

the dti Input: Remote Gambling Bill

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Purpose

- To provide input to the Remote Gambling Bill tabled by the Democratic Alliance (Notice 319 of 2014).
- To outline reasons why **the dti** does not support the legalisation of remote (online) gambling in the country.
- To propose policy measures **the dti** will adopt to deal with online gambling in the country.



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Step by Step – Gambling 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 awaits promulgation with the Regulations.
- 2009 – Parliament queries the Interactive Gambling Regulations 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 the Portfolio Committee.
- 2010 – the GRC conclude the study and Minister hands report to Cabinet and Parliament.
- 2011 – 2012 – The Portfolio and Select Committee produces own report recommendations.
- 2014 - **the dti** presents policy recommendations after considering all recommendations against economic contributions, unemployment, poverty levels, over indebtedness and social impact.



Regulatory Structure

- **the dti** and Provincial Departments responsible for gambling provide policy guidance.
- National Gambling Policy Council (NGPC) is a structure setup to coordinate concurrent jurisdiction to ensure policy consistency and harmony.
- Minister and relevant provincial MECs are voting members of the NGPC.
- National Gambling Board and Provincial Licensing Authorities implement respective legislation with a clear mandate.
- Constitutional provisions are clear on the competency of national and provincial government – online gambling being a national competence.
- The published Policy Document was tabled, deliberated and adopted at the NGPC prior to it being published for comments.



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Legalised Gambling Modes

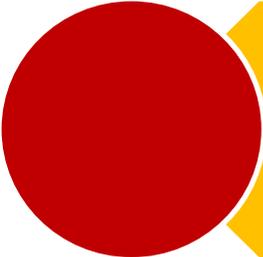
- The National Gambling Act No 7 of 2004 is authorises the following modes of gambling:
 - Casinos
 - Horseracing Betting
 - Limited Payout Machines
 - Bingo
- Law enforcement continuously fight the operation of fafi, online gambling, dog racing, dice and card. Hence the proposal to enhance legislative challenges to effectively enforce against illegal operations.
- Other authorised operators offer betting of lotto results and sports betting in direct contravention of the Lotteries Act, in the pretext of a licences issued under the gambling legislation.



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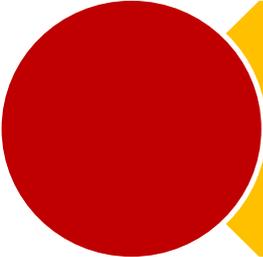
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Socio-Economic State of the Country

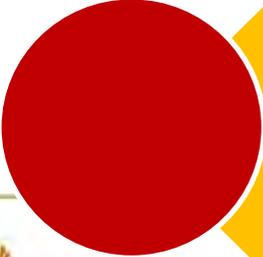


Statistic South Africa reported that 32.9% of South Africans were living in poverty in 2011. Although that was a recorded decline from 2006 at 42.2%, it was still high.

Unemployment rate is almost 25% with young people being the most affected.



The National Credit Regulator (NCR) Study of 2014 revealed that the number of consumers with impaired records (struggling to pay) increased by 343 000 to 9.95 million from 9.60 million in the previous quarter.



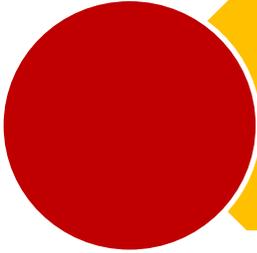
Problem gambling trends are growing as indicated below:
2011 March **0.6%**, 2011 November **1.5%**, 2012 March **2.7%**
and 2012 November **2.9%** (**NGB 2013 study**)



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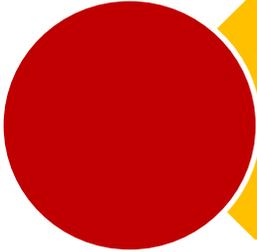
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Main Inputs From the dti



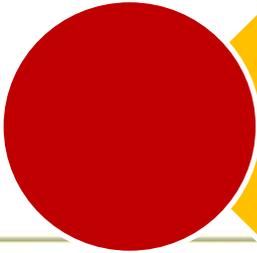
The policy in South Africa is that online gambling is banned. There is no policy in the country on how online gambling will be regulated and enforced.

Adequate enforcement capacity is a must before regulation can be considered as gambling regulation must protect society.



No RIA or cost benefits analysis conducted.

It is not clear how online gambling will affect benefits derived from land-based form of gambling in terms of employment and infrastructure development.



Impact assessment should include any impact on the escalation of problem gambling which was sitting at 2.9% according to NGB study of 2013.



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Specific Provisions

Section 2 of the Remote Gambling Bill deletes section 2A (h) and (g) which is about the protection and advancement of the historically disadvantaged groups and to protect society against the overstimulation of gambling.

The two principles are still very important in the regulation of gambling

Sections 10, 11 and 12 vest the regulation of remote gambling with provinces.

The borderless nature of remote gambling necessitate regulation by a central body to ensure limited number of licences.

Section 37A removes Minister's powers to determine the number of licences in the country.

Such may cause overstimulation of the demand to gamble, thus, each province will determine own licence limits



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Policy Considerations

The GRC policy Matrix was considered when reaching the dti decision.

Demand	There is demand but will result in harm.
Proliferation	It will result in proliferation.
Geographic location	Online gambling is borderless.
Economic viability	No Regulatory Impact assessment (RIA) and statistical evidence to support legalisation of online gambling.
Socio-Economic impact	No information how online gambling will impact on problem gambling which is growing.
Competition	Could lead to unfair competition since no significant jobs will be created
Enforcement	No enforcement capacity
Revenue	Revenue generation (may be repatriated to other countries), no jobs



Other Jurisdiction on Online Gambling

United States of America

The Unlawful Internet Gambling Enforcement Act, 2006 prohibits banks from processing payments related to online gambling.

NB some States are permitting online gambling (Nevada, New Jersey and Delaware)

Singapore

Recently banned online gambling and introduced measures to block local and offshore websites providing online gambling. 2014.

France

Online casino gambling is illegal while online betting on horseracing and other games that require some kind of skill are permitted.

South Africa can source the blocking technology as part of enforcement against online gambling.

Collaboration among the Ministers responsible for Trade, Electronic Communications, Police and Treasury (SARB and FICA) will enforce this.



Prevalence and Responsible Gambling

- 2012 Omnibus Survey by the National Gambling Board indicates -
 - 29.6% of gambling participants were unemployed;
 - 14.8% occupied part-time jobs;
 - 37.8% had no formal schooling, only primary education or some high school education (grade 12 excluded); and
 - 29.4% earned less than R1 000 per month.
- 2013 NGB study indicated that individuals in the age groups 25-34, and 35-44 are more predisposed to gambling than population average.
- On problem gambling, a study by the NGB highlighted problem gambling to be sitting at 2.9% in November 2012, the latter is an increase from 0.6% in April 2011.
- Online gambling is more likely to be harmful as it relates to youth and poor people.



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Conclusion and Recommendations

- Having considered the relevant factors mentioned above, South Africa is not ready to expand gambling in the manner proposed in the Remote Gambling Bill.
- Any policy choice in the country must be motivated by the readiness of that country to introduce such policy.
- There is no policy to support the proposal to legalise online gambling.
- There is no RIA conducted to ensure that there are no unintended consequences.
- South Africa develop laws to effectively enhance enforcement against illegal online gambling. Considering the harm, the potential to generate tax revenue cannot be a motivate to legalise online gambling.
- **the dti** recommends that remote gambling remain illegal.



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Thank you



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