



National Gambling Board
South Africa

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RESEARCH BULLETIN

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The National Gambling Board (NGB) publishes Research Bulletins to inform readers about the latest research conducted. In this instance, NGB would like to share the key findings of research to determine the socio-economic impact of illegal gambling in South Africa.

Illegal gambling on the rise across South Africa

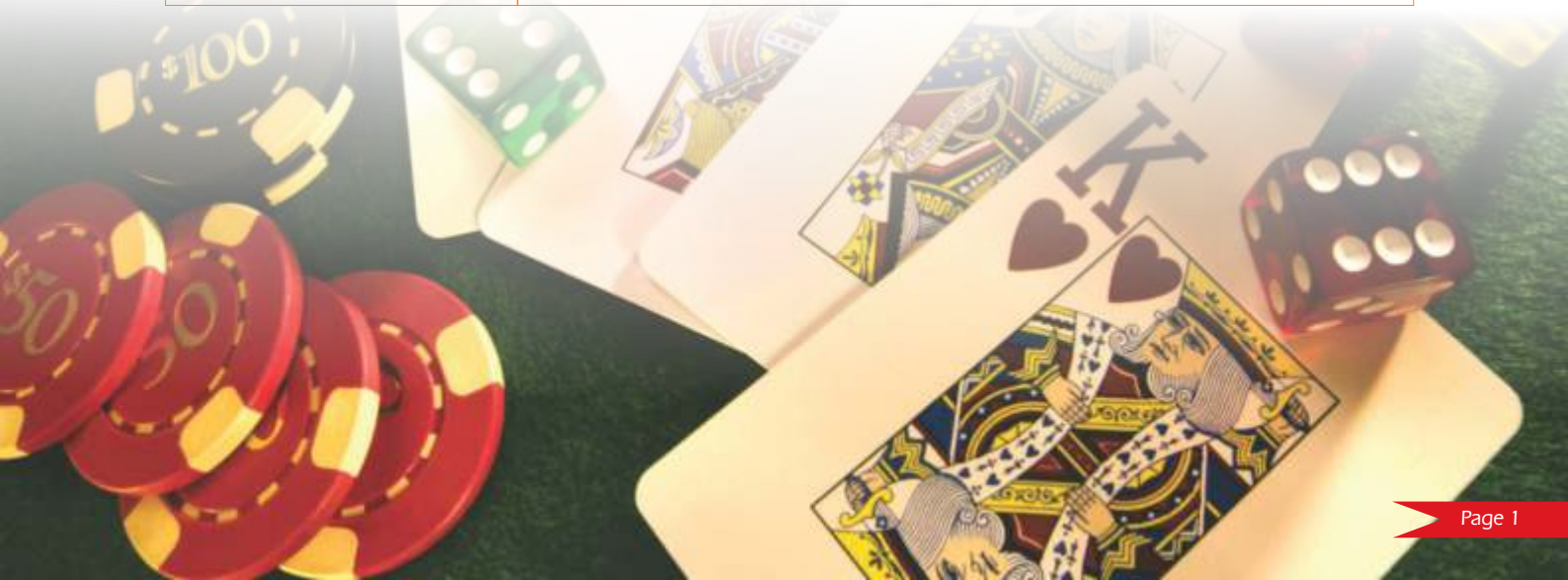
The most important factor that hangs over the formal gambling industry in South Africa is that of a growing shadow industry of illegal gambling activities including online gambling, which has gained momentum in recent years. This is what led to the conducting of a research study by the (NGB) on the socio-economic impact of illegal and specifically online gambling in South Africa in the 2015/2016 Financial Year. The purpose of the study was to assist the NGB and the policy making body in the country to understand and address the dynamics that are fuelling the growth of illegal online and illegal gambling in South Africa. The key research findings are summarised below. A summarised report is published on the NGB website (www.ngb.org.za).

The South African gambling industry is a relatively important component of the local entertainment and recreation sector of the country, both directly and indirectly, and its tax contributions go a long way in supporting the growth and development of the country. In 2014 alone, the industry contributed almost two billion Rand to the South African tax base. However, the size of the tax base is slowly being eroded by the growing shadow industry of illegal online and illegal land-based gambling, which has gained momentum in recent years. These operators create games that compete with traditional gambling operators and can have an impact on formal gambling revenues. This ultimately impacts on tax revenue for government, while further consequences include loss of employment opportunities, loss of local economic activity, and an erosion of consumer rights and protection.

Youth (ages 18 - 34) mostly involved in illegal online gambling

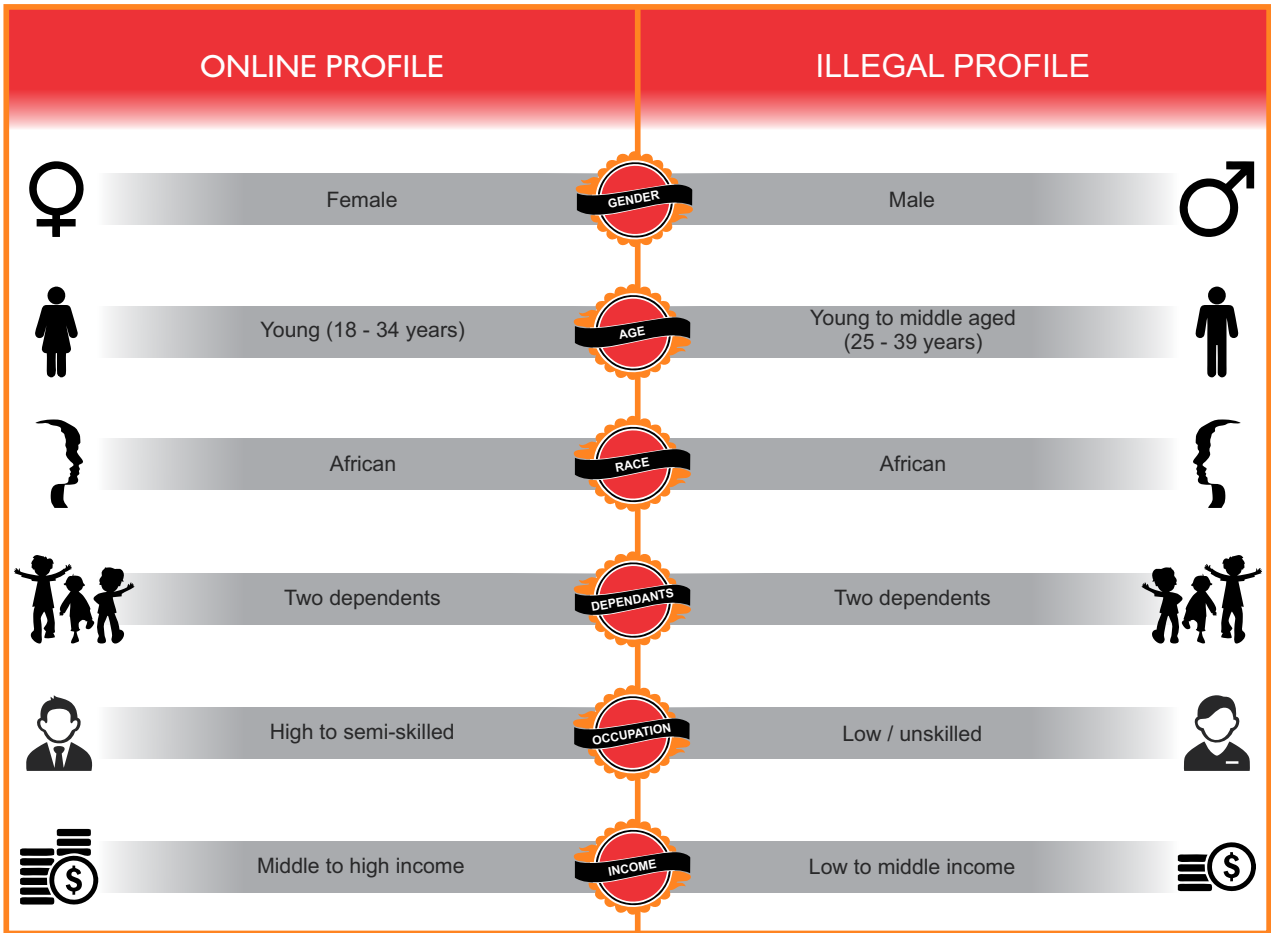
Illegal gambling as a whole is prevalent across the country. This includes both traditional forms of illegal gambling, such as Fafi, dice, animal betting and illegal casinos, as well as illegal online gambling, as reflected in the table below:

Form of Illegal Gambling	Prevalence in South Africa
• Fafi	Six provinces including Gauteng, Limpopo, Mpumalanga, North West, Free State and Northern Cape concentrated in Gauteng and Limpopo
• Dice	All nine provinces - concentrated in townships
• Animal Betting	All nine provinces - not enough information to determine hot spots
• Illegal Limited Payout Machines	All nine provinces
• Online Gambling	All nine provinces - particularly in urban nodes such as Johannesburg, Cape Town and Durban



The surveys conducted throughout the country for both illegal land-based and illegal online gambling show considerably diverse results, particularly in terms of age, income and reason for gambling. In terms of illegal land based gambling, it is obvious that the serious situation of general low income and living standards of previously disadvantaged persons contributes immensely to its involvement. Furthermore, these people do not have the capabilities to play at more official establishments like casinos. From an illegal online perspective, the majority of participants are affluent Africans.

An infographic outline of the general profile of online and illegal gamblers is provided below.



For the marginalised groups in the population, participation in illegal land based gambling is driven by issues surrounding the country's social and economic environment such as high unemployment, poverty and inequality. While for more affluent groups, participation is not only seen as a form of entertainment, but also a way to supplement their high standards of living.

The main drivers/enablers of illegal online gambling are marketing of e-gambling, social media (as a platform and marketing tool) and financial institutions that transact the payments/deposits and pay-outs.

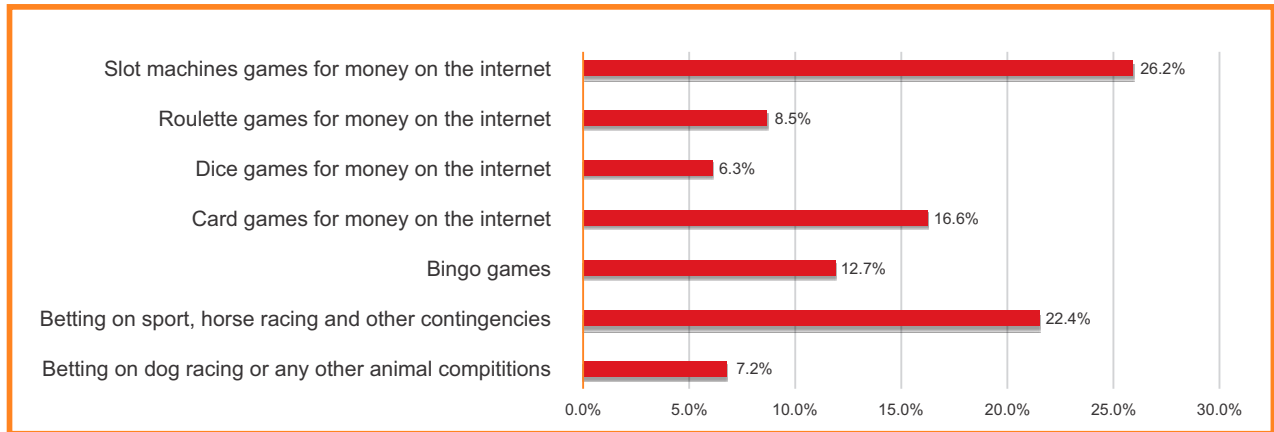
Most respondents originated from the following provinces: Gauteng (39%), Kwa-Zulu Natal (18%), and Western Cape (17%) and mostly participated in online gambling from their place of residence. It was also found that the typical illegal online gambler in South Africa can be described as a working middle income, young African individual between the ages of 18-34 with tertiary education and earning between R10 000 - R20 000 with two dependents. Their main motivation to gamble is fuelled by the desire to boost their income.



Most frequent illegal online gambling mode played are slot machines

The most frequent online gambling modes are slots, followed by betting (e.g. on racing and sporting events).

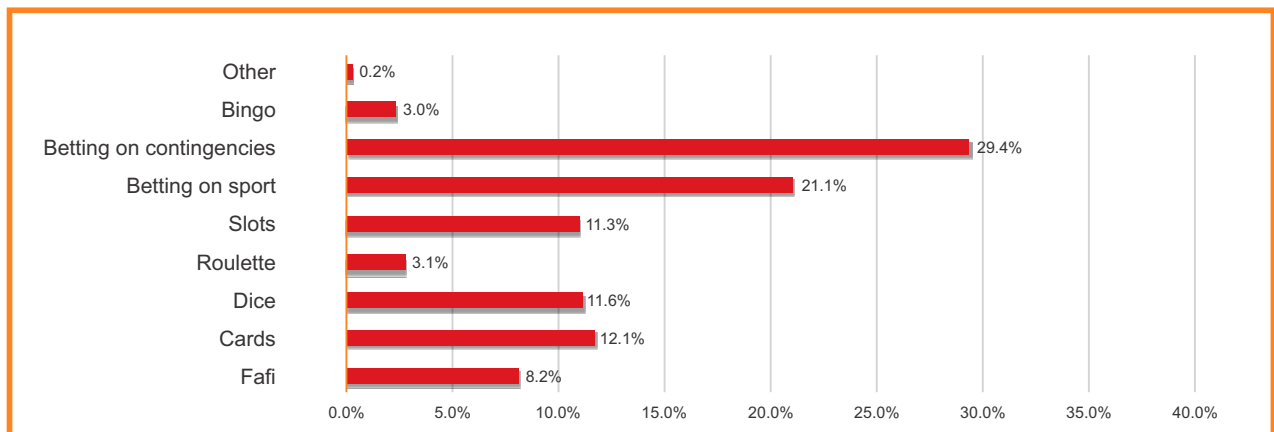
Participation in Online Gambling Modes (2016)



Source: UE Socio-Economic Impact E-Survey Analysis, 2016

A high percentage of the sample participated in betting on contingencies and sport, followed by cards and dice. These modes involved males more than females, while for the popular township lottery, Fafi, more young to middle-aged woman were found to participate. Generally, most respondents play for short periods at frequent intervals of at least once a day, or 1-3 times per day.

Participation in Illegal Gambling Modes Played



Source: UE Socio-Economic Impact E-Survey Analysis, 2016

Betting on contingencies in the study refers to less popular contingencies such as dog racing and other animal betting.



Quantification of online gambling

The total value add impact of online gambling in the country equals R586.66 million, roughly 4% of the direct value add generated by the casino industry. In terms of employment, the total direct employment loss is 1,235, based on lost employment in casino-related activity of 274 and casino-support activity of 194. A further 767 employment opportunities are lost in non-casino activity such as entertainment, trade and maintenance of casino facilities. The economic impact of online gambling is detailed in the table below:

Online Gambling Economic Impact

Impact	Value
Lost GDP: Online gambling	R586 666 667
Lost Employment: Total	1 235
Direct: Casino only	274
Direct: Non-casino	194
Indirect	767

Source: Urban-Econ Calculations, 2016

Estimates conducted in this study have, however, attempted to quantify the most popular and visible forms of illegal gambling which include Fafi, illegal Limited Payout Machines (LPMs) and dice. The total value of such activity on an annual basis is recorded in the table below.

Total Value of Illegal Gambling including Fafi, LPMs and Dice

Illegal Gambling Mode	Total Value (Rand)
Fafi	520 000 000
LPMs	104 124 935
Dice	54 048 523
Total	678 173 459

Source: Urban-Econ Calculations, 2016

Based on the total estimated revenue generated through illegal gambling activities in the country and the gambling industry multipliers, the following impact has been quantified for land-based illegal gambling in the country over a 1-year period.

Illegal Land-based Gambling Economic Impact

Total Losses	Value
Lost GDP: Illegal Gambling (Rand)	1 356 346 917
Lost Employment: Total	2 550

Source: Urban-Econ Calculations, 2016

Through the addition of the impact of illegal online gambling and the impact of illegal gambling, the total economic impact to the economy of South Africa can be determined. The table below includes these figures for value add and employment.

Illegal Land-based and Illegal Online Gambling Economic Impact

Total Losses	Value
Lost GDP: Illegal and Online Gambling (Rand)	1 943 013 584
Lost Employment: Total	3 785

Source: Urban-Econ Calculations, 2016

Impact of illegal and online gambling

Economic Impact	Social/Socio-Economic Impact
<ul style="list-style-type: none"> • Unfair competition on authorised gambling activities 	<ul style="list-style-type: none"> • Over exposure to gambling activities
<ul style="list-style-type: none"> • Reduction in gambling tax revenue generated by authorised gambling enterprises 	<ul style="list-style-type: none"> • Increase in consumer indebtedness
<ul style="list-style-type: none"> • Employment losses in licensed gambling establishments 	<ul style="list-style-type: none"> • Loss of Corporate Social Investment (CSI)
<ul style="list-style-type: none"> • Links to organised crime 	<ul style="list-style-type: none"> • Reduction in consumer protection

Research results from the study indicated that the total value add impact of illegal online gambling in South Africa is an estimated R586 million compared to an estimated R1.3 billion lost in Gross Domestic Product (GDP) due to land based illegal gambling modes such as Fafi, dice and unlicensed limited payout machines. Illegal online gambling's contribution to employment creation is lower than the land based legal gambling due to the nature in which it operates as it is not inherently labour intensive.

Key recommendations

Overall, the study recommends the following key recommendations in terms of a framework to combat illegal gambling:

- Amendment of current laws to ensure interactive, internet and other terminology used can be substituted for online in legal proceedings.
- Adjust other laws so that the focus shifts to enforcement of illegal gambling to assign more resources for enforcement, legal procedures, etc.
- Change law to rather outline inform criteria for processes/duties so that Provincial Licensing Authorities can concentrate on enforcement more to ensure that standards are met.
- Improve the volume of enforcement in each province and ensure they have the tools needed to combat online gambling effectively.
- Assign all enforcers peace officer powers.
- Assign enforcers legal authority to conduct raids without warrant or to compile necessary legal documents for raids.
- Collaborate with major banking institutes to stop illegal online gambling transaction processes.
- Collaborate with domain regulators to restrict domestic access to illegal online gambling sites.
- Form forums including representatives from different and relevant regulators / agencies / institutions that support the enforcement of illegal gambling.
- Set advertising standards to ensure that exposure to illegal online gambling is limited and penalties are adequate to discourage those considering advertisements.
- Ongoing awareness campaigns to educate gamblers (and the public) about online gambling legislation and its penalties, as well as problem gambling and where to get assistance.

