

# Presentation to the National Assembly Portfolio Committee on Trade and Industry on the National Gambling Bill 2018

By the Goldrush Group

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# About the Goldrush Group

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The Goldrush Group is a diversified gaming group with interests in Sports Betting, LPM Route operations and Bingo.

Goldrush Bingo was awarded the first Bingo licences in Gauteng during 1998 and the first licensed operation in South Africa became operational on the 1<sup>st</sup> October 1998.

Goldrush has since been awarded bingo licences in all six provinces where bingo is licensed: Gauteng, Mpumalanga, Kwa-Zulu Natal, North-West, Eastern Cape and Limpopo.

Goldrush is the largest licensed Bingo operator in the Republic.

It currently employs over 2000 people.



# The focus areas

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In its email of 16 October 2012 the Committee identified the following areas in the Bill as its focus areas for consideration at this stage:

The reconfiguration of the National Gambling Board to the National Gambling Regulator (**NGR**) and the related clauses.

Consideration of governance challenges as it relates to the National Gambling Policy Council, and the related clauses.

# Goldrush is concerned about the following aspects of the focus areas

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## **The NCEMS system**

The Bill proposes to extend the central electronic monitoring system which currently monitors only LPMs to monitor any “limited pay-out machine, casino, bingo or betting activity”. The extended system, to be called the National Central Electronic Management System (**NCEMS**) is to be established by and report to the NGR.

- Clause 19 of the Bill, amending section 27 of the Act

## **The quorum of the Council**

The Bill proposes amendments that will allow a binding decision to be taken by the National Gambling Policy Council without at least five provinces being in favour of it.

- Clause 36 of the Bill, inserting section 63A into the Act

# There has been inadequate consultation on the NCEMS proposal

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The draft National Gambling Policy 2015 circulated for comment does not contain a proposal to extend the existing CEMS to bingo, casinos and sports betting.

It envisages that the CEMS will remain confined to LPMs but the service provider will require a national licence.

This is the proposal that the gambling industry was asked to comment on.

# The NCEMS is announced in the 2016 final Policy

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The final gazetted National Gambling Policy 2016 elaborates on the idea that the NGR will develop the capacity to run the CEMS itself. It will earn the revenue from the operation fees that are currently earned by the service provider.

To the surprise of the industry, the Final Policy then introduces the policy that the CEMS should be extended to all gambling modes (paragraph 4.27):

“The operation of the CEMS should not be limited to LPMs as PLAs struggle to collect information from other gambling modes which operate their own CEMS. The existing CEMS operated in other gambling modes must be linked to the CEMS established and maintained by the NGR. The licensees affected must pay the prescribed monitoring fee in respect of such machine tested to the NGR. The Minister will, after consulting Council and the industry, determine when the operation of the CEMS should be extended to all other gambling modes.”

# The NCEMS proposal was not included in the 2016 draft Bill

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- The 2016 draft Bill circulated for comment by the DTI provided for a National Central Electronic Monitoring System under the jurisdiction of the NGR but it did not propose its extension beyond LPMs to other modes of gambling.
- The draft Bill provided that “The Minister may, after consultation with the Council and the industry, determine the operation of the national central electronic monitoring system”.

# The 2018 Bill intends to extend the NCEMS to all gambling modes

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- The extension of the scope of the NCEMS to other gambling modes is proposed for the first time in the this Bill placed before Parliament.
- The gambling industry, on which the burden of paying for the extended NCEMS is to be placed, has not been consulted on this proposal, contrary to what is stated in the Policy and in the draft Bill.

# Rationale for the extended NCEMS

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According to the final National Policy the existing CEMS must be extended and operated by the NGR (rather than by provincial licensing authorities (**PLAs**)) for the following reason:

“PLAs struggle to collect information from other gambling modes which operate their own CEMS. The existing CEMS operated in other gambling modes must be linked to the CEMS established and maintained by the NGR”.

An additional rationale is that Policy envisages that the NGR, once it has developed the capacity to operate the CEMS, will derive revenue from it to fund its operations. Extending the scope of the CEMS to all gambling modes will greatly increase this source of revenue.

# Goldrush has no experience of a “struggle to obtain information” by PLAs

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The difficulty created by the absence of consultation in the Policy and draft Bill processes on this proposal is that the industry has not had an opportunity to consider and comment on the rationale that is now offered for the proposal.

That rationale is open to doubt:

- Goldrush is a licensed operator in the majority of provinces and has no experience of the “struggle to collect information” referred to in the Policy.
- Licensees are obliged to provide information to PLAs in order to declare and confirm provincial gaming taxes and they do so. Licensees that did not provide this information to PLAs would have their licenses revoked.

# The PLAs have access to licensees' internal monitoring systems

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Goldrush has installed a state of the art electronic monitoring and management system for all its electronic gaming operations, as have its competitors and the casinos.

PLAs include in their gambling rules a requirement that they must be given dial-in access to these internal monitoring systems for purposes of monitoring significant events and verifying and collecting information provided by licensees.

Ensuring that PLAs and the NGR are able to access the data in licensees' own monitoring systems is the answer to any "struggle to obtain information". It does not require establishing a national NCEMS for all modes of gambling.

# The scope of the NCEMS goes beyond obtaining information from licensees

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The proposed amendment to section 27 goes much further than simply requiring data to be shared with PLAs or with the NGR.

It envisages that the NCEMS will monitor significant events in all gambling modes in the same way as LPMs are currently monitored. In other words, the NCEMS will be a fully-fledged monitoring and enforcement mechanism rather than simply an information-gathering mechanism.

This is not catered for in the Policy and the “struggle to obtain information” is not a rationale for this dramatic extension of the CEMS or justification for the considerable costs that this will entail for the gambling industry.

# The PLAs and not the NGR are the regulators of the gambling industry

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The NGR does not collect taxes and it does not police or regulate the day-to-day activities of the gambling industry. That is the role of the PLAs.

It is therefore difficult to justify the expense of constructing and maintaining an industry-wide CEMS reporting to the NGR rather than to PLAs. The costs are not dealt with in the Policy or the Bill. Currently LPMs pay 6 per cent of Gross Gaming Revenue as the fee for the CEMS.

A fee set at 6 per cent of GGR for all gambling modes would cost the industry R1.8bn in fees (based on current gross GGR of R30bn).

# The NCEMS will require extensive additions to existing in-house monitoring systems

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In addition to paying fees, the NCEMS will require licensees to install and run an additional monitoring systems which must added to the existing systems and also installed on individual gaming machines and bingo terminals which will need major re-developments and re-engineering to cater for two systems running in parallel.

All gaming machines and bingo terminals will have to go through full re-testing by the approved test laboratories and the NRCS as well as further approvals of LOCs by the PLAs.

These extra and unnecessary costs have the potential to cripple the industry.

# The existing CEMS provides a useful service for LPMs but central monitoring is needed for other gambling modes

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The current CEMS provides a useful service for the national authorities, the PLAs and route operators. LPMs are located all over the country in venues like bars and taverns. There are no on-site personnel to monitor the significant events or breakdowns occurring on LPMs.

The current CEMS also benefits the licenced Route operators who install their LPMs (which are expensive assets) on sites scattered all over the provinces. The CEMS allows them to monitor any problems/breakdowns with the LPMs so technical support can be deployed to the site. This helps to justify the high costs of the CEMS fees.

None of this is necessary for primary gambling establishments like bingo centres and casinos which all have on-site monitoring and technical backup. Their in-house systems can provide all data that the PLAs and the NGR require.

# Goldrush's proposal on the NCEMS

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Goldrush requests the Committee not to proceed with the proposed extension of the NCEMS.

Consultation between all licensees, PLAs and the NGR needs to take place to discuss this proposal and the contention that “PLAs struggle to collect information”.

Access to information does not require a full-blown extension of the NCEMS. Information from in-house systems can be made accessible to the NGR.

Other methods of funding the NGR ought not be considered rather than imposing on the gambling industry the burden of paying for and accommodating an unnecessary extension of the NCEMS.

# Principles underlying the quorum of the Council

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The National Gambling Policy Council plays a crucial role in ensuring co-operation and co-ordination of gambling policy between the provinces and between the provinces and the national government. This is in accordance with and gives effect to the constitutional principle of co-operative governance.

The voting members of the Council are the Minister and the nine MECs responsible for gambling in each province. An issue put to the vote must be supported by the Minister and five MECs to pass. This is to ensure that a decision that does not have the support of a majority of the provinces will not pass.

Allowing the Council to make decisions without a majority of the provinces undermines these principles

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The effect of the proposed amendment is that a binding decision can be taken without at least five provinces being in favour of it.

According to the Policy this provision is necessary because Council meetings are sometimes inquorate because fewer than five provincial representatives attend.

# Goldrush's proposal on the quorum

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Goldrush submits that this problem should be tackled in ways that do not undermine the Constitutional principles. For examples, decisions may be made by a round robin method or proxy votes may be considered. Members of the Council could be permitted to appoint an alternate to deal with the problem that they are not always able to attend meetings.

# Thank you

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Goldrush thanks the Committee for the invitation to participate in these proceedings.

