



National Gambling Board
South Africa

a member of the dtl group

Balancing the economic gain of gambling against the negative impact

Presentation at Gambling Indaba – 10 October 2016



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Mandate and role of the NGB

Mandate and role of the NGB



- ❑ The South African Government has constructed a clearly defined policy framework for the gambling industry in South Africa designed to safeguard the public against the adverse effects of gambling and to prevent an over stimulation of the latent demand for gambling.
- ❑ The objective is to prevent the unmitigated proliferation of gambling in the South Africa. The regulation of gambling activities is bound overall by National policy considerations and licensing commitments that apply to gambling industry in South Africa.

Mandate and role of the NGB



- ❑ The NGBs mandate is to promote and support the development of a fair, transparent, competitive, sustainable, responsible and efficient gambling industry in order to:
 - ❑ Promote quality and sustainable livelihoods in communities
 - ❑ Serve the needs of historically disadvantaged persons
 - ❑ Promote reintegration of persons who are addicted to gambling into families and communities for quality livelihoods
 - ❑ Set appropriate conditions for responsible gambling business
 - ❑ Conduct education, awareness and research on gambling harms and benefits
 - ❑ Combating illegal gambling and problem gambling in conjunction with provincial gambling regulatory authorities

Mandate and role of the NGB



- ❑ Gambling is a concurrent legislative competency between national and provincial government
- ❑ Compliance monitoring is one of the fundamental pillars of NGB's functions to regulate gambling
- ❑ NGB commissions regular research to determine the socio-economic impact, advantages and disadvantages of gambling in South Africa. This includes research on the socio-economic impact of illegal gambling and its impact on the SA economy and legal modes of gambling

Mandate and role of the NGB



- ❑ Gambling regulation needs to create a balance between revenue generation and protection of the public, particularly vulnerable persons, while taking cognisance of and supporting Government's developmental priorities, and specifically the Nine - Point plan in terms of:
 - ❑ Encouraging private-sector investment (gambling industry)
 - ❑ Unlocking the potential of SMMEs, cooperatives, townships and rural enterprises (i.e. corporate social investment programmes & gambling licenses to individuals/consortiums, small and medium businesses)



Benefits of gambling

Economic benefits of gambling



- ❑ Stimulates the local economy and contributes to government revenues (taxes/levies), Gross Domestic Product, investment and employment
- ❑ GGR: GGR increased by 9.9% from R23,9 billion in FY15 to R26,3 billion in FY16
- ❑ Taxes/levies: **Collection of taxes/levies increased** by 11.9% from R2,5 billion in FY15 to R2,8 billion in FY16
- ❑ GDP: 0.77% (2012) [contribution gambling sector to national economy]
- ❑ Gambling promotes investment (infrastructure)
- ❑ **Creation of employment**

Economic benefits of gambling



- ❑ **Enhancement of public services** (taxes used for education, roads, health schools, infrastructure and development in communities, services to the public, etc)
- ❑ Increase in property value (e.g. around a casino)
- ❑ **Economic empowerment of the historically disadvantaged**
- ❑ Gambling attracts tourism and results in increased revenue

Economic benefits of gambling

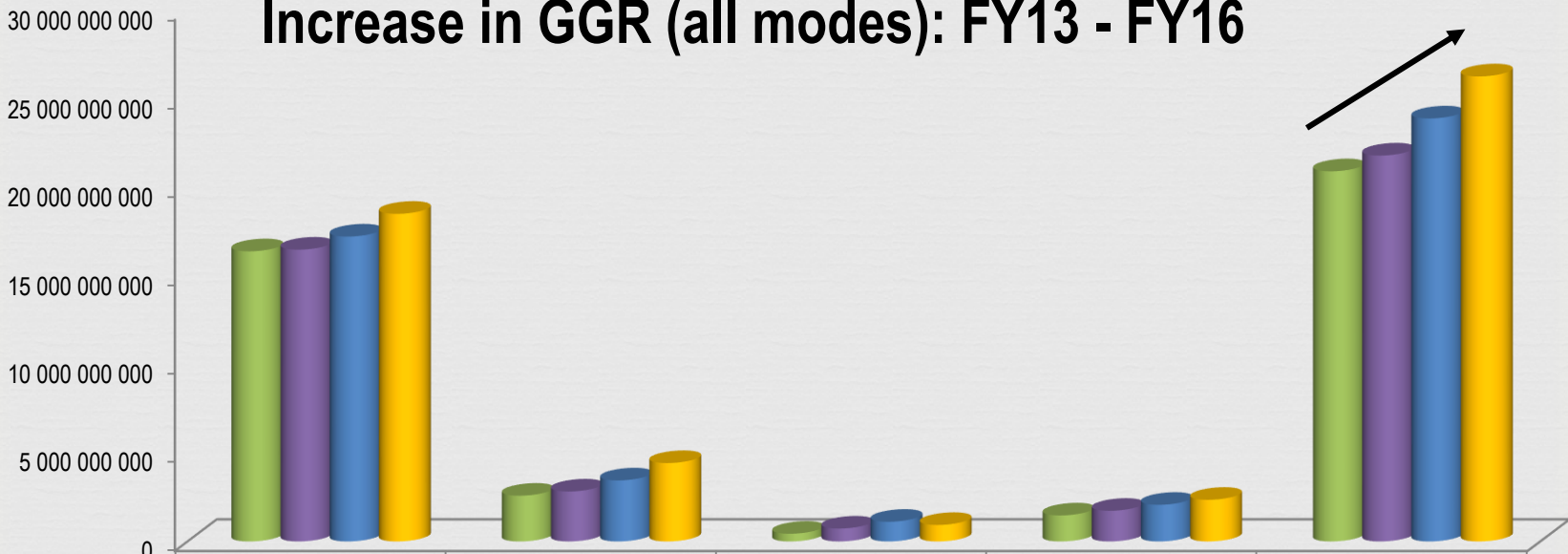


- ❑ Gambling enterprises are measured in terms of the generic score card and more specifically, the following: Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Development.
- ☞ Based on the information submitted by PLAs, the average BBBEE status or level of the South African gambling industry as at 31 March 2016 was as follows:
 - ☞ Average BBBEE level for bingo operators: Level 1.6 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).
 - ☞ Average BBBEE level for casino operators: 2.2
 - ☞ Average BBBEE level for totalisators: Level 2.3
 - ☞ Average BBBEE level for LPM operators: Level 2.7

Economic benefits of gambling



Increase in GGR (all modes): FY13 - FY16



	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
■ GGR, FY13	16 404 078 723	2 596 845 092	436 770 125	1 476 449 382	20 914 143 321
■ GGR, FY14	16 497 594 915	2 834 103 394	732 321 861	1 738 648 662	21 802 668 831
■ GGR, FY15	17 234 928 081	3 462 994 717	1 116 673 081	2 079 338 389	23 893 934 269
■ GGR, FY16	18 517 040 904	4 448 765 756	936 166 348	2 363 501 788	26 265 474 796

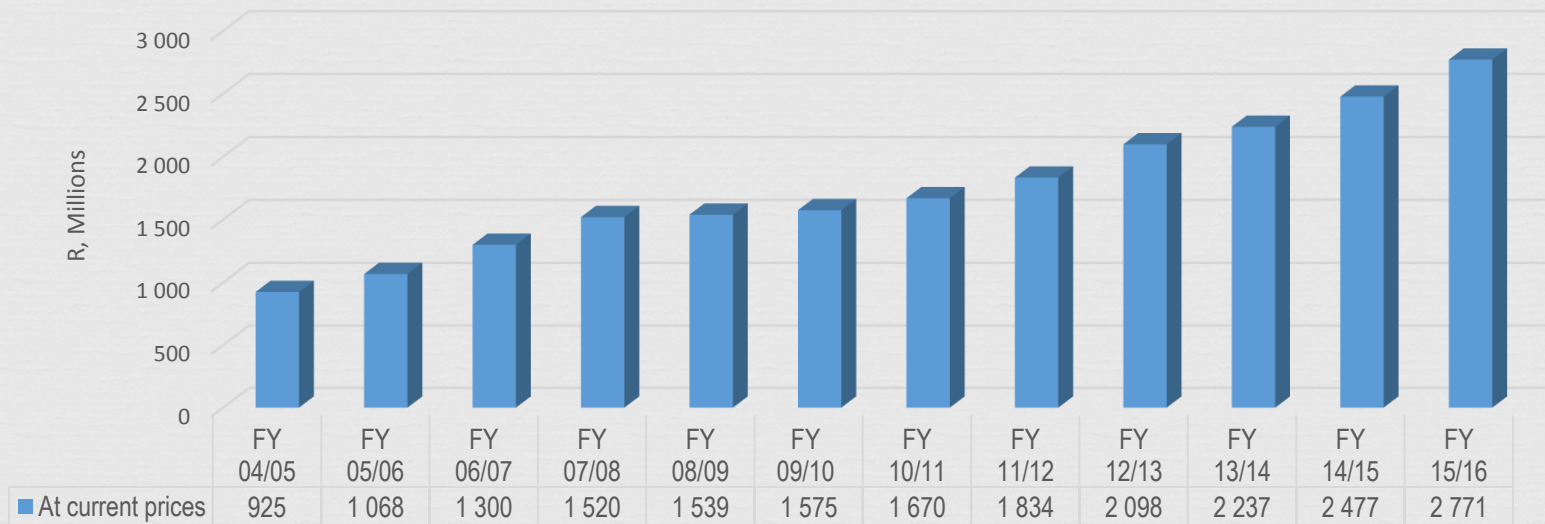
Economic benefits of gambling



Trends in taxes/levies contribution (all modes)

FY05- FY16

R2,8 billion in FY2016



Economic benefits of gambling

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY16

		PROVINCE									
Gambling mode	Gauteng	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern ¹ Cape	Eastern Cape	Free State	TOTAL	
Casinos	5 366	1 862	2 643	630	728	786	305	1 784	545	14 649	
Totalisators	44	20	Combined with bookmaker figure	64	84	69	13	83	73	450	
Bookmakers	62	179	1 675 ¹	566	887	337	41	308	101	4 156	
LPMs	237	95	101	112	715	252	9	869	14	2 404	
Bingo	364	0	244	88	0	107	0	619	0	1 422	
TOTAL	6 073	2 156	4 663	1 460	2 414	1 551	368	3 663	733	23 081	

Social benefits of gambling



- ❑ Form of recreation and entertainment – often in a safe environment when the destination approach is prioritised
- ❑ Social benefits (e.g. new social groups and friends)
- ❑ Corporate social programs – giving back to the community
- ❑ The legal gambling industry is well-regulated and compliance oversight is a key priority of regulators to protect and benefit punters
- ❑ Access to national and provincial regulators for assistance
- ❑ Education and information through awareness programs/roadshows
- ❑ Various ways to report fraudulent and illegal gambling activities
- ❑ Punter protection, free counselling, access to rehabilitation programs and access to an exclusions register



Negative impact of gambling (legal and illegal)

Negative impact of gambling (legal & illegal)



- ❑ Money spent on illegal gambling is a loss to the economy
- ❑ Problem gambling & addiction and impact on the economy, family and society (e.g. disrupts personal / family / financial / employment relations), financial problems such as debt and bankruptcy, divorce, lost productivity, crime (such as theft and fraud), depression and suicide
- ❑ Illegal gamblers have the highest risk of becoming problem gamblers
- ❑ Cost to counselling, treatment and rehabilitation
- ❑ Under-aged gambling & minors participating in gambling
- ❑ Crime-related activities (e.g. money-laundering)
- ❑ Risks associated with problem gambling such as drugs, alcohol and sexual abuse

Negative impact of gambling (legal & illegal)



- ❑ Punters in illegal gambling activities are unprotected
- ❑ Social challenges as a result of problem and illegal gambling. Reports from the South African Responsible Gambling Foundation, amongst others, indicates that gambling creates huge social challenges as a result of problem and illegal gambling
- ❑ Unlawful winnings associated with illegal gambling activities
- ❑ Consequences if caught when participating in illegal gambling modes (e.g. court, fine, jail and confiscated winnings)
- ❑ Many millions of rand in state resources are expended on the criminal justice system (i.e. investigation and prosecution as a cost to regulation)

Negative impact of gambling (legal & illegal)

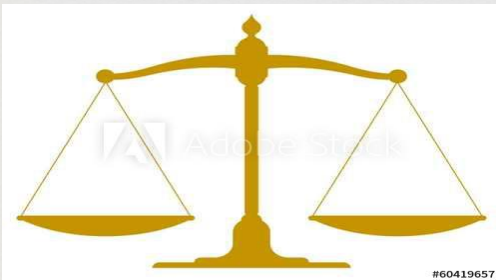


- ❑ Unfair competition created by illegal enterprises and operators and reduced government revenue in the form of tax contributions
- ❑ The estimated monetary flows associated with illegal (online) gambling in South Africa impact the economy with regard to employment and GDP:
 - ❑ Total loss in value add of R1,9 billion for the economy as a whole per annum. This includes a direct impact of R972 million and an indirect impact of R972 million. This is less than 0.01% of the total annual GDP for South Africa
 - ❑ Total loss of 3,785 employment opportunities in the legal gambling industry based on employment in casinos (841) and employment in related services such as retail outlets and restaurants (2,945). This equates to 5.9% of the total employed persons in the casino industry of the country

Where does this leave gambling regulators and gambling licensees?



The question arises –
is gambling economically and socially beneficial to the economy as we strive to balance against the negative socio-economic impact of gambling?



Are all role players in the Gambling industry efficiently and effectively striking the balance?



Current status of gambling

Current status of gambling



- ❑ In South Africa, **four modes** of gambling are legal and regulated, namely casinos, bingo, limited payout machines (LPMs) and betting on horse racing and sporting events offered by licensed operators
- ❑ Any gambling activity that is not one of these four, or is one of the four but not offered by a licensed operator, is **illegal**
- ❑ Advertising unlawful / unlicensed any gambling activity is **prohibited** and punishable (s15 NGA)
- ❑ Concurrence of jurisdiction grant the provinces, the authority to license with the peremptory norm not to deviate from national interest
- ❑ The NGB thus exercises national oversight over these matters of concurrent jurisdiction

Current status of gambling

Variable	FY2016 As at 31 Mar 16	FY2017 As at 30 Jun 16
Number of operational casinos	38	38
Number of operational slots (casinos)	24 070	23 735 ↓
Number of operational tables (casinos)	889	864 ↓
Number of operational gambling positions (casinos)	33 618	33 498 ↓
Operational totalisator outlets	444	440 ↓
Operational bookmakers	227	216 ↓
Operational bookmaker outlets	457	461 ↑
Operational Limited Payout Machine (LPM) site operators	2 072	2 113 ↑
Operational LPMs	10 934	11 157 ↑
Operational bingo outlets	31	34 ↑
Operational bingo positions	6032	6 245 ↑

Current status of gambling

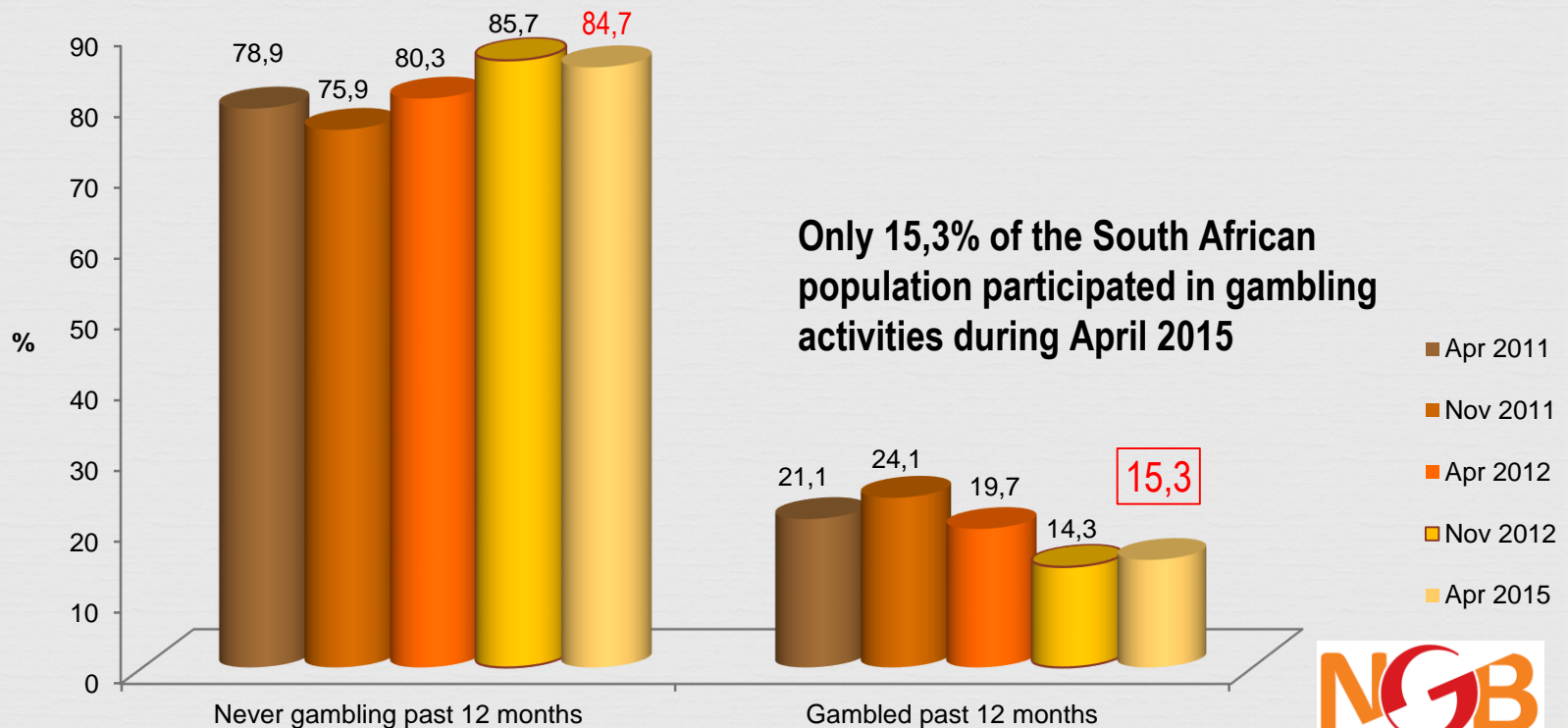


Variable	FY2016 Total (Quarters 1 – 4)	FY2017 Quarter 1 only
National gambling statistics: Turnover	R 358 359 106 940	R 87 957 742 944
National gambling statistics: GGR	R 26 265 474 796	R 7 011 570 398
National gambling statistics: Taxes/levies	R 2 770 743 912	R 679 504 868

Current status of gambling



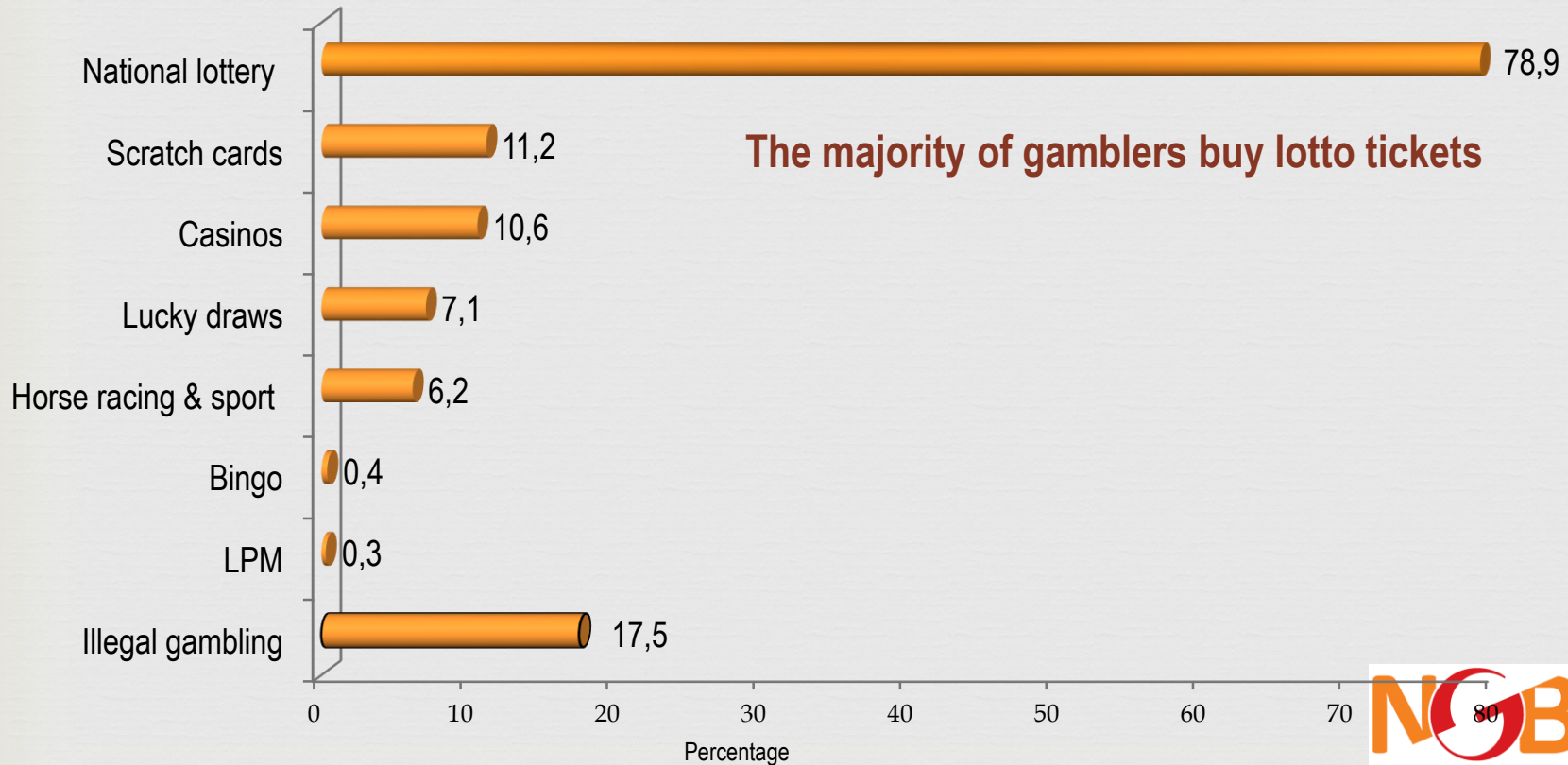
Gambling incidence from April 2011 to April 2015



Current status of gambling



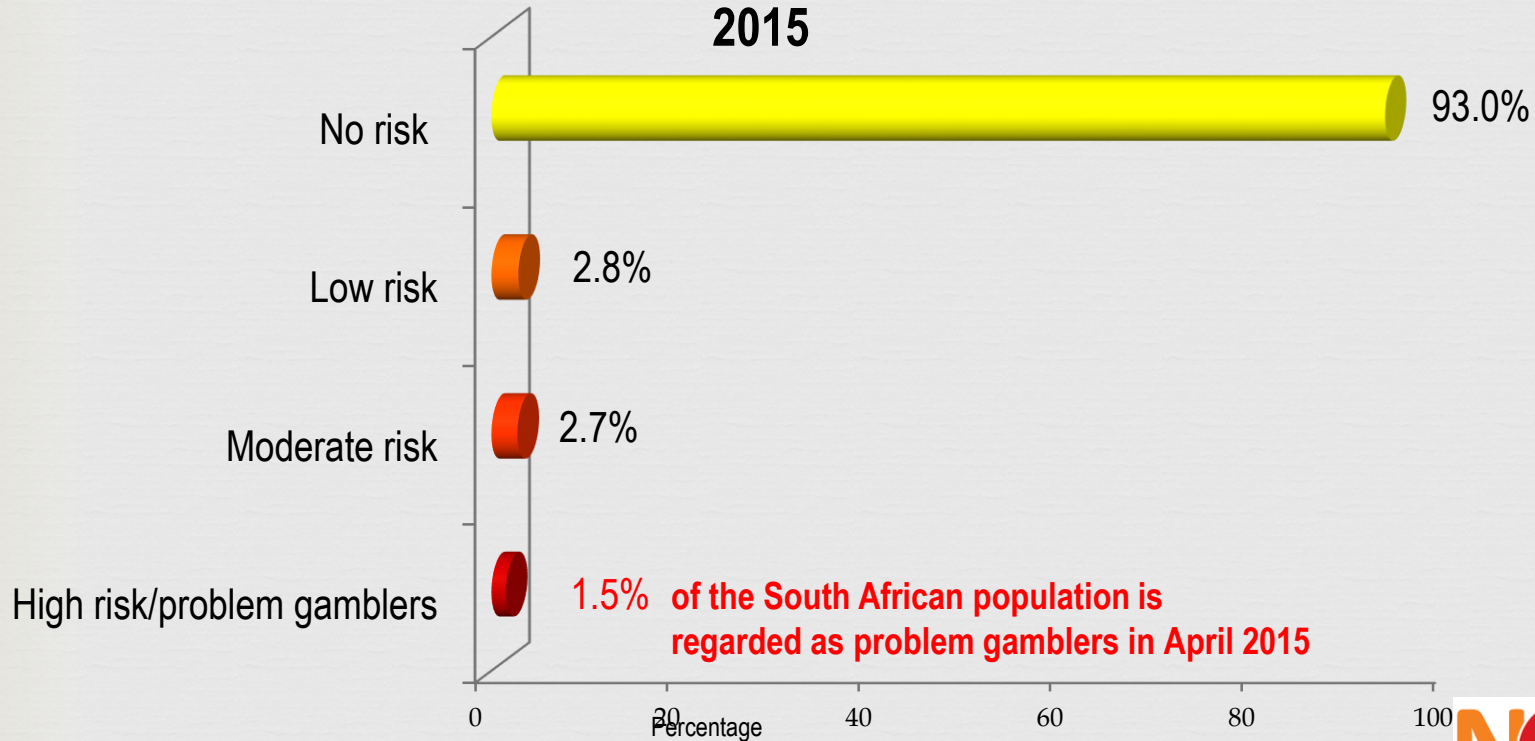
Participation in gambling activities as at April 2015



Current status of gambling



Levels of risk amongst the South African population - April 2015



Current status of gambling



Current status quo of gambling



- ❑ **Countrywide gambling awareness campaigns** – provided by **the dti** and the NGB, to educate the public about gambling especially legal vs illegal modes of gambling, symptoms of problem gambling, how to gamble responsibly, where to report fraudulent and illegal gambling activities, and where to get assistance with problem gambling
- ❑ **South African Responsible Gambling Foundation (SARGF)** - programmes to educate the public, as well as rehabilitation programs and counselling services

Current status quo of gambling



- ❑ **Illegal gambling operatives register** – blacklisting of illegal operators once their illegal status is confirmed so that they are not considered in future licence applications
- ❑ **Excluded persons register** – register of persons not permitted to gamble due to problem gambling (one can apply for self-exclusion)
- ❑ **Unlawful winnings are confiscated** – winnings obtained through illegal gambling is forfeited to the State

Current status quo of gambling



Regulatory environment:

- ❑ February 2016 – Cabinet approved the **National Gambling Policy**, which will bring new changes to the gambling regulatory environment
- ❑ May 2016 - The National Assembly rejected the **Remote Gambling Bill**, which sought to legalise online gambling in SA
- ❑ September 2016 - Cabinet approved the draft **National Gambling Amendment Bill of 2016** for public comments (nationwide)
- ❑ It is proposed that improved provisions be included in the legislation to deal more effectively with illegal gambling



Challenges affecting the balance

Challenges affecting the balance



- ❑ The public is unaware / unsure of the difference between legal and illegal modes of gambling, consequences of illegal gambling, gambling legislation, and how to get assistance with regard to problem gambling
- ❑ The mushrooming of illegal gambling (i.e. online as a borderless industry, server-based and other illegal gambling modes)
- ❑ South African financial institutions are the frequently utilized mediums of exchange between an online gambler and illegal online operators – participation in illegal online gambling

Challenges affecting the balance



- ❑ Illegal (and specifically online) gambling is also not regarded as a high priority offence and the environment is difficult to monitor as a result of limited prioritisation and collaboration between various role-players
- ❑ Lack of uniform and effective national policy implementation of the licensing regime (licensing forms of gambling which are not envisaged from a national perspective)
- ❑ Insufficient resources at regulators to effectively enforce and curb illegal gambling
- ❑ Cost burdens to approach the High Court for forfeiture orders in terms of unlawful winnings



Addressing the challenges

Addressing the challenges



- ❑ Regulation to enable mass monitoring of online traffic to identify gambling related activities and gambling by minors, as well as prohibiting illegal operators from offering online gambling services to the South African public
- ❑ Improved provisions in legislation to gather and consolidate intelligence with regard to illegal gambling and to blacklist illegal operators
- ❑ Bilateral and multilateral agreements to permit enforcement across the South African borders – regulators also need to work together
- ❑ Strengthen the capacity to prohibit and combat illegal gambling

Addressing the challenges



- ❑ A national collaborative approach to combat and suppress illegal gambling – involvement of all gambling regulators to gather information, conduct inspections, investigate cases, cooperate with law enforcement agencies and act against illegal operators
- ❑ Efficient confiscation of unlawful winnings and forfeiture thereof all regulators and licensees should comply
- ❑ Successful prosecution of illegal operators to send a strong message
- ❑ Ongoing information to the public (and problem gamblers) about the toll free line, exclusions register, and rehabilitation and treatment programs (collaborative efforts between all regulators, PLAs, SARGF and **the dti**)
- ❑ Informing the public about the NGB tip-off line and where to report fraudulent and illegal gambling activities

Addressing the challenges



- ❑ Efficient and effective implementation of National Gambling policy
- ❑ Reduce the costs burden for forfeiture unlawful winnings (currently via High Court application)
- ❑ Improved enforcement measures to effectively deal with illegal gambling
- ❑ Staying abreast of new technology, software, tools, type of games, profile of new emerging (illegal) gamblers and the socio-economic impact on current legalised modes of gambling

Conclusion



- ❑ The gambling industry is often scorned, due to the negative consequences of problem gambling and illegal gambling
- ❑ However, we must not lose sight of the fact that it is a legitimate industry, that not only contributes significantly to the economy of the country, but also provides a number of benefits
- ❑ As explained, there is much job creation that the industry brings, not simply as employees in the gambling operations, but also in spin-off business opportunities created by the gambling enterprise to stimulate the South African economy

CLOSURE



*Gamble
legally
and
responsibly!*

*Marching
towards
sustainable
jobs/
entrepreneurial
opportunity!*

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