these fall after the relevant date that the new rate takes effect.

## Additional cost pressures on the sector

1. Since the decision was made to amend the Regulations, there have been developments in the cost pressures impacting on the sector. These are described below.

### Gambling fees increases

1. The Government has announced that the gambling fees that fund the gambling licensing, compliance and enforcement functions of the Department will increase. Information about the fees increase is available on the Department’s website—www.dia.govt.nz.
2. The new fees are expected to take effect in December 2015.

### Other compliance-related costs

1. The sector also faces two short term but significant cost pressures to meet new requirements for their gambling operations relating to:

* bank note acceptors on gaming machines; and
* jackpot devices.

#### Introduction of new banknotes by the Reserve Bank of New Zealand

1. Banknote acceptors are a device installed in gaming machines to read the banknote that has been fed into the machine. The Reserve Bank of New Zealand is introducing new banknotes into circulation from late 2015 that will require the replacement of about half of the current gaming machines’ banknote acceptors.
2. Almost all gaming machines will also require a software upgrade as a result of the new banknotes, regardless of whether a new banknote acceptor has been installed in the gaming machine.

#### New technical requirements for gaming machine jackpots

1. A new version of the *Minimum Technical Requirements for Class 4 Linked Jackpot Systems* was notified in the *New Zealand Gazette* and took effect from 2 December 2010. Under this technical requirement all new jackpots must be ‘downloadable’. This means that when a jackpot in a class 4 venue is struck, the jackpot winnings are downloaded to the gaming machine that the gambler won the jackpot on, rather than being separately paid out in cash by venue staff. Existing, licensed non-downloadable jackpots are permitted to be operated in class 4 venues until 1 December 2015.
2. This change has been foreshadowed for a number of years. However around 111 non-downloadable jackpot machines are still in operation by 72 club and non-club societies, and these will need to be removed and potentially replaced by 1 December 2015.

# Can societies meet the minimum rate and absorb costs?

## Consultation on gambling fees showed sector concerns about meeting costs and the minimum rate

1. The Department consulted class 4 societies on proposed increases in gambling fees earlier this year, both in a submission process and in direct engagement through meetings with the class 4 working party (appointed by the sector to engage with the Department on the fee proposals).
2. Overall, societies’ view was that if fees increased, the minimum rate should be adjusted, because fees would have a significant impact on their ability to meet future increases in the minimum rate. Societies contended that in order to pay their fees and still meet the minimum rate, they will be forced to remove their gaming machines from high cost venues. This would reduce the overall amount of funding available to be returned to communities.

## Is the class 4 sector meeting the current minimum rate?

1. The most recent and complete data on societies’ financial information held by the Department is for 2014.
2. In 2014, for societies that distribute funds the average rate of return was 41.77 per cent (of GST-exclusive gross proceeds), with a range from 37.36 to 51.39 per cent (of GST-exclusive gross proceeds).
3. Over this time, because of societies’ differing financial years, some societies were required to meet the previous minimum rate of 37.12 per cent, while others were required to meet a minimum of 40 per cent. From September 2015, all societies are required to meet 40 per cent.

## Uncertainty about the impact of recent cost pressures on societies

1. It is difficult to quantify the impact of the identified cost pressures on societies’ ability to meet the minimum rate. This is because of the differing society cost structures, operating models and types of venues. Generally, societies with high revenue venues or low cost operating models will be best placed to absorb the increased costs.
2. Other uncertainties arise in relation to the jackpot machine and banknote acceptor changes because:

* it is open to societies to treat these costs as either a capital cost (and potentially spread over a long period if financed), or as a one-off operating cost; and
* for banknote acceptors, some societies are likely to have already absorbed some or all of these costs by having bought gaming machines that are compliant.

1. The broad nature of the impact of the cost pressures are described below.

* **Gambling fees increases**— will impact all societies equally. For the sector as a whole, gambling fees will increase from 2 per cent to just over 3 per cent of   
  GST-exclusive gross proceeds.
* **Banknote acceptors**—the impact of the cost of new banknote acceptors and associated software is widespread but will still vary in the way it affects different societies. The estimated maximum cost would be $8.4 million, which represents approximately 1.37 per cent per cent of GST-exclusive gross proceeds for the   
  **non-club** sector.
* **Downloadable jackpots**—costs will vary for some societies depending on whether they currently still operate non-downloadable jackpot machines and whether those societies decide to replace these machines or not. The impact of these costs on the sector as a whole is nil if no societies replace these machines. The estimated maximum cost to the sector would be approximately $2.3 million if all machines were replaced, which represents approximately 0.37 per cent of   
  GST-exclusive gross proceeds for the **non-club** sector.

## Risks when the minimum rate and costs increase

1. When the minimum rate was increased, the key risk identified in increasing the minimum rate by too much, or too quickly, was a reduction in overall returns to authorised purposes. This would be because societies could:

* reduce their costs quickly by ceasing operations at low revenue venues in order to reduce their venue costs as a proportion of gross proceeds, and thereby increase their rate of return; or
* exit the sector altogether.

1. Between 31 December 2013 and 30 June 2015, non-club society numbers have dropped from 47 to 39, while venue numbers have reduced from 1,032 to 987. The numbers of societies, venues and gaming machines has been steadily declining since the Act came into force and the trend line has not changed recently. Figure 2 shows the reduction in machine and venue numbers.
2. There are likely to be a variety of reasons for this decline rather than just the minimum rate. For example, declining levels of public participation in class 4 gambling might be a factor too. The decline of the sector is being examined in more detail through a broad assessment of the regulatory regime for class 4 gambling. The assessment project was recently announced and more information is available on the Department’s website.

Figure 2: Numbers of non-club machines and venues, 2008-2015

1. A decline in gaming machines and venues does not necessarily result in a reduction in community funding. A comparison of turnover from venues and gaming machines between April 2012 and March 2015 shows a drop of only 1.2 per cent in gaming machine proceeds despite a 5 per cent drop in venues and gaming machine numbers.
2. The data suggests that losing lower turnover venues will not necessarily impact on available proceeds. This could be because gamblers switch to alternative locations, so that existing machines are being used more intensively.
3. Lower turnover venues are more likely to be in rural areas. There are concerns that if rural venues disappear, this will affect the grant funding decisions made by societies. This is because some societies take the approach of distributing funds back to the area where the proceeds were generated.
4. The table below provides a breakdown by geographic area of the 49 venues that exited the sector in the 2014/15 financial year, based on the urban/rural profile classification used by Statistics NZ.[[7]](#footnote-7) The geographic spread of all venues is provided for comparison.

Table 3: Venues exiting the sector in 2014/15 by area type

|  |  |  |  |
| --- | --- | --- | --- |
| Area type | Number of venues exiting | Proportion of exiting venues | Proportion of all venues |
| Highly rural/remote area | 1 | 2.04% | 2.68% |
| Independent urban area | 14 | 28.57% | 21.55% |
| Main urban area | 25 | 51.02% | 60.06% |
| Rural area with high urban influence | 1 | 2.04% | 1.53% |
| Rural area with moderate urban influence | 1 | 2.04% | 2.87% |
| Rural area with low urban influence | 3 | 6.12% | 5.65% |
| Satellite urban area | 4 | 8.16% | 4.79% |

1. It does not appear that venues in rural areas are exiting the sector at a disproportionate rate. 12.7 per cent of all venues are in rural areas. Of venues that exited the sector in 2014/15, 12.24 per cent were rural venues. There are more venues exiting the sector in independent urban areas (small towns and cities) and satellite urban areas. The average gaming machine proceeds (GMP) per week generated by all venues exiting the sector in 2014/15 is below.

Table 4: Average GMP per week of venues exiting the sector in 2014/15

|  |  |
| --- | --- |
| Area type | Average GMP per week ($) |
| Main urban areas | 16,304 |
| Independent urban communities | 10,121 |
| Satellite urban communities | 10,896 |
| Rural areas with high urban influence | 2,733 |
| Rural areas with moderate urban influence | 3,673 |
| Rural areas with low urban influence | 2,661 |
| Highly rural/remote areas | 3,046 |

# Policy objectives, criteria and analysis

## Policy objective in reviewing the minimum rate

1. The policy objective of the analysis is to identify a minimum rate that takes into account societies’ operating costs, but that does not reduce the total amount of net proceeds, or in other words, the level of community funding.

## Criteria for assessing options

1. In assessing the options, the following criteria has been identified:

* Does the option achieve the policy objective?
* Does the option impact on the viability of societies?
* Does the option reduce the overall level of funding return to the community?

## Options and impact analysis

1. The table below describes and assesses the potential options against the criteria and identifies risks, costs and benefits. The Department’s analysis is based on societies’ current returns to authorised purposes taken from societies’ Gaming Machine Account Summary Returns for the 2014 financial year. Current practice in rates of return is not necessarily a good indicator of whether societies can absorb forthcoming cost pressures and meet the required minimum rates. This is because:

* the 2014 figures reflect a year in which not all societies were affected by the increase to 40 per cent of GST exclusive gross proceeds (as societies are required to apply the increase in the minimum rate of return in their financial year that follows the increase). Therefore societies not achieving a 40 per cent rate may well be able to achieve this rate of return once the requirement applies to them; and
* it is not clear how societies will be affected by the gambling fee increases (scheduled to take effect in December 2015) and other compliance-related costs discussed above.

1. There are 35 societies subject to the minimum rate of return requirements. Assuming that all costs are realised to their maximum, the scale of the impact on each operator in the sector is highly variable.
2. Based on the increasing fees and the maximum of potential costs incurred, it is estimated that operators will require an increase of between 2.1 per cent and 9.6 per cent of net proceeds being available for distribution to meet a 40 per cent annual rate of return threshold.
3. To meet a 42 per cent annual rate of return threshold, it is estimated that operators will require an increase of between 2.3 per cent and 10.8 per cent of net proceeds being available for distribution.
4. While increasing GMP through acquiring venues is not always a practical option, operators may also increase proceeds available for distribution through reducing operational costs, e.g. not installing downloadable jackpots, deferring bank note acceptors installation to a single update in April 2016, reducing venue payments, changing the depreciation schedules on their machines, or withdrawing from low performing/unsustainable venues etc.
5. In the event that operators were unable to meet their annual rate of return commitments and exit the sector, the impact on funding available to the community is difficult to estimate. The Department has therefore taken a conservative approach in the following analysis and the options considered below.

Table 5: Description and assessment of minimum rate of return options

|  |  |
| --- | --- |
| Option | Assessment of criteria and risks, costs and benefits |
| **Option one: status quo**  Maintain existing regulatory arrangements (the minimum rate of return will increase to 41 per cent of GST-exclusive gross proceeds in September 2016 and 42 per cent in September 2018) | The status quo fails to meet the policy objective as it does not take account of cost pressures facing societies since the Regulations were amended in 2014. It also does not minimise impacts on society viability or community funding.  15 societies are achieving a rate of return higher than 42 per cent. While these societies may be challenged by increasing cost pressures, it is unlikely that their rate of return will fall below the minimum requirements.  10 societies are achieving rates of return between 40 and 42 per cent, while 10 societies are below 40 per cent. To maintain their rate of return or to achieve increases in the rate of return under increasing cost pressures, these societies will need to reduce their costs to greater or lesser degrees. Some societies could withdraw from low-revenue venues.  The precise loss in community funding depends on how many venues are picked up by other societies and the extent to which patronage moves to other venues.  Even if none of the societies were to cease operations entirely, returns to the community may decline to some extent as a result of societies choosing to remove their machines from low-GMP venues in order to meet the minimum rate of return. |
| **Option two: delay further increases in the minimum rate of return (preferred option)**  The Regulations would be amended to delay the scheduled increases in the minimum rate of return. The rate of return would stay at 40 per cent of GST- exclusive gross proceeds for up to a five-year period. The increase to 41 per cent would take place in 2020 and the increase to 42 per cent in 2022. | The option meets the policy objective as it keeps the rate of return constant at 40 per cent while assessing the sectors capacity to adapt to increased cost pressures. This option presents less risk of negative impacts on community funding.  A 40 per cent minimum rate of return is below the current sector average rate of return. Most societies currently meet or are close to meeting this rate. This option appears to be feasible for the sector to maintain as they adapt to increasing cost pressures.  The main benefit of this option is that it continues to incentivise societies to manage their costs effectively, while leaving open the opportunity to achieve further cost efficiencies in the sector at a later date.  Again there is the risk of societies and venues exiting the sector but this risk is minimised by keeping the rate at 40 per cent for a longer period. |
| **Option three: cancel further increases in the minimum rate of return**  The Regulations would be amended to remove the currently timetabled increases in the minimum rates from the Regulations. The rate of return would stay at 40 per cent of GST- exclusive gross proceeds indefinitely. | This option also meets the policy objective. However it has a greater impact than option two on community funding as there will be no further increase in the minimum portion of funding required to be returned to communities.  This option accepts that 40 per cent is the optimum rate of return to authorised purposes that best enables societies to maximise returns to communities while absorbing costs. This assessment is however based on incomplete information and may present a lost opportunity to achieve further cost efficiencies in the sector.  As noted above, 40 per cent is below the current average rate of return. Maintaining this rate indefinitely does not make the most of the opportunity to capture greater benefit to communities through more grant funding. Any increases in payments to authorised purposes over the minimum rate would continue to be voluntary. |
| **Option four: reduce the minimum rate of return**  The Regulations would be amended to reduce the minimum rate of return to below 40 per cent of GST- exclusive gross proceeds | This option partially meets the policy objective. While it takes account of societies’ operating costs, a reduction in the minimum rate of return will reduce the total amount of net proceeds and therefore affect the overall level of community funding.  The advantage of this option is that most societies would be able to fully absorb current cost pressures without looking for further cost savings. However, this option has the potential to have a greater impact on community funding than option three. Societies will be under less pressure to close low turnover venues, but will be allowed to return a smaller proportion of net proceeds to communities.  The changes to the Regulations have put more pressure on societies to maximise returns and minimise costs, which is consistent with the purposes of the Act. Many of the cost pressures over the next 12 months are one-off costs and a permanent reduction in the minimum rate of return could reduce incentives for societies to maximise their return and to identify areas for further cost reductions.  The average rate of return to authorised purposes is currently around 41 per cent for the sector, so there is scope for some societies to absorb short-term cost pressures while reaching at least a 40 per cent minimum return. |

# Implementation, monitoring and review

1. The Department will be monitoring the effect of cost pressures on the sector and societies’ performance in achieving the minimum rate.
2. A key factor would be the balance between ensuring that societies’ compliance and financial viability is not severely impacted, while at the same time maximising the level of return to communities.
3. As noted earlier, the Department is undertaking an assessment of the class 4 gambling framework. This will include considering how this framework incentivises returns to community purposes.

## Questions for you

What are the likely cost impacts of the changes to jackpot machines and banknote acceptors for you?

What in your opinion is the best option and why?

Are there other options for the minimum rate of return to authorised purposes that we have not considered? If so, what are they?

Under the preferred option, have the implications for societies and community groups been correctly identified?

1. While you may indicate the information you would like withheld, it can only be withheld if it meets the relevant criteria under the Official Information Act 1982. [↑](#footnote-ref-1)
2. There are a small number of non-club societies that mainly *apply* their proceeds to particular purposes, for example, the New Zealand Racing Board (they may still distribute, but mainly apply). [↑](#footnote-ref-2)
3. Turnover is the total amount wagered by gamblers before prizes are paid and includes a re-investment factor where the same dollar is counted more than once. This is particularly relevant to continuous forms of gambling like gaming machines where winnings can be reinvested immediately. [↑](#footnote-ref-3)
4. The amounts are estimates as societies report this information based on different financial years rather than by calendar year. [↑](#footnote-ref-4)
5. Section 106 of the Act. [↑](#footnote-ref-5)
6. The limit is set by *Gazette* notice, in the *Limits and Exclusions on Class 4 Venue Costs Notice 17 July 2008*. However, the Gambling Amendment Bill (No 3) provides for a new venue payment system. The objective in introducing a new venue payment system is to reduce the administrative complexity associated with the current system, and subsequently reduce compliance costs. The new system has not been finalised and the cost implications for societies are not yet known. At the time of publication the Bill was awaiting its third reading in the House. [↑](#footnote-ref-6)
7. http://www.stats.govt.nz/browse\_for\_stats/Maps\_and\_geography/Geographic-areas/urban-rural-profile/defining-urban-rural-nz.aspx [↑](#footnote-ref-7)