



G3-247 Report

NEW ZEALAND

All the elements in harmony

All public gambling in New Zealand is expected to return a portion of profits to the community, with the largest proportion of the gambling industry operated by state-owned institutions. Has New Zealand found the right gaming balance?

New Zealand is an island located in the south west Pacific Ocean and geographically comprises of two main land masses – North Island (Te Ika-a-Maui) and South Island (Te Waipounamu) alongside numerous small islands.

It is situated some 1,500 km east of Australia across the Tasmanian Sea and because of its remoteness was one of the last lands to be settled by humans. Due to its long isolation it developed a distinctive biodiversity of animal and plant life including a large number of unique bird species.

The Polynesians settled in New Zealand in 1250-1300 CE and developed a distinctive Maori culture, which were divided into two tribes called the Iwi and Hapu. A group migrated to the Chatham Islands where they developed their Moriori culture which has since died out.

Abel Tasman, a Dutch explorer was the first European to

sight New Zealand in 1642 and he called the land 'Staten Landt'. It was later renamed 'Nova Zeelandia' after the Dutch province of Zeeland and British explorer James Cook later anglicised the name to New Zealand.

In the 19th century the introduction of potatoes and musket weapons transformed Maori agriculture and warfare. Potatoes provided a reliable food surplus whilst the Musket Wars led to a series of 3,000 years of inter tribal battles fought in New Zealand and the Chatham Islands amongst the Maori tribes. Finally in 1840 the British and the Maoris signed a treaty to make New Zealand a colony of the British Empire.

Immigrant numbers soared and conflicts escalated and Maori land was confiscated in the mid North Island and economic depressions followed.

On the plus side New Zealand became the first nation to grant women the right to vote in 1893 and a welfare state

was set up in 1930s when the first Labour government came into power.

As World War II ended the Maoris began to leave their traditional rural life and move to the cities in search of work and during the 1950s the country enjoyed one of the highest standards of living in the world. However the 1970s saw deep recession and the country underwent major economic changes during the 1980s which transformed the country from a protectionist to a liberalised free trade economy.

Meanwhile the North and South Island are separated by the Cook Strait which is 22 kilometres wide at its narrowest point. Besides these two large islands the five largest inhabited islands include Stewart Island, Chatham Islands, Great Barrier Island, d'Urville Island and Waiheke Island.

New Zealand is a long thin country and over 1,600km



long and only 400km wide maximum with around 15,000km of coastline and a total land area of 268,000sq.km.

The South Island is the largest landmass of the country and divided along its length by the Southern Alps of which there are 18 peaks of over 3,000m the highest being Mount Cook/Aoraki.

The North Island is less mountainous but is marked by volcanism with the highly active Taupo Volcano.

New Zealand is divided into 11 regional councils and 67 territorial authorities for local government purposes.

The country today has a modern, prosperous and developed market economy and has focused on sealing, whaling, flax, gold, kauri gum and timber.

Meat and dairy products were increased in the 1880s

when refrigeration developed and were exported to Britain and there are high demands for agricultural products from the UK and US which helped New Zealanders achieve higher living standards. Today New Zealand is one of the top five dairy exporters in the world.

In 1973 the export market for New Zealand was reduced when the UK joined the European Community and an economic depression began and living standards fell. By 1982 the country had the lowest per capita income of all developed nations.

Since 1984 however there has been a major restructuring programme to transform the country into a liberalised free trade economy. Unemployment peaked above 10 per cent in the early 1990s but is today around 6.6 per cent.

The global recession hit the country but now after years of sluggish growth the country is on its way to seeing a huge growth spurt. Recovery has been led by exports with demand from Australia and China who have been less affected by the crisis.

After 10 years of Labour Party dominated governments the centre right National Party led by Prime Minister John Key returned to power in November 2008 and was re-elected in November 2011.

Tourism is one of New Zealand's largest export industries and employs around 5.7 per cent of the workforce with one in 11 working in the tourism industry.

Real GDP growth today is around \$142bn with a 1.5 per cent growth.

Tourism is one of New Zealand's largest export industries and second to the dairy industry in terms of foreign exchange earnings. It employs around 5.7 per cent of the workforce with around one in 11 working in the tourism industry.

Last year international visitors spent \$9.8bn whilst domestic tourism expenditure was \$14.2bn. Tourism's direct contribution to the GDP was 3.7 per cent. In 2013 there were 2.6 million international visitors to the island.

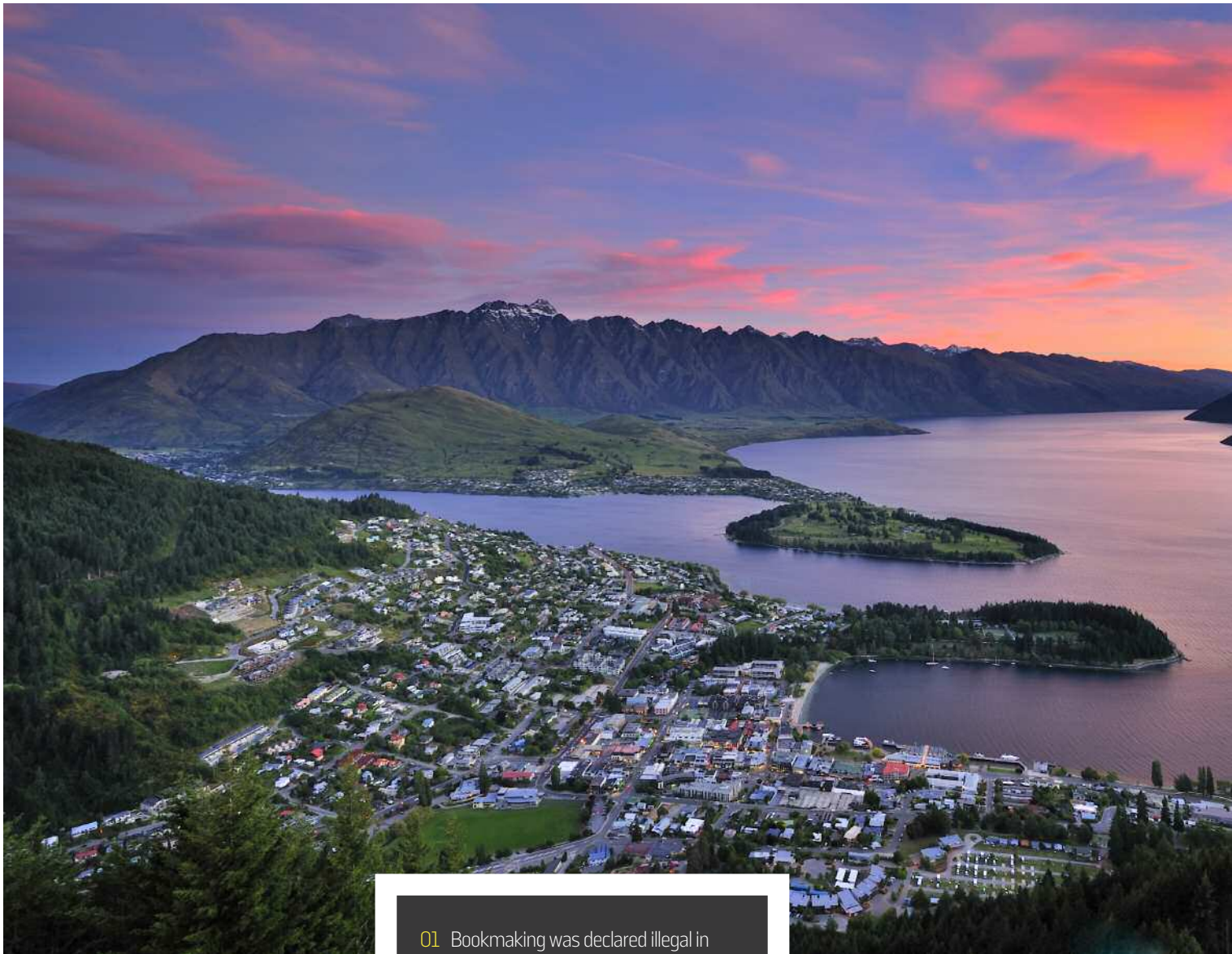
THE LOTTERY

Back in 1985 a 'Sport on the Move' report by the government appointed Sports Development Inquiry, identified lotteries as an additional source of income for recreational, arts, sports and community projects.

The idea was approved a year later and in 1986 an interim New Zealand Lotteries Commission was set up whilst legislation was passed the following year and the lottery was established in June 1987. The first lotto tickets went on sale in July 1987 via 420 initial retailers and the sales for that first year up to March 1988 amounted to \$75m.

01 Lotto New Zealand is headed by Judy Kirk who was appointed chair in May 2009. The main games include Powerball, Lotto, Lotto Strike, Big Wednesday draw, Keno, Bullseye and Instant Kiwi. There are over 1000 retailers from Houhora to Stewart Island based in cities, metropolitan areas and rural towns.

02 Lotto NZ employs around 120 staff at its Auckland, Wellington and Christchurch offices plus the 1,217 outlets employ over 5,000 people who have earned over \$50m in sales commission during the last financial year. Retailers receive seven per cent commission on their gross lottery sales.



Today the Lotto is governed by the Gambling Act 2003 and the Crown Entities Act 2004. Other games, such as Instant Kiwi, Loto Strike and Keno followed in 1995 and in 2001 Powerball was introduced. By August 2006 New Zealand Lotteries celebrated the Lotto's 1000th draw.

By 2009 sales had reached \$907.7m annually and by 2011 the company celebrated the milestone of reaching \$3bn in funding which had been transferred to the New Zealand Lottery Grants Board.

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01 Bookmaking was declared illegal in New Zealand in 1920 and from then until the introduction of the Totalisator Agency Board, (TAB) betting on racing was only available on-course. The New Zealand Racing Board is behind the racing and betting industry and is also the coordination point for TAB which runs all betting on racing and sport in the country. Its legacy stretches back to 1951 when the Totalisator Agency Board (TAB) was established as the sole betting operator in New Zealand. The Racing Board was established in 2003 under the Racing Act 2003 and merged the previous Racing Industry Board and the TAB.

02 The racing board derives its income from the revenue from TAB and around 80 per cent per dollar is returned to the player in winnings.

It is estimated that 80 per cent of the New Zealand adult population (about two million) play lotto games at least once a year and player contributions generate more than \$100m every year in community funding through the Lottery Grants Board.

In July 2012 the company re-launched its online sales channel My Lotto and created a mobile site that is accessible to a full range of smart phones and tablets.

Since the re-launch it has grown steadily and currently there are around 260,000 players registered and sales through My Lotto account for 6.5 per cent of total sales (\$58.7m). An email results service has also been developed to improve the service.

Last year Lotto New Zealand gave \$201.8m to the Lottery Grants Board after seeing record sales of \$946.8m. The Grants Board supports around 3,000 organisations and projects.

For every \$1 spent – 55c is given back in prizes, 21c goes to the Lottery Grants Board, 11c in taxes, 7c in retailer commission and 6c in operating costs.



The Lottery Grants Board allocates at least 42 per cent of the lottery profits it receives to three statutory bodies – Sport New Zealand, Creative New Zealand and New Zealand Film Commission. The remainder is distributed by distribution committees and the Minister of Internal Affairs as grant opportunities to individuals and groups.

HORSE RACING AND BETTING

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There are three main areas – TAB which runs all betting on racing and sport in New Zealand; Trackside which is available on Sky Digital and Freeview and broadcasts racing and race wagering and the Races which is on-course wagering.

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TAB initiated the world's first government run totalisator betting service back in 1951 and today there are several Tote bet types on offers from win, place and each way, to poker and All Up Bets. In 1996 it added fixed odds betting to its stable then the TAB began sports betting. Now 26 sporting codes are covered around the world.

TAB has more than 146,000 TAB account holders and a nationwide presence with 640 TAB stores and retail outlets plus telephone, Touch Tone, digital television and text betting. It also manages the country's only global online betting service via tab.co.nz.

Online sales was up 23 per cent last year and betting via digital channels now accounts for 29 per cent of all turnover. The bets are enabled via internet via tab.co.nz, Mobile Touch and JetBet. In 2012 there were 188 million sales transactions processed by Jetbet which is around 3.6 million per week. There were also 458 million page views of tab.co.nz

Retail sales via TAB were up to \$807.9m and some 147 Self Service Terminals (SSTs) were installed in 2011/12 with 617 terminals now operating in 460 sites which is

67 per cent of the outlets. The SSTs now make up 25 per cent of total retail transactions. At PubTABs and ClubTABs this growth has been more significant and SSTs accounted for 35 per cent of sales at PubTABs and 39 per cent in ClubTABs.

Sports FOB grew rapidly last year bolstered by the Rugby World Cup and Watch & Bet. Almost 75,000 sports betting options were offered and turnover rose to \$244m.

Australians bet around NZ\$500m on racing in New Zealand. Online wagering turnover was also up by 21.6 per cent and Touch Tone was up 18.2 per cent. Betting was available on a total of 10,700 domestic and 48,000 imported races.

Betting turnover of \$30.2m was achieved during the World Cup which was TAB's biggest ever betting event. Almost 13,000 new accounts were opened and almost half of the new accounts went on to bet again.

There are three racing areas in New Zealand – thoroughbred racing (gallops), harness racing and greyhound racing. The racing industry generates around 1.3 per cent of the country's GDP which is around \$1.5bn per year and creates around 18,300 jobs.

Betting turnover was up to \$1.62bn with \$139m returned to the racing industry. Of the turnover FOB turnover was \$250m which is about 27 per cent of turnover and growing.

Industry revenue amounted to \$349.7m of which 82 per cent came from wagering, seven per cent from export, four per cent from racing service income, four per cent from gaming machine proceeds and three per cent from other services.

The New Zealand thoroughbred industry is one of the most successful in the world. In 2011 the industry produced over 4,000 foals and exported 1,600 horses worth around \$150m.

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It is said the high quality pasture, large open paddocks and mild climate encourages good breeding and today there around 70 commercial stud farms and hundreds of private breeding operations in the country.

There are 65 Racing or Jockey Clubs with current licences in New Zealand and there are 52 racecourses from Ruakala in the north to Invercargill in the south.

The horse racing sector is governed by the New Zealand Thoroughbred Racing (NZTR) which exists to regulate the sector and is run by a governing board of six directors.

In 2012/13 thoroughbred race clubs held over 3,000 races at 358 meetings at 50 venues attended by approximately 487,000. In addition there were over 5,000 greyhound races and 2,675 harness races.

Race clubs earned \$5.4m in net sponsorship, \$2.3m from catering and \$5.8m from other income.

There are two major challenges facing the horse racing industry – the need to increase returns to stakeholders and the relevance of racing to future generations of New Zealanders.

On-course wagering is now less than nine per cent of total New Zealand thoroughbred turnover. Total off-course Tote turnover at all 52 tracks last year amounted to \$294m, on-course Tote turnover amounted to \$34.7m and total FOB (off and on course) came to \$89.6m.

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The board has a new strategy over a five year period aimed at seeing returns to owners of 50 per cent, growing the surplus for distribution by \$20.5m, growing prize money by \$24m, lifting prize money to 80 per cent of NZTR distributions and stimulating \$30m in infrastructure investment.

In 2011 prize money bottomed to around \$13,758 however in financial year 2013 it rose to \$15,687.

One of the problems the industry faces is the increasing use of overseas bookmaker websites used by domestic and overseas punters to bet on New Zealand racing. The NZTR wants to bring in race fields legislation to counteract this and ban offshore bookmakers in their sector.

Meanwhile the number of weekly TAB customers has declined over the last 12 years from 175,000 back in 2000 to around 100,000 now. The sector needs to look at ways of attracting the younger market.

One idea was the re-launch of nzracing.co.nz last year



- 01 Introduced back in 1991, the slot machines or 'pokies' are today operated by charitable foundations and are mostly found in bars and clubs and hotels. New Zealand is one of only three countries worldwide which operate a Community Gaming Model.
- 02 Pokies account for around 46 per cent of gambling expenditure in New Zealand. Back in 1994 there were 8,160 gaming machines. This figure peaked in 2003 with 25,221.

which now accurately renders to mobile devices and annual visitor numbers rose from 3.17 million in 2012 to 3.37 million last year.

The NZTR also wants to tap into the Australian market, which with a population of 23.1 million, is a lucrative option. At the moment Australian totalisator sales on New Zealand Thoroughbred races is around \$364.7m.

Meanwhile the Greyhound Racing New Zealand (GRNZ) is the trade name of the association which monitors the greyhound racing sector. It's a traditional sport and the first hares were brought into the country in 1868. In 1908 bookmakers betting on such racing were banned under an amendment to the gaming act and the National Coursing Association was formed that year to unite grey-

hound racing clubs. In 1981 they were granted access to full off-site totalisator betting and the TAB which raised the profile of the sport. Today there are 11 greyhound racing tracks.

THE POKIES

Introduced back in 1991, the slot machines or 'pokies' are today operated by charitable foundations and are mostly found in bars and clubs and hotels. New Zealand is one of only three countries worldwide which operate a Community Gaming Model.

Today pokies account for around 46 per cent of gambling expenditure in New Zealand. Back in 1994 there were 8,160 gaming machines. This figure peaked in 2003 with 25,221. Today there are a total of 1,343 gaming venues

Pub and Club gambling for 2013 fell by three per cent from \$854m to \$826.3m with fewer licence holders, gambling venues and gaming machines compared to 12 months earlier.

In the April to June 2013 quarter non casino GM spending by society amounted to \$178m whilst club spending amount to \$27.4m with a total of \$206m.

The gambling sector in New Zealand is looked after by the Department of Internal Affairs casino and non-casino services. The Gambling Compliance group audits and investigates non casino gaming activities, licences all non casino gaming and issues certificates of approval for casino employees. The casino inspectorate regulates casino activities.

The sector is governed by the Gambling Act 2003 and the Crown Entities Act 2004. The Gambling Act replaced the Gaming and Lotteries Act 1977 and the Casino Control Act 1990 and created a more harmonised framework for the whole gaming industry.

The Gambling Act 2003 includes the following:

- No more casino venue licences can be granted under the Act although existing casino licences can be renewed.
 - No overseas gambling advertisements can be published in New Zealand.
 - The Act divides gambling into six classes
- I. Class I gambling (no licence required) – not for commercial gain or profit and includes total prize value awarded of \$500 maximum and \$500 maximum turnover.



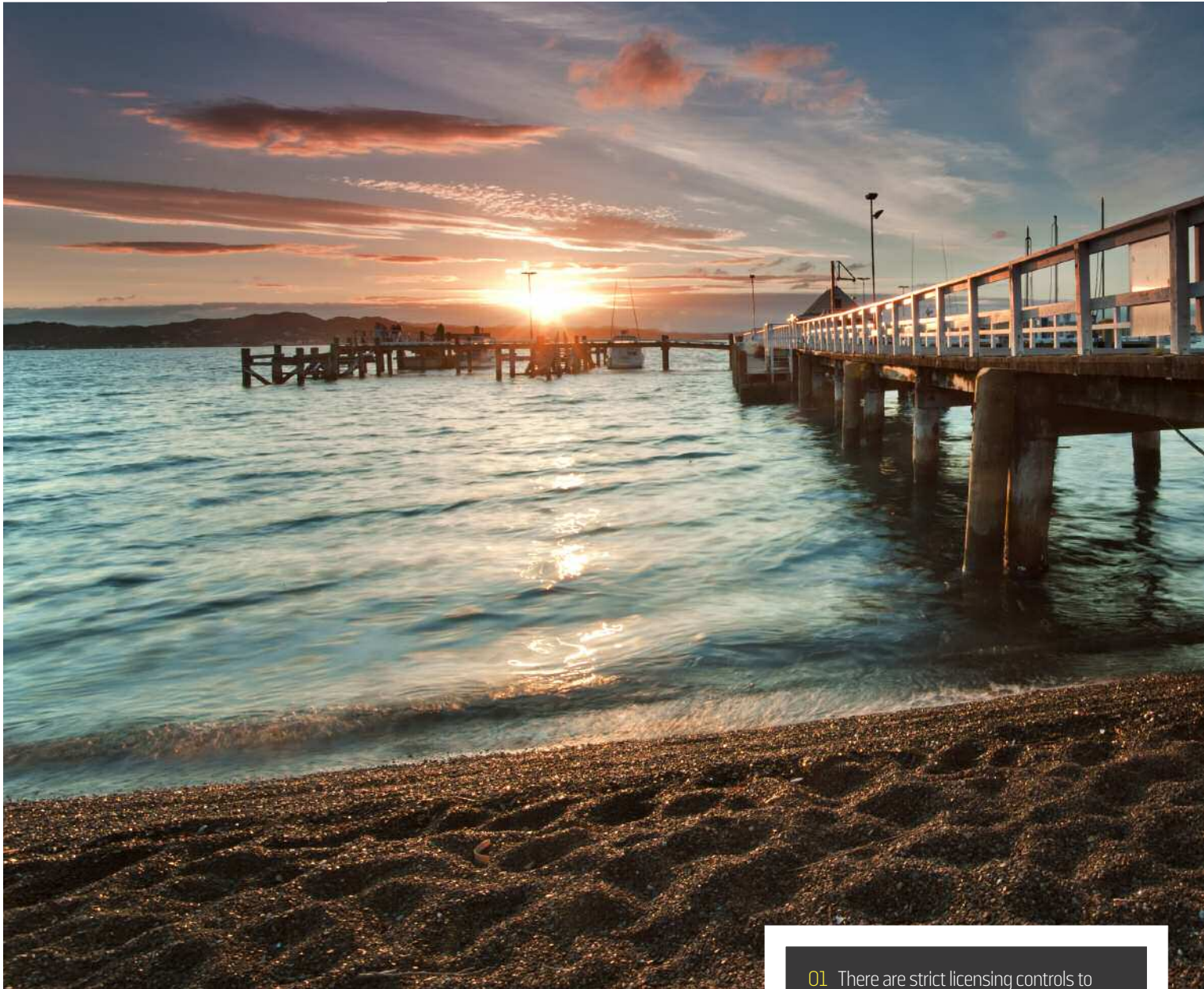
GAMBLING EXPENDITURE STATISTICS 2011-2012

TYPE	YEAR 2011	YEAR 2012
NZ RACING BOARD (TAB)		
Expenditure	\$273m	\$286m
Dividends	\$1,261m	\$1,336m
Turnover	\$1,533	\$1,622m
NZ LOTTERIES COMMISSION		
Expenditure	\$404m	\$419m
Prizes	\$521m	\$529m
Turnover	\$926m	\$948m
GAMING MACHINES		
Expenditure	\$856m	\$854m
Prizes	\$8,365m	\$8,391m
Turnover	\$9,222m	\$9,245m
CASINOS		
Expenditure	\$471m	\$509m
TOTAL		
Expenditure	\$2,005m	\$2,068

with 17,320 gaming machines. Of this Auckland City region has the most with a 6.8 per cent share in the number of sites and seven per cent in the number of machines followed by North Shore City and Wellington City.

Total Gaming Machine Proceeds (GMP) for the September 2013 quarter was \$2.068m divided between Non-Clubs with \$178m, Sports Clubs \$4.1m, Chartered Clubs with \$16.3m and RSA's with \$6.9m. This was three per cent more than the previous year.

An estimated \$648m was distributed to various community purposes from proceeds and non casino gaming machines trusts raised an estimated \$314.2m for authorisation purposes.



2. Class 2 gambling (no licence required) – this includes games with maximum \$5,000 payout or turnover of less than \$25,000 for more than one game.
3. Class 3 gambling (class 3 operators licence required) – includes total prize value of \$5,000 maximum or turnover of less than \$25,000
4. Class 4 gambling (class 4 operators and venue licences required) – slot machines outside of casinos and includes gambling not classified by another class and those under the Racing Act 2003. There is a limit to the number of gaming machines at Class 4 venues – 18 gaming machines maximum (for licences issued before 2001) and maximum nine (licences issued after 2001). Some clubs are given licences for up to 30 machines. Players can be 18 years or over. All Class 4 machines must be connected to Electronic Monitoring System (EMS)
5. Casino gambling (casino operators and venue

licences required). Racing or sports betting can be operated in casinos via TAB outlets in agreement with operators. Casino licences are given for 25 years. Players must 20 years or over. Existing casinos under the Act are not permitted to increase their gambling opportunities or provide internet gambling.

6. Gambling conducted by the Lotteries Commission.

- Meanwhile the Act also authorises private gambling, sales promotion schemes and gambling authorised under the Racing Act 2003.
- A gambling commission is established under the Act plus a New Zealand Lotteries Commission
- The Gambling Act prohibits remote interactive gambling, but lottery sales promotions are excluded from this ban plus the Lotteries Commission and New Zealand Racing Board can also conduct approved forms of remote interactive gambling.

- 01 There are strict licensing controls to limit the growth of gambling and operator and venue licences for Class 4 can only be operated by corporate societies. Net proceeds must be given to authorised purposes including charitable groups, non commercial purposes and promoting, controlling and conducting race meetings.
- 02 Jackpot advertising restrictions were introduced some years ago and since 2005 all new machines after this date must be pop up enabled which show an end of session feature to occur after 30 minutes of continuous play.
- 03 Since 2009 all machines have Player Information Displays to inform players how long they have played and when to take a break.



LICENSING FEES PER SECTOR

Sector	Type	Fee
Lotteries	Prizes not exceeding \$5,000	0
Class 3	New or renewal (not exceeding \$50,000 in prizes)	\$102
	New or renewal (exceeding \$50,000 in prizes)	\$722
Class 4 Operators licence application	New (category A)	\$4,158
	New (category B)	\$4,158
	Renewal (category A)	\$1,299
	Renewal (category B)	\$2,599
Class 4 Operators annual fee	Category B	\$4,153
Class 4 Venue application fee	New (category A)	\$799
	New (category B)	\$1,039
	Renewal (category A)	\$129
	Renewal (category B)	\$195
Class 4 venue annual fee	Per gaming machine	\$434
Casino operators licence application	New	\$347,555
	Amendment	\$1,022
	Temporary authority	\$23,511
Casino venue agreement application	New	\$23,511

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Societies that operate gaming machines fall into broad categories – clubs that operate gaming machines in their own premises and public societies that operate gaming machines in commercial venues.

The New Zealand Community Trust (NZCT) operates around 2,200 gaming machines in 161 venues and saw gross proceeds of \$90m last year with net proceeds of \$36m.

All gaming machine societies are required to allocate their profits from gaming machines to authorised purposes. Clubs tend to apply this to the own purposes and their own club operating costs.

All gaming machine societies pay 20 per cent in Gaming Machine Duty and 1.48 per cent in Problem Gambling Levy from their revenue after prizes are paid out.

Societies that exceed the standard threshold are

required to pay Goods and Services Tax (GST). Everything left (net proceeds) must then be allocated to authorised purposes and must be at least 37.12 per cent of GST exclusive gaming machine revenue.

In 2011 some \$525m was the total proceeds from gaming machines from public societies and \$214m was allocated to authorised purposes.

The non-club societies sector is governed by three large groups – Lion Foundation, NZCT and Pub Charity which between them operate around 50 per cent of the machines.

Of funds raised for the community in 2012 via gaming these three groups between them raised around \$121m (45 per cent) of the net proceeds.

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The company was incorporated in 1998 and is one of the largest gaming trusts in the country. Some 26 per cent of venues are located in urban areas and these generate around 38 per cent of gaming proceeds whilst the remaining 74 per cent are local in rural and provincial towns generating 62 per cent of annual GMP.

In 2012 the company distributed \$37.3m to sports and community organisations (around 40 per cent of GMP).

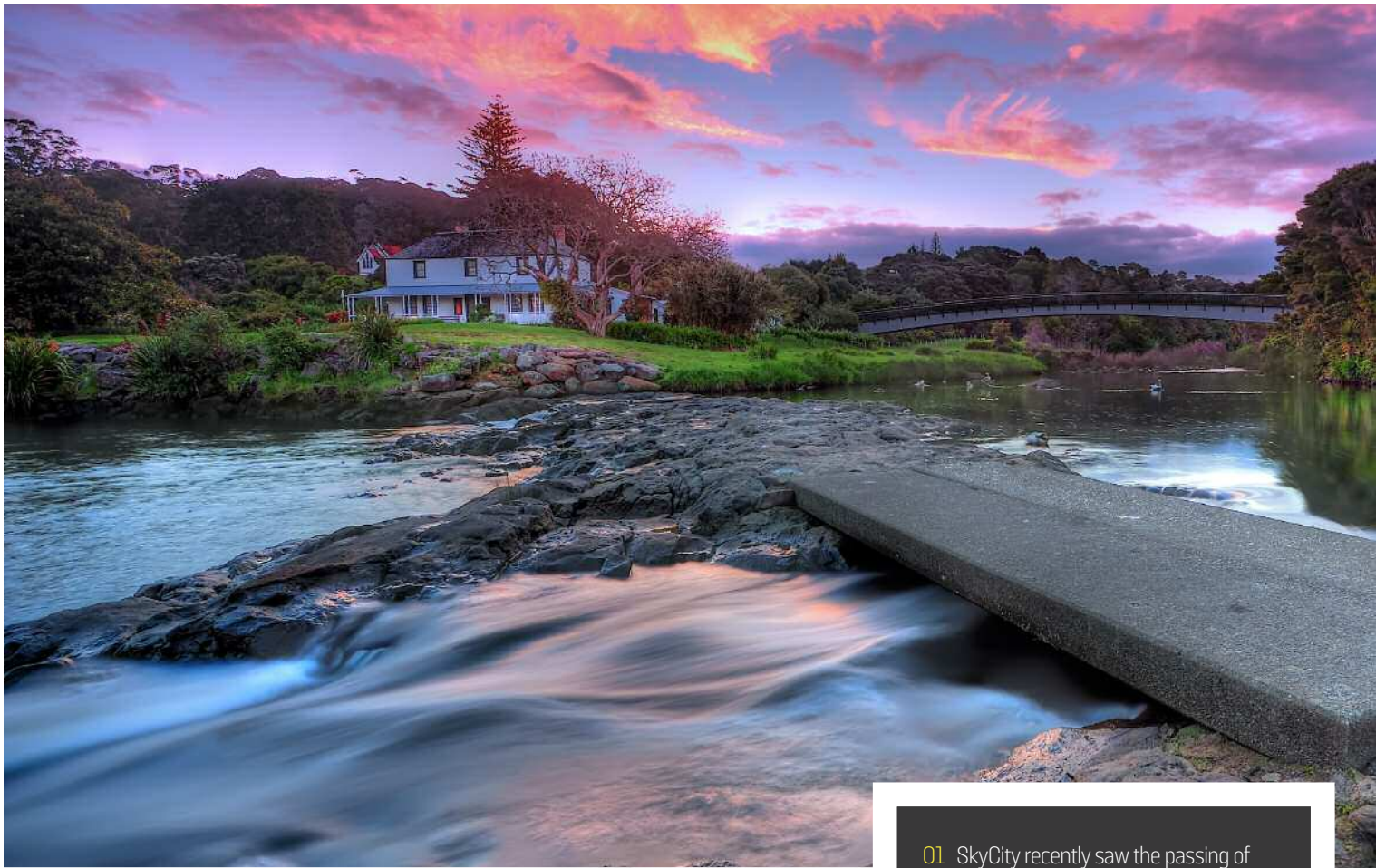
The Lion Foundation is one of the oldest charitable

All Class 4 machines in pubs and clubs must be connected to EMS which monitors various information including the amount of money gambled, the amount required to be banked, the location and number of machines, the gaming usage and any faults and tampering.

The Gambling Regulations 2006 established a monitoring fee for each gaming machine connected to EMS and this is currently \$1.38 per day. There is also a \$51.50 per venue per month telecommunications charge.

There are strict licensing controls to limit the growth of gambling and operator and venue licences for Class 4 can only be operated by corporate societies. Net proceeds must be given to authorised purposes including charitable groups, non commercial purposes and promoting, controlling and conducting race meetings.

Jackpot advertising restrictions were introduced some years ago and since 2005 all new machines after this



DIVISION OF VENEUS/GAMING MACHINES BY OPERATORS 2012

CATEGORY	TOTAL LICENSED SOCIETIES	TOTAL VENUES	TOTAL GAMING MACHINES	AVERAGE GAMING MACHINES PER VENUE
NON CLUB				
Multi Venue	38	1,025	13,622	13.29
Single Venue	8	8	89	11.13
CLUB				
Club chartered	144	146	1,979	13.55
Club RSA	84	84	1,021	12.15
Club Sports	72	79	591	7.48
Club Working Mens	1	1	18	18
TOTAL	347	1,343	17,320	12.90

trusts and in the last 27 years has returned over \$700m back to the community. Last year the company approved over 4,500 grants and gave \$53m back to good causes.

The Lion Foundation today operates over 3,000 gaming machines in 222 venues with gross proceeds of \$132m and net proceeds of \$56m.

Meanwhile, the Pub Charity was formed in 1987 by the then named Hotel Association of New Zealand (now

Hospitality Organisation of New Zealand). It was the first to operate gaming machines in the country. Today they operate 1,877 gaming machines in 162 venues with gross proceeds of \$75m and net proceeds of \$25.7m. Pub Charity has raised over \$350m over its history for charities

CASINOS

The Department of Internal Affairs looks after the casino department and the Gambling Compliance Group maintains a team of inspectors in each casino. The

- 01 SkyCity recently saw the passing of the New Zealand International Convention Centre legislation in November last year which will see SkyCity now invest \$402m to design, build and operate the New Zealand International Convention Centre.
- 02 "These concessions will become fully operative once SkyCity enters into a binding building works contract for the NZICC which is expected to be in the second half of 2014."

Nigel Morrison, SkyCity Chief Executive

inspectors role is to handle any complaints and ensure the gambling complies with the Gambling Act 2003 whilst checking equipment and operating standards.

Casino venue licences can be renewed at the end of the current licence period and last for 25 years however existing casinos cannot increase the opportunities for casino gambling or operate internet gaming and no new licences can be issued.

The main casino operator is SkyCity Entertainment Group Limited which is an entertainment and gaming business group and they operate four casinos in New Zealand and two in Australia alongside industry leading restaurants and bars, luxury hotels and convention centres.



The company began business back in 1996 and opened the Auckland casino complex the same year. This was followed by Adelaide Casino in 2000, SKyCity Queenstown in 2000 followed by Hamilton in 2002, Christchurch in 2004 and Darwin.

The group is divided into SKyCity Auckland which operates the casino, hotels and convention centre and Sky Tower whilst SkyCity NZ operates the remaining three casinos in Hamilton, Queenstown and Christchurch.

Total receipts for 2013 by SkyCity amounted to \$970m with total group revenues of \$859m and profits of \$127m. Part of these revenues were attributed to SkyCity Auckland with revenues of \$418m whilst SKyCity NZ saw revenues of \$54m.

Meanwhile SkyCity recently saw the passing of the New Zealand International Convention Centre legislation in November last year which will see SkyCity now invest \$402m to design, build and operate the New Zealand International Convention Centre.

In return for this investment this also means SkyCity's Auckland Casino licence has now been extended to 2048 and this 'deal' also provides for an increase in gaming product of an additional 230 slots and 40 table games whilst a further 12 gaming tables that can each be substituted for 20 automated table game terminals plus the introduction of cashless card based gaming and the

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extension of TITO technology.

Nigel Morrison, SkyCity Chief Executive said: "These concessions will become fully operative once SkyCity enters into a binding building works contract for the NZICC which is expected to be in the second half of 2014." The project is expected to take three years and will provide a world class convention centre in Auckland driving jobs and tourism. The project is fully funded by SkyCity.

There are six casinos in New Zealand. These are:

SKY CITY AUCKLAND is open 24/7 and offers 1,600 slots and 100 table games. SkyCity has a 25 year licence for this casino from 1996 and it is wholly owned by SkyCity Entertainment. It was the second casino to open in New Zealand and is located at the base of the Sky Tower whilst other facilities include a 700 seat theatre, convention centres, bars, restaurants and hotels. There

are three VIP areas – one called EIGHT which is a members only area, the Platinum Room for VIP gaming machine salon for high value players and Platinum VIP.

SKY CITY QUEENSTOWN opened in 2000 and is a joint venture with Skyline Enterprises Limited (60/40 per cent share) of Queenstown Casinos Limited and has a 25 year licence. It is open from 12 noon to 4am daily and features 86 slots and eight tables. VIP gaming is available in the Horizon Room.

SKY CITY HAMILTON was opened in 2002 and has a 25 year licence and since 2005 it is a wholly owned SkyCity casino. Prior to that the casino was a joint venture partnership (70 per cent) with Perry Developments (30 per cent). It is situated behind the former Chief Post Office in a building on the banks of the Waikato River. Floor to ceiling glass gives players a spectacular view and there are over 300 slots and 23 gaming tables. There is also the poker zone with two poker tables and tournaments. The Macau Room is for higher table limits.

SKY CITY CHRISTCHURCH was New Zealand's first casino which opened in 1994. In 2004 SkyCity acquired Aspinall (NZ) Limited which held a 40.5 per cent interest in Christchurch Casinos Limited which in 2008 was then increased to 45.9 per cent. The other major shareholder is SkyLine Enterprises Limited which opposed the acquisition saying it would now give SKyCity majority control over the casinos in the country. But the



deal was approved. The casino currently has 36 tables and 500 slots and the licence runs until 2019 and it is located in the Victoria Street district.

Through Christchurch Casino SKyCity has an effective 15 per cent interest in Dunedin Casino Limited which runs until 2024. The casino is operated by a subsidiary of Dunedin Casino Limited.

WHARF CASINO was operated by Otago Casinos Limited and was purchased for \$5m by SkyCity in May last year. The Wharf Casino has 86 slots and six gaming tables and is centrally located in Queenstown's business district. It closed in December last year for a refurbishment and also houses the Waterfront Bar and Bistro.

DUNEDIN CASINO offers opulent gaming rooms under a glass dome roof. In 1999 the former hotel designed by Italian architect Louis Boldini back in 1883, underwent a large restoration and the casino emerged. Today it sits in the heart of the Southern Cross Hotel complex and it offers a gaming area with 180 slots.

CHANGES AHEAD

Over the last five years expenditure on the pokies has

dropped by around \$178m mainly through a reduction in the number of gaming venues.

The lotteries, for instance, has grown by \$150m in the same period through the introduction of new games and greater jackpots. However one issue is that the pokies sector cannot advertise or promote their business like the lottery.

Sports betting has also grown by over \$30m through the addition of more sports betting options and the use of internet gambling. Casino gambling is down by \$34m.

The gaming landscape is changing and so is the growing prevalence of internet gaming.

In September last year Internal Affairs Minister Chris Tremain released a public consultation document on proposals in a bid to improve the framework for Class 4 gambling. The proposals saw 114 submissions from Class 4 societies, venues and councils with further ideas.

The main idea behind the proposals is to:

- 01 At the moment the community must distribute a minimum rate of 37.12 per cent to community projects. The remainder is divided between 25 per cent in gaming duty and levies, two per cent in licensing and machine fees, 16 per cent maximum venue payments and 20 per cent expenses.
- 02 There are various options to increase this distribution which includes an increase of between 40 and 43 per cent rate with staggered rates for the following years.

1. Deliver more funding for the community – looking at ways to increase the minimum rate of return in order to increase financial benefits to the community.
2. Lower compliance costs – ensuring that the money available to be returned to community purposes is maximised by developing a more efficient and effective venue compensation model.
3. Increase transparency and compliance of grant infor-



NEW ZEALAND: Vital Statistics

Capital: Wellington
Population: 4,365,113
Land Area: 267,710 sq.km
Currency: New Zealand dollar (NZ\$)
Median age: 37.4 years
Languages: English, official (91.2%), Maori (3.9%), Samoan (21.%)
Ethnic Groups: European (57%), Asian (8%), Maori (7%), Pacific Islander (4.6%), mixed (9.7%)
Government: Parliamentary democracy and a Commonwealth realm
Chief of State: Queen Elizabeth represented by Governor General Lt Gen Sir Jeffrey Mateparae
Head of Government: Prime Minister John Key
Elections: The Monarch is hereditary. Governor General appointed by the Monarch. Following legislative elections leader of the majority party appointed Prime Minister.

There is a lot of pressure for societies to minimise operating costs and this can cause tension with venues owner that are operating a profit making business.

mation – to make the grant making decisions for Class 4 societies and net proceeds committees more transparent. The aim is to assist the public in assessing trends in grant making decisions and in the development of policy advice.

4. Enhance protections for problem gamblers – this arises from the new regulation making power contained within the Gambling Harm Reduction Amendment Act which came into force in September 2013. Looks at ways and amounts local distribution can play.

Class 4 clubs such as sporting clubs or cosmopolitan

clubs mainly apply the money raised from gambling to the club's purpose. Non-club Class 4 operators (societies) which have slots in pubs and bars mainly distribute proceeds to authorised purposes.

At the moment the community must distribute a minimum rate of 37.12 per cent to community projects. The remainder is divided between 25 per cent in gaming duty and levies, two per cent in licensing and machine fees, 16 per cent maximum venue payments and 20 per cent expenses.

There are various options to increase this distribution which includes an increase of between 40 and 43 per cent rate with staggered rates for the following years.

An additional proposal to amend the current venue costs payment system is also being considered. At the moment the Act permits societies to reimburse venues for the actual costs the venues incur within limits imposed by the Gazette notice.

The limits were set in 2004 and amended in 2008 and at the moment Class 4 venue societies must not incur costs of i) Limit A - more than 60c per gaming machine per

hour of gaming machine operation; ii) Limit B – more than \$75 per gaming machine per week; iii) Limit C – more than \$800 per venue per week or iv) Limit D – more than 16 per cent of gaming machine profits in any 12 month period.

There is a lot of pressure for societies to minimise operating costs and this can cause tension with venues owner that are operating a profit making business.

There are several options under consideration. One is to remain with the current system another is to issue a payment per number of machines to cover costs whilst a third option is a commission based venue payment system.

Trevor Henry, Senior Communications Adviser at the DIA said: "The department commended submitters for the effort put into the submissions and the detailed information that many provided in giving an overall view of the state of the Class 4 sector and the potential impacts of the various proposals.

"The department is now analysing the submissions and will advise the Minister of Internal Affairs on potential



GAMING MACHINES: 17,320 (Class 4)
MACHINE REVENUE: \$826.3m (2013)
GAMING VENUES: 1,343

LOTTERY: Lotto New Zealand
LOTTERY RETAILERS: 1,217 outlets
LOTTERY REVENUE: NZ\$946.8m (sales)
ONLINE GAMING: Prohibited

TOTAL TAB REVENUE: NZ\$286m
BETTING ACCOUNTS: 146,000

TAB BETTING OUTLETS: 640
HORSE RACETRACKS: 52
HORSE RACING: \$417m (total on, off course and FOB turnover)
GREYHOUND RACETRACKS: 11

CASINOS: 6
CASINO SLOTS: 2,826
CASINO TABLES: 199
MAIN OPERATORS: SkyCity (4)
CASINO REVENUE: \$509m
TOTAL GGR: \$2.1bn

There has been widespread concern over venues in poor areas and changes in the law now mean the territorial authorities can manage the concentration of venues in highly deprived areas.

changes and the next steps in the process. If changes proceed, amending the minimum rate of return and introducing local distribution regulations will likely happen first as these can be made under existing regulation making provisions in the Gambling Act 2003.

“The proposals to increase the transparency of grant information and improve the venue payments system will take longer to progress as they require legislative amendments. The department proposes to work with the sector on the venue payments proposal to ensure that any changes are well designed.”

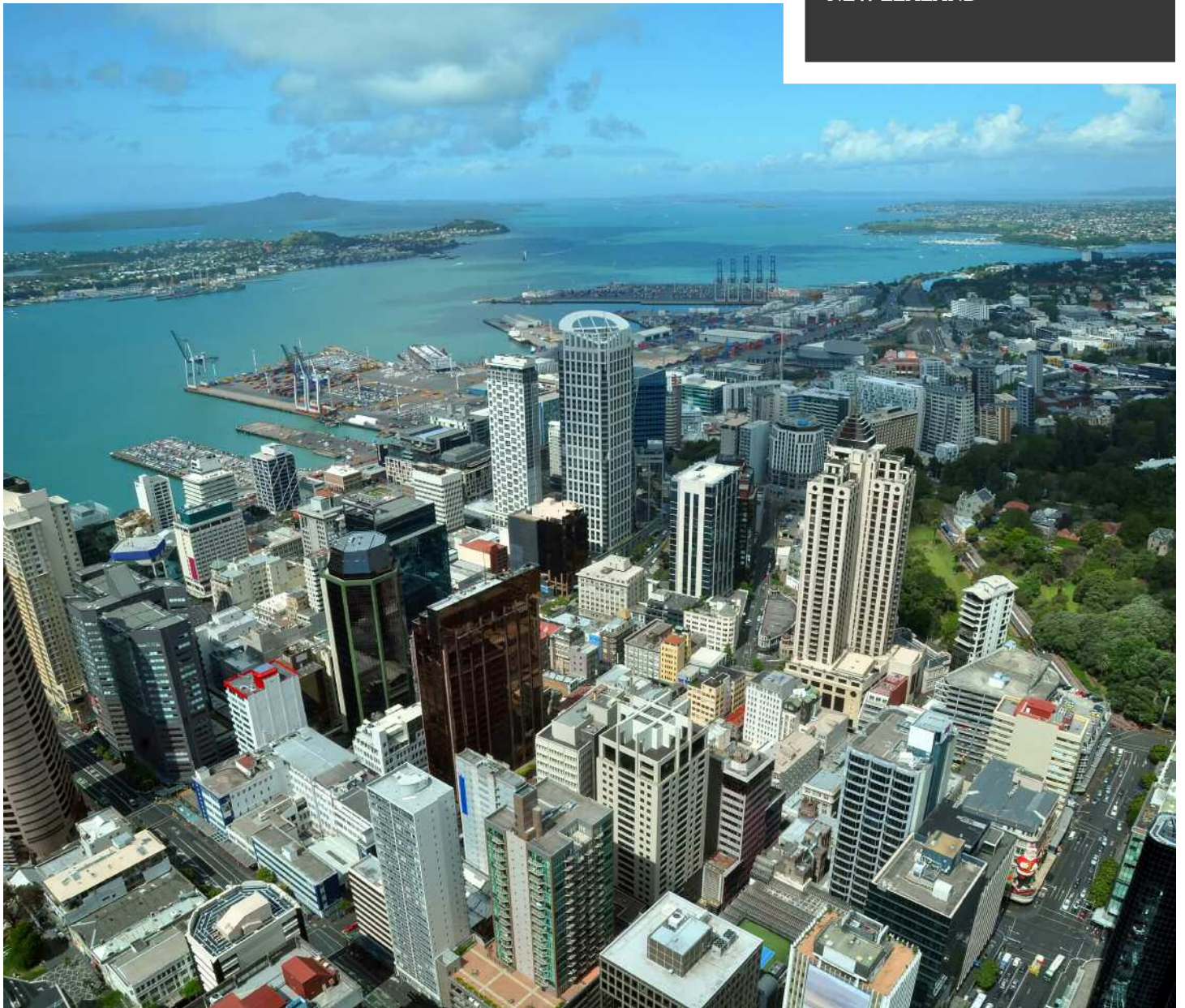
Meanwhile the department has started a review of the Gambling Harm Prevention and Minimisation (HPM) regulations focussing on harm associated with pokies in pubs and clubs.

The Gambling (Harm Reduction) Amendment Act was passed in September last year and created a new regulation making power that could require the use of pre commitment, player tracking or other harm minimisation devices, technology or systems associated with Class 4 gaming machines.

The review will now look at the feasibility, cost and benefits of introducing such systems along with other ideas and technology.

The act also enabled venues to re-locate within their district and retain 18 machines in some circumstances. There has been widespread concern over venues in poor areas and changes in the law now mean the territorial authorities can manage the concentration of venues in highly deprived areas.

The situation came to light last year when the Galaxy Bar in South Auckland had its licence revoked by the depart-



"Other than the loss of infrastructure the main reason for the perceived decline in the availability of contestable funds is the increase in Class 4 operators licensed with authorised purposes that benefit special interest groups."

ment in 2012 because the venue was used mainly for the purpose of playing slots in what is a deprived area. The new law means venues can relocate and retain the number of machines they operate. This is subject to the agreement of the venue, society and the TA.

The bill was proposed by Maori Party member Te Ururoa Flavell and as such the bill is often referred to as the Flavell Bill. The bill also slightly increases the amount of pokie machine returns that go back to the communities. He said: "Pokie machines are six times

more likely to be in poor areas than they are in wealthy ones and about a third of moderate risk gamblers are Maori. In effect we are talking about a system which transfers wealth from poor areas to wealthy ones."

Some operators are concerned about some of the proposals. NZCT for instance said: "NZCT is concerned the proposed changes around return to AP and venue payments will significantly impact on our ability to distribute funds to provincial and rural New Zealand."

"NZCT operates a range of high and lower yielding gaming venues. The majority of higher yielding venues are found in urban areas whilst lower performing venues are usually located in rural or provincial centres."

"The current legislative and regulatory framework enables NZCT to retain lower yielding venues so that the communities where these venues operate can benefit from gaming grants. Any increases imposed on NZCT's cost structure, and/or a material economic downturn and/or a loss of high yielding venues will reduce our ability to reach the minimum distribution requirements. This could in turn impact on our ability to host lower yielding gaming venues in provincial New Zealand."

Meanwhile, Pub Charity has also responded to the public consultation and says it supports an increase in the minimum return in Year one to 40 per cent but warns further increases in minimum required returns could result in the closure of smaller venues and therefore less money returned to the community.

They said: "The main influence on a venue or society's maximum rate of return is actually the level of gaming machine profit per venue and machine."

"Other than the loss of infrastructure the main reason for the perceived decline in the availability of contestable funds is the increase in class 4 operators licensed with authorised purposes that benefit special interest groups."

Meanwhile there are further changes expected. Chris Tremain also planned to amend legislation to enable licences to be issued for a longer period as an incentive for societies and venues; remove the requirement that information about grants be published in newspapers, enable auditing of management companies; strengthen the conflict of interest provisions in the Gambling Act and clarify the licence suspension powers.