National Gambling Board
South Africa
a member of the dti group

A Mandate for Business Leadership:
The case of regulated gambling in South Africa

Linda de Vries

Perspectives of South Africa

Cry the beloved country

Gathering gloom

Call for competition

Progress since becoming democracy

Leadership vacuum or leadership challenge

Challenge SA Future

Mandate for business leadership

South African agenda - shaped by developmental agenda

- Comply with global movement on environmental issues
- Global Economic melt down
- Political wide spread change – 1994-2013
- Strong philosophical orientation i.e. cost/benefit vs. tangible /intangible costs/benefits consumption model (De Vries- 1991)
- Caution on becoming a gambling dependant nation
- Purpose to legalise but not aggressive - consumption model (NGB Act 1996 /amended NGB Act 2004)
- Private enterprise be allowed within tight regulatory framework
- National lottery- good causes - aggressive –state benefit (NLB Act 2001) Normalisation of society with shift in priorities of the democracy
- New formulations of Economic black EMPOWERMENT such as BRICS countries with South Africa as part of these emerging economies.

Theoretical Organisational Framework of Gambling in South Africa

Theoretical Framework

Institutionalising-Gambling Industry 1994-ActNGB act 1996

- Established concept of gambling institutions with structure, forms and history
- Historically – Wiehann Commission – 1994: Casinos in previously Bantustans (TBVC) - formalised structure
- Steeped in traditions, rituals and also dominant culture of casinos as illegal, special trips

Institutional Theory

Population ecology- Casinos

- New forms of legitimate Casinos
- New entrants in Gambling Sectors (modes)
- Possible new flexibility in terms of group forming/mergers
- More formalised and regulation and structured and still institutional learning

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Regulatory Framework- Act 1996- Act 2004

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Policy Framework

Agenda of Government

- 1994 -1998 Reconstruction and Development Programme (RDP)
- 1999-2008 AsGiSa
- Accelerated Growth and development
- 2010-New Growth Path
- (NDP)

Impact for-Outputs

- Infrastructure
- Redress
- Access
- Growth
- Profitability
- Global relevance
- Industrialisation
- Job Creation
- Local Economic development

Background on possibility – 1996-2012: 38 Casinos

Maturity of gambling sector 2010

- Paternalistic past- (Homelands)
- Initiated political and business transformation
- Economic Transformation
- Meet the Policy initiatives of government

Job creation, Income generation and infrastructure needs.

New Legislation

- Technology challenges
- Mobile handsets
- Computers and internet
- Access to minors
- Safety
- Address the infrastructure needs
- Across all races and ensure participation of all

Casino industry-1994-2012

- Gambling capacity increased from 1994 to 2002-exponentially
- 2002-2010-Only 30% since
- 2002-2012-doubled visitors- other entertainment offerings
- Since 2002-increase in GGR-6,6%
- Gaming positions only 3,3%
- Reflects a mature market and industry-
- CSI spend-25%-GGR
- 2012-R83million

Sources:
Wiehann Report
CASA Reports(2010-2012)
NGB Annual Reports (2002-2009)

Casino Industry Evolution (1994-2012)

	1994	8 years	2002	8 years	2010	2012 (CASA)	Approved
Casino Investment							
Number of casinos	9		28		36	37	40
Number of slots	3700		17 628		22 345	22 688	
Number of gaming positions	4420		21 432		27433		
Number of Tables	120		634		848	830	
Number of visitors	n/a		30 million		60 million	64 million	
Revenue							
Annual GGR	1890m		8260m		13 726m	15 000 m	
Employment							
Casino employment	3000		30 000		34000	34 019	
Corporate Social Investment						R83 million	
Total state taxes						R5 billion	
Total levies						R1 billion	
Total employees -other*						18 242	
Total Annual Turnover-						**R 4 billion**	

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Competitive Model –Casino Analysis - Industry

Barriers to entry

- Requests for Proposals
- Limited allocation
- Maximum 40 licences
- Limits allocated per geographic jurisdiction
- 2 Licences- unissued
- One Current Evaluated (Mpumalanga)
- Northern Cape- (Un-issued)
- Stringent requirements
- Subject to review (time/ performance)

Substitute Products

- Other modes
- Corporatisation versus SMME
- Economic and Demographic Transformation
- New Entrants

- Leisure/local community

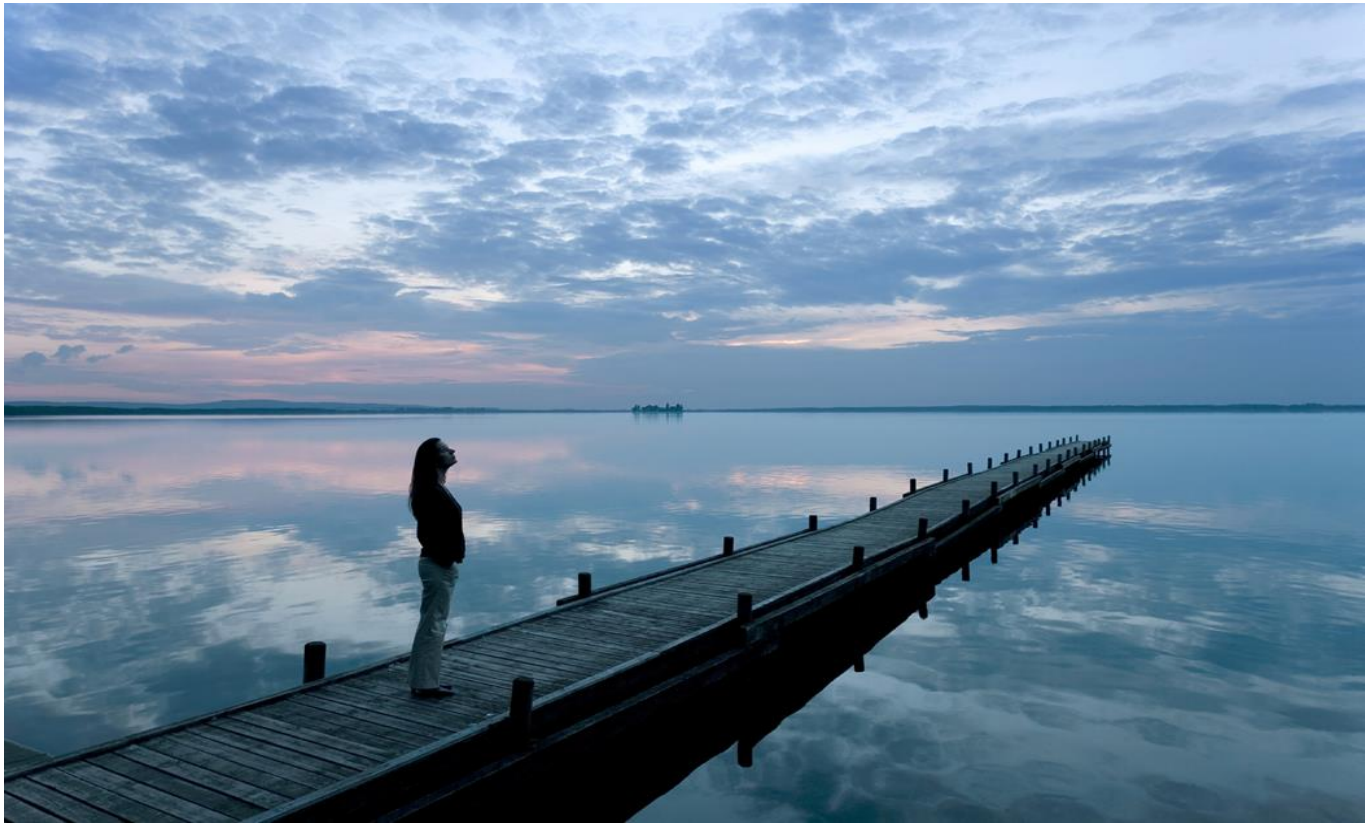
Limited Pay out Machine Industry (2004- 2010)
Sources: NGB 2010
Annual Reports- GPI, HCI and company websites
Zonke- Central Monitoring System

Limited Payout Machines(SMME)

Route Operators (5)	Listed	Number of sites 2010	Provincial Jurisdictions	Total Machines for play	NRGP-	
Grand Parade Investments	Yes-1996 BBBEEE-	37%	3			
Hoskins CI (Vukani Gaming)	Yes- 1994 BBBEEE	49%	6			
Other-	Privately owned	14%	2			
Approved sites			1200-1500 (site owners)	Licensed 6200-6500 machines		Sources: NGB reports Annual Reports GPI- Reports

Electronic Bingo-EBT- Jurisdiction Gauteng

Group	Operations			
		Controlling Shareholder	NRGP- Mandatory	CSI
Galaxy Bingo	2475 seats 30%	Hoskins Consolidated Investments (HCI- JSE listed)	0,1%-NRGP	HCI trust- not significant
Viva Bingo	2830 seats 60%	Privately Owned-UK Investor	0,1% -NRGP*	
Silk Gaming and Leisure	769 seats- 10%	Phumelela-* disinvested	0,1% NRGP*	
Gross Gaming Revenue-GGR		R196million- R206 Million		
Nominal Growth	+-5% per year	CSI- very marginal	Mostly NRGP 0,1% of GGR	



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National Gambling Board

- The NGB was **established in terms of National Gambling Act 1996**, (Act No 33 1996) - repealed by the National Gambling Act, 2004 (Act No 7 of 2004) ("the Act"). Its main responsibilities are:

- **To ensure uniformity, harmonisation & integrity** of the gambling industry in the Republic of South Africa by enforcing compliance through the National Gambling Act and other relevant legislation.

- **To conduct research studies** and **advises the Minister of Trade and Industry**, the gambling industry and other stakeholders on the state of gambling in the country.

- **To advise government on policy related to gambling** - Policy development in the gambling industry must emanate from the NGB through the dti for consideration.

Provincial Gambling Legislation

NGB -Oversight on Provincial Gambling Boards

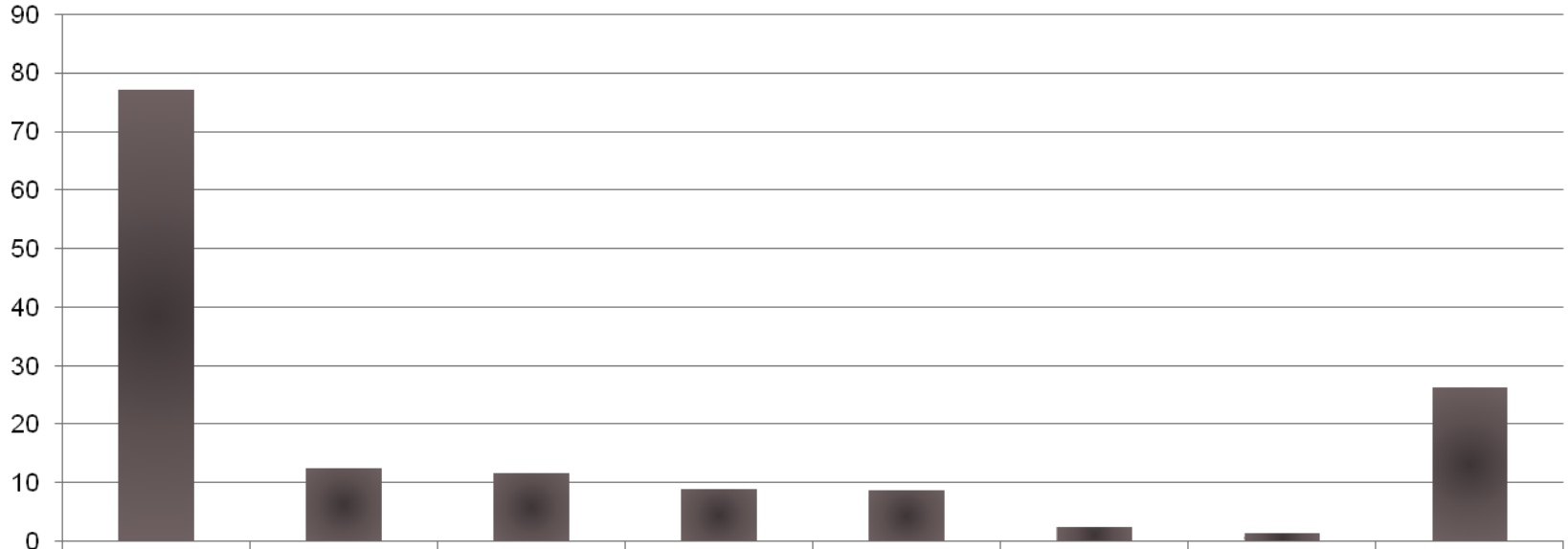
- Section 33 (a) (i) and (ii) of the Act requires the **NGB to evaluate the issuing of national licences and evaluation of compliance monitoring** of licensees by the Provincial Gambling Boards.

- **Industry challenges - different norms per provincial jurisdiction**
- **Duplication of business compliance**
- **High Cost of doing business x 9 regulatory compliance requirements**
- **Taxes, and levies vary per regulatory body and legislature**
- **Licence requirements of BBBEE (Broad Based Black Economic Empowerment**

Incidence of Gambling-2012

- All modes
- Inclusive of lottery
- Inclusive of betting
- Inclusive informal and illegal forms
- Wave : Nov 2012
- Sample of 3500 respondents
- Probability sample
- In home interviews
- National sample/ coverage

INCIDENCE: REGULATED GAMBLING MODES & ILLEGAL/INFORMAL GAMBLING



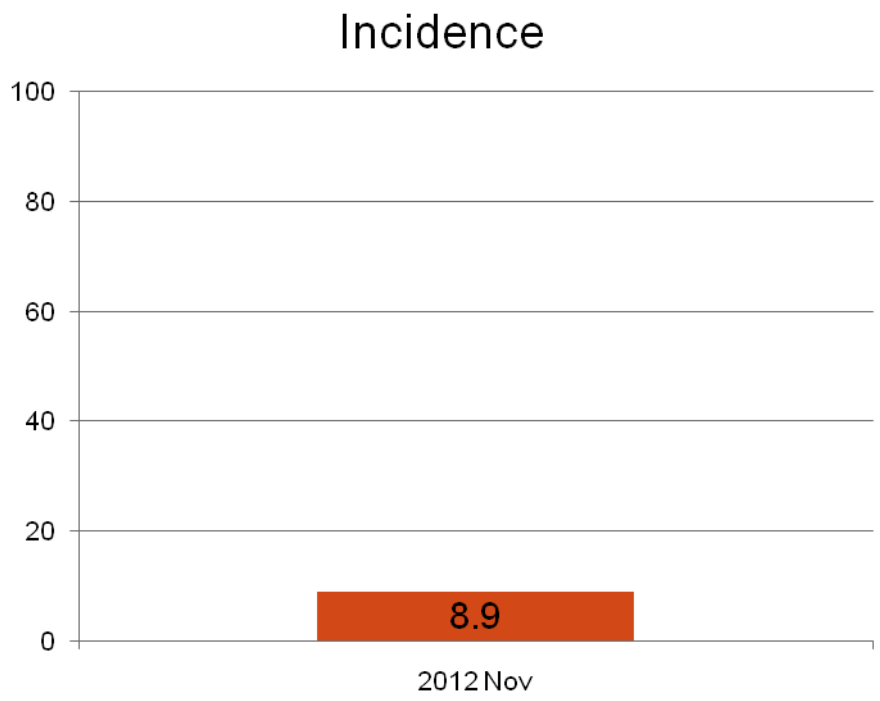
	National lottery	Horse racing/sport betting	Scratch cards	Gambling at casinos	Lucky draws	Bingo	LPM	All illegal/infor-mal gambling
2012 Nov	77	12.5	11.6	8.9	8.7	2.5	1.3	26.2

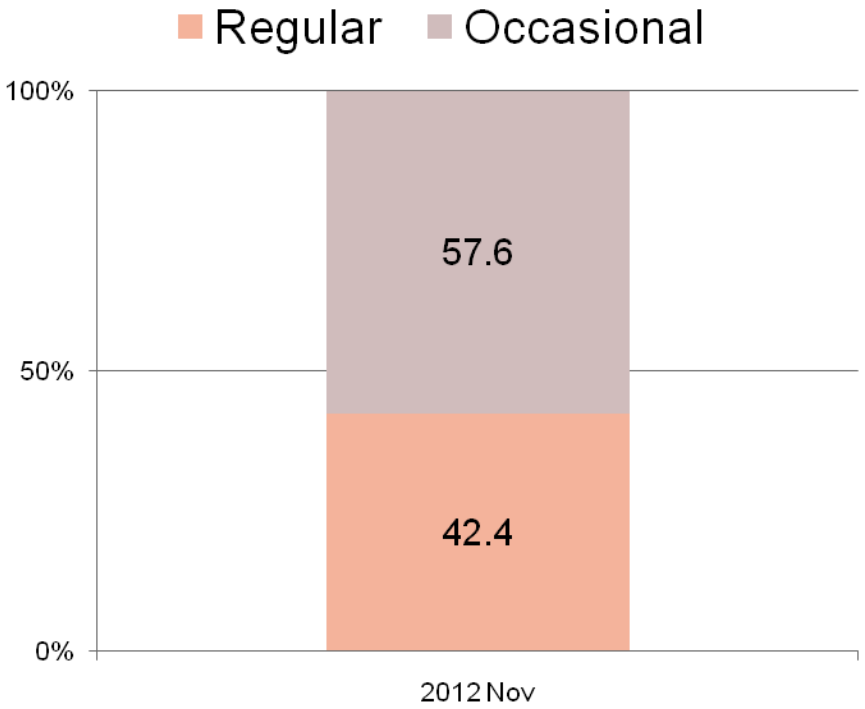
The National Lottery remains the most preferred gambling mode with 77% of gamblers indicating that they have bought a Lottery ticket in the last 12 months. 26.2% of all gambling activity took place at illegal outlets or within an informal context.

Horseracing–sports betting

- Significant employer in value chain
- Betting–taxes , regulated
- Sports betting on line-some debates

GAMBLING AT CASINOS [n=112]





Regular = daily or weekly
Occasional = monthly or less often

Third most prevalent mode of legal gambling, games for money at licensed casinos mainly focuses on slot machines. These gamblers are disproportionally more white and coloured and have middle to higher household incomes.

Oversight on Provincial Gambling Boards

- Section 33 (a) (i) and (ii) of the Act requires the **NGB to evaluate the issuing of national licences and evaluation of compliance monitoring** of licensees by the Provincial Gambling Boards.

Governance/ Accountability

- Assurance, Evaluation, Integrity, Ethics,
- BBBEE Agenda
- Triple bottom line-people, environment and our outputs(deliverables)
- Large Scale benefit to local communities and host communities
- Changes in Companies act 2011
- Business Leaders as part of BUSA and CASA and decision makers in the country
- Are we effectively changing our historical context and addressing barriers

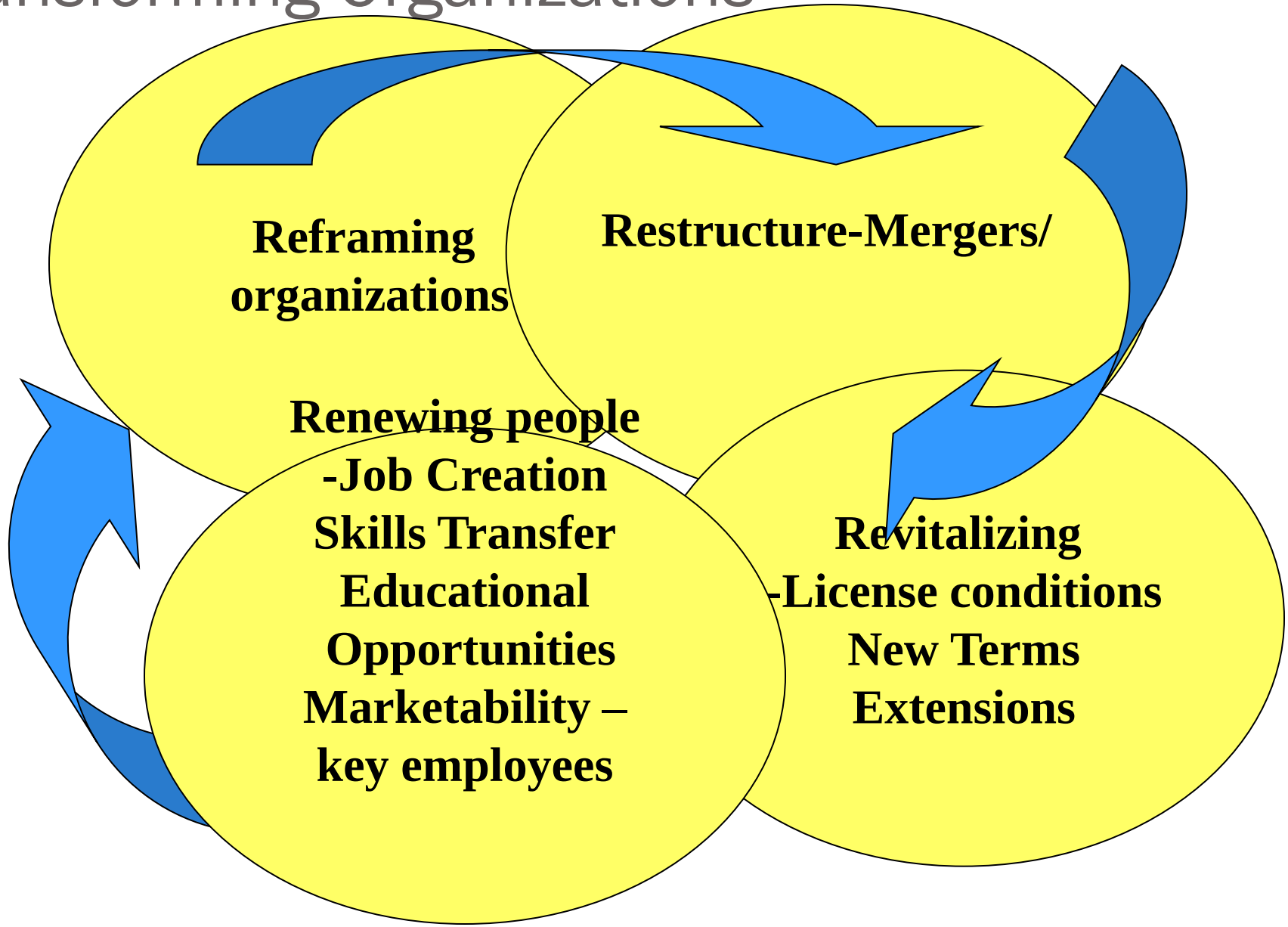
Modes of Legalised Gambling

- Casinos- 36 in 2010 and 38 2012- (RFP-2013)
- LPM(Limited Pay out Machines-) -(SMME's- intention)
- Horse Racing – Wagering and betting (Prior to 1994)
- Bingo (No National Framework- but 11 active licences in Gauteng and 3 other jurisdictions issued RFP and Licences.)- 2013
- Sports betting-legal –online-but Interactive-Illegal

Current Status

- On BEE start-ups- listed on JSE
- Access for wide range of pDI's before 1994 .
- Leadership local and South Africa and Africa
- Diversification into different modes
- IPAP- industrial development policy –local content

Transforming Organizations



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CASA- Casino Organisation in SA - National agenda

- Concurrent jurisdiction-Gambling in South Africa
- National and progressive human rights constitution dealing with discrimination, stereotyping
- Licensing – Legal forms in 9 Provinces-Each PGB- provincial laws
- South Africa not a federal state but unitary state
- Uniform standards and norms given the diverse legislations

What should the Gambling Businesses do?

- Work within the global economy
- Need to reinvent themselves
- Greater flexibility
- Broader vision
- Ability to operate in environment of increasing diversity and competition
- New territory without borders- use for our advantage- SADC, COMESA, ECOWAS
- Invest in people to create net(work) areas
- Deliver to all stakeholders / constituencies

Conclusion

- It's our time ……
- The Business strategies must be different
- Businesses need to design strategies for change- benefit, vulnerability and impact
- Nothing will happen unless it is planned
- Context –modes, new challenges - Season for considering organisational and institutional change linked with political change and agendas.
- Controlling business future through focussed corporate planning strategy is needed.
- Thank you

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