



## **Briefing for the Minister of Internal Affairs**

To: Hon Brooke Van Velden  
Minister of Internal Affairs

From: Roger Sharp, Lotto NZ Chair  
Jason Delamore, Lotto NZ Interim CEO

Date: 7 December 2023

## Contents

1. [Introduction and overview](#)
2. [About Lotto NZ](#)
  - (a) [Our regulatory structure](#)
  - (b) [Our business](#)
  - (c) [Our performance](#)
  - (d) [The EDGE \(Experience Driven Gaming\) programme](#)
  - (e) [Our people](#)
3. [Minimising harm](#)
  - (a) [A world leader in responsible gambling](#)
  - (b) [Lotto NZ responsible gambling programme](#)
  - (c) [Minimising underage gambling](#)
  - (d) [Future focus areas](#)
4. [Our operating environment](#)
  - (a) [Gambling in New Zealand](#)
  - (b) [Online gambling context](#)
5. [Directory](#)

Appendices

## Introduction and overview

E ngā mana, e ngā reo, e ngā iwi, e rau rangatira mā – tēnā koutou.

Nei ā māua mihi maioha ki a koutou katoa i runga i ngā tini āhuatanga o te wā.

Nā reira, tēnā koutou, tēnā koutou, tēnā rā koutou katoa.

We are pleased to provide the Minister of Internal Affairs with an overview of the New Zealand Lotteries Commission (Lotto NZ).

Lotto NZ exists to provide safe gaming that allows New Zealanders to play and win while contributing money back to New Zealand communities.

Our activities are authorised by the Gambling Act 2003 and the Crown Entities Act 2004. This legislation gives us four statutory functions:

- Promote, organise and conduct New Zealand lotteries to generate profits for distribution by the New Zealand Lottery Grants Board;
- Maximise profits while minimising the risks of problem gambling and underage gambling;
- Make game rules regulating the conduct and operation of New Zealand lotteries; and
- Advise the Minister on matters relating to New Zealand lotteries.

Lotto NZ is a highly profitable Crown Entity, which takes no tax payer funding and in FY23, transferred \$376 million to the Lottery Grants Board for community distribution and contributed more than \$179 million in taxes and levies. Since our business was established in 1987, Lotto NZ has transferred \$5.9 billion to the Lottery Grants Board for community distribution. Lottery funding supports the vital work of thousands of organisations, from statutory bodies to grass-roots community groups and charities.

Our games are played by more than 3.2 million New Zealanders every year (81% of the population), and the Lotto NZ brand has almost ubiquitous recognition, ranking in the top 10 of New Zealand organisations for trust.<sup>1</sup>

We operate our business with commercial disciplines and a lean structure, managing our costs carefully to maximise returns to the community. Our team of around 200 employees is based in Auckland, aside from a small number of retail support staff, who are based throughout the country. The business has recently recruited a new CEO and CFO, who both have commercial backgrounds.

Over the past three years we have digitised rapidly and with \$663 million in digital sales in FY23 (44% of total sales) we are one of New Zealand's largest e-commerce businesses. But we also have strong retail roots and a large retail footprint, with 1,200 outlets from Kaitaia to Rakiura. This is a powerful combination, and we have bold ambitions to create a leading omnichannel customer experience as we work to ensure our games remain appealing and relevant to New Zealanders into the future. To this end, we have begun a programme of transformation, driven by the replacement of our core and interactive gaming systems (known as the EDGE Programme).

Central to our strategy and operations is our responsibility to provide a safe and secure gambling environment, which encourages healthy play. Our responsible gambling (RG) programme is world-leading and harm minimisation principles influence every major business decision we make. Over the past five years, we have grown our profit by 47% with no

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<sup>1</sup> Kantar Corporate Reputation Index 2023 <https://www.kantarnewzealand.com/wp-content/uploads/2019/05/2023-Corporate-Reputation-Report-1.pdf>

corresponding increase in gambling harm (based on harm presentations for Lotto NZ products, as reported by the Ministry of Health).

We take seriously our responsibility as kaitiaki of this business, which is a valuable community asset. For several years now we have been deeply concerned about the growth of offshore, online gambling operators, who are targeting NZ consumers. We estimate, based on Datamine data, that New Zealanders spent more than \$750 million with offshore digital providers in the last financial year. These operators are competing with local, trusted providers such as Lotto NZ, but are not subject to any of the same regulatory constraints. They contribute little in the way of tax, have few (if any) effective harm minimisation controls, and contribute nothing back to Kiwi communities. We believe the growth of spend with offshore operators represents a growing threat to New Zealanders' ability to play games safely, and to Lotto NZ's ability to continue delivering positive outcomes for New Zealand.

We fully support the work the Department of Internal Affairs has undertaken to regulate online gambling and believe completing this work should be a matter of urgency. We understand the Coalition Government intends to require these offshore providers to contribute significantly more in tax that they do currently, and we support this policy. We would also recommend that any licensing regime established for offshore providers includes a limited number of licences and requires these providers to put meaningful harm minimisation tools in place for New Zealand consumers.

Alongside meaningful regulation, we believe trusted local providers like Lotto NZ should be given the means to compete with these offshore operators, by offering safe games that fit within our statutory mandate and our strategy of encouraging a broad spectrum of New Zealanders to play, but to spend only small amounts. We are in the process of developing a new five-year strategy, in which we will set out a plan for responsible, sustainable growth. This strategy will include enhancements to existing games and the launch of new games, all of which will be subject to our rigorous harm minimisation controls.

Our social license to operate is based on our operational excellence, world-leading responsible gambling programme, diverse and inclusive culture, and a focus on our broader social impact in the community (supporting nearly 4,000 community initiatives) and through our supply chain. It is something we never take for granted, and our people are deeply committed to maximising community funding in a manner that is responsible and sustainable.

We look forward to working with you to ensure we can keep benefitting New Zealand and making a meaningful difference in our country's future.

Ka nui ā māua mihi

Roger Sharp,  
Chair



Jason Delamore  
Interim Chief Executive



## About Lotto NZ

### OUR REGULATORY STRUCTURE

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The activities of Lotto NZ are authorised and controlled by the Gambling Act 2003 and the Crown Entities Act 2004. In accordance with the Gambling Act, all our products are *New Zealand Lotteries*, which are defined as games of chance, not skill, participated in by two or more individuals.

All our profits, apart from any retentions approved by the Minister for capital expenditure purposes, are transferred to the New Zealand Lottery Grants Board.

Nearly half (42%) of profits are allocated to the three statutory bodies of Sport New Zealand, the New Zealand Film Commission, Creative New Zealand, and the charitable trust Ngā Taonga Sound & Vision. The remainder (58%) goes to support well-known charities and thousands of other good causes every year.

We follow the well-established “no surprises” convention. The Lotto NZ Board and management team will continue to keep our Minister informed of significant developments in the business as they occur.

We work closely with officials at the Department of Internal Affairs, Ministry of Health, and The Treasury to uphold the three principles of the New Zealand gambling framework: harm minimisation, trusted providers, and community benefit. We also engage with relevant non-governmental organisations across the sector, including problem gambling treatment providers.

### OUR BUSINESS

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#### ***Retail network (56% of sales in FY23)***

Our network of more than 1,200 retail stores is one of the largest in New Zealand. We expect retail will continue to play an important role for our business, but that it will account for a gradually decreasing proportion of our total sales over time.

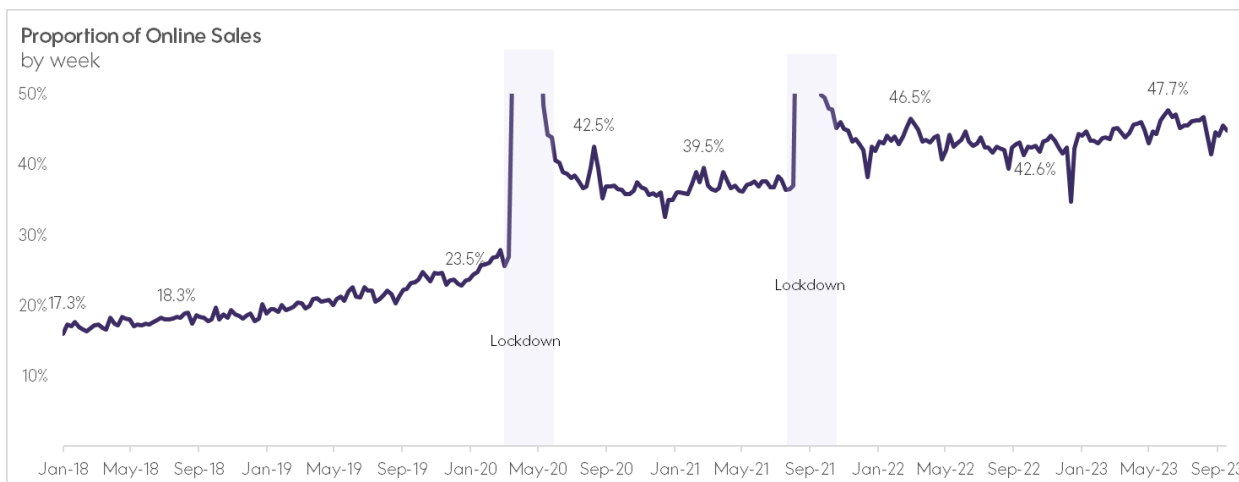
We have a programme underway to evolve our retail network and to improve the instore environment and customer experience – including the protections we offer customers. Over the past two years we have reduced our store presence in areas that score highly on the New Zealand Deprivation Index 2018. By the end of FY23, we had achieved our goal to ensure the ratio of stores to population in highly deprived areas was at or below the national average.

We will continue to optimise our retail network as customer behaviour changes, noting that at 1:4,100 our overall store to population ratio is far less dense than in other markets (for example, the national lottery in the United Kingdom has a ratio of 1:1,600; Italy has 1:1,800; and in US states with lotteries it is 1:1,600).

#### ***Online channels (44% of sales in FY23)***

Lotto NZ games have been available for purchase online since 2008.

The chart below shows the long-term impact of Covid-19 lockdowns on our channel mix, with the rapid acceleration of online growth, but that growth plateauing once Covid-19-related restrictions were lifted.










**Note: during lockdown periods our online sales peaked at close to 100% of total sales for a short time, due to store closures.**

The future MyLotto will enable new ways to play, future-proof us for new games, and increase harm minimisation controls through better use of anonymised player data. We will also modernise our technology and infrastructure to ensure we continue to operate a secure, scalable and efficient business.

Strategically, we are shifting from a ‘digital first’ approach to a ‘customer first’ approach, with a rich omnichannel roadmap.

### Our products

Lotto NZ offers seven products through our retail stores and our online channels MyLotto.co.nz and the MyLotto App. These include our “Lotto Family” of products (Lotto, Powerball and Strike); our daily games (Keno and Bullseye); and our instant games (Instant Kiwi instore and Instant Kiwi Online.)

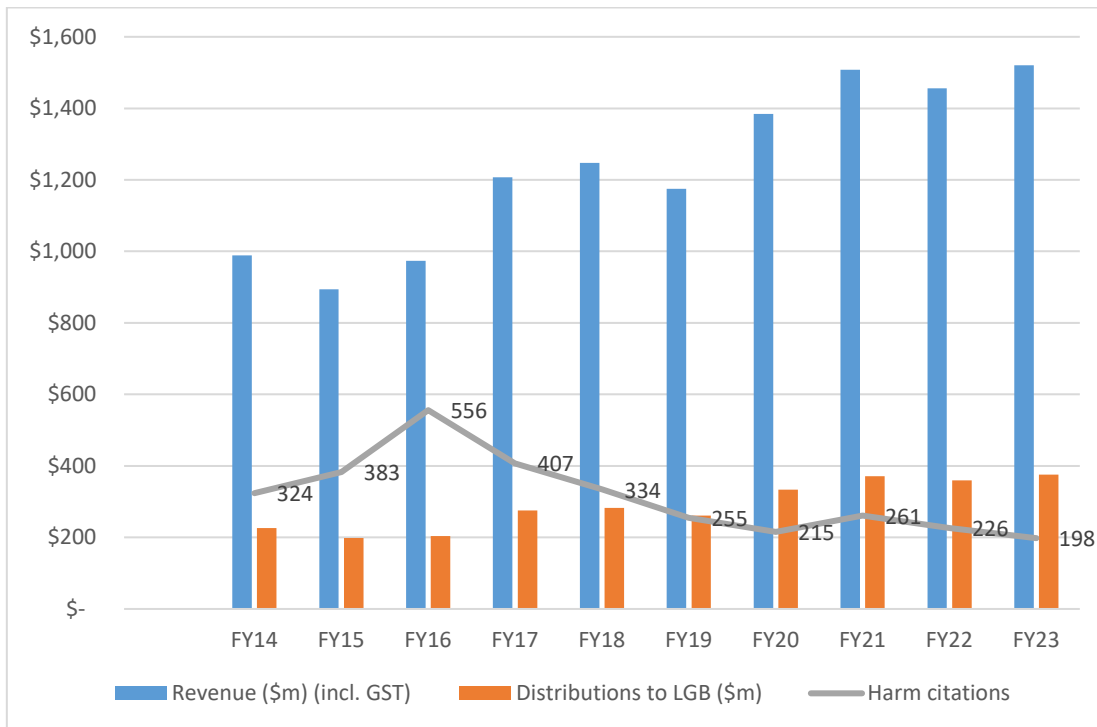
	Launched 1987, twice-weekly draw game. Six numbers and a bonus number from a pool of 40.
	(In-store) Launched 1989, Scratch based tickets available at Lotto NZ stores nationwide. R18 Age restricted.
	Launched 1993, match the first 4 Lotto numbers drawn in the order in which they are drawn. Game jackpots if Div 1 no struck, up to \$1 million.
	Launched 1994, drawn four times daily.
	Launched 2001, played in conjunction with Lotto, Powerball is an additional 1 number drawn from 10. Division 1 jackpots if not won, to a maximum of \$50 million.
	Launched 2009, drawn once daily.
	(Online) Launched 2017, digital instant games of chance.

Detailed information about each of these games may be found in Appendix 2.

## OUR PERFORMANCE

Our business has shown steady revenue and profit growth in recent years, with no corresponding increase in gambling harm presentations for our product, as illustrated in the chart below.

### **Lotto NZ revenue and profit, when compared to harm citations.**



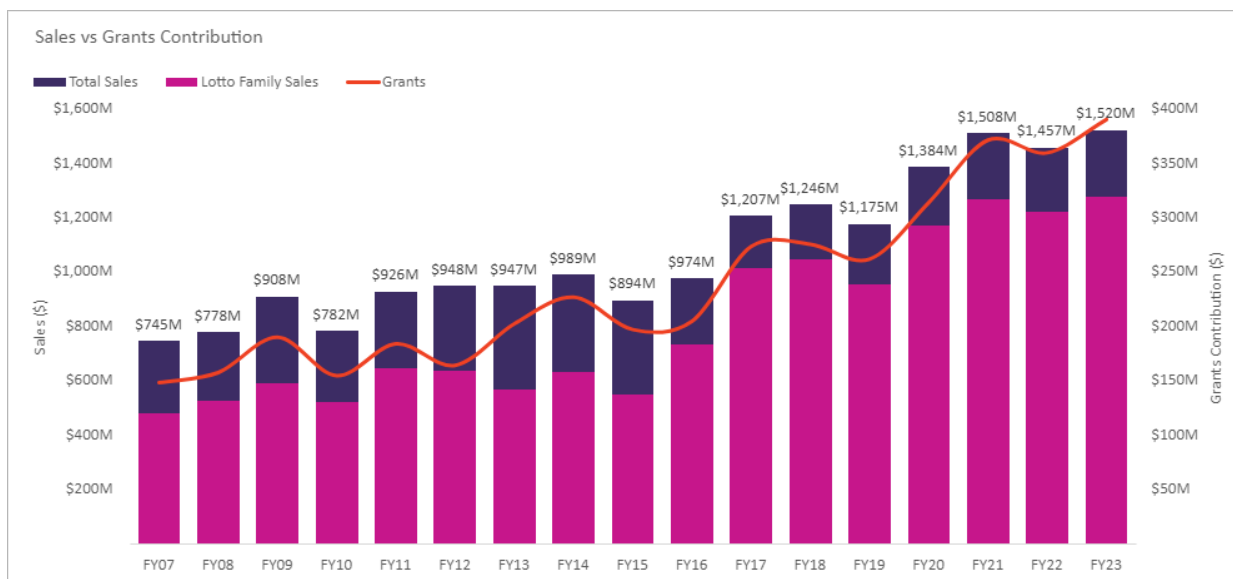
### **Lotto NZ revenue and profit, against harm presentations, FY14-FY23**

Note: Harm presentation data sourced from <https://www.health.govt.nz/our-work/mental-health-and-addiction/addiction/gambling/service-user-data/intervention-client-data#ppgm>. Final MoH citation data from FY23 has not yet been published, and so FY23 data is only provisional.

### **Our performance drivers**

The Powerball jackpot is our main driver of sales and therefore profit, accounting for around 85% of revenue. In a statistically normal year, the Powerball jackpot should average around \$11 million and be won 15 times. In years where it is won less often and we have higher jackpots on offer, we would typically see higher sales than in years where it is won more frequently. As a result, there is always a certain amount of volatility in Lotto NZ’s performance from one year to the next.

The performance of the Lotto Family – and particularly Powerball – is critical to Lotto NZ’s ability to provide consistent and reliable grants funding. When the Lotto Family experiences low sales, there is a negative impact on Lottery grants funding (FY10, FY15 and FY19 being the most notable examples). This can be seen in historical sales and grants performance, as shown in the below chart.



**Lotto Family Sales, Total Lotto NZ Sales, and Grants Funding FY07–FY23**

**Performance expectations: profit decline expected without new or enhanced products**

In the current financial year (FY24), we continue to see strong sales at like jackpot levels. At this point in the year, we expect to meet or exceed the FY24 budget for revenue and profit, due to the strong performance in Q1 – which was driven primarily by the \$37 million Powerball jackpot in August.

However, with increasing costs and increasing competition from both offshore competitors and other forms of entertainment, maintaining our sales momentum (and consequently our returns to communities) over the medium term will require Lotto NZ to enhance existing games and launch new games.

We have already revised down the targets in our Statement of Intent for FY24 and FY25. These targets were predicated on the introduction of new products and enhancements to existing products within that time period, which Lotto NZ was not granted approval to proceed with.

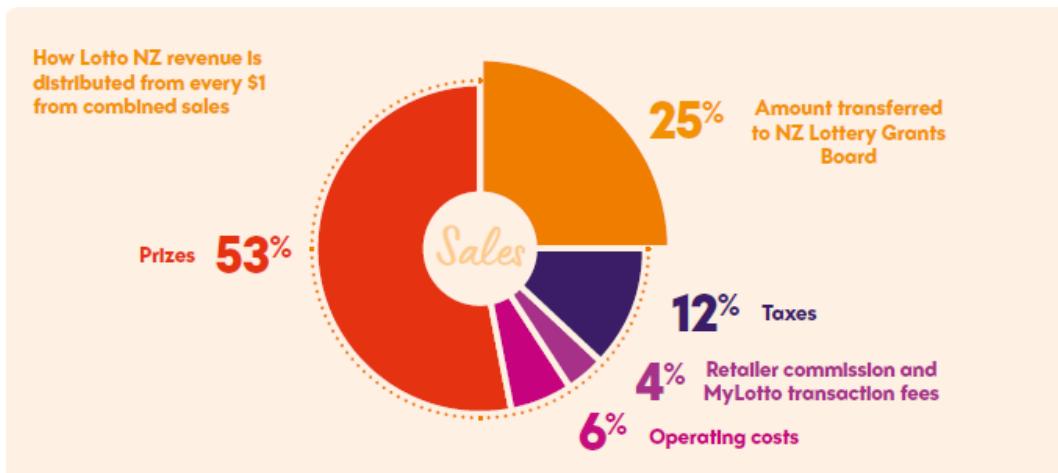
Our strategic plan for the next five years (a draft of which will be shared with you in April 2024) will include a product development roadmap featuring proposals for new games and enhancements to existing games, to ensure Lotto NZ continues to responsibly grow revenue. We believe this will be essential if we are to remain relevant and competitive, and so continue to grow community funding.

**Careful cost management**

The chart below shows how each \$1 of our revenue was spent in the 2022/23 financial year.

We have a focus on keeping our costs as low as possible to maximise community returns. However, even with this cost discipline, we do expect to see some increase in operating expenses in FY24 and in FY25, due to ongoing inflationary pressure (particularly for IT resources and infrastructure), and one-off opex costs to support the transition from the old gaming system to the go-live of EDGE (our new gaming system) in June 2025.

Lotto NZ has chosen not to increase its prices since 2015, and instead is focused on increasing revenue to ensure we maintain community contributions amid inflationary pressure.



## THE EDGE PROGRAMME

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Lotto NZ has commenced a project to replace our core gaming and interactive systems. This is a significant, multi-year programme of work we are calling the **EDGE (Experience Driven Gaming Engine) Programme**.

The technology supporting our current gaming system has been in place for around 20 years and is now reaching end-of-life.

Last financial year we completed a detailed business case and then a competitive procurement process, from which we selected global gaming provider Scientific Games as our technology partner. The contract with Scientific Games to build the new gaming and interactive systems and for the initial term of seven years has a total value of \$169 million. We then have three rights of renewal of four years each.

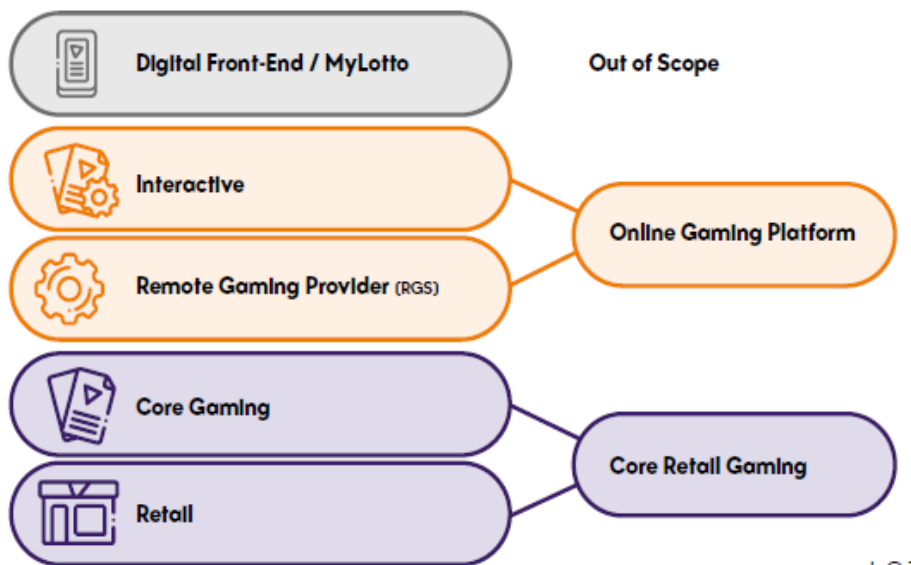
The EDGE Programme provides a once-in-a-generation opportunity to future-proof our technology in a way that aligns to our strategy. It will allow us to leverage the responsible gambling features and tools available in newer technological solutions, to offer a seamless omnichannel customer experience and greater personalisation, and to modernise our in-store experience to meet evolving customer expectations.

We have robust governance in place for this significant programme of work and have had a strong start to the build programme. We expect the new system to go live at the end of FY25.

Lotto NZ's gaming system includes two interconnected parts, both of which will be replaced:

- our Online Gaming System, which provides digital and interactive functionality and online games; and
- our Core Gaming System, the core of our operations, which provides our draw-based games and retail network.

## Lotto NZ core gaming system replacement



## OUR PEOPLE

### Overview

As of 1 November 2023, Lotto NZ had 212 employees, based primarily in Auckland, with a small number of retail support staff based in different regions of the country. Of these, 203 are permanent employees and nine are on a fixed-term contract.

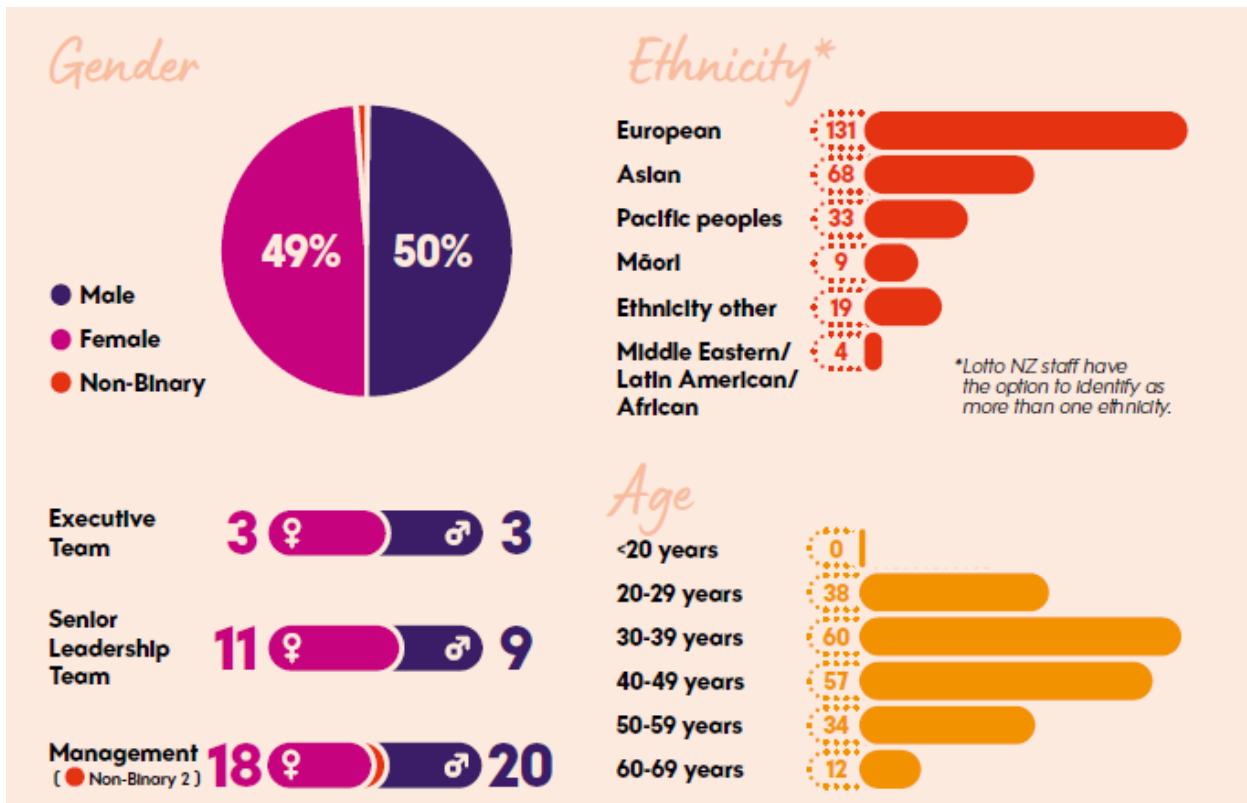
We also employ 23 contractors. Ten of these are working on specific projects (such as our EDGE programme) or are acting as backfill while permanent employees are seconded to projects. The remaining 13 are spread across our IT, Marketing, Finance and Transformation teams.

All contractors are working on specific pieces of work with a clear end point and which require their particular specialty for this period of time.

### Diversity, equity and inclusion

We want our workforce to represent the communities we serve.

We have achieved a gender balance on our Board, Executive and Senior Leadership teams, and our gender pay gap was at 0% as of 30 June 2023. However, we recognise we still have work to do when it comes to ethnic diversity, both in terms of our measurement and reporting, and ensuring more diverse cultural representation at all levels of the organisation.



Source: Lotto NZ Annual Report, 2022/23 Financial Year

### Succession planning

Lotto NZ has been characterised by stable management and a stable Board for several years. The significant investment now being made in new technologies will drive the majority of revenues online in the next few years and provides an opportunity to introduce new skills into the business.

Succession planning is underway, with Jason Delamore replacing longstanding CEO Chris Lyman (as Interim CEO) in October 2023. Jason is an experienced digital-first professional and his appointment reflects the Board's intent to guide the business through its migration to a digital-led business with improved customer experience.

Jason was appointed with a six-month term (which is renewable by agreement). The Board will appoint a permanent CEO prior to the end of this contract.

The terms of several Board members are set to expire in 2024. We have had extensive dialogue with the Treasury on this subject and have made a number of recommendations, and we understand that this will be the subject of a separate briefing from the Treasury.

## Minimising harm

Our responsible gambling programme is central to our business and influences every major decision we make. Our strategy is to encourage a wide range of New Zealanders to play our games, but to spend only a little, and to play in a way that is fun, healthy, and entertaining.

### A WORLD LEADER IN RESPONSIBLE GAMBLING

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For the past eight years, Lotto NZ's responsible gambling (RG) programme has been accredited to the highest level (Level 4) by the World Lottery Association (WLA), using the WLA responsible gambling framework.

The WLA framework covers ten elements, as per the graphic below.



To achieve Level 4 certification, we must do the following:

1. Demonstrate that responsible gambling principles are integrated into our day-to-day operations and decision-making.
2. Effectively measure and evaluate our responsible gambling programme.
3. Demonstrate that stakeholder feedback helps shape the programme, and that we are accountable for our commitments through internal and external reporting.
4. Have our submission to the WLA independently audited and verified.

Since we first achieved Level 4, we have recertified twice (in 2019 and then in 2022).

Recertification requires us to provide an audited submission, which **demonstrates continuous improvement** against all ten areas of the WLA framework. Lotto NZ was one of the first lotteries in the world to reach Level 4, and we have continuously improved our programme since that point. This has driven our programme forward and resulted in our world-leading approach to harm minimisation. Through the WLA, we have also connected with other lotteries who have a similar focus to us, to share best practice and learnings.

## **LOTTO NZ RESPONSIBLE GAMBLING PROGRAMME**

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Our programme follows a **prevention / detection / intervention** model, with our biggest focus on prevention.

### **Prevention**

This means designing our games and game environments for positive play, and ensuring our customers have the information and protections in place to avoid any harmful play in the first place.

Features of our programme include:

#### ***Training and employee programme:***

- Training in harm minimisation is mandatory for all Lotto NZ staff and anyone who sells our products in retail stores, with additional training for teams with a prominent role in responsible gambling (such as our retail, marketing and customer service teams).
- Responsible gambling principles are woven into the employee 'lifecycle' – including job descriptions, interviews, induction, and in the setting of goals/KPIs. Every member of our Executive Team has an RG-related KPI.

#### ***'Play Smart' player education programme***

- We use our customer communication to deliver positively-worded, simple and clear responsible gambling messages for all New Zealanders (not just 'problem gamblers'). Our aim is that our customers understand how our games work, the odds of each game, what safe play (and conversely unhealthy) behaviour looks like, and where to get support if their play is no longer healthy.
- We increase the presence of Play Smart messages when we know there is higher risk of excessive spend – such as running the message 'it only takes one ticket to win' on tickets, in email communications and on digital screens in store when the jackpot is high.

#### ***Online responsible gambling controls***

- MyLotto and the MyLotto app have mandatory weekly (\$150) and monthly (\$500) spend limits, with a lower limit for Instant Kiwi Online (\$50 per week). Customers can set personal spend limits *below* these if they choose to.
- Our online platforms close overnight, forcing a break in play.
- Players can 'self-exclude' or block themselves from our games for a period of their choosing (one day to one year). Once blocks are in place, they cannot lift them until the set time is complete.

#### ***Game design***

- Harm minimisation is built into every stage of game development and continues after launch through in-market reviews.
- As part of the game development process, we use the independent Gamgard tool to evaluate every game for its risk level. We have a strict policy of not offering any game that is rated 'high-risk' or 'very high-risk' according to this tool.
- Every game or ticket is also evaluated against our internal Harm Minimisation Guidelines.

#### ***Responsible advertising and communication***

- Before it is published or broadcast, every piece of marketing and advertising is evaluated by a team of senior staff members to ensure it complies with our internal Harm Minimisation Guidelines. These guidelines are based on the Advertising Standard

Authority's Gambling Advertising Code, but we have applied a stricter standard than the Code requires by adapting the guidelines specifically for our products.

- Our advertising only ever promotes our games as entertaining and recreational. Lotto NZ products are never presented as a way out of difficulty or as an investment.

### Detection

- **Data and analytics:** a dedicated in-house role for responsible gambling analytics identifies customers and staff engaging in excessive spend, so our team can take the necessary action to intervene.
- **Behavioural analytics tool:** We have implemented a third-party behavioural analytics tool to help us better identify and understand potentially problematic online play behaviour. Later phases will allow us to provide individual player self-assessment tools and subsequent individual player reporting.
- **Retailer Training:** All retailers complete training in how to identify signs of gambling harm. Where they do detect harm, they are trained to discretely provide the customer with information on how to access support, or to escalate the situation to our team for further intervention. We conduct an annual 'mystery shop' to measure how retailers are responding to signs of gambling harm, and then provide additional training to those stores that need it.
- **Instant Kiwi compliance programme:** We check retailers' adherence to our age-restriction requirements through our Instant Kiwi Compliance programme. Mystery shoppers test whether retailers are checking identification before selling Instant Kiwi to anyone who looks under 25. Retailers are aware that they will be tested at least twice a year and there are penalties for failing the test.

### Intervention

- **At-risk customer process:** we have a clearly documented process which sets out how we will intervene with at-risk customers, to ensure they reduce spend and/or seek the necessary help and support. Since implementation in late 2021, around two thirds of identified at-risk customers reduced their spend after only one intervention, and every other customer (with one exception) changed their behaviour after further interventions.
- **At-risk retailer process:** this process sets out how we will identify, prioritise and intervene where we identify potentially harmful play amongst our retailers. As with customers, the process sets out how we will detect signs of harm and a series of steps to address risk factors where we identify them.

### Stakeholder engagement, governance and reporting:

- Lotto NZ has built relationships with a range of stakeholders, particularly those working in the research and treatment of gambling harm.
- We hold regular (at least bi-annual) hui with treatment providers to seek feedback on our approach to harm minimisation. We also hold bi-annual meetings with our external Stakeholder Panel, which includes treatment providers, researchers, retailers, and grant recipients.
- We established a Harm Minimisation Board Committee to ensure best-practice governance around our responsible gambling programme. This Committee will provide a subset of directors with opportunities to engage with management and stakeholders in the community, to gain deeper expertise and understanding around responsible gambling

practices. This knowledge and understanding will help to better inform our business strategy and provide an extra layer of governance around our harm minimisation initiatives.

## **MINIMISING UNDERAGE GAMBLING**

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Lotto NZ has two age-restricted products—Instant Kiwi and Instant Kiwi online—both of which are 18+. Our other products (Lotto, Powerball, Strike, Keno and Bullseye) do not currently have any age restriction.

It is relatively uncommon for people under the age of 18 to play Lotto games in New Zealand, and historically very rare for a person under-18 to win a major prize on our non-age restricted games. However, to further protect younger players, in 2021 we amended our terms and conditions to require winners of prizes over \$1,000 who are under the age of 18 to have their prize winner acknowledgement form signed by a parent or guardian.

We fully support an 18+ age restriction being placed on all our products, as we are clear they are for adults and not for children. The legal advice we have received is that for such a restriction to be legally enforceable it would require legislation. It is not something we can implement at our own discretion, and we understand that even placing it into the Game Rules (which would require Ministerial approval) would have potential limitations when it comes to enforcement.

## **RESPONSIBLE GAMBLING FUTURE FOCUS AREAS**

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Our responsible gambling programme is operationalised into the business, and we will continue to deliver it as business-as-usual.

However, in line with our continuous improvement approach, we regularly review data, research and best practice (both in NZ and offshore) to identify areas where our programme needs to evolve and improve.

Our current areas of focus are:

### **1. *Priority groups***

According to Ministry of Health data, Māori and Pacific communities are overrepresented in gambling harm from our products, and we are focused on better understanding and addressing this. After engaging with community partners and experts from these groups, we have developed a long-term strategy to address gambling harm amongst Māori and Pacific communities. This strategy has three key focus areas: effective communications; responsible operations; and partnerships of trust with each community to facilitate regular feedback. It will be underpinned using data and analytics to gain a deeper understanding of the issue and continuously sharpen our practice.

### **2. *Improvements to measurement of harm from Lotto NZ products***

We have historically measured the gambling harm associated with our products based on gambling harm presentations to treatment providers, as reported by the Ministry of Health. However, this data only tells us about those New Zealanders at the extreme end of gambling harm, and we know most gambling harm is hidden.

We have therefore worked to develop an additional measurement model, which we are calling the Harm Minimisation Index. This uses our own internal player data to give a view of the potential for harm across our customer base. The model is made up of six risk indicator categories that cover 16 measures of Lotto NZ players across online and in retail. We have validated the model against comparable data sets, and have also consulted with

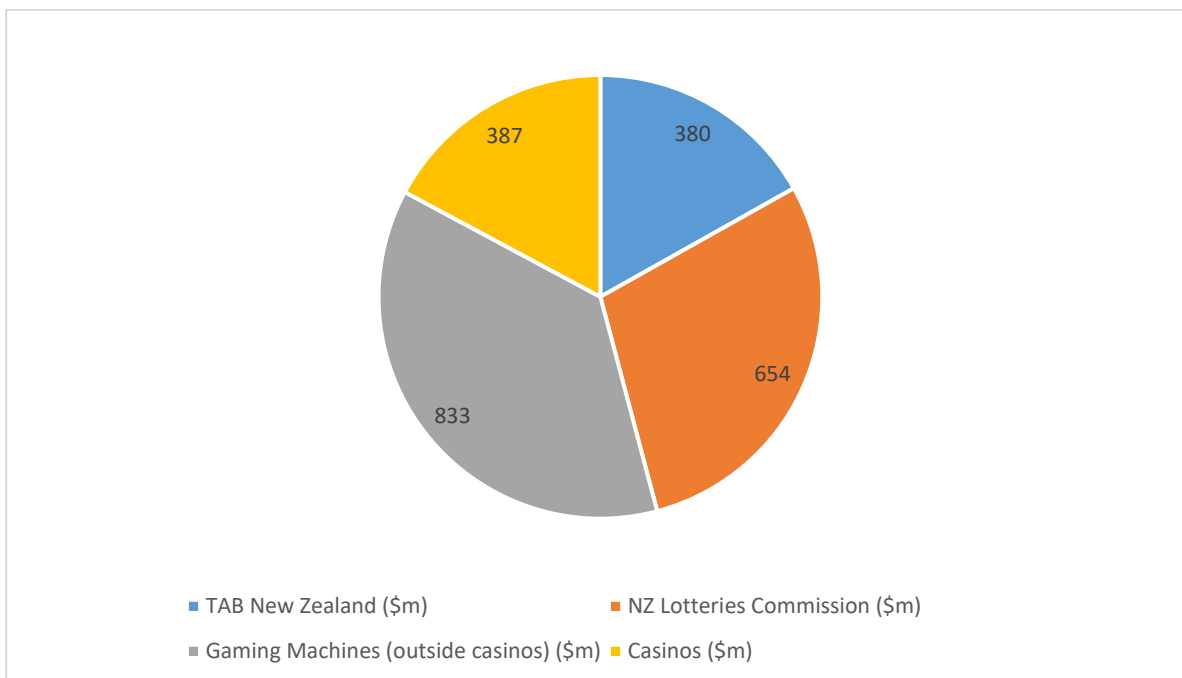


The harm index is currently live and we will monitor it closely over the next six months for false positives or negatives. Once it is fully established, we can use it to evaluate the impact of new products and changes to existing products, or conversely to measure the impact of new responsible gambling initiatives.

## Operating environment

### GAMBLING IN NEW ZEALAND

According to the most recent figures published by the Department of Internal Affairs, New Zealanders spent \$2.254 billion on the four main forms of gambling in the 2021/22 financial year - a \$371 million contraction from the previous year. Spending on Lotto NZ products accounted for 29% of the total.



**NZ gambling expenditure in FY22 (in \$m)** Source: <https://catalogue.data.govt.nz/dataset/gambling-expenditure-statistics>

We would note the following about this data:

1. It shows Gross Gambling Revenue or GGR, which is sales minus any prizes paid back to the consumer, rather than total revenue.
2. Because Lotto NZ's prize payout, at 55 cents in the dollar, is much lower than other forms of gambling, our GGR appears proportionally higher than other gambling types. We keep our payout low for two reasons:
  - it means we can pass on a greater proportion of revenue for community distributions (we maintain this at 22-25 cents in the dollar)
  - A lower payout rate brings with it a lower risk of gambling harm, because the more a person wins, the greater potential risk of compulsive/harmful play.
3. The data does not include NZ consumer spend with offshore, online gambling operators.

## ONLINE GAMBLING CONTEXT

The gambling market has changed rapidly, with significant growth in NZ consumer spend on online, offshore gambling. This spend has grown despite the methods employed by the Gambling Act to permit some and disallow other forms of online gambling.

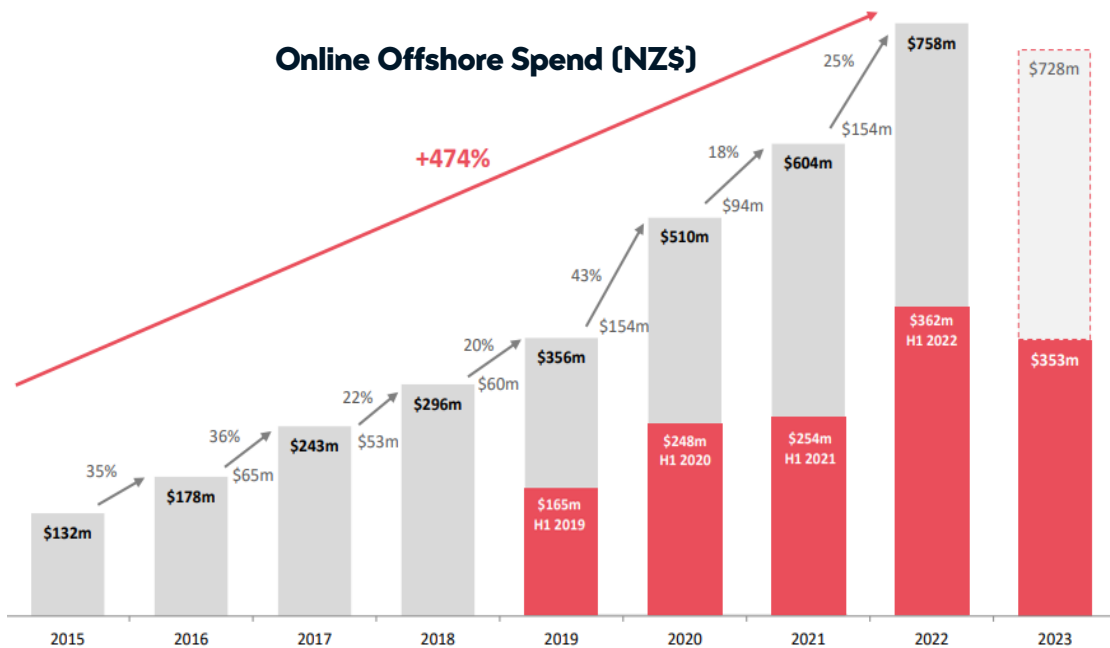
We know New Zealand is regularly targeted by offshore digital operators. In contrast to Lotto NZ's games and operations, the online, offshore gambling sites available to New Zealanders today:

- have no regulatory oversight;
- feature no mandatory or effective harm minimisation controls;
- are operated by businesses that pay little or no tax in New Zealand;
- make no contribution to problem gambling treatment services via levies or duties; and
- make no contribution to New Zealand communities via grants or similar funding.

While data on the connection between offshore gambling and gambling harm is not currently published, the treatment providers and community stakeholders we engage with are deeply concerned about the impacts offshore gambling operators are having on vulnerable populations.

The chart below shows the growth in New Zealand consumer spend on unregulated gambling over the past eight years. We would note that this graph shows total spend/sales (rather than GGR as is used in the graph above.)

### New Zealanders Annual Online Offshore Gambling Spend



Source: Datamine, Online Gaming Analysis Update, Feb 2023.<sup>2</sup>

<sup>2</sup> This data includes spend through credit card payment gateways, genuine online gaming sites that are not classified in the gaming merchant MCC, and merchants that are classified in the gaming MCC but have none or only some of their sales revenue within online. Only transactions made by people 18 years of age or older are considered, and

We have commissioned Datamine to give us a six-monthly analysis of offshore, online gambling spend in New Zealand. This data is based on credit card transactions using the Merchant Category Code (MCC) for betting/gambling, with over 1,000 merchants included. In our view, the results represent the minimum spend for online offshore gambling, as spend from non-credit card sources is not included. Datamine's analysis shows increasing competition for New Zealanders' spend from all types of gambling products.

These offshore operators offer a wide and varied range of products, with no restriction on the products and gambling types permitted. This is in stark contrast to locally domiciled gambling, as permitted and coordinated by the Gambling Act, where heavy restriction and control is observed. In the lottery space offshore operators can offer vast sums of prize money which dwarf the jackpots legally on offer in New Zealand.

Whilst many of these products give the appearance of having responsible gambling controls, these controls are typically:

- optional for players, and
- where deposit, loss or spend limits can be set, they are often at levels significantly higher than those offered by Lotto NZ.

For example

- Bet365 allow deposit limits up to £250,000 (NZ\$490,000) set at either 24 hours, 7 days or 30 days (a player could lose NZ\$490,000 every day in this instance).

This is in sharp contrast to Lotto NZ's spend limits, which are:

- Mandatory for all players, and
- currently \$150 per week (up to \$500 in a month), of which only \$50 can be spent on Instant Kiwi Online.

### **Advertising by online, offshore operators**

The only restriction offshore online operators currently face under the Gambling Act 2003 is a ban on advertising in New Zealand. However, we see clear evidence of where they avoid this restriction, by advertising "free-to-play" services, which the current laws are unable to prevent.

The free-to-play experience is typically backed by a campaign to convert players to paid play. This includes large sign-up bonus incentives, email communications, and - in some instances - personalised telephone calls.

Lotto NZ recently lodged a competitor complaint with the Advertising Standards Authority about an advertising campaign by casino operator JackpotCity, which is a clear example of how offshore providers flout the ban on advertising. This campaign involved Jackpotcity spending an estimated NZD\$3 million over a two-month period to promote a 'free gaming' site, jackpotcity.net. It is clear from our analysis the 'free' site was used to convert New Zealanders to the similarly named, paid-for gambling site, jackpotcity.com. Our complaint is currently being considered by the ASA.

### **How New Zealand can respond to the offshore, online threat**

We believe meaningful regulation of the online gambling market in New Zealand should be an urgent priority to protect New Zealand consumers, particularly the most vulnerable, and to

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*any spend with MyLotto or TAB is excluded. Datamine reports the margin of error for reporting the total online gaming spend from NZ-domiciled credit cards is close to zero. Furthermore, there are a growing number of online payment methods available on offshore online gambling sites such as Pay-pal and Neteller that are not captured by this analysis, so we believe the actual figure to be much higher than is shown here.*

ensure the revenue currently going to trusted operators of safe gaming (and ultimately to NZ communities) is not siphoned offshore by operators with highly questionable records in harm minimisation.

This regulation should take as its starting point the three principles of the New Zealand gambling framework:

- (a) Harm from gambling is minimised.
- (b) Gambling is only provided by trusted and reputable operators.
- (c) New Zealand communities benefit from the profits of gambling.

We would welcome the opportunity to expand further on what we believe would be important features of any potential regulatory regime.

**How Lotto NZ can remain relevant amidst offshore online gambling growth**

While Lotto NZ cannot offer prizes of the same magnitude as those offered offshore, we can evolve our games to ensure they remain relevant and engaging.

This will allow us to maintain our player base and ensure New Zealanders are playing with a trusted provider and in a safe environment. We refer the Minister to the NZIER report *The Need for Innovation to compete with offshore, online gambling sites*, (July 2022) for more background and context on this.

**Directory**

Further details of the skills and background of Lotto NZ’s Board and Executive team may be found on our website [here](#).

**BOARD**

	<b>Appointment date</b>	<b>Term end date</b>
Roger Sharp (Chair)	Jul 2020	Apr 2024
David Tapsell (Deputy Char)	Nov 2016	Apr 2025
Kim Gordon	May 2018	Feb 2024
Trish Oakley	Jun 2020	Apr 2025
Mark Todd	Feb 2019	Apr 2024
Erica Hodgson (Associate Director)	Feb 2023	Feb 2024

**EXECUTIVE TEAM**

Jason Delamore	Interim Chief Executive
Jeff Hayward	Chief Financial Officer
Annemarie Browne	Chief Marketing Officer
Ben Coney	Chief Innovation and Technology Officer
Sonja Johnson	Chief People Officer – People, Culture and Communications
Sarah Thirlwall	Chief Transformation Officer

**OFFICE**

Auckland Office  
Level 1, 73 Remuera Road  
Remuera, Auckland 1050

## Appendices

### 1. LOTTO NZ HARM MINIMISATION CONTROLS




<b>CORE BEHAVIOURAL CONTROLS</b>	
Registration process	Only registered (known) players can wager.
Identity verification as part of registration	Limits one account per person
Age verification/Limitation	Only those who are verified as 18 years or older can play Instant games.
Maximum spending limits across MyLotto	Each player can spend no more than \$150 per week or \$500 per month. Of the \$150 weekly limit, no more than \$50 can be spent on Instant Kiwi online.
Pre-commitments	Players have the option to set their own lower weekly or monthly limits.
<b>PLATFORM LEVEL SUPPORT/CONTROLS</b>	
Transaction history	Transaction history available
Gaming history	Gaming history available
Maximum Weekly Deposit Limit	\$150 maximum threshold that a customer can add to their account in a week.
Maximum account balance	Maximum of \$999, any funds over \$999 must be withdrawn before games can be played.
Self-exclusion	Players can self-exclude from any game for a set period of time.
Direct Communications	Email communications restricted to players aged 18 years and over. Electronic communication opt-in (and out again if necessary). Proactive intervention email where a player hits their monthly spend threshold three months in a row.
Opening and closing hours	MyLotto Site Hours: • Mon/Tue/Thu/Fri/Sun: 6.30am – 11pm • Wed/Sat: 6.30am – 12 midnight (Lotto draw days)  Instant Kiwi Online Hours: • 6.30am – 10:10pm – all days.
Terms of play	Mandatory acceptance of site terms and conditions. Lotto NZ's terms and conditions outline our commitment to responsible gambling and each player's requirement to adhere to mandatory spending limits.
<b>GAME CONFIGURATION</b>	
Predetermined outcomes	In accordance with our mandate under the Gambling Act, all games are games of chance, and any Instant game has a predetermined outcome (determined before or simultaneously at the time of purchase).
Internal responsible gaming guidelines	Set of internal guiding principles to ensure game design and marketing strategy adhere to the ASA code of ethics.
<b>ACCESS TO INFORMATION</b>	
Harm minimisation information	Responsible Gaming information available online at MyLotto.co.nz
Game odds	Players always have access to the odds and average prize pay-outs for all games.
Gambling behaviour	All players can self-test to determine gambling behaviour.
Treatment referral	Information about responsible gaming and contact details for problem gambling treatment providers will be easily accessed.





## 2. OUR GAMES AND HOW THEY WORK

The games are a mixture of shared-prize, draw-based games; fixed odds prize games; and instant win games. Several of our games have a jackpot feature, where the top prize in the game can grow when not won in a draw.

All games that feature a jackpot have a maximum jackpot threshold, after which Lotto NZ must hold a Must Be Won draw. The current jackpot thresholds are \$50 million for Powerball, \$1 million for Strike, and \$400 thousand for Bullseye.

Lotto family draws are broadcast on television and online on TVNZ on-demand and are conducted under the scrutiny of Audit New Zealand. Keno and Bullseye games are drawn using a Random Number Generator (i.e., do not have a live draw with a ball machine). Results for all our games are available online at MyLotto, the MyLotto App, and at all Lotto NZ outlets.

GAME	HOW THE GAME IS PLAYED	WHEN
	<p>Launched 1987</p> <p>Lotto is a parimutuel (shared prize) draw-based game.</p> <p>6 numbers and 1 bonus number drawn from 40 numbers.</p> <p>Lotto costs \$0.70 per line and the minimum 4 lines is \$2.80.</p> <p>To win, match a minimum of 3 of the numbers drawn. Lotto First Division prize is \$1 million every draw (Lotto does not jackpot).</p> <p>Prizes range between a bonus ticket (\$2.80 value) and, for the correct 6 numbers, up to \$1 million.</p> <p>Special promotion draws with additional prize pools are run approximately 3 times a year (Christmas, Mother's Day and Father's Day).</p>	<p>Twice weekly draw game</p> <p>Saturdays at 8pm and Wednesdays at approx. 8:20pm on TV1.</p> <p>Available via TVNZ OnDemand</p>
 <b>Instore</b>	<p>Launched 1989</p> <p>Scratch based tickets at various price points available at Lotto NZ stores nationwide.</p> <p>Age restricted to players aged 18 years or older.</p> <p>Currently there are ~20 games on sale. Tickets range from \$1-\$15 and prizes range from \$1 to \$1m.</p> <p>Lotto NZ withdraws games when all top prizes are won, when the game runs out of tickets or when a commercial consideration predicates withdrawal (e.g., issue with product, or license period for a licensed game expires)</p>	<p>Can be purchased when a Lotto NZ retail store is open.</p>
	<p>Launched 1993</p> <p>Strike is a parimutuel (shared prize) draw-based game and has a jackpotting top prize.</p> <p>Match the first 4 Lotto numbers drawn in the order in which they are drawn.</p> <p>Strike costs \$1 to play and there are no minimum lines.</p> <p>Win by matching 1 or more numbers in their correct order.</p>	<p>As above (part of the Lotto draw)</p>

	<p>Prizes range between a free ticket for 1 number and \$100,000-plus for 4 numbers.</p> <p>Strike 4 (Division 1) jackpots each draw if not won, up to \$1 million.</p>	
	<p>Launched 1994</p> <p>Keno is a fixed odds and fixed prize, draw-based game.</p> <p>Correctly match 0–10 numbers out of 20 numbers randomly drawn from 80 possible numbers.</p> <p>Prizes range between \$1 and \$250,000 for \$1 spent.</p> <p>Add on Multiplier option (doubles spend) for the chance to increase prizes by 1.5, 2, 3, 5 or 10 times.</p>	<p>Daily at 10am, 1pm, 3pm, and 6pm.</p>
	<p>Launched 2001</p> <p>Powerball is a parimutuel (shared prize) draw-based game and has a jackpotting top prize.</p> <p>Played in conjunction with Lotto, Powerball is an additional 1 number drawn from 10.</p> <p>Powerball costs \$0.80 per line. This is in addition to playing Lotto, so the total \$1.50 and the minimum 4 lines costs \$6.</p> <p>Correct selection increases the size of your Lotto win.</p> <p>Prizes range between \$15 and \$4 million-plus. Powerball Division 1 jackpots each draw if not won to a maximum of \$50 million.</p>	<p>As above (part of the Lotto draw)</p>
	<p>Launched 2009</p> <p>Bullseye is a parimutuel (shared prize) draw-based game and has a jackpotting top prize, and a fixed prize of \$10,000 for second division.</p> <p>Correctly guess a 6-digit number from 000,000 to 999,999 and the closer the selection is to the number randomly drawn the more you win.</p> <p>Prizes range from \$2 bonus line to \$100,000 plus for \$2 spent.</p>	<p>6pm daily</p>
 <b>Online</b>	<p>Launched 2017</p> <p>Digital instant games of chance (digital equivalent of in-store games).</p> <p>Currently there are ~40 games available at MyLotto website or App.</p> <p>Age restricted to players aged 18 years or older.</p> <p>Tickets range from \$0.50 to \$10, and prizes range from \$0.50 to \$200,000.</p> <p>Games are not withdrawn as the digital pools are non-depleting, meaning the odds/chance of each play is identical.</p> <p>Subject to a maximum \$50 per week spend limit (players can set lower).</p>	<p>Can be purchased during MyLotto operating hours.</p>