



National Gambling Board
South Africa

a member of **the dti** group

REGULATIONS AND THE FUTURE LANDSCAPE OF THE GAMBLING INDUSTRY



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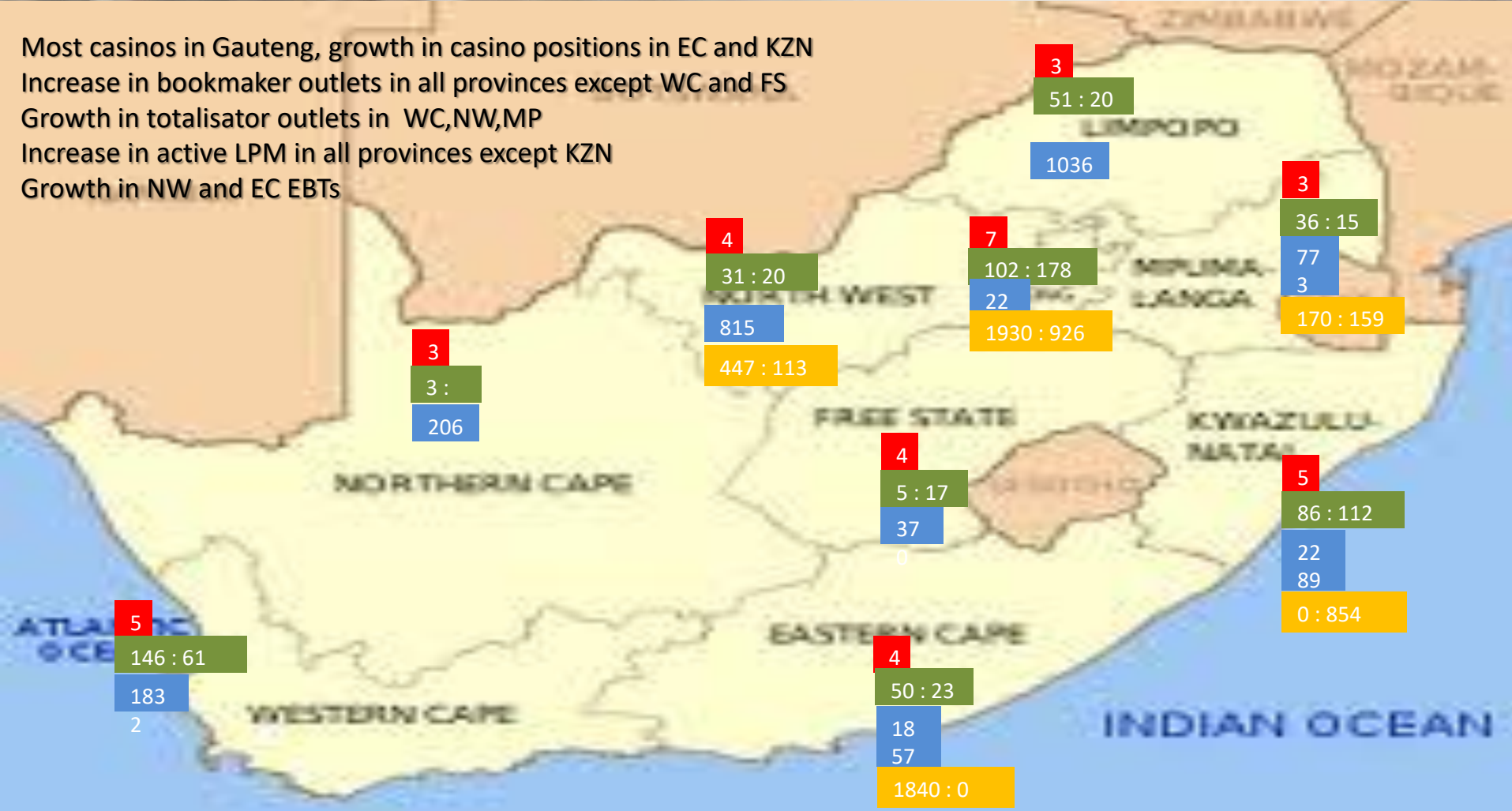
The Current Landscape of the Gambling Industry in South Africa

- The Gambling industry is regulated in terms of the National Gambling Act 7 of 2004.
- The gambling industry is a legitimate industry that contributes significantly to the economy of the country



The Current Landscape of the Gambling Industry in South Africa

Most casinos in Gauteng, growth in casino positions in EC and KZN
 Increase in bookmaker outlets in all provinces except WC and FS
 Growth in totalisator outlets in WC, NW, MP
 Increase in active LPM in all provinces except KZN
 Growth in NW and EC EBTs



Operational Casinos

Active LPMs

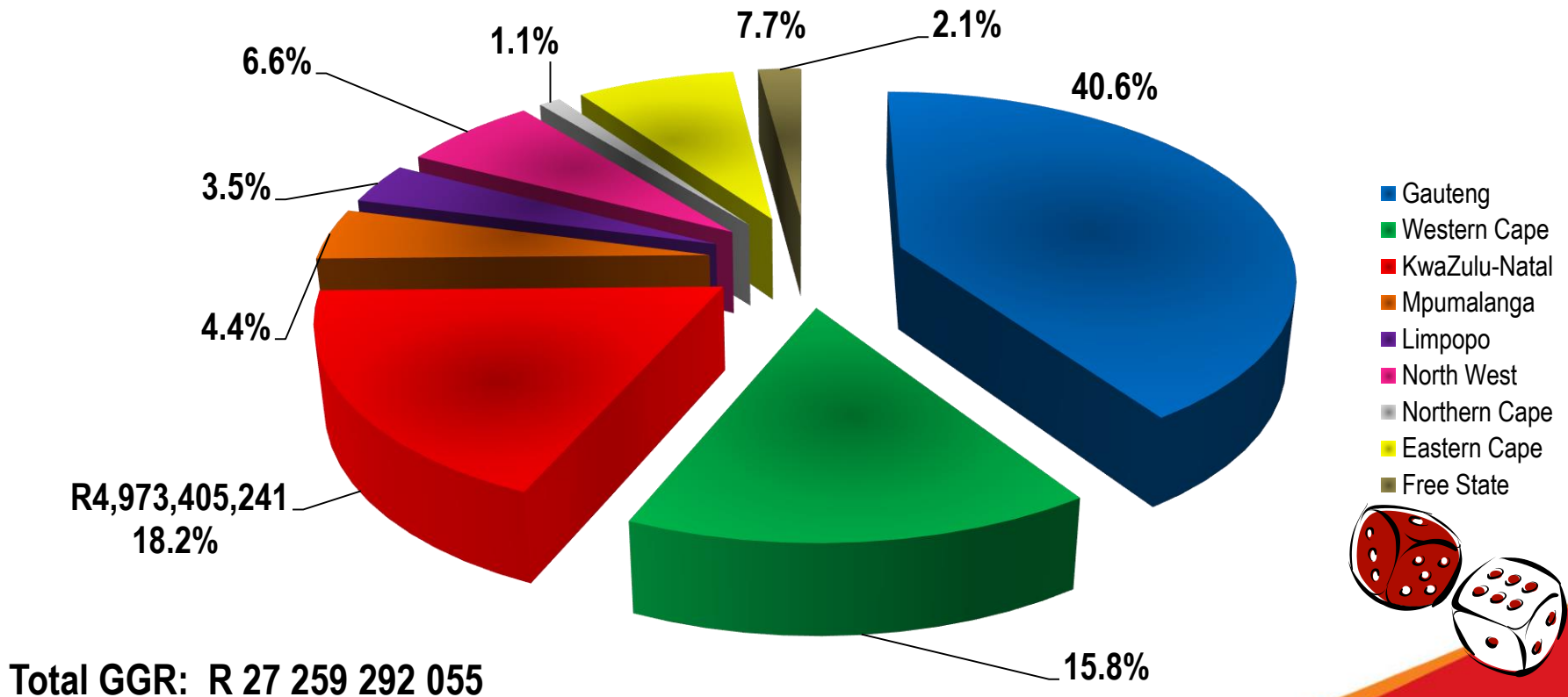
Operational Bookmakers Outlets : Totalisator Outlets

Operational Bingo Positions, EBTs : Traditional Bingo

The Current Landscape of the Gambling Industry in South Africa

GGR per province - FY2017

Rand value of the gross revenue of an operator



Evolution of Gambling policy in South Africa

- 1995- Wiehahn Commission recommends strict regulation of gambling in the country.
- 1996 – The National Gambling Act is passed.
- 2004 – The current National Gambling Act replaces the 1996 Act to address the cooperative governance - NGPC.
- 2008 – The National Gambling Amendment Act is passed to regulate interactive gambling – Act is not brought into operation.
- 2009 – the Interactive Gambling Regulations are queried due to doubts over protection of minors and overstimulation.
- 2009 – the Gambling Review Commission (GRC) is appointed to conduct a holistic study of the gambling industry and to deal with policy issues raised by Parliament.
- 2015 - **the dti** presents the gambling policy for approval to cabinet with recommendations after considering all recommendations against economic contributions, unemployment, poverty levels, over indebtedness and social impact.
- 2016 – **the dti** presents the National Gambling Amendment bill to cabinet.



Why Gambling is regulated

- The NGB'S fundamental role is ensuring **uniformity, harmonisation & integrity** of the gambling industry.
- Regulation of gambling **sustains a high level of integrity** of the gambling industry.
- Part of the role of the NGB is to **conduct research** to better understand the size and shape of this industry, and this remains critical.
- The NGB **reports on the state** of the industry and identifies necessary interventions for consideration by **the dti** and National Parliament, such as:
 1. Ensuring the gambling industry is crime free;
 2. Protection of the vulnerable;
 3. Fairness of the games / consumer protection;
 4. Accountability for and collection of taxes and levies;
 5. Transformation in the industry; and
 6. Economic modelling and the ease of doing business.



The Role of the Gambling Regulator

- Formulates clear objectives intended to be achieved through the legalisation and regulation of gambling
- These should guide gambling policy
- Gambling licences are a privilege
 - Burden of proving suitability/qualification with applicants
- There should no financial interest by the state in gambling licencees
- Monitor the socio-economic consequences of regulating gambling



The Role of the Gambling Regulator

- Gambling by its very nature is potentially addictive, and must be treated with caution
- Society must be protected against the harmful effects of gambling
- Regulations serve to control and monitor the industry
- The Regulator thus protects society whilst permitting gambling in a controlled way
- The Regulator DOES NOT promote gambling



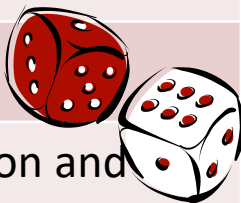
The Agility of Regulations and The Future Landscape of the Gambling Industry

- Regulations assist as guidelines, norms and standards, and/or administrative procedures on how the industry should be regulated
- The fundamental principle is that regulations shape the landscape of the gambling industry
- Regulations reflect what is permissible after consideration of various factors that could influence changes to the regulatory regime, such as gambling trends, social impact, innovation, technological advances, changes to the punter profile, demand etc.
- The Regulator is mindful of the need to constantly strike a balance between over-regulating (stifling growth) and under-regulating (lax approach)



What Informs the Agility of Regulations

Factors	Considerations
Demand	Is there a demand and will it result in harm?
Proliferation	Will the proposed product/service result in proliferation?
Geographic location	Will we be able to regulate it within our borders? Suitability of locality?
Economic viability	Has there been a Socio-economic Impact Assessment System model established, and statistical evidence to support, the legalization of proposed product/service?
Socio-Economic impact	What would be the impact on problem gambling? Consumer protection.
Competition	Could the proposed product/service lead to unfair competition?
Enforcement	Enforcement Capability
Revenue	Revenue generation for the fiscus, and employment creation and retention



Factors that may Impact on the Agility of Regulations and the Future Landscape of the Gambling Industry

Innovation and technology:

- Gambling has always been an early adopter of technological changes, for example, from the early days of the runners for Bookies, to taking bets online today;
- Technology is not developed specifically for an individual industry but it is how industries adopt and adapt to the technological changes.
- The slot machine of today has more features and the gambling experience much different to 20 years ago due to the innovations and advances in technology.
- Innovation has made the presentation of gambling products much more appealing to the punter, access to gambling products much easier and available almost everywhere and anytime.
- Technological advances have also resulted in competition for punters between traditional, brick and mortar casinos with online casinos (illegal in RSA), traditional horse racing, sports etc. with virtualized equivalents.



Factors that may Impact on the Agility of Regulations and the Future Landscape of the Gambling Industry

Changes to the punter profile:

- The gambling industry, like any industry, is subject to environmental change, and the profile of the punter reflects such change
- In terms of technology, there are new innovations being introduced into the industry targeting the next generation of gamblers
- Skill-based games are being rolled out to appeal to punters not attracted to traditional slot machines
- Research shows that millennials favour skill-based games which are easily accessible through technological devices
- Should this trend gain traction with millennials, then the changes to the profile of the punter will have an impact on the future landscape of the gambling industry



Factors that may Impact on the Agility of Regulations and the Future Landscape of the Gambling Industry

Proliferation:

- Proliferation applies to both illegal and legal forms of gambling
- There are many factors which can drive proliferation of gambling activities, some of them are:
 - Accessibility to gambling products, for e.g., greater internet penetration in the society giving rise to increased incidents of online gambling
 - Advancement of gaming modes or the presentation thereof. For e.g., poker being played online
 - Appeal – the sports betting industry is gaining popularity amongst men between the ages of 18-40. Popularity drives demand.
 - Unemployment / Poverty
 - Higher stakes / Return on investment: Some individuals turn to illegal gambling due to the fact that conventional / legal methods do not pay off enough



Factors that may Impact on the Agility of Regulations and the Future Landscape of the Gambling Industry

Revenue

	2005	2008	2012	2016
<i>Contribution to GDP</i>	0.90%	0.93%	0.77%	0.81%
<i>Propensity to Gamble</i>	1.70%	1.34%	0.97%	0.97%
<i>Employment contribution</i>		0.90%	1.70%	0.97%

- The contribution of the gambling industry to the South African Economy over the last five years shows some structural shifts in terms of participation by mode. The share of the casino industry in GGR has declined substantially between 2008 and 2016 whilst on the contrary the share of especially bingo gambling, LPMs and horse and sports betting show strong upward trends.
- In addition, although the GGR and gambling turnover exhibit upward trends over the years, the gambling sector's contribution to GDP over the last five years shows a declining trend from 0.90% in 2005 to 0.81% in 2016. Coupled with this, the propensity to gamble (allocation of household income to gambling expenditure) in regulated modes of gambling also indicates a gradual decline from 2005 with a stabilisation at less than 1% since 2012. Moreover, the incidence of gambling by South Africans has declined substantially from 56.8% in 2002 to 30.6% in 2017.
- Given the current economic climate and descent of the South African economy into a recession, the trajectory of the performance of the gambling industry over the next five years based on its performance over the last five years does not envisage any upward trends with respect to overall contribution of the gambling industry to GDP in the near future



Future Landscape of Gambling Industry, Trends and Future Projections

- The current regulation framework remains agile
 - The gambling industry has been presented with various mergers and acquisitions across gambling modes
 - New technological advances have influenced the introduction of the electronic forms of gambling modes
 - Technology advances continue to be harnessed by regulators
- Socio-Economic Impact 2017 reveals average annual growth in GGR by mode between 2008 and 2016
 - Casino- 4%
 - Horse/sports betting-14.2%
 - LPMs- 19.4%
 - Bingo- 35.5%
- Prominent socio-economic issues that will always remain on the agenda of gambling regulators
 - Support and counselling of punters in gambling
 - Negative Socio Economic Impact of gambling
 - Curbing illegal gambling



Thank you



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