



National Gambling Board
South Africa
a member of **the dtic** group

PRESENTATION - FORTH QUARTER PERFORMANCE REPORT: 1 January 2021 – 31 March 2021

PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

Presenter:
Ms Caroline Kongwa
(Accounting Authority)

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NGB MANDATE



NGB MANDATE

THE NATIONAL GAMBLING ACT (NGA), 2004 (ACT 7 OF 2004)

The NGB is established in terms of the NGA, and as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) under the Executive Authority (EA) of the Minister of Trade, Industry, and Competition in an effort to enable **the dtic** to achieve its objectives and ultimately its mandate. The mandate of the NGB is set out in sections 33 and 34, read with sections 21, 32 and 65 of the NGA, and these are:

- Oversight of gambling in the Republic of South Africa by evaluating the compliance monitoring of licensees by PLAs and assisting PLAs to ensure that the unlicensed gambling activities are detected
- Monitoring of market conduct and market share
- Monitoring socio-economic patterns of gambling activity and research in order to identify patterns of the socio-economic impact of gambling and addictive or compulsive gambling
- Establishing and maintaining a national registry of every gambling machine or gambling device manufactured within or imported into the Republic, as well as maintaining all other legislative prescribed registers
- Investigating the circumstances of any gambling activity that relates to unlawful winnings that the NGB has held in trust, and either delivers the winnings to the person who won them if not found to be illegal winnings or apply to the High Court for an order to declare the winnings to be forfeited to the State if found to be illegal
- Advising and providing recommendations to the National Gambling Policy Council on, amongst others, matters of national policy and legislative changes relating to gambling.

POLICY MANDATES

The NGB's key priorities are premised on the National Gambling Policy (2016) through which the outcome of the key performance of the NGB manifests by the effect and quality of its advice and recommendations to the National Gambling Policy Council on, amongst others, matters of national policy, matters of concurrent legislative competence and legislative changes relating to gambling.

NGB OVERALL PERFORMANCE



SNAPSHOT OF THE NGB PERFORMANCE

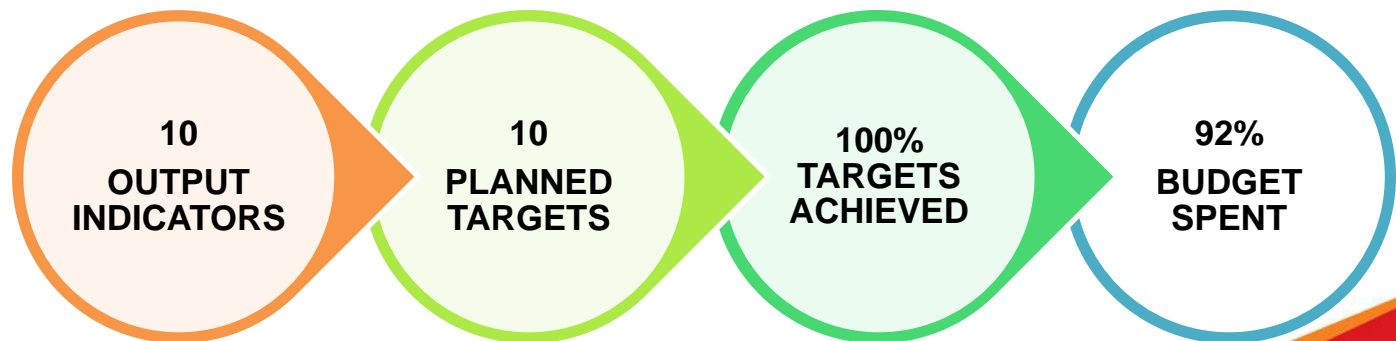
- The NGB achieved its sixth consecutive Clean Audit in FY2020/2021.
- 92% of the NGB's budget was spent during the financial year, whilst generating a surplus of R1.3 million.
- There was no fruitless, wasteful or irregular expenditure that was incurred during the FY2020/2021.
- Internal controls continued to operate effectively throughout the financial year.
- Eligible creditors payments were made within 30 days.
- The financial position of the NGB reflected a positive bank balance of R49.9 million, (which included confiscated unlawful gambling winnings amounting to R5.6 million as well as retained earnings from previous financial periods.)

SUMMARY OF FOURTH QUARTER PERFORMANCE



FOURTH QUARTER PLANNED TARGETS

PROGRAMME	OUTPUT INDICATORS	Q4 TARGET	ACHIEVED
PROGRAMME 1: Gaming Control and Research	8	8	8
PROGRAMME 2: Corporate and Stakeholder Engagement	1	1	1
PROGRAMME 3: Finance and Procurement	1	1	1
TOTAL	10	10 (100%)	10 (100%)

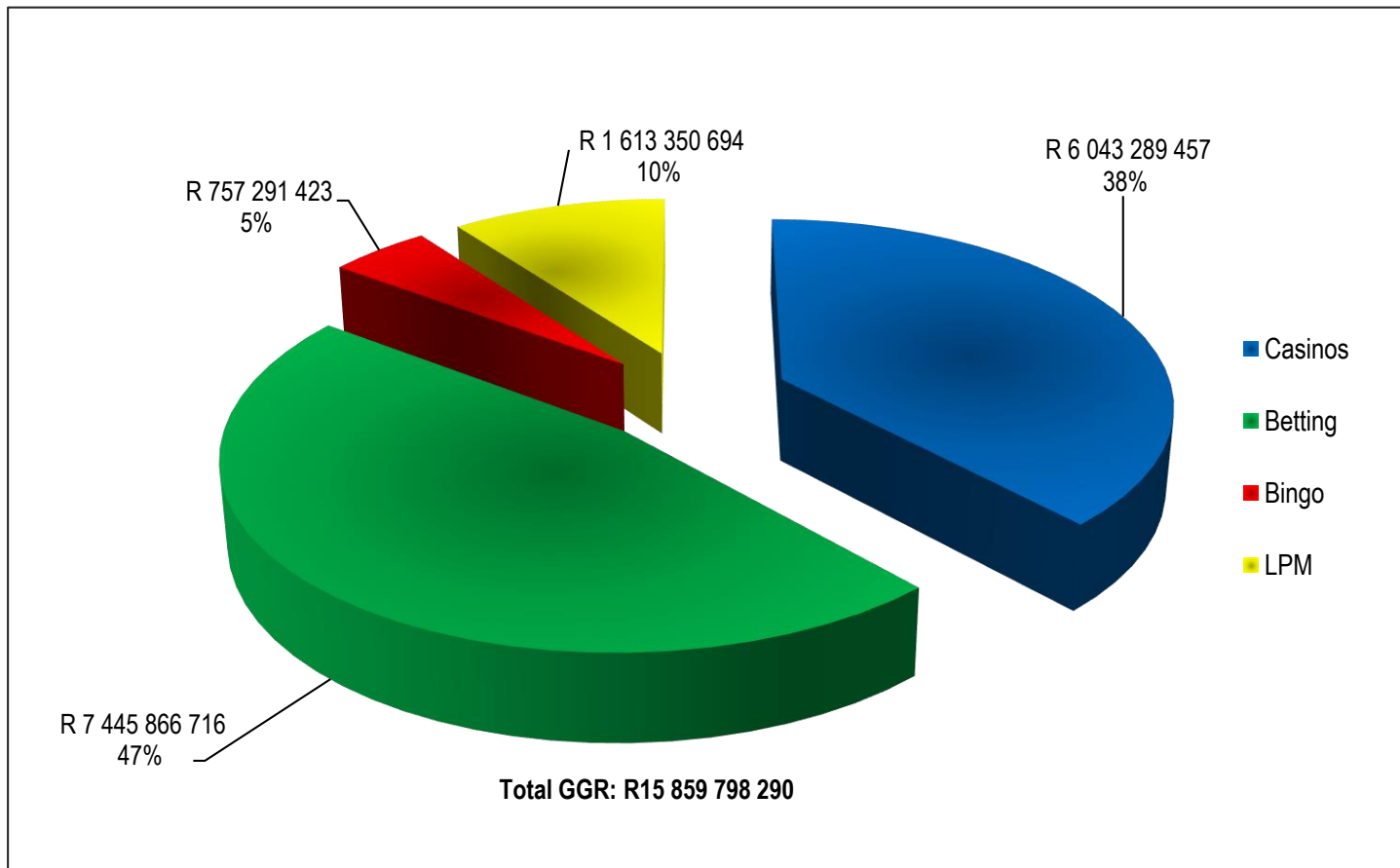


MARKET SHARE



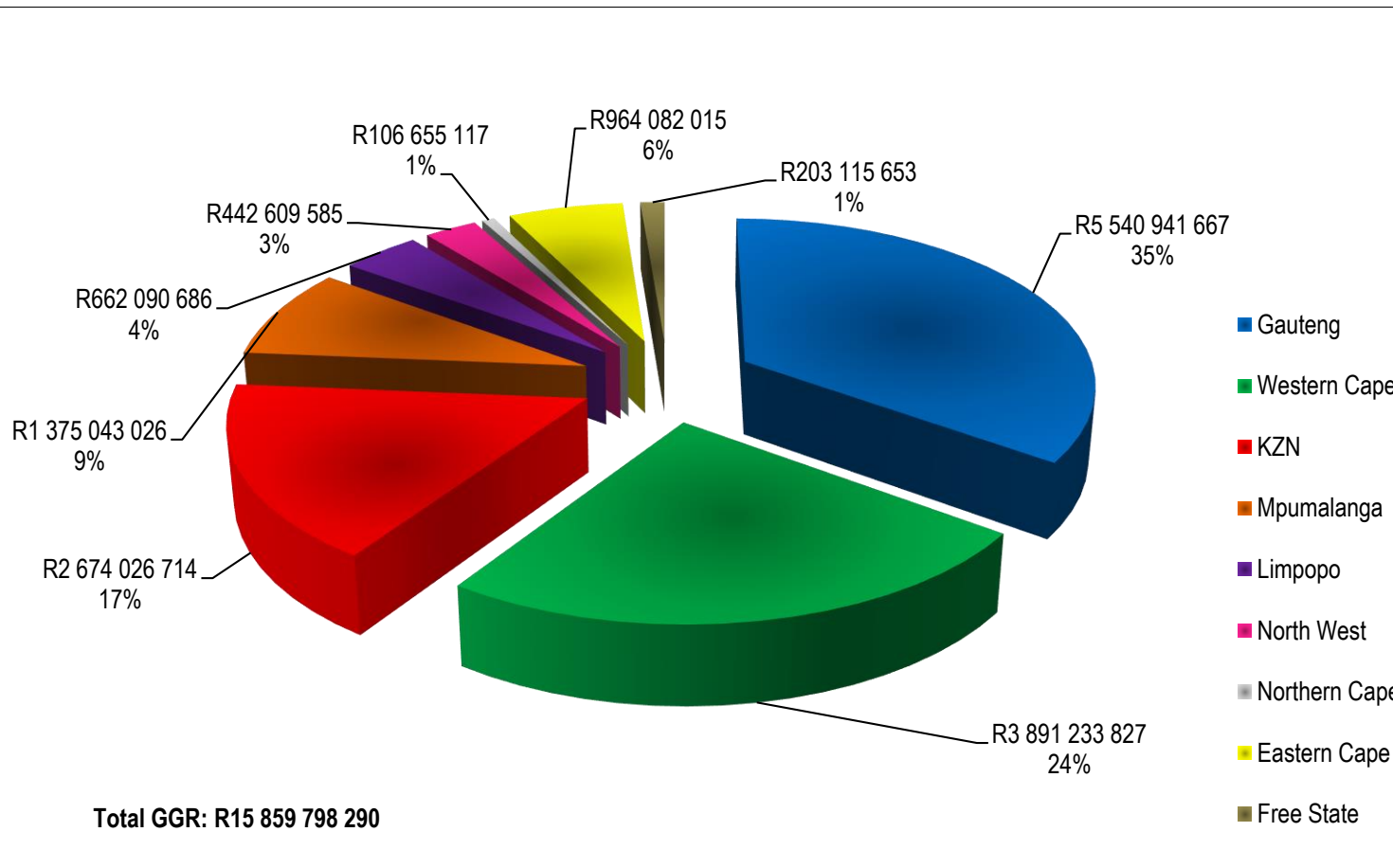
- Money wagered in the gambling industry in FY2020/21 (Q3) was R220 billion. There was a decline of R120 billion representing more than a third of monies wagered in the previous year FY2019/20 (Q3) (R340 billion) due to the effects of the COVID-19 pandemic.
- Gross Gambling Revenue (GGR) generated in quarter three (Q3) amounted to R8.4 billion but was still slightly lower than the previous year [FY2019/20 (Q3)] level of R8.6 billion. This translates to a loss of R200 million which is an effect of the COVID-19 pandemic on the gambling industry.
- Taxes and levies collected were hit the hardest in FY2020/21 Q3 at R1.4 billion compared to R2.4 billion in the previous financial year due to the crumbling revenues. An impact of the COVID-19 pandemic has translated to a loss of R1 billion to the National Fiscus.

GGR PER GAMBLING MODE, ALL PROVINCES, FY2020/21 QTR 1, 2,& 3



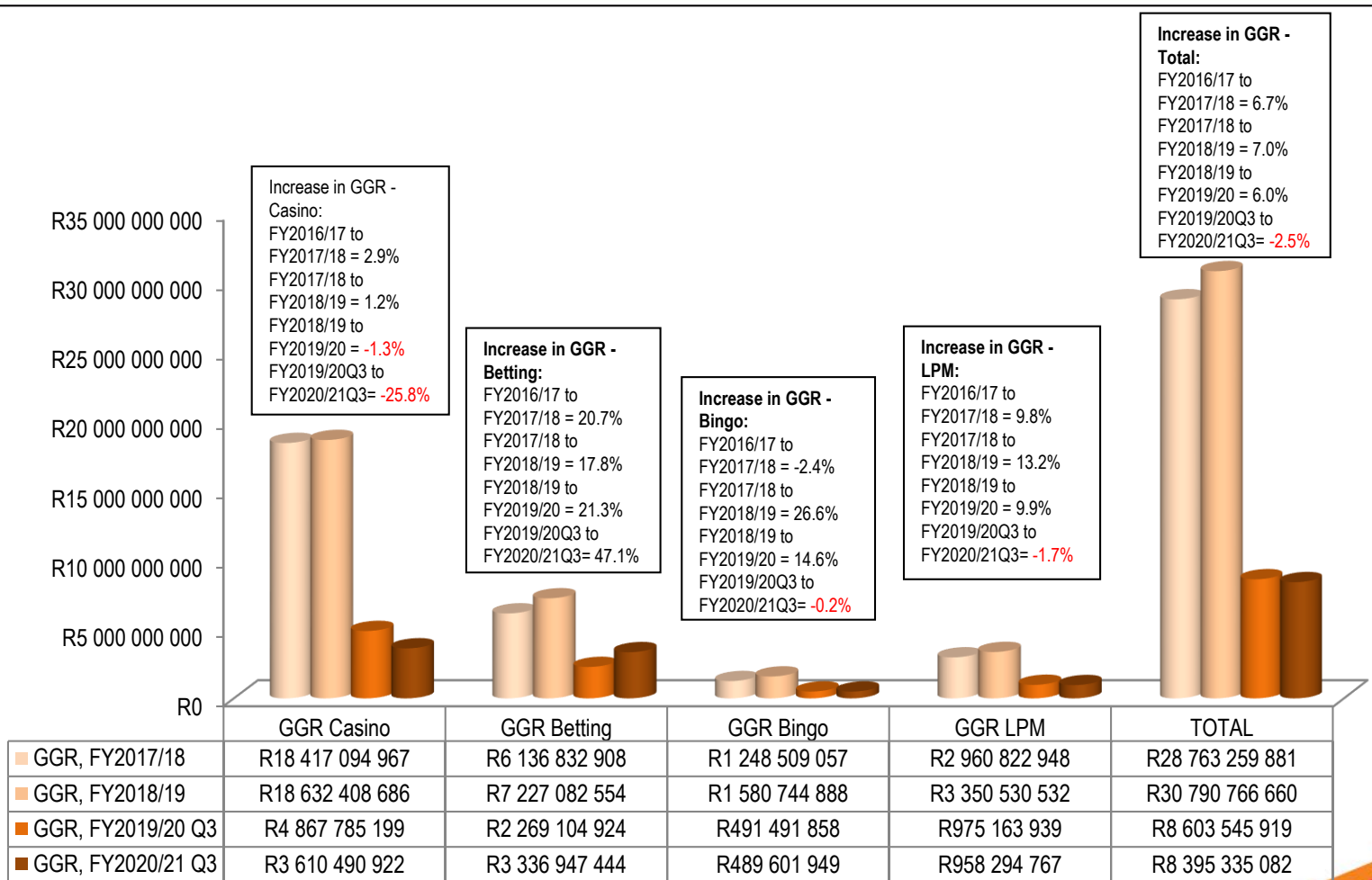
- In totality, FY2020/21 Q1, Q2 and Q3 GGR amounted to R15.9 billion
- Although total gambling revenue has historically been largely made up of casino sector revenue, betting accounted for the highest GGR generated, being 47% as compared to other gambling modes which accounted for 38% casino, 10% LPM and 5% bingo.

GGR PER PROVINCE, ALL MODES, FY2020/21 QTR 1, 2 & 3



- Gauteng generated the highest share of GGR (35%) followed by Kwa-Zulu Natal (24%) and Western Cape (17%).

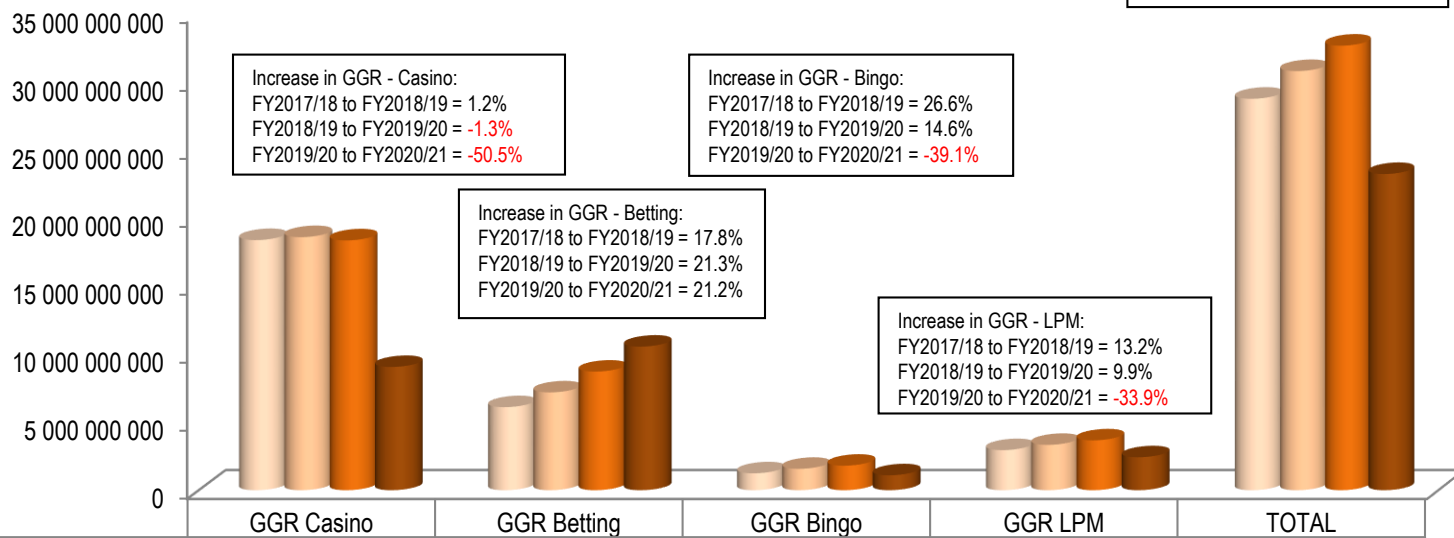
GROWTH IN GGR (ALL MODES): FY2017/18 – FY2020/21 Q1, Q2 & Q3



- The growth rate between FY2019/20 Q3 and FY2020/21 Q3 shows that only the betting industry managed to have positive growth whilst all other modes had negative growth.
- Overall, a decline of -2.5% was seen in GGR.

ANNUAL OVERVIEW

GROWTH IN GGR (ALL MODES): FY2017/18 – FY2020/21

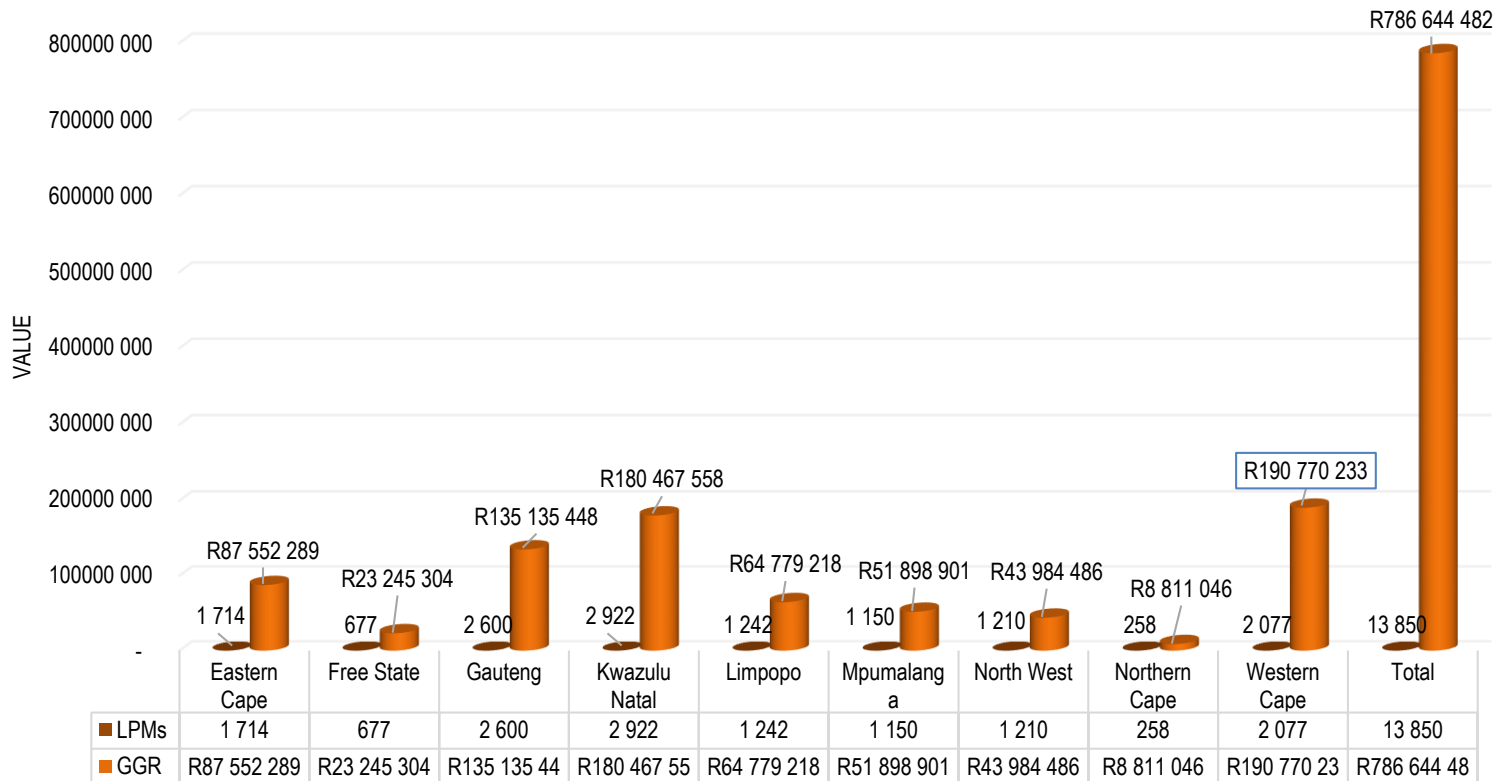


	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
■ GGR, FY2017/18	18 417 094 967	6 136 832 908	1 248 509 057	2 960 822 948	28 763 259 881
■ GGR, FY2018/19	18 632 408 686	7 227 082 554	1 580 744 888	3 350 530 532	30 790 766 660
■ GGR, FY2019/20	18 394 077 253	8 764 027 638	1 810 774 980	3 681 852 665	32 650 732 535
■ GGR, FY2020/21	9 107 191 030	10 609 620 944	1 103 215 830	2 434 393 885	23 254 421 690

- The impact of the COVID-19 pandemic on the gambling industry was an overall 28.7% decline in revenue between FY2019/20 and FY2020/21.
- The casino sector experienced the worst decline whilst the betting sector was the only sector with positive growth.

NATIONAL CENTRAL ELECTRONIC MONITORING SYSTEM (NCEMS) PERFORMANCE PER PROVINCE

31 MARCH 2021



- The performance of the LPMs are monitored through the NCEMS.
- 13,850 active LPMs generated a total of R786.6 million in FY 2020/21 (Q4) compared to 14,088 active LPMs which generated a total of R848.3 million for the same period in FY 2019/20 (Q4).
- The total LPM GGR decreased by 7.27% compared to the same period in FY2019/2020.

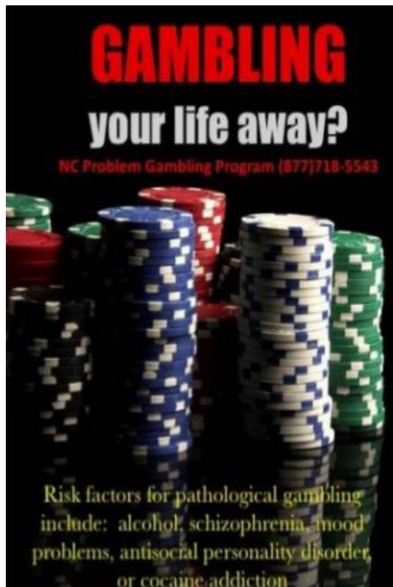
CONDUCTED ECONOMIC ANALYSIS AND RESEARCH ON THE IMPACT OF GAMBLING

- In recent years the South African gambling industry has seen a wave of consolidations between large market players in one sector and other players in other modes of gambling. In light of this, concerns have been raised of dominance in the industry and this therefore warranted a competitive analysis of the industry.
- With nine (9) provincial gambling regulators responsible for issuing casino, bookmaker and limited payout machine licences the gambling industry in South Africa is highly regulated. The local gambling industry is characterised by a small number of large licensed companies and a large number of smaller players.
- In gambling globally, the market structure is characterised by monopolies, oligopolies and competitive markets. Many casino arrangements find structures of oligopoly, and many more operate as government created monopolies. Monopolies occur naturally or they may be generated by unfair competitive practices (called predatory practices) by the larger enterprises in a market or they may also be authorised by governmental action through licensing.
- There is little research evidence that has been drawn on the effects of the varying market structures on the gambling industry in terms of e.g. job development, growth and profits, tax revenues and price structures (Thompson, 2013). In a sector like that of gambling, the market structure is simultaneously a challenge and an opportunity for the regulator. The presence of monopolies and oligopolies requires that the regulator 'disrupts' market forces, strategically and tactically (Gaming Commission, 2015).
- To determine the market structure of the gambling industry, the NGB performed an analysis of each gambling sector and found evidence of dominance in the form of an oligopolistic market structure. In South Africa several major players are involved in more than one sector of the gambling industry. The presence of large casino operators in other gambling sectors such as the LPM and Bingo, especially given restrictions on the number of licences in these sectors. This creates an avenue to further their dominance of the gambling industry where these forms of gambling have predominantly been seen as catalysts for economic growth in townships to enhance their growth in the mainstream economy.
- Given this analysis, it is imperative that as a way forward and in promotion of the transformation agenda, a market inquiry into the industry may be considered to investigate dominance by large players in the gambling industry.

UNIFORMITY OF LEGISLATION IN THE GAMBLING INDUSTRY

- A legislative analysis of Section 53 of the NGA was conducted. Section 53 of the NGA stipulates the **“Economic and social development issues to be considered”** under licensing conditions.
- The regulatory framework does not enable economic development imperatives in that, the NGA and the National Gambling Policy do not make it peremptory that through the issuance of a gambling licence, matters of stimulating growth, job creation and economic inclusion must be targeted and achieved.
- In a quest to further the country's transformation agenda and to ensure that PLAs are empowered to implement Broad-Based Black Economic Empowerment, it is recommended that Section 53 of the NGA is amended or addressed through the establishment of additional national norms and standards through the passing of regulations.
- This will ensure that licensing as a tool for economic development fosters black economic empowerment from the inception of the licensing process.

BROAD BASED PUBLIC EDUCATION AND AWARENESS



The NGB conducted four (4) broad based public education and awareness programmes. This included:

- Multimedia publication on rights of punters on consumer rights day;
- Participation at the SBC Digital Summit Africa on the regulations relating to responsible gambling;
- A capacity building workshop with NCR; and
- An article published in collaboration with FIC related to money laundering and terrorist financing.



FINANCIAL PERFORMANCE



FINANCIAL STATUS AND PERFORMANCE

Income and Expenditure

Item Description	Current Month	YTD Actual 31 March 2021	YTD Budget 31 March 2021	Budget variance	Total Budget for the year
Revenue					
Transfers from Government Department	0	31 027 000	31 027 000	0	31 027 000
Other Income	17 822 532	137 287 410	152 033 765	(14 746 355)	152 033 765
Total Revenue	17 822 532	168 314 410	183 060 765	(14 746 355)	183 060 765
Expenses					
Personnel Costs	2 588 308	36 042 198	39 145 998	3 103 800	38 155 998
Travelling & Subsistence	0	17 952	0	(17 952)	0
Administrative Expenses	127 067	11 763 283	11 014 711	(748 572)	11 014 711
Professional and Consulting Fees	14 623 029	113 619 647	125 491 985	11 872 338	125 491 985
Depreciation	281 597	3 233 141	3 230 489	(2 652)	3 230 489
Other Operating Expenses	69 222	2 316 490	2 051 531	(264 959)	2 051 531
Total Expenses	17 689 223	166 992 711	180 934 714	13 942 003	180 934 714
(Deficit)/Surplus from Operations	133 309	1 321 699	2 126 051	(28 688 358)	2 126 051

FINANCIAL PERFORMANCE NARRATIVE

Revenue analysis

- As at 31 March 2021, a grant of R31.0 million had been received from **the dtic**, constituting 100% of the NGB's annual budget allocation for the 2020/21 financial period.
- Additional revenue amounting to R137.3 million was received from other sources, which sources include NCEMS monitoring fees of R131.5 million, interest on short-term investments amounting to R2.3 million and rental income of R3.5 million.

Expenditure analysis

- Total expenditure as at 31 March 2021 amounted to R167.0 million. This represents 92% of the budgeted year-to-date expenditure against planned expenditure of R180.9 million.
- The Statement of Financial Position reflects a total assets balance of R64.8 million, which exceeds the total liabilities of R16.8 million, representing a total assets to total debts ratio of 3.9 : 1 which is indicative of the fact that there are more than sufficient assets to cover liabilities.

THANK YOU



National Gambling Board
South Africa

a member of **the dtic** group

420 Witch-Hazel Avenue

Eco-Glades 2, Block C, Eco Park, Centurion

Telephone: 0100033475

Facsimile: 0866467150

info@ngb.org.za