Help available for achieving best practice

There has never been a better time than now to consider how to be a best-practice gambling operator, Gambling Compliance Director, Debbie Despard, told the September regional forums. The Department will be working hard to support the sector to achieve that.

Discussion on the Gambling (Gambling Harm Reduction) Amendment Bill, currently before Parliament, has raised the importance of integrity and transparency in the sector and public views of gambling. The Department believes that most people want to comply with the Gambling Act, Debbie told the forums.

“If you are demonstrating actions that assure us that you are making all efforts to be responsible, transparent and operate with integrity we will support that effort,” she said. “At the opposite end you will see us take severe action. Our intention is to use a range of strategies to move people towards best practice.”

The Department also wished to challenge the sector’s perceptions of its primary stakeholders.

“We encourage you to consider the community as your primary stakeholder,” Debbie said. “In a sense the public are your shareholders - and your role is to deliver maximum value to them.”

Venues

Venues were an important part of the picture to be reimbursed correctly and supported to manage their compliance obligations.

“But it is my sense that if the community was considered in its rightful place, much of the difficulty in compliance and venue costs would be resolved. I say that, knowing the difficult and competitive environment you work in.

“But if you do want to deliver maximum value to communities then it’s essential that you are rigorous in the area of venue payments and that you seek to create efficiencies at every opportunity,” Debbie said.

Progress

“We will know we have made progress when societies come to us seeking help to solve a particular problem or, even better, they come to us with ideas on how we can work together to deliver better outcomes.

“What we sometimes experience is that our efforts are met with a litigious response, where we are dealt with reluctantly and in some cases obstructively. Our preference is to engage constructively and directly to find pragmatic solutions where possible.

“We know we will have made progress when we see a sector that works hard to ensure as much of the after-tax revenue is delivered to wide and diverse community needs and where we see everyone involved in gambling managing risks and harm and delivering maximum funding to the community.”
Changes confirmed for gambling services

Changes are underway to improve the Department’s performance as New Zealand’s gambling regulator.

Minimising Harm - Maximising Benefit: Department of Internal Affairs’ Approach to Compliance & Enforcement, sets out the Department’s approach to compliance and enforcement across the regulated areas of censorship, gambling, electronic messaging (spam), anti-money laundering, and private security personnel and private investigators; it is available on the Department’s website: www.dia.govt.nz/compliance.

The Compliance Statement is being supported by changes in the renamed Regulatory Services group which will take effect in November. They include 19 new staff positions.

Regulatory Services General Manager, Maarten Quivooy, says the Department wants to support “willing compliers” and make their compliance easier. The Department also wants to support those who need help to comply.

“We will recognise best practice and push for excellence and responsibility above and beyond minimum compliance. Through improvements in our analytical and investigative functions, we also want to make it harder for non-compliers to operate and to hold to account those responsible for deliberate and harmful non-compliance,” he said.

Changed functions affecting the gambling sector are:

**Licensing Compliance** – bringing together licensing and audit functions with teams based in Auckland and Wellington. This group will focus more strongly on systems when assessing licence suitability and making the licensing process easier for those societies and venues that are compliant.

**Gambling Compliance** – will focus on non-casino gambling with a focus on turning non-compliance into compliance. It will undertake a range of work to promote compliance, but will also carry out investigative work which may lead to negotiated outcomes, compliance agreements or enforcement sanctions. This group will also be responsible for supporting the Department’s investigative and complaints role under the Private Security Personnel and Private Investigators Act. This group will have offices in Auckland, Hamilton, Wellington, Christchurch, Queenstown, and Dunedin.

**Casino Compliance** – will take a systems view of casino gambling and have a stronger strategic focus on issues of harm and significant areas of risk such as money laundering and organised crime. The group will be organised as two teams based in Auckland and Christchurch, which can call on the support of Gambling Compliance staff in Hamilton, Dunedin and Queenstown. This group will work closely with the Financial Integrity (anti-money laundering) group in Regulatory Services.

**Sector Initiatives** – the small group will focus on innovation and developing opportunities to promote compliance. They will initially have a strong focus on tackling gambling harm and will work closely with regulated parties to promote best practice in tackling issues of harm and increasing benefit to communities.

**Regulatory Investigations** – this group will have a focus on investigating serious, deliberate and harmful non-compliance with a view to ensuring public accountability for non-compliance offending. The group will have investigation teams based in Auckland and Wellington, and the group will work closely with other enforcement agencies to deliver accountability.

**Compliance Analysis** – this group will bring together our intelligence and business analytical expertise to ensure that we have better compliance analysis that informs our priorities for targeting high-risk non-compliance and maximising opportunities to increase benefits to NZ communities.
Trustees reminded of responsibilities

Practising good governance is essential for a successful gambling trust.

Trustees were reminded at the September Regional Forums of the importance of good governance, and the serious responsibility they have. The ‘tone at the top’, with a strong focus on ethics and mindset, was important for how a trust will operate. A trust’s responsibilities extend beyond simply meeting the letter of the law.

There is a duty to meet the objectives of the Gambling Act - to maximise community funding and minimise harm - the foundation for which is set at board level. The role of a board member is an active one, and trustees must demonstrate a very high standard of skill and care.

Simon Arcus and Ralph Chivers from the Institute of Directors outlined some key aspects of trustee responsibility.

It was not sufficient for directors or trustees to rely on independent and management advice. They must turn their minds to the issues they are deciding, applying independent thought and knowledge.

Directors and trustees must make their own decisions and should be able to say:

- I carefully considered all the issues
- I took all the advice a prudent director would take
- I considered this advice in the context of what I know about the company
- I up-skilled and informed myself where I needed to
- I listened to what other directors said
- I made up my own mind
- I didn’t say yes until I had enough confidence it was right.

Simon and Ralph also highlighted some cases arising from recent finance company collapses, which showed that board responsibility went well beyond financial services. They noted that the law in relation to board responsibilities, while unchanged, was now being enforced in a very visible way.

The Department has also discussed with societies the desirability for diversity on boards and rotation of members. Best practice operations require societies to think carefully about board membership ensuring they understand the organisation and its funding practices.

Choosing an operator

Venues should carry out “due diligence” before deciding which society might operate gaming machines on their premises.

This will help venues protect themselves from having to turn their gaming machines off for a period, if the society running their gaming machines is suspended by the Department for breaching gambling laws.

The Department offered some tips to Hospitality New Zealand for its members at this year’s annual conference.

Gambling Compliance Director, Debbie Despard, said some of the questions to ask a society would be:

- How it manages conflicts of interest
- What sort of service might a venue expect for the likes of harm minimisation training, venue supervision, venue layout and signage
- What sanction action and Gambling Commission appeals has a society been involved in; Gambits reports these periodically
- Ask the society to explain any sanction action taken against them and what they have done to rectify breaches; ask to see the society’s most recent audit report
- Is it exhibiting best practice? Recent issues of Gambits have examples of trusts steadily increasing community returns
- Provide a list of grants approved and declined in the last 12 months; Gambits March 2012 published a list of societies’ returns to authorised purposes compared with the legal requirement of 37.12 per cent.

Where a society offers to pay a venue more than their current operator, they should ask how the increase is legally justified.

Similarly, if a venue operator is offered an enhancement to their gaming area they should enquire whether that work can be legally justified.

Debbie said venues should contact the Department if they have any concerns about what is being offered.

(continued next page)
Choosing an operator continued

Suspensions
Suspension is a key enforcement tool for the Department to improve compliance. At least 13 Class 4 operators involving over 500 venues were suspended for various lengths of time in the past two-and-a-half years.

In future, venues affected by the cancellation, suspension or non-renewal of a Class 4 gambling operator’s licence will be copied into the Department’s decision letter.

Venue agreements
Clauses in venue agreements that are outside those required for essential compliance with the law are a matter for negotiation between societies and venue operators.

The following suggestions cannot be treated as a direction from the Department but venues could consider standard clauses and conditions which require the society to:

- advise if the Department issues a proposal or decision to sanction the society such as the suspension, cancellation or refusal to renew a licence
- advise if any of its key people are made bankrupt or convicted of a crime of dishonesty
- state, if it incurs a suspension, or if a key person is made bankrupt or convicted of a crime of dishonesty the venue can choose to terminate the agreement.

Venues should reject clauses requiring them, in the event of sale, to pay damages or find a replacement venue owner for the remainder of a contract.

This will make it easier to find a buyer if they choose to sell their business, and allow incoming venue operators to independently choose a society based on the society’s recent performance.

Prize draws need to be legal

Fishing and sports contests are ingrained in our kiwi culture and competitors love the thought of winning that cash prize. But organisers need to be aware that prize draws, which often accompany competition, tournament and trade show entry fees, have to comply with gambling law.

The Department is aware that many professionally-organised sports competitions and tournaments, such as fishing contests, draw prizes, worth several thousand dollars, for competitors who have paid to enter. Trade and boat shows have also done something similar.

Because these draws involve an element of chance they are gambling and, under the Gambling Act 2003, only non-commercial societies can conduct raffles and draws if prizes are worth over $500 in total.

If the total value of prizes exceeds $5000 then the society needs a licence from the Department for the draw.

Non-commercial clubs and organisations can still have prize draws at their contests or tournaments as long as they keep within the prize limit or obtain a licence from the Department.

Support for problem gamblers
Open 24 hours a day

0800 654 655

Gambling Helpline
NEW ZEALAND
Keep your sweep legal

The Melbourne Cup and other major race meetings on both sides of the Tasman are looming. For those wanting to run an office sweep the advice is simple – keep it small, keep it simple and avoid the risk of problems.

Under the Gambling Act 2003, sweepstakes are a form of Class 1 gambling that can be conducted when:

- The total value of all the prizes offered is no more than $500. This means that the number of horses running will determine how much can be charged for each ticket. If there are 24 horses running, then tickets can be sold for up to $20.83 each
- All of the money is returned as prizes
- No one is paid to run the sweepstake.

Sweepstakes are intended to be small-scale gambling with simple rules.

The rules are mostly to help protect employers, clubs and staff.

If large amounts of cash are being gambled then you need much tighter controls to keep track of the money and prevent it going astray or causing embarrassing arguments.

If people want to place larger bets on the Cup then there are other legal ways of doing that outside of office sweepstakes.

People can run more than one sweepstake at the same office or club but they must keep the money from each separate.

Each sweepstake must pay its own prizes and the total value of all prizes in each sweepstake must not exceed $500.

**Calcuttas**

Societies wanting to run a Calcutta must hold a licence for this activity if the forecast total value of the prize pool exceeds $5000, which is generally the case.

A Calcutta is a prize competition which combines a sweepstake with an auction.

Once horses have been allocated to the participants, they are then auctioned off in an additional fundraising activity. This has the potential to raise large amounts of money.

Half the money raised by the auction as well as half the money raised from the sweepstake ticket sales must, after expenses have been met, be applied to the authorised purposes of the society.

The other half of the funds raised is used for the prize pool for all winners, including those who initially draw a horse and who fail to make the winning bid in the auction to retain ownership.

Remember to apply for a Class 3 operator’s licence in plenty of time, so that it can be processed by the Department before the function takes place.

It can take at least three weeks to process an application.

More detailed information about how to run a Calcutta as well as the rules for running a gambling activity can be found on our website www.dia.govt.nz or by phoning 0800 257 887.

Only charitable societies can run a Calcutta because, under the Gambling Act, gambling is lawful only if it is authorised by the Act – that is, it is conducted as a fundraising activity.

Businesses and individuals cannot run a Calcutta.

If a society is prosecuted successfully for illegal gambling the proceeds of the gambling will be forfeited and future applications involving the society or individuals concerned may also be affected.

An illegal, unlicensed Calcutta was shut down by Christchurch gambling inspectors in November 2008.
Gambling stats revised

Gambling expenditure statistics for the four main forms of gambling – the TAB, NZ Lotteries, pub and club gaming machines and the casino companies – have been revised. The previous figures for 2010 and 2011 did not include the Auckland casino’s international business expenditure. As a result, the revised total reported gambling expenditure was $1,928 million in 2010 and $2,005 million in 2011.

<table>
<thead>
<tr>
<th>GAMBLING SECTOR</th>
<th>2006 ($M)</th>
<th>2007 ($M)</th>
<th>2008 ($M)</th>
<th>2009 ($M)</th>
<th>2010 ($M)</th>
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<tr>
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<td>331</td>
<td>346</td>
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<tr>
<td>TAB Racing &amp; Sports Betting</td>
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<td>269</td>
<td>272</td>
<td>269</td>
<td>278</td>
<td>273</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1977</strong></td>
<td><strong>2020</strong></td>
<td><strong>2034</strong></td>
<td><strong>2028</strong></td>
<td><strong>1928</strong></td>
<td><strong>2005</strong></td>
</tr>
</tbody>
</table>

Actual dollars (non-inflation adjusted) for financial year-end. Totals may differ from the sum of column entries due to rounding.

Venue costs analysis

Societies exist for one purpose – to raise funds for authorised purposes which they hold on trust for the community. Minimising the costs of running gaming machines is essential in ensuring that the maximum is returned to the community through authorised purposes. This means creating efficiencies at every opportunity.

The Department conducted a series of consultations to achieve consistent treatment of Class 4 venue costs and approved 1057 resubmitted Venue Costs Schedules.

An analysis of data from 1048 venues suggests that costs have increased markedly since the introduction of the Gambling Act in 2003. About 65 per cent of venues now have costs that exceed 16 per cent of gaming machine proceeds banked. Societies competing for venues were a likely factor in driving up costs but labour costs have also climbed steeply since 2003, and could be the major contributing factor. While only seven societies are currently required to apply Limit D in reimbursing venues for their costs, this number may increase if venue costs are not able to be effectively contained.

The Class 4 Venue Costs Limits and Exclusions Gazette Notice may appear to limit many venues’ costs. But the effect of the Gazette Notice is to reduce cost reimbursements to venues by just three per cent of overall claimed costs. Venues with high turnover tend to have low relative costs, but they are more likely to have costs limited by the Notice. Conversely, many venues affected by the limits, have low relative costs (well under 16 per cent of GMP). This suggests that further thought needs to be given to how best to frame the Gazette Notice that limits and excludes venue costs.

**Limits A, B, C and D**

**Limit A (gaming machine hourly operating costs)**

The Limit A maximum is linked to the number of gaming machines and the number of hours that they are switched on at a venue. Just over 29 per cent of venues have costs that exceed Limit A. Venues exceeding Limit A by more than 120 per cent of their Limit A maxima tend to be smaller venues with fewer gaming machines. They tend to be open fewer hours and with relatively low GMP and electricity costs. They are also more likely to be in rural areas with an average hourly wage rate claim that is high for tasks performed under Limit A.

**Limit B (gaming machine weekly operating costs)**

Around 18 per cent of venues have costs that exceed Limit B. Venues exceeding Limit B by at least 20 per cent tended to have higher wage and rent costs, operate for more hours, and have higher GMP, but not necessarily the highest levels of GMP banked.

The number of gaming machines impacts to some extent on relative costs. Venues with 10-13 gaming machines have costs that fall within Limit B. This is likely to be related to the level of staffing required to cover gaming machine operations. Wage rates are an issue for venues with only a few gaming machines. This is probably a factor of owner-operators working in the bar and supervising gambling operations.

**Limit C (venue operating costs)**

The distribution of Limit C claims clearly shows that the majority of claims in this category come in much lower than the $800 maxima. Only 3.3 per cent of all venues claimed costs in excess of their Limit C maxima. Most venues had high levels of GMP banked, long operating hours, 18 machines, high security costs, and at least one high wage rate.

**Limit D (maximum payable annually from a society’s GMP)**

Limit D applies at the society level and only seven societies are currently impacted. Venues whose payable costs exceeded Limit D by the greatest amount (at least 175 per cent of their 16 per cent Limit) were likely to have fewer machines, operate for fewer hours, have lower GMP, and be smaller both in terms of gambling area and as a proportion of the entire venue. These venues had payable costs that were likely to exceed Limit A by more than 20 per cent, more likely to exceed Limit B, and had lower labour costs under Limit C. Urban venues with higher paid staff members were much less likely to have payable costs exceeding 16 per cent of GMP (ex GST).

(How to remain compliant with Limit D page 8)
How to remain compliant with Limit D

The Gazette Notice: Limits and Exclusions on Class 4 Venue Costs Notice (17 July 2008) requires corporate societies to keep their total venue cost payments to venue operators within 16 per cent of Gaming Machine Proceeds (GMP).

The Venue Costs Resubmission Project showed that venue operating costs have increased significantly since the Gambling Act 2003 came into force. While only seven societies have exceeded Limit D, the number could increase.

The July 2012 issue of Gambits highlighted the level of sanctions for Limit D breaches; the Department is suggesting some strategies to help societies manage their obligations.

**Venue agreements**

Societies are responsible under the Gambling Act for establishing venue agreements. They must also, under section 52, “maximise the net proceeds from the Class 4 Gambling and minimise the operating costs of that gambling”. The Department was surprised that some venue agreements had claimable costs that exceeded the venue’s GMP. In fact, 65 per cent of all venue costs exceed 16 per cent of GMP, indicating a serious decline in Class 4 sector cost effectiveness.

All societies must carefully examine all claimed costs. Where costs represent an unreasonably high proportion of the money earned from gambling, the society should manage them down. This could include removing some of a venue’s gaming machines (while not necessarily adversely affecting GMP), limiting gambling operating hours (which again may not impact adversely on GMP banked) and reducing claimable costs in the schedule, commensurate with the GMP likely to be banked by the venue.

It is much easier to manage costs down when a venue agreement is being negotiated, than reducing claims later to stay within Limit D. All Class 4 societies must minimise costs and the requirement to implement Limit D may indicate a society’s venue management is poor.

**Reimbursing costs**

Limit D allows for venues with proportionately higher costs relative to GMP to be subsidised by venues with lower costs. This reflects the reality of scale efficiencies and variation in management effectiveness that occurs in any activity. Societies must, however, be able to limit payable costs to venues when the sum of all claimed costs exceeds 16 per cent of total GMP banked for the society. Several strategies could be used to limit costs:

1) Pay all venues to a maximum of 16 per cent of GMP (assuming that this is less than the maximum amount specified in the venue cost schedule) and then prioritise the payment of any balance to those venues with costs that least exceed 16 per cent of GMP banked. Some venues with costs that just exceed 16 per cent would be paid, while other venues with higher cost structures would receive nothing over the 16 per cent. This option could encourage venues to minimise costs in their venue costs schedule.

2) Pay all venues to a maximum of 16 per cent of GMP (assuming that this is less than the maximum amount specified in the venue cost schedule) and then prioritise payment of the balance to those venues with the highest level of GMP banked. Some venues would be paid for costs over 16 per cent of GMP and others would receive no additional payment. This option would incentivise venues to maximise GMP for return to the community (but not necessarily encourage minimisation of costs). This option may require more attention to harm minimisation policies.

3) Pay all venues to a maximum of 16 per cent of GMP (assuming that this is less than the maximum amount specified in the venue cost schedule) and then pay the claim balance pro rata for those venues with costs that exceed 16 per cent of GMP. Under this option all venues with costs that exceed 16 per cent of GMP are treated similarly, with a pro-rata payment that is in proportion to their costs. This option may not adequately encourage venues to contain costs within 16 per cent of GMP.

Other payment regimes may be possible, including a policy that maximised community benefit (combining options 1 and 2 in some manner). It is important that well thought through policies for venue costs reimbursement are developed by any society needing to apply Limit D and that these policies are communicated to venues to ensure that due process is maintained.

**Conclusion**

The Department believes that adopting a clear policy on applying Limit D, communicated in advance to all licensed and prospective venues would encourage a stable environment with fewer incentives for venues to change operator. Societies gain most from ensuring that claimed costs are minimised when entering into a venue agreement. This requires carefully scrutinising all claimed costs and considering the venue’s claim alongside the GMP banked, or likely to be banked. The Department is happy to help societies work through these issues.
Four Winds Foundation Limited and Infinity Foundation Limited have reached agreement with the Department for each society to suspend its operations for three days for, respectively, failing to minimise costs and distribute GMP only to authorised purposes.

Both societies also committed to continue to work with the Department to achieve good positive outcomes. Gambling Compliance Director, Debbie Despard, is encouraged that societies continue to work with the Department to achieve results which ultimately will benefit the community.

Debbie Despard said the successful end to negotiations shows the Department is prepared to be flexible in order to achieve maximum compliance.

“Where operators are willing to work with us, even in the face of non-compliance, we will weigh up the options in the context of likelihood of future compliance,” Debbie Despard said.

“We engaged with the societies over the results of audits and both sought to resolve issues so that they could continue to operate.”

By working through this together, the Department, and both Infinity Foundation Limited and Four Winds Foundation Limited, have been able to turn non-compliance into compliance and set high expectations for the future.

TTCF Ltd lifts performance

The Trusts Community Foundation Ltd, established following the windup of The Trusts Charitable Foundation Inc, has committed itself to work more closely with the Department to improve compliance with the Gambling Act.

A recent audit of TTCF Ltd showed few compliance issues but the company, in meetings with Gambling Compliance, has discussed ways of improving the company’s performance and its relationship with the Department.

The society has made considerable progress since the Gambling Commission suspended the old TTCF Inc in 2010 for using pokie money to compete for venues and unnecessary entertainment expenditure.

The not-for-profit TTCF Ltd is now returning much more to the community in grant money – the current return to authorised purposes is 46.6 per cent. It is also gradually changing its board of directors. The company is introducing a retirement rotation policy, as a result of which two directors have retired so far, and licensing trust-nominated directors will be linked to the local bodies’ three year electoral cycle. An independent director will be appointed to bolster board competencies, skills and diversity.

The new society also now has clearer policy and processes in place to ensure venue operators do not receive credit for TTCF Ltd grants.

Following the windup of TTCF Inc more than $700,000 was recovered by the trustees and has been returned to the community funding pool, including previous grants that were not spent on the stated purpose or were no longer needed. These were redistributed as part of the former trust’s windup including $219,000 to Wellington Neonatal Trust and $489,657.21 to the Totara Hospice South Auckland (to double the size of the hospice).

Gambling Compliance Director, Debbie Despard, welcomed the approach taken by TTCF Ltd. “The recovery they have made is a good example of what is expected of a society and the Department looks forward to supporting TTCF Ltd maintain progress.”
The news media have featured claims that the Department failed to deal adequately with complaints about the TTCF’s operations.

The Department provided a full explanation to the OAG about its investigation and the reasons for not prosecuting.

The OAG said it had advised a complainant that the Department acted reasonably both in the way it carried out its investigation and in its decision not to prosecute TTCF under the Gambling Act 2003.

Auditor-General satisfied with investigation

The Office of the Auditor-General is satisfied with the Department’s investigation into The Trusts Charitable Foundation (TTCF).

Gaming machine trustee convicted for theft

A former South Auckland gaming machine society trustee has been convicted of stealing almost $364,000 of pokie machine money that should have gone to the community.

Alvin Shane Cosgrave, 66, of Hunua, a former trustee of the defunct South Auckland Charitable Trust (SACT), changed his plea to guilty on seven charges of theft on day three of his trial (15 Aug) in the Manukau District Court. He will be sentenced on 14 November.

In September 2007 the Department of Internal Affairs decided not to renew SACT’s gambling operator’s licence because the trust’s financial viability was doubtful and Mr Cosgrave was conflicted by managing the trust’s day-to-day activities while maintaining his role as a trustee. The trust sold its operation to the Lion Foundation and said it would stop operating on 30 June 2008.

On 30 November 2007, aware that its gambling licence was not going to be renewed, the trust entered into a management agreement with Mr Cosgrave’s company, Integrated Commercial Solutions Ltd (ICS). The agreement was drawn up, under Mr Cosgrave’s instructions, on favourable terms to ICS providing for compensation of $681,584.10 should the trust cease gambling operations.

An Internal Affairs’ forensic accountant reviewed the trust’s financial statements for the last 13 months of its gaming activities and found that many of the costs paid to Mr Cosgrave and ICS were not actual, reasonable and necessary expenses incurred in conducting gambling, the court was told. They also included costs for Mr Cosgrave’s pub and restaurant, the Clendon Inn in Manukau City, and the lease of a vehicle by ICS.

Internal Affairs’ Gambling Compliance Director, Debbie Despard, welcomed the conviction:

“Gaming machine society trustees are responsible for ensuring that the maximum amount possible is returned to the community. The money involved in this case should have been distributed as grants to the community. The Gambling Act makes it clear that the purpose of gambling is to benefit communities and those involved with running gaming machines in pubs and clubs are entitled only to costs that are actual, reasonable and necessary. We will go after deliberate non-compliance which harms communities.”

In April 2011 a High Court Judge ordered Mr Cosgrave and ICS to repay to the Secretary for Internal Affairs $975,629.39 after the Department took a civil action under section 112 of the Gambling Act 2003 to recover money improperly paid.
Venue host responsibility a priority

Gambling harm management is a key priority at venues.

Societies need to ensure their venues conduct regular, robust training in problem gambling awareness for staff. Field officers or venue liaison staff must maintain close oversight of venues to ensure that harm minimisation trained personnel are present when gambling is offered. Venues themselves must ensure their staff are harm-min trained and in particular know how to issue exclusion orders.

Self-exclusion can be very effective for people experiencing gambling harm. They can ask a venue manager to ban them for two years and the venue must take action if they try to re-enter; in many areas now problem gamblers can also ask to be signed up to a multi-venue exclusion order.

In a recent decision, Pub Charity had its gaming machine operator’s licence for McGinty’s Turf and Sports Bar, Huntly, suspended for two days because the sole staff member on duty did not know how to issue a self-exclusion order to a problem gambler.

Although Pub Charity had provided the venue with a comprehensive gaming manual, including problem gambling awareness material, the staff member had not received any previous gambling awareness training. Further, although a Pub Charity field representative called at the venue monthly he did not ask about staff changes; so Pub Charity did not know that the staff member concerned was employed by the venue.

The case, heard by the Gambling Commission on appeal, emphasises gambling trusts’ responsibilities to ensure bar staff are adequately trained to deal with problem gambling.

Regulation 12 of the Gambling (Harm Prevention and Minimisation) Regulations 2004 makes the society responsible as a principal for both the training and for staffing arrangements. The regulation is breached whenever there is no trained person on duty. But if an operator can show that non-compliance occurred despite its best endeavours then there should not be punitive consequences, according to the Commission’s decision.

In the Sail and Anchor case (GC10/12, reported in Gambits July 2012) the need for proper supervision of venues was highlighted. Poor gaming room supervision could also put a venue gambling licence at risk. The Department expects access to venue gambling areas to be clearly monitored at all times to minimise harm and prevent access by minors. Gambling inspectors are available to advise venues on how best to overcome access issues and gambling harm awareness.

The two cases highlight the need for societies to have good oversight of venue performance in relation to host responsibility. Society field officers play an important role in supporting venues in this area and compliance with harm minimisation requirements is a reflection of the support and training that is provided at society level.

Galaxy loses pokie licence

Pokie machines at Otara’s Galaxy Function Centre were shut down after the Gambling Commission confirmed Internal Affairs’ decision to cancel the venue’s gaming machine licence.

The Department cancelled the gambling licence in May because it considered the venue was being used mainly for the operation of gaming machines. The venue operator, KTJ Investment Ltd, appealed the decision to the Gambling Commission and the law allowed it to continue operating the venue’s 18 gaming machines in the interim. The Department submitted that gaming turnover greatly exceeded bar sales and Galaxy’s business would not be sustainable without the revenue it received under its venue agreement with gaming machine operator The Lion Foundation.

The Commission said each time the Department or Police visited Galaxy, gaming machine patrons often considerably outnumbered other patrons. The degree of non-compliance was substantial and suspension of the licence was not a practical remedy. Regulatory Services General Manager, Maarten Quivooy, said the Commission’s decision endorsed the enforcement action the Department took after a thorough and lengthy investigation. “This case demonstrated that the Department will actively pursue and prosecute non-compliance which is deliberate and harmful to communities,” he said.
Pokie operations to be suspended

Internal Affairs has decided to suspend a gaming machine operator’s licence for six days for failing to distribute sufficient grant money to the community.

But the Constellation Communities Trust, which operates 18 gaming machines at Onehunga’s Trident Tavern and nine at Mairangi Bay’s Punt n Pass Sports Bar, is appealing the suspension to the Gambling Commission and can continue gaming machine operations pending a result.

Gambling Compliance Director, Debbie Despard, says Constellation failed to distribute the legal minimum of 37.12 per cent of gaming machine proceeds to authorised purposes in the financial years 2008-2010.

“As a result, the community missed out on more than $48,500,” Debbie Despard said. “The offending was aggravated by the fact that the trust ignored our warning and unnecessarily spent more than $14,000 in renovations at a bar it wanted as a venue for its gaming machines. It also increased trustees’ annual expenses by almost $13,000 during the period it failed to distribute the minimum required under the Gambling Act 2003.

“Internal Affairs has made it very clear to societies that it expects them to distribute 37.12 per cent of gaming machine proceeds as a first, and not a last priority. Constellation Communities Trust deliberately decided not to do so - and placed remunerating its grants trustees and securing venues as a priority above its obligations to the community under the Act. As such they will now be held accountable for deliberate non-compliance which harms communities.”

Changing from Inc to Ltd

Class 4 operator licence holders changing their legal structure, often from an incorporated society to a limited liability company, must meet certain requirements in the process.

During the transition both legal entities are obliged to separately achieve at least the minimum annual return to the community of 37.12 per cent of gaming machine profit (GMP) and not breach the 16 per cent Limit D threshold for payments to venue operators.

The obligation to achieve at least the minimum return to community is a first and foremost priority. Any Class 4 operator, unable to achieve at least this minimum level of return, places its licence at risk.

The new entity is also obliged to finance the purchase of any new equipment used in the gaming operation. This does not extend to the “old” entity lending money to the new entity – money-lending is not an actual, reasonable and necessary (ARN) expense and would be a clear breach of the Gambling Act. The Department will deal with any breaches identified.

IGP update

It has been a while since anything was published about the Integrated Gambling Platform (IGP) Project. But that is about to change.

Work continues developing IGP. Confirmed delivery timeframes should be available in the next month. Various complexities emerged during development causing delays. The additional time has been necessary to ensure that IGP delivers critical functionality for the system.

The IGP Project has some new faces:

• Alison Barrett, Director Operations Support, has joined the IGP Project Steering Committee
• Kamini Pather, Senior Business Advisor, is the new IGP Business Readiness Manager.

As the Department moves to the implementation phase, expect to hear from them regularly as they work with the sector to prepare for the impacts of IGP. Communication will be via Gambits, the Department’s website, Gambling Regional Forums and dedicated IGP Readiness Seminars. You can send specific questions about IGP to:  igp@dia.govt.nz
Banking GMP over Christmas/New Year

The Department has been asked about the banking of venues’ gaming machine profits (GMP) over Christmas and New Year, and on provincial holidays.

The term working day is defined in the Interpretation Act 1999: Working day means a day of the week other than—

(a) a Saturday, a Sunday, Waitangi Day, Good Friday, Easter Monday, Anzac Day, the Sovereign's birthday, and Labour Day; and

(b) a day in the period commencing with 25 December in a year and ending with 2 January in the following year; and

(c) if 1 January falls on a Friday, the following Monday; and

(d) if 1 January falls on a Saturday or a Sunday, the following Monday and Tuesday.

For this Christmas and New Year the banking due dates are:

• For GMP generated 10 -16 December 2012, the banking is due 21 December 2012

• For GMP generated 17 - 23 December 2012, the banking is due 8 January 2013

• For GMP generated 24 - 30 December 2012, the banking is due 9 January 2013

• For GMP generated 31 December - 6 January 2013, the banking is due 11 January 2013

Provincial holidays are deemed to be working days. Subsequently there is no dispensation from counting them as day one (when on a Monday) or day five (when a Friday).

Where the five working day period for banking GMP clashes with these holidays, the Department does however expect societies to be proactive to ensure that venues bank the preceding week’s GMP well in advance of the requirement.

Not only will this alleviate any monitoring issues for societies over the holiday period, it will also address any security issues around large amounts of cash being left on the premises longer than necessary.

Jackpot systems

Irrespective of the type of jackpot system operated at a venue, venue managers and service technicians are reminded of the need to ensure that jackpot-linked gaming machines are participating correctly in the jackpot.

Particularly when changes are made to gambling equipment, such as repairs or different or new hardware or software is installed or machines relocated, it is essential to check that proper communication between gaming machines and the jackpot system is maintained or restored.

This means that:

• The participating machines’ jackpot identification/port numbers are correct and

• The gaming machines’ turnover is being recognised and captured by the jackpot controller.

With non-downloadable jackpots, it is a simple matter to check the EMS Daily Jackpot Data report. This will immediately highlight any significant differences in the “Variance” column.

Downloadable systems, not connected to EMS, should still offer some means of checking the gaming machine configuration and contributions, whether through system reports or additional programmes or applications or even by checking for the presence of an ‘on screen’ display.

Where a machine or machines are found to be not contributing to the jackpot they can still be played - as long as appropriate notices make clear to players that they are not connected and therefore not eligible to win any jackpot prizes.

Any jackpot or gaming machine faults that may impact upon the proper operation of a jackpot system must be investigated in accordance with Game Rules 72 to 76 and 122. In some cases this may mean shutting down all game play until a technician can attend.
Game Rule 50: Rounding of monetary values

The number of incidents involving the rounding up or down of cancelled credits and jackpot prizes at venues has increased.

Many of the complaints to the Department concern prize values being rounded down to the dollar value, with the cents portion of the prize being withheld. The Gambling Act (Class-4) Game Rules 50 outlines the action that venue staff must take when rounding prize payouts.

The amount, in dollars and cents, of any prize payable in cash must be rounded to the nearest 5 cents until such time as the 5 cent coin ceases to be legal tender, in which case it must be rounded to the nearest 10 cents. When investigating instances of this ‘rounding down’ practice it was concerning to note that the residual prize value was not credited to the weekly GMP banking as an adjustment. Venue operators and staff must ensure that players are paid correctly.

Commission refuses costs

The Gambling Commission declined to award costs to the Tauranga Filthy Few Motorcycle Club against the Department.

The Department declined the club’s application to run a lottery but withdrew the decision after considering further information provided by the Filthy Few in its appeal to the Commission.

The Commission found that there was nothing to indicate that the Department had conducted itself in a way to justify an award of costs. It had previously observed that the Secretary may well reassess an earlier decision during an appeal and is generally to be commended for doing so.

“This is what the Secretary has done in this case and it is not something which the Commission considers should be discouraged,” the Commission said.

Gambling Commissioners reappointed

Internal Affairs Minister Chris Tremain announced the reappointment of two members of the Gambling Commission - Graeme Reeves as Chief Gambling Commissioner and Paul Stanley as Gambling Commissioner. Both Commissioners’ terms are for three years.

“The reappointments will retain valuable governance experience and skills. Mr Reeves, of Wellington, will continue to provide his legal expertise and strategic analysis experience, while Mr Stanley, of Tauranga, will provide Maori and health sector perspectives,” Mr Tremain said.

The Gambling Commission is an independent statutory decision-making body. The Commission hears casino licensing applications, and appeals on licensing and enforcement decisions made by the Secretary of Internal Affairs in relation to gaming machines and other non-casino gambling activities.

The other Commissioners are Russell Bell of Whanganui, Abigail Foote of Christchurch and Lisa Hansen of Wellington.
Gambling Compliance Court Cases

The following is a summary of gambling compliance cases resolved before the courts since September 2011.

<table>
<thead>
<tr>
<th>NAME OF OTHER PARTY</th>
<th>COURT/TRIBUNAL</th>
<th>TYPE OF CASE</th>
<th>RESOLUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trillian Trust</td>
<td>High Court</td>
<td>Judicial review of the Department’s decision to suspend the Trust’s operator licence.</td>
<td>The decision to suspend was quashed and the matter remitted back to the Department for reconsideration.</td>
</tr>
<tr>
<td>Appellant:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV Works</td>
<td>Court of Appeal</td>
<td>It was determined in the District Court that advertising for the Asia Pacific Poker Tour on TV Works Ltd’s TV3 and C4 was not publicising or promoting gambling in terms of the Gambling Act 2003. TV Works argued that participants were playing for a prize and not gambling. The High Court reversed the District Court determination. TV Works then appealed to the Court of Appeal.</td>
<td>The Court of Appeal dismissed TV Works’ appeal. TV Works was ordered to pay the Department’s appeal costs.</td>
</tr>
<tr>
<td>Defendant:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kevin Martin Coffey</td>
<td>Auckland District Court</td>
<td>As a key person in relation to a class 4 operator’s licence, Mr Coffey was charged with knowingly offering a benefit (favourable consideration of grant applications) to a potential grant recipient, Counties Manukau Bowls (“CMB”). (This case is related to the one below concerning Henry Gibbons).</td>
<td>The Court accepted that Mr Coffey had knowingly offered a benefit to CMB. The Court was not satisfied that the receipt of the benefit had an indirect condition attached to it, and dismissed the charges.</td>
</tr>
<tr>
<td>Noel Henry Gibbons</td>
<td>Manukau District Court</td>
<td>Mr Gibbons was charged with obtaining $605,550 by deception and of using forged documents. In order to increase potential grants he implemented a scheme by which constituent clubs or CMB itself would invest indirectly in gaming machine venues. He then obtained grants from gaming machine societies for “bowling green maintenance” but some of the money was used to repay loans unlawfully for the purchase of pubs.</td>
<td>Mr Gibbons pleaded guilty to one charge of deception and three representative charges of using forged documents. He was sentenced to six months’ community detention.</td>
</tr>
<tr>
<td>David Boyd Foote</td>
<td>Tokoroa District Court</td>
<td>Mr Foote was chairman of Tokoroa’s Southern United Rugby Football Club, and, joint director and shareholder of a local bar where the Grassroots and Producers Trusts operated gaming machines. Mr Foote organised grants for the club of almost $418,000 from these trusts between January 2006 and June 2010. He was also involved in arranging and presenting quotes used to account for the grant money. He pleaded guilty to 11 charges involving forgery, making false documents and ‘key person’ offences.</td>
<td>Mr Foote was convicted on all 11 charges and fined a total of $750.00.</td>
</tr>
</tbody>
</table>
## Sanction Decisions

### LIST OF DECISIONS RELATING TO SANCTIONS IMPOSED BY THE DEPARTMENT FROM 1 JANUARY 2012 TO 30 JUNE 2012

<table>
<thead>
<tr>
<th>OPERATOR</th>
<th>LICENCE TYPE</th>
<th>PROPOSED SANCTION</th>
<th>BREACH/REASON</th>
<th>DATE OF DECISION OR PROPOSAL</th>
<th>OUTCOME/STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pockets 8 Ball Club Inc.</td>
<td>Class 4 venue licence</td>
<td>The Secretary proposed to cancel the venue licence for Mavericks Bar.</td>
<td>Key person suitability (venue manager), late banking, providing false and misleading information and conducting non-compliant gambling.</td>
<td>22 November 2011</td>
<td>Change of venue operator. Licence cancellation withdrawn.</td>
</tr>
<tr>
<td>Grassroots Trust</td>
<td>Class 4 operator’s licence</td>
<td>The Secretary decided to cancel the society’s licence.</td>
<td>Failure to distribute 37.12% of proceeds, exceeding Limit D, and, making grants on the understanding that they would be approved in respect of net proceeds that would be available in the future.</td>
<td>20 December 2011</td>
<td>Grassroots appealed to the Gambling Commission and sought judicial review in the High Court. (see Gambling Commission Appeals Table)</td>
</tr>
<tr>
<td>Infinity Foundation Ltd</td>
<td>Class 4 venue licence</td>
<td>The Secretary proposed to add a condition, regarding access, to the venue licence for Tommo’s at the Lodge.</td>
<td>The possibility of access to gambling areas by under age and excluded persons not minimised.</td>
<td>9 January 2012</td>
<td>Licence surrendered, venue closed.</td>
</tr>
<tr>
<td>The Lion Foundation</td>
<td>Class 4 venue licence</td>
<td>The Secretary decided to cancel the venue licence for the Happy Japanese Restaurant, formerly Jaya Restaurant and Bar.</td>
<td>Key person suitability (venue manager).</td>
<td>22 March 2012</td>
<td>Change of venue operator. Licence cancellation withdrawn.</td>
</tr>
<tr>
<td>Trillian Trust</td>
<td>Class 4 operator’s licence</td>
<td>The Secretary decided to suspend the society’s licence for one day.</td>
<td>Exceeding Limit D.</td>
<td>18 April 2012</td>
<td>The Trust sought judicial review. The Gambling Commission quashed the decision and the matter was remitted back to the Secretary for reconsideration.</td>
</tr>
<tr>
<td>The Lion Foundation</td>
<td>Class 4 venue licence</td>
<td>Cancellation of the venue licence for the Galaxy Function Centre</td>
<td>Venue mainly used for the operation of gaming machines.</td>
<td>8 May 2012</td>
<td>Appealed to the Gambling Commission by KTJ Investments Ltd – Galaxy Function Centre.</td>
</tr>
<tr>
<td>The Southern Trust</td>
<td>Class 4 venue licence</td>
<td>The Secretary proposed to cancel the venue licence for the Springfield Hotel.</td>
<td>Late banking.</td>
<td>8 June 2012</td>
<td>Licence surrendered.</td>
</tr>
</tbody>
</table>
### Gambling Commission Appeals

#### Breakdown of Appeals that are Currently in Process as at 31 August 2012

<table>
<thead>
<tr>
<th>Operator and/or Venue</th>
<th>Department Decision</th>
<th>Appeal (Current)</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cuesports Foundation Limited</td>
<td>The Secretary decided to cancel the society’s Class 4 operator licence on three grounds: failing to distribute at least 37.12 per cent of its net proceeds; failing to maximise net proceeds and minimise operating costs; and lack of satisfaction about the suitability of two directors of the Foundation as “key persons”.</td>
<td>The Foundation appealed the decision to the Gambling Commission on the grounds that the Secretary’s decision was the result of error of fact and law.</td>
<td>In process.</td>
</tr>
<tr>
<td>Bluegrass Holdings Limited</td>
<td>The Secretary refused to amend the society’s Class 4 operator licence to add a new key person. Following investigations, the Secretary could not be satisfied about the suitability of the person in question.</td>
<td>The society appealed the decision to the Gambling Commission on the grounds that the Secretary’s decision was the result of error of fact and of law.</td>
<td>In process.</td>
</tr>
<tr>
<td>Constellation Communities Trust Incorporated</td>
<td>The Secretary decided to suspend the society’s Class 4 operator licence on the grounds that it was failing to distribute at least 37.12 per cent of its net proceeds.</td>
<td>The Society appealed the decision to the Gambling Commission on the grounds that the Secretary’s decision was the result of an error of law.</td>
<td>In process.</td>
</tr>
</tbody>
</table>

#### Breakdown of Appeals that Have Been Resolved Recently

<table>
<thead>
<tr>
<th>Operator and/or Venue</th>
<th>Department Decision</th>
<th>Appeal (Closed)</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pub Charity Incorporated – McGinty’s Turf and Sports Bar</td>
<td>The Secretary decided to suspend the venue licence for one day following a breach of Regulation 12 of the Harm Prevention and Minimisation Regulations 2004.</td>
<td>The Society appealed on the grounds that it did not breach Regulation 12.</td>
<td>On 14 July 2012 the Gambling Commission decided that Regulation 12 imposes a strict obligation to provide sufficient problem gambling awareness training to venue personnel and to have arrangements in place with venue owners, so as to ensure that a trained person is always present. The licence suspension was confirmed and extended by one more day.</td>
</tr>
<tr>
<td>First Sovereign Trust</td>
<td>The Secretary decided to refuse to renew the Class 4 operator’s licence for 09/10. The Secretary is not satisfied that costs are being minimised and also has concerns with key person suitability.</td>
<td>The Society appealed to the Gambling Commission arguing that the decision was incorrect.</td>
<td>Sovereign Trust withdrew its appeal, and on 18 September 2012, it surrendered its Class 4 operator’s licence.</td>
</tr>
<tr>
<td>First Sovereign Trust</td>
<td>The Secretary decided to refuse to renew the Class 4 operator’s licence for First Sovereign Trust 10/11. The Secretary was not satisfied that the society was incurring costs that were actual, reasonable and necessary. Nor was it satisfied that costs had been minimised, particularly venue costs. Furthermore, the Secretary had concerns with key person suitability.</td>
<td>The Society appealed to the Gambling Commission arguing that the decision is erroneous and contrary to the purpose and intention of the Act.</td>
<td>As above.</td>
</tr>
<tr>
<td>Trillian Trust Incorporated – Brewers Bar, Nelson</td>
<td>The Secretary decided to cancel Trillian Trust’s Class 4 venue licence for Brewer’s Bar. This was subsequent to a judicial review brought by the Nelson Gambling Taskforce concerning Nelson City Council’s consent process.</td>
<td>Trillian Trust appealed the Secretary’s decision to the Gambling Commission on the grounds that the Secretary did not have discretion to cancel in the circumstances.</td>
<td>On 13 July 2012, the Gambling Commission confirmed the Secretary’s decision. The licence was cancelled on 3 August 2012.</td>
</tr>
<tr>
<td>OPERATOR AND/OR VENUE</td>
<td>DEPARTMENT DECISION</td>
<td>APPEAL (CLOSED)</td>
<td>UPDATE</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------</td>
<td>-----------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Southern Trust Incorporated – The Sail and Anchor, Timaru</strong></td>
<td>The Secretary decided to amend the venue licence by adding a condition requiring closure of an internal access door to the gaming area.</td>
<td>The Society appealed the decision to the Gambling Commission arguing the decision was erroneous and contrary to the purpose and intention of the Act.</td>
<td>On 10 May 2012 the Gambling Commission confirmed the Secretary’s decision and amended the licence condition so that the front entrance of the venue could be either closed or staffed to control the access door.</td>
</tr>
<tr>
<td><strong>Bula Ba Limited Hiptonix</strong></td>
<td>The Secretary decided to cancel the venue licence for Hiptonix following a routine inspection of the premises. The Secretary was concerned with the failure to comply with licence conditions and the main use of the venue.</td>
<td>The venue operator appealed the decision on the basis that it should not be held responsible for any failure of licence conditions, and, on the grounds that all other matters could be remedied.</td>
<td>On 16 March 2012 the Gambling Commission dismissed the venue operator’s appeal. The licence was canceled.</td>
</tr>
<tr>
<td><strong>Grassroots Trust</strong></td>
<td>The Secretary decided to cancel the Class 4 operator’s licence – failure to meet 37.12 per cent and concurrent failure to meet Limit D.</td>
<td>The Trust appealed the decision on the basis that the breaches are of regulations rather than the Gambling Act and are not subject to the sanctions afforded under section 58 of the Act. The Trust also argued that the decision was not consistent with previous decisions made by the Secretary.</td>
<td>The Secretary initially decided to cancel the Trust’s licence in December 2011 after an audit revealed compliance breaches. The Trust sought judicial review in the High Court. As part of a negotiated outcome the Trust ceased High Court action and its appeal to the Gambling Commission. The Secretary withdrew licence cancellation.</td>
</tr>
<tr>
<td><strong>KTJ Investment Limited – Galaxy Function Centre</strong></td>
<td>The Secretary decided to cancel the Class 4 venue licence of the Galaxy Function Centre on the grounds that the venue was being used mainly for operating gaming machines.</td>
<td>KTJ appealed to the Gambling Commission on the basis that the venue was not used mainly for operating gaming machines.</td>
<td>On 14 September 2012, the Gambling Commission dismissed KTJ Investment Limited’s appeal.</td>
</tr>
<tr>
<td><strong>Pub Charity Incorporated.</strong></td>
<td>The Secretary decided to impose a one day suspension to the society’s Class 4 operator’s licence for a breach of Limit D.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the decision was based on disputed facts that were under court consideration.</td>
<td>On 17 February 2012, the Gambling Commission dismissed the society’s appeal.</td>
</tr>
<tr>
<td><strong>Hells Angels Nomads Motorcycle Club Incorporated</strong></td>
<td>The Secretary decided to refuse to grant a Class 3 operator’s licence to Hell’s Angels Nomads Motorcycle Club Incorporated.</td>
<td>The Club appealed the decision to the Gambling Commission. It argued the conclusion that key persons were not suitable was wrong. It also argued that the Secretary acted outside the scope of the Gambling Act 2003 in placing weight on other members not actively involved in the application while not applying sufficient weight to previous approved applications.</td>
<td>The Gambling Commission was not satisfied about the suitability of the Appellant, its officers and the organiser of the gambling. It dismissed the appeal on 17 February 2012.</td>
</tr>
</tbody>
</table>
Gaming machine numbers and expenditure down

Gaming machine expenditure in the year ended 30 June 2012 fell $2 million to $854 million. There were also fewer gaming machines, licence holders and venues.

ANNUAL NON-CASINO GAMING MACHINE EXPENDITURE
JUNE 2000 - JUNE 2012

Spending of $208.5 million in the second quarter of 2012 was 5 per cent less or $11.4 million than in the same period of 2011 but 2.4 per cent up on the $203.7 million for the first three months of this year.
Gaming machine numbers and expenditure continued

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

<table>
<thead>
<tr>
<th>SOCIETY TYPE</th>
<th>TOTAL GMP QUARTER</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON-CLUB</td>
<td>184,122,548.03</td>
<td>86.8%</td>
</tr>
<tr>
<td>Sports Clubs</td>
<td>3,741,520.56</td>
<td>1.8%</td>
</tr>
<tr>
<td>Chartered Clubs</td>
<td>16,969,661.17</td>
<td>8.0%</td>
</tr>
<tr>
<td>RSAs</td>
<td>7,328,869.05</td>
<td>3.5%</td>
</tr>
<tr>
<td>TOTAL CLUB</td>
<td>28,040,050.78</td>
<td>13.2%</td>
</tr>
<tr>
<td>TOTAL ALL</td>
<td>212,162,598.81</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

GAMBITS’ EDITOR

If you have any questions about articles in Gambits, would like further information or have comments about what information we could provide to make Gambits more useful to you, please contact: Trevor Henry

Telephone: 04 495 7211 or 021 245 8642

Email: trevor.henry@dia.govt.nz
Nationwide there were fewer gaming machines, venues and licence holders compared with a year earlier – 17,943 gaming machines (18,309 at 30 June 2011), 1400 venues (1421) and 361 licence holders (364).

### LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

<table>
<thead>
<tr>
<th>DATE</th>
<th>LICENCE HOLDERS</th>
<th>VENUES</th>
<th>GAMING MACHINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2012</td>
<td>361</td>
<td>1400</td>
<td>17,943</td>
</tr>
<tr>
<td>31 March 2012</td>
<td>359</td>
<td>1403</td>
<td>18,001</td>
</tr>
<tr>
<td>31 Dec 2011</td>
<td>360</td>
<td>1410</td>
<td>18,133</td>
</tr>
<tr>
<td>30 Sept 2011</td>
<td>360</td>
<td>1409</td>
<td>18,167</td>
</tr>
<tr>
<td>30 June 2011</td>
<td>364</td>
<td>1421</td>
<td>18,309</td>
</tr>
<tr>
<td>31 March 2011</td>
<td>365</td>
<td>1430</td>
<td>18,484</td>
</tr>
<tr>
<td>31 Dec 2010</td>
<td>367</td>
<td>1443</td>
<td>18,681</td>
</tr>
<tr>
<td>30 Sept 2010</td>
<td>369</td>
<td>1438</td>
<td>18,601</td>
</tr>
<tr>
<td>30 June 2010</td>
<td>370</td>
<td>1455</td>
<td>18,944</td>
</tr>
<tr>
<td>31 March 2010</td>
<td>374</td>
<td>1470</td>
<td>19,115</td>
</tr>
<tr>
<td>31 Dec 2009</td>
<td>378</td>
<td>1491</td>
<td>19,359</td>
</tr>
<tr>
<td>30 Sept 2009</td>
<td>377</td>
<td>1486</td>
<td>19,296</td>
</tr>
<tr>
<td>30 June 2009</td>
<td>384</td>
<td>1501</td>
<td>19,479</td>
</tr>
<tr>
<td>31 March 2009</td>
<td>394</td>
<td>1527</td>
<td>19,739</td>
</tr>
<tr>
<td>31 Dec 2008</td>
<td>399</td>
<td>1537</td>
<td>19,879</td>
</tr>
<tr>
<td>30 Sept 2008</td>
<td>405</td>
<td>1551</td>
<td>20,025</td>
</tr>
<tr>
<td>30 June 2008</td>
<td>415</td>
<td>1552</td>
<td>19,856</td>
</tr>
<tr>
<td>31 March 2008</td>
<td>421</td>
<td>1569</td>
<td>20,018</td>
</tr>
<tr>
<td>31 Dec 2007</td>
<td>428</td>
<td>1585</td>
<td>20,182</td>
</tr>
<tr>
<td>30 Sept 2007</td>
<td>435</td>
<td>1593</td>
<td>20,163</td>
</tr>
<tr>
<td>30 June 2007</td>
<td>439</td>
<td>1598</td>
<td>20,120</td>
</tr>
</tbody>
</table>

Further information, including numbers of venues, machines and expenditure by territorial authority and changes in the quarter, is available from the Department’s Gaming Statistics web page at: [www.dia.govt.nz/gambling](http://www.dia.govt.nz/gambling).

The figures are based on territorial authority boundaries that existed prior to the new Auckland super city.
## GM societies’ contacts

The Department’s gambling compliance and licensing inspectors each have responsibilities for liaising with gaming machine societies. If societies have issues to discuss, they may contact these inspectors first by phoning the Department’s toll free number 0800 257 887.

<table>
<thead>
<tr>
<th>SOCIETY</th>
<th>COMPLIANCE INSPECTOR</th>
<th>LICENSING INSPECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHAURA/GREY VALLEY LIONS CLUB INC</td>
<td>Dave Macdonald ext 3152</td>
<td>Janet Wong ext 5505</td>
</tr>
<tr>
<td>AIR RESCUE SERVICES LTD</td>
<td>Pete Collins ext 7043</td>
<td>Niall Miller ext 5485</td>
</tr>
<tr>
<td>BLUE WATERS COMMUNITY TRUST</td>
<td>Artie McClelland ext 7915</td>
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Gambling compliance issues are covered by Regulatory Services which sits within the Department’s Policy, Regulatory and Ethnic Affairs branch under Deputy Chief Executive, Paul James. The branch encompasses all the roles where the Department is, in effect, the regulator of a sector of the economy.

In addition to gambling, this includes censorship and anti-spam compliance, fire service policy, identity services policy, local government, community and voluntary sector policy, civil defence and emergency management policy and crown entity monitoring functions, and Office of Ethnic Affairs. For the sake of simplicity, functions outside of the gambling sector are not included on this page.

**Regulatory Services**

**Maarten Quivooy**
General Manager, Regulatory Services
This position covers all regulation and compliance operations (and operational policy) including anti-spam, censorship, gambling, racing, anti-money laundering and countering financing of terrorism.

**Debbie Despard**
Director of 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 Policy so that there is a constant flow of information between the staff involved in applying the law and those who develop the law.

**Alison Barrett**
Director, Operations Support
This position provides support and assistance to operational compliance functions across the group and wider Department. It includes Performance Assurance (PA) which focuses on ensuring that the Gambling Compliance Group (GCG) achieves both its strategic objectives - short and long-term - and its business goals. PA coordinates strategic and business planning for GCG as well as providing robust analysis, monitoring and reporting around performance.

**Vacant**
Manager, Licensing
This position has prime responsibility for Class 4 Licensing, championing a new electronic licensing regime and management oversight of the Electronic Monitoring System contract with Intralot.

**Michael Cassidy**
Manager, Gaming Technology
This position oversees the technical integrity of gaming issues across casino and all other classes of gambling.

**Heather McShane**
Manager, Operational Policy
Operational policy provides support and advice to the Gambling Inspectors and other staff working in the sector. It develops standards, game rules and other “deemed regulations”. In broad terms, its role is to develop Department policies for how the law will be turned into the work done in the field.

**Dave Sayers**
Manager, Investigations
The Investigations Unit is responsible for undertaking significant (complex, cross group, lengthy and sensitive) investigation projects involving criminal, legal and financial issues related to the governance and operation of gaming sector people and organisations. It also provides expertise and support to investigations and audits across the group.

**Kate Reid**
Manager, Anti-Money Laundering/Countering Financial Terrorism
Under The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 this unit monitors casinos, non-deposit-taking lenders, money changers and reporting entities not covered by the other supervisors, The Reserve Bank and the Securities Commission.
The Department of Internal Affairs produces Gambits quarterly. Copies are usually 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 or 021 245 8642
Email: 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 email the information to:

Department of Internal Affairs, PO Box 805, Wellington 6140. Communications Account Manager (PREA), Trevor Henry, telephone (04) 495 7211, fax (04) 495 7224, email trevor.henry@dia.govt.nz

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