Office of the Minister of Internal Affairs

Cabinet Economic Growth and Infrastructure Committee

Gambling Act 2003: Overview of the attached suite of class 4 gambling papers

Purpose

1. This paper guides the Committee through the attached suite of class 4 gambling papers (gambling on gaming machines in pubs and clubs), which comprises:

* Paper 1: initiating a review of class 4 gambling;
* Paper 2: proposals for new gambling fees regulations (including a regulatory impact statement to support the proposals); and
* Paper 3: a draft discussion document on options for changing the increases in the minimum rate of return to authorised community purposes.

Background

1. The aggregate amount of class 4 gambling funding available for community purposes is coming under pressure because of the:
   1. declining potential for revenue, as the number of venues and gaming machines continue to reduce;
   2. structure of the sector, which has inherent tensions, and a correspondingly highly prescriptive regulatory regime to manage those tensions;
   3. highly prescriptive regulatory regime, which has implications for the cost of the Department’s regulatory functions—the Gambling Act 2003 (the Act) enables the cost to be recovered from the sector, but this is not currently being achieved; and
   4. scheduled increases in the minimum rate of return to authorised community purposes (from 40 to 42 per cent between 2015 and 2018).

Paper 1: Initiating a review of class 4 gambling

1. This paper asks Cabinet to agree to a review of class 4 gambling to:
   1. understand the dynamics in the class 4 sector, including in the context of the wider gambling framework and total returns to the community;
   2. assess whether the objectives of the Act are being met; and
   3. consider whether there are alternative ways to structure the sector to reduce pressure points and tensions.
2. The aim of the review is to assess the current framework and to identify regulatory design and pricing options that are more fit-for-purpose than current arrangements.
3. It is anticipated that public consultation on any options for change as a result of the review could take place in April to May of 2016, with a report back to Cabinet in September of that year.
4. The paper also refers to a stream of work associated with the review that will consider the Government’s position on online gambling. This work is currently on a longer time frame.

Paper 2: New class 4 gambling fees

1. While the proposed review of class 4 gambling will aim to address the broader and most enduring pressure points in class 4 gambling, there is also the need to immediately address the Department’s gambling memorandum account deficit.
2. The fees paid to the Department by class 4 societies have not increased since 2008. Combined with the declining sector/revenue base, this has meant that fees have not covered the Department’s regulatory costs for some years. As a result, the Department is now carrying in its gambling memorandum account an annual operating deficit of $3.8 million and an account deficit of $12.9 million, as at 30 June 2015.
3. The paper on class 4 gambling fees:
   1. reports back on the consultation about proposed fee increases held in 2015;
   2. asks Cabinet to agree to immediate fee increases (from 1 December 2015) to address the annual operating deficit and help reduce the deficit in the gambling memorandum account; and
   3. recommends a rethink of the increases to the minimum rate of return for authorised community purposes, and seeks agreement to consult on the options (Paper 3, below, refers).
4. Submitters have objected to the fee increases, but the increases are essential now. Any changes to the sector resulting from the proposed class 4 review are intended to be passed into law in 2017. However there could be delays meaning that legislative changes may not occur until 2018. If consideration of fee increases are delayed and incorporated into the class 4 review, the memorandum account deficit will have increased to just under $40 million by 2018/19.

Paper 3: draft discussion document on rethinking the regulated rate of return for authorised community purposes

1. Accompanying the paper on fee increases is a draft public consultation document on rethinking the rate of return increases, which are set in regulations.
2. Some societies will find it hard to adjust to the combination of rate of return increases, fee increases, and other operational requirements that involve a cost. The proposed rethink aims to help alleviate that pressure until the broader class 4 review can comprehensively identify and prepare solutions to the issues for the sector.
3. Cabinet is asked to agree to the release of this consultation document in   
   mid-September for a six week consultation period. Following analysis of submissions and report backs, any agreed changes can be drafted into the regulations and approved by Cabinet for implementation from 1 June 2016.

Consultation

1. The Treasury, Ministry of Health, Ministry of Business, Innovation and Employment, Pacific Island Affairs, Ministry for Women, Ministry for Culture and Heritage, Te Puni Kōkiri, and Sport New Zealand, have been consulted on the attached papers. The Department of the Prime Minister and Cabinet has been informed. The Ministry of Justice has assessed the Bill of Rights and Human Rights implications.

Implications and publicity

1. Financial and legislative implications are provided in the body of the attached papers.
2. The proposals in the attached papers have neither gender implications, nor a need for disability perspectives.
3. No potential inconsistencies exist between the proposals and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.
4. The attached papers each identify their publicity and communications implications.

Recommendations

1. The Minister of Internal Affairs recommends that the Committee:
2. **consider** the suite of Class 4 gambling papers, which comprises:

* **Paper 1**: initiating a review of Class 4 gambling;
* **Paper 2**: proposals for new gambling fees regulations (including a regulatory impact statement to support the proposals) ; and
* **Paper 3**: a draft discussion document on options for changing the increases in the minimum rate of return for authorised community purposes.

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| Hon Peter Dunne |
| Minister of Internal Affairs |