

## Progress Report on the Working Group on Gambling's Consideration of the Gambling Review Commission's Report, dated 24 November 2011

### 1. Introduction

During the Portfolio Committee on Trade and Industry's consideration of the Interactive Gambling Regulations, it became aware of the potential challenges within the gambling industry due to technological advances. This led to it embarking on public hearings on the following:

1. the socio-economic impact of legalised gambling,
2. the impact of misleading advertising,
3. the regulation of cross-border gambling,
4. the current regulatory environment, and
5. interactive gambling.

The Committee expressed a view that the socio-economic impacts of legalised gambling were inadequately represented and appeared to be biased in favour of the gambling industry. Therefore, it was critical for the Committee to have more detailed socio-economic information in this regard to make appropriate recommendations in regard of the future development of gambling legislation.

As a result of these hearings, the Committee concluded that the proliferation of gambling should be halted until a thorough review of the national gambling legislation was conducted. At that stage, the Department of Trade and Industry announced that it was establishing a Gambling Review Commission to investigate the socio-economic impacts of legalised gambling as well as the status of the gambling industry and new forms of gambling.

Such a Commission was established and Ms Astrid Ludin was appointed as commissioner. This report has been tabled in Parliament and is now before the Committee. The Committee is in the process of interrogating the report and will propose recommendations pertaining to the principles (norms and standards) for the future proliferation of the gambling industry and possible amendments to the national gambling legislation to the National Assembly.

Due to the complexity and vastness of the report, the Committee decided to establish a working group on gambling to assist it in finalising this process.

#### 1.1. Members of the Working Group

The Committee initially constituted the Working Group with the following members:

1. Mr N Gcwabaza (chairperson)
2. Ms F Khumalo
3. Ms C M Kotsi
4. Mr J Smalle

However, due to membership changes, Ms Kotsi was unable to continue her membership of the Working Group.

## **1.2. Terms of Reference**

In order to advise the Committee on matters pertaining to its consideration of the conclusions and recommendations from the Gambling Review Commission's Report in relation to the purpose of the principal Act, the Working Group's core objectives are to:

1. Consider the conclusions and recommendations of the Gambling Review Commission's Report.
2. Consider the outcomes of the submissions from the proposed public hearings.
3. Present or propose core issues for the Committee's deliberations and consideration.
4. Propose conclusions and/or recommendations for the Committee's deliberations and consideration.
5. Consider possible amendments to the principal Acts.

## **1.3. Activities**

The Working Group held its first meeting on 18 August 2011 and has had eight meetings thus far. The meetings focused on identifying key issues in each gambling sector presented in the report, as well as engagements with the regulators and the DTI. The two official report backs that the chairperson of the Working Group presented to the Committee are listed in Appendices A and B.

On 20 and 21 October 2011, the Working Group undertook a site visit to Gauteng to acquaint itself with the various forms of legal gambling in South Africa and identify some of the challenges the gambling industry was facing, particularly in terms of the existing legislation. During this visit, it also engaged the National Lotteries Board and the National Gambling Board for an overview of the sector. A more detailed presentation of the Working Group's findings, conclusions and recommendations are available in Appendix C.

## **2. Key issues identified by the Working Group**

The Working Group during its various activities has focused on the broader lotteries and gambling regulatory framework as well as the gambling sectors thus far. The table below outlines the areas where the Working Group agrees, as well as areas it has identified as requiring further investigation. In addition, its site visit report (see Appendix C) offers further preliminary findings, conclusions and recommendations related to legal gambling activities that have been agreed to.

Sector	Areas of Agreement	Areas for further investigation
General	<ol style="list-style-type: none"> <li>1. There is a need to amend gambling and lotteries legislation.</li> <li>2. Minors should be protected.</li> <li>3. All forms of gambling should be regulated.</li> </ol>	<ol style="list-style-type: none"> <li>1. The structural arrangement of the gambling regulators/ Feasibility of a single, consolidated gambling regulation body; and</li> <li>2. The structural arrangement of the National Lotteries Distribution Trust Fund.</li> <li>3. Intellectual Property of sports betting</li> </ol>
Lottery Regulatory Framework	<ol style="list-style-type: none"> <li>1. The Lotteries legislation should be amended.</li> <li>2. The Distributing Agencies should be held accountable to the NLB.</li> <li>3. Applications should be made more accessible</li> <li>4. There should be differing criteria for applicants based on a ceiling or bands of funds being applied for and the type of organisation applying.</li> <li>5. Need to link requirement for audited financial statements to new Companies Act requirements.</li> <li>6. A portion of the NLDTF should be aligned with national priorities.</li> <li>7. There should be some discretionary funding which the NLB may distribute for national priorities, as well as disaster relief. (For example the Miscellaneous Fund could be increased from 5% and the NLB could be allowed to approach organisations aligned with these priorities and/or specifically be able to approach organisations for assistance of disaster relief OR for a fifth fund to be introduced for distribution to national priorities.)</li> <li>8. There should be a greater emphasis on distribution to poorer provinces and rural areas.</li> <li>9. Beneficiaries should be held accountable for how they spend their approved funds, as well as verification of beneficiaries/projects.</li> <li>10. Multi-year grants should be made available with conditions regarding efficient and effective usage.</li> </ol>	<ol style="list-style-type: none"> <li>1. Bottlenecks in the Act regarding distribution of funds</li> <li>2. Norms and standards</li> <li>3. Licensing of National lottery operator and extension period between termination of the old licence and the awarding of the new licence</li> <li>4. Strengthening the regulation and enforcement regarding promotional competitions, especially cellphone competitions</li> <li>5. Location of lottery machines</li> <li>6. Opening the National Lottery to foreign players (including via internet)</li> <li>7. Legality of South Africans purchasing tickets from foreign lotteries</li> <li>8. NLB's power of enforcement</li> <li>9. Appeal process for applications</li> <li>10. Legal requirements of adjudication process to address backlogs e.g. allowing NLB to screen/process applications</li> </ol>

Sector	Areas of Agreement	Areas for further investigation
	<p>Access by minors to playing the National Lottery should be monitored.</p>	
Gambling Regulatory Framework	<ol style="list-style-type: none"> <li>1. Norms and standards must be developed and published to set minimum standards for licensing conditions, limitations on forms of gambling activities and their associated ceilings, advertising principles and implementing problem gambling measures</li> <li>2. Local manufacturing of gaming equipment should be encouraged.</li> <li>3. Testing companies, manufacturers and importers of gaming software should be licensed nationally.</li> <li>4. Licence applications should be more diversified to promote competition.</li> <li>5. Corporate social responsibility as well as gambling tax revenue should be linked to the national priorities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provincial gambling boards submitting to the national legislation and being overseen by NGB – legislative powers of enforcement including power to develop and enforce norms and standards)</li> <li>2. Appeal/adjudication for approval of gambling licences</li> <li>3. The South African Bureau of Standards' role in independently verifying test reports for gaming equipment, as a service to regulators.</li> <li>4. Legality of sports betting</li> </ol>
National Responsible Gambling Programme	<ol style="list-style-type: none"> <li>1. The NLB should contribute to the NRGF.</li> </ol>	<ol style="list-style-type: none"> <li>1. The National Responsible Gambling Programme and curbing problem gambling.</li> <li>2. Best practices to prevent problem gambling and other negative impacts</li> </ol>
Casinos	<ol style="list-style-type: none"> <li>1. The number of casino licences should remain at 40.</li> <li>2. Casinos should maintain their destination-style approach.</li> <li>3. Casino licences should be reviewed every ten years, as long as regular compliance checks are performed by provincial regulators.</li> </ol>	<ol style="list-style-type: none"> <li>1. The relocation of casinos within provinces.</li> <li>2. The number of slot machines and tables allowed in a casino.</li> <li>3. The allocation of the three available licences in the Limpopo, Mpumalanga (Pilgrims Rest/Lydenburg/Bushbuck) and Northern Cape (Kuruman) provinces.</li> <li>4. The resolution of the North West/Gauteng dispute regarding the reallocation of the gambling licence lost due to demarcation issues.</li> <li>5. The status of monitoring and enforcing registered excluded persons.</li> <li>6. Potential criteria for review and the mandatory licensing conditions.</li> </ol>

Sector	Areas of Agreement	Areas for further investigation
Limited Payout Machines	<ol style="list-style-type: none"> <li>1. The stakes and payouts in the LPM industry should be increased to a maximum of R30 and R3 000 respectively.</li> <li>2. Site operators should comply with the exclusion of problem gamblers and mechanisms should be found to assist them with implementing this.</li> <li>3. Inconsistent legislation that has been hampering the roll-out of LPMs should be amended, including the Business Act and Liquor Act.</li> <li>4. The Working Group agrees with the current arrangements in terms of location.</li> </ol>	<ol style="list-style-type: none"> <li>1. The requirement for a certain proportion of site operators to be in previously disadvantaged areas for the roll-out of LPMs.</li> <li>1. Compliance cost for the CEMS operator as provinces are not in favour of having the monitoring function hosted nationally; and</li> <li>2. The cost for route/site operators in complying with the daily monitoring of LPMs.</li> </ol>
Bingo		<ol style="list-style-type: none"> <li>1. The number and location of EBTs.</li> <li>2. The configuration of EBTs in terms of the entertainment section.</li> </ol>
Horseracing and betting	<ol style="list-style-type: none"> <li>1. Horseracing industry should be regulated</li> <li>2. Overall review of /Commission of Inquiry into the horseracing and betting industry to inform the restructuring of the industry</li> <li>3. Horseracing industry as a whole must be transformed and be more representative of the demographics of the country.</li> <li>4. Integrate bush racing and harness racing into the mainstream horseracing and betting industry.</li> </ol>	<ol style="list-style-type: none"> <li>1. Whether there should be a regulatory split between various aspects of horseracing and betting, i.e. breeders in Dept of Agriculture, trainers and owners in Sport and betting in the DTI.</li> <li>2. Whether track operators should be allowed to close tracks</li> <li>3. Unutilised tracks to be used as quarantine areas</li> <li>4. Revenue formula for bookmakers and tote in relation to contributions to the horseracing industry</li> <li>5. Possibility of only having a national tote on horseracing</li> <li>6. Allowing other forms of gambling and/or racing at race tracks to modernise these.</li> <li>7. Increase maximum stakes.</li> <li>8. Licensing of betting on 'new' forms of legalised horseracing</li> </ol>

Sector	Areas of Agreement	Areas for further investigation
Online gambling	<ol style="list-style-type: none"> <li>1. Online gambling should be regulated using the principle of non-proliferation and protection of consumers and minors.</li> <li>2. Ceilings on daily stakes that can be placed.</li> </ol>	<ol style="list-style-type: none"> <li>1. Limiting online gambling to interactive gambling (playing against the 'house') or opening it up to include online poker, person-to-person betting and/or betting exchanges</li> <li>2. Enforcing online gambling</li> <li>3. Onshore versus offshore hosting of servers and presence</li> <li>4. Identification of players and limits on their accounts</li> <li>5. Player protection</li> <li>6. Number of licences and who would regulate and/or licence operators (NLB, NGB or provinces)</li> <li>7. Advertising of online gambling sites</li> <li>8. Role of service providers (e.g. banks, payment agencies, internet service providers and mobile providers) in facilitating transactions on online gambling sites.</li> <li>9. Liability of operators when there are transgressions and/or non-compliance of legal or licensing conditions</li> <li>10. International good practices on regulating online gambling.</li> <li>11. International obligations of preventing foreign online gambling sites.</li> </ol>
Greyhound racing		<ol style="list-style-type: none"> <li>1. Legal status of greyhound racing.</li> <li>2. Regulation of betting on greyhound racing should be investigated.</li> </ol>
Other illegal gambling activities	<ol style="list-style-type: none"> <li>1. Bush and harness racing should be regulated and integrated into the mainstream horseracing and betting industry.</li> <li>2. There should be enforcement and awareness raising, especially among youth regarding dangers of gambling particularly illegal gambling to minimise participation in fafhee, dice and card games.</li> </ol>	<ol style="list-style-type: none"> <li>1. Link between harness racing and bush racing.</li> </ol>

### **3. Way Forward for the Working Group**

The Working Group still needs to undertake the following activities:

- 3.1. Continued investigation of areas identified for further investigation in conjunction with any relevant role-players.
- 3.2. An engagement with the greyhound racing industry.
- 3.3. A study tour to Italy to investigate its regulatory framework for gambling, particularly online gambling.
- 3.4. Broader research on enforcing online gambling.
- 3.5. A site visit to further its understanding of the full thoroughbred horseracing value-chain in the Western Cape, i.e. including breeding, racing and betting.
- 3.6. A site visit to the National Responsible Gambling Programme's treatment facilities in Cape Town.
- 3.7. Submission of its final report to the Committee is expected in March 2012.

## **Appendix A: Report Back of Working Group on Gambling, 31 August 2011**

The Working Group has had two meetings thus far. The approach it is taking is to:

- Isolate issues in the gambling report and relate them to the Act.
- Consider what the Committee had said at the end of its initial process in relation to GRC Report.
- Differences between the treatment of lotteries and other forms of gambling.
- Look at gambling as a broad form and then focus on lotteries and may need to consider whether the two aspects should be joined (concerns regarding existing structural arrangements).

Thus far, the Working Group has considered the conclusions and recommendations of the Gambling Review Commission's Report in terms of casinos, limited payout machines and bingo and raised issues for discussion/follow-up. Some of the key issues raised are:

- Casino licences and reallocation due to provincial demarcation.
- Issues under consideration for a 5 year review of casino licences.
- Appropriate location of gambling facilities and the impact on society.
- Curbing the manufacturing/importation of illegal slot machines.
- The roll-out of electronic bingo terminals.
- The limit on payouts and bets for limited payout machines (LPMs).
- Inconsistency between local, provincial and national government requirements in terms of LPMs.

Way forward is to complete the remaining conclusions and recommendations in relation to the legislation and other submissions received by the Committee. Undergo a possible site visit to gambling facilities to improve the Working Group's understanding of how the industry currently functions and the challenges related to this.



## Appendix B: Report Back of Working Group on Gambling, 7 September 2011

The latest meeting of the Working Group was held on 1 September 2011. It came to general agreements on the following:

1. There will be a need to amend the gambling and lotteries legislation.
2. Minors must be protected from exposure to gambling activities.
3. All forms of legalised gambling should be regulated and other forms of gambling should be specifically outlawed.
4. Further proliferation of gambling should not necessarily be considered; however, best practices to prevent problem gambling and other negative impacts should be taken into account.
5. DTI's view on national and provincial gambling boards should be elicited.
6. Experts must be identified and should include social development issues
7. Public hearings will be held provisionally on 26 and 28 October 2011.

The Working Group also covered the conclusions and recommendations of the Gambling Review Commission's Report for the remaining legalised forms of gambling, excluding lotteries, as well as the new forms of gambling excluding online gambling. Some of the key issues raised are:

1. *Horse-racing and betting*: bookmakers, online betting activities must be regulated; regulation of the National Horseracing Authority to account for horseracing activities and modernisation of horse-racing tracks and the totalisator as well as the possibility of allowing the closure of tracks and other forms of gambling at totes.
2. *Greyhound racing*: the Working Group agrees with the Commission that greyhound racing should not be legalised.
3. *Bush racing*: as this is a rural based gambling activity that can be quite similar to horse-racing, propose that this should be considered for regulation with particular emphasis on the treatment of the horses.
4. *Fahfee, dice and card games*: concerns around the attraction of youth/minors to these gambling activities, the risk of problem gambling and the criminal aspects of these forms of gambling. Also enforcement and raising awareness is critical and attention should be given to educating youth on the dangers of gambling.

The Working Group proposes the following activities to improve its understanding of how the industry currently functions, the challenges related to this and international good practice:

1. The inclusion of a DTI/NGB official to assist the Working Group on information regarding the existing legislative framework.
2. A site visit to Gauteng during September to familiarise the Working Group with the various legal forms of gambling.
3. A possible study tour of gambling practices in the United Kingdom/Europe in November/December 2011 specifically on interactive/online gambling, certain other new forms of gambling and addressing problem gambling.

## **Appendix C: Overview of the Working Group on Gambling's Site Visit to Gauteng, dated 23 November 2011**

### **1. Introduction**

The Working Group on Gambling embarked on a two-day visit to Gauteng to acquaint itself with the various forms of legal gambling in South Africa and identify some of the challenges the gambling industry was facing, particularly in terms of the existing legislation. The site visit was conducted on 20 and 21 October 2011 in Gauteng. The delegation consisted of:

1. Mr N Gcwabaza (Chairperson)
2. Ms F Khumalo
3. Mr J Smalle
4. Ms M Herling (content advisor)

The following entities, sites and/or companies were visited and/or engaged:

1. National Lotteries Board (NLB)
2. National Gambling Board (NGB)
3. Gaming Laboratories International (GLI) Africa, a gaming equipment testing laboratory
4. BMM International, a gaming equipment testing laboratory
5. Zonke Monitoring Systems, the current National Central Electronic Monitoring System (CEMS) operator
6. National Horseracing Authority (NHA)
7. Hollywood Bets, a bookmaker and limited payout machine (LPM) site operator
8. Galaxy Bingo, bingo and electronic bingo terminals
9. Montecasino

### **2. Key findings**

The Working Group has identified the following key findings per area of interest:

#### **2.1. Lotteries Regulatory Framework**

Based on the engagement with the NLB, the Working Group has identified the following areas of concern:

- 2.1.1. The lack of clear lines of accountability of the distributing agencies to either the NLB, as the trustee of the National Lottery Distribution Trust Fund (NLDTF), or the Minister and/or Department of Trade and Industry.
- 2.1.2. The requirements for applications are too onerous especially on organisations operating in poor and vulnerable areas and may not be clearly understood by these organisations.

- 2.1.3. It has also been unclear on what basis the distributing agencies have been approving applications. This has been evidenced by apparently trivial reasons for declining applications. However, the NLB has recently developed a framework for the newly appointed distributing agencies including assigning scores per criterion on which to assess applications.
- 2.1.4. Given the large volume of applications received annually and the limited time distributing agencies have to assess applications per year, a significant backlog has been inevitable. Thus far, it appears that there is no system, including pre-screening of applications by the Central Application Office, to address backlogs.
- 2.1.5. There appears to be no existing verification system in terms of the use of funds by beneficiaries of the NLDTF.
- 2.1.6. The existing legislation allegedly does not give the NLB power to enforce it and act against the operation of illegal lotteries, including illegal promotional competitions and SMS competitions.
- 2.1.7. Currently, the NLB does not contribute towards the National Responsible Gambling Programme (NRGP), which treats and prevents problem gambling. They have indicated a willingness to contribute to cases specific to lotteries but not to contribute a set percentage of the National Lottery's funds to the NRGP.
- 2.1.8. The NLB has indicated that they are concerned about combining the NLB and NGB due to the two entities' diverging philosophical approaches to gambling and that this may water down the specialisations within the NLB.

## **2.2. Gambling Regulatory Framework**

Based on the engagement with the NGB, the Working Group has identified the following areas of concern:

- 2.2.1. Implementation of the register of excluded persons is not effective, as legislative requirements in Section 14 have not yet been implemented. Furthermore, provinces, who are the main regulators of gambling activities, do not have similar registers.
- 2.2.2. There is limited funding within the NGB and the NRGP for public awareness. In addition, there is no holistic and cooperative manner within which this is approached between national and provincial government.
- 2.2.3. The NGB is responsible for drafting and implementing norms and standards for the gambling industry in conjunction with provincial licensing authorities (PLAs) to ensure uniformity across the two spheres of government. However, since the 2004 National Gambling Act has come into effect, the NGB has been unable to sign off on an agreed upon set of norms and standards. The main reason for this has been that many PLAs have given in-principle agreements and have withdrawn this before the norms and standards could be implemented. This is being driven by divergent objectives of revenue generation

- among PLAs and regulation of the proliferation of gambling by the NGB.
- 2.2.4. There is also a lack of accountability between the NGB, PLAs and the National Gambling Policy Council.
  - 2.2.5. Prosecution of persons offering illegal gambling activities is a challenge due to the lack of capacity and/or expertise within courts to adjudicate on these matters. The NGB has proposed establishing a tribunal that could deal with gambling matters.
  - 2.2.6. With rapid technological changes in the gambling industry, there is a need to employ more staff with ICT systems and security expertise as inspectors.
  - 2.2.7. Regulation of the sporting and gambling elements of horseracing is problematic, as there is no legislation governing this.
  - 2.2.8. In terms of the importation of gaming equipment, there appears to be few mechanisms to ensure that gaming equipment are in fact correctly labelled and that customs authorities are able to accurately verify the contents of electronic goods as packaging may not be tampered with.
  - 2.2.9. The NGB is of the view that one set of policy principles should govern all gambling activities including lotteries.
  - 2.2.10. In terms of interactive gambling, the NGB has been unable to secure cooperation with foreign regulators that licensed online gambling sites, as they cannot control access by South Africans. In addition, certain Southern African Customs Union countries are limited by the South African Reserve Bank in interfering with transactions, including illegal online gambling transactions, involving South Africans because of the free currency area.
  - 2.2.11. Payments processing agents, such as MasterCard, are not regulated and are unwilling to assist in preventing gambling-related transactions. They pose major issues for compliance in terms on online gambling, as the entire flow of money must be covered to prevent illegal gambling.

### **2.3. Testing Laboratories**

Based on the engagements with GLI Africa and BMM Compliance, the Working Group has identified the following areas of concern:

- 2.3.1. There are only two testing laboratories in South Africa.
- 2.3.2. Both of these laboratories are required to operate independently from regulators and the industry to ensure that results of testing are not biased.
- 2.3.3. Laboratories test prototypes and initial designs of gaming equipment (software and/or hardware) against national standards before these may be issued with a Letter of Certification from the National Regulator for Compulsory Specifications and approval from the relevant PLA.
- 2.3.4. South African Bureau of Standards had the capacity to test gaming equipment but this appears to have been eroded with the introduction of private gaming equipment testing laboratories.
- 2.3.5. There is an issue related to the retesting older equipment, as standards are rapidly changing due to technological advancements (at least every

five years). Laboratories tend to keep the latest testing equipment and are often uncertain against which standard to test this equipment. In addition, older equipment may become incompatible with the current gaming site's newer monitoring system and thus hamper continued compliance.

2.3.6. In terms of illegal equipment, licensed manufacturers are subject to probity by the NGB and must disclose who they sell to in South Africa, therefore there is limited scope for illegal equipment to be located in legal establishments.

2.3.7. Results that are received from laboratories that are members of the International Laboratory Accreditation Cooperation have to be recognised by South Africa. Thus, testing is not always conducted locally.

## **2.4. Limited Payout Machines**

Based on the engagements with the NGB and Zonke Monitoring System, the Working Group has identified the following areas of concern:

2.4.1. There has been a slow roll-out of LPMs and Zonke has commissioned a study in this regard.

2.4.2. The industry has called for an increase in the maximum stake and payout allowable.

2.4.3. The LPM funding model is being revisited by the NGB. The NGB had identified that the initial allocation of sites was done without ensuring economic viability of the sites.

2.4.4. There are also restrictions on the transferring of LPM licences, sites must have a valid liquor licence and zoning right, before LPM licence can be issued.

2.4.5. The CEMS is funded through fees paid by the route and/or site operators.

2.4.6. The LPM industry returns a minimum of 75% of the stakes to players.

## **2.5. Horseracing and betting**

Based on the engagements with the NGB, the National Horseracing Association and Hollywood Bets, the Working Group has identified the following areas of concern:

2.5.1. There is a need to overhaul the Act to incorporate horseracing and betting, including the funding model.

2.5.2. Horseracing has been declining.

2.5.3. The NHA has been active and effective in regulating the racing industry and its rules and practices are internationally recognised.

2.5.4. There is no direct link between the betting and racing operators.

2.5.5. Compared to the totalisator, which access money from a pool, the bookmaking industry appears to be operated on a more risk and return basis.

2.5.6. Gauteng has implemented a slush fund for bookmakers if they become bankrupt to honour any winnings owed.

## **2.6. Bingo**

Based on the engagements with the NGB, the Bingo Association of South Africa and Galaxy Bingo, the Working Group has identified the following areas of concern:

2.6.1. There has been conflict between the NGB, the Gauteng PLA and the industry regarding the interpretation of the legislation and the implementation of electronic bingo terminals (EBTs). The industry has indicated that it is using the American model for its EBTs. It appears that since the Gambling Review Commission's Report has been concluded the industry has changed aspects of the look and feel of EBTs to address some of the concerns expressed within that report.

2.6.2. Bingo has always been located close to or in affluent shopping centres. The industry is of the view that its location has limited negative impacts on poor and vulnerable groups.

## **2.7. Casinos**

Based on the tour of Montecasino with the Peermont management and the Casino Association of South Africa, as well as engagements with the NGB, the Working Group noted the following issues:

2.7.1. Casinos are expanding their number of machines and tables without any consultation at a national level. This expansion is not governed by the National Gambling Act.

2.7.2. The casino's surveillance room has been equipped to deal with a number of security issues including the enforcement of the register for excluded persons.

2.7.3. Although much attention has been given to security, minors appear to have access to the floor or the floor is clearly visible to them. In most other gambling establishments, minors do not even have such visual access.

## **3. Preliminary Conclusions**

The following conclusions have been drawn based on engagements with stakeholders during the two-day site visit:

### **3.1. Lotteries Regulatory Framework**

3.1.1. The distributing agencies' lack of accountability to the Board could continue to undermine the government's national priorities and the initial intention of the NLDTF to benefit the vulnerable and the needy.

3.1.2. The existing, onerous legal requirements for good causes, particularly in the rural areas, could hamper more vulnerable good causes from

accessing the NLDTF and thus perpetually benefitting larger and relatively well-off organisations that are able to access other forms of donor funding.

- 3.1.3. The Working Group supports the NLB's efforts to develop a clear framework for the adjudication process. However, the lack of a pre-screening process negatively affects the turnaround time for adjudication and the sustainability of smaller organisations that may be primarily reliant on the NLDTF for funding.
- 3.1.4. The NLB's lack of legislative power to enforce legislation may lead to the operation of a number of illegal lotteries and promotional competitions, which could leave the public unprotected and deprive the State from taxation revenue.
- 3.1.5. Currently, lottery players are accessing the NRGP for treatment as problem gamblers, as the Responsible Play Programme does not offer treatment services and is not as widely-known and accessible as the NRGP. The two separate programmes may lead to differences in the message of responsible gambling and duplicate administrative costs.

### **3.2. Gambling Regulatory Framework**

- 3.2.1. The effective implementation of the register of excluded persons is critical to protect the public from engaging in problem gambling.
- 3.2.2. The existing funding and roll-out of public awareness has led to a situation where the message of responsible gambling is not being promoted by all provincial regulators and in certain cases has shifted towards promoting gambling. This approach may confuse and mislead the public.
- 3.2.3. The lack of minimum norms and standards as required by the national legislation has exacerbated the discrepancies between the national and provincial legislation due to concurrent jurisdiction over gambling. The lack of accountability between the PLAs, the NGB and the NGPC has to date prevented the implementation of norms and standards.
- 3.2.4. It appears that there is a lack of capacity in courts to successfully prosecute and adjudicate on gambling offences thus these cases are not effectively dealt with and are not necessarily prioritised.
- 3.2.5. The Working Group is particularly concerned about the possibility of illegal gaming equipment and machines being imported into the country without customs detection.

### **3.3. Testing Laboratories**

- 3.3.1. The Working Group has questioned the independence of the two testing laboratories within the South African market, as both are foreign owned, and it has been alleged that conflicting reports on the same gaming equipment can be produced from these testing laboratories.
- 3.3.2. The Working Group is also of the view that the South African Bureau of Standards should have expertise in testing gaming equipment to act as an independent verifier when required.

- 3.3.3. Older equipment that has not been retested against the latest standards pose a threat to an industry player's compliance, as they may no longer be compatible with monitoring systems that are updated more regularly.

### **3.4. Limited Payout Machines**

- 3.4.1. As the stake and prize for LPMs has not changed since 1996, the LPM industry operators' economic viability may be at risk, as these have not remained in line with inflation. This may lead to a decreased demand for LPMs by players, as well as the take up by potential site operators. This could further reduce the roll-out of LPMs in the provinces.
- 3.4.2. The misalignment between the requirements for LPMs under the National Gambling Act, the Business Act and the Liquor Act has hampered the roll-out of LPMs.

### **3.5 Horseracing and betting**

- 3.5.1. Horseracing is a sport.
- 3.5.2. Demand for horseracing and betting has declined, which has placed the industry at risk of becoming economically unviable.
- 3.5.3. Currently, the industry remains relatively untransformed in terms of gender and racial representation across ownership, management, breeding and jockeying.
- 3.5.4. The sport of horseracing appears to be well-regulated through the National Horseracing Authority.

### **3.6. Bingo**

- 3.6.1. The need to modernise is essential for the business to operate and therefore the clarity on the definition of traditional bingo and electronic bingo terminals is required.
- 3.6.2. The location of bingo halls and the number of EBTs introduced at the site may contribute to the proliferation of gambling.

### **3.7. Casinos**

- 3.7.1. The expansion of the number of machines and tables in casinos if unregulated may lead to the proliferation of gambling.
- 3.7.2. Given the clear visibility of the casino floor, this may prime minors and possibly non-gamblers for a propensity to gamble at a later stage.

### **3.8. General**

- 3.8.1. The Working Group was concerned about the visibility and location of ATMs at certain gambling.



## **4. Preliminary Recommendations**

Based on the conclusions, the Working Group proposes the following recommendations for the Committee's consideration:

### **4.1. Lotteries Regulatory Framework**

- 4.1.1. The distributing agencies should be directly accountable to the NLB.
- 4.1.2. The legal requirements for applications for the NLDTF should be streamlined in a similar fashion to the auditing requirements in the new Companies Act to have less onerous requirements for new organisations and those in poor and vulnerable areas that are applying for relatively small grants.
- 4.1.3. These organisations where access to audited financial statements is not readily available should be assisted to provide monthly financial reporting to ensure accountability.
- 4.1.4. The NLB should be involved in a pre-screening process to ensure that applications being adjudicated meet the legal requirements so that the distributing agencies only adjudicate on qualifying applications to reduce the backlog and turnaround times.
- 4.1.5. The DTI should initiate amendments to the National Lotteries Act to provide for enforcement provisions for the NLB.
- 4.1.6. The NLB should contribute to the National Responsible Gambling Programme to ensure a consolidated approach to problem gambling.

### **4.2. Gambling Regulatory Framework**

- 4.2.1. The legislative requirements listed in Section 14 should be implemented to give effect to the register of excluded persons.
- 4.2.2. Public awareness should be implemented in a holistic and cooperative manner to ensure that there is a consolidated approach to responsible gambling and that there is adequate funding available.
- 4.2.3. The NGB should be empowered to publish the national norms and standards to address these discrepancies and align provincial regulation of gambling with each other and remove conflicts with the principles underlying the national legislation. The lines of accountability between the PLAs, NGB and the NGPC should be clarified and legislated to strengthen the gambling regulatory regime.
- 4.2.4. The capacity to prosecute and adjudicate on gambling offences should be improved to strengthen the enforcement of the legislation.

### **4.3. Testing Laboratories**

- 4.3.1. Clear norms and standards should be developed to ensure that appropriate methodologies are used by all testing laboratories to minimise conflicting reports.
- 4.3.2. The South African Bureau of Standards should recapacitate its testing laboratories for gaming equipment to play a role in verifying test results as required.

- 4.3.2. The retesting and recertification of older equipment should be made mandatory for operators within a set period of time to ensure compatibility and compliance with monitoring systems.

#### **4.4. Limited Payout Machines**

- 4.4.1. The DTI should make provision in the national gambling legislation for the Minister to set the maximum stake and payout for LPMs in the regulations.
- 4.4.2. The National Gambling Act, the Business Act and the Liquor Act should be aligned to assist the roll-out of LPMs, particularly in non-urban areas.

#### **4.5 Horseracing and betting**

- 4.5.1. Horseracing should be acknowledged as a sport in its own right.
- 4.5.2. It needs to modernise, inter alia, its racing venues and racing format to attract new and younger generation players.
- 4.5.3. It must be more equitably representative of gender and race in terms of ownership, management, breeding and jockeying.
- 4.5.4. A statutory regulator for horseracing be created – either new or the existing National Horseracing Authority. However, this must be canvassed further with the other players in the racing industry.

#### **4.6. Bingo**

- 4.6.1. The DTI and NGB should review the definition of bingo in the national legislation and propose amendments to address the conflict due to the introduction of EBTs, as well as a differentiation between slot machines and EBTs.
- 4.6.2. Licence fees should be determined by the number of electronic bingo terminals and not per bingo site.
- 4.6.3. Bingo sites that operate at malls can present a threat; therefore, the location must be re-evaluated in line with casinos (and possibly other gambling sites).
- 4.6.4. Similar to LPM licences that limit the number of machines at a site, there should be a maximum number of EBTs at a site should bingo operators seek to modernize themselves in an effort to remain economically viable.
- 4.6.5. The Act should clarify when there has been sufficient technical advancements for gaming equipment and software to be considered to have added to their intellectual property.

#### **4.7. Casinos**

- 4.7.1. There should be a clear approval process for the expansion of casino machines and tables, which is implemented in all provinces.
- 4.7.2. The industry should consider mechanisms to limit unwanted exposure to the casino area.

## **4.8. General**

- 4.8.1. ATMs should not be clearly visible from the floor of a gambling site and the existing regulations for the location of ATMs should be reviewed.