Balancing the economic gain of gambling against the negative impact

Presentation at Gambling Indaba – 10 October 2016
1. Mandate and role of the NGB
2. Benefits of gambling
3. Negative impact of gambling
4. Current status of gambling in South Africa
5. Challenges affecting the balance
6. Addressing the challenges
7. Conclusion
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 overstimulation 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.
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
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

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

<table>
<thead>
<tr>
<th>Gambling mode</th>
<th>Gauteng</th>
<th>Western Cape</th>
<th>KwaZulu-Natal</th>
<th>Mpumalanga</th>
<th>Limpopo</th>
<th>North West</th>
<th>Northern Cape</th>
<th>Eastern Cape</th>
<th>Free State</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Casinos</strong></td>
<td>5 366</td>
<td>1 862</td>
<td>2 643</td>
<td>630</td>
<td>728</td>
<td>786</td>
<td>305</td>
<td>1 784</td>
<td>545</td>
<td>14 649</td>
</tr>
<tr>
<td><strong>Totalisators</strong></td>
<td>44</td>
<td>20</td>
<td>Combined with bookmaker figure</td>
<td>64</td>
<td>84</td>
<td>69</td>
<td>13</td>
<td>83</td>
<td>73</td>
<td>450</td>
</tr>
<tr>
<td><strong>Bookmakers</strong></td>
<td>62</td>
<td>179</td>
<td>1 675¹</td>
<td>566</td>
<td>887</td>
<td>337</td>
<td>41</td>
<td>308</td>
<td>101</td>
<td>4 156</td>
</tr>
<tr>
<td><strong>LPMs</strong></td>
<td>237</td>
<td>95</td>
<td>101</td>
<td>112</td>
<td>715</td>
<td>252</td>
<td>9</td>
<td>869</td>
<td>14</td>
<td>2 404</td>
</tr>
<tr>
<td><strong>Bingo</strong></td>
<td>364</td>
<td>0</td>
<td>244</td>
<td>88</td>
<td>0</td>
<td>107</td>
<td>0</td>
<td>619</td>
<td>0</td>
<td>1 422</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6 073</td>
<td>2 156</td>
<td>4 663</td>
<td>1 460</td>
<td>2 414</td>
<td>1 551</td>
<td>368</td>
<td>3 663</td>
<td>733</td>
<td>23 081</td>
</tr>
</tbody>
</table>
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)
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).

- Concurrency 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

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

### Changes

- **Number of operational slots (casinos):** Down 345
- **Number of operational tables (casinos):** Down 25
- **Number of operational gambling positions:** Down 120
- **Operational bookmakers:** Down 11
- **Operational Limited Payout Machine (LPM) site operators:** Up 38
- **Operational LPMs:** Up 223
- **Operational bingo outlets:** Up 3
- **Operational bingo positions:** Up 6037
## Current status of gambling

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

Gambling incidence from April 2011 to April 2015

Only 15.3% of the South African population participated in gambling activities during April 2015.
Current status of gambling

Participation in gambling activities as at April 2015

- National lottery: 78.9%
- Scratch cards: 11.2%
- Casinos: 10.6%
- Lucky draws: 7.1%
- Horse racing & sport: 6.2%
- Bingo: 0.4%
- LPM: 0.3%
- Illegal gambling: 17.5%

The majority of gamblers buy lotto tickets.
Levels of risk amongst the South African population - April 2015

- No risk: 93.0%
- Low risk: 2.8%
- Moderate risk: 2.7%
- High risk/problem gamblers: 1.5% of the South African population is regarded as problem gamblers in April 2015
Based on Canadian Problem Gambling Index

Current status of gambling

- National lottery: 78.9%
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- Gambling in casinos: 10.6%
- Lucky draws: 7.1%
- Betting on horses/sports: 6.2%
- Bingo: 0.4%
- LPM: 0.3%

17.5% of gamblers participated in illegal gambling in April 2015
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
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.
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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