



# Internal Affairs briefing

**Hon Tracey Martin**  
**Minister of Internal Affairs**

**Title:** COVID-19 implications for community funding sourced from New Zealand's gambling sector

**Date:** 3 April 2020

## Key issues

At the 31 March 2020 meeting with the Minister of Finance, you indicated you would like to support community organisations adversely affected by COVID-19 and directed officials to explore options within the gambling system. This is the first of two briefings (briefing two, which we will provide next week, will canvas the implications arising from reduced funding to community organisations).

This briefing provides you with information and options for you to consider on the

- challenges Class 3 operators are experiencing as a result of COVID-19, and a proposal to make changes you have previously agreed to under the COVID-19 Omnibus Bill; and
- 9(2)(f)(iv)

This briefing is to be read in parallel with the briefing provided by Regulatory Services on the impact of COVID-19 on the Class 4 sector.

## Action sought

**Note** there are implications for community funding sourced from New Zealand's gambling sector as a result of COVID-19.

**Consider** the options outlined in this briefing as possible ways to contribute towards the funding gap that will occur for community groups.

**Discuss** your preferences with officials on 8 April 2020.

**Note** we are working on providing you with further advice on the funding implications ahead of this meeting.

## Timeframe

Before your meeting with officials on 8 April 2020

Contact for telephone discussions (if required)

Name	Position	Direct phone line	After hours phone	Suggested 1 <sup>st</sup> contact
Rache Groves	Policy Director	9(2)(a)		✓
Nicola Blackburn	Senior Policy Analyst			
Return to	Monica Rogers, Level 9, 45 Pipitea Street			
Cohesion reference	YXQARP2T7VWH-708242391-633			
Ministerial database reference	IA202000364			

## Purpose

1. You have requested officials explore options around how the gambling system may be able to support community organisations adversely affected by COVID-19. This briefing provides you with information on the:
  - 1.1 challenges Class 3 operators are experiencing as a result of COVID-19, and a proposal to make changes you have previously agreed to under the COVID-19 Omnibus Bill; and
  - 1.2 9(2)(f)(iv) [REDACTED]  
[REDACTED]  
[REDACTED]
2. This briefing is to be read in parallel with the briefing provided by Regulatory Services on the impact of COVID-19 on the Class 4 sector and proposals to support the sector.

## Challenges experienced by Class 3 operators as a result of COVID-19 and proposed options

### *Alert Level four is adding to the difficulty Class 3 operators have in fundraising via lotteries*

3. 9(2)(f)(i) [REDACTED] have written to you advising that the COVID-19 Alert Level four lockdown is adding to the difficulty of maintaining fundraising income levels through the lotteries they operate under the Gambling Act 2003 (the Act). This is also likely to be the case for other organisations that fundraise through Class 3 lotteries.
4. The Act does not allow Class 3 operators<sup>1</sup> to take “remote interactive” payments online, including via email, or over the phone. As you know, these organisations were already experiencing difficulties fundraising because of these restrictions. This was identified as a concern in the online gambling discussion document last year, and most of the submissions we received expressed support for Class 3 to operate lotteries online.<sup>2</sup>
5. These concerns are now exacerbated by the current lockdown. Street appeals, a main channel to receive donations, have stopped under Alert Level four, cheques continue to be phased out, and remain a difficult payment method during the lockdown.
6. There is a risk that a prolonged lockdown will potentially limit the fundraising revenue of Class 3 operators through the gambling system. This would add to the existing issues faced by Class 3 operators who are unable to receive lottery payments online, and potentially further impact the financial viability of these organisations.
7. It is also likely that the potential for ongoing social restrictions due to COVID-19 will continue to affect the ability of these Class 3 operators to fundraise. When the current Alert Level four changes to level three or two, volunteer numbers are likely to be impacted. This is because a large portion of volunteers are seniors and would be advised to stay at home under these alert levels. Limited volunteer numbers, cancelling of mass gatherings, and the closure of public venues at these levels will impact the ability for these operators to undertake face-to-face sales and street appeals for their lotteries.

<sup>1</sup> Class 3 operators include charities such as The Heart Foundation, Coastguard NZ, Variety and KidsCan.

<sup>2</sup> 9(2)(f)(iv) [REDACTED].

***To help address these challenges, we recommend putting forward a potential solution as an item for the COVID-19 Omnibus Bill, coupled with Lotto NZ providing Class 3 operators with practical support***

8. We are proposing a legislative change through the COVID-19 Omnibus Bill to grant existing Class 3 operators a dispensation from the prohibition on remote interactive gambling. This would allow these operators to:
- 8.1 send and receive order forms for their lotteries by email;
  - 8.2 take payments online or by phone; and
  - 8.3 host lotteries on their own website, or, if they want to, have them run as part of the Lotto NZ platform<sup>3</sup>, noting, this option might take longer to implement
9. We would not expect this proposal to substantially increase ticket sales compared to sales numbers before Alert Level four was implemented. It is simply a mechanism for these organisations to maintain the sales they had prior to the COVID-19 situation. There are risks associated with this proposal which are outlined below.
10. 9(2)(f)(i) [REDACTED]  
[REDACTED]  
[REDACTED] It is unclear how prepared Class 3 organisations are to immediately run a large-scale online operation. It may also be difficult for them to undertake this work under COVID-19 restrictions.
11. We will be in a better position next week to provide you with more advice on the feasibility of Lotto NZ hosting Class 3 lotteries online. 9(2)(f)(i) [REDACTED]  
[REDACTED]  
[REDACTED]

***There are risks involved with Class 3 operators running lotteries online***

12. While we consider the proposed legislative change is a way of alleviating short-term hardship, there are potential risks associated with this change. However, we expect regulations, once the online gambling review is complete, will help to mitigate these risks. The risks include:
- 12.1 the types of organisations<sup>4</sup> we would allow to run Class 3 gambling online. We propose that only existing operators<sup>5</sup> be allowed to run their lotteries online until we have further investigated the potential risks of allowing a broader range of class 3 operators to establish online operations;
  - 12.2 the frequency and scale with which we are comfortable for Class 3 operators to run their events. Large-scale and high-frequency lotteries could pose increased risk for harm. 9(2)(ba)(i) [REDACTED]. However, they could increase this and apply to the Department for additional licences under the current system;

<sup>3</sup> 9(2)(f)(i) [REDACTED]

<sup>4</sup> To apply for a licence to run Class 3 gambling you must be a society, or, in the case of housie, an incorporated society. The purpose of the gambling must be for an authorised purpose, including for a charitable purpose, a non-commercial purpose, for racing meetings or electioneering purposes.

<sup>5</sup> 9(2)(ba)(i) [REDACTED]

- 12.3 the types of gambling allowed to operate online. Currently, Class 3 operations include lotteries, housie and instant games i.e. scratch cards. Under the proposal, we are stipulating *just lotteries*.
- 12.4 the increased risk of gambling harm associated with online lotteries. The existing proposal would result in extending the operations for Class 3 without obligations for harm minimisation. Harm minimisation is a central concept in the Act, and existing online operations by Lotto NZ and the TAB give regard to this. If Class 3 organisations are running their lotteries online on a larger scale (i.e. on a platform or hosted by Lotto NZ and not just by email or over the phone) these kinds of measures, such as age restrictions and information about problem gambling harm would become more important.

***An additional option would be promotion of direct donations***

13. Should the above proposal prove untenable, another option would be for Class 3 operators to encourage their supporters to make direct donations to them rather than buy lottery tickets. This can be done online and is not subject to the prohibition on remote interactive gambling.

9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16. 9(2)(f)(iv)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9(2)(f)(iv) [Redacted]  
[Redacted]

- [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

*Funding levels for distribution are likely to be lower than might be expected normally*

20. 9(2)(b)(ii) [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted] 9(2)(f)(iv) [Redacted]  
[Redacted]  
[Redacted]

- 9(2)(f)(iv) [Redacted]
- [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]
  - [Redacted]  
[Redacted]  
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  - [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

- 9(2)(f)(i) [Redacted]
- [Redacted]  
[Redacted]  
[Redacted]
  - [Redacted]  
[Redacted]
  - [Redacted]  
[Redacted]  
[Redacted]
  - [Redacted]  
[Redacted]

- 9(2)(f)(iv)

### **Alternative options**

27. The Minister's Discretionary Fund may be used 9(2)(f)(iv). The Fund provides grants to community organisations that are not eligible to apply to other Lottery committees. Some community organisations that receive funding from gaming machine societies may be eligible to apply for the Minister's Discretionary Fund. However, this fund is limited, and many of the community groups that will want assistance will miss out.

### **Next steps**

28. The second briefing, which we will provide you with next week, will cover:
- 28.1 further advice on the types of Class 3 operators who could be allowed to operate online;
  - 28.2 advice on the feasibility of Lotto NZ hosting Class 3 lotteries online;
  - 28.3 the implications on grant funding due to COVID-19; and
  - 28.4 9(2)(f)(iv).

## Recommendations

29. We recommend that you:

- a) **Note** there are implications for community funding sourced from New Zealand's gambling sector as a result of COVID-19;
- b) **Consider** the options outlined in this briefing as possible ways to contribute towards the funding gap that will occur for community groups; **Yes/No**
- c) **Discuss** your preferences with officials on 9 April 2020; and **Yes/No**
- d) **Note** we are working on providing you with further advice on the funding implications ahead of this meeting.



Rachel Groves  
Policy Director

Hon Tracey Martin  
Minister of Internal Affairs

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