



New Zealand

Cashless wilderness?

New Zealanders spent \$2.4bn on gambling last year with the largest share of \$895m going on the pokie machines. But despite a well regulated industry there are changes in the air. New regulations are in store for the racing sector; there are online gambling reviews and whispers of cashless pokie machines – all of which are causing a stir in the industry

Over the last 40 years the government has transformed New Zealand from an agricultural based economy to a more industrialised free market economy.

For years economic growth was restricted mainly due to the country's remote geographic position and its dependence on the British market, but things have changed. New Zealand weathered the global recession better than most and the economy has seen a steady growth which last year was around 2.7 per cent.

Today, New Zealand is the 53rd largest national economy in the world measured by GDP which depends heavily on international trade. The service sector accounts for almost 70 per cent of GDP and industries include aluminium production, food processing, textiles, machinery, finance and mining.

Prime Minister Jacinda Ardern heads up a minority coalition government consisting of the Labour and New Zealand First parties with support from the Green Party. The last elections were held in 2017 and are due again in 2020.

Tourism is a major contributor to the economy bringing in around \$14.5bn last year to the economy and it directly or indirectly employs one in seven New Zealanders.

The country markets itself with the "100 per cent Pure New Zealand" tag line offering nature areas such as Milford Sound, Abel Tasman National Park and the Tongariro Alpine Crossing as key destinations.

There are three main islands – North Island, South Island and Stewart Island (a natural park) whilst over three quarters of the 4.5 million population live on the North island mostly in urban areas. There are 16 regions and one territory (Chatham Islands).

Last year saw 3.8 billion international tourists arrive in New Zealand with an expectation of five million by 2024. Almost 40 per cent of tourists (1.48 billion) come from Australia whilst the Chinese are the second largest visitors with almost half a million last year (11 per cent) and thirdly US visitors (nine per cent).

THE GAMBLING MARKET

From the early 1900s, when the Gambling Act of 1908 was introduced, gambling was illegal. Only horse racing was really permitted until 1951 when the Totalisator Agency Board (TAB) was established and gambling laws were modified. Lotteries were introduced and later casinos arrived.

New Zealand's lottery, betting, casinos and slots (pokies) sectors saw total gambling revenues (gross profit less payouts) of \$2.38bn last year, \$49m more than the previous year, whilst all four sectors recorded revenue increases.

TAB racing and sports betting saw the highest increase of 3.6 per cent with revenues of \$350m mostly due to a growth in digital channels and successful marketing of events such as the FIFA World Cup.

The revenues from the pokies saw a 2.9 per cent increase to \$895m whilst the lotteries saw revenues of \$561m and casinos saw an increase of 1.1 per cent to \$578m.



Gambling in New Zealand is basically classified by the amount of money spent and the risk associated with the gambling activity. There are six Classes of gambling which include Class 1 (low stake/low risk) up to Class 4 (high stake/high risk) whilst casinos and lotteries are run by the New Zealand Lotteries Commission and treated as separate classes within the Act.

The Department of Internal Affairs is responsible for ensuring compliance with the Gambling Act 2003 which governs the industry. This Act took over from the Casino Control Act 1990 and the Gaming and Lotteries Act 1977 and they were combined into single Act. Racing is administered under the Racing Act 2003 (with some exceptions such as slot operations in TABs and racing clubs). The Gambling Act was last amended in 2015.

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CLASS 1 GAMBLING

- Authorised purpose includes charitable and non-commercial purposes. This section is mostly office sweepstakes.

- No use of gambling machines.
- No commission or remuneration offered or paid to or received by those conducting the gambling.
- Prize or potential turnover cannot exceed \$500 (value of non cash prizes).
- No licence required.

CLASS 2 GAMBLING

- No use of gambling machines and similar to Class 1 and are mostly office sweepstakes.
- No commission or remuneration offered or paid to or received by those conducting the gambling.
- Prize does not exceed \$5,000 and potential turnover does not exceed \$25,000.
- Must be run by a society.

- No licence required.

CLASS 3 GAMBLING

- Usually Lotteries, Housie (Bingo), Instant games, Casino evenings are common forms of Class 3 gambling.
- No use of gambling machines.
- Purpose is to raise money for an authorised purpose.
- Prizes awarded exceed \$5,000.
- A licence is required.

CLASS 4 GAMBLING

- Any activity that involves the use of a gaming machine outside of a casino so EGMs (pokies) in pubs and clubs are covered by this class.
- May only be run by a corporate society and to raise money for authorised purposes.

Essential information and facts about New Zealand:

Capital	Wellington
Total Area	4,545,627
Population	5,518,371
Median age	38.1 years
Religion	Christian 44%; no religion 35%, others
Ethnic Groups	European 71%; Maori 14%; Asian 11% and others
Languages	English; Maori, Samoan and Hindi
Currency	New Zealand dollar (NZD)
Government type	Parliamentary democracy under a constitutional monarchy
Chief of State	Queen Elizabeth II represented by Governor General Dame Patricia Lee Reddy (since 2016)
Head of Government	Prime Minister Jacinda Ardern (since 2017)
Unemployment	4.3 per cent
Tourism	3.8 billion international visitors



The NZRB now supports more than 84,000 domestic and imported thoroughbred, harness and greyhound races each season plus 39,000 domestic and international sporting events. It has also held a Class 4 licence since 2011 and 44 of the 67 TAB venues host NZRB gaming machines. NZRB operates around 3.9 per cent of the total number of Class 4 venues and 3.2 per cent of the Class 4 machines in the NZ market.

- This sector comes with strict guidelines and to operate Class 4 gambling all operators must have two kinds of licences – Class 4 operators licence and a Class 4 venue licence for each location with machines.
- Venues cannot have more than 18 machines (except a merged club which can with approval operate up to 30 machines). Venues which did not have a licence before 2001 are restricted to nine machines (18 with approval in certain circumstances).
- All EGMs in pubs and clubs must be connected to the Electronic Monitoring System using QCOM protocol.

SPORT AND RACE BETTING

The Racing Act of 2003 replaced the 1971 Act and set up the New Zealand Racing Board (NZRB) as

the principal policy body and sole provider of racing and sports betting services in the country. They conduct totalisator and fixed odds racing and sports betting under the TAB brand.

The Totalisator Agency Board (TAB) was established in 1951 as the sole betting operator in New Zealand and TAB became the first off-course totalisator service in the world whilst also becoming New Zealand's fastest growing business at the time.

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cent of the Class 4 machines in the NZ market.

TAB has more than 230,000 active account holders and a retail network of almost 600 outlets. Betting turnover from digital channels make up 52 per cent with the TAB mobile App the fastest growing channel and turnover via this grew by 30 per cent last year with App customers up by 45 per cent.

Total turnover for this sector amounted to \$2.73bn divided between Gaming with \$476m (17 per cent share), Sports FOB \$609m (22 per cent), Racing Tote \$951m (35 per cent) and Racing FOB \$703m (26 per cent). Total revenue was \$359.2m, an increase of three per cent from the previous year.

Profits are distributed via the three codes (thoroughbred, harness and greyhound) and in



2017 NZRB distributed a total of \$137.6m and also provided some \$9.3m in commission payments to national sporting organisations and \$3.2m in gaming grants to community organisations.

There are some changes ahead. In September last year the Racing Amendment Bill (known as Racefields) was halted after a review of the sector was commissioned.

The Racefields Bill was first introduced into parliament in July 2017 in a bid to modernise the racing and sports betting sectors whilst amending the Racing Act of 2003. The bill seeks to return money into the country through charges on offshore operators taking bets on New Zealand racing and sporting events and Point of Consumption (PoC) charges for offshore betting operators. It would also have enabled in race betting to offer betting on a wider range of sports.

But in April 2018 Racing Minister Winston Peters withdrew the bill after he commissioned racing administrator John Messara to undertake a review of the sector via the Messara Report.

Peters said at the time: "The bill wasn't fit for type, it wasn't going to address the real issues the racing industry needs addressing. It was looking at one small aspect of it and we decided we need a complex piece of legislation as fast as possible. There's no use trying to do a half pie job with a piece of legislation that wouldn't have done the job properly."

The NZRB says the delay has cost the industry around \$1m per month in lost product fees and lost PoC taxes. The board has since engaged directly with offshore corporate bookmakers to implement the agreed Racefields type product fees for NZ racing.

BetEasy is also making NZ racing available as part of their digital offering and TabCorp is

allowing their Sky racing channels to be available to BetEasy customers.

At the request of the government the Review of the New Zealand Racing Industry by John Messara was commissioned and published in July 2018 with the aim of increasing the industry and wagering competitiveness and efficiency by reducing industry costs and increasing revenue.

It affects all three Codes but mostly the New Zealand Thoroughbred Racing (NZTR), the governing body of the thoroughbred sector and represents the 62 thoroughbred racing clubs operating on 48 operating tracks (28 in the north and 20 in the south island).

There were some 312 thoroughbred race meetings last year and 2,568 races. Total turnover amounted to \$397.7m of which \$371.6m was off-course and \$26m was on-course turnover.

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LOTTERY LOTTO NZ

LOTTERY RETAILERS
1,470

LOTTERY REVENUE
\$561M

TAB RACING AND SPORTS
\$350M

NUMBER OF EGMS
15,257

EGM VENUES
1,117

EGM REVENUES
\$895M

NUMBER OF CASINOS
6

CASINO REVENUES:
\$578M

TOTAL REVENUES
\$2.38BN

The domestic market however is said to be static and turnover for thoroughbred and harness racing fell during the 2017/18 season. The industry has been struggling with rising costs for owners and stagnating stakes and many tracks and club facilities are run down and in need of investment. The report suggested several recommendations including:

- Renaming the NZRB to Wagering NZ and all the racing functions transferred to the Racing Codes. Although the monopoly would remain, overseas online operators could access New Zealand punters, whilst retail operations remain the province of the NZRB through off-course venues and racecourses with existing advertising restriction left in place.
- Outsourcing - at the moment the NZRB operates domestic wagering and also sources international racing broadcast and racing information via an arrangement with Sky Australia (TabCorp). The NZRB betting net profit in 2017 was \$137.8m. The NZRB also operates gaming business at some retail outlets under a Class 4 licence. Net profit for this sector was \$16.2m. The NZRB also coordinates the sale of NZ race broadcasts to wagering operators in Australia and internationally.

The Australian market has a big growth potential and punters spend more money on NZ thoroughbred racing than New Zealanders, whilst figures show per capita spending on wagering in Australia is NZ\$255 annually compared to NZ\$92 for New Zealanders. The report suggests a full





GAMBLING SECTOR REVENUES

SECTOR	2016/17	2017/18	PER CAPITA 2017/18
NZ Racing Board (TAB)			
Turnover	\$2.24bn	\$2.26bn	\$602
Prizes	\$1.90bn	\$1.91m	\$509
Revenues	\$338m	\$350m	\$93
NZ Lotteries Commission			
Turnover	\$1.20bn	\$1.24bn	\$332
Prizes	\$652m	\$686m	\$183
Revenues	\$555m	\$561m	\$149
EGMs (outside of casinos)			
Turnover	\$9.80bn	\$10.04bn	\$2,674
Prizes	\$8.93bn	\$9.15bn	\$2,436
Revenues	\$870m	\$895m	\$238
Casinos			
Revenues	\$572m	\$578m	\$154
TOTAL REVENUES	\$2.33bn	\$2.38bn	\$634

outsourcing model of all domestic wagering, broadcast and gaming operations to a single third party wagering and media operator of international scale under a licence agreement with NZRB (effectively meaning the end of TAB). NZ racing bets account for less than three per cent of Australia's turnover on thoroughbred racing (around \$500m). The NTRB would like to increase that amount to six per cent whilst outsourcing would encourage the Australian partner to promote NZ racing.

Codes based on their respective contribution to the New Zealand economy.

- To allow the NZRB (Wagering NZ) to operate on all sporting events (with or without a National Sporting Association agreement).

Dr Alan Jackson, NZTR Chairman said: "It's time for change. We believe this report will create a blueprint for a thriving thoroughbred industry. We need to work with the government, the New Zealand Racing Board and the Racing Industry

The Australian market has a big growth potential and punters spend more money on NZ thoroughbred racing than New Zealanders, whilst figures show per capita spending on wagering in Australia is NZ\$255 annually compared to NZ\$92 for New Zealanders. Full outsourcing of all domestic wagering, broadcast and gaming operations to a single third party wagering and media operator of international scale would mean the end of TAB

- Track reduction via Future Venue Plan. The report did however make the proposal to gradually reduce the number of horse racing tracks and close 20 over the next five years to leave 28 existing venues to be upgraded. Revenues would be used to renovate the remaining tracks including the construction of three synthetic all weather tracks in Cambridge, Awapuni and Riccarton.
- In addition the report aims to increase prize money to about \$110m a year through a simplified three tier racing model with payments extended to tenth place in all races. Currently prize money is around \$59m.
- To repeal the government betting levy. At the moment betting levy is around \$13.2m per year. As the industry is in a loss making position it is suggested the proceeds would instead be distributed directly to the Racing

Transition Agency to ensure that this opportunity is not wasted.

"We are confident that racing has a bright future in New Zealand but real change and brave leadership will be required if we are to achieve the report's target of doubling prize money."

At least 10 tracks are due to be closed this year under the Future Venue Plan release in January 2019 and consultation took place with the industry with several petitions to 'save the racetrack' underway in certain areas

The second Code is harness racing and Harness Racing New Zealand (HRNZ) is the administrative body. There are some 245 race days held and 2,481 races held by 40 harness clubs at 38 racetracks. The majority of races are held in Canterbury and Auckland and there are over 3,000 standardbred horses in the country.

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Off-course turnover for this sector amounted to \$124.9m and on-course turnover was \$12.4m with fixed odds turnover at \$74.7m. Total turnover (\$212m) saw a drop of 3.2 per cent. Stakes however increased by 10 per cent up to \$33.5m with average net stakes per race at around \$13,153.

Last year the HRNZ launched a Business Plan with the overall objective of improving the financial viability of the industry looking at six areas – funding, clubs and venues, racing participation, industry profitability, animal welfare and promotions.

There is a five year vision to improve the sector and provide competitive wagering products, encourage industry development and

implement a new communications strategy. The HRNZ is also reviewing the Messara report regarding its potential impact on the harness industry.

Thirdly Greyhound Racing New Zealand (GRNZ) consists of 10 registered member clubs of which six are in the north island and four in the south and seven racetracks.

The largest club is Christchurch Greyhound Racing Club which runs at Addington Raceway whilst Ascot Park is the only tri-code (operating thoroughbred, harness and greyhound) venue in New Zealand.

Greyhound racing was granted full access to the off-site totalisator betting and TAB system in

1981 and this boosted interest in the sector.

The GRNZ launched its three year strategic plan The Race Book in 2017 to outline the priorities for the coming years and also introduced a new Club Funding Policy.

The number of unique TAB account customers betting on greyhound increased from 82,000 to 99,000 last year whilst total operating revenue for the sector was \$25.3m.

In November 2017 NZRB launched a new operating model for greyhound racing by creating a centralised production model to provide live footage using network vans at race tracks and a purpose built control room in Christchurch. It became the first of the three



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racing codes to offer this. Each greyhound venue is now connected remotely to this control room and is also available in High Definition quality. It is understood this is a first for racing in the Southern Hemisphere where live television is produced from remote locations using a centralised control room. The NZRB has partnered with Vocus Communication to develop the network.

NEW LEVY RATES

Further changes in New Zealand relate to the levy funds applied to all gambling sectors. The Ministry of Health is responsible for the prevention and treatment of problem gambling

which is funded through a levy on gambling operators.

This levy is collected from profits from the main four operators – EGMs, Casinos, the NZ Racing Board and NZ Lotteries Commission. There is a formula for the levy rate for each sector within the Gaming Act which is reviewed every three years.

The levy is calculated using rates of player expenditure (losses) on each gambling sector and rates of client presentations to problem gambling services attributed to each sector.

Last year the Ministry prepared its consultation document entitled Strategy to Prevent and Minimise Harm for the year 2019/20 to 2021/22. The idea is to set a new levy rate for each gambling sector payable to the Problem Gambling Levy for the next three year period and consultations ended in September 2018.

The Ministry wants to collect around \$20m each year (or a total of \$60m over the next three year period 2019- 2022) which will go towards Public health services, research and intervention services.

It is estimated one in five New Zealand adults are affected by problem gambling in some way.

Jenny Salesa, Associate Health Minister said: “Estimates suggest 37,000 people aged 15 years or older are at a high risk of harm from gambling or are ‘problem gamblers.’ Gambling and its effects can impact on anyone at any time.”

Between the period of July 2017 and June 2018 over 10,000 clients were assisted by the Ministry of Health for Problem Gambling treatment services of which 7,440 were new clients and 3,115 were existing clients.

Over 5,000 were related to EGMs, 2,000 to casino slots and table games, over 1,200 to the lottery and 1,000 to the NZ Racing Board whilst other problems related to cards and bingo.

REMOTE GAMBLING

The remote gambling is another area which is facing changes. At the moment under the Gambling Act 2003 only the NZRB (TAB) and NZLC (MyLotto) have approval to run online gambling sites in New Zealand whilst any promotion and advertising of online gambling in New Zealand is prohibited.

However it is reported that at least 13 offshore gambling websites currently use .nz addresses even though they are not run within the country or subject to the NZ gambling regulations. Although players are not prohibited from accessing these sites, the authorities are concerned for consumer protection and safety. A review is now underway.

Jarrold True, an expert on gambling law and head of True Legal law firm said: “A Cabinet paper released under the Official Information Act details the rise in participation in online gambling by New Zealanders and the desire to pass new legislation to address problem gambling concerns and bring online gambling inside the tax net.

“The paper cites research suggesting that New Zealanders may have gambled approximately \$300m with offshore providers in 2017, with the market growing annually between 12 and 20 per cent. I personally have noticed an increased interest from offshore-based providers wanting to provide a gambling product for the New Zealand market. I now regularly provide compliance advice to offshore based developers of gambling related apps.

“Included in the government’s sights are gambling products that link video games with gambling. This includes micro-transactions or in-app purchases within games where players



Last year NZLC saw an overall sales result of \$1.25bn – the highest to date and a three per cent increase on the previous year. This has been attributed to new games added and increased presence in supermarkets and petrol stations. The company also completed a network-wide re-branding and new in-store furniture in many Lotto stores.

pay for a chance to obtain a virtual good (loot boxes)."

The first stage of the government's review is to research the extent of online gambling and the impact it could have. The aim is to then bring online gambling within three principles:

- Communities should benefit from the profits from gambling.
- Harm is minimised and the cost of mitigating harm is borne by the industry.

- Gambling is authorised and conducted by trusted and reputable providers.

Jarrold True added: "It appears clear that the option of trying to police the internet has been abandoned and replaced with the 'if you can't beat them, join them' approach. In the future we are likely to see New Zealand based non-profit organisations being licensed to conduct and advertise online gambling products.

"This will enable the profits generated to be distributed for community purposes and harm

minimisation regulations to be put in place. Granting online licences will also be seen as extremely attractive due to the significant tax revenue that will flow."

A public consultation document is due to be issued by summer 2019 with legislative change earmarked for April next year.

The online gambling currently permitted is growing in popularity. The Lotteries Commission for example reported a 26 per cent increase in online sales last year.

The lottery in New Zealand is run by the NZ Lotteries Commission (Lotto New Zealand) which was established in 1987 and operates as a Crown Entity under the 2003 Gambling Act. It



has a network of 1,470 lottery outlets across the country employing over 5,000 people.

The Lotto was introduced into New Zealand in 1987 and remains the flagship lottery game although over the years other games such as Lotto Powerball, Lotto Strike, Instant Kiwi, Bullseye, Keno, Play 4 and Instant Play, have been added to the portfolio.

The company introduced a range of online instant games to the MyLotto website last year which offers players an online equivalent to Instant Kiwi.

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Of the overall sales Lotto/Powerball/Strike accounted for \$1.04bn worth of sales; Instant Tickets with \$153.6m worth of sales and Keno and other games with \$46.3m.

Retail sales amounted to \$1.04m whilst online sales have also increased with total sales of \$201.1m a 26 per cent increase on previous year and this sector now accounts for 16 per cent of total sales. There are 746,000 registered users

with some 930,500 average weekly visits to MyLotto.

In the 2018 Financial Report Chairman Matthew Boyd said: "Lotto NZ's overarching strategy of increasing penetration and driving frequency of play will be achieved in the coming financial years through a strategic focus on driving demand, growing digital and increasing diversification.

"We need to ensure that we continue to drive demand for our games by offering a strong Lotto family game proposition and connecting with our customers on an emotional level to inspire them to play our games.

"In order to continue to grow digitally as a business, we will continue to provide relevant features and functionality to our customers through MyLotto and the Lotto NZ App to make it easier and more convenient to purchase our games whether our customers are at home, or on the go, or in a store."

There are mandatory spending limits set via the MyLotto online channel whilst customers can also set their own lower spending limits or opt into a self exclude programme. The maximum online account balance is \$999.

Meanwhile as the online sector undergoes a review, major casino operator SkyCity Entertainment Group is currently planning to

exploit a loophole in the law to launch an online casino based offshore.

The company says the move is necessary to help them reclaim a portion of the funds Kiwis currently spend on online gambling on unregulated offshore casinos.

The casino company says it is unwilling to wait for the government to change the law to allow it to operate a New Zealand based gaming site and despite the fact it cannot advertise its site in the country, it plans to use SEO to make it easy for New Zealanders to find and will accept payments in NZ dollars and target Kiwi gamblers.

SkyCity says its online venture would complement its integrated entertainment properties including casino operations in both New Zealand and Australia. It is thought Malta could be the location for set up.

The SkyCity site could be up and running by the end of the year and says it will only offer casino games (no sports gambling) and although it doesn't anticipate a huge following does estimate \$40m in tax revenue which if not accepted by the NZ government will go into the pot for their community trust grants.

SkyCity has been campaigning for relaxed online gaming law for some time. There are those against such as the EGM sector which says

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it will cut into their market and online operators would not have the same responsibility to problem gamblers whilst the PGF (Problem Gambling Foundation) is also campaigning against SkyCity's plans.

A law change for the online market in New Zealand would also mark the end of TAB and Lotto's monopoly on the sports betting and lottery markets. Offshore sports betting sites currently have the advantage over TAB of being able to offer a wider range of sports, bet options and promotions.

Although SkyCity wouldn't be interested in sports betting it is thought Australian and British

betting giants could be, especially with the Messara Report recommending the sale of TAB to offshore interests.

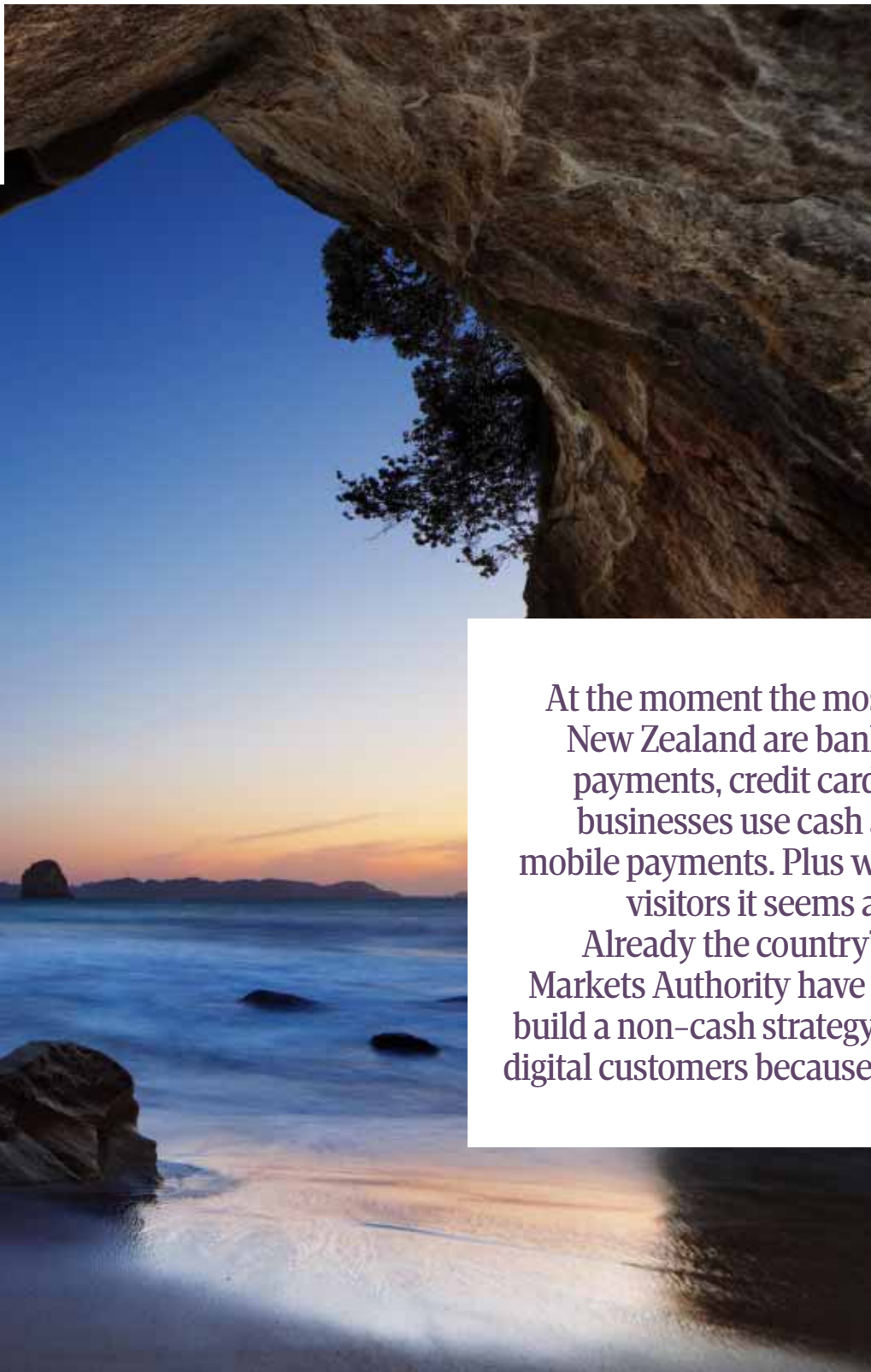
SkyCity Chief Executive Graeme Stephens said in the company's annual report: "SkyCity is developing an online gaming strategy as a logical extension of our landbased casino operations. Online delivery of goods and services is increasingly the norm across many industries and ours is no exception.

"It is currently permissible for offshore based online casinos to offer gaming to New Zealand customers and we are currently losing business to these off-shore based operators. In response

we are advancing a partnership based strategy that would enable us to start operating in this space from offshore.

"It seems reasonable to anticipate that at some point in the future online gaming will be regulated within New Zealand and we also need to be ready to participate in that opportunity should it arise.

"We are extremely respectful of the good relationship that we have built with the New Zealand regulatory bodies and are mindful of that relationship in any initiative we might pursue in the online space."



It already has more than 600 million Chinese users. China is New Zealand's second largest tourism market with 11 per cent Chinese visitors who spent more than \$1.2bn last year.

The number of NZ businesses which now accept Alipay has grown from 300 merchants in 2017 to around 2,500 last year. Smartplay, one of Australia and New Zealand's leading independent EFTPOS and payment providers has also entered into an agreement with AliPay which will give over 25,000 merchants the option to accept Alipay payments.

In line with the cashless theme here have also been applications over the years from NZ casinos for various forms of cashless gaming and currently full TITO is permitted on only a limited number of existing gaming machines within the casinos.

SkyCity Auckland was the first casino permitted to offer card based and ticket based cashless gambling and Christchurch casino followed offering a limited form of cashless gaming.

At the moment the most popular form of payment in New Zealand are bank transfers followed by online payments, credit cards and EFTPOS. Just half of NZ businesses use cash and 12 per cent have shifted to mobile payments. Plus with the abundance of Chinese visitors it seems a logical way to move forward. Already the country's Reserve Bank and Financial Markets Authority have found that businesses need to build a non-cash strategy to meet the demands of their digital customers because it is quicker and more secure.

GOING CASHLESS

Although Scandinavian countries have been highlighted as the forerunners in the race to go cashless, it is said New Zealand could also become cashless by 2028.

The popularity of digital payments is huge in the country and a survey revealed 36 per cent of New Zealanders predict the economy will be cashless within 10 years.

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Last year the Bank of New Zealand signed a deal with Verifone Chinese mobile payment giant Alipay to enable merchant customers to sign up for the platform. Alipay offers a digital wallet which includes a mobile app to enable people to conduct transactions via their phones.

It was an ad hoc approach where the casinos have created their own standards. When Dunedin Casino applied to introduce TITO the Department of Internal Affairs developed a minimum standard which set out the proposed technical requirements for account based cashless system via a publication called 'Minimum Cashless Technical Requirements for Printed Ticket-In Ticket Out and Player Loyalty Account Based Cashless Gaming Technology', which permitted cashless technology to be operated in all casinos in New Zealand with certain limitations.

Meanwhile the Department of Internal Affairs announced earlier this year an intention to have discussions about the possible adoption of cashless payments in the pokies/gambling machine sector. Since 2017 a Cash In Ticket Out (CITO) system is approved for Class 4 venues.

Jarrod True, a lawyer who is strongly against an all cashless system for non-casino machines says a TITO system is the most logical step forward (see Jarrod True's column on page..).

The CITO technology currently allows gamblers

“As a regulator we see some risks and benefits of having a cashless option. An ideal solution could make the system more efficient, safer and reduce risks such as criminality and money laundering. The Department has not indicated a cashless preference and we are aware that this, among other options, need to be discussed with stakeholders and any adjustments planned and resolved carefully. We are concerned about many factors such as the impact disassociating gamblers from physical cash might have on their gambling and whether this has the risk of increasing problem gambling.”

to cash-out at slot venues by redeeming tickets for up to \$200. For higher payouts staff attend the terminal and authorise payments.

The DIA website states that “There is a review of Class 4 gambling currently underway and the use of cashless technology in pubs and clubs is being considered as part of that review. The Department considers this to be the most appropriate first step in assessing the use of cashless technology in the Class 4 environment.”

At the moment limited provision for cashless technology is permitted under the provisions of Minimum Technical Requirements for Class 4 De-Centralised Off Line Cash In Ticket Out Systems of the Gambling Act (Class 4 Gambling Equipment) Minimum Standard 2004.”

A DIA spokesperson said: “There is no current public discussion document or statement on games (pokies) being cashless.

“The Department of Internal Affairs has indicated an intention to have a wider conversation and engage with stakeholders about the possible adoption of cashless payments in the pokies/gambling machine sector.

“As a regulator we see some risks and benefits of having a cashless option. An ideal solution could make the system more efficient, safer and reduce risks such as criminality and money laundering. The Department has not indicated a cashless preference and we are aware that this, among other options, need to be discussed with stakeholders and any adjustments planned and resolved carefully.

“We are concerned about many factors such as the impact disassociating gamblers from physical cash might have on their gambling and whether this has the risk of increasing problem gambling.”

THE POKIES

Gaming machines arrived in New Zealand in the early 1980s and initially were operated without gaming licences until 1988 when the licensing system was introduced.

New Zealand is fairly unique in that it operates a community owned model for pub gaming where net proceeds are returned to the community meaning gambling is not purely for commercial gain.

The Gaming Act of 2003 sought to use the gaming machines as a way of fundraising and profits are returned to the community via grants and this adds up to around \$300m annually. Clubs such as RSAs and Workingmen Clubs also benefit from the gaming funds to assist with club operating costs.

The pokie machines in New Zealand are regulated by the Department of Internal Affairs and come under the Class 4 category and are operated in commercial venues (bars and pubs) and clubs. Maximum stake is \$2.50 and maximum prize for a non jackpot machine is \$500 whilst the jackpot linked machines can payout \$1,000 maximum.

There are various measures in place for the protection of gambling addiction including an over 18 year age limit, pop up messages during play with amount spent or amount won/lost, no ATMs within gaming rooms are permitted and EGMs do not accept banknotes above \$20.

Class 4 is operated on a not-for-profit basis with the objective of generating revenue to return to communities via grant processes.

At least 40 per cent of gaming machine proceeds must be allocated to authorised community purposes whilst 23 per cent goes on gaming duty, around 19.5 per cent on society expenses, 16 per cent on venue payments and 1.5 per cent towards problem gambling levies.



There is a limit to the number of EGMs per bar/club and this varies between nine and 18 depending on when the licence was granted. If granted before October 2001 the maximum is 18 and after this date the maximum is nine.

The number of EGMs peaked in 2003 to over 25,000 in the market just before the Gaming Act of 2003 was introduced. There has since been a steady decline and today that number is around 15,250 located in 1,117 venues (data December 2018) of which over 80 per cent are non clubs and the remainder club venues.

In 2017 the Gaming Machine Proceeds (GMP) amounted to \$883.3m of which \$784.2m came from non clubs and \$99.1m from Clubs.

The largest societies to operate venues and EGMs include the New Zealand Community Trust (NZCT), the Lion Foundation and Pub Charity Limited which between them operate over 400 venues and 5,500 EGMs.

The NZCT is the largest gaming society and largest provider of funds for amateur sports



EGM SUMMARY OF VENUES AND NUMBERS

CATEGORY	TOTAL NO. LICENSED SOCIETIES	TOTAL NO. VENUES	TOTAL NO. EGMS	AVERAGE EGM/ VENUE
Multi Venue	31	898	12,407	13.82
Single Venue	3	3	44	14.67
Club Chartered	110	111	1,607	14.48
Club RSA	62	63	802	12.73
Club Sports	36	42	397	9.45
TOTAL	242	1,117	15,257	13.66

participation in the country. NZCT's Mike Knell says to replace the fleet of pokies ready for cashless could cost up to \$300 million whilst the cost of development, potential IT problems and the risk of gamblers disliking it could herald an end to the EGM market as it stands now. (see Mike Knell's interview on page ..)

THE CASINO MARKET

Casinos first appeared in New Zealand in 1994 when Christchurch Casino opened. Today there are six licensed casinos in New Zealand and under the Gaming Act no new licences can be issued.

SkyCity is the dominate operator with four of the six casinos – Auckland, two in Queenstown and one in Hamilton.

Auckland casino is the largest and under the New Zealand International Convention Centre Act 2013 can operate more machines and currently operates 150 tables, 1,877 slots and 240 automated table.

Auckland's gaming licence was also extended. A casino licence lasts 25 years renewable except for Casino Auckland which had its licence extended to 2048 as part of an agreement between SkyCity and the state to build an international convention centre. The \$700m Convention Centre in the heart of the CBD will include 21 meeting rooms and have a capacity of up to 1,750 guests whilst offering event management services, catering and business centre facilities and will link up with the SkyCity casino.

A new 303 room adjoining hotel is being built by SkyCity – Horizon Hotel – which is due to open in 2020 and will boost rooms already offered by two nearby hotels – the SkyCity Grand Hotel with 300 rooms and SkyCity Hotel with 320 rooms.

The Convention Centre has been plagued with problems and most recently reports suggest it won't now be finished until mid next year despite the estimation that is should have opened in February this year.

SkyCity received various concessions in its deal with the government to build the centre which included 230 additional pokie machines and a 28 year extension to its gambling licence in Auckland.

Reports

NEW ZEALAND MARKET

The convention centre is part of various works underway in the city which also include a new City rail link, new five star hotels and infrastructure improvements ready for a host of events due to be held in the city.

Auckland already sees around 2.6 million international tourists each year and the city is due to be flooded with additional visitors in 2021 when the city hosts the America's Cup, the APEC Leaders Summit, Le Matatini, Women's Rugby World Cup, Women's Cricket World Cup and several other events.

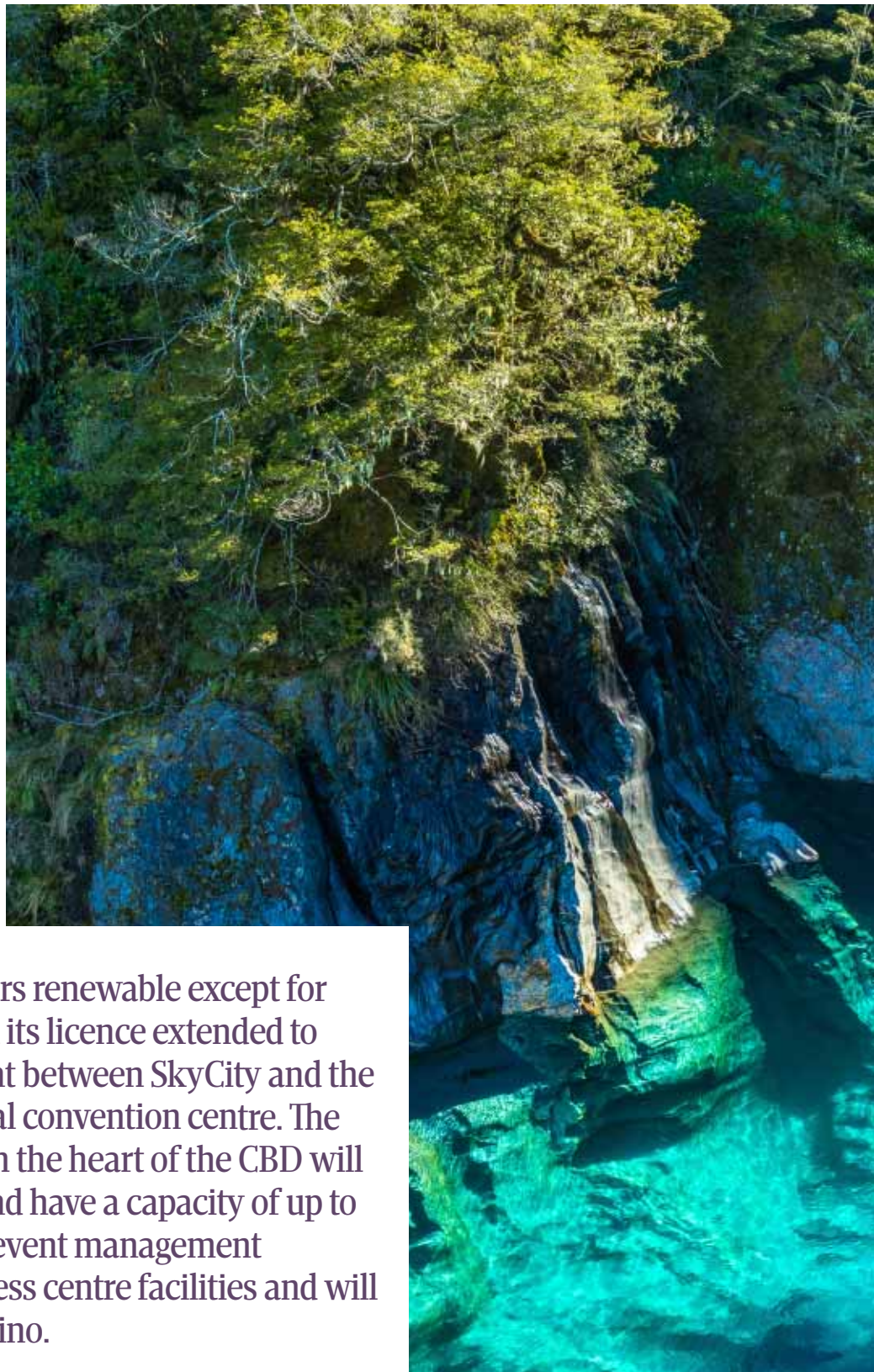
Meanwhile SkyCity was established in 1996 when SkyCity Ltd became the owner of the SkyCity Auckland complex and in 1998 then took over the operations from previous gaming operator Harrah's Entertainment. SkyCity now operates four casinos in total in New Zealand and three in Australia and saw total group

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revenues in FY18 of \$1.09bn with a group EBITDA of \$339m from these venues.

Already the company has seen a steady growth from this sector and is now gearing up for future growth investments in Hamilton and also in Queenstown where the company has purchased land for a future hotel.

SkyCity hit the headlines recently after it became the first casino in New Zealand to apply to the Gambling Commission to swap three Blackjack tables for an additional 60 slot machines. At the moment Hamilton operates 339 slots and they want to bring the total up to 399 which is part of a "broader yet to be



revealed plan SkyCity has for Waikato."

However after strong opposition from city councillors and Hamilton's Mayor, the Gambling Commission has opened the request to a public consultation.

SKYCITY AUCKLAND is licensed to SkyCity Casino Management Ltd. SkyCity is an entertainment destination in the heart of the city offering casino, accommodation, retail and dining. The centre piece is a 328m high Sky Tower, New Zealand's tallest building, offering a 360 degree view of Auckland with observation towers, dining, café and even a base jump and walk around platform. Alongside several

restaurants and bars there are also three hotels – SkyCity Grand Hotel, SkyCity Hotel and Horizon Hotel. The casino can operate up to 150 table games and 1,877 slots and 240 electronic table games. Players must be aged 20 plus to enter the casino. The casino opened in 1996 and has a licence until 2048. Sky Tower saw 560,000 visitors last year and revenues of \$696m for the company.

Casinos cannot offer internet gambling but can operate TAB outlets.

SKYCITY HAMILTON opened in September 2002 and in 2005 SkyCity completed the acquisition of full ownership of this casino.



TABCORP REVENUES PER DIVISION

DIVISION	REVENUES FY18	REVENUES FY17	CHANGE
Wagering & Media	\$2,186.1m	\$1,873.0m	16.7 per cent
Lotteries & Keno	\$1,390.7m	\$212.7m	100 per cent
Gaming Services Business	\$249.7m	\$143.9m	73.5 per cent
TOTAL	\$3,828.7m	\$2,234.1m	

Previously it was a joint venture with Perry Developments. SkyCity Hamilton can operate 23 gaming tables and 339 slots. It is open 24 hours a day seven days a week. Revenues for FY18 amounted to \$61m.

SKYCITY QUEENSTOWN opened in December 2000 with a licence until 2025. In 2012 SkyCity acquired full ownership of Queenstown Casinos Ltd, the venue licence holder for Queenstown Casino. They took over the Beach Street casino when they paid out \$5m for Skyline Enterprises 40 per cent stake. This casino can operate 12 gaming tables and 86 slots.

Meanwhile in 2013 SkyCity also acquired Otago

Casinos Ltd from Lasseters (NZ) Ltd which held the licence for the **WHARF CASINO QUEENSTOWN** which had opened back in 1999 just 15 months before its rival. The Wharf can operate six gaming tables and 74 slots. Both Queenstown and Wharf saw combined revenues of \$27m last year.

CHRISTCHURCH CASINO at one time was partly owned by SkyCity and first opened in 1994 and was New Zealand's first landbased casino. It closed in 2011 due to an earthquake and SkyCity sold its 50 per cent share in 2012 when they took full control of the Queenstown casino. SkyCity sold its share to co-owner Skyline Enterprises for \$80m and had bought

Skyline's 40 per cent share in the Queenstown Casino. The casino today has 500 slots and 36 table games. There are four restaurants and bars onsite and poker lounge and TAB facilities.

Finally **DUNEDIN CASINO** is located in the Southern Cross Hotel one of the oldest buildings in Dunedin dating back to 1883. The casino opened in 1999 and it offers 180 slots and 12 table games. The Grand bar and café offers food and drinks. It is elegantly designed with a sweeping grand staircase which leads up to the gaming floor and grand glass dome. It is operated by Dunedin Casinos Management (formerly Maxims Management Ltd). It was previously operated by Aspinal (NZ).

NZCT: A model citizen in the New Zealand gaming industry



Mike Knell,
Chief Executive of New Zealand
Community Trust (NZCT)

Mike Knell is the Chief Executive of New Zealand Community Trust (NZCT), the largest gaming trust society which operates EGMs across New Zealand. NZCT is the largest funder of amateur sports participation in New Zealand.

Established in 1998, NZCT is New Zealand's largest gaming trust with 16 per cent of market share. NZCT has offices in Auckland, Wellington and Christchurch, as well as staff located in Taranaki, Hawke's Bay and Bay of Plenty.

NZCT pioneered the development of Regional Advisory Committees whose members advise us on the distribution of gaming funds in their communities. These committees are made up of highly respected leaders who add local insight and knowledge to our grants decision-making.



In the 12 months to 30 September 2018, NZCT approved \$44.6 million in grant funding to sporting, local government and community groups nationwide over 3,500 applications. Our trustees have determined that at least 80 per cent of the funds we distribute are directed towards amateur sports activities.

G3 interviews with Mike Knell, Chief Executive of New Zealand Community Trust (NZCT), the largest gaming trust society which operates EGMs across New Zealand

Can you provide some background about NZCT?

Established in 1998, New Zealand Community Trust (NZCT) is New Zealand's largest gaming trust (Corporate Society) with a 16 per cent market share. We have 1,800 EGMs in 140 venues across New Zealand from Snells Beach just north of Auckland to Bluff in the far south.

NZCT is governed by a board of five independent, professional trustees. They have very high obligations and standards for their fiduciary responsibilities to the organisation. We have a lean management structure with qualified professionals, which also includes our own in-house call centre, to manage the day-to-day operations of the trust. Our staff numbers around 40 people.

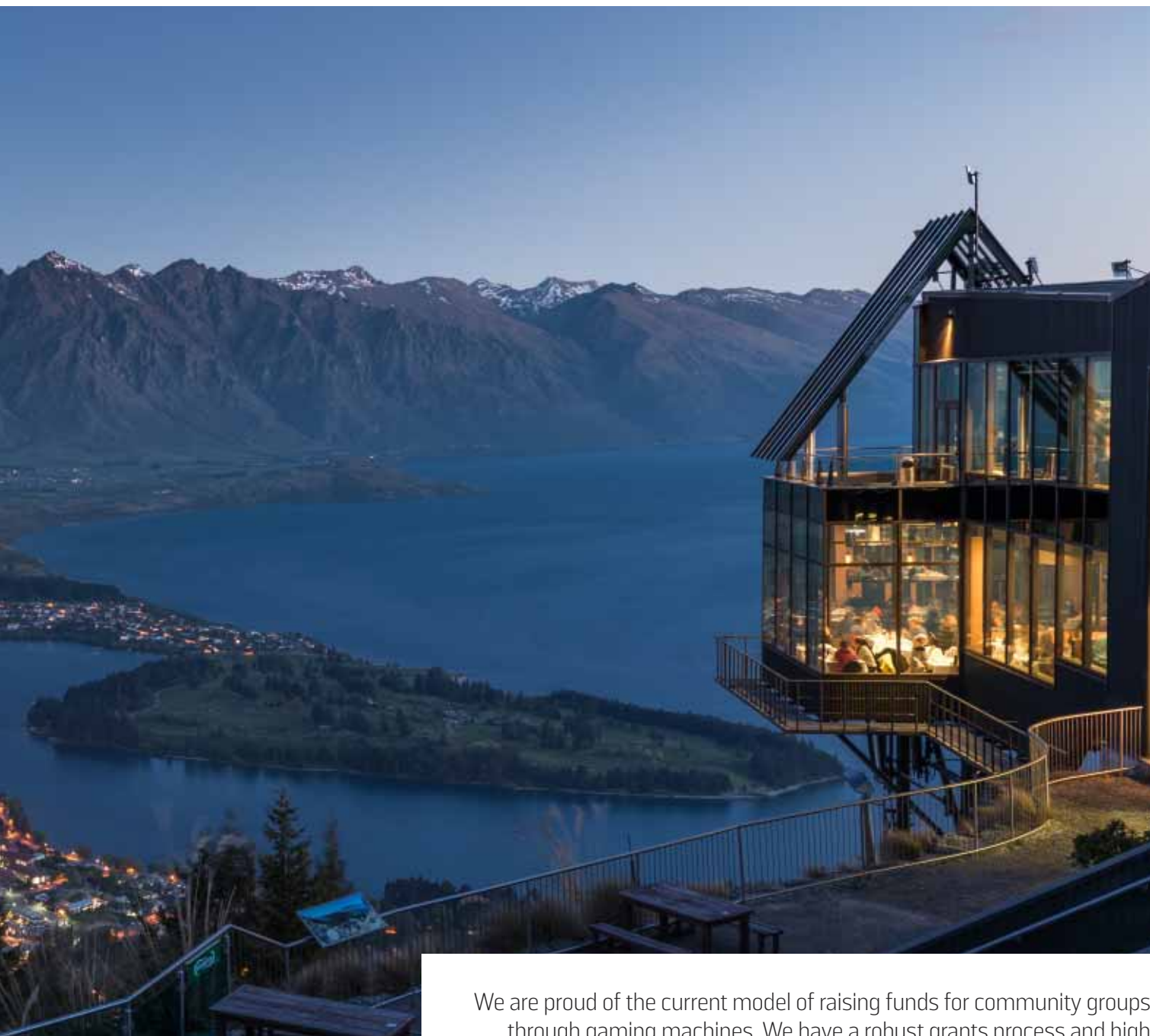
We were established to fundraise for amateur sport and other worthy charitable community groups.

Gaming machines were introduced to New Zealand to compensate for the loss of sports funding from tobacco sponsorship due to the country's smoke-free stance in the late 1990s.

While sport is our primary focus, we also provide funds for charitable purposes, such as rescue and life-saving services, education, health, the arts, and cultural and community groups.

Can you explain the distribution of the grants system and NZCT's input?

In the 12 months to 30 September 2018, NZCT approved \$44.6 million in grant funding to sporting, local government and community groups nationwide over 3,500 applications. Our trustees have determined that at least 80 per cent of the funds we distribute are directed towards amateur sports activities.



We are proud of the current model of raising funds for community groups through gaming machines. We have a robust grants process and high probity requirements. NZCT has been ISO 9001 certified since 2006 and we put a lot of effort into our risk mitigation and assurance programmes. Our trustees also sit on our Net Proceeds Committee (NPC), which makes decisions on grants. They are supported by 10 Regional Advisory Committees, which NZCT pioneered back in 2005, who bring local knowledge and add valuable insight to our grants decision-making process.

We receive about 300 online grant applications each month and we aim to be agile and flexible, where possible, in the decision-making process. Generally, on the 15th of every month we close off (with some exceptions) for the period and hold monthly Net Proceeds Committee meetings to determine grant outcomes. From receipt of an application to advising an outcome generally takes around six weeks.

We're committed to ensuring money goes back

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into the communities in which it was raised. About 92 percent of our grants will benefit the region where the funds were generated. The remainder goes to national organisations, like Outward Bound or Special Olympics, which provide widespread benefits to many communities throughout the country.

Is the grants system a successful operational model for EGMs and the bar/club venues?

We think so. New Zealand is one of the few places in the world where proceeds from EGMs must be returned to the community. Gaming trusts are required by law to return at least 40

per cent of their gaming machine proceeds to the community. This amounts to around \$330 million a year through over 28,000 grants from which some 11,700 entities benefit.

In a survey carried out back in 2012 in Auckland, New Zealand's largest city, 55 per cent of grant recipient organisations said they would be significantly affected or would stop operating if they didn't receive gaming trust funds.

The current model also benefits numerous other stakeholders, including our venue operators and the hospitality and entertainment industry

Insight

NEW ZEALAND

Interview

generally. Gaming machines outside casinos and clubs operate only in licensed commercial premises, for example, pubs, hotels and taverns. This is a highly controlled environment restricted to those over 18 years of age and is a harm minimisation risk strategy. Our social licence to operate is held on these values.

Gaming trusts in New Zealand are mandated to a commission-based payment system for venues capped at 16 per cent of turnover, which we had long been lobbying for. This has incentivised many venue operators to work harder on their gaming and harm minimisation obligations and, without it, it's fair to say that a good proportion of pub and club venues would struggle or cease to be viable.

There has been a steady decline in the number of EGMs in New Zealand – is this likely to continue or change?

There has been a decline of 10,000 gaming machines in New Zealand over the past 15 years. The reduction from a peak in 2003 of 25,000 machines to the current number of 15,000

There has been a decline of 10,000 gaming machines in New Zealand over the past 15 years. The reduction from a peak in 2003 of 25,000 machines to the current number of 15,000 machines occurred for various reasons, not least that corporate societies are today driven by the return-on-investment (ROI) principle, rather than machine numbers per se (sweating the assets in financial terms for better investment decision-making). This is not at all surprising when there are statutory obligations to make profits (proceeds) of at least 40 per cent.

machines occurred for various reasons, not least that corporate societies are today driven by the return-on-investment (ROI) principle, rather than machine numbers per se (sweating the assets in financial terms for better investment decision-making). This is not at all surprising when there are statutory obligations to make profits (proceeds) of at least 40 per cent.

Like most new industries, there are entrepreneurs who drive their business primarily for profit rather than not-for-profit reasons. In New Zealand, many such people used to charge societies for their service offerings by the piecemeal number of machines; not the most productive nor efficient model

when we are, by all accounts, a not-for-profit sector.

The decline in gaming machines can also be attributed to the results of central and local government policy. The Gambling Act 2003 was introduced to, among other principles, control the growth of gambling, and some local councils have introduced sinking lid policies that mean when venues with gaming machines close, those machines are removed permanently.

We've reached a point now where we consider the model for community funding to be sustainable with existing machine numbers. That is to say, in general terms, supply can

reasonably keep up with demand. If the erosion of numbers continues, many worthy charitable organisations are going to miss out on vital community funding.

Part of our work is addressing the councils when their gambling venue policies come up for review every three years and emphasising the benefits their communities receive from this model.

We have had some successes in persuading councils not to put sinking lids or other punitive policies in place. However, some large councils, most notably Auckland and Christchurch, still have policies that are very negative towards our





sector. There is poor understanding and, at times, deliberate misrepresentation of the facts and of the economic benefits and social value of the current model. This is something we are working hard as a sector-wide voice of reason to correct.

The decline in gaming machine numbers may also continue as technology advances mean gamblers are looking to other sources of entertainment, particularly online, and councils continue to prioritise gambling harm over the community benefit from gaming funds.

Are there any changes in the industry you would like to see introduced?

NZCT has been a pioneer in using facial recognition technology in our venues to identify excluded problem gamblers. We currently have it installed in 15 venues, including a cluster at all six of our venues in one city, Gisborne. The results so far have been very encouraging, and we would like to see other gaming trusts and

other gambling providers make use of this technology too.

One of our aims is to have some of the current problem gambling levy, which amounts to \$18.5 million a year currently, be spent on subsidising this effective technology, which we are installing and servicing entirely at our own considerable cost.

What is the situation with the review of the Class 4 category underway via the DIA and talks of EGMs going cashless?

The review of class 4 sector was begun under the previous government and the current government has signalled that it will not continue the review to the scope and scale it had originally. They are instead focusing on researching the extent and social effects of online gambling, a move we welcome as this is a big threat to our sector and to potential problem gamblers due to the lack of harm prevention and minimisation measures in the online

environment. As for cashless gambling, this would likely hasten the end of pub EGMs as the complicated requirements for gamblers to have biometric passports and special bank accounts will put off casual players. This has the potential to have a huge impact on our fundraising and, along with the cost, would make it very difficult to meet the legally mandated 40 per cent threshold for funds returned to the community.

Replacing the existing fleet of EGMs could cost \$250-\$300 million. Nowhere else in the world runs an entirely cashless system and I would be worried about the costs of development, potential IT hiccups and the risk of gamblers disliking it. This is not one of those strategies where being first to the market holds much, if any, appeal to be frank.

We will stay open-minded and will contribute to on-going discussions where some aspects of cashless operation maybe prudent, like TITO (ticket in, ticket out) and some form of financial pre-commitment by gamblers.

New Zealand's community funding model is under threat



Jarrod True
Director, True Legal

Jarrod is New Zealand's leading expert on gambling law. His firm, True Legal (truelgeal.co.nz) acts for a large number of New Zealand's gambling operators. Jarrod is the author of the New Zealand Gambling Law Guide (www.gamblinglaw.co.nz), and the author of Gambling Law (a Thomson Reuters publication). Jarrod regularly advises clients on gambling compliance issues. He has argued many successful Gambling Commission appeals and is familiar with all the Commission's prior decisions and High Court and Court of Appeal decisions on gambling-related matters.

Jarrod has weekly dealings with the Department of Internal Affairs' senior gambling compliance management team. This working relationship helps client matters to be resolved promptly and economically.



Earlier this year, the regulator, the Department of Internal Affairs, announced its desire to impose a compulsory cashless system on all non-casino gaming machines. The system would be entirely cashless, with players putting credit on their machines via a card, and having winnings credited back to a card. The machines would have no ability whatsoever to accept notes or coins.

New Zealand's community funding gambling model is under threat from the regulator's bold plan to go 100 per cent cashless.

"New Zealand is incredibly fortunate to have a gambling framework that is focused on raising funds for community purposes. Approximately \$2.3bn is spent each year in New Zealand on gambling. The largest share of this, approximately \$895m, is the money spent on gaming machines located outside of New Zealand's six casinos (gaming machines in pubs and clubs).

All the profits from the non-casino gaming machines are used for community purposes. Every year, grants totalling approximately \$300m are made. In addition to the external grants, clubs such as RSAs and Workingmen's Clubs receive approximately \$50m each year in gaming proceeds to assist with meeting the clubs' operating costs.

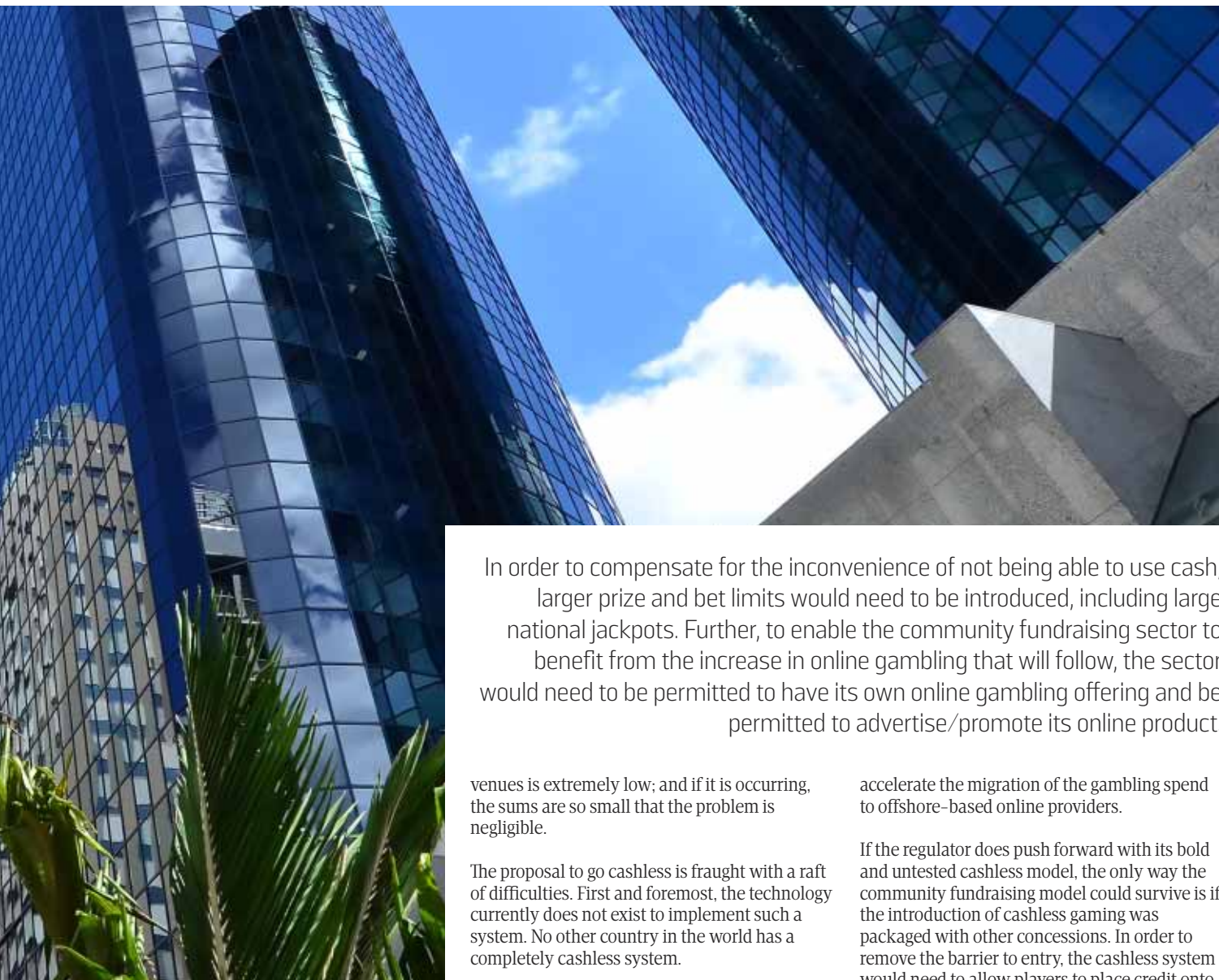
We are also fortunate in New Zealand to have a very low problem gambling rate by international standards. The most recent New Zealand National Gambling Study found the problem gambling rate was only 0.2 per cent of people aged 18 years and over.

The future of the non-casino gaming machine sector is, however, in jeopardy. The sector has been in natural decline since 2003. In June 2003, New

Zealand had 25,221 non-casino gaming machines. In December 2018, there were only 15,257 machines, a 39.5 per cent decrease. The sector faces fierce competition from offshore-based online gambling providers, who are able to offer higher prizes and unregulated inducements to gamble. The online gambling market is so lucrative that New Zealand's main casino operator, SkyCity, recently announced that it too would launch an offshore-based online casino.

The community fundraising model now faces a further threat to its existence, which is more serious than the other external market forces. Earlier this year, the regulator, the Department of Internal Affairs, announced its desire to impose a compulsory cashless system on all non-casino gaming machines. The system would be entirely cashless, with players putting credit on their machines via a card, and having winnings credited back to a card. The machines would have no ability whatsoever to accept notes or coins.

The prohibition on using cash was advanced as being desirable for harm minimisation reasons. The requirement for players to identify themselves as part



In order to compensate for the inconvenience of not being able to use cash, larger prize and bet limits would need to be introduced, including large national jackpots. Further, to enable the community fundraising sector to benefit from the increase in online gambling that will follow, the sector would need to be permitted to have its own online gambling offering and be permitted to advertise/promote its online product.

venues is extremely low; and if it is occurring, the sums are so small that the problem is negligible.

The proposal to go cashless is fraught with a raft of difficulties. First and foremost, the technology currently does not exist to implement such a system. No other country in the world has a completely cashless system.

The costs of developing and implementing the system for such a small market would be astronomical. These costs would directly impact on the amount of money that can be given out in community grants.

The benefits of the system are also highly questionable. As detailed above, any harm minimisation benefit will quickly be eliminated by players using multiple cards registered in different names. The risk of armed robbery can be addressed via much simpler and more economical means. The amount of money laundering that would be prevented would be miniscule.

The major problem with going cashless is that it will significantly reduce play by purely recreational gamblers, who may only play the machines once or twice a year. These players are unlikely to go through a laborious registration process and wait for staff to issue them with a card, in order to have a brief flutter. Imposing such a significant barrier to player access is likely to see gaming revenue drop by up to 50 per cent.

The increased costs of going cashless, coupled with the drop in revenue, will destroy the community fundraising model, all but eliminating community grants, and will further

accelerate the migration of the gambling spend to offshore-based online providers.

If the regulator does push forward with its bold and untested cashless model, the only way the community fundraising model could survive is if the introduction of cashless gaming was packaged with other concessions. In order to remove the barrier to entry, the cashless system would need to allow players to place credit onto their machine directly at the machine via their existing bank cards or via a digital wallet service such as Apple Pay. In order to compensate for the inconvenience of not being able to use cash, larger prize and bet limits would need to be introduced, including large national jackpots. Further, to enable the community fundraising sector to benefit from the increase in online gambling that will follow, the sector would need to be permitted to have its own online gambling offering and be permitted to advertise/promote its online product.

Given that there is unlikely to be any political will for legislative change that enables credit card spending directly on a gaming machine; the regulator should consider other changes that are tested, economical, and known not to deter recreational players. The use of cash at gaming venues could be reduced and handled more securely by permitting non-casino gaming machines to accept credit via a ticket and make payment to players via a ticket. Ticket-in/ticket-out systems are standard in all the major casinos around the world, but not currently allowed to be operated on New Zealand's non-casino gaming machines. Implementing ticket-in/ticket-out would be a far more sensible option than jeopardising our valuable community fundraising model by pioneering a world-first 100 per cent cashless system."

of the credit transfer process would, in theory, prevent play by persons who have excluded themselves from gambling, and would enable players to set a predetermined maximum spend amount. In practice, excluded players and persons who wish to spend above a predetermined limit, would gamble using multiple cards registered in the names of family and friends.

Further, given the already extremely low problem gambling rate, there is simply no justification, on a cost/benefit basis, to introduce an additional, elaborate harm minimisation measure.

Going 100 per cent cashless was also advocated as a way of reducing the risk of armed robbery. The risk of armed robbery can, however, already be significantly reduced by installing a system that pays prizes via a ticket, which is then cashed at a secure redemption terminal.

The third main reason given for overhauling the sector was a desire to reduce money laundering. New Zealand's non-casino gaming machines have a maximum bet limit of only \$2.50 and a maximum prize offering of a mere \$1,000. Given these very low limits, the likelihood that money laundering is occurring at non-casino gaming