# Questions and Answers

## Why do we need a review of class 4 gambling?

A combination of pressures has impacted on the sector’s ability to maintain revenue and maximise community funding since the Gambling Act was introduced in 2003.

The Government called for a review to determine whether the objectives of the Act are being met and that the legislation remains fit-for-purpose. In particular, the Government wants assurance that the framework is delivering the maximum benefits to communities from class 4 gambling funding.

## What has the review found so far?

Analysis by the Department of Internal Affairs indicates significant decline in spending on gaming machines throughout the 2000s, particularly in the years following the establishment of the Act. This occurred due to a combination of factors, including the effects of the new framework, a correction to an ‘oversupply’ of machines and venues hosting them and changes in the gambling and hospitality sectors over this period.

Spending on gaming machines has been relatively stable from 2010/11, with moderate increases since 2014/15. Despite this, the amount spent on class 4 gambling and the community funding it generates has decreased overall since 2003.

The review also found that the complexity and costs of the regulatory framework suggests the future of the class 4 sector, in particular the sustainability of community funding is at risk.

## Who will be consulted on the next stage of the review?

The Department will develop a discussion document containing options for the future of class 4 gambling and submit it to Cabinet for approval by the end of May 2016. Prior to this the Department will talk to key sector groups involved in class 4 gambling about the terms of reference for the review, and ideas for what should be included in the discussion document.

Groups consulted will include societies, clubs and commercial venues who own or host gaming machines, problem gambling service providers, and representatives of groups who receive grants funding.

Public consultation will take place later in 2016, and all options will be discussed with the sector before any final recommendations for change are made.

## If the rate of return to community groups will not be increasing, does that mean community groups will not be receiving more funding from class 4 gambling?

If the rate of return is increased by too much, this could lead to societies reducing the number of venues in order to meet a higher percentage of return to communities which would decrease the overall proceeds available. So although the percentage returned to communities could be higher, the actual amount of money returned would be less, as the funds would be taken from a smaller pool of money.

Cancelling the increases also does not prevent societies returning funds at a higher rate if they choose, as the rate of return is a minimum.

## The Government recently decided to increase the minimum rate of return incrementally to 42 per cent by 2018. Why is the Government now changing its mind?

The decision to incrementally increase the minimum rate of return was made in 2014. In 2015 a decision was also made to increase the fees paid to the Department by class 4 societies. Gambling fees are fees paid by gambling operators to the Department to cover the cost of regulating gambling.

A public consultation document was released in October 2015 to review the minimum rate of return, to take into account the newly increased fees.

Feedback from the sector was the combination of increased fees and incremental increases in the rate of return put significant financial pressure on societies, and it was recommended that further increases to the minimum rate of return should be cancelled.

## Why was the decision made to increase fees to the Department?

These fees had not increased since 2008, and had not been covering the Department’s regulatory costs for some years. As a result, the Department is now carrying an annual operating deficit of $3.8 million and an account deficit of $12.9 million, as at 30 June 2015.

Without fee increases, the deficit was predicted to increase to just under $40 million by 2018/19. The effects of increased fees could not be taken into account when it was decided to increase the rate of return.