

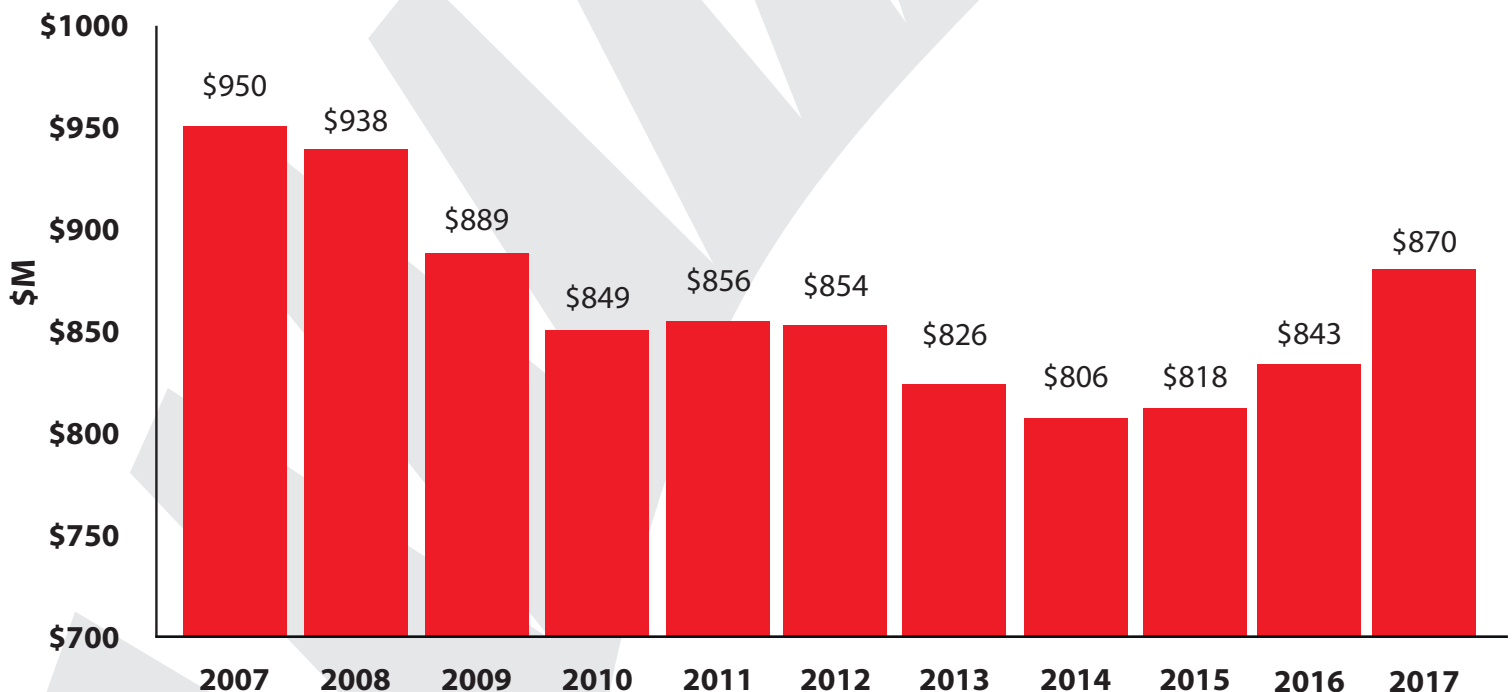
NEW ZEALAND'S PUB GAMING INDUSTRY

In most countries, gambling is purely for commercial gain. New Zealand is different. We are one of only a few countries in the world with a 'community owned' model for pub gaming, where the net proceeds are returned to the community. Grants distributed by pokie trusts equated to 10% of the total philanthropic funding to the community and voluntary sector in 2011 – and was almost twice the level given by New Zealand businesses. In 2017 the amount of funds returned to the community via non-casino gaming grants was \$333 million¹.

HOW MUCH MONEY IS GENERATED BY PUB GAMING?

As you can see from the graph below, the amount of funds being generated by pub gaming has declined since 2007. The figures below are actual dollars, but if inflation was taken into account, the reduction in expenditure would be even greater. Less revenue means less funds available for community grants.

NON-CASINO GAMING MACHINE EXPENDITURE

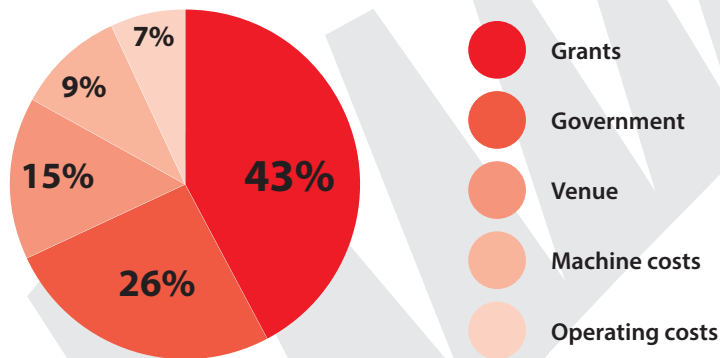


¹ Page 13, Guide : Pokies in NZ, DIA Website

WHERE PUB GAMING MONEY GOES

BERL research² shows that the entertainment value to recreational players is circa \$250m, the grants value to the community is circa \$250m (\$333m in 2017), and the government revenue value in the form of duties and levies is circa \$190m. Class 4 (pub) gaming trusts are required by law to return between 78 and 92% in prizes back to the player. Of the net proceeds raised, gaming trusts are legally required to return a minimum of 40%³ to the community in the way of grants. Approximately 26% goes to the government in the form of duties and levies. The balance goes to the local businesses (pubs or venues) that host the gaming machines and the trusts that administer them. Note: no more than 16% of gaming proceeds can be paid to gaming venue operators.

NZCT REVENUE DISTRIBUTION 2015 (\$98 million)



INDUSTRY REFORM

The gambling industry is currently going through regulatory and legislative reform. Here are some of the key changes being implemented:

RELOCATION CLAUSES TO BE CONSIDERED

Research³ by Auckland University of Technology shows that problem gambling behaviour is influenced more by the *distance* to the nearest gambling venue, rather than the *number* of gambling venues within walking distance. The Ministry of Health's 2013 Gambling Resource for Local Government acknowledges this point and states that one of the major factors associated with increased prevalence of problem gambling is 'location and/or density of gambling venues and machines'⁴. The Ministry of Health also found 'being a problem gambler is significantly associated with living closer to gambling venues'.⁵

Therefore, relocation policies, which allow machines to be moved away from high risk areas, are understood to be more effective in reducing problem gambling than simply reducing gaming machine numbers.

² Maximising the benefits to communities from New Zealand's community gaming model, BERL, February 2013

³ Brief Literature Review to Summarise the Social Impacts of Gaming Machines and TAB Gambling in Auckland, Gambling & Addictions Research Centre, AUT University, 2012

⁴ Pg 21, Ministry of Health Gambling Resource for Local Government, 2013

⁵ *ibid*

Relocation policies also help ensure the continual improvement and growth of the hospitality sector. Rather than tying gaming operations to a physical address, which may over time become a less desirable location, relocation clauses allow gaming operators to move their operations to more suitable premises.

In 2013, the Gambling Act was updated (see s102 (5A)) making it mandatory for territorial authorities to at least consider introducing a relocation clause into their local gambling policy.

HIGHER COMMUNITY RETURN

In September 2014 the Gambling (Class 4 Net Proceeds) Regulations were amended to increase the minimum percentage return that gaming societies must make to communities to 40%.

This result will be difficult for some gaming societies to achieve on a sustained basis. The increased return will force some societies to shed gaming operations that can't deliver these results. Lower performing venues like this are typically found in rural and provincial areas. If these communities also have a sinking lid gambling policy in place, then closed gaming venues will not be able to re-open again.

When speaking at the Hospitality NZ conference on 7 October 2015, the Minister of Internal Affairs Peter Dunne recognised the contribution made by the Class 4 sector and acknowledged the challenge of achieving a 40% return. The Minister confirmed that the government would consult and review this minimum rate of return, to ensure it could be achieved without negative unintended consequences for community funding.

RETURN TO LOCAL COMMUNITY

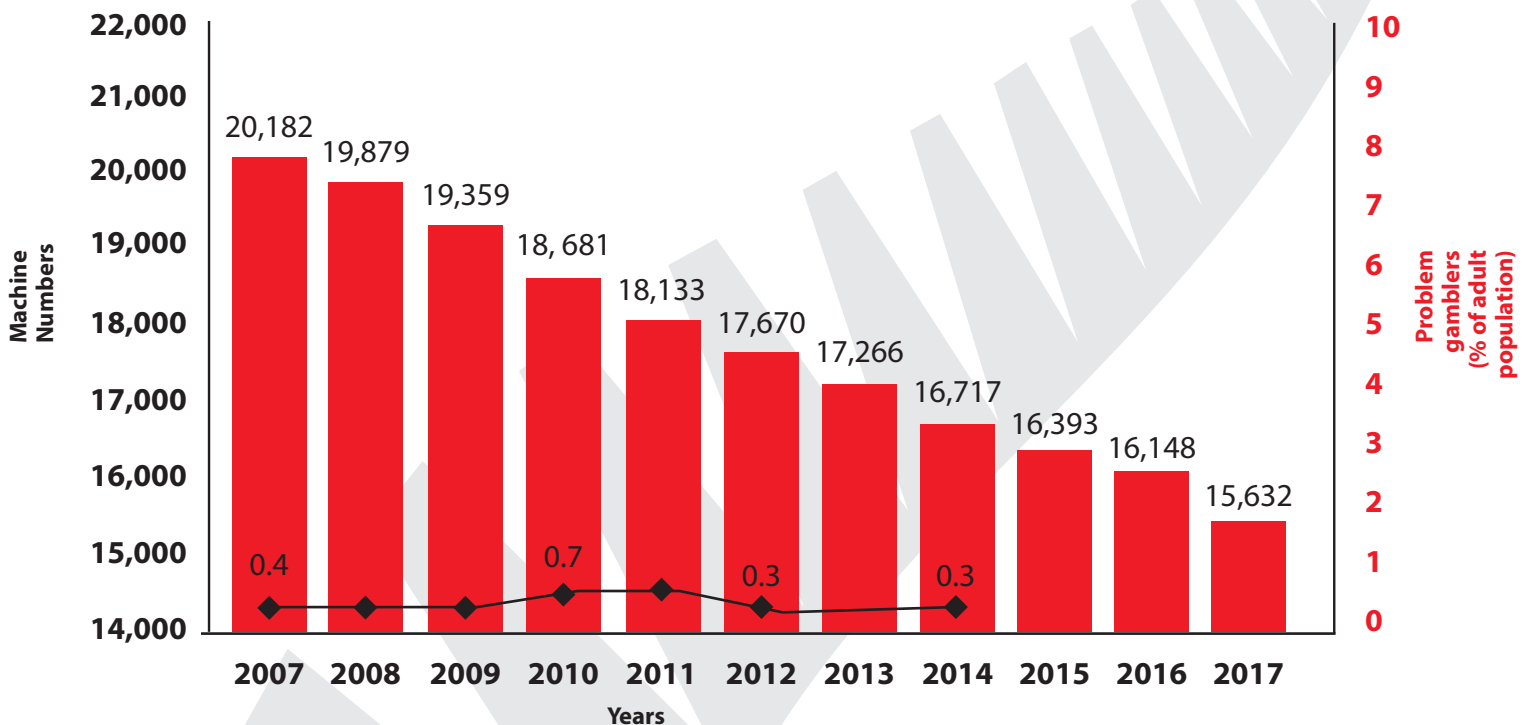
New regulations are expected to be drafted which will require gaming societies to return at least 80% of the net proceeds they generate to the region where the funds were raised. This means communities that do not operate gaming machines will be unlikely to receive gaming grants.

These regulatory changes could result a significant reduction in gaming grants for small town New Zealand.

HOW BIG IS THE ISSUE OF PROBLEM GAMBLING?

It is incorrect to assume that fewer gaming machines will result in fewer problem gamblers. A gambling addiction is a complex psychological condition. And, as shown in the chart below, a reduction of nearly 5,000 machines across the country between 2007 and 2017 has had almost no impact on the small percentage of problem gamblers nationally.

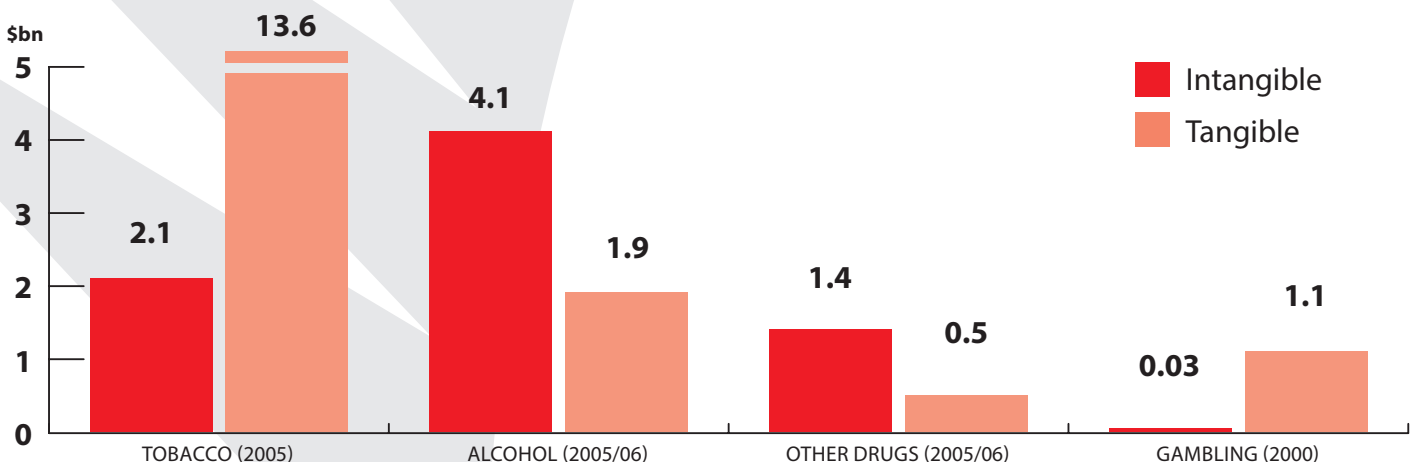
GAMING MACHINE NUMBERS AND PROBLEM GAMBLING PREVALENCE 2007-2015



In the 2006/07 Ministry of Health NZ Health Survey 0.4% of the population were categorised as problem gamblers using the Problem Gambling Severity Index (PGSI), in 2009/10 it was 0.7%, and in the 2011 and 2014 surveys it was 0.3% of the population. The latest survey findings are based on a sample size of 9,821 adults aged 15 years and over.

To put the issue in context, BERL research found that the tangible social costs of problem gambling are around one to two percent of the tangible social costs of harmful alcohol, tobacco or other drug use.

SOCIAL COSTS OF HARMFUL USE (2011 \$BN)



(Note: as the estimated intangible cost of tobacco was \$13.6 billion, which dwarfs the other categories, the scale is truncated at \$5.0 billion for ease of viewing).