GAMBLING REVIEW COMMISSION’S REPORT

PRESENTATION OF THE GAMBLING REVIEW COMMISSION’S REPORT BEFORE THE SELECT COMMITTEE ON TRADE AND INTERNATIONAL RELATIONS

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PURPOSE

- To apprise the Select Committee on Trade and International Relations on the findings and recommendations by the Gambling Review Commission;

- To solicit inputs from the Select Committee on the proposed way forward.
OBJECTIVES

- Objectives of appointing the Gambling Review Commission
  - A holistic review of the industry since 1996
  - Assess social and economic impact of the industry and the effectiveness of measures to mitigate negative effects of gambling.
  - Assess the proliferation of the gambling in South Africa, taking into account Legal and illegal gambling activities; technological developments; viability of roll-outs of new activities (such as animal racing, person-to-person betting, online gambling etc.);
  - Determine whether regulatory bodies are effectively achieving legislative objectives
  - Benchmark with other jurisdictions on best-policy approaches and recommend policy positions
POLICY BACKGROUND

- Government appointed the Wiehahn Commission to investigate the need to legalise gambling in South Africa in 1995
- The Commission recommended the following policy objectives to regulate gambling:
  - The protection of society from the over-stimulation of latent gambling through the limitation of gambling opportunities;
  - The protection of players and integrity and fairness of the industry through the strict control and supervision of the industry;
  - The uniformity and harmonization of policy and legislation at all levels of government and across provinces through minimum norms and standards and co-operation and co-ordination;
  - The generation of revenue and taxes for provincial government and for good causes;
  - The economic empowerment of the historically disadvantaged;
  - The promotion of economic growth, development and employment.
METHODOLOGY

The Commission’s review process considered:

- Desktop research
- Public hearings, two venues in each of the nine provinces
- Direct meetings with stakeholders, all gambling operators (i.e. Casinos, Bingo operators), national and provincial gambling boards and delegates from the Lotteries Board.
- Benchmark with foreign jurisdictions like United Kingdom, Italy, Alderney, Australia, Singapore, Hong Kong and Macau.
OVERVIEW

The industry is composed as follows:

- Casinos offering unlimited bets and payouts on winnings.

- Initially casinos were located outside town and cities, people had to travel to casinos, but today there are developments around casinos.

- Limited Payout Machines (LPMs) which operate as secondary businesses within taverns offering limited bets and payouts on winnings i.e. maximum of R5 bets and R500 maximum winnings.

- Betting on horse racing and traditional Bingo sectors, now adding sports betting and Electronic Bingo Terminals respectively to supplement their revenues.

- New forms of gambling emerging like online gambling, revival of dog racing, betting exchanges and virtual racing which require policy interventions.

- Illegal gambling operation like fafi, bush racing, poker tournaments, interactive gambling and dicing.
SOCIAL IMPACT

Problem Gambling

- Problem gambler is a person with an uncontrollable urge to gamble, spent more time and money than they can afford.

- Problem gambling remains constant since 2005 but the South African problem gambling is higher compared to Europe.

- The National Responsible Gambling Programme (NRGP) provides counseling to problem gamblers; the NRGP is funded by the gambling industry which contribute 0.1% of their Gross Gaming revenue.

- The Commission recommends that there should be a fund generating scheme that will fund not only the NRGP but all institutions that provide counseling to problem gamblers as they are not funded – the Lottery operator should also contribute to the fund.

- The developments of Malls around casinos provided easy access to casinos which may lead to increased gambling cultures in society – must consider different entrances to reduce accessibility.
NEW FORMS

Electronic Bingo Terminals

- There is opposition that EBTs are the relatively similar to casino slots machines and that they should not be allowed outside of casinos.

- The Commission agreed that EBTs are similar to casino slots machines.

- Commission proposed that similar to the United Kingdom, EBTs should be allowed only if they maintain the look, feel and sound of traditional bingo – there should be no spinning wheels, lights and sounds of casino slots machines.

- EBTs must have limits of machines and with similar conditions as LPMs
NEW FORMS

Online gambling

- Commission opines that the current prohibition of interactive gambling is undesirable as it fails to offer protection to South African punters.
- Recommended the regulation of online gambling as opposed to interactive gambling.
- Online gambling poses challenges of facilitating money laundering and terrorism financing if allowed – Financial Intelligence Centre Act (FICA) regulations need to be strictly adhered to.
- There will be an urgent need for new technology to deal with the monitoring of funds.
- Banks argue that it will be difficult to distinguish between legal and illegal gambling transactions.
- The regulation of online gambling will require the appointment of cyber inspectors to be expedited in terms of the Electronic Communications and Transactions Act, 2002
NEW FORMS

Betting Exchanges
- Allows punters to bet against each other in a controlled market place.
- It is easy for regulators to identify corrupters and fraudsters.
- Commission recommends that betting exchanges be regulated under the regulatory framework of online gambling.
- Strict adherence to the FICA will be needed to eliminate money-laundering incidents.

Greyhound racing
- Commission recommended prohibition of Greyhound racing and that if legalised there should be strict enforcement of animal welfare regulation.
- Independent Greyhound racing study proposed legalisation as the continued prohibition may be found to be unconstitutional.
- There must be consideration to regulating all forms of animal racing as opposed to regulating only one form.
REGULATORY FRAMEWORK

- Oversight role of the National Gambling Board should be removed and replaced by auditors of provincial regulators given that the NGB will be regulating online gambling – can't regulate and perform oversight functions.

- Further some of the proposals the NGB puts forward are resisted by Provincial Regulators, resulting with the failure to implement.

- While provincial regulators are successful in enforcing compliance within the industry, operators complain about lack of regulatory uniformity across provinces – uniformity should be encouraged.

- Auditors will audit provincial regulators for compliance with the national norms and standards.

- The dti with the South African Bureau of Standards will develop the national norms and standards which must be consulted on before implementation.
REGULATORY FRAMEWORK

National Gambling Policy Council (NGPC)
- The forum has not been adequately effective in its mandate due to lack of quorum each time the NGPC has to be convened – out of 8 meetings since 2006 only 3 had a quorum.
- The role of the NGPC will need to be limited to discussing policy matters with a view to achieve consensus.

National Lotteries Board (NLB)
- The NLB’s administrative support to the National Lotteries Distribution Trust Fund is destructing them from their core regulatory functions.
- Commission recommends that a separate grant making body be established to manage the funds, with the oversight of the NLB.
- There must be legal certainty on who between the totalisator and NLB is responsible for sports pools in South Africa.
- With NGB regulating online gambling and NLB no longer administering the NLDTF the regulation of online gambling, national lottery and sports pools may need to be combined.
RECOMMENDATIONS

- Cooperative governance in terms of the Constitution Act, 1996 is important.
- Cooperative governance ensures there is uniformity in the regulation of gambling.
- Access to gambling venues needs to be harmonised if problem gambling is to be combated.
- Education, awareness and counseling of problem gamblers should be properly funded and coordinated.
- Single regulator for online gambling should be established to regulate online gambling, betting exchanges, national lottery and sports pools.
- Online gambling should be regulated in order to protect South Africans cross boundaries.
RECOMMENDATIONS

- Electronic Bingo Terminals should be allowed only if they maintain the look, feel and sound of traditional bingo game.

- Electronic Bingo Terminals must have limits in numbers of machines, maximum stakes and payouts similar to LPMs.

- In the event Greyhound racing is regulated animals welfare issues should be considered.

- Online gambling should be regulated with strict adherence to the FICA

- Oversight functions of the NGB should be left to auditors for provincial regulators (separation of powers).
POLICY GAPS IDENTIFIED

- The proposal for Lotteries to contribute 0.01% of gross revenue to the National Responsible Gambling Programme does not take into account the continued contribution made by lotto to good cause organisations including rehabilitation centers.

- A national policy framework on Electronic Bingo Terminals (EBTs) should be developed before provinces can roll-out EBTs.

- There is a need to revamp the National Horseracing Authority of South Africa statutorily to be inclusive of all stakeholders involved in the industry.

- Online gambling should be legislated in order to accommodate the demand and to enforce against illegal operations.

- Online gambling should be regulated nationally by the National Gambling Board with an agreed revenue sharing model with provinces.
POLICY GAPS IDENTIFIED

- The Inter Ministerial Committee led by Minister of the dti must coordinate issues relating to the Financial Intelligence Center Act, the Electronic Communications and Transactions Act and the Copyright issues.

- Uniformity across all provinces should be encouraged and the dti with the South African Bureau of Standards will develop the norms and standards which must be consulted on before implementation.

- National Gambling Policy Council should be professionalised to allow Minister to take a decision if there is no quorum at the meeting.

- The National Lotteries Board must be professionalised into full time units to adjudicate and distribute funds.

- Internal review mechanism will be created within the National Lotteries Board to review decisions of the professionalised distribution agencies.
MEMBERS

Report compiled by the Gambling Review Commission Members

- Ms. Astrid Ludin - Chairperson
- Mr. Clement Mannya
- Dr. Stephen Louw
- Prof. Sphiwe Nzimande
- Ms. Adheera Bodasing

- Appointed in December 2009, for 12–month period
THANK YOU