
GAMBLING COMMISSION



REPORT OF THE GAMBLING COMMISSION FOR THE YEAR ENDED 30 JUNE 2012

Presented to the house of Representatives pursuant to section 229 of the Gambling Act 2003

CONTENTS

The Minister of Internal Affairs

I have the honour to forward the report of the Gambling Commission (the “Commission”) for the year ended 30 June 2012.

Graeme Reeves
Chief Gambling Commissioner

Page 2	Introduction by the Chief Gambling Commissioner
Page 3	Report on activities
	Establishment of the Commission
	Casinos
	Appeals to the Commission
	Appeal by Hells Angels Nomads Motorcycle Club Inc.
	Miscellaneous
	Procedures
	Administration
	Commission Meetings
	Future Directions
Page 7	Commission Members
Page 7	Contact details for Commission
Page 8	Appendix 1 Duties and Functions of Commission under the Gambling Act 2003
Page 9	Appendix 2 Decisions of Commission: 2011/2012 (including Delegated Approvals of Commission)

INTRODUCTION

By the Chief Gambling Commissioner

I am pleased to present to you my annual report for the period 1 July 2011 to 30 June 2012, the Commission's eighth full year of operation.

In June 2011, the Prime Minister announced that the Government would negotiate with SKYCITY regarding a National Convention Centre to be located in Auckland. The Commission is not involved in these negotiations, but it appears to be widely known that they relate to SKYCITY constructing and operating the Convention Centre in return for an increase to its gambling products and an extension to its operator's licence for the Auckland casino.

This announcement has resulted in an intense interest in all matters gambling in the last year, including the Commission's work. The result has been significantly increased media attention in the Commission's past and current decisions and a noticeable increase in requests for information from the Commission in relation to its work.

The Commission has a mixture of regulatory, judicial and advisory functions in relation to gambling and the gambling sector. The functions most regularly exercised by the Commission involve making approvals under casino licence conditions, amending casino licence conditions and considering appeals from gaming machine operators against decisions made by the Department of Internal Affairs (the "Department").

Graeme Reeves

Chief Gambling Commissioner

REPORT ON ACTIVITIES

Establishment of the Commission

The Commission was established in March 2004 by section 220 of the Gambling Act 2003 (the “Act”). The Act provides that the Commission shall comprise of up to five Commissioners.

The Chief Gambling Commissioner is Graeme Reeves; a barrister and solicitor based in Wellington. Graeme was a Gambling Commissioner from 2004 to December 2010, when he was appointed as the Chief Gambling Commissioner. The other Commissioners are:

- Paul Stanley, who comes from a public health background and has been employed at a senior level in Iwi and Urban Māori Authorities
- Lisa Hansen, who is Wellington barrister
- Russell Bell, who is a Chartered Accountant and business consultant, with a background in corporate risk management and assurance
- Abigail Foote, who is a professional director with a background in commercial law and finance.

The Commission is serviced by an Auckland-based Secretariat.

The duties and functions of the Commission are set out in Appendix 1 of this report.

Casinos

The Commission is responsible for casino licensing, with the Department being responsible for operating and equipment standards, game rules and compliance. Casinos can appeal the Commission’s decisions on licensing matters to the High Court.

In the year ending 30 June 2012, the Commission made 56 decisions on applications to amend licence conditions, or obtain approvals under licence conditions. Applications related mainly to approval of revised floor layouts and new game mixes. This compares to 60 decisions made last year.

New Zealand has six casinos (new ones being prohibited under the Act), varying considerably in size, as shown below:

Casino	No. of tables	No. of gaming machines
Auckland	110	1,647
Christchurch	36	500
Hamilton	23	339
Dunedin	12	180
Queenstown (SKYCITY)	12	86
Queenstown (Lasseters Wharf)	6	74

Appeals to the Commission

The Department exercises primary licensing and enforcement functions in relation to non-casino gambling (gaming machines and large-scale lotteries). As at 30 June 2012, there were 361 licensed Class 4 gambling operators, 1400 gaming machine venues, and 17,943 gaming machines in New Zealand (down from 364; 1,421 and 18,309 respectively in 2011, and down significantly from the 25,221 gaming machines that were in place in June 2003).

Operators have rights of appeal to the Commission against decisions made by the Department in circumstances including loss of licence, enforcement action, and in relation to the imposition of licence conditions by the Department.

In the year ending 30 June 2012, Divisions of the Commission determined five appeals, one application for costs against the Secretary for Internal Affairs (the “Secretary”), and one application for particular discovery. This compares to the six decisions made by the Commission last year.

Within these seven decisions, the Commission considered its first Class 3 appeal; by Hells Angels Nomads Motorcycle Club Inc. This is discussed below.

Many other appeals were filed with the Commission, but did not proceed to hearing.

An appeal is heard on a *de novo* basis, meaning that the Commission considers the matter afresh.

Appeal by Hells Angels Nomads Motorcycle Club Inc.

Hells Angels appealed against a decision by the Secretary refusing to grant it a Class 3 operator's licence. The Secretary refused to grant the licence because investigations that he carried out caused him not to be satisfied about the suitability of the Club, its officers and the organiser of the gambling.

In the appeal, the Secretary submitted that he obtained information regarding past convictions of some of the appellant's members (for violence and dishonesty offences), together with information showing that some members were facing current charges in relation to methamphetamine, cannabis, money laundering, theft and receiving.

The Appellant submitted that the Secretary should not have considered the past convictions as they are irrelevant to its suitability to conduct Class 3 gambling. The Appellant also submitted that the Secretary failed to take into account that its officers have been involved in previous Class 3 gambling, with no suggestion of any impropriety.

The Commission was of the view that much of the information obtained by the Secretary on the Appellant was of concern. In particular, the Commission was concerned about the potential for licensed gambling to be used for money laundering purposes – to hide, and legitimise dealing with, the proceeds of criminal activities such as theft and drug dealing.

The Commission was of the view that this information provided a basis for concluding that there would be a real risk that a reputedly criminal organisation with connections through its membership to offending involving Class A drug dealing, theft, burglary, receiving, fraud and money laundering would use the opportunity offered by licensed gambling to facilitate money laundering. As such, the information obtained by the Secretary in his investigation of the Appellant caused the Commission not to be satisfied about the suitability of the Appellant, its officers, including the organiser. The Commission therefore confirmed the Secretary's decision, and dismissed the appeal.

Miscellaneous

In May 2012 the Commission completed its review of the Host Responsibility Programmes for the SKYCITY Hamilton and Queenstown casinos. These Programmes incorporated valuable lessons that had been learnt since December 2007 from the implementation of the Auckland Programme.

The Commission also recommenced its reviews of the Programmes for the Christchurch, Dunedin and Wharf casinos. These Programmes will also incorporate the lessons learned from Auckland. The Commission expects to complete these reviews in the forthcoming year.

The Commission has also commenced its next review of the Auckland Programme, having written to SKYCITY Casino Management Limited ("SCML") asking it to submit a new draft Programme for the Commission to consider. The Commission will consult widely as part of this review and is likely to engage an external expert to assist it with this task.

In commencing this review, the Commission has begun a new cycle of Host Responsibility Programme reviews which will lead to further reviews of the Programmes for the Hamilton, Queenstown, Christchurch, Dunedin and Wharf casinos.

The Commission maintained regular contact with stakeholders throughout the year, including representatives from all six casinos, the Class 4 sector, the Department, the Ministry of Health, researchers and treatment providers. The Commission also met with gambling regulators in Australian State jurisdictions, and briefed them on the Commission's work.

The Commission continues to keep abreast of relevant gambling issues at both the governance and management levels.

Procedures

In exercising its functions, the Commission has wide powers to determine its own procedures, to engage experts and to receive evidence. The policies and procedures developed by the Commission, and the decisions which it makes, are all published on its website.

Appeal proceedings are run along judicial lines. Procedures involve filing of submissions and affidavit evidence by the appellant, submissions and evidence in response by the respondent Secretary, and submissions and evidence in reply from the appellant.

The Commission consults on applications to amend licence conditions with the casino licence holder, the Secretary and affected persons.

The Commission can, and does, obtain independent legal advice in relation to matters under consideration – both casino applications and appeals.

Apart from its decisions, the Commission (mainly through the Commission Secretariat) communicates on an ongoing basis with stakeholders, to ensure that the Commission's decisions are well understood, and to assist the Commission's understanding of the operation of the sector.

Administration

Under the Act, the Commission has no power to acquire, hold or alienate property, or to employ people. Instead, the Act requires the Department to service the Commission, by arranging the administrative services necessary for the Commission to perform its functions.

The Act also requires the Commission to make decisions independently of the Minister and the Secretary, and to have stand-alone offices. These are located in Auckland.

The Commission is funded from the Department's Vote, but, as noted above, is functionally independent. The Commission's annual budget for 2011/2012 was \$1,146,000, which was under-spent by \$240,393.

Commission Meetings

The Commission met 11 times during the year under review: 15 July, 12 August, 16 September, 14 October, 11 November, 9 December, 17 February, 16 March, 13 April, 11 May and 14 June.

Divisions of the Commission met on 11 November, 9 December, 17 February, 16 March, 13 April, 11 May and 14 June 2012.

Commissioner Reeves attended the annual Australasian Gambling Regulators' Forum in November 2011, and Commissioners Reeves, Stanley, Hansen, Bell and Foote attended the annual Australasian Gambling Regulators' Conference in March 2012.

Future Directions

The primary focus of the Commission in 2012/2013 will be the following activities:

- the ongoing effective discharge of its licensing and appeal functions
- the ongoing review of the Host Responsibility Programmes for the Christchurch, Dunedin, Wharf and Auckland casinos
- continuing to meet with the sector to ensure that the role of the Commission and its decisions are well understood
- keeping the Minister informed of developments relating to the Commission's functions
- advising Ministers and facilitating consultation on the setting of the Problem Gambling Levy.

COMMISSION MEMBERS

Graeme Leonard Reeves
Chief Gambling Commissioner
Barrister and Solicitor
Wellington
Appointed June 2004
Term expiring July 2015

Paul Joseph Stanley
Company Director
Tauranga
Appointed March 2004
Term expiring July 2015

Lisa Mary Hansen
Barrister
Wellington
Appointed March 2011
Term expiring December 2013

Russell Duncan Bell
Accountant
Whanganui
Appointed July 2011
Term expiring July 2014

Abigail Kate Foote
Director
Christchurch
Appointed July 2011
Term expiring July 2014

CONTACT DETAILS FOR COMMISSION

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Executive Director

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APPENDIX 1

Duties and Functions of the Commission under the Gambling Act 2003

The Commission is an independent decision-making body with the powers of a Commission of Inquiry. Its functions are wide-ranging, and include the following:

- specifying, varying and revoking casino licence conditions
- considering and determining applications for casino operators' licences and the renewal of casino venue licences (the first of the existing six venue licences expires in 2019)
- approving agreements and changes to agreements between casino operators and casino venue licence holders
- considering and determining appeals against regulatory and licensing decisions made by the Department in respect of Class 3 and Class 4 gambling. Class 3 gambling involves prizes of more than \$5,000, but does not take place at a casino or involve gaming machines. Class 4 gambling relates to non-casino gaming machine operations
- considering and dealing with complaints about the way the Department has handled complaints in relation to Class 4 gambling
- advising the Minister of Internal Affairs on matters relating to the performance of the Commission's functions and the administration of the Act, either at the Minister's request or on its own initiative
- advising Ministers and facilitating consultation on the setting of the problem gambling levy.

APPENDIX 2

Decisions of the Commission: 2011/2012

Decision		Status
GC22/11 15 July 2011	Application by SKYCITY Casino Management Limited ("SCML") to introduce a new type of card shoe at the Auckland casino	Approved
GC23/11 15 July 2011	Application by SCML for an exemption under licence condition 8 of SCML's operator's licence for the Hamilton casino	Approved
GC24/11 15 July 2011	Application by SCML to vary conditions attached to SCML's operator's licence for the Auckland casino	Approved
GC25/11 12 August 2011	Application by SCML to vary condition 9 of SCML's operator's licence for the Auckland casino	Approved
GC26/11 12 August 2011	Application by SKYCITY Auckland Limited ("SCAL") to vary conditions 9 and 9A of SCAL's venue licence for the Auckland casino	Approved
GC27/11 16 September 2011	Application by SCML for approval to install a cash-dispensing EFTPOS terminal	Approved
GC28/11 16 September 2011	Application by Queenstown Casinos Limited ("QCL") for approval to alter its signage	Approved
GC29/11 16 September 2011	Application by SCML for approval to vary condition 9 of SCML's operator's licence for the Auckland casino	Approved
GC30/11 16 September 2011	Application by Christchurch Casinos Limited ("CCL") for approval of new game mixes	Approved
GC31/11 16 September 2011, 14 October 2011	Application by SCML for approval of new floor plans which depict table games at the Auckland casino with blank boxes	Approved
GC32/11 14 October 2011	Proposal by the Gambling Commission to vary condition 8(a) of the venue licences held by SCAL, SKYCITY Hamilton Limited, CCL, Dunedin Casinos Limited and Otago Casinos Limited ("OCL")	Approved
GC33/11 14 October 2011	Application by SCML to vary conditions 6A and 9 of SCML's operator's licence for the Auckland casino	Approved
GC34/11 12 November 2011	Proposal by the Gambling Commission to vary condition 5 of the operator's licences held by SCML (for the SkyCity Hamilton and Queenstown casinos), CCL and OCL	Approved
GC35/11 12 November 2011	Appeal by Air Rescue Services Limited	Declined
GC36/11 9 December 2011	Application by SCML for approval of new game mixes for the Auckland casino	Approved
GC37/11 9 December 2011	Application by SCML to introduce a new wagering option on its Baccarat games	Approved
GC38/11 9 December 2011	Application by CCL to vary conditions 9A and 9B of its venue licence	Approved
GC01/12 9 December 2011	Appeal by Blue Waters Community Trust	Partially allowed
GC02/12 9 December 2011	Application for Particular Discovery by First Sovereign Trust	Declined

Decision		Status
GC03/12 17 February 2012	Application by SCML to deploy Roulette games using a wheel with 38 compartments	Approved
GC04/12 17 February 2012	Application by OCL for approval of additional signage	Approved
GC05/12 17 February 2012	Appeal by Hells Angels Nomads Motorcycle Club Incorporated	Declined
GC06/12 17 February 2012	Appeal by Pub Charity Inc	Declined
GC07/12 16 March 2012	Application by SCAL for approval of signage, and to vary condition 6 of the venue licence for the Auckland casino	Approved
GC08/12 16 March 2012	Application by CCL for approval of new game mixes	Approved
GC09/12 16 March 2012	Application by SCML for approval of new game mixes for the Auckland casino	Approved
GC10/12 16 March 2012	Appeal by The Southern Trust Incorporated – The Sail and Anchor, Timaru	Declined
GC11/12 13 April 2012	Application by SCML for approval of new game mixes for the Auckland casino and to vary condition 9 of SCML's operator's licence	Approved
GC12/12 13 April 2012	Application by SCML for approval to deploy a new Roulette layout at the Auckland casino	Approved
GC13/12 11 May 2012	Application by SCML for approval of new game mixes for the Queenstown casino	Approved
GC14/12 14 May 2012	Decision on the amendment by the Gambling Commission of the Host Responsibility Programmes for the Hamilton and Queenstown casinos	
GC15/12 2 July 2012	Application for costs by Filthy Few Motorcycle Club Tauranga Inc	Declined

**Delegated Approvals allowed by the Commission:
2011/2012**

13 July 2011	Application by SCML for approval of new floor plans for the Auckland casino
15 July 2011	Application by SCML for approval of new floor plans for the Auckland casino
20 July 2011	Application by SCML for approval of a new floor plan for the Auckland casino
25 July 2011	Application by SCML for approval of a new floor plan for the Auckland casino
26 July 2011	Application by SCML for approval of new floor plans for the Auckland casino
2 August 2011	Application by SCAL for approval of construction and design changes to the Auckland casino
17 August 2011	Application by SCML for approval of new floor plans for the Auckland casino
17 August 2011	Application by SCML for approval of new floor plans for the Auckland casino
24 August 2011	Application by SCML for approval of new floor plans for the Auckland casino
26 August 2011	Application by SCML for approval of a new floor plan for the Auckland casino
13 September 2011	Application by SCML for approval of new floor plans for the Auckland casino
13 September 2011	Application by SCAL for approval of construction and design changes to the Auckland casino
16 September 2011	Application by SCML for approval of a new floor plan for the Auckland casino
21 September 2011	Application by SCML for approval of new floor plans for the Auckland casino
30 September 2011	Application by CCL for approval of a new floor plan for the Christchurch casino
11 October 2011	Application by SCML for approval to re-label its approved plans for the Auckland casino, and for approval of a new floor plan
12 October 2011	Application by SCML for approval of a new floor plan for the Queenstown casino
17 October 2011	Application by SCAL for approval of construction and design changes to the Auckland casino
19 October 2011	Application by SCML for approval of a new floor plan for the Auckland casino

23 November 2011	Application by SCML for approval of new floor plans for the Auckland casino
25 November 2011	Application by SCML for approval of a new floor plan for the Auckland casino
21 February 2012	Applications by SCAL and SCML for approval of construction and design changes and two new floor plans for the Auckland casino
4 April 2012	Application by SCAL for approval of signage for the Auckland casino
10 April 2012	Application by SCAL for approval of construction and design changes to the Auckland casino
13 April 2012	Application by SCML for approval of new floor plans for the Auckland casino
13 April 2012	Application by Dunedin Casinos Management Limited ("DCML") for approval of a new floor plan for the Dunedin casino
7 May 2012	Application by SCML for approval of new floor plans for the Auckland casino
18 May 2012	Application by SCML for approval of a new floor plan for the Auckland casino
1 June 2012	Application by SCAL for approval of construction and design changes to the Auckland casino
13 June 2012	Application by DCML for approval of a new floor plan for the Dunedin casino
19 June 2012	Application by SCML for approval of a new floor plan for the Hamilton casino
28 June 2012	Application by SCAL for approval of new signage at the Auckland casino

