

## Rulings sought over Kilbirnie Tavern decision

The Department has filed for a declaratory judgement in the High Court Wellington following the Gambling Commission's decision to allow the Kilbirnie Tavern to operate gaming machines in a courtyard smoking area.

The application asks the court to determine several questions including:

- Must the Secretary for Internal Affairs renew the Kilbirnie Tavern's class 4 venue licence if he is not satisfied the risk of problem gambling has been minimised by allowing gambling where smoking takes place?
- When considering a licence renewal application, may the Secretary impose conditions to minimise the risk of problem gambling?
- When imposing conditions to minimise the risk of problem gambling, is the Secretary required to balance this against the inconvenience that may be caused to non problem gamblers?

Gambling Compliance Director Mike Hill said, while the Department was not challenging the Commission's decision on the Lion Foundation's appeal relating to the power to make licence conditions, the ruling nevertheless raised questions for the Department when it considers licence renewal applications.

"We are seeking some answers through the High Court to give us certainty when we have to consider licence renewals," he said.

The Gambling Commission in its decision last March said that licence conditions cannot be imposed that seek to make gambling less attractive generally in order that it appeals less to problem gamblers.

The Department imposed the licence condition to prevent and minimise harm. It reasoned that since there was a link between smoking and problem gambling, preventing smoking while playing the machines would encourage problem gamblers to take regular breaks, reflect on their gambling habit and thus be more likely to control their behaviour.

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December 2003 – September 2007  
available on [www.dia.govt.nz](http://www.dia.govt.nz)

## HARM PREVENTION

# Tougher approach on self-exclusions

The Department is investigating reports that some venues are not complying with the self-exclusion regime. It recently suspended the Class 4 venue licence of The Fever Club in Dunedin for five days for failing to assist a problem gambler and other breaches of licence conditions (see page 10).

Since the Gambling Act 2003 came into force in July 2004 the Department has educated venues and societies about their responsibilities in preventing and minimising harm from gambling.

Research conducted by Dr Phil Townshend from the Problem Gambling Foundation suggested that some venues were not taking requests for self-exclusion orders seriously. The research referred to a Christchurch gambler's experience in writing to over a hundred venues in the Christchurch area asking to be issued with a self-exclusion order and the variety of responses received. Although inquiries by the Department showed some anomalies with the mail-out request it also indicated that societies need to do further training with their venues clarifying the process for dealing with mailed requests.

The Department refers all societies, venues and relevant venue staff to the extensive information and guidance on exclusion orders already provided in previous editions of *Gambits*, particularly the December 2005 and December 2006 editions. In particular, we would like to remind you of the following:

- Section 310 of the Gambling Act states that a self-exclusion order must be issued upon request to anyone who has identified himself or herself as a problem gambler. This applies whether the request is in person or in writing.
- Section 312 makes it an offence to knowingly fail to issue an exclusion order if requested. This offence carries a maximum fine of \$10,000.
- Issuing a trespass notice instead of an exclusion order is contrary to the Act and unacceptable. While this removes the person from the gambling environment it does not assist them to address the issue of problem gambling, provide the person with helpful information or let them know how to get help. It is a punitive, unhelpful approach.
- Gambling operators cannot contract out of any liability under the Act for not issuing an exclusion order or not removing a person who enters a venue's gambling area in breach of an exclusion order.
- It is unacceptable to place unnecessary obstacles in the way of people who are genuinely seeking self-exclusion. Unnecessary obstacles include requiring a person to come to the venue in person to sign a form or refusing to issue an exclusion order until another form is completed.
- When dealing with exclusion orders gambling operators must abide by the Privacy Act. This means that identification details and information about persons who have been excluded from the venue should not be viewable in public areas, for example, on a 'wall of shame'. Similarly, requests for self-exclusion from particular venues cannot be sent by those venues to other agencies or other venues not specified in the request. The December 2006 issue of *Gambits* described a 'one stop shop' for multi-venue self-exclusions developed in Queenstown.
- Caution should be exercised if a person asks for their exclusion order to be revoked, removed or shortened. This would be appropriate only in limited circumstances, for example, where a person can demonstrate that they were unreasonably deemed to be a problem gambler. The Department urges caution in this area and, if necessary, independent legal advice should be sought.

## Casino allegations lack substance

Investigations into Christchurch Casino confirm that the casino generally complies with game rules and operating standards and there is no evidence to suggest that money was systematically skimmed from its gaming machines or to support allegations of prize draw fixing.

The investigations followed allegations by two former Christchurch Casino senior managers, Stephen Lyttelton and Peter Arbuckle, who also claimed that managers organised illegal gambling away from the casino, poor management and ineffective supervision by the Department. They provided scant detail to support their allegations and to date have failed or refused to provide any specific or substantial information to assist the Department's investigation.

The Department is working with all casinos on new measures to prevent loan sharking, money laundering and other serious crime.

The Minister of Internal Affairs, Rick Barker, said the Department's report, 'Allegations of Improprieties at, or associated with, Christchurch Casino' (available at: [www.dia.govt.nz](http://www.dia.govt.nz)), raised a number of questions about the broader casino industry and how government engages with, and monitors what happens inside, casinos.

"Prior to the Gambling Act 2003, the introduction of casinos to New Zealand was primarily focused on supporting an immature but rapidly growing tourism industry. The Act, when it came into force, moved the regulatory focus from just nuts and bolts to a more mature focus that takes into consideration the need to reduce opportunities for social harm and criminal activity in the sector," Rick Barker said.

"The rules and regulations under which the casinos operate are substantial and comprehensive. In fact, the casino industry is one of the most heavily regulated commercial activities in New Zealand, and rightly so.

"Voluntary compliance by participants in the sector is one of the objectives of our work and I was pleased to see in the report that, when casinos become aware of unlawful or socially harmful behaviour, they take action.

"Looking forward, the report raises a number of questions, in the broader context, about how government agencies could operate more effectively with the sector.

"What I have directed my officials to do is develop a more comprehensive understanding on issues such as loan sharking and money laundering. What is a loan shark? How do government agencies and the sector work better together to identify loan sharks and money laundering?"

"It is worth noting that a significant amount of work has been, and will continue to be, undertaken around the issue of money laundering through New Zealand's participation in the Financial Action Task Force (FATF). This work, led by the Ministry of Justice and supported by other government agencies including DIA, looks to establish a tougher regime to deal with money laundering.

"Once we have developed a more comprehensive understanding of the issues, I will invite officials from across government to come together and map out solutions.

"The aim of this work will be to more effectively wrap government agencies around the sector so they can engage and work proactively with the sector to help resolve the issues we may identify going forward.

"Far from being a talk-fest, this is about matching the responsibility incumbent on the sector with a cohesive, collaborative and effective government sector. Better understanding our role in the new environment is the first step to achieving that.

"This process will allow both government and the sector to build a solid platform that will help reduce any opportunities for problem gambling and criminality in the sector.

"I recognise there is public interest in these matters and I invite those who wish to help inform this process to write to me directly with any information they may have," Rick Barker concluded.

## CASINOS

# Casinos must provide safe environments

All casinos have a responsibility under the Gambling Act 2003 to provide safe gambling environments without pressure or devices designed to encourage gambling at levels that may cause harm\*. The presence of loan sharks and other similar, fringe lending activities in casino gambling areas encourages harmful gambling behaviour.

The Department has recommended that SkyCity Auckland Casino, and eventually all casinos, introduce specific procedures to prevent or minimise loan sharking activities in the casino. Such procedures might include training for relevant staff in the detection of loan sharks, measures to exclude loan sharks and the types of assistance that can be offered to patrons who borrow from fringe lenders and cultural awareness training that will enable staff to engage effectively and appropriately with casino patrons.

In addition, the Department considers that borrowing money from a fringe lender at a casino is a potential sign of problem gambling and it should be included as an indicator in problem gambler identification policies required under section 308 of the Act. If such activity is detected in the casino, it should prompt a section 307 exclusion for the lender, and a section 309 'approach' to the borrower.

*\*See Section 4 Gambling Act 2003 for definition of **responsible gambling**.*

## Dunedin Casino shows how to minimise harm

The Dunedin Casino used player tracking information, which the Department requests as part of its enhanced harm minimisation audit, when it excluded a problem gambler.

A casino staff member said the information was correlated with previous incidents and observations.

"I explained to the patron we were meeting because the casino had noticed he had recently increased his gambling and he had fraud convictions," the staff member added. "We also needed to know if he could afford to lose money and whether it was having a negative impact on his life and causing harm."

"The patron said he wasn't a stupid gambler and didn't lose much but I said it was enough for us at the casino to notice."

The patron had featured in at least two previous monthly harm minimisation audits, where he matched problem gambling criteria covering numbers of visits and hours of play.

Grounds for excluding the patron included:

- Being unable to confirm fulltime employment to justify casino turnover

- Increased level of play over the past six months
- Prior fraud convictions
- Behavioural observations.

The Department's National Manager Casino Compliance, Debbie Despard, is encouraged by Dunedin's approach. "One of the reasons the Department sought player tracking information was to encourage casinos to use this information to help identify problem gamblers, given the findings in the Patrick Jackson investigation.

"This is precisely the kind of outcome that was sought when we introduced the player tracking criteria reports as part of the audit. We are pleased with Dunedin Casino's response in this case and encourage other casinos to explore the value of using player tracking information in this way."

Dunedin Casino management indicate they will continue to use player tracking data as part of their harm minimisation operations.

## Disguises don't work

Some problem gamblers will go to extraordinary lengths to avoid detection when breaching their self-exclusion orders, according to Auckland gambling inspectors.

One casino patron resorted to false moustaches, wigs and lensless spectacles. His Groucho Marx-style false moustache kept peeling off, yet he steadfastly continued to hold it in place. As soon as casino staff approached him he would leave and return later with a different disguise. He is currently being prosecuted for breaching an exclusion order and is undergoing treatment for his addiction.

Surveillance cameras throughout all New Zealand casinos make it very difficult for problem gamblers to breach exclusion orders. Prosecution is usually a last resort after formal warnings and encouragement to undertake counselling.

A recent case involved a South Auckland mother who breached her exclusion order so frequently casino staff would recognise her at first sight. She would run from the casino each time she was recognised.

The woman faced two charges of breaching her exclusion order and, after she failed to appear in court, Gambling Inspector Ken Brewer gained the support of her family and worked with her to ensure she did attend.

"She completed six one-hour counselling sessions to earn herself a discharge without conviction. The most pleasing aspect was her comments to the judge as she described being in denial about her gambling until counselling and that she had failed to acknowledge the impact of her addiction on herself and her young family. She stated she now felt much better equipped to overcome her problem gambling issues," Ken Brewer said.

Sometimes a fine is the only answer but for many problem gamblers the most effective remedy is generating the motivation to seek and complete counselling.

## Warning on unattended children

Unattended children at SkyCity casinos will be investigated as a possible indication of problem gambling, according to a new brochure published by the company. SkyCity says it does not tolerate children who are loitering or left unattended at its properties.

### UNATTENDED CHILDREN



SKYCITY welcomes children and adults of any age. However New Zealand law prohibits anyone under the age of 18 from entering some SKYCITY bars unless accompanied by their parent or guardian, and prohibits anyone under the age of 20 from entering gambling areas at any time.

Whilst children are welcome, children under the age of 14 must not visit SKYCITY alone, nor be inadequately supervised or left unattended on our premises. As a matter of company policy SKYCITY does not tolerate children who are loitering or left unattended at our properties.

We take incidents of this nature extremely seriously.

#### SKYCITY:

- requires employees to report any incident where it is apparent that a child has been left unattended;
- patrols SKYCITY car parks and environs to detect any unattended children in vehicles;
- takes all practical steps to discourage the presence of children in areas adjacent to the gaming facilities.

If an unattended child is identified, it is SKYCITY company policy to:

- take the child to a secure, supervised area of the building;
- take all practical steps to locate the parents/guardians or caregivers of the child and accompany them to the secure area;
- call the Police if necessary, who may choose to arrest the parents/guardians;
- unless they have an adequate explanation, issue the parents/guardian with a trespass notice, barring them from all parts of the relevant SKYCITY property for a period of two years;
- commence an internal investigation into whether problem gambling was a factor in the incident, and take further action (including possibility of exclusion from all SKYCITY's New Zealand casinos) as appropriate.

SKYCITY encourages all parents, guardians and caregivers who wish to visit the gaming areas and bars to make suitable arrangements for children.

For more information please contact the SKYCITY Host Responsibility team.  
Auckland 09 363 6019 Queenstown 03 441 0407 Hamilton 07 834 4905

## PUBS AND CLUBS

### Avoiding burglaries

Diligent monitoring of pub gaming rooms may have prevented a series of pokie machine burglaries around the country. The main offender is now serving a four-and-a-half year prison term while a warrant was issued for a second suspect.

The New Zealand Community Trust alerted the Department after Wanganui police arrested two people who had obtained free credits from one of the trust's gaming machines.

Subsequent inquiries revealed that pokie machines at several venues around the country had been burgled. By reviewing surveillance footage and electronic monitoring reports the Department found the suspects were:

- Feeding large numbers of \$2 coins into gaming machines which simultaneously incurred minor malfunctions. The suspects would then request cancelled credits before leaving.
- Forcing open the machine door and disconnecting the hopper, that was then emptied either inside the gaming room or outside the venue before returning it to the machine, closing the door and clearing any faults.

To deter and prevent such incidents the Department recommends that Class 4 Operators and Venues ensure that:

- All gaming machine doors are maintained, properly closed and locked securely at all times to ensure only authorised access occurs
- Staff are seen walking through the gaming room frequently
- Gaming machines are located where they can be monitored by bar staff or there is a surveillance system with the monitor located behind the bar
- Surveillance footage can record at least one month's activity, which is then kept for at least three months and made available unedited if requested by the Department
- Gaming machine burglaries are recorded on incident forms and reported to the society and the Department as soon as possible.

Gambling Inspector Daryl TeWhiti, tel 04 494 0667, would like to hear from anyone who has experienced similar burglaries.

The burglaries were confined to Konami Endeavour cabinets and the Department is working with the manufacturer to tighten the standard around the locking mechanism.

### Gambits' Editor is Trevor Henry.

**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**

**Ph: (04) 495 7211 or 0275 843 679**

**E-mail: [trevor.henry@dia.govt.nz](mailto:trevor.henry@dia.govt.nz)**

## Reminder to update websites

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Societies are reminded that they must maintain a website under the Gambling (Class 4 Net Proceeds) Regulations 2004. This includes updating the site with details of grant applications received and amounts granted.

Regulation 13 states:

1. A licence holder must maintain a website.
2. The website must include the following publicly accessible information and features:
  - a) a grant application form that can be printed or downloaded and details of where to send the form to make an application
  - b) the daytime contact telephone number of the licence holder
  - c) the information required to be published under section 110(2) to (4) of the Act.
3. The information required to be published under section 110(4) (a) and (b) of the Act must be updated at least 6 monthly.

## Society audits

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The Department's audit programme this financial year will ensure that every society is audited. Societies will either be subject to a full or targeted audit that will focus on 'mission critical' areas.

To assist this process we have devised a Self-Audit Assessment document so societies can undertake a preliminary self-audit, which will determine whether a society subsequently undergoes a targeted or full audit.

The Self-Audit Assessment documents are available for viewing on our website: [www.dia.govt.nz](http://www.dia.govt.nz)

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The Department believes that not all conference costs in recent years comply with the requirements of the Gambling Act. Trustees are responsible and accountable for the way the society spends gaming machine proceeds, which are held in trust for the community.

**GAMBLING COMPLIANCE KEY CONTACTS**

0800 257 887

## PUBS AND CLUBS

# Access to gambling areas

The Department is aware that, despite a Gambling Commission ruling in 2006, some venues continue to permit direct external or otherwise unsupervised access to their gambling areas.

### The Gambling Act

The Gambling Act states that the Department cannot grant a licence (or may revoke an existing licence) unless it is satisfied that the possibility of persons under the age of 18 gaining access to gambling is minimal [section 67(1) (b)].

If minors can easily access machines without venue staff noticing, then societies are not taking measures to minimise the risk of underage gambling, regardless of whether there are actual complaints or evidence of minors gambling at the site.

### Direct external access

In 2006 the Department imposed a licence condition on 11 Lion Foundation venues requiring them to close direct external or unsupervised access to gambling areas. The Department was concerned that, where entrances to gambling areas remained open for direct access, the possibility of under 18-year-olds gaining access to class 4 gambling was not minimised.

Lion Foundation appealed to the Gambling Commission and lost.

The Department subsequently wrote to all societies operating commercial premises to ensure consistency and compliance across the sector.

The September 2006 edition of *Gambits* ran this story. However, despite both the letter and the article, some venues continue to offer direct external access to gambling areas. This is unacceptable and the Department will act when such situations are found.

### Unsupervised access

Some venues have claimed that, while they may have direct external access to gambling areas, CCTV coverage and door alarms allow staff to monitor that access.

In its decision on the Lion Foundation appeal, however, the Gambling Commission agreed with the Department that effectiveness of CCTV monitoring and door alarms depended entirely upon the attentiveness of staff, which cannot always be guaranteed.

The Department reminds societies and venues of guidelines related to underage access to gambling areas in the June 2004 edition of *Gambits*.

### The risk

Venues that continue to provide direct external access to gambling areas or have otherwise inadequate active supervision procedures risk having a licence condition imposed or losing their licence altogether.

## After-hours jackpot play proves costly

A former Northcote bar owner and her husband have been convicted and fined for illegal gambling for playing the venue's poker machines after closing. A venue licence condition prohibits class 4 gambling unless the "primary activity at the venue is offered and available at the time".



## Minimum rate of return scrutinised

The Department is reviewing the class 4 gambling minimum rate of return to authorised purposes and will report to the government by next February. The review was agreed by ministers when they considered the Gambling (Class 4 Net Proceeds) Regulations 2004.

The current minimum return to authorised purposes is 37.12 per cent of GST-exclusive gross proceeds. It was proposed as a simple, clear and effective measure to satisfy the Gambling Act 2003 criteria that gaming machine societies must maximise the net proceeds from class 4 gaming machines and minimise the operating costs of that gambling. The review will consider whether the minimum rate of return meets this objective.

The Department will pull together information already provided by societies such as gaming machine account summaries, society annual reports, the 2005 Gaming Machine Profits Survey and EMS data. We will also consider any additional information that the sector thinks would contribute to our report to ministers but we will need it by 28 September 2007. We are especially interested in the relationship between the Act's requirements that gaming machine societies will maximise money for authorised purposes and minimise costs and the regulation requiring that at least 37.12 per cent of GST-exclusive gross proceeds is returned to authorised purposes.

We would like to hear how this relationship works in practice. For example, do societies continue to minimise operating costs when they are already achieving the 37.12 per cent minimum return to authorised purposes?

The Department wishes to know of any problems identified with the Gambling (Class 4 Net Proceeds) Regulations 2004 and possible solutions. These should be clearly identified but must be consistent with the purposes of the Gambling Act, which includes: ensuring the integrity and fairness of games, limiting opportunities for crime and dishonesty associated with gambling and ensuring that money from gambling benefits the community.

Information should be addressed to Heather McShane, Senior Policy Analyst, Gaming Racing and Censorship Policy, PO Box 805, Wellington or [heather.mcshane@dia.govt.nz](mailto:heather.mcshane@dia.govt.nz)

Any proposal from this review to change the Gambling (Class 4 Net Proceeds) Regulations 2004 would be the subject of formal public consultation.

Lan Ping ('Rose') Jiang, 43, former manager and operator of The Cool Bar, was fined a total of \$400 and \$260 in costs for participating in and permitting her bar to be used for illegal gambling. Her husband, Yong Xiang ('Edward') Xu, 41, was fined \$200 with \$130 costs for participating in illegal gambling.

A patron complained to the Department that when gaming machines were close to the jackpot limit, showing \$960, he and others were told at 9pm to leave the bar because the premises were closing. Investigations showed that the couple played the machines from 9.30pm until Edward Xu struck the jackpot of \$982.40 at 12.45am. He said he wanted to recoup earlier losses and spent about \$2000 in the process.

Mr Xu also gave the complainant \$400 asking him not to tell other customers and the Department what had happened.

Another case of illegal gambling was concluded when a former manager of a Gisborne Hotel was convicted and fined \$3300 for allowing bookmaking on his premises. Rikirangi Moeau, 47, former manager of the Turanga Hotel, pleaded guilty to permitting a place to be used for and participating in illegal gambling. In February this year the bookmaker, Bernadette Wawatai, was convicted on two charges of illegal gambling and sentenced to 100 hours of community work. She was the first person to be prosecuted by the Department of Internal Affairs for bookmaking under the Gambling Act 2003.

## PUBS AND CLUBS

# Pokies shut down for licence breaches

**16 August 2007**

A Dunedin bar has been forced to shut its pokie machines for five days because it failed to assist a problem gambler and breached other licence conditions.

The Fever Club, formerly Champions Bar, in George Street, runs 16 machines for The Bendigo Valley Sports and Charity Foundation Trust. The suspension ended at midnight last night and would have seen a loss in gaming machine expenditure of several thousand dollars.

The Department of Internal Affairs suspended the licence because the venue manager refused to issue an exclusion order to a self-identified problem gambler and also ignored a gambling inspector's request to do so. He also failed to:

- Maintain a register of people with access to gambling equipment keys
- Record player disputes and machine malfunctions
- Close off external access to the gambling area.

The Foundation chose not to appeal the Department's decision to the Gambling Commission and the suspension took effect from midnight on August 10.

Internal Affairs' Director of Gambling Compliance Mike Hill says the Department does not take such

action lightly because ultimately the community loses out on funding from gaming machine proceeds.

"But there is an obligation on venues and societies to ensure the rules are observed, particularly the harm minimisation requirements aimed at assisting problem gamblers," Mike Hill said.

"We have been educating venues and societies about their responsibilities to prevent and minimise harm since the Gambling Act 2003 took effect in July 2004. But some are not getting the message.

"We are investigating a number of venues for not complying with the self-exclusion regime after repeated reminders about what the Gambling Act requires.

"Section 310 of the Gambling Act states that a self-exclusion order must be issued when requested by anyone who identifies themselves as a problem gambler. And Section 312 makes it an offence to knowingly fail to issue an exclusion order if requested. This offence carries a maximum fine of \$10,000."

## Guilty plea the only option

**3 August 2007**

The Department of Internal Affairs says former New Zealand Rugby League chairman, Graham Carden, had little choice but to plead guilty when he saw the evidence gathered against him in a two-year investigation relating to the misuse of poker machine money.

*Continued on next page*

## How to avoid late banking

The number of late banking notifications has reduced since the introduction of EMS and the issue of infringement notices. Late banking breaches s104 of the Gambling Act, the Gambling (Class 4 Banking) Regulations 2006 and also the Class 4 Game Rules 2006. Venue agreements frequently contain clauses that reinforce banking timeframe requirements.

Gaming machine profits must be banked within five working days of the EMS determination, advised to venues each Monday on the weekly EMS venue activity level report - venue report.

Venues often bank gaming machine funds more than once a week in order to reduce the amount of cash on their premises. But gaming machine revenue and interest earned belongs to the society that owns the machines, not to the venue operator.

The Department encourages societies to ensure that, each time machines are emptied, the money is banked directly into their dedicated gaming machine accounts,

rather than the venue's account. This will play a major role in reducing the risk of late banking.

Late banking means extra work for societies. They could lose interest on the money, which is distributed to the community in grants and, at worst, they could lose the money altogether.

If a venue has more than one late banking, it is likely that the venue manager will receive an infringement notice or other sanction. This could jeopardise their suitability as gaming machine operators. Continued breaches will likely result in the venue licence being cancelled.

*Open every day*

**0800 654 655**

**Gambling  
Helpline**  
NEW ZEALAND

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Carden, 56, from Porirua, was sentenced in the Wellington District Court to 21 months' imprisonment after earlier pleading guilty to six representative charges of forgery, making false declarations, using a document with intent to defraud and dishonestly using a document. The offending involved events during 2003 and 2004. He set up two false companies and received grants from charitable trusts, which he misappropriated for personal use.

Internal Affairs' Deputy Secretary Keith Manch said Carden originally pleaded not guilty to 126 charges covering the range of offences he was sentenced for today.

"Having seen the compelling, detailed nature of the evidence gathered during our investigation, Carden had little option but to declare his guilt," Keith Manch said. "We disclosed to the defence some 6000 to 7000 documents and had 55 witnesses standing by for a jury trial, which would have taken four weeks and probably cost about a quarter of a million dollars.

"Proceeds from poker machines are used by trusts to benefit community causes, not to line the pockets of fraudsters and whenever anyone abuses the system it is the community that is the victim."

The Crown sought reparation of \$125,210. Judge Denys Barry ordered Carden to pay \$42,000 reparation and granted him leave to seek home detention.

**PUBS AND CLUBS**

## Fees review consultation

Three years after the Gambling Act 2003 came fully into force the Department is re-examining the fees charged to gambling operators including casinos to ensure they are appropriate and recover the costs of licensing and compliance services and the independent Gambling Commission.

A consultation document, distributed to the gambling sector, compares proposed and current fees and explains why they are being reviewed. The Department is seeking comment on the proposed fees and how they might affect organisations. It is intended to have regulations implementing an amended schedule of fees in place from 1 January 2008.

The Department's business case is on our website at: [www.dia.govt.nz](http://www.dia.govt.nz)

Reasons for the review include:

- The costs of regulation are more than the revenue received and are insufficient to support the proper, effective regulation of the gambling sector.
- The costs of regulating the sector were underestimated before the Gambling Act 2003 took effect and it also cost more than expected to integrate the electronic monitoring system (EMS) with other Departmental systems.

- The increased costs also reflect the requirement to address broader outcomes and harder-to-measure activities such as harm prevention and minimisation and dealing with crimes of dishonesty associated with gambling.
- Revenue has fallen due to a greater than anticipated decline in the number of operators and gaming machines.
- Despite containing or deferring a significant amount of the forecast increase in expenditure, no further savings can be made without seriously compromising the effectiveness of the gambling regulatory function.

Please provide any comments in writing by 24 September 2007 to:

Gambling Act Fees  
Gaming, Racing and Censorship Policy  
Department of Internal Affairs  
**PO Box 805**  
WELLINGTON  
**Or by e-mail to:** [lloyd.bezett@dia.govt.nz](mailto:lloyd.bezett@dia.govt.nz)  
**Or by fax to:** 04 494 0624

## Conference expenses guidelines circulated

The Department is considering feedback on proposed guidelines for conferences run by non-club gaming societies.

Conferences and training sessions are a legitimate way for societies to inform their staff and venue operators of Gambling Act requirements but, as with all trust running costs, expenses must be reasonable and necessary.

The Department believes that not all conference costs in recent years comply with the requirements of the Gambling Act. Trustees are responsible and accountable for the way the society spends gaming machine proceeds, which are held in trust for the community.

The proposed guidelines have been circulated to all non-club gaming societies asking whether the types and levels of conference expenses outlined are reasonable and meet society requirements to minimise expenses.

## Grants for amateur sport

Grants from gaming machine funds can only be given to sport that is entirely amateur. The Department aims to ensure that sports grants are used only for competitions in which the participants are amateur.

An amateur sportsperson cannot receive any reward other than a trophy or occasional small cash prize. The amateur player or team can be reimbursed for limited, necessary expenses as outlined below. The sportsperson training for professional sport is not amateur and cannot be reimbursed for training or living expenses.

### IRD guidelines and Gambling Act requirements

The test for amateur status under Inland Revenue legislation differs from the test applied under the Gambling Act. The IRD guidelines help individual players decide whether they will have to pay income tax as professionals.

The test under the Gambling Act emphasises the nature of the team and competition. This involves consideration of payments made to players and of expenses paid by the club or sports body for the team.

The club or team that receives a grant must be affiliated or aligned to a national body. The sporting activity must be played regularly as part of a significant competition.

### Payments to sportspeople

If the players in a team are paid to participate by a wage, fees per game, reimbursement for lost salaries or in some other way then that team's activity will not be an authorised purpose under the Gambling Act.

The same principle applies to an individual sportsperson including a young person training for professional sport. That person is no longer amateur once he or she receives payment or financial support while undertaking competition or intensive training. That includes reimbursement of living or training expenses unless a player is taking part in an **amateur** competition.

### Expenses for amateur teams

Sporting organisations and clubs established for community purposes can receive grants for amateur teams' playing uniforms, team travel and training costs. Amateurs can receive trophies or modest non-cash prizes. They cannot receive cash prizes or large non-cash prizes.

Grants can be used to reimburse amateur players for reasonable and necessary travel expenses. Clubs cannot pay salary or match payments to players or reimburse players' lost salaries or wages.

Once a team begins making match payments to players or compensating them for lost wages the team's activity is no longer an authorised purpose. The players are receiving a commercial benefit.

The fact that one or two professional players join an amateur team for a few games in a competition will not necessarily make the whole team professional. Those professionals can receive only the limited expenses that are paid to the amateur players.

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**GAMBLING COMPLIANCE KEY CONTACTS**

0800 257 887

## PUBS AND CLUBS

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### **Club expenses**

The amateur sport requirement will apply to grants for club expenditure. The club may pay reasonable expenses for short-term coaching provided it is confined to amateur teams. Grants can be used for other expenses related to amateur teams such as ground maintenance, administration or affiliation fees paid to national sports bodies.

Grants can be used only for genuine sporting purposes and not for social activities, end-of-year prize giving ceremonies or similar functions.

### **Contracted players and representative selection**

Some amateur players may be contracted with the national sporting organisation or with their own club. The signing of a contract does not automatically make that player a professional. Even a good player can remain an amateur provided that any payment to the player contributes only to the player's actual and necessary expenses such as travel and accommodation. There cannot be any payment for playing or compensation for lost salary.

The same approach should be taken with a representative or national team. The players will remain amateur provided the organising body pays or reimburses only the expenses relating to the tour such as accommodation, travel, insurance or medical costs.

### **Review of amateur competitions**

The status of a competition needs to be reviewed before any grant is made as that status may change periodically. The pattern in some sports is to move towards reimbursing players for lost salaries or paying bonuses or match fees to players. Payments of this kind would result in the team losing its amateur status.

### **Proper recording of funds for amateur sport**

If the recipient organisation conducts both professional and amateur sport it must ensure that its accounting system clearly separates the funds applied for amateur sport from funds paid out for professional teams. There must be a proper audit trail so that gambling inspectors can verify that the grant has been applied entirely for the purpose of amateur sport.

### **Professionals using facilities purchased with grant funds**

Some community or sports organisations use grant funds to provide gyms or other facilities for amateurs. If professionals use these facilities the professionals must pay true market fees for using the facilities. There must be full, transparent accounting to show that the grant funding is not subsidising the use of these facilities by professionals.

### **Grants for training academies**

Grants cannot be given to academies for the training of players aimed at preparing them for professional sports. Some provincial rugby academies have been established in recent years. The same restriction would apply to athletics training schools that aim to bring athletes to a professional level.

### **Societies' obligations**

It is the responsibility of any Net Proceeds Committee to ensure that grants given to sport are used in accordance with these guidelines. As a society is required to have knowledge of the specific purpose of the grant, it should be in a position to ensure the grant is not made for professional sporting purposes and in accordance with these guidelines.

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**Grants can be used only for genuine sporting purposes and not for social activities, end-of-year prize giving ceremonies or similar functions.**

## Expert Advisory Group

Highlights from the July 2007 meeting of the Expert Advisory Group on Preventing and Minimising Gambling Harm included:

### Exclusion orders

Dr Phil Townshend of the Problem Gambling Foundation presented some research he had conducted on the responses of a number of Christchurch Class 4 venues to written requests for exclusion orders. The research prompted good debate and agreement from all concerned that Class 4 venues can and must do better. This issue is covered in more detail elsewhere in this edition of Gambits (see page 2).

### Ministry of Health research strategy

The Ministry of Health advised EAG members that its research strategy has been finalised and factored into the 'Preventing and Minimising Gambling Harm: Three Year Service Plan 2007 – 2010'. This document is available on the MoH website: <http://www.moh.govt.nz/moh.nsf/indexmh/preventing-minimising-gambling-harm-service-plan-2007-2010>

The Ministry asked EAG members to consider how to get the best value out of the research strategy. The Ministry also asked members to identify additional areas of research that might be undertaken over the next three years, resources permitting. EAG members will provide the Ministry with comment before the next meeting scheduled for November. In the meantime, the Ministry is aiming to publish on its website a stocktake of Ministry-funded research related to gambling, including key findings.

### Social marketing campaign

Teresa Pomeroy and Sue Walker from the Health Sponsorship Council updated members on the Problem Gambling Social Awareness Programme. The 'Kiwi Lives' campaign will run for the next two to three years. To date, one 30-second television advertisement in Maori and English has been run, along with six radio advertisements.

Radio advertisements in the greater Auckland region during August and September will have a Maori and Pacific focus. In December the campaign will coincide with other public health messages and environmental media will be used for the Chinese New Year, including Asian language radio in Mandarin, Cantonese and Korean.

### Marketing working party

Revised Terms of Reference for Phase II of the Marketing Working Party were agreed. The revision makes it clear that voluntary compliance approaches with agreed responsible marketing practices will be considered in tandem with more formal regulation, if it is considered necessary.

The aim of Phase II of the working party is to develop guidelines for the responsible marketing practices. Membership of the working party for Phase II is yet to be confirmed.

## Daylight saving

Spring is here officially and that means the start of daylight saving is not far away, with an extra hour of daylight in the evenings. Clocks go forward by one hour a week earlier this year, at 2am on Sunday 30 September. Daylight saving will end at 3am on Sunday 6 April 2008 when clocks go back an hour.

**ALL GAMBLING**

## Gambling Amendment Bill introduced

Legislation introduced in Parliament will ensure that the Gambling Act operates as intended, Internal Affairs Minister Rick Barker said.

The Gambling Amendment Bill (No 2) was referred to the Government Administration Committee and submissions close on October 12.

“The Gambling Act is large and complex and, as is common with new legislation of this nature, during its implementation a number of issues have been identified requiring improvement. The Gambling Amendment Bill (No 2) contains many technical amendments and some minor policy enhancements to clarify the law and remove any uncertainties,” Rick Barker said.

The Bill includes amendments to:

- Widen the suitability criteria for gaming machine operators and licensed promoters to cover a wider range of offences and management prohibitions
- Introduce explicit obligations on grant recipients to use pokie grants appropriately, including an offence for non-compliance
- Extend conflict of interest safeguards to all persons making decisions on gaming machine grants, not just those with “key roles” in the management of the society
- Strengthen requirements on venues banking gaming machine profits
- Enhance regulation-making powers to better deal with problem gambling
- Introduce requirements for the accurate disclosure of non-cash prizes as a consumer protection measure

- Provide more flexibility for clubs wishing to merge their club and gaming machine operations to address financial viability issues.

“The introduction of this Bill is designed to address the technical changes that need to be made in order to assist the Department and gambling sector to engage with more clarity. Work on the bigger picture issues identified in the reports into allegations at Christchurch Casino is underway and it would be premature to address these through what is largely a technical bill. Officials are currently working to better understand the issues identified and only once this process is completed will we be in a position to address these.”

The Gambling Act brought the biggest changes to the gambling sector in over 20 years and became fully operational on 1 July 2004. It aimed to:

- Control the growth of gambling
- Prevent and minimise gambling harm
- Authorise some gambling and prohibit the rest
- Facilitate responsible gambling
- Ensure the integrity and fairness of games
- Restrict opportunities for crime or dishonesty
- Ensure that money from gambling benefits the community
- Facilitate community involvement in decisions about the provision of gambling.

*Open every day*

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**Gambling  
Helpline**  
NEW ZEALAND



## Spending on pokies up

1 August 2007

The first set of figures from the government's electronic monitoring of gambling machines in 1600 pubs and clubs around the country indicate that spending on pokies increased by just under five per cent between 2005-06 and 2006-07.

The estimate follows details revealed by the new electronic monitoring (EMS) of 20,000 non-casino gambling machines. The EMS became fully operational on March 9, 2007 and this is the first time accurate, timely information on pokie expenditure has been available. Figures will now be made available quarterly.

EMS enables the Department of Internal Affairs to track and monitor gaming machine operations, ensuring the integrity of games and the accurate accounting of money.

The Department's Director of Gambling Compliance Mike Hill said non-casino gaming machine expenditure for the quarter ended June 30 2007 was \$237,705,359. If spending in the other three quarters of 2006-07 was comparable then the annual total

was about \$950 million, compared with \$906 million in 2005-06.

"Some concerns have been expressed in the past that gambling expenditure is falling, affecting the amount gaming machine societies can distribute to the community," Mr Hill said. "Clearly that is not the trend as shown by the data being collected by EMS."

The June quarter gaming machine statistics recorded small reductions indicating that numbers are stabilising with the introduction of EMS.

In the three months to June 30, 2007, licence holders declined on the March 07 quarter, from 444 to 439, venues from 1607 to 1598 and gaming machines from 20,302 to 20,120.

### LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

| DATE                      | LICENCE HOLDERS | VENUES | GAMING MACHINES |
|---------------------------|-----------------|--------|-----------------|
| 30 June 2007              | 439             | 1598   | 20,120          |
| 31 March 2007             | 444             | 1607   | 20,302          |
| 31 December 2006          | 476             | 1666   | 20,518          |
| 30 September 2006         | 481             | 1676   | 20,571          |
| 30 June 2006              | 496             | 1701   | 20,739          |
| 31 March 2006             | 513             | 1721   | 21,026          |
| 31 December 2005          | 526             | 1747   | 21,343          |
| 30 September 2005         | 535             | 1770   | 21,684          |
| 30 June 2005              | 553             | 1801   | 21,846          |
| 31 March 2005             | 568             | 1838   | 22,159          |
| 31 December 2004          | 584             | 1850   | 22,231          |
| 31 December 2003          | 672             | 2031   | 22,734          |
| 30 June 2003 <sup>1</sup> | 699             | 2122   | 25,221          |

<sup>1</sup> Machine numbers peaked in the quarter before the Gambling Act was passed.

Further information, including numbers of venues, machines and expenditure by territorial authority, is available from the Department's website: [www.dia.govt.nz](http://www.dia.govt.nz)

## MEDIA RELEASES

# Problem gambling intervention services in NZ

12 July 2007

The Ministry of Health's report *Problem Gambling Intervention Services in New Zealand: 2006 Service-User Statistics* provides insight into the characteristics of problem gambling and the help-seeking of problem gamblers and their whanau and families.

It is part of the Ministry's Public Health Intelligence Unit's annual monitoring series. Ongoing collection of this data allows identification of changing patterns in the characteristics of gambling in New Zealand

The report presents and summarises the data collected by problem gambling service providers including Gambling Helpline Ltd and face-to-face problem gambling services during 2006.

Problem gambling services were contacted over 20,500 times in 2006. Of the new clients, 2685 people received full face-to-face support, while 2651 new clients received assistance over the telephone or by email from the Gambling Helpline.

Compared with the previous year, the Ministry of Health noted a decrease in the number of people seeking help since 2005. This type of information is being used in the revision and development of service delivery models.

While people seeking help decreased from 2005 to 2006, visitors to the Gambling Helpline website ([www.gamblingproblem.co.nz](http://www.gamblingproblem.co.nz)) increased by 102.3 percent since 2005, an average of 214.6 visitors per day.

The Ministry of Health's Problem Gambling Manager Barbara Phillips said it was pleasing to note the increases in the number of people using this resource. The report also identifies the types of gambling that are linked to the most harm.

Non-casino gaming machines (pokies) continue to be identified as the most harmful form of gambling. While the number of new clients identifying non-casino gaming machines as the primary mode of harmful gambling decreased from 2005, over 64 per cent of new clients still stated that pokies were their main form of harmful gambling.

The report also found that pokies cause significantly more harm for women than for men. Nearly 92 per cent of female clients reported their primary mode of gambling was electronic gaming machines (casino and non-casino) compared to 73.3 per cent of males.

The report also identifies that the number of people reporting casino gaming machines as their main problem doubled since 2005.

Barbara Phillips noted that, while the Ministry is concerned by the increases, it will continue to work closely with the Department of Internal Affairs and the gaming industry to ensure and maintain responsible marketing, promotion and usage of their products.

To learn more about the trends in problem gambling visit [www.moh.govt.nz](http://www.moh.govt.nz) for a copy of the 2006 Service User Statistics or ring (04) 496 2000 to arrange for a copy to be sent to you.

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The report also identifies that the number of people reporting casino gaming machines as their main problem doubled since 2005.

**GAMBLING COMPLIANCE KEY CONTACTS****0800 257 887****Keith Manch**

Deputy Secretary, Regulation and Compliance Branch

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, identity services policy and civil defence and emergency management policy. For the sake of simplicity, the functions outside the gambling sector are not included on this page.

Important changes for gambling regulation included 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.

**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. This Policy team is in 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.

**Jannette Farley**

Acting 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 the Department's policies about how the law will be turned into the work done in the field.

**Gregory Crott**

National Manager Licensing and Compliance

This unit is responsible for licensing and compliance of all gambling outside of 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), Neove Christoforou
- Southern Regional Manager (based in Christchurch), Kevin Owen
- Licensing is carried out by a team in Wellington

**Debbie Despard**

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.

## CONTACTS

All gambling compliance staff can be contacted by phoning the Department's tollfree number

**0800 257 887**

E-mail: [gaming.compliance@dia.govt.nz](mailto:gaming.compliance@dia.govt.nz)

Web: [www.dia.govt.nz](http://www.dia.govt.nz)

Postal address and fax numbers:

### CASINO COMPLIANCE

PO Box 805, Wellington, Fax: (04) 494 0562

### GAMBLING LICENSING

PO Box 10-095, Wellington, Fax: (04) 494 0656

### GAMBLING COMPLIANCE

#### Auckland

PO Box 2220, Auckland, Fax: (09) 362 7945

#### Wellington

PO Box 10-095, Wellington, Fax: (04) 495 7214

#### Christchurch

PO Box 1308, Christchurch, Fax: (03) 353 8309

## GAMBITS

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

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## 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](mailto:trevor.henry@dia.govt.nz)

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