Regulatory impact statement: changes to fees under the Gambling Act 2003

Agency disclosure statement

This regulatory impact statement (RIS) has been prepared by the Department of Internal Affairs (the Department).

The Gambling Act 2003 (the Act) enables the costs of the Department and the Gambling Commission in relation to the regulation of gambling to be met by charging fees to gambling operators. This RIS proposes increases to the fees paid by class 4 gambling operators (those that operate electronic gaming machines in pubs and clubs) to address the significant levels of under-recovery currently occurring in the Department's cost-recovery arrangements.

While the Act anticipates the costs of gambling regulation being met by third-parties, the preferred option identified in this RIS reduces but does not completely remove government subsidisation of gambling regulation. This is due to the constraints in the current cost-recovery model and the Department's limited ability to reduce its costs as gambling regulator under the Act.

The modelling that drove the preferred option is based on financial forecasting as well as the assumption (based on data trends) that gaming machine numbers will continue to decline. The Department considers these projections to be reasonable, but acknowledges that, as a result, the extent to which the preferred option will enable the Department to recover its costs is uncertain. Risks associated with this uncertainty can be managed through regular three-yearly reviews of fees.

The majority of the class 4 sector expressed concern that the preferred option will make their businesses unviable, particularly in the context of regulated increases to the minimum rate of return to community purposes (and other cost pressures). While the Department has assessed the impact of the preferred option on the sector, the analysis in this RIS is constrained by a lack of information on the extent to which the preferred option will cause gambling operations to cease at some venues. This uncertainty makes it difficult to estimate the full regulatory impacts. Risks associated with this uncertainty are mitigated to some extent by the proposal that further policy work be undertaken on the regulated minimum rate of return.

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Introduction

1. The Department undertakes gambling licensing, compliance and enforcement functions under the Act. The Act intends that these functions (and those of the Gambling Commission) are fully funded through fees paid by gambling operators regulated by the Department. The fees are set in the Gambling (Fees) Regulations 2007 (the Regulations) under section 370 of the Act.

2. The operators are class 4 gambling societies, casinos, and class 3 gambling organisations.[1] Approximately 80 per cent of the Department's regulatory activity relates to the class 4 sector. The Department's regulatory activities in the sector include efforts to reduce theft and fraud, as well as activities to minimise gambling harm and maximise community returns.

3. Two-thirds of gambling fees revenue comes from the daily monitoring fee and the annual compliance fee paid by class 4 operators. Both fees are tied to the number of gaming machines in the class 4 sector (refer table 1). The number of class 4 gaming machines, societies, and venues has steadily declined since the Act was passed. Since 2012 gaming machine proceeds have also experienced a decline, although not as marked.

Table 1: Fee types and associated proportion of fee revenue in 2013/14

Type of fee	Fees recovered (2013/14) $million	Percentage of total fees revenue	Comment
Class 4 machine monitoring fees	$7.04	35.18%	Fees of $1.20/day charged for use of gaming machines to fund the Department's Electronic Monitoring System and the Integrated Gambling Platform
Class 4 compliance fees	$6.46	32.28%	Annual fee of $378 per gaming machine charged to all class 4 operators to cover compliance activity
Casino fees	$5.24	26.89%	Fixed annual fees charged to each of the six casinos
Licensing and miscellaneous fees (classes 3 and 4)	$1.13	5.65%	A range of fees primarily for issue of new or renewed licences for classes 3 and 4 gambling
Total	**$19.87**	**100%**	

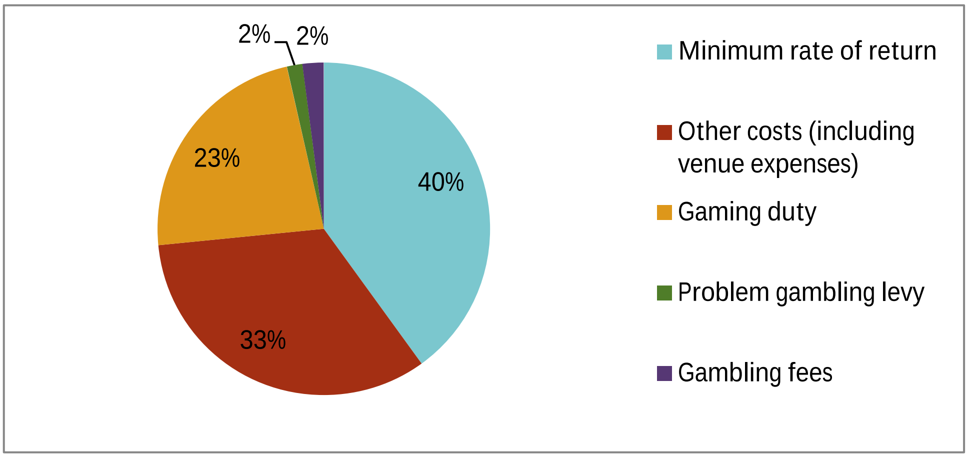
The relationship between class 4 society costs and return to communities

4. The costs incurred by societies in operating gaming machines and distributing proceeds have a direct relationship with the level of community returns. Society costs are paid from the gross proceeds from gambling leaving an amount of net proceeds to be distributed to communities by way of grants. A minimum rate of return to communities is fixed in the Gambling (Class 4 Net Proceeds) Regulations 2004.

[1] Class 3 gambling is where prizes exceed $5000 (including housie and large raffles) and requires a licence from the Department.

5. Broadly speaking, in order to increase their return to communities societies need to reduce their costs. Society costs fall into two categories – government levies and other costs (including venue expenses). Government levies are made up of gaming duty, a problem gambling levy and fees to recover the Department's regulatory costs. Revenue from gaming duty and the problem gambling levy has discrete purposes and cannot be used to cover the Department's regulatory costs.

Figure 1: Where the gross proceeds from gaming machines go (excluding GST)



Cost pressures on societies

6. Immediate cost pressures on societies that may impact on their ability to meet the minimum rate of return to communities are:

   - the one-off costs of replacing Bank Note Acceptors and firmware upgrades in gaming machines by April 2016 as a result of the Reserve Bank's changes to New Zealand bank notes; and
   - the costs of phasing out non-downloadable jackpot machines by December 2015.[2]

7. In 2013 the decision was made to progressively increase the minimum rate of return. The rate increased from 37.12 per cent of GST-exclusive gross proceeds to 40 per cent in September 2014. The rate will increase to 41 per cent in 2016 and 42 per cent in 2018. Societies that consistently fail to meet the minimum requirement are unlikely to be re-licensed by the Department.

Machine numbers as the basis for setting fees

8. The current basis for setting gambling fees is not well aligned with cost recovery principles. A significant proportion of fees revenue comes from fees linked to the number of gaming machines in the class 4 sector. A problem with this is that there is a substantial element of regulatory activity, the costs of which are not related to the number of machines in the sector (e.g. investigations into grant fraud). The fact that machine numbers has steadily fallen means that this basis for setting fees exposes the Department to financial risk.

[2] As required by the *Minimum Technical Requirements for Class 4 Linked Jackpot Systems*, which came into force in December 2010.

9. The relationship between society costs and return to communities also limits the level at which these fees can be set. Machines generating high levels of gaming machine proceeds (GMP) enable societies to more easily meet the minimum rate of return. This is because the fixed costs of operating these gaming machines will take up a smaller proportion of GMP. Conversely, the fixed costs of machines generating low levels of GMP may make it harder for societies to meet the minimum rate of return.

10. If the fees linked to machines are set too high there is a risk that societies will reduce costs by shedding machines with low GMP (usually in rural venues). One consequence of this would be that the revenue base of machines over which the Department recovers most of its costs would reduce. There could also be an impact on community funding.

11. Despite these concerns, the Department is not proposing to change the basis of fee setting at this time. The Department's examination of other options for fee setting did not identify a feasible alternative to machine numbers.

12. This regulatory impact analysis (RIA) identifies options for cost recovery within the constraints and limitations of the current basis for setting fees. This RIA focuses on the class 4 sector as the regulation of class 4 gambling under the Act drives the Department's gambling regulatory costs and the options for cost recovery impact largely on this sector.

Status quo and problem definition

13. Fees were last reviewed in 2007 and came into force on 1 February 2008. Revenue generated under the current fee levels is insufficient to meet the Department's current and forecast costs for regulating the gambling sector. The Department forecasts an operating deficit of $4 million in 2015/16 between fees revenue and regulatory costs. The operating deficit is projected to continue to grow.

Decline in fees revenue

14. The last fees review set the fees on the basis that the number of machines in the sector would not reduce from approximately 20,000. However, machine numbers have continued to decline, and there were 16,579 licensed machines in June 2015. The result is that revenue from class 4 gaming machines has decreased by 20 per cent since 2008. The number of societies and venues in the sector has also declined, resulting in lower fees revenue from licensing fees.

Regulatory costs have not declined

15. Although machine numbers and fees revenue have decreased, the Department's gambling regulatory costs have not followed this trajectory. The Department has been under-recovering its gambling regulatory costs for the last five years. The under-recovery is forecast to worsen, as fees revenue from machines is projected to continue to decline and Departmental gambling regulatory costs to increase.

16. Cost increases are driven by the need to maintain the Department's levels of regulatory activity in the class 4 sector (despite the reducing size of the sector) and because of fixed cost pressures such as:

- the ongoing costs for operating and maintaining the Electronic Monitoring System (EMS) for class 4 gaming machines; and

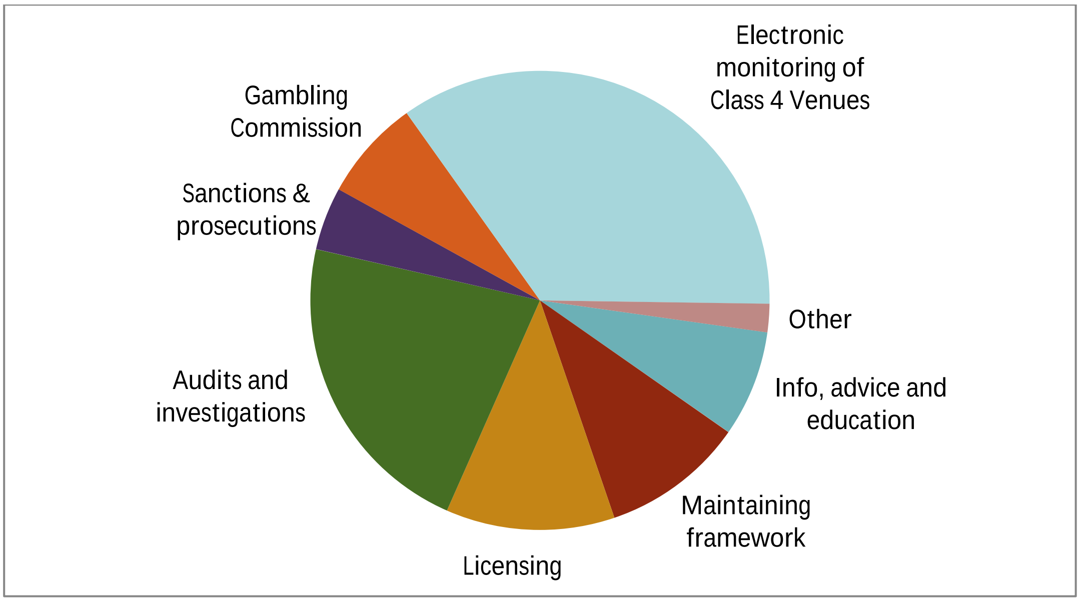
- development, depreciation and maintenance costs for the Integrated Gambling Platform system (IGP) to assist with regulating the industry.

17. General cost pressures include all consumer price index adjustments, increases in salary costs, contribution to corporate overhead and capital charges.

18. The current levels of licensing fees also do not reflect the significant due diligence of the Department in assessing the suitability of gambling operators and venue operators.

19. The figure below provides a breakdown of the Department's gambling regulatory costs by activity.

Figure 2: Breakdown of regulatory costs by activity



Department's memorandum account deficit

20. The outcome of lower fees revenue and increased gambling regulatory costs is a growing deficit in the Department's memorandum account for gambling fees ($12.9 million as at 30 June 2015). The deficit amount is composed of the current shortfall and historic debts.

21. The deficit is forecast to increase significantly if fees revenue declines and regulatory costs increase at forecast levels (refer table 2 below). The forecast deficit includes capital charges applied to the overall memorandum account deficit and to the Department's capital investment in IGP. As the deficit increases, capital charges accrue, which further exacerbate the deficit.

Table 2: Forecast memorandum account deficit under the status quo ($million)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue	19.522	19.112	18.729	18.345	17.962	17.579
Expenditure	23.603	25.150	26.345	27.044	28.156	29.387
Surplus/(Deficit)	(4.081)	(6.038)	(7.617)	(8.699)	(10.194)	(11.808)
Memo account deficit (including capital charges)	(17.064)	(23.101)	(30.718)	(39.417)	(49.610)	(61.419)

Problem definition

22. Current gambling fee levels are not sufficient to enable the Department to recover costs. This operating deficit is being carried from within the Department's overall balance sheet. The Act intends that the cost of regulation is funded by the sector. If fees and/or costs are not adjusted at this time, the deficit between revenue and costs and the memorandum account deficit will continue to grow.

Constraints

23. Options for fee levels need to be set at rates that address the Department's operating deficit and memorandum account deficit. The Department does not propose a capital injection from the Crown to address the memorandum account deficit in line with the intent of the Act. A capital injection would also move away from Treasury's Guidelines for Setting Charges in the Public Sector 2002.

24. However the dependencies between machine numbers as the basis for fees, sector dynamics and return to the community mean that the Department is constrained in the level to which it can increase fees and thereby recover its true costs. If fees are set too high, both the minimum rate of return to communities and the overall amount of community funding will be jeopardised.

Objective

25. The objective is to:

    - recover the Department's costs of gambling regulation (the costs of maintaining the Department's current levels of regulatory oversight);
    - reduce the deficit in the memorandum account over time (taking into account the constraint that any fee increases need to balance the impact on societies' ability to meet their other costs); and
    - maintain an adequate level of regulation.

26. Recovery of the Department's costs of regulation and reducing the deficit in the memorandum account will address the issue until additional work is done on the cost recovery model for gambling regulation.

27. The following criteria were used to assess the options against the objective:

    (a) The option recovers the Department's costs of gambling regulation and reduces the deficit in the memorandum account

    (b) Societies meet the minimum rate of return to communities

    (c) Funding to communities is not reduced

    (d) Cost recovery from fees is not impacted

Options

28. The Department has considered five options, but has only evaluated three options in detail. These three are:

    - Option one: the status quo (maintain fees at current levels)
    - Option two: increase fees to cover gambling regulatory costs and reduce the memorandum account deficit over time (preferred option)

- Option three: reduce Departmental costs and seek a lower fee increase

29. The two options that have been dismissed for further analysis at this time are:

    - Option four: an alternative approach to fee setting instead of gaming machines - a viable alternative has not been found
    - Option five: amending legislation so that government is authorised to absorb either: (a) a proportion of the costs of regulating gambling and/or (b) any shortfall of gaming machine funding to the community resulting from societies paying higher fees – the curent fiscal environment precludes a Crown contribution

30. The options evaluated are described in more detail below. The Department's analysis of the impacts of each option is based on what is known to it in terms of societies' GMP data for 2014/15, their current rate of return to communities, and the number of low and high GMP venues they hold.

31. Ultimately, as different societies have different cost structures, operating models and types of venues, it is difficult to know precisely how the sector will adapt under each option. It is also difficult to be certain of exactly how many societies will choose to cease operating at low GMP venues, and how many will exit the sector entirely. In the event that societies were unable to meet the rate of return requirements and exit the sector, the impact on funding available to the community is difficult to estimate. The impacts depend on how many venues are picked up by other societies and the extent to which patronage shifts to other venues.

Option one: status quo (maintain fees at current levels)

32. Under the status quo the Department would continue with the fee levels set in 2008. The key features of the status quo are:

    - an increasing deficit between fees revenue and gambling regulatory costs; and
    - government absorbing a proportion of the costs of regulating gambling.

33. Maintaining the current level of fees would enable societies to more easily meet the increases in the rate of return to communities.

34. For the Department the status quo means that it would continue to incur significant financial deficits or face pressure to reduce the level of regulatory oversight it provides. A reduction in the level of oversight is likely to result in an increase in non-compliance with the statutory requirements. This is likely to result in less money being returned to communities.

35. Retaining the status quo would also be incompatible with the need to maximise cost recovery in line with Treasury's Guidelines for Setting Charges in the Public Sector 2002.

Option two: increase fees to cover gambling regulatory costs and reduce the memorandum account deficit over time (preferred option)

36. Option two would involve fee increases that cover the Departments costs of gambling regulation per annum *and* reduce the deficit in the memorandum account over a ten-year period.

37. The Department considers a ten-year period to be reasonable time frame over which to spread the costs and reduce the scale of current fee payers subsiding the future and past costs of gambling regulation. The modelling of this option assumes a 500 per year decline in machine numbers (based on data trends). Appendix one provides more information about the modelling of this option.

38. Fees currently account for approximately 2.06 per cent of societies' GST-exclusive gross GMP. Under this option fees would account for 3.16 per cent in 2016/17 (a 54 per cent increase in fees). While some charges would increase, others would decrease as summarised in the table below. (Appendix two sets out the complete list of fees that, under this option, will replace the fees currently specified in the fees regulations.)

Table 3: Summary of the changes to class 4 fees under option two

Fee type	Current fee	New fee under this option
Class 4 annual compliance fee -		
· non-club societies and large club societies (eight machines plus)	$378	$595.77 - in first year, with stepped increases in subsequent years
· small club societies (seven or fewer machines)	$378	$295.50 - lowered to reflect the lower compliance costs these club societies present to the Department
Class 4 daily monitoring fee –		
· per machine per day (or part day) that the machine is switched on	$1.20	$1.90
Class 4 licensing fee – needs to reflect the significant due diligence of the Department in assessing the suitability of gambling operators and venue operators – this is not reflected in the current fees		
· approvals for *new* class 4 non-club societies	$3,616	$15,795
· *renewals* of non-club society licenses	$2,261	$10,246
· *new* venue licenses (non-clubs)	$904	$2,567
· *new* venue licences (clubs)	$678	$2,054

39. Option two would have a positive impact on cost recovery and on the Department's memorandum account deficit. However, depending on how societies adapt to the option, it could have negative impacts on their capacity to meet the regulated increases in the minimum rate of return and on the amount of funding to communities.

40. Impacts on the 270 club societies (e.g. bowling clubs) are likely to be varied, although these societies are not required to pay a return to the community or pay venue costs. This option could impact the ongoing viability of small club operations, although these clubs have the option of merging and restoring their viability

Option three (a combination of cost cutting and a small fee increase)

41. Under this option the Department would seek a small fee increase (half of what is proposed under option two) and reduce its operating costs to the extent that these lower operating costs could be recovered by the lower fees. The memorandum account deficit will remain unaddressed under this option.

42. A key drawback of this option is the ability of the Department to reduce its costs, as many are fixed irrespective of the number of gaming machines, for example:

    - the operation and maintenance of the EMS, which monitors all class 4 gaming machine-related activity (a requirement of the Act); and
    - the implementation of the IGP (an integrated electronic solution) that replaces a legacy licensing system no longer fit for purpose and unsupported.

43. The savings in costs would therefore need to be found by reducing staff. Initial calculations show that a reduction of over 35 per cent of current staffing levels would need to be achieved over five years plus significant savings in other operational costs. The Department has already reduced staff numbers since the last fees review, and is currently operating at the lowest number of staff employed in gambling regulatory work since 2004 (85 FTEs).

44. A reduction of over 35 per cent in staffing levels will affect the Department's ability to perform the following functions:

    - investigate serious and complex offending;
    - assess the suitability of gambling operators and venue operators;
    - undertake audits and inspections; and
    - engage with the sector in a way that delivers benefits.

45. As with option one, non-compliance with the Act's requirements is likely to increase. This is likely to result in less money being returned to communities and loss of public confidence in the regulator and the gambling system.

Summary of options considered

46. The table below summarises the analysis of the options against the assessment criteria.

Impact analysis of options against the criteria

	Impact: recovers operating costs and reduces memorandum account deficit	Impact: effect on societies' ability to meet the minimum rate of return	Impact: effect on dollar amounts of funding to communities	Impact: fees revenue received	Summary
Option one – Status quo Maintain fees at current level	The Department continues to incur financial deficits or faces pressure to reduce levels of regulatory oversight	Easier for societies to meet the minimum rate of return requirements	Risk that levels of regulatory oversight will need to be reduced to save costs, resulting in less money being returned to communities due to increased sector non-compliance	Fee revenue received continues to decrease as machine numbers decline	**Does not meet the objective**
Option two – fee increases (preferred option) Update fees to recover costs and reduce memorandum account deficit (a 54 per cent increase in fees)	Recovery of operating costs and recovery of the memorandum account deficit is expected over ten years using best estimates	Some societies will need to reduce their costs in order to meet the rate of return. Impacts on 270 club societies are likely to be varied	The precise loss in community funding depends on how many venues are picked up by other societies and the extent to which patronage shifts to other venues	The fees model assumes a 500 per year reduction in machines. A higher reduction will result in under-recovery of fees revenue	**Meets objective but presents risks to community funding and cost recovery**
Option three – a small fee increase (25 per cent) and cost cutting	Would not recover operating costs *and* reduce the deficit in the memorandum account	Easier for societies to meet the minimum rate of return requirements	Cost cutting from staff reductions will result in less money being returned to communities due to increased sector non-compliance	Less risk of under-recovery of fees revenue as societies are more likely to be able to afford a smaller fee increase	**Does not meet the objective as cost cutting would affect the Department's ability to maintain current levels of regulatory oversight and thus reduce returns**

Consultation

47. In February 2015 Cabinet agreed to the release of a public consultation document seeking feedback on increases to gambling fees. Consultation with the gambling sector and the general public on the preferred option took place between 4 March and 24 April 2015. The Department received 41 submissions on the proposed changes to fees.

48. The results of consultation were as expected, with the class 4 sector strongly opposed to the fee increases and problem gambling groups supporting higher increases in fees. A summary of submitters' views on the proposed class 4 fee increases is provided in Appendix three. The Department has considered all feedback. While no changes to the preferred option have been made, the Department acknowledges submitter concerns that the class 4 sector is under increasing pressure to financially support the necessary level of regulation and maintain funding streams for community purposes.

Departmental consultation

49. The Cabinet paper that this RIS accompanies is currently being consulted on with The Treasury, Ministries of Health, Business, Innovation and Employment, Culture and Heritage, Women, Pacific Island Affairs, Te Puni Kōkiri, and Sport New Zealand. The Department of the Prime Minister and Cabinet has been informed.

Recommendations

50. Having carefully considered the impacts of the preferred option, the Department recommends that the preferred option (option two) be implemented. Neither the status quo (option one) nor option three will meet the objective. The preferred option (option two) reflects revenue decline and cost increases since the fees were last set and achieves the objective. The main benefit of option two is that it will ensure the Department is able to continue its regulatory functions as well as reduce the deficit over time.

51. However increasing fees now together with the increases to the minimum rate of return in 2016 and 2018 could lead to a reduction in aggregate community funding. It also presents risks to cost recovery, as the current model relies on the sector being able to afford the proposed level of fee increases. There is no potential to avoid fee increases without impacting on the Department's ability to fulfil its obligations under the Act. The Department recommends that the proposed fee increases take place in conjunction with further policy work on the minimum rate of return requirements.

Implementation plan

52. Cabinet agreement will be needed to give effect to any changes to fees. Drafting instructions will be issued for a new schedule of fees under the Act to be given effect by an Order in Council. The sector will receive advance notice of the changes to fees, which are proposed to come into effect by 1 December 2015.

53. The Department does not expect compliance costs to be affected as no changes are proposed to fee collection processes.

Monitoring, evaluation, and review

54. The Department will actively monitor the effect of the proposed fees in the sector. A key factor would be whether the fees are recovering the required amounts and not under-recovering or over-recovering. Financial monitoring would occur continuously, therefore any sudden or large changes in fees revenue would be picked up immediately. The number of venues changing hands or societies exiting the sector will be monitored to assess the impacts.

55. The significant level of fee increases proposed under the preferred option will not completely remove government subsidisation of gambling regulation. Should the fee increases be approved, the large memorandum account deficit will not be fully recovered and pressure will remain on the Department's balance sheet for the foreseeable future.

56. For this reason, the Minister of Internal Affairs is seeking Cabinet agreement to a fit-for-purpose assessment of the class 4 sector at the same time as seeking decisions on fees. The proposed assessment will review the dynamics in the sector and look at the alignment between the sector, the regulator and the sustainability of the current regulatory regime. The proposed scope of the assessment includes a 'first principles' review of the cost recovery model for gambling regulation.

57. The Department has not recommended that decisions on fees await the outcome of the proposed assessment of the sector. This is to prevent worsening of the Department's financial situation (a forecast memorandum account deficit of $23 million in 2016/17) and because of the recommendation that the risks associated with increasing fees can be reduced through further policy work on the minimum rate of return.

Appendix one: modelling of fees under option two (the preferred option)

58. The Department's fees model forecasts revenue and costs over a ten year period. This is to balance the repayment of the memorandum account deficit and the impact of the increases. Revenue projections are based on gaming machine numbers and conservative estimates of the future volume of licensing activities. All volumes have been held constant, except for machine numbers which are assumed to decrease at a rate of 500 per year, which is the historic average.

59. The model is an activity- based costing model. The revenue and expenditure figures are based on past events and may not accurately reflect the costs of regulatory activities going forward. As a result figures in out-years may be over or understated, meaning proposed fees may not be adequately recovering costs.

60. It is possible that the rate of decline in gaming machine numbers will slow, as the sector continues to rationalise, and reach an "optimum" number. It is also possible that volumes of licensing activity will be greater than projected. The effect of these scenarios is that the memorandum account reduces more quickly due to over-recovery of revenue.

61. It is also possible that there will be under-recovery of revenue if the proposed fees impact heavily on the viability of venues and societies. This could lead to an even sharper decline in machine numbers than currently built into the model of 500 per year.

62. The table below shows the impact of the revised fees on revenue and expenditure and the memorandum account deficit if there is no under recovery of over recovery of revenue. The deficit will not be completely repaid but the downward trend in the memorandum account deficit will be reversed.

Table 3: Forecast revenue and costs based on new fees

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	18.459	23.278	26.950	26.836	26.726	26.620
Expenditure	22.268	23.528	24.687	25.213	25.167	25.452
Surplus/(Deficit)	(3.809)	(0.250)	2.264	1.624	1.560	1.168
Memo account closing (including capital charges)	(12.982)	(13.232)	(10.969)	(9.345)	(7.785)	(6.617)

Appendix two: schedule of proposed gambling fees

Fee type	Current fee ($)	Proposed fee 2015/16 ($)	Proposed fee 2016/17 ($)	Proposed fee 2017/18 ($)	Proposed fee Out years 2024/25 ($)
Class 3 Operator Licence					
New or renewal (prizes $50,000 or less)	89	89	89	89	89
New or renewal (prizes more than $50,000)	628	628	628	628	628
Amendment	306	0	0	0	0
Class 4 Operator Licences					
New (club societies)	3,616	3,616	3,616	3,616	3,616
New (non-club societies)	3,616	15,795	15,795	15,795	15,795
Amendment or notification (key person)	565	565	565	565	565
Amendment or notification (other)	226	169	169	169	169
Renewal (club societies)	1,130	1,130	1,130	1,130	1,130
Renewal (non-club societies)	2,261	10,246	10,246	10,246	10,246
Operator's annual fee (non-clubs)	3,612	3,612	3,612	3,612	3,612
Annual compliance fee (per gaming machine) – non-clubs and larger clubs	378	595.77	627.27	661.13	986.17
Annual compliance fee (per gaming machine) – small clubs	378	295.50	304.50	313.50	377.00
Class 4 venue licences					
New venue licence (club)	678	2,054	2,054	2,054	2,054
New venue licence (non-club)	904	2,567	2,567	2,567	2,567
Renewed venue licence (club)	112.89	112.89	112.89	112.89	112.89
Renewed venue licence (non-club)	169.78	169.78	169.78	169.78	169.78
Daily monitoring fee	1.20	1.90	1.90	1.90	1.90
Certificate of Approval (casino staff)	292	512.44	512.44	512.44	512.44
Associated person approval	293	512.44	512.44	512.44	512.44
New casino operator's licence	340,000	340,000	340,000	340,000	340,000
New casino venue agreement	23,000	23,000	23,000	23,000	23,000

Fee type	Current fee ($)	Proposed fee 2015/16 ($)	Proposed fee 2016/17 ($)	Proposed fee 2017/18 ($)	Proposed fee Out years 2024/25 ($)
Amendment to casino operator's licence, venue agreement and venue licence	888	888	888	888	888
New or renewed promoters' licence **Temp licensed promoter authority**	1,375 100	2,567 100	2,567 100	2,567 100	2,567 100
Filing appeal with Gambling Commission	255	255	255	255	255
1-day, half day and part half day hearing	460	460	460	460	460

Casino fees	Current fee ($million)	Proposed fee 2015/16 ($million)	Proposed fee 2016/17 ($million)	Proposed fee 2017/18 ($million)
Auckland	2.573	2.852	2.852	2.852
Hamilton	0.652	0.550	0.550	0.550
Christchurch	1.114	0.813	0.813	0.813
Dunedin	0.495	0.446	0.446	0.446
Queenstown Sky City	0.211	0.304	0.304	0.304
Queenstown wharf	0.197	0.278	0.278	0.278
Total	5.242	5.242	5.242	5.242

Appendix three: results of consultation on increases to class 4 gambling fees

Societies identified risks to community funding and to the revenue base for fees

63. Submitters from the class 4 sector were opposed to the fee increases or supported a small increase (in line with inflation). In general the class 4 sector expressed concern about the sustainability of a regulatory framework where increasing costs are being imposed on a sector that is in decline. They were of the view that the Department should first review its activities and costs to ensure that it is operating effectively and efficiently.

64. Societies noted that the proposed fee increases are coming at a time of increasing cost pressure for the sector. Cost pressures commonly identified included:
    - replacing non-downloadable jackpot generators;
    - replacing bank note acceptors in gaming machines to accept the Reserve Bank's new currency; and
    - regulated increases in the minimum rate of return to communities.

65. Societies noted the proposed fee increases may make venues with a lower turnover being seen by societies as financially unviable. They argued that increased fees may accelerate de-licensing of lower-turnover venues, as societies shed venues in order to meet the increased fees and increased minimum rate of return. The exit of lower turnover venues would also put further pressure on the revenue base for fees.

66. Societies argued that the total GMP available for grants to communities may subsequently fall, with the impact of this felt disproportionately on rural areas where the lower-turnover venues are situated. Societies whose policy was to return GMP to the area in which it was raised were concerned that rural communities will lose an opportunity for funding.

67. Submissions from funding recipients were opposed to the fee increases because of the risk of venues ceasing gambling operation, or closing, which would reduce the overall amount of funding available for grants.

Problem gambling groups supported the fee increases

68. Problem gambling support groups supported the fee increases. They noted that more regulation of the sector was needed in order to help minimise the risk of gambling harm. These submitters pointed to the results of the Department's 'Mystery Shopper' exercise conducted in 2014. Of the 102 class 4 venues visited by undercover gamblers who exhibited signs of harm, there was no intervention from staff in 101 venues.