

Guide: Pokies in New Zealand

a guide to how the system works

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Pokie system at a glance

1. The New Zealand gambling model returns millions of dollars to our community
2. Corporate societies own pokie machines
3. Venues such as pubs are paid by societies to host their machines
4. Payments to venues for machines are controlled and limited
5. Venues return pokie proceeds to corporate societies
6. Community groups can apply to corporate societies for grant funding
7. Corporate societies distribute proceeds to community groups

Overview

Hundreds of millions of dollars are returned annually to the community from the proceeds of gambling on electronic gaming machines, or pokies, in pubs and hotels.

To maximise the benefits of gambling to the community the sector must operate honestly, fairly and transparently.

Pokie machines are also called gaming machines, poker machines, and/or one-armed bandits.

The Department of Internal Affairs is responsible for regulating the gambling sector in New Zealand.

Corporate societies are licensed by Internal Affairs to operate pokie machines in clubs or in commercial venues (pubs and bars).

Gambling on gaming machines hosted in pubs, hotels and clubs is referred to as Class 4¹ gambling. Class 4 gambling does not include casinos.

This guide is focused on the pokie system in the pub and bar sector.

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

A proportion of the money gamblers lose on pokie machines in pubs and bars is distributed to community groups by the corporate societies by way of grants for authorised purposes².

Hundreds of millions of dollars are returned to communities³ by corporate societies each year.

Corporate Societies

Corporate societies are also called gaming machine societies, gaming societies or Class 4 societies, and are sometimes referred to as Trusts or pokie trusts.

To be eligible for a licence under the Act, they must be entirely non-commercial and be established to raise funds for community or “authorised” purposes.

The corporate societies must comply with a range of regulatory requirements.

There are two types of society:

- Those that apply funds to their own purposes (e.g. clubs)
- Those that make grants to other bodies for community purposes.

This guide focusses on societies that make grants to other bodies.

You can see the latest numbers of corporate societies, venues and machines [here](#).

Not all the money lost by gamblers on pokies is returned to the community.

¹ There are four classes of gambling along with casino gambling, sport and race betting, private gambling and Lotto which are authorised types of gambling under the Gambling Act 2003.

Classes 1 and 2 cover gambling involving smaller amounts of money, such as office sweepstakes.

Class 3 gambling includes activities such as bingo and larger raffles and requires a licence from the Department. Class 4 gambling involves non-casino electronic gaming machines hosted in pubs and clubs.

² Authorised purpose includes a charitable purpose, a non-commercial purpose that is beneficial to the whole or a section of the community and promoting, controlling, and conducting race meetings including payment of stakes.

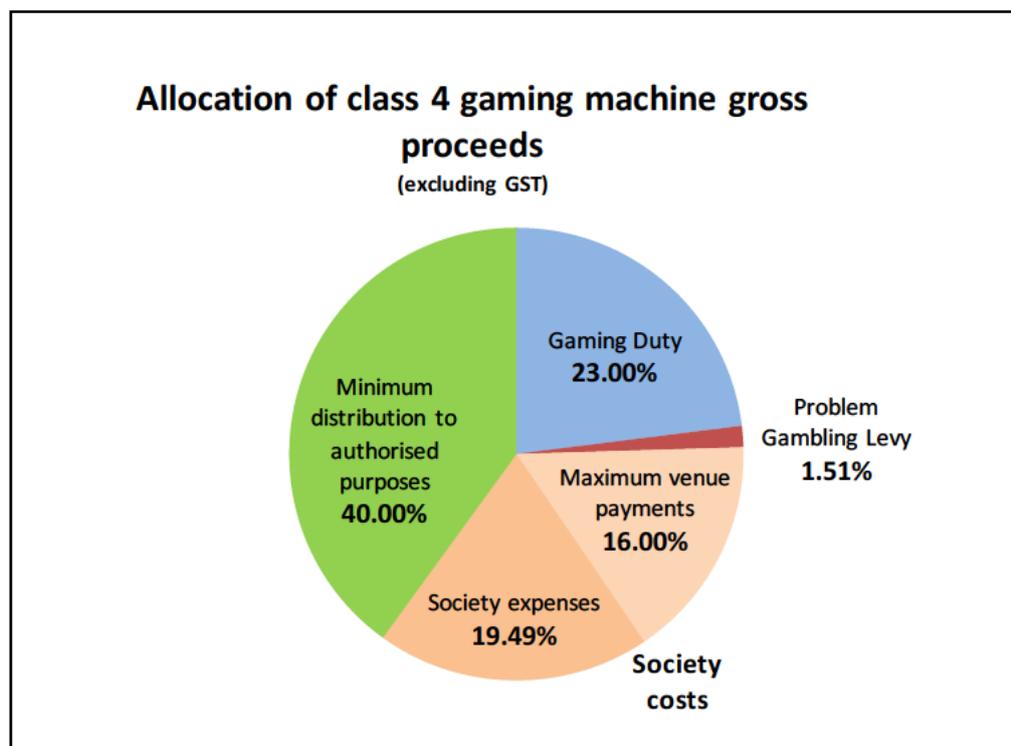
³ Community funding examples: Between 2004 and 2012, St John Ambulance in the Northern region received nearly \$12 million. Other grants in that period include \$6.5 million to South Auckland Health Foundation, \$6.4 million to the Life Education Trust (which conducts drug education aimed at school children) \$4.5 million to the Bone Marrow Cancer Trust and \$4.4 million to the Christchurch Earthquake Appeal Trust.

About a quarter of the proceeds is spent on fixed costs such as government duties, levies and licensing fees. Another portion of the proceeds is used by societies to meet “actual, reasonable and necessary” operating costs which they incur in running their Class 4 operations.

What is left is called net proceeds and must be allocated to authorised community purposes.

Societies must allocate a minimum of 40 per cent of gaming machine proceeds, excluding GST, in each financial year. They are often able to distribute more than 40 per cent to the community.

If societies are unable to meet the minimum rate, Internal Affairs can revoke or not renew their operating licence.



Corporate societies have an obligation to minimise costs and maximise the amount distributed to the community.

Corporate societies must own the pokie machines being operated at a venue.

They enter into agreements with venues to host the society’s gaming machines in return for a commission payment based on weekly turnover.

The turnover from pokie machines depends on how many people use them and how often they are used. This can be determined by a variety of factors, such as where the pub is located.

Societies will generally want at least some of their pokie machines at pubs and bars where they will be played by a large number of people (a high turnover venue).

Societies are known to sometimes compete for such venues.

Venues

Pubs and bars that have gaming machines are termed venues.

The businesses operating the venues are known as venue operators, and the person responsible for the gaming machine operation is known as the venue manager.

Venue operators select which society they want to work with based on:

- Alignment with good causes (authorised purpose)
- Good service
- Reputation as an ethical and fair operator

Once selected, the venue hosts the gaming machines of the society it has entered into agreement with.

Venue operators are not allowed to exert control over societies or influence grant decision making.

Venues must keep gaming machine proceeds separate from all other funds. All gaming machines in Class 4 venues are electronically monitored to determine how much money has been put into each machine.

Once prizes have been paid out, the remainder is transferred to the society's bank account for distribution to the community.

Venues receive a commission payment of up to 1.28 per cent of their weekly turnover, capped at 16 per cent of their net annual gaming machine profits. The commission rate is set at a level that is intended to reimburse the actual cost of operating Class 4 gambling without allowing pubs and bars to make a profit from the operation of gaming machines.

Venues must not be reliant on gaming revenue for survival.

Community Grants

Corporate societies allocate money received from pokies for the benefit of the community.

Money can be granted to a specific authorised purpose if it is outlined in the society's trust deed⁴, or be allocated to a wide range of authorised purposes. For example, a society set up solely for the development of amateur rugby in South Auckland may not lawfully allocate the proceeds from its gaming machines to any other purpose.

Money returned to authorised purposes through grants varies each year, but totals more than \$200 million annually.

The law currently requires societies to publish information about applications received for grants, and whether the applications were accepted or declined.

⁴ Constitution if the society is a company

Applications for Grants

When grant applicants apply for funding their applications must specify the reasons for the application, the total amount of money sought and other appropriate information, and must include support documents.

Grant money must be used only for the specific purpose(s) for which the application was made and approved. It is an offence for a grant recipient to use grant money for another purpose.

The role of the regulator

As the regulator the Department of Internal Affairs ensures the integrity of the gambling system by:

- licensing operators and venues
- ensuring licensed operators maximise the return to the community
- encouraging best practice
- deterring fraudulent activity in the gambling sector
- minimising harm caused by gambling.

The community funding aspect of the pokie system is unique to New Zealand. In most other jurisdictions gambling is a for profit activity.

FAQs

Machine numbers

Q1: Is there a limit to the number of pokie machines a bar can have?

Yes, it varies between nine and 18, depending on when a venue's licence was granted. If it was granted before October 2001 the maximum number is 18. If it was granted after October 2001 the maximum number is nine.

Q2: Is there any limit on the number of pokie machines in a district?

The Gambling Act requires every territorial authority to adopt a policy on the location of Class 4 gambling venues. The policy must specify whether or not Class 4 venues may be established in the territorial authority district and, if so, where they may be located.

It may specify any restrictions on the maximum number of gaming machines that may be operated at a Class 4 venue.

Territorial Authorities (local councils) also have Class 4 venue policies. Typically these policies might include:

- an ability to relocate 18 machine venues to new sites;
- caps on the number of venues;
- total gaming machine numbers; and/or
- a sinking lid policy which will see a gradual reduction in the number of gaming machines operating in their district.

Q3: How have non-casino gaming machine numbers changed over the years?

The number of licensed non-casino gaming machines peaked at just over 25,000 on 30 June 2003, the last full quarter before the Gambling Act 2003 became law. The number has been falling since. You can find the latest gaming machine statistics [here](#). The main reason for the decline is related to the policies regarding numbers of venues and pokie machines adopted by Territorial Authorities. There has also been some amalgamation of societies that may have fed into the downward trend.

Gamblers

Q4: What's happening with the number of people gambling on pokie machines?

A wide range of gambling activities are available in New Zealand, including casino gambling, electronic gaming machines, Lotto, Instant Kiwi (scratch tickets), track (horse and dog) betting, sports betting, Keno, housie (bingo), internet gambling and telephone gambling.

You can find information about the number of people gambling on the Ministry of Health website: <http://www.health.govt.nz/system/files/documents/publications/problem-gambling-preliminary-findings.pdf>

Q5: Is the amount of problem gambling going down or up? And by how much?

The Ministry of Health is responsible for monitoring the level of problem gambling in New Zealand. You can find information about gambling and problem gambling [here](#).

Venues

Q7: Do pubs which have pokie machines make money from them?

The regime envisages a cost neutral relationship between venues and societies.

Venues may receive a commission payment of up to 1.28 per cent of weekly turnover capped at 16 per cent of net annual gaming machine profits. The commission rate is prescribed by regulations and is set at a level that aims to cover the actual cost of operating gaming machines without allowing venues to profit from operating the machines.

Societies are not allowed to make any payments to venues other than the commission payment.

Q8: If not, what advantage does a bar gain from having pokie machines at its location?

Venues may choose to host pokie machines in order to offer customers a range of entertainment at their pub or bar.

Some people believe that a venue with gaming machines may attract more customers, who may drink more and so increase the bar business. However, anecdotal evidence suggests that pokie gamblers at pubs tend not to drink very much alcohol. Gaming machines may also put off some customers from going to the bar.

Many venues are aligned with the broad community cause supported by the society which owns the gaming machines.

Any inducements from societies to encourage a venue to host its machines, such as trips to Australia or sports award dinner tickets, are illegal.

Grant distribution

Q9: How do corporate societies decide on which organisations they distribute pokie funds to?

Class 4 corporate societies that are licensed to operate gaming machines must apply the net proceeds of the gaming operation to authorised purposes.

Authorised purposes are:

- charitable purposes
- non-commercial purposes that have community benefits
- promoting, controlling and conducting race meetings.

The authorised purpose(s) of a corporate society are documented on the society's Class 4 operator's licence issued by Internal Affairs.

It may specify a particular authorised purpose or allow a wide range of authorised purposes.

The use of funds for unauthorised purposes can lead to prosecution or licence cancellation.

- [Authorised Purpose Guidelines for Societies and Clubs](#)
- [Examples of Authorised Purposes](#)

Q10: Who makes the granting decisions?

The distribution of grants is decided by a society's net proceeds committee.

Gambling operators are required to establish at least one net proceeds committee to make decisions on the application or distribution of gambling net proceeds. Different committees may be established for specific reasons or districts, or for specific authorised purposes.

A committee must comprise at least three people who are key persons in relation to the Class 4 operator's licence. A key person is a trustee, an office holder (or other officer), chief executive, or other person who exercises significant influence in the management of a corporate society that is an applicant for, or holder of, a Class 4 gambling operator's licence.

Q11. How much is distributed to communities?

More than \$200 million is distributed each year.