



PRESENTATION ON THE WESTERN CAPE NINETEENTH GAMBLING AND RACING AMENDMENT BILL , 2020

PURPOSE

The purpose of the presentation is to make oral submission to the Standing Committee on Finance, Economic Opportunities and Tourism of the Western Cape Provincial Parliament on the Western Cape Nineteenth Gambling and Racing Amendment Bill (“the Bill”) B1 2020.

THE NATIONAL GAMBLING BOARD

- The National Gambling Board (NGB) is a statutory body established in terms the National Gambling Act, 2004 (Act 7 of 2004) (NGA) to provide for the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering, and provide for the continued regulation of those matters.
- The gambling industry is an area of concurrent legislative competence as “casinos, racing, gambling and wagering” are listed in Part A of Schedule 4 of the Constitution. Section 146 of the Constitution determines which legislation will prevail in the event of a conflict between national and provincial legislation on a Schedule 4 matter.

LEGAL IMPERATIVES

- The Bill introduces a new “casino operator fee” however the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) and the Bill has not defined an “operator fee”.
- If a PLA has a direct financial interest in the granting and renewal of licences, then the ability to decline, place restrictions and cancel licences due to noncompliance, may be eroded.
- The proposed LPM operator fees with the deletion of the ten (10) year exclusivity may entrench the existence of monopolies and create higher barriers to entry.

GAMING CONTROL

- The Bill is not clear if the proposed LPM operator fees applies per Site Operator or Route Operator. Further clarity is sought on whether the proposed LPM operator fees are applicable to the allocated or installed LPMs.
- LPM operator fees must be market related and affordable to the gambling industry. Thus, it is not known whether an analysis regarding the feasibility of the increased LPM operator fees being payable by the existing market has been conducted.

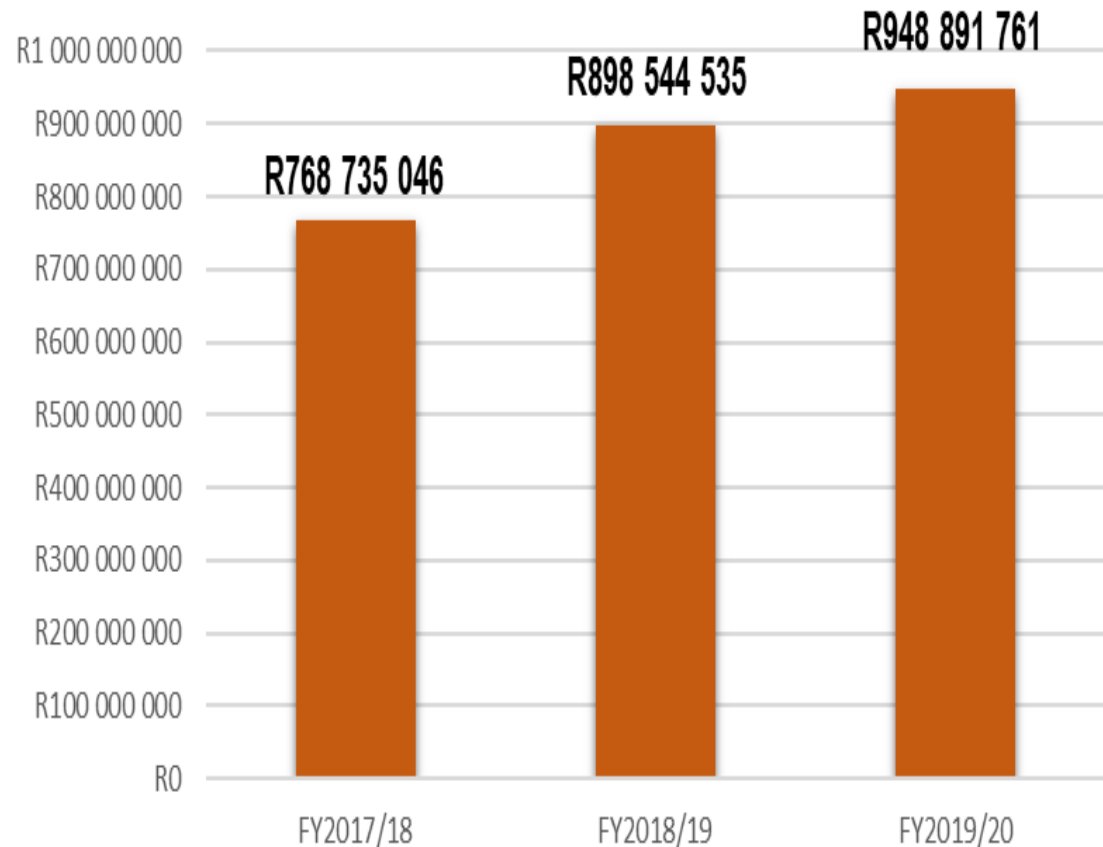
Route Operator	Allocated LPMS	Installed LPMS	Active LPMs	Active Sites
Grand Gaming Western Cape	1500	1068	812	224
Vukani Gaming Western Cape	1500	834	753	159

RESEARCH

The compound increase in Gross Gambling Revenue (GGR) in the LPM sector in the Western Cape depicted above is on average 11%

- The proposed increase in the LPM operator fees calls into question the issue of Transformation in the gambling industry. One of the main factors that a potential new entrant considers is the cost of licensing to decide if it should enter the industry.
- The increase in operator fees has a bearing on the ability of new entrants to participate in the LPM industry, presenting a high barrier to entry. Such high fees deter new entrants into the industry thereby consequently entrenching the existence of monopolies within the gambling industry and could stifle competition.
- This further deters from governments transformation agenda, as this could lead to fewer HDIs being able to participate in the gambling industry.
- What is the rationale for the increase for LPM operator fees from a minimum amount of R50 000 per annum to a minimum amount of R1,953 million per annum which translates to an almost 4000% increment?

WESTERN CAPE LPM GGR (FY2017/18- FY2019/20)



CONCLUDING REMARKS

- An affordability assessment to ensure that the proposed LPM operator fees are affordable to the existing market should be conducted.
- The proposed substantial increase in LPM operator fees maybe a deterrence from governments transformation agenda and may impede the new entrant HDI's entity the ability to participate in the gambling industry.
- Proposed high LPM operator fees may present a high barrier to entry and may prevent equal opportunity for a market player to participate in the gambling industry.
- It is imperative that the PLA continues to balance the socioeconomic impact of gambling against revenue generation.