Gambling Compliance
Director appointed

A former career police officer, Mike Hill, has been appointed to the new position of Director, Gambling Compliance. Most recently he was Area Commander for North Shore City Police.

Mr Hill will be responsible for delivering DIA’s licensing, compliance, investigation and operational policy services under the Gambling Act 2003.

DIA Deputy Secretary, Andrew Secker, said Mike would be a valuable addition to the Department, helping it fulfil its obligations to the community.

“He brings extensive experience in key operational roles encompassing line management responsibilities both in the Criminal Investigation Branch and general uniformed duties,” Mr Secker said.

Mr Hill, who took up his new position last month, said part of his brief is to consider trying to get more stakeholder participation and co-operation in the regulation and implementation of the Gambling Act.

“I am looking forward to working with the various stakeholder groups, which are very important in the community and helping ensure that the Gambling Act achieves its objectives,” Mr Hill said.

“Andrew and I are keen to ensure that the relationship between the Department and the various sectors of the gambling industry continues to develop at a professional, effective level. Through the Gambling Act, Parliament has put in place an extensive scheme for ensuring that defined regulatory objectives are achieved.

“Our view is that the greatest compliance with the Act will come when the industry generally accepts the need to comply. That requires communication at all levels so that the industry understands what those regulatory measures are, and we understand factors that affect the industry and may influence how we implement a particular measure.”
Several forums have been established for this two-way communication to occur. There are regular meetings with representatives of the Charity Gaming Association and SkyCity, for example, and a number of road shows have been conducted throughout the country.

“We also actively take part in public forums such as industry conferences and, towards the end of 2005, the Department established a Gambling Regulation Forum involving all major representative bodies within the industry, to discuss issues and approaches.

“Our aim is to achieve, with the industry’s co-operation and assistance, maximum voluntary compliance by operators in the industry, allowing us to concentrate our enforcement measures on the relatively few who do not comply,” Mike Hill said. “I will make sure that this approach continues, and aim to have these relationships become more imbedded and improve over time.

“I am encouraged by the willingness of most operators and their representative organisations to do what is necessary to ensure that the industry as a whole has a positive reputation for integrity and commitment to the objectives of the Act. This can only improve if the industry and we continue the dialogue that has been established and we embrace a problem solving approach to issues around compliance.”

Gambling Regulation Forum holds second meeting

Taking advantage of the presence of so many industry representatives in Auckland for the New Zealand Gaming Expo in mid-February, the Gambling Regulation Forum followed up its inaugural meeting held last November with a further meeting.

The Forum was proposed by the Department as a way for representatives of key gambling industry bodies to meet regularly to discuss how the Gambling Act’s regulatory scheme is being implemented. The bodies invited to send representatives include the six casinos, Charity Gaming Association, Clubs New Zealand, New Zealand Returned Services Association, Hospitality Association of New Zealand, Australasian Gaming Machine Manufacturers Association, and Gaming Machine Association of New Zealand.

The Forum’s purpose is to contribute to achieving the purpose of the Gambling Act by:

• Providing a regular opportunity to discuss and exchange information about gambling regulatory issues; and
• Informing and advising the Department on ways to develop and implement regulatory measures that will be effective without unduly interfering with legitimate activities of licensees.

There were two main topics for discussion at the February meeting. First, information was shared about trends in gambling spending, amounts available for distribution to authorised purposes, and the number of class 4 venues, operators and gaming machines. (Those trends are reported on in other articles in this edition.)

Second, the Department talked about the approach it takes to regulation under the Act, and especially how it seeks to achieve the greatest compliance with the Act to achieve its purpose. Consultation with the industry and winning its cooperation through persuasion is a key component of this approach. It is expected that this information will provide a good foundation for many of the discussions that will take place in the Forum at future meetings.

The next meeting of the Forum is due to be held in June this year.
ALL GAMBLING

Conducting Poker

There has been an upsurge in the popularity of poker throughout New Zealand following widespread television and media coverage. The Department has received numerous inquiries from members of the public and some venue operators as to the requirements they must meet should they host a poker event.

As a general rule, poker tournaments or evenings, just like any other form of gambling, can only be conducted lawfully in New Zealand if the purpose behind them is to raise funds for the community. Any profit or commission to the organisers generated by a poker tournament may amount to a criminal offence and render the whole tournament unlawful.

However, there are some exceptions to this general rule, for example:

- If the activity is organised by one of the six casinos in New Zealand, subject to the restrictions of the Gambling Act.
- If the activity constitutes class 1 gambling. This category applies when the gambling activity is low level (i.e. turnover and prizes do not exceed $500). Generally, all turnover must be applied to the winners or, if the event is conducted by a society, all net proceeds are applied or distributed to an authorised purpose – that is, a charitable or non-commercial purpose that benefits the community. No one may be paid commission or any other form of remuneration for doing anything to run or promote or help run or promote the activity. For further requirements see section 22 of the Gambling Act.
- If the activity constitutes ‘private gambling’. Private gambling is defined in section 4 of the Gambling Act as taking place at a private residence primarily as a social event. There must be no advertising, no admission fees, no deductions of any kind from a participant’s stakes or winnings, no remuneration or commission to the organiser and all stakes placed must be distributed as rewards to the winners. See the definition of ‘Private Gambling’ under section 4 of the Act for further requirements.

If these exclusions do not apply, the event will be either class 2 or 3 gambling. Class 2 gambling has a total prize limit of up to $5000 and total turnover of no more than $25,000, while class 3 is gambling with total prizes in excess of $5000. In these cases, the purpose of the gambling activity must be to raise money for an ‘authorised purpose’ and the activity must be conducted by a society rather than an individual person.

If the activity falls under the definition of class 3 gambling, it will first require a licence. (See sections 27-32 of the Act.) For such a licence to be issued, the Department must assess the suitability of the organisers and other relevant key persons.

Finally, poker tournaments that do not involve playing for money (or any other consideration) may fall outside the definition of gambling and, therefore, not be restricted under the Act.
Territorial Authority Gambling Policies and Consents

Territorial authorities will soon be reviewing their gambling venue policies. Here are some guidelines to assist them and additional recommendations for societies applying for territorial authority consents.

Sections 95, 96, 98-103 are the most relevant sections of the Gambling Act dealing with these requirements.

A territorial authority must have a class 4 gambling (ie a non-casino gaming machine) venue policy. This policy must consider the social impact of gambling within its district and must specify whether or not class 4 venues may be established in the district, and, if so, where they may be located. The policy may also specify restrictions on the maximum number of machines that may be operated at a class 4 venue. This policy can be adopted, amended or replaced only through the use of the special consultative procedure outlined in the Local Government Act 2002.

Generally, a society must obtain a territorial authority consent in the following circumstances:

- If a society proposes to increase the number of machines that may be operated at a class 4 venue (whether by way of an application for, or amendment to, a class 4 venue licence, and whether or not in association with an application for ministerial discretion under section 95 or section 96).
- The first time there is an application for a class 4 venue licence for a venue for which a class 4 venue licence was not held on 17 October 2001.
- If a society applies for a class 4 venue licence and a class 4 venue licence has not been held by any society for the venue within the last six months.

A territorial authority must consider every application for a territorial authority consent in accordance with its gambling venue policy. The territorial authority cannot issue a consent until its gambling venue policy is in place. This policy must be reviewed at least every three years and copies of the policy provided to the Secretary for Internal Affairs.

The territorial authority consent may or may not place a condition on gaming machine numbers. It may not place other conditions.

Section 95 allows two or more clubs, if they merge, to apply to the Minister for approval to operate up to 30 gaming machines at a venue that has a statutory limit of 18 gaming machines. Section 96 allows a club that is operating, or plans to operate, at a venue that has a statutory limit of nine gaming machines to apply to the Minister for approval to operate up to 18 machines. An application to the Minister made under either section 95 or section 96 must include a territorial authority consent for the proposed venue, and for the number of gaming machines to be operated at the venue.

It is important that territorial authorities (and prospective applicants) are aware of the requirements and process steps in the Gambling Act that relate to their particular situation.

The Department of Internal Affairs has to check all licence applications to ensure that there is a valid territorial authority consent where required. Part of this scrutiny may include assessing the validity of a consent in cases where the relevant gambling venue policy does not appear to permit the issuing of the consent. The Department may also look at the validity of the Gambling Policy if it has reason to suspect the required process steps in adopting or altering a policy have not been adhered to.

We advise any applicant or Council with any doubt to seek independent legal advice.
Some other hints:

**For territorial authorities**

- Make sure the wording of your policy clearly covers every situation you intend it to cover. The policy should clearly state how it would operate in every circumstance envisaged by the Act, including, for example, club applications under sections 95 and 96, and proposals for a group to relocate from one venue to another.
- Ensure that your policy’s wording is consistent with the Act – that it includes all elements that are required to be included and does not take irrelevant considerations into account.
- Make it clear whether you intend a policy to be permissive or prescriptive, and ensure it is phrased accordingly.
- Remember, what you think a policy allows may not appear so to an independent reader. Mistakes in drafting could be expensive to rectify at a future date.
- Ensure changes to a gambling venue policy are consulted on and documented in a manner that complies with the relevant legislation.
- If in doubt seek legal advice.

**For applicants for a territorial authority consent**

- It is essential that you seek independent legal advice as soon as possible. This is a complex area of law.
- Ensure you clearly understand the process steps. Do you require just a consent, or a consent plus approval from the Minister?
- Allow plenty of time for the consent and Ministerial approval if applicable - do not set unrealistic deadlines for building work, merger agreements etc.
- Ensure you give the territorial authority all relevant information to enable it to consider your application properly.

- Applicants should not assume that a consent, Ministerial approval and/or gambling venue licence will all be granted. We advise you not to commit financial resources to a venture until the relevant consent, approval, and licence have been provided.

For further information on section 95 and 96 applications and territorial authority consents in general, check out the Fact Sheets on the Department of Internal Affairs website: [www.dia.govt.nz](http://www.dia.govt.nz)

**TAB Venue Policy**

Every territorial authority must also have a TAB venue policy. Territorial authorities must also develop and review these policies through the use of the special consultative procedure outlined in the Local Government Act 2002, and have regard to the social impact of gambling in the territorial authority district. They must be reviewed at least every three years. The policy must specify whether the New Zealand Racing Board may establish new stand-alone TABs (i.e., the policy does not deal with TABs in pubs and clubs) in the district and, if so, where they may be located. The New Zealand Racing Board requires a consent from the relevant territorial authority before it establishes a new stand-alone TAB. Territorial authorities should ensure that the wording of their policies clearly covers every possible situation (for example, a proposal to relocate a TAB from one place to another).

There are some very specific steps for territorial authorities to follow when making their TAB venue policies. The relevant provisions are sections 65A to 65E of the Racing Act 2003.
Working party meets on venue costs

The Venue Costs Working Party has held several meetings, starting late last year.

Its aim is to review the Venue Costs Gazette Notice that places exclusions and limits on payments made in relation to class 4 venues. There have been several changes that may affect venue cost limits since the Notice came into place, for example, the introduction of harm prevention and minimisation requirements in regulations. The working party is also gathering information on the effectiveness of the current limits and the wording and structure of the Notice itself.

The aim is to reach a solution that is workable and that encourages voluntary compliance as far as is consistent with achieving the purposes of the Act.

Getting ready for EMS

The Department of Internal Affairs has conducted a series of road shows to prepare societies for the roll-out of the Electronic Monitoring System (EMS) beginning in May.

For venues to be ready societies must ensure:

• All gaming machines are QCOM compliant.
• Venues are prepared according to the Minimum Technical requirements for EMS (i.e. cabling must be prepared).

These responsibilities are to be completed six weeks prior to the commissioning of each venue onto the EMS (known as the Secretary Date on the EMS roll-out schedule).

Venue Freeze

Six weeks prior to connection, QCOM and cabling activity at venues will be frozen to allow EMS to identify each gaming machine by make, serial number, game, game variation and BVN.

Information from the Department’s Licensing System will be printed onto the Secretary’s Notice and checked by an officer of the Society to guarantee that there is no discrepancy between information on the notice and the actual gaming machines and/or jackpot equipment at the venue.

As soon as a venue is connected to EMS, amendments and changes can be made by submitting an application to the DIA Licensing Team. Once approved, a gaming machine technician can implement the changes.

Immediately following “roll-over” to EMS, changes to the configuration of gaming machines and gaming rooms could be delayed if demand is high. There will be a process for technicians to liaise with the EMS Helpdesk. This process will be sent to both societies and gaming machine service providers before EMS is rolled out.

The Department will advise licence holders of key dates, impacts and activities.

More information can be found in the “EMS Update” newsletter produced by the Department and sent to all licensed societies and venues.
No influence on funding

“The Department of Internal Affairs has no influence over the allocation of gaming machine proceeds to the community,” Deputy Secretary Regulation and Compliance, Andrew Secker, says.

“Recent public comment, suggesting it does, is incorrect,” he added.

“The Department’s role is to ensure that gambling controls are applied so that net gaming machine proceeds for the community are maximised.

“The Gambling Act 2003, like the Gaming and Lotteries Act before it, says only that grants must be made for authorised purposes and it is the corporate societies that are gaming machine operators who decide which authorised purposes they will apply or distribute profits to.

“The Department’s job is to ensure that money intended for the community gets there, without playing a role in deciding which parts of the community benefit – as long as the money is used for an authorised purpose.”

According to figures provided to the Department, gaming machine operators on commercial sites (mainly pubs) granted more money to community purposes in the years 2003/04 and 2004/05 than in any other year (about $300m each). “Indications are that 2005/06 will be the third-highest year on record,” Andrew Secker said.

Competitive quotes

Are competitive quotes required to support funding applications?

Societies can insist on more than one quote where they cannot ascertain that the single quote is competitive and where the applicant provides no other evidence that the requested sum of money is appropriate.

The old Gaming Licence Conditions used plural language, which required applications to be supported by “competitive quotes or other evidence,” but regulation 16 (c) of the Gambling (Class 4 Net Proceeds) Regulations 2004, made under the Gambling Act 2003, uses the singular form when it requires societies to obtain “a competitive quote or other evidence that the sum of money sought by the applicant is appropriate”.

The simplest way for a net proceeds committee to tell if a quote is competitive is to compare it to other quotes. Committee members might also compare it with similar grants made to other applicants or even rely on their own experience and knowledge if it is extensive enough.

If the applicant provided only one quote and the committee members have no way of determining its competitiveness then the committee must, in some other way, be satisfied as to its appropriateness. The onus is on the society to require evidence of appropriateness and it can require the applicant to present evidence that the sum requested is appropriate.

Societies are advised to keep a written record of why the net proceeds committee determines the sum of money sought by the applicant is appropriate.
Cessation Audits

Gaming machine societies may reach a point when they can no longer operate as a society.

This may be because:

- The society no longer wishes to continue its involvement in gambling; or
- The Department refuses to renew the society’s class 4 operator’s licence; or
- The Department cancels the society’s class 4 operator’s licence; or
- The class 4 operator’s licence has expired.

The society’s obligation to apply or distribute the net proceeds from gambling is not affected by the surrender of their class 4 operator’s licence (section 63 of the Gambling Act).

All societies are obliged to wind up their affairs in accordance with their rules (constitution) and the Companies’ (Wind Up) Rules. That means they are required to provide a final set of audited financial statements showing how their assets have been realised, liabilities extinguished and the remaining funds distributed to the community, in accordance with their authorised purpose statement.

When this occurs the society is required by the Gambling Act [section 111(1)(b)] to provide to the Department financial details relating to the sale of assets and the subsequent payment of funds to authorised purposes.

What is a cessation audit?

A cessation audit is a review of the final financial statement detailing the winding up of the gaming machine operation. In some circumstances it may be necessary for the Department to check a random selection of grant recipients to ensure the final distribution of net proceeds did in fact occur, and the bona fides of the grant recipients.

Who will be audited?

All societies (including clubs) that wind up their gaming machine operation will have their final set of accounts audited by the Department. For a club, unless it is the club winding up, they need to report only on the winding up of the gaming machine operation and provide a final set of audited accounts to the Department.

What documentation should be provided to the Department for the audit?

The following documentation should be provided for all cessation audits:

- A final audited set of financial statements for the gaming machine operation, plus a copy of the society’s audited financial statements for the past relevant financial period. Note: A three-month period is considered a suitable time frame from the date of the licence surrender to when a final set of audited accounts should be produced.
- The name and contact details of the acquirer of the gaming machines, along with details as to the means of disposal. These details are required within 20 working days of disposing of a gaming machine.
- Details of the final distribution of the net proceeds (i.e. list of grant recipients and the amount of each grant).

For further information and to view suggested format for final wind up statements refer to our website: www.dia.govt.nz

Orders regarding application or distribution of net proceeds

Section 112 of the Gambling Act allows the Department to seek a court order for the application or distribution of any money that is not applied or distributed when a group winds up. Gaming machine operators should bear in mind that this section also empowers the courts to make orders to recover money that has been improperly paid out, applied or distributed.
Signage checklist

Calls to our gambling compliance unit suggest venues would appreciate a concise list of what signs need to be displayed at Class 4 venues. Signage requirements are spread throughout the Gambling Act, game rules and regulations. This checklist should assist operators:

<table>
<thead>
<tr>
<th>LICENCE DETAILS</th>
<th>HARM PREVENTION &amp; MINIMISATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Section 82 of the Act, Venue Licence Conditions)</td>
<td>(Section 308 of the Act, HP &amp; M Regulation 11)</td>
</tr>
<tr>
<td>✓ Venue Licence, including the commencement and expiry dates of the Venue Licence</td>
<td>✓ That the venue has a policy for identifying problem gamblers</td>
</tr>
<tr>
<td>✓ Contact details of the holder of the venue licence</td>
<td>✓ That a copy of the policy will be made available on request</td>
</tr>
<tr>
<td>✓ That complaints regarding the conduct of gambling at the venue, or the conduct of the society holding the operator’s licence, can be made to the Secretary</td>
<td>✓ Encouraging players to gamble at levels they can afford</td>
</tr>
<tr>
<td><strong>plus</strong> if the society distributes most of its net proceeds to the community:</td>
<td>✓ How to seek assistance for problem gambling.</td>
</tr>
<tr>
<td>✓ How and where to apply for a grant</td>
<td><strong>Venues must also make available:</strong></td>
</tr>
<tr>
<td>✓ Where to complain if a grant application is unsuccessful</td>
<td>✓ Pamphlets about the odds of winning</td>
</tr>
<tr>
<td>✓ A statement that venue personnel are not allowed to be involved in decisions concerning grants, or to manage or provide applications for grants to the community.</td>
<td>✓ Information on the characteristics of problem gambling and how to seek advice.</td>
</tr>
</tbody>
</table>

**Note:** (Sample posters and pamphlets are available on the DIA website or you can use your own.)

<table>
<thead>
<tr>
<th>NET PROCEEDS</th>
<th>JACKPOTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Net Proceeds regulation 7)</td>
<td>(Game Rule 35 where any linked jackpot system is installed)</td>
</tr>
<tr>
<td>✓ Inform players that information regarding the application and distribution of net proceeds may be obtained:</td>
<td>✓ Player instruction notices.</td>
</tr>
<tr>
<td>a) from the licence holder’s website</td>
<td></td>
</tr>
<tr>
<td>b) by contacting the licence holder.</td>
<td></td>
</tr>
</tbody>
</table>

**Signage must include the website address (if applicable) and contact details.**

Note that all licence holders who distribute most of their net proceeds to the community must have a website.

(N.B. This signage may be incorporated in the signage required under Section 82 of the Act)
Venues are reminded to check their websites and, if necessary, update them to ensure they comply with recent regulations restricting the advertising of jackpots.

The Department is aware of numerous instances where this has not happened.

Regulations 9 and 10 of the Gambling (Harm Prevention and Minimisation) Regulations 2004 took effect on 1 October 2005.

Regulation 9 bans the advertising of jackpots outside a gambling venue and bans jackpot advertising inside a venue that can be seen or heard outside the venue.

Regulation 10 requires that the word “jackpot” (or any other similar word or get-up) not be published in a way that explicitly or implicitly conveys the impression that there is a gaming machine jackpot at the venue.

The term “publish” includes publishing in an electronic medium such as websites, on-line telephone directories etc.

Regulations have been approved making it clear that gaming machine profits must be banked within five working days of calculation.

The Gambling (Class 4 Banking) Regulations 2006 were Gazetted on 9 March and come into force 28 days later. They replace a current licence condition and provide that venues must bank gaming machine profits within five working days starting on the day that the profits are calculated.

The regulations and proposed changes to Game Rules will mean that gaming machine profits from the previous week will be calculated on a Monday and must be banked by close of business Friday. When the working week is shortened by statutory holidays, gaming machine profits must be banked by the end of the next working day.

One of our readers has asked the Department to explain what exactly we meant when we referred to operators’ “gross profits” in the December 2005 issue of Gambits.

John Markland, Manager of Gaming, Racing and Censorship Policy replies:

Gross profit (of the gambling operator), Revenue, Expenditure or Player Losses are all the same thing. They are the total amount players have actually spent – turnover minus prizes. From gross profit, the operators pay taxes and running costs and then distribute what is left – the Net Proceeds – to authorised purposes.

Turnover is the total amount wagered, including all credits played.
Harm prevention guidelines approved for Operational Policy team

The Operational Policy unit of the Gambling Compliance Group has recently confirmed internal policy guidelines related to harm prevention, harm minimisation and responsible gambling.

The guidelines provide the operational policy team with a coherent framework in which it can identify and determine appropriate regulatory responses to any harm prevention, harm minimisation and responsible gambling implications arising from internal or external gambling initiatives or developments, including new technology.

The document sets out the position on gambling harm as defined in the Gambling Act 2003 (“the Act”) and any associated regulations. The guidelines comprise:

- Relevant statutory provisions under the Act and any associated regulations that operational policy regularly acts in reference to
- A set of principles based on the Act and associated regulations, best practice principles of public policy development and administrative law
- A set of grounds upon which we base our approach to gambling, including problem gambling

- The Operational Policy unit’s approach to working with uncertainty
- A set of decision-making criteria/questions, derived from the above that can be applied to any relevant issue identified either internally or externally.

The guidelines are derived from the Act and associated regulations, the principles and processes of administrative law and best practice in regard to good regulation. While the policy guidelines are for the Department’s internal use, gambling providers and other stakeholders may find it useful to understand the parameters within which we must work and the sorts of considerations we take into account when assessing gambling initiatives.

They can be viewed under Services, Casinos and Gambling in Pubs and Clubs (Class 4), on the DIA website: www.dia.govt.nz

All Gambling Compliance staff can be contacted by phoning the Department’s tollfree number

0800 257 887
HARM PREVENTION

Working to reduce Exclusion Order breaches

As part of the Department’s risk based, targeted approach to compliance, the Casino Compliance Unit has collected data related to breaches of exclusion orders during the period January 2005 - December 2005.

We hope to use the information to help us work with operators and other interested parties to reduce the number of breaches of exclusion orders. It is also expected that this data may be used for policy development in this area.

While the Department acknowledges that there are limitations in the data collected and that, therefore, it is too early to make any definitive conclusions, some early analysis has raised some interesting points:

• A significant proportion of breaches occur one to six months after they are issued
• Imposed exclusion orders are less successful than self-identified exclusions
• Most people breach once; multiple breaches are rare

Based on this data some initiatives we are exploring include:

• Ways to improve exclusion order processes for young gamblers
• Whether exclusion processes can be improved to account for Asian cultural factors eg language
• Whether reminder letters sent at standard intervals (eg at one and six months) to those excluded would improve compliance
• How to encourage patrons to recognise their behaviour and self-exclude
• Working more closely with Asian Problem Gambling Providers.

Problem gambling advisory group meets in Auckland

The Expert Advisory Group on Preventing and Minimising Gambling Harm has followed up its inaugural meeting held last October in Wellington with a second meeting in Auckland.

Some 20 representatives from the gambling and hospitality industries, researchers, problem gambling treatment and public health organisations, community groups and local government met with the Department and the Ministry of Health in February to give advice and feedback on both agencies’ initiatives to address gambling harm.

Topics of discussion included the precautionary approach adopted by the Department, planning for a social marketing programme to prevent gambling harm, and the collection and dissemination of statistical information.

The Ministry also fed back on progress with the implementation of a research plan on gambling-related harm. The Ministry sought input from the group at the previous meeting on research priorities.

The advisory group meetings also provide a forum for discussion between key groups on broader issues and concerns around gambling and problem gambling.

The next meeting is in Wellington in June.
MEDIA RELEASES

Sentinel Trust licence cancelled

Sentinel Community Trust of Manukau has lost its licence to operate gaming machines.

This follows the Trust’s decision not to proceed with its appeal to the Gambling Commission against the cancellation of its licence by the Department in December 2005.

DIA Deputy Secretary, Andrew Secker, says the Trust was told to cease operating gaming machines in their remaining venues immediately and remove them as soon as possible.

DIA began investigating the Trust after complaints from several community groups that they had not received grants already approved.

Andrew Secker said DIA had several concerns about the gambling operations of the Trust and investigations into its affairs are continuing.

Gambling spending drops in 2004/05 year

Statistics for 2004/05 suggest that the amount New Zealanders spend on gambling may have peaked, for the time being at least.

Annual gambling expenditure figures showed that spending on the main forms of gambling fell by 0.6 per cent, from a record high of $2.039 billion in 2003/04, to $2.027 billion in 2004/05, the Department of Internal Affairs’ Gaming Policy Manager, John Markland, said.

“While the reduction is less than one per cent, it is only the second time in at least 25 years that total spending has fallen from one year to the next,” Mr Markland said.

“More significantly, it is the first time that either non-casino gaming machine spending or casino spending has dropped. This is important because we know that gaming machines, including casino gaming machines, are the most harmful form of gambling.”

Overall spending in 2004/05 on gambling was made up of:

<table>
<thead>
<tr>
<th>Gambling product</th>
<th>2004/05 Spending (Player Losses)</th>
<th>Increase/Decrease from 2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing and sports betting</td>
<td>$247m</td>
<td>+3.3%</td>
</tr>
<tr>
<td>Lotteries Commission products</td>
<td>$280m</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Non-casino gaming machines</td>
<td>$1.027 billion</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Casinos</td>
<td>$472m</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Total spending</td>
<td>$2.027 billion</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

continued over page
Mr Markland said that 2004/05 seems to have been a year of two halves, as a result of the new regulatory environment introduced by the Gambling Act 2003 and its associated regulations, and the smoke-free legislation that came into force on 10 December 2004.

“There are indications that spending on non-casino gaming machine and casino gambling increased a little in the first half of 2004/05, before falling below the equivalent 2003/04 figures in the second half of the year. This reverses the usual pattern,” Mr Markland said.

“Spending now appears to have settled at a level a little below the record 2003/04 year.

“This suggests that non-casino gaming machine spending in 2005/06 (the current year) might be just below $1 billion, rather than just above it. Even so, that would be considerably more than double the amount players spent on pub and club machines in the year 2000 ($450 million).”

Mr Markland said that the detail, accuracy and timeliness of the non-casino gaming machine expenditure statistics would be greatly enhanced from the end of March 2007, when all machines will be connected to a new electronic monitoring system.

“In the meantime, though, trends in all the gambling statistics, including the expenditure statistics and gaming machine numbers, look positive in terms of the objectives of the Gambling Act 2003, which include controlling the growth of gambling,” Mr Markland said.

**Background**

Further details on gambling expenditure are available in the table *Gambling Statistics 1981-2005* and their explanatory notes.

The Gambling Act 2003 was passed on 18 September 2003, with lead-in periods for most of its provisions. The Act came fully into force on 1 July 2004. It accepts that gambling is a harmless entertainment for many, and a source of considerable community funding. It also recognises that gambling causes harm to some gamblers and to those around them.

Key objectives of the Act are to: control the growth of gambling, prevent and limit the harm that can be caused by gambling, limit opportunities for crime and dishonesty, and ensure that money from gambling benefits the community.

The ‘revenue’ or ‘gross profit’ of a gambling operator is the same as gamblers’ ‘spending’ or ‘expenditure’. It is the difference between the total amount wagered and the total amount paid back or credited to gamblers in prizes.

Non-casino gaming machines raise more money for community purposes than any other form of gambling. The amount paid to community purposes depends not only on the revenue of gaming machine operators, but also on the costs taken out of, and any misappropriation from, that revenue.

Gaming machines are also the most harmful form of gambling in New Zealand:

- In 2004, over 80 per cent of people who received help from problem gambling intervention services for the first time, said that their main problem was non-casino gaming machines.
- Another eight per cent said that their main problem was casino gaming machines.
- About one in five regular gaming machine players has a gambling problem.
- More than 20 per cent of gaming machine revenue comes from people with gambling problems.
- Most gaming machines are located in the poorest areas.

The number of non-casino gaming machines declined from 25,221 as at 30 June 2003 to 21,846 as at 30 June 2005. The number of non-casino gaming machine venues declined from 2,122 to 1,801 over the same period.
GAMBLING EXPENDITURE STATISTICS 1981 - 2005

Actual dollars (non-inflation adjusted) for gambling operators' financial year-end

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Expenditure</th>
<th>Prizes</th>
<th>Gross Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>$914m</td>
<td>$5,747m</td>
<td>$3,747m</td>
<td>$2,000m</td>
</tr>
<tr>
<td>1982</td>
<td>$1,883m</td>
<td>$6,478m</td>
<td>$3,075m</td>
<td>$3,200m</td>
</tr>
<tr>
<td>1983</td>
<td>$1,914m</td>
<td>$7,845m</td>
<td>$4,978m</td>
<td>$4,978m</td>
</tr>
<tr>
<td>1984</td>
<td>$2,297m</td>
<td>$8,625m</td>
<td>$5,500m</td>
<td>$5,000m</td>
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</tbody>
</table>

NZ LOTTERIES COMMISSION

GAMBLING EXPENDITURE STATISTICS 1981 - 2005

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NZ Lotteries Commission figures for 1989 are for 15 months as its financial year-end changed from 31 March to 30 June.

Explanations

The Department’s Gambling Expenditure Statistics 1981-2005 table must be read in conjunction with this page.

Turnover is the total (gross) amount wagered by punters. This figure is published by the Lotteries Commission and by the TAB for the racing industry. It includes a “churn” factor or re-investment where the same dollar is counted more than once. This is particularly relevant for rapid-re-investment forms of gaming like gaming machines or race betting. E.g. if a player has $20 to spend on a gaming machine and plays until the full $20 is lost it is likely that this $20 will be recorded on the machine’s meters as $120 or more of turnover (gross amount wagered). Turnover is not an indicator of the amount spent by players or of the profit of the operator.

Expenditure and Gross Profit are interchangeable terms that mean gross amount wagered minus the amount paid out or credited as prizes or dividends. Expenditure is the amount lost or spent by players or the gross profit of the gaming operator. In the above example, the gross profit calculated by the machine meters will be $20.

Financial year-end: Most gambling operators have a balance date of 30 June. Where the balance date differs (e.g. racing at 31 July) the figures shown are as at the balance date.

Racing data include the introduction of new products, namely from 1996 inclusive fixed odds & totalisator sporting betting and from 1997 inclusive fixed odds race betting. Sports betting turnover included in the turnover totals was 1996: $4.8m; 1997: $3.8m; 1998: $5.0m; 1999: $6.1m; 2000: $6.6m; 2001: $6.7m; 2002: $10.4m; 2003: $11.4m; 2004: $10.4m; 2005: $9.9m. Data for 1996 and onwards are therefore not strictly comparable with previous years.
Further reduction in gambling facilities

The latest quarterly gambling licensing statistics for pubs and clubs show a continuing decline in the number of licence holders, venues and gaming machines.

DIA Deputy Secretary, Andrew Secker, said the three categories showed a further decline on the September quarter and, in the year to December 31 2005, there were 10 per cent fewer class 4 licence holders, almost six per cent fewer venues and a four per cent drop in the number of gaming machines.

“These figures indicate that the Gambling Act 2003 is achieving one of its objectives – controlling the growth of gambling,” Mr Secker said. “The trends started, or accelerated, after the Act was passed in September 2003.”

<table>
<thead>
<tr>
<th>Date</th>
<th>Licence holders</th>
<th>Venues</th>
<th>Gaming machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2005</td>
<td>526</td>
<td>1,747</td>
<td>21,343</td>
</tr>
<tr>
<td>30 September 2005</td>
<td>535</td>
<td>1,770</td>
<td>21,614</td>
</tr>
<tr>
<td>30 June 2005</td>
<td>653</td>
<td>1,801</td>
<td>21,846</td>
</tr>
<tr>
<td>31 December 2004</td>
<td>584</td>
<td>1,850</td>
<td>22,231</td>
</tr>
<tr>
<td>31 December 2003</td>
<td>672</td>
<td>2,031</td>
<td>22,734</td>
</tr>
<tr>
<td>30 June 2003</td>
<td>699</td>
<td>2,122</td>
<td>25,221</td>
</tr>
<tr>
<td>31 December 2002</td>
<td>729</td>
<td>2,137</td>
<td>24,330</td>
</tr>
<tr>
<td>31 December 2001</td>
<td>795</td>
<td>2,129</td>
<td>21,912</td>
</tr>
<tr>
<td>31 December 2000</td>
<td>860</td>
<td>2,065</td>
<td>17,679</td>
</tr>
</tbody>
</table>

Machine numbers peaked in the June 2003 quarter before the Gambling Act was passed. Since then licence holders have declined 25 per cent from 699 to 526 at December 05, venues are down by 18 per cent from 2122 to 1747 and there were 15 per cent fewer machines, down from 25,221 to 21,343.
“The drop in the number of operators was most significant in the non-club sector. The number of these pub-based operators declined by a third, from 120 at June 2003 to 80 at December 2005,” Mr Secker said.

“Despite this significant decline, information they have provided to the Department indicates that they gave out record amounts of money to community purposes in both 2003-04 and 2004-05, around $300 million in each year.

“We think there is likely to be more consolidation in the pub-based sector. Fewer operators should mean that overall costs go down, because there are fewer fees and salaries to pay, fewer offices, cars, computers, phones and faxes to pay for, and so on. When the number of operators drops, the remaining operators benefit from economies of scale. The average number of venues for each pub-based operator grew from under 13 to more than 16 between June 2003 and December 2005. Reducing costs in this way could maintain a good return to the community even if the amount players spend on the machines is reduced.”

The Act introduced a much stricter licensing regime and reduced limits on the numbers of machines allowed in venues. In general, venues licensed at 17 October 2001 can have up to 18 machines, while others can have up to nine. The Act also gave communities a say, through their local authorities, which can make policies preventing or limiting new venues and controlling the expansion of existing venues.

Further information, including numbers of venues and machines by territorial authority and the changes in these numbers, is available from the Department’s website: www.dia.govt.nz
Gambling spending drops

The licensing statistics follow recently-released gambling expenditure figures for 2004-05, which showed that total spending on the main forms of gambling – racing and sports betting, Lotteries Commission products, non-casino gaming machines and casinos - fell marginally from the previous year.

“Spending in 2003-04 was at a record high of $2.039 billion,” Andrew Secker said, “and in 2004-05 this dropped to $2.027 billion.

“Non-casino gaming machine spending fell by 0.8 per cent, from $1.035 billion in 2003-04 to $1.027 billion in 2004-05. Our estimates to date suggest that 2005-06 will be the third-highest year on record, about 8 per cent below the record 2003-04 year. However, the degree to which this is reflected in reduced payouts for community purposes, if at all, will depend on how successfully gaming machine operators minimise their costs.”

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.
The Department reorganised its internal structure in 2004 and created a Regulation and Compliance Branch that 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 compliance, local government services, fire service policy and identity services policy. For the sake of simplicity, the functions outside the gambling sector are not included on this page.

Important changes for gambling regulation include bringing management of Gambling, Censorship and Racing Policy into the same branch, and separating the management of gambling and censorship compliance. As part of these changes the Gaming and Censorship Regulation (GCR) group was separated into two units, Gambling Compliance and Censorship Compliance in 2005.

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### GAMBLING COMPLIANCE KEY CONTACTS

**0800 257 837**

<table>
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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Andrew Secker</td>
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<tr>
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<td>Manager Gambling, Racing and Censorship Policy</td>
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<tr>
<td>Mike Hill</td>
<td>Director Gambling Compliance</td>
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<td>Kate Reid</td>
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<td>National Manager Licensing and Compliance</td>
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<td>National Manager Casino Compliance</td>
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<td>Geoff Owen</td>
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**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. A significant change the Department has made is to disband what was a separate Policy Group, and to bring this Policy team into 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.

**Kate Reid**  
Manager Gambling Operational Policy  
Operational policy provides support and advice to the Gambling Inspectors and other staff working in the sector. 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. This unit also does technical work, such as setting standards and testing requirements for gambling equipment.

**Gregory Crott**  
National Manager Licensing and Compliance  
This unit is responsible for licensing and compliance of all gambling outside casinos. This includes gaming machines in pubs and clubs, lotteries, housie and other games of chance. Staff make decisions on licence applications, carry out audits, conduct investigations and receive public complaints.

- Northern Regional Manager (based in Auckland), Geoff Lawry
- Central Regional Manager (based in Wellington), (to be advised)
- Southern Regional Manager (based in Christchurch), Kevin Owen
- Licensing is carried out by a team in Wellington

**Debbie Ferris**  
National Manager Casino Compliance  
The Department has Gambling Inspectors working in each of the country’s six casinos. They carry out audits, ensure ongoing suitability of casino staff, investigate incidents and gamblers’ complaints and ensure that the casinos comply with the Gambling Act.

- Northern Regional Manager (based in Auckland), Maria Bradshaw
- Southern Regional Manager (based in Christchurch), Dennis Petersen

**Geoff Owen**  
Manager Investigations Unit  
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.
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. Communications Advisor Trevor Henry, telephone (04) 495 7211, fax (04) 495 7224, e-mail trevor.henry@dia.govt.nz

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Organisation name: ________________________________
Contact person: ________________________________
Media releases: ________________________________ e-mail: ________________________________
Gambits postal address: ________________________________